

Charging of interest at monthly rests – Agricultural Advances

Ref. DBOD No. Dir. BC. 25/13.03.00/2002-03

September 19, 2002

All Scheduled Commercial Banks
(excluding RRBs and LABs)

Dear Sir,

Charging of interest at monthly rests – Agricultural Advances

We invite a reference to para. 3 of our circular DBOD No. Dir. BC. 8/13.03.00/ 02-03 dated 26 July 2002 wherein banks have been advised that instructions regarding charging of 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. As regards other agricultural advances in respect of short duration crops and allied agricultural activities such as dairy, fishery, piggery, poultry, bee-keeping, etc., banks have been advised to take into consideration due dates fixed on the basis of fluidity with borrowers and harvesting/marketing season while charging interest and compounding the same if the loan/instalment becomes overdue.

2. In this connection, it has come to our notice that the banks are not following the above instructions in respect of agricultural advances. We, therefore, advise banks to meticulously follow the instructions regarding charging of interest on agricultural advances contained in above circular.

3. Please acknowledge receipt.

Yours faithfully,

(R.C. Agrawal)
General Manager