

Government of India
Ministry of Finance
Department of Financial Services
LOK SABHA
Unstarred Question No. 3940
To be answered on Friday, August 10, 2018/Shravana 19, 1940 (Saka)
Crop/Farm Loans

3940. SHRI JANARDAN SINGH SIGRIWAL:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes to grant/extend loans to poor farmers specially belonging to Scheduled Castes, Scheduled Tribes and Other Backward Classes at low interest rates through nationalized and co-operative banks;

(b) if so, the details thereof, if not, the reasons therefor;

(c) whether the various Banks in the country are charging higher interest rates on farm loan granted for tractors and other agricultural equipments purchased for agricultural works as compared to interest rates charged on vehicles like car and motorcycles;

(d) if so, the details thereof; and

(e) the measures being taken by the Government to grant agriculture loans at reasonable rates in the interest of farmers?

Answer

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

(a) to (e): With a view to ensure 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 Rs. 3.00 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%.

Further, in order to provide long term refinance to Cooperative banks and Regional Rural Banks (RRBs) to encourage long term investment credit lending in agriculture, Long Term Rural Credit Fund (LTRCF) was created with NABARD out of shortfall in achievement of Priority Sector Lending (PSL) targets by Scheduled Commercial Banks. At present the interest rate on advances to banks under LTRCF is at 4.70%. Banks have to ensure that the benefit of concessional interest is passed on to the ultimate borrower.

The Government has taken the following other major initiatives to provide hassle free credit to farmers and for development of agriculture and welfare of farmers including those belonging to Scheduled Castes, Scheduled Tribes and Other Backward Classes:

- As per extant directions of Reserve Bank of India on Priority Sector Lending, a target of 18 per cent of Adjusted Net Bank Credit or Credit Equivalent of Off-Balance Sheet Exposure has been prescribed to all domestic Scheduled Commercial Banks, including Small Finance Banks, for lending to Agriculture. A sub-target of 8% is also prescribed for lending to small and marginal farmers including landless agricultural labourers, tenant farmers, oral lessees and share croppers.
- The Government has introduced the Kisan Credit Card (KCC) Scheme, which enables farmers to purchase agricultural inputs such as seeds, fertilisers, pesticides, etc. and draw cash to satisfy their agricultural and consumption needs. The KCC Scheme has since been simplified and converted into ATM enabled RuPay debit card with, inter alia, facilities of one-time documentation, built-in cost escalation in the limit, any number of drawals within the limit, etc.
- Under the Kisan Credit Card (KCC) Scheme, a flexible limit of Rs. 10,000 to Rs. 50,000 has been provided to marginal farmers (as Flexi KCC) based on the land holding and crops grown including post harvest warehouse storage related credit needs and other farm expenses, consumption needs, etc., plus small term loan investments without relating it to the value of land.
- RBI has conveyed to Banks to waive margin/ security requirements of agricultural loans upto Rs.1,00,000/-. The requirement of 'no due' certificate has also been dispensed with for small loans upto Rs.50,000/- to small and marginal farmers, share croppers and the like and, instead, only a self-declaration from the borrower is required.
- To bring small, marginal, tenant farmers, oral lessees, etc. into the fold of institutional credit, Joint Liability Groups (JLGs) have been promoted by banks.