



Cabinet

Cabinet approves Short term market borrowing by NABARD for on lending to Cooperative Banks

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The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has given its post-facto approval for the following decisions:

- i. National Bank for Agriculture & Rural Development (NABARD) will make short term borrowings at prevailing market rate of interest for approx. Rs.20,000 crore for on-lending to Cooperative Banks at 4.5% rate of interest.
- ii. Additional capital of Rs.2,000 crore to be provided to NABARD for this purpose through the Union Budget. To start with, additional capital of Rs.500 crore may be released to NABARD during 2016-17 itself.
- iii. Interest Subvention of about 1.8% and NABARD's administrative cost of 0.2% to be provided as per the scheme of Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW). The extent of interest subvention may vary depending on the rate at which NABARD raises funds.
- iv. NABARD will coordinate the conversion of operative/live KCCs into RuPay/ATM-enabled Kisan Credit Cards (KCCs) by Cooperative Banks and Regional Rural Banks (RRBs) in a mission mode.

In the light of good monsoon and expectation of increased credit demand and in order to boost agricultural production, the farmers need to be supported through Cooperative Banks, which purvey credit at their doorstep, to enable them to scale up their agricultural operation.

The approval will ensure increased availability of short term crop loans to farmers through Cooperative banks at reduced rate of interest. The conversion of operative/live KCCs into RuPay/ATM-enabled KCCs will enable easy and hassle free availability of credit and in keeping with the spirit of 'Digital' India, will facilitate digital and cashless transactions by farmers.

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