



# Cabinet approves Interest waiver for the two months of November and December, 2016 for farmers accessing short term crop loans from Cooperative Banks and providing interest subvention to National Bank for Agricultural and Rural Development (NABARD) on additional refinance by NABARD to Cooperative Banks

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The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has given its ex-post facto approval for interest waiver for the two months of November and December, 2016 for farmers accessing short term crop loans from Cooperative Banks. The decision also provides for interest subvention to National Bank for Agricultural and Rural Development (NABARD) on additional refinance by NABARD to Cooperative Banks.

Farmers in the whole of India availing short term crop loans, from Cooperative Banks will be benefitted.

The decision intends to ensure availability of resources with Cooperative Banks help farmers in easily accessing crop loans from Cooperative Banks to overcome the difficulties in view of the reduction in availability of cash for carrying out Rabi operations.

Additional resources are to be provided to Cooperative Banks through NABARD for refinance to the Cooperative Banks on account of interest waiver of two months for November and December, 2016. This will be extended by Cooperative Banks to the farmers in the current financial year 2016-17. An additional financial liability of Rs. 1060.50 crore will be required for this purpose. A sum of Rs. 15, 000 crore allocated during 2016-17 to implement the Interest Subvention Scheme (ISS) has already been utilised.

## **Background:**

a) The Government of India has, since 2006-07, been implementing the Interest Subvention Scheme under which short-term crop loans upto Rs.3 lakh are made available to the farmers at an interest rate of 7 percent per annum by the Public Sector. Banks, Regional Rural Banks and Cooperative. Banks. Farmers are provided with 3% interest subvention for short term crop loan upto Rs. 3 lakhs on prompt repayment of the loan. Thus, farmers have to effectively pay only 4% as interest for the said crop loan.

b) Due to the cancellation of legal tender character of old Rs. 500 and Rs.1000 notes and the resulting difficulty faced by the farmers in en-cashing the cheques received against sale proceeds of their Kharif produce in the mandis; and also their constraints with adequacy of cash in carrying out Rabi operations and servicing the interest of the short term crop loans, especially in view of the restrictions imposed on Cooperative Banks, an interest waiver is being provided for a period of 2 months i.e. November & December 2016 to farmers who were disbursed crop loan from Cooperative Banks between 01.04.2016 and 30.09.2016.

c) The provision of additional financial resource of Rs. 1060.50 crore is on account of (i) meeting the cost of interest waiver for 2 months ( November and December, 2016) for crop loan disbursed by Cooperative Banks between 01.04.2016 and 30. 09.2016 to farmers and (ii) providing interest subvention and administrative cost to NABARD on short term borrowing of about Rs. 20,000 crore for on-lending to Cooperatives Banks in the current financial year.

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