

Government of India
Ministry of Finance
LOK SABHA
UNSTARRED QUESTION NO- 3358
ANSWERED ON 09.12.2019 /Agrahayana 18, 1941 (Saka)
Loan to Farmers

3358. SHRI ASADUDDIN OWAISI:
SHRI SYED IMTIAZ JALEEL:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Union Government has provided cheaper loan to farmers after widespread agitation in different parts of the country, if so, the details thereof;
- (b) whether giving cheaper loans to farmers after agitation, NPAs of banks have increased manifold and banks have opposed this move of the Government, if so, the main points put forward by banks in this regard;
- (c) whether many farmers in the country are wilful defaulters and are taking advantage of Government loan waiver schemes;
- (d) if so, whether the Government has any scheme to identify such farmers and pass the benefit to needy farmers; and
- (e) if so, the details thereof along with the steps taken or being taken by the Government in this regard?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

(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 ₹ 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%.

As per Reserve Bank of India (RBI) directions, Domestic Scheduled Commercial Banks are required to lend 18% of the Adjusted Net Bank Credit (ANBC) or Credit Equivalent to Off-Balance Sheet Exposure (CEOBE), whichever is higher, towards 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. Similarly, in the case of Regional Rural Banks 18% of their total outstanding advances is required to be towards agriculture and a sub-target of 8% has been set for lending to small and marginal farmers.

Government fixes agriculture credit disbursement targets for the banking sector every year and banks have consistently surpassed these targets. Details of achievement made in respect of agriculture credit flow during the last three years as reported by NABARD is as under:

(Amount in Rs. crore)

Year	Achievement
2016-17	10,65,755.67
2017-18	11,62,616.98
2018-19	12,54,762.20*

Source NABARD(*Provisional)

Data on total outstanding Gross Non Performing Assets (GNPAs) and GNPA ratio for Agriculture and Allied Activities, in respect of Scheduled Commercial Banks (SCDs) for the last three years, as reported by RBI, is as under:

Agriculture and Allied Activities – GNPAs (in Rs. crore)			Agriculture and Allied Activities – GNPA ratio (in percent)		
March 31, 2017	March 31, 2018	*March 31, 2019	March 31, 2017	March 31, 2018	*March 31, 2019
62321	85482	111854	5.60	7.16	8.45

Source: RBI (* Provisional)

As per RBI Master Circular dated July 01, 2015, a 'default', to be categorised as 'wilful default', must be intentional, deliberate and calculated. A "wilful default" would be deemed to have occurred if it is noted that default in meeting payment/repayment obligations is accompanied by any of the events mentioned in the said Master Circular which, inter alia, includes diversion and siphoning of the borrowed funds, disposal or removal of the movable fixed assets or immovable property given as security without the knowledge of the lender/bank, etc. The said Master Circular requires Banks and Financial Institutions to put in place a transparent mechanism for identification and penal action to be taken against wilful defaulters as per the relevant provisions therein.

RBI has issued guidelines (July 1, 2015, available on RBI's website) on willful defaulters to disincentivise borrowers who have money and do not pay or have diverted the funds or siphoned off funds or removed assets given as security, indicting action that includes; (i) restricting additional facilities to such defaulters from banks and financial institutions, (ii) barring of such borrowers from institutional finance, (iii) criminal action, (iv) removal of directors of such companies from boards and (v) change in management. Further, banks and financial institutions are required to report suit-filed/non-suit filed wilful defaulter accounts of Rs 25 lakhs and above to the four Credit Information Companies (CICs) on at least a monthly basis. CICs have been advised to publish this information on their respective websites. RBI vide circular dated September 29, 2016, has provided a mechanism to publish photographs of wilful defaulters in newspapers as per board approved policy of respective financial institution.

The Government of India/ Reserve Bank of India (RBI)/ NABARD have, inter alia, taken the following major initiatives for providing hassle free crop loans to farmers including small and marginal farmers:

- Pradhan Mantri Kisan SAMman Nidhi (PM-KISAN) scheme has been implemented to provide an assured income support to all farmers, irrespective of the size of their land holdings subject to the exclusion factor. Under this scheme direct income support @ of Rs.6,000 per year will be transferred directly into the bank accounts of beneficiary farmers, in three equal installments of Rs.2,000 each.
- 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 KCC Scheme, a flexible limit of ₹10,000 to ₹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.
- The benefits of KCC along with interest subvention have been extended to Animal Husbandry and Fisheries farmers.
- To enhance coverage of small and marginal farmers in the formal credit system, RBI has decided to raise the limit for collateral-free agriculture loans from ₹1 lakh to ₹1.6 lakh.
- 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
- To bring small, marginal, tenant farmers, oral lessees, etc. into the fold of institutional credit, Joint Liability Groups (JLGs) have been promoted by banks.
- Pradhan Mantri Kisan Maan-Dhan Yojana (PM-KMY) has been launched as a voluntary and contributory old age pension scheme for all land holding small and marginal farmers for entry age group of 18 to 40 years. The scheme provides for an assured monthly pension of Rs.3000 per month, to the eligible beneficiaries of the scheme, on their attaining the age of 60 years.
