

May 10, 2007

The Chairman/Managing Director
All Public Sector Banks

Dear Sir,

Union Budget – 2007-08 – Proposal for continuation of 2 per cent interest subvention scheme for short-term crop loans in 2007-08

As you are aware, the Hon'ble Finance Minister, in his Budget Speech (paragraph 46) for 2007-08 had announced as follows:

“ The two percent interest subvention scheme for short-term crop loans will continue in 2007-08 .”

2..In pursuance of this announcement, Government will provide interest subvention of 2% p.a. to Public Sector 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, 2008 for Kharif and June 30, 2008 for Rabi, respectively, whichever is earlier. This subvention will be available to Public Sector Banks on the condition that they make available short-term credit 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 lakh for Kharif and Rabi 2007-08 (separately) 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. Banks are also advised as under :-

- i) i) In order to enable Government to provide subvention, banks are required to submit their claims **on a half-yearly basis** as at September 30, 2007 and March 31, 2008, within one month from the end of the respective half years. The format for the purpose is enclosed.
- ii) ii) The claim for the half-year ending March 31, 2008 should also accompany a Statutory Auditor's certificate certifying that the claims for subvention of Rs._____ (amounts claimed for each of the half-years to be specified) for the entire year ended March 31, 2008 as true and correct. Final settlement of the claims will be done only on receipt of this certificate.
- iii) 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.

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

Yours faithfully,

(A.K.Pandey)
General Manager

Provision of Short-term agricultural credit for the year 2007-08

Statement for the half year ended September 2007/March 2008

(Amount in Rs Lakh)

	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 half year ended _____.

Dated:

Authorised Signatory