

SBI says sorry, promises loan to farmers

The country's largest public sector bank State Bank of India (SBI) Wednesday retracted its decision not to give loans to farmers and apologised for the original decision.

In a terse statement here, the SBI said that it has 'withdrawn' the controversial circular dated May 16.

'We regret that our circular concerning tractor loans has been misunderstood and has given rise to concern. The circular is withdrawn with immediate effect,' a note from the SBI chairman's office said.

The May 16 circular said SBI had imposed a temporary freeze on equipment loans to farmers, apparently due to increasing defaults by farmers when it came to repayment.

The SBI is India's largest player in the tractor and farm financing business. Its total farm sector advances are around Rs.430 billion. Non-performing loans are estimated at around 7 percent of this portfolio.

Minister for Parliamentary Affairs and Overseas Indian Affairs Vayalar Ravi had Tuesday taken exception to the state-owned SBI's decision not to extend loans to farmers for buying tractors and other agricultural equipment.

'It is unfair, and raises suspicion as the decision comes on the eve of assembly polls in Karnataka,' Ravi had told IANS, and sought some control over the public sector financial institutions to restrain them from taking an unilateral step.

'The government should not give full freedom to the nationalised banks, and should have some control over them. SBI's decision to stop equipment loan to farmers for the time being is unfortunate,' said Ravi.

He said the bank's move comes at a time when the government was doing a lot to save farmers and support them in various ways to overcome the food crisis.

'It is not a right move, and will affect farmers. One hopes that the SBI reviews the decision as soon as possible, and withdraws the order to freeze equipment loan,' Ravi had said.

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