

Government of India
Ministry of Finance
Department of Financial Services
LOK SABHA
Unstarred Question No. 3545
To be answered on Friday, March 16, 2018/Phalgun 25, 1939 (Saka)

Refinance Rate of Interest

3545. SHRI PRAHLAD SINGH PATEL.

Will the Minister of FINANCE be pleased to state:

- (a) whether there is a big difference between the refinance rate of interest charged by the National Bank for Agriculture and Rural Development (NABARD) through Cooperative Banks and Regional Rural Banks and the interest being charged by these banks through actual beneficiaries;
- (b) if so, the details of comparative interest rate charged by NABARD and paid by actual beneficiary for the last three years;
- (c) whether the interest rate has come down but it is not beneficial to farmers; and
- (d) the steps being taken by the Government to provide credit to farmers at lower rate of interest?

Answer

The Minister of State in the Ministry of Finance
(Shri Shiv Pratap Shukla)

(a) to (d): National Bank for Agriculture and Rural Development (NABARD) provides short term refinance to Cooperative Banks and Regional Rural Banks (RRBs) for their crop loan lending at an interest rate of 4.5% per annum, provided the Banks lend to the ultimate borrowers at an interest rate of 7% per annum upto an amount of Rs 3 lakh per borrower.

The details of interest charged by NABARD and by the Cooperative Banks and RRBs to the farmers for the last three years are as under:

Agency	2015-16	2016-17	2017-18
NABARD to banks	4.5%	4.5%	4.5%
Banks to Borrowers	7%	7%	7%

Further, to encourage long term investment credit in agriculture, NABARD provides refinance to Cooperative Banks and RRBs out of Long Term Rural Credit Fund (LTRCF), at a concessional rate of interest, which is currently at 4.65%. The rate of interest to ultimate beneficiaries is as per Bank's loan policy within the framework of RBI instructions.

With a view to ensuring availability of agriculture credit at a reduced interest rate of 7% p.a. to the farmers, the Government of India in the Department of Agriculture, Cooperation and Farmers' Welfare implements an interest subvention scheme for short term crop loans up to Rs3.00 lakh. The scheme provides interest subvention of 2% per annum to Banks on use of their own resources. Besides, additional 3% incentive is given to the farmers for prompt repayment of the loan, thereby reducing the effective rate of interest to 4%.

