

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:361
ANSWERED ON:17.03.2006
RATE OF INTEREST FOR EMPLOYMENT SCHEMES
Jindal Shri Naveen;Veerendra Kumar Shri M.P.

Will the Minister of FINANCE be pleased to state:

- (a) the rates of interest charged by the nationalised banks, co-operative banks and gramin banks from the beneficiaries in the rural areas under rozgar schemes like SGSY and SGRY;
- (b) whether these rates are higher than the home loan rates charged in urban areas;
- (c) whether any suggestions have been received to reduce the interest rates for the poor beneficiaries under this schemes;
- (d) whether it is proposed to reduce the interest rates so as to make them affordable for such beneficiaries; and
- (e) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P. CHIDAMBARAM)

(a), (b), (c), (d) & (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (A),(B),(C),(D) & (E) OF LOK SABHA STARRED QUESTION NO.361 TO BE ANSWERED ON 17th MAR 2006 REGARDING RATE OF INTEREST FOR EMPLOYMENT SCHEMES TABLED BY SHRI ISA VEEN JINDAL AND SHRI M. P. VEERENDRA KUMAR:

(a): The rate of interest charged by the nationalised banks to the beneficiaries in the rural areas under Rozgar schemes like Prime Minister Rozgar Yojana (PMRY), Swarnajayanti Gram Swayamrozzgar Yojana (SGSY) and Swarna Jayanti Shahari Rozgar Yojana (SJSRY) conform to the directives issued by RBI on loans and advances. As per the interest rate policy of Reserve Bank of India, contained in its directive interest rates on loans given by commercial banks have been deregulated, except that the interest rate on loans up to Rs 2 lakh should not exceed the Benchmark Prime Lending Rate (BPLR) of the concerned banks. Commercial banks are free to decide their lending rates on loans above Rs 2 lakh subject to the announcement of BPLR. As regards Regional Rural Banks and Cooperative banks, the interest rates on loans have been completely deregulated.

(b): Banks are free to charge interest on home loans without reference to their BPLR.

(c): In the mid-term review of the Annual Policy for the year 2005-06, RBI has indicated about a public perception on inter-sectoral pricing of credit.

(d) & (e): Banks decide their BPLR taking into account, inter-alia, their cost of funds, their transaction cost and risks cost. Banks are free to lend at below BPLR to credit worthy borrowers based on objective and transparent policies subject to the approval of their Boards.