

Credit Control and other Measures June 1999

Selected circulars issued by the Reserve Bank of India during June 1999 are reproduced below.

UBD No.Plan.Cir.RCS. 3/10.01.00/ 98-99 dated June 10, 1999

The Registrars of Co-operative Societies of all States

Refinance facilities to Primary (Urban) Co- operative Banks under Section 17 of the RBI Act, 1934 -Tiny/Cottage Industrial Units

It has been decided to continue for the year 1999-2000 (April - March), the extant policy governing the sanction of credit limits under Section 17(2)(bb) read with Section 17(4)(c) of the Reserve Bank of India Act, 1934, for financing the working capital requirements of tiny/cottage industrial units, outside the co-operative structure, falling within the 22 broad groups on the lines indicated in our letter UBD.No.P & O.CIR. RCS.7/10.01.00/97-98 dated May 19, 1998, subject to revised instructions issued in regard to various eligibility criteria from time to time. In this connection, we also invite reference to our circular UBD. No. DS. PCB. Cir.4/ 13.05.00/98-99 dated July 24, 1998.

2. The refinance by the Reserve Bank of India will continue to be made available at Bank Rate (i.e., 8 per cent at present) to the State Cooperative Banks. Refinance shall be routed through State Co-operative Banks directly to Primary Cooperative Banks or through District Central Co-operative Banks. However, the margin available between the rate at which the refinance is made available and the rate at which the ultimate beneficiary (i.e., eligible cottage/tiny industrial units) is charged, should be appropriately shared. It is further advised that the ultimate borrowers (i.e., eligible industrial units) should be provided finance as indicated in our circular UBD.No.Cir. RCS.11/ 10.01.00/95-96 dated October 10, 1995. Accordingly, the banks will be free to determine the interest rate to be charged to the ultimate borrower even if they avail of refinance from the Reserve Bank of India, subject to the prescription of a minimum lending rate of 13 per cent per annum. The banks should, however, ensure that the rate of interest to be charged to the ultimate borrower is not unreasonably high.
3. For the purpose of this scheme, eligible small and tiny units have now been defined as those units outside the co-operative sector, whose investment in plant and machinery does not exceed Rs.25 lakhs. As regards eligibility in respect of working capital requirements, the Bank is pleased to give freedom to primary (urban) co-operative banks, to assess the same, based on their commercial judgement.
4. The limits sanctioned for the financial year 1999-2000 will be operative upto March 31, 2000. With a view to ensuring expeditious sanction of the credit limits and facilitating drawals thereon, banks may please submit their applications through State Co-operative Banks together with recommendations of the Registrar of Co-operative Societies as early as possible. A proforma balance sheet as at the end of December 1998 or any later date may also be furnished.

UBD No. BR.32/16.04.00/98-99 dated June 28, 1999

All Primary Co-operative Banks

Nomination Facility in Deposit Accounts

Please refer to our circular UBD. No. BR.764A/A-6-84/85 dated March 29, 1985 in terms of which nomination facility for depositors was introduced with effect from that date. Subsequently a few clarifications on the subject were issued in terms of our circulars Nos.

UBD. BR.1385/A-6-85/86 dated May 14, 1986 and BR.13/A-6-86/87 dated August 11, 1986.

2. Recently, we have examined a suggestion that when a bank account holder has availed himself of nomination facility, the same may be indicated on the pass book issued so that, in case of death of the account holder, his relatives can know from the pass book that the nomination facility has been availed of by the deceased depositor and take suitable action.
3. Since nomination facility is intended, primarily, to facilitate expeditious settlement of claims by banks in the accounts of deceased depositors and to minimise hardship caused to the family members of the deceased depositors in this regard, it has been decided to accept the suggestion. Banks may, therefore, introduce the practice of recording on the face of the pass book the position regarding availment of nomination facility with the legend "Nomination Registered". This may be done in the case of term deposit receipts also.