

PRESS RELEASE

Text of the D.O. Letter dated 26.4.2012 addressed by **Selvi J Jayalalithaa**, Hon'ble Chief Minister of Tamil Nadu to **Dr.Manmohan Singh**, Hon'ble Prime Minister of India, New Delhi is reproduced below:

"The State Governments have been using the Rural Infrastructure Development Fund (RIDF) of the National Bank for Agriculture and Rural Development (NABARD) as a cost-effective financing option for taking up various essential infrastructure activities in rural areas. Tamil Nadu is one of the front-running States both in terms of sanction of projects as well as drawal of funds from RIDF. At present, Tamil Nadu has a bank sanction of Rs.2184 crores for which funds will be drawn in 2012-2013 and subsequent years. We had proposed such massive investment using RIDF loan only on the assumption that the lending rates would remain reasonable.

Now, I understand that the Reserve Bank of India has revised the interest rate for RIDF loan to 8% per annum. Such a high rate will make RIDF loans unviable and the States will be forced to cut down on investment in rural infrastructure which is vital for inclusive development. What is more shocking is that the higher interest rate of 8% is made applicable to the drawals after 1.4.2012 even for those projects which have already been sanctioned in the previous financial years. You will agree with me that once a project is sanctioned, it is not fair to alter the conditions during the project period. This unilateral action by the Reserve Bank of India has totally taken us by surprise and has upset the financial projections. As a result, Tamil Nadu will have an additional interest burden of Rs.229 crores on the projects already sanctioned and under implementation.

Therefore, I request your personal intervention for the following:

- (i) The interest rate on RIDF loan should be restored to its original rate of 6.5%.
- (ii) If at all the interest rate has to be enhanced, it should be kept around 7% and made applicable only to the loans for those projects which will be sanctioned from 2012-2013 onwards.

I am confident that an amicable solution will be found for this issue at your behest at the earliest in consultation with the Reserve Bank of India."
