

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5063
ANSWERED ON:10.12.2010
GUIDELINES BY RBI
Sinha Shri Shatrughan

Will the Minister of FINANCE be pleased to state:

- (a) whether the general guidelines issued by the Reserve Bank of India (RBI) in 1984 have been amended in the year 1989 in order to widen the assistance provided by the banks to victims of flood, storm, land sliding, riots etc. to provide financial assistance /accommodation/ agricultural loan facilities to persons affected in coastal districts:
- (b) if so, the number of persons to whom assistance has been provided till date in affected States as per the said guidelines;
- (c) whether any new instructions have been issued to financial institutions of affected States for providing more financial assistance to the persons affected from sea storm in December, 2004: and
- (d) if so, the details thereof?

Answer

(MINISTER OF STATE IN THE MINISTRY OF FINANCE) (SHRI NAMO NARAIN MEENA)

(a): Reserve Bank of India (RBI) has reported that revised guidelines for relief measures by banks in areas affected by natural calamities were framed and the same were circulated amongst the Public and Private Sector Banks in 1984. The scope was further enlarged to include persons affected by riots/communal disturbances, etc in the instructions issued in 1991. However, the various instructions, including those covered in the circular issued in 1991, were consolidated under Master Circular No. RPCD.No.PLFS.BC.1/05.04.02/2010-11 dated July 1, 2010. Copy of which is available on web-site of RBI at www.rbi.org.in. The relief measures, inter- alia, include conversion of the principal amount outstanding in the crop loans and agriculture term loans as well as accrued interest thereon into term loans for periods ranging from 3 to 10 years depending upon the frequency of crop failures/intensity of damage to crops; treatment of converted/rescheduled agricultural loans as 'current dues'; non-compounding of interest in respect of loans converted/ rescheduled etc; moratorium period of at least one year, while restructuring; relaxed security and margin norms; fresh crop loans and consumption loans for affected farmers etc.

(b): RBI has reported that it has no information in this regard.

(c) & (d): RBI has reported that vide its Press Release dated December 27, 2004 had activated its relief package for the State affected by Tsunami. Bank branches were required to initiate the package of measures immediately after the district/state authorities declare the district/state as calamity affected areas and to provide financial assistance to the agriculturists, small scale industrial units, artisans, small business and trading establishments affected by the natural calamity. The measures included consumption loans to persons affected by calamities for sustenance, waiver of margin requirements or considering as margin the grants, subsidies provided by state governments, provision of credit not only to existing borrowers but also to other eligible persons within the jurisdiction of bank branch and who was not covered by any other financial intermediary as also conversion and rescheduling/restructuring of existing loans in the case of crop failure due to natural calamities. The package also include providing to affected persons term loans for developmental purposes.

Further, the banks while using their discretion on charging interest were required to view such cases sympathetically and consider waiving of penal interest to be charged for default of current dues and deferment of compounding of interests. In addition, the banks were asked to expeditiously restore banking services in the affected areas. The RBI had further advised the banks to convene a State Level Bankers Committee meeting immediately to discuss the effect of Tsunami in their respective areas and to consider and recommend any special measures that might be required in the affected States in addition to the RBF's relief package.