

F.No.20/9/2011-AC  
Government of India  
Ministry of Finance  
Department of Financial Services

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*Jeevan Deep Building, Parliament Street,  
New Delhi the 30<sup>th</sup> December, 2011*

To

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| 1. The Chief General Manager, RPCD<br>Reserve Bank of India<br>CO: Mumbai | 2. The Chief General Manager, CPD<br>NABARD<br>HO: Mumbai |
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**Subject: - Implementation of Union Budget Speech 2011-12 – Interest Subvention Scheme for Short Term Crop Loans during the year 2011-12.**

Sir,

I am directed to refer to the above mentioned subject and to say that the Interest Subvention Scheme has been extended to crop loans disbursed during the year 2011-12 as well, in order to ensure that farmers get crop loans upto Rs.3 lakh at 7% per annum.

2. The Government has approved the Interest Subvention Scheme 2011-12 with the following stipulations:

- (i) Interest Subvention of 2% per annum to Public Sector Banks (PSBs), 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 paying 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 paying farmers would now get short term crop loans @ 4% per annum during the year 2011-12. 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% 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) Interest Subvention would be available to farmers from the date of disbursement till the date of repayment, subject to a maximum period of one year.

Contd/-

- (vi) For the appropriate growth and development of the warehousing sector in the country and to bring efficiency in the conduct of warehousing business, the Government of India has introduced a negotiable warehouse receipt (NWR) system in the country by enacting the Warehousing (Development & Regulatory) Act, 2007. At present concessional crop loan @ 7% with interest rate subvention is available to farmers as pre-harvest loan. However, in case of post-harvest loan against the negotiable warehouse receipts, the farmers are granted loan at commercial rates. In order to discourage distress 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.
- (vii) The lending institutions are advised to publicize the scheme amongst the farmers.

3. RBI and NABARD are also requested to instruct the lending institutions to send their reimbursable claims timely as per already laid down guidelines.

4. RBI and NABARD, the nodal agencies for the implementation of this scheme, are requested to issue necessary instructions to PSBs, RRBs and Cooperative Banks about the scheme for the year 2011-12, with a copy to this Department.

Yours faithfully,

Sd/-  
(Anil Kumar)  
Section Officer (AC)  
Tel. No. 011- 23748762

Copy to:

- (i) The Secretary, Ministry of Rural Development, Krishi Bhawan, New Delhi  
(ii) The Secretary, Department of Food & Public Distribution, Krishi Bhawan, New Delhi  
(iii) The Secretary, Department of Agriculture & Cooperation, Krishi Bhawan, New Delhi  
(iv) The Chairman, Warehousing Development and Regulatory Authority, New Delhi  
(v) CMDs of all Public Sector Banks  
(vi) The Vice President (Agriculture), Indian Banks' Association (IBA), Mumbai.

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