

their increasing expenditure. As the Jha Committee recommended against such a proposal, I would like to know whether the Government would give a serious consideration to the resources of the States and their ability to meet their needs by a manipulation of their tax system. I would like to know whether the Government has committed itself to this proposition.

**SHRI H. M. PATEL:** If the hon. Member has seen the Janata Party's manifesto, it is clearly stated there that the sales-tax will be replaced. We want to persuade them to accept the replacement of sales-tax by excise duty. But then it will be done in such a manner that the State Government do not lose their expectation of incremental increase in the sales-tax. It is not beyond the realm of possibility to organize some such arrangement because some States have a faster incremental rate and others have a slower one and that could be taken care of in the way in which we can work this out, provided the principle is accepted by the State Governments that they would be willing to accept it if we can satisfy them that they will not lose on this and that the elasticity aspect would be taken care of. But, as I said, the principle has to be accepted by them, and they must have complete confidence in our good faith.

**Rate of interest charged by R.B.I. for Agricultural Finance**

\*82. **SHRI DARUR PULLAIAH:** Will the Minister of FINANCE be pleased to state the rate of interest charged by the Reserve Bank of India for the agricultural finance and the rate of interest in turn charged by the Cooperative Banks?

**THE MINISTER OF FINANCE (SHRI H. M. PATEL):** For short-term agricultural loans the Reserve Bank of India charges interest at 2% below the bank rate (at present 8%) on borrowings of the State Cooperative Banks on behalf of the Central Cooperative Banks. For

medium-term agricultural loans the rate of interest charged is 1½% below the bank rate.

The rates of interest charged to the ultimate borrowers by cooperative societies for short-term agricultural purposes generally range between 11 and 14½ per cent per annum except that in the States of Gujarat, Maharashtra and Madhya Pradesh the upper limit extends to 14.75 per cent, 15 per cent and 16.25 per cent per annum respectively.

**SHRI DARUR PULLAIAH:** May I ask the hon. Minister to state what steps Government propose to take to reduce the rate of interest, which gets increased in the transit and which is normally charged by the apex bank and Central Cooperative Banks—it gets increased by the time it reached the society or farmer level.

**SHRI H.M. PATEL:** The gap does not appear to be excessive if you take into account the fact that the cooperative bank's funds are not only derived from the Reserve Bank but they are also raised by themselves from deposits and other methods, and they have to pay a larger interest, larger than seven per cent at which they get from the Reserve Bank, for 45 per cent, and 55 per cent of their resources come from deposits on which they pay eight per cent and sometimes even upto nine per cent. That being so, the rate at which they would actually give to the farmer is bound to be higher. As I have said, so far as my information goes, for short-term agricultural purposes the rate ranges from 11 to 14½ per cent except in three States, and even in those three States also it is not much: in Gujarat it is only 14.75 per cent, that is, 0.5 per cent higher; in Maharashtra it is 15 per cent; and in Madhya Pradesh it is a little more, namely, 16; 25 per cent.

**SHRI DARUR PULLAIAH:** May I know what steps Government propose to take in view of the fact that many of the societies have become defunct

and there is a credit gap in the villages. Even the credit given by the nationalised banks is not going beyond ten kms. and even within that, they are not giving to marginal and small farmers. There is a lot of gap in the agricultural sector. May I know what Government propose to do to extend credit to small and marginal farmers, so that agriculture can be carried on effectively and we may have more production in the country?

SHRI H. M. PATEL: This is undoubtedly, a point which is a matter of serious concern with the Government. But your question was with regard to cooperative banks. In addition to the cooperative banks, the nationalised banks and commercial banks are also going now in a big way to extend credit to meet the agricultural requirements. There are also regional rural banks.

But I think the hon. Members should realise that it takes time to develop this thing. In the Rural Credit Survey Report which appeared sometime in 1953 or 1954 they said that the agricultural credit requirements which cooperative societies are meeting comes to about 3 per cent. The cooperative structure had been in existence for a number of years by then. But now the cooperative banks are meeting agricultural requirements to the extent of 25 per cent. So, there has been a considerable increase. (*Interruptions*).

But so far as nationalised banks are concerned, they have reached up to 10 per cent of their total advances in meeting the agricultural requirements but they have been told to go on extending their operations so that they reach up to 33 per cent of their advance for meeting the total credit requirements of Priority Areas. As soon as they succeed in doing so, a very substantial percentage of the agricultural credit requirements will have been met institutionally. But I must say that it will take time.

PROF. R. K. AMIN: The hon. Minister has stated that in some States a higher rate of interest is charged than what is charged in other States. May I know from the Minister why different rates are charged in Gujarat, Maharashtra and Madhya Pradesh?

Secondly, may I know what is the actual cost of the credit to the farmer after meeting the legitimate and illegitimate charges and whether, at this cost, it is economical for the farmers to get credit. If it is not would he reduce the rate of interest?

SHRI H. M. PATEL: I think the Hon. Member has answered the question himself. As I said, so far as institutional credit is concerned, over 35 per cent is being met by the institutions. So, the farmer has to rely for a much larger percentage of his requirements on other sources like money-lenders etc. whom they have to pay a much higher rate of interest. So, it is not the rate of interest he has to pay to the cooperative bank which should worry the farmer but the rate of interest he has to pay to the other sources.

The hon. Member asked me what rate of interest he really has to pay after the legitimate and illegitimate charges have been met. For that, I would rely upon him to furnish me that information as to what he has to pay. I can only say this that it will be the endeavour of the Government to try to see that the requirements of agricultural credit by farmers are met to an increasing extent through commercial banks and cooperative banks.

PROF. R. K. AMIN: You have not answered why this difference in rates is there in the three States mentioned.

SHRI H. M. PATEL: As I have already explained, the cooperative banks draw up to 55 per cent of the money available to them for disbur-

sal, and for the rest they draw on the Reserve Bank. That is why there will be some difference in rates. But I must say again that the Reserve Bank does not regulate the rates on these advances so far as cooperative banks are concerned.

श्री मुखराज : क्या माननीय ग्रहण मंत्री बताने की कृपा करेंगे कि जब ग्राम छोटे किसानों को ऋण देने हैं तो उनमें साढ़े 14 परसेन्ट सूद लेते हैं और जब उद्योगपतियों को ऋण देने हैं तो उनमें मात्र 14 परसेन्ट सूद लेते हैं ?

SHRI H. M. PATEL: If the hon. Member means to say that the farmer should get loans at a lower rate of interest than the traders and industries, I would say that it is a suggestion which can certainly be considered. But as I said, today efforts are made to reduce the burden of interest on the farmers, and the real point should be and which should concern them, is that whatever the farmer has to pay should be taken into account when he is paid for what he produces. That is why, the pressure of the farmers is that they are given adequate price for their products.

SHRI ANNASAHEB GOTKHINDE: Taking into consideration the fact that the World Bank assistance through International Development Agency to the Government of India for agricultural development purposes has been made available at the nominal service charge below one percent and having a long repayment period of thirty to forty years, at what rate is this aid passed on by the Government to Agricultural Refinance Development Corporation? Then, at which rate this Corporation passes on this loan to the Land Development Banks? If the Government is going to charge lesser interest from the Agricultural Refinance Development Corporation, then this would alone

help the farmers to take loan at lesser rate of interest. What is the reaction of the Government?

SHRI H. M. PATEL: There is a certain amount of misunderstanding about the World Bank assistance to the Government of India for agricultural purposes. This aid is for general agricultural development and not for the purposes of giving to Agricultural Refinance Development Corporation. I think, perhaps the hon. Member is unaware and I should have mentioned it earlier that the nationalised banks have been asked to give to small and marginal farmers loans upto the extent of half per cent of their total advances at 4 per cent rate of interest.

SHRI ANNASAHEB GOTKHINDE: Sir, my question has not been answered.

MR. SPEAKER: In fact, your question does not arise from the main Question.

SHRI YASHWANT BOROLE: The method of charging interest from the farmers has been changed by the Reserve Bank. Formerly, it was calculated on six-monthly basis; now it has been converted to monthly basis. I would like to know if the Government is aware of this fact and if any representation has been received by them in this respect on behalf of the small farmers.

SHRI H. M. PATEL: The Government is aware of the fact that these instructions have been issued. The Government has also received representations and the same are being considered.