

**RBI/ 2005-06/398**

**RPCD.No.PLFS.BC. 86 /05.04.02(Kharif-06)/2005-06**

June 05, 2006

All Public Sector Banks/Regional Rural Banks

Dear Sir,

**Union Budget – 2006-07 – Proposal for ensuring Short Term Credit to Farmers at the interest rate of 7% p.a.**

As you are aware, the Hon'ble Finance Minister, in his Budget Speech (paragraph 49) for 2006-07 had announced as follows :

**“Government has decided to ensure that the farmer receives short term credit at 7 per cent, with an upper limit of Rs.3,00,000 on the principal amount. This would require a certain level of subvention to NABARD. I propose to give the subvention. This policy will come into force with effect from Kharif 2006-07.”**

2. In pursuance of this announcement, Government will provide interest subvention of 2% p.a. to Public Sector Banks and Regional Rural Banks in respect of short-term production credit up to Rs.3 lakh provided to farmers. This amount of subvention will be calculated on the amount of the crop loan disbursed from the date of disbursement/drawal up to the date of payment or up to the date beyond which the outstanding loan becomes overdue i.e. March 31, 2007 for Kharif and June 30, 2007 for Rabi, respectively, whichever is earlier. This subvention will be available to Public Sector Banks and Regional Rural Banks on the condition that they make available short-term credit at ground level at 7% p.a. In case of RRBs, this will be applicable only to short term production credit disbursed out of their own funds and will exclude such credit supported by NABARD refinance. As regards the rate of interest applicable on NABARD refinance to RRBs, a separate circular is being issued by NABARD.

3. Banks are advised to immediately, provide their estimates of short-term production credit to farmers up to Rs.3 lakh for Kharif and Rabi 2006-07 (separately)

to enable us to provide Government with an estimate of the likely amount of subvention.

4. Banks are also advised as under :-

- i) In order to enable Government to provide subvention, banks are required to submit their claims on a quarterly basis as at June 30, 2006, September 30, 2006, December 31, 2006 and March 31, 2007, within one month from the end of the respective quarter. The format for the purpose is enclosed.
- ii) The claim for the quarter ending March 31, 2007 should enclose a Statutory Auditor's certificate certifying that the claims for subvention of Rs. \_\_\_\_\_ (amounts claimed for each of the quarters to be specified) for the quarters ending June 30, 2006, September 30, 2006, December 31, 2006 and March 31, 2007 are true and correct.
- iii) Claims may be submitted 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.

Yours faithfully,

( Smt. R. Sebastian)  
General Manager

**Provision of Short-term agricultural credit for the year 2006-07**

**Statement for the quarter ended June/September/December 2006/March 2007**

**(Amounts in Rs.Lakhs)**

	Total short term production credit at 7% p.a		Amount of subvention claimed
	No. of accounts.	Amount	
Loans up to Rs.50,000/-			
Loans above Rs.50,000/- and up to Rs.3 lakh.			

We certify having disbursed the above loans at 7% p.a. by way of short- term production credit to the farmers during the quarter ended \_\_\_\_\_. *We certify that the above loans represent those funded exclusively by bank's resources and exclude loans supported by NABARD's refinance@*

Dated:

Authorised Signatory

@ Certificate in italics to be given only by RRBs