

## **5,794 farmers get Rs 6.46b in subsidized loans**

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Bank and financial institutions (BFIs) have extended a total of Rs 6.46 billion in loans to farmers with the government-subsidized interest.

According to Nepal Rastra Bank (NRB), 5,794 beneficiaries have received loans under this scheme, of which the government provides 5 percent interest subsidy. With 5 percent subsidy in interest, BFIs can charge up to 10 percent interest on loans extended for commercial farming.

According to the NRB, BFIs have availed subsidized loans for selected agriculture and livestock businesses of over six billion as of mid-October. The central bank has provided Rs 311 million interest subsidy so far under the scheme.

Through the budget speech of the fiscal year 2014/15, the government had announced subsidized farm loans to farmers. While the loan scheme was introduced two years ago to encourage small farmers and youths to start commercial farming through cheaper credit, there has not been much attraction toward such loan.

A farmer or a firm can borrow up to Rs 10 million under this scheme which should be utilized on commercial farming and production, storage, and distribution of vegetables, coffee, and ginger, among others. Similarly, credit disbursement under this scheme is targeted for dairy business, fishery, beekeeping, livestock, and poultry, operating slaughterhouse and running cold storage and processing of meat items. But, a borrower is entitled to get higher amount of loan based on the rationale of the project and the decision of the coordination and monitoring committee headed by a deputy governor of the NRB.

Youths between the age of 21 and 45 as well as small farmers or firms owned and operated by them are eligible for borrowing of loan under this scheme.

The central bank has defined a small farmer as a farmer or firm who operate farming business with a maximum loan of Rs 10 million. These loans can be extended upon the collateral of farming land and crops as well as group guarantee on certain amount of credit.

These loans should be paid back within five years with a possible extension of up to two years.

Though such loans were available only through commercial banks, the government later decided to allow development banks and finance companies also to provide such

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loans following the complaints that there was not presence of 'A' class commercial banks in all places across the country.

There have also been complaints that BFIs create hassles for applicants of the loans under the scheme. NRB officials, however, say that those facing such hassles can register their complaints and grievances with the coordination and monitoring committee that facilitates farmers to access such loans.

Source: MyRepublica, 26<sup>th</sup> December 2017