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Interest Waiver for Farmers

Why in news?

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The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has given its ex-post facto approval for interest waiver for the two months of November and December, 2016 for farmers accessing short term crop loans from Cooperative Banks.

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Interest Waiver:

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- Farmers in the whole of India availing short term crop loans, from Cooperative Banks will be benefitted.

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- The decision intends to ensure availability of resources with Cooperative Banks help farmers in easily accessing crop loans from Cooperative Banks to overcome the difficulties in view of the reduction in availability of cash for carrying out Rabi operations.

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- Additional resources are to be provided to Cooperative Banks through NABARD for refinance to the Cooperative Banks on account of interest waiver of two months for November and December, 2016. This will be extended by Cooperative Banks to the farmers in the current financial year 2016-17.

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Background:

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- The Government of India has, since 2006-07, been implementing the Interest Subvention Scheme under which short-term crop loans upto Rs.3 lakh are made available to the farmers at an interest rate of 7 percent per annum by the Public Sector Banks, Regional Rural Banks and Cooperative Banks.
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- Farmers are provided with 3% interest subvention for short term crop loan upto Rs. 3 lakhs on prompt repayment of the loan. Thus, farmers have to effectively pay only 4% as interest for the said crop loan.
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- Due to the cancellation of legal tender character of old Rs. 500 and Rs.1000 notes and the resulting difficulty faced by the farmers in en-cashing the cheques received against sale proceeds of their Kharif produce in the mandis; and also their constraints with adequacy of cash in carrying out Rabi operations and servicing the interest of the short term crop loans, especially in view of the restrictions imposed on Cooperative Banks, an interest waiver is being provided for a period of 2 months i.e. November & December 2016 to farmers who were disbursed crop loan from Cooperative Banks between 01.04.2016 and 30.09.2016.
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Source: PIB

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