

**Prudential norms on income recognition, asset classification  
and provisioning - agricultural advances**

**DBOD. BP. BC. 59/ 21.04.048/ 2001- 2002**

**22 January 2002**

All Scheduled Commercial Banks  
(except RRBs)

Dear Sir,

**Prudential norms on income recognition, asset classification  
and provisioning - agricultural advances**

Please refer to paragraph 3 (C) (iii) of our Circular No. BP. BC. 132/ 21.04.048/ 2000-2001 dated 14 June 2001 on the above subject, advising banks that the norm of two harvest seasons not exceeding two half years for reckoning Non-Performing Assets (NPAs) should be made applicable only in respect of short-term agricultural loans for production and marketing of seasonal agricultural crops such as paddy, wheat, oil seeds, sugarcane, etc. In respect of financing of other activities like horticulture, floriculture or allied activities such as animal husbandry, poultry farming, identification of NPA would be done as in the case of other advances.

2. In view of the representations received from banks and the difficulties expressed by them, the issue has been reviewed and it has been decided that the relaxed delinquency norm of two harvest seasons, not exceeding two half years, which is applicable only to short-term agricultural crop loans now, should be made applicable to all direct agricultural advances as listed at items 1.1, 1.1.2 (i) to (vii), 1.1.2 (viii)(a)(1) and 1.1.2 (viii)(b)(1) of Master Circular on lending to priority sector No. RPCD. PLAN. BC. 12/04.09.01/ 2001-2002 dated 1 August 2001. An extract of the list of these items is furnished in the Annexure. In respect of agricultural loans, other than those specified above, identification of NPAs would be done on the same basis as non agricultural advances which, at present, is the 180 days delinquency norm.

Yours faithfully,

**( B. Mahapatra )**  
General Manager

**Relevant extract of the list of direct agricultural advances from the Master Circular on lending to priority sector  
- RPCD. PLAN. BC. 12/ 04.09.01/ 2001-02 dated 1 August 2001**

**1.1 Direct Finance to Farmers for Agricultural Purposes**

1.1.1 Short-term loans for raising crops i.e. for crop loans. In addition, advances upto Rs.1 lakh to farmers against pledge/ hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 6 months, where the farmers were given crop loans for raising the produce, provided the borrowers draw credit from one bank.

1.1.2 Medium and long-term loans (**Provided directly to farmers** for financing production and development needs).

**(i) Purchase of agricultural implements and machinery**

- (a) Purchase of agricultural implements - Iron ploughs, harrows, hose, land-levellers, bundformers, hand tools, sprayers, dusters, hay-press, sugarcane crushers, thresher machines, etc.
- (b) Purchase of farm machinery - Tractors, trailers, power tillers, tractor accessories viz., disc ploughs, etc.
- (c) Purchase of trucks, mini-trucks, jeeps, pick-up vans, bullock carts and other transport equipment, etc. to assist the transport of agricultural inputs and farm products.
- (d) Transport of agricultural inputs and farm products.
- (e) Purchase of plough animals.

**(ii) Development of irrigation potential through –**

- (a) Construction of shallow and deep tube wells, tanks, higher etc., and purchase of drilling units.
- (b) Constructing, deepening clearing of surface wells, boring of wells, electrification of wells, purchase of oil engines and installation of electric motor and pumps.
- (c) Purchase and installation of turbine pumps, construction of field channels (open as well as underground), etc.
- (d) Construction of lift irrigation project.

(e) Installation of sprinkler irrigation system.

(f) Purchase of generator sets for energisation of pumpsets used for agricultural purposes.

(iii) **Reclamation and Land Development Schemes**

Bunding of farm lands, levelling of land, terracing, conversion of dry paddy lands into wet irrigable paddy lands, wasteland development, development of farm drainage, reclamation of soil lands and prevention of salinisation, reclamation of ravine lands, purchase of bulldozers, etc.

(iv) **Construction of farm buildings and structures, etc.**

Bullock sheds, implement sheds, tractor and truck sheds, farm stores, etc.

(v) **Construction and running of storage facilities**

Construction and running of warehouses, godowns, silos and loans granted to farmer for establishing cold storages used for storing own produce.

(vi) **Production and processing of hybrid seeds for crops.**

(vii) **Payment of irrigation charges, etc.**

Charges for hired water from wells and tube wells, canal water charges, maintenance and upkeep of oil engines and electric motors, payment of labour charges, electricity charges, marketing charges, service charges to Customs Service Units, payment of development cess, etc.

(viii) **Other types of direct finance to farmers**

(a) Short-term loans

1. To traditional/non-traditional plantations and horticulture.

(b) Medium and long term loans

1. Development loans to all plantations, horticulture, forestry and wasteland.