

August 26, 2008

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

Dear Sir,

Simplification of lending procedures for crop loans

Please refer to paragraphs 138 and 139 of the Annual Policy Statement for the year 2008-09 (copy enclosed).

2. In the Mid-term Review of the Annual Policy 2007-08, it was proposed to constitute an Internal Working Group to examine the recommendations of the Radhakrishna Expert Group on Agricultural Indebtedness that are relevant to the banking system in general and the Reserve Bank, in particular.

3. The Expert Group recommended that *banks should be directed to simplify procedures and help in providing small and marginal farmers with timely access to credit.*

4. It may be mentioned in this connection that the Reserve Bank has already taken certain steps to simplify the procedures for the farmers in the light of the recommendations of the Working Group (Chairman: Shri C.P.Swarnkar), constituted by the Reserve Bank for simplification of the procedures and processes for obtaining agricultural loans, especially by small and marginal farmers:

(i) banks have been advised to dispense with the requirement of 'no dues' 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; and

(ii) in order to overcome the problem faced by the banks in lending to landless laborers, share-croppers and oral lessees due to the absence of documents verifying their identity and status, banks have been advised to 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.

5. The Internal Working Group has recommended that landless labourers, share croppers, tenant farmers and oral lessees, may be *alternatively* allowed to submit an affidavit explaining their identity and status for loans up to a certain amount (say, Rs. 50,000/-). However, banks may go through their procedures of appraisal and usual pre-sanction checks before extending finance. The step would help in further simplifying the procedures for the disadvantaged section of the farmers.

6. It is therefore proposed that where there are difficulties in getting certification as indicated at 4 (ii) above banks may accept an affidavit submitted by landless labourers, share croppers and oral lessees giving **occupational status** (i.e., details of land tilled/crops grown) for loans up to Rs.50, 000/-. Banks could also encourage the Joint Liability Group (JLG)/SHG mode of lending for such persons. However, banks may go through their procedures of **identification as per KYC norms**; appraisal and usual pre-sanction checks before extending finance.

7. Action taken in this regard may be advised to our Regional Office under whose jurisdiction the head office of the bank functions.

Yours faithfully,

(B.P.Vijayendra)  
Chief General Manager

Paragraphs 138 and 139 of the Annual Policy Statement for the year 2008-09:

***(d) Simplification of Lending Procedures for Crop Loans***

138. The Working Group (Chairman: Shri C.P.Swarnkar) appointed by the Reserve Bank and the Committee on Agricultural Indebtedness (Chairman: Dr.R.Radhakrishna) appointed by the Government of India made several recommendations to address credit constraints faced by farmers, including the issue of availability of cash throughout the year for agricultural operations. The report of the Internal Working Group (Chairman: Shri V.S.Das), set up by the Reserve Bank to examine the recommendations of the Radhakrishna Committee, has been placed on the Reserve Bank's website for wider consultation.

139. While action on the recommendation of the Radhakrishna Committee will be finalised based on comments/responses received, it is proposed:

- to introduce a simplified procedure for crop loans to landless labourers, share croppers, tenant farmers and oral lessees whereby banks can accept an affidavit giving details of land tilled/crops grown by such persons for loans up to Rs.50,000 without any need for independent certification. Banks could also encourage the Joint Liability Group (JLG)/SHG mode of lending for such persons.