



Cabinet approves Special Banking Arrangement (SBA) for payment of outstanding subsidy to fertilizer companies during 2016-17

Posted On: 01 NOV 2017 1:43PM by PIB Delhi

The Cabinet Committee on Economic Affairs chaired by the Prime Minister Shri Narendra Modi, has accorded the ex-post facto approval for implementation of Special Banking Arrangement (SBA) for Rs. 10,000 crore for payment of outstanding claims on account of fertilizer subsidy in the year 2016-17. CCEA has also approved that, in future, Department of Fertilizers would avail the SBA with the concurrence of Department of Expenditure.

Under the SBA, a total loan of Rs. 9,969 crore for settlement of outstanding subsidy bills with SBI was raised by the Government. The loan amount along with interest liability on the part of Government amounting to Rs. 80.90 crore were paid to SBI.

SBA for an amount of Rs. 10,000 crore for the year 2016-17 has already been implemented/ operationalised to overcome the liquidity problems of the fertilizer companies.

Background:

Government is making available fertilizers, namely Urea and 21 grades of P&K fertilizers to farmers at subsidized prices through fertilizer manufacturers/importers. For making funds available to the fertilizer companies against their subsidy claims, Ministry of Finance had approved SBA for an amount of Rs. 10,000 crore with Government interest liability limited to G-Sec rate. Accordingly, an SBA was worked out with SBI for an amount of Rs. 10,000 crore to meet the outstanding subsidy claims of fertilizer companies. The loan together with Government interest thereon has been repaid from BE 2017-18 within the sanctioned budget.

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