

RBI/2007-08/313

RPCD.CO.Plan. BC.No.66/04.09.01/2007-08

May 6, 2008

**The Chairman/ Managing Director/
Chief Executive Officer**

***[All scheduled commercial banks
(including Regional Rural Banks)]***

Dear Sir,

**General Purpose Credit Cards and Overdrafts Against 'No-frills' Account as
Indirect Finance to Agriculture Under Priority Sector**

Please refer to our circular RPCD.CO.No.RRB.BC.59/03.05.33(F)/2005-06 dated December 27, 2005 advising all scheduled commercial banks (SCBs) and Regional Rural Banks (RRBs) to introduce a General Credit Card (GCC) Scheme for their constituents in rural and semi-urban areas, with a view to providing credit card like facilities in rural areas with limited point-of-sale (POS) and limited automated teller machine (ATM) facilities, based on the assessment of income and cash flow of the household similar to that prevailing under normal credit card. In this connection, please refer to the Master Circular dated July 2, 2007 on Lending to Priority Sector in terms of which, fifty per cent of the credit outstanding under loans for general purposes under General Credit Cards (GCC) is eligible for classification as indirect finance to agriculture sector under priority sector.

2. Please also refer to the Circulars on Financial Inclusion issued vide DBOD.No.Leg.44/09.07.005/2005-06 dated November 11, 2005 and RPCD.CO.No.RRB.BC.58/ 03.55.33(F)/2005-06 dated December 27, 2005 advising all SCBs and RRBs respectively to make available a basic banking 'no-frills' account either with 'nil' or very low minimum balances as well as charges which would make such accounts accessible to vast sections of population. Some banks are also providing small overdraft facilities against these 'no frills' accounts.

3. In this connection, please refer to paragraph No. 150 of the Reserve Bank's Annual Policy Statement for the year 2008-09 dated April 29, 2008 (copy of the paragraph enclosed).

4. In order to give further impetus to financial inclusion, banks may classify 100 per cent of the credit outstanding under GCCs and overdrafts up to Rs. 25,000 (per account) granted against 'no-frills' accounts in rural and semi-urban areas as indirect finance to agriculture sector under the priority sector with immediate effect.

5. We shall be glad if you please issue necessary instructions to your controlling offices/branches for appropriate action.

6. Please acknowledge receipt.

Yours faithfully,

(G. Srinivasan)
Chief General Manager-in-Charge

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150. With a view to providing credit card like facilities in rural areas with limited point-of-sale (POS) and limited automated teller machine (ATM) facilities, all SCBs, including RRBs, were advised in December 2005 to introduce a General Credit Card (GCC) Scheme for their constituents in rural and semi-urban areas, based on the assessment of income and cash flow of the household similar to that prevailing under normal credit cards. Banks also provide a small overdraft facility against basic banking 'no-frills' accounts. At present, 50 per cent of the credit outstanding under GCC is allowed to be classified as indirect finance to agriculture under the priority sector. It is proposed:

- to permit banks to classify 100 per cent of the credit outstanding under GCC and overdrafts up to Rs.25,000 against 'no-frills' accounts in rural and semi-urban areas as indirect finance to agriculture under the priority sector.