

Interest Rates on Advances

DBOD No. Dir. BC. 72/13.03.00/2001-02

March 9, 2002
Phalguna 18, 1923 (S)

Interest Rates on Advances

In exercise of the powers conferred by Sections 21 and 35A of the Banking Regulation Act, 1949, and in partial modification of paragraph 1 of its Directive DBOD No. Dir. BC. 106/13.03.00/2000-01 dated April 19, 2001, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest to do so, hereby directs that:

- i.** With effect from April 1, 2002, banks shall move over to charging of interest on loans/advances at **monthly rests**. However, interest on monthly rests shall **not** be applicable to agricultural advances and banks shall continue to follow the existing practice of charging/compounding of interest on agricultural advances linked to crop seasons.
 - ii.** Application of interest on monthly rests shall be restricted to **Cash Credit and Overdraft** accounts only.
 - iii.** In the case of loans of longer/fixed tenor, banks shall move over to application of interest at monthly rests at the time of **review** or **renewal** of such loan accounts.
 - iv.** Interest at monthly rests shall be applied in case of all **new** term loans and other loans of longer/fixed tenor.
- 2.** All other terms and conditions relating to interest rates on advances as contained in directives, issued from time to time, shall remain unaffected.

(K.L.Khertarpaul)
Executive Director