

**GOVERNMENT OF INDIA  
AGRICULTURE  
LOK SABHA**

UNSTARRED QUESTION NO:1712  
ANSWERED ON:05.12.2005  
COST CREDIT TO FARMERS  
Vallabbhaneni Shri Balashowry

**Will the Minister of AGRICULTURE be pleased to state:**

- (a) whether the Government has evolved any policy to extend cost credit to farmers;
- (b) if so, the details thereof;
- (c) whether the Government has any proposal to set up value chains for retailing of the product of farmers; and
- (d) if so, the details thereof?

**Answer**

MINISTER OF AGRICULTURE (SHRI SHARAD PAWAR)

(a)&(b): Though there is no policy evolved by the Government for extending cost credit to farmers but in order to improve the flow of farm credit and for mitigating the distressing situation of farmers due to the problem of indebtedness, several policy measures have been initiated by the Government of India. Some of the important policy measures initiated in this regard are annexed.

(c): No, Sir.

(d): Does not arise.

Annexure

Cost Credit to farmers

1. Announcement of farm credit package:- In order to improve the flow of credit and mitigate the distressing situation of farmers due to the problem of indebtedness, the Government of India on 18.6.2004 announced a special farm credit package. The package envisages that credit to agriculture sector will double in next three years. Following are the highlights of this announcement:-

# Credit flow to agriculture sector to increase @ 30% per year.

# The branches of Commercial Banks and Regional Rural Banks to be energized to enhance the flow of agricultural credit.

# Under special agricultural credit plan, at least 100 new farmers should be financed at each rural and semi urban branches during the current year, resulting in enrolling about 50 lakh new borrowers.

# Financing at least 2 to 3 new investment projects in Plantation & Horticulture, Fisheries, Organic farming etc.

# Finance at least 10 Agro Clinics in each district during the current year.

# Public sector banks to lend more to small and marginal farmers and progress in this behalf will be monitored.

# Provide credit to tenant farmers and oral lessees.

# Debt restructuring as opposed to debt write off.

# Debt relief measures for

# Farmers in distress

# Farmers in arrears

# One Time Settlement (OTS) of loans for small and marginal farmers

# Loans to farmers for Redemption of past debts from non-institutional lenders

# Refinements in Kisan Credit Card (KCC) Scheme and revisiting of Scales of Finance and realign the same to meet the realistic needs of the farmers especially capital- intensive agricultural operations.

# Special package to promote technological upgradation in agriculture, agro-processing and agri-biotech.

# Facilitate formation and financing of self-help groups of tenant farmers and oral lessees to provide credit to this category of farmers.

2. Reduction in rate of interest on agricultural loans:- Though in the deregulated interest regime, the banks have been given freedom by the Reserve Bank of India to fix interest rates to be charged from the beneficiaries, but as a special dispensation for the agriculture sector, the Government of India has advised all the Public Sector banks to reduce their lending rate for agriculture to a single digit rate of not more than 9% per annum on crop loans upto a ceiling of Rs.50,000/-. This rate will benefit most of the crop loan account holders and will cover almost all the small and marginal farmers. The banks have also been advised to ensure that the volume of credit to the agriculture sector does not decline due to the reduction in interest rate. Further, in case of Commercial Banks, there is a stipulation that the rate of interest charged from the ultimate borrower should not exceed their Benchmark Prime Lending Rate (BPLR) in case of loan up to Rs.2 lakh. As a special dispensation for the agriculture sector, the Government of India has advised all the Public Sector banks to reduce their lending rate for agriculture to a single digit rate of not more than 9% per annum on crop loans upto a ceiling of Rs.50,000/-.

3. Waiver of margin/security requirements:- Keeping in view the importance of flow of credit to agriculture, in particular to the smaller borrowers who may not have the necessary assets as collateral, the banks have been advised to waive margin/security requirements for agricultural loans up to Rs.50.000/-.

4. Introduction of Kisan Credit Cards:-Kisan Credit Card (KCC) is one of the key products developed by the Government and the banking system to improve farmers` accessibility to bank credit for production purposes, simplify the credit delivery mechanism and provide more flexibility in the use of credit. KCC Scheme aims at providing adequate and timely credit support from the banking system to farmers for their cultivation needs in a flexible, hassle free and cost effective manner. The content of the scheme has been revised to include the investment and consumption credit needs of farmers. The progress in the issuance of KCC is quite impressive and banks have issued 532.66 lakh KCCs up to 30th September, 2005. There is coverage of risk of KCC holders against accidental death or permanent disability upto a maximum of Rs.50,000 and Rs.25,000 respectively.