

## AGRI CREDIT

# Interest subsidy outlay may jump 50%

Despite interim nature of budget, FM may announce highest-ever hike in the allocation

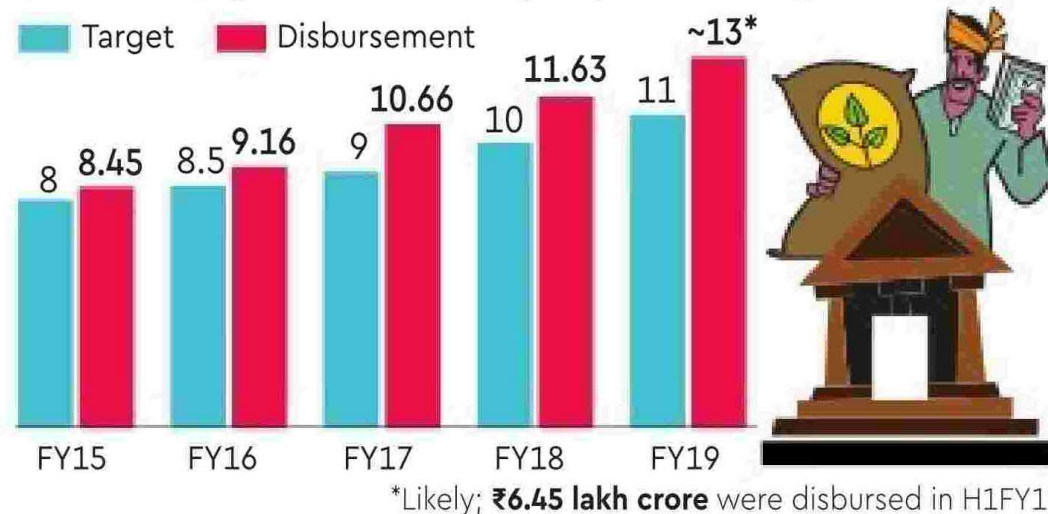
**PRABHUDATTA MISHRA**  
New Delhi, December 28

**IN ORDER TO KEEP** the credit flow to the farm sector robust, the Centre will likely raise the budget outlay for interest subvention for agriculture loans to ₹23,000 crore in 2019-20, a jump from ₹15,000 crore budgeted for the current fiscal.

For the last few years, disbursement of farm credit has exceeded targets; buttressing the trend, in the first half of 2018-19 commercial banks, cooperatives and regional rural banks have together disbursed ₹6.45 lakh crore, close to 60%

### Farm loans

(₹ lakh crore) By commercial banks, cooperatives & regional rural banks



of the target of ₹11 lakh crore for the full year. As on December 26 this fiscal, some ₹10,555 crore was spent by the government to subsidise interest on farm credit. The amount spent was ₹13,046 crore in 2017-18 and ₹13,397 crore in 2016-17.

According to sources, despite the interim nature of the budget, finance minister Arun Jaitley will announce the

highest-ever increase in the outlay for interest subvention for agriculture credit.

"There has been no slowing down of agricultural credit and the total disbursement this fiscal could reach ₹13 lakh crore," said a government official. The Centre's insistence on not rolling out farm loan waiver has helped banks to accelerate lending to the farm sector, he added.

The Centre pays 2% inter-

est subvention against the base rate (9% in case of PSBs) on all farm credit. An additional 3% interest subsidy on crop loans of up to ₹3 lakh is paid to farmers who repay loans in one year, reducing effective rate of interest in such cases to 4%.

Several states like Madhya Pradesh and Chhattisgarh further subsidise the interest, in some cases reducing it to zilch. The base rate is lower in case of cooperative and regional rural banks (RRBs) who are re-financed by Nabard.

In order to provide long-term refinance to cooperative banks and RRBs to encourage long-term investment credit lending in agriculture, Long Term Rural Credit Fund (LTRCF) was created with Nabard out of shortfall in achievement of priority sector lending (PSL) targets by commercial banks.

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THE INTEREST rate on advances to banks under LTRCF is 4.7% at present. Banks have to ensure that the benefit of

concessional interest is passed on to the ultimate borrower.

The government had exceeded its agricultural credit target of ₹10 lakh crore by disbursing ₹11.62 lakh crore in 2017-18. Out of these, ₹7.53 lakh crore were disbursed as 'crop loan' and ₹4.09 lakh crore as 'term loan'. The interest subsidy is re-imbursed by the government to banks after getting audited claims and there is usually a time lag of about one and half year.

The government also provides marginal farmers loans between ₹10,000 to ₹50,000 under the Kisan Credit Card (KCC) scheme with limited documentation. Marginal farmers are defined as those having 1 hectare or less land holding. Banks also waive security requirement of agricultural loans up to ₹1 lakh.