

Cabinet approves Interest Subvention to banks on Short-Term crop loan to farmers

The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved the Interest Subvention Scheme (ISS) for farmers for the year 2017-18. This will help farmers getting short term crop loan up to Rs. 3 lakh payable within one year at only 4% per annum. The Government has earmarked a sum of Rs. 20,339 crore for this purpose.

The interest subvention will be given to Public Sector Banks (PSBs), Private Sector Banks, Cooperative Banks and Regional Rural Banks (RRBs) on use of own funds and to NABARD for refinance to RRBs and Cooperative Banks.

The Interest Subvention Scheme will continue for one year and it will be implemented by NABARD and RBI.

The objective of the scheme is to make available at ground level, agricultural credit for Short Term crop loans at an affordable rate to give a boost to agricultural productivity and production in the country.

The salient features of the scheme are as follows:

- a) The Central Government will provide interest subvention of 5 per cent per annum to all prompt payee farmers for short term crop loan upto one year for loan upto Rs. 3 lakhs borrowed by them during the year 2017-18. Farmers will thus have to effectively pay only 4% as interest. In case farmers do not repay the short term crop loan in time they would be eligible for interest subvention of 2% as against 5% available above.
- b) The Central Government will provide approximately Rs. 20,339 crore as interest subvention for 2017-18.
- c) In order to give relief to small and marginal farmers who would have to borrow at 9% for the post harvest storage of their produce, the Central Government has approved an interest subvention of 2% i.e. an effective interest rate of 7% for loans upto 6 months.
- d) To provide relief to the farmers affected by natural calamities, the interest subvention of 2% will be provided to Banks for the first year on the restructured amount.
- e) In case farmers do not repay the short term crop loan in time they would be eligible for interest subvention of 2% as against available above.