

To reduce the debt burden of farmers and to increase availability of institutional credit to farmers, following major initiatives have been taken by the Government :

- i. With a view to ensuring availability of agriculture credit at a reduced interest rate to farmers, the Government is implementing the Interest Subvention Scheme (ISS) since 2006-07, under which Short Term Crop Loans up to Rs.3.00 lakh have been made available to farmers at a subvented interest rate of 7 percent per annum. Further, additional subvention of 3 percent has been provided on prompt repayment, thereby reducing the effective rate of interest to 4 percent per annum for such farmers. The scheme is continued in 2017-18. Some State Governments in fact also provide additional interest subvention, reducing the effective interest burden on short term crop loans to zero.
- ii. Government sets annual target for the flow of credit to the agriculture sector. Banks have been consistently surpassing the annual target.
- iii. Reserve Bank of India (RBI) has issued Priority Sector Lending Guidelines (PSL), which mandate all Domestic Scheduled Commercial Banks to earmark 18% of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposure (OBE), whichever is higher, as on the corresponding date of the previous year, for lending to Agriculture.
- iv. As per PSL guidelines loans to distressed farmers to repay non-institutional lenders are eligible under priority sector. Besides loans to stressed persons (other than farmers) not exceeding Rs. 1,00,000/- per borrower to repay their debt to non-institutional lender are also eligible for the purpose of priority sector lending by banks.
- v. In order to ensure that all eligible farmers are provided with hassle-free and timely credit for their agricultural operations, the Government has introduced the Kisan Credit Card (KCC) Scheme, which enables them to draw cash to purchase agricultural inputs such as seeds, fertilisers, pesticides as well as meet other agricultural and consumption needs. The KCC Scheme has since been simplified by providing the farmers with ATM enabled debit card based on one-time documentation and built-in cost escalation in the limit, etc.
- vi. To bring small, marginal, tenant farmers, oral lessees, etc. into the fold of institutional credit, Joint Liability Groups (JLGs) have been promoted by banks. The Government also promotes formation of Farmer Producer Organisations (FPOs) in a big way to enable farmers to leverage economies of scale, not only for agricultural inputs but also for enhanced marketing opportunities.
- vii. Banks have been advised by RBI to waive margin/security requirements of agricultural loans upto Rs.1,00,000/-, vide RBI's circular dated 18th June, 2010.

viii. RBI has issued directions for Relief Measures to be provided by respective lending institutions in areas affected by natural calamities which, inter alia, include, restructuring/rescheduling of existing crop loans and term loans, extending fresh loans, relaxed security and margin norms, moratorium, etc. These directions have been so designed that the moment calamity is declared by the concerned District Authorities they are automatically set in motion without any intervention, thus saving precious time. The benchmark for initiating relief measures by banks has also been reduced to 33% crop loss in line with the National Disaster Management Framework.

(d) & (e): The Government at present is not considering any debt waiver scheme for farmers as such loan/debt waivers may impact the credit culture of a State by incentivizing the defaulters even if they are in a position to repay the loan and create/amplify the moral hazard by discouraging those borrowers who have been regular in repaying their loans.

Annexure

State wise average amount of debt burden per agricultural household

States/UTs	Average Amount of Debt per Cultivator Household (Rural) Rs.
Andhra Pradesh	130599
Arunachal Pradesh	4386
Assam	7856
Bihar	48674
Chhattisgarh	16810
Delhi	8801
Goa	21959
Gujarat	53717
Haryana	99212
Himachal Pradesh	91682
Jammu & Kashmir	17176
Jharkhand	9250
Karnataka	83987
Kerala	441589
Madhya Pradesh	48723
Maharashtra	68532
Manipur	5849
Meghalaya	2872
Mizoram	6915
Nagaland	3800
Odisha	25389
Punjab	216524
Rajasthan	72453
Sikkim	78878
Tamil Nadu	100266
Telangana	84423
Tripura	386
Uttarakhand	40573
Uttar Pradesh	69794
West Bengal	10333
A & N Islands	17114
Chandigarh	43133
Dadra & N. Haveli	46317
Puducherry	205675
All-India	70580

Source: NSSO 70th Round, Key Indicators of Debt and Investment in India (2014)
