

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1515
ANSWERED ON:01.12.2006
CREDIT POLICY OF NABARD
Oram Shri Jual

Will the Minister of FINANCE be pleased to state:

- (a) whether NABARD has restructured its credit policy for rural areas;
- (b) if so, the details thereof; and
- (c) if not, whether any such proposal is under the consideration of the Government?

Answer

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

(a) & (b) : NABARD reviews its refinance policies on a continuous basis keeping in view its resource position and various other aspects like Government policies, programmes, priorities, regional imbalances in the development of various states in the country, the ground level requirement of credit, etc.

An announcement was made in the Budget for 2006-07 to provide Short-Term Credit(STC) to the farmers at 7% p.a. rate of interest, upto a principal amount of Rs.3 lacs for Kharif and Rabi 2006-07. Government has provided concessional refinance to Cooperative Banks and RRBs through NABARD at an interest rate of 2.5% and 4.5% p.a. respectively. An interest subvention of 2% p.a. is to be provided to Public Sector Banks, RRBs and Cooperative Banks on their lending out of their own resources.

Further, as per guidelines issued by RBI and NABARD, all Public Sector Banks and RRBs in the country are lending STC loan at a rate of interest of 7% p.a. However, a few Cooperative Banks have provided STC loans at a higher rate of interest. Some State Governments had raised the issue of providing interest subvention to the Cooperative Banks on the amount of STC lent from their own resources. These Cooperative Banks should now revise their lending rates downwards to 7% p.a. after the recent decision of the Government to provide an interest subvention of 2% p.a. on the amount lent by them from their own resources.

(c) : Not applicable in view of answer to Part (a)&(b) above.