Policy Initiatives taken by the Government for increasing flow of credit and removal of indebtedness from non-institutional sources of lending

(i) Farm credit package:

A decision was taken by the Government in June, 2004 to double the flow of agriculture credit in three years with reference to base year 2003-04. The flow of agriculture credit since 2003-04 has consistently exceeded the target. This is evident from the fact that agriculture credit flow which was at Rs.86,981 crore in 2003-04 reached to Rs.468,291 crore in 2010-11. The agriculture credit target of Rs.475,000 crore was fixed for 2011-12 and ground level credit disbursement of Rs.511,029 crore was achieved (107% of the target). In the year 2012-13 as against the target of Rs.575,000 crore, achievement/credit disbursement was Rs.607,376 crore forming more than 105% of the annual target. Agriculture credit of Rs. 7,11,621.47 crore (102% of the target) was disbursed exceeding the target of Rs.700,000 crore fixed for the year 2013-14. The target for the year 2014-15 was fixed at Rs.800,000 crore and achievement was Rs.845,328.23 crore. **The target for 2015-16 is Rs.8,50,000 crore and achievement is Rs.8,77,527 crore. The target for 2016-17 has been set at Rs. 9,00,000 crore and a sum of Rs. 755,995.17 crore has been disbursed as agriculture credit during April-September, 2016.**

(ii) Interest subvention to farmers:

Interest subvention of 2% per annum to Public Sector Banks, Private Sector Scheduled Commercial Banks (in respect of loans given by the rural and semi urban branches), Cooperative Banks and Regional Rural Banks on their own funds used for short term crop loans upto Rs.3.00 lakh per farmer provided the lending institutions make available short term credit at the ground level at 7% per annum to farmers. 2% interest subvention will be calculated on the crop loan amount from the date of its disbursement/ drawal up to the date of actual repayment of the crop loan by the farmer or up to the due date of the loan fixed by the banks, whichever is earlier, subject to a maximum period of one year.

(iii) Interest Subvention of 2% p.a. to Banks on their own funds

Government of India announced an interest subvention scheme in 2006-07 to enable banks to provide short term credit to agriculture (crop loan) upto Rs.3 lakh at 7% rate of interest to farmers. Further, to incentivize prompt repayment, Government of India announced in the Union Budget for 2009-10, an additional interest subvention of 1% to those farmers who repay their short term crop loans promptly and on or before the due date. This interest subvention was subsequently raised to 2% in 2010-11. The interest subvention of 3% since 2011-12 has been continued. **Thus, farmers, who promptly repay their crop loans as per the repayment schedule fixed by the banks, are extended loans at an effective interest rate of 4% p.a.** Government has extended the scheme to crop loans borrowed from private sector scheduled commercial banks in respect of loans given within the service area of the branch concerned.

(iv) Extension of interest subvention scheme to post harvest loans:

In order to discourage distress sale by farmers and to encourage them to store their produce in warehouses against warehouse receipts, the **benefit of interest subvention scheme** has been extended to small and marginal farmers having Kisan Credit Card for a further **period upto six months** post harvest on the same rate as available to crop loan against negotiable warehouse receipt for keeping their produce in warehouses.

Release of funds to RBI for settling the claims under Interest Subvention Scheme :

Last year (2015-16), the Government allocated a sum of Rs.13,000 crore to Department of Financial Services for settling the claims under Interest Subvention Scheme and the entire sum was released to RBI/ NABARD. The Interest Subvention Scheme has now been transferred the Department of Agriculture, Cooperation and Farmers Welfare. For the current year (2016-17), the Government has allocated a sum of Rs.15,000 crore to this Department (Department of Agriculture, Cooperation and Farmers Welfare) for settling the claims under Interest Subvention Scheme. A sum of Rs.4127.72 was released to NABARD on 5th August, 2016.

(v) Interest subvention in the event of natural calamity:

Reserve Bank of India has revised the criteria of crop loss in their Master Circular dated 01.07.2015 keeping in view the GoI notification dated 8.4.2015. According to RBI's Master Circular dated 01.07.2015 along with Circular dated 21.08.2015, RBI has allowed State Level Bankers' Committee/ District Level Consultative Committees/ Banks to take view on rescheduling of loans if the crop loss is 33% or more. **Banks have been advised to allow maximum period of repayment of upto 2 years (including the moratorium period of 1 year) if the crop loss is between 33% and 50%. If the crop loss is 50% or more, the restructured period for repayment is extended to a maximum of 5 years (including the moratorium period of 1 year).** The Banks have further been advised that :

- All short-term loans are eligible for restructuring. The principal amount of the short-term loan as well as interest due for repayment is converted into term loan.
- In all cases of restructuring, moratorium period of at least one year is granted. Further, the banks should not insist for additional collateral security for such restructured loans.
- The existing term loan installments are rescheduled. The banks have been directed to reschedule the payment of installment during the year of natural calamity and extend the loan period by one year. The banks may also have to postpone payment of interest by borrowers.
- fresh crop loans are granted to the affected farmers which will be based on the scale of finance for the particular crop and the cultivation area, as per the extant guidelines.
- a crop loan continues at concessional rate of interest viz 7% till completion of one year. Thereafter the interest at normal rate of interest is charged.

(vi) Collateral free loans:

The limit of collateral free farm loan has been increased from Rs.50,000 to Rs.1,00,000.

(vii) Kisan Credit Card Scheme:

In order to ensure that all eligible farmers are provided with hassle free and timely credit for their agricultural operation, Kisan Credit Card (KCC) scheme was introduced in 1998-99. Marginal farmers, share croppers, oral lessee and tenant farmers are eligible to be covered under the Scheme. The main objectives of the Scheme are; to meet the short term credit requirements for cultivation of crops, post harvest expenses, produce marketing loan, consumption requirements of farmer household, working capital for maintenance of farm assets and activities allied to agriculture, like dairy animals, inland fishery etc. Investment credit requirement for agriculture and allied activities like pump sets, sprayers, dairy animals etc. The State Governments have been advised to launch an intensive branch/village level campaign to provide Kisan Credit Card to all the eligible and willing farmers in a time bound manner. KCCs have now been converted into Smart Card cum Debit Cards to facilitate its operation through ATMs. The cumulative number of live KCCs issued by Commercial Banks, Cooperative Banks & Regional Rural Banks as on 31 March, 2016 was 752.72 lakh with outstanding loan amount of Rs.530034.58 crore.

Some of the major features of revised KCC Scheme are:

- Assessment of crop loan component based on the scale of finance for the crop plus insurance premium x Extent of area cultivated + 10% of the limit towards post-harvest/ household/ consumption requirements + 20% of limit towards maintenance expenses of farm assets.
- Flexi KCC with simple assessment prescribed for marginal farmers.
- Validity of KCC for 5 years.
- For crop loans, no separate margin need to be insisted as the margin is in-built in scale of finance.
- No withdrawal in the account to remain outstanding for more than 12 months; no need to bring the debit balance in the account to zero at any point of time.
- Interest subvention /incentive for prompt repayment to be available as per the Government of India and / or State Government norms.
- No processing fee up to a limit of Rs.3.00 lakh.
- One time documentation at the time of first availment and thereafter simple declaration (about crops raised/ proposed) by farmer.
- KCC cum SB account instead of farmers having two separate accounts. The credit balance in KCC cum SB account to be allowed to fetch interest at saving bank rate.
- Disbursement through various delivery channels, including ICT driven channels like ATM/ PoS/ Mobile handsets.

(viii) A Joint Liability Group (JLG)

A Joint Liability Group (JLG) is an informal group comprising 4 to 10 individuals coming together for the purpose of availing bank loan on individual basis or through group mechanism against mutual guarantee. The JLG mode of financing serves as collateral substitute for loans to be provided to the target group i.e. small, marginal, tenant farmers, oral lessees, share croppers, etc. It builds mutual trust and confidence between the bank and the target group and minimizes the risks in the loan portfolio for the banks through group dynamics, cluster approach, peer education and credit discipline. The objective of the JLG mode of financing is to provide food security to vulnerable section by enhanced agriculture production, productivity and livelihood promotion. JLGs can also easily serve as a conduit for technology transfer, facilitating common access to market information, training and technology dissemination in activities like soil testing, training and assessing input requirements, etc.

The Scheme for financing of Joint Liability Groups of Tenant Farmers was started by NABARD in 2005-06. The scheme was extended to non-farm sector from 2009 onwards. Thus, JLGs consists of those of farmers and also of non farmers. The exclusive scheme for Bhoomi Heen Kisan was launched by Government of India during the Union Budget Announcements - 2014-15 with a target for financing 5 lakh Joint Farming Groups of “Bhoomi Heen Kisan” through NABARD. The total number of JLGs and total loan amount provided (cumulative) as on 30.09.2016 are as under:

No. JLGs financed as on 30.09.2016	
No.	Amount
18.21 lakh	Rs.18005.79 crore

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