

Government of India
Ministry of Finance
Department of Financial Services

LOK SABHA
Starred Question No. *310
Answered on Monday, March 16, 2020/Phalguna 26, 1941 (Saka)
SPECIAL LOAN SCHEME FOR FARMERS

*310. KUMARI SHOBHA KARANDLAJE:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has chalked out any special scheme of giving loans to the farmers in Karnataka who were affected and suffered during the recent floods in the State and if so, the details thereof;
- (b) whether the benchmark for initiating relief measures by banks has also been reduced to 33 per cent crop loss in line with the National Disaster Management Framework;
- (c) whether banks have been advised not to insist for additional collateral security for restructured loans;
- (d) whether instructions have been issued by the Government to all Public/Private Sector Insurance Companies to quickly process and expedite settlement of all claims arising out of floods; and
- (e) the other major initiatives taken or proposed to be taken to reduce the debt burden of farmers and for development of agriculture and welfare of farmers in the country?

Answer

The Finance Minister
(Smt. Nirmala Sitharaman)

(a) to (e): A statement is laid on the table of the House.

Statement referred in reply to parts (a) to (e) of Lok Sabha Starred Question No. *310 to be answered on 16.03.2020 regarding Special Loan Scheme for farmers by Kumari Shobha Karandlaje

(a) to (e): Reserve Bank of India (RBI) vide its Master Directions dated 17.10.2018 has issued Standing Guidelines on Relief Measures to be provided by respective lending institutions in areas affected by natural calamities which inter-alia include restructuring of existing crop loans and term loans, extending fresh loans, relaxed security and margin norms, moratorium of minimum 1 year, no penal interest in respect of current dues in default, etc.. The guidelines 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 from 50% to 33% crop loss in line with the National Disaster Management Framework. Banks have also been advised not to insist for additional collateral security for restructured loans.

In aftermath of heavy rainfall causing floods in Karnataka, the Government has issued suitable instructions to the State Level Bankers Committee (SLBC), Karnataka on 13.08.2019 to, inter-alia, to take necessary action as per Master Directions of RBI on relief measures by banks in areas affected by natural calamities, as declared by the appropriate authority.

SLBC, Karnataka has informed that the banks in Karnataka have restructured a total amount of Rs. 3,325.18 crore in 1,11,090 accounts from 01.07.2019 to 31.12.2019.

In view of the recent floods in the state of Karnataka, the Government issued detailed instructions to all Public/ Private Sector Insurance Companies / General Insurance Council / Life Insurance Council vide its letter dated 09.08.2019 to extend every possible facilitation to the affected people who are insured persons/nominees and may have been injured/lost their lives/property. Insurance Regulatory and Development Authority of India was also requested to exempt survey requirements to process claim upto a certain limit laid down by the Authority.

Besides the above, the Central Government has, inter alia, taken a number of initiatives to reduce the debt burden of farmers and for development of agriculture and welfare of farmers.

Some of the major initiatives are as under:

- The Master Directions on Priority Sector Lending (PSL) issued by RBI earmark 18% target for agriculture. Within the 18% target for agriculture, a sub-target of 8% for small and marginal farmers has been fixed to help in increasing the flow of credit to small and marginal farmers.
- Government of India implements an interest subvention scheme under which short term crop loans up to ` 3.00 lakh are provided to farmers at a reduced interest rate of 7% p.a. 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%.
- The Government has introduced the Kisan Credit Card (KCC) Scheme, which enables farmers to purchase agricultural inputs such as seeds, fertilisers, pesticides, etc. and draw cash to meet their agricultural and consumption needs. The KCC Scheme has since been simplified with facilities like one-time documentation, built-in cost escalation in the limit and facility of ATM enabled debit card etc.
- The benefits of KCC along with interest subvention have been extended to Animal Husbandry and Fisheries 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 dues' certificate has also been dispensed with in respect of small loans up to ` 50,000 availed by small and marginal farmers, share-croppers and the like and, instead, only a self-declaration from the borrower is required.
- Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) scheme has been implemented to provide an assured income support to all farmers, irrespective of the size of their land holdings subject to the exclusion factor. Under this scheme direct income support @ of ` 6,000 per year is transferred directly into the bank accounts of beneficiary farmers, in three equal installments of ` 2,000 each.