

**Contents**

- Relief Measures for Gujarat Quake
- Foreign Contributions for Quake Victims
- WMA for Gujarat
- Reliefs/Concessions for Exporters
- Reduction in Bank Rate and
- Cash Reserve Ratio
- Foreign Investment in Print Media
- Action Points for Banks to meet
- Credit Needs of Women
- Safeguards for Opening of and
- Granting Loans against Non-Resident Deposits
- Features of Various Deposit Schemes
- Available to Non-Resident Indian

**Relief Measures for Gujarat Quake**

In view of the devastating earthquake on January 26, 2001, the Reserve Bank has issued various guidelines to commercial banks for providing relief measures to the affected persons/business. Based on the recommendations of the State Level Banking Committee (SLBC) meeting held on February 9, 2001 at Ahmedabad for providing relief/ concessions to the earthquake victims of Gujarat, the following special relief package of measures has been extended to persons/ business affected by the earthquake. The relief measures indicated below are applicable to the affected persons in the districts and blocks, notified by the State Government as having been affected by the earthquake. In case of doubt, branch managers may obtain certification from the state agencies in the matter.

- (a) Control room for directing and monitoring relief measures has been set up in Dena Bank, Ahmedabad supported at all times by officers specifically designated for the purpose from SIDBI, NHB, NABARD, Dena Bank and Bank of Baroda.
- (b) Nodal offices have been set up by banks in affected areas to monitor and report on the implementation of relief measures to the control room on an ongoing basis.
- (c) Banks should endeavour for immediate resumption of banking services at branches which have been damaged/ affected / rendered non-functional by setting up satellite offices, extension counters, mobile banking facilities, or shifting branches to suitable nearby places on temporary basis. Powers have been delegated to the Regional Director for the State of Gujarat, Reserve Bank of India, Ahmedabad, for this purpose.
- (d) Loan classification status in case of borrowers affected by the earthquake should be frozen on an 'as-is-where-is' basis upto March 31, 2003.
  - (i) In regard to standard assets, no demand for recovery to be made for two years.

- (ii) In regard to loans not classified as standard assets, no penalties to be levied in the event of non-receipt of repayment due during the next two years.
- (iii) The banks would charge simple interest at the rate of 10 per cent per annum till March 31, 2003 and thereafter the normal rate of interest would be charged.
- (e) Notwithstanding the present status of the account, affected borrowers in the category of small traders, small business, self-employed and small road transporters, etc. should be sanctioned special limits upto Rs.1 lakh for restoration / rehabilitation of their business at interest rates not exceeding Prime Lending Rate(PLR).
- (f) Banks should grant loans upto Rs.2 lakh at interest rate not exceeding PLR for repairs / reconstruction of houses / shops damaged by the earthquake.
- (g) In regard to advances to SSI, business, trade and industry, banks should consider sanction of additional limits / rescheduling of existing limits under a need based arrangement depending upon the past performance of borrower, conduct of account, etc. The interest on rescheduled loans should be charged at 10 per cent per annum at simple rate upto March 31,2003 and thereafter, at PLR. The interest on additional limits would be charged as per sub-paragraph (h) below.
- (h) Loans upto Rs.10 lakh should carry rate of interest at PLR and for loans above Rs.10 lakh, at bank's discretion.
- (i) PLR will be uniform for all banks and will be State Bank of India's PLR which at the time of issuing the circular was 12 per cent per annum.
- (j) No processing fees will be charged by the banks from the affected beneficiaries.
- (k) Financial facilities for repairs / construction of houses/shops and to small traders, small business, self-employed and small road transporters etc. under this package should be reckoned as part of priority sector lending.
- (l) Settlement of claims made by nominee of depositors who have lost their lives in the earthquake should be completed within 48 hours and in other cases, on the bank being satisfied about legality of the claim. The successor would be notified about it by the State Agencies. Payment upto Rs.50,000 in deceased claims be released against indemnity and affidavit.
- (m) Branch managers may be vested with sufficient discretionary powers for granting such facilities.
- (n) Banks are free to evolve their own guidelines on the stipulations on margin, security and repayment schedule in the matter of direct lending for housing to the borrowers with the approval of their boards.
- (o) In case of agricultural loans, as a special case banks may not recover either principal or interest from the affected farmers for a period of two years and reschedule the amounts not collected during the two years for a period upto 7 years. The total period of reschedulement including the initial moratorium period should not exceed nine years.
- (p) Existing limit of Rs.1000 for grant of consumption loan may be raised upto Rs.2000 per eligible beneficiary. As a measure of further concession, such consumption loans may be granted even though the Gujarat State has not constituted a risk fund as envisaged in the existing instructions of the Reserve bank on the subject.
- (q) While sanctioning loans, asset coverage ratio may not be insisted upon.

For monitoring of the relief measures by banks, SLBC meeting will be convened on a monthly basis. The monitoring committee of SLBC consisting of Dena Bank, RBI, SBI, Bank of Baroda, Bank of India, Central Bank of India, NHB, NABARD, SIDBI and Relief Commissioner, Secretary Agriculture or his representative would meet on fortnightly basis to review the progress.

As decided, SLBC will consult the State Government for waiver of stamp duty for registration of houses and mortgage of property and for certification of ownership of land for construction of houses / shops.

Banks should initiate immediate steps to extend relief measures as above in the affected districts. The progress in this regard monitored at periodical intervals by the sub-group/ SLBC may be advised to the Rural Planning and Credit Department of the Reserve Bank and Regional Office of the Bank at Ahmedabad. In addition, monitoring at periodic intervals by District Consultative Committee at district level should be done.

### **Foreign Contributions for Quake Victims**

The Reserve Bank of India has advised banks about the exemption granted by Ministry of Home Affairs, Central Government to all associations from provision of Foreign contribution (Regulation) Act, 1976 to accept foreign contribution, in cash or kind, to provide relief to earthquake victims without obtaining a formal approval of the Central Government. This exemption has been granted with immediate effect and is up to March 31, 2001. It is available to all associations (other than political parties) having a definite cultural, economic, educational, religious or social programme.

To avail the exemption the associations would need to follow certain conditions. Each such association would, however, need to open a new bank account for this purpose and designate it as the "Gujarat Earthquake Relief Account". The association would need to receive contribution for Gujarat earthquake victims in this designated account. The associations would also need to maintain a separate set of accounts and records in respect of foreign contributions received for earthquake relief. They would need to submit details of such accounts to Ministry of Home Affairs within one week of opening such account and give intimation regarding receipt of foreign contribution within four months of the close of year to the Ministry of Home Affairs.

### **WMA for Gujarat**

The Reserve Bank relaxed the Ways and Means Advances (WMA) and Overdraft Regulations for the State of Gujarat till the end of February 2001. The Reserve Bank had asked banks to advise all their branches, in particular, those situated in Gujarat, to ensure immediate credit of payments received towards relief for Gujarat earthquake victims and not to delay crediting of their accounts for want of purpose of remittance or other such details. Such particulars could be collected later, it had stated.

### **Reliefs/Concessions for Exporters**

The following concessions/reliefs have been extended to the affected exporters:

- (i) *Extension of pre-shipment credit* : In cases where shipment is likely to be delayed beyond the specified time due to the calamity banks may, after satisfying themselves of the genuineness of the case, extend upto 180 days, pre-shipment credit granted for periods less than 180 days (based on the production cycle), at the interest rate applicable for the period upto 180 days (10 per cent per annum) and for the period beyond 180 days and upto 360

days banks may charge the concessional rate applicable for the period beyond 180 days and upto 270 days, (13 per cent per annum). Extension of credit beyond 360 days may also be considered, where necessary, on the basis of bank's commercial judgement and discretion at the rate applicable for 'ECNOS-Pre shipment' and with the approval of the bank's Board.

In cases where the pre-shipment credit has been granted in foreign currency, extension beyond 180 days may be allowed as per the actual cost of roll-over instead of applying 2 per cent over the rate charged for the period upto 180 days as per extant instructions.

- (ii) *Conversion of dues into short term loans* : Banks may convert the overdue pre-shipment credit, wherever considered necessary, into a short term loan repayable within a reasonable period of time after taking into account the settlement of ECGC claim, if any, in respect of guarantees taken by the bank. Penal interest which is now required to be decided by the banks should not be charged from the date of advance in case of non-shipment in such cases.
- (iii) *Application of asset classification norm* : Banks need not classify as Non-performing Asset (NPA) pre-shipment credit granted to the exporters where the period of credit has been extended in terms of paragraph (i) above or where the pre-shipment credit has been converted into short term loan in terms of paragraph (ii) above. The advances will be treated as NPA if the interest and/or instalment of principal remains unpaid for 180 days after it has become overdue taking into account the revised due dates fixed by the banks after extension of the period or conversion of the pre-shipment credit, as the case may be.

### **Reduction in Bank Rate and Cash Reserve Ratio**

After a review of recent developments in the international and domestic financial markets, the Reserve Bank of India announced the following measures on February 16, 2001.

- (i) A reduction in the Bank Rate by half a percentage point from 8 per cent to 7.5 per cent effective close of business on February 16, 2001. All interest rates on advances from the Reserve Bank as also the penal rates on shortfall in reserve requirements which are specifically linked to the bank rate have been revised.
- (ii) A reduction in Cash Reserve Ratio (CRR) by 0.5 percentage point from its present level of 8.5 per cent to 8 per cent in two stages by 0.25 percentage point each effective from fortnights beginning February 24, 2001 and March 10, 2001, respectively. This measure would release resources of scheduled commercial banks to the extent of about Rs.2,050 crore at each stage.

### **Foreign Investment in Print Media**

In consultation with the Government of India, the Reserve Bank of India has withdrawn the facility for acquisition of shares and convertible debentures of Indian companies engaged in print media sector, by foreign venture capital investors, foreign institutional investors (FIIs), as also by non-resident Indians/overseas corporate bodies (NRIs/OCBs). The facility stand withdrawn w.e.f. February 16, 2001. The restriction would also apply to investment by NRIs/OCBs on non-repatriation basis.

### **Action Points for Banks to meet Credit Needs of Women**

- (1) Redefining of banks' policies/long term plans. Banks should have a charter for women which must be published. To start with, banks should earmark at least 2 per cent of their net bank credit for women and raise it to 5 per cent in 5 years' time.
- (2) Setting up women cells and designating an officer in each branch exclusively to handle flow of credit to women
- (3) Simplification of existing procedural formalities
- (4) Orientation of bank officers/staff on gender concerns/credit requirements of women
- (5) Publicity campaign for creating awareness about credit facilities
- (6) Entrepreneurship development programmes/training facilities for women
- (7) Specialised branches for women
- (8) Motivational strategies to enthuse bank officials/staff
- (9) Monitoring system for submitting regular reports on the credit flow to women.
- (10) Data collection
- (11) Strengthening of existing schemes
- (12) Increasing the limit for non-obtention of collateral security
- (13) Involving NGOs/SHGs/women's Cooperatives
- (14) Setting up of Mahila Rural Cooperative Banks

*Source : Report on Strengthening of Credit Delivery to Women particularly in Tiny and SSI Sector, Banking Division Department of Economic Affairs, Ministry of Finance, Government of India.*

### **Safeguards for Opening of and Granting Loans against Non-resident Deposits**

Since some instances of frauds/malpractices in respect of non-resident accounts have been noticed, it has been decided that banks should observe the following safeguards meticulously while opening the non-resident deposit accounts as well as while granting loans and advances against such deposits and accepting non-resident deposits through agents or persons holding Power of Attorney on behalf of NRIs.

- (i) Fixed deposit receipts should be handed over or sent to depositors directly against acknowledgement.
- (ii) Loans against NRE/FCNR(B) deposits to third parties should be granted only when the depositor himself executes the loan documents in the presence of bank officials and a witness acceptable to the bank. Advances to third parties against such deposits should not be granted on the basis of Power of Attorney.
- (iii) Where a fraud has been perpetrated in a non-resident account and there is no involvement of the concerned non-resident depositor and his innocence has been proved to the satisfaction of the bank, banks may pay the deposit proceeds to the depositor on due date even when the investigation is in progress. Banks may, however, obtain necessary documents including an indemnity bond with an acceptable surety from the non-resident depositor before releasing the amount.
- (iv) In the event of death of non-resident depositor, banks need not insist on succession certificate as a matter of routine. Since different countries follow different procedures for issuing succession certificates, banks should take a practical view and ascertain the

procedure followed in the country of residence of the depositor; and thereafter, obtain such minimum documents for their record as would satisfy the requirements of their being rightful claimant.

It has also been decided that banks should review all the existing cases involving advances against third party NRE/FCNR(B) deposits and report to the Reserve Bank instances of irregularities noticed by them before February 17, 2001.

### Features of Various Deposit Schemes Available to Non-Resident Indians (NRIs)

Particulars	FCNR account (Foreign Currency Non-Resident account)	NRE account (Non-Resident External Rupee account)	NRNR account (Non-Resident Non- Repatriable account)	NRO account (Non-Resident Ordinary account)	NRSR accc [Non-Resic (Special Rupee Account: NRIs
• Who can open an account	NRIs or OCBs.	NRIs or OCBs outside India	Any person resident outside India	Any person resident	NRIs
• Joint account of two or More NRIs	Permitted	Permitted	Permitted	Permitted	Permitted
• Joint account with another Person resident in India	Not permitted	Not permitted	Not permitted	Not permitted	Not permitted
• Currency in which Account denominated	Pound Sterling US Dollar, DM, Jap Yen or Euro.	Indian Rupees	Indian Rupees	Indian Rupees	Indian Rupees
• Repatriability	Freely repatriable Freely repatriable	Freely Repatriable Freely Repatriable	Not Repatriable Freely Repatriable	Not Repatriable Freely Repatriable	Not Repatriable Not Repatriable in accordance with the undertaking given at the time of opening the account
• Foreign Currency Risk	Account holder is protected against changes in INR value vis-à-vis the currency in which the account is denominated.	Account holder is exposed to the fluctuations in the value of INR.	Account holder is exposed to the fluctuations, in the value of INR to the extent of interest amount.	Account holder is exposed to the fluctuations, in the value of INR to the extent of interest amount.	No exposure foreign exchange risk as no part of the balance are repatriated
• Type of accounts	Term deposits only	Current Savings Recurring Fixed Deposits	Term deposits only	Current Savings Recurring Fixed Deposits	Term deposits only
• Period for fixed deposits	For terms not less than 1 year and not exceeding	For the periods as announced by the deposit	For terms not less than 1 year and not exceeding	For the periods as announced by the deposit	For terms less than 1 year and not exceeding 3 years
• Rate of Interest	3 years Banks are free to determine interest rates within the ceiling, if any, prescribed by the Reserve Bank	taking bank. Banks are free to determine interest rates.	3 years Banks are free to determine interest rates.	taking bank. Banks are free to determine interest rates.	3 years Banks are free to determine interest rates.
• Rupee Loans in India against Security of the funds held in the account to :					

1) a/c holders	Permitted	permitted	permitted	permitted	permitted
2) third party	Permitted	permitted	permitted	permitted	permitted
• Foreign currency loans outside India against Security of the funds held in the account to :					
1) a/c holders	Permitted	permitted	Not permitted	Not permitted	Not permitted
2) third party	Permitted	permitted	Not permitted	Not permitted	Not permitted

**Notes:**

1. Nomination facilities, for nominating either a resident or a non-resident are available, in all types of accounts maintained in the name of individuals only.

2. For details of tax benefits available against each account please refer to the current Income Tax rules.

3. For the purposes of maintaining an account in India

**(A) NRI is a person resident outside India who ;**

(i) is citizen of India, or

(ii) is a citizen of any country other than Bangladesh or Pakistan if

(a) he at any time held Indian passport, or

(b) he or either his parents or any of his grand parents were a citizen of India by virtue of the constitution of India or the Citizenship Act , 1955 (57 of 1955), or

(c) a person is a spouse of an Indian citizen or a person referred to in sub-clause (a) or (b) above."

**(B) OCB is defined as:**

"a company, partnership, firm, society or any other corporate body owned directly or indirectly to the extent of at least 60% by non-resident Indians and includes overseas Trust in which not less than 60% beneficial interest is held by non-resident Indians directly or indirectly but irrevocably."

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