

Modified Interest Subvention Scheme

August 20, 2022

In news- The Union Cabinet has recently **approved restoring Interest Subvention on short term agriculture loans to 1.5%** for all financial institutions.

Key updates-

- The Interest Subvention of 1.5% will be provided to lending institutions for the financial year 2022-23 to 2024-25 for lending short term agri-loans upto Rs 3 lakh to the farmers.
- This increase in Interest Subvention support requires additional budgetary provisions of Rs 34,856 crore for the period of 2022-23 to 2024-25 under the scheme.
- Farmers will continue to avail short term agriculture credit at interest rate of 4% per annum while repaying the loan in time.
- Lending institutions covered under this scheme are Public Sector Banks, Private Sector Bank, Small Finance Banks, Regional Rural Banks, Cooperative Banks and Computerized PACS directly ceded with commercial banks.

About the scheme-

- To ensure that the farmers have to pay a minimal interest rate to the bank, the **Government of India introduced Interest Subvention Scheme (ISS), now renamed as Modified Interest Subvention Scheme (MISS)**, to provide short term credit to farmers at subsidized interest rates.
- **Under this scheme, short term agriculture loan upto Rs. 3.00 lakh is available to farmers engaged in Agriculture and other allied activities** including Animal Husbandry, Dairying, Poultry, fisheries etc. **at the rate of 7% p.a.**

An additional 3% subvention (Prompt Repayment Incentive – PRI) is also given to the farmers for prompt and timely repayment of loans.

- Therefore, **if a farmer repays his loan on time, he gets credit at the rate of 4% p.a.**
- For enabling this facility to the farmers, Government of India provides Interest Subvention (IS) to the Financial Institutions offering this scheme.
- This support is **100% funded by the Centre, it is also the second largest scheme of DA&FW as per budget outlay and coverage of beneficiaries.**