

Government of India
Ministry of Finance
Department of Financial Services

LOK SABHA
Unstarred Question No. †722
To be answered on Friday, December 14, 2018/Agrahayana 23, 1940 (Saka)
Disbursal of Farm Loans

†722. SHRI A.T. NANA PATIL:

Will the Minister of FINANCE be pleased to state:

(a) the number of banks that disbursed 18 per cent of loans to farmers as per prescribed norms in Maharashtra and other States;

(b) whether there have also been cases of frauds by some banks in this regard to meet their targets and if so, the details thereof; and

(c) the concrete steps taken by the Government to ensure timely disbursal of loans to the farmers and to stop frauds by certain banks in this regard?

Answer

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

(a) & (b): As per extant directions of Reserve Bank of India (RBI) on Priority Sector Lending (PSL), a target of 18 per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposure (CEOBE) has been prescribed to all domestic Scheduled Commercial Banks, including Small Finance Banks, for lending to Agriculture. Against the said target, agriculture advances by Public Sector Banks as on 31.03.2018 is 17.96%, as reported by RBI.

In regard to frauds in scheduled commercial banks, RBI has reported that separate data for the category- loans to farmers, is not centrally maintained.

In regard to Regional Rural Banks (RRBs), National Bank for Agriculture and Rural Development (NABARD) has reported that no case of frauds have been reported with regard to meeting the targets by RRBs in disbursement of Priority Sector and Agriculture loans.

(c): The following major initiatives have been taken by the Government/Reserve Bank of India (RBI) to provide hassle free crop loan to farmers:-

- 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%.

- Government fixes agriculture credit disbursement targets for the banking sector every year and banks have consistently surpassed these targets.

- The Government has introduced the Kisan Credit Card (KCC) Scheme, which enables farmers to meet the short term credit requirements for cultivation of crops; Post-harvest expenses; Produce marketing loan; Consumption requirements of farmer household; Working capital for maintenance of farm assets and activities allied to agriculture; and Investment credit requirement for agriculture and allied activities. The KCC Scheme provides for issue of 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.
- 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 up to Rs.50,000 to small and marginal farmers, share-croppers and the like and, instead, only a self-declaration from the borrower is required.

The measures taken to control and prevent frauds in the banks, inter-alia, are as follows:

(i) In May, 2015, the Government of India issued instructions to all the CMDs/MD & CEOs of Public Sector Banks (PSBs) on “Framework for timely detection, reporting, investigation etc. relating to large value bank frauds”, which, inter-alia provides that all accounts exceeding Rs. 50 crore, if classified as Non-Performing Assets, should be examined by banks from the angle of possible fraud. A report would be placed before the Bank’s Committee for review of NPAs on the findings of this investigation. The above instructions have been reiterated in February, 2018.

(ii) RBI has issued Master Direction on “Frauds – Classification and reporting” dated July 01, 2016. To compress the time taken in detection of fraud, a framework for handling loan frauds has been put in place. Objective of this framework is to direct the focus of banks on the aspects relating to prevention, early detection, prompt reporting to the RBI and the investigative agencies (for instituting criminal proceedings against the fraudulent borrowers) and timely initiation of the staff accountability proceedings.

(iii) For deterring economic offenders from evading the process of Indian law by remaining outside Indian jurisdiction, Government has introduced the Fugitive Economic Offenders Bill, 2018 to provide for attachment and confiscation fugitive economic offender’s property and has advised PSBs to obtain certified copy of the passport of the promoters/directors and other authorised signatories of companies availing loan facilities of more than Rs. 50 crore.

(iv) For enforcement of auditing standards and ensuring the quality of audits, Government has initiated establishment of National Financial Reporting Authority as an independent regulator.

(v) To send a clear message that borrowers cannot wilfully default and continue to enjoy ownership of their assets, wilful defaulters and connected persons have been debarred from participating in the resolution process under the Insolvency and Bankruptcy Code (IBC).