

RBI/ 2006-2007/363
RPCD.PLFS. BC. No.85 /05.04.02/ 2006-07

April 30, 2007

The Chairman /Managing Director/ Chief Executive Officer
All Scheduled Commercial Banks (including RRBs)

Dear Sir,

Simplification of the Procedures and Processes for Obtaining Agricultural Loans

Please refer to paragraph 150 of the Annual Policy Statement for the year 2007-08 (copy enclosed).

2. At present, one of the hurdles faced by the farmers approaching for bank loans is the 'No Dues' Certificate (NDC) that they have to produce to the bank granting the loan, from various banks/co-operatives operating in the area. This entails a considerable amount of time and money for the farmers to be spent even to get a small loan. In order to obviate this situation, banks may immediately dispense with the requirement of "no due" certificate for small loans up to Rs.50,000 to small and marginal farmers, share-croppers and the like and, instead, obtain self-declaration from the borrower.

3. One of the problems faced by banks in lending to landless labourers, share-croppers and oral lessees is the absence of documents verifying their identity and status. In order to overcome this problem, banks may accept certificates provided by local administration/*panchayati raj* institutions regarding the cultivation of crops in case of loans to landless labourers, share-croppers and oral lessees.

4. Please acknowledge receipt.

Yours faithfully,

(G. Srinivasan)
Chief General Manager

Annex

Paragraph 150 of the Annual Policy Statement for the year 2007-08:

“The Working Group constituted in December 2006 to examine procedures and processes for agricultural loans (Chairman: Shri C. P. Swarnkar) for simplification of the procedures and processes for obtaining agricultural loans, especially by small and marginal farmers, has submitted its report. While the report has been taken up for detailed examination, it is proposed to:

- dispense with the requirement of "no due" certificate for small loans up to Rs.50,000 to small and marginal farmers, share-croppers and the like and instead, obtain self-declaration from the borrower.
- accept certificates provided by local administration/*panchayati raj* institutions regarding the cultivation of crops in case of loans to landless labourers, share-croppers and oral lessees.”