

Credit Control and other Measures

July 2000

Selected circulars issued by the Reserve Bank of India during July 2000 are reproduced below.

Ref. UBD No.Plan.SPCB. 01/09.09.01/2000-2001 dated July 01, 2000

All Scheduled Primary (Urban) Co-operative Banks

Priority Sector Lending - Lending to NBFCs for On-lending to Agriculture

Please refer to our Circular UBD. No. Plan.PCB.33/09.09.01/96-97 dated December 13, 1996 in terms of which all Primary (Urban) Cooperative Banks are allowed to finance agricultural activities under Priority Sector.

2. With a view to providing one more avenue for bank's lending to agriculture and increasing the outreach of banks in rural areas, it has been decided that lending by Scheduled Primary (Urban) Co-operative banks to Non Banking Financial Companies (NBFCs) for on-lending to agriculture may be reckoned for the purpose of priority sector lending as indirect finance to agriculture.
3. The financing of NBFCs for on-lending to agriculture may be reported to us under indirect finance to Agriculture in the statement on priority sector advances.

Ref. No. MPD.198/07.01.279/2000-2001 dated July 21, 2000

All Scheduled Commercial Banks

Bank Rate

It has been decided that with effect from the close of business today (July 21, 2000), the Bank Rate will be increased by one percentage point from '7.0 per cent per annum , to '8.0 per cent per annum'.

2. All interest rates on advances from the Reserve Bank as also the penal rates on shortfall on reserve requirements which are specifically linked to the Bank Rate stand revised as indicated in the Annexure.

Annexure

Interest Rates on Advances from Reserve Bank and Penal Rates which are at present Linked to the Bank Rate

Sr. No.	Advances to	Existing Rates	New Rates (Effective close of business on
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(July 21, 2000)

(Per cent per annum)

1. Scheduled Commercial Banks		
i) Export Credit Refinance Facility	Bank Rate (7.0)	Bank Rate (8.0)
ii) Collateralised Lending Facility CLF		
Block I (First 2 weeks)	Bank Rate (7.0)	Bank Rate (8.0)
Block II (From 3rd week onwards)	Bank Rate plus 2.0 percentage points (9.0)	Bank Rate plus 2.0 percentage points (10.0)
2. State Co-operative Banks (SCBs)		
Towards general banking business such as clearing adjustments, Liquidity, etc.	Bank Rate (7.0)	Bank Rate (8.0)
3. NABARD		
General Line of Credit (GLC)		
i) GLC I To Provide Refinance in respect of loans and advances for the purposes of seasonal agricultural operations (SAO) made by SCBs and Regional Rural Banks (RRBs)	Bank Rate minus 1 percentage point (6.0)	Bank Rate minus 2 percentage points (6.0)
ii) GLC II To provide refinance to SCB'S, RRBs and commercial banks for refinancing Weavers' Co-op. society and for other approved short-term purposes	Bank Rate minus 0.5 percentage points (6.5)	Bank Rate minus 1.5 percentage points (6.5)
4. Primary (Urban) Co-op. Banks		
i) Export Credit Refinance Facility	Bank Rate (7.0)	Bank Rate (8.0)
ii) For SSI	Bank Rate (7.0)	Bank Rate (8.0)
5. SIDBI (from NIC (LTO) Fund out of the loan repayment made by IDBI)	Bank Rate (7.0)	Bank Rate (8.0)
6. Primary Dealers (PDs)		
To enable PDs to effectively fulfill their obligations, the RBI is extending liquidity support to them against the security of holdings in Subsidiary General Ledger (SGL) Accounts Level I	Bank Rate (7.0)	Bank Rate (8.0)
7. State Financial Corporations	Bank Rate (7.0)	Bank Rate (8.0)
8. Government of India		
a) Shortfalls in minimum balances	Bank Rate (7.0)	Bank Rate (8.0)
b) Ways and Means Advances	Bank Rate (7.0)	Bank Rate (8.0)
c) Overdraft	Bank Rate plus 2.0 percentage points (9.0)	Bank Rate plus 2 percentage points (10.0)

9. State Governments		
a) Shortfalls in minimum balances	Bank Rate (7.0)	Bank Rate (8.0)
b) Ways and Means Advances	Bank Rate (7.0)	Bank Rate (8.0)
c) Overdraft	Bank Rate plus 2.0 percentage points (9.0)	Bank Rate plus 2.0 percentage points (10.0)
Penal Interest Rates on shortfalls in reserve requirements depending on duration of shortfalls	Bank Rate plus 3 percentage points (10.0) or Bank Rate plus 5 percentage points (12.0)	Bank Rate plus 3 percentage points (11.0) or Bank Rate plus 5.0 percentage points (13.0)

Ref. No. MPD.BC.200/07.01.279/2000-2001 dated July 21, 2000

All Scheduled Commercial Banks

Export Credit Refinance and Collateralised Lending Facility

After a review of recent developments in the international and domestic financial markets, including the foreign exchange market, the following measures, *inter alia*, in respect of export credit refinance and Collateralised Lending Facility (CLF) from the Reserve Bank of India are being undertaken.

- Limits available to the banks under export credit refinance and CLF will temporarily be reduced to the extent of 50 per cent of the eligible limits as per the present formulae. This will be implemented under two stages: reduction by 25 per cent effective July 29, 2000 and by another 25 per cent effective August 12, 2000 as detailed below:

Limits as per the present Formula	Revised Limit effective July 29, 2000	Revised Limit effective August 12, 2000
(1)	(2)	(3)
(a) Export Credit Refinance:		
Equivalent to 100 per cent of the increase in outstanding export credit eligible for refinance over the level of such credit as on February 16, 1996	75 per cent of Col. 1	50 per cent of Col. 1
(b) Collateralised Lending Facility		
Equivalent to 0.25 per cent of fortnightly average outstanding aggregate deposits in 1997-98	75 per cent of Col. 1	50 per cent of Col. 1

- The Bank Rate has been increased by one percentage point from '7.0 per cent per annum' to '8.0 per cent per annum' with effect from the close of business today (July 21, 2000). Accordingly, effective July 22, 2000, interest rate on export credit refinance will be

increased from '7.0 per cent per annum' to '8.0 per cent per annum'. Similarly, effective July 22, 2000, interest rates on CLF would also stand revised as given below:

	Rate of Interest (per cent per annum)
Block I (First 2 Weeks)	Bank Rate (8.0)
Block II (From 3rd week onwards)	Bank Rate plus 2 percentage points (10.0)

4. All other terms and conditions remain unchanged.

Ref. No. MPD.199/07.01.279/2000-2001 dated July 21, 2000

All Scheduled Commercial Banks

Cash Reserve Ratio

Under Section 42(1) of the Reserve Bank of India Act, 1934, all scheduled commercial banks (excluding Regional Rural Banks) are, at present, required to maintain with the Reserve Bank of India a Cash Reserve Ratio (CRR) of 8.0 per cent of the Net Demand and Time Liabilities (NDTL) (excluding liabilities subject to zero CRR prescription). It has been now decided to increase CRR by one half of one percentage point in two stages by 0.25 percentage point each, effective from fortnights beginning July 29 and August 12, 2000, respectively.

2. The increase in CRR by 0.5 percentage point will absorb lendable resources of banks by about Rs. 3,800 crore.
3. A notification of the above measure is being issued to banks separately.