



Ministry of Finance

Policy on interest rate on loans for agricultural purposes

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Reserve Bank of India (RBI) has deregulated the interest rate on advances sanctioned by Scheduled Commercial Banks and these interest rates are determined by banks with the approval of their respective Board of Directors subject to regulatory guidelines on interest rate on advances contained in RBI's Master Direction dated 03.03.2016. Interest rates on loans could vary from time to time and be based on credit profile of the borrowers. The information on interest rates charged on loans, vehicle type-wise is not maintained centrally.

With a view to ensuring availability of agriculture credit at a reduced interest rate of 7% p.a. to farmers, the Government of India in the Department of Agriculture, Cooperation & Farmers' Welfare implements an interest subvention scheme for short term crop loans up to Rs. 3.00 lakh. Under the said scheme, additional subvention of 3% is given to those farmers who repay their short term crop loan in time, thereby reducing the effective rate of interest to 4% p.a. for such farmers.

Further, with effect from 2014-15, the Long Term Rural Credit Fund (LTRCF), was created with NABARD out of shortfall in achievement of Priority Sector Lending (PSL) targets by Scheduled Commercial Banks, in order to provide long term refinance to Cooperative banks and Regional Rural Banks (RRBs) to encourage long term investment credit lending in agriculture. At present the interest rate on advances to banks under LTRCF is at 4.90%.

This was stated by Shri Arun Jaitley, Union Minister of Finance, Defence and Corporate Affairs in written reply to a question in Rajya Sabha today.

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