

[5 August, 2003]

RAJYA SABHA

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANANDRAO VITHOBA ADSUL): (a) Yes, Sir.

(b) The interest liability on Kharif loans for the year 2002 has been estimated at Rs. 2,360 crores, which is rescheduled to be recovered over the next 4 to 5 years. The Government's decision to waive first year's deferred interest liability itself amounts to approximately Rs. 500 crores. The complete waiver of interest on Kharif loans would entail a total financial liability of Rs. 2,360 crores approximately. The general waiver to that extent in the banking sector may vitiate recovery cycle.

Agriculture Lending Rate

1696. SHRI RAMACHANDRA KHUNTIA: Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to have a separate Agriculture Lending Rate (ALR), on the pattern of Prime Lending Rate, available to certain other categories, in order to increase investment in agriculture sector;

(b) if so, the details thereof; and

(c) the fresh steps taken by Government to provide adequate capital to farmers at reasonable rate of interest so that productivity of our agricultural holdings can increase to the level of developed countries?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANANDRAO VITHOBA ADSUL): (a) to (c) As per the extant guidelines of the Reserve Bank of India (RBI), commercial banks announce a single Prime Lending Rate (PLR) incorporating all cost elements and reasonable profit margin to serve as a benchmark for lending rate. The interest rate on individual borrowers/sectors would be fixed linked to PLR taking into account risk premia, etc. Consequent on the statement made while presenting Union Budget on 28th February, 2003 regarding the need for passing on the benefits of lower rates of interest to agriculture, the Indian Banks' Association (IBA) has advised all its member banks on 5th March, 2003 to take appropriate action in the matter of introduction of interest rate band of 2% above and below its PLR for secured advances. Subsequently the IBA on 12.7.2003 advised all public sector banks that the rate of interest on crop loans upto Rs. 50,000/- should not exceed 9%.