

Government approves implementation of Interest Subvention Scheme for Short Term Crop Loans for 2018-19 and 2019-20

This is reference to circular FIDD CO. FSD. BC. No.21/05.04.001/2017-18 dated June 7, 2018 of RBI conveying continuation of Interest Subvention Scheme on the interim basis. In this regard, it is advised that **Government of India has approved the implementation of the Interest Subvention Scheme with modifications for the years 2018-19 and 2019-20 for short term crop loans up to Rs. 3 lakh with the following stipulations:**

- In order to provide short-term crop loans upto Rs. 3 lakh to farmers at an interest rate of 7% p.a. during the years 2018-19 and 2019-20, it has been decided to offer interest subvention of 2% per annum to lending institutions viz. Public Sector Banks (PSBs) and Private Sector Commercial Banks (in respect of loans given by their rural and semi-urban branches only).
- To provide an additional interest subvention of 3% per annum to such of those farmers repaying in time i.e. from the date of disbursement of the crop loan upto the actual date of repayment by 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.
- In order to discourage distress sale by farmers and to encourage them 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 at the same rate as available to crop loan against negotiable warehouse receipts issued on the produce stored in warehouses accredited with Warehousing Development Regulatory Authority (WDRA).
- To provide relief to farmers affected by natural calamities, an interest subvention of 2% per

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.

- However, to provide relief to the farmers affected due to severe natural calamities, an interest subvention of 2 percent per annum will be made available to banks for the first three years/entire period (subject to a maximum of five years) on the restructured loan amount.
- 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 conduct due diligence and ensure proper documentation including recording of land details even when the farmer avails gold loans for such purposes.
- To ensure hassle-free benefits to farmers under Interest Subvention Scheme, banks are advised to make Aadhar linkage mandatory for availing short-term crop loans in 2018-19 and 2019-20.
- Further, from 2018-19, the Interest Subvention Scheme is being put on Direct Benefit Transfer (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. Banks are advised to capture and submit category wise data of beneficiaries under the scheme and report the same on ISS portal individual farmer wise once it is launched to settle the claims arising from 2018-19 onwards.

Please find enclosed detailed document on Interest Subvention Scheme for Short Term Crop Loans during the years 2018-19 and 2019-20 for your kind reference.

Please contact for any query related to this mail to Ms. Surbhi Sharma, Associate Economist at surbhi@phdcci.in with a cc to Dr. S P Sharma, Chief Economist at spharma@phdcci.in of PHD Chamber of Commerce & Industry.

Warm Regards,
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