

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:626
ANSWERED ON:09.07.2004
INTEREST ON AGRICULTURE LOAN
Jha Shri Raghunath

Will the Minister of FINANCE be pleased to state:

- (a) whether full benefits of declining rate of interest have not been percolating to the agriculture sector;
- (b) if so, the reasons therefor;
- (c) the rate of interest being charged on agriculture loans to farmers in comparison to the interest charged to other sectors; and
- (d) the steps taken to pass on the benefits of lower rate of interest to agriculture sector?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRIS. S. PALANIMANICKAM)

(a), (b), (c) & (d): Interest rate in banks have been deregulated and Boards of Banks are free to determine the rates. Since July, 2003 Public Sector Banks have reviewed and revised downward interest rates on crop loans upto Rs.50,000 to 9%. Subsequently, the Public Sector Banks reviewed the position and further reduced the interest rate to 8.5%. Now, the interest on loans upto Rs.2 lakhs on agriculture lending is 2% to 2.5% below the Benchmark Prime Lending Rate (BPLR) of most of the banks. The BPLR of the public sector banks with effect from 1 January/February, 2004 have been in the range of 10% to 11.5%. For loans above Rs.2 lakhs, banks determine their rates based on their commercial judgement taking into consideration cost of funds, Non-Performing Assets and transaction cost.