

Government of India
Ministry of Finance
Department of Financial Services

LOK SABHA

Unstarred Question No. 3227

Answered on Monday, August 09, 2021/Sravana 18, 1943 (Saka)

INTEREST-FREE LOANS TO FARMERS

Question

3227. MS. S. JOTHIMANI:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government will consider providing interest-free loans or loans with a nominal rate of interest to farmers across the country;
- (b) whether the Government will consider announcing an agricultural loan waiver as done previously;
- (c) the details of measures being taken on the lines of the Agricultural Debt Waiver and Debt Relief Scheme to address the agrarian distress, especially in Karur district of Tamil Nadu; and
- (d) if so, the details thereof and if not, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(DR. BHAGWAT KARAD)

(a) to (d): The Government of India in the Department of Agriculture Cooperation and Farmers' Welfare (DAC&FW) 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%.

The benefit of interest subvention along with Prompt Repayment Incentive (PRI) has been extended to Animal Husbandry and Fisheries farmers (upto maximum limit of Rs. 2 lakh) to meet their working capital needs under the Kisan Credit Card Scheme.

Government of India has not implemented any farm loan waiver scheme since Agriculture Debt Waiver and Debt Relief Scheme (ADWDRS), 2008. There is no proposal under consideration of the Government of India to waive off the loans of farmers at present.

The Government of India/Reserve Bank of India (RBI), have *inter-alia*, taken the following major initiatives for welfare of farmers and to reduce their debt burden.

- Reserve Bank of India (RBI) has issued directions for Relief Measures to be provided by respective lending institutions in areas affected by natural calamities which, *inter alia*, include restructuring/rescheduling of existing crop loans and term loans, extending fresh loans, relaxed security and margin norms, moratorium, etc. These directions have been so designed that the moment calamity is declared by the concerned District Authorities, they are automatically set in motion without any intervention, thus saving precious time. The benchmark for initiating relief measures by banks has been reduced from 50% to 33% crop loss in line with the National Disaster Management Framework. Banks have been advised not to insist for additional collateral security for restructured loans.

- Under the interest subvention scheme, to provide relief to farmers affected by natural calamities, the interest subvention (2%) on crop loan continues to be available to banks for the first year on the restructured amount. Such restructured loans may, however, attract normal rate of interest from the second year onwards as per the policy laid down by the Reserve Bank of India (RBI).
- 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 Rs. 1 lakh to Rs. 1.6 lakh.
- 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 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 is be transferred directly into the bank accounts of beneficiary farmers, in three equal installments of Rs. 2,000 each.
- Pradhan Mantri Fasal Bima Yojana (PMFBY) provides a comprehensive insurance cover against failure of insured crops due to non-preventable natural risks, thus providing financial support to farmers suffering crop loss/ damage arising out of unforeseen events; stabilizing the income of farmers to ensure their continuance in farming; and encouraging them to adopt innovative and modern agricultural practices.
