

**RBI/2004/217**

RPCD. Plan. BC. No. 87 /04.09.01/2003-04

May 18, 2004

The Chairman/Managing Director  
All Scheduled Commercial Banks  
(including RRBs) and Local Area Banks

Dear Sir,

**Credit Flow to Agriculture - Agricultural Loans – Waiver of Margin/Security Requirements**

Please refer to our circular RPCD. No. PLFS. BC. 123/05.05.18/1997-98 dated May 20, 1998 wherein banks were advised to use their discretion on matters relating to margin/security requirements for agricultural loans above Rs. 10,000/-.

2. In this connection, please refer to paragraph No. 83 of the Governor's annual policy Statement for the year 2004-05 dated May 18, 2004 (copy of the paragraph enclosed).

3. Keeping in view the importance of flow of credit to agriculture, in particular to the smaller borrowers, it has been decided that the banks may waive margin/security requirements for agricultural loans up to Rs. 50,000/- and in the case of agri-business and agri-clinics for loans up to Rs. 5 lakh with immediate effect.

4. We shall be glad if you please implement the above decision and issue necessary instructions to your controlling offices/branches for appropriate action.

5. Please acknowledge receipt.

Yours faithfully,

**(C S Murthy)**  
**Chief General Manager-in-Charge**

### ***Agricultural Loans - Waiver of Margin/Security Requirements***

83. At present, in the case of agricultural loans above Rs.10,000, banks are free to keep margin and security. Keeping in view the importance of flow of credit to agriculture, in particular to the smaller borrowers who may not have the necessary assets as collateral, it is proposed that:

- Banks may waive margin/security requirements for agricultural loans up to Rs.50,000 and in the case of agri-business and agri-clinics for loans up to Rs.5 lakh.