

CREDIT CONTROL AND OTHER MEASURES
MARCH 1998

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

Ref. DS.PCB.Cir. No. 43/13.01.00/97-98 dated March 7, 1998.

All Primary Co-operative Banks

Permission to Participate in Call/Notice Money Market - Private Sector Mutual Funds

Please refer to our circular UBD No.DS.PCB.Cir. 30/13.01.00/95-96 dated November 23, 1995 on the above subject in terms of which among others, CRB Mutual Fund was permitted to participate in the Call/Notice Money Market (overnight call money and short notice money for periods upto and including 14 days as a lender). It has been decided **to withdraw** the permission granted to CRB Mutual Fund to operate in Call/Notice Money and Bills Rediscounting Markets till further notice. The name of CRB Mutual Fund may be deleted from para 19 (b) of our directive UBD No.DC.102/V.1/86-87 dated June 25, 1987 (as amended from time to time).

Ref. No. MPD.BC. 173/07.01.279/97-98 dated March 23, 1998

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 10.5 per cent of their net demand and time liabilities (excluding liabilities subject to zero CRR prescription). It has been decided to reduce the CRR. Accordingly, the CRR to be maintained by scheduled commercial banks (excluding Regional Rural Banks) is being reduced by 0.50 percentage point from 10.5 per cent to 10.0 per cent in two phases of 0.25 percentage point each as set out below:

**Phasing of CRR Reduction for
Scheduled Commercial Banks
(excluding Regional Rural Banks)**

CRR on Net Demand and Time Liabilities (per cent)	Effective Date (Fortnight beginning from)
10.25	March 28, 1998
10.00	April 11, 1998

As a result of 0.50 percentage point reduction in CRR, the resources of banks would be augmented by about Rs. 2,600 crore (Rs.1,300 crore for each phase of reduction).

Ref. No. UBD. No. Plan. 45/09.09.01/97-98 dated March 26, 1998.

All Primary (Urban) Co-operative Banks

Priority Sector Advances-Credit Deployment to SSI Sector

Please refer to our circular UBD.No.Plan.42/09.09.01/97-98 dated February 19, 1998.

We advise that Government of India have issued an order revising the limit on investment in plant and machinery in respect of "tiny enterprises" from Rs. 5 lakh to Rs. 25 lakh. A copy of the Government Order No. 12/4 /95-SSI(P) dated December 24, 1997 is enclosed.

It has been decided that out of the funds available to SSI sector, allocation should be made as under :

Category	Investment in plant & machinery	Per cent to total SSI advances
I Cottage industries, khadi & village industries, artisans and tiny industries	Upto Rs. 5 lakh	40
II - do -	Between Rs. 5 lakh & Rs. 25 lakh	20
III Other SSI units	Between Rs. 25 lakh & Rs. 300 lakh	40

Enclosure

No. 12/4/95-SSI(P)

Government of India

Ministry of Industry

Department of Small Scale Industries and

Agro and Rural Industries

Udyog Bhavan, New Delhi - 11

Dated the December 24, 1997

**The Secretary/Commissioner Industries,
Director of Industries,
All States and Union Territories.**

Tiny Enterprises-Investment Limit Regarding.

The Central Government in exercise of the powers conferred by Sub-section (i) of Section 11 B and Sub-section (i) of Section 19(B) of the Industries (Development & Regulation) Act, 1951 has notified vide its notification No. 857(E) dated 10.12.97 that an industrial undertaking having investment in fixed assets in plant and machinery upto Rs. 300 lakh, will be accorded the status of a small scale industrial undertaking. Such investment limit in respect of "TINY ENTERPRISES" now stands increased from the present level of Rs. 5 lakh to Rs. 25 lakh, irrespective of the location of the unit.

All existing guidelines with regard to registration etc. for tiny units with the enhanced limit of Rs. 35 lakh will remain unchanged.

Ref. No. UBD.No. P&O.PCB.Cir. 46/10.01.00/97-98 dated March 26, 1998.

All Primary Co-operative Banks

Rehabilitation of Sick Small Scale Industrial Units

Please refer to our circular UBD.No.P&O.86/HG.1(10)86-87 dated June 5, 1987 read with circular UBD. No.P&O Cir.PCB/17/10.03.00/94-95 dated September 19, 1994.

2. As you are aware, Reserve Bank has been placing emphasis on a systematic approach to the detection of symptoms leading to sickness and ensure that sickness is arrested at the incipient stage itself. The officials of your bank both at head office and branch levels and other functionaries at field level should be alert in monitoring day-to-day operations in the borrowal accounts so as to facilitate identification of the early warning signals and initiate corrective steps promptly. Such steps may include providing timely financial assistance depending on established needs, sorting out difficulties which are non-financial

in nature and require assistance from outside agencies, etc., Banks should take a sympathetic attitude and strive for rehabilitation, in respect of units in the SSI sector, particularly wherever the sickness is on account of circumstances beyond the control of entrepreneurs. Since SSI financing is part of priority sector lending, every possible effort should be made to see that SSI sector thrives on healthy lines. The emphasis of the rehabilitation effort in the case of SSI units, will, therefore have to be on adequate and timely intensive relief measures and their speedy application rather than giving a long span of time to the units for rehabilitation. In cases of units which are not capable of revival, banks should try for a settlement and/or to resort to other recovery measures, very expeditiously.

3. You may ensure that prompt and adequate measures are taken in rehabilitating all viable sick SSI units so that number of non-viable sick SSI units become minimal. You are also requested to review the existing position of sick SSI units, if any, in your bank and take urgent remedial steps to complete the viability studies of the units expeditiously.