

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1413  
ANSWERED ON:03.03.2006  
FINANCES TO RURAL POOR  
Athithan Shri Dhanuskodi

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

- (a) whether the Government attention has been drawn to the World Bank report titled `Sealing up access to finance for India`s rural poor`;
- (b) if so, the details of suggestions made in the report;
- (c) the response of the Government thereto; and
- (d) the action taken or likely to be taken by the Government on the basis of report?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : Yes, Sir. World Bank has brought out a report in December 2004 titled `Scaling up Access to Finance for India`s Rural Poor.` Certain observations have been made in the report regarding functioning of rural financial institutions in India including problems faced by rural poor relating to absence of flexible products & services, high transaction costs, insistence on collaterals and interest rate restrictions. Certain suggestions have been made including providing flexible products at competitive prices to rural poor, need for composite financial services, simplification of banking procedures, better staffing policies and door step banking, use of technology etc. Further, it has been suggested to revisit the policies; on :setting caps on interest rate on deposits and advances, priority sector lending, restructuring the RRBs and Rural Cooperative Banks, better regulation and supervision and active role of government in facilitating rural finance markets.

(c) & (d): Government and RBI constantly monitor the credit needs of different sectors of the economy and undertake corrective measures, whenever required, to ensure that adequate funds flow to Agriculture, Small & Medium Enterprises and such other important sectors. The interest rate on advances has already been deregulated in 1997. Credit flow to agriculture alone has increased from Rs.86.981 crore in 2003-04 to Rs. 1,25,309 crore in 2004-05. The following steps taken, inter-alia, led to enhanced credit flow in rural areas.: -

- (i) The banks have been asked to simplify the procedure for sanction of loan,
- (ii) One page documentation has been circulated among banks for adoption.
- (iii) Reserve Bank of India has instructed banks not to insist on collateral or margin for loans upto Rs.50000/-.
- (iv) Banks have been asked to issue Kisan Credit Cards to all eligible farmers.
- (v) Financing of Self Help Groups is being emphasised,
- (vi) A project has been initiated for lending by banks to joint liability groups of tenant farmers and oral lessees,
- (vii) Indian Banks` Association has advised public sector banks to charge an interest rate of not more than 9% per annum on crop loans upto Rs. 50,000.