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F.No.12/1/2015-AC
Government of India
Ministry of Finance
Department of Financial Services

*Jeevan Deep Building, Parliament Street,
New Delhi the 10th April, 2015*

To

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| 1. The Chief General Manager, RPCD
Reserve bank of India
CO: Mumbai | 2. The Chief General Manager, CPD
NABARD
HO: Mumbai |
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Sub: Implementation of Union Budget Speech 2015-16 – Interest Subvention Scheme for Short Term Crop Loans during the year 2015-16.

Sir (s),

I am directed to refer to this Department's letter No. 20/1/2013-AC dated 18th December, 2014 whereby the approval of the Government was conveyed for Interest Subvention Scheme 2014-15 for short term crop loans upto Rs. 3 lakh with the following stipulations:

(i) Interest Subvention of 2% per annum to Public Sector Banks (PSBs), Private Sector Scheduled Commercial Banks, Cooperative Banks and Regional Rural Banks (RRBs) on their own funds used for short term crop loans upto Rs.3,00,000/- 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.

(ii) An additional interest subvention @ 3% will be available to the prompt payee farmers from the date of disbursement of the crop loan up to the actual date of repayment by farmers or up to the due date fixed by bank 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 prompt payee farmers would get short term crop loans @ 4% per annum during the year 2014-15. This benefit would not accrue to those farmers who repay after one year of availing such loans.

(iii) Interest Subvention would be given to NABARD for providing concessional refinance to Regional Rural Banks and Cooperative Banks at interest rates of 4.5% per annum provided these lending institutions lend such loans upto Rs.3,00,000/- @ 7% per annum to the farmers.

(iv) An administrative cost of 20 basis points would be given to NABARD on its refinance assistance provided to Regional Rural Banks and Cooperative Banks.

(v) In order to discourage distress sale by farmers and to encourage them to store their produce in warehousing against warehouse receipts, the benefit of interest subvention will be available to small and marginal farmers having Kisan Credit Card for a further period of up to six months post harvest on the same rate as available to crop loan against negotiable warehouse receipt for keeping their produce in warehouses.

(vi) To provide relief to farmers affected by natural calamities, the interest subvention of two percent will continue to be available to banks for the first year on the restructured amount. Such

restructured loans may attract normal rate of interest from the second year onwards as per the policy laid down by the RBI.

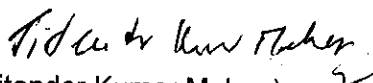
(vii) The lending institutions are advised to publicize the scheme amongst the farmers.

2. The Government has allocated Rs. 13,000 crore in the Budget 2015-16 for implementation of the Interest Subvention Scheme for Short Term Crop Loans during 2015-16. However, various alternative approaches for improving the efficacy of the Scheme are being examined, the finalisation of which may take some time.

3. In view of the above, as an interim measure, it has been decided with the approval of the Finance Minister, to request RBI and NABARD to instruct their respective lending institutions to implement the Interest Subvention Scheme on the terms and conditions approved for the Scheme for 2014-15 (as indicated above) till 30th June, 2015.

4. Accordingly, RBI and NABARD, the nodal agencies for the implementation of this Scheme, are requested to issue necessary instructions to PSBs, Private Sector Scheduled Commercial Banks, RRBs and Cooperative Banks on the above lines, with a copy to this Department.

Yours faithfully,


(Jitendar Kumar Mehan)
Under Secretary (AC)
Tel. No. 011- 23748762

Copy to:

- (i) Secretary (Expenditure), Department of Expenditure, North Block, New Delhi
- (ii) Secretary, Department of Economic Affairs, Ministry of Finance, North Block, New Delhi
- (iii) Secretary, Department of Agriculture & Cooperation, Krishi Bhawan, New Delhi
- (iv) Secretary, Department of Food & Public Distribution, Krishi Bhawan, New Delhi
- (v) Secretary, Ministry of Rural Development, Krishi Bhawan, New Delhi
- (vi) Deputy Governor, RBI, HO, Mumbai
- (vii) Chairman, NABARD, HO, Mumbai
- (viii) The Chairman, Warehousing Development and Regulatory Authority, New Delhi
- (ix) CMDs of all Public Sector Banks
- (x) The Vice President (Agriculture), Indian Banks' Association (IBA), Mumbai.
- (xi) Chief Controller of Account, Pay & Account Office (Banking), Ministry of Finance, IP Estate AGCR Building, New Delhi
- (xii) IFD Section, DFS
