

**RBI/2004/266**

RPCD. No. Plan. BC. 92 / 04.09.01/ 2004-05

June 24, 2004

**The Chairman/ Managing Director/Chief Executive Officer  
(All scheduled commercial banks)**

Dear Sir,

**Flow of Credit to Agriculture -  
Announcements made by the Union Finance Minister**

The Hon'ble Finance Minister, Government of India has announced certain measures for improving flow of credit to agriculture, which are required to be implemented by all scheduled commercial banks. Accordingly, banks may take action as under:

**Relief measures for farmers affected by natural calamities:**

2. Standing guidelines for providing relief to persons affected by natural calamities have been issued to banks, vide our circulars Nos. RPCD. PS. BC. 6/ PS.126-84 dated August 2, 1984 and RPCD. PLFS. BC. 128/ 05.04.02/ 97-98 dated June 20, 1998. These guidelines, inter alia, provide for conversion/ rescheduling of loans in the case of crop failures due to natural calamities.

3. In the light of measures announced by the Union Finance Minister, the debts as on March 31, 2004 of farmers, who have suffered production and income losses on account of successive natural calamities, i.e. drought, flood, or other calamities which might have occurred in the districts for two or more successive years during the past five years may be rescheduled/restructured by the banks, provided the State Government concerned has declared such districts as calamity affected. Accordingly, the interest outstanding/accrued in the accounts of such borrowers (crop loans and agriculture term loans) up to March 31, 2004 may be clubbed with the principal outstanding therein as on March 31, 2004, and the amount thus arrived at shall be repayable over a period of five years, at current interest rates, including an initial moratorium of two years.

4. As regards the crop loans and agricultural term loans which have already been restructured on account of natural calamities as per the standing guidelines, only the overdue instalments including interest thereon as on March 31, 2004 may be taken into account for the proposed restructuring.

5. On restructuring as above, the farmers concerned will become eligible for fresh loans. The rescheduled/restructured loans as also the fresh loans to be issued to the farmers may be treated as current dues and need not be classified as NPA. While the fresh loans would be governed by the NPA norms as applicable to agricultural loans, in the case of rescheduled/restructured loans, the NPA norms would be applicable from the third year onwards, i.e. on expiry of the initial moratorium period of two years.

6. All other conditions/ stipulations contained in our circulars referred to in paragraph 2 above remain unchanged.

**One Time Settlement (OTS) Scheme for Small and Marginal Farmers:**

7. The banks may formulate guidelines, with the approval of their Boards of Directors, on one-time settlement for small and marginal farmers, who have been declared as defaulters till the date of this circular and have become ineligible for fresh credit. Banks may complete the exercise of notifying defaulters of the OTS guidelines by September 30, 2004. All applications for OTS received from such defaulters should be processed within one month of receipt of the same. The banks should ensure that settlement is done without discrimination and in a transparent manner so that farmers can access fresh credit.

**Fresh finance to farmers whose earlier debts have been settled**

8. Banks may review by September 30, 2004, all cases of small and marginal farmers where credit has been denied on the sole ground that a loan account was settled through compromise or write-offs.

**Relief measures for farmers indebted to non-institutional lenders:**

9. In order to mitigate the acute distress that farmers might be facing due to the heavy burden of debt from non-institutional lenders (e.g. moneylenders) and to provide them relief from such indebtedness, banks may, subject to the guidelines to be approved by their Boards of Directors, advance loans to such farmers, against appropriate collateral or group security.

10. The above instructions and the guidelines to be formulated by your Board of Directors may please be advised to your controlling offices and branches for immediate implementation.

11. Banks are also advised to form a Task Force in their Head Office to review the progress and collect relevant data in this regard on a monthly basis. The format for the purpose of monitoring the progress is being sent separately.

12. Please acknowledge receipt.

Yours faithfully,

sd/-

**(C.S. Murthy)**

**Chief General Manager-in-Charge**