

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4819

ANSWERED ON:07.08.2009

RECOVERY OF FARM LOAN

Adhalrao Patil Shri Shivaji;Adsul Shri Anandrao Vithoba

**Will the Minister of FINANCE be pleased to state:**

(a) whether the Union Government is planning to defer recovery of farm loans in view of drought like situation in many States;and

(b) if so, the details thereof and if not, the reasons therefor?

**Answer**

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

(a) & (b): In order to provide relief to bank borrowers in times of natural calamities, Reserve Bank of India has issued standing guidelines to banks by way of a Master Circular for the relief measures to be taken for the borrowers, which, inter alia, include the following:

# conversion of the principal amount outstanding in the crop loans and agriculture term loans as well as accrued interest thereon into term loans.

# conversion/rescheduling loans and the interest accrued thereon for periods ranging from 3 to 10 years depending upon the frequency of crop failures/intensity of damage to crops;

# fresh crop loans for affected farmers;

# treatment of converted/rescheduled agri-loans as `current dues`;

# non-compounding of interest in respect of loans converted/rescheduled etc;

# relaxed security and margin norms;

# provision of consumption loans to agriculturists whose crops have been damaged;and

# moratorium period of at least one year, while restructuring.

# Special provisions for artisans and self-employed persons and small scale and tiny units have been made.

Further, the circular also addresses the issue of Business Continuity Planning by banks, easier access to customers to their bank accounts, efficient currency management, relaxed KYC Norms and continuity in clearing service in the affected areas. Instructions on moratorium, maximum repayment period, additional collateral for restructured loans and asset classification in respect of fresh finance have been made applicable to all affected restructured borrowal accounts, including accounts of industries and trade, besides agriculture.