

# Interest Subvention Scheme for Farmers

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## Interest Subvention Scheme for Farmers

- Aims: At providing short term credit to farmers at subsidised interest rate.
- The policy came into force with effect from Kharif 2006-07.
- The scheme is being implemented for the year 2020-21.
- 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 is being implemented by NABARD and RBI.

## Following Imp Interest Subvention Scheme for Farmers

### Interest subvention for short term crop loans

- The Central Government provides to all farmers for short term crop loan upto one year for loan upto Rs. 3 lakhs borrowed by them.
- Under this scheme, the farmers can avail concessional crop loans of upto Rs.3 lakh at 7 per cent rate of interest.
- It also provides for an additional subvention of 3 per cent for prompt repayment within a period of one year from the date of advance. The scheme will help farmers to avail short term crop loans up to Rs. 3 lakh payable within one year at only 4 per cent per annum.
- 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.
- Limit towards household / consumption requirement /

maintenance expenses of farm assets, term loan etc. will be outside the purview of the Interest Subvention Scheme.

### **Interest subvention for post harvest loans**

- Measures to check distress sale, post-harvest loans for storage in accredited warehouses against Negotiable Warehouse Receipts (NWRs) are available for upto 6 months for KCC holding small & marginal farmers.
- The Interest Subvention Scheme will continue for one year and it will be implemented by NABARD and RBI.
- 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.

### **Interest subvention for relief to farmers affected by natural calamities**

- 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.
- Such restructured loans will attract a normal rate of interest from the second year onwards as per the policy laid down by the RBI.
- However, to provide relief to farmers affected by severe natural calamities, Interest Subvention of 2% will be available to Banks for the first three years/entire period (subject to a maximum of five years) on the restructured loan amount.

### **Interest subvention under Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM)**

- The Ministry of Rural Development, Government of India launched a new programme known as National Rural

Livelihoods Mission (NRLM) by restructuring and replacing the Swarnjayanti Gram Swarozgar Yojana (SGSY) scheme with effect from April 01, 2013.

- NRLM was renamed as Deendayal Antyodaya Yojana – National Livelihoods Mission (DAY-NRLM) with effect from March 29, 2016.
- DAY-NRLM has a provision for interest subvention, to cover the difference between the Lending Rate of the banks and 7%, on all credit from the banks/ financial institutions availed by women SHGs, for a maximum of Rs 3,00,000 per SHG.
- This will be available across the country in two ways:
- **In 250 identified districts:** Banks will lend to the women SHGs @7% up to an aggregated loan amount of Rs 3,00,000/-.The SHGs will also get additional interest subvention of 3% on prompt payment, reducing the effective rate of interest to 4%.
- **In the remaining districts:** All women SHGs under DAY-NRLM will be SHGs eligible for interest subvention to the extent of difference between the lending rates and 7% for the loan up to Rs 3,00,000, subjected to the norms prescribed by the respective SRLMs. This part of the scheme will be operationalized by SRLMs.

### **Interest subvention for Dairy sector**

- To offset the economic impact of Covid-19 on Dairy Sector, Ministry of Fisheries, Animal Husbandry and Dairying has introduced a new scheme “Interest subvention on Working Capital Loans for Dairy sector” for Supporting Dairy Cooperatives and Farmer Producer Organizations engaged in dairy activities (SDC&FPO) for implementation during 2020-21.
- Interest subvention will be given on working capital loan taken from scheduled Commercial Banks/R.R.Bs/Cooperative Banks/Financial Institutions between 1st April 2020 and 31st March 2021 by

Cooperatives/FP0s for conversion of milk into conserved commodities and other milk products.

- The scheme provides interest subvention of 2% per annum, with an additional incentive of 2% per annum interest subvention to be given in case of prompt and timely repayment/interest servicing.