

F. No. 1-7/2018-Credit-I
Government of India
Ministry of Agriculture & Farmers Welfare
Department of Agriculture, Cooperation & Farmers Welfare
(Credit Division)

Krishi Bhawan, New Delhi
Dated the 11th February, 2019

To,

1. The Chief General Manager, FIDD,
Reserve Bank of India, Central Office Building,
10th floor, Shahid Bhagat Singh Road, Mumbai-400 001
2. The Chief General Manger,CPD,
NABARD, 2nd floor, C Wing, C-24, G Block Bandra Kurla Complex,
Bandra(East) Mumbai-400 051

Subject: Continuation of modifications Interest Subvention Scheme for Short Term Crop Loans with during the period 2018-19 and 2019-20—regarding

Madam/Sir,

In continuation of this Department's letter of even No. dated 4th May, 2018 wherein interim approval for implementation of Interest Subvention Scheme on the same terms and conditions as approved for the Scheme during 2017-18, until further instructions, were communicated, I am directed to hereby convey the approval of Government for continuation of Interest Subvention Scheme with modifications for providing short term crop loans upto Rs. 3 lakh per annum for a period of two years i.e. 2018-19 and 2019-20 to make the scheme coterminous with tenure of 14th Finance Commission with the following stipulations:-

- (i) In order to provide short term crop loans upto Rs. 3 lakh to farmers at a concessional interest rate of 7 per cent per annum during the years 2018-19 and 2019-20, it has been decided to provide interest subvention of 2 per cent per annum to lending institutions viz. Public Sector Banks(PSBs), Private Sector Commercial Banks(in respect of loans given by their rural and semi urban branches only), Regional Rural Banks(RRBs) and Cooperative Banks on use of their own resources. This interest subvention of 2 per cent will be calculated on the crop loan amount from the date of its disbursement/drawl upto the date of actual repayment of the crop loan by the farmer or upto the due date of the loans fixed by the Banks/RRBs/Cooperatives, whichever is earlier, subject to a maximum period of one year.
- (ii) To provide an additional interest subvention of 3% per annum to such of those farmers repaying on time i.e. from the date of disbursement of the crop loan upto the actual date of repayment of farmers or upto the due date fixed by the banks for repayment of crop loan, whichever is earlier, subject to a maximum period of one year from the date of disbursement. This also implies that the farmers paying promptly would get short term crop loans @ 4% per annum during the years 2018-19 and 2019-20. This benefit would not accrue to those farmers who repay their crop loans after one year of availing such loans.

- iii) NABARD to be subvented to the extent of the difference between its cost of funds and the refinance rate. **Since the cost of funds for 2018-19 is taken at 4.25 per cent per annum which is lower than the refinance rate, subvention to NABARD on account of refinance to Cooperative Banks and RRBs would be zero for the year 2018-19.** However, for 2019-20, the subvention to NABARD on account of refinance to Cooperative Banks and RRBs will depend upon its cost of funds.
- iv) To provide an administrative cost of 20 basis points to NABARD on its refinance assistance provided to Regional Rural Banks (RRBs) and Cooperative Banks.
- v) In order to discourage distress sale by farmers and to encourage them instead to store their produce in warehouses, the benefit of interest subvention will be available to small and marginal farmers having Kisan Credit Card for a further period of upto six months post the harvest of the crop on the produce stored in warehouses accredited with Warehousing Development Regulatory Authority (WDRA) against negotiable warehouse receipts, at the same rate as is available on crop loan.
- vi) To provide relief to farmers affected by natural calamities, an interest subvention of 2 per cent annum will be made available to banks for the first year on the restructured loan amount. Such restructured loans will attract normal rate of interest from the second year onwards as per extant policy laid down by the RBI.
- vii) However, **to provide relief to the farmers affected due to severe natural calamities**, an interest subvention of 2 per cent annum will be made available to banks for first three years/entire period (subject to a maximum of five years) on the restructured loan amount. Further, in all such cases, the benefit of prompt repayment incentive @ 3% per annum shall also be provided to the affected farmers. **The grant of such benefits in cases of severe natural calamities shall, however, be decided by a High Level Committee (HLC) based on the recommendation of Inter-Ministerial Central Team (IMCT) and Sub Committee of National Executive Committee (SC-NEC).**

2. To avoid multiple loaning and to ensure that only genuine farmers avail concessional crop loan through the mechanism of gold loans, the lending institutions may be advised to conduct due diligence and ensure proper documentation including recording of land details even when the farmer avails gold loans for such purposes.

3. To ensure hassle free benefits to farmers under the Scheme, the lending institutions may also be advised to make Aadhar linkage mandatory for availing short term crop loans during 2018-19 and 2019-20.

4. Further from 2018-19, the ISS is being put on DBT mode on "In kind"/services basis and all short term crop loans processed in 2018-19 are required to be brought on ISS portal / DBT platform. Accordingly, in view of this Department's earlier instructions dated 16.08.2017, 21.12.2017, and instructions regarding submission of category wise claims conveyed vide e-mail dated 13.01.2018, the RBI and NABARD are again requested to capture the category wise data of beneficiaries under the Scheme and report the same on ISS portal individual farmer wise to settle the claims arising from 2018-19 onwards.

5. In accordance to the instructions as above, the RBI and NABARD, the nodal agencies for implementation of Interest Subvention Scheme are requested to issue necessary instructions to PSBs, Private Sector Scheduled Commercial Banks, RRBs and Cooperative Banks about the continuation of Interest Subvention Scheme in its modified form for a period of two years i.e. 2018-19 and 2019-20 and also to adhere to provisions mentioned in para 2 to 4 above, under intimation to this Department.

6. RBI and NABARD are also requested to instruct the lending institutions to furnish their audited claims of previous scheme years as well as for 2018-19, if any, within the prescribed time limit. It may also be ensured that audited claims upto Scheme year 2017-18 are furnished by the lending institutions and reported by RBI and NABARD to this Department latest by 30th September, 2019.

Yours sincerely,


(R. K. Mamgaain)
Director (Credit)
Tel: 2338 8579

Copy to:

- (i) Secretary (Expenditure), Department of Expenditure, North Block, New Delhi.
- (ii) Secretary, Department of Financial Services, Jeevan Deep Building, Parliament Street, New Delhi
- (iii) Secretary, Department of Economic Affairs, North Block, New Delhi
- (iv) Secretary, Department of Food & Public Distribution, Krishi Bhawan, New Delhi
- (v) Deputy Governor, RBI, HO, Mumbai
- (vi) Chairman, NABARD, HO, Mumbai
- (vii) The Chairman, Warehousing Development & Regulatory Authority, New Delhi
- (viii) CMDs of all Public Sector Banks
- (ix) The Vice President (Agriculture), Indian Banks' Association (IBA), Mumbai
- (x) Chief Controller of Accounts, PAO, Department of Agriculture, Cooperation and Farmers Welfare (DAC&FW)
- (xi) Integrated Finance Division (IFD), DAC&FW