Government of India
Ministry of Finance

LOK SABHA
UNSTARRED QUESTION NO. 3454
ANSWERED ON-15.07.2019 (Monday)/Ashadha, 24, 1941 (Saka)

INTEREST-FREE LOAN TO FARMERS

†3454. SHRI SANJAY HARIBHAU JADHAV:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes to provide interest-free loan to the farmers facing crop damage due to untimely rainfall in the country;

(b) whether the Government is fixing any such criteria under which each farmer gets loan uniformly, if so, the details thereof;

(c) whether the banks and cooperative credit institutions are not providing fresh loan to the farmers for Kharif season, if so, the details thereof and the corrective action taken by the Government in such cases, bank/credit/institution-wise; and

(d) the other steps taken/being taken by the Government for providing hassle free loan to the farmers?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG THAKUR)

(a) to (d): Government fixes agriculture credit disbursement targets for the banking sector every year. Details of agriculture credit disbursement by banks during the last three years as reported by National Bank for Agriculture and Rural Development (NABARD) are as under:

(Amount in `crore)

Year	Amount
2016-17	9,15,509.92
2017-18	10,65,755.67
2018-19*	12,54,762.20

*provisional

With a view to ensure availability of agriculture credit at a reduced interest rate of 7% p.a. to the farmers, the Government of India in the Department of Agriculture Cooperation and Farmers Welfare (DAC&FW) implements an interest subvention scheme for short term crop loans up to `3.00 lakh. The scheme provides interest subvention of 2% per annum to Banks on use of their own resources. Besides, additional 3% incentive is given to the farmers for prompt repayment of the loan, thereby reducing the effective rate of interest to 4%.

Under the aforesaid interest subvention scheme, to provide relief to farmers affected by natural calamities, the interest subvention (2%) on crop loan continues to be available to banks for the first year on the restructured amount. Such restructured loans may, however, attract normal rate of interest from the second year onwards as per the policy laid down by the Reserve Bank of India (RBI).

In order to provide relief to the farmers affected due to severe natural calamities, the Government in DAC&FW has decided that interest subvention of 2% per annum will be made available to banks for first three years/entire period (subject to a maximum of five years) on the restructured loan amount, and in all such cases the benefit of prompt repayment incentive at 3% per annum shall also be provided to the affected farmers. The grant of such benefits in cases of severe natural calamities shall, however, be decided by a High Level Committee (HLC) based on the recommendation of Inter-Ministerial Central Team (IMCT) and Sub Committee of National Executive Committee (SC-NEC).

The Government of India/ Reserve Bank of India (RBI)/ NABARD have, inter alia, taken the following major initiatives for providing hassle free crop loans to farmers of the country.

- The Kisan Credit Card (KCC) Scheme, enables farmers to purchase agricultural inputs such as seeds, fertilisers, pesticides, etc. and draw cash to satisfy their agricultural and consumption needs. The KCC Scheme has since been simplified and converted into ATM enabled RuPay debit card with, inter alia, facilities of one-time documentation, built-in cost escalation in the limit, any number of drawals within the limit, etc.

The credit limit/ loan amount under KCC is fixed by Banks as per guidelines prescribed in the Master Circular dated July 4, 2018 issued by RBI. The short term credit limit under KCC for the first year is determined based on Scale of Finance for the crop (as decided by District Level Technical Committee) x Extent of area cultivated + 10% of limit towards post-harvest/household/ consumption requirements + 20% of limit towards repairs and maintenance expenses of farm assets + crop insurance and/or accident insurance including personal accidental insurance scheme (PAIS), health insurance & asset insurance. The limit for second and subsequent years (3rd, 4th and 5th year) is arrived based on first year limit for crop cultivation purpose plus 10% of the limit towards cost escalation / increase in scale of finance and estimated term loan component for the tenure of Kisan Credit Card, i.e., five years.
The short term loan limit arrived for the 5^{th} year plus the estimated long term loan requirement will be the Maximum Permissible Limit (MPL) and is to be treated as the Kisan Credit Card limit.

Under the KCC Scheme, a flexible limit of `10,000 to `50,000 has been provided to marginal farmers (as Flexi KCC) based on the land holding and crops grown including post harvest warehouse storage related credit needs and other farm expenses, consumption needs, etc., plus small term loan investments without relating it to the value of land.

- As per RBI directions, Domestic Scheduled Commercial Banks are required to lend 18% of the Adjusted Net Bank Credit (ANBC) or Credit Equivalent to Off-Balance Sheet Exposure (CEOBE), whichever is higher, towards agriculture. A sub-target of 8% is also prescribed for lending to small and marginal farmers including landless agricultural labourers, tenant farmers, oral lessees and share croppers. Similarly, in the case of Regional Rural Banks 18% of their total outstanding advances is required to be towards agriculture and a sub-target of 8% has been set for lending to small and marginal farmers.

- To enhance coverage of small and marginal farmers in the formal credit system, RBI has decided to raise the limit for collateral-free agriculture loans from `1 lakh to `1.6 lakh.

- The requirement of 'no due' certificate has also been dispensed with for small loans up to `50,000 to small and marginal farmers, share-croppers and the like and, instead, only a self-declaration from the borrower is required.

- To bring small, marginal, tenant farmers, oral lessees, etc. into the fold of institutional credit, Joint Liability Groups (JLGs) have been promoted by banks.

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