

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1778
ANSWERED ON:12.12.2003
INTEREST RATES ON RIDF LOANS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the RBI has reduced the rate of interest to be charged by the NABARD loan provided from Rural Infrastructure Development Fund for minor irrigation projects;
- (b) if so, the details of the directives issued by RBI to NABARD and RIDF in this regard;
- (c) the date from which reduced interest rates would be charged;
- (d) whether interest rates will be brought down for all agricultural credit also; and
- (e) if not, the reasons thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL):

(a) to (c) Reserve Bank of India (RBI) has restructured the lending and deposit rates irrespective of the undisbursed amounts of Rural Infrastructure Development Fund (RIDF)-IV with effect from November 1, 2003. The revised interest rate structure is indicated below:

RIDF	Deposit rates, payable to banks (percent per annum)	Lending rates, payable by State Governments (percent per annum)
IV	06	07
V	06	07
VI	06	07
VII	06	07
VIII	3-6% (Linked to the extent of shortfall)	Bank Rate + 0.5 (6.5)
IX	3-6% (Linked to the extent of shortfall)	Bank Rate + 0.5 (6.5)

(d) and (e) With a view to enable the farmers to derive the full benefit of declining interest rate regime, all public sector banks have already announced reduction in lending rate for crop loan up to Rs.50,000/- to a single digit rate of not more than 9 per cent per annum. Consequent to the amendment to National Bank for Agriculture and Rural Development Act, 1981, NABARD has formulated a scheme to provide refinance to District Central Co-operative Banks (DCCBs) directly with a view to provide crop loan to farmers at a rate of interest not exceeding 9%. NABARD has also issued instructions to Cooperative Banks and Regional Rural Banks to review the interest rates charged by them for various purposes particularly for crop loans, so as to align their rate of interest on such loans at the ultimate level.