

RBI advises banks to make Aadhar linkage mandatory for availing short-term crop loans in 2017-18

This is reference to the circular FIDD CO.FSD.BC.No.29/05.02.001/2016-17 dated May 25, 2017 released by RBI conveying continuation of Interest Subvention Scheme on the interim basis. In this regard, it is advised that Government of India has approved the implementation of the Interest Subvention Scheme for the year 2017-18 for short term crop loans up to Rs. 3.00 lakhs with the following stipulations:

- a) **In order to provide short-term crop loans upto Rs. 3 lakh to farmers at an interest rate of 7% p.a. during the year 2017-18**, it has been decided to offer interest subvention of 2% per annum to lending institutions viz. Public Sector Banks (PSBs), Private Sector Commercial Banks (in respect of loans given by their rural and semi-urban branches only) on use of their own resources. This interest subvention of 2% 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 whichever is earlier, subject to a maximum period of one year.
- b) To provide an additional interest subvention of 3% per annum to such of those farmers repaying in time i.e. from the date of disbursement of the crop loan upto the actual date of repayment by farmers or upto the due date fixed by the banks for repayment of crop loan, whichever is earlier, subject to a maximum period of one year from the date of disbursement. This also implies that the farmers paying promptly as above would get short term crop loans @ 4% per annum during the year 2017-18.
- c) In order to discourage distress sale and to encourage them to store their produce in warehouses, the benefit of interest subvention will be available to small and marginal farmers having Kisan Credit Card for a further period of upto six months post the harvest of the crop at the same rate as available to crop loan against negotiable warehouse receipts issued on the produce stored in warehouses accredited with Warehousing Development Regulatory Authority (WDRA).
- d) To provide relief to farmers affected by natural calamities, an interest subvention of 2 percent per annum will be made available to banks for the first year on the restructured loan amount. Such restructured loans will attract normal rate of interest from the second year onwards.
- e) To avoid multiple loaning and to ensure that only genuine farmers avail concessional crop loan through the mechanism of gold loans, the lending institutions may conduct due diligence and ensure proper documentation including recording of land details even when the farmer avails gold loans for such purposes.
- f) **To ensure hassle-free benefits to farmers under Interest Subvention Scheme, the banks are advised to make Aadhar linkage mandatory for availing short-term crop loans in 2017-18.**

All lending banks are requested to send to RBI the eligible pending audited claims of 2015-16 latest by August 31, 2017 as already advised vide our email dated August 11, 2017. Please note that under no circumstances further extension will be granted by RBI in this regard. The claims for 2016-17 may also be

submitted within the time limit as per procedure laid down and contained in our circular RBI/2016-17/32 FIDD.CO.FSD.BC.No.9/05.02.001/2016-17 dated August 4, 2016.

Banks may give adequate publicity to the above scheme so that the farmers can avail the benefits. It is also advised by RBI as under:

- Claims in respect of 2% interest subvention and 3% additional interest subvention may be submitted in formats (as given by RBI) to the Chief General Manager, Financial Inclusion and Development Department, Reserve Bank of India, Central Office, Shahid Bhagat Singh Marg, Fort, Mumbai – 400 001.
- In respect of 2% interest subvention, banks are required to submit their claims on a half-yearly basis as at September 30, 2017 and March 31, 2018, 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, 2018 as true and correct. Any remaining claim pertaining to the disbursements made during the year 2017-18 and not included in the claim for March 31, 2018, may be consolidated separately and marked as an 'Additional Claim' duly audited by Statutory Auditors certifying the correctness.
- In respect of the 3% additional subvention, banks may submit their one-time consolidated claims pertaining to the disbursements made during the entire year 2017-18 latest by April 30, 2019, duly audited by Statutory Auditors certifying the correctness.

Please contact for any query related to this mail to Ms. Surbhi Sharma, Senior Research Officer at surbhi@phdcci.in with a cc to Dr. S P Sharma, Chief Economist, PHD Chamber of Commerce & Industry.

Warm regards,

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