

PRESS RELEASE

Text of the D.O.Letter dated 20.6.2015 addressed by **Selvi J Jayalalithaa**, Hon'ble Chief Minister of Tamil Nadu to **Shri Narendra Modi**, Hon'ble Prime Minister of India is reproduced below:-

"You may recall that the Government of Tamil Nadu had already brought to your kind notice on 29.4.2015, the necessity to continue the existing disbursement model for the interest subvention programme for short term credit to farmers. This was against the back-drop of reports about the changes being contemplated by the Government of India in the scheme. While we still await your response to the letter, I would like to reiterate the key issues for your immediate consideration.

It is learnt that the Government of India is contemplating two major changes in the interest subvention scheme for crop loans. First, to allow banks to lend at their normal priority sector lending rates which are linked to the base rate. Second, to switch over to disbursing interest subvention on a Direct Benefit Transfer (DBT) based reimbursement after the farmer has settled his liabilities to the lending institutions, as against the present model of releasing the interest subvention to the banks based on their lending performance.

Considering the uncertainty endemic to agriculture, any significant increase in the present lending rates by linking them to the base rate, or any reduction in the concessionality of farm loans is uncalled for and will be a retrograde measure. Further, the change in procedure, which expects the farmer to pay higher interest rates and then receive reimbursement of the interest subvention component through DBT would only needlessly add to the complexity of the scheme and compound the misery of the farmers. In the earlier system, when the bank loans were disbursed through the farmers' accounts, the farmers enjoyed concessional credit even at the initial stage when drawing the loans. Under these circumstances, switching over to the new model of DBT at the post repayment stage directly to the farmers' accounts, will not bring any significant benefit in terms of greater accuracy of targeting, accountability or timely availability of credit to the farmers. Hence, the proposed move requires detailed deliberation with stakeholders. A considered view needs to be taken only after examining the pros and cons of the proposed change in order to achieve the end objective of effective and foolproof delivery and ultimately farmers' welfare.

In the Government of India circular dated 10.4.2015, it has been indicated that, pending the introduction of certain changes, the existing model of interest subvention scheme will continue as an interim measure till 30th June, 2015 and this has now been further extended up to 31.7.2015. The timeframe indicated is fast approaching and the uncertainty regarding the continuance of the existing scheme and lack of clarity about the new procedure to be introduced will adversely impact the agriculture sector, especially when the country is facing a delay in the onset of the monsoon and an imminent risk of drought.

It would be appropriate at this stage to highlight that the Government of Tamil Nadu has been providing an additional 4% interest subvention on crop loans disbursed through co-operatives with State budgetary support, over and above the interest subvention provided by the Government of India. This makes short term crop loans in Tamil Nadu interest free to the farmers who repay the loan promptly. As it is time for the country to give a big push to the agriculture sector by ensuring adequate flow of credit, any major changes in the present scheme without adequate consideration of the grass root level realities may prove to be disastrous.

You may also appreciate that the summer crop in Tamil Nadu is very limited and bulk of the crop loans are availed of by the farmers only during the south-west monsoon period commencing from June and in the north-east monsoon period. Any further delay in taking a decision on the continuance of interest subvention for crop loans will severely affect agricultural prospects in the State and in the rest of the country as well.

Therefore, considering the utmost importance of this scheme to the farming community in all the States, I once again urge your immediate intervention to direct the continuance of the interest subvention scheme in the present form while initiating the process of deliberating on the contemplated changes with the stakeholders to arrive at a more effective and supportive farm credit scheme. In this regard, I would also like to suggest that the proposed modifications may be discussed either in the National Development Council or in the Governing Council of the NITI Aayog and can be implemented thereafter with appropriate modifications on which there is a consensus.

May I request an early positive response from you?"
