

**Prudential norms on income recognition, asset classification and provisioning
– agricultural loans affected by natural calamities**

DBOD.No.BP.BC. 44 /21.04.048/2002-2003

November 30, 2002

All Scheduled Commercial Banks
(excluding RRBs and LABs)

Dear Sir,

**Prudential norms on income recognition,
asset classification and provisioning
– agricultural loans affected by natural calamities**

Please refer to our Rural Planning and Credit Department's circular No.RPCD. PLFS.BC.46/05.04.02 (DROUGHT)/2002-2003 dated November 15, 2002 advising banks not to effect recovery of any amount either by way of principal or interest during the current financial year in respect of *Kharif* crop loans in the districts affected by failure of the South-West monsoon as notified by the State Governments. Further, the principal amount of crop loans in such cases should be converted into term loans and will be recovered over a period of minimum 5 years in case of small and marginal farmers and 4 years in case of other farmers. Interest due in the current financial year on crop loans should also be deferred and no interest should be charged on the deferred interest.

2. In view of the above, we advise that in such cases of conversion or reschedulement of crop loans into term loans, the term loans may be treated as current dues and need not be classified as NPA.

3. The asset classification of these loans would thereafter be governed by the revised terms and conditions and would be treated as NPA if interest and / or instalment of principal remain unpaid for two harvest seasons, not exceeding two half years, as indicated in our circular DBOD.No.BP.BC.59/21.04.048/ 2001-2002 dated January 22, 2002.

4. Please acknowledge receipt.

Yours faithfully,

**(B. Mahapatra)
General Manager**