

Union Budget – 2010-11 – Interest Subvention Scheme - 1.5 per cent interest subvention and 2 per cent additional subvention for short-term crop loans in 2010-11

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RBI/2010-11/192

RPCD.No.PLFS.BC. 18 /05.04.02/2010-11

September 6, 2010

The Chairman/Managing Director

All Public Sector Banks

Dear Sir,

Union Budget – 2010-11 – Interest Subvention Scheme - 1.5 per cent interest subvention and 2 per cent additional subvention for short-term crop loans in 2010-11

As you are aware, the Hon'ble Finance Minister, in his Budget Speech (paragraph 52) for 2010-11 had announced as follows:

"In the last budget, I had provided an additional one per cent interest subvention as an incentive to those farmers who repay their short-term crop loans as per schedule. I propose to raise this subvention for timely repayment of crop loans from one per cent to two per cent for 2010-11. Thus, the effective rate of interest for such farmers will now be five per cent per annum. "

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2. In pursuance of this announcement, Government of India will provide interest subvention of 1.5% p.a. to Public Sector Banks in respect of short-term production credit up to Rs.3 lakh during the year 2010-11. This amount of subvention will be calculated on the crop loan amount *from the date of its disbursement/drawal up to the date of actual repayment of the crop loan by the farmer or up to the due date of the loan fixed by the banks for the repayment of the loan, whichever is earlier, subject to a maximum period of one year.* This subvention will be available to Public Sector Banks on the condition that they make available short-term production credit up to Rs. 3 lakh at ground level at 7% p.a.

3. Banks are advised to immediately submit their estimates of short-term production credit to farmers up to Rs.3.00 lakh during the year 2010-11, to enable us to provide Government with an estimate of the likely amount of subvention. Please note that the estimates should be realistic in nature.

4. In pursuance of the above announcement, Government of India will also provide *additional* interest subvention of 2% p.a. to Public Sector Banks in respect of those prompt paying farmers who repay their short-term production credit within one year of disbursement/drawal of such loans. This subvention will be available to such farmers on the short-term production credit up to a maximum amount of Rs.3 lakh availed of by them during the year, *from the date of disbursement/drawal of the crop loan up to the actual date of repayment by farmers or up to the due date fixed by the bank for repayment of crop loan, whichever is earlier, subject to a maximum period of one year from the date of disbursement.* This *additional* subvention will be available to Public Sector Banks on the condition that the effective rate of interest on short-term production credit up to Rs. 3 lakh for such farmers will now be 5% p.a.

5. Banks may give adequate publicity to the above scheme so that the farmers can avail the benefits.

6. It is also advised as under :-

i) Claims in respect of 1.5% interest subvention and 2% *additional* interest subvention may be submitted in Formats I and II(enclosed herewith) respectively to the Chief General Manager-in-Charge, Rural Planning and Credit Department, Reserve Bank of India, Central Office, Shahid Bhagat Singh Road, Fort, Mumbai – 400 001.

ii) In respect of 1.5% interest subvention, banks are required to submit their claims on a half-yearly basis as at September 30, 2010 and March 31, 2011, of which, the latter needs to be accompanied by a Statutory Auditor's certificate certifying the claims for subvention for the entire year ended March 31, 2011 as true and correct. Any remaining claim pertaining to the disbursements made during the year 2010-11 and not included in the claim for March 31, 2011, may be consolidated separately and marked as an '*Additional Claim*' and submitted latest by April 30, 2012, duly audited by Statutory Auditors certifying the correctness.

iii) In respect of the 2% *additional* subvention, banks may submit their one-time consolidated claims pertaining to the disbursements made during the entire year 2010-11, latest by April 30, 2012, duly audited by Statutory Auditors certifying the correctness.

7. In case of RRBs and co-operatives, a separate circular will be issued by NABARD.

Yours faithfully,

(B.P.Vijayendra)

Chief General Manager



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