

Business Standard

End of crop loan subsidy likely to heighten defaults, banks say

But RBI data suggest that by replacing interest subsidy with crop insurance, government can use about Rs 12,500 cr to facilitate crop insurance scheme

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If a recent recommendation of the Reserve Bank of India (RBI) on crop loan subsidy is approved by the government, agricultural loans are set to become as costly as home loans or car loans. RBI has suggested interest subvention on crop loans should be phased out, and instead the subsidy amount should be used for providing crop insurance to farmers. But banks are wary that such a move might lead to a surge in short-term crop loan defaults. With a view to ensuring the availability of agricultural credit at a reasonable cost, the government introduced an interest subvention scheme at two ...