

A NEW 'KISAN VIKAS PATRA'

Farmer De-stress: Govt Set to Play Santa as Polls Near

Niti Aayog holding talks with finance, agriculture ministries

Dheeraj.Tiwari
@timesgroup.com

New Delhi: The government is considering several measures to support farmers in distress as pressure mounts for a nationwide loan waiver scheme ahead of the general election.

These include doubling collateral-free loans under Kisan Credit Cards (KCCs) to ₹2 lakh and changes in the Pradhan Mantri Fasal Bima Yojana (PMFBY) crop insurance scheme to enhance coverage and ensure faster settlement of claims, said a senior official.

The Niti Aayog is holding discussions with the ministries of agriculture and finance on all possible steps, including the feasibility of a loan waiver, the official said. "We are looking at a series of steps to initiate structural reforms," he said, adding that loan waivers are not a panacea but the final decision will be a political call.

A senior banker also confirmed that talks are on to increase the KCC limit besides tweaking

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CHANGES IN KISAN CREDIT CARDS SCHEME

Doubling collateral-free credit limit to ₹2 lakh per card

Converting these cards to RuPay cards to allow easier withdrawal

IMPROVE PRADHAN MANTRI FASAL BIMA YOJANA TO...

Allow faster settlement of claims

Permit wider coverage

CHANGE NPA CLASSIFICATION FOR FARM LOANS TO ALLOW TOP-UP LOANS IF INTEREST PAYMENTS REGULAR



certain features of Fasal Bima Yojana. "There is also some discussion (on whether) the classification of agricultural bad loans can be looked at," he said. Farmers currently have to repay both principal and interest to be eligible for fresh lending.

ET had reported earlier this month that the upcoming budget is likely to have a strong rural and agriculture focus after the ruling BJP suffered a setback in recent state elections.

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There are over 40 million KCC accounts with ₹2.37 lakh crore outstanding. Under KCC guidelines, the Reserve Bank of India has allowed banks to waive margin requirements for loans up to ₹1 lakh.

"Banks may consider sanctioning loans on hypothecation of crops up to card limit of ₹3 lakh without insisting on collateral security," it states.

The government is also pushing banks for conversion of KCCs to RuPay ATM-cum-Debit Kisan Credit Cards (RKCCs) as this increases the ease with which funds can be accessed. A former banker said more effective steps were needed rather than doubling collateral-free loans.

"Government should look at giving a bigger interest subvention to farmers who have repaid," said MP Shorawala, a former independent director with Central Bank of India, adding that the farm loan waiver announced in some states will further disrupt the credit cycle. The official cited above, however, said that bad loans in the farming sector are less than that of corporates.

"Till March this year, the gross bad loans in agriculture and allied activities was ₹85,344 crore," he said. The total bad loan portfolio of scheduled commercial banks stood at ₹8.45 lakh crore.

Punjab, Uttar Pradesh, Maharashtra, Assam, Karnataka, Rajasthan, Madhya Pradesh and Chhattisgarh have announced farm loan waiver schemes.

The central government is under pressure to announce a nationwide scheme. The last national loan waiver was announced in 2008 and cost ₹52,000 crore.