Third Party Evaluation of Interest Subvention Scheme (2020-21)

As the structural transformation of the economy slowly continues, with agriculture and allied activities steadily losing out on relative share in national GVA, declining share of output; government has made number of initiatives to promote agriculture. Amongst many, Interest Subvention Scheme is one of the schemes for which NABCONS was entrusted by NABARD to carry out the third party evaluation during FY 2020-21.

We endeavoured to 18 districts, spread over six states, namely, Haryana, Uttar Pradesh, Chhattisgarh, Odisha, Karnataka and Tripura covering different agro- climatic zones. Twelve public sector commercial banks, eight Regional Rural Banks, six State Cooperative Banks and the DCCBs/PACS were covered to obtain the feedback.

During the 5-year study period (2014-15 to 2018- 19), the GoI had released an aggregate amount of Rs. 56,938.52 crore towards interest subvention and prompt repayment incentive. Out of this, the assistance released in the six states amounted to Rs.10927.95 crore accounting for 19.19% of the total amount released by GoI.

GoI has indicated that future settlement of benefits will take place only if the loan accounts are linked with Aadhaar number, therefore Aadhaar linkage must be prioritized.

46% of the branch managers informed that the farmers were utilizing the short-term crop loan for creating farm assets using it for investment purposes. However, only 2% of the farmers accepted having done so.

Farmer Producers' Organizations have emerged as an effective mechanism to transform small holding-based agriculture into a viable Agri- business enterprise and to increase the net income of farmers. GoI has set a target to promote 10,000 new FPOs.

Low productivity was observed due to many limitations such as hilly terrain, prevalence of shifting cultivation, unpredictable climate change, low level of modern input use, inadequate development of infrastructure for agriculture development and weak financial position of the institutions purveying credit have been one of the major issues for the poor off-take of credit in the regions.