

Major initiatives by Government & RBI took to mitigate hardship faced by farmers due to COVID-19

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The Government and the Reserve Bank of India (RBI) have taken major initiatives to mitigate the hardship being faced by farmers due to COVID-19. This was stated by Union Minister of State for Finance Dr Bhagwat Kisanrao Karad in a written reply to a question in Lok Sabha today.

The Minister further stated the efforts made/being made by the Government for the remedy of the problems regarding agriculture loan being faced by the farmers in the country as under:

- The moratorium for the total period of six months upto 31st August, 2020, was permitted in respect of all term loans (including agricultural term loans, retail and crop loans). This was aimed at providing temporary reprieve to borrowers affected by the pandemic, while attempting to preserve the resilience of the financial system. In order to ensure that farmers do not pay higher interest during the moratorium period, the benefit of 2% Interest Subvention and 3% Prompt Repayment Incentive was also extended to them for the moratorium period up to 31st August, 2020 or date of repayment, whichever is earlier. As advised by RBI, the moratorium has not been extended beyond August 31, 2020 taking into account the larger implications on the banking sector, credit culture and financial stability.
- In respect of loans to allied activities viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture, RBI has also issued a clarification that these loans can be taken up for resolution under the Resolution Framework for Covid-19 related Stress issued on 6th August 2020 which, inter alia, provides for a moratorium upto two years.
- Further, RBI's extant directions on relief measures to be provided by respective lending institutions in areas affected by natural calamities, such as flood, cyclone, drought, hailstorm, cold wave/frost, etc., inter alia, include, restructuring/rescheduling of existing crop loans and term loans, extending fresh loans, relaxed security and margin norms, moratorium, etc. These directions have been so designed that the moment calamity is declared by the concerned State Governments/District Authorities they are automatically set in motion without any intervention, thus saving precious time. The benchmark for initiating relief measures by banks has also been reduced to 33% crop loss in line with the National Disaster Management Framework.
- To meet the credit needs for post-harvest and kharif sowing requirements of farmers including small and marginal farmers, a front-loaded Special Liquidity Facility (SLF) of Rs. 55,000 crore under SLF-I and SLF-II has been extended by NABARD during COVID-19 pandemic for Regional Rural Banks, Cooperative Banks and Non Banking Financial Company (NBFCs)-Micro Finance Institutions (mFIs). This additional special liquidity facility to the rural financial institutions at concessional rate of interest will ensure enhanced credit flow to the agriculture and the allied sector.

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