

Credit Control and Other Measures

JULY 1998

Selected circulars issued by the Reserve Bank of India during July 1998 are reproduced below.

Ref. UBD. No. BSD.I.2/12.05.00/98-99 dated July 17, 1998

All Primary (Urban) Co-operative Banks

Prudential Norms for Income Recognition, Asset Classification and Provisioning—Agricultural Advances

In terms of our Cir. No. Plan.PCB.33/09.09.01/96-97 dated December 13, 1996 the primary co-operative banks have been allowed to finance agricultural activities subject to certain conditions.

2. In this connection, we advise that advances granted for agricultural purposes may be treated as Non-Performing Assets if interest and/or instalments towards repayment of principal remains unpaid, after it has become past due, for two harvest seasons but for a period not exceeding two half years.

3. These instructions will apply from the accounting year 1998-99.

Ref. UBD. No. DS.PCB.CIR. 4/13.05.00/98-99 dated July 24, 1998

All Primary Co-operative Banks

Flow of Credit to SSI Sector

Pursuant to announcement made by the Finance Minister in his budget speech on June 1, 1998, and in order to ease the flow of bank credit to SSI units, it has been decided as under :

At present, SSI units having aggregate fund based working capital limits up to Rs. 2 crore from the banking system are to be provided working capital finance computed on the basis of 20 per cent of their projected annual turnover vide our circular UBD. No. DS.PCB.Cir. 52/13.05.00/96-97 dated May 13, 1997. This facility is now doubled to Rs. 4 crore. Banks should, therefore, adopt henceforth the simplified procedure of sanctioning working capital limits on the basis of 20 per cent of the projected annual turnover to all SSI units (new as well as existing) requiring aggregate fund based working capital limits upto Rs. 4 crore from the banking system.