FOR RESTRICTED
CIRCULATION ONLY

CIRCULARS

OF THE

DEPARTMENT OF BANKING OPERATIONS

AND

DEVELOPMENT

RESERVE BANK OF INDIA, BOMBAY

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C.R.D.C
PUNE

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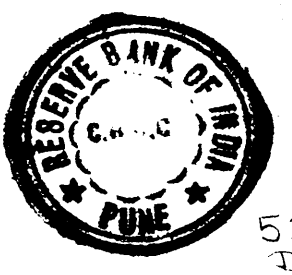

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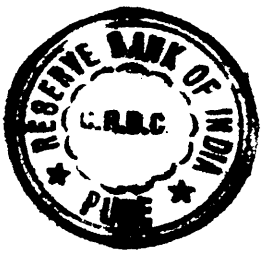

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FOREWORD

The responsibilities of the Reserve Bank include, besides the traditional central banking functions, the development of an adequate and sound banking system for catering to the needs of trade, commerce, agriculture and industry. Under the Reserve Bank of India Act, 1934, and the Banking Regulation Act, 1949, the Bank has been vested with extensive powers of supervision and control over commercial and co-operative banks. So far as commercial banks are concerned, the Bank's powers are derived from the aforesaid Acts, and are exercised by its Department of Banking Operations and Development (DBOD). The regulatory functions relating to banks contained in the Banking Regulation Act cover their licensing, branch expansion, management, methods of working, etc.

For exercising the necessary control and supervision and for carrying out the above functions, the DBOD has issued various circulars from time to time to commercial banks. This booklet codifies the more important among such circulars. The DBOD has now been in existence for nearly three decades and some of the circulars issued in the initial stages in the context of the then prevailing conditions are no longer relevant. Further, some of the instructions/advice issued earlier had necessarily to undergo changes to suit the development in the banking situation in the country. A certain amount of selectivity had, therefore, to be adopted in deciding which circulars should figure in the booklet.

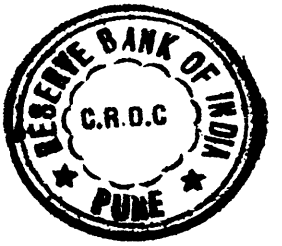
The broad approach has been to give prominence to those instructions which are current; at the same time, circulars issued in the past, which still have a bearing on matters of present-day interest, have not been totally excluded. They have been suitably edited and indications have been given thereon regarding the manner in which they have undergone changes subsequently. On matters where instructions have been issued from time to time, an attempt has been made to bring in at one place a brief summary of the various instructions. However, circulars on selective credit control have not been included, as the relative directives governing the quantum and terms of credit against specific commodities are varied from time to time in the light of the supply and demand and price situation.

The booklet now presented includes circulars issued up to the 30th June 1972, and it is the intention that circulars issued subsequently should be similarly printed at periodical intervals and circulated, so that the present booklet could be kept up-to-date.

In the preparation of this booklet in the DBOD, considerable assistance has been rendered by Sarvashri V. K. Syamasundaran and P. K. Venkateswaran, Deputy Chief Officers, and Shri K. N. Vasudevan, Banking Officer. It is hoped that this booklet would prove useful as a handbook for banks. It is intended for restricted circulation among the senior members of the staff of banks.

RESERVE BANK OF INDIA,
DEPARTMENT OF BANKING OPERATIONS AND DEVELOPMENT,
CENTRAL OFFICE,
BOMBAY.
December 30, 1972
Pausa 9, 1894 (Saka)

M. L. GOGTAY
Chief Officer


RESERVE BANK OF INDIA
C.R.D.C
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GENERAL CONTENTS

Section — I — Capital, Dividend, Reserves

Section — II — Deposits

Section — III — Refinance to banks

(*a*) Refinance to banks — General

(*b*) Advances to banks under section 17(4)(a) of the Reserve Bank of India Act, 1934

(*c*) Bill Market Scheme (Old) — Section 17(4)(c) of the Reserve Bank of India Act, 1934

(*d*) Bills Rediscounting Scheme — Section 17(2)(a) of the Reserve Bank of India Act, 1934

(*e*) Export Bills Credit Scheme, Pre-shipment Credit Scheme and Export Credit (Interest Subsidy) Scheme

Section — IV — Investments

Section — V — Advances:

(*a*) Advances against shares

(*b*) Advances against real estate

(*c*) Advances against other securities/commodities

(*d*) Commitment charge

(*e*) Unsecured advances

(*f*) Unsecured guarantees

(*g*) Types of unsecured advances and unsecured guarantees which need not be taken into account in computing the norm relating to unsecured advances/guarantees

(*h*) Personal guarantees

(*i*) Credit facilities by banks — Miscellaneous:

Credit facilities to book publishers

Credit facilities to agriculture

Credit Schemes of banks with particular reference to employment potential

Credit facilities to jute industry

Credit facilities to sugar industry

Credit facilities to industries manufacturing/supplying goods for defence efforts

Credit facilities to shoddy and woollen mills

Credit facilities to textile mills and dealers

Credit facilities to tea industry
Credit facilities to traders dealing in fertilisers, mineral oils, etc.
Credit facilities to coal industry
Credit facilities to handloom weavers
Differential rates of interest on advances
Other miscellaneous circulars

Section — VI — Credit Control - General

Section — VII — Credit Information

Section — VIII — Credit Authorisation

Section — IX — Appointments/Remuneration

Section — X — Returns

Section — XI — Other miscellaneous circulars:

Underwriting of shares by banks
Inward bills for collection
Collection of pension bills for constitutents
Buying and Selling of goods by banking companies
Loans and advances to directors
Opening of branches
Organisation and methods
Employment of personnel
Internal control in banks
Preservation of records
Use of Hindi in banks
Public relations and publicity
Other circulars

CHRONOLOGICAL INDEX

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RESERVE BANK OF INDIA
C.R.D.C
PUNE

CHRONOLOGICAL INDEX

No. of the circular and date (1)	Subject (2)	The circular is incorporated in Section (3)
ACD. 1096/BS-C. 55-44 22-4-1944	Advances against Government securities—Advice to banks to refrain from making advances to parties for purposes of making capital gains.	V (c)
DBO. 579/52B-46 31-7-1946	Profits on sale of securities and shares and revaluation of investments—To be transferred to the reserve fund and not to be utilised for payment of dividend.	I
,, 3797/C.207-48 10-8-1948	Note on investments of scheduled banks in Government securities.	IV
,, 1993/C.212-50 18-4-1950	Banking Companies Act—Section 23—Monthly statement to be submitted by Indian banks in respect of foreign branches.	XI
,, Sch. 222/C.96G-52 16-1-1952	Creation of bill market in India.	III (c)
,, Sch. 546/C.96G-52 29-1-1952	Bill Market Scheme—Section 17(4) (c) of Reserve Bank of India Act—Advances to scheduled banks—Clarification.	III (c)
,, Ins. 6492/C.297-52 8-11-1952	Bill Market Scheme—Section 17(4)(c) of Reserve Bank of India Act—Advances to scheduled banks—Modification of procedure.	III (c)
,, Sch. 7489/C.96-52 26-12-1952	Section 17(4) (a) of Reserve Bank of India Act—Advances to scheduled banks—Procedure.	III (b)
,, Ref. 2124/C.107-54 14-4-1954	Government Promissory Notes lost or destroyed in air accidents—Relaxation of procedure for issue of duplicate.	IV
,, Ins. 4121/C.297-54 14-7-1954	Bill Market Scheme—Liberalisation.	III (c)
,, B.M. 1560/ C. 297A-57 22-2-1957	Advances under section 17(4) (c) of Reserve Bank of India Act—Bill Market Scheme—Relaxation in respect of minimum amount of borrowing at any one time from Rs. 10 lakhs to Rs. 5 lakhs.	III (c)
,, B.M. 5806/ C. 297A-57 29-7-1957	Advances under section 17(4) (c) of the Reserve Bank of India Act—Forms of usance promissory notes.	III (c)

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBO. Sch. 1905 C.96-58 20-3-1958	Advances against Savings Certificates—Procedure to be followed for pledge of Treasury Savings Deposit Certificates and National Savings Certificates.	V (c)
,, Rem. 2319 C.318(B)-59 26-3-1959	Section 35B of Banking Companies Act—Forms of application for seeking approval of Reserve Bank.	IX
,, Sch. 2531 C.103(B)-59 1-4-1959	Banking Statistics as on March 31—Information required to be furnished by banks.	X
,, Bom. 7818/C.236-59 15-10-1959	Distinction between 'Provision' and 'Reserve.'	I
,, Leg. 8259/C.235-59 28-10-1959	Sections 15 and 17 of the Banking Companies Act, 1949—Advice to banks not to utilise statutory reserves except on rare occasions.	I
,, Rem. 8647 C.318(C)-59 13-11-1959	Section 35B of the Banking Companies Act—Applications to be submitted in duplicate to the Principal Office of the Reserve Bank.	IX
,, Bom. 9168/C.236-59 2-12-1959	Borrowings from IDBI—Classification in Balance Sheet.	X
,, Sch. 9417/C.218-59 11-12-1959	Rediscounting of clean usance hundies—Advice to desist from accommodating parties affected by the operation of the credit control directives.	VI
,, Sch. 7397/C.107-60 22-9-1960	Employment of senior officers of banks who have left service of other banks.	XI
,, Sch. 8279/C.96-60 18-10-1960	Ten year Treasury Savings Deposit Certificates—Transfer by endorsements under old rule.	V (c)
,, Ref. 8457/ C.124(C)-60 25-10-1960	Advertisement by banks regarding working capital/ funds—Contra items not to be included.	I
,, Bom. 500/C.236-62 15-1-1962	Distinction between 'Provision' and 'Reserve'—Classification in Form XII.	X
,, Sch. 1614/C.96-62 17-2-1962	Ten Year Treasury Savings Deposit Certificates—Section 9B (1) of Public Debt Act, 1944—Payment to nominee.	V (c)

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBO. Sch. 2448/C.96-62 14-3-1962	Ten year Treasury Savings Deposit Certificates—Acceptance by banks as security for loans.	V (c)
,, Sch. 3268/C.96-62 2-4-1962	National Plan Savings Certificates—Acceptance by banks as security for advances.	V (c)
,, Sch. 384/C.96-63 11-1-1963	Investments in Government securities by trusts and other unincorporated bodies—Section 6 of Public Debt Act, 1944— Desirability of taking stock certificates by such bodies.	XI
,, Bom. 2061/ C.236(D)-63 25-2-1963	Returns submitted by banks—Provision in respect of income tax—To be treated as outside liability to the extent of actual liability.	X
,, BM. 2732/ C.297K-63 13-3-1963	Bill Market Scheme—Export Bill Credit Scheme—Procedure.	III (e)
,, Ref. 11527/C.215-63 10-10-1963	Preservation of banks' records—List of records/documents to be preserved for 10 years.	XI
,, Leg. 11977/ C.236-63 22-10-1963	Placing of funds by banks with Industrial houses—Classification of such funds in balance sheets and other returns.	X
,, CIB. 12532/C.421-63 2-11-1963	Limits sanctioned by banks and utilisation by parties—Banks advised to ensure that borrowings do not exceed the foreseeable requirements of parties.	V (d)
,, Ref. 15127/C.215-63 24-12-1963	Preservation of banks' records—Government of India's decision regarding return of paid cheques drawn by Governments, autonomous corporations, LIC, offices of foreign Governments and agencies of United Nations.	XI
,, Ref. 50/C.215-64 4-1-1964	Preservation of banks' records—Return of paid cheques to parties after obtaining a formal undertaking to preserve the same for ten years.	XI
Ins. 642/C.124(P)-64 20-1-1964	Advances against gold/gold ornaments—Advice to assess them according to bank's own judgement of the market and to retain such margins as are normally deemed adequate.	V (c)
,, Ref. 835/C.215-64 22-1-1964	Preservation of banks' records—Specimen form of undertaking to be obtained from constituents before returning paid cheques.	XI

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBO. Rem. 5967/C.318(B)-64 11-5-1964	Accumulation of leave, retirement age, etc. of Chief Executive Officers of banks—Principles governing the above matters.	IX
,, Rem. 8073/C.318B-64 30-6-1964	Section 35B of the Banking Companies Act—Advice to banks to submit the applications for appointment/re-appointment of Chief Executives sufficiently in advance.	IX
,, Cre. 8218/C.218(K)-64 2-7-1964	Clean advances—Advice to banks to discontinue the practice of extending financial accommodation to joint stock companies by placing fixed deposits with them.	V (e)
,, Ret. 10066/C.236-64 14-8-1964	Section 24(2A) of Banking Companies Act—Maintenance of liquid assets—Clarification regarding deposit of sterling securities by foreign banks.	IV
,, Rem. 102/C.267A-64 22-10-1964	Returns in Form-I—Instructions regarding compilation.	X
,, Sch. 192/C.96-65 9-2-1965	Credit control—Advances to parties affected by curtailment of hundi accommodation by indigenous bankers.	VI
DBOD. EFS. 540/C.196-65 9-4-1965	Fixed and short term deposits—Advice to banks to satisfy themselves about the identity of the depositor.	II
,, Ref. 606/C.215-65 16-10-1965	Preservation of banks' records—Reduction in the period of preservation in respect of certain records.	XI
,, BL. 1639/C.168-65 12-11-1965	Branch licensing—Advice to banks to report any change in location of offices/departments—Administrative offices opened also will require a licence.	XI
,, CAS. 11/C.446-65 8-12-1965	Credit Authorisation—Advice to banks to submit applications to Central DBOD.	VIII
,, Ret. 310/C.236-65 31-12-1965	Return in Form XII (Revised)—Submission in duplicate for March/June/September and December.	X
,, EFS. 109/C.107-66 3-2-1966	Discounting/Collection of hundies—Irregularities noticed during inspection of banks.	V (i)
,, Ret. 30/C.254-67 13-2-1967	Form of Balance Sheet—Disclosure of bonus shares.	X
,, Sch. 666/C.96Z-67 3-5-1967	Guidelines and norms for guarantee business undertaken by banks.	V (f)

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. BL. 602/C.168-67 2-6-1967	Section 23 of Banking Regulation Act—Regarding change of location of offices—That an office should not be located within 400 metres from an existing office of a bank.	XI
,, Sch 1069/C.96Z-67 11-7-1967	Guarantee business of banks—Guidelines—Clarification —Counter guarantees backed by adequate tangible securities will be secured guarantees.	V (f)
,, Ref. 871/C.396-67 3-8-1967	Underwriting of shares, debentures etc.—Information required to be furnished by banks.	XI
,, Sch.1288/C.96Z-67 17-8-1967	Guarantee business undertaken by banks—Guarantees issued by branches of foreign banks in India on behalf of their Head Offices will not be taken into account for the purpose of norm.	V (g)
,, Sch.1296/C.96Z-67 21-8-1967	Guarantee business undertaken by banks—Guarantees counter guaranteed by another bank need not be taken into account for the purpose of norm.	V (g)
,, Sch.1693/C.96S-67 8-11-1967	Advances against shares and unsecured advances—Guidelines—Types of unsecured advances/guarantees to be excluded from the total of unsecured advances for computing the norm.	V (a) and V (g)
,, Sch.1720/C.110-67 16-11-1967	Weekly/monthly returns—Classification—Usance bills converted for the purpose of Bill Market Scheme.	X
,, EFS.1102/C.450-67 18-11-1967	Advances against shares—Guidelines—Clarification—Cases in which banks should obtain the approval of the Reserve Bank for repayment schedules arranged with the customers.	V (a)
,, BM.683/C.297A-67 25-11-1967	Extension of Bill Market Scheme—Packing credit advances—Waiver of condition regarding letter of credit firm orders—Export of tea.	III (e)
,, Sch.1794/C.96Z-67 29-11-1967	Bank guarantees—Bid bonds and guarantees executed by banks in respect of contracts secured by Indian firms in foreign countries and guarantees relating to exports—Not to be taken into account for norm.	V (g)
,, Sch.1850/C.96Z-67 7-12-1967	Bank guarantees—Guarantees in respect of which E.C.G.C. would be issuing Export Performance Guarantee need not be taken into account for the purpose of the norm.	V (g)

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. No. Sch.68/C. 96(S)-68 12-1-1968	Unsecured advances—Guidelines—Unsecured advances granted by the branches of foreign banks in India backed by the guarantees of their Head Office not to be taken into account for the purpose of norm.	V (g)
,, EFS. 61/C.450-68 13-1-1968	Advances against shares—Additional guidelines.	V (a)
,, B.L. 99/C.168-68 19-1-1968	Branch banking—Opening of mobile offices.	XI
,, EFS. 151/C.450-68 31-1-1968	Advances against shares—Explanatory memorandum.	V (a)
,, EFS. 213/C.249-68 13-2-1968	Advances against real estate—Advice to banks not to adopt a policy of discouraging advances for construction of godowns and warehouses.	V (b)
,, Sch. 359/C.96S-68 7-3-1968	Unsecured advances—Inland D/A bills having a usance of 90 days—Excluded for the purpose of the norm—Position to be reviewed.	V (g)
,, Ins. 236/C.453-68 13-3-1968	Credit facilities to Agricultural sector—Advice to banks to consider the desirability of having relevant literature, forms, etc., printed in regional languages.	V (i)
,, Sch.421/C.96(S)-68 19-3-1968	Unsecured advances—Advances against supply bills drawn on Central/State Governments accompanied by receipted challans—Excluded for the purpose of norm.	V (g)
,, Sch.481/C.96(S)-68 30-3-1968	Unsecured advances—Advances against supply bills drawn on state owned undertakings accompanied by authorised inspection notes or receipted challans—Excluded for the purposes of norm.	V (g)
,, BM.558/C.297A-68 6-4-1968	Packing credit facilities to exporters.	III (e)
,, Leg.59/C.90(H)-68 19-4-1968	Section 8 of Banking Regulation Act, 1949—Exemption to banks in respect of buying and selling of, as agents of any State Government, judicial and non-judicial stamp papers.	XI
,, BM. 783/ C.297A-68 17-5-1968	Extension of Bill Market Scheme for packing credit facilities relating to export of jute goods.	III (e)

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. BM.785/C.297A-68 18-5-1968	Extension of Bill Market Scheme for packing credit facilities relating to export of cashewnuts.	III (e)
,, BM.804/C.297A-68 23-5-1968	Extension of Bill Market Scheme for packing credit facilities relating to export of textiles to U.K.	III (e)
,, BM.883/C.297A-68 5-6-1968	Extention of Bill Market Scheme for packing credit facilities relating to export of hides and skins.	III (e)
,, EFS.1018/C.249-68 11-6-1968	Unsecured advances to artisans, other professionals, retailers, small businessmen, small agriculturists and individuals—Advice to banks not to deny facilities if satisfied about the integrity of the borrowers, their ability to utilise for genuine purposes etc.	V (e)
,, BM.932/C.297A-68 15-6-1968	Export Credit (Interest Subsidy) Scheme, 1968—Provisions.	III (e)
,, EFS.1068/C.249-68 19-6-1968	Advances against real estate—Advice to banks to consider proposals for advances for construction of warehouses and godowns at distribution centres also in addition to port towns.	V (b)
,, BM.974/C.297A-68 27-6-1968	Extension of Bill Market Scheme for packing credit facilities relating to export of cashewnuts—Clarification regarding the date from which the ceiling rate of interest would be applicable.	III (e)
,, BM.990/C.297A-68 3-7-1968	Extension of Bill Market Scheme for refinancing packing credit facilities relating to export of coffee.	III (e)
,, CAS.1121/C.446-68 11-7-1968	Credit Authorisation—Advice to banks to indicate in the application whether any member of Local Board/Local Advisory Committee is interested in the borrowing concern.	VIII
,, CAS.1185/C.446-68 22-7-1968	Credit limits—Prior authorisation is not necessary for facilities by way of export packing credit and post-shipment credit relating to exports.	VIII
,, Sch.2342/C.96S-68 8-8-1968	Advances against book debts which are not outstanding for more than 6 months and are due from companies may be excluded for the purpose of norm in respect of unsecured advances.	V (g)
,, Sch.2381/C.96Z-68 14-8-1968	Bank Guarantees—Performance guarantees executed by banks on behalf of small scale industries may be excluded for the purpose of norm.	V (g)

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2	3.
DBOD. BM. 1179/ C.297A-68 19-8-1968	Bill Market Scheme—Extension—Refinancing of packing credit advances relating to export of cashewnuts—Stage from which the maximum rate of interest applicable—Further clarification.	III (e)
,, Leg. 185/C.233-68 21-8-1968	Appointment of whole-time officers or employees of banks as directors or part-time employees of companies—Advice to banks to obtain Reserve Bank's approval.	IX
,, Ins.881/C.408B-68 30-9-1968	Organisation and Methods unit—Its major functions in the State Bank of India—Advice to commercial banks to consider the desirability of making similar arrangements.	XI
,, BM. 1489/ C.297A-68 7-11-1968	Packing credit advances—Period for which such advances may be given—Clarification.	III (e)
,, BM. 1526/ C.297(M)-68 13-11-1968	Export Credit (Interest Subsidy) Scheme, 1968—Modifications of the scheme in the light of the suggestions received from Foreign Exchange Dealers' Association of India and Indian Banks' Association.	III (e)
,, BM. 78/ C.297(M)-69 20-1-1969	Refinance of pre-shipment credit scheme and procedure.	III (e)
,, BM. 126/ C.297(M)-69 27-1-1969	Packing credit advances—Eligible for refinance from Reserve Bank and for interest subsidy on fulfilment of certain conditions.	III (e)
,, CAS. 194/ C.446-69 27-1-1969	Credit limits for financing distribution of fertilisers—Prior authorisation by Reserve Bank not necessary.	VIII
,, Leg. 39/C.233-69 1-2-1969	Section 20 of Banking Regulation Act, [as amended by the Banking Laws (Amendment) Act, 1968]—Order specifying that 'loans and advances' shall not include loans and advances against Government securities, life insurance policies or fixed deposits and loans or advances to Agricultural Finance Corporation.	XI
,, BL. 490/C.168-69 11-2-1969	Branch expansion of banks—Satellite Offices.	XI
,, BM.254/C.297A-69 14-2-1969	Packing credit advances—Eligibility for refinance from Reserve Bank—Grant of such advances should not be conditional on a letter of credit being opened.	III (e)

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. BM. 287/C.297 (M)-69 19-2-1969	Export Credit (Interest Subsidy) Scheme—Further clarification.	III (e)
,, BM.422/C.297A-69 10-3-1969	Refinance of packing credit advances relating to export of tobacco.	III (e)
,, BM.426/C.297A-69 10-3-1969	Refinancing of packing credit advances relating to export of dressed bristles.	III (e)
,, BM.511/C.297A-69 18-3-1969	Bill Market Scheme—Export Bills Credit Scheme and Pre-shipment Credit Scheme—Submission of applications to Regional Offices of DBOD.	III (c)
,, BM.588/C.297A-69 26-3-1969	Refinancing of packing credit advances relating to export of ores through Minerals and Metals Trading Corporation.	III (e)
,, BM.682/C.297K-69 7-4-1969	Export Credit—Charging of interest.	III (e)
,, CAS.733/C.446-69 8-4-1969	Credit authorisation—Prior authorisation not necessary for sanction of credit limit against fixed deposits with banks.	VIII
,, Ref. 436/C.456-69 19-4-1969	Advances against immovable property—Advice to banks that legitimate credit should not be denied.	V (b)
,, CAS.969/C.446-69 12-5-1969	Credit authorisation—Credit facilities of certain types for which prior authorisation is not necessary.	VIII
,, BM.919/C.297A-69 6-6-1969	Post-shipment finance—Loans and advances granted against freight differential claims will be eligible for the purpose of the interest subsidy under Export Credit (Interest Subsidy) Scheme, and eligible for refinance under Bill Market Scheme but not under Pre-shipment Credit Scheme or Export Bills Credit Scheme.	III (e)
,, BM.931/C.297P-69 9-6-1969	Pre-shipment Credit Scheme—Refinance from Reserve Bank—Manufacture of machine tools.	III (e)
,, BM.984/C.297P-69 19-6-1969	Pre-shipment Credit Scheme—Certain advances to construction contractors to be treated as packing credit	III (e)
,, BL. 2155/C.168-69 19-6-1969	Branch expansion—Distance stipulation—An office of a bank should not be opened in the same building where another bank is functioning.	XI

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. Sch.1001/C.96Z-69 23-6-1969	Bank guarantees—Guarantees issued on behalf of construction contractors need not be included for the purpose of norm.	V (g)
,, Ins.648/C.124(C)-69 26-6-1969	Profit on sale of fixed assets like land, premises, etc.—To be retained as capital reserves which are not available for payment of dividend.	I
,, BM. 1040/ C.297P-69 27-6-1969	Pre-shipment Credit Scheme—Advances to tanners who supply leather and leather goods to State Trading Corporation for feeding leather articles to be exported —To be treated as packing credit.	III (e)
,, Sch. 1051/ C.96(S)-69 1-7-1969	Unsecured advances made to exporters made on consignment basis—To be excluded for the purpose of norm.	V (g)
,, BM. 1064/ C.297P-69 1-7-1969	Pre-shipment Credit Scheme in respect of export of diamonds.	III (e)
,, BM. 1152/ C.297(M)-69 11-7-1969	Advances to scheduled banks under section 17(3A) of the Reserve Bank of India Act—Advances to exporters who do not have letters of credit or export orders in their own name and who route their exports through State Trading Corporation, Minerals and Metals Trading Corporation or other export houses—Clarification.	III (e)
,, Sch. 1140/C.96-69 12-7-1969	Loans to finance budla transactions in silver—Advice to banks not to support speculative activity.	V (c)
,, BM. 1316/ C.297A-69 14-8-1969	Bill Market Scheme—Refinancing of fertiliser credit.	III (c)
,, CAS.1486/C.446-69 19-8-1969	Credit Authorisation Scheme—Prior authorisation not necessary in respect of purchase/discount of inland documentary bills, limits against supply bills drawn on semi-Government bodies.	VIII
,, BM. 1396/ C.297A-69 27-8-1969	Bill Market Scheme—Refinancing of advances to small-scale industrial units.	III (c)
,, Ret. 294/C.254-69 28-11-1969	Deposits on balance sheet date—Window dressing.	X

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. Cre.2953/C.218-69 31-12-1969	Advances against commodities covered by selective credit control directives—Particulars required to be furnished while applying for limits/additional limits.	VI
,, BM. 64/C.297P-70 12-1-1970	Pre-shipment Credit Scheme in regard to export of precious, semi-precious stones, pearls and synthetic stones.	III (e)
,, EFS. 313/C.249-70 6-2-1970	Premises for branches of banks—Advances made to landlords—Terms.	V (b)
,, BM. 222/ C.297(M)-70 11-2-1970	Export Credit extending beyond 180 days—Eligibility for interest subsidy.	III (e)
,, BD. 825/C.168-70 25-2-1970	Branch expansion programme by commercial banks—Criteria for selecting areas for branch opening.	XI
,, EFS. 636/ C.452(K)-70 26-3-1970	Auditing of books and accounts of banks—Desirability of rotation of Auditors.	X
,, Sch. 491/C.96-70 28-3-1970	Commitment charge in respect of unutilised portion of credit limits—Directive.	V (d)
,, Cre. 729/C.218-70 11-4-1970	Advances against demand documentary bills drawn in connection with the movement of goods—Credit control exemption—Advice to banks to exercise utmost caution so that the benefit is not misused by the parties.	VI
,, Nat. 964/C. 469(F)-70 29-4-1970	Audit of balance sheets of nationalised banks—*Pro forma* of the auditors' certificate and of letters forwarding audit reports to Department of Banking (Government of India) and Reserve Bank of India.	X
,, Nat. 975/C. 469(F)-70 29-4-1970	Closing of books and preparation of final accounts of nationalised banks—Instructions and *pro forma* of directors' report.	X
,, Sch. 777/C.96-70 16-5-1970	Levying commitment charge on unutilised portion of limits indicated by borrowers—Exemptions to certain types of credit limits.	V (d)
,, Ref. 798/MPP (1)-70 29-5-1970	Development of managerial and other personnel of banks—Advice to furnish half-yearly reports.	XI

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. EFS. 1245/C. 452(K)-70 5-6-1970	Half-yearly closing and audit of books by nationalised banks.	X
„ Leg. 158/C. 90(H)-70 8-6-1970	Section 194A of Income Tax Act—Amendment—Banks are no longer required to deduct tax from interest paid or credited to the accounts of a depositor.	II
„ Nat. 1448/C. 469(F)-70 11-6-1970	Printing and publication of balance sheets etc., of nationalised banks—Printing of annual reports in regional language—Publishing of statement of Chairman/Custodian.	X
„ EFS. 1429/C. 452(K)-70 29-6-1970	Appointment of statutory Central Auditors by nationalised banks.	X
„ CAS. 952/C.446-70 30-6-1970	Credit Authorisation Scheme—Data required to be furnished by banks to Reserve Bank for credit authorisation.	VIII
„ EFS. 1451/C. 452(K)-70 1-7-1970	Appointment of statutory Central Auditors by nationalised banks.	X
„ Nat. 1694/C. 469(F)-70 3-7-1970	Closing of books and preparation of final accounts by nationalised banks—Hindi terminology to be used by banks.	X
„ Ins.606/C.408(A)-70 15-7-1970	Advice to banks to furnish information relating to frauds if any, perpetrated in banks.	XI
„ Ins. 616/ C.124-(P)-70 16-7-1970	Exemption from quarterly declaration of gold ornaments/ articles under Gold (Control) Act, 1968 in the statement in respect of banking companies—Government notification.	V (c)
„ Nat.2002/C.473-70 29-7-1970	Personal guarantees of directors and other managerial personnel of borrowing concerns—Broad consideration to be taken into account.	V (h)
„ BD. 2955/C. 168-70 11-8-1970	Lead Bank Scheme—Advice to banks to take steps to enlist the co-operation of District Central Co-operative Banks	XI
„ EFS. 1811/C. 452(K)-70 14-8-1970	Section 228 of Companies Act—Audit of branches—Applicability to foreign banks.	X

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. BM. 1272/C. 297(M)-70 24-8-1970	Export Credit (Interest Subsidy) Scheme, 1968—Eligibility for interest subsidy for bills drawn on Nigeria and Ghana.	III (e)
,, Sch. 1308/C.96-70 27-8-1970	Commitment charge—Exemption—Credit limits of less than Rs. 25 lakhs in respect of banks having demand and time liabilities of not exceeding Rs. 25 crores.	V (d)
,, BM. 1304/ C.297(V)-70 28-8-1970	Creation of a bill market in India—Bills Re-discounting Scheme.	III (d)
,, Ins.828/C.450A-70 28-8-1970	Advances against shares—Circular forwarding directive on the subject.	V (a)
,, Rem. 351/ C.318(B)-70 11-9-1970	Amendments to Articles of Association of banks—Advice to banks to forward the draft to Reserve Bank before they are placed before shareholders.	IX
,, Sch.1465/C.107-70 18-9-1970	Mobilisation of deposits—Incentive Scheme—Staff involvement—Banks to ensure compliance with section 10 (1) (b) (ii) of the Banking Regulation Act.	II
,, EFS. 2065/C. 452(K)-70 19-9-1970	Appointment of branch auditors for Indian branches of nationalised banks—Aspects to be borne in mind in drawing up programme of audit.	X
,, EFS. 2112/C. 452(K)-70 26-9-1970	Half-yearly closing of Accounts—Advice to nationalised banks regarding appropriations out of profit for half year.	X
,, Nat. CIR. C.11/C.469(F)-70 5-10-1970	Advice to nationalised banks regarding transfer of profit to Government.	X
,, Sch. 1610/ C.96(S)-70 23-10-1970	Unsecured advances and guarantees—Continuance of exemption in regard to advances against inland D/A bills having usance of not exceeding 90 days for the purpose of the norm in respect of unsecured advances—Bills eligible for rediscount with Reserve Bank under its Bills Rediscounting Scheme also excluded for the purpose of the norm.	V (g)
CPBDC. No. 1872/145-70 24-10-1970	Deposit mobilisation by banks.	II

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. Nat. CIR. C. 16/C.469(F)-70 24-10-1970	Closing of books and preparation of final accounts by nationalised banks—Format of auditors' certificate.	X
„ EFS.2361/C.453-70 10-11-1970	Financing of minor irrigation schemes.	V (i)
„ Nat. 3046/C.469 (45)-70 7-12-1970	Public relations and publicity in banks.	XI
„ EFS. 2519/ C.249-70 9-12-1970	Advances against hypothecation of stocks—Precautions suggested.	V (c)
CPBDC. No. 6/ C.26-70/71 9-12-1970	Financing of agricultural development by commercial banks—Guidelines.	V (i)
DBOD. Ins. 1473/ C. 450-70 14-12-1970	Advances against shares—Exercise of voting rights in respect of shares held as pledgee—Procedure.	V (a)
„ Nat.C. 24/C.456-70 16-12-1970	Financing of agricultural development by commercial banks—Guidelines.	V (i)
„ Nat. CIR. C. 23/C.469(F)-70 16-12-1970	Hindi version of balance sheet—Further Hindi terminologies.	X
„ Ref. 1880/ C.107-70 23-12-1970	Drawal of pension by pensioners resident in India through agents (including a bank) having a legally valid power of attorney—Order of Government of India clarifying relative Treasury rule.	XI
„ Nat. 3153/C. 469(W)-70 24-12-1970	Credit facilities to book publishers and book traders—Advice to banks to consider requests on merits keeping in view the usual safeguards.	V (i)
„ Sch.BC. 3/C.347-71 8-1-1971	Directive on Interest rates on deposits.	II
„ Sch. BC.6/ C.347-71 15-1-1971	Interest rates on deposits—Directive—Advice to non-scheduled banks to bring their rates in conformity with the specified rates.	II

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. Nat.85/C.469(W)-71 18-1-1971	Scheme for re-discounting of bills arising out of deferred payment sales of indigenous machinery.	V (i)
,, Nat. 189/C.453-71 1-2-1971	Advances against pump sets—Credit facilities to agricultural sector.	V (i)
,, BM.BC. 14/ C.297P-71 12-2-1971	Advances under section 17(3A) of R.B.I. Act—Quarterly statements in respect of export bills/pre-shipment advances—Advice to banks that the statements for the quarter April-June should relate to bank's position as on 30th June instead of as on the last Friday.	III (e)
,, BM. BC. 24/ C.297(V)-71 24-2-1971	Creation of a Bill Market in India—Bills Re-discounting Scheme—Enlargement of the scope of the scheme.	III (d)
,, CID. BC. 25/ C.127-71 1-3-1971	Collection and furnishing of credit information—Changes in the existing returns—Revised quarterly returns.	VII
,, Nat. 351/C.453(F)-71 1-3-1971	Financing of minor irrigation schemes.	V (i)
,, Sch. BC. 28/ C.347-71 4-3-1971	Interest rates on deposits—Directive—Exemption in respect of deposits of a member, ex-member of banks' staff extended to the widows of a person who was formerly a member of staff.	II
,, Ins. BC.32/ C.124(C)-71 16-3-1971	Jenmikaram Payment (Abolition) Act, 1960—Acceptance of Bonds issued under the Act by the State of Kerala as security for advances—Advice to banks that the bonds are negotiable by endorsement and delivery like other Government securities.	V (c)
,, Nat. 477/ C.464(G)-71 19-3-1971	Credit schemes of banks with particular reference to employment potential—Thakkar committee report—Advice to banks to initiate appropriate action.	V (i)
,, BM. BC. 30 and 31/C.297(T)-71 22-3-1971	Export Credit (Interest Subsidy) Scheme, 1968—Audit requirements—*Pro forma* of the certificate to be sent by the Auditor to Reserve Bank.	III (e)
,, Sch. BC. 36/ C.347-71 22-3-1971	Interest rates on deposits—Rates applicable to charitable institutions, Universities and other educational institutions which have been recognised as charitable institutions by Income Tax authorities are also entitled to the rates specified for charitable institutions.	II

No. of the circular and date		Subject	The circular is incorporated in Section
1.		2.	3.
DBOD.	Sch. BC. 38/C. 96(AA)-71 22-3-1971	Commitment charge levied by banks—Difficulty in respect of certain borrowers to estimate their credit requirement—Change in procedure.	V (d)
,,	Nat. 548/C.469-71 6-4-1971	Collection of pension bills through banks by pensioners —Advice to banks to minimise delay.	XI
,,	Sch. BC. 51/ C.96-71 16-4-1971	Packing credits and post-shipment credits—Interest rates structure—Ceiling of 7% p.a. for packing credit and post-shipment credit other than credits provided for exporters on deferred payment terms.	III (e)
,,	BM. BC. 53/C. 297(V)-71 17-4-1971	Bills Re-discounting Scheme—Reduction of the minimum amount of single bill from Rs. 10,000 to Rs. 5,000.	III (d)
,,	Nat. 685/ C.452(D)-71 22-4-1971	Deployment of foreign funds in Indian business by foreign banks—To be related to deposits—Advice to furnish information.	I
,,	Leg. BC. 49/ C.124(P)-71 22-4-1971	Exemption from quarterly declaration by banks of gold ornaments/articles under Gold (Control) Act, 1968— Extended to nationalised banks—Govt. of India notification.	V (c)
,,	BM. BC. 56/C. 297(M)-71 23-4-1971	Export Credit (Interest Subsidy) Scheme, 1968—Rate of interest charged on export credits by banks for the purpose of eligibility for interest subsidy—Not to exceed 7% p.a.	III (e)
,,	ARS. 367/ C.452(K)-71 26-4-1971	Remuneration of statutory Central auditors and branch auditors of nationalised banks.	X
,,	BD. BC. 60/C. 168-71 12-5-1971	Intimation regarding opening/closing of offices by banks in monthly statements—Revised form.	XI
,,	Nat.803/C.453(F)-71 17-5-1971	Financing of minor irrigation schemes.	V (i)
,,	CAS. BC. 63/C. 446-71 20-5-1971	Credit Authorisation Scheme—Term lending by banks— Prior authorisation necessary in respect of individual medium or long term loans exceeding Rs. 25 lakhs repayable over a period of more than 3 years.	VIII

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. BM. BC. 62/C. 297(M)-71 21-5-1971	Pre-shipment Credit Scheme and Export Credit (Interest Subsidy) Scheme, 1968—Advice to banks to keep a close watch not only on the end-use of the finance but also for the timely fulfilment of export orders and to scrutinise applications for extension of time carefully.	III (e)
,, Nat. BC. 68/C. 469-71 31-5-1971	Inward bills for collection—Advice to banks to take steps to mitigate difficulties caused by restrictions imposed by banks on collection of bills sent directly by parties.	XI
,, BM. BC. 70 C.297(M)-71 4-6-1971	Interest subsidy/Refinance in respect of packing credit advances covered by the export production finance guarantee of ECGC—Clarification that the facility is available up to a period the ECGC extends the period of guarantee.	III (e)
,, Sch. BC.67/C. 347-71 7-6-1971	Interest rates on deposits—Directive—Clarification that land development banks are not to be treated as banking institutions or co-operative banks.	II
,, Sch. BC. 71/ C.96-71 7-6-1971	Advances against National Savings Certificates/Post Office Time Deposits by banks—Extract from the relevant rules for pledging of the certificates/deposits.	V (c)
,, Nat. Cir. C.13/C. 469-71 9-6-1971	Procedure to be followed by employees of nationalised banks while applying for employment elsewhere.	XI
,, BD. BC./ 73/C. 168-71 16-6-1971	Branch expansion programme—Fligibility for opening offices in Calcutta.	XI
,, ARS. 568/C. 452(K)-71 23-6-1971	Appointment of statutory central auditors of nationalised banks for 1971.	X
,, Sch. BC. 76/C. 347-71 25-6-1971	Interest rates on deposits—Deposits of charitable or religious institutions—Benefit of higher rate (½%) extended to hospitals and medical institutions, educational institutions and those affording relief to the poor sections of society and not working for profit and whose income is exempt from Income-Tax.	II

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. CAS. BC. 78/C. 446(J)-71 26-6-1971	Credit Authorisation Scheme—Term lending by banks—Submission of quarterly statements by banks—*pro forma.*	VIII
,, Sch. BC. 81/C. 347(B)-71 29-6-1971	Deposit linked Life Insurance Scheme—Advice to banks that Reserve Bank has no objection to banks adopting it.	II
,, CAS. BC. 89/C. 446-71 22-7-1971	Credit Authorisation Scheme—Purchase/discount of inland documentary bills—Limits for discounting accepted bills not accompanied by documents of title to goods as also the limits for negotiation of local usance bills accompanied by only invoices or challans sanctioned to parties require prior authorisation—Limits for acceptance of such bills, however, do not require prior authorisation.	VIII
,, BM. BC. 90/ C.297(M)-71 30-7-1971	Packing credit advances by banks to small-scale industrial units, covered under the credit guarantee scheme of Government of India, in excess of f.o.b. value will be eligible for refinance from Reserve Bank and interest subsidy under Export Credit (Interest Subsidy) Scheme, 1968 for a period of 8 months on certain conditions.	III (e)
,, BM. BC. 91/ C.297(V)-71 30-7-1971	Bills Rediscounting Scheme—Enlargement of the scope of the scheme—Bills of Exchange arising out of sale of goods to Government Departments and quasi-Government bodies and Statutory corporations and Government companies are eligible for rediscount with Reserve Bank.	III (d)
,, Sch. BC. 96/ C.347-71 5-8-1971	Interest rates on deposits—Relaxation given in terms of circular dated 25-6-71 to take effect from the date of the circular.	II
,, FCS. 1153/ C.408(A)-71 5-8-1971	Internal control in banks—Necessity for periodical rotation of duties of officers and staff.	XI
,, FCS. 1155/ C.408(A)-71 5-8-1971	Frauds in banks—Advice to banks to continually review their systems and procedures and to take steps to plug loop-holes so as to prevent recurrence of frauds.	XI
,, Cre. BC. 106/C. 218-71 23-8-1971	Advances against commodities covered by selective credit control—Types of clean facilities allowed.	VI

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. CAS. BC. 112/C. 446-71 13-9-1971	Credit Authorisation Scheme—Regarding limits for discounting of accepted bills which are not accompanied by documents of title to goods—Prior authorisation not necessary if such bills discounting limits are sanctioned in lieu of cash credit/overdraft limit specifically authorised by Reserve Bank—Prior authorisation is not necessary for re-allocation of limits to parties for working capital purposes within the overall limits specifically authorised by Reserve Bank for such purposes.	VIII
,, CAS. 1200/C. 446(M)-71 13-9-1971	Financial problems of jute industry—The stipulation regarding prior authorisation waived for the purpose of allowing increased credit limits to individual jute mills for the 1971 jute season.	V (i)
,, BM. BC. 120/C. 297(T)-71 7-10-1971	Export Credit (Interest Subsidy) Scheme, 1968—Amendment to the provisions of the scheme relating to audit of the relevant books of banks pertaining to the scheme.	III (e)
,, Nat. 1715/ C.453-71 14-10-1971	Financing of agricultural development by commercial banks—Guidelines—Clarification.	V (i)
,, BM. 2226/C. 297(V)-71 25-10-71	Bills Rediscounting Scheme—Regarding actual lodgement of bills—Bills of face value of Rs. 2 lakhs and below may be held with banks themselves as agents of Reserve Bank.	III (d)
,, Ins. BC. 124/C. 396-71 8-11-1971	Underwriting of shares, debentures,etc.—Advice to banks to submit annual statements as on 31st December each year.	XI
,, Sch. BC. 127/ C.347-71 8-11-1971	Interest rates on deposits—Amendment to directive—Rates in respect of deposits for 15 days to 45 days—To cover deposits subject to withdrawal or repayment by notice for a period not exceeding 45 days.	II
,, BD. BC. 125/C. 168-71 9-11-1971	Branch expansion vis-a-vis deposit mobilisation—Criteria for allowing banks to open branches in urban/rural areas.	XI
,, Nat. 1901/C. 453(F)-71 13-11-1971	Financing of minor irrigation schemes.	V (i)

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. Sch. BC. 130/ C.96-71 18-11-1971	Governor's circular—Refinance policy for 1971-72 busy season.	III (a)
,, BM. BC. 136/ C.297(M)-71 23-11-1971	Export Credit (Interest Subsidy) Scheme, 1968—Export bills drawn on Nigeria and Ghana—Further clarification.	III (e)
,, CAS. BC. 137/ C.446(H)-71 27-11-1971	Advances to sugar industry—Payment of cane dues by sugar mills—Advice to banks to devise a procedure for ensuring prompt payment of sugarcane dues by sugar mills.	V (i)
,, Ret. BC. 138/C. 236-71 3-12-1971	Borrowings from IDBI—Classification in balance sheet—Borrowings under new documentation as 'unsecured' and under old documentation as 'secured'.	X
,, Nat. 2051/C. 452(H)-71 7-12-1971	Advice to foreign banks regarding provision for bad and doubtful debts/gratuity.	I
,, CAS. BC. 141/C. 446(T)-71 8-12-1971	Advances to textile mills and dealers—Concessions that may be extended by banks.	V (i)
,, CAS. 1755/C. 446-71 10-12-1971	Supply of credit to shoddy and woollen mills for manufacturing and supplying blankets to Defence Ministry—Advice to banks to see that credit is adequate and timely for meeting working capital requirements.	V (i)
,, GCS. BC. 142/C.483-71 11-12-1971	Governor's circular—Credit needs of industries manufacturing and supplying goods for defence efforts, in the context of war situation.	V (i)
,, ARS. 1132/C. 452(K)-71 15-12-1971	Appointment of branch auditors of nationalised banks for 1971—Remuneration.	X
,, Sch. BC. 147/C. 96-71 24-12-1971	Refinance facilities available to scheduled commercial banks from Reserve Bank.	III (a)
,, Ret. BC. 149/C. 236(G)-71 27-12-1971	Return in Form X—Classification of branch adjustments account—Advice to banks to include in the return net credit balance in the branch adjustment account.	X

No. of the circular and date	Subject	The circular is incorporated in Section
1	2	3
DBOD. CAS. BC. 154/C. 446(H)-71 29-12-1971	Credit Authorisation Scheme — Advances to sugar industry—1971-72 season.	V (i)
,, BM. BC. 153/C. 297A-71 31-12-1971	Bill Market Scheme—Refinancing advances granted by way of 'defence packing cum supply' credit—Procedure and requirements.	III (c)
,, CAS. BC. 6/C. 446-72 7-1-1972	Credit Authorisation Scheme—Facilities for which banks need not obtain prior authorisation from Reserve Bank.	VIII
,, ARS. 18/C. 452(K)-72 7-1-1972	Advice to nationalised banks to furnish information regarding remuneration paid by them to statutory central auditors and branch auditors.	X
,, CAS. BC. 9/C. 446(U)-72 19-1-1972	Credit facilities to coal industry—Advice to banks to take certain measures to tide over the difficulties experienced by the coal industry.	V (i)
,, CID. BC. 11/C. 127-72 28-1-1972	Collection and furnishing of credit information—Form of application for obtaining credit information from Reserve Bank.	VII
,, Leg. BC. 13/C. 181B-72 28-1-1972	Advice to banks to submit a return regarding possession of Pakistani property to the Custodian of Enemy Property for India—Government notification.	XI
,, Nat. 152, 153 and 154/C.464(M)-72 1-2-1972	Statistics relating to priority sector advances—*Pro forma.*	X
,, BM. BC. 16/C. 297(P)-72 3-2-1972	Pre-shipment Credit Scheme—Withdrawal of concession relating to engineering and metallurgical products.	III (e)
,, Nat. 194/C.464-72 4-2-1972	Scheme formulated by State Bank of India for financing small weavers.	V (i)
,, Nat. 207/C.453-72 8-2-1972	Scheme for providing employment to unemployed technical personnel through Agro-Service Centres.	V (i)
,, GCS. BC. 21/C. 279-72 8-3-1972	Advances to tea industry—Advice to banks to take action on the recommendations of Study Group.	V (i)

No. of the circular and date		Subject	The circular is incorporated in Section
1.		2.	3.
DBOD.	GCS. BC. 25/C. 486-72 11-3-1972	Use of Hindi in banks—Advice to banks to ensure progressive use of Hindi and suggestions therefor.	XI
,,	Nat. 379/C. 464(A)-72 13-3-1972	Credit facilities for small amounts to traders dealing in fertilisers, mineral oils, etc.—Relaxations of certain usual safeguards in respect of credit facilities eligible under the Scheme of the Credit Guarantee Corporation of India Ltd.	V (i)
,,	Nat. 389/C. 453(A)-72 14-3-1972	Charging of interest on agricultural advances.	V (i)
,,	Nat. 466/C. 469-72 24-3-1972	New loan applications—Subscriptions tendered in the form of cheques payable at outstation centres—Advice to nationalised banks to issue cheques drawn on the same place where applications are tendered.	IV
,,	Sch. BC. 27/C. 96(S)-72 24-3-1972	Continuance of exemption in respect of inland D/A bills for the purpose of norm relating to unsecured advances/ guarantees.	V (g)
,,	Sch. BC. 28/C. 347-72 24-3-1972	Interest rates on deposits—Benefit of higher rate applicable to charitable institutions extended to the deposits of disabled ex-servicemen and widows/dependents of defence personnel killed in action.	II
,,	Nat. 471/C. 456(G)-72 25-3-1972	Advice to banks to furnish information relating to employees in all categories.	XI
,,	BM.BC. 33/C. 297(V)-72 6-4-1972	Bills Rediscounting Scheme—Bills of Exchange drawn on and accepted by Industrial Credit and Investment Corporation of India on behalf of its purchaser-constituents singly or jointly with them will be eligible for rediscount with Reserve Bank.	III (d)
,,	Sch. BC. 34/C. 96-72 8-4-1972	Refinance against priority sector advances (other than export credit)—Advice to banks to approach Reserve Bank, in case any difficulty is experienced by them in obtaining refinance, for special discretionary limits under (old) Bill Market Scheme.	III (c)
,,	Cre. BC. 38/C. 218-72 13-4-1972	Advances against commodities covered by selective credit control—Banks may grant clean T.T. purchase facilities to parties on certain conditions.	VI

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. Nat. 634/C. 464(M)-72 25-4-1972	Statistics relating to priority sector advances—Advice to banks to arrange to submit consolidated statements within the scheduled time.	X
,, BM. BC. 41/C. 297(V)-72 26-4-1972	Bills Rediscounting Scheme—Clarification that a bill accepted by the drawee could be rediscounted with Reserve Bank if the discounting bank certifies that the drawee of the bill is financially sound, solvent etc.	III (d)
,, BM. BC. 44/C. 297A-72 2-5-1972	Bill Market Scheme—Application for renewal/enhancement of limits to be submitted sufficiently in advance.	III (c)
,, BM. BC.45/C. 297(V)-72 5-5-1972	Bills Rediscounting Scheme—Date of delivery/withdrawal/retirement of the bills lodged with Reserve Bank—Procedure to be followed if the date is a holiday.	III (d)
,, Leg. BC. 46/C. 234-72 6-5-1972	Form of Balance Sheet—Disclosure of market value of Government and other Trustee Securities—Government notification regarding Balance Sheet as at 31-12-1971.	X
,, BD. 2558/C. 168-72 25-5-1972	Branch expansion programme—Report of the Administrative Reforms Commission on Treasuries—Advice to nationalised banks/State Bank of India to open branches in the premises or at a place adjoining the treasury.	XI
,, CAS. BC. 49/C. 446(U)-72 26-5-1972	Credit facilities to coal industry—Extension of the period of additional temporary limit up to December 1972.	V (i)
,, Nat. 833/C. 453(L)-72 30-5-1972	Credit facilities against stocks of fertilisers and pesticides —Advice to banks to facilitate flow of adequate credit.	V (i)
,, Nat. BC. 52/C. 453(U)-72 3-6-1972	Charging of differential rates of interest on advances by public sector banks—Guidelines.	V (i)
,, Sch. BC. 53/C. 96-72 5-6-1972	Advice to banks to build up adequate investments in Government and other approved securities and to increase their statutory liquidity ratio to 29%.	IV
,, BM. BC. 54/C. 297(V)-72 7-6-1972	Bills Rediscounting Scheme—Retirement of bills before due dates—Procedure for *pro rata* refund of discount.	III (d)

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. ARS. 525/C. 234(B)-72 9-6-1972	Advice to nationalised banks—Custodians/Officers should not draw sitting fees for attending the meetings of the Board/Committee of directors of financial institutions/companies on which they have been nominated as directors.	IX
,, BD. BC. 55/C. 168-72 10-6-1972	Intimation regarding opening/closing of offices of banks—Submission of monthly statements—Advice to banks to ensure the submission of statements in time.	XI
,, ARS. 533/C. 452(K)-72 13-6-1972	Appointment of statutory auditors of nationalised banks for 1972—Procedure.	X
,, Sch. BC. 57/C. 96(AA)-72 15-6-1972	Commitment charge—Exemption from directive—Land Development Banks, State Financial Corporations including Tamil Nadu Industrial Investment Corporation Ltd.	V (d)
,, BM. BC. 58/C. 297(P)-72 16-6-1972	Pre-shipment Credit Scheme—Form of application to be submitted and agreement to be executed by banks.	III (e)

CHRONOLOGICAL INDEX

No. of circular and date	Subject	The circular is incorporated in Section
1	2	3
DBOD. GCS.BC.51/ C.486-72 2-6-1972	Official Languages Implementation Committee's (5th) meeting—Literature brought out by banks in Hindi.	XI
„ BM.BC.61/ C.297M-72 5-7-1972	Export Credit (Interest Subsidy) Scheme, 1968—Calculation of interest subsidy.	III (e)
„ Nat.1086/ C.464(M)-72 17-7-1972	Statistics relating to the priority sectors—Quarterly returns—Financial assistance given to State Small Industries Corporations and State Industrial Development Corporations.	X
„ Sch.BC.62/ C.96 (AA)-72 19-7-1972	Commitment charge—Clarification—Credit limits sanctioned by land development banks and State Financial Corporations.	V (d)
„ Nat.BC.63/ C.453 (C)(A)-72 19-7-1972	Financing of primary agricultural credit societies by commercial banks—Lending rate for short-term and medium-term loans for agricultural purposes.	V (i)
„ BM.1261/ C.297V (62)-72 27-7-1972	Bills Rediscounting Scheme—Non-availability of Hundi papers of higher denominations and steps to overcome the difficulty.	III (d)
„ GCS.BC.67/ C.486-72 29-7-1972	Issue of advertisements in Hindi and English.	XI
„ Sch.BC.68/ C.109-72 31-7-1972	Bank Guarantee Scheme—Revision in the Scheme.	V (f)
„ BM.BC.69/ C.297(V)-72 8-8-1972	Bills Rediscounting Scheme—Discounting of bills before acceptance.	III (d)
„ BM.BC.70/ C.297(P)-72 9-8-1972	Packing credit advances—Financing of export of mineral ores.	III (e)
„ Leg.BC.71/ C.235-72 10-8-1972	The Banking Regulation Act—Loans/advances to directors of banking companies—General Order.	XI

No. of circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. CAS.1392/ C.446-72 19-8-1972	Temporary credit limits against cheques taken for collection when clearing is suspended.	V (i)
„ Nat.1370/ C.453 (K)Gen-72 21-8-1972	Financing of dairy development schemes.	V (i)
„ BM.BC.74/ C. 297(M)-72 30-8-1972	Pre-shipment Credit Scheme and Export Credit (Interest Subsidy) Scheme, 1968—Cash incentives, Duty drawbacks etc.	III (e)
„ ARS.BC.75/ C.318(C)-72 2-9-1972	Section 35B of Banking Regulation Act—Specimen Forms for applications seeking approval of Reserve Bank.	IX
„ GCS.BC.76/ C.279-72 9-9-1972	Term Finance to tea industry.	V (i)
„ BD.BC.77/ C.168-72 9-9-1972	Section 23 of Banking Regulation Act—Shifting of existing offices.	XI
„ ARS.BC.80/ C.318(B)-72 14-9-1972	Payment of travelling expenses to whole-time chairman and other directors.	IX
„ BM.BC.81/ C.297(P)-72 14-9-1972	Bid Bonds and Performance Guarantees—Banks to adopt a flexible approach in the matter of cover for guarantees.	V (g)
„ BM.BC.82/ C.297(P)-72 14-9-1972	Packing credit advances to exporters of marine products.	III (e)
„ CID.BC.83/ C.127-72 20-9-1972	Collection and furnishing of credit information.	VII
„ BD.5490/ C.168-72 27-9-1972	Section 23 of Banking Regulation Act—Extension of the period of validity of licences.	XI
„ Nat.BC.87/ C.453-72 7-10-1972	Classification in bank's returns of loans granted against gold ornaments to farmers.	X

No. of circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. Sch.BC.88/ C.96(S)-72 10-10-1972	Unsecured advances guaranteed by the Credit Guarantee Corporation of India Ltd.	V(g)
,, Nat. 1740/ C. 469 (78)-72 18-10-1972	Banca Nazionale Del Lavoro Rome — Offer of facilities.	XI
,, Sch. BC. 92/ C. 347-72 23-10-1972	Interest rates on deposits — Clarification regarding (*i*) nature of deposits maintained by charitable institutions eligible for higher rate of interest, (*ii*) Institutions covered by the term 'Charitable institutions'.	II
,, Nat. BC. 94/ C. 453B-72 28-10-1972	Credit facilities to the agricultural sector for improved types of storage structures — Classification of such advances in quarterly statement.	V(i)
,, BM. BC. 97/ C. 297(M)-72 30-10-1972	Pre-shipment Credit Scheme and Export Credit (Interest Subsidy) Scheme, 1968 — Cash incentives, Duty drawbacks, etc.	III(e)
,, Sch. BC. 101/ C. 96-72 14-11-1972	Governor's circular — Review of credit situation and refinance policy for 1972-73 season.	III(a)
,, Nat. BC. 110/ C. 456 (H)-72 16-11-1972	Special Returns on Agricultural Advances — Pro formae.	X
,, CAS. BC. 112/ C. 446(H)-72 17-11-1972	Credit Authorisation Scheme — Advances to sugar industry — 1972-73 season.	V(i)
,, Sch. BC. 113/ C. 96-72 21-11-1972	Refinance facilities to banks effective from November 1972 — Details.	III(a)
,, Nat. 2011/ C. 453(B)-72 24-11-1972	Crash programme for providing pump sets to farmers in Bihar.	V(i)
,, EFS. BC. 924/ C.249-72 29-11-1972	Technical or Management Advice — Directive to banks.	XI

No. of circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. CAS. BC. 118/ C. 446-72 4-12-1972	Transfer of accounts from one bank to another.	V(j)
,, BM. BC. 119/ C. 297(P)-72 6-12-1972	Packing credit advances to exporters of husk from Psyllium seeds (ISABGOL).	III(e)
,, BM. BC. 120/ C. 297(P)-72 6-12-1972	Packing credit advances to miners of iron ore in Goa.	III(e)
,, GCS. BC. 121/ C. 124(V)-72 12-12-1972	Reconciliation of inter branch accounts — Clearance of arrears of work.	XI
,, CAS. BC. 125/ C. 446-72 18-12-1972	Credit Authorisation Scheme — Modification of the existing exemptions in respect of temporary limits upto Rs. 25 lakhs.	VIII
,, GCS. BC. 126/ C. 124(V)-72 18-12-1972	Balancing of transactions relating to clearing of cheques, drafts, etc.	XI
,, Nat. 2199/ C. 453C(A)-72 18-12-1972	Financing of primary agricultural credit societies by commercial banks.	V(i)
,, GCS. BC. 129/ C. 492-72 20-12-1972	Finance for the coal industry.	V (i)
,, CAS. 2162/ C. 446(M)-72 20-12-1972	Advances to jute industry.	V(i)
,, Nat. 14/C. 453 (K)Gen-73 3-1-1973	Scheme of rebate on interest operated by the Small Farmers Development Agencies and Marginal Farmers and Agricultural Labourers Agencies.	V(i)
,, CAS. BC. 131/ C. 446-73 13-1-1973	Transfer of accounts from one bank to another.	V(j)
,, Ins. BC. 1/ C.450-73 17-1-1973	Advances against shares — Clarification.	V(a)

No. of circular and date	Subject	The circular is incorporated in Section
1.	11.	3.
DBOD: Nat. BC. 3/ C. 453(K)-73 19-1-1973	Simplication of application forms for agricultural advances.	V(i)
,, BM. BC. 2/ C. 297(T)-73 20-1-1973	Export Credit (Interest Subsidy) Scheme, 1968 — Audit requirements.	III(e)
,, CAS. BC. 4/ C. 446(M)-73 24-1-1973	Advances to jute industry.	V(i)
,, Nat. 222/ C. 469(W)-73 1-2-1973	Advances to coal mines.	V(i)
,, Ret. BC. 8/ C. 236(G)-73 12-2-1973	Classification of the 'Branch Adjustment Account' in the weekly returns under section 42 of Reserve Bank of India Act.	X
,, Ret. BC. 10/ C. 236(G)-73 12-2-1973	Section 18 and 24 of Banking Regulation Act — 'Branch Adjustment Account' — Reporting of figures in Forms III and X.	X
,, Sch. BC. 12/ C. 95-73 13-2-1973	Purchase of local cheques, drafts, etc., during suspension of clearing.	V(i)
,, Nat. BC. 14/ C. 469(F)-73 13-2-1973	Finalisation of accounts and submission of balance sheet as at 31st December 1972.	X
,, EFS. ROC. 11/ C. 249-73 22-2-1973	Books of instructions of banks.	XI
,, Nat. BC. 17/ C. 469(78)-73 23-2-1973	Janta Bank (incorporated in Bangladesh) — Offer of facilities.	XI
,, Nat. 355/ C. 453(C)-73 24-2-1973	Financing of primary agricultural credit societies by commercial banks — Assignment of charges created in favour of societies.	V(i)
,, BD. BC. 19/ C. 168-73 8-3-1973	Section 23 of Banking Regulation Act — Particulars of branches incurring losses.	XI

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. Sch. BC. 21/ C. 96-73 17-3-1973	Governor's circular — Mid-term review of credit situation.	III(a)
,, Sch. BC. 22/ C. 347-73 17-3-1973	Interest rates on deposits	II
,, Nat. BC. 24/ C. 464(A)-73 21-3-1973	Credit Guarantee Corporation of India (small loans) Guarantee Scheme, 1971 — Waiver of insurance cover.	XI
,, CAS. BC. 25/ C. 446-73 21-3-1973	Credit Authorisation Scheme — Advances to public sector undertakings including State Electricity Boards.	VIII
,, BM. BC. 28/ C. 297(V)-73 23-3-1973	New Bill Market Scheme — Participation by non-financial institutions not allowed.	III(d)
,, CAS. BC. 29/ C. 446(CA)-73 27-3-1973	Finance for the cashew industry.	V(i)
,, Sch. BC. 30/ C. 96-73 27-3-1973	Changes in the refinance facilities available from Reserve Bank — Mode of calculation of excess borrowings.	III(a)
,, Nat. BC. 31/ C. 453(U)-73 27-3-1973	Scheme of Differential Rates of Interest — Modification.	V(i)
,, GCS. BC. 32/ C. 486-73 27-3-1973	Use of Hindi in banks — Evaluation of translation work.	XI
,, CAS. BC. 33/ C. 446-73 27-3-1973	Credit Authorisation Scheme — Advances to public sector undertakings.	VIII
,, GCS. BC. 34/ C. 486-73 29-3-1973	Use of Hindi in banks — Bilingual forms.	XI
CPC. 1051/195-73 30-3-1973	Credit for purchase of tractors.	V(i)
DBOD. BM. BC. 35/ C. 297(P)-73 7-4-1973	Financing of sea food exporters — Packing credit facilities.	III(e)

No. of the circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. GCS. BC. 36/ C. 486-73 14-4-1973	Hindi cells in banks.	XI
„ GCS. BC. 39/ C. 486-73 23-4-1973	Signature in Hindi on official documents.	XI
„ Sch. BC. 40/ C. 96-73 25-4-1973	Refinance facility against export credit — Clarification that the facility will be available to banks only in respect of borrowings under section 17(3)(A) of Reserve Bank of India Act.	III(a)
„ Sch. BC. 41/ C. 347-73 25-4-1973	Interest rates on deposits.	II
„ GCS. BC. 44/ C. 486-73 27-4-1973	Use of Hindi in banks — Guidelines for its progressive use.	XI
„ GCS. BC. 47/ C. 486-73 3-5-1973	Invitation cards for official functions in Hindi and English.	XI
„ GCS. BC. 48/ C. 486-73 9-5-1973	Procedure for prompt disposal of letters etc. received in Hindi.	XI
„ ARS. 421/ C. 452(K)-73 14-5-1973	Discontinuance of half-yearly audit and formula for selection of branches for annual audit.	X
„ CAS. BC. 55/ C.446(M)-73 18-5-1973	Advances to jute industry.	V(i)
„ GCS. BC. 57/ C. 486-73 23-5-1973	Scrutiny and correction of Hindi Sign Boards and Notices appearing on Central Government buildings and structures in Hindi-speaking areas.	XI
„ BM. BC. 56/ C. 297(A)-73 28-5-1973	Packing credit advances for export of tea.	III(e)
„ Sch. BC. 59/ C. 96-73 30-5-1973	Governor's circular — Raising of Bank Rate from 6% to 7% — Changes in cash reserve and statutory liquidity requirements — Fixing a minimum lending rate.	III(a)
„ BM. BC. 58/ C. 297(P)-73 31-5-1973	Pre-shipment Credit Scheme-Export of precious and semi-precious stones, pearls and synthetic stones.	III(e)

No. of circular and date	Subject	The circular is incorporated in Section
1.	2.	3.
DBOD. Sch.BC.63/ C.96-73 31-5-1973	Directive on interest rates on advances.	V (j)
,, Sch.BC.60/ C.96-73 31-5-1973	Increase in the cash reserve requirements under section 42(1) of Reserve Bank of India Act.	VI
,, GCS.BC.66/ C. 486-73 1-6-1973	Progressive use of Hindi in banks—Preparation of international agreements, etc.	XI
,, Sch.BC.64/ C. 96-73 4-6-1973	Clarification regarding calculation of the net liquidity ratio—Borrowings from SBI on call basis.	III(a)
,, Sch.BC.67/ C. 96-73 6-6-1973	Rate of discount to be charged on bills of exchange eligible under the Bills Rediscounting Scheme.	III (d)
,, GCS.BC.69/ C. 486-73 12-6-1973	Addition of a Hindi section to banks' bulletins or journals.	XI
,, Sch.BC.71/ C. 96-73 13-6-1973	Refinance facilities available from Reserve Bank of India against export credit—Modification.	III (a)
,, Leg.BC.73/ C. 234-73 16-6-1973	Banking Regulation Act—Exemption from the provisions of note (f) appended to the form of balance sheet.	X
,, GCS.BC.74/ C. 486-73 22-6-1973	Central Hindi Committee meeting—Minutes.	XI
,, Sch.BC.75/ C. 110-73 22-6-1973.	Weekly return under section 42(2) of Reserve Bank of India Act—Reporting of the figures of additional cash reserve.	X

SECTION I

CAPITAL, DIVIDEND, RESERVES

SECTION I

CAPITAL, DIVIDEND, RESERVES

No. and Date	Subject
No. 579/52B-46 31-7-1946	Profits on sale of securities and shares and revaluation of investments — To be transferred to the Reserve Fund and not to be utilised for payment of dividend.
Bom. 7818/C.236-59 15-10-1959	Distinction between 'provision' and 'reserve.'
Leg. 8259/C.235-59 28-10-1959	Sections 15 and 17 of Banking Companies Act, 1949 as amended by the Banking Companies (Amendment) Act, 1959 — Advice to banking companies not to utilise statutory reserves except on rare occasions.
Ref. 8457/C.124(C)-60 25-10-1960	Advertisement by banks regarding working capital/funds — Contra items not to be included.
Ins. 648/C.124(C)-69 26-6-1969	Profit on sale of fixed assets like land, premises, etc. — To be retained as capital reserves, which are not available for payment of dividend.
Nat. 685/C.452(D)-71 22-4-1971	Deployment of foreign funds in Indian business by foreign banks — To be related to the deposits in India as at the end of each year — Advice to foreign banks to furnish information periodically.
Nat. 2051/C.452(H)-71 7-12-1971	Advice to foreign banks regarding provision for bad and doubtful debts/gratuity.

DBO. No. 579/52B-46 — 31 July 1946

All scheduled banks.

Dear Sir,

PROFITS ON SALE OF SECURITIES AND SHARES

An analysis of the balance sheets and profit and loss accounts of several scheduled banks indicates that a number of them utilise the profits made by the sale of securities and shares for the payment of dividend on their share capital. This practice is in our opinion unsound. The earnings on transactions in shares are in these days somewhat in the nature of windfalls and in the case of securities they have mainly accrued as a result of the cheap money policy pursued by Government in war-time conditions. There could be no certainty that such rapid appreciation in values will also characterise the post-war markets. It is, therefore, undesirable for banks to utilise such gains for distribution as dividends and according to the practice of well-managed banks in India and elsewhere they should be transferred to the Reserve Fund until the fund is at least equal to the bank's paid-up capital. You will agree that it is essential for all banking companies to create a strong reserve fund to meet any eventuality, * . The procedure outlined above may also be followed by banks, which revalue their investments at the end of the year or half-year and transfer the difference to their profit and loss account.

2. If in any particular year a bank is not able to write off out of its normal banking profits, depreciation, if any, on its investments, capitalized expenses, bad debts, losses etc., it may utilise such portion of its fortuitous gains, referred to above, as may be required for writing off these items, the balance being transferred to the Reserve Fund.

Yours faithfully,
M. G. MEHKRI
Deputy Governor

DBO. No. Bom. 7818/C. 236-59 — 15 October 1959

All banking companies incorporated in India.

Dear Sir,

THE BANKING COMPANIES ACT, 1949 AND THE COMPANIES ACT, 1956 — DISTINCTION BETWEEN 'PROVISION' AND 'RESERVE'

We write to draw your attention to the distinction between the terms "provision" and "reserve" contained in Part III of Schedule VI to the Companies Act, 1956, which deals with the interpretation of terms for the purposes of the balance sheet and the profit and loss account of companies. It has been laid down therein that the expression 'provision' shall mean any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability of which the amount cannot be determined with substantial accuracy. Similarly, the expression 'reserve' shall not include any amount that is in the nature of 'provision' as defined above. In view of the provisions of section 5(1)(o)* of the Banking Companies Act, 1949, it would be necessary for banking companies also to note the foregoing distinction between the expressions 'provision' and 'reserve' in regard to the preparation of their balance sheets and profit and loss accounts. Amounts set aside by way of "provision" should not, therefore, be included under the head 'Reserve Fund And Other Reserves' but may be shown separately under the head 'Deposits And Other Accounts — Current Accounts, Contingency Accounts, etc.,' or 'Other Liabilities' on the liabilities side of the balance sheet. In the returns in Form XIII,† they may be shown under item A.3(b)†† — 'Demand Deposits from others and contingency (unadjusted) accounts,' or A.8** — 'Other Liabilities.'

Yours faithfully,
R. A. GULMOHAMED
Dy. Chief Officer

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* Section 5(o) of the Banking Regulation Act.
† Form XII at present.
†† Item A4(a)(ii) at present.
** Item A4(d) at present.

DBO. No. Leg. 8259/C. 235-59 — 28 October 1959

All scheduled and non-scheduled banks incorporated in India.

Dear Sir,

SECTIONS 15 AND 17 OF THE BANKING COMPANIES ACT, 1949

Section 15 of the Banking Companies Act, 1949 as recently amended† makes it possible for a banking company to pay dividends on its shares without writing off —

(*a*) the depreciation, if any, in the value of its investments in approved securities where such depreciation has not been capitalised or otherwise accounted for as a loss;

(*b*) the depreciation, if any, in the value of its investments in shares, debentures or bonds in any case where adequate provision for such depreciation has been made to the satisfaction of the auditor of the banking company; and

(*c*) the bad debts, if any, in any case where adequate provision for such debts has been made to the satisfaction of the auditor of the banking company.

In terms of the new section 17 —

(*a*) a banking company incorporated in India has to transfer each year to its reserve fund 20% of the balance of profit as shown in the profit and loss account, so long as the reserve fund together with the amount in the share premium account is less than its paid-up capital;

(*b*) where a banking company appropriates any sum or sums from the reserve fund or the share premium account, the fact will have to be reported to the Reserve Bank within twenty-one days from the date of such appropriation, explaining the circumstances relating to such appropriation.

Although section 17 enables a banking company to appropriate any sum or sums from the reserve fund or the share premium account and requires it to report the fact to the Reserve Bank within 21 days from the date of such appropriation, banking companies should, in their own interest as well as in the interests of their depositors, endeavour to maintain the statutory and other reserves at a higher level than the minimum provided in the Act. It also follows that the statutory reserves should not, except on very rare occasions, if any, be utilised by banking companies for satisfying the requirements of section 15(2) (ii) and (iii) to place themselves in a position to pay dividends on their shares.

Yours faithfully,
S. K. MUKHERJEA
Dy. Chief Officer

DBO. No. Ref. 8457/C. 124(C)-60 — 25 October 1960

All scheduled banks.

Dear Sir,

It has been observed that some of the banks, while advertising their working capital/funds in journals and newspapers, include the contra items such as bills for collection, acceptances etc. to arrive at the relative figure. The inclusion of the contra items for the above purpose leads to the inflation of the figure of working capital/funds and does not give a correct picture thereof. We shall, therefore, be glad if you will ensure that the advertisements, if any, issued by you do not give a wrong or exaggerated picture.

Yours faithfully,
T. A. VASWANI
Dy. Chief Officer

† Amended by the Banking Companies (Amendment) Act, 1959.

DBOD. No. Ins. 648/C. 124(C)-69 — 26 June 1969

All scheduled and non-scheduled commercial banks.

Dear Sir,

PROFIT ON SALE OF FIXED ASSETS LIKE LAND, PREMISES ETC.

As you are aware, banks can take to the profit and loss account the net profit earned, *inter alia*, on the sale of land and premises, (not credited to reserves or any particular Fund or Account) vide item 4 on the credit side of Form B (profit and loss account) prescribed under the Banking Regulation Act, 1949. However, the fact that a bank may take to the credit of its profit and loss account such profits does not by itself offer adequate justification for treating such profits as being available for payment of dividend. The profit on sale of land and premises is a capital profit and cannot be treated at par with normal business profit. From the point of view of accounting principles and sound banking practice, it is a generally accepted position that such a fortuitous profit should be retained as capital reserves, which, as you know, are not available for payment of dividend. We shall be glad if the above position is kept in view while dealing with the relevant profit, if any, earned by your bank.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(Banking Operations)

DBOD. No. Nat. 685/C. 452 (D)-71—22 April 1971

The Chief Executives of foreign banks in India.

Dear Sir,

DEPLOYMENT OF FOREIGN FUNDS IN INDIAN BUSINESS

As you are aware, the then Governor of the Reserve Bank, in the course of his discussions with the representatives of foreign banks in November 1967, had indicated that the foreign banks should aim at all times to have as their 'own funds deployed in Indian business' an amount equivalent to 3.5 per cent of their deposits in India as at the end of 1967 and that the calculations of these additional requirements would be triennial. It was also indicated that the additional foreign funds inducted for the purpose may be made up of one or more of the following elements:-

(*a*) Any foreign exchange belonging to the bank which has been retained in India in some specific category of reserves.

(*b*) Loans in foreign currency made by the bank or its Head Office to Indian parties.

(*c*) An interest-free deposit with the Reserve Bank in foreign exchange credited to any of its foreign accounts with an option that if the bank which makes the deposit so requests, the Reserve Bank would be prepared to consider making an interest-bearing fixed deposit with that bank's foreign office on mutually agreed terms.

(*d*) An interest-bearing foreign currency fixed deposit in the name of the Reserve Bank with one of the bank's offices outside India.

We have now reviewed the position and it is considered that the foreign funds to be deployed in Indian business should appropriately be related to the total deposits of the bank in India at the end of each year. We would, therefore, suggest that you may, in the first instance, review the position on the basis of the deposits as at the end of 1970 and in the light of the position disclosed advise us as to the situation and if there is any shortfall, take steps to deploy such additional funds as may be necessary so that the total funds deployed constitute not less than 3.5 per cent of the deposits as at the end of the aforesaid year. The position may thereafter be reviewed by you as at the end of each year and necessary adjustments as may be required may be made.

The action taken by you in the matter may be advised to us as early as possible.

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

DBOD. No. Nat. 2051/C. 452 (H)-71—7 December 1971

The Chief Executive Officers
of all foreign banks
operating in India.

Dear Sir,

We advise that foreign banks operating in India may take action as indicated below:

(*i*) *Provision for bad and doubtful debts:*

In terms of section 15 of the Banking Regulation Act, the Indian banks are precluded from paying any dividend without making adequate provision for bad debts, etc. Although there is no similar restriction in the case of foreign banks, it is considered appropriate that they should also make the usual and necessary provisions to the satisfaction of their auditors from out of their income before arriving at the remittable profit. Such provisions should be kept in the books of the Indian offices.

(*ii*) *Provision for gratuity:*

Gratuity payable to staff is a charge on the profit and loss account. It is, therefore, desirable that, before arriving at the net profit, the banks should make the necessary provision for this purpose on a scientific basis. Such provision should also be kept in the books of Indian offices. If any funds have been created for the purpose but are kept outside India, it would be necessary to bring them in the books of the Indian offices.

(*iii*) * * * *

(*iv*) * * * * *

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

SECTION II

DEPOSITS

SECTION II

DEPOSITS

No. and Date	Subject
	A brief note on the directive on interest rates on deposits
Sch. BC. 3/C. 347-71 8-1-1971	Interest rates on deposits — Directive to scheduled commercial banks.
Sch. BC. 6/C. 347-71 15-1-1971	Interest rates on deposits — Advice to non-scheduled commercial banks to bring their rates in conformity with those prescribed for scheduled commercial banks.
Sch. BC. 28/C. 347-71 4-3-1971	Interest rates on deposits — Directive—Exemption in respect of the deposits of a member, an ex-member of bank's staff extended to the widows of bank's employees.
Sch. BC. 36/C. 347-71 22-3-1971	Interest rates on deposits — Directive—Concessional rate of interest—Universities and other educational institutions recognised as charitable institutions by Income-Tax authorities to be treated as "charitable or religious institutions."
Sch. BC. 67/C. 347-71 7-6-1971	Interest rates on deposits — Directive—Land development banks not to be treated as banking institutions or co-operative banks.
Sch. BC. 76/C. 347-71 25-6-1971	Interest rates on deposits — Benefit of higher rate (½%) applicable to deposits of charitable or religious institutions extended to hospitals and medical institutions and those affording relief to the poor sections of society and not working for profit and whose income is exempt from Income-tax.
Sch. BC. 96/C. 347-71 5-8-1971	Interest rates on deposits—Relaxation given in terms of circular dated the 25th June 1971 to take effect from the date of the circular.
Sch. BC. 127/C. 347-71 8-11-1971	Interest rates on deposits—Amendment to directive—Rates in respect of deposits for 15 days to 45 days to cover deposits subject to withdrawal or repayment by notice for a period not exceeding 45 days.
Sch. BC. 28/C. 347-72 24-3-1972	Interest rates on deposits—Benefit of higher rate applicable to the Charitable institutions extended to the deposits of disabled ex-servicemen and widows/dependents of the defence personnel killed in action.

No. and Date	Subject
EFS. 540/C. 196-65 9-4-1965	Fixed and short term deposits—Advice to banks to satisfy themselves about the identity of the depositor.
Leg. 168/C. 90(H)-70 8-6-1970	Section 194A of Income Tax Act—Amendment—Banks no longer required to deduct tax from interest paid or credited to the accounts of a depositor.
Sch. 1465/C. 107-70 18-9-1970	Mobilisation of deposits—Incentive schemes—Staff involvement—Banks to ensure compliance with section 10(1)(b)(ii) of Banking Regulation Act.
CPBDC. 1872/145-70 24-10-1970	Deposit mobilisation by banks.
Sch. BC. 81/C. 347(B)-71 29-6-1971	Deposit-linked life insurance scheme of L.I.C.—No objection to banks adopting it.

SECTION II

DEPOSITS

No. and Date	Subject
Sch.BC.92/C.347-72 23-10-1972	**Interest rates on deposits**—Clarification regarding— (*i*) nature of deposits maintained by charitable or religious institutions eligible for higher rate of interest. (*ii*) institutions covered by the term 'charitable institutions.'
Sch.BC.22/C.347-73 17-3-1973	Interest rates on deposits.
Sch.BC.41/C.347-73 25-4-1973	Interest rates on deposits.

DIRECTIVE ON INTEREST RATES ON DEPOSITS

The directive dated the 8th January 1971 appearing hereinafter provides for the payment of interest by banks* at certain specified rates. A table showing the rates of interest payable by various categories of banks for various types of deposits is given in the Annexure. The directive read with the subsequent circulars issued on the subject, however, exempts certain categories of deposits from its purview, which are indicated below:-

(*i*) Although payment of interest on current accounts or on deposits up to 14 days or deposits subject to withdrawals or repayments after notice for a period of 14 days or less is prohibited, deposits of LIC and UTI (representing money at call and short notice) are not governed by this prohibition.

(*ii*) Although payment of brokerage on deposits in any form is prohibited, it is open to banks to pay brokerage to individuals employed as agents for collection of door to door deposits under any special schemes introduced by them. This prohibition does not also apply to deposits of LIC and UTI representing money at call and short notice.

(*iii*) None of the provisions of the directive applies to—

(1) a current, savings or deposit account opened in the name of—

(*a*) a member or an ex-member of the bank's staff, either singly or jointly with any other person or the widow of a person who was formerly a member of the bank's staff, or

(*b*) an association or a fund, all members of which are members of the bank's staff

and

(2) deposits made by a banking institution or a co-operative bank. (For the purpose of this exemption a land development bank is not treated as banking institution or a co-operative bank).

(*iv*) Term deposits and savings bank deposits maintained by charitable or religious institutions could be paid interest at one half of one per cent per annum above the normal rates payable to others. This facility has been extended to—

(*a*) hospitals and medical institutions,

(*b*) educational institutions and universities, and

(*c*) institutions affording relief to the poor sections of society; all these 3 categories of institutions should be those not working for profit and whose income is exempt from Income-tax.

(*d*) ex-servicemen disabled during the Indo-Pakistan conflict (of 1971) and/or those of widows, dependents of the defence personnel killed in action.

* The directive, in terms thereof, apply only to scheduled banks. Non-scheduled banks have however been advised, vide circular DBOD. No. Sch. BC. 6/C 347-71 dated the 15th January 1971, to bring their deposit rates in conformity with those prescribed for scheduled banks. Copies of all circulars relating to the directive appearing in this section have been separately forwarded to non-scheduled banks for their information and guidance.

ANNEXURE

RATES OF INTEREST ON DEPOSITS (EFFECTIVE JANUARY 11, 1971)

(per cent per annum)

Class of deposits	Indian scheduled banks having demand and time liabilities of Rs. 50 crores and above and foreign banks	Indian scheduled banks having demand and time liabilities					
		between Rs. 25 crores and Rs. 50 crores		between Rs. 10 crores and Rs. 25 crores		below Rs. 10 crores	
		Maximum	Minimum	Maximum	Minimum	Maximum	Minimum
Current accounts and deposits upto 14 days	No interest except with the prior approval of the Reserve Bank (for all classes of banks)						
Savings accounts	4	4		4		4½	4
Deposits for 15 days to 45 days ..	Rate not to exceed 2 (for all classes of banks)						
Deposits for 46 days to 90 days ..	3 (for all classes of banks)						
Deposits for 91 days and above but less than 6 months	4½	4⅝	4½	4½	4½	4⅝	4½
Deposits for 6 months and above but less than 9 months ..	4⅝	4⅞	4⅝	5	4⅝	5¼	4⅝
Deposits for 9 months and above but less than 1 year	5¼	5⅜	5¼	5¼	5¼	5⅜	5¼
Deposits for 1 year and above but less than 2 years	6	6⅛	6	6¼	6	6¼	6
Deposits for 2 years and above but upto and inclusive of 3 years	6½	6⅝	6½	6⅝	6½	7	6½
Deposits above 3 years but upto and inclusive of 5 years ..	7	7⅛	7	7¼	7	7⅛	7
Deposits above 5 years	7¼	7⅜	7¼	7½	7¼	7⅜	7¼

DBOD. No. Sch. BC. 3/C. 347-71—8 January 1971

INTEREST RATES ON DEPOSITS

In exercise of the powers conferred by sections 21 and 35A of the Banking Regulation Act, 1949, and in supersession of the directive and letters DBOD. No. Sch. 490/C. 347-70 dated the 28th March 1970, DBOD. No. Sch. 870/C. 347 -70 dated the 3rd June 1970 and DBOD. No. Sch. 1240/C. 347-70 dated the 11th August 1970, the Reserve Bank of India being satisfied that it is in the public interest so to do, hereby directs that no scheduled commercial bank shall pay interest on deposits of money accepted by it or renewed by it, on or after the 11th January 1971, except in accordance with the rates of the terms and conditions specified in paragraphs 1 to 10 below:

1. Subject to the other provisions of this directive, banks with aggregate demand and time liabilities exceeding Rs. 50 crores and banks incorporated outside India shall pay interest on deposits, other than those maintained in savings accounts, at the rates specified below :-

For deposits for 15 days to 45 days**	2 per cent per annum
For deposits for 46 to 90 days and for deposits subject to withdrawal or repayment by notice for a period not exceeding 90 days	3 per cent per annum
For deposits for 91 days and above but less than six months	4½ per cent per annum
For deposits for six months and above but less than 9 months	4¾ per cent per annum
For deposits for 9 months and above but less than 1 year	5½ per cent per annum
For deposits for 1 year and above but less than 2 years	6 per cent per annum
For deposits for 2 years and above but upto and inclusive of 3 years	6½ per cent per annum
For deposits above 3 years but upto and inclusive of 5 years	7 per cent per annum
For deposits above 5 years	7¼ per cent per annum

In reckoning the rate of interest in the case of deposits for periods above one year, any period less than one month shall be ignored.

2. Banks of the categories specified in column 1 of the following table shall pay on deposits for 91 days and above, other than those maintained in savings accounts, interest at rates not exceeding the maximum rates specified in the corresponding entry in column 2 of that table but not below the rates prescribed in paragraph 1 above in respect of banks with aggregate demand and time liabilities exceeding Rs. 50 crores and banks incorporated outside India.

Banks with aggregate demand and time liabilities	The rates prescribed in paragraph 1 above plus
(1)	(2)
(1) Between Rs. 25 crores and Rs. 50 crores.	0.125 per cent
(2) Between Rs. 10 crores and Rs. 25 crores.	0.25 per cent
(3) Below Rs. 10 crores	0.50 per cent

In reckoning the rate of interest in the case of deposits for periods above one year, any period less than one month shall be ignored.

3. Banks shall pay interest on deposits maintained in savings accounts at the rates hereinafter specified, namely,

(*a*) banks having aggregate demand and time liabilities of Rs. 10 crores and

** This has since been amended—vide circular DBOD No. Sch. BC. 127/C.347-71 dated 8th November 1971.

above shall pay interest at 4.00 per cent per annum.

(*b*) banks having aggregate demand and time liabilities below Rs. 10 crores shall pay interest at a rate not below 4.00 per cent per annum but not exceeding 4.50 per cent per annum.

4. On overdue deposits, banks may in their discretion allow interest for the overdue period provided that

(*a*) the deposit is renewed with effect from the date on which it matured for payment, and

(*b*) the rate of interest allowed does not exceed the appropriate rate applicable to the period for which the deposit is proposed to be renewed, as ruling on the date of maturity of the deposit. In case a bank is requested to renew a portion of an overdue deposit, it may in its discretion allow interest for the overdue period on that portion of the deposit, which is proposed to be renewed.

5. In the case of a deposit standing in the name of a deceased depositor, interest may be paid for the period from the date of maturity of the deposit to the date on which the deposit is actually repaid to the heir or heirs of the deceased depositor, at the rate mentioned in the original deposit receipt, or the appropriate rate as on the date of maturity for a fresh deposit for the period from the date of maturity to the date of repayment, whichever of these two rates may be lower.

6. Notwithstanding anything contained in the foregoing paragraphs, banks may, in respect of deposits maintained by charitable or religious institutions, pay interest at one half of one per cent per annum above the rates which they are otherwise required or permitted to pay, according to the provisions of the said paragraphs.*

7. No bank shall, with effect from 11th January 1971,

(*a*) pay interest on current accounts or on deposits upto 14 days or deposits subject to withdrawal or repayment after notice for period of 14 days or less (not being deposits made with the bank by the Life Insurance Corporation of India or the Unit Trust of India, representing money at call or short notice) except with the prior approval of the Reserve Bank of India ;

(*b*) pay countervailing interest on any current accounts maintained with it by its borrowers ;

(*c*) discriminate, in the matter of the rate of interest paid on deposits, between one deposit and another, accepted on the same date and for the same maturity, whether such deposits are accepted at the same office or at different offices of that bank ;

(*d*) pay interest on savings accounts opened in the name of any trading or business concern, whether such concern is a proprietary or a partnership firm, a company or an association ;

(*e*) pay brokerage on deposits in any form to any individual, firm, company, association, institution or any other person except

(*i*) to individuals employed as agents for collecting from door to door deposits under any special scheme introduced by the bank for deposit mobilisation, or

(*ii*) in respect of deposits made with the bank by the Life Insurance Corporation of India or the Unit Trust of India, representing money at call or short notice.

8. (*a*) Where a loan or advance is made against a deposit of a category referred to in paragraph 1, the interest chargeable on such loan or advance shall be at least one per cent higher than the interest payable on such deposit.

(*b*) Where a deposit of a kind referred to in paragraph 1 above is repaid before the expiry of the period of deposit agreed upon at the time of the deposit, the interest payable on such deposit for the entire period of the deposit shall be at least one per cent less than

* The facilities of the higher rate has been extended to certain other cases. Please see circulars DBOD. Nos. Sch. BC. 36 & 76/C347-71 dated 22nd March & 25th June 1971 respectively and BC. 28/C347-72 dated 24th March 1972.

the rate of interest applicable to the period for which the deposit has remained with the bank.

@[9. Nothing contained in this directive shall apply to

(*i*) a current, savings or deposit account opened in the name of—

(*a*) a member or an ex-member of the bank's staff, either singly or jointly with any other person or]

(*b*) an association or a fund, all members of which are members of the bank's staff ;

(*ii*) deposits made by a banking institution or a co-operative bank.*

10. For the purpose of this directive,

(1) the terms "demand liabilities" and "time liabilities" shall be the liabilities shown in the return submitted by the bank under subsection (2) of section 42 of the Reserve Bank of India Act, 1934.

(2) "Savings Accounts" shall cover all deposit accounts designated as "Savings Accounts", "Savings Bank Accounts", "Savings Deposit Accounts" and such other accounts by whatever name called which are subject to the restrictions on the number and amount of cheques or withdrawals, permitted during any specified period.

(3) The term "charitable or religious institutution" means any religious, educational or other charitable institution which is recognised as such by any authority of the Government such as Charity Commissioner, the Commissioner for Religious and Charitable Endowments, Registrar of Societies or the Income-Tax Authorities.

R. K. HAZARI
Deputy Governor

@ Amended by circular DBOD. No. Sch. BC.28/C. 347-71 dated 4th March 1971.

* The term 'banking institution or co-operative bank' does not include a land development bank—Vide circular DBOD. No. Sch. BC.67/C. 347-71 dated 7th June 1971.

DBOD. No. Sch. BC. 6/C. 347-71—15 January 1971

All non-scheduled commercial banks.

Dear Sir,

INTEREST RATES ON DEPOSITS

We now enclose a copy of our circular letter DBOD. No. Sch. BC. 2/C. 347-71 dated the 8th January 1971 addressed to all scheduled commercial banks forwarding a copy of the directive issued by the Reserve Bank in supersession of the directive dated the 28th March 1970. It is our intention that the non-scheduled commercial banks should also revise their interest rates on deposits so as to bring them in conformity with those prescribed for scheduled banks. We shall be glad if you will please forward to the concerned Regional Office of the Department of Banking Operations and Development, a copy of the revised schedule of interest rates on deposits offered by your bank, as early as possible.

Yours faithfully,
V. K. SYAMASUNDARAN
Dy. Chief Officer

DBOD. No. Sch. BC. 28/C. 347-71—4 March 1971

All scheduled commercial banks.

Dear Sir,

INTEREST RATES ON DEPOSITS

Please refer to our directive DBOD. No. Sch. BC. 3/C. 347-71 dated the 8th January 1971 regarding interest rates on deposits. Paragraph 9 (*i*) (*a*) thereof provides that the provisions of the directive shall not apply to a current, savings or deposit account opened in the name of a member or an ex-member of the bank's staff, either singly or jointly with any other person. It has been decided to extend the exemption to the accounts of widows of banks' employees also. Accordingly, paragraph 9 (*i*) (*a*) of the directive has been modified, with immediate effect, to read as follows:-

"9. Nothing contained in this directive shall apply to

(*i*) a current, savings or deposit account opened in the name of—

(*a*) a member or an ex-member of the bank's staff, either singly or jointly with any other person, or the widow of a person who was formerly a member of the bank's staff, or."

Yours faithfully,
R. K. HAZARI
Deputy Governor

DBOD. No. Sch. BC. 36/C. 347-71—22 March 1971

All scheduled commercial banks.

Dear Sir,

INTEREST RATES ON DEPOSITS

Please refer to our directive DBOD. No. Sch. BC.3/C. 347-71 dated the 8th January 1971. In terms of paragraph 6 thereof, banks may, in respect of deposits maintained by charitable or religious institutions, pay interest at one half per cent per annum above the rates which they are required or permitted to pay according to the provisions of the directive. For this purpose, the term "charitable or religious institution" has been defined in paragraph 10(3) as any religious, educational or other charitable institution which is recognised as such by any authority of the Government, such as Charity Commissioner, the Commissioner for Religious and Charitable Endowments, Registrar of Societies or the Income-tax Authorities. The question whether Universities and other educational institutions which are generally exempted from income-tax can be regarded as 'charitable or religious institutions' has been further examined by us. It has now been decided that Universities and other educational institutions which have been recognised as charitable institutions by the Income-tax authorities can be treated as "charitable or religious institutions" for the purpose of our directive.

Yours faithfully,
V. K. SYAMASUNDARAN
Dy. Chief Officer

DBOD. No. Sch. BC. 67/C. 347-71—7 June 1971

All scheduled commercial banks.

Dear Sir,

INTEREST RATES ON DEPOSITS

Please refer to our directive DBOD. No. Sch. BC. 3/C. 347-71 dated the 8th January 1971 regarding interest rates on deposits. It is stated in paragraph 9(*ii*) thereof that the provisions of the directive shall not apply to deposits made by a banking institution or a co-operative bank. Some banks have enquired whether land development banks would be covered by the above exemption. In this connection, we advise that land development banks are not to be treated as co-operative banks or banking institutions for the purpose of the directive.

Yours faithfully,
V. K. SYAMASUNDARAN
Dy. Chief Officer

DBOD. No. Sch. BC. 76/C. 347-71—25 June 1971

All scheduled commercial banks.

Dear Sir,

INTEREST RATES ON DEPOSITS

Please refer to our directive DBOD. No. Sch. BC. 3/C. 347-71 dated the 8th January 1971 and the subsequent circular letter DBOD. No. Sch. BC. 36/C. 347-71 dated the 22nd March 1971.

2. The question whether the provision in our above directive that banks may, in respect of deposits maintained by charitable or religious institutions, pay interest at one-half of one per cent per annum above the rates which they are required or permitted to pay according to the provisions of the directive (vide paragraph 6), should be made applicable to any other institution, has been engaging our attention. In this connection, it has been suggested to us that the benefit of the

higher interest rate admissible to the charitable institutions should be extended to those institutions which are not working for profit and whose income is exempt from tax.

3. On a consideration of the above suggestion, it has now been decided that hospitals and medical institutions, educational institutions and those affording relief to the poor sections of society and not working for profit and whose income is exempt from income-tax, may be allowed the higher rates of interest admissible to charitable institutions under the directive. Before, however, offering the higher rates to any such institution, the banks should satisfy themselves that it fulfills the above criteria.

Yours faithfully,
V. K. SYAMASUNDARAN
Dy. Chief Officer

DBOD. No. Sch. BC. 96/C. 347-71—5 August 1971

All scheduled commercial banks.

Dear Sir,

INTEREST RATES ON DEPOSITS

Please refer to paragraph 3 of our circular letter DBOD. No. Sch. BC. 76/C. 347-71 dated the 25th June 1971 advising you that certain types of institutions might be allowed the higher rate of interest admissible to charitable and religious institutions under our directive DBOD. No. Sch. BC. 3/C. 347-71 dated the 8th January 1971. In this connection, one of the banks has enquired whether the higher rates could be offered by banks to these institutions with effect from the 11th January 1971, the date from which our directive on interest rates on deposits, currently in force, came into effect. We advise that the above relaxation takes effect only from the date of our circular letter *viz.*, the 25th June 1971, and not with retrospective effect ; however, in case of savings bank accounts of these institutions, the higher rate may be applied for the entire month of June 1971.

Yours faithfully,
V. K. SYAMASUNDARAN
Dy. Chief Officer

DBOD. No. Sch. BC. 127/C. 347-71—8 November 1971

All scheduled commercial banks.

Dear Sir,

INTEREST RATES ON DEPOSITS

Please refer to our directive DBOD. No. Sch. BC. 3/C. 347-71 dated the 8th January 1971.

2. In regard to the rates of interest specified in the table in paragraph 1 of the above directive, we have to advise that the rate of 2% indicated against item 1, *viz.*, "For deposits for 15 days to 45 days", is intended to apply also to deposits subject to withdrawal or repayment by notice for a period between 15 to 45 days. We shall, therefore, be glad if the words "and for deposits subject to withdrawal or repayment by notice for a period not exceeding 45 days" are added after the words "For deposits for 15 to 45 days" occurring in line 1 on page 2 of the above directive.

Yours faithfully,
R. K. HAZARI
Deputy Governor

DBOD. No. Sch. BC. 28/C. 347-72—24 March 1972

All scheduled commercial banks.

Dear Sir,

INTEREST RATES ON DEPOSITS

The question whether any preferential treatment can be given by commercial banks in interest rates on the deposits of ex-servicemen disabled during the recent Indo-Pakistan conflict and/or those of widows/dependents of the defence personnel killed in action has been examined by us. It has been decided that the benefit allowable in respect of deposits maintained by charitable or religious institu-

tions (vide paragraph 6 of our directive DBOD. No. Sch. BC. 3/C. 347-71 dated the 8th January 1971 on interest rates on deposits) may be extended to the above persons with effect from the 1st January 1972.

Yours faithfully,
F. O. Doss
Dy. Chief Officer

DBOD. No. EFS. 540/C. 196-65—9 April 1965

All banks.

Dear Sir,

During the course of our periodical inspections of banks, our Inspecting Officers have come across some unusual features in respect of certain fixed and short-term deposits placed with some of the banks. The addresses of the depositors as recorded in the bank's books and account opening forms were incomplete or vague. The deposits had been placed and withdrawn in such a manner (in regard to amount, period etc.) as to ensure that the obligation on the part of the bank to report the interest payment to the tax authorities as required by law would not arise. It was also noticed that a number of these accounts had been opened on or about the same dates and in some cases the same incomplete or vague address had been given in respect of a number of deposits. These unusual features suggest that the banks concerned did not satisfy themselves about the identity of the depositors and that the possibility of the deposits having been made in 'Benami' or fictitious names with a view to evading tax cannot be ruled out.

2. You will appreciate that in public interest, it will not be proper for banks even unwittingly to allow themselves to be utilised by unscrupulous persons for the purpose of tax evasion. We have, therefore, considered it necessary to bring to your notice these practices so that banks, in their own interest, will take such steps as will satisfy them about the identity of their depositors. In particular, they should ensure that full and correct addresses of the depositors are recorded in their books so that the parties could be traced without difficulty in case of need.

Yours faithfully,
M. S. Nadkarni
Chief Officer
(Banking Operations)

DBOD. No. Leg. 168/C.90(H)-70—8 June 1970

All scheduled and non-scheduled commercial banks.

Dear Sir,

DEDUCTION OF TAX UNDER SECTION 194A OF THE INCOME-TAX ACT, 1961

As you are aware, sub-section (3) of section 194A of the Income-tax Act, 1961 has been recently amended by insertion of new clause (clause vii) by the Finance Act of 1970. In terms of this clause, provisions of section 194A of the Act are not applicable to income by way of interest (other than 'Interest on Securities') credited or paid in respect of deposits with a banking company to which the Banking Regulation Act, 1949 applies (including any bank or banking institution referred to in section 51 of that Act) or with a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or co-operative land development bank). Accordingly, banks are no longer required to deduct tax from interest paid or credited to the accounts of a depositor.

Yours faithfully,
O. P. Kochhar
Dy. Chief Officer

DBOD. No. Sch. 1465/C. 107-70 — 18 September 1970

All commercial banks.

Dear Sirs,

In the context of the drive for deposit mobilisation, some banks are contemplating schemes of incentives to the members of their

staff with a view to bringing about a greater degree of "staff involvement" in the task of mopping up deposits. While the Reserve Bank of India has no objection in principle to banks introducing such incentive schemes, they should ensure, in consultation with their Legal Advisers, that the schemes devised by them are consistent with the provisions of section 10(1) (*b*) (*ii*) of the Banking Regulation Act, 1949. In case of doubt, the proposed schemes may please be referred to us.

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

CPBDC. No. 1872/145-70—24 October 1970

All scheduled commercial banks.

Dear Sir,

You will recall that in the meeting which the Finance Minister had with the Custodians of nationalised banks in July last, utmost emphasis was placed on the importance of deposit mobilisation and a number of useful suggestions and ideas came up in the course of the deliberations. The question of banks finding adequate resources for meeting, on an increasing scale, a wide range of credit demand has been continuously engaging our attention, and more so, in recent months. We have also had occasion to review special schemes which banks have already introduced to stimulate deposit mobilisation. There are instances where banks have successfully introduced new schemes and innovations which have resulted in substantial accretion of deposits in the past. We thought that it would be useful at this stage if we could write to you on some of the aspects of deposit mobilisation for your further consideration and action.

2. It is not our intention to provide any specific guidelines to banks in this regard, nor to offer any streamlined and standardised suggestions of a general nature. We feel that, as in the past, banks should, on their own, be able to devise the required methods and formulate plans for implementation, thereby exercising their initiative and enterprise. If banks can continue with increasing vigour the spirit of competition with which they campaigned for deposits, bring into sharper focus their innovative abilities and ensure the highest standards of customer service in their operations, the prospects for a substantial step up of deposit mobilisation are, in our view, good.

3. You will agree that staff involvement is an essential pre-requisite for any successful campaign for mobilising deposits. Subject to the existing provisions of law, banks could offer Group Awards or encouragements in kind to individuals, besides making it known to the staff that their performance in regard to deposits mobilisation would constitute an important consideration in assessing their competence and usefulness to the bank.

4. The lead bank surveys currently being conducted should be of considerable help for determining the deposits potential of the areas to be tapped for savings, and in identifying the larger potential centres which deserve concentrated efforts. An appropriate target should be fixed for each branch office and for the bank as a whole, for specified periods, for mobilising deposits, and the performance in this regard, should be periodically reviewed not only at the level of senior executives, but by the Board of Directors of the bank also.

5. Besides generally applying effective techniques of publicity for popularising the services/facilities which can be offered by your bank, it is desirable to organise special campaigns, say, twice a year when your bank can engage itself in a concentrated effort to approach the public for deposits. Suitable attractions, such as, offer of a 'Lucky Account Number Prize'/utility items to customers, particularly in the newly opened branches, and awards/rewards in kind, to staff members producing the best results in canvassing deposits may be announced at the commencement of the campaign. Such campaigns can also develop a sense of keen competition between branches of the bank, if suitable awards in the form of Trophies, Merit Certificates, etc., are announced for the best performing branch.

6. In addition to publicity programmes at Panchayat and Block Development Offices in semi-urban/rural areas, banks may arrange for display of suitable posters and holding of periodical talks and cinema/slide shows on the importance of savings, in schools and colleges, with a view to inculcating firmly the idea of savings through banks, in the younger sections of the community.

7. The trend in the growth of deposit accounts indicates that personal accounts constitute a substantial portion of the total number of deposit accounts and any special arrangement banks can make to add to the convenience of this section of depositors, such as, alterations in banking hours, arrangements for collection from residence and operation of mobile vans reaching the residential areas away from bank offices, extension of banking facilities at melas, festivals, conferences, exhibitions, etc. where people gather in large numbers, is bound to yield favourable results.

8. The special significance of the use of local language in publicising the various schemes of the bank and in the more commonly used forms, etc., such as, account opening forms, application forms for farm and small sector finance, pay-in slips, etc., particularly in rural and semi-urban areas, can hardly be over-emphasised. We shall be glad if you will keep us advised of the progress made by your bank in the use of local language in banking transactions.

9. Formulation of plans for deposit mobilisation for the bank as a whole, fixing of targets for individual branches, reviewing performance and suggesting innovations and modification in schemes to suit the preferences of existing and potential depositors of diverse attitudes and temperaments, are all matters which may perhaps be handled best by a competent Development/Economic Cell designed to look after such matters. We propose to convene, at an early date, a conference of the officers in charge of such Cells in the various banks to enable them to exchange ideas and information of mutual benefit, particularly in regard to the measure of success with which certain banks have tried out innovations and schemes for mobilisation of deposits.

Yours faithfully,
R. K. HAZARI
Deputy Governor

DBOD. No. Sch. BC. 81/C. 347(B)-71—29 June 1971

All commercial banks.

Dear Sir,

DEPOSIT-LINKED LIFE INSURANCE SCHEME

We are advised by the Life Insurance Corporation of India that they have in consultation with some banks finalised a scheme of deposit-linked life insurance. We have gone through the Scheme and see no objection to the banks adopting it.

Yours faithfully,
V. K. SYAMASUNDARAN
Dy. Chief Officer

DIRECTIVE ON INTEREST RATES ON DEPOSITS

The payment of interest by banks on deposits accepted by them was regulated by the directive* dated the 8th January 1971. The directive was partially amended in terms of circular letter dated the 17th March 1973. A table showing the rates of interest payable by various categories of banks for different types of deposits is given in the Annexure. The amended directive read with the subsequent circulars issued on the subject, however, exempts certain categories of deposits from its purview or provides for variation in terms offered, which are briefly indicated below :

(*i*) Although payment of interest on current accounts or on deposits up to 14 days or deposits subject to withdrawals or repayments after notice for a period of 14 days or less is prohibited, deposits of LIC and UTI (representing money at call and short notice) are not governed by this prohibition.

(*ii*) Although payment of brokerage on deposits in any form is prohibited, it is open to banks to pay brokerage to individuals employed as agents for collection of door to door deposits under any special schemes introduced by them. This prohibition does not also apply to deposits of LIC and UTI representing money at call and short notice.

(*iii*) None of the provisions of the directive applies to—

(1) a current, savings or deposit account opened in the name of—

(*a*) a member or an ex-member of the bank's staff, either singly or jointly with any other person or the widow of a person who was formerly a member of the bank's staff, or

(*b*) an association or a fund, all members of which are members of the bank's staff and

(2) deposits made by a banking institution or a co-operative bank (For the purpose of this exemption a land development bank is not treated as a banking institution or a co-operative bank).

(*iv*) Term deposits and savings bank deposits maintained by charitable or religious institutions** can be paid interest at one half of one per cent per annum above the normal rates payable to others. This facility has been extended to—

(*a*) hospitals and medical institutions

(*b*) educational institutions and universities, and

(*c*) institutions affording relief to the poor sections of society ;

all these 3 categories of institutions should be those not working for profit and whose income is exempt from income-tax.

(The relaxation is applicable only to those institutions which afford relief to the poor sections of the society *as a whole*; it does not

* The directive applies to scheduled banks. Non-scheduled banks have, however, been advised to bring their deposit rates in conformity with those prescribed for scheduled banks—*vide* Circulars DBOD. No. Sch. BC. 6/C.347-71 dated the 15th January 1971 and DBOD. No. BC. 26/C.347-73 dated the 22nd March 1973. Copies of all circulars relating to the directive appearing in this section have been separately forwarded to non-scheduled banks for their information and guidance.

**The relaxations have been extended subsequently to cover deposits of Dock Labour Boards at Bombay, Calcutta, Cochin, Madras, Marmagoa Harbour (Goa) and Visakhapatnam, *vide* Circular DBOD. No. Sch. BC. 99/C.347-73 dated 25th August 1973.

Note : Where a loan or advance is made against a deposit of category referred to in the directive DBOD. No. Sch. BC. 23/C.347-73 dated the 17th March 1973, the interest chargeable on the loan will be at least 2% higher than the interest payable on such deposit if it stands in the name of the borrower only ; minimum interest of 11% p.a. has since been stipulated if the deposit stands in the name of a person other than the borrower. (*vide* Circular DBOD. No. Sch. BC. 144/C. 347-73 dated 30th November 1973).

cover all institutions, which, as a matter incidental to their own normal functions, afford relief to the poor sections of their own employees or to a particular section of the community.)

(*d*) ex-servicemen disabled during the Indo-Pakistan conflict (of 1971) and/or those of widows, dependents of the defence personnel killed in action.

ANNEXURE J

Rates of interest on deposits (effective April 1, 1973)

(per cent per annum)

Class of Deposits	Indian scheduled banks having demand and time liabilities of Rs. 50 crores and above and foreign banks	Indian scheduled banks havings demand and time liabilities					
		between Rs. 25 crores and Rs. 50 crores		between Rs. 10 crores and Rs. 25 crores		below Rs. 10 crores	
		Maximum	Minimum	Maximum	Minimum	Maximum	Minimum
Current accounts and deposits upto 14 days ..	No interest except with the prior approval of the Reserve Bank (for all classes of banks)						
Savings accounts	4	'——4——'		'——4——'		4½	4
Deposits for 15 days to 45 days and deposits subject to withdrawal or repayment by notice for a period not exceeding 45 days	Rate not to exceed 2¾ (for all classes of banks)						
Deposits for 46 days to 90 days and deposits subject to withdrawal or repayment by notice for a period not exceeding 90 days.	3½ (for all classes of banks)						
Deposits for 91 days and above but less than 6 months	4¾	4⅞	4¾	5	4¾	5¼	4¾
Deposits for 6 months and above but less than 1 year	5¼	5⅜	5¼	5½	5¼	5¾	5¼
Deposits for 1 year and above but less than 2 years	6	6⅛	6	6¼	6	6½	6
Deposits for 2 years and above but up to and inclusive of 5 years	7	7⅛	7	7¼	7	7½	7
Deposits above 5 years	7¼	7⅜	7¼	7½	7¼	7¾	7¼

DBOD. No. Sch. BC. 92/C.347-72—23 October 1972

All scheduled commercial banks.

Dear Sirs,

INTEREST RATES ON DEPOSITS

As you are aware, in terms of paragraph 6 of our directive DBOD. No. Sch. BC. 3/C. 347-71 dated the 8th January 1971,@ banks may, in respect of deposits maintained by charitable or religious institutions, pay interest at ½% per annum above the rates which they are otherwise required or permitted to pay, according to the provisions of paragraphs 1 to 5 of the said directive. As paragraphs 1 to 5 of the directive stipulate the rates payable by banks on time deposits and savings deposits, banks could pay higher rates of interest to charitable and religious institutions only on such deposits and *not* current account deposits. The directive also defines [vide paragraph 10(3)] the term 'charitable and religious institution.' In response to a suggestion that the benefit of the higher rate admissible to charitable or religious institutions might be extended to those institutions which are not working for profit and whose income is exempt from tax, we had decided that such extension need be made only to certain specified institutions. A reference is invited in this connection to our circular DBOD. No. Sch. BC. 76/C.347-71 dated the 25th June 1971.† As indicated in that circular, the higher rate can be given only to

(*a*) hospitals and medical institutions,

(*b*) educational institutions, and

(*c*) institutions affording relief to poor sections of society ;

all these three types of institutions should be those not working for profit and whose income is exempt from income-tax.

2. We understand that in some cases different banks have interpreted the instructions in our circular dated the 25th June 1971 referred to above in different ways. Thus, some banks appear to have offered the higher rate on deposits of provident funds of certain educational institutions, on the ground that the concerned provident funds are exempt from tax. Another type of instance where banks are reported to have offered higher rates of interest is on deposits of Municipalities. The basis on which the concerned banks seem to have considered it appropriate to pay the higher rates seems to be that Municipalities afford relief to the poor sections of the society.

3. In this connection we would like to clarify that although an institution may not be working for profit and its income is exempt from income-tax, it can be deemed to be an institution eligible for the higher rate only if it is a 'charitable or religious' institution as defined in paragraph 10(3) of the directive or any one of the institutions specified in our circular of the 25th June 1971. In regard to the question as to what is intended by the words 'and those affording relief to the poor sections of society' in our circular dated the 25th June 1971, we should like to make it clear that the words refer to institutions whose *primary objective* is the affording of relief to the poor sections of society. The relaxation is, therefore, applicable only to those institutions which afford relief to the poor sections of society as a whole, and not to all institutions, which, as a matter incidental to their own normal functions, afford relief to the poor sections of their own employees or to a particular section of the community.

4. Having regard to the above, banks, while considering cases for payment of higher rate of interest, should examine each case and satisfy themselves about the eligibility of the concerned institutions. Cases of doubt, if any, may be referred to us. To ensure that all the branches of your bank follow a uniform procedure in this regard, we shall be glad if suitable instructions are issued to them by you on the above lines. If any of your offices has already accepted deposits at higher rates from institutions which are not eligible for the higher rate, they should take necessary

@This circular appears on page 3 of this Section.
† This circular appears on page 6 of this Section.

corrective action in the matter. Suitable instructions in this regard may also be issued by you to the branches.

Yours faithfully,
V. K. SYAMASUNDARAN
Deputy Chief Officer.

DBOD. No. Sch. BC.22/C. 347-73— 17 March 1973

Dear Sir,

All scheduled commercial banks

INTEREST RATES ON DEPOSITS

It has been decided to modify our directive Ref. DBOD. No. Sch. B.C. 3/C. 347-71 dated the 8th January 1971 on Interest Rates on Deposits. A copy of the modifying directive is enclosed. The effect of the modification is that effective from 1st April 1973, no scheduled commercial bank can pay interest on deposits except in accordance with the terms and conditions of the directive, as modified. We also enclose a table showing the rates of interests on deposits (effective from 1st April 1973) that can be paid in terms of the directive, as modified.

2. The modifications and clarifications issued since the 8th January 1971 continue to be effective.

Yours faithfully,
M. J. SEQUEIRA
Deputy Chief Officer.

DBOD. No. Sch. BC. 23/C. 347-73—17 March 1973.

INTEREST RATES ON DEPOSITS

In exercise of the powers conferred by Sections 21 and 35A of the Banking Regulation Act, 1949, the Reserve Bank of India being satisfied that it is in the public interest so to do, hereby directs that its directive DBOD. No. Sch. BC. 3/C. 347-71 dated the 8th January 1971 (hereinafter referred to as "the said directive") shall, with effect from 1st April 1973, be modified as specified below :

Paragraph 1 of the said directive shall be substituted by the following, namely :—

"Subject to the other provisions of this directive, banks with aggregate demand and time liabilities exceeding Rs. 50 crores and banks incorporated outside India shall pay interest on deposits, other than those maintained in savings accounts, at the rates specified below :

For deposits for 15 days to 45 days and for deposits subject to withdrawal or repayment by notice for a period not exceeding 45 days	2¾ per cent per annum
For deposits for 46 to 90 days and for deposits subject to withdrawal or repayment by notice for a period not exceeding 90 days	3¼ per cent per annum
For deposits for 91 days and above but less than six months	4¾ per cent per annum
For deposits for 6 months and above but less than 1 year	5¼ per cent per annum
For deposits for 1 year and above but less than 2 years	6 per cent per annum
For deposits for 2 years and above but up to and inclusive of 5 years	7 per cent per annum
For deposits above 5 years	7¼ per cent per annum

In reckoning the rate of interest in the case of deposits for periods above one year, any period less than one month shall be ignored."

R. K. HAZARI
Deputy Governor

DBOD. No. Sch. BC. 41/C. 347-73— 25 April 1973

All scheduled commercial banks

Dear Sir,

INTEREST RATES ON DEPOSITS

In continuation of our circular letter DBOD. No. Sch. BC. 22/C. 347-73 dated the 17th March 1973, we forward herewith a copy of our directive DBOD. No. Sch.BC. 42/C. 347-73 dated the 25th April 1973 on Interest Rates on Deposits, which clarifies the position under our directive dated the 17th March 1973.

Yours faithfully,
M. J. SEQUEIRA
Deputy Chief Officer.

DBOD. No. Sch. BC. 42/C. 347-73 — 25 April 1973

INTEREST RATES ON DEPOSITS

In exercise of the powers conferred by sections 21 and 35A of the Banking Regulation Act, 1949, the Reserve Bank of India, being satisfied that it is in the public interest so to do, hereby directs, in continuation of its directive DBOD. No. Sch. BC. 23/C. 347-73 dated the 17th March 1973, that, in the opening paragraph of its directive DBOD. No. Sch. B.C. 3/C. 347-71 dated the 8th January 1971, for the words "on or after the 11th January 1971," the words "on or after the 1st April 1973" shall be substituted.

R. K. HAZARI
Deputy Governor.

This directive replaces paragraph 1 of the directive appearing on page 3 of this Section.

SECTION III

REFINANCE TO BANKS

SECTION III(a)

REFINANCE TO BANKS — GENERAL

No. and Date	Subject
Sch. BC. 130/C. 96-71 18-11-1971	Governor's circular—Refinance policy for 1971-1972 season.
Sch. BC. 147/C. 96-71 24-12-1971	Refinance facilities available to scheduled commercial banks from Reserve Bank.

SECTION III (a)

REFINANCE TO BANKS—GENERAL

No. and Date	Subject
Sch. BC. 101/C. 96-72 14-11-1972	Governor's circular—Review of credit situation and refinance policy for 1972-73 season—Enhancement of liquidity requirements under section 24 of the Banking Regulation Act and minimum net liquidity ratio relevant for determining the rate on borrowings from Reserve Bank.
Sch. BC. 113/C. 96-72 21-11-1972	Refinance facilities to banks effective from November 1972—Details.
Sch. BC. 21/C. 96-73 17-3-1973	Governor's Circular—Review of credit situation—Enhancement of minimum liquidity ratio relevant for determining the rate on borrowings from Reserve Bank—Modification in the refinance entitlements—Requiring banks to obtain prior approval of Reserve Bank for advances granted to public sector and quasi governmental undertakings, etc.
Sch. BC. 30/C. 96-73 27-3-1973	Changes in the refinance facilities available from Reserve Bank—Mode of calculation of excess borrowings.
Sch. BC. 40/C. 96-73 25-4-1973	Refinance facility against export credit—Clarification that the facility will be available to banks only in respect of borrowings under section 17(3A) of Reserve Bank of India Act.
Sch. BC. 59/C. 96-73 30-5-1973	Governor's circular—Raising the Bank Rate from 6% to 7%—Changes in cash reserve and statutory liquidity requirements—Fixing a minimum lending rate.
Sch. BC. 64/C. 96-73 4-6-1973	Computation of net liquidity ratio relevant for determining the rate on borrowings from Reserve Bank—Clarification that borrowings from State Bank of India on call basis need not be deducted from gross liquid assets.
Sch. BC. 71/C. 96-73 13-6-1973	Refinance facilities available from Reserve Bank—Modification.

DBOD. No. Sch. BC. 130/C. 96-71—18 November 1971

All scheduled commercial banks.

Dear Sirs,

At a meeting which I had this morning with the Chairmen, Custodians and Chief Executives of major banks, I had occasion to review, against the background of the current monetary and price situation, the trends in bank credit and deposits in the slack season just ended, assess the outlook for the busy season that has commenced and indicate the broad features of the Reserve Bank's policy during the busy season 1971-72.

2. You will recall that during the last busy season 1970-71, in the context of a substantial rise in money supply and strains on the price situation, the Reserve Bank resorted to a degree of monetary restraint. This took the form of raising the Bank Rate to 6 per cent and stepping up the net liquidity ratio from 33 to 34 per cent ; banks were also advised to be cautious in further expansion of credit, other than for priority sectors and food procurement operations. This policy has, in my view, been successful in restraining, as intended, the total volume of credit from the commercial banks and also had some impact on the price level, particularly in the months immediately following January 1971.

3. The 1971 slack season was marked by a substantial step up in bank deposits. Scheduled commercial banks' deposits increased by a record figure of Rs. 592 crores. The contra-seasonal expansion in bank credit witnessed during the previous two slack seasons was noticed during the 1971 slack season also, but the order of expansion at Rs. 168 crores was much smaller than Rs. 226 crores in the 1970 season. As before, the contra-seasonal rise was on account of food procurement operations and advances to priority sectors. In line with the Reserve Bank's advice, banks used their improved liquidity to increase their investments in Government and other approved securities by Rs. 247 crores and reduced their indebtedness to the Reserve Bank by Rs. 172 crores. The banking system thus starts the current busy season with a much more comfortable liquidity situation than it did last year. The indebtedness to the Reserve Bank is much lower, *viz.*, Rs. 19 crores, as against Rs. 150 crores a year ago. The credit deposit ratio at the end of the 1971 slack season at 73.5 per cent was also well below the figure of 77.0 per cent of a year ago.

4. The outlook for the 1971-72 busy season may be viewed in the light of the general trend of agricultural and industrial production in 1971-72. The overall economic situation warrants a cautious approach so as not to aggravate the inflationary factors in the economy but to provide all possible assistance for achieving a step up in industrial production and meeting the requirements of financing food procurement, priority sectors and defence-oriented production.

5. The overall credit expansion is expected to be of a higher order than last year, which will provide for both an increase in the credit to the priority sectors and for meeting the requirements of traditional borrowers and food procurement operations. The accretion in deposit resources during the busy season, allowing for some cushion to be kept aside to meet the statutory requirements, and the refinance entitlements at or below Bank Rate are in our view, likely to place the banking system in an adequately flexible position to meet the requirements of the busy season ; the refinance entitlements are designed to take care of the peak requirements of borrowings from the Reserve Bank. I would like to stress that banks should view their borrowings from the Reserve Bank as a step only to meet their inescapable needs of finance for short periods and desist from taking full recourse to refinance as a matter of course for resorting to credit expansion more than is needed to finance the requirements of additional production. The Reserve Bank will continue to keep under close scrutiny the borrowing position of individual banks and their credit expansion in relation to their deposits and recommend such measures as may be appropriate. I would suggest to banks that their borrowings at the end of April 1972 should not exceed the borrowings as at the end of April 1971 (Rs. 191 crores).

6. The Reserve has kept intact the basic structure of its refinance policy. The same basis of refinance will be continued in regard to (1) short-term direct lending to agriculture, (2) short-term lending to small-scale industries, (3) lending to primary co-operative credit societies in selected districts and (4) export credit. except that the appropriate base period will be shifted from 1970 to 1971. In other words, as before, as we go from 1971 to 1972, it is only the incremental lending over the base period 1971 that will be entitled to refinance at the Bank Rate or concessional rates.

7. As regards food procurement, some revision in the formula is proposed in order to make the system more equitable as a number of banks which were not participating before are expected to participate in food procurement financing. Effective November 1, 1971, refinance entitlement under this head will be an amount equal to 10 per cent of the outstanding level of food procurement advances as on the last Friday of October 1971 *plus* an additional one-third of the increase over the level as on the last Friday of October 1971.

8. In my letter dated February 4, 1971, soon after my meeting with the Chiefs of banks in Calcutta, I had indicated that the question of continuance of the old Bill Market Scheme for the 1971-72 busy season would be reviewed. It has now been decided to discontinue the old Bill Market Scheme except for the specific purpose of providing refinance for food procurement operations and in special cases where the need for refinance is genuine but banks—specially smaller banks—are unable to provide a portfolio of eligible paper except through creating bills as under the old Bill Market Scheme. As the new Bill Rediscounting Scheme gains momentum, the banks are unlikely to feel the inadequacy of appropriate collateral for borrowing from the Reserve Bank. As at present, bills rediscounted under the new Bill Rediscounting Scheme will not be treated as borrowings for purposes of arriving at the net liquidity ratio of a bank ; this position will continue at least till the end of October 1972.

9. In the context of the continued need for restraint in credit and for greater efforts towards deposit mobilisation, the Reserve Bank would continue to consider application for discretionary accommodation at the Bank Rate *in very exceptional circumstances only*. This will be done after assessing the bank's efforts towards deposit mobilisation, purposeful credit planning and its role in financing priority sectors/areas and backward regions.

10. The framework of selective credit controls will be broadly maintained and a careful watch will be kept on supply and price situation in respect of sensitive commodities and appropriate adjustments will be advised as and when necessary. At the same time, it is our intention that there should be adequate provision for normal purchasing, marketing and stocking of grains and oils/oil seeds in areas where production has increased significantly and/or banking expansion has taken place recently.

11. I have, on previous occasions, indicated the anxiety of the Reserve Bank to see that industrial units in the Eastern Sector obtain adequate finance. As you are aware, the Industrial Reconstruction Corporation of India has been operating for several months. I would urge commercial banks to help the Corporation play an effective role in the matter of reconstruction of units. In particular, they should expedite arrangements to provide working capital assistance to units to which the I.R.C.I. provides reconstruction finance. We, on our part, intend to give priority to clearance under the Credit Authorisation Scheme to applications from banks in respect of concerns being jointly assisted by them and the I.R.C.I.

12. While the measures outlined above would seek to maintain a degree of continuity in Reserve Bank's credit policy, I propose to have, as usual, a mid-season review of the situation at a meeting with the bankers sometime in the latter half of January 1972 in order to take a view of the position for the rest of the busy season.

Yours faithfully,
S. JAGANNATHAN
Governor

DBOD. No. Sch. BC. 147/C. 96-71
24 December 1971

All scheduled commercial banks.

Dear Sir,

Please refer to Governor's circular letter DBOD. No. Sch. BC. 130/C. 96-71 dated the 18th November 1971. As indicated in paragraph 6 thereof, there is no change in the basic features of the system of refinance which would be available to scheduled banks from Reserve Bank ; refinance at Bank Rate/concessional rate, irrespective of a bank's net liquidity ratio, would continue to be provided in respect of the increase over the prescribed base period in respect of banks' (*i*) lending to primary co-operative credit societies in the selected districts, (*ii*) short-term direct lending to agriculturists, and (*iii*) short-term lending to small-scale industries covered by the guarantee of the Credit Guarantee Organisation. However, the base period for calculating the increase in such advances during the year 1972 will be shifted from 1970 to 1971. Therefore, while the base for the quarter October-December 1971, will be the average for the quarter October-December 1970, the base for the quarter January-March 1972, will be the average for the quarter January-March 1971. Banks may continue to report to the concerned Regional Office of the Reserve Bank, the outstanding figures of advances to priority sectors along with the weekly return under section 42(2) of the Reserve Bank of India Act, 1934.

2. As regards export credit, banks will continue to get refinance irrespective of the net liquidity ratio, as hitherto, up to an amount equal to 10% of the annual average of export credit in the previous calendar year (calculated as the average of the outstanding level of export credit during the 52 weeks) at 4½% per annum and an additional amount up to 10% of the said average at Bank Rate. However, as the base period has been shifted from 1970 to 1971, the average for the year 1971 will be treated as the basis effective from January 1, 1972. In view of this, it will be necessary for us to have data in respect of banks' average export credit in 1971. We shall, therefore, be glad if information in this regard is forwarded to the concerned Regional Office of the Reserve Bank of India as in the *pro forma* in Annexure I. Banks are requested to ensure that the figures of export credit already reported by them along with the relative weekly returns for the period January to December 1971 are utilised for the purpose of computing the annual average. Any variation in the figures should be suitably explained while furnishing the information to the concerned Regional Office. In this connection, we would like to reiterate that the refinance facility against export credit will be available to banks only in respect of their borrowings from the Reserve Bank of India under the Pre-shipment Credit Scheme and the Export Bills Credit Scheme, under section 17(3A) of the Reserve Bank of India Act, 1934. As before, the bank's borrowings in terms of this entitlement will not be taken into account while computing the net liquidity ratio.

3. As you are aware, the Reserve Bank of India was allowing refinance facilities, irrespective of net liquidity ratio, to banks in respect of food procurement advances on a tapering basis, *i.e.*, up to 75% of the increase over its outstanding level of such advances as on 30th October 1970, till end of July 1971, up to 60% in August 1971 and up to 50% thereafter. It will be seen from paragraph 7 of Governor's circular letter referred to above that this formula has now been revised and effective from 1st November 1971, banks will be entitled to refinance irrespective of net liquidity ratio in respect of such advances, up to an amount equal to 10% of the outstanding level of such advances as on the last Friday of October 1971, *plus* an additional one-third of the increase over the level on the last Friday of October 1971. The banks may, therefore, please intimate the concerned Regional Office of the Reserve Bank, the figures of outstandings of such advances as on the last Friday of October 1971 and the subsequent figures, to enable the Regional Offices to calculate the bank's entitlements in this regard.

4. Your attention is invited to paragraph 8 of Governor's circular referred to above. As stated therein, bills rediscounted with the Reserve Bank under the new Bill Market

Scheme will not impair the net liquidity ratio of a bank till the end of October 1972.

5. You may also please refer to paragraphs 2 and 4 of Governor's circular letter DBOD. No. GCS. BC. 142/C. 483-71 of December 11, 1971@. As indicated therein, the Reserve Bank would make available to banks full refinance facilities, at the Bank Rate, irrespective of a bank's net liquidity ratio in respect of "defence packing-cum-supply" credit. Refinance for this purpose would be provided under the old Bill Market Scheme.

@ This circular is included in section V (i).

6. We enclose for your ready reference a chart showing the refinance facilities available to the scheduled banks from the Reserve Bank of India effective from 1st November 1971 (Annexure II).

Yours faithfully,

P. P. ANTONY

Dy. Chief Officer

Note :—The modes of computation of net liquidity ratio and of excess borrowings on which penal interest will be charged by the Reserve Bank of India are indicated at the end of this Section as Appendices 'A' & 'B'.

ANNEXURE I

ANNUAL AVERAGE OF EXPORT CREDIT IN 1971

(In lakhs of rupees)

(*As on Fridays*)	
8-1-1971	
15-1-1971	
22-1-1971	
to	
31-12-1971	
Total for 52 weeks	
Average	
10% of the average	

Note : The figures of export credit already reported along with the relative weekly returns for the period January to December 1971 should be utilised for the above purpose. Variations, if any, should be suitably explained.

ANNEXURE II

REFINANCE FACILITIES TO THE SCHEDULED COMMERCIAL BANKS FROM THE RESERVE BANK OF INDIA—EFFECTIVE NOVEMBER 1, 1971

Net Liquidity Position	At 4½%	At Bank Rate (6%)	Remarks
(1)	(2)	(3)	(4)
	I. Export Credit :		
Irrespective of net liquidity ratio	Upto an amount equal to 10% of the annual average in 1971.	An additional amount of 10% of the annual average in 1971.	Borrowings equal to 20% of the annual average of export credit in 1971 will not impair the net liquidity ratio. 1971 base to be effective from January 1, 1972.
	II. An amount equivalent to the increase in advances over the prescribed base period in respect of :		
do	(a) Lending to primary co-operative credit societies in selected districts of A.P., Haryana, M.P.,U.P. and Mysore.	(a) Short-term lending to small-scale industries covered by guarantee of C.G.O. (b) Short-term direct lending to agriculturists.	*Base Period :* Average level of such credit in the corresponding calendar quarter of the previous year, i.e., for the quarter January-March 1972, base will be the average for the quarter January-March 1971.
	III. New Bill Market Scheme :		
do	—	Rediscounting of bills under the new Bill Market Scheme.	Outstanding liability in respect of bills rediscounted under the new Bill Market Scheme will not impair the net liquidity ratio till the end of October 1972.
	IV. Food Procurement Advances :		
do	—	10% of the outstanding level of food procurement advances as on the last Friday of October 1971 and an additional 1/3 of the increase over the level as on the last Friday of October 1971.	
	V. 'Defence packing-cum-supply' Credit :		
do	—	Upto the total outstanding level.	The facility will be available under the old Bill Market Scheme under section 17(4)(c) of the Reserve Bank of India Act, 1934 (vide Governor's circular DBOD. No. GCS. BC. 142/C. 483-71 dated 11th December 1971).@

Note : Minimum net liquidity ratio for Bank Rate refinance is 34%. An enhanced rate of interest is chargeable on the excess borrowings of a bank. It would be the rate raised by 1% per annum above the level of Bank Rate for a short fall of every one point or a fraction thereof in the bank's net liquidity ratio (below 34% at present). However, when the net liquidity ratio falls below 26% a maximum enhanced rate of 15% will be charged. With effect from Friday, November 17, 1972 this has been raised to 36%. Consequently, when the net liquidity ratio falls below 28% a maximum enhanced rate of 15% will be charged.

@ The circular of 11th December 1971 is included in Section V(i).

Appendix 'A'

CHART SHOWING THE MODE OF COMPUTATION OF NET LIQUIDITY RATIO ON THE BASIS OF THE FIGURES GIVEN IN THE WEEKLY STATEMENT OF POSITION UNDER SECTION 42(2) OF THE RESERVE BANK OF INDIA ACT, 1934

(In thousands of rupees)

(1) Gross liquid assets			
[Total of items (*iv*), (*v*), (*vi*) and (*viii*) of the Statement of Position and investments (at book value) in India in 'other approved securities]			———
(2) Total borrowings from			
(*a*) Reserve Bank of India (including amounts outstanding in respect of bills rediscounted under Reserve Bank's new Bill Market Scheme)		———	
Less: (*i*) Borrowings equal to 20% of the annual average of export credit in 1970	———		
(*ii*) Outstanding liability in respect of bills rediscounted under Reserve Bank's new Bill Market Scheme	———		
	———	———	
(*b*) State Bank of India			———
(*c*) Industrial Development Bank of India			———
			———
(3) Net liquid assets [(1) — (2)]			
(4) Total of demand and time liabilities			
[Items (*i*) and (*ii*) of the Statement of Position]			
(5) Net liquidity Ratio (percentage of item 3 to item 4).			

Notes :

(1) Total liquid assets comprise :

- (*i*) Cash in India,
- (*ii*) Balances with the Reserve Bank of India,
- (*iii*) Balances with other banks in current account in India,
- (*iv*) Investments (at book value) in India in Central and State Government securities including treasury bills treasury deposit receipts, treasury savings deposit certificates and postal obligations, and
- (*v*) Investments (at book value) in India in 'other approved securities.'

(2) Borrowings from IDBI do not include outstanding liability in respect of rediscounting of bills arising out of sales of indigenous machinery on deferred payment basis and sales of motor vehicles to road transport operators under the IDBI's schemes *vide* our circular letters DBOD. Nos. Sch. 1994/C. 96-65 and 62/C. 96-68 dated December 11, 1965 and January 11, 1968 respectively.

(3) Demand and time liabilities comprise :

(*a*) *Demand Liabilities in India:*

- (*i*) Demand deposits :
  - (1) from banks
  - (2) from others
- (*ii*) Borrowings from banks (other than from RBI, SBI, IDBI, ARC and other notified banks)
- (*iii*) Other demand liabilities

(*b*) *Time Liabilities in India :*

- (*i*) Time deposits :
  - (1) from banks
  - (2) from others
- (*ii*) Borrowings from banks (other than from RBI, SBI, IDBI, ARC and other notified banks)
- (*iii*) Other time liabilities.

Appendix 'B'

CHART SHOWING THE MODE OF CALCULATION OF EXCESS BORROWINGS

1. The excess borrowings of a bank on any day will be calculated as illustrated below.

2. The penal rate of interest chargeable on the excess borrowings shall be the rate raised by one per cent per annum above the level of the Bank Rate for a shortfall of every one point or a fraction thereof in the bank's net liquidity ratio below 34 per cent as on the Friday of the week concerned, subject to a maximum penal rate of 15 per cent.

EXAMPLES

(Rs. crores)

		Bank 'A'	Bank 'B'	Bank 'C'
1.	Aggregate Demand and Time liabilities	105.00	105.00	105.00
2.	Gross Liquid Assets	31.75	32.00	40.00
3.	Total Borrowings from :—			
	Reserve Bank of India	3.75	6.00	8.00
	State Bank of India	1.00	1.00	1.00
	Industrial Development Bank of India	1.00	1.00	1.00
		5.75	8.00	10.00
4.	Net Liquid assets (2-3)	26.00	24.00	30.00
5.	Net Liquidity Ratio (%)	24.8	22. 9	28.6
6.	Net Liquid assets after adjusting borrowings equal to 20% of export credit in 1970 and outstanding liability in respect of bills rediscounted with the Reserve Bank (*vide* items 13 (*c*) and (*d*) below).	27.25	25.75	31.75
7.	Net Liquidity ratio (%) (adjusted for export credit and bills rediscounted)	26.0	24.5	30.2
8.	Gross Liquid Assets	31.75	32.00	40.00
9.	Net Liquid Assets appropriate for 34% net liquidity ratio.	35.70	35.70	35.70
10.	Excess of gross liquid assets over Net Liquid Assets appropriate for 34% net liquidity ratio (8-9).	—	—	4.30
11.	Total borrowings from State Bank of India and Industrial Development Bank of India.	2.00	2.00	2.00
12.	Permissible borrowing from Reserve Bank of India at Bank Rate in respect of the excess Net Liquidity Ratio over the basic minimum of 34% (10-11)	—	—	2.30
13.	*Entitlements to borrowings at Bank Rate or below Bank Rate :*			
	(*a*) Excess of net liquidity ratio over the basic minimum of 34% (item 12 above).	—	—	2.30
	(*b*) Increase in bank's advances to priority sectors over the base period :—			
	(i) Short-term lendings to primary co-operative credit societies in selected States.	0.25	0.25	0.25
	(ii) Short-term direct lendings to agriculturists	1.00	0.50	0.50
	(iii) Short-term lendings to small-scale industries guaranteed by the Credit Guarantee Organisation.	1.50	1.00	1.50
	(*c*) Borrowings equal to 20% of the annual average of export credit in 1970.	1.00	1.25	1.50
	(*d*) Outstanding liability in respect of bills rediscounted with the Reserve Bank.	0.25	0.50	0.25
	(*e*) Refinance in respect of advances for the purposes of food procurement etc. to Food Corporation of India, State Governments, etc. upto 50% of the increase in such advances over the outstanding level of such advances as on October 30, 1970.	0.75	0.25	0.25
	(*f*) Discretionary accommodation at Bank Rate, if any.	—	—	—
	Total of (*a*) to (*f*)	4.75	3.75	6.55
14.	Total borrowings from Reserve Bank of India	3.75	6.00	8.00
15.	Excess borrowings (14-13)	—	2.25	1.45
16.	Penal rate of interest if excess borrowing continues beyond first week.	—	15% (net liquidity ratio 24% being lower by 10% than 34%)	10% (net liquidity ratio 30% being lower by 4% than 34%)

DBOD. No. Sch. BC. 101/C. 96-72—
14 November 1972

All scheduled commercial banks

Dear Sirs,

I have just had the opportunity to assess the current monetary and price situation and indicate the contours of credit policy at a meeting this morning with the Chief Executives of major scheduled commercial banks. This was preceded by discussions which Deputy Governor, Dr. R. K. Hazari, had with each of the major banks individually on the basis of their annual and seasonal Credit Plans.

2. The trends in the 1972 slack season were somewhat different from the 1971 slack season. Excluding food procurement, the order of increase in credit in both the seasons was virtually the same (Rs. 5 crores in 1972 and Rs. 7 crores in 1971), but food procurement absorbed only Rs. 27 crores in the 1972 season against Rs. 156 crores in the 1971 slack season. Another difference is that the scheduled commercial banks were indebted to the Reserve Bank to the extent of Rs. 191 crores at the beginning of the slack season of 1971 during which season the banks paid off Rs. 172 crores in reduction of their indebtedness. In contrast, at the start of the 1972 slack season, banks were indebted to the Reserve Bank only to the extent of Rs. 23 crores and repayments during the season amounted to Rs. 16 crores. Reflecting these trends, banks were able to add to their investments to the extent of Rs. 624 crores this year as against Rs. 255 crores in the slack season of 1971. The credit-deposit ratio for all scheduled commercial banks, which was 73.1 per cent at the end of October 1971, declined sharply to 66.2 per cent at the commencement of the current busy season. Correspondingly, the ratio of liquid assets to aggregate liabilities has increased from 35.2 per cent to 40.5 per cent which is substantially higher than the required minimum of 32 per cent. The prospects for the immediate future are that the slight slackening in the growth rate of deposits, noticed in recent weeks, would continue as the impact of the fiscal deficit on monetary expansion is expected to be somewhat less in the current financial year. However, the quantum of increase in deposits is likely to be slightly larger than in the last busy season. At the same time, it is our expectation that credit demand also will be somewhat higher than in the last busy season. However, these factors—a slower rate of growth in deposits and a larger credit expansion—are not likely to be so marked as to materially affect the generally high liquidity situation. On the other hand, it is felt that banks would be in a position to add further to their investments. It has been decided to issue a third tranche of the Central Government loans for Rs. 100 crores. Even after subscribing to this, banks would be able to meet their credit commitments with, if at all, only marginal and temporary recourse to the Reserve Bank. It has to be stressed that the current state of liquidity should not result in any slackening of efforts of banks in deposit mobilization.

3. In the event of an unexpected increase in the demand in credit, as might arise for instance, in the case of credit for food procurement, the requirements of which are somewhat uncertain at the moment, banks should be able to meet the situation. Their overall borrowing potential, determined in terms of their net liquid assets, is such as would allow adequate borrowings from the Reserve Bank at the Bank Rate to meet such contingencies.

4. In view of the overall comfortable liquidity position of banks and the substantial borrowing potential, we suggest, as we have done in the past, that banks raise with effect from Friday, November 17, 1972 by one percentage point, the minimum of assets that constitute the liquidity requirements under Section 24 of the Banking Regulation Act from 29 per cent to 30 per cent.@ Simultaneously, while preserving the present refinancing entitlements as explained in the next paragraph, as an overall regulatory measure the minimum net liquidity ratio relevant for determining the rate on borrowings from the Reserve Bank is also being raised with effect from the same date, by two percentage points, from 34 per cent to 36 * per cent.

@Enhanced to 32% with effect from 8th December 1973.

*Enhanced to 37% with effect from 30th March 1973, 39% from 29th June and 40% from 8th September 1973.

5. Subject to the above, we do not propose to make any modifications in the refinance entitlements now available to banks to borrow at the Bank Rate, irrespective of a bank's net liquidity ratio. The same basis of refinance with appropriate adjustments in the base period will be continued in regard to (1) short-term direct lending to agriculture, (2) short-term lending to small-scale industries, (3) lending to primary co-operative credit societies, (4) 'defence packing-cum-supply' credit, (5) export credit and (6) rediscounting of bills under the Bills Rediscounting Scheme. Refinance in respect of items Nos. 5 and 6 above will be without impairment of net liquidity ratio as before. As regards food procurement also, the existing formula will be continued except that refinance entitlement under this head will be an amount equal to 10 per cent of the outstanding level of food procurement advances as on the last Friday of October 1972 plus an additional 1/3 of the increase over the level as on the last Friday of October 1972. Also as in the past, the Reserve Bank would continue to consider, on merits, applications for discretionary accommodation at the Bank Rate.

6. As you are well aware, the economic situation today presents a picture of imbalance between aggregate supply and aggregate demand which has led to the present price situation which cannot but cause concern. The latest General Index of Wholesale Prices (210.9) is higher by more than 10 per cent over the level of last year. For two consecutive years ending October 1972, the annual rate of growth in money supply has been a little over 11 per cent. Although the major factor contributing to this increase has been net bank credit to Government, banks can help the situation by renewed efforts at assisting production, particularly in the crash programme for rabi production and in accelerating production in the industrial sector where recovery is already noticeable. Certain adjustments aimed at greater effectiveness and simplicity are being made in selective credit controls about which a separate communication is being sent to you.

7. The overall monetary situation is thus one which requires a close watch. I propose to have, as usual, a midseason review at a meeting with bankers towards the end of January or beginning of February 1973.

Yours faithfully,
S. JAGANNATHAN
Governor.

DBOD. No. Sch. BC. 113/C.96-72—21 November 1972

All scheduled commercial banks

Dear Sirs,

Please refer to Governor's circular letter DBOD. No. Sch. BC. 101/C. 96-72 dated the 14th November 1972. As indicated in paragraph 5 thereof, there is no change in the basic features of the system of refinance which would be available to scheduled commercial banks from the Reserve Bank ; refinance at Bank Rate/concessional rate, irrespective of a bank's net liquidity ratio, would continue to be provided in respect of the increase over the prescribed base period in respect of banks' (*i*) lending to primary co-operative credit societies in areas where the scheme is in operation with the prior approval of the Reserve Bank of India, (*ii*) short-term direct lending to agriculturists, and (*iii*) short-term lending to small-scale industries covered by the guarantee of the Credit Guarantee Organisation. However, the base period for calculating the increase in such advances during the year 1973 will be shifted from 1971 to 1972. Therefore, while the base for the quarter October-December 1972, will be the average for the quarter October-December 1971, the base for the quarter January-March 1973, will be the average for the quarter January-March 1972. Banks may continue to report to the concerned Regional Office of the Reserve Bank, the outstanding figures of advances to priority sectors along with the weekly return under section 42(2) of the Reserve Bank of India Act, 1934.

2. As regards export credit, banks will continue to get refinance irrespective of the net liquidity ratio, as hitherto, up to an amount equal to 10 per cent of the annual average of export credit in the previous calendar year (calculated as the average of the outstanding level of export credit during the 52 weeks)

at 4½ per cent per annum and an additional amount up to 10 per cent of the said average at Bank Rate. However, as the base period has been shifted from 1971 to 1972, the average for the yeai 1972 will be treated as the basis effective from January 1, 1973. In view of this, it will be necessary for us to have data in respect of banks' average export credit in 1972. We shall, therefore, be glad if information in this regard is forwarded to the concerned Regional Office of the Reserve Bank of India as in the proforma in Annexure I. @ Banks are requested to ensure that the figures of export credit already reported by them along with the relative weekly returns for the period January to November 1972 are utilised for the purpose of computing the annual average. Any variation in the figures should be suitably explained while furnishing the information to the concerned Regional Office. In this connection, we would like to reiterate that the refinance facility against export credit will be available to banks only in respect of their borrowings from the Reserve Bank of India under the Preshipment Credit Scheme and the Export Bills Credit Scheme, under section 17(3A) of the Reserve Bank of India Act, 1934. As before, the bank's borrowings in terms of this entitlement will not be taken into account while computing the net liquidity ratio.

3. As regards food procurement advances, it will be seen from paragraph 5 of Governor's circular letter referred to above that banks will be entitled to refinance irrespective of net liquidity ratio in respect of such advances, up to an amount equal to 10 per cent of the outstanding level of such advances as on the last Friday of October 1972, *plus* an additional one-third of the increase over the level on the last Friday of October 1972. The banks may, therefore, please intimate to the concerned Regional Office of the Reserve Bank, the figures of outstandings of such advances as on the last Friday of October 1972 and the subsequent figures, to enable the Regional Offices to calculate the banks' entitlements in this regard.

4. As stated in paragraph 5 of Governor's circular referred to above, bills rediscounted with the Reserve Bank under the new Bill Market Scheme will not impair the net liquidity ratio of a bank.

5. You may also please refer to paragraphs 2 and 4 of Governor's circular letter DBOD. No. GCS. BC. 142/C. 483-71 of December 11, 1971.+ As indicated therein, the Reserve Bank would make available to banks full refinance facilities, at the Bank Rate, irrespective of a bank's net liquidity ratio in respect of 'defence packing-cum-supply' credit. Refinance for this purpose would be provided under the old Bill Market Scheme.

6. We enclose for your ready reference a chart * showing the refinance facilities available to the scheduled commercial banks from the Reserve Bank of India effective from November 1972 (Annexure II).

Yours faithfully,
D. GUPTA
Deputy Chief Officer.

@This Annexure replaces Annexure I to Circular DBOD. No. Sch. BC. 147/C. 96-71 dated 24-12-1971 at page 4 of this Section.

+Included in Section V(i) at pages 77-78.

*This chart modifies the refinance facilities indicated in Annexure III to Circular DBOD. No. Sch. BC. 147/C. 96-71 dated 24th December 1971 at page 5 of this Section.

ANNEXURE I

ANNUAL AVERAGE OF EXPORT CREDIT IN 1972

(In lakhs of rupees)

(*As on Fridays*)	
7-1-1972	
14-1-1972	
21-1-1972 to 29-12-1972	
Total for 52 weeks	
Average	
10 % of the average	

Note : The figures of export credit already reported along with the relative weekly returns for the period January to November 1972 should be utilised for the above purpose. Variations, if any, should be suitably explained.

ANNEXURE II

REFINANCE FACILITIES TO THE SCHEDULED COMMERCIAL BANKS FROM THE RESERVE BANK OF INDIA

EFFECTIVE NOVEMBER 1972

Net Liquidity position	at 4½%	At Bank Rate (6%)	Remarks
1	2	3	4
	I. Export Credit		
Irrespective of net liquidity ratio	Upto an amount equal to 10% of the annual average in 1972.	An additional amount of 10% of the annual average in 1972	Borrowings equal to 20% of the annual average of export credit in 1972 will not impair the net liquidity ratio. 1972 base to be effective from January 1, 1973.
	II. An amount equivalent to the increase in advances over the prescribed base period in respect of:		
—do—	Lending to primary co-op. credit societies in areas where the Scheme is in operation with the prior approval of the Reserve Bank of India	(*a*) short-term lending to small-scale industries covered by guarantee of C.G.O. (*b*) short-term direct lending to agriculturists.	*Base Period :* Average level of such credit in the corresponding calendar quarter of the previous year, *i.e.* for the quarter January-March 1973, base will be the average for the quarter January-March 1972.
	III. New Bill Market Scheme		
—do—	—	Rediscounting of bills under the New Bill Market Scheme	Outstanding liability in respect of bills rediscounted under the New Bill Market Scheme will not impair the net liquidity ratio till the end of October 1973.
	IV. Food Procurement Advances*		
—do—	—	10% of the outstanding level of food procurement advances as on the last Friday of October 1972 and an additional 1/3 of the increase over the level as on the last Friday of October 1972.	The facility will be available under the old Bill Market Scheme under section 17(4)(c) of the Reserve Bank of India Act, 1934.
	V. 'Defence packing-cum-supply' Credit@		
—do—	—	Upto the total outstanding level.	

Note : Minimum net liquidity ratio for Bank Rate refinance is 36% effective from November 17, 1972. An enhanced rate of interest is chargeable on the *excess* borrowings of a bank. It would be the rate raised by 1% per annum above the level of Bank Rate, for short fall of every one point or a fraction thereof in the bank's net liquidity ratio below 36%. However, when the net liquidity ratio falls below 28% a maximum enhanced rate of 15% will be charged.

* Refinance formula in respect of this category was changed from March 30, 1973—vide paragraph 5 of Governor's circular DBOD. No. Sch. BC. 21/C. 96-73 dated 17th March 1973.

@ Facility withdrawn with effect from March 30, 1973—vide paragraph 6 of Governor's circular referred to above.

DBOD. No. Sch. BC. 21/C. 96-73—17 March 1973

All scheduled commercial banks

Dear Sirs,

This morning I had the opportunity, at a meeting with the Chief Executives of major scheduled commercial banks, to review and consider the implications of recent trends in the monetary and credit situation.

2. At the commencement of the current busy season, there was a high degree of liquidity in the banking system, emanating from a combination of a high rate of growth in deposits and a general sluggishness in the demand for credit. Thus, the current season commenced with as low a credit-deposit ratio as 66.2 per cent. Since then, particularly in the last two months, bank credit has shown a rapid pick up. This is especially marked in sectors other than food procurement, where the increase is much faster and larger than what was recorded in the corresponding period of the last busy season. Also, credit for food procurement, which contracted substantially in the last busy season, has recorded some expansion. In consequence, the credit-deposit ratio has already increased by 4 percentage points to 70.4 per cent, as on March 9, 1973. While this is lower than the ratio that prevailed at the same time last year, what is significant and new is the fast pace of credit expansion which was not notable in the last busy season. The demand for credit is likely to remain at a high level in the remaining weeks of the current busy season and probably continue to some extent in the conventional slack season as well.

3. Simultaneously with credit expansion, deposits have also recorded a large increase. The rate of growth in deposits so far has been higher than what was recorded in the corresponding period of the last busy season and also somewhat higher than what we anticipated at the beginning of this season. This has so far enabled banks to meet most of the credit expansion from out of their own resources and recourse to borrowings from the Reserve Bank has not been excessive. In fact, for two consecutive years there has been a slight contraction in net bank credit to the commercial sector, which has offset to some extent the large increase in net bank credit to government. The present conditions would not, however, justify any complacency. The severe pressure on prices and the imbalance between money and output call for continuance of restraint on bank credit. Since budgetary deficits are persisting, the aim of credit policy should be to see that net bank credit to the commercial sector does not stimulate further expansion of money supply. The need is greater than ever before to ensure that credit limits are sanctioned commensurate with the actual production requirements.

4. In the light of this, it is necessary that further recourse to Reserve Bank credit by banks is kept to the minimum. The minimum net liquidity ratio level, relevant for determining the cost of borrowing from the Reserve Bank is being raised by one percentage point from the current level of 36 per cent to 37 per cent. This will take effect from Friday, the March 30, 1973 and be in force until Friday, the July 13, 1973, when the position will be reviewed. The borrowing rate at the initial fall of the net liquidity ratio is also being stepped up. For the first percentage point fall or fraction thereof in net liquidity ratio (*viz.*, below 37 per cent), the borrowing rate would go up from 6 per cent to 8 per cent (*viz.*, by two percentage points). Thereafter, a fall in the ratio of one percentage point or fraction thereof would mean an increase of one percentage point in the borrowing rate. The maximum borrowing rate from the Reserve Bank, currently at 15 per cent, will be lowered to 12 per cent. This would be applicable to a net liquidity ratio level of 32 per cent and below.

5. Certain consequential adjustments are also needed in the refinance entitlements now available to banks at the Bank Rate. In view of the growing significance of food procurement credit, the present refinance formula in respect of such credit is being revised to provide more liberal facilities. Banks will continue to be entitled to 10 per cent of the outstanding level of food procurement credit as on the last Friday of October 1972. In addition, they will now be entitled to one-half (as against one-third hitherto) of the increase over the outstanding level of the last Friday of October 1972. This re-

finance will be provided at the Bank Rate irrespective of the net liquidity ratio but, as hitherto, it would impair the net liquidity ratio for other borrowings.

6. The special refinance facility provided at the Bank Rate in respect of 'Defence packing-cum-supply credit' is being withdrawn. All other features of the refinance system would, however, continue unchanged. The present scheme for rediscount of bills without impairment of net liquidity ratio would also continue unchanged till the end of October 1973. In exceptional circumstances, as hitherto, the Reserve Bank of India would be prepared on merits to extend discretionary accommodation to a bank.

7. In recent times, there has been a sizeable increase in the borrowings by various public sector and quasi-Government undertakings. Advances to such units have hitherto been exempted from the prior authorisation of the Reserve Bank under the Credit Authorisation Scheme. All advances to public sector undertakings, including State electricity boards, as also advances against the guarantee of Central or State governments will now come under the Scheme. Prior authorisation in respect of such advances will be needed for working capital loans totalling Rs. 3 crores and above and for term loans of Rs. 1 crore and above.

8. Certain State governments have of late been turning to banks for some of their commercial/financial requirements, including food procurement. Before making any funds available on such requests, banks have to ensure that the approval of the Government of India is obtained by the concerned State governments under Article 293(3) of the Constitution of India.

9. Banks are aware that, in recent weeks, the yarn prices have increased sharply. The solution of this problem lies essentially in proper distribution of the available supplies and the Central Government has already taken appropriate steps to ensure that these supplies are properly distributed to the powerloom and handloom weavers but banks may also, on their part, maintain restraint over the credit made available against yarn.

10. We have also taken this opportunity to bring about certain re-alignments in the deposit rate structure effective April 1, 1973. The maximum interest on term deposits will continue at 7.25 per cent but there are some re-adjustments in the differentials in the maturity and yield pattern of the various fixed deposit categories. A chart * indicating the revised rates is enclosed. The additional interest of 1/8 to 1/2 per cent now allowed to be paid by the smaller banks will continue. A directive, setting out the details of the new pattern of deposit rates, is being issued.

Yours faithfully,
S. JAGANNATHAN
Governor.

DBOD. No. Sch. BC. 30/C. 96-73—27 March 1973

All scheduled commercial banks

Dear Sir.

Please refer to Governor's circular letter DBOD.No. Sch. BC. 21/C. 96-73 dated the 17th March 1973.

2. It will be observed from the above circular letter that, with effect from the 30th March 1973, there will be certain changes in the existing refinance facilities available to scheduled commercial banks from the Reserve Bank of India, indicated in our circular DBOD. No. Sch. BC. 113/C. 96-72 dated the 21st November 1972. The changes will be as under :

(*a*) *Food procurement advances*

It will be observed from paragraph 5 of Governor's circular, referred to above, that banks will continue to be entitled to 10 per cent of the outstanding level of food procurement credit as on the last Friday of October 1972. In addition, they will be entitled to one-half (as against one-third) of the increase over the outstanding level of the last Friday of October 1972.

*The chart is included in Section II along with Circular DBOD. No. Sch. BC. 22/C. 347-73 dated the 17th March 1973

(*b*) *Defence packing-cum-supply credit*

The special refinance facility provided at the Bank Rate in respect of 'Defence packing-cum-supply credit' has been withdrawn. Refinance facilities already availed of under the scheme will, however, be allowed to continue up to their maturity.

3. As indicated in paragraph 4 of Governor's circular, the minimum net liquidity ratio for Bank Rate refinance will be 37 per cent effective from the 30th March 1973 and it will be in force until the 13th July 1973. For the first percentage point fall or fraction thereof in the net liquidity ratio (*viz.*, below 37 per cent), the borrowing rate would be 2 per cent over the Bank Rate, *i.e.*, 8 per cent. Thereafter, for every one percentage point fall or a fraction thereof, the rate of interest would increase by 1 per cent. However, when the net liquidity ratio falls below 33 per cent a maximum rate of 12 per cent as against 15 per cent hitherto, will be charged as explained below :

Net liquidity ratio		Rate of interest on excess borrowings from Reserve Bank of India (per cent per annum)
	37 ..	6
Below	37 ..	8
Below	36 ..	9
Below	35 ..	10
Below	34 ..	11
Below	33 ..	12†

4. A chart @ showing the mode of calculation of excess borrowings on which the penal rate of interest will be charged by the Reserve Bank is enclosed.

Yours faithfully,
M. J. SEQUEIRA
Dy. Chief Officer

†The maximum rate has been enhanced to 15% with effect from 16-11-1973.

@This replaces the existing chart (Appendix B) on page 7 of Section III(a)

CHART SHOWING THE MODE OF CALCULATION OF EXCESS BORROWINGS

(Effective from 30th March 1973)

1. The excess borrowings of a bank on any day will be calculated as illustrated below.

2. The penal rate of interest chargeable on the excess borrowings shall be the rate raised by 2 per cent per annum for the initial one percentage fall or a fraction thereof *i.e.* from 37% to 36% and thereafter for every one percentage point fall or a fraction thereof the rate of interest would increase by 1 per cent. subject however to a maximum of 12 per cent.

EXAMPLES

(Rs. crores)

		Bank 'A'	Bank 'B'	Bank 'C'
1.	Aggregate Demand and Time liabilities	120.00	120.00	120.00
2.	Gross Liquid Assets	40.00	42.00	48.00
3.	Total Borrowings from :—			
	Reserve Bank of India	3.00	6.00	7.00
	State Bank of India@	1.00	1.00	1.00
	Industrial Development Bank of India	1.00	1.00	1.00
		5.00	8.00	9.00
4.	Net Liquid assets (2—3)	35.00	34.00	39.00
5.	Net Liquidity Ratio (%)	29.2	28.3	32.5
6.	Net Liquid assets after adjusting amount borrowed against entitlement equal to 20% of average export credit in 1972 and outstanding liability in respect of bills rediscounted with the Reserve Bank (vide items 13(c) and (d) below)	37.00	36.00	41.00
7.	Net Liquidity ratio (%) (adjusted for export credit and bills rediscounted)	30.8	30.0	34.2
8.	Gross Liquid Assets	40.00	42.00	48.00
9.	Net Liquid Assets appropriate for 37% net liquidity ratio	44.40	44.40	44.40
10.	Excess of gross liquid Assets over Net Liquid Assets appropriate for 37% net liquidity ratio.	—	—	3.60

@ Excluding those on call basis—vide circular DBOD. No. Sch. BC. 64/C. 96-73 dated 4th June 1973.

		Bank 'A'	Bank 'B'	Bank 'C'
11.	Total borrowings from State Bank of India and Industrial Development Bank of India	2.00	2.00	2.00
12.	Permissible borrowing from Reserve Bank of India at Bank Rate in respect of the excess Net Liquidity Ratio over the basic minimum of 37% (10-11)	—	—	1.60
13.	*Entitlements to borrowings at Bank Rate or below Bank Rate :*			
	(*a*) Excess of net liquidity ratio over the basic minimum of 37% (item 12 above)	—	—	1.60
	(*b*) Increase in bank's advances to priority sectors over the base period :—			
	(*i*) Short-term lendings to primary co-operative credit societies in selected areas	0.25	0.25	0.25
	(*ii*) Short-term direct lendings to agriculturists	1.00	0.50	0.50
	(*iii*) Short-term lendings to small-scale industries guaranteed by the Credit Guarantee Organisation	1.00	1.00	1.00
	(*c*) Borrowings equal to 20% of the annual average of export credit in 1972	1.25	1.00	1.50
	(*d*) Outstanding liability in respect of bills rediscounted with the Reserve Bank	0.75	1.00	0.50
	(*e*) Refinance in respect of food procurement advances to the extent of 10% of the outstanding level of such advances as on the last Friday of October 1972 and an additional ½ of the increase over the level as on the last Friday of October 1972. ..	0.75	0.25	0.25
	(*f*) Discretionary accommodation at Bank Rate, if any	—	—	—
	Total of (*a*) to (*f*)	5.00	4.00	5.60
14.	Total borrowings from Reserve Bank of India	3.00	6.00	7.00
15.	Excess borrowings (14—13)	—	2.00	1.40
16.	Penal rate of interest if excess borrowing continues beyond first week	—	12% (net liquidity ratio 30% being lower by 7% than 37%)	10% (net liquidity ratio 34% being lower by 3% than 37%)

Note : The net liquidity ratio of a bank was computed on the basis of the borrowing position of the bank as of every Friday. This has been amended, in terms of Governor's circular DBOD. No.Sch.BC. 119/C.96-73 dated the 16th November 1973. The average of the borrowings during a relevant week is now taken into account and not the Friday position only.

DBOD. No. Sch. BC. 40/C. 96-73—25 April 1973

All scheduled commercial banks

Dear Sir,

It is observed that some banks, while computing the net liquidity ratio, deduct borrowings equal to 20 per cent of the annual average of export credit for the previous year from their total borrowings from us, irrespective of their actual borrowings under section 17(3A) of the Reserve Bank of India Act, 1934. In this connection, we have to advise that, as clarified in our circular letter DBOD. No. Sch. BC. 34/C. 96-71 dated the 22nd March 1971@, the concession in the calculation of the net liquidity ratio in regard to export credit is available to banks *only in respect of their borrowings from us under the Pre-shipment Credit Scheme and the Export Bills Credit Scheme under section 17(3A) of the Act ibid.* It will thus be seen from the above that only an amount of borrowings equal to 20 per cent of annual average of export credit for the previous year or actual amount of borrowings under section 17(3A) of the Reserve Bank of India Act, 1934, whichever is less, can be deducted from a bank's total borrowings from us for computing its net liquidity ratio.

2. Banks are at present reporting figures of their borrowings from us in the weekly return under two heads *viz.*, section 17(4)(c) of the Reserve Bank of India Act, 1934 and others. In order to enable us to calculate banks' entitlements at concessional rate of finance, excess borrowings, etc. banks may, in future, furnish us with the break-up of these figures in the form of a clarificatory foot-note to the weekly return as from the close of business on Friday, the 4th May 1973 as under :

17(2)(*a*)

17(3A)

17(4)(*a*)

17(4)(*c*)

Total

Yours faithfully,
M. J. SEQUEIRA
Dy. Chief Officer.

DBOD. No. Sch. BC. 59/C. 96-73—30 May 1973

All scheduled commercial banks

Dear Sirs,

The Reserve Bank have, in recent months, expressed grave concern over the continuing imbalance in the economy between aggregate supply and aggregate demand and have introduced certain measures of credit restraint to assist in remedying this situation. While production losses, particularly in the agricultural sector, have been an important cause of the spurt in prices, continued heavy budgetary deficits have also contributed to this increase. In such a situation, it becomes necessary to adopt measures which will help reduce the pressure of aggregate monetary resources on the available supplies. Budgetary measures, particularly greater control over public expenditure should provide the primary corrective. But supporting measures of credit restraint also seem necessary. The expansion in commercial bank credit of over Rs. 1000 crores since the end of October last cannot but be viewed as abnormal. Money supply with the public is now over 16 per cent higher than last year's level. The index number of wholesale prices (1961-62=100) stood on May 12, 1973 at 231.3 as against 192.9 a year ago, a highly disquieting increase in just 12 months. The rapid increase in the liquidity of banks has tended to encourage relaxations in the terms of lending which, in turn, have encouraged borrowers to resort to excessive use of bank credit, particularly for building up inventories.

2. Taking these various factors into account, the Reserve Bank have decided on the following measures :—

@Not included in the booklet —
The clarification has, however, been incorporated in the penultimate sentence of paragraph 2 of circular DBOD. No. Sch. BC. 147/C. 96-71 dated the 24th December 1971 at page 3 of this Section.

(*i*) With effect from the close of business of today, the Bank rate will be raised by one percentage point, *i.e.* from 6 per cent to 7 per cent.

Having regard to the recent realignments in the structure of deposit rates, no changes will, however, be made in the rates of interest on deposits.

(*ii*) Cash reserves required to be maintained with the Reserve Bank by every scheduled commercial bank under Section 42(1) of the Reserve Bank of India Act, which are currently at the level of 3 per cent of the total of the bank's demand and time liabilities, will be raised to 5 per cent for a period of one year ending June 28, 1974. This level of 5 per cent should be reached before the close of business on June 29, 1973.* On this additional reserve of 2 per cent maintained over and above the existing level of 3 per cent, banks will be paid interest at the rate of 4.75 per cent per annum.

In November last, we had suggested to banks to raise the minimum of assets that constitute the liquidity requirements under Section 24 of the Banking Regulation Act from 29 per cent to 30 per cent. This requirement will continue unchanged. The net liquidity ratio structure will undergo some change consequent upon the increase in the reserve requirement under Section 42(1) of the Reserve Bank of India Act and the increase in Bank rate. Consistent with the increased reserve requirement, the minimum net liquidity ratio, at which borrowing from the Reserve Bank would be at the Bank rate of 7 per cent will be raised to 39 per cent† with effect from Friday, June 29, 1973. For the fall of the first percentage point or fraction thereof in the net liquidity ratio below the minimum now prescribed of 39 per cent, the borrowing rate will go up from 7 per cent to 8 per cent. Thereafter, for every fall of one percentage point in the net liquidity ratio, the borrowing rate will go up by 1 per cent until the maximum of 12 per cent†† is reached. Other features of the net liquidity ratio mechanism and the refinance entitlement structure will remain unchanged.

(*iii*) The present situation requires further discipline in the use of bank credit which, in the light of continued good prospects of deposit mobilisation, will have to take the shape of the prescription of a minimum lending rate. With effect from June 1, 1973, the interest rate to be charged on advances should not be less than 10 per cent except on those categories which are specifically exempted from this requirement. Lendings to certain sectors, *e.g.* (1) those covered by the guarantee schemes of the Credit Guarantee Corporation of India Ltd., (2) exports, (3) primary co-operative societies, (4) public sector food procurement, storage and distribution and (5) differential interest rates scheme will be outside the purview of the minimum lending rate. No change should be made in the interest rates charged under the differential interest scheme and on lending for exports and to primary co-operative societies but in all other cases banks should review the interest charged in keeping with the policy objective of raising the cost of borrowing. The review of the interest rate charged for public sector food procurement should be in consultation with the Reserve Bank. Wherever the interest rate is not increased, banks should ensure that the benefit goes to genuinely needy small borrowers. Instructions in this paragraph will not affect the stipulations regarding interest rates already in force in respect of selective controls.

3. The necessary directives@ giving effect to the increase in reserve requirements and the minimum lending rate are being issued separately.

Yours faithfully,
S. JAGANNATHAN
Governor.

*Since enhanced to 6% with effect from the week beginning 8th Sept. 73 and to 7% with effect from the week beginning 22nd Sept. 73.

†Since enhanced to 40% with effect from 8th September 1973.

†† Maximum Rate increased to 15% with effect from 16th Nov. 73.

@Directive regarding increase in reserve requirements included in Section VI and that regarding minimum lending rate included in Section V(j).

DBOD. No. Sch. BC. 64/C. 96-73—4 June 1973

All scheduled commercial banks

Dear Sir,

As you are aware, at present, while computing their net liquidity ratio, banks are required to deduct their total borrowings from the Reserve Bank of India, State Bank of India and the Industrial Development Bank of India from their gross liquid assets to arrive at the net liquid assets. Thus, the borrowings of a bank on call basis from the State Bank of India are also deducted for the purpose whereas such borrowings in the call money market from other banks are not deducted from the gross liquid assets. The position has been since reviewed by us vis-a-vis similar borrowings from banks other than the State Bank of India. It has now been decided that borrowings from the State Bank of India on 'call basis' need not be deducted from the gross liquid assets for the purpose of calculation of the net liquidity ratio.

Yours faithfully,
M. J. SEQUEIRA
Dy. Chief Officer.

DBOD. No. Sch. BC. 71/C. 96-73—13 June 1973

All scheduled commercial banks

Dear Sirs,

Consequent upon the increase in the Bank Rate with effect from the close of business on May 30, 1973 it has been decided to make a few modifications in the refinance facilities to the scheduled commercial banks from the Reserve Bank of India. As hitherto, banks will get refinance against export credit irrespective of net liquidity ratio, upto an amount equal to 10 per cent of the annual average of export credit in the previous calendar year but at 5½ per cent per annum instead of at 4½ per cent. The additional amount upto 10 per cent of the annual average of export credit will continue to be available at the Bank Rate, *viz.*, 7 per cent. The ceiling rates on export credit—*viz.* 6 per cent for exports on deferred payments terms and 7 per cent for other exports will continue as set out in our directive DBOD. No. Sch. BC. 52/C. 96-71 dated the 16th April 1971.@ The subsidy of 1·5 per cent under the Export Credit (Interest Subsidy) Scheme, 1968, will also continue as before on all eligible export credit provided.

The rates of interest charged by the Reserve Bank on advances to State Co-operative Banks have now been adjusted in line with the new Bank Rate. A separate circular to this effect has been issued by the Agricultural Credit Department to State Co-operative Banks. In keeping with the new structure of rates of lending to the co-operatives, the rate of interest on refinance to scheduled commercial banks in respect of their lending to primary co-operative credit societies will be 5 per cent, which is the same as the rate of interest on Reserve Bank credit to State Co-operative Banks on short-term loans for seasonal agricultural operations and marketing of crops. As in the past, such refinance to scheduled commercial banks will be available irrespective of a bank's net liquidity ratio, and the borrowings under this head will impair a bank's net liquidity ratio. Lending to Farmers' Service Societies sponsored by the scheduled commercial banks with the approval of the Reserve Bank will also be eligible for similar refinance entitlements under the Scheme.

These changes in the refinance system will come into effect immediately.

Yours faithfully,
R. K. HAZARI
Deputy Governor.

@Included in Section III(e) at page 34.

Note : Between May 30, 1973 and July 13, 1973, the Reserve Bank has made certain changes in the credit policy which have a bearing on scheduled commercial banks' entitlements to borrow from Reserve Bank at the Bank Rate irrespective of the net liquidity ratio. Charts summarising the refinance facilities available to scheduled commercial banks on various dates since March 30. 1973 are given below.

REFINANCE FACILITIES TO SCHEDULED COMMERCIAL BANKS FROM THE RESERVE BANK OF INDIA

EFFECTIVE FROM MARCH 30, 1973 UPTO JUNE 12, 1973

Net Liquidity Position	At 4½%	At Bank Rate@	Remarks
1	2	3	4
	I. *Export Credit.*		
Irrespective of net liquidity ratio	Upto an amount equal to 10% of the annual average in 1972.	An additional amount of 10% of the annual average in 1972.	Borrowings equal to 20% of the annual average of export credit in 1972 will not impair the net liquidity ratio. 1972 base to be effective from January 1, 1973.
	II. *An amount equivalent to the increase in advances over the prescribed base period in respect of :*		
—do—	Lending to primary co-op. credit societies in areas where the Scheme is in operation with the prior approval of the Reserve Bank of India.	*a)* Short-term lending to small scale industries covered by guarantee of C.G.O. *b)* Short-term direct lending to agriculturists.	*Base Period :* Average level of such credit in the corresponding calendar quarter of the previous year, *i.e.*, for the quarter, January-March 1973 base will be the average for the quarter January-March 1972.
—do—	III. *Food Procurement Advances*		
		10% of the outstanding level of food procurement advances as on the last Friday of October 1972 and an additional ½ of the increase over the level as on the last Friday of October 1972.	The facility will be available under the old Bill Market Scheme under Section 17(4)(*c*) of the Reserve Bank of India Act, 1934.
	IV. *New Bill Market Scheme*		
—do—		Rediscounting of bills under the New Bill Market Scheme.	As this facility is not treated as a borrowing from Reserve Bank, it will not be taken into account in the computation of the net liquidity ratio; hence the facility will not impair the net liquidity ratio.

@ 6% upto May 30, 1973 and 7% thereafter.

Note : The minimum net liquidity ratio for the Bank Rate refinance will be 37%* effective from March 30, 1973 upto June 28, 1973. An enhanced rate of interest is chargeable on the *excess* borrowings of a bank. For the initial 1 percentage point fall (or fraction thereof) from 37%, the enhanced rate would be 2% above Bank Rate. Therefore, upto 30th May 1973 (when the Bank Rate was 6%) the said enhanced rate would be 8%, while from the 31st May 1973, (the day from which Bank Rate was raised to 7%) it would be 9%. For every further 1 percentage point fall or a fraction thereof, the rate of interest would increase by 1% subject to a maximum of 12%.*

* Please also see foot note on page 14.

REFINANCE FACILITIES TO SCHEDULED COMMERCIAL BANKS FROM THE RESERVE BANK OF INDIA

EFFECTIVE FROM JUNE 13, 1973

Net Liquidity Position	At 5%	At 5½%	At Bank Rate (7%)	Remarks
1	2	3	4	5
	I. *Export Credit*			
Irrespective of net liquidity ratio		Upto an amount equal to 10% of the annual average in 1972.	An additional amount of 10% of the annual average in 1972.	Borrowings equal to 20% of the annual average of export credit in 1972 will not impair the net liquidity ratio. 1972 base to be effective from January 1, 1973
	II. *An amount equivalent to the increase in advances over the prescribed base period in respect of :*			
—do—	Lending to primary co-op. credit societies in areas where the Scheme is in operation with the prior approval of the Reserve Bank of India and lending to Farmers' Service Societies sponsored by the banks with R.B.I. approval.		(*a*) Short-term lending to small-scale industries covered by guarantee of C.G.O. (*b*) Short-term direct lending to agriculturists.	*Base Period :* Average level of such credit in the corresponding calendar quarter of the previous year *i.e.* for the quarter January - March 1973, base will be the average for the quarter January-March 1972.
	III. *Food Procurement Advances*			
—do—			10% of the outstanding level of food procurement advances as on the last Friday of Oct. 1972 and an additional ½ of the increase over the level as on the last Friday of October 1972.	The facility will be available under the old Bill Market Scheme under Section 17(4)(c) of the Reserve Bank of India Act, 1934.
	IV. *New Bill Market Scheme*			
—do—			Rediscounting of bills under the New Bill Market Scheme.	As this facility is not treated as a borrowing from Reserve Bank, it will not be taken into account in the computation of the net liquidity ratio; hence the facility will not impair the net liquidity ratio.

Note : Minimum net liquidity ratio for Bank Rate refinance is 39%* effective from June 29, 1973. An enhanced rate of interest is chargeable on the *excess* borrowings of a bank. It would be the rate raised by 1% per annum above the level of Bank Rate for short-fall of every one percentage point or a fraction thereof in the bank's net liquidity ratio below 39%. However, when the net liquidity ratio falls below 35% a maximum rate of 12% † will be charged.

* since enhanced to 40% w. e. f. 8th Sep. 1973.
† Maximum rate increased to 15% w. e. f. 16-11-1973.

REFINANCE FACILITIES TO SCHEDULED COMMERCIAL BANKS FROM THE RESERVE BANK OF INDIA

EFFECTIVE FROM JUNE 13, 1973 UPTO JULY 12, 1973

Net Liquidity Position	At 5%	At 5½%	At Bank Rate (7%)	Remarks
1	2	3	4	5
	I. *Export Credit*			
Irrespective of net liquidity ratio		Upto an amount equal to 10% of the annual average in 1972.	An additional amount of 10% of the annual average in 1972.	Borrowings equal to 20% of the annual average of export credit in 1972 will not impair the net liquidity ratio. 1972 base to be effective from January 1, 1973.
	II. *An amount equivalent to the increase in advances over the prescribed base period in respect of :*			
—do—	Lending to primary co-op. credit societies in areas where the Scheme is in operation with the prior approval of the Reserve Bank of India and lending to Farmers' Service Societies sponsored by the bank with R.B. I. approval.		(*a*) Short-term lending to small-scale industries covered by guarantee of C.G.O. (*b*) Short-term direct lending to agriculturists.	*Base Period :* Average level of such credit in the corresponding calendar quarter of the previous year, *i.e.* for the quarter January-March 1973, base will be the average for the quarter January-March 1972.
	III. *Food Procurement Advances*			
—do—			10% of the outstanding level of food procurement advances as on the last Friday of October 1972 and an additional 1/2 of the increase over the level as on the last Friday of October 1972.	The facility will be available under the old Bill Market Scheme under Section 17(4)(c) of the Reserve Bank of India Act, 1934.
	IV. *New Bill Market Scheme*			
			Rediscounting of bills under the New Bill Market Scheme.	As the facility is not treated as a borrowing from Reserve Bank, it will not be taken into account in the computation of the net liquidity ratio ; hence the facility will not impair net liquidity ratio.

Note : Minimum net liquidity ratio for Bank Rate refinance is 39%* effective from June 29, 1973. An enhanced rate of interest is chargeable on the *excess* borrowing of a bank. It would be the rate raised by 1% per annum above the level of Bank Rate for short-fall of every one percentage point or a fraction thereof in the bank's net liquidity ratio below 39%. However, when the net liquidity ratio falls below 35%, a maximum rate of 12% will be charged.

* Please see foot note on page 14.

REFINANCE FACILITIES TO SCHEDULED COMMERCIAL BANKS FROM THE RESERVE BANK OF INDIA

EFFECTIVE FROM JULY 13, 1973

Net Liquidity Position	At 5%	At Bank Rate (7%)	Remarks
1	2	3	4
	I. *Export Credit*		
Irrespective of net liquidity ratio.		An amount equal to 10% of the annual average in 1972.	Such borrowings will impair the net liquidity ratio. If a bank has already borrowed under section 17(3A) and such outstandings continue beyond July 12, 1973, they will also impair the bank's net liquidity ratio. 1972 base to be effective from January 1, 1973.
	II. *An amount equivalent to the increase in advances over the prescribed base period in respect of :*		
—do—	Lending to primary co-op. credit societies in areas where the Scheme is in operation with the prior approval of the Reserve Bank of India and lending to Farmers' Service Societies sponsored by the banks with R.B.I. approval.		Such borrowings will impair N.L.R. as before. *Base Period :* Average level of such credit in the corresponding calendar quarter of the previous year, *i.e.* for the quarter January-March 1973, base will be the average for the quarter January-March 1972.
	III. *New Bill Market Scheme*		
—do—		Rediscounting of bills under the New Bill Market Scheme.	As the facility is not treated as a borrowing from Reserve Bank, it will not be taken into account in the computation of the net liquidity ratio; hence the facility will not impair the net liquidity ratio.

Note : Minimum net liquidity ratio for Bank Rate refinance is 39% effective from June 29, 1973. An enhanced rate of interest is chargeable on the *excess* borrowings of a bank. It would be the rate raised by 1% per annum above the level of Bank Rate for short-fall of every one percentage point or a fraction thereof in the bank's net liquidity ratio below 39%. However, when the net liquidity ratio falls below 35%, a maximum rate of 12%* will be charged. The minimum N.L.R. for Bank Rate refinance will be raised to 40% effective 8-9-73. Hence the maximum rate of 12% on excess borrowings will be applicable to N. L. R. level below 36%

* Please see foot note on page 14.

SECTION III (b)

ADVANCES TO BANKS

Under Section 17 (4) (a) of
THE RESERVE BANK OF INDIA ACT, 1934

SECTION III(b)

ADVANCES TO BANKS UNDER SECTION 17(4)(a) OF THE RESERVE BANK OF INDIA ACT, 1934.

No. and Date	Subject
Sch. 7489/C. 96-52 26-12-1952	Section 17(4)(a) of the Reserve Bank of India Act—Advances to scheduled banks—Procedure.

DBO. No. Sch. 7489/C.96-52—26 December 1952

All scheduled banks.

Dear Sirs,

ADVANCES UNDER SECTION 17(4) (a) OF THE RESERVE BANK OF INDIA ACT, 1934.

We have reviewed the existing procedure for making advances under section 17 (4)(a) of the Reserve Bank of India Act against Trustee securities (other than immovable property) in consultation with our Solicitors with a view to simplification, standardisation and compliance with the provisions of the Reserve Bank of India Act and the Public Debt Act and it is felt that it would be more convenient both to us and to the banks if the procedure indicated below is brought into effect from the 2nd February 1953.

(i) So far, offices of scheduled banks desiring to avail themselves of accommodation against approved securities have been lodging such securities from time to time along with a declaration of ownership and executing a demand promissory note each time a loan is taken. As this multiplicity of promissory notes and demand loans is cumbersome, it has been decided that in future the principal office of the scheduled bank should execute an agreement in the form given in Annexure 'A' and a demand promissory note for the bank's approximate total requirements and lodge the same with the office of the Reserve Bank where its principal account is maintained. Under the new procedure it will also be open to the other offices of the scheduled bank to lodge approved securities and avail of advances thereagainst at the local offices of the Reserve Bank but a consolidated agreement in the form given in Annexure 'A' and the relative demand promissory note will be executed by the principal office of the bank and held only at the office where the principal account of the bank is maintained.

(ii) If at any time the amount mentioned in the agreement and in the demand promissory note is found to be insufficient, the principal office of the scheduled bank may execute a letter in the form given in Annexure 'B' and lodge the same with the principal office of the Reserve Bank along with a demand promissory note for the additional amount and enhance the limits allotted to itself and/or to its various offices to that extent. Even though the agreement in the form given in Annexure 'A' and the demand promissory note are filled in for the approximate total requirements of the scheduled bank, if the limit is found to be insufficient at any time it will not be necessary for the bank to execute a fresh agreement and it will be enough if a letter in the form given in Annexure 'B' is lodged along with a promissory note for the additional amount.

(iii) If a scheduled bank has already lodged approved securities as cover for advances and if it is desired that they should continue to be held for that purpose from the 2nd February 1953 onwards also, it should send to the principal office of the Reserve Bank a letter in the form given in Annexure 'C' authorising it to hold, such securities already in its custody or transferred to it from the bank's S.G.L. account with the Public Debt Office, in terms of the new agreement. This letter should be sent by the Principal office of the bank on or before the last working day of January 1953 along with the agreement in the form given in Annexure 'A' and the relative demand promissory note and instructions regarding the allotment of limits to its branches, if any.

(iv) In the case of scheduled banks having approved securities already lodged with the Reserve Bank as cover for advances, if there is any balance outstanding in any of the demand loan accounts of the bank as at the 31st January 1953 the letter in the form given in Annexure 'C' should also contain instructions for transferring such balances to the new account that is to be opened in terms of the agreement. All subsequent deposits of securities including forms of transfer should be accompanied by a covering letter from the office depositing the securities in the form given in Annexure 'D'.

(v) After the execution of the agreement and the demand promissory note and the deposit of securities as above whenever the

principal office or any other office of the scheduled bank wants to avail of advances, it may address a letter to the Reserve Bank in the form given in Annexure 'E'.

(*vi*) If on or after the 2nd February 1953 a scheduled bank wants to lodge approved securities and avail of advances thereagainst at its principal office only, the principal office should execute an agreement in the form given in Annexure 'A' and a demand promissory note for its approximate total requirements and lodge the same with the principal office of the Reserve Bank. The approved securities proposed to be lodged may be either in the physical form or held in its S. G. L. account with the Public Debt Office. Such securities or forms of transfer, if the securities are held in the S. G. L. account should be accompanied by a covering letter in the form given in Annexure 'D'.

(*vii*) The amount mentioned in the agreement and in the demand promissory note will serve the purpose of a limit for the scheduled bank as a whole and if the bank desires to borrow not only at the principal office but also at the other offices of the Reserve Bank against approved securities deposited at the principal office, it will be permissible for the scheduled bank to do so. In this event it should have limits allotted for its different offices and the principal office of the Reserve Bank will advise its local offices of such limits. These limits should be covered not only by the agreement in the form given in Annexure 'A' and the relative demand promissory note executed by the principal office of the bank but also by the market value of the approved securities lodged after deducting the prescribed margins. On receipt of the advice from the principal office of the Reserve Bank the local office of the Reserve Bank will communicate the drawing limit to the branch of the scheduled bank concerned and the branch of the scheduled bank can thereafter obtain advances from the local office of the Reserve Bank within its drawing limit by lodging a letter in the form given in Annexure 'E'. Under this arrangement the limits available at the local office of the Reserve Bank can be drawn upon fully and the principal office of the scheduled bank will be able to borrow only up to the extent of the remaining drawing power provided the limit mentioned in the agreement and the demand promissory note covers this amount as well.

(*viii*) If a scheduled bank so desires, its offices can also deposit securities for the limits allotted to them. In this case the limit apportioned to each office will represent only the maximum amount that it could borrow against approved securities with the prescribed margins. Within the limits so apportioned, which will be covered by the agreement and the demand promissory note executed by the principal office, the other offices of the scheduled bank can borrow from the local offices of the Reserve Bank provided the market value of the approved securities lodged by them after taking into consideration the margins prescribed is sufficient to cover such advances. Similarly the principal office of the scheduled bank will be entitled to borrow against the approved securities deposited at the principal office up to the extent of the limit apportioned to itself which will be the balance of the amount mentioned in the documents after deducting the limits allotted to its other offices. The office depositing the approved securities may lodge additional securities over and above the limit apportioned to it but it will not be entitled to borrow in excess of the limit allotted to it. Similarly the office depositing the approved securities may withdraw any of the securities provided its total outstanding borrowings permit of such a withdrawal. Even though approved securities may be deposited separately at each office of the scheduled bank, if the principal office of the scheduled bank desires that any of the limits apportioned to its various offices should either be transferred, cancelled or reduced, such instructions can be given effect to by the principal office of the Reserve Bank only after ascertaining from the local offices concerned that there is no outstanding balance or that the outstanding balance permits of the reduction or transfer. It will be observed from the above that though a scheduled bank may lodge approved securities either at the principal office or at the other offices of the Reserve Bank the agreement in the form given in Annexure 'A' and the relative demand promissory note will be held only at the principal office.

(*ix*) If a scheduled bank, which has lodged approved securities at the principal office for the drawing limits allotted to its other offices, desires to withdraw any of the securities, such withdrawal will be possible only if the market value of the securities held less the prescribed margin is sufficient to cover all the limits in force at the local offices of the Reserve Bank as well as the borrowings of its principal office. It will, however, be open to the principal office of the scheduled bank to cancel or reduce any of the limits allotted to its other offices but in such cases the instructions can be given effect to only after the principal office ascertains from the local offices of the Reserve Bank that there is no outstanding balance or that the outstanding balance permits of the reduction or transfer.

Yours faithfully,
K. VARNASY
Dy. Chief Officer

ANNEXURE 'A'

FORM OF AGREEMENT

(To be stamped as an agreement under Article 5(*c*) Schedule I to the Indian Stamp Act ; see Section 23(*a*) of the Stamp Act)

Place .....

Date .....

To

The Reserve Bank of India,

.....

.....

Dear Sirs,

In consideration of your agreeing to make from time to time, under Section 17(4)(*a*) of the Reserve Bank of India Act, advances in your discretion but not in any event exceeding the sum (exclusive of interest) of Rs. ..... for which amount we have delivered to you a demand promissory note in your favour carrying interest at the rate hereinafter mentioned, which advances shall be repayable on demand and shall be made upon the security, by way of pledge, charge, mortgage or otherwise, of securities (other than immovable property) in which a trustee is authorised to invest trust money, we agree as follows :

(1) The balance of the said advances at any time outstanding shall be repayable by us on demand.

(2) Interest shall be payable by us to you on the said advances at Reserve Bank of India rate with quarterly rests and the amount of such interest calculated on the daily balances may be debited to the account of the said advances at the end of each calendar quarter or earlier when the balance outstanding is wiped off. It shall be open to you to reimburse yourselves with the amount of interest so debited by charging the same to our Current account with you.

(3) As security for the said advances we have delivered or transferred or will deliver or transfer to you such securities as are eligible under Section 17(4)(*a*) of the Reserve Bank of India Act and as are acceptable to you. The securities to be delivered to you shall be endorsed by us in your favour and such securities and the securities transferred to you shall be deemed to have been delivered or transferred to, and shall be held by you, upon and subject to the terms and conditions herein mentioned.

(4) All such securities so delivered or transferred shall be security to you for the due payment to you by us of —

(*a*) all moneys which now or which at any time or times hereafter become due and owing from us to you in respect of the abovementioned advances or in any other manner ;

(*b*) interest on the moneys aforesaid at the agreed rate with quarterly rests ;

(*c*) all expenses which may be incurred by you in selling or attempting to sell the said securities or any of them ; and

(*d*) all other costs, charges and expenses, if any, which you may be entitled by law to recover from us.

(5) We further agree to maintain in your favour such margin or margins as you may from time to time and with respect to each class of securities prescribe so that the total amount for the time being due to you for principal, interest, charges and costs in respect of the aforesaid advances shall not exceed the balance of the market value of the said securities after deducting the amount of margin required to be maintained. If there should, at any time, be a shortfall in the margin stipulated herein we shall forthwith on demand by you either deliver or transfer to you such further securities as are necessary to cover the shortfall or reduce the balance due to you by a cash payment so as to make good the amount of margin required to be maintained.

(6) If the amount of the said advances with all interest, charges and costs shall not be paid to you on demand or if we, at any time on demand, fail to restore the above stipulated margin it shall be lawful for you forthwith or at any time thereafter to sell all or any of the said securities without further notice and to apply the net proceeds of such sale in satisfaction so far as the same will extend towards the liquidation of the amount due hereunder and we agree to accept your account of such sale as sufficient proof of the correctness of the amount realised by, and the charges and expenses in connection with, such sale. If the net sum so realised should be insufficient to cover the full amount due hereunder, we agree to pay to you forthwith on delivery of your account abovementioned any balance due by us on the footing thereof.

(7) The security created by the delivery and/or transfer of such securities as aforesaid shall be and remain a continuing security for the balance from time to time due and payable to you in respect of the said advances notwithstanding the absence of debit balance at any time or any partial payments or fluctuations of accounts or withdrawal or retransfer of any part of the security.

(8) The security hereby created or agreed to be created shall extend also to all other sum or sums of money for which we, either separately or jointly with any other person or persons, may be or become indebted or liable to you on any account.

(9) We hereby declare that the securities so delivered and/or transferred and to be delivered and/or transferred by us shall be our absolute property at our sole disposal and free from any prior charge or encumbrance.

(10) We hereby agree to execute on demand such documents as may be required by you to vest the securities or any of them in you and to render the same readily saleable or transferable by you at any time.

Yours faithfully,

for and on behalf of .....

.....
(Name of the scheduled bank)

(Signature).....

(Designation) .....

ANNEXURE 'B'

Form of letter extending the limit (To be obtained from the principal office of the scheduled bank)

(Name of bank) .....

.....

Place .....

Date .....

To

The Manager,
The Reserve Bank of India

.....

Dear Sir,

With reference to the Agreement dated the ..... day of ....., we agree that in consideration of your agreeing to increase the limit of the advances from Rs. ..... to Rs. ..... in respect of which we have delivered to you a demand promissory note for Rs. ..... carrying interest at the Bank Rate with quarterly rests, all the terms of the said Agreement shall apply as well to the original advances as to the increased advances.

Yours faithfully,

for and on behalf of .....
(Name of the scheduled bank)

.....
(Signature)

.....
(Designation)

ANNEXURE 'C'

(Name of bank) .....

.....

Place .....

Date .....

To

The Manager,

Reserve Bank of India,

.....

Dear Sir,

Please hold the undernoted securities which are already in your custody or transferred to you from our S. G. L. Account with the Public Debt Office, as cover for advances in terms of our Agreement dated ..... *(Any balances outstanding in our Demand Loan accounts against these securities may kindly be transferred to the new account opened in terms of the Agreement.)

Serial No.	Description of security	Face value	Remarks.
		Rs.	

Yours faithfully,

for and on behalf of .....

.....
(Name of the scheduled bank)

(Signature) .....

(Designation) .....

* Please strike out if not applicable.

ANNEXURE 'D'

(Name of bank).....

.....

Place .....

Date .....

To

The Manager,
Reserve Bank of India,

.....

Dear Sir,

Please hold the undernoted securities sent herewith * / mentioned in _____ as cover for advances the enclosed forms of transfer

in terms of our Agreement dated .....

No. of scrips	Distinctive numbers	Description of security	Face value	Remarks
1	2	3	4	5
			Rs.	

Yours faithfully,
for and on behalf of .....

.....
(Name of the scheduled bank)

(Signature) .....

(Designation) .....

*If the securities proposed to be deposited are held by the Public Debt Office in the S.G.L. Account of the bank, an appropriate remark may be made against columns 1 and 2.

ANNEXURE 'E'

(Name of bank) .....

.....

Place .....

Date .....

To

The Manager,

Reserve Bank of India,

.....

Dear Sir,

In terms of our Agreement dated ..... and the securities held by you please allow us an advance of Rs. ..... (Rupees ..... only) and credit the amount to our Current Account. We have to advise that the advance is required for ..... (state the purpose for which the advance is required).

Yours faithfully,

for and on behalf of .....

.....
(Name of the scheduled bank)

(Signature) .....

(Designation) .....

SECTION III (c)

BILL MARKET SCHEME (OLD)

Section 17 (4) (c) of
THE RESERVE BANK OF INDIA ACT, 1934

SECTION III(c)

BILL MARKET SCHEME (OLD)

SECTION 17(4)(c) OF THE RESERVE BANK OF INDIA ACT, 1934

No. and Date	Subject
	A brief note on the Bill Market Scheme.
Sch. 222/C. 96G-52 16-1-1952	Creation of a Bill Market in India.
Sch. 546/C. 96G-52 29-1-1952	Bill Market Scheme—Advances under section 17(4)(c) of Reserve Bank of India Act—Clarification.
Ins. 6492/C. 297-52 8-11-1952	Section 17(4)(c) of Reserve Bank of India Act—Advances to scheduled banks—Modification of procedure.
Ins. 4121/C. 297-54 14-7-1954	Section 17(4)(c) of Reserve Bank of India Act—Liberalisation of the Bill Market Scheme.
BM. 1560/C. 297A-57 22-2-1957	Advances under section 17(4)(c) of Reserve Bank of India Act—Bill Market Scheme—Relaxation in respect of minimum amount of borrowing at any one time to Rs. 5 lakhs.
BM. 5806/C. 297A-57 29-7-1957	Advances under section 17(4)(c) of Reserve Bank of India Act—Forms of usance promissory notes.
BM. 511/C. 297A-69 18-3-1969	Bill Market Scheme and other schemes—Applications to be made to Regional Offices of DBOD.
BM. 1316/C. 297A-69 14-8-1969	Bill Market Scheme—Refinancing of fertiliser credit.
BM. 1396/C. 297A-69 27-8-1969	Bill Market Scheme—Refinancing of advances relating to small scale industrial units.
BM. BC. 153/C. 297A-71 31-12-1971	Bill Market Scheme—Refinancing of advances granted by way of 'defence packing-cum-supply credit'—Procedure and requirements.
Sch. BC. 34/C. 96-72 8-4-1972	Refinance against priority sector advances (other than export credit) Advice to banks to approach Reserve Bank, in case any difficulty is experienced by them in obtaining refinance for special discretionary limits under (Old) Bill Market Scheme.
BM. BC. 44/C. 297A-72 2-5-1972	Bill Market Scheme—Application for renewal/enhancement limits to be submitted sufficiently in advance of the date of expiry of the limits.

NOTE ON BILL MARKET SCHEME (OLD)

Following the introduction of the Bills Rediscounting Scheme under section 17(2) (*a*) of the Reserve Bank of India Act in November 1970, the circulars relating to which are included in Section III (*d*), it was decided in November 1971 that the Bill Market Scheme under section 17(4) (*c*) of the Act, introduced in 1952, should be discontinued except for the limited purpose of providing refinance in respect of finance made available by banks for food procurement operations and, in special cases, where the need for refinance is genuine but banks—especially the smaller banks—are unable to provide a portfolio of eligible paper except through creating bills under the old Bill Market Scheme—vide paragraph 8 of Governor's circular DBOD. No. Sch. BC. 130/C. 96-71 dated the 18th November 1971 included in Section III (*a*). In December 1971, it was also decided that banks should be provided refinance under the Old Bill Market Scheme in respect of their 'defence packing-cum-supply' credit to units which were producing materials, etc. for defence purposes. The Special Scheme evolved for the purpose is contained in circular DBOD. No. BM. BC. 153/C. 297A-71 dated the 31st December 1971.

DBO. No. Sch. 222/C. 96G-52—16 January 1952

All scheduled banks.

Dear Sirs,

CREATION OF A BILL MARKET IN INDIA

We enclose herewith a memorandum explaining the details of a scheme under which scheduled banks can obtain accommodation from the Reserve Bank under Section 17(4) (*c*) of the Reserve Bank of India Act, 1934. The terms and conditions outlined in the memorandum have been drafted after consultation with representative bankers, but as stated in the memorandum the details of the scheme including the rate of interest may have to be modified in the light of the actual working of the scheme. We shall, therefore, be glad to have your comments and suggestions, if any, on any of the aspects covered by the memorandum as also in regard to the forms, certificates and documents required to be tendered along with the application for accommodation. Scheduled banks which intend to avail themselves of accommodation in terms of the memorandum during the busy season should contact the Managers of the Reserve Bank of India at any of its offices at Bombay, Calcutta, Delhi, Madras and Kanpur. The scheme will be given effect to immediately.

Yours faithfully,
RAM NATH
Deputy Governor

CREATION OF A BILL MARKET IN INDIA

Introductory

During recent years scheduled banks have normally provided themselves with funds for meeting their seasonal requirements either by the sale of securities to the Reserve Bank or by borrowing from the Reserve Bank against Government securities under Section 17(4) (*a*) of the Reserve Bank Act. The system has obvious limitations and it has often been suggested that a bill market should be created in India. The question has been under the consideration of the Reserve Bank for some time and a scheme has now been evolved in consultation with several of the representative bankers in Bombay and Calcutta.

2. Before 1935 the Imperial Bank was permitted to borrow during the busy season funds from the Currency Department, subject to a maximum of Rs. 12 crores. Under the provisions of Section 14 of the Indian Paper Currency Act 1920, the Government of India imposed the following conditions for the issue of loans from the Currency Department against bills of exchange:—

(1) The Bills of exchange should be internal bills or hundis drawn for trade purposes.

(2) If the documents themselves did not bear any evidence of being drawn for such purposes, the Imperial Bank of India should certify that, to the best of its knowledge, the accommodation provided for was for the furtherance of trade.

(3) The rate of interest at which such loans could be taken from the Currency Department was subject to alteration from time to time.

The Imperial Bank was authorised to withdraw bills in excess of the amount of its borrowings outstanding at any time or to substitute other bills for those held by it on behalf of Government. The bank was also reimbursed the cost of the stamp duty paid by it for the conversion of its advances into bills for the purpose of borrowing from the Currency Department.

3. The scheme described below is largely based on the system described above. It will be introduced immediately as an experimental measure during the present busy season, but the details of the scheme (including the rate of interest) may have to be modified in the light of experience acquired during the actual working of the scheme.

4. THE SCHEME

The salient features of the new scheme are as follows :-

(*a*) *Procedure for conversion of advances.*

Section 17(4) (*c*) of the Reserve Bank of India Act enables the Reserve Bank to make advances to scheduled banks against the security of usance promissory notes or bills drawn on and payable in India and maturing within ninety days from the date of the advance. Advances may be granted to scheduled banks under this sub-section in the form of demand loans on the execution by them of demand promissory notes supported by usance promissory notes of their constituents. For this purpose, it would be necessary for the scheduled banks to convert the demand promissory notes obtained by them from their constituents in respect of loans, overdrafts and cash credits granted to them into usance promissory notes maturing within ninety days. Banks normally allow frequent part-payments in the case of loans, cash credits and overdrafts and frequent withdrawals are also permissible in the case of cash credits and overdrafts. The existing loan, cash credit or overdraft accounts should, therefore, be split up into two parts—

(*i*) One part would be converted by the demand promissory note as at present to permit of further withdrawals or repayments being made.

(*ii*) The other part which would represent the minimum requirements of the borrower during the next three months would be converted into usance promissory notes for ninety days.

This procedure would enable the banks to offer the same facilities to their constituents as before and to lodge the usance promissory notes with the Reserve Bank for advances.

(*b*) *Procedure for borrowing.*

(*i*) Advances by way of demand loans against the security of bills eligible under Section 17(4) (*c*) will be made at the offices of the Reserve Bank in Bombay, Calcutta, Delhi, Madras and Kanpur * in respect of advances granted by scheduled banks anywhere in India. Any scheduled bank desiring to avail itself of the facility under Section 17(4)(*c*) should submit its proposals to the principal or local office of the Reserve Bank. As advances will be granted by all offices of the Reserve Bank there would be no objection to two or more offices of a scheduled bank applying to the principal or local offices of the Reserve Bank simultaneously for an advance. It would, however, be necessary for the head office or principal office of the bank specially to authorise the branch managers to obtain this type of accommodation from the Reserve Bank by a resolution of the Board.

(*ii*) As the amount advanced by the Reserve Bank cannot exceed the amount lent by the scheduled bank to the party, banks should while submitting bills present a statement giving in respect of each bill the serial number, the name of the drawer, the date, the amount, the currency, the due date, the rate of discount, the amount of discount charged and the net proceeds of the bill credited to the account of the party or paid to him in cash.

(*iii*) As the provisions of Section 17(4) (*c*) require that the bills of exchange or promissory notes should have arisen out of *bona fide* commercial or trade transactions, the scheduled bank will have to scrutinise the purpose for which the advance has been availed of and obtain a certificate from the maker/endorser of the bill in the form given in Annexure 'C'†. The scheduled bank should lodge these certificates with the Reserve Bank along with its own certificate in the form given in Annexure 'B'†.

(*iv*) Section 17(4) (*c*) provides that each eligible bill should bear two or more good signatures, one of which shall be that of a scheduled bank. The scheduled bank will, therefore, have to certify that its constituent who is a party to the bill is good for the amount. This certificate is included in the form given in Annexure 'B'. It will be necessary for the scheduled bank to keep itself fully acquainted with the financial position of the parties to the bills tendered to the Reserve Bank as security and to advise the Reserve Bank of any change in their financial position, which may be detrimental to the recovery of the advance granted by the Reserve Bank. As the Reserve Bank would not undertake to present the bills offered as security for payment, the scheduled bank will have to make payment to the Reserve Bank on or before the date of maturity of each bill.

These and other necessary conditions have been incorporated in the form of the agreement given in Annexure 'A', and each scheduled bank will have to forward along with its first application for an advance under Section 17(4) (*c*) a stamped agreement in that form. For any further advances, a letter extending the limit as in the form given in Annexure 'D' † should be delivered. The agreement in form 'A' and letters in form 'D' must be signed by the principal office of the scheduled bank and delivered to the principal office of the Reserve Bank. That office will, when advances are being granted to the scheduled bank at other offices of the Reserve Bank, intimate to the office concerned that letters in form 'D' have been obtained from the scheduled bank concerned.

(*v*) A scheduled bank, if it so chooses, may withdraw any of the bills lodged with the Reserve Bank for advances under Section 17(4)(*c*) provided the discount value of the remaining bills is sufficient to cover the bank's outstandings with the Reserve Bank. A scheduled bank may also substitute other eligible bills of an equivalent value for those lodged with the Reserve Bank.

(*vi*) It is desirable, though not obligatory, that the names of parties whose advances are to be converted into bills should be submitted to the Reserve Bank for prior approval. For this purpose it would be necessary for the scheduled bank to supply detailed information to the Reserve Bank about the financial position of the parties, which should include the name of the party, his means and standing, the period during which he had had business connections with the scheduled bank, his maximum and minimum borrowings from the scheduled

* This facility is at present available at all offices of the Reserve Bank where its Banking Department is functioning.

† These forms have been revised. Please see paragraph 3 of circular DBOD. No. Sch. 546/C. 96G-52 dated the 29th January 1952.

bank during the last three years, the names of other bankers if available with whom he maintains accounts, etc. In the case of a partnership, the names of partners, their trade name/s, places where branches have been established, etc. may also be given. In the case of limited companies, the balance sheets for the last three years may also be submitted. The Reserve Bank may in the initial stage take some time to make enquiries regarding the borrowers, but the scheduled banks could temporarily borrow from the Reserve Bank against Government securities at the Bank Rate, if they required an advance immediately.

(*vii*) On receipt of an application for an advance under Section 17(4) (*c*), the Reserve Bank may satisfy itself about the eligibility of the bills by an inspection of the relative accounts and/or documents held by the scheduled bank, and by appropriate enquiries. The Reserve Bank may also call for such additional information from the scheduled bank from time to time as it may require. Even after an advance has been granted under Section 17(4) (*c*), the Reserve Bank may, at its discretion, call a scheduled bank to withdraw any bill or bills against corresponding payment.

(c) *Lending Policy*

The Reserve Bank while extending credit to scheduled banks will take into consideration not only the nature of the security offered, but also the manner in which the business of the bank is being conducted, for instance, whether it has been overtrading in the slack season, etc. The Reserve Bank may refuse to accept the bills of any particular scheduled bank without assigning any reason. Before a bank converts its advances into bills for being lodged with the Reserve Bank, it would, therefore, be desirable, though not obligatory, for it to ascertain whether the Reserve Bank will accept any paper tendered by it.

(d) *Rate of Interest*

In order to encourage the rapid development of a bill market in India, it has been decided to make advances to banks for the present at ½ per cent below the Bank Rate under Section 17(4)(c) of the Reserve Bank of India Act. The Reserve Bank, however, reserves the right to raise the rate at its discretion. The current rate may be ascertained from the nearest office of the Reserve Bank.

(e) *Stamp Duty*

As a further inducement to banks to create a bill market, it has been decided that half the cost of the stamp duty incurred in converting demand bills into time bills should be borne by the Reserve Bank, although with the reduction in the stamp duty on bills of exchange and promissory notes payable in less than a year to two annas for every thousand rupees or part thereof in January 1940, the incidence of the stamp duty is almost negligible. For the purpose of obtaining the refund, after an advance has been granted to a scheduled bank under Section 17(4)(c), it should submit an application giving particulars of the bills approved by the Reserve Bank, such as name of party, date of bill, amount of bill, stamp duty, etc. After verifying these particulars, the Reserve Bank will credit half the stamp duty* to the loan account of the scheduled bank.

* With effect from 1st March 1956 the Reserve Bank does not bear the cost of any portion of the stamp duty.

(f) *Limits for advances@*

As the main object of advances under Section 17(4)(c) is to relieve seasonal stringency, it has been decided that the minimum limit for an advance which a bank may take from the Reserve Bank at any one time should be provisionally fixed at Rs. 25 lakhs. In order to avoid delays that would be caused if the Reserve Bank had to make enquiries regarding numerous small parties, it has also been decided that each individual bill tendered by scheduled banks to the Reserve Bank for advances under Section 17(4)(c) should not be less than Rs. 1 lakh.

5. The procedure indicated above may seem cumbrous, but it is essential in the first year of the working of the scheme that the Reserve Bank should take adequate precaution to safeguard its position. With the co-operation of the scheduled banks in the working of the scheme, it will undoubtedly be possible to simplify the procedure in the subsequent years. If any of the scheduled bank desires to have further information or clarification in regard to advances under Section 17(4)(c), it should contact the Manager of the office of the Reserve Bank where it maintains its principal account or the Manager of the local Reserve Bank office.

ANNEXURE A

Form of agreement to be obtained from the principal office of the scheduled bank (to be stamped as an agreement in accordance with the law in force in each State).

Place .....

Date .....

To

The Reserve Bank of India,

.....

Dear Sirs,

In consideration of your agreeing to make, under section 17(4)(c) of the Reserve Bank of India Act, advances in your discretion but not in any event exceeding the sum (exclusive of interest) of Rs.....for which amount we have delivered to you a demand promissory note carrying interest at the rate hereinafter mentioned, which advances shall be repayable on demand and shall be made upon the security of bills of exchange and promissory notes drawn on and payable in India and arising out of *bona fide* commercial or trade transactions endorsed by us in your favour and maturing within ninety days of the date of delivery to you, we agree as follows :—

1. The balance of the said advances at any time outstanding shall be repayable by us to you on demand.

2. Interest shall be payable by us to you on the said advances at ..... per cent per annum below the Bank Rate with quarterly rests.

3. As security for the said advances we shall deliver to you such bills of exchange and promissory notes as are acceptable to you and are drawn on and payable in India and arising out of *bona fide* commercial or trade transactions and which bills of exchange and promissory notes shall be endorsed by us to you and shall mature

@Please see circulars DBOD. Nos. Ins. 4121/C. 297-54 dated 14th July 1954 and BM. 1560/C. 297A-57 dated 22nd February 1957.

within ninety days from the respective dates of their delivery by us to you.

4. In respect of each such bill of exchange or promissory note delivered to you, we shall give you a certificate that the same arises out of a *bona fide* commercial or trade transaction or transactions and it is understood that the said advances will be made and will be continued on the faith of the truth and correctness of such certificate.

5. We undertake that each such bill or promissory note so delivered to you will be paid on its due date and in default of payment by the principal debtor thereon, will be paid by us to you.

6. We agree that in default of payment by us under the terms of clause 5 thereof, you may, but without any obligation on you so to do, debit our current account with you for the amount due by us under such bill or promissory note.

7. Without prejudice to your remedies aforementioned, we agree that we will, if you so require, act as your agent for the realisation of any bill or promissory note at maturity and take all such steps as may be necessary for that purpose. We further agree that on realisation and pending payment to you of the proceeds of any such bill or promissory note we will hold such proceeds as trustee for you and shall forthwith pay such proceeds to you.

8. We agree that the fact of your not taking steps to enforce payment of such bills and promissory notes or any of them against the principal debtor thereon shall in no way release us from our liability thereon and we further agree that it shall be unnecessary for you to give any notice of dishonour.

9. We undertake that we will not deliver to you any bill or promissory note in terms of this Agreement unless we are satisfied that all parties liable thereon are financially sound, solvent and creditworthy and as such good for the purposes of section 17(2)(a) of the Reserve Bank of India Act and that by delivery we certify the signatures of such persons thereon.

10. We agree that we will from time to time, while these advances continue and whenever required by you to do so furnish you with true reports in such form as you may prescribe regarding the solvency of the parties on each such bill or promissory note and agree to advise you promptly of any change in the position of any such party which can reasonably be considered to affect your security hereunder.

11. We agree that this agreement and the said demand promissory note for Rs.....shall operate as a continuing security for the said advances notwithstanding the existence of a credit balance at any time or any partial payments or fluctuations of accounts or withdrawal of any part of the security.

Yours faithfully,

For and on behalf of .....

.....
(name of the scheduled bank)

(Signature) .....

(Designation) .....

DBO. NO. Sch. 546/C. 96G-52—29 January 1952

All scheduled banks with deposits of Rs. 10 crores or more including deposits outside India as on 31st December 1951.

Dear Sirs,

CREATION OF A BILL MARKET IN INDIA —ADVANCES UNDER SECTION 17(4)(c) OF THE RESERVE BANK OF INDIA ACT, 1934.

Please refer to our circular DBO. No. Sch. 222/C. 96G-52 dated the 16th January 1952. As the form of agreement in Annexure A to the Memorandum refers to the advances agreed to be made by the Reserve Bank at its discretion it would be open to the scheduled bank to fill in the total amount sanctioned by the Reserve Bank in the agreement and in the demand promissory note and draw amounts of not less than Rs. 25* lakhs each time, whenever required, provided the total outstandings are covered by the agreement, the relative demand promissory note and approved bills held by the Reserve Bank. The approved bills lodged will be a continuing security and even if the first advance made under the agreement and the demand promissory note is repaid wholly or in part fresh loans of not less than Rs. 25* lakhs at a time may be taken if they are covered by the usance bills and time promissory notes held by the Reserve Bank and if the total outstandings including the amount of fresh borrowings do not exceed the amount stated in the agreement and the relative demand promissory note. It will thus be observed that the amounts stated in the agreement and the relative demand promissory note will serve the purpose of a limit and fresh loans of not less than Rs. 25* lakhs at a time can be taken if the total outstandings are covered by these documents.

2. Similarly for the borrowings at the other offices of the scheduled bank a letter in the form given in Annexure D and the relative demand promissory note will be lodged with the principal office of the Reserve Bank and the amount stated therein will in effect be the

* Reduced in two stages--First to Rs. 10 lakhs and then to Rs. 5 lakhs--Vide footnote to para 4 (f) of the memorandum enclosed with circular DBOD No. Sch. 222/C. 96G-52 dated the 16th January 1952.

limit of advances for each such office within which it could borrow whenever required. If however the total outstandings at any office are likely to exceed the amount stated in the agreement in form A and or the letter in form D a fresh letter in form D and a promissory note for the additional amount would be necessary.

3. With regard to the form of certificate in Annexure B referred to in paragraph 4(b)(iv) of the Memorandum it has been decided to add the words "to the best of our knowledge and belief" after the words "and that" and before the words "each such party is financially sound, solvent and creditworthy." The form of certificate in Annexure C referred to in paragraph 4(b)(iii) of the Memorandum has also been amended. As the agreement in Annexure A refers to the advances agreed to be made by the Reserve Bank in its discretion the form of letter in Annexure D has also been slightly altered by substituting the words "limit of advances" in place of the words "amount of the advance." Specimens of the revised forms in Annexures B, C & D are enclosed.

4. As the agreement in form A or letter in Form D are accompanied by promissory notes, separate promissory notes should not be taken at the time of making the advances. Whenever a bank requires an advance which is covered by the agreement/s in form A or letter/s in form D and the promissory note/s already executed as well as by the value of approved bills held by the Reserve Bank, a letter may be sent to the Manager of the principal/local office of the Reserve Bank stating the amount of the desired advance, the date/s of the agreement and/or letter/s in form D and the fact that approved bills to cover the bank's outstandings with the Reserve Bank including the required advance are already held by the Reserve Bank, and requesting him to credit the amount of the desired advance to the bank's current account. As approved bills held by the Reserve Bank will form a continuing security for the total outstandings of the scheduled bank with the Reserve Bank under section 17(4)(c), banks will be permitted to retain such bills with us till due dates to enable them to draw against the same bills from time to time.

Yours faithfully,
T. A. VASWANI
Dy. Chief Officer

ANNEXURE 'B'

II. Form of certificate to be obtained from the scheduled bank as to the character of the accommodation provided by it.

To
Reserve Bank of India

We.....(name of the borrowing bank) hereby certify that the promissory notes/bills specified in the schedule hereto, executed and/or endorsed in our favour and endorsed this day by us in your favour, arose out of *bona fide* commercial or trade transactions, are as such eligible for purchase and rediscount by you under Section 17(2)(a) of the Reserve Bank of India Act, 1934, that the signatures on such promissory notes/bills are the genuine signatures of the parties thereto, and that where a bill or note is signed or endorsed by a person purporting to act under an authority, such person is duly authorised so to do and that to the best of our knowledge and belief each such party is financially sound, solvent and creditworthy and, as such, good, for the purposes of the said sub-section, and we further agree that on the faith of the correctness of the contents of this certificate you will make and/or continue advances to us under Section 17(4)(c) of the said Act.

Dated at....., this.....day of.....19

For and on behalf of.....

.....
(Name of the scheduled bank)

(Signature) .....

(Designation) .....

Form of Schedule referred to above

Serial No.	Date	Name of the drawer or maker	Amount	Usance	Rate of discount	Amount of discount	Proceeds
		Total	.....			.....	
			.....			.....	

..... (Place)

..... (Date)

..... (Signature)

ANNEXURE 'C'

Form of certificate to be obtained from the borrower by the scheduled bank.

To

.....
(Name of the scheduled bank)

I/We..... (name of the borrower) hereby certify that the promissory notes/bills specified in the Schedule hereto executed/endorsed by us in your favour arose out of *bona fide* commercial or trade transactions and that I/We further agree that on the faith of the correctness of the contents of this certificate, you may negotiate the said promissory notes/bills to the Reserve Bank of India.*

Dated at.....this..... day of.....19 .

.....
(Signature of the borrower)

(If a company) For and on behalf of.....

.....
(Name of the company)

(Signature) .....

(Designation) .....

* In case the scheduled banks do not desire to specify the Reserve Bank of India in the certificate, the words "to the Reserve Bank of India" may be omitted.

Form of Schedule referred to above

Serial No.	Date	Name of the drawer or maker	Amount	Usance

Total .....
.....

..... (Place)

..... (Date) .....
(Signature)

ANNEXURE 'D'

Form of letter extending the limit (To be obtained from the principal office of the scheduled bank)

..... (Place)

..... (Date)

To

The Reserve Bank of India,
.....

Dear Sirs,

With reference to the Agreement dated the.....
.....day of....., we agree that in consideration of your agreeing to increase the limit of the advances from Rs..... to Rs....., in respect of which we have delivered to you a demand promissory note for Rs....., carrying interest at..... per cent per annum below the Bank Rate with quarterly rests, all the terms of the said Agreement shall apply as well to the original advances as to the increased advances.

Yours faithfully,

For and on behalf of.....

.....
(Name of the scheduled bank)

(Signature) .....

(Designation) .....

DBO. No. Ins. 6492/C. 297-52 —8 November 1952

All scheduled banks with deposits, including deposits outside India, of Rs. 10 crores or more.

Dear Sirs,

ADVANCES TO SCHEDULED BANKS UNDER SECTION 17(4)(c) OF THE RESERVE BANK OF INDIA ACT, 1934

Please refer to the procedure relating to the grant of advances to scheduled banks under section 17(4)(c) of the Reserve Bank of India Act, 1934 laid down in the memorandum enclosed with our circular DBO. No. Sch. 222/C. 96G-52 dated the 16th January 1952. We have reviewed the working of the Bill Market Scheme in the light of our experience so far and it is felt that it will be more convenient both to us and to the banks if the existing procedure is modified on the lines indicated below.

2. Though banks have already been advised as per our circular letter DBO. No. Sch. 546/C. 96G-52 dated the 29th January 1952 that the amount mentioned in the agreement in the form in Annexure 'A' would serve the purpose of a limit, they were advised to fill in the documents for the total amount sanctioned by the Reserve Bank. As limits will be sanctioned from time to time, this restriction does not appear necessary and it will be open to the principal office to fill in the agreement in form 'A' and the relative demand promissory note for its estimated requirements during the busy season. It does not also appear necessary that the borrowings by different offices of a bank should be covered by separate documents. The principal office may initially lodge an agreement in form 'A' and a demand promissory note for the bank's total requirements

and if it wants to borrow at the other offices of the Reserve Bank this limit may be suitably apportioned between such offices. If subsequently the bank requires additional accommodation, the principal office could lodge a letter in the form in Annexure 'D' and a demand promissory note for the total additional requirements and enhance the limits allotted to itself and its branches to that extent. Whenever the facility of borrowing is required at more than one office, it will be necessary for the bank to advise the principal office of the Reserve Bank after the documents are executed about the individual limits to be allotted to its different offices. If a bank desires to transfer the limit allotted to a particular office either wholly or in part to any other office, it will be possible for the principal office of the Reserve Bank to do so only after ascertaining from the office where the limit is in force that the loan account of the bank at that office permits of the cancellation or reduction of the limit allotted. This information will be required only in cases where it is proposed to avail of the whole or a portion of the limit allotted to a particular office at any of the other offices. It is, therefore, proposed that only one set of documents (namely, an agreement in form 'A' and a demand promissory note) should be obtained in the beginning from the principal office of the scheduled bank for its estimated total requirements and if necessary have limits allotted for its borrowings at other offices. If at any time thereafter this limit is found to be insufficient, the principal office may lodge a letter in form 'D' and a demand promissory note for the enhancement of the total limit required and increase the limits enjoyed by its offices according to their requirements.

3. Those of the banks that have already lodged these documents with the Reserve Bank need not withdraw them as they will continue to be valid. The total amount mentioned in these documents will be treated as relating to the total requirements of the bank concerned and the bank may advise the principal office of the Reserve Bank the individual borrowing limits required for its offices at the different centres. If the amount for which the documents are already held is considered insufficient, the principal office of the bank may execute a letter in form 'D' and a demand promissory note for the additional amount required and then send instructions as to how the total limit is proposed to be allotted.

4. In terms of paragraph 4(*b*)(*i*) of our memorandum, banks are entitled to lodge bills relating to advances granted by them anywhere in India and borrow at all the offices of the Reserve Bank. Accordingly they have been tendering bills to the principal or local office of the Reserve Bank relating to advances made in that particular area. While we have no objection to continue the same procedure if banks find it more convenient, we would prefer banks centralising all their loan operations and borrowing through their principal office as far as possible. With the exception of the principal office, the bills lodged at other offices should ordinarily relate to advances granted in the same city, but may in special cases relate to the area covered by the local office of the Reserve Bank. The principal office of the bank may, therefore, tender proposals relating to any area but the branches will be entitled to forward proposals relating to parties in their respective areas only.

5. It has been decided that the bill limits sanctioned to banks should remain in force up to the end of September each year. As for the limits already sanctioned, all those sanctioned up to the 20th September 1952 are deemed to have lapsed and banks will have to apply for their renewal if they wish to avail themselves of the same during the ensuing season. We feel it would be advisable if applications for limits each year are forwarded to us before 30th September so as to enable banks to obtain our approval in time for the busy season. Even if limits are applied for after this date and sanctioned, such limits also will lapse on the 30th September succeeding. While the limits are in force, it is permissible for the banks to withdraw the bills on maturity and lodge fresh bills for equivalent amounts if necessary and these bills may be accepted by us provided the financial position of the parties continues to be satisfactory. While substituting fresh bills, therefore, the banks will have to confirm that there is no deterioration in the financial position of the parties and if there is any change in the particulars furnished in terms of paragraph 4(*b*) (*vi*) of the memorandum the Reserve Bank should be advised of such changes.

6. In terms of paragraph 4(*b*)(*vi*) of the memorandum referred to in paragraph 1

above, banks are required to supply the Reserve Bank with detailed information regarding the financial position of the parties whose bills they propose to offer as security. It is felt that if this information is supplied to us in the form enclosed (Enclosure I) or as near thereto as possible it will facilitate early consideration of the proposals by the Reserve Bank and avoid the delay sometimes involved in obtaining additional information or seeking clarification from the banks in respect of some of the material particulars about the parties. In the case of renewals from year to year, it would not be necessary to repeat all the information given in the form of report (Enclosure I) and it would be sufficient if the particulars required by the Reserve Bank in such cases are indicated in the form marked as Enclosure II or in a manner as near thereto as possible in order to facilitate the disposal of the renewal application without undue delay. The form in Enclosure II may be used only if the renewal is of the limit sanctioned during the previous year but not if it had lapsed during the previous year and not renewed thereafter. If the renewal is not applied for from year to year, a fresh report as in the case of new parties in the form in Enclosure I will be necessary.

7. As the bills lodged are treated as continuing security for the advances that may be availed of and as only a portion of the advances made to the party representing his minimum requirements during the busy season is converted into usance bills, the Reserve Bank will not accept any part payment on the usance bills. As any part payment against any usance bill held by the Reserve Bank will have to be made over to the Reserve Bank, banks also cannot accept part payments from their borrowers against any usance bill lodged with us even though the cash credit or overdraft account that is partially converted comes into credit and the subsisting liability of the borrower at a particular time happens to be only that in respect of the usance bills. We are advised that though neither the Reserve Bank nor the borrowing bank need accept any part payment on the usance bills, the borrowing bank can hold any amount in the party's overdraft, cash credit or other special account as cover for his liability on the usance bills making it clear to the party that the amount is accepted not as part payment in respect of any usance bills held but only as security or cover for the outstanding usance bills. The banks also, if they so desire, may allow compensatory interest on such balances held as cover but we have to make it clear that both the acceptance of money as cover and the allowing of compensatory interest are entirely optional and banks may follow whatever procedure they consider suitable. It appears that if this suggestion is accepted it would remove the difficulty of having to anticipate very accurately the minimum indebtedness of the borrower during the ensuing busy season before converting a portion of the outstanding balance in the borrower's loan, cash credit or overdraft account into bills.

8. The modifications indicated above as also the two forms given in the Enclosures have been made with a view to simplifying the procedure under the Bill Market Scheme so that banks may take a greater advantage of the facility made available to them in January last. We shall also be glad to have your comments and suggestions, if any, on any of the points mentioned above as well as the two forms that are enclosed so as to enable us to profitably review the working of the scheme once again at the end of the ensuing busy season in the light of your experience and suggestions.

Yours faithfully,
K. VARNASY
Dy. Chief Officer

ENCLOSURE 1.

Applicant bank's report on the financial positions etc. of the parties whose usance bills/promissory notes are proposed to be lodged as security (*vide* paragraph 4(*b*) (*vi*) of the memorandum)

1. Name and address of the party.
2. Nature of business.
3. Constitution. (If a firm, whether proprietory or partnership, and if a limited company, whether public or private).
4. When established.
5. Names of proprietors/partners/directors.
6. Means and standing of the party, stating the net estimated worth, if possible. (Please indicate the date and source of the information).
7. Nature and extent of credit facilities sanctioned to the party. (Please state in regard to each facility its nature, limit and security, if any, indicating the nature of bank's charge. Please also state the maximum and minimum outstandings during the last 3 years in respect of each facility).

8. Past dealings with the bank. (Please mention the date from which the party has been allowed credit facilities and whether the party's dealings in respect of such facilities have been satisfactory).

9. Amount of limit applied for.

10. Account proposed to be converted. (Please indicate the nature of the account and furnish the following information in respect thereof).

    (*i*) Date of sanction.

    (*ii*) Amount of advance or limit sanctioned.

    (*iii*) Rate of interest.

    (*iv*) Particulars of security, if any, stating the nature of the bank's charge.

    (*v*) Date on which the security was last verified.

    (*vi*) Value of the security. (Please indicate whether the value furnished is market value or estimated value).

    (*vii*) Margin stipulated. (Please also indicate whether this margin has been maintained during the preceding 12 months and if not, whether the shortfalls have been of a casual nature or otherwise).

    (*viii*) Present outstanding balance.

    (*ix*) Particulars of documents.

    (*x*) Names of guarantors, if any.

11. Manner in which consideration will be passed on to the party. (Please state whether the net proceeds of the usance bills/promissory notes will be paid in cash or credited to the party's account).

12. Name (s) of the person (s) authorized to borrow and to execute the usance bills/promissory notes. (Please give details of the authority).

13. Names of the party's other bankers.

14. Any additional information relating to the party which the bank may like to furnish in support of its application.

Notes :

(1) Information relating to each party whose usance bills/promissory notes are proposed to be lodged should be given in a separate form.

(2) In the case of limited companies, their balance sheets for the last three years should also be furnished along with this report.

(3) If the usance bills/promissory notes are to be signed by any other parties in addition to the borrower (such as the managing agents or directors of a company) in their individual capacity, the particulars indicated in items 1 to 6 above should be given in respect of each of these parties also in a separate form.

(4) If the usance bills/promissory notes are not to be obtained by conversion of an existing loan, cash credit or overdraft account but by granting fresh accommodation to the party at a future date, the information in item 10 above may be given in respect of the proposed facility as far as possible.

ENCLOSURE II.

Applicant bank's review of the financial position etc. of parties to whom limits were sanctioned during the previous season (1st October to 30th September).

1. Name and address of the party.

2. Date of last report.

3. Is there any change in the information furnished in respect of the party under items 2,3,5,6,7,8,11,12,13 and 14 in the last report or in respect of the co-obligants in terms of foot-note (3) thereto?. If so, please give full particulars (*vide* Note (1) below). In the case of item 7, please also state the maximum and minimum outstandings in respect of each facility subsequent to the last report.

4. Amount of limit desired to be renewed.

5. Account proposed to be converted. (Please indicate the nature of the account and furnish the following information in respect thereof).

    (*i*) Date of sanction.

    (*ii*) Amount of advance or limit sanctioned.

    (*iii*) Rate of interest.

    (*iv*) Particulars of security, if any, stating the nature of the bank's charge.

    (*v*) Date on which the security was last verified.

    (*vi*) Value of the security. (Please indicate whether the value furnished is market value or estimated value).

    (*vii*) Margin stipulated. (Please also indicate whether this margin has been maintained during the preceding 12 months and if not, whether the shortfalls have been of a casual nature or otherwise.

    (*viii*) Present outstanding balance.

    (*ix*) Particulars of documents.

    (*x*) Names of guarantors, if any.

6. Any additional information relating to the party which the bank may like to furnish in support of its application.

Notes :

(1) Information relating to each party should be given in a separate form.

(2) In the case of limited companies, if their latest balance sheets have not already been furnished with the last report or subsequently, they should be furnished along with this report.

(3) This form should be used only if the party had enjoyed any limit during the previous season.

DBO. No. Ins. 4121/C. 297-54—14 July 1954

All eligible scheduled banks.

Dear Sir,

ADVANCES TO SCHEDULED BANKS UNDER SECTION 17(4)(c) OF THE RESERVE BANK OF INDIA ACT, 1934 — THE BILL MARKET SCHEME.

The Bill Market Scheme was introduced by us in January 1952. Experience gained during the last two and a half years of the operation of the Scheme has shown that it has greatly facilitated the borrowings by the eligible banks from the Reserve Bank for meeting their busy season demands. Banks have been availing themselves of the facilities under the Scheme on an increasing scale and the advances availed of under the Scheme during the current season (from January 1954 up to the end of June 1954) amounted to Rs. 122.22 crores and even exceeded the advances availed of against Government securities at Rs. 116.05 crores during that period.

2. Suggestions had been made to us as well as to the Committee on Finance for the Private Sector that the Bill Market Scheme should be extended to the smaller scheduled banks and should also be liberalised. The Committee have recommended that the facilities under the Scheme should be made available to the scheduled banks with deposits of Rs. 1 crore or over, that the minimum limit for advances should be reduced from Rs. 25 lakhs to Rs. 10 lakhs and that the minimum amount of each individual bill should be Rs. 50,000 instead of Rs. 1 lakh.

3. Taking into consideration the suggestions made to us, the recommendations of the above Committee and the good response which the Scheme has so far received, it has been decided to extend the Scheme to all licensed scheduled banks and also to liberalise it suitably.

4. The Scheme will accordingly be extended as under with immediate effect :

(*a*) All scheduled banks in possession of a licence granted by the Reserve Bank of India in terms of section 22 of the Banking Companies Act, 1949 including the [Imperial Bank of India and the Hyderabad State Bank which do not require a licence,]@ [instead of only those having deposits of Rs. 5 crores or more and in possession of such a licence as hitherto]£, will be eligible for availing themselves of the facilities under the Scheme.

(*b*) The minimum amount that can be borrowed by a bank at a time under the Scheme in terms of section 17(4)(c) of the Reserve Bank of India Act, 1934 has been reduced from Rs. 25 lakhs to Rs. 10 lakhs.

(*c*)• The minimum amount of each individual bill/promissory note tendered as security for advances under the Scheme will be Rs. 50,000 instead of Rs. 1 lakh.

Yours faithfully,
P. S. MOKASHI
Dy. Chief Officer

DBO. No. BM. 1560/C. 297A-57—22 February 1957

All eligible banks.

ADVANCES TO SCHEDULED BANKS UNDER SECTION 17(4)(c) OF THE RESERVE BANK OF INDIA ACT, 1934—THE BILL MARKET SCHEME.

Please refer to paragraph 4(b) of our circular DBO. No. Ins. 4121/C. 297-54 dated the 14th July 1954 regarding the minimum amount that can be borrowed at a time under the above scheme. It has been decided to relax further the relative stipulation and the minimum amount that can be borrowed by

@ At present State Bank of India, its subsidiaries and nationalised banks do not require a licence.

£ Initially the scheme was restricted to scheduled commercial banks having deposits (including deposits outside India) of Rs. 10 crores or more as on 31st December 1951. Later, in 1953, the scheme was extended to scheduled commercial banks having deposits (including deposits outside India) of Rs. 5 crores or more, provided they were in possession of a licence granted by the Reserve Bank in terms of section 22 of the Banking Companies Act, 1949.

an eligible bank at any one time under the scheme in terms of section 17(4)(c) of the Reserve Bank of India Act, 1934 will henceforth be Rs. 5,00,000/- (Rupees five lakhs) instead of Rs. 10,00,000 (Rupees ten lakhs) as hitherto.

Yours faithfully,
P. KRISHNA IYER
Asstt. Chief Officer

DBO. No. BM. 5806/C. 297A-57 — 29 July 1957

All eligible banks.

Dear Sir,

ADVANCES TO SCHEDULED BANKS UNDER SECTION 17(4)(c) OF THE RESERVE BANK OF INDIA ACT, 1934

You may be aware that in the case of certain limits sanctioned by us, the relative bills to be lodged with us are required to be signed in their own name also by the guarantors/co-obligants to the bank's advances to the party. It has come to our notice that, in such cases, the usance promissory notes obtained by banks from their constituents for the purpose of lodgement with the Reserve Bank are at times not drawn in an appropriate manner. It has been observed that in certain cases the name of the principal borrower alone appears in the body of the usance promissory note which is signed by him and also by the additional party (guarantor/co-obligant) stipulated by us. The position of the additional signatory, in such cases, would be ambiguous (vide specimen note in Annexure 'A'). We would like to mention that wherever additional signatures are stipulated by us, it is our intention that such signatories should be concurrently liable on the promissory notes. We shall, therefore, be glad if you will kindly ensure that, in cases where additional signatures are stipulated by us, the relative usance promissory notes are suitably drawn (*e.g.* as in Annexures 'B', 'C', or 'D').

2. * * * * *

Yours faithfully,
M. S. NADKARNI
Asstt. Chief Officer

ANNEXURE 'A'

90 days after date without grace I/we (Name of the principal borrower) promise to pay to.....
(Name of the bank)

.....or order the sum of Rupees....

..... for value received,

with interest thereon at.....etc.

Sd. (Principal borrower)

Sd. (Additional party stipulated)

ANNEXURE 'B'

90 days after date without grace we jointly and severally promise to pay to .....
(Name of the bank)

or order the sum of Rupees.....for

value received, with interest thereon at.....

.....etc.

Sd. (Principal borrower)

Sd. (Additional party stipulated)

ANNEXURE 'C'

90 days after date without grace we.....
(Names of the

....

principal borrower and the additional party stipulated)

jointly and severally promise to pay to.....
(Name of the bank)

or order the sum of Rupees.....for

value received, with interest thereon at ..... etc.

Sd. (Principal borrower)

Sd. (Additional party stipulated)

ANNEXURE 'D'

90 days after date without grace I/we .....
(Name of the additional party stipulated)

promise to pay to.....
(Name of the principal borrower)

..... or order the sum of Rupees.....

for value received, with interest at ..... etc

Sd. (Additional party stipulated)

(Endorsement on reverse of the note by the payee)

Pay to.....or order.
(Name of the bank)

Sd. (Principal borrower)

DBOD. No. BM. 511/C. 297A-69 — 18 March 1969

All eligible scheduled commercial banks.

Dear Sir,

At present, banks submit proposals for limits under the Bill Market Scheme to our Managers at centres where they maintain their principal accounts or local offices of the Reserve Bank except at Bombay where they submit the applications to the Joint Chief Officer, Department of Banking Operations and Development, Bombay Regional Office. In order to expedite the disposal of applications, it has been decided that with immediate effect the banks should send all proposals for limits under the Bill Market Scheme, Export Bills Credit Scheme and Pre-shipment Credit Scheme to the Officer-in-Charge of the Regional Office of the Department of Banking Operations and Development at the centre where the applicant bank maintains its principal account. In case a bank also wants limits at another centre under the Bill Market Scheme in respect of the accounts maintained at its branches functioning under the jurisdiction of the office of Department of Banking Operations and Development at that centre, the proposals relating to such accounts should be submitted to that office of the Department of Banking Operations and Development. However, applications for limits under the Export Bills Credit Scheme and the Pre-shipment Credit Scheme should be made to the Officer-in-Charge of the Regional Office of the Department of Banking Operations and Development at the centre where the bank maintains its Principal account. Further, even if a bank wants the limits under these two Schemes to be allocated at other centres where the Reserve Bank has offices of the Banking Department, it should send its applications for the bank as a whole to the Officer-in-Charge of the Department of Banking Operations and Development at the centre where the bank is maintaining its principal account but with a request to allocate the limits to the various offices.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 1316/C. 297A-69— 14 August 1969

All eligible scheduled commercial banks.

Dear Sir,

ADVANCES UNDER SECTION 17(4)(c) OF THE RESERVE BANK OF INDIA ACT, 1934 — REFINANCING FERTILISER CREDIT

In the context of the recommendations of the Fertiliser Credit Committee relating to refinancing of banks in respect of credit made available by them for distribution of fertilisers, it has been decided that the minimum amount of a usance promissory note arising out of advances for distribution of fertilizers which may be accepted as security by the Reserve Bank for the purpose of advances under section 17(4)(c) of the Reserve Bank of India Act will henceforth be Rs. 0.25 lakh (Rupees twenty-five thousand only) instead of Rs. 0.50 lakh as at present under the Bill Market Scheme. Similarly, the minimum amount that can be borrowed by an eligible bank at any one time under the Bill Market Scheme against its advances for distribution of fertilisers to wholesalers and retailers will henceforth be Rs. 1 lakh (Rupees one lakh only) instead of Rs. 5 lakhs as at present. The borrowings in excess of the minimum should, however, be made in multiples of Rs. 10,000/.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 1396/C. 297A-69 — 27 August 1969

All eligible scheduled commercial banks.

Dear Sir,

ADVANCES TO SCHEDULED BANKS UNDER SECTION 17(4)(c) OF THE RESERVE BANK OF INDIA ACT, 1934 — REFINANCING ADVANCES RELATING TO SMALL-SCALE INDUSTRIAL UNITS

Please refer to the Governor's circular letter DBOD. No. Sch. 521/C. 96-69 dated the 28th March 1969.* As the usance pro-

(* Not included in the booklet.)

missory notes arising out of banks' advances to small-scale industrial units are likely to be of smaller amounts, it has been decided that the minimum amount of a usance promissory note arising out of advances to such units which may be accepted as security by the Reserve Bank of India for the purpose of advances under section 17(4)(c) of the Reserve Bank of India Act will henceforth be Rs. 0.25 lakh (Rupees twenty-five thousand only) instead of Rs. 0.50 lakh as at present under the Bill Market Scheme. Similarly, the minimum amount that can be borrowed by an eligible bank at any one time under the Bill Market Scheme against usance promissory notes arising out of its advances to the small-scale industrial units will be Rs. 1 lakh (Rupees one lakh only) instead of Rs. 5 lakhs as at present. The borrowings in excess of the minimum, should, however, be made in multiples of Rs. 10,000/-.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. BC. 153/C. 297A-71 — 31 December 1971

All scheduled commercial banks.

Dear Sir,

EXTENSION OF THE BILL MARKET SCHEME UNDER SECTION 17(4)(c) OF THE RESERVE BANK OF INDIA ACT, 1934 FOR REFINANCING ADVANCES GRANTED BY WAY OF 'DEFENCE PACKING-CUM-SUPPLY' CREDIT.

Please refer to Governor's circular* letter DBOD. No. GCS. BC. 142/C. 483-71 dated the 11th December 1971, wherein banks, *inter alia*, have been advised to grant credit facilities adequately and expeditiously by way of 'defence packing-cum-supply' credit to units which are producing materials, etc. for defence purposes, as also to subcontractors providing materials, equipment, etc. to the primary suppliers fulfilling defence orders. In this connection, it was also indicated in paragraph 4 of the above circular that the Reserve Bank of India had decided to make available full refinance facilities, at the Bank Rate, irrespective of a bank's net liquidity ratio, for the foregoing purpose under the Old Bill Market Scheme under section 17(4)(c) of the Reserve Bank of India Act, 1934. (Borrowings under this facility will, however, be included in the aggregate borrowings while computing a bank's net liquidity ratio). The banks are, no doubt, familiar with the procedure laid down by the Reserve Bank for extending refinance facilities under this Scheme. The usual procedure prescribed for availing refinance facilities from the Reserve Bank under the Scheme, has been slightly modified for the purpose of extension of refinance facility against advances granted for defence supply as indicated in the Annexure.

2. For availing of the refinance facilities in terms of this circular, it will be necessary for banks to grant the relative advances under separate accounts and to convert such advances into eligible usance promissory notes as required under the Scheme. These promissory notes will be drawn, as usual, in favour of the banks which will be accepted by the Reserve Bank as security against advances, at the Bank Rate, under the Scheme. The additional requirements to be complied with are as indicated in the Annexure. As soon as a 'defence packing-cum-supply' advance or a regular limit for availing such advances is sanctioned by a bank to a party, it may make an application to the Reserve Bank for grant of suitable limit thereagainst. It should be ensured that the amount of a single bill lodged with the Reserve Bank should not be less than Rs. 10,000/- and the value of bills offered at any one time for availing refinance facility by a bank should not be less than Rs. 50,000/-. The applications in respect of individual parties should be submitted by the banks to the concerned office of the Department of Banking Operations and Development as indicated in our circular letter DBOD. No. BM. 511/C. 297 A-69 dated the 18th March 1969. Our Regional Offices are being advised to deal with the applications submitted by the banks expeditiously.

Yours faithfully,
N. D. JAIN
Dy. Chief Officer

* This circular is included in section V (i)

ANNEXURE

PROCEDURE AND REQUIREMENTS

General :

The application for availing of refinance facility from the Reserve Bank of India should be in the form prescribed for advances under the Old Bill Market Scheme and should be made to the concerned office of the Department of Banking Operations and Development as indicated in our circular letter DBOD. No. BM. 511/C. 297A-69 dated the 18th March 1969. The bank will no doubt, as in other cases, ensure that the party is creditworthy and that his signature on the usance promissory note could be considered as "good" and also that safeguards are taken to effectively secure the loans.

The usance promissory note must be supported by consideration and it should also be ensured by the bank that its borrowings from the Reserve Bank of India against the usance promissory notes are not in excess of the dues owed to it from time to time by each of the makers thereof in the relative account(s).

The bank, wishing to avail itself of refinance facility in respect of its advances, granted by way of 'defence-packing-cum-supply' credit, will have to execute a demand promissory note separately for its anticipated total borrowings from the Reserve Bank for this purpose during the season. It should also furnish a consent letter as in the form enclosed duly signed by its official (s) authorised to execute on behalf of the bank loan documents for borrowings under the Bill Market Scheme.

It should be ensured by the bank that the total outstanding borrowings on account of refinance obtained under this facility are fully covered by the value of the usance promissory notes.

The refinance from the Reserve Bank will be available in respect of advances made to manufacturers/contractors executing a defence order including sub-contractors providing materials etc. to the primary suppliers fulfilling the defence order received from the Director General of Supplies and Disposals or the Ministry of Defence or Army Purchase Organisations.

The bank should ensure that the usance promissory notes obtained from the borrowers are for a tenure of not more than 90 days. The documents obtained by the bank should include :

(*a*) the firm order or acceptance of tender note or a supply bill drawn on Government Department accompanied by the inspection note covering the certificate of inspection of goods together with the proof of despatch of goods and/or inspection challan signifying that the goods have been actually received and accepted by the concerned authorities ;

(*b*) an irrevocable general power of attorney in favour of the bank and registered with the Government Department concerned ;

(*c*) a copy of the letter from the constituent to the Government Department informing them of the power of attorney executed by him in favour of the bank and requesting the Government Department to pay the proceeds of the bills to the bank ;

(*d*) a letter from the constituent undertaking to repay to the bank the amounts of the bills, if any, in case they are paid direct to him by the Government Department ;

(*e*) the bank should certify at the time of lodgement of usance promissory notes with the Reserve Bank of India that the relative advances have been made to the parties concerned for the purpose of executing the defence contract(s), that it holds the necessary documents and that it will continue to comply with the prescribed requirements until the advance taken from the Reserve Bank is repaid.

———x———

Name of the bank : .....
(Place) .....
(Date) .....

To
The Manager,
Reserve Bank of India,

Dear Sir,

Advances under section 17(4) (*c*) of the Reserve Bank of India Act, 1934—Old Bill Market Scheme—'Defence packing-cum-supply' credit.

Please refer to your Central Office circular letter DBOD. No. BM. BC. 153/C. 297A-71 dated the 31st December 1971. We agree to abide by your requirements stated therein. We further agree that notwithstanding your granting to our bank under section 17(4)(*c*) of the Reserve Bank of India Act, 1934, advances against the security of bills mentioned in your above letter only through a separate loan account opened in our bank's name for that purpose, the loan documents already executed or which may be executed hereafter on behalf of our bank in respect of the loan account relating to other advances under the said section in terms of the Bill Market Scheme will also hold good for the amount due from our bank from time to time in the aforesaid separate loan account as though the balances in that account had arisen out of advances made through the existing loan account, except that the references in the said loan documents to the rate of interest payable by us on the amounts due by us shall, in relation to advances through the separate loan account referred to above, be construed as references to the Bank Rate for the time being in force. We also agree to execute such further or other documents which you may consider necessary to effectively apply the said loan documents to the separate loan account.

Yours faithfully,

DBOD. No. Sch. BC. 34/C. 96-72—8 April 1972

All scheduled commercial banks.

Dear Sir,

Please refer to paragraph 1 of our circular letter DBOD. No. Sch. BC. 147/C. 96-71 dated the 24th December 1971* wherein it has been indicated that refinance at Bank Rate/ concessional rate, irrespective of net liquidity ratio, would continue to be provided by the Reserve Bank in respect of the increase over the prescribed base period in respect of the banks' (*i*) lending to primary co-operative credit societies in the selected districts,

* This circular is included in Section III (a).

(*ii*) short-term direct lending to agriculturists and (*iii*) short-term lending to small-scale industries covered by the guarantee of the Credit Guarantee Organisation. As banks are aware, they can at present borrow from the Reserve Bank under any one or more of the following provisions of the Reserve Bank of India Act, 1934, *viz.*, (*i*) section 17(4)(a) against Government securities, (*ii*) section 17(4)(c) under the old Bill Market Scheme and (*iii*) section 17(3A) under the Export Credit Schemes. However, the old Bill Market Scheme is kept open for limited purposes, such as for borrowings against advances made for food procurement or advances granted by way of "defence packing-cum-supply credit." In the previous (1970-71) busy season the borrowings against advances granted by banks to priority sectors other than export credit were allowed under the old Bill Market Scheme. A few banks have now enquired as to how refinance against the priority sector advances, other than export credit, could be availed of by them during the current (1971-72) season, in the absence of the availability of refinance facility under the old Bill Market Scheme, for this purpose. In this connection, we have to clarify that the penal rate of interest is applicable only to the excess borrowings, which is arrived at after deducting the total entitlements under the various provisions from the actual aggregate borrowings from the Reserve Bank of India. This would mean that, for the calculation of the excess borrowings of a bank, any borrowings under the provisions of section 17(3A) of the Act (*i.e.*, under Export Credit Schemes) or section 17(4)(c) of the Act (old Bill Market Scheme) in respect of food procurement advances, etc. in excess of its actual entitlement for refinance at or below Bank Rate under the relative head would be adjusted against the entitlements for refinance at or below Bank Rate in respect of other priority sector advances. Thus, it would not be necessary for a bank to borrow specifically under the old Bill Market Scheme for the purpose of availing itself of refinance in respect of the priority sector advances (other than export credit) inasmuch as its entitlements for such refinance are taken into account even otherwise while calculating its excess borrowings. However, if any bank still finds difficulty in obtaining refinance and taking advantage of the concessional rate in respect of the said priority sector advances, it may approach us with the relevant details for a special discretionary limit under the old Bill Market Scheme, to the extent necessary.

Yours faithfully,
V. K. SYAMASUNDARAN
Dy. Chief Officer

DBOD. No. BM. BC. 44/C. 297(A)-72 — 2 May 1972

All scheduled commercial banks.

Dear Sir,

ADVANCES UNDER SECTION 17(4)(c) OF THE RESERVE BANK OF INDIA ACT, 1934 — OLD BILL MARKET SCHEME.

Please refer to our Governor's circular letter DBOD. No. Sch. BC. 130/C. 96-71 dated the 18th November 1971.† As stated in paragraph 8 thereof, the Old Bill Market Scheme has been discontinued, except for the specific purpose of providing refinance for food procurement operations and in special cases where the need for refinance is genuine, but banks — especially smaller banks — are unable to provide a portfolio of eligible paper except through creating bills as under the Old Bill Market Scheme. In this connection, we have to advise that limits sanctioned to the banks for food procurement operations are valid for a period of one year, *i.e.*, from the 1st October to 30th September of the following year. Banks are required to submit their renewal applications to the Reserve Bank of India sufficiently in advance of the date of expiry of the relative limits. The outstanding advances may, however, continue unless specifically required to be adjusted by the Reserve Bank, but fresh advances are to be granted only after the renewal/enhancement of the limits is approved.

2. The same procedure will be applicable for grant of refinance facilities against advances granted by banks by way of 'defence packing-cum-supply' credits in terms of the Scheme circulated to banks with our circular letter DBOD. No. BM.BC.153/C. 297A-71 dated the 31st December 1971.

Yours faithfully,
S. R. AVADHANI
Jt. Chief Officer

† This circular is included in Section III (a).

SECTION III (d)

BILLS REDISCOUNTING SCHEME

Section 17 (2) (a) of
THE RESERVE BANK OF INDIA ACT, 1934.

SECTION III(d)

BILLS REDISCOUNTING SCHEME — SECTION 17(2)(a) OF THE RESERVE BANK OF INDIA ACT, 1934

No. and Date	Subject
	Note on Bills Rediscounting Scheme.
BM. 1304/C. 297(V)-70 28-8-1970	Creation of a Bill Market in India — Bills Rediscounting Scheme.
BM. BC. 24/C. 297(V)-71 24-2-1971	Bills Rediscounting Scheme — Enlargement of the scope of the Scheme.
BM.BC. 53/C.297(V)-71 17-4-1971	Bills Rediscounting Scheme — Reduction of the minimum amount of single bill from Rs. 10,000 to Rs. 5,000.
BM.BC.91/C.297(V)-71 30-7-1971	Bills Rediscounting Scheme — Enlargement of the scope of the Scheme — Bills of exchange arising out of sale of goods to Government departments and Quasi-Government bodies and Statutory corporations and Government companies are eligible for rediscount with Reserve Bank.
BM.2226/C.297(V)-71 25-10-1971	Bills Rediscounting Scheme — Actual lodgement of bills — Bills of face value of Rs. 2 lakhs and below may be held with banks themselves as agents of Reserve Bank.
BM.BC.33/C.297(V)-72 6-4-1972	Bills Rediscounting Scheme — Bills of Exchange drawn on and accepted by the Industrial Credit and Investment Corporation of India Ltd. on behalf of its purchaser constituents singly or jointly with them will be eligible for rediscount with Reserve Bank.
BM.BC.41/C.297(V)-72 26-4-1972	Bills Rediscounting Scheme — Clarification that a bill accepted by the drawee could be rediscounted with the Reserve Bank if the discounting bank certifies that the drawee of the bill is financially sound, solvent, etc.
BM.BC.45/C.297(V)-72 5-5-1972	Bills Rediscounting Scheme — Date of delivery/withdrawal/retirement of the bills lodged with Reserve Bank — Procedure to be followed if the date falls on a holiday.
BM.BC.54/C.297(V)-72 7-6-1972	Bills Rediscounting Scheme — Retirement of bills before due dates— Procedure regarding *pro rata* refund of the discount.

SECTION III(d)

BILLS REDISCOUNTING SCHEME—SECTION 17(2)(a) OF THE RESERVE BANK OF INDIA ACT, 1934

No. and Date	Subject
BM. 1261/C. 297V(62)-72 27-7-1972	Bills Rediscounting Scheme—Non-availability of Hundi papers of higher denomination and steps to overcome the difficulty.
BM. BC. 69/C. 297V-72 8-8-1972	Bills Rediscounting Scheme—Clarification that there is no objection to banks discounting bills before their acceptance if satisfied about the genuineness of transaction and about the safety of their funds.
BM. BC. 28/C. 297V-73 23-3-1973	New Bill Market Scheme—Clarification that non-financial institutions should not be allowed for the present to participate in the Scheme.
Sch. BC. 67/C. 96-73 6-6-1973	Bills Rediscounting Scheme—Minimum rate of discount to be charged on bills eligible under the Scheme.

NOTE ON BILLS REDISCOUNTING SCHEME

Introduction

The question of creating a bill market in India has been considered on more than one occasion in the past. Under the Old Bill Market Scheme, the Reserve Bank provided refinance to banks against usance bills which were specifically created by converting cash credit accounts of borrowers. They were not negotiable or marketable instruments and remained with the Reserve Bank of India with the result that the Reserve Bank was constrained to become the lender of the first resort.

2. Constitution of the Study Group

A Study Group was constituted by the Reserve Bank of India in February 1970 to go into the question of enlarging the use of bill of exchange as an instrument for providing credit and the creation of a bill market in India. It felt that the existing system of making payment for the goods sold or supplied which was on open account basis was not satisfactory from the point of view of the supplier because he did not know when he would be paid; in actual practice, the purchasers had usually been taking unduly long time to effect payments. This resulted in the seller finding himself unable to plan out his finances in a rational manner, which aggravated the pressure on banks for grant of loans, etc. The Study Group came to the conclusion that it would be advantageous, to take steps to enlarge the use of bill of exchange as an instrument of credit and to create a bill market in India, where bills could be purchased or sold according to the requirements of the institutions concerned. It would assist the development of the practice of issue of usance bills and their acceptance for the purpose of trade credit and for securing discounting facilities against them.

3. Scope of the Bills Rediscounting Scheme

In pursuance of the recommendations of the Study Group, the Reserve Bank introduced a Scheme known as 'Bills Rediscounting Scheme' with effect from the 1st November 1970 under Section 17(2)(*a*) of the Reserve Bank of India Act, 1934. The bills to be rediscounted by the Reserve Bank under the new Scheme will be negotiable and marketable and their negotiability is an essential condition for the development of a sound bill market. They would impart flexibility to the money market, help evening out surpluses and deficits in the banking system and would enable the Reserve Bank to exercise effective control over the money market, as recourse to the Bank will normally be only when the banking system as a whole is short of funds rather than only when a few banks are in need of funds. Thus the Reserve Bank will become the lender of the last resort instead of the first resort. Expansion and contraction of money by the Reserve Bank as a result of the rediscount of such bills would get related directly to the needs of the economy. It is expected that the Scheme will enable the banking system to augment its resources adequately to meet the emerging needs of trade and industry during the busy season.

At present borrowings for working capital purposes from banks fall under two broad categories :

(*a*) for production purposes secured largely by goods in process of manufacture and finished goods; and

(*b*) for financing sale of goods.

Advances for both the purposes are given by banks at present in a large measure on a cash credit basis. The main object of the new Scheme is that, as far as possible, finance against sale of goods should be provided through bills and not on cash credit basis. Banks of course do provide some finance to these customers against bills even at present. The main inducement to sellers and buyers to switch over to bills from cash credit would be somewhat as follows :

The seller of goods, if he raises finance through bills, should generally pay a lower rate of interest than on cash credit basis. The buyer of goods makes a commitment to make payment of the bill on due date and the seller can draw his financial plans on a more realistic basis. The buyer should be in a position to get better terms than if the sale were on an open account with the date of payment being not as definite as in the case of a bill. In so far as the banks are concerned bills provide them with avenues for investment

in assets which are near liquid. Through bills, banks are able to keep a closer contact with the customers. In the case of advances against book debts on a cash credit basis, if the buyers of goods do not pay on the due dates, the banks do not get first hand information. In the case of bills, banks get direct information regarding payments or non-payments on due dates.

4. Salient features of the Scheme

(*i*) *Eligible Institutions*

Under the Bills Rediscounting Scheme all *licensed scheduled banks* are eligible to offer bills of exchange to the Bank for rediscount (this includes State Bank of India and its subsidiaries and the nationalised banks).

(*ii*) *Fixation of limits*

Eligible banks are required to apply to the Bank in the *pro forma* furnished to them in this behalf, giving their estimated credit requirements for the 12 months ending October each year and limits are sanctioned/ renewed for a period of 1 year running from 1st November to 31st October of the following year. Renewed limits are available in respect of fresh bills and are independent of the facilities availed of under the previous limits. An eligible bank intending to renew the limit has to submit its renewal application to the Bank sufficiently in advance of the date of expiry of the existing limit.

(*iii*) *Eligibility of bills*

The Scheme stipulates that only certain types of bills will be eligible for the purpose of rediscount with the Reserve Bank. While the commercial banks would be free to discount and rediscount bills of other types, no rediscounting facilities will be extended by the Reserve Bank against such bills. Bills of exchange arising out of sale of commodities covered by the selective credit control directives have been excluded from the scope of the Scheme. This is because inclusion of such bills with the consequent availability of discounting and rediscounting facilities would be in contravention of the spirit of the selective credit controls and it would be very difficult to keep a watch on the level of outstanding credit against the affected commodities. Initially bills covering supplies to Government Departments were outside the purview of the Scheme but with a view to further enlarging the scope of the Scheme, bills of exchange arising out of sale of goods to Government Departments and Quasi Government bodies as well as statutory corporations and Government companies have been made eligible for rediscount with the Reserve Bank, provided such bills conform to the requirements of the Scheme. With a view to enlarging the scope of the Scheme the criteria for eligibility of bills has been relaxed and the following bills are now eligible for rediscount under the Scheme.

(*a*) Bills drawn on and accepted by the buyer's banker.

(*b*) Bills drawn on the buyer and his banker and accepted by both of them jointly.

(*c*) Bills drawn on and accepted by the buyer under an irrevocable letter of credit and certified by the buyer's bank, which has opened the letter of credit, in the manner specified under the Scheme.

(*d*) Bills drawn on and accepted by the buyer and endorsed by the seller in favour of his bank and bearing a legend signed by a licensed scheduled bank which should be an endorser of the bill, confirming that the bill will be paid by that bank three days before the date of maturity.

(*e*) Bills drawn on and accepted by the Industrial Credit & Investment Corporation of India, Ltd. on behalf of its purchaser-constituents, singly or jointly with them.

(*f*) A bill of exchange drawn and accepted in the manner prescribed in the Scheme and discounted by a bank at the instance of the drawee.

The bills of exchange eligible for rediscount under the Scheme should be genuine trade bills and should have arisen out of sale of goods and should indicate on the face thereof the nature of the transaction and the particulars of the document of title to goods relating thereto. They should normally have a maturity of not more than 90 days ; those having a maturity of 120 days will also be eligible provided at the time of offering to the Bank for rediscount they have a maturity of not exceeding 90 days. Besides, as required under the Reserve Bank of India Act, the bills should

have at least two good signatures, one of which should be that of a licensed scheduled bank. Bills are now rediscounted by the Reserve Bank at the Bank Rate (6% at present) and the rediscount facility is available throughout the year. The form in which the Reserve Bank desires the bills to be drawn has been furnished to banks. Limits for discounting bills drawn on D.A. basis granted by banks to the borrowers require the prior approval of the Reserve Bank under the Credit Authorisation Scheme where the total credit limits to a particular borrower from the banking system as a whole is in excess of Rs. 1.00 crore. This is necessary in order to ensure that the total requirements of the credit are realistically assessed. Acceptance facilities allowed by banks on behalf of purchaser-clients do not however, require the prior approval of the Reserve Bank. They have to be only reported to the Reserve Bank.

(*iv*) *Retirement of bills*

The Reserve Bank will not present for payment bills of exchange rediscounted by it. Such bills have to be taken delivery of by rediscounting banks against payment not less than three working days before the dates of maturity of the bills concerned. In case bills are retired before due dates *pro rata* refund of discount is made.

(*v*) *Application for availing of rediscounting facilities*

Banks are required to apply to Reserve Bank for sanction of limits in the prescribed form. Before lodging bills for rediscounting, banks are required to furnish copies of the resolutions passed by their Boards of Directors on the lines indicated by the Bank. Attested signatures of officials authorised on their behalf to sign certificates and to execute all instruments and documents as may be required by the Bank, for the purposes of the Scheme have also to be furnished by banks, desirous of availing of rediscounting facilities under the Scheme.

5. Authority to banks to hold bills rediscounted

Originally under the Scheme banks were required to lodge all eligible bills with the Reserve Bank for availing themselves of the rediscounting facilities and to take back the bills three working days before their dates of maturity. The bills which were discounted by banks in mofussil branches could not easily be offered for rediscount. In order to avoid delays and reduce the work involved in delivering bills to the Bank and redelivering them back to the discounting banks, the procedure was simplified and effective from 1st November 1971, actual lodgement of bills of the face value of Rs. 2.00 lakhs and below with the Bank has been dispensed with and banks have been authorised to hold such bills with themselves as agents of the Reserve Bank. For this purpose banks have to execute necessary agreements in favour of the Reserve Bank and, on their furnishing declarations in the prescribed form, to the effect that they hold eligible bills of a particular aggregate value on behalf of the Reserve Bank, as its agent, the Bank will pay them the discounted value of such bills. The discounting banks are also required to endorse such bills in favour of the Reserve Bank and hold them as latter's agents before including them in the declarations and also re-endorse the bills in their own favour, again as Reserve Bank's agents, when they are retired.

In view of the authority to retain bills with them, as above, the original restriction that the minimum value of single bills should be Rs. 5,000 has been dispensed with and banks can now rediscount bills of any value, but for administrative convenience, they have been advised to avoid including in the declarations, bills for amounts of less than Rs. 1,000 each as far as possible.

The rediscounting facilities under the Scheme are available at the Bank's Offices at Bangalore, Bombay, Calcutta, New Delhi, Hyderabad, Kanpur, Madras, Nagpur and Patna.

DBOD. NO. BM. 1304/C. 297(V)-70 — 28 August 1970

All scheduled commercial banks.

Dear Sir,

CREATION OF A BILL MARKET IN INDIA

Please refer to our circular letter forwarding a copy of the report of the Study Group on enlarging the use of the Bill of Exchange as an instrument of credit and the creation of a Bill Market. In the light of the recom-

mendations of the Study Group, the Reserve Bank has decided to introduce, in terms of section 17(2)(a) of the Reserve Bank of India Act, a Scheme of Rediscounting Bills of Exchange with effect from the 1st November 1970. The rediscounting facilities will, for the present, be available at our offices at Bombay, Calcutta, Madras and New Delhi.

2. A copy of the Rediscounting Scheme is forwarded herewith for your information. The Scheme will, for the present, cover genuine trade bills, *i.e.*, those that evidence sale and/or despatch of goods only. Bills of exchange arising out of sale of commodities covered by our selective credit control directives issued from time to time [or bills pertaining to supplies made to Government departments will not be covered].@ Accommodation bills will not, of course, fall within the purview of the Scheme. [It will be noticed from paragraph 5 of the Scheme that a bill of exchange, to be eligible under the Scheme for rediscount, should be drawn on and accepted by the purchaser's bank]* and where the latter is not a licensed scheduled bank, it should in addition bear the signature of a licensed scheduled bank as acceptor. In the absence of discount or acceptance houses in the country, it is necessary that the purchaser's bank should satisfy itself as to the ability of the purchaser to meet the bill on the due date. This will ensure that bills are accepted by the banks on behalf of first-class parties only.

3. There may be resistance on the part of buyers of goods to accept bills drawn on them by the sellers or to ask their bankers to accept such bills on their behalf, as this process would bind them to make payment for the purchases on the stipulated dates. In view of the merits of the Scheme, we suggest that the banks may persuade their borrowers to avail themselves of finance necessary for sale of goods on credit by way of discount of bills of exchange. The banks may ensure that not only bills drawn by bigger concerns on the smaller ones are financed through bills but also those drawn by smaller concerns on the bigger ones. In order to promote the development of the Bill Market, the banks may discourage giving credits in respect of sale of goods against book debts.

4. The banks eligible under the Scheme may forward to us their applications for grant of total limits under the new Scheme for the year 1st November 1970 to 31st October 1971. These applications may be based on their estimates of requirements of rediscounts and sent as early as practicable. Since it would be difficult for the banks to make a realistic assessment of their requirements for rediscounts under the new Scheme at this stage, the limits will be fixed on a flexible basis and be subject to a change later in the light of more accurate estimates.

5. As stated earlier the Scheme of Rediscount of Bills of Exchange will cover only bills drawn in respect of sale of goods. The existing Bill Market Scheme under which advances are given by the Reserve Bank under section 17(4)(c) of the Reserve Bank of India Act, 1934 will continue‡ to be in force.

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

SCHEME FOR REDISCOUNTING BILLS OF EXCHANGE ARISING OUT OF SALE OF GOODS

The Scheme may be called "Bills Rediscounting Scheme."

1. Eligible Institutions:

All licensed scheduled banks will be eligible to offer bills of exchange to the Reserve Bank for rediscount in terms of the Scheme. For the purpose of this Scheme, the term licensed scheduled bank will include the State Bank of India, its subsidiaries and the Nationalised Banks and any other banking institution which may be notified under section 51 of the Banking Regulation Act, 1949.

2. Fixation of limits :

Eligible banks should apply to the Reserve Bank of India as in the *pro forma* given in Appendix I for sanction of limits for rediscounting of bills under the Scheme, giving their estimated credit requirements in this behalf for the 12 months ending October each year. Limits will be sanctioned/renewed for a period of 1 year which will run from 1st November to 31st October of the following year. Renewed limits will be available in respect of fresh bills and will be independent of the facilities availed of under the previous limits. An eligible bank intending to renew the limit should submit its renewal application to the Reserve Bank of India sufficiently in advance of the date of expiry of the existing limit.

@ Please see circular DBOD. No. BM. BC. 91/C. 297(V)-71 dated the 30th July 1971.

* Please see circular DBOD. No. BM. BC. 24/C. 297(V)-71 dated the 24th February 1971.

‡ Since discontinued—Vide Note at the beginning of Section III(c).

3. Eligibility of bills:

The bill should satisfy the following criteria:

(*i*) The bill of exchange should be a genuine trade bill and should have arisen out of sale of goods.

(*ii*) The bill should be drawn on and accepted by the purchaser's bank and where the latter is not a licensed scheduled bank, it should in addition bear the signature of a licensed scheduled bank.

(*iii*) The bill should normally have a maturity of not more than 90 days. A bill having a maturity up to 120 days will also be eligible provided at the time of offering to the Reserve Bank for rediscount it has a maturity not exceeding 90 days.

(*iv*) A bill presented for rediscount should bear at least two good signatures. The signature of a licensed scheduled bank will be treated as a good signature.

(*v*) There is no objection to a bill accepted by a licensed scheduled bank being purchased by any other bank or others but the Reserve Bank will rediscount only such bills as are offered by a licensed scheduled bank.

(*vi*) A bill of exchange should contain a clause indicating the nature of the transaction out of which it has arisen. To give an illustration, a bill of exchange arising out of sale of X bales of cloth should contain a footnote somewhat on the following lines :

"This bill of exchange has been drawn in connection with the sale of X bales of cloth covered by Railway Receipt No.————————dated———————— "

(*vii*) The Reserve Bank will not rediscount bills of exchange arising out of sale of such commodities as may be indicated by it from time to time.

4. Form of bills:

The bills of exchange should preferably be drawn as in Appendix II.

5. Retirement of bills of exchange :

The Reserve Bank will not present for payment bills of exchange rediscounted by it.* [Such bills should be taken delivery of by banks availing of rediscounting facilities, against payment not less than three working days before the respective dates of their maturities]. The bills may also be retired before due dates. In all such cases *pro rata* refund of discount will be made.

6. In order to avoid rediscounting of a number of small bills, it is necessary that such bills are given in bunches. The amount of a single bill offered for rediscount should not be less than Rs. 10,000@ and on each occasion, the value of bills offered for rediscount should not be less than Rs. 50,000.

7. Before lodging bills for rediscounting the bank should furnish a certified copy of the resolution of its Board of Directors on the lines indicated in Appendix III deciding to avail itself of rediscounting facilities in respect of eligible bills up to the sanctioned limits. Attested signatures of the officials authorised on behalf of the bank to endorse bills, to sign certificates and execute all instruments and documents as may be required by the Reserve Bank of India for the purposes of the Scheme, should also be furnished to the Bank.

8. The rediscounting facilities will, for the present, be available at Banking Departments of the Reserve Bank of India at Bombay, Calcutta, Madras and New Delhi.$ If a bank proposes to avail of the facilities at more than one centre, it should request the Reserve Bank to allocate a specified sub-limit for each centre.

9. Application for availing of rediscounting facilities:

While lodging bills for rediscounting an eligible bank should *inter alia* enclose an application as in the form given in Appendix IV which embodies a certificate to be furnished by the bank in this regard.

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* Please see circular DBOD. No. BM. 2226/C. 297(V)-71 dated the 25th October 1971.

@ Please see circular DBOD. No. BM. BC 53/C. 297 (V)-71 dated the 17th April 1971.

$ Please see paragraph 9 of circular DBOD. No. BM. 2226/C. 297 (V)-71 dated the 25th October 1971.

APPENDIX—I

(Application for limit)

The Chief Officer,

Department of Banking Operations and Development,

Reserve Bank of India,

Central Office,

Bombay.

Dear Sir,

We hereby apply for the facility of rediscounting by the Reserve Bank of India of bills of exchange arising out of bonafide commercial or trade transactions relating to sale of goods and request that a limit of Rs.———— in our favour may be fixed for that purpose for the year ending 31st October————

It is understood that in the event of your sanctioning a limit for the aforesaid purpose and rediscounting any bills, the terms and conditions laid down in the scheme prescribed by the Reserve Bank of India (vide circular letter DBOD. No. BM. 1304/C. 297(V)-70 dated the 28th August 1970) as modified from time to time shall be fully binding on us. It is also understood that the sanctioning of the limit will not affect the right of the Reserve Bank of India to withdraw or alter the same at its discretion except in respect of bills already discounted.

A certified copy of our Board's resolution deciding to avail of the facility up to the sanctioned limit and specimen signatures of the officers concerned will be forwarded to you after receipt of the sanction of the limit.

Yours faithfully,

.....

APPENDIX—II

(Specimen of a bill drawn by the seller of goods, which carries the acceptance of the purchaser's banker)

No. ————————

Place ————————

Rs. ———————— Date ————————

To

The ————————

————————

(Name and address of the purchaser's banker)

Accepted payable at————————

————————

(*Signature of the purchaser's banker*)

At————————days after date/sight (inclusive of days of grace) pay to us or to our order at————————the (place) sum of Rupees———————— inclusive of interest at————————.

————————

(*Signature of seller*)

Note: This bill of exchange has been drawn in connection with the sale of————** covered by ————————@

* Specify the description of goods sold.

@ Mention here the number and date of the document such as railway receipt, lorry receipt, etc. issued by the carrier. This note is merely illustrative. The intention is that suitable words may be used to indicate the nature of transaction out of which the bill has arisen.

APPENDIX III

(Specimen of resolution to be passed by the Board of Directors of the eligible bank availing of the rediscounting facilities.)

"Resolved

(1) That the Bank do avail itself of rediscounting facilities from time to time from the Reserve Bank of India under their scheme for rediscounting facilities for financing sale of goods up to a limit of Rs. ————.

(2) That for that purpose the following officers of the Bank be and are hereby jointly and severally empowered to rediscount bills discounted or to be discounted by or with the Bank from time to time in such manner and upon such terms and conditions as they or he may think fit or as Reserve Bank of India may impose or require and for the said purposes to transfer, accept or endorse bills of exchange or other negotiable instruments and to enter into, make, sign, execute and do all such contracts, agreements, arrangements, undertakings, receipts, payments, letters, certificates, declarations, instruments and things as may in their or his opinion be necessary or convenient or as may be required by Reserve Bank of India from time to time and in particular to waive presentation of bills of exchange

Name(s) of authorised person(s) of the bank

1.
2.
3.
4.

APPENDIX IV

(Application to be submitted by the discounting banks for availing of rediscounting facilities)

The Manager,
Reserve Bank of India,
Deposit Accounts Department,
Bombay/New Delhi/Calcutta/Madras.

Dear Sir,

We refer to letter No. ————————dated———— ———— of the Department of Banking Operations and Development, Bombay, sanctioning a limit of Rs. ———— for rediscounting facilities in respect of bills of exchange relating to sale of goods. We forward herewith ———— bill(s), particulars of which are noted below, which may be rediscounted under the Scheme of the Reserve Bank of India vide circular letter DBOD. No. BM. 1304/C. 297 (V)-70 dated the 28th August 1970 as modified from time to time.

As required under the said Scheme, we hereby certify that the aforesaid bill(s) endorsed by us in your favour for the purpose of rediscounting, arose out of *bona fide* commercial or trade transaction (s) relating to sale of goods. We also hereby certify that the drawers of the said bills are financially sound, solvent and creditworthy and as such, their signature (s) appearing on the said bill(s) of exchange is/are genuine and good signatures. We hereby further certify that having discounted for the full amount thereof we have full title to the said bill(s).

We request that the amount of the bill(s) (less discount) may be credited to our current account with you.

A certified copy of our Board's resolution deciding to avail of the facility and specimen signatures of the authorised officials are enclosed/have already been furnished to you vide our————————

Yours faithfully,

(Signature of authorised official)

Particulars of bill(s)

Sr. No.	Date of bill	Date of discount by applicant bank	Name and address of drawer	Name and address of acceptor	period of usance	Date of maturity	Amount of bill	Rate of discount charged by the applicant bank	Amount paid on the bill by the applicant bank

DBOD. No. BM.BC.24/C.297(V)-71—24 February 1971

All scheduled commercial banks.

Dear Sir,

CREATION OF A BILL MARKET IN INDIA — BILLS REDISCOUNTING SCHEME

Please refer to our letter DBOD. No. BM. 1304/C. 297(V)-70 dated the 28th August 1970 on the above subject. With a view to enlarging the scope of the above scheme, it has been decided to include under the scheme, in addition to a bill drawn on and accepted by the purchaser's bank, the following bills :—

(*i*) a bill drawn on the buyer and the buyer's bank jointly and accepted by them jointly;

(*ii*) a bill drawn on and accepted by the buyer under an irrevocable letter of credit and certified by the buyer's bank, which has opened the letter of credit as under:

"This bill of exchange has been drawn under the irrevocable letter of credit No..... dated..... opened by.....
(Name of bank)
.....for supply of.....
(description of goods)
.....The terms and conditions of the letter of credit have been duly complied with by the seller";

(*iii*) a bill drawn on and accepted by the buyer and endorsed by the seller in favour of his bank and bearing a legend signed by a licensed scheduled bank who should be an endorser of the bill, reading :

"This bill of exchange will be paid by ..... on maturity
(Name of a licensed scheduled bank which has endorsed the bill)
on its being presented for payment three days before maturity to.....
(Name and place of the same licensed scheduled bank)

The certificate in respect of the bills under letters of credit [item (*ii*) above] and the legend in respect of the bill cited at item (*iii*) above should appear on the face of the bill.

2. The other conditions regarding eligibility of bills, particularly the condition that the Reserve Bank will rediscount only such bills as are offered by a licensed scheduled bank, remain unchanged.

3. If there are any clarifications in this regard, you may kindly write to us.

4. We trust that, with a view to popularising their individual schemes for financing sale of goods by bills, banks would bring out brochures for the guidance of their customers and forward to us copies thereof.

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

(Please also see circulars DBOD. Nos. BM.BC. 33 and 41/C.297 (V)-72—dated 6th and 26th April 1972 respectively.)

DBOD. No. BM.BC. 53/C. 297(V)-71 — 17 April 1971

All scheduled commercial banks.

Dear Sir,

BILLS REDISCOUNTING SCHEME UNDER SECTION 17(2)(a) OF THE RESERVE BANK OF INDIA ACT, 1934.

Please refer to paragraph 6 of the above scheme enclosed with our circular letter DBOD. No. BM. 1304/C. 297(V)-70 dated the 28th August 1970. It has since been decided to reduce the minimum amount of a single bill offered for rediscount under the scheme from Rs. 10,000/- to *Rs. 5,000/-. However, the value of bills offered at any one time for rediscount by a bank to the Reserve Bank of India will continue to be not less than Rs. 50,000/-.

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

* For further clarification, please see paragraph 8 of circular DBOD. No. BM. 2226/C. 297(V)-71 dated 25th October 1971.

DBOD. No. BM.BC. 91/C. 297(V)-71 — 30 July 1971

All scheduled commercial banks.

Dear Sir,

CREATION OF A BILL MARKET IN INDIA — BILLS REDISCOUNTING SCHEME

Please refer to paragraph 2 of our circular letter DBOD. No. BM. 1304/C. 297(V)-70 dated the 28th August 1970 in terms of which bills pertaining to supplies made to the Government departments are not covered under the above scheme. With a view to further enlarging the scope of the scheme, the *bills of exchange* arising out of sale of goods to Government departments and Quasi-government bodies, as well as Statutory Corporations and Government Companies will also be eligible for rediscount with the Reserve Bank, provided such bills conform to the requirements of the scheme.

Yours faithfully,
N. D. JAIN
Dy. Chief Officer

DBOD. No. BM. 2226/C. 297(V)-71 — 25 October 1971

All scheduled commercial banks.

Dear Sir,

BILLS REDISCOUNTING SCHEME

Please refer to our circular letter DBOD. No. BM. 1304/C. 297(V)-70 dated the 28th August 1970 forwarding a copy of our Bills Rediscounting Scheme framed pursuant to section 17(2)(a) of the Reserve Bank of India Act. In terms of the said Scheme, the discounting banks are required to lodge with the Reserve Bank of India eligible bills for the purpose of rediscounting and to take delivery thereof three working days before the respective dates of their maturity. In order to avoid the delays and reduce the work involved in delivering the bills under the Scheme to the Reserve Bank and redelivering the bills back to the discounting banks, it has been decided to dispense with the actual lodgement of bills each of the face value of Rs. 2,00,000/- and below by the banks with the Reserve Bank and to authorise the banks to hold such bills with themselves as agents of the Reserve Bank. Individual bills of the face value of over Rs. 2 lakhs each will continue to be lodged with the Reserve Bank as at present for the purpose of rediscounting.

2. All the scheduled commercial banks which are eligible for rediscount facility under the Bills Rediscounting Scheme in terms of our abovementioned circular would be entitled to the above facility. Such of the banks as are desirous of availing themselves of the facility will have to execute an agreement in favour of the Reserve Bank of India as per the draft agreement given in Annexure I. In terms of the agreement, on a declaration by the discounting bank in the prescribed form that it holds eligible bills of a particular aggregate value on behalf of the Reserve Bank as its agent, the Reserve Bank will pay to the discounting bank the discounted value of such bills. The discounting banks availing themselves of rediscount facility in respect of such bills will have to endorse the bills in favour of the Reserve Bank and hold them as the latter's agents before including them in the declaration referred to above and will also have to re-endorse the bills in their own favour, again as Reserve Bank's agents, when they are retired in the manner indicated in clause 5(iii) of the draft agreement (Annexure I). The endorsement in favour of the Reserve Bank may be as follows :

"Pay Reserve Bank of India or Order.

for.....Bank"
(Designation)

The re-endorsement in favour of the bank may be as follows :

"Pay.....Bank or Order without recourse.

For Reserve Bank of India

For.....Bank"
(Designation)

After the banks have executed the aforesaid agreement with the Reserve Bank, the latter would authorise the banks concerned to endorse and re-endorse such bills as per letter of authorisation given in Annexure II.

The discounting bank will have to retire each such bill three days before the date of its maturity (in case such a day happens to be a public holiday under the Negotiable Instruments Act, 1881 at the centre where rediscounting facilities from the Reserve Bank of India have been availed of, on the next preceding working day).

3. It should be ensured that the Agreement in Annexure I is executed on behalf of your bank by a duly authorised official of your bank. While forwarding the Agreement to us duly executed on behalf of your bank, you should also forward to us the proof of authority of the official of the bank executing the agreement to do so, such as certified extract of the resolution of the Board of Directors or Power of Attorney. The Agreement has to be stamped as an Agreement in accordance with the stamp law in force in the State in which it is executed.

It should also be ensured that the bills are endorsed in favour of the Reserve Bank by duly authorised officials of your bank. As regards the re-endorsement of the bills of the face value of Rs. 2 lakhs and less retained by your bank back in favour of your bank, as we will be giving an authorisation to your bank to re-endorse the bills on behalf of the Reserve Bank, you should ensure that this power in its turn is properly delegated by your bank to the concerned officials of your bank.

4. In respect of individual bills for Rs. 2,00,000/- and below, the discounting bank will forward a statement, in triplicate, as per Annexure III with a forwarding schedule (in duplicate) as per Annexure IIIA duly signed by its authorised official to the office of the Reserve Bank (Deposit Accounts Department) where it proposes to avail itself of rediscount facility giving full particulars of such bills including the amount of discount on each such bill as calculated by it. The amount of discount may be calculated for the exact number of days for which the bill is to remain with the bank itself as the agent of the Reserve Bank. For example, if a bill at the time of rediscount with the Reserve Bank is yet to run for 90 days, discount may be calculated for 87 days (provided the day of retirement is not a public holiday). The Deposit Accounts Department of the Reserve Bank will check the amount of discount on individual bills and other particulars mentioned therein and in the forwarding schedule and return a copy each of the statement and the forwarding schedule to the bank concerned. The credit for the total discounted value of bills will be given by the Reserve Bank on the working day next to the day on which the statement submitted by the bank is received by the Reserve Bank and the bank will also pass the necessary entries in its books on that day. To the extent the bills fall due for retirement on a particular day, the Reserve Bank will debit the current account of the bank concerned with the amount on that day and advise the bank accordingly.

5. Individual bills of the face value exceeding Rs. 2 lakhs should, with effect from the 1st November 1971, be lodged with the Reserve Bank alongwith the statement, in triplicate, as per Annexure IV@ and a forwarding schedule (in duplicate) as per Annexure IVA@. On the day on which a bill lodged with the Reserve Bank falls due for retirement, the Reserve Bank will debit the current account of the bank concerned.

6. It will be incumbent on the bank to keep sufficient credit balance in its current account for the purpose of meeting the bills which fall due for retirement from time to time.

7. To enable the Reserve Bank to scrutinise the statements in respect of the bills retained by the banks and those lodged with the Reserve Bank and give necessary credit to the bank on the following working day, the banks should furnish the statements etc., before 11.30 A.M. to the concerned office of the Reserve Bank. Statements etc., received after 11.30 A.M. on any particular day will be treated as having been received on the following working day. However, in respect of bills of the face value of over Rs. 2 lakhs each lodged with the Reserve Bank before 11.30 A.M., the latter may give credit

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@ These annexures are not given in the booklet, as the columns in these annexures are exactly the same as those of Annexures III & IIIA respectively. Since however, annexures IV & IVA pertain to bills submitted to Reserve Bank of India, the headings in these annexures require suitable changes; these are indicated in Annexures III & IIIA.

to the banks concerned on the same day on which the bills are lodged.

8. Under the Bills Rediscounting Scheme, the minimum amount of a bill eligible for rediscount with the Reserve Bank has been fixed at Rs. 5,000/-. In view of the authority now being given to banks to hold individual bills up to a specified amount with themselves as agents of the Reserve Bank, bills for any amount may be included in the statement referred to in paragraph 4 above for the purpose of rediscounting but we would suggest that for administrative convenience inclusion of bills for amounts of less than Rs. 1,000/- each may be avoided as far as possible.

9. With effect from the 1st November 1971, the facility of rediscount as mentioned above will be available to eligible banks under the overall limits sanctioned to them by us under section 17(2)(a) of the Reserve Bank of India Act, 1934, and may be availed of at offices of the Reserve Bank at Hyderabad, Patna, Nagpur, Kanpur and Bangalore where the Reserve Bank has Banking Departments, in addition to Bombay, New Delhi, Calcutta and Madras where the rediscounting facilities are available at present. If a bank proposes to avail itself of rediscounting facilities at more than one centre, it may have sub-limits (out of the overall limit sanctioned to it) allocated by the Reserve Bank for the different centres. The branches in whose favour sub-limits have been allocated may include in their statements besides their own eligible bills, eligible bills discounted by such other branches as may be grouped with each of them by the bank for this purpose. It may, however, be ensured that in such cases, the bills discounted by the other branches are included only in the statements of the bank's branch with which those other branches are grouped for the purpose and that the bills are not accounted for twice in the statements.

10. We may reiterate that in the case of bills retained by the banks with themselves, they should declare in the statements only such bills as arise out of sale of goods and comply with the stipulations laid down in our Bills Rediscounting Scheme and other instructions issued by us from time to time. The Head Offices of the banks should issue suitable instructions to their branches concerned in this behalf, particularly with regard to the endorsement/re-endorsement of the bills retained by them.

11. As the rediscount facility under the aforesaid revised procedure will be available to banks only after they have executed the agreement with the Reserve Bank and a letter of authorisation is issued to them by the Reserve Bank, banks are requested to arrange expeditiously for the execution of the agreement. The agreement executed by banks in the form enclosed may be forwarded to the Chief Officer, Department of Banking Operations and Development, Reserve Bank of India, Central Office, Bombay on receipt of which the letter of authorisation will be issued to them.

12. Instructions for filling up the statements, etc., have been given in Annexure V for the guidance of banks.

13. We shall be glad if you will kindly follow the instructions given above. You may write to us for clarification of any points, if any.

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

ANNEXURE I.

The Reserve Bank of India,
Department of Banking
Operations and Development,
Central Office,
BOMBAY.

Dear Sirs,

Reserve Bank of India Act, 1934—Section 17(2) (a) —Bills Rediscounting Scheme.

WHEREAS

(1) We have by an application No.———— dated ———— applied for the facility of rediscounting by the Reserve Bank of India of bills of exchange arising out of *bona fide* commercial and trade transactions on the terms and conditions laid down in the scheme prescribed by the Reserve Bank of India vide circular letter DBOD. No. BM. 1304/C. 297V-70 dated the 28th August 1970 as modified from time to time, which terms and conditions, as modified from time to time are hereinafter collectively referred to as "the Bills Rediscounting Scheme."

(2) Pursuant to our said application, you have sanctioned us a limit of Rs. ———— for the

year ending 31st October 19——— on the terms and conditions set out in your letter of sanction No.——— ——— dated ———

(3) The Bills Rediscounting Scheme requires us to present for rediscount at an office of the Reserve Bank of India bills of exchange eligible from time to time under the said Scheme and to take delivery of the said bills against payment not less than three days before the respective dates of their maturity.

(4) In view of the difficulties experienced by us in delivering the said bills to an office of the Reserve Bank of India and taking them back as provided in the Bills Rediscounting Scheme, we have requested you to permit us to hold bills each up to a specified face value with ourselves as your agent and that, further, on a declaration made by us that we hold on your behalf as your agent eligible bills of a particular aggregate value which have been endorsed in your favour, you should pay to us the discounted value of such bills and that we shall retire each said bill three days before the date of its maturity and, in case such a day happens to be a public holiday, on the next preceding working day.

(5) You have agreed to our request on certain terms and conditions as hereinafter appearing.

NOW THIS AGREEMENT WITNESSES that in consideration of the Reserve Bank of India having agreed by its said letter of sanction to rediscount bills of exchange tendered by us, and in further consideration of any fresh limits that the Reserve Bank of India may sanction us from time to time for further periods and also in consideration of the Reserve Bank of India agreeing to relax the requirement of the Bills Rediscounting Scheme that we should present for rediscount such bills of exchange and retire them before maturity, we hereby undertake to, and agree with, the Reserve Bank of India as follows :

(*i*) Where the face value of a bill which is eligible for rediscount under the Bills Rediscounting Scheme is Rs. 2,00,000 or less or such other sum as may be notified by the Reserve Bank from time to time, we will, instead of tendering the bill to the Reserve Bank as required under the Bills Rediscounting Scheme, endorse the same in favour of the Reserve Bank and retain it with us on behalf of the Reserve Bank as its agent, and, in regard to all such bills we will furnish to the Reserve Bank a declaration in a form and manner approved by the Reserve Bank from time to time that we hold eligible bills of a particular aggregate value on behalf of the Reserve Bank as its agent and on receipt of such a declaration the Reserve Bank may, without any obligation on its part so to do, arrange to make payment to us of the discounted value of such bills covered by the said declaration.

(*ii*) That the Reserve Bank shall be entitled, three days before the date of maturity of each of such bills rediscounted with the Reserve Bank as aforesaid, and, in case such a day happens to be a public holiday under the Negotiable Instruments Act, 1881 at the centre where rediscounting facilities from the Reserve Bank have been availed of, on the next preceding working day, to debit our account with the Reserve Bank with the value as on that date of the bill and advise us of the same.

(*iii*) We will, acting as agent of the Reserve Bank, re-endorse each of the said bills back in our favour three days before the date of maturity and, in case such day happens to be a public holiday under the Negotiable Instruments Act, 1881 at the centre where rediscounting facilities from the Reserve Bank have been availed of, on the next preceding working day.

(*iv*) That we shall submit to the Reserve Bank such statements as may be required from time to time.

(*v*) That you shall be entitled to inspect, through any of your authorised officials, the bills rediscounted by us with you under the Bills Rediscounting Scheme and the relative books of account and other papers as you may desire from time to time.

(*vi*) That we shall forward to you such of the bills covered by our declarations as you may require from time to time.

(*vii*) That the conditions laid down in the Bills Rediscounting Scheme, as modified hereinabove, as modified from time to time shall be binding on us.

Yours faithfully,

for..... Bank.

ANNEXURE II

.....Bank

.....

Dear Sirs,

RESERVE BANK OF INDIA ACT, 1934 — SECTION 17(2)(a) — BILLS REDISCOUNTING SCHEME

With reference to your letter No.....

dated....., we hereby authorise you to endorse in our favour and hold as our agent each of the eligible bills from time to time covered by the declarations submitted by you in terms of your said letter. We further hereby authorise you to re-endorse back in your favour on our behalf each of such bills three days before the date of its maturity and, in case such a day happens to be a public holiday under the Negotiable Instruments Act, 1881 at the centre where rediscounting facilities from the Reserve Bank have been availed of, on the next preceding working day.

Yours faithfully,

Deputy Chief Officer

ANNEXURE III

FORM FOR BILLS RETAINED @

NAME OF THE BANK :.....PLACE :.....CODE NO :.....SHEET NO :.....DATE OF SUBMISSION :.....

Sl. No.	Bank's Bill Ref. No. (if any)	Date of Discount	Date from which tenure starts	Tenure of bill (days)	Due for with-drawal from RBI on	Face value of Bill	Period of redis-count (Days)	Products [Col. No. 7 (Rounded off to the nearest rupees ten) multiplied by Col. No. 8]	Rediscount chargeable by RBI (Rounded off to the nearest rupee)	Proceeds (Col. No. 7 minus Col. No. 10)	Code No. of Bank	Date of maturity	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
											Code No.		
											Code No.		
											Code No.		
					Sheet Total :.....			Sheet Total :.....					

@ This heading will read as "FORM FOR BILLS SUBMITTED TO RBI" in Annexure IV.

Note : Annexures III & IV are to be filled in quadruplicate to be used for :-

(*a*) one copy as RBI record copy.

(*b*) one copy to be returned to the bank by RBI.

(*c*) one copy as RBI's due date copy.

(*d*) one copy as Bank's record copy.

ANNEXURE IIIA.

.....(CODE NO.....)
(Name of the Bank)

NEW BILL MARKET SCHEME

STATEMENT OF BILLS RETAINED BY BANK@

Sheet No.	Total No. of bills in the sheet	Total of column 7	Total of column 10	Total of column 11

DECLARATION :

We hereby certify that :

(*i*) The aforesaid bill/s mentioned in the attached.....(Number)statements and summarised above and endorsed by us in your favour for the purpose of rediscounting, arose out of *bona fide* commercial or trade transactions relating to sale of good/s [and are held by us on behalf of the Reserve Bank of India as its agent]. *

(*ii*) That the drawers and in cases where the bills are drawn without recourse to the drawers, the drawees of the said bills are financially sound, solvent and credit-worthy and as such, their signature/s appearing on such bills of exchange is/are genuine and good signature/s.

(*iii*) That having discounted the said bill/s for the full amount thereof, we have full title to same; and

(*iv*) That the bill/s also conform/s to the requirements laid down in RBI's circular letter DBOD No. BM. BC. 24/C.297(V)-71 dated the 24th February 1971 and other instructions issued from time to time. We request that the amount of the bill/s (less discount) may be credited to our current account with you.

Authorised Signature

@ This heading will read as "STATEMENT OF BILLS FORWARDED TO RBI" in Annexure IVA.

* The bracketed portion does not appear in Annexure IV A.

ANNEXURE V

Instructions for filling up the statements, etc.

1. Statements, in triplicate, together with the forwarding schedule, in duplicate, should be submitted to the office of the Reserve Bank where the bank proposes to avail itself of the rediscount facilities.

2. Statements and the forwarding schedule in the white as per Annexures III and IIIA may be used in respect of bills retained by the banks and those in yellow as per Annexures IV and IVA in respect of bills physically lodged with the Reserve Bank of India.

3. Column No. 1 of the statement should indicate the running serial number during the season *i.e.* from the 1st November to the 31st October of the following year. Separate serial numbers may be given for the two statements as per Annexures III and IV.

4. Column No. 2 may indicate the bank's own reference number of the bill, if any.

5. Column No. 6 should give the date on which a bill is due for withdrawal/retirement from Reserve Bank of India. As mentioned in the covering letter, the banks are required to withdraw/retire the bills 3 days before their due dates. If a bill falls due for payment on, say, 27th October, it will be due for withdrawal/retirement from Reserve Bank of India on 24th October. In case, 24th October happens to be a holiday under the Negotiable Instruments Act, 1881, the bill will be due for withdrawal/retirement on the 23rd October.

6. Column No. 7 should indicate the actual face value of a particular bill in exact rupees and paise.

7. Column No. 8 should indicate the number of days from the date when a bill is rediscounted by the Reserve Bank of India and credit given to the bank upto the date on which the bill is due for withdrawal/retirement from the Reserve Bank of India as mentioned under column No. 6.

8. Column No. 9 should indicate the total product on a particular bill which is to be arrived at by multiplying the face value of the bill by the period of rediscount. For this purpose, the face value of the bill mentioned under column No. 7 may be rounded off to the nearest rupees ten.

9. Column No. 10 should indicate the rediscount chargeable by the Reserve Bank of India on the products mentioned under column No. 9 calculated at the Bank Rate, *i.e.*, 6% at present. For the purpose of administrative convenience, the amount of rediscount calculated in the above manner may be rounded off to the nearest rupee.

10. Column No. 11 will indicate the amount arrived at after deducting the rediscount chargeable by the Reserve Bank of India as mentioned in column No. 10 from the face value of the bill as indicated in column No. 7. The amount under this column may be shown in exact rupees and paise.

11. Column No. 12 should indicate the code number of the bank as per the code number allotted to it by the Clearing House.

12. Column No. 13 should indicate the date of maturity of the bill.

13. The statements in Annexures III and IV and the forwarding schedules in Annexures IIIA and IVA as mentioned in the note should be of the same size and colour etc. as per specimen.

DBOD. No. BM.BC. 33/C. 297(V)-72 — 6 April 1972

All scheduled commercial banks.

Dear Sir,

BILLS REDISCOUNTING SCHEME

Please refer to our circular letter DBOD. No. BM.BC. 24/C. 297(V)-71 dated the 24th February 1971, in terms of which a bill drawn on and accepted by the buyer or by his bank on his behalf is eligible for rediscount with the Reserve Bank under the above Scheme, subject to the stipulations therein. We have received a query whether a bill of exchange not accepted by the buyer himself or his banker, but by the Industrial Credit & Investment Corporation of India Limited on behalf of the buyer, will be eligible for rediscount under the Scheme. This question has been examined and it has been decided that bills of exchange drawn on and accepted by the above Corporation on behalf of its purchaser-constituents singly or jointly with them and satisfying the other requirements of the Scheme, will also be eligible for rediscount with the Reserve Bank of India, provided they are offered for rediscount with the Reserve Bank of India by an eligible Scheduled Commercial Bank.

Yours faithfully,
N. D. JAIN
Dy. Chief Officer

DBOD. No. BM.BC. 41/C. 297(V)-72 — 26 April 1972

All scheduled commercial banks.

Dear Sir,

BILLS REDISCOUNTING SCHEME

Please refer to our circular letter DBOD. No. BM. 1304/C. 297(V)-70 dated the 28th August 1970 and the subsequent circular DBOD. No. BM.BC. 24/C. 297(V)-71 dated the 24th February 1971 in terms of which the scope of bills eligible for rediscount with us under our above-noted Scheme was enlarged. A reference has been made to us enquiring

whether a bill of exchange drawn and accepted in the manner prescribed in our Bills Rediscounting Scheme and discounted by a bank at the instance of the drawee, would be eligible for rediscount with the Reserve Bank of India. We have examined this point and have to advise for your information and future guidance that where a bill has been accepted by the drawee as stipulated under the Scheme, we shall have no objection if the discounting bank, while lodging the bill for rediscount with us, certifies that the drawee of the bill is financially sound, solvent and creditworthy and his signature on the bill is good. This certificate is in lieu of the one given in respect of the drawer as required at present. In such a case, the requirement of our Bills Rediscounting Scheme in regard to two good signatures on the bill would be satisfied by treating the signatures of the drawee (who is certified to be creditworthy) and that of the discounting bank for whom the bill is rediscounted by us, as two good signatures. In other words, where the drawer is not a constituent of the discounting bank, there is no objection to that bank discounting the bill on the strength of the creditworthiness of the drawee instead of the drawer and such a bill will be eligible for rediscounting with the Reserve Bank, provided it is offered for rediscount by an eligible scheduled commercial bank, as required under the Scheme.

2. In this connection it may, however, be pointed out that in view of the provisions of section 122 of the Negotiable Instruments Act, no endorser of a negotiable instrument (which term includes the discounting bank) can deny the signature or capacity to contract of any prior party to the instrument. Therefore, in the case of a suit being filed by the Reserve Bank, the bank, which has endorsed the bill in favour of the Reserve Bank, cannot deny the validity of the signature and/or capacity of the drawer/endorser(s) to draw/endorse the bill. Consequently, if a bank discounts a bill on the creditworthiness of the drawee, it would be essential for it to also ensure the genuineness of the signatures of the drawer/endorser(s) and their competency to draw/endorse the bill.

Yours faithfully,
S. R. AVADHANI
Jt. Chief Officer

DBOD. No. BM.BC. 45/C. 297(V)-72 — 5 May 1972

All scheduled commercial banks.

Dear Sir,

BILLS REDISCOUNTING SCHEME

As you are aware, under the provisions of the above Scheme, discounting banks are required to take delivery of the bills where they are lodged with us, or re-endorse them in favour of themselves where they are retained by them as our agents, three days before the relative dates of maturity. In case the date of maturity falls on a holiday, under the Negotiable Instruments Act, 1881, the bill becomes due for payment on the next preceding working day. Similarly, if the date of withdrawal/retirement falls on a holiday under the Negotiable Instruments Act at the centre where rediscounting facilities from us have been availed of, the discounting bank will have to retire each such bill on the next preceding working day (*i.e.* if the bill fell due for payment on, say, the 16th March 1972, the due date would have been the 15th March 1972 as 16th was a holiday and the bill would have been due for withdrawal/retirement on the 11th March 1972 and not the 12th March which too was a holiday).

2. We shall be glad if you will kindly note the above instructions for your guidance.

Yours faithfully,
N. D. JAIN
Dy. Chief Officer

DBOD. No. BM.BC. 54/C. 297(V)-72 — 7 June 1972

All scheduled commercial banks.

Dear Sir,

BILLS REDISCOUNTING SCHEME — RETIREMENT OF BILLS BEFORE DUE DATES

Please refer to our circular DBOD No. BM. 2226/C. 297(V)-71 dated the 25th October 1971. As you know, it has been decided by the Bank that in case bills are retired before the due dates, the banks re-

tiring such bills are entitled to *pro rata* refund of the discount from us. In this connection it is clarified for your information and guidance that in view of the large number of bills generally involved, it may not be possible for our offices to give effect to such a request on the same day on which it is made, unless the request is made before 11.30 A.M. on any week day, or prior intimation of such a request is sent on the previous working day. Please note that such a request made by a bank after 11.30 A.M. on any particular working day will be deemed to have been received on the following working day, unless intimation of such a request is given on the previous working day.

2. In this connection it is requested that with a view to facilitating expeditious disposal of such requests, banks themselves may indicate in their applications the relative *pro rata* refund of discount. The amount of refund may be calculated on the basis of the difference between the amount of discount worked out at the time of rediscounting and the actual amount payable for the period for which the facility was availed of (rounded off to the nearest paisa).

Yours faithfully,
S. R. AVADHANI
Jt. Chief Officer

DBOD. No. BM. 1261/C. 297V(62)-72
27 July 1972

All licensed scheduled commercial banks

Dear Sir,

BILLS REDISCOUNTING SCHEME— NON-AVAILABILITY OF HUNDI PAPERS OF HIGHER DENOMINATIONS

You are aware that the Bills Rediscounting Scheme, which was introduced with effect from the 1st November 1970, has been making steady progress. We have received complaints from certain parties/organisations regarding difficulties experienced by them in drawing bills in larger amounts due to the non-availability of Hundi papers of higher denominations. It also takes an unduly long time in getting the bills affixed with adhesive stamps of higher denominations. With a view to mitigating the difficulties being experienced by the trading community in this regard, we are taking up with the various State Governments the feasibility of streamlining the procedure followed for issuing adhesive stamps of higher denomination. The question of printing higher denomination Hundi papers is also being pursued by us with the appropriate authorities.

2. A measure that has been under our active consideration in this connection is whether the State Governments cannot be requested to entrust the function of selling Hundi papers by issuing necessary licences to banks, in addition to the other existing agencies. Stocking of adequate quantity of Hundi papers involves large investment which individual vendors may not be able to afford. Therefore, if banks which could afford to invest large sums are issued vendors' licences, in addition to individuals, the trade would get considerable relief. We have been advised that there is no legal difficulty in the nationalised banks undertaking the work in regard to their own constituents. Although the provisions of section 8 of the Banking Regulation Act are not applicable to them, it would not be in order for them to act as commission agents for sale of stamp papers generally. They can, however, buy stamp paper and sell to their constituents only, as such acts can be said to be incidental or conducive to the main business which they are empowered to transact and form part of their service to constituents. The same is the case with the State Bank and its subsidiaries. As regards the non-nationalised banks, we are advised that the notification dated the 25th March 1968 (vide our circular DBOD. No. Leg. 59/C. 90(H)-68 dated the 19th April 1968)† issued by Government, exempting banking companies from the provisions of section 8 of the Banking Regulation Act, holds good and that no fresh notification is necessary.

3. The question of issuing licences to banks to act as stamp vendors has already been discussed by our regional offices with the concerned officials of the various State Governments. While many of the State Governments see no objection to issue such licences under their existing rules, others are prepared to initiate steps to amend the stamp rules suitably to enable banks to act as licensed stamp vendors. As the matter has to be considered on an all India basis we shall be glad if you will please consider the question of obtaining licences for acting as stamp vendors for your bank's offices at important centres and take up the matter with the concerned State Governments.

4. In this connection, we also advise that, as mentioned in paragraph 1 above, steps are being taken to print Hundi papers in the following denominations :

Rs. 100/-

Rs. 70/-

Rs. 50/-

Rs. 30/-

In order to enable an indent of the quantitative requirements of the higher denominations of Hundi papers being placed with the India Government Security Press, we shall be glad if you will please indicate the approximate requirements of Hundi papers of the various denominations mentioned above (Statewise)

†This Circular is included in Section XI at page 3.

of your constituents for the next twelve months in the light of the experience already gained by you in discounting usance bills for them.

Yours faithfully,
S. R. AVADHANI
Jt. Chief Officer.

DBOD. No. BM. BC. 69/C.297V-72
8 August 1972

All scheduled commercial banks.

Dear Sir,

BILLS REDISCOUNTING SCHEME

As banks are aware, only such bills as are accepted in the stipulated manner and which satisfy the various requirements of the Bills Rediscounting Scheme are eligible for rediscount with the Reserve Bank. It has been represented to us that suppliers drawing bills on purchasers of goods at other centres are sometimes unable to obtain finance immediately as some banks, before discounting such bills, insist upon their being accepted in the manner stipulated in the Bills Rediscounting Scheme whereas the suppliers, before they switched over to obtaining finance by way of discount of bills, were able to obtain finance against book debts immediately. To obviate this difficulty, several banks discount the bills first if they are otherwise satisfied on merits, and thereafter have them accepted. We have to clarify that we have no objection to banks discounting bills before their acceptance if they are satisfied as to the genuineness of the relative transactions and the safety of their funds. However, such bills should have been accepted in the stipulated manner and should satisfy the other requirements of the Bills Rediscounting Scheme before they are offered to us for rediscount.

Yours faithfully,
A. K. BHUCHAR
Jt. Chief Officer.

DBOD. No. BM. BC. 28/C. 297V-73
23 March 1973

All scheduled commercial banks

Dear Sir,

NEW BILL MARKET SCHEME— PARTICIPATION BY NON-FINANCIAL INSTITUTIONS

It has been represented to us that some banks have been permitting non-financial institutions to participate in the New Bill Market Scheme by allowing them to take up bills of exchange for employing their surplus funds. In this connection, we clarify that although it is the ultimate objective to have a broad-based bill market in which all institutions, financial and otherwise, should participate, banks should not, for the present, rediscount bills of exchange with or allow taking up of such bills by persons other than banks and other financial institutions, namely :

(*i*) Life Insurance Corporation of India,

(*ii*) General Insurance companies,

(*iii*) Unit Trust of India,

(*iv*) such other financial institutions incorporated in India, as may be approved by the Reserve Bank of India, on a reference made to it.

Yours faithfully,
A. K. BHUCHAR
Jt. Chief Officer.

DBOD. No. Sch. BC. 67/C. 96-73
6 June 1973

All scheduled commercial banks.

Dear Sirs,

Please refer to our circular letter Ref. DBOD. No. Sch. BC. 63/C. 96-73 dated the 31st May 1973,* and the enclosure thereto. It has been subsequently decided that the rate of discount to be charged on bills of exchange

*This circular stipulating minimum lending rate on advances is included in Section V(j).

eligible under the Bills Re-discounting Scheme of the Reserve Bank should not be less than 8 per cent per annum. A directive issued by us today for the purpose is enclosed.

Yours faithfully,
M. L. GOGTAY
Chief Officer.

DBOD. No. Sch. BC. 68/C. 96-73—6 June 1973.

In exercise of the powers conferred by section 21 of the Banking Regulation Act, 1949, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs, in partial modification of its directive DBOD. No. Sch. BC. 61/C. 96-73 dated the 31st May 1973, that with effect from the 1st June 1973, every scheduled bank not being a co-operative bank, shall, in respect of any bill of exchange discounted by it, being a bill eligible for being re-discounted under the Bills Re-discounting Scheme of the Reserve Bank introduced with effect from the 1st November 1970, charge discount at not less than 8 per cent per annum.*

R. K. HAZARI
Deputy Governor

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* Raised to 9% per annum with effect from the 16th November 1973 and to 9.5% per annum with effect from 1st December 1973—*vide* Circulars DBOD. Nos. Sch. BC. 123 and 143/C. 96-73 dated the 16th and 30th November 1973 respectively.

SECTION III (e)

EXPORT BILLS CREDIT SCHEME, PRE-SHIPMENT CREDIT SCHEME, AND EXPORT CREDIT (INTEREST SUBSIDY) SCHEME.

SECTION III(e)

EXPORT BILLS CREDIT SCHEME, PRE-SHIPMENT CREDIT SCHEME AND EXPORT CREDIT (INTEREST SUBSIDY) SCHEME

No. and Date	Subject
	A brief note relating to Export Credit Schemes.

PART I

EXPORT BILLS CREDIT SCHEME

BM. 2732/C. 297K-63 13-3-1963	Export Bills Credit Scheme — Salient features of the Scheme — Procedure.

PART II

PRE-SHIPMENT CREDIT SCHEME

BM. 78/C. 297(M)-69 20-1-1969	Refinance of Pre-shipment Credit Scheme — Procedure.
BM. 1489/C. 297A-68 7-11-1968	Packing credit advances — Period for which such advances may be given — Clarification.
BM. 254/C. 297A-69 14-2-1969	Packing credit advances — Clarification — Grant of such advances should not be conditional on a letter of credit being opened.
BM. BC. 14/C. 297(P)-71 12-2-1971	Advances under section 17(3A) of Reserve Bank of India Act— Quarterly statements in respect of export bills/pre-shipment advances — Advice to banks that statements for the quarter April-June should relate to bank's position as on the 30th June instead of as on the last Friday.
BM. BC. 16/C. 297(P)-72 3-2-1972	Pre-shipment Credit Scheme — Withdrawal of concession relating to engineering and metallurgical products.
BM. BC. 58/C. 297(P)-72 16-6-1972	Pre-shipment Credit Scheme — Form of application to be submitted—Agreement to be executed by banks.

PART III

EXPORT CREDIT (INTEREST SUBSIDY) SCHEME

BM. 932/C. 297A-68 15-6-1968	Export Credit (Interest Subsidy) Scheme 1968 — Provisions.
BM. 1526/C. 297(M)-68 13-11-1968	Export Credit (Interest Subsidy) Scheme 1968 — Modification of the Scheme in the light of the suggestions received from Foreign Exchange Dealers' Association and Indian Banks' Association.
BM. 126/C. 297(M)-69 27-1-1969	Packing credit advances eligible for refinance from Reserve Bank and Interest Subsidy Scheme — Clarification.
BM. 287/C. 297(M)-69 19-2-1969	Export Credit (Interest Subsidy) Scheme—Further Clarification.

No. and Date	Subject
BM. 682/C. 297K-69 7-4-1969	Export Credit — Charging of interest.
BM. 919/C. 297A-69 6-6-1969	Post-shipment finance — Loans and advances granted against freight differential claims will be eligible for the purpose of interest subsidy under Export Credit (Interest Subsidy) Scheme, eligible for refinance under Bill Market Scheme but not under Pre-shipment Credit Scheme or Export Bills Credit Scheme.
BM. 1152/C. 297(M)-69 11-7-1969	Advances to scheduled banks under section 17(3A) of Reserve Bank of India Act—Advances to exporters who do not have letters of credit or export orders in their own name and who route their exports through State Trading Corporation, Minerals and Metals Trading Corporation and other Export houses — Clarification.
BM. 222/C. 297(M)-70 11-2-1970	Export Credit — Extending beyond 180 days — Eligibility for interest subsidy.
BM. 1272/C. 297(M)-70 24-8-1970	Export Credit (Interest Subsidy) Scheme, 1968 — Eligibility for interest subsidy for bills drawn on Nigeria and Ghana.
BM. BC. 136/C. 297(M)-71 23-11-1971	Export Credit (Interest Subsidy) Scheme, 1968 — Export bills drawn on Nigeria and Ghana — Further Clarification.
BM. BC. 30 & 31/C. 297(T)-71 22-3-1971	Export Credit (Interest Subsidy) Scheme, 1968 — Audit requirements and pro forma of the certificates to be sent by auditors to Reserve Bank.
Sch. BC. 51/C. 96-71 16-4-1971	Packing credit and post-shipment credits — Interest rates structure — Ceiling of 7% per annum for packing credit and post-shipment credit other than credits provided for exporters on deferred payment terms.
BM. BC. 56/C. 297(M)-71 23-4-1971	Export Credit (Interest Subsidy) Scheme, 1968 — Rate of interest charged on export credits by banks for the purpose of eligibility for interest subsidy — Not to exceed 7% p.a.
BM. BC. 62/C. 297(M)-71 21-5-1971	Pre-shipment credit scheme and Export Credit (Interest Subsidy) Scheme, 1968 — Advice to banks to keep a close watch not only on the end-use of the finance but also for the timely fulfilment of export orders and to scrutinise applications for extension of time carefully.
BM.BC.70/C. 297(M)-71 4-6-1971	Interest subsidy/Refinance in respect of packing credit advances covered by the export production finance guarantee of ECGC—Clarification that the facility is available upto a period the ECGC extends the period of guarantee.
BM.BC.90/C. 297(M)-71 30-7-1971	Packing credit advances by banks to small scale industrial units covered under the credit guarantee scheme of Government of India in excess of f.o.b. value will be eligible for re-finance from Reserve Bank and interest subsidy under Export Credit (Interest Subsidy) Scheme, 1968, for a period of 8 months on certain conditions.
BM.BC. 120/C.297(T)-71 7-10-1971	Export Credit (Interest Subsidy) Scheme, 1968—Amendment to the provisions of the scheme relating to audit of the relevant books of banks pertaining to the scheme.

No. and Date	Subject
PART IV	
EXTENSION OF BILL MARKET SCHEME FOR PACKING CREDIT AGAINST SPECIFIC COMMODITIES	
BM. 683/C. 297A-67 25-11-1967	Packing credit—Waiver of condition relating to letter of credit/firm orders—Export of tea.
BM. 558/C. 297A-68 6-4-1968	Packing credit facilities to exporters.
BM. 783/C. 297A-68 17-5-1968	Packing credit advances—Export of jute goods.
BM. 785/C. 297A-68 18-5-1968	Packing credit facilities relating to export of cashewnuts.
BM. 974/C. 297A-68 27-6-1968	Packing credit facilities relating to export of cashewnuts—Clarification regarding date from which the ceiling rate of interest would be applicable.
BM.1179/C. 297A-68 19-8-1968	Refinancing of packing credit advances relating to export of cashewnuts—Stage from which maximum rate of interest applicable—Further clarification.
BM.804/C. 297A-68 23-5-1968	Packing credit facilities relating to export of textiles to U.K.
BM. 883/C. 297A-68 5-6-1968	Packing credit facilities relating to export of hides and skins.
BM. 990/C. 297A-68 3-7-1968	Packing credit advances relating to export of coffee.
BM.422/C. 297A-69 10-3-1969	Packing credit advances relating to export of tobacco.
BM.426/C. 297A-69 10-3-1969	Packing credit advances relating to export of dressed bristles.
BM.588/C. 297A-69 26-3-1969	Refinancing of packing credit advances relating to export of ores through Minerals and Metals Trading Corporation.
BM.931/C. 297P-69 9-6-1969	Pre-shipment Credit Scheme—Refinance from Reserve Bank—Manufacture of machine tools.
BM.984/C. 297P-69 19-6-1969	Pre-shipment Credit Scheme—Certain advances to construction contractors to be treated as packing credit.
BM. 1040/C. 297P-69 27-6-1969	Pre-shipment credit scheme—Advances to tanners who supply leather and leather goods to State Trading Corporation for feeding leather articles to be exported—to be treated as packing credit.
BM.1064/C. 297P-69 1-7-1969	Pre-shipment Credit Scheme in respect of export of diamonds.
BM.64/C. 297P-70 12-1-1970	Pre-shipment Credit Scheme—Export of precious, semi-precious stones, pearls and synthetic stones.

SECTION III(e)

EXPORT BILLS CREDIT SCHEME, PRE-SHIPMENT CREDIT SCHEME, AND EXPORT CREDIT (INTEREST SUBSIDY) SCHEME

No. and Date	Subject
PART III	
EXPORT CREDIT (INTEREST SUBSIDY) SCHEME	
BM. BC. 61/C. 297M-72 5-7-1972	Export Credit (Interest Subsidy) Scheme, 1968—Calculation of interest subsidy claims—Rounding off to the nearest five paise.
BM. BC .74/C. 297(M)-72 30-8-1972	Pre-shipment Credit Scheme and Export Credit (Interest Subsidy) Scheme, 1968—Cash incentives, Duty drawback, etc.—Liberalisation of refinance and interest subsidy on advances to exporters—Liberalised Export Production Finance Guarantee and Export Finance Guarantee of the Export Credit Guarantee Corporation Ltd.
BM. BC. 97/C. 297(M)-72 30-10-1972	Pre-shipment Credit Scheme and Export Credit (Interest Subsidy) Scheme, 1968—Cash incentives, Duty drawbacks, etc.—Clarification regarding ECGC scheme.
BM. BC. 2/C. 297(T)-73 20-1-1973	Export Credit (Interest Subsidy) Scheme, 1968—Audit requirements—Reconciliation of figures of interest subsidy claimed by banks with those certified by their auditors.
PART IV	
EXTENSION OF BILL MARKET SCHEME — PACKING CREDIT AGAINST SPECIFIC COMMODITIES	
BM. BC. 70/C. 297P-72 9-8-1972	Packing credit advances relating to export of mineral ores.
BM. BC. 120/C. 297P-72 6-12-1972	Packing credit advances to miners of iron ore in Goa who supply ore to exporters for export.
BM. BC. 82/C. 297P-72 14-9-1972	Packing credit advances to exporters of marine products.
BM. BC. 119/C. 297P-72 6-12-1972	Packing credit advances to exporters of husk from Psyllium seeds (ISABGOL).
BM. BC. 35/C. 297P-73 7-4-1973	Packing credit advances to sea food exporters.
BM. BC. 56/C. 297A-73 28-5-1973	Packing credit advances for export of tea—Modification of stipulation of allowing credit limits on a quarterly basis.
BM. BC. 58/C. 297P-73 31-5-1973	Pre-shipment Credit Scheme—Export of precious and semi-precious stones, pearls and synthetic stones—Clarification that packing credit advances may be adjusted by transfer of the outstanding balance to a special (post-shipment) account.

SCHEMES RELATING TO EXPORT CREDIT

The Reserve Bank has provided certain incentives in the form of concessional finance to banks to increase their lending to priority sectors. In the export field, the need for larger finance at reasonable cost has engaged the attention of the Reserve Bank for many years. In 1958, the Reserve Bank extended the Bill Market Scheme under section 17(4)(c) of the Reserve Bank of India Act to export bills to enable the banks to extend credit facilities to exporters on a more liberal basis. The banks could not, however, avail themselves of these facilities because exporters were reluctant to draw usance bills, as required by the Bank, after having tendered to banks for purposes of negotiation documentary export bills which the banks in turn sent abroad for acceptance and collection. It was in this context that the Reserve Bank of India Act was amended in 1962 empowering the Bank to make advances to any scheduled bank, against its promissory notes repayable on demand or on the expiry of fixed periods not exceeding 180 days, provided a declaration in writing was furnished by the scheduled bank that it held eligible export bills of a value not less than the amount of such loans and advances. Following this, the Reserve Bank introduced the Export Bills Credit Scheme in March 1963.

2. In the context of the recessionary trends prevailing in 1967, the Reserve Bank felt the need for scheduled commercial banks enlarging their assistance to the domestic engineering industries, especially those having export potentialities. To this end, Reserve Bank reintroduced in August 1967 the facilities under the old Bill Market Scheme, for refinancing of credit granted by eligible scheduled commercial banks in respect of *packing credit advances* to exporters of engineering and metallurgical products and other products. Later, in 1969, section 17(3A) of the R.B.I. Act was further amended to empower the Reserve Bank to make advances to any scheduled bank against its promissory notes repayable on demand or the expiry of fixed periods not exceeding 180 days provided a declaration in writing is furnished by it that it has granted a pre-shipment loan or advance to an exporter or any other person in India in order to enable him to export goods from India. Accordingly, it was decided in January 1969 to refinance banks in respect of their pre-shipment (packing credit) advances under a new scheme known as "Pre-shipment Credit Scheme", which avoided the need for banks to convert their pre-shipment advances into usance promissory notes for purposes of lodgement with the Reserve Bank, as was the practice under the old Bill Market Scheme.

3. With a view to affording a measure of relief to exporters, the Reserve Bank prescribed in August 1967, ceiling rates of interest charged by banks on export credit. Under the prescribed ceilings, the rates charged by banks were fixed at 6% in respect of packing credit advances for export of engineering and metallurgical products and at 8% in the case of packing credits for export of other products and post-shipment finance. These ceilings applied irrespective of whether or not a bank sought refinance from the Reserve Bank in regard to these transactions. In March 1968, Reserve Bank, by means of a directive, fixed the ceiling at a uniform rate of 6% for all types of export credit. (This rate has been enhanced to 7% per annum with effect from the 16th April 1971). In order to ensure that reduction of profit margin for banks on account of prescription of a ceiling rate on advances does not discourage them from providing the necessary finance to exporters, banks have been granted a subsidy of 1½% by the Government of India, in terms of the Export Credit (Interest Subsidy) Scheme, 1968, with effect from March 1968. The subsidy is payable in respect of all types of export credit provided by the bank except that refinanced by the IDBI.

4. The circulars incorporated in the first 3 parts of this Section deal with the Export Bills Credit Scheme, Pre-shipment Credit Scheme and Export Credit (Interest Subsidy) Scheme. The last, *i.e.*, the fourth part of the Section, incorporates certain circulars containing advices to banks regarding the modifications effected in the Old Bill Market Scheme as liberalised and extended to packing credit advances. Although the system of granting refinance to banks in respect of their pre-shipment (packing credit) advances under the Old Bill Market Scheme does no longer exist, it having been replaced by the Pre-ship-

ment Credit Scheme introduced in January 1969, the circulars in question contain certain guide-lines to be adopted by banks in the grant of packing credit advances in connection with the exports of certain commodities. The circulars have therefore, been included in Part IV in their original form.

PART I

EXPORT BILLS CREDIT SCHEME

DBO. NO. BM. 2732/C. 297K-63 —13 March 1963

Eligible scheduled banks which are authorised dealers in foreign exchange.

Dear Sir,

EXPORT BILLS CREDIT SCHEME

As you are aware, the Reserve Bank of India Act, 1934, as recently amended, [section 17(3A)] empowers the Reserve Bank to make advances to any scheduled bank against its promissory notes, repayable on demand or on the expiry of fixed periods not exceeding 180 days, provided a declaration in writing is furnished by it that it holds and will, so long as any part of such loans and advances remains unpaid, continue to hold export bills of a value not less than the amount of such loans or advances outstanding for the time being. Accordingly, it has been decided to introduce an "Export Bills Credit Scheme." The facilities and requirements of the Scheme as well as the procedure to be followed in regard to it are detailed in the enclosed memorandum.

2. Advances under the Scheme will be made available to banks against their promissory notes repayable on demand and upon their declarations of holdings of eligible usance export bills drawn in foreign currencies or Indian rupees and purchased/negotiated/ discounted by them. * * * * * * * * * *

3. The Scheme will come into force with effect from the 23rd March 1963 and eligible banks which intend to avail themselves of the facilities under it may get in touch with the Managers of the principal offices of the Reserve Bank of India.

Yours faithfully,
K. VARNASY
Jt. Chief Officer

EXPORT BILLS CREDIT SCHEME

Requirements and procedure

The Reserve Bank may, under the newly enacted section 17(3A) of the Reserve Bank of India Act, 1934, make loans and advances to any scheduled bank against its promissory notes, repayable on demand or on the expiry of fixed periods not exceeding 180 days, provided a declaration in writing is furnished by it that it holds and will, so long as any part of such loans and advances remains unpaid, continue to hold export bills of a value not less than the amount of such loans or advances outstanding for the time being. An Export Bills Credit Scheme has accordingly been formulated to make available to eligible banks the facilities contemplated under the provisions of the above section. The requirements of the Scheme and the procedure relating to it are detailed below.

2. (*i*) *Eligible banks*

All licensed scheduled banks (which term will include scheduled banks which do not require a licence) which are authorised dealers in foreign exchange will be eligible for credit facilities under the Scheme.

(*ii*) *Minimum limit of borrowing*

The minimum amount to be borrowed by a bank at a time has been fixed at Rs. 1 lakh. It would be convenient to both the borrowing bank and the Reserve Bank, if borrowings are made in multiples of Rs. 10,000 over the above minimum.

(*iii*) *Eligibility of export bills*

All usance export bills having a usance not exceeding 180 days purchased/negotiated/discounted by the borrowing bank under letters of credit or otherwise, which are drawn in India and on any place in any country outside India which is a member of the International Monetary Fund or in any other country notified in this behalf by the Bank in the Gazette of India would be eligible for being held by the bank under the declaration to be furnished by it to the Reserve Bank. A list of the countries which, as per the latest available data, are members of the International Monetary Fund is given in Annexure 'A'@. However, such export bills shall cease to be taken into account for the purpose of the declaration in the following eventualities:

(*a*) on receipt of the relative realisation advice;
(*b*) on their being re-discounted ;
(*c*) on dishonour by non-acceptance or non-payment on the due dates ;
(*d*) in the case of bills negotiated under letters of credit, on receipt of the relative re-imbursement; and
(*e*) on the happening of any other contingency in which the liability on the bills ceases.

@ A list of countries later notified by Reserve Bank in this behalf is given at the end of Annexure 'A'.

Compliance with the Exchange Control Regulations in regard to the handling of the export bills held by a bank under declaration should also be ensured by it.

(*iv*) *Margin*

Advances will be granted up to 100% of the amount of eligible bills reported by the borrowing bank in the declarations. It should be ensured that the total outstanding borrowings at any time are fully covered by the amount of export bills reported in the declarations.

(*v*) *Centres where facilities will be made available*

Advances will be made to the eligible banks at the offices of the Reserve Bank having Banking Departments (*viz.* the Bombay, Calcutta, Madras, New Delhi, Kanpur, Bangalore and Nagpur offices at present).* It would be open to a bank either to centralise its borrowings under the Scheme at its Head/Principal Office in which case the entire limit sanctioned for the bank could be made available at the respective office of the Reserve Bank or to apportion the limit among the Head/Principal Office and the main branches at any of the abovementioned centres. In case any sub-limits have been allocated to any branches for direct borrowing from the respective office of the Reserve Bank, it will not be open to the Head/Principal Office to include in its declarations export bills of such branches as also export bills of the other local branches in those centres. Branches in whose favour sub-limits have been allocated may include in their declarations, besides their own, eligible export bills of only the other local branches. It is not uncommon that the branch to whom the exporter delivers the export bill does not itself deal with the bill but forwards it to another branch in India for necessary action. It should be ensured that in such cases the bill is not accounted for twice in the declarations. In these cases, the bill should be included in the declarations only by or in respect of the branch in whose books it has been accounted for as a bill purchased/negotiated/discounted.

3. **Procedure for borrowing**

(*i*) *Fixation of limits*

An eligible bank wishing to avail itself of facilities under the Scheme should apply for a limit in the form prescribed for the purpose (vide the specimen in Annexure 'B'). Limits will be sanctioned for a period of one year which will run from 1st October to 30th September of the following year. The renewal of the limit sanctioned to a bank will be considered at the time of the expiry of the limit, if an application is received from it in that behalf. A bank enjoying a limit should, in its own interest, submit its renewal application to the Reserve Bank sufficiently in advance. If no such application is received before the date of expiry of the existing limit, the limit will be deemed to have lapsed and the outstanding borrowings, if any, will fall due for repayment. In case the limit has lapsed or, for any reason, it is reduced or cancelled, the concerned bank will have to forthwith bring down the outstanding borrowings within the reduced limit or to repay them in full as the case may be. It would be within the discretion of the Reserve Bank to recall an advance at any time without assigning any reasons whatever. Subject to the foregoing it will not be incumbent on a bank to repay the outstanding borrowings at the end of September each year.

(*ii*) *Loan documents etc. to be executed/furnished by the borrowing bank*

As advances under this Scheme will be separate from those under the Bill Market Scheme, it would be necessary for the borrowing banks to execute a fresh set of documents. The loan documents to be executed by the Head/Principal Office of a borrowing bank are as under:-

(*a*) a stamped agreement for the amount of the limit initially fixed for the applicant bank as a whole, setting out the various conditions governing the advances as in the form given in Annexure 'C'.

(*b*) a demand promissory note for such amount.

(*c*) for enhancement of the limit, a letter extending the agreement to the enhanced limit as in the form given in Annexure 'D', together with a consolidated demand promissory note for the fresh limit.

The bank will have to arrange to pass a Board resolution authorising the borrowing under the Scheme by the Head/Principal Office and the specified branches up to the limit/s that may be approved by the Reserve Bank from time to time as also the execution of loan documents by specified officials of the Head/Principal Office and the signing of declarations, statements etc. by the specified officials of the Head/Principal Office and the relative branches. It will facilitate the expeditious completion of the above formalities if a draft of the Board resolution proposed to be passed is sent in advance to the concerned office of the Reserve Bank with a view to ascertaining whether it would meet our requirements. A certified copy of the Board resolution should be furnished along with the above documents to the principal office of the Reserve Bank (at which borrowings will be made) by the bank's Head/Principal Office before the bank commences to borrow under the limit sanctioned.

(*iii*) *Granting of loans*

The Head/Principal Office of a bank or its branch which has been allocated a sub-limit should, each time it wants to borrow, make a written request to the respective office of the Reserve Bank indicating the amount of loan required and submit along with such request a declaration in duplicate as in the form given in Annexure 'E'. The declaration should be made separately in respect of usance export bills drawn in Indian rupees and those drawn in currencies other than Indian Rupees. The figure of eligible export bills to be reported in the declarations should relate to the holdings of only the offices concerned [vide paragraph 2 (*v*) above] as at the close of business on the immediately preceding day.

(*iv*) *Maintenance of relevant records*

As already stated, it is essential that the outstanding borrowings at all times are fully covered by the borrowing bank's holdings of eligible export bills from time to time. If at any time the total amount of bills held by the bank covered by the declaration falls below the amount borrowed, the bank should forthwith adjust such excess under advice to the office of the Reserve Bank concerned. In order to ensure compliance with this requirement, it is necessary that appropriate books and records (*e.g.* a control ledger/register) are maintained by the borrowing offices of a bank, showing from day to day the relevant particulars [such as F.B.P./F.B.D. No., usance, amount (in foreign currency as well as the rupee equivalent) etc.] not only of its own holdings of eligible export bills but also of such bills held by other branches which are grouped with it for the purpose of the declarations [vide paragraph 2(*v*) above]. It should be possible on the basis of these books and records for the bank to watch the position of the outstanding borrowings *vis-a-vis* the bills held and for the Reserve Bank to verify at any future date the declarations and statements required to be submitted to it under the Scheme.

* RBI has Banking Departments at Hyderabad and Patna also.

(v) *Submission of periodical statements by the borrowing bank and their scrutiny by the Reserve Bank*

With a view to enabling the Reserve Bank to watch from time to time the position of the outstanding borrowings of a bank under the Scheme in relation to its holdings of eligible export bills, each of its borrowing offices should submit to the respective office of the Reserve Bank the following statements in triplicate:

(*a*) A fortnightly declaration as in the form given in Annexure 'E' as at the close of business on the second and the last Friday of each month to be submitted by the following Wednesday. Separate declarations should be submitted in respect of usance export bills drawn in Indian Rupees and those drawn in currencies other than Indian Rupees.

(*b*) A quarterly statement @ as in the form given in Annexure 'F' furnishing particulars of the eligible export bills held as at the close of business on the last Friday of each calendar quarter to be submitted within fifteen days. Separate statements in respect of usance bills in Indian Rupees and in foreign currencies should be submitted in this case also.

The Reserve Bank may, whenever it may choose to do so, arrange, for a verification of any of the statements furnished by the borrowing office of a bank by deputing one or more of its officials for the purpose and the bank concerned should make the relevant records and information available to him/them.

ANNEXURE 'A'

List of countries which are members of the International Monetary Fund as on the 15th January 1963*

Afghanistan	Chile	Ethiopia
Argentina	China	Finland
Australia	Colombia	France
Austria	Costa Rica	Germany, Fed. Rep. of
Belgium	Cuba	Ghana
Bolivia	Cyprus	Greece
Brazil	Denmark	Guatemala
Burma	Dominican Republic	Haiti
Canada	Ecuador	Honduras
Ceylon	El Salvador	Iceland
India	Nepal	Sudan
Indonesia	Netherlands	Sweden
Iran	New Zealand	Syrian Arab Republic
Iraq	Nicaragua	Tanganyika
Ireland	Nigeria	Thailand
Israel	Norway	Togo
Italy	Pakistan	Tunisia
Japan	Panama	Turkey
Jordan	Paraguay	United Arab Republic
Korea	Peru	United Kingdom
Kuwait	Philippines	United States
Laos	Portugal	Uruguay
Lebanon	Saudi Arabia	Venezuela
Liberia	Senegal	Viet-Nam
Libya	Sierra Leone	Yugosiavia
Luxembourg	Somalia	
Malaya	South Africa	
Mexico	Spain	
Morocco		

Non-metropolitan Areas

France
French Guiana, Guadeloupe, Martinique, Comoro Islands, Reunion, St. Pierre and Miquelon, French Polynesia, New Caledonia, New Hebrides, Wallis and Futuna Islands, French Somaliland.

Netherlands
Netherlands Antilles, Surinam.

United Kingdom
Barbados, Guiana, Leeward and Windward Isl., British Honduras, Aden, Kenya, Zanzibar, Bahamas, Bermuda, Falkland Islands, Gambia, Gibraltar, Malta, Fed. of Rhodesia & Nyasaland British North Borneo, Brunei, Sarawak, Singapore, Fiji

Hong Kong
Mauritius, Seychelles, Tonga.

Source: International Financial Statistics, February 1963.

@ For the quarter April-June, the statement should relate to the bank's position as on 30th June instead of last Friday—Vide circular DBOD. No. BM. BC. 14/C. 297P-71 dated the 12th February 1971.

* For changes in this list, reference may be made to "International Financial Statistics" published monthly by I.M. F.

Note: Please also see attached notification dated 19th March 1963 (published in the Gazette of India, Part III-Section 4, dated 20th April 1963) notifying certain countries (which are not members of International Monetary Fund) for purpose of clause (*i*) of the proviso to sub-section (3A) of Section 17 of the Reserve Bank of India Act.

RESERVE BANK OF INDIA

NOTIFICATION

Bombay, the 19th March 1963

No. R. B. I. A. DBO. B.M. 1/C. 297K-63 R. B.— In exercise of the powers conferred by sub-clause (*a*) of clause (*i*) of the proviso to sub-section (3A) of section 17 of the Reserve Bank of India Act, 1934 (2 of 1934), the Reserve Bank of India hereby notifies the following countries for the purpose of the said clause.

1. Western Samoa.
2. All British Colonies, Protectorates, Protected States and Trust Territories.
3. Republic of Congo (Leopoldville).
4. Federal Republic of Cameroun.
5. Central African Republic.
6. Republiic of Chad.
7. Republic of Congo (Brazzaville).
8. Republic of Dahomey.
9. Corsica.
10. Algeria.
11. Oasis.
12. Saoura.
13. Gabon Republic.
14. Republic of Guinea.
15. Republic of Ivory Coast.
16. Republic of Madagascar.
17. Republic of Mali.
18. Islamic Republic of Mauritania.
19. Monaco.
20. Republic of Niger.
21. Republic of the Upper Volta.
22. French Somaliland.
23. San Marino.
24. Vatican City.
25. Switzerland.
26. Principality Liechtenstein.
27. Any territory under the sovereignty of the U.S.A.
28. West Berlin.
29. Earoe Islands.
30. Netherlands West Indies.
31. Portuguese colonies.
32. Bulgaria.
33. Czechoslovakia.
34. Hungary.
35. German Democratic Republic.
36. Poland.
37. U. S. S. R.
38. North Korea.
39. Rumania.
40. Uganda.

D. R. JOSHI

Executive Director.

ANNEXURE 'B'

(To be submitted *in duplicate* every year)

Form of application for a limit under the Export Bills Credit Scheme.

(Fresh/ Renewal proposal*)

(Name of the bank)

Address: _____

Date : _____

The Manager,
Reserve Bank of India,
_____

The Deputy Chief Officer,
Bombay Regional Office,
Department of Banking Operations,
Reserve Bank of India,
Bombay - 1.

Dear Sir,

We hereby apply for sanction of a limit of Rs.———— (Rupees————only) under the Export Bills Credit Scheme for the period from the 1st October 19 to the 30th September 19 We give below the necessary information and agree to abide by the terms of the Scheme as may be in force from time to time.

Yours faithfully,

for _____
(Name of the bank)

_____
(Signature of the authorised official)

_____
(*Designation*)

(* Strike out whichever is not required)

1. Name of the banking company:

2. Date of issue of a licence under section 22 of the Banking Companies Act, 1949 :

3. No. and date of the letter of authorisation for dealing in foreign exchange, also stating whether authorised to deal only in a particular currency or in all currencies:

4. The Principal Office of the Reserve Bank at which the loan documents are proposed to be executed :

5. Amount of total limit required :

	In respect of Indian Rupee Bills	In respect of foreign currency bills

6. Names of the offices (including the Head/Principal Office) of the bank among which the above limit is required to be apportioned and the amount of such sub-limits:

For borrowings from the Reserve Bank's offices at

Bombay	Calcutta	Madras	New Delhi	Bangalore	Kanpur	Nagpur

Name of the applicant bank's office:

Amount of sub-limit:

Note: Please indicate the Head/Principal Office by an asterisk.

7. Particulars of usance export bills negotiated/discounted by the bank during the last calendar year. (The data to be furnished under this item may be based on weekly figures, as at the close of business on Fridays)

(In lakhs of rupees)

Maximum outstandings during the year 1962		Minimum outstandings during the year 1962	
Amount	Date	Amount	Date

(*N.B.* Separate data should be furnished in regard to usance export bills drawn in Indian rupees and those drawn in currencies other than Indian Rupee)

8. Other particulars : (Any additional facts which the banking company may wish to adduce in support of its application)

ANNEXURE 'C'

Form of agreement to be obtained from the Principal Office of the scheduled bank (to be stamped as an agreement in accordance with the law in force in each State).

To

The Reserve Bank of India,

Dear Sirs,

In consideration of your agreeing to make from time to time, under section 17(3A) of the Reserve Bank of India Act, advances in your discretion but not in any event exceeding the sum (exclusive of interest) of Rs. .....for which amount we have delivered to you a demand promissory note in your favour carrying interest at the rate hereinafter mentioned, which advances shall be repayable on demand and shall be made upon declarations in such forms as may be prescribed by you, we agree as follows :

(1) The balance of the said advances at any time outstanding shall be repayable by us on demand.

(2) Interest shall be payable by us to you on the said advances at Reserve Bank of India rate for the time being or at such rate as may be notified by you from time to time, with quarterly rests and the amounts of such interest calculated on the daily balances may be debited to the account of the said advances at the end of each calendar quarter or earlier when the balance outstanding is wiped off. It shall be open to you to reimburse yourselves with the amount of interest so debited by charging the same to our Current Account with you.

(3) We agree that in default of payment by us under the terms of clause (1) thereof, you may, but without any obligation on you so to do, debit our current account with you for the amount due by us on account of the loan or advance granted in terms of section 17(3A) of the said Act.

(4) We further agree to maintain in your favour such margin as you may from time to time prescribe so that the total amount for the time being due to you for principal, interest, charges and costs in respect of the aforesaid advances shall not exceed the rupee equivalent of the outstanding balance of eligible bills held in our foreign bills purchased and discounted account after deducting the amount of margin required to be maintained. If there should, at any time, be a shortfall in the margin stipulated herein we shall forthwith on demand by you reduce the balance due to you by a cash payment so as to make good the amount of margin required to be maintained.

(5) We further agree that we will from time to time, while these advances continue and whenever required by you to do so furnish you with such information regarding the outstanding bills and true reports in such form as you may prescribe regarding the solvency of the parties on each such bill and agree to advise you promptly of any change in the position of any such party which can reasonably be considered to affect our security.

(6) We hereby agree to execute on demand such documents as may be required by you to create in your favour an overall charge on our book debts represented by the foreign bills purchased or discounted or to vest

in you such securities as are specified by you so as to render the same readily saleable or transferable by you at any time.

(7) We also agree that this agreement and the said demand promissory note for Rs.....shall operate as a continuing security for the said advances notwithstanding the existence of a credit balance at any time or any partial payments or fluctuations of accounts or withdrawal of any part of the security.

Yours faithfully,

For and on behalf of———————

———————

(*Name of the scheduled bank*)

(*Signature of the authorised official*) ———————

(*Designation*) ———————

ANNEXURE 'D'

Form of letter extending the limit (to be obtained from the Principal Office of the scheduled bank)

(Name of bank) ———————

Place ———————

Date ———————

To

The Reserve Bank of India,

———

Dear Sirs,

With reference to the Agreement dated the———— day of ———————, we agree that in consideration of your agreeing to increase the limit of Rs. ——————— specified therein to a fresh limit of Rs. ———————for which amount we have delivered to you a consolidated demand promissory note, carrying interest at———————with quarterly rests, all the terms of the said Agreement shall apply to and in relation to the fresh limit of, and the consolidated promissory note for, Rs. ———————— and the advances thereunder, as they apply to and in relation to the limit of, and demand promissory note for, Rs. ——————— and the advances thereunder.

Yours faithfully,

For and on behalf of ———————

———————

(*Name of the scheduled bank*)

(*Signature of the authorised official*) ———————

(*Designation*) ———————

ANNEXURE 'E'

(To be submitted *in duplicate* with every letter of request for a loan under the Scheme and *in triplicate* as a fortnightly return)

Form of declaration to be obtained from the scheduled bank in regard to the holding of export bills

———————

(*Name of the bank*)

Address : ———————

Date : ———————

To

The Manager,
Reserve Bank of India,

———

Dear Sir,

We (name of the borrowing bank) hereby declare, that in consideration of the loans and advances made to us and/or proposed to be made to us by you in terms of the Export Bills Credit Scheme under section 17(3A) of the Reserve Bank of India Act, 1934, we hold and will, so long as any part of such loans and advances remains unpaid, continue to hold eligible bills of exchange relating to export of goods from India, as indicated in your circular DBO. No. BM. 2732/C. 297K-63 dated the 13th March 1963, of a value not less than the amount of such loans or advances outstanding for the time being.

We further declare that we have not taken/will not take into account, for the purpose of this declaration, (*a*) bills of exchange in respect of which the relative realisation advices have been received or which have been re-discounted or which have been dishonoured by non-acceptance or non-payment on the due dates or (*b*) bills of exchange which have been negotiated under letters of credit and in respect of which the relative re-imbursements have been received or (*c*) bills, the liability on which has ceased on the happening of any other contingency.

We further declare that as at the close of business on the @..... we held at this office and the other local offices +/our different approved offices ++ eligible export bills amounting to Rs..... lakhs as per details given below/in the attached statement:

We further agree that on the faith of the correctness of the contents of this certificate you will make and/or continue advances to us under section 17(3A) of the said Act.

Dated at ....., this..... day of.....196

Yours faithfully,

For and on behalf of ———————

(*Name of the bank*)

(*Signature of the authorised official*) ———————

(*Designation*) ———————

———————

@The immediately preceding working day in case the declaration is for the purpose of making a fresh borrowing from the Reserve Bank and the second and the last Friday of each month for the purpose of the fortnightly return.

+ For use by a branch borrowing under a sub-limit.

++ For use by the Head/Principal Office.

Details of eligible usance bills negotiated/discounted/held, etc.

Name of office	Amount of eligible bills drawn in Indian Rupees	Rate of interest/ commission charged	Rupee equivalent of eligible bills drawn in foreign currencies	Borrowings from the Reserve Bank under the E. B. C. Scheme		
				Outstanding balance, if any	Proposed borrowing	Total
1	2.	3	4.	5	6.	7.

ANNEXURE 'F'

(To be submitted *in triplicate* within 15 days)

Statement showing the particulars of eligible export bills held in respect of borrowings from the Reserve Bank under the Export Bills Credit Scheme and outstandings as at the close of business on the last Friday of the calendar quarter ended the.....

Name of the bank :
Name of the bank's office submitting the statement :
Limit fixed for the office under the Scheme : Rs. .....
Outstanding borrowings of the office under the Scheme : Rs. .....

Name of the party from whom the expert bills have been purchased/ negotiated/ discounted	Reference Nos. of the export bills purchased/ negotiated/ discounted and the dates of purchase/ negotiation/discount	Name and address of the drawee (including the name of the country on which the bill is drawn)	Amount of the bill drawn in Indian Rupees	Amount of the bill (to the nearest unit of the currency in which it is drawn)	Rupee equivalent of the amount of the bill (to the nearest rupee at par rate)	Usance of the bill	Rate of interest/ discount	Nature of the goods shipped	Whether the bill has been negotiated under a letter of credit	Remarks
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.

Sundries _____

Total _____

For _____
(Name of bank)

(Signature of authorised official) _____

Designation _____

Date _____

Note:
(*a*) Bills or total outstandings against each party for Rs. 10,000/- and over should be shown in detail. Others may be grouped under 'Sundries.'

(*b*) Please append a currency-wise break-up of the amount shown under 'Sundries.'

PART II

PRE-SHIPMENT CREDIT SCHEME

DBOD. No. BM. 78/C. 297(M)-69—20 January 1969

All licensed scheduled commercial banks.

Dear Sir,

REFINANCING OF PRE-SHIPMENT CREDIT

As you are aware, section 17(3A) of the Reserve Bank of India Act, 1934 as recently amended empowers the Reserve Bank to make advances to a scheduled bank against its promissory notes repayable on demand or on the expiry of fixed periods not exceeding 180 days provided a declaration in writing is furnished by it to the effect that it has granted pre-shipment loan or advance to an exporter or any other person in India in order to enable him to export goods from India and that the amount of the loan or advance drawn and outstanding at any time will not be less than the outstanding amount of the loan or advance obtained by the borrowing bank from the Reserve Bank. Accordingly, it has been decided that refinance to banks in respect of their pre-shipment (packing credit) advances which was hitherto provided by the Reserve Bank under the liberalised Bill Market Scheme under section 17(4)(*c*) of the Reserve Bank of India Act will now be made available to them under a new scheme (to be known as Pre-Shipment Credit Scheme) under the amended section 17(3A) of the Act. The requirements of the scheme and the procedure to be followed in this regard are detailed in the enclosed Memorandum. It will be seen that under the revised procedure banks will not be required to apply to the Reserve Bank for sanction of limits in respect of individual borrowers and to lodge with it usance promissory notes of such borrowers. They will, however, have to apply for overall limits, in respect of their pre-shipment advances and to comply with the various terms and conditions relating to the Scheme.

2. The Scheme will come into force with effect from 1st February 1969. Eligible banks which intend to avail themselves of the facilities under it may apply in the prescribed form to Managers of the principal offices of the Reserve Bank of India for suitable limits. Meanwhile, they may continue to avail themselves of the refinance facilities under the old procedure by lodging with the Reserve Bank usance promissory notes of approved parties.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(Banking Operations)

Note: The requirement in this scheme that banks should submit applications for sanction of limits separately for their anticipated borrowings in respect of pre-shipment advances for export of 'engineering and metallurgical products' and 'other products' is no longer in vogue—vide circular DBOD. No. BM. BC. 16 and 58/C297(P)-72 dated the 3rd February 1972 and 16th June 1972 respectively. The references in the memorandum attached to this circular in respect of the two categories may, therefore be, ignored.

MEMORANDUM

PRE-SHIPMENT CREDIT SCHEME

The Reserve Bank may, under section 17(3A) of the Reserve Bank of India Act, as recently amended, make loans and advances to any scheduled bank or State Co-operative bank against its promissory notes, repayable on demand or on the expiry of fixed periods not exceeding 180 days, provided a declaration in writing is furnished by it that it has granted a pre-shipment loan or advance to an exporter or any other person in India in order to enable him to export goods from India, the amount of the loan or advance drawn and outstanding at any time being not less than the outstanding amount of the loan or advance obtained by the borrowing bank from the Reserve Bank. It is not, therefore, now necessary for the banks to convert the pre-shipment advances granted to their constituents into usance promissory notes for the purpose of lodgement with the Reserve Bank as hitherto. The other requirements of the scheme and the procedure relating to it are given below.

(i) *Definitions*

For the purpose of this Scheme the following words are defined as under :-

(*a*) "Exporter" means any person lawfully exporting goods from India to any other country and includes 'subject to such conditions as may be specified by the Reserve Bank' any person who is engaged in or undertakes such exports in pursuance of an export order obtained by any other person.

(*b*) A pre-shipment loan or advance (to be also known as "pre-shipment credit"/"packing credit") means any loan or advance granted or any other credit provided by a bank to an exporter for financing the purchase, processing, manufacturing or packing of goods, on the basis of letters of credit opened in his favour or in favour of some other person as referred to above, by an importer of the goods outside India, or a confirmed and irrevocable order for the export of goods from

India or any other evidence of an order for export from India having been placed on the exporter or some other person as referred to above, unless lodgement of export orders or letters of credit with the bank has been waived by the Reserve Bank.

Provided that the maximum period for which any loan or advance may be granted, or any other credit facility may be provided, by way of pre-shipment or packing credit shall not exceed one hundred and eighty days or such longer period as the Reserve Bank may specify.

(ii) *Eligible banks*

All licensed scheduled commercial banks will be eligible for credit facilities under the scheme.

(iii) *Minimum limit of borrowing*

The minimum amount to be borrowed by a bank at a time has been fixed at Rs. 1 lakh. It would be convenient both to the borrowing bank and the Reserve Bank, if borrowings are made in multiples of Rs. 10,000 over the above minimum.

(iv) *Eligibility of advances for refinance*

(*a*) The pre-shipment credit should be granted to *bona fide* exporters on the strength of letters of credit established by banks of standing abroad in favour of local exporter or some other person as referred to above or on the strength of a firm export order and the borrowing bank should ensure that the relevant documents are lodged with it. Where it is not possible for the exporters to lodge the letters of credit or firm orders initially, a bank may make pre-shipment advances to the exporters on production of sufficient evidence *e.g.* cables, letters, etc. but it should ensure that the aforesaid documents are lodged with it within a reasonable time of the grant of such advances. However, in special cases where the Reserve Bank waives this condition the relative advances will be eligible for refinance.

(*b*) The bank should grant advances under separate accounts for pre-shipment credit for export of engineering and metallurgical products and for export of other products. The outstandings in such accounts should be extinguished by negotiation of the relative export bills or in such other manner and on such terms and conditions as may be specified by the Reserve Bank.

(*c*) Where the pre-shipment advances are given by one bank but the export bills are negotiated, purchased or discounted through another bank in terms of the letter of credit, such advances would be eligible for refinance provided the export documents are routed through the bank giving the pre-shipment credit for negotiation with the other bank and the proceeds thereof are realised and credited to the party's pre-shipment account.

(*d*) The bank's advance will carry a rate of interest not exceeding 6%* per annum or such other ceiling rates as may be fixed by the Reserve Bank from time to time. The bank should not levy or charge any service or other charges, except that banks governed by the Rules of the Foreign Exchange Dealers Association of India may collect such charges, not being of the nature of interest, as are permitted or required to be charged in respect of the said loan or advance under the said Rules.

(*e*) The bank may make pre-shipment advances in respect of shipments expected to be made within a period not exceeding 180 days from the date of advance. However, where an exporter is for reasons beyond his control, unable to ship the goods within the maximum period of 180 days and the goods are ultimately shipped within a reasonable time thereafter, the advances will be eligible for refinance during the extended period (during which banks are obliged to charge the ceiling rate of interest on such credit) provided such extended period is approved by the Reserve Bank of India.

(*f*) The bank should comply with the various stipulations laid down by the Reserve Bank from time to time in respect of pre-shipment (packing credit) advances either generally or in relation to specific commodities such as cashewnuts, jute, tea, etc.

(v) *Margin*

Advances will be granted up to 100% of the amount of pre-shipment advances drawn and reported by the borrowing bank in the declarations. It should be ensured that the total outstanding borrowings from the Reserve Bank at any time are fully covered by the amount of pre-shipment advances drawn and outstanding reported in the declaration.

(vi) *Centres where facilities will be made available*

Advances will be made to the eligible banks at the offices of the Reserve Bank having Banking Departments (*viz.*, Bombay, Calcutta, Madras, New Delhi, Kanpur, Bangalore and Nagpur offices at present)†. It would be open to a bank either to centralise its borrowings under the Scheme at its Head/Principal Office in which case the entire limit sanctioned for the bank could be made available at the concerned office of the Reserve Bank or to apportion the limit among the Head/Principal office and the main branches at any of the above mentioned centres. In case any sub-limits have been allocated to any branches for direct borrowing from the concerned office of the Reserve Bank, it will not be open to the Head/Principal Office to include in its declarations pre-shipment advances of such branches as also pre-shipment advances of the other local branches in those centres. The branches in whose favour sub-limits have been allocated may include in their declarations, besides their own, eligible pre-shipment advances of other branches which may be grouped with them for this purpose. It should, however, be ensured that in such cases the advances are not accounted for twice in the declarations.

2. Procedure for borrowing

(i) *Fixation of limits*

An eligible bank wishing to avail itself of facilities under the scheme should apply to the offices of the Reserve Bank of India, where it is maintaining its principal account for limits separately for its anticipated total borrowings in respect of pre-shipment advances for export of engineering and metallurgical products and other products based on the average outstandings during a period of one year in respect of advances falling under each of the two categories, in the form prescribed for the purpose (vide the specimen in Annexure 'A'). Limits will be sanctioned for a period of one year which will run from 1st October to 30th September of the following year. The renewal of the limits sanctioned to a bank will be considered at the time of the expiry of the limits, if an application is received from it in that behalf. A bank enjoying limits should, in its own interest, send its renewal application to the Reserve Bank sufficiently in advance. If no such application is received before the date of expiry of the existing limits, the limits will be deemed to have lapsed

* Since enhanced to 7% vide circular DBOD. No. Sch. BC. 51/C. 96-71 dated 16th April 1971.

† RBI has Banking Departments at Hyderabad and Patna also.

and the outstanding borrowings, if any, will fall due for repayment. No fresh advances will, however, be granted to a bank after the 30th September, until the relative limits are renewed or fresh limits are sanctioned by the Reserve Bank. In case a limit has lapsed, or for any reason, it is reduced or cancelled, the concerned bank will have to forthwith bring down the outstanding borrowings within the reduced limit or to to repay them in full as the case may be. It would be within the discretion of the Reserve Bank to recall an advance at any time without assigning any reason whatsoever. Subject to the foregoing, it will not be incumbent on a bank to repay the outstanding borrowings at the end of September each year.

(ii) *Loan documents etc. to be executed/furnished by the borrowing bank*

As advances under this Scheme will be separate from those under the Bill Market Scheme and the Export Bills Credit Scheme, it would be necessary for the borrowing bank to execute a separate set of documents under this Scheme. The loan documents to be executed by the Head/Principal Office of a borrowing bank are as under :

(*a*) A separate stamped agreement each for the amount of the limits initially fixed for the applicant bank as a whole in respect of advances for engineering and metallurgical products and for other products setting out the various conditions governing the advances as in the forms given in Annexure 'B' and 'C' respectively.

(*b*) A separate demand promissory note for the amount of each limit fixed in respect of advances for engineering and metallurgical products and other products.

(*c*) For enhancement of the limit, a letter extending the agreement to the enhanced limit as in the form given in Annexure 'D' together with a consolidated demand promissory note for the fresh limit.

The bank will have to arrange to pass a Board resolution authorising the borrowing under the scheme by Head/Principal Office and the specified branches up to the limit/s that may be approved by the Reserve Bank from time to time as also the execution of loan documents by specified officials of the Head/Principal Office and the signing of declarations/statements and other documents by the specified officials of the Head/Principal Office and the relative branches. It will facilitate the expeditious completion of the above formalities if a draft of the Board resolution proposed to be passed is sent in advance to the concerned office of the Reserve Bank with a view to ascertaining whether it would meet with our requirements. A certified copy of the Board resolution should be furnished along with the above documents to the principal office of the Reserve Bank (at which borrowings will be made) by the bank's Head/Principal Office before the bank commences to borrow under the limit sanctioned.

(*iii*) The Head/Principal Office of a bank or its branch which has been allocated a sub-limit should, each time it wants to borrow, make a written request to the concerned office of the Reserve Bank indicating the amount of the loan required and submit along with such request a declaration in duplicate as in the form given in Annexure 'E'. The declaration should include only those advances on the basis of which the bank is seeking loans or advances under section 17(3A) and need not cover all such advances of the kind referred to in the section. The declaration should be made separately in respect of pre-shipment advances for export of engineering and metallurgical products and other products. The figure of pre-shipment advances to be reported in the declarations should relate to the advances outstanding only at the offices concerned or those offices which may be grouped with it for this purpose [vide paragraph 1 (vi) above] as at the close of business on the immediately preceding day.

(iv) *Switching over to the Scheme*

After a suitable limit has been sanctioned to a bank under this Scheme and it has executed the necessary documents, it may be permitted to borrow under this Scheme on a date convenient to it. However, before borrowing under this Scheme the bank should repay the outstanding amounts borrowed under the Bill Market Scheme relating to packing credit advances together with interest up to the date of adjustment. The bank may adjust the outstanding balance in the then existing account by *simultaneously* utilising the funds borrowed under this Scheme. After the old account is adjusted the relative usance promissory notes will be returned to the bank and no fresh usance promissory notes will be accepted from it after it starts borrowing under this Scheme.

(v) *Maintenance of relevant records*

As already stated, it is essential that the outstanding borrowings from the Reserve Bank at all times are fully covered by the borrowing bank's pre-shipment advances outstanding from time to time and that only such advances as conform to the requirements laid down earlier are treated as pre-shipment advances. If at any time the total amount of pre-shipment advances reported by the bank in the declaration falls below the amount borrowed, the bank should forthwith adjust such excess under advice to the office of the Reserve Bank concerned. In order to ensure compliance with these requirements it will be necessary for the bank to maintain an appropriate record as in the specimen given in Annexure 'F', separately in respect of pre-shipment advances for export of engineering and metallurgical products and those for export of other products showing from *day-to-day* the relevant particulars not only of pre-shipment advances made by it but also of such advances made by other branches which are grouped with it for the purpose of the declarations [vide paragraph 1(vi) above]. It should be possible on the basis of this record for the bank to watch the position of the outstanding borrowings *vis-a-vis* the pre-shipment advances made and for the Reserve Bank to verify at any future date the declarations and statements required to be submitted to it under the scheme.

(vi) *Submission of periodical statements by the borrowing bank and their scrutiny by the Reserve Bank*

With a view to enabling the Reserve Bank to watch from time to time the position of the outstanding borrowings of a bank under the Scheme in relation to its outstanding pre-shipment advances and for verifying the eligibility of advances as included in the declarations, each of its borrowing offices should submit to the respective office of the Reserve Bank the following statements in triplicate.

(*a*) A fortnightly declaration as in the form given in Annexure 'G' as at the close of business on the second and the last Friday of each month to be submitted by the following Wednesday. Separate declaration should be submitted in respect of pre-shipment credit for export of engineering and metallurgical products and other products.

(*b*) A quarterly statement @ as in the form given in Annexure 'H' furnishing particulars of eligible pre-shipment advances outstanding as at the close of business on the last Friday of each calendar quarter to be submitted within fifteen days. Separate statements in respect of pre-shipment advances for export of engineering and metallurgical products and other products should be submitted.

The Reserve Bank may, whenever it may choose to do so, arrange for a verification of any of the statements furnished by the borrowing office of a bank by deputing one or more of its officials for the purpose and the bank concerned should make the relevant records and information available to him/them.

Note: Consequent on the abolition of the distinction in the rate at which refinance from Reserve Bank would be made available to banks in respect of export finance for 'engineering and metallurgical products' and 'other products' — vide circular DBOD. No. BC. 16/C. 297P-72 dated the 3rd February 1972, the forms of application and agreement (Annexures 'A', 'B' and 'C') have been revised; the revised forms (Annexures A and B) have been enclosed with circular DBOD. No. BC. 58/C. 297P-72 dated the 16th June 1972. The relative annexures to this memorandum have, therefore, been omitted. For amendments in Annexures 'E' to 'H' please see the last sentence of circular DBOD. No. BM. BC. 58/.C 297P-72 dated the 16th June 1972.

@ For the quarter April-June, the statement should relate to the bank's position as on 30th June instead of last Friday—Vide circular DBOD. BM. BC. 14/C. 297P-71 dated 12th February 1971.

ANNEXURE 'D'

Form of letter extending the limit (to be obtained from the Principal Office of the scheduled bank)

(Name of bank).....
Place .....
Date .....

The Reserve Bank of India,

Dear Sirs,

With reference to the Agreement dated the..... day of....., we agree that in consideration of your agreeing to increase the limit of Rs..... specified therein to a fresh limit of Rs..... for which amount we have delivered to you a consolidated demand promissory note, carrying interest at..... with quarterly rests, all the terms of the said Agreement shall apply to and in relation to the fresh limit of, and the consolidated demand promissory note for, Rs..... and the advances thereunder, as they apply to and in relation to the limit of, and demand promissory note for, Rs..... and the advances thereunder.

Yours faithfully,

for and on behalf of

.....
(Name of the scheduled bank)

(*Signature of the authorised officials*) .....

(*Designation*) .....

ANNEXURE 'E'

(To be submitted in duplicate with every letter of request for a loan under the Scheme)

Form of declaration to be submitted by the borrowing bank in regard to the balances outstanding in the pre-shipment advances accounts of its constituents.

.....
(Name of the bank)

Address : .....

.....

Date : .....

The Manager,
Reserve Bank of India,

Dear Sir,

We (name of the borrowing bank) hereby declare that we have granted pre-shipment loans and advances to exporters and other persons as referred to in paragraph 1(i)(a) of the Pre-shipment Credit Scheme to enable them to export goods from India and that as at the close of business on the.....@ the outstandings of pre-shipment advances for export of engineering and metallurgical products/other products made to parties amounted to Rs.....£ and that only such advances as conform to the requirements laid down in Reserve Bank of India circular letter DBOD. No. BM. 78/C. 297(M)-69 dated 20-1-1969 have been treated as pre-shipment advances. We have so far availed of advances amounting to Rs...../not so far availed of any advance under the Pre-shipment Credit Scheme.* We further declare that the outstandings of pre-shipment advances made by us to parties are not less than** the advance obtained from you and outstanding together with** / the amount of advance applied for by us now. We agree that on the faith of the correctness of the contents of this declaration, you may make and/or continue to make advances to us under section 17(3A) of the Reserve Bank of India Act, 1934 in respect of our above pre-shipment advances.

Yours faithfully,

For and on behalf of.....
(*Name of the bank*)

(*Signature of the authorised official*) .....

Designation .....

@ The immediately preceding working day.

£ Separate date and declaration will have to be furnished in respect of pre-shipment advances for export of engineering and metallurgical products and those for export of other products.

* Strike out whichever is not applicable.

** May be deleted if there are no outstanding borrowings from the Reserve Bank.

ANNEXURE 'F'

Refinance against pre-shipment advances for export of engineering and metallurgical products/other products.

Name of the party to whom the pre-shipment advance has been made	Balance outstanding in the party's pre-shipment advance account as on the following dates of the month of.....																													Remarks£
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	
Total :																																

*Outstanding borrowings from the Reserve Bank .....

£ If any one or more of the requirements of the scheme have been waived by the Reserve Bank of India in a particular case, the necessary reference should be given under this column.

* It should be ensured that the outstanding borrowings from the Reserve Bank should at all times be fully covered by the total of outstanding balances in respect of pre-shipment advances granted to all parties.

ANNEXURE 'G'

(To be submitted *in triplicate* as a fortnightly return)

Form of declaration to be obtained from the scheduled bank in regard to the advances under the Pre-shipment Credit Scheme

(A separate declaration may be submitted in respect of pre-shipment advances relating to engineering and metallurgical products and those relating to other products)

(*Name of the bank*)

Address : _____
Date : _____

To
The Manager,
Reserve Bank of India,
_____

Dear Sir,

We (name of the borrowing bank) hereby declare that in consideration of the loans and advances made to us and/or proposed to be made to us by you in terms of the pre-shipment credit scheme under section 17(3A) of the Reserve Bank of India Act, 1934, we have made pre-shipment advances relating to export of goods from India, as indicated in your circular DBOD. No. BM. 78/C 297 (M)-69 dated the 20th January 1969 the outstandings in which are not less than the amount of loans or advances, made by you and outstanding and/or proposed to be made by you for the time being.

We further declare that we have taken, for the purpose of this declaration, only such pre-shipment advances as conform to the requirements laid down in the Reserve Bank of India circular letter DBOD. No. BM. 78/C. 297 (M)-69 dated the 20th January 1969 or those which are specifically approved by the Reserve Bank of India on such terms and conditions as laid down by them and on which interest has been charged at a rate not exceeding _____ per cent per annum.

We further declare that as at the close of business on the @ .....we had made at *this office and the other local offices* + / our different approved offices ++ eligible pre-shipment advances amounting to Rs.....lakhs as per details given below/in the attached statement.

We agree that on the faith of the correctness of the contents of this certificate you may make and/or continue to make advances to us under section 17(3A) of the said Act.

Dated at this day of 196

Yours faithfully,

For and on behalf of _____
(*Name of the bank*)

(*Signature of the authorised official*) _____

(*Designation*) _____

@ The second or the last Friday of each month as the case may be.
\+ For use by a branch borrowing under a sub-limit.
\+ + For use by the Head/Principal Office.

Details of eligible pre-shipment advances

As on _____
(Date)

Name of office	Outstanding amount of eligible pre-shipment advances	Borrowings from the Reserve Bank under the Pre-shipment Scheme
(1)	(2)	(3)
	Rs.	Rs.

ANNEXURE 'H'

(To be submitted in triplicate within 15 days)

Statement showing the particulars of pre-shipment advances made for export of engineering and metallurgical products/other products and declared for the purpose of advances under section 17(3A) of the Reserve Bank of India Act (Pre-shipment Credit Scheme) and outstanding as at the close of business on the last Friday of the calendar quarter ended the _____

Name of the bank : _____
Name of the bank's office submitting the statement : _____
Limit fixed for the office under the Scheme : Rs. _____
Outstanding borrowings of the office under the Scheme : Rs. _____

Name of the party to whom the pre-shipment advance has been made	Amount of limit sanctioned by the bank in respect of the party. Rs.	Date of* advance	Due date for repayment*	Balance outstanding in the pre-shipment credit account of the party. Rs.	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
			Total :		

We (name of the borrowing bank) hereby declare that the bank has granted the above pre-shipment loans or advances to exporters in India in order to enable them to export goods from India and that the said loans or advances comply with the various terms and conditions laid down by the Reserve Bank from time to time in respect of pre-shipment advances.

* In case pre-shipment advances are given under a cash credit or overdraft limit, the date of the first advance may be indicated in column 3 and the date of expiry of the limit under column 4.

For _____
(*Name of the bank*)

(Signature of authorised official) _____

Designation _____
Date _____

DBOD. No. BM. 1489/C. 297A-68—7 November 1968

All scheduled commercial banks.

Dear Sir,

PACKING CREDIT ADVANCES

We have been receiving queries from exporters as well as banks in regard to the period for which packing credit advances may be given by banks. We have also been receiving requests in certain specific cases for extension of the period already fixed by the banks. We have, therefore, to clarify the position as under.

2. The period for which a packing credit advance may be given by a bank depends upon the circumstances of the individual case, such as the time required for procuring, manufacturing or processing (where necessary), and shipping the relative goods. It is primarily for the bank to decide the period for which a packing credit advance may be given having regard to the various relevant circumstances, but it should be sufficient to enable the exporter to ship the goods. We will have no objection if the period is extended by the bank in suitable cases, provided the total period of the packing credit advance does not go beyond 180 days from the date of making the advance. An extension beyond this period will require the Reserve Bank's approval, if the bank wants to avail itself of interest subsidy under the Export Credit (Interest Subsidy) Scheme, 1968.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 254/C. 297A-69—14 February 1969

All scheduled commercial banks.

Dear Sir,

PACKING CREDIT ADVANCES

It was represented to us that in certain cases where the export contracts were not backed by letters of credit or where the letter of credit was established for a major part but not for the full invoice value, bankers were not inclined to grant packing credit advances at the concessional rate to the full extent and that where some banks granted credit for the uncovered portion, they did so at the normal lending rates with the result that the effective rate of interest for the export credit in such cases worked out higher than 6 per cent per annum. The matter has since been discussed with some of the major scheduled banks. It has been agreed generally that so long as a bank is satisfied about the creditworthiness of an exporter, a packing credit advance granted to him against a firm export order should be sufficient to cover the value of the export order, except for costs, if any, to be incurred after the stage of shipment and/or negotiation of the bill, and that the grant of such advance should not be conditional on a Letter of Credit being opened nor should the amount be limited to that covered by a Letter of Credit. Where considered necessary, banks may avail themselves of the E. C. G. C. policies in respect of packing credit advances. We hope that in the interest of enlarging credit facilities to the exporters at rates not exceeding the ceiling rate of 6* per cent per annum, your bank will fall in line with the above policy.

Yours faithfully,
M. S. NADKARNI
Chief officer
(*Banking operations*)

DBOD. No. BM. BC. 14/C. 297P-71—12 February 1971

All eligible licensed scheduled banks.

Dear Sir,

ADVANCES UNDER SECTION 17 (3A) OF THE RESERVE BANK OF INDIA ACT, 1934.

Please refer to our circular letters DBO. No. 2732/ C. 297K-63 and DBOD. No. BM. 78/C. 297M-69 dated the 13th March 1963 and 20th January 1969 respectively, in terms of which the banks are at present furnishing

* Since enhanced to 7% vide circular DBOD. No. Sch. BC. 51/C. 96-71 dated 16th April 1971.

quarterly statements in respect of export bills held/pre-shipment advances outstanding as at the close of business on the last Friday of each calendar quarter. As our auditors would like to have the particulars of holding of eligible bills/pre-shipment advances outstanding as on the 30th June of every year instead of as on the last Friday of the quarter April-June, the above statements for the quarter April-June should relate to the bank's position as on the 30th June instead of as on the last Friday of the said quarter. A copy of this statement, apart from being submitted to our regional offices, as at present, may also be furnished to the Manager, Reserve Bank of India, at the centre where the bank is maintaining its principal account. The statements for the other quarters may continue to relate to the position as on the last Friday of the quarter as at present.

Yours faithfully,
L. KRISHNAN
Dy. Chief Officer

DBOD. No. BM. BC. 16/C. 297P-72—3 February 1972

All eligible scheduled commercial banks.

Dear Sir,

ADVANCES TO SCHEDULED BANKS UNDER SECTION 17 (3A) OF THE RESERVE BANK OF INDIA ACT, 1934—PRE-SHIPMENT CREDIT SCHEME.

Please refer to paragraph No. 2 (*i*) of the Memorandum forwarded with our circular letter DBOD. No. BM. 78/C. 297 (M)-69 dated the 20th January 1969, in terms of which banks were required to submit applications for sanction of limits separately for their anticipated borrowings in respect of pre-shipment advances for export of 'engineering and metallurgical products' and 'other products'. This was stipulated as the rate of interest on refinance given to banks in respect of their advances for export of 'engineering and metallurgical products' was fixed at 4½% p.a. and in respect of 'other products' at the Bank Rate. As the refinance facility admissible to scheduled commercial banks against export credit has undergone change since February 1970 and the concessional rate of refinance in respect of pre-shipment advances for export of 'engineering and metallurgical products' is no longer admissible, it is not necessary for banks to have separate limits for refinance facilities in respect of their advances of above categories. The banks may, therefore, apply to us hereafter for sanction of an overall limit in respect of their pre-shipment advances of both categories.

Yours faithfully,
N. D. JAIN
Dy. Chief Officer

DBOD. No. BM. BC. 58/C. 297P-72—16 June 1972

All eligible scheduled commercial banks.

Dear Sir,

ADVANCES TO SCHEDULED BANKS UNDER SECTION 17 (3A) OF THE RESERVE BANK OF INDIA ACT, 1934—PRE-SHIPMENT CREDIT SCHEME.

Please refer to our circular letter DBOD. No. BM. BC. 16/C. 297P-72 dated the 3rd February 1972, in terms of which it is not necessary for banks now to have separate limits for refinance facilities in respect of pre-shipment advances for export of 'engineering and metallurgical products' and 'other products.' Accordingly, it has been decided that banks hereafter need not execute separate agreements and separate demand promissory notes as laid down in paragraph 2 (*ii*) (*a*) and (*b*) and need not make separate declarations as required by paragraphs 2 (*iii*) and 2 (*vi*) (*a*) and submit separate quarterly statements as required by paragraph 2(*vi*) (*b*) of the Memorandum of Pre-shipment Credit Scheme forwarded with our circular letter DBOD. No. BM. 78/C. 297(M)-69 dated the 20th January 1969. As, in view of the above circular dated the 3rd February 1972, the concessional rate of refinance in respect of pre-shipment advances for export of engineering and metallurgical products is no longer admissible, banks will have to execute

a fresh stamped agreement (vide the specimen enclosed) in respect of the limits already sanctioned to them in respect of both kinds of advances for the current 1971-72 season. Banks should apply for limits in respect of pre-shipment advances for the 1972-73 season in the revised form (vide the specimen enclosed). They should also substitute the word 'goods' for the words 'engineering and metallurgical products/other products' wherever the same appear in Annexures 'E' to 'H' to the Memorandum of the Scheme forwarded with our circular letter dated the 20th January 1969 referred to above, and delete the condition of making separate declarations in respect of pre-shipment advances for export of engineering and metallurgical products and those for export of other products required by Annexures 'E' and 'G' to the Memorandum.

Your faithfully,
S. R. AVADHANI
Jt. Chief Officer

ANNEXURE 'A'

(To be submitted in duplicate every year)

Form of application for limits for borrowing against declaration of pre-shipment advances

(Fresh/Renewal proposal*)

Address: _____

Date : _____

Yours faithfully

For _____
(*Name of the bank*)

_____
(*Signature of the authorised official*)

_____
(*Designation*)

The Joint/Deputy Chief Officer,
Department of Banking Operations
and Development,
Reserve Bank of India,

(* Strike out whichever is not required)

Dear Sir,

We hereby apply for sanction of a limit for Rs_____ in respect of pre-shipment credit for goods for borrowing against declaration of pre-shipment advances for the period from the 1st October 19 to the 30th September 19 . We give below the necessary information and agree to abide by the terms of the Pre-shipment Credit Scheme as may be in force from time to time.

Particulars	*Amounts*
In respect of pre-shipment credit for export of goods	

1. Name of the banking company
2. Date of issue of a licence under section 22 of the Banking Regulation Act, 1949.
3. If an authorised dealer in foreign exchange, state the No. and date of the letter of authorisation and also whether authorised to deal only in a particular currency or in all currencies.
4. The Principal Office of the Reserve Bank at which the loan documents are proposed to be executed.
5. Names of the Offices (including the Head/Principal Office) of the bank among which the above limit is required to be apportioned and the amount of such sub-limits.

For borrowings from the Reserve Bank's offices at

	Bombay	Calcutta	Madras	New Delhi	Bangalore	Kanpur	Hyderabad	Patna	Nagpur	Ahmedabad
Name of the applicant bank's office										
Amount of sub-limit										

Note: Please indicate the Head/Principal Office by an asterisk.

6. Particulars of pre-shipment advances granted by the bank during the last season (*i.e.* from 1st October to 30th September). (The data to be furnished under this item may be based on weekly figures, as at the close of business on Fridays)

(In lakhs of rupees)

	Maximum outstandings during the last season		Minimum outstandings during the last season	
	Amount	Date	Amount	Date
Pre-shipment advances granted by the bank				

7. Other particulars : (Any additional facts which the banking company wishes to adduce in support of its application)

Details of eligible pre-shipment advances

As on_____
(Date)

Name of office	Outstanding amount of eligible pre-shipment advances	Borrowings from the Reserve Bank under the Pre-shipment Credit Scheme
(1)	(2) Rs.	(3) Rs.

ANNEXURE 'B'

Form of agreement to be obtained from the Principal Office of the scheduled bank for borrowings in respect of pre-shipment credit for export of goods (to be stamped as an agreement in accordance with the law in force in each State)

To

The Reserve Bank of India

_____

Dear Sirs,

In consideration of your agreeing to make from time to time, under section 17(3A) of the Reserve Bank of India Act, and on the terms and conditions contained in the Memorandum attached to the circular DBOD. No. BM. 78/C. 297(M)-69 dated the 20th January 1969 advances in your discretion but not in any event exceeding the sum (exclusive of interest) of Rs..... ..... for which amount we have delivered to you a demand promissory note in your favour carrying interest at the rate hereinafter mentioned, which advances shall be repayable on demand and shall be made upon declaration in such forms as may be prescribed by you, we agree as follows :

(1) The balance of the said advances at any time outstanding shall be repayable by us to you on demand.

(2) Interest shall be payable by us to you on the said advances at the Bank Rate for the time being or at such rate as may be notified by you from time to time, with quarterly rests and the amounts of such interest calculated on the daily balances may be debited to the account of the said advances at the end of each calendar quarter *i.e.* on 31st March, 30th June, 30th September and 31st December or earlier when the balance outstanding is wiped out. It shall be open to you to reimburse yourselves with the amount of interest so debited by charging the same to our Current Account with you.

(3) We agree that in default of payment by us under the terms of clause (1) hereof you may, but without any obligation on you so to do, debit our Current Account with you for the amount due by us on account of the loan or advance granted in terms of section 17(3A) of the said Act.

(4) We agree and undertake that the amount of the pre-shipment loan or advance granted by us to exporters or other persons in order to enable them to export goods from India and drawn and outstanding at any time shall not be less than the outstanding amount of the loan or advance obtained by us from you. We further agree to maintain in your favour such margin as you may from time to time prescribe so that the total amount at any time due to you for principal, interest, charges and costs in respect of the aforesaid advances shall not exceed the aggregate outstanding balance in the pre-shipment advances made by us in respect of export of goods after deducting the amount of margin required to be maintained. If there should, at any time, be a shortfall in the margin stipulated herein we shall forthwith on demand by you reduce the balance due to you by a cash payment so as to make good the amount of margin required to be maintained.

(5) We further agree that we will from time to time, while these advances continue and whenever required by you to do so furnish you with such information regarding the outstandings in the pre-shipment advances made by us in respect of export of goods and true reports in such form as you may prescribe regarding the solvency of the borrowers and agree to advise you promptly of any change in the position of any such borrower which can reasonably be considered to affect our security.

(6) We hereby agree to execute on demand such documents as may be required by you to create in your favour an overall charge on our book debts represented by the pre-shipment advances or to vest in you such securities as are specified by you so as to render the same readily saleable or transferable by you at any time.

(7) We also agree that this agreement and the said demand promissory note for Rs..... shall operate as a continuing security for the said advances notwithstanding the existence of a credit balance at any time or any partial payment or fluctuations of accounts or withdrawal of any part of the security.

Yours faithfully,

For and on behalf of _____

_____
(*Name of the scheduled bank*)

(*Signature of authorised official*)_____

(*Designation*)_____

PART III

EXPORT CREDIT (INTEREST SUBSIDY) SCHEME

DBOD. No. BM. 932/C. 297 (A)-68—15 June 1968

All authorised dealers.

Dear Sirs,

THE EXPORT CREDIT (INTEREST SUBSIDY) SCHEME—1968

It will be recalled that the Deputy Prime Minister made a statement in the *Lok Sabha* on the 29th February 1968 as under:

> "I am making provision in the Budget for the coming year for grant of a subsidy towards interest charges on export finance provided by the banks. The Reserve Bank of India will announce the details of the scheme which will include the prescription of a ceiling on interest charges qualifying under the scheme."

The Reserve Bank in its directive No. DBOD. Sch. 329/C. 96-68 dated March 2, 1968 has already prescribed the ceiling rate on export credit at 6 per cent.* The details of the type of credit, the quantum of subsidy payable and the returns the banks should submit to the Reserve Bank for claiming the subsidy are circulated as annexure£ to this letter for the information of the banks. The subsidy would be paid in respect of export credit made available at 6* per cent per annum by the banks with effect from March 3, 1968.

Yours faithfully,
A. R. THANAWALA
Chief Officer

EXPORT INTEREST RATE SUBSIDY SCHEME

(*Pro forma* for Statistical Returns)

Branches of commercial banks making advances of the type eligible for subsidy under this scheme shall maintain in respect of each borrower a separate account each for packing credit, duty drawback/cash incentive, export bills purchased and discounted, post-shipment advance against export bills for collection and post-shipment advance otherwise than against export bills. In each of these accounts transactions appropriate to the accounts only should be put through.

It would be preferable if each branch maintains separate accounts in the General Ledger for packing credits, other advances regarded as packing credit advances by the Reserve Bank, export bills purchased and discounted and post-shipment advances against export bills received for collection, which are eligible for subsidy from the Reserve Bank. In case circumstances arise which make any of the advances ineligible for subsidy, *e. g.* if the export does not take place or the export bills are not accepted/paid on due dates, the amount of such advances and the interest thereon should be segregated and removed from the above accounts and taken into separate accounts.

In addition, each branch shall maintain proper records for consolidating and submitting to its Head Office data required by the Reserve Bank for the purpose of the scheme.

The Head Office should obtain the relevant data from the branches and maintain appropriate records for the purpose of submitting the necessary consolidated information to the Reserve Bank as may be stipulated by the Reserve Bank from time to time.

DBOD. No. 1526/C. 297(M)-68—13 November 1968

All scheduled commercial banks.

Dear Sir,

THE EXPORT CREDIT (INTEREST SUBSIDY) SCHEME, 1968

Please refer to our circular letter DBOD. No. BM. 932/C. 297(A)-68 dated June 15, 1968. In the light of the suggestions received from the FEDAI, the Indian Banks Association and certain banks we have now made some modifications in the above scheme as well as in the profomae in which claims for interest subsidy are required to be submitted to the Reserve Bank, with a view to simplifying the operation of the scheme and to minimise the workload on banks. A copy of the revised scheme together with the proformae is enclosed.

2. As stated in our circular letter dated June 15, 1968, the subsidy would be paid in respect of export credit made available by the banks at a rate not exceeding 6 per cent per annum with effect from March 3, 1968. The banks may submit the claims for subsidy for the period 3rd March to 30th June 1968 and the quarter ended 30th September 1968 separately as early as possible, in the revised proformae. For the subsequent quarters, the claims may be submitted within a month of the close of the quarter to which the claim relates.

* Since increased to 7% vide circular DBOD, No. Sch BC. 51/C. 96-71 dated 16th April 1971.

£ Since revised. Please see circular DBOD. No. BM. 1526/C. 297M-68 dated 13th November 1968.

3. It will be noticed from paragraph 3(*a*) of the modified scheme that the banks are required to maintain appropriate records at each of their branches for calculating the amount of claims for subsidy. If a bank has maintained records for the earlier quarters in a manner different from that in which it will now be required to maintain such records, it will not be necessary for it to change the previous records provided the claims already submitted or to be submitted by it are in line with the revised scheme. However, appropriate records will have to be maintained from now onwards.

4. In the earlier scheme it was stipulated that the entries in the relevant registers maintained by institutions claiming subsidy should, at the end of every quarter, be verified and audited by a qualified auditor entitled to audit the accounts of the bank. The revised scheme now enclosed provides for 'on account' payment of subsidy claims made by an institution on the basis of certificates received by it every quarter from its offices. However, the institution claiming subsidy should have the entries in the registers and other relevant books verified and audited by a qualified auditor entitled to audit its accounts and the certificate shall have to be sent to the Reserve Bank by the auditor before the 30th September every year to the effect that the entries in the registers and other relevant books and the claims made by the institution in respect of the subsidy in the previous calendar year were correct. The accounts and relevant documents may be test-audited by the Comptroller & Auditor General of India at his discretion. The Reserve Bank shall also have the right to inspect, at any time, the books of the institution for verifying the claims of the subsidy. The Reserve Bank may also issue directions to the auditor certifying the subsidy claim regarding the manner and extent of audit after consultation with the Comptroller & Auditor General of India.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(Banking Operations)

THE EXPORT CREDIT (INTEREST SUBSIDY) SCHEME, 1968

For the purpose of the scheme, the following terms are defined as under :

(*a*) "export credit" means any credit provided by a n institution to an exporter in the form of packing credit or post-shipment credit.

(*b*) "exporter" means any person lawfully exporting goods from India to any other country and includes any person who is engaged in or undertakes such exports in pursuance of an export order obtained by any other person.

(*c*) "packing credit" means any loan or advance granted or any other credit provided by an institution to an exporter for financing the purchase, processing or packing of goods, on the basis of letters of credit opened in his favour by an importer of the goods outside India, or a confirmed and irrevocable order for the export of goods from India or any other evidence of an order for export from India having been placed on the exporter unless lodgement of export orders or letters of credit with the institution has been waived by the Reserve Bank.

Provided that the maximum period for which any loan or advance may be granted, or any other credit facility may be provided, by way of packing credit shall not exceed one hundred and eighty days or such extended period as the Reserve Bank may allow in terms of paragraph 5 (*i*) of the Scheme.

(*d*) "post-shipment credit" means any loan or advance granted or any other credit provided by an institution to an exporter of goods from India from the date of extending the credit after shipment of the goods to the date of realisation of the export proceeds and includes any loan or advance granted to an exporter, in consideration of, or on the security of, any duty drawback or any cash payment by way of incentive from the Marketing Development Fund or any other relevant source.

(*e*) "quarter" means any period from the 1st April to the 30th June or the 1st July to the 30th September or the 1st October to the 31st December or the 1st January to the 31st March, in any year.

(*f*) "normal transit period" means the period prescribed by the FEDAI for each country with the approval of the Reserve Bank and it will run from the date of purchase/negotiation of the export bill.

(*g*) an overdue bill (*i*) in the case of demand bills is a bill which is not paid before the expiry of the normal transit period and

(*ii*) in the case of usance bills, a bill which is not paid on the due date.

2. The rate of the subsidy is one and half per cent per annum and the subsidy is to be payable :

(*i*) in the case of any export credit which is in the form of a loan or advance, on the amount of the loan or advance actually drawn and outstanding, from time to time, with periodical rests at the same intervals as for the application of interest by the institution concerned, during the period from the date of the advance or the grant of the credit as the case may be, to the date on which the export bills in respect of the goods or commodities covered by that advance are negotiated, purchased

or discounted by the institution claiming the subsidy, or the date on which all the amounts due to the institution claiming the subsidy are repaid, or the date of expiry of a period of one hundred and eighty days from the date of the advance or of the grant of the credit, whichever is earliest.

(*ii*) in the case of any export credit which is in the form of purchase, negotiation or discounting of a bill, on the amount of the bill which is purchased/discounted, for the period for which it is not overdue subject, however, to the provisions of paragraph 5(*ii*).

(*iii*) in any other type of export credit, as may be specifically approved by the Reserve Bank, on such terms and conditions as the Bank may stipulate.

Notwithstanding anything to the contrary in this paragraph in the case of export credit extending beyond 180 days, subsidy will be payable for the full period of the credit approved by the Exchange Control Department subject to clause (*iv*), of paragraph 5 of this scheme.

3. The amount of the subsidy to which an institution providing Export Credit to an exporter is entitled will be calculated as under :

(*a*) every institution claiming subsidy should maintain one or more registers or other appropriate form of record showing separately in respect of packing credit, post-shipment credit other than any such credit in consideration or on the security of any duty drawback or cash payment, post-shipment credit in respect of such duty drawback or cash payment the sum total of the daily products in respect of the above advances for the quarter. Similarly, every institution should note down in its Bills Purchased/Discounted Registers against each item the interest products calculated in the following manner, *i.e.*, in the case of demand bills the amount of the rupee equivalent of the bill at the appropriate buying rate multiplied by the revelant normal transit period and in the case of usance bills, the aforesaid amount multiplied by the number of days after which the bill is due. The institution will maintain appropriate record for arriving at the sum total of these products for each quarter separately. The Head Office of an institution may initially submit a claim for subsidy on the basis of certificates from the Managers/Agents/Officers-in-charge of its concerned branches to be submitted to it as to the correctness of the claim. The claim will be considered and paid by the Reserve Bank on behalf of the Government of India subject to such adjustments as may be necessary subsequently. [The institution shall have the entries in the register(s) and other relevant books verified and audited by a qualified auditor entitled to audit its accounts and the certificate shall have to be sent to the Reserve Bank by the auditor before the 30th September every year to the effect that the entries in the register(s) and other relevant books and the claims made by the institution in respect of subsidy in the previous calendar year were correct. The accounts and relevant documents may be test-audited by the Comptroller and Auditor General of India at his discretion.]$

(*b*) the amount of the subsidy, so long as the rate on export credit charged by an institution claiming subsidy is not in excess of six per cent per annum shall, subject to the other provisions of this Scheme, be one and one half per cent per annum on the sum total of daily products of all types of export credit eligible under the Scheme.

4. The subsidy will be paid provided that the institution claiming subsidy :

(*i*) does not charge to the exporter on account of any loan or advance or bill or any other credit, which is subsidised under this Scheme, a rate of interest, which is in excess of six per cent per annum ;

(*ii*) does not levy or charge any service or other charges, except such charges, not being of the nature of interest, as are permitted or required to be charged in respect of the said loan, advance, bill or any other credit under the Rules of the Foreign Exchange Dealers' Association of India ;

(*iii*) segregates and maintains separately the accounts in respect of every packing credit or credit against any duty drawback or amounts payable from the Marketing Development Fund or any other relevant source or any other post-shipment export credit, whether granted in the form of a loan or advance or in the form of the negotiation, purchase or discounting of a bill ;

(*iv*) ensures that the export credit is repaid from funds received by the exporter from either or both of the following sources, that is to say,

(*a*) by the proceeds of export bills negotiated, purchased or discounted or by the proceeds of any fresh credit granted against the export of the goods or by remittances received from abroad in respect of the goods,

(*b*) any payment received in the form of a duty drawback or a payment on account of the said export from the Marketing Development Fund of the Central Government or from any other relevant source.

Provided that if any export credit is repaid in any other manner and if it can be established to the satisfaction of the Reserve Bank that the funds necessary for such repayment have been received by the exporter from abroad or from a duty drawback or from the Marketing Development Fund or from any other relevant source, the requirements of this paragraph shall be deemed to have been satisfied, notwithstanding the fact that the said funds might not have been directly applied for the repayment of the export credit.

5. An institution claiming subsidy is not eligible for a subsidy in respect of :

(*i*) any packing credit, which is not repaid in the manner specified in the Scheme, on the due date or such extended date as may be allowed by the institution on the merits of the case subject to a maximum period of one hundred and eighty days from the date of the advance ;

provided that if the packing credit advance is subsequently repaid in the specified manner, subsidy will be payable upto the due date or the extended due date of the advance as the case may be, subject to a maximum of one hundred and eighty days from the date of the advance. Further, where the exporter is unable to ship the goods within the stipulated period for reasons beyond his control and the goods are ultimately shipped within a reasonable time thereafter, the institu-

$ The bracketed portion has been amended—Vide Circular DBOD. No. BM.BC. 120/C-297(T)-71 dated 7th October 1971.

tion will be eligible for subsidy for the extended period also (during which banks are obliged to charge the ceiling rate of interest on such credit), provided such extended period is approved by the Reserve Bank of India ;

(*ii*) any credit granted through the negotiation, purchase or discounting of export bills, which is not repaid within the transit period in the case of demand bills and the due date in the case of usance bills, provided that, if the bills are subsequently paid within a reasonable period not exceeding 180 days from the date of expiry of the normal transit period in the case of demand bills and the due date in the case of usance bills, subsidy will be payable for the period during which the bill was not overdue.

(*iii*) any advance against export bills received for collection which is not repaid by the proceeds of the bills within 180 days provided that if the advance, is subsequently repaid in the aforesaid manner, subsidy will be payable for a maximum of 180 days.

(*iv*) the amount of any bill or promissory note in respect of an export, which is negotiated or discounted or purchased or against which any loan or advance is granted by the Industrial Development Bank of India, to the extent to which it is so negotiated, discounted, purchased or to the extent to which any such loan or advance is granted as the case may be, or the amount of any other export credit against which any loan or advance is granted by the Industrial Development Bank of India to the extent to which any such loan or advance is granted.

(*v*) any bills which are rediscounted or rebated from the date of such rediscount or rebate.

(*vi*) any export, which is illegal or unauthorised.

6. If an institution has claimed subsidy in respect of an export credit and subsequently it becomes ineligible for subsidy in respect of that credit for any reason whatsoever, it shall refund the subsidy claimed earlier.

7. If a packing credit or a credit against an amount due to an exporter from the Marketing Development Fund or any other relevant source is granted by an institution claiming subsidy and the export bill is negotiated, purchased or discounted through any other institution eligible to claim a subsidy under the Scheme, a subsidy will be payable to each institution, in respect of and to the extent of the export credit granted by that institution.

8. An application for the payment of subsidy under this Scheme should be made by an institution claiming subsidy in respect of the period from the 3rd March to the 30th June 1968 and thereafter in respect of every quarter in the forms provided and should be forwarded to the Chief Officer, Department of Banking Operations & Development, Reserve Bank of India, Central Office, Bombay, as soon as possible after the end of the 30th June 1968 or the end of the quarter as the case may be.

9. The Reserve Bank of India shall have the right to inspect at any time the books of an institution claiming subsidy, for verifying the claims of the subsidy. The Reserve Bank may also issue directions to the auditor certifying the claim under paragraph 3(*a*) above regarding the manner and extent of audit after consultation with the Comptroller and Auditor General of India.

STATEMENT NO. 1.

CLAIMS FOR THE QUARTER ENDED THE _____
FOR SUBSIDY IN RESPECT OF PRE-SHIPMENT CREDIT

Name of the Bank : _____

		I. PRE-SHIPMENT CREDIT (PACKING CREDIT)	
Serial No.	Name of the branch	The sum total of daily products* (in thousands)	Subsidy claimed at 1½% per annum on total products shown in col. 3 (actual amount in rupees).
1.	2.	3.	4.

TOTAL :

* Products arrived at on the basis of the daily outstandings of the advances.
Note : The names of the branches should be indicated in the successive statements in the same order.

CERTIFICATES:

We certify that

(*i*) the above advances have been made for the purpose of financing exports;

(*ii*) interest in the accounts in respect of which subsidy is being claimed has been charged at rates not exceeding 6 per cent per annum ; also, the bank has not levied any charge/commission in regard to the above advances other than

(*a*) those agreed to in terms of the rules of FEDAI and

(*b*) guarantee commission on guarantees issued by the ECGC in respect of the exports for which the credit is given

(*iii*) the packing credit advances included in this statement were granted on the basis of firm export orders or letters of credit opened by banks of standing abroad in favour of the concerned exporters or in circumstances where the Reserve Bank has relaxed/withdrawn this condition. In cases where packing credit advances were granted without insisting on lodgement of a firm export order or letter of credit, the conditions imposed by the Reserve Bank either generally or in specific cases were complied with ;

(*iv*) the credits to the relative packing credit accounts were only on account of proceeds of the relative export bills negotiated/purchased by us or the proceeds of fresh advances granted against the relative export bills received for collection or remittances received from abroad in respect of the exports financed by the relative packing credit advances or where packing credit advances were allowed to be adjusted by transfer to a fresh account under circumstances approved by the Reserve Bank or by fresh advances against cash incentives, subsidy, duty drawback, etc., the latter accounts were in turn adjusted by remittances from abroad in respect of the exports financed by the packing credit advances or by the amounts received on account of such incentives, subsidy, duty drawback, etc.

(*v*) all the other terms and conditions laid down by the Reserve Bank in connection with the Subsidy Scheme and as set out in its circular DBOD. No. BM. 932/C. 297 (A)-68 dated the 15th June 1968 as modified by its circular DBOD. No. BM. 1526/C. 297 (M)-68 dated the 13th November 1968 have been duly complied with.

For (Bank) (Ltd.)

_____

STATEMENT NO. 1-A

ADJUSTMENTS FOR THE QUARTER ENDED THE ———— IN RESPECT OF SUBSIDY CLAIMED DURING THE PREVIOUS OR EARLIER QUARTERS IN RESPECT OF PRESHIPMENT CREDIT

Name of the Bank : ————————————

Serial No.	Name of the branch	Sum total of the daily products of advances which remained unadjusted or were not adjusted in the stipulated manner (in thousands)	Subsidy claimed earlier on the products in Col. 3 (actual amounts in rupees)
1.	2.	3.	4.

TOTAL

CERTIFIED that all advances in respect of which subsidy was claimed in the previous or in earlier quarters but which were not ultimately adjusted in the stipulated manner have been included in the above statement.

For ———— (Bank) ———— (Ltd.)

STATEMENT NO. 2

CLAIMS FOR THE QUARTER ENDED THE———————————FOR SUBSIDY IN RESPECT OF POST-SHIPMENT CREDIT

Name of the Bank : ———————————

I. BILLS PURCHASED & DISCOUNTED

Serial No.	Name of the branch	The sum total of bill products† (in thousands)	Subsidy claimed *i.e.* @ 1½% per annum on the products shown in col. 3 (Actual amount in rupees)
1.	2.	3.	4.

TOTAL :

II. ADVANCES AGAINST BILLS FOR COLLECTION AND ANY OTHER TYPE OF POST-SHIPMENT ADVANCES (OTHER THAN IN RESPECT OF CASH INCENTIVE ETC.)

Serial No.	Name of the branch	The sum total of daily products** (in thousands)	Subsidy claimed *i.e.* @ 1½% per annum on the products shown in col. 3 (Actual amount in rupees)
1.	2.	3.	4.

TOTAL :

† Products arrived at by multiplying the rupee equivalent of individual bill amount calculated at the appropriate buying rate by the number of days composed of normal transit period and usance and grace period where applicable and such other extended period as may be permissible under the Scheme.

** Products arrived at on the basis of the number of days the advance has been outstanding multiplied by the daily *outstandings of the advances.*

CERTIFICATE :

We certify that

(*i*) interest charged on the export bills and on post-shipment advances included in the statement did not exceed six per cent per annum. Also the bank has not levied any charge/commission in regard to the post-shipment advances other than those agreed to in terms of the rules of FEDAI and the guarantee commission on guarantees issued by ECGC in respect of the exports for which the credit was given ;

(ii) all the other terms and conditions laid down by the Reserve Bank in connection with the subsidy scheme and as set out in its circular DBOD. No. BM. 932/C. 297 (A)-68 dated the 15th June 1968 as modified by its circular DBOD. No. BM. 1526/C. 297 (M)-68 dated the 13th November 1968, have been duly complied with.

For _____ (Bank) _____ (Ltd.)

STATEMENT NO. 2-A

ADJUSTMENTS FOR THE QUARTER ENDED_____IN RESPECT OF SUBSIDY CLAIMED DURING THE PREVIOUS OR EARLIER QUARTERS IN RESPECT OF POST-SHIPMENT CREDIT

Name of the Bank : _____

I. POST-SHIPMENT CREDIT (EXPORT BILLS)

Serial No.	Name of the branch	Sum total of products in respect of bills purchased and discounted which became ineligible for subsidy (in thousands)	Subsidy claimed in respect of such bills in the previous quarters (Actual amount in rupees)
1.	2.	3.	4.
TOTAL			

II. OTHER POST-SHIPMENT ADVANCES

(other than those in respect of duty drawback, cash incentives, etc.)

Serial No.	Name of the branch	Sum total of products in respect of advances against bills for collection and other types of post-shipment advances which became ineligible for subsidy (in thousands)	Subsidy claimed in the previous quarters in respect of such advances (Actual amount in rupees)
1.	2.	3.	4.
TOTAL :			

CERTIFIED that all advances in respect of which subsidy was claimed in the previous or earlier quarters but which became ineligible have been included in the above statement.

For _____ (Bank) _____ Ltd.

STATEMENT NO. 2-B

CLAIMS FOR SUBSIDY FOR THE QUARTER ENDED THE———————IN RESPECT OF ADVANCES AGAINST DUTY DRAWBACK/CASH INCENTIVES, ETC.

Name of the Bank : ———————

Serial No.	Name of the branch	The sum total of daily products* (in thousands)	Subsidy claimed at 1½% per annum on the products shown in col. 3 (Actual amount in rupees)
1.	2.	3.	4.

TOTAL :

* Products arrived at on the basis of the daily outstandings of the advances.

CERTIFIED that the conditions prescribed by the Reserve Bank in the circular. DBOD. No. BM. 932/C. 297(A)-68 dated the 15th June 1968 as modified by its circular DBOD. No. BM. 1526/C. 297 (M)-68 dated the 13th November 1968 have been duly complied with.

For (Bank) Ltd.

STATEMENT NO. 2-C

ADJUSTMENT FOR THE QUARTER ENDED———————IN RESPECT OF SUBSIDY CLAIMED IN RESPECT OF ADVANCES AGAINST DUTY DRAWBACK, CASH INCENTIVES, ETC. DURING THE PREVIOUS OR EARLIER QUARTERS

Name of the Bank : ———————

Serial No.	Name of the branch	Sum total of the daily product of advances which became ineligible for the subsidy (in thousands)	Subsidy claimed earlier in respect of such advances (Actual amount in rupees)
1.	2.	3.	4.

TOTAL :

CERTIFIED that all advances in respect of which subsidy was claimed in the previous or earlier quarters but which became ineligible have been included in the above statement.

For (Bank) Ltd.

DBOD. No. BM. 126/C. 297(M)-69 27 January 1969.

All eligible scheduled commercial banks.

Dear Sir,

As you are aware, packing credit advances for being eligible for refinance from the Reserve Bank and subsidy under the Export Credit (Interest Subsidy) Scheme, 1968 should be granted by banks either on the basis of irrevocable letters of credit opened by banks of standing abroad or firm export orders. It has been represented to us that the ceiling rate of interest of 6% p.a. on export finance as laid down in our directive* dated the 2nd March 1968 is not being observed by some banks on packing credit advances covered by the Export Production Finance Guarantee of the Export Credit and Guarantee Corporation Ltd. in respect of the amount advanced by them in excess of the f.o.b. value of the relative export. In this connection we have to clarify that if an advance satisfies the following conditions it will be considered as a packing credit advance and, as such, eligible both for refinance from the Reserve Bank (subject to usual criteria relating to packing credit advances) and for interest subsidy under the Export Credit (Interest Subsidy) Scheme, 1968 :

(i) The advance should be made on the basis of an irrevocable letter of credit opened by a bank of standing abroad or a firm export order.

(ii) The advance should be covered by the Export Production Finance Guarantee of the Export Credit and Guarantee Corporation Ltd.

(iii) The amount of the advance may exceed the f.o.b. value of the contract/goods subject to the limitations placed under the Export Production Finance Guarantee.

(iv) Soon after the goods are shipped, the proceeds of the export bills should be credited to the advance. The balance remaining outstanding should be adjusted as soon as the amounts on account of incentives (cash assistance, duty drawback etc.) against the relative shipment are received but not later than the maximum period stipulated under the Export Production Finance Guarantee Scheme (which is at present 8 months** from the date of the initial advance).

(v) The other conditions relating to the packing credit advances and eligibility for interest subsidy should be complied with.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 287/C. 297 (M)-69 19 February 1969

All scheduled commercial banks.

Dear Sir,

EXPORT CREDIT (INTEREST SUBSIDY) SCHEME, 1968

Please refer to our circular DBOD. No. BM. 1526/C. 297(M)-68 dated the 13th November 1968 on the above subject. Certain points have since been raised in connection with the above Scheme which are clarified below for the information and guidance of banks.

(i) In respect of a demand bill, subsidy is payable for the normal transit period whether the bill is paid before the expiry of such period or within 180 days after the expiry of such period. However, if the bill is not paid before the expiry of the normal transit period the bank will be entitled to charge past-due/overdue interest from the date of expiry of the normal transit period.

(ii) In the case of usance bills, subsidy is payable for the number of days composed of the normal transit period plus the usance of the bill and the grace period where applicable

* Since superceded by directive of 16-4-71 issued with circular DBOD. No. Sch. BC. 51/C.96-71 dated 16th April 1971.

** Please see circulars DBOD. No. BM. BC. 70/C 297 (M)-71 dated 4th June 1971 and DBOD. No. BM BC. 90/C. 297(M)-71 dated the 30th July 1971.

(vide foot-note to Statement No. 2 attached to our circular DBOD. No. BM. 1526/C. 297(M)-68 dated the 13th November 1968) (For the sake of convenience of reference, the date up to which subsidy on the above basis is payable may be called the 'notional due date'). Even if the acceptance of a bill is deferred and the actual due date falls later than the notional due date, subsidy will be payable only up to the notional due date provided the bill is paid not later than 180 days from such date. However, the ceiling rate of interest at 6%* p.a., chargeable to the exporter will continue to be applicable in terms of our directive dated the 2nd March 1968 so long as the bill is not overdue (*i.e.* upto the actual due date where it falls later than the notional due date).

(iii) In terms of paragraph 4(ii) of the Subsidy Scheme the banks cannot charge any service or other charges except such charges not being of the nature of interest, as are permitted or required to be charged in respect of the relevant advances or bills or any other export credit under the rules of the F.E.D.A.I. If any charges are, therefore, made in terms of these rules, the bank will still be eligible for subsidy in terms of the Scheme.

(iv) In the case of usance bills drawn on bilateral agreement countries like Sudan, subsidy will be provided on the same basis as for other bills. However, the bank may charge interest in respect of such bills at their normal rates for the period from the date of payment of the bill upto the date of receipt of the proceeds in India provided that interest at not more than 6%* p.a. will be charged for the period, if any, included in the above period, for which subsidy is payable.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 682/C. 297K-69—7 April 1969

All scheduled commercial banks.

Dear Sir,

EXPORT CREDIT

It has been represented to us that since banks charge interest on export credit with quarterly rests, the incidence of interest goes beyond the stipulated ceiling of 6%* per annum. The point was discussed by our Deputy Governor (Shri Adarkar) with some of the major bankers at a meeting held on the 29th March 1969 and the consensus amongst them was that although the packing credit advances and the advances against bills for collection (which are the types of export credit where the point is of relevance) are ordinarily required to be adjusted by the proceeds of the relative export bills, there might not be any difficulty on the part of the banks to allow the exporters to repay only the interest portion thereon at the end of the quarter in any manner they liked. It is, therefore, suggested that the banks may allow the exporters to repay only the interest portion thereon at the end of the quarter in any manner they like even if the relative advance is not otherwise adjusted in the meantime in the stipulated manner.

Yours faithfully,
O. P. KOCHHAR
Dy. Chief Officer

DBOD. No. BM. 919/C. 297A-69—6 June 1969

All eligible scheduled commercial banks.

Dear Sir,

POST-SHIPMENT FINANCE

Please refer to paragraph 1(d) of the Export Credit (Interest Subsidy) Scheme, 1968 in terms of which, 'Post-shipment Credit' includes any loan or advance granted to an exporter, in consideration of, or on the security of any duty drawback, or any cash payment by way of incentive from the Marketing Development Fund or any other relevant source. A doubt has been raised as to whether advances against freight differential claims payable to the re-roller exporters against their exports of bars, rods etc. paid out of Freight Equalisation Fund managed by the Joint Plant Committee of the main producers of which Iron & Steel Controller is the

* Since enhanced to 7% vide circular DBOD. No. Sch. BC. 51/C. 96-71 dated 16th April 1971.

Chairman, would be eligible for refinance and interest subsidy from us. We have to advise that the loans/advances granted by banks against Freight differential claims will come within the definition of 'post-shipment credit' and will be subject to the ceiling rate of interest of 6%* per annum and will be eligible for interest subsidy under the Export Credit (Interest Subsidy) Scheme, 1968. These advances are also eligible for refinance under the Bill Market Scheme but not under the Pre-shipment Credit Scheme or the Export Bills Credit Scheme.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 1152/C. 297 (M)-69—11 July 1969

All scheduled commercial banks.

Dear Sir,

ADVANCES TO SCHEDULED BANKS UNDER SECTION 17 (3A) OF THE RESERVE BANK OF INDIA ACT, 1934

A few queries have been received by us from the banks and exporters whether advances made by banks to exporters who do not have letters of credit or export orders in their own name and are routing their exports through the State Trading Corporation/Minerals and Metals Trading Corporation or other export houses, agencies, etc. are eligible for the concessional rate of interest not exceeding 6* per cent per annum applicable to export credit. We wish to clarify that the packing credit advances made by banks to suppliers who do not have export orders/letters of credit in their own name and are exporting through export houses are treated as eligible for refinance and interest subsidy by us provided, apart from our usual stipulations, the following requirements are complied with :

(i) The bank should obtain from the export house a letter setting out the details of the export order and the portion thereof to be executed by the supplier and also certifying that the export house has not obtained and will not ask for packing credit facility in respect of such portion of the order as is to be executed by the supplier.

(ii) The export house should open inland letters of credit in favour of the supplier giving relevant particulars of the export letters of credit/orders and the outstandings in the packing credit account should be extinguished by negotiation of bills under such inland letters of credit. If it is inconvenient for the export house to open such inland letters of credit in favour of the supplier, the latter should draw bills on the export house in respect of the goods supplied for export and adjust packing credit advances from the proceeds of such bills. In case the bills drawn under such arrangement are not accompanied by bills of lading or other export documents, the bank should obtain through the supplier a certificate from the export house at the end of every quarter that the goods supplied under this arrangement have in fact been exported. The certificate should give particulars of the relative bills such as date, amount and the name of the bank through which the bills have been negotiated.

(iii) The bank should obtain an undertaking from the supplier that the advance payment, if any, received from the export house against the export order would be credited to the packing credit account.

(iv) The bank should charge a rate of interest not exceeding 6 per cent per annum on such advances in terms of our directive** dated the 2nd March 1968.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD.No. BM. 222/C. 297M-70—11 February 1970

All scheduled commercial banks.

Dear Sir,

EXPORT CREDIT

It has been represented to us that in the case of credit provided by banks for export

* Since enhanced to 7%—Vide circular DBOD. No. Sch. BC. 51/C. 96-71 dated the 16th April 1971.

** Since amended by directive DBOD. No. Sch. BC. 52/C. 96-71 dated 16th April 1971.

of commodities on consignment basis, they charge their normal rates of interest for the entire period in case the proceeds are not received in India within a period of 180 days of the grant of the advance. In this connection, we invite attention to paragraph 2(iii) of the *Export Credit (Interest Subsidy) Scheme, 1968* (a copy of which was sent to all scheduled commercial banks with our circular DBOD. No. BM.1526/C. 297(M)-68 dated the 13th November 1968) in terms of which in the case of export credit extending beyond 180 days, subsidy will be payable for the full period of the credit approved by the Exchange Control Department of the Reserve Bank of India. In cases, therefore, where the Exchange Control Department approves that the proceeds of consignment exports may be brought to India later than 180 days, the relevant export credit provided by a bank against the consignment will be eligible for interest subsidy for the extended period also and the bank will be required to charge a rate of interest not exceeding 6*per cent per annum for such extended period.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 1272/C. 297(M)-70
24 August 1970

All scheduled commercial banks.

Dear Sir,

EXPORT CREDIT (INTEREST SUBSIDY) SCHEME, 1968

Please refer to our circular DBOD. No. BM. 287/C. 297 (M)-69 dated the 19th February 1969. As indicated therein, banks are required to charge a rate of interest not exceeding 6%* per annum up to the expiry of the normal transit period in respect of demand bills for which they receive subsidy from us. In the case of usance bills, banks are required to charge interest not exceeding 6%* per annum up to the actual due date of the bills although subsidy is paid up to the notional due date. It has been represented to us that banks are, by and large reluctant to purchase/discount export bills drawn by exporters on Nigeria and Ghana, due to delay in the receipt of proceeds of bills as a result of exchange difficulties prevalent there. It has, therefore, been decided that in the case of bills (whether demand or usance) drawn on Nigeria and Ghana, the lending banks will be eligible for interest subsidy for a period of 180 days from the date of purchase/discount of a bill or making an advance against such a bill or till the receipt of proceeds thereof in India, whichever is earlier, provided (i) in the case of a demand bill, it is paid in the importing country within the normal transit period as fixed by FEDAI for that country with our approval and (ii) in the case of a usance bill, it is paid in the importing country on or before the due date. Banks are required to charge the rate of interest not exceeding 6%* per annum for a period of 180 days from the date of purchase/discount of a bill or an advance against it or till the receipt of proceeds in India, whichever is earlier. The above concession will not, however, be available for the entire period if a demand bill is not paid during the normal transit period and a usance bill on the due date. If the payment of a demand bill is made after the expiry of the normal transit period and that of usance bill, after the due date, banks will be entitled to subsidy for a period of 180 days from the date of purchase/discount of the bill or an advance against it or till the date of receipt of the proceeds in India, whichever is earlier, *minus* the period for which the payment is delayed *by the importer* after the normal transit period in the case of demand bill and the due date in the case of a usance bill. It will be open to banks to charge normal rate of interest for the period for which payment is delayed beyond the normal transit period in the case of a demand bill and the due date in the case of a usance bill for which interest subsidy will not be payable.

Yours faithfully,
L. KRISHNAN
Dy. Chief Officer

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* The reference to interest rate of 6% may now be read as 7%.

DBOD. No. BM. BC. 136/C. 297(M)-71
23 November 1971

All scheduled commercial banks.

Dear Sir,

EXPORT CREDIT (INTEREST SUBSIDY) SCHEME, 1968.

Please refer to our circular letter DBOD. No. BM. 1272/C. 297(M)-70 dated the 24th August 1970 regarding export bills drawn on Nigeria and Ghana. We have to clarify that where payment of the bills is made by the foreign buyers within the period indicated in the circular but the proceeds of the bills are not repatriated to India within 180 days of the date of payment locally due to exchange difficulties prevalent there, the lending bank will continue to be eligible for interest subsidy for a period even beyond 180 days from the date of purchase/discount of a bill or making advance against such a bill till the date of receipt of proceeds thereof in India, provided approval of our Exchange Control Department for extension of time beyond 180 days for repatriation of the funds is duly obtained and other terms of the Export Credit (Interest Subsidy) Scheme, are complied with.

2. In this connection, we also invite attention to the letter No. DEV/POL CIRC/71 dated the 10th August 1971 addressed by the Export Credit and Guarantee Corporation Ltd. to the Chairman, Foreign Exchange Dealers' Association of India indicating certain relaxations in respect of covers for exports to Nigeria. In relaxation of the normal waiting period of four months, the Corporation may now pay claims arising from delay in transfer of export proceeds from that country in cases where payment is made locally by the buyer and the delay is due to transfer difficulties. With the above liberalisation, we consider that the banks should not have any inhibitions in purchasing/discounting export bills drawn on parties in Nigeria, provided they are otherwise in order.

Yours faithfully,
N. D. JAIN
Dy. Chief Officer

DBOD. No. BM. BC. 30/C. 297(T)-71
22 March 1971

All nationalised banks and the subsidiaries of the State Bank of India*.

Dear Sir,

EXPORT CREDIT (INTEREST SUBSIDY) SCHEME, 1968—AUDIT REQUIREMENTS

Please refer to paragraph 3(a) of the above Scheme forwarded with our circular letter DBOD. No. BM. 1526/C. 297(M)-68 dated the 13th November 1968, in terms of which the institutions claiming interest subsidy are required to have the entries in the register(s) and other relevant books verified and audited by a qualified auditor and forward to the Reserve Bank of India a certificate to that effect. The question of getting the registers etc., verified and audited by a qualified auditor has been reconsidered by the Government of India and relaxation as under has been made therein :

In the case of your bank the auditors may *actually* audit the relevant register(s) at those branches which they visit in the normal course during the audit. The auditors may verify the claims relating to other branches by obtaining the relevant information from them.

The Comptroller and Auditor General of India, however, reserves the right to verify and audit, at his discretion, the documents in all the offices of your bank.

2. A *pro forma* of the certificate to be sent by the auditor to the Reserve Bank of India is enclosed. We shall be glad if you will now please obtain the certificate from the auditor in the prescribed new *pro forma* for the claims made by your bank in respect of the period 3rd March to the 31st December 1968 and for the year ended the 31st December 1969 and forward them to us as early as possible. This applies even to those banks which have already submitted the 'Auditors' Certificates to us for the years 1968 and 1969, before the Government's decision on the subject was arrived at.

Yours faithfully,
L. KRISHNAN
Dy. Chief Officer

* The State Bank of India was also advised almost on the similar lines in letter DBOD. No. BM. 597/C297 (T)-71 dated 22nd March 1971. The pro forma of the auditor's certificate to be used in the case of that bank was enclosed with the above letter.

(*PRO FORMA* OF THE CERTIFICATE TO BE GIVEN BY THE AUDITORS IN THE CASE OF NATIONALISED BANKS)

We have examined the claim for Rs.————for the period ———— to ————, made by———— Bank in respect of the subsidy due under the Export Credit (Interest Subsidy) Scheme of the Reserve Bank of India, with the book of accounts and other records at the Head Office of the said bank, the records and registers produced to us in respect of the claims relating to the advances made at the other offices of the bank* (and the audit reports by its statutory auditors) and certified statements received from the Officers-in-charge of the offices as have not been audited. On the basis of such examination of the records, registers* (and audit reports) and statements and the information and explanations given to us, we certify that to the best of our knowledge and belief the claim of Rs. ———— is correct/not correct.

We certify on the basis of the material indicated above that the amount due to the bank for the period from———— to———— in respect of subsidy due under the said Scheme is Rs.———— (Rupees————only).

Place :

Chartered Accountants

Date :

Note : * The words in brackets may be omitted if the certificate is furnished by the bank's statutory auditors.

(*PRO FORMA* OF THE CERTIFICATE TO BE GIVEN BY THE AUDITORS IN THE CASE OF SUBSIDIARIES OF THE STATE BANK OF INDIA)

We have examined the claim for Rs.————

————for the period from————

————to————

made by the————

(Name of the Subsidiary)

in respect of the subsidy due under the Export Credit (Interest Subsidy) Scheme of the Reserve Bank of India with the books of accounts and other records at the office/s at**.....produced to us in respect of the claims relating to the advances made at the said office/s and with the certified statements received from the Officers-in-charge of the offices as have not been audited by us in respect of the advances at such offices and on basis of such examination and the information and the explanations given to us, we certify that to the best of our knowledge and belief the claim of Rs.———— is correct/not correct.

We certify on the basis of the material indicated above that the amount due to the bank for the period from————to———— in respect of subsidy due under the said Scheme is Rs. ———— (Rupees ———— only).

Place :

Chartered Accountants

Date :

**The names of the Head Offices and of those offices in addition to Head Office which are actually audited may be given.

DBOD. No. BM. BC. 31/C. 297(T)-71
22 March 1971

All scheduled commercial banks (other than State Bank of India, its subsidiaries and nationalised banks).

Dear Sir,

EXPORT CREDIT (INTEREST SUBSIDY) SCHEME, 1968—AUDIT REQUIREMENTS

Please refer to paragraph 3(a) of the above Scheme forwarded with our circular letter DBOD. No. BM. 1526/C. 297(M)-68 dated the 13th November 1968, in terms of which the institutions claiming interest subsidy are required to have the entries in the register(s) and other relevant books verified and audited by a qualified auditor and forward to the Reserve Bank of India a certificate to that effect. The question of getting the registers etc., verified and audited by a qualified auditor has been reconsidered by the Government of India and relaxation as under has been made therein :

In the case of your bank the auditors need not actually audit the relevant register(s) at those branches which are exempted from audit under Section 228 of the Companies Act, 1956 but may confine *actual* audit to those branches which are not so exempted. In respect of exempted branches, the auditors may rely on the statements and other information received from them.

The Comptroller and Auditor General of India, however, reserves the right to verify and audit, at his discretion, the documents in all the offices of your bank, including branches which are exempted from section 228 of the Companies Act ibid.

2. A *pro forma* of the certificate to be sent by the auditor to the Reserve Bank of India is enclosed. We shall be glad if you will now please obtain the certificate from the auditor in the prescribed new *pro forma* for the claims made by your bank in respect of the period 3rd March to the 31st December 1968 and for the year ended the 31st December 1969 and forward them to us as early as possible. This applies even to those banks which have already submitted the 'Auditors' Certificates

to us for the years 1968 and 1969, before the Government's decision on the subject was arrived at.

Yours faithfully,
L. KRISHNAN
Dy. Chief Officer

(PRO FORMA OF THE CERTIFICATE TO BE GIVEN BY THE AUDITORS)

We have examined the claim for Rs.———— for the period———————to————————, made by Bank in respect of the subsidy due under the Export Credit (Interest Subsidy) Scheme of the Reserve Bank of India, with the books of accounts and other records at the central office of the said bank, the records and registers produced to us in respect of the claims relating to the advances made at the other offices of the bank and the audit reports by statutory auditors appointed under Section 228 of the Companies Act, 1956 and with the certified statements received from the Officers-in-charge of the offices as have not been audited by us in respect of the advances at such offices. On the basis of such examination of the records, registers and reports and the information and explanations given to us, we certify that to the best of our knowledge and belief the claim of Rs.———— is correct/not correct.

We certify on the basis of the material indicated above that the amount due to the bank for the period from———————— to———————— in respect of subsidy due under the said Scheme is Rs.———— (Rupees———————————— only).

Place :

Chartered Accountants

Date :

DBOD. No. Sch. BC. 51/C. 96-71—16 April 1971

All scheduled commercial banks.

Dear Sirs,

Please refer to our letter***** in terms of which a ceiling of 6.00 per cent per annum for packing credits and post-shipment credits for exports was prescribed. In order to bring about a proper alignment of the interest rate structure consistent with the overall policy, it has been decided, with immediate effect, to prescribe a ceiling of 7.00 per cent per annum for pre-shipment (packing credits) and post-shipment credits other than credits provided for exporters on *deferred payment terms*, the ceiling rate in respect of which will continue to be at 6.00 per cent per annum. The subsidy of 1.5 per cent under Export Credit (Interest Subsidy) Scheme, 1968, will continue as before on all export credit provided.

2. A directive issued in this regard is enclosed for your information.

Yours faithfully,
R. K. HAZARI
Deputy Governor

DBOD. No. Sch. BC. 52/C. 96-71 — 16 April 1971

In exercise of the powers conferred by Section 21 of the Banking Regulation Act, 1949, and in partial modification of the directive Ref. DBOD. No. Sch. 329/C. 96-68 dated March 2, 1968, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that no scheduled bank shall charge interest on pre-shipment (packing credits) and post-shipment credits granted by way of loans/advances/cash credits/overdrafts and by way of discount, purchase of bills (other than credits provided for exports on deferred payment terms) or renewals of such credit limits, after the date of this directive at a rate higher than 7.00 per cent per annum. The maximum rate of interest to be charged on pre-shipment and post-shipment credits allowed on deferred payment terms will continue to be at 6 per cent per annum.

R. K. HAZARI
Deputy Governor

DBOD. No. BM. BC. 56/C. 297(M)-71—23 April 1971

All scheduled commercial banks.

Dear Sirs,

EXPORT CREDIT (INTEREST SUBSIDY) SCHEME, 1968

Please refer to the above Scheme, a copy of which was forwarded to you with our letter DBOD No. BM. 1526/C. 297(M)-68 dated the 13th November 1968. Under the existing provisions of the Scheme, the banks are eligible for an interest subsidy of one and one half per cent per annum on export credits provided by them at a rate of interest not exceeding 6 per cent per annum. As the ceiling rate of interest on export credits (other than those provided for exports on deferred payment terms) has been raised from 6 per cent to 7 per cent in terms of our circular letter DBOD. No. Sch. BC. 51/C. 96-71 dated the 16th April 1971, the banks will be eligible with effect from the 16th April 1971 for interest subsidy of one and one half per cent on export credits, provided the rate of interest

charged thereon does not exceed 7 per cent per annum. Necessary amendment may please be noted in the copy of the Scheme to this effect.

Yours faithfully,
N. D. JAIN
Asstt. Chief Officer

DBOD. No. BM BC. 62/C. 297(M)-71
21 May 1971

All eligible scheduled commercial banks.

Dear Sir,

PRE-SHIPMENT CREDIT SCHEME AND EXPORT CREDIT (INTEREST SUBSIDY) SCHEME, 1968

As you are aware, packing credit advances granted by banks to exporters are eligible for refinance and interest subsidy under the above schemes, provided such advances are granted against the lodgement of irrevocable letters of credit or on the strength of confirmed/firm export orders. It is observed that, although the date of shipment of goods is determined in advance as per the contract, in several cases the exporters are not able to adhere to the schedule of shipment of goods for some reason or the other and extension of time for adjusting the relative advance is sought by banks, at times even a day or two prior to the stipulated date of the shipment. In some cases additional extensions of time are sought for the same shipment. Sometimes the need for extension of time arises from a lack of proper planning in the implementation of the export programme by the exporters, with the result that funds advanced by banks by way of packing credits remain locked up for periods exceeding 180 days. We would, therefore, reiterate that banks should keep a close watch not only on the end-use of the finance, but also on the timely fulfilment of the export orders. In particular, it should be ensured that neither the amount nor the period of the packing credit advance exceeds the actual requirement in each case. We shall, therefore, be glad if you will please satisfy yourself on the following points while granting packing credit advances to your customers :

(*i*) Whether the entire amount of packing credit is needed in one lump sum for fulfilling the export order or the amount thereof could be released in stages.

(*ii*) Where a particular component or part is required to be imported for executing a specific export order, whether import licence therefor has been duly obtained.

(*iii*) Where export contracts provide for opening of letters of credit, whether such letters of credit have been duly opened.

(*iv*) In case there is delay in opening the letter of credit, whether the reasons therefor are satisfactory.

(*v*) Whether the progress made by the exporter from time to time towards the fulfilment of the contract is satisfactory and the funds drawn by way of packing credit have been actually utilised for the purpose for which they have been made available.

(*vi*) Where packing credit advances are made on the basis of export orders without the stipulation of opening of letters of credit, whether the contracts cover all essential particulars such as the quality and quantity of the goods to be exported, price at which the goods are to be supplied and the date of shipment, etc.

2. We shall be glad if you will please carefully scrutinise the applications received from parties for extension of time and refer to us, with your recommendations, only those cases where the bank is satisfied that there is a genuine need for such an extension.

Yours faithfully,
L. KRISHNAN
Dy. Chief Officer

DBOD. No. BM.BC. 70/C. 297(M)-71
4 June 1971

All eligible scheduled commercial banks.

Dear Sir,

Please refer to our circular letter DBOD. No. BM. 126/C. 297(M)-69 dated the 27th January 1969, in terms of which banks are

required to charge the concessional rate of interest, in respect of the amount advanced by them, by way of packing credit, in excess of the f.o.b. value of the relative export, provided, such advances are covered by the Export Production Finance Guarantee of the Export Credit and Guarantee Corporation Ltd. and the advance is completely liquidated within a period of 8 months from the date of the original advance, as stipulated in the aforesaid guarantee. As a result of delay in the receipt of the amount of cash incentives, duty drawbacks etc. from the respective authorities, exporters are invariably not in a position to liquidate the advance within the period of 8 months and it is reported that some banks in such cases, either call upon the exporters to repay the advance or charge their normal rate of interest. In this connection, we may clarify that the Reserve Bank will be prepared to provide interest subsidy and refinance in respect of such advances which are outstanding beyond 8 months, up to the period the Export Credit & Guarantee Corporation Ltd. extends the relative guarantee.

In this connection your attention is also drawn to paragraph 3 of Export Credit & Guarantee Corporation's circular dated 24th May 1971, wherein it has expressed its willingness to extend the period of guarantee, so long as the receivables have not been paid to the exporter and such non-payment is not due to the fault of the exporter.

Yours faithfully,
L. KRISHNAN
Dy. Chief Officer

DBOD. No. BM. BC. 90/C. 297(M)-71
30 July 1971

All eligible scheduled commercial banks.

Dear Sir,

Please refer to our circulars DBOD. No. BM. 126/C. 297 (M)—69 and DBOD No. BM. BC. 70/C. 297 (M)-71 dated January 27, 1969 and June 4, 1971 respectively. In this connection we may clarify that the packing credit advances granted by banks to small scale industrial units in excess of the f.o.b. value of the relative exports, which are not covered by the export production finance guarantee of the Export Credit and Guarantee Corporation Ltd., but are covered under the Credit Guarantee Scheme of the Government of India for advances to small scale industry, would also be eligible for refinance from the Reserve Bank and interest subsidy under the Export Credit (Interest Subsidy) Scheme, 1968 for a period of 8 months from the date of the original advance or such extended period as may be approved by the Reserve Bank, provided the following stipulations are complied with:

(i) The advance has been made on the basis of an irrevocable letter of credit opened by a bank of standing abroad or a firm export order, and the amount of the advance does not exceed 150 per cent of the f.o.b. value of the contract or goods to be exported and relates to export of commodities which are eligible to receive cash assistance, customs/excise drawbacks from Government or other relative sources.

(ii) Soon after the goods are shipped the proceeds of the export bills up to the extent of 100 per cent of the f.ob. value are credited to the advance and the remaining balance is fully adjusted out of the amounts on account of incentives (cash assistance, duty drawbacks etc.) against the relative shipment as soon as received but within a period of 8 months from the date of the initial advance or within such extended period as may be approved by the Reserve Bank.

(iii) The other conditions relating to packing credit advances and eligibility for interest subsidy have been complied with.

Yours faithfully,
N. D. JAIN
Dy. Chief Officer

DBOD. No. BM.BC. 120/C. 297(T)-71
7 October 1971

All eligible scheduled commercial banks.

Dear Sir,

EXPORT CREDIT (INTEREST SUBSIDY) SCHEME, 1968

Please refer to paragraph 3 (a) of the above Scheme a copy of which was forwarded to you with our circular letter DBOD. No. BM.

1526/C. 297(M)-68 dated the 13th November 1968. We shall be glad if you will please substitute the existing sentences beginning with the words. "The institutution shall have the entries" and ending with the words "at his discretion" in the aforesaid paragraph, with the following:

"The institution shall have the entries in the register(s) and other relevant books verified and audited, *in the manner to be indicated by the Reserve Bank*, by a qualified auditor entitled to audit its accounts and the certificate, *in the form prescribed by the Reserve Bank*, shall have to be sent to the Reserve Bank by the auditor before the 30th September every year, showing that the entries in the register(s) and other relevant books and the claims made by the institution in respect of subsidy in the previous calendar year were correct. The Comptroller and Auditor General of India will have the right to verify and audit, at his discretion, the documents in all the concerned institutions, their subsidiaries and branches including branches which are exempted from being audited by the auditors."

Yours faithfully,
S. N. CHAKRABORTI
Dy. Chief Officer

PART IV

EXTENSION OF BILL MARKET SCHEME FOR PACKING CREDIT AGAINST SPECIFIC COMMODITIES

DBOD. No. BM. 683/C. 297A-67—25 November 1967

All eligible scheduled commercial banks.

Dear Sirs,

EXTENSION OF THE BILL MARKET SCHEME FOR REFINANCING PACKING CREDIT ADVANCES RELATING TO EXPORTS

Please refer to our circular letter* DBOD. No. BM. 388/C. 297A-67 dated August 16, 1967. It was stated in paragraph 5(b) of the annexure to the letter that the Reserve Bank would be prepared to waive the condition regarding submission of letters of credit/firm orders by the exporters if the prevalence of special trading practices in respect of any commodity warranted such a waiver. As it would not always be possible for banks to fulfil the stipulation regarding the letter of credit or a firm export order in respect of packing credit advances to exporters of tea, it has been decided to waive these conditions in respect of tea exports. Packing credit advances may be made available by banks to the manufacturer/merchant exporters of tea on the basis of the limits made available to them in the preceding year (April to March), as explained below. Taking into account the seasonal pattern of, and the regional variations in, tea exports, the limits for each quarter may be in the following proportions:

* Not included in the booklet, as it relates to a scheme now not in vogue.

2 As a proportion of the credit limits sanctioned in the preceding year for each of the Manufacturer-exporters.

	North Indian Tea*	South Indian Tea@
April—June	4%	24%
July—September	36%	33%
October—December ..	45%	26%
January—March	15%	17%

*Covers tea grown in Assam, West Bengal, Bihar, Tripura, Uttar Pradesh, Punjab and Himachal Pradesh.
@Covers tea grown in Kerala, Madras and Mysore.

Merchant exporters who purchase tea from the market for export, including purchases for blending and exports, would also be eligible for packing credits upto the limits available to them in the preceding year for financing their tea exports but in their case the limits need not necessarily be split up on a quarterly basis. Any request for reasonable increases in limits over the limits of the last year for financing increased exports may be allowed by the banks on the merits of each case. If the limits are so increased, the above proportions may apply to the increased limits.

3. The new entrants in the field of exports may be asked to provide advance estimates of their likely exports during each quarter if they are manufacturers, and during the year if they are merchant exporters, which may be used for sanctioning appropriate credit limits to them at the concessional rate.

4. The Reserve Bank would be prepared to consider proposals for refinance of packing credit advances for tea exports up to the limits indicated above at the *Bank Rate* provided:

(a) the bank undertakes to charge a rate not exceeding 8 per cent per annum, to the borrowers ;

(b) these advances are given under a separate account. (A separate packing credit account may be opened for each quarter in case of manufacturer exporters);

(c) each such packing credit advance is allowed to remain outstanding in a separate account till exports are effected. At that stage the packing credit advance should be extinguished by negotiation of export bills. Where no bills are drawn, the advance may be extinguished by remittances from abroad, not later than the tender of shipping documents to the bank ; where advance remittances are not so received by the time the exports take place, the packing credit advance may be extinguished by transfer of the outstandings to a special account so as to bring the pre-shipment character of the advance to an end. However, before adjustment of the advance, the bank should satisfy itself that exports have been effected and the documents handed over to it for recovery of the proceeds from the importer/consignee abroad. The bank should also withdraw the usance promissory notes relating to that account which may have been lodged with the Reserve Bank, against proportionate repayment, if necessary. The bank should simultaneously report to the Reserve Bank the mode of adjustment and certify in due course that the export proceeds have been realised from abroad within the period permitted under the Exchange Control Regulations and credited to the special account ;

(d) in April-May, the bank will review in respect of each packing credit advance relating to tea export, whether the value of tea exported from the crop for the year ended 31st March was sufficient to liquidate the packing credit advances granted during that year. If the value of tea exported was not sufficient the value of the actual exports relating to the crop of that year should be set off against the amount of packing credit advances granted in respect of the crop of that year, the advance being set off in the chronological order, the oldest being adjusted first. The bank may charge its usual rate of interest on that part of the packing credit advances which was not adjusted by exports relating to the relevant year (April to March). To illustrate the point, let us suppose that a bank gave the following packing credit advances to a tea estate.

Quarter	(Rs. in lakhs)
April-June	4.00
July-September	36.00
October-December	45.00
January-March	15.00
(Next year)	
	100.00

Further, let us assume that the total exports during the period April-March ultimately turn out to be only Rs. 56 lakhs. This amount fully covers the advances given in the two quarters April-June and July-September and Rs. 16 lakhs out of the advances made during October-December. Interest on Rs. 29 lakhs (i.e. Rs. 45 lakhs minus Rs. 16 lakhs) advanced during October-December and on Rs. 15 lakhs advanced during January-March may be charged at the bank's usual rates from the respective dates of the advances. In such cases, the bank should intimate all the relevant facts to the Reserve Bank without delay. Interest on the shortfall (i.e. the amount not covered by exports) may be charged by the Reserve Bank not at the Bank Rate but at such rates as may be applicable in respect of the borrowings of the bank other than those financed by the Reserve Bank at the concessional rates. In other cases where the value of exports relating to a year (i.e. April-March period) fully covers the packing credit advances given during that year, the bank should send to the Reserve Bank a certificate to that effect in due course.

5. The Special account referred to in paragraph 4 will be eligible for refinance from the Reserve Bank under the Bill Market Scheme. The rate of interest charged by the Reserve Bank on refinance provided against such advances will be the Bank Rate provided the bank agrees to charge a rate not

exceeding 8 per cent per annum to the borrowers and these advances are ultimately adjusted by the relevant proceeds from abroad of tea exports.

6. The Reserve Bank will provide refinance against packing credit advances relating to export of tea on usance promissory notes having a maturity of not more than 90 days but will be prepared to make one more fresh advance against a fresh set of bills of maturity not exceeding 90 days.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 558/C. 297A-68—6 April 1968

All scheduled commercial banks.

Dear Sirs,

PACKING CREDIT FACILITIES TO EXPORTERS

We enclose for your information a copy of the press note issued by us to-day.

Yours faithfully,
A. L. BATRA
for Chief Officer

PRESS NOTE

With a view to affording a measure of relief to exports, the Reserve Bank prescribed in August 1967 ceiling rates for interest charged by banks on export credit. Currently, these rates are 6 per cent per annum on all packing credit advances relating to exports and on all post-shipment credit. Banks are obliged to charge the ceiling rates of interest on export credit provided by them irrespective of whether or not they obtain refinance from the Reserve Bank.

Packing credits are credits granted by banks to exporters on the strength of the letters of credit opened in their favour by buyers abroad or firm export orders. Such credits are expected to be extinguished by negotiation of the relative export bills. In order to widen the benefits of the scheme, the Reserve Bank has adopted a flexible definition of packing credits and the procedural requirements have been modified suitably from time to time. Thus, banks have been advised that exporters who do not have letters of credit or firm export orders in their own names, such as suppliers to the Minerals & Metals Trading Corporation and State Trading Corporation through whom certain exports are canalised, may be given packing credits, provided they produce a letter from the Minerals & Metals Trading Corporation or the State Trading Corporation that a portion of the order has been allotted to them and that the Minerals & Metals Trading Corporation or the State Trading Corporation does not wish to seek for a packing credit in respect of such portion. The same facility is given to sub-contractors supplying goods for export under a consortium arrangement.

In the case of commodities, *e.g.* tea, which are exported on consignment basis, packing credits granted on the basis of past experience in regard to the proportion of exports to the total output of the exporting unit concerned are treated as eligible for the concessions. It is recognised that such credits have to remain outstanding for some time after the goods have been exported.

Should there be any other cases where it may not be practicable to fulfil the conditions laid down by the Reserve Bank but the transaction is otherwise of the same nature as any other packing credit, the exporters concerned may bring such cases to the notice of the Reserve Bank through their bankers and the Reserve Bank will consider them on merits.

RESERVE BANK OF INDIA,
DEPARTMENT OF BANKING OPERATIONS AND DEVELOPMENT,
CENTRAL OFFICE,
BOMBAY.

Dated the 6th April 1968.

DBOD. No. 783/C. 297A-68—17 May 1968

All eligible scheduled commercial banks.

Dear Sir,

EXTENSION OF THE BILL MARKET SCHEME FOR REFINANCING PACKING CREDIT ADVANCES RELATING TO EXPORT OF JUTE GOODS

Please refer to our circular letter* DBOD. No. BM. 388/C. 297A-67 dated the 16th August 1967. In order that the liberalised Bill Market Scheme as applicable to packing credit advances may be of benefit to the mills manufacturing jute goods, it has been decided to modify some of the requirements of the scheme, as stated in the following paragraphs:

(1) Banks are normally required to make packing credit advances on the basis of lodgement of letters of credit or firm export orders. However, in cases where jute goods are shipped by export houses and there are no letters of credit or export orders in favour of a jute manufacturing mill, a bank may make packing credit advances to the mill

* Not included for the reason mentioned in the footnote on circular DBOD. No. B. M. 683/C. 297A-67 dated the 25th November 1967.

even in the absence of a letter of credit or export order in its favour and such packing credit advances will be eligible for refinance from the Reserve Bank subject to the usual criteria provided the following conditions are fulfilled:

(i) The bank would, while making an application to us for refinance in such cases, furnish to us a letter from the export house setting out the details of the export order and the portion to be executed by the jute mill and also certify that it (i.e. export house) has not obtained and will not ask for packing credit facility in respect of that portion of the export order as is to be executed by the jute mill.

(ii) The export house would open inland letters of credit in favour of the jute mill giving relevant particulars of the firm export orders and the outstandings in the packing credit account of the mill will be extinguished by negotiation of the bills under such inland letters of credit. In the alternative, the mill may draw bills on the export house in respect of goods supplied for export and adjust the packing credit advances from the proceeds of such bills. However, in either case, the bank concerned will require the jute mill to produce a certificate from the export house at the end of every quarter that the goods purchased under this arrangement have in fact been exported. The certificate should give particulars of the relative export bills *i.e.* the date, amount and the name of the bank through which the bills have been negotiated. The advance payment, if any, received by the mill from the export house will also have to be credited to the packing credit account of the mill.

(2) In cases where a composite limit has been sanctioned to a mill manufacturing jute goods both for domestic and export purposes, the bank should assess, in consultation with the mill, its requirements of export finance and fix an appropriate limit for packing credit advances and segregate this limit from the limits sanctioned for domestic purposes. Such packing credit limits will be eligible for refinance from the Reserve Bank at the Bank Rate subject to the usual criteria.

(3) A bank may provide packing credit facilities to a mill manufacturing jute goods by way of a cash credit/overdraft limit so as to cover the period from the point of purchases of raw materials upto the stage of exports. Such advances will be eligible for refinance from the Reserve Bank at the Bank Rate subject to the usual criteria and the following additional conditions :

(i) The bank's borrowing from us by way of refinance will not at any time exceed the amount outstanding in the packing credit advances accounts of the parties concerned.

(ii) The bank will mark off individual export bills as they are received for negotiation against the earliest packing credit advance/drawing allowed in the cash credit or overdraft account and thus ensure that no packing credit advance/drawing remains outstanding for more than 180 days. If a packing credit advance remains outstanding for more than 180 days the bank will not avail itself of refinance from the Reserve Bank against such outstandings. If it has already availed of refinance, it will immediately repay to the Reserve Bank the requisite amount.

(iii) The bank will lodge with the Reserve Bank usance promissory notes of each party maturing not later than 90 days from the date of lodgement upto the full amount of the limit sanctioned and substitute such promissory notes on maturity by other similar promissory notes also maturing not later than 90 days in accordance with the procedure laid down by us in our circular* DBOD. No. BM. 767/C. 297A-67 dated the 6th December 1967.

(4) The bank will charge a rate of interest not exceeding 6% p.a. as laid down in our directive DBOD. No. Sch. 329/C. 96-68 dated the 2nd March 1968 in respect of packing credit advances of the types referred to in paragraph (1) to (3).

Yours faithfully,
B. R. OKA
Dy. Chief Officer

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* Not included for the reason mentioned in the footnote on circular DBOD. No. BM. 683/C297A-67 dated the 25th November 1967.

DBOD. No. BM. 785/C. 297A-68—18 May 1968

All eligible scheduled commercial banks.

Dear Sir,

EXTENSION OF THE BILL MARKET SCHEME FOR REFINANCING PACKING CREDIT ADVANCES RELATING TO THE EXPORT OF CASHEWNUTS

Please refer to our circular letter@ DBOD. No. BM. 388/C. 297A-67 dated the 16th August 1967. In order that the liberalised Bill Market Scheme as applicable to packing credit advances may be of benefit to the exporters of cashewnuts, it has been decided to modify some of the requirements of the scheme, as stated in the following paragraphs:

1. The Reserve Bank would provide refinance at Bank Rate in respect of advances made by eligible banks to the exporters of cashewnuts not exceeding the amount outstanding in the Key Shut Cash Credit account or the total outstandings under pledge, hypothecation and out-agency accounts.

2. Banks are normally required to make packing credit advances on the basis of lodgement of letters of credit or firm export orders. However, in view of the prevalence of special trading practices in the export of cashewnuts, as it would not always be possible for banks to comply with the requirements regarding obtaining letters of credit/firm export orders from the borrower, it has been decided to waive this condition in the case of export of cashewnuts. In cases where advances are made for domestic purchases, the limit sanctioned to a borrower should be based on export orders or export performance guarantee. In the absence of firm orders/contracts, the past performance of the borrower should be taken into account.

3. The outstandings in the packing credit accounts should be extinguished by negotiation of the relative export bills. Where the borrower is unable to tender export bills of equivalent value due to the shortfall on account of the wastage involved in the processing of raw cashewnuts, the export bills drawn in respect of cashew shell oil should also be put through the account to ensure that the entire amount advanced to the borrower is adjusted by proceeds of export bills only.

4. The adjustments in each of the accounts namely, pledge account, hypothecation account, out-agency account etc. should be done by necessary transfers from one account to the other and finally extinguished by the proceeds of export bills. Thus, the debits in the pledge account which are raised for advances made to the borrowers against pledge of stocks should be adjusted by transfers from the hypothecation account and the debits thus raised in the hypothecation account should in turn be adjusted by transfers from the out-agency account. The debits in the out-agency accounts should be adjusted by proceeds of the relative export bills.

5. A bank may provide packing credit facilities to an exporter of cashewnuts by way of a cash credit/overdraft limit so as to cover the period from the point of opening letters of credit for import upto the stage of exports. Such advances will be eligible for refinance from the Reserve Bank at the Bank Rate subject to the usual criteria and the following additional conditions :

(*i*) A bank's borrowing from us by way of refinance will not at any time exceed the amount outstanding in the packing credit advances accounts of the parties concerned.

(*ii*) The bank will mark off individual export bills as they are received for negotiation against the earliest packing credit advance and thus ensure that no packing credit advance remains outstanding for more than 180 days. If a packing credit advance remains outstanding for more than 180 days, the bank will not avail itself of refinance from the Reserve Bank against such outstandings. If it has already availed of refinance, it will immediately repay to the Reserve Bank the requisite amount.

(*iii*) The bank will lodge with the Reserve Bank usance promissory notes of each party maturing not later than 90 days from the date of lodgement upto the full amount of the limit sanctioned and substitute such promis-

@ Not included for the reason mentioned in the footnote on circular DBOD. No. BM. 683/C.297A-67 dated the 25th November 1967.

sory notes on maturity by other similar promissory notes also maturing not later than 90 days in accordance with the procedure laid down by us in our circular@ DBOD.No. BM. 767/C. 297A-68 dated the 6th December 1967.

6. The bank should charge a rate of interest not exceeding 6% p.a. as laid down in our directive DBOD. No. Sch. 329/C. 96-68 dated the 2nd March 1968, in respect of packing credit advances referred to in paragraphs (1) to (5).

Yours faithfully,
B. R. OKA
Dy. Chief Officer

DBOD. No. BM. 974/C. 297A-68—27 June 1968

All scheduled commercial banks.

Dear Sirs,

EXTENSION OF THE BILL MARKET SCHEME FOR REFINANCING PACKING CREDIT ADVANCES RELATING TO THE EXPORT OF CASHEWNUTS

Please refer to our circular letter DBOD. No. BM. 785/C. 297A-68 dated the 18th May 1968, introducing certain modifications in our liberalised Bill Market Scheme for the benefit of the exporters of cashewnuts. It was indicated therein that the banks should charge a rate of interest not exceeding 6% p.a. in respect of the relative packing credit advances. A question has now been raised as to the date from which the above ceiling rate would be applicable. We, therefore, clarify the position as follows :

In cases where finance is provided by a bank to an exporter of cashewnuts for procuring and processing raw materials and exporting the finished product, the relative advances, though given at different stages of the process and under different accounts, should be treated as packing credit advances for export. In such cases, the ceiling rates of interest on packing credit advances indicated in our circular letters * DBOD. Nos. Sch. 1236/C. 96-67 and Sch. 189/C. 96-68 dated the 9th August 1967 and the 3rd February 1968 respectively and our directive DBOD. No. Sch. 329/C. 96-68 dated the 2nd March 1968 would be applicable from the respective dates of our above circulars/directive irrespective of whether or not a bank seeks or is entitled to refinance under our liberalised Bill Market Scheme as extended to packing credit. If a higher rate has been charged in any case on such advances*** where a lower rate should have been charged, the excess interest charged should be refunded to the party concerned.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief officer

DBOD. No. BM. 1179/C. 297A-68 19 August 1968

All eligible scheduled commercial banks.

Dear Sir,

EXTENSION OF THE BILL MARKET SCHEME FOR REFINANCING PACKING CREDIT ADVANCES RELATING TO EXPORT OF CASHEWNUTS.

Please refer to paragraph 5 of our circular letter DBOD. No. BM. 785/C. 297A-68 dated the 18th May 1968, wherein it is stated that a bank may provide packing credit facilities to an exporter of cashewnuts by way of a cash credit/overdraft limit so as to cover the period from the point of opening letters of credit for import of raw cashewnuts up to the stage of exports. A clarification has been sought from us as to the stage from which the maximum rate of interest applicable on packing credit advances in terms of our directive dated the 2nd March 1968 is to be applied. We have to advise that transactions relating to imports of raw cashewnuts may be treated as packing credits only from the stage the raw cashewnuts covered by the import bills are pledged or hypothecated to the bank to enable the exporter to process and export. Accord-

@ Not included for the reason mentiond in the footnote on circular DBOD. No. BM. 683/C. 297A-67 dated the 25th November 1967.

ingly, the maximum rate of interest of 6% p.a. on packing credit advances will be applicable only from that stage onwards.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 804/C. 297A-68—23 May 1968

All eligible scheduled commercial banks.

Dear Sir,

EXTENSION OF THE BILL MARKET SCHEME FOR REFINANCING PACKING CREDIT ADVANCES RELATING TO EXPORTS.

* * * * * * * *

* In order that the liberalised Bill Market Scheme as applicable to packing credit advances may be of benefit to the exporters *exporting cotton textiles to the United Kingdom*, it has been decided to modify some of the requirements of the Scheme as stated in the following paragraphs :

(1) Banks are normally granted refinance facilities under the above Scheme against usance promissory notes maturing not later than ninety days from the date of lodgement. However, since the exporters of cotton textiles to the U.K. are required to stagger their shipments and eventually shipments cannot be effected within a period of 90 days from the date of the packing credit advance, it has been decided to modify the above requirement in respect of packing credit advances for export of cotton textiles to the U.K. Banks may make packing credit advances to exporters of cotton textiles to the U.K. for a period of 180 days and such packing credit advances will be eligible for refinance from the Reserve Bank subject to the usual criteria provided the following conditions are fulfilled:

(*i*) The bank's borrowings from us by way of refinance would not at any time exceed the amount outstanding in the packing credit advances account of the party.

(*ii*) The bank will mark off individual export bills as they are received for negotiation against the earliest packing credit advance and thus ensure that no packing credit advance remains outstanding for more than 180 days. If a packing credit advance remains outstanding for more than 180 days, the bank will not avail itself of refinance from the Reserve Bank against such outstandings. If it has already availed of refinance, it will immediately repay to the Reserve Bank the requisite amount.

(*iii*) The bank will lodge with the Reserve Bank usance promissory notes of the party maturing not later than 90 days from the date of lodgement upto the full amount of the limit sanctioned and substitute such promissory notes on maturity by other similar promissory notes also maturing not later than 90 days in accordance with the procedure laid down in our circular DBOD. No. BM. 767/C. 297A-67 dated the 6th December 1967@.

(2) The bank will charge a rate of interest not exceeding 6% p.a. as laid down in our directive DBOD. No. Sch. 329/C. 96-68 dated the 2nd March 1968 in respect of packing credit advances of the type mentioned above.

Yours faithfully,
B. R. OKA
Dy. Chief Officer

DBOD. No. B.M. 883/C. 297(A)-68—5 June 1968

All eligible scheduled commercial banks.

Dear Sir,

EXTENSION OF THE BILL MARKET SCHEME FOR REFINANCING PACKING CREDIT ADVANCES RELATING TO EXPORTS.

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* In order that the liberalised Bill Market Scheme as applicable to packing credit advances may be of benefit to the exporters of

@ Not included for the reason mentioned in the footnote on circular DBOD. No. BM. 683/C. 297A-67 dated the 25th November 1967.

hides and skins and allied products, it has been decided to modify the above Scheme as follows :

1. Banks may make packing credit advances to the exporters of *hides and skins* and allied products for a period of 180 days and such packing credit advances will be eligible for refinance from the Reserve Bank at Bank Rate subject to the usual criteria provided the following conditions are fulfilled.

(*i*) The bank's borrowings from us by way of refinance would not at any time exceed the amount outstanding in the packing credit advances account of the party.

(*ii*) The bank will mark off individual export bills as they are received for negotiation against the earliest packing credit advance and thus ensure that no packing credit advance remains outstanding for more than 180 days. If a packing credit advance remains outstanding for more than 180 days, the bank will not avail itself of refinance from the Reserve Bank against such outstandings. If it has already availed of refinance it will immediately repay to the Reserve Bank the requisite amount.

(*iii*) The bank will lodge with the Reserve Bank usance promissory notes of the party maturing not later than 90 days from the date of lodgement up to the full amount of the limit sanctioned and substitute such promissory notes on maturity by other similar promissory notes also maturing not later than 90 days in accordance with the procedure laid down in our circular@ DBOD. No. BM. 767/C. 297A-67 dated the 6th December 1967.

2. The bank will charge a rate of interest not exceeding 6% p.a. as laid down in our directive DBOD. No. Sch. 329/C. 96-68 dated the 2nd March 1968 in respect of packing credit advances of the type mentioned above.

3. We also invite your attention to the Annexure enclosed with our circular letter DBOD. No. BM.@ 388/C. 297A-67 dated the 16th August 1967 laying down the procedure and requirements for availing of refinance facilities from the Reserve Bank under the above Scheme. On receiving representations to the effect that exporters are facing difficulties in availing themselves of packing credit advances from banks, it has been decided to modify the requirements of the scheme as follows :

(*i*) Banks may make packing credit advances to the exporters on production of sufficient evidence e.g. cable, letter etc., subject to the condition that the firm export order or the letter of credit will be produced within a reasonable time, While sanctioning a limit to the exporter in the absence of a letter of credit or firm export order, the bank should take into account past performance of the exporter and declaration of export orders in hand, if any.

(*ii*) It is desirable that a packing credit account is adjusted by export bills drawn in respect of the order for the excution of which the funds were utilised. However, in cases where the exporters have forward orders for the same kind of goods from more than one customer from the same country banks may accept export bills under substituted contracts in adjustment of advances made in respect of another export order, provided the goods for export remain unchanged and the proceeds in respect of the shipments are received in a manner and within the period permitted under the Exchange Control Regulations.

Yours faithfully,
B. R. OKA
Dy. Chief Officer

DBOD. No. BM. 990/C. 297A-68
3 July 1968

All eligible scheduled commercial banks.

Dear Sirs,

EXTENSION OF THE BILL MARKET SCHEME FOR REFINANCING PACKING CREDIT ADVANCES RELATING TO THE EXPORT OF COFFEE.

Please refer to our circular letter@ DBOD. No. BM. 388/C. 297A-67 dated the 16th

@ Not included for the reason mentioned in the footnote on circular DBOD. No. BM. 683/C. 296A-67 dated the 25th November 1967.

August 1967. In order that the liberalised Bill Market Scheme as applicable to packing credit advances may be of benefit to the exporters of coffee, it has been decided to modify some of the requirements of the Scheme as follows:—

(*i*) Banks are normally equired to make packing credit advances on the basis of lodgement of letters of credit or firm export orders. However, in view of the prevalence of special trading practices in the export of coffee, as it would not always be possible for banks to comply with the requirements of obtaining letters of credit/firm export orders from the borrower, it has been decided to relax this condition in the case of export of coffee. Banks may make packing credit advances to the coffee exporters without insisting on prior production of export orders or letters of credit. However, such orders or letters of credit should be obtained within a reasonable time of the grant of the advance.

(*ii*) The payment for the coffee purchased by the exporters from the Coffee Board should preferably be made direct by the bank to the Coffee Board.

2. The banks may make packing credit advances to the exporters of coffee for a period of 180 days and such packing credit advances will be eligible for refinance from the Reserve Bank at *Bank Rate* subject to the usual criteria provided the following conditions are fulfilled :

(*i*) The bank's borrowings from the Reserve Bank by way of refinance should not exceed the amount outstanding in the packing credit advances account of the party.

(*ii*) The bank will mark off individual export bills as they are received for negotiation against the earliest packing credit advance and thus ensure that no packing credit advance remains outstanding for more than 180 days. If a packing credit advance remains outstanding for more than 180 days, the bank should not avail itself of refinance from the Reserve Bank against such outstandings. If it has already availed of refinance, it should immediately repay to the Reserve Bank the requisite amount.

(*iii*) The bank should lodge with the Reserve Bank usance promissory notes of the party maturing not later than 90 days from the date of lodgement upto the full amount of the limit sanctioned and substitute such promissory notes on maturity by other similar promissory notes also maturing not later than 90 days in accordance with the procedure laid down in our circular letter@ DBOD. No. BM. 767/C. 297A-67 dated the 6th December 1967.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 422/C. 297A-69
10 March 1969

All scheduled commercial banks.

Dear Sir,

PACKING CREDIT ADVANCES RELATING TO EXPORT OF TOBACCO

It has been represented to us that in regard to the financing of tobacco exports, banks generally give the benefit of concessional rate of interest not exceeding 6% p.a. only for a short period from the stage when the goods have been processed or when they are ready for shipment or on advances made against warehouse receipts in respect of goods awaiting shipment in the shipping agents' warehouses, although advances availed of by the tobacco exporters from the stage of procurement of raw tobacco are utilised for the purpose of exports. We have considered the matter and would suggest the following procedure :

(*i*) In cases where finance is provided by a bank to a tobacco exporter for procuring, curing, drying and processing etc. of raw tobacco and exporting the finished products, the relative advances though given at the different stages of the process and under different accounts should be treated as packing credit advances for exports from the stage of purchase of raw tobacco to the stage of export of finished products.

@ Not included for the reason mentioned in the footnote on circular DBOD. No. BM. 683/C. 297A-67 dated the 25th November 1967.

(*ii*) if the letters of credit/export orders are not available at the time of granting of packing credit advances, banks may make such advances to the exporters on production of sufficient evidence e.g. cable, letter etc. subject to the condition that the firm export order or the letter of credit will be produced within a reasonable time. While sanctioning a limit to the exporter in the absence of a letter of credit or firm export order, the bank should take into account past performance of the exporter and declaration of export orders in hand, if any.

(*iii*) The packing credit advance(s) should be given under accounts distinct from the accounts relating to the other advances to the exporter, if any, and should be adjusted only by negotiation of the relative export bills or by remittances received from abroad in this regard. However, if a bank maintains different accounts at various stages of processing *e.g.* hypothecation, pledge, shipping loan etc. the hypothecation account may be adjusted by transfers from the pledge account and the latter by transfers from the shipping loan account. The last account should be adjusted only by proceeds of export bills relating to tobacco or remittances received from abroad in this regard. To the extent, the advances are not so adjusted, the bank may treat them as other than packing credits and charge its normal rate of interest.

(*iv*). As regards the period of packing credit advances relating to export of tobacco, a reference is invited to our circular@ DBOD. BM. 1489/C. 297A-68 dated the 7th November 1968. It will be seen that the period of the advance should be sufficient to enable an exporter to have raw tobacco processed and exported.

(*v*) The bank will mark off individual export bills as they are received for negotiation against the earliest packing credit advance and thus ensure that no packing credit advance remains outstanding for more than 180 days. If a packing credit advance remains outstanding for more than 180 days, the bank will not avail itself of refinance from the Reserve Bank against such outstandings. If it has already availed of refinance, it will immediately repay to the Reserve Bank the requisite amount.

(*vi*) The bank should charge a rate of interest not exceeding 6% p.a. from the stage the advances are made to borrowers for purchase of raw tobacco for the purpose of curing, drying etc. for ultimate export in terms of our directive dated the 2nd March 1968.

2. The Reserve Bank would provide refinance at Bank Rate in respect of advances made by eligible banks to the exporters of tobacco not exceeding the amount outstanding under hypothecation, pledge and shipping loan accounts.

3. Advances given on the above basis to the tobacco exporters will be eligible for interest subsidy under the Export Credit (Interest Subsidy) Scheme, 1968, subject to compliance with the other requirements of the Scheme.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 426/C. 297A-69—10 March 1969

All scheduled commercial banks.

Dear Sir,

REFINANCING PACKING CREDIT ADVANCES RELATING TO EXPORT OF DRESSED BRISTLES.

It has been represented to us that in regard to the financing of dressed bristles intended for export, banks give the benefit of concessional rate of interest not exceeding 6% p.a. only for a short period from the stage when bristles have been dressed and a letter of credit has been established, although advances availed of by the bristle exporters from the stage of procurement of raw bristles are utilised for the purpose of exports. We have considered the matter and would suggest the following procedure:

(i) In cases where finance is provided by a bank to bristle exporters for procuring, dressing, colouring etc. of raw bristles and exporting the finished products, the relative advances under different accounts such as

@ Included in part II of this Section.

pledge/hypothecation (including trust receipt facility) etc. should be treated as packing credit advances for exports from the stage of purchase of raw bristles to the stage of export of finished products.

(ii) If the letters of credit/export orders are not available at the time of granting packing credit advances, banks may make such advances to the exporters on production of sufficient evidence e.g. cable, letter etc. subject to the condition that the firm export order or the letter of credit will be produced within a reasonable time of the grant of advances. While sanctioning a limit to the exporter in the absence of a letter of credit or firm export order, the bank should take into account his past export performance as also export performance guarantee, if any, to be given by the exporter and declaration of export orders in hand, if any.

(iii) The packing credit advance(s) should be given under an account distinct from the accounts relating to the other advances to the exporter, if any, and should be adjusted only by negotiation of the relative export bills or by remittances received from abroad in this regard which should be sufficient to cover the total borrowings. However, if a bank maintains different accounts at various stages of processing e.g. hypothecation, pledge, trust receipt facility, the hypothecation account may be adjusted by transfers from the pledge account and the latter by transfers from the subsequent account. The last account should be adjusted only by proceeds of export bills relating to dressed bristles or remittances received from abroad in this regard. To the extent, the advances are not so adjusted, the bank may treat them as other than packing credits and charge its normal rate of interest.

(iv) As regards the period of packing credit advances relating to export of bristles a reference is invited to our circular @ DBOD. No. BM. 1489/C.297A-68 dated the 7th November 1968. It will be seen that the period of the advance should be sufficient to enable an exporter to have the raw bristles processed and exported.

(v) The bank will mark off individual export bills as they are received for negotiation against the earliest packing credit advance and thus ensure that no packing credit advance remains outstanding for more than 180 days. If a packing credit advance remains outstanding for more than 180 days, the bank will not avail itself of refinance from the Reserve Bank against such outstandings. If it has already availed of refinance, it will immediately repay to the Reserve Bank the requisite amount.

2. The Reserve Bank would provide refinance at Bank Rate in respect of packing credit advances made by eligible banks on the above basis to the exporters of dressed bristles not exceeding the total outstandings against them.

3. The bank should charge a rate of interest not exceeding 6% p.a. from the stage the advances are made to borrowers against hypothecation of stocks of raw bristles for the purpose of dressing, colouring etc. for ultimate export in terms of our directive dated the 2nd March 1968.

4. Advances given on the above basis to the bristle exporters will be eligible for interest subsidy from us under the Export Credit (Interest Subsidy) Scheme, 1968, subject to compliance with other requirements of the Scheme.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 588/C.297A-69—26 March 1969

All scheduled commercial banks.

Dear Sir,

REFINANCING PACKING CREDIT ADVANCES RELATING TO EXPORT OF ORES THROUGH THE MINERALS & METALS TRADING CORPORATION.

We invite your attention to our press note dated the 6th April 1968 (a copy of which was sent to you with our circular letter DBOD. No. BM. 558/C.297A-68 of the same date)

@ Included in part II of this section.

indicating that the exporters who do not have letters of credit or firm export orders in their own names, such as suppliers to the Minerals & Metals Trading Corporation and the State Trading Corporation through whom certain exports are canalised, may be given packing credits, provided they produce a letter from the MMTC or the STC that a portion of the order has been allotted to them and that the MMTC or the STC does not wish to seek for a packing credit in respect of such portion. It has since been decided that the MMTC may modify the usual letter so as to state that it has not availed itself of nor will it seek for packing credit advances in respect of such portions of the export orders relating to ores as have been allotted to suppliers, till it has paid for the ores to the latter. Thus, whereas the MMTC was so far required to give an unqualified undertaking not to seek for a packing credit in respect of that portion of an export order as was allotted to a supplier, it can now avail itself of a packing credit in respect of such portions *after it has paid to the suppliers* for ores supplied to it in terms of the allotted export orders. The packing credit advances given by banks to suppliers on the basis of such letters from the MMTC should be adjusted by payments received from the MMTC in respect of the ores supplied to it for export. The packing credit advances given on the basis indicated in this letter will be eligible for refinance and interest subsidy from us subject to our usual terms and conditions.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 931/C. 297P-69—9 June 1969

All eligible scheduled commercial banks.

Dear Sir,

REFINANCE UNDER SECTION 17(3A) OF THE RESERVE BANK OF INDIA ACT, 1934—PRE-SHIPMENT CREDIT SCHEME

Please refer to our circular DBOD. No. BM. 78/C. 297 (M)-69 dated the 20th January 1969. It has been represented to us that the manufacturers of machine tools often manufacture such tools and keep them in sufficient stock even before receiving firm export orders. They are, however, unable to avail themselves of packing credit facilities at the concessional rate of interest from banks against the stocks of machine tools meant for export in the absence of firm orders/letters of credit. In order, therefore, to assist the manufacturers of machine tools to keep sufficient stocks of machine tools ready for being exported within a reasonable time of the receipt of the relevant export order/letters of credit from the foreign buyers, it is suggested that banks may make packing credit advances to *bona fide* manufacturer-exporters of machine tools without insisting on *prior* lodgement of a firm export order/letter of credit but subject to the following conditions, apart from the usual conditions relating to packing credit advances.

(i) The advances to the manufacturer-exporters of machine tools may be made against the security of specified machines, tools in a separate account on an undertaking obtained from them that the relative goods are reserved for exports and that the relative export order/letter of credit will be lodged with the bank as soon as available.

(ii) The pre-shipment (packing credit) advances should be adjusted within 180 days of the date of advance by negotiation of bills relating to the export of the goods held as security in the relevant account or by remittances received from abroad in respect of the exports effected. To the extent, the outstandings in the pre-shipment (packing credit) account are not adjusted in the stipulated manner, the bank may treat the advance as other than pre-shipment (packing credit) and charge its normal rate of interest on such advance.

2. The pre-shipment advances given on the above basis and subject to other usual conditions relating to such advances would be eligible for declaration by the bank for the purpose of refinance under section 17(3A) of the Reserve Bank of India Act and for interest subsidy under the Export Credit (Interest Subsidy) Scheme, 1968. The bank

will, however, have to refund interest subsidy in respect of that portion of the advance as is not ultimately adjusted in the stipulated manner.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 984/C 297P-69—19 June 1969

All eligible scheduled commercial banks.

Dear Sir,

REFINANCE UNDER SECTION 17(3A) OF THE RESERVE BANK OF INDIA ACT, 1934—PRE-SHIPMENT CREDIT SCHEME.

Please refer to our circular DBOD. No. BM. 78/C.297(M)-69 dated the 20th January 1969. It has been represented to us that the construction contractors who secure orders for execution of contracts abroad are unable to obtain finance from the banks, at the concessional rate of interest, for preliminary expenses e.g., to transport the necessary technical staff and purchase of consumable articles either in India or in the country where the contract is to be executed. In order, therefore, to assist the contractors to meet their initial working capital requirements for execution of contracts abroad, it is suggested that banks may make advances to *bona fide* contractors at the concessional rate of interest applicable to export finance, subject to the following conditions :

(i) The advances to the construction contractors may be made on the basis of a firm contract secured from abroad, in a separate account, on an undertaking obtained from them that the finance is required by them for incurring preliminary expenses in connection with the execution of the contract e.g., for transporting the necessary technical staff and purchase of consumable articles for the purpose of executing the contract abroad.

(ii) The advances should be adjusted within 180 days of the date of advance by negotiation of bills relating to the contract or by remittances received from abroad in respect of the contract executed abroad. To the extent, the outstandings in the account are not adujsted in the stipulated manner, the bank may charge its normal rate of interest on such advance.

2. The advances given on the above basis will be treated as pre-shipment (packing credit) advances and as such, will be eligible for declaration by the bank for the purpose of refinance under section 17(3A) of the Reserve Bank of India Act and for interest subsidy under the Export Credit (Interest Subsidy) Scheme, 1968, subject to compliance with the usual conditions. The bank will, however, have to refund interest subsidy in respect of that portion of the advance as is not ultimately adjusted in the stipulated manner.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 1040/C. 297P-69—27 June 1969

All eligible scheduled commercial banks.

Dear Sir,

REFINANCE UNDER SECTION 17(3A) OF THE RESERVE BANK OF INDIA ACT, 1934—PRE-SHIPMENT CREDIT SCHEME —EXPORT OF LEATHER AND LEATHER GOODS THROUGH THE STATE TRADING CORPORATION

Please refer to our circular DBOD. No. BM. 78/C.297 (M)-69 dated the 20th January 1969. It has been represented to us that the tanners who supply exportable quality leather to the State Trading Corporation for feeding footwear fabricators, producing shoes for export through the Corporation, are unable to obtain pre-shipment credit (packing credit) facilities at the concessional rates of interest not exceeding 6 per cent per annum. In order, therefore, to assist such tanners, it has been decided that advances made by banks, subject to the following conditions will be treated by us as pre-shipment (packing credit) advances and as such, will be eligible for declaration by the bank for the purpose of refinance under section 17(3A)

of the Reserve Bank of India Act, and for interest subsidy under the Export Credit (Interest Subsidy) Scheme, 1968 provided the other usual requirements of the relevant Schemes are complied with:

(i) The State Trading Corporation should certify that leather covered by the orders with the tanner will be used exclusively for manufacturing shoes for export.

(ii) The State Trading Corporation should give an undertaking that neither it nor the fabricators will avail themselves of pre-shipment (packing credit) advances in respect of the order placed with the tanner for execution *till the State Trading Corporation has paid for the leather supplied to it.*

(iii) The pre-shipment (packing credit) advance availed of by the tanner should be adjusted only by payments received from the State Trading Corporation in respect of leather covered by the relative order.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD No. BM. 1064/C. 297P-69—1 July 1969

All eligible scheduled commercial banks.

Dear Sir,

REFINANCE UNDER SECTION 17(3A) OF THE RESERVE BANK OF INDIA ACT, 1934 — PRE-SHIPMENT CREDIT SCHEME — EXPORT OF DIAMONDS

Please refer to our circular DBOD. No. BM. 78/C. 297(M)-69 dated the 20th January 1969. In order to overcome the special difficulties of the diamond exporters, it has been decided to modify some of the requirements of the pre-shipment credit scheme, as stated in the following paragraphs :

(*i*) Banks are normally required to provide pre-shipment credit to the exporters on lodgement of letters of credit or firm export orders. However, in view of the prevalence of special trading practices in regard to the export of diamonds it has been decided that banks may make pre-shipment (packing credit) advances to the exporters of diamonds without insisting on the lodgement of letters of credit/firm export orders. While sanctioning a limit to an exporter, the bank should take into account his past export performance as also export performance guarantee if any, to be given by him.

(*ii*) The pre-shipment credit should be given to the exporter in a separate account from the stage the rough diamonds are imported by him or purchased locally for the purpose of polishing, cutting etc. for export.

(*iii*) The outstandings in the pre-shipment credit account should be extinguished by negotiation of the relative export bills or by remittances received from abroad in respect of the exports effected, within a period of 180 days from the date of the advance. If a pre-shipment advance remains outstanding for more than 180 days, the bank will not avail itself of refinance from the Reserve Bank against such outstandings. If it has already availed of refinance, it will immediately repay to the Reserve Bank the requisite amount.

2. The bank should charge a rate of interest not exceeding 6% p.a. from the stage the advances are made to exporters against rough diamonds imported or purchased locally for the purpose of cutting and polishing for ultimate export, in terms of our directive dated the 2nd March 1968. To the extent, the outstandings in the pre-shipment account are not adjusted in the stipulated manner, the bank may treat the advances as other than pre-shipment advances and charge its usual rate of interest on such advances.

3. The advances given on the above basis will be treated as eligible for declaration by the banks for the purpose of refinance under section 17(3A) of the Reserve Bank of India Act and for interest subsidy under the Export Credit (Interest Subsidy) Scheme, 1968 subject to compliance with the usual conditions. The bank will, however, refund interest subsidy in respect of that portion of the advance as is not ultimately adjusted in the stipulated manner.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. 64/C. 297P-70—12 January 1970

All eligible scheduled commercial banks.

Dear Sir,

REFINANCE UNDER SECTION 17(3A) OF THE RESERVE BANK OF INDIA ACT, 1934—PRE-SHIPMENT CREDIT SCHEME —EXPORT OF PRECIOUS AND SEMI-PRECIOUS STONES, PEARLS AND SYNTHETIC STONES

Please refer to our circular DBOD. No. BM. 78/C. 297(M)-69 dated the 20th January 1969. In order to overcome the special difficulties of the exporters of precious and semi-precious stones, pearls and synthetic stones, it has been decided to modify some of the requirements of the pre-shipment credit scheme, as stated in the following paragraphs :—

(i) Banks are normally required to provide pre-shipment credit to the exporters on lodgement of letters of credit or firm export orders. However, in view of the prevalence of special trading practices in regard to the export of precious and semi-precious stones, pearls and synthetic stones, it has been decided that banks may make pre-shipment (packing credit) advances for their export without insisting on the lodgement of letters of credit/ firm export orders. While sanctioning a limit to an exporter for this purpose, the bank should take into account his past export performance as also export performance guarantee if any, to be given by him.

(ii) The pre-shipment credit should be given to the exporter in a separate account from the stage the rough pecious stones etc. are imported by him or purchased locally for the purpose of processing (i.e. cutting, polishing etc.) for export.

(iii) The outstandings in the pre-shipment credit account should be extinguished by negotiation of the relative export bills or by remittances received from abroad in respect of the exports effected, within a period of 180 days from the date of the advance. If a pre-shipment advance remains outstanding for more than 180 days, the bank will not avail itself of refinance from the Reserve Bank against such outstandings. If it has already availed itself of refinance, it will immediately repay to the Reserve Bank the requisite amount.

2. The bank should charge a rate of interest not exceeding 6% per annum from the stage the advances are made to exporters against precious stones etc. imported or purchased locally for the purpose of processing for ultimate export, in terms of our directive dated the 2nd March 1968. To the extent, the outstandings in the pre-shipment account are not adjusted in the stipulated manner, the bank may treat the advances as other than pre-shipment advances and charge its usual rate of interest on such advances.

3. The advances given on the above basis will be treated as eligible for declaration by the banks for the purpose of refinance under section 17(3A) of the Reserve Bank of India Act and for interest subsidy under the Export Credit (Interest Subsidy) Scheme, 1968 subject to compliance with the usual conditions. The bank will, however, refund interest subsidy in respect of that portion of the advance which is not ultimately adjusted in the stipulated manner.

Yours faithfully,
A. K. BHUCHAR
Dy. Chief Officer

DBOD. No. BM. BC. 61/C. 297M-72
5 July 1972

All eligible scheduled commercial banks.

Dear Sir,

EXPORT CREDIT (INTEREST SUBSIDY) SCHEME, 1968—CALCULATION OF INTEREST SUBSIDY CLAIMS

According to the existing practice, banks are required to calculate interest subsidy by rounding off the amount to the nearest paisa. It has now been decided that the aggregate subsidy claim received from each of the branches of banks by their Head Offices should be rounded off to the nearest *five paise*. Thus, where the actual amounts of interest subsidy work out to Rs. 1275·12 and Rs. 1275·13, they should be rounded off to Rs. 1275·10 and Rs. 1275·15 respectively.

2. We shall be glad if you will please instruct your branches to round off their aggregate claims as illustrated above before submission to the Head Office.

Yours faithfully,
S. R. AVADHANI
Jt. Chief Officer.

DBOD. No. BM. BC. 74/C. 297(M)-72
30 August 1972

All eligible scheduled commercial banks.

Dear Sir,

PRE-SHIPMENT CREDIT SCHEME AND EXPORT CREDIT (INTEREST SUBSIDY) SCHEME, 1968—CASH INCENTIVES, DUTY DRAWBACKS, ETC.

Please refer to our circular letters DBOD. Nos. BM.BC. 70 & 90/C. 297(M)-71 dated the 4th June and 30th July 1971@ respectively. The Export Credit and Guarantee Corporation Ltd. has since liberalised its Export Production Finance Guarantee Scheme (copy enclosed). In view of this, banks may now grant packing credit advances to exporters up to 75% over and above the F.O.B. value of the shipment, provided that the value of the import content in the export product is not less than 40% of the F. O. B. value of the shipment and the rate of import duty paid on the import content of the export product is not less than 100%. For the purpose of determining the import content of the export product, banks may take the rate of replenishment indicated in volume II of the Import Trade Control Policy. In this connection we have to clarify that if such advances satisfy the conditions stipulated in our circular letter DBOD. No. BM. 126/C. 297(M)-69 dated the 27th January 1969,* banks will be *eligible* both for refinance from the Reserve Bank under the Pre-shipment Credit Scheme (subject to the usual criteria relating to packing credit advances) and for interest subsidy under the Export Credit (Interest Subsidy) Scheme, 1968. In case advances are granted against duty drawbacks, cash incentives, etc. at the post-shipment stage, the relative advances will be eligible for interest subsidy only.

Yours faithfully,
K. B. CHORE
Dy. Chief Officer.

Liberalised scheme of Export Production Finance Guarantee and Export Finance Guarantee of the Export Credit & Guarantee Corporation Ltd.

The Export Production Finance Guarantee of the ECGC enables banks to sanction advances to the extent of 50% over and above of the FOB value of the shipment, subject to the limit not exceeding 100% of the domestic value of the export product. Under the guarantee banks may sanction advances, within this limit, even at the pre-shipment stage or only at the post-shipment stage to the extent of receivables.

2. It has been represented that pre-shipment credit to the extent indicated above does not, in many cases, provide the finance needed for manufacturing or procuring the product for export. With a view to enabling exporters to secure, wherever justified, advances from banks up to a limit higher than the one operated under its existing Export Production Finance Guarantee, the Corporation has modified the scope of the scheme. Under the guarantee banks can now sanction advances to the extent of the limits indicated below :

(*i*) *50%* over and above the FOB value of the shipment subject to a maximum of 100% of the domestic cost of the export product (*i.e.* the existing scheme of the guarantee); *or*

(*ii*) *75%* over and above the FOB value of the shipment provided that the value of the import content in the export product is not less than 40%

@These circulars appear at pages 35-36 of this Section.

*This circular appears at page 28 of this Section.

of the FOB value of the shipment and the rate of import duty paid on the import content of the export product is not less than 100%; *or*

(*iii*) up to an amount established to the satisfaction of the bank as the domestic cost (excluding profit) of the export product.

3. For the purpose of 2(*ii*) above, the rate of import replenishment indicated in the Red Book volume II may be taken as the import content of the export product.

4. In regard to the condition in paragraph 2(*iii*) above, it would normally be left to the banks to satisfy themselves as to the correctness of the domestic cost of the export product as declared by the exporter. The Corporation will require banks to advise, should a claim arise, the basis on which they have satisfied themselves about the correctness of the declared domestic cost.

5. It is not necessary for banks to adopt only one of the above three options in making advances to an exporter under an Export Production Finance Guarantee. For each advance under the guarantee, the option most appropriate may be adopted.

6. As banks are aware, advances to exporters at the post-shipment stage towards receivables are covered by Export Finance Guarantee. Such advances may now be allowed up to 50% of the FOB value. In line with the modification being made in the Export Production Finance Guarantee, it has been decided to provide the following options to banks for making advances at the post-shipment stage to their exporter-client under their Export Finance Guarantee :

(*i*) up to 50% of the FOB value of the shipment; *or*

(*ii*) up to 75% of the FOB value of the shipment provided that the value of the import content in the export product is not less than 40% of the FOB value of the shipment and the rate of import duty paid on the import content of the export product is not less than 100%.

Either of the two options may be adopted in respect of any advances under the Export Finance Guarantee, as convenient. As in the case of Export Production Finance Guarantee, the rate of import replenishment may be taken as the import content of the export product.

7. It is hoped that these modifications of the schemes of the Export Production Finance Guarantee and Export Finance Guarantee will enable the exporters to secure advances to meet their full needs of export finance.

DBOD. No. BM. BC. 97/C. 297(M)-72
30 October 1972

All eligible scheduled commercial banks.

Dear Sir,

PRE-SHIPMENT CREDIT SCHEME AND EXPORT CREDIT (INTEREST SUBSIDY) SCHEME, 1968—CASH INCENTIVES, DUTY DRAWBACKS, ETC.

Please refer to our circular letter DBOD. No. BM. BC. 74/C. 297(M)-72 dated the 30th August 1972. A question has been raised whether packing credit advances made to exporters in terms of the third alternative indicated in the liberalised Export Production Finance Guarantee of the Export Credit and Guarantee Corporation Ltd. and the advances made at post-shipment stage on the basis of the relaxations made in the Export Finance Guarantee by that Corporation will be eligible for refinance and interest subsidy from us. In this connection we have to clarify that—

(*i*) packing credit advances granted in terms of paragraph 2(iii) of the liberalised Export Production Finance Guarantee Scheme of the Export Credit and Guarantee Corporation Ltd. (copy enclosed with our above circular), will also be eligible both for refinance from the Reserve Bank under the Pre-shipment Credit Scheme and for the interest subsidy under the Export Credit (Interest Subsidy) Scheme, 1968, and

(*ii*) advances granted under either of the options of the liberalised Export Finance Guarantee of Export Credit and Guarantee Corporation Ltd. at the post-shipment stage towards receivables will be eligible for interest subsidy only,

provided such advances satisfy the other requirements of the scheme.

Yours faithfully,
K. B. CHORE
Dy. Chief Officer.

DBOD. No. BM. BC. 2/C. 297(T)-73
20 January 1973

1. Subsidiaries of the State Bank of India and the nationalised banks@
2. Other scheduled commercial banks.*

Dear Sir,

EXPORT CREDIT (INTEREST SUBSIDY) SCHEME, 1968—AUDIT REQUIREMENTS

Please refer to our circular letter DBOD. No. BM. BC. 30@/31*/C. 297(T)-71 dated the 22nd March 1971,$, in terms of which the

$ This circular is at page 33 of this Section.
***Note :* A separate letter was issued to the State Bank of India on this subject.**

institutions claiming interest subsidy are required to obtain a certificate, in the prescribed pro forma, from the auditors in support of the interest subsidy claims for each calendar year and forward it to us as early as possible. It was also made clear that such of the institutions as had already submitted the auditors' certificates for the years 1968 and 1969 should submit fresh certificates to us in the prescribed pro forma. While some banks have complied with the above instructions, many others have not submitted the required certificates for1968 and 1969. The certificates for the years ended the 31st December 1970 and 1971 are also overdue now. In case your bank has not submitted the auditors' certificates for the above years so far, we have to request you to take necessary steps to ensure that the above certificates for the bank as a whole are submitted to us at an early date.

2. As you are aware, in terms of the above scheme, the Reserve Bank of India has been making 'on account' payments of subsidy claims made by an institution on the basis of statements and certificates received by it every quarter from its offices. The auditors appointed by an institution are, however, required to certify that the claims made by the institution in regard to the subsidy in the previous calendar year are in order. In other words, the *net* amount of subsidy claimed by a bank (*i.e.* the main claim for interest subsidy for the four quarters of the year, supplementary claims made for one or more of the previous quarters, and adjustments, if any, made for the subsidy claimed/received for the previous quarters) will have to be the same as that certified by the auditor. A scrutiny of the certificates received by us so far in relation to the actual amounts paid by way of subsidy has, however, revealed that in the case of certain banks the amounts paid by the Reserve Bank and those certified by the auditors do not tally. In order to enable us to reconcile the amount of interest subsidy paid to your bank, with that certified by the auditor, we shall be glad if you will kindly furnish us with a reconciliation statement, as in the enclosed pro forma, showing the net amount of interest subsidy claimed by your bank during the years 1968 to 1971. The statements for each of the years should be prepared separately and the statements for all the four years should be submitted to us simultaneously as early as possible.

Yours faithfully,
P. R. KULKARNI
Deputy Chief Officer.

Name of bank

Statement showing the amount of interest subsidy claimed/received from the Reserve Bank of India under the Export Credit (Interest Subsidy) Scheme 1968 during the year ended the 31st December 19_____

I. *Claim for the quarter ended the 31st March*

(a) Main claim .....

Add (b) Supplementary claims, if any, pertaining to this quarter, submitted along with the main claim for this quarter or with subsequent quarters.

Quarter	*Amount*	
.....	.....	
.....	.....	
.....	.....	.....
		.....

Less (c) Adjustments, if any, made in the claim pertaining to this quarter, along with the main claim for this quarter or with subsequent quarters.

Quarters	*Amount*	
.....	.....	
.....	.....	
.....	.....	.....

(d) Net amount of the claim for the quarter .....

II. *Claim for the quarter ended the 30th June*————@ .....

III. *Claim for the quarter ended the 30th September*———@ .....

IV. *Claim for the quarter ended the 31st December*————@ .....

.....

A. Net amount of interest subsidy due for the year .....

B. Amount of subsidy due for the year as certified by the Auditor £ .....

C. Excess/Deficit and the manner of its adjustment .....

@The information relating to these quarters may also be furnished on the lines indicated for the quarter ended the 31st March.

£ The relative certificate from the auditor should be enclosed with this statement, if not already furnished to us. In case the certificate has already been furnished to us, the number and the date of the covering letter should be indicated here.

Note: The statement for each of the four years from 1968 to 1971 should be prepared separately and submitted to us simultaneously.

DBOD. No. BM. BC. 70/C. 297P-72
9 August 1972

All eligible scheduled commercial banks.

Dear Sir,

PACKING CREDIT ADVANCES—FINANCING OF EXPORT OF MINERAL ORES

In order to meet the special requirements of exporters of mineral ores, it has been decided to modify some of the requirements of the Pre-shipment Credit Scheme, as stated in the following paragraphs.

(*i*) If the letters of credit/export orders are not available at the time of granting of packing credit advances, banks may make such advances to the exporters on production of sufficient evidence *e.g.*, cable, letter, etc. subject to the condition that the firm export order or the letter of credit will be produced within a reasonable time. While sanctioning a limit to the exporter in the absence of a letter of credit or firm export order, the bank should take into account past performance of the exporter and declaration of export orders in hand, if any.

(*ii*) The bank may open a single packing credit account for an exporter and grant loans in this account from time to time on lodgement of firm export orders/letters of credit, cables, letters, etc. in respect of shipments expected to be made within 180 days of the date of advance.

(*iii*) Even if shipments do not take place in the order in which loans were granted, the bank may accept repayments in the account by negotiating the relative export bills in the order in which the shipments take place and apply the proceeds of an export bill in marking off the earliest advance, even though the export bill may not relate to that particular advance. It will thus ensure that no packing credit advance remains outstanding for more than 180 days.

2. According to the revised procedure, an eligible bank may grant packing credit advances to an exporter of the mineral ores in a single packing credit account or in several accounts, as may be convenient. Such advances will be eligible for interest subsidy and refinance from the Reserve Bank at the concessive rates to the extent of entitlement in terms of our circular DBOD. No. Sch. BC. 147/C. 96-71 dated the 24th December 1971,@ subject to the usual criteria and the following conditions :

(*a*) A bank's borrowing from us by way of refinance will not at any time exceed the amount outstanding in the packing credit advances of the parties concerned.

(*b*) If a packing credit advance remains outstanding for more than 180 days, after marking off the proceeds of export bills in the manner indicated in paragraph 1(*iii*), the bank will not avail itself of refinance from the Reserve Bank against such outstanding. If it has already availed itself of refinance, it will immediately repay to the Reserve Bank the requisite amount.

3. The bank should charge a rate of interest not exceeding 7%£ per annum as laid down in our directive DBOD. No. Sch. BC. 52/C. 96-71 dated the 16th April 1971† in respect of packing credit advances referred to above.

Yours faithfully,
A. K. BHUCHAR
Joint Chief Officer.

DBOD. No. BM. BC. 120/C. 297P-72
6 December 1972

All eligible scheduled commercial banks.

Dear Sir,

PACKING CREDIT ADVANCES TO MINERS OF IRON ORE IN GOA WHO SUPPLY ORE TO EXPORTERS FOR EXPORTS

In order to meet the special requirements of producers of mineral ore who do not export direct but sell such ore to the exporters for ultimate export, it has been decided to modify some of the requirements of the Pre-shipment Credit Scheme, as stated in the following paragraphs :

@This circular is included in section III(*a*) at page 3.
£Increased to 8% p.a. with effect from 16th November 1973—vide directive DBOD.No.Sch.BC.121/C.96-73 dated 16th November 1973.
† Reproduced at page 34 of this Section.

(1) The bank of the exporter of ore should assess the credit requirements of the exporter in two parts, *i.e.*, (*i*) a packing credit limit in respect of the ore mined by the exporter himself for export, and (*ii*) a separate packing credit limit for purchasing ore for export from the other miners, who are not themselves exporters.

(2) The limit No. (*i*) may be subject to the usual terms and conditions applicable to packing credit advances. The advances may be given under this limit for such period as will enable the exporter to mine and export the ore. The maximum period of each such advance should not exceed 180 days.

(3) The limit No. (*ii*) may be used only for making payments (including advance payments, if necessary) to the miners of ore for the purchases made from them for export. The advances under this limit may also be adjusted only by negotiation of export bills or proceeds of exports received from abroad. The period for adjustment of each of these advances may be just sufficient to enable the exporter to export the ore purchased by him from the producers but not exceeding 90 days.

(4) The producer may be given packing credit advances under an appropriate limit by his banker, having regard to his production capacity, each advance being for such period as may be appropriate to enable him to mine the ore and sell it to the exporter for export but not exceeding 90 days.

(5) The exporter should open inland letters of credit in favour of the producer giving relevant particulars of the export letters of credit/orders and the outstandings in the packing credit account of the producer should be extinguished by negotiation of bills under such inland letters of credit. If it is inconvenient for the exporter to open such inland letters of credit in favour of the producer, the latter should draw bills on the exporter in respect of the goods supplied for export and adjust packing credit advances from the proceeds of such bills. In case the bills drawn under such arrangement are not accompanied by bills of lading or other export documents, the bank should obtain through the producer a certificate from the exporter at the end of every quarter that the goods supplied under this arrangement have in fact been exported. The certificate should give particulars of the relative bills such as date, amount and the name of the bank through which the bills have been negotiated.

(6) The bank should obtain an undertaking from the producer that the advance payment if any, which he may receive from the exporter would be credited to the packing credit account.

2. If the above and other usual conditions relating to the packing credit advances, Pre-shipment Credit Scheme and Export Credit (Interest Subsidy) Scheme are complied with, the relative advances will be treated as eligible for refinance from the Reserve Bank and also for interest subsidy under the respective Schemes.

3. We shall be glad if you will kindly arrange to issue necessary instructions to your Goa branches at an early date.

Yours faithfully,
A. K. BHUCHAR
Joint Chief Officer.

DBOD. No. BM. BC. 82/C. 297-P-72
14 September 1972

All eligible scheduled commercial banks.

Dear Sir,

PACKING CREDIT ADVANCES—FINANCING OF EXPORT OF MARINE PRODUCTS

In order to meet the special requirements of exporters of marine products, it has been decided to modify some of the requirements of the Pre-shipment Credit Scheme, as stated in the following paragraphs :

(*i*) If the letters of credit/export orders are not available at the time of granting of packing credit advances, banks may make such advances to the exporters on production of sufficient evidence *e.g.*, cable, letter, etc. subject to the condition that the firm export order or the letter of credit will be produced within a reasonable time. While sanctioning a limit to

the exporter in the absence of a letter of credit or firm export order, the bank should take into account past performance of the exporter and declaration of export orders in hand, if any.

(*ii*) The bank may open a single packing credit account for an exporter and grant loans in this account from time to time in respect of shipments expected to be made within 180 days of the date of advance.

(*iii*) Even if shipments do not take place in the order in which loans were granted, the bank may accept repayments in the account by negotiating the relative export bills in the order in which the shipments take place and apply the proceeds of an export bill in marking off the earliest advance, even though the export bill may not relate to that particular advance. It will thus ensure that no packing credit advance remains outstanding for more than 180 days.

2. According to the revised procedure, an eligible bank may grant advances to an exporter of the marine products in a single packing credit account or several accounts, as may be convenient. Such advances will be eligible for interest subsidy and refinance from the Reserve Bank at the concessive rates to the extent of entitlement in terms of our circular DBOD. No. Sch. BC. 147/C.96-71 dated the 24th December 1971@, subject to the usual criteria and the following conditions :

(*a*) A bank's borrowing from us by way of refinance will not at any time exceed the amount outstanding in the packing credit advances of the parties concerned.

(*b*) If a packing credit advance remains outstanding for more than 180 days, after marking off the proceeds of export bills in the manner indicated in paragraph 1(*iii*), the bank will not avail itself of refinance from the Reserve Bank against such outstanding. If it has already availed itself of refinance, it will immediately repay to the Reserve Bank the requisite amount.

3. The bank should charge a rate of interest not exceeding 7%† per annum as laid down in our directive DBOD. No. Sch. BC. 52/C.96-71 dated the 16th April 1971†† in respect of packing credit advances referred to above.

Yours faithfully,
A. K. BHUCHAR
Joint Chief Officer.

DBOD. No. BM. BC. 119/C. 297P-72
6 December 1972

All eligible scheduled commercial banks.

Dear Sir,

PACKING CREDIT ADVANCES—FINANCING OF EXPORT OF HUSK FROM PSYLLIUM SEEDS (ISABGOL)

In order to meet the special requirements of exporters of *husk from Psyllium seeds*, it has been decided to modify some of the requirements of the Pre-shipment Credit Scheme as stated in the following paragraphs.

(*i*) If the letters of credit/firm export orders are not available at the time of granting of packing credit advances, banks may make such advances to the exporters subject to the condition that the firm export order or the letter of credit will be produced within a reasonable time. While sanctioning a limit to the exporter in the absence of a letter of credit or firm export order, the bank should take into account past performance of the exporter and declaration of export orders in hand, if any.

(*ii*) The bank may open a single packing credit account for an exporter and grant loans in this account from time to time on lodgement of firm export orders/letters of credit, cables, letters, etc. relating to shipment expected to be made within 180 days of the date of advance.

(*iii*) Even if shipments do not take place in the order in which loans were granted,

@This circular is included in Section III(*a*) at page 3.

†8% p.a. with effect from 16th November 1973.
††Please see page 34 of this Section.

the bank may accept repayments in the account by negotiating the relative export bills in the order in which the shipments take place and apply the proceeds of an export bill in marking off the earliest advance, even though the export bill may not relate to that particular advance. It will thus be ensured that no packing credit advance remains outstanding for more than 180 days.

2. According to the revised procedure, an eligible bank may grant packing credit advances to an exporter of the husk from Psyllium seeds in a single packing credit account or in several accounts, as may be convenient. Such advances will be eligible for interest subsidy and refinance from the Reserve Bank at the concessive rates to the extent of entitlement in terms of our circular DBOD. No. Sch. BC. 113/C. 96-72 dated the 21st November 1972@ subject to the usual criteria and the following conditions :

(*a*) A bank's borrowing from us by way of refinance will not at any time exceed the amount outstanding in the packing credit advances of the parties concerned.

(*b*) If a packing credit advance remains outstanding for more than 180 days, after marking off the proceeds of export bills in the manner indicated in paragraph 1(*iii*), the bank will not avail itself of refinance from the Reserve Bank against such outstanding. If it has already availed itself of refinance, it will immediately repay to the Reserve Bank the requisite amount.

3. The bank should charge a rate of interest not exceeding 7%† per annum as laid down in our directive DBOD. No. Sch. BC. 52/C. 96-71 dated the 16th April 1971†† relating to packing credit advances referred to above.

Yours faithfully,
S. R. AVADHANI
Joint Chief Officer.

@This circular is included in section A III(*a*) at page 2.
†8% with effect from 16th November 1973.
††Please see page 34 of this Section.

DBOD. No. BM. BC. 35/C. 297P-73
7 April 1973

All scheduled commercial banks.

Dear Sir,

FINANCING OF SEA FOOD EXPORTERS

The credit problems of sea food exporters were discussed recently by the Reserve Bank with the Head Offices of some of the banks which finance sea food exporters on a substantial scale. Later, these discussions were followed up by further discussions with the branch/regional managers of banks, the exporters of sea food and the officers of the Marine Products Export Development Authority at Cochin. During the course of these discussions, certain credit problems have been identified which require urgent solution. We need hardly emphasise that in view of the importance which sea food exports occupy in the total exports of the country and the great potential which such exports hold for development in future, the banks should lend adequate credit support to the sea food exporters. In this connection the following points require urgent attention :

(*i*) It was pointed out during the discussions that some banks took a long time in taking decisions on the credit proposals. In view of the perishable nature of sea food, it is imperative that adequate finance is made available to the exporters at various stages well in time. It is, therefore, necessary that decisions are taken without delay. The banks may review the discretionary powers given to their branch managers/regional managers and where necessary vest them with adequate powers to dispose of the credit proposals quickly. They may also look into their procedures and take steps to remove the bottlenecks, if any, in the way of speedy decisions.

(*ii*) The sea food exporters sometimes experience difficulties as some banks do not give adequate finance for purchase of raw materials for the reason that such credit is on a clean basis till the raw materials are processed and packed and charged to them. Since for raw materials the exporters have

to depend upon whatever catches are available every day, it is only reasonable that a part of the total limit is made available on a revolving basis for purchase of raw materials irrespective of the export orders on hand. The limit may be fixed on the basis of the processing/storage capacity which the exporter has or for which he may have made arrangements to the satisfaction of the bank and other relevant factors. The advances under this limit may be made in a separate account and it should be ensured that for each day's purchases of raw materials, there is a corresponding increase in the processed goods in a few days. The advances in this account will be treated as packing credit advances eligible for interest subsidy and refinance under the Export Credit (Interest Subsidy) Scheme and the Pre-shipment Credit Scheme respectively provided these are adjusted by transfer from the account relating to advances against processed goods which in turn are ultimately adjusted by export proceeds.

(*iii*) Before making packing credit finance available to the sea food exporters, the financing banks at present insist on a letter of credit or a firm export order or other sufficient evidence *e.g.*, cable, letter, etc., subject to the condition that the firm export order or the letter of credit will be produced within a reasonable time. It has been represented to us that in a rising market, this stipulation forces ex-exporters to enter into a contract for sale at a lower price whereas by a little waiting they can secure a higher price which would be beneficial both to the exporters and the country. Further, the purchasers sometimes desire to have an order executed immediately and give preference to those exporters who have ready stocks available with them. In order to obviate this difficulty, the banks may fix an overall limit for each exporter and make available to him a part of the overall limit without insisting, on a letter of credit/export order, but having regard to his past performance and processing/storage capacity at his disposal. However, in order to check a speculative holding of stocks and to secure their interests, banks may take steps to ensure that the stocks financed without the production of letters of credit/firm order are exported within a reasonable time. Such advances, if adjusted in the stipulated manner by export proceeds, will be treated as packing credit advances and will be eligible for interest subsidy and refinance under the relative schemes. The other part of the overall limit may continue to be allowed to the exporters on the production of letter of credit, export order, etc. In this connection, we invite a reference to our circular DBOD. No. BM. BC. 82/C. 297P-72 dated the 14th September 1972.

(*iv*) Another difficulty pointed out by the exporters arises from their inability to ship the goods soon after they are ready for export after inspection, either on account of non-availability of shipping space or other difficulties, such as port strike, etc. In such cases, the exporter may be given an emergency additional limit for a temporary period to take care of such stocks so long as the difficulties last so that the other limits for purchasing raw materials, processing, etc. continue to be available to him to enable him to carry out the schedule of other exports. The banks may sanction such emergency limits even while considering overall credit requirements so that a reference to the Head Office/Regional Office may not be necessary every time the need for using these limits arises. As a precautionary measure, however, these limits may, if considered necessary, be allowed to be used only after consulting the Marine Products Export Development Authority as to the need for making available the limits.

(*v*) Due to various reasons, some of the sea food exporting units have become sick and their accounts with banks have run into difficulties. The banks may review each such account with a view to ascertaining whether there are reasonable chances of the exporter coming up if the account is nursed, particularly in cases where the difficulties have arisen from factors beyond the control of the exporter.

(*vi*) We have also suggested to the lead bank of Ernakulam District (Union Bank of India) to take the initiative in forming a Co-ordination Committee of local banks to review from time to time the credit problems of the sea food exporters with a view to finding solutions. This Committee could also evolve suitable norms for supervising advances to the sea food exporters, determining the basis of valuation of stocks and the usual margins to be maintained, etc. In the light of the experience gained in the working of this Co-

ordination Committee, the question of forming similar Committees in other districts which export sea food on a substantial scale will be considered.

2. The ECGC have agreed that banks could make advances to exporters of marine products even in anticipation of export orders and that they would cover such advances under their packing credit guarantee.

3. We shall be glad if you will kindly issue suitable instructions to the branches concerned in the light of this circular letter.

Yours faithfully,
A. K. BHUCHAR
Joint Chief Officer.

DBOD. No. BM.BC. 56/C. 297A-73
28 May 1973

All eligible scheduled commercial banks.

Dear Sir,

PACKING CREDIT ADVANCES FOR EXPORT OF TEA.

Please refer to our circular letter DBOD. No. BM. 683/C. 297A-67 dated the 25th November 1967.* It has been represented to us that banks and the manufacturers-exporters experience difficulty in complying with the stipulation of allowing credit limits on a quarterly basis as laid down in paragraph 2 of the circular. The matter was discussed with the representatives of some of the manufacturers/exporters, the concerned banks, as also with the representatives of the Tea Board and the Indian Tea Exporters' Association. In the light of these discussions, it has been decided that instead of the percentages indicated in paragraph 2 of the above circular, banks may grant packing credit advances to the manufacturers-exporters on the basis of an estimated schedule of their requirements of export finance for *each quarter*, to be submitted by the exporters and to be agreed to by the bankers, having regard to the export performance in the corresponding quarters in the previous two years. Banks should, however, ensure that exporters restrict their drawings only to the extent they actually export and that the advances are repaid by the exporters through the proceeds of the relative export bills/documents within the stipulated period. Banks should also ensure that the packing credit advances are utilised for the purpose for which they have been granted.

Yours faithfully,
A. K. BHUCHAR
Joint Chief Officer.

DBOD. No. BM. BC. 58/C. 297P-73—
31 May 1973

All eligible scheduled commercial banks.

Dear Sir,

REFINANCE UNDER SECTION 17(3A) OF THE RESERVE BANK OF INDIA ACT, 1934—PRE-SHIPMENT CREDIT SCHEME —EXPORT OF PRECIOUS AND SEMI-PRECIOUS STONES, PEARLS AND SYNTHETIC STONES

Please refer to our circular DBOD. No. BM. 64/C. 297P-70 dated the 12th January 1970.† As you are aware, precious and semi-precious stones, etc. are exported mostly on a consignment basis and the processing thereof also involves considerable time. It has been represented to us that the exporters of precious and semi-precious stones, etc. on consignment basis are experiencing difficulties in complying with the stipulation in our above-mentioned circular that the outstandings in the pre-shipment credit account should be extinguished by remittance received from abroad within a period of 180 days from the date of the advance. In order to overcome this difficulty, the banks may adjust the pre-shipment advances in the case of exports on consignment basis, as soon as the export takes place, by transfer of the outstanding balance to a special (post-shipment) account which, in turn, should be adjusted as soon as the relative sale proceeds are received from abroad but not later than 180 days from the date of export or such extended period as may be permitted by the Exchange Control Department.

2. We clarify that packing credit advances granted to the exporters of precious stones,

*Please see page 38 of this Section.

†Please see page 52 of this Section.

semi-precious stones, etc. will be eligible for refinance and interest subsidy under the Pre-shipment Credit Scheme and Export Credit (Interest Subsidy) Scheme respectively subject to compliance with the usual conditions. The outstandings under the special (post-shipment) account will, however, be eligible for interest subsidy only.

Yours faithfully,
IQBAL SINGH
Deputy Chief Officer.

SECTION IV

INVESTMENTS

SECTION IV

INVESTMENTS

No. and Date	Subject
3797/C. 207-48 10-8-1948	Note on investments of scheduled banks in Government securities.
Ref. 2124/C. 107-54 14-4-1954	G. P. Notes lost or destroyed in air accidents — Relaxation of the procedure for issue of duplicates.
Ret. 10066/C. 236-64 14-8-1964	Section 24(2A) of Banking Companies Act — Keeping sterling securities as part of liquid assets — Such securities should be brought to and physically held in India after complying with Exchange Control requirements.
Nat. 466/C. 469-72 24-3-1972	New loan applications — Subscription tendered in the form of Cheques — Advice to nationalised banks to issue cheques drawn on the same place where the applications are tendered.
Sch. BC. 53/C. 96-72 5-6-1972	Increase in the minimum statutory liquidity ratio to 29% — Advice to banks to build up adequate investments in Government and other Trustee Securities.

DBO. No. 3797/C. 207-48—10 August 1948

All scheduled banks.

Dear Sir,

INVESTMENTS OF SCHEDULED BANKS IN GOVERNMENT SECURITIES

In continuation of the circular letter* No. DRS. 905/Sy-130-48 dated the 18th March 1948 issued by the Department of Research and Statistics, we enclose, for your information, a copy of a note prepared on the above subject.

Yours faithfully,
A. L. QUAMARIN
Dy. Chief Officer

Note on the Investments of Scheduled Banks in Government Securities

With a view to studying the investment policy of the scheduled banks, the Department of Research & Statistics of the Reserve Bank of India collected statistics of investments of scheduled banks in Government securities as at 31st December 1945 and 31st December 1946. As a study of these figures revealed that several banks were holding a high percentage of long-dated securities in preference to short-term securities, a circular describing the salient features of the Government security holdings of scheduled banks was addressed to them on the 18th March 1948. A copy of this circular is appended to this note (Appendix I). In this circular the Reserve Bank did not prescribe any definite percentages about the maturity distribution of a bank's investment portfolio, but merely pointed out the need for a more balanced maturity distribution to suit the pattern of each bank's liabilities and to enable it to have a stronger second line of defence in the shape of short-term securities. It was also stated that a periodical check up in this direction would not only lend strength to individual banks but through them to the whole banking system. It is proposed to review in this note whether the investment policy of the scheduled banks is generally on the right lines and, if not, what corrective action is desirable to remove the defects.

2. Need for an investment portfolio

The need for investments arises from the fact that the main problem of banks is to maintain a certain equilibrium between liquid and profit-earning assets. On the one hand they have to keep liquid a sum sufficient to meet all possible withdrawals which might arise at any time. On the other hand, as they pay interest on part, at least, of their deposits, it is necessary for them to find for the balance of their funds a remunerative employment which will allow them a margin of profit. As is well known, after advances, which yield the highest return, investments constitute the more remunerative asset of banks. If the demand for financial accommodation increases, banks liquidate a part of their investments in order to improve their lending strength. If, on the other hand, the demand for trade funds declines, banks increase their investments which give a steady return.

3. The size of the investment portfolio

The amount of a bank's investments generally varies inversely with the amount of its advances. This is precisely what happened to banks in most countries of the world, including India, during the second World War (1939-45) and during the post-war years (1946-47). Owing to the imposition of rigid controls during war-time and the large scale borrowing by Government, advances lost their predominant position in the assets of banks. With the termination of hostilities and the gradual removal of controls, bank assets are tending to revert to their pre-war pattern, the percentage of advances to deposits slowly increasing at the cost of the percentage of investments to deposits. Before the slump of 1931, the ratio of advances to deposits of the London clearing banks was normally about 50-55 per cent., rising at times to as much as 57-58 per cent ; before the second World War, it was settling down at about 40 per cent. By the end of the war (August 1945) it dropped to the record low level of 15.5 per cent., but recovered gradually to 20.3 per cent by the end of 1947. The percentage of investments including treasury bills and treasury deposit receipts (introduced in mid-1940) and loans at call (for the financing of purchases of Government securities by the discount market) rose from 47 in 1938 to 73 in August 1945, but receded to 68 by the end of 1947. In India, the percentage of advances and bills discounted of scheduled banks (excluding Exchange Banks) to their deposits declined from 49.6 in 1938 to 26.8 in 1942, but gradually recovered to 44.8 in 1946. Particulars regarding investments in Government securities for the years 1938-1946 are not available in the case of all Indian scheduled banks as some of the banks do not show them separately in their balance sheets. The figures of such banks as show them separately reveal that the percentage of their investments in Government securities to their deposits rose from 40.98 in 1938 to 61.43 in 1942, but declined to 46.32 by the end of 1946 (Appendix II).

4. Maturity distribution of the investment portfolio

The purchases and sales of securities necessitated by a decrease or increase in the demand for advances must, however, be so arranged that they do not result in losses resulting from fluctuations in the prices of the securities. In periods of prosperity, the commercial banks do not usually have a large volume of surplus funds to put into securities, because their resources are used to meet the expanded demand for loans to their customers, but at such times, the prices of securities in which the banks may safely invest are usually at their lowest level. On the other hand, in times of depression, when the commercial banks are likely to have abundant funds available, the demand for bank loans is at the lowest ebb and Government securities generally sell at prices well above par. If the banks buy securities at high prices during depression periods, the amortisation of the premia results in a reduction of interest earnings; moreover, the sale of securities in a declining market in the period of economic recovery — when the demand for customer loans expands — may occasion severe losses. It is therefore necessary to avoid the dangers of fluctuations in the prices of gilt-edged securities. In the United States, commercial banks try to avoid these dangers by "arranging the maturities" of their investments. This policy envisages the purchase of securities of such maturities that certain blocks will come due periodically. The banks are thus assured of

* This is given as Appendix I to the note enclosed with this circular.

a constant inflow of funds from redeemed securities. If the funds are needed for increased loans to customers, they may be so used; if not, they may be reinvested in other securities. If the maturities are properly planned, the banks may disregard fluctuations in market prices — though the range of fluctuations may be broad — and be content to wait for redemption at maturity. The market price of a security will approach par as the maturity date nears, regardless of the current market rates of interest at that time. Many banks have concentrated upon short and intermediate term issues, and they have carefully arranged the maturities of their purchases, so that in the absence of an extraordinary volume of withdrawals of deposits, they can afford to wait till maturity when the securities will be redeemed by the Treasury at par, regardless of current market prices. According to the U.S. Treasury Survey of Ownership of securities issued or guaranteed by the United States, on the 31st December 1946 the proportion of the securities maturing within five years to the total holdings of these securities of commercial banks was as high as 60% (79 per cent on the 31st December 1947). The total amount held by the London clearing banks in the form of investments (mainly government securities), Treasury deposit receipts, Treasury bills and call loans against treasury bills amounted to £4029 millions on the 31st December 1946, the last three items, which are essentially short-term investments maturing within one year, accounting for £2602 millions or 65 per cent of the total investments. The corresponding percentage at the end of December 1947 was 63. Even in India, the percentage of securities maturing within ten years to total investments was 52·9 in the case of the Imperial Bank of India and five of the bigger Indian Scheduled banks and 80.74 in the case of the Exchange Banks at the end of 1946. In the case of the remaining banks (*i.e.* excluding the Imperial Bank, the Exchange Banks and the five bigger banks) however, the percentage of securities maturing within 10 years was only about 12 per cent. The percentages of securities maturing within ten to fifteen years and after fifteen years was 31 and 57 respectively. The analysis of similar figures for 1947 is in hand.

5. Restrictions on Government security holdings of banks in other countries.

It has already been stated above that owing to the imposition of rigid controls during war-time, advances lost their predominant position which came to be occupied by investments and that with the gradual removal of controls, advances are again showing a tendency to increase at the cost of investments. A statement showing the percentages of Government security holdings of banks to their deposits is given at Appendix II. It will be seen therefrom that in almost all countries the percentage of investments to deposits shows a striking increase during war-time. The increase in the case of Canada and Australia was not as high as in the United Kingdom, but this was due to the restrictions imposed in these countries on the acquisition of Government securities by banks. Even in the U.S.A. it was Treasury policy, as the war went on, to curtail bank acquisitions of long-term bonds. By channelling the increase in the Government securities held by banks mainly into short-term securities, the Treasury sought to preserve the liquidity of the banking system and the flexibility of the money market and at the same time to hold the interest cost to a minimum. Government bonds offered to banks were generally limited to securities with a maturity of ten years or less. Bond issues carrying coupons in excess of 2 per cent. (*i.e.* the longer-term issues) were by their term made ineligible for purchase by commercial banks on the open market until some years later. In Canada an agreement was arrived at between the Bank of Canada and the Chartered Banks under which the latter agreed to restrict their holdings of Dominion Government Bonds to a certain percentage of their savings deposits with a view to checking an undesirable expansion in their net earnings. In Australia, under the National Security (Wartime Banking Control) Regulations, trading banks were not allowed to subscribe to public loans or to purchase securities without the consent of the Commonwealth Bank. In the absence of these restrictions the holdings of Government securities of banks in these countries would have shown a larger increase. This control of bank investments was intended to prevent a primary expansion of credit being augmented further by banking action.

6 Defective investment policy of most Indian banks.

As stated in paragraph 4 above, the investments of Indian scheduled banks, excluding the Imperial Bank of India, the Exchange Banks and some of the bigger Scheduled Banks, are not properly balanced and they include a very high percentage of securities maturing after 10 years. Long-term securities are generally issued with a higher interest rate. Secondly, due to inflationary conditions, during the war there was an appreciation in the quotations for Government securities, the rise being generally greater in the case of long-term securities. Profits from the purchase and sale of securities are not shown separately by all banks, but from a study of the profit and loss accounts of some of the banks, which show such profits separately, it is observed that for the last three years (1945, 1946 and 1947), six banks with total investments of about Rs. 71 crores at the end of 1947 of which at least 60 per cent. were held in securities maturing after ten years, have made a profit of about Rs. 94 lakhs. We have already studied the maturity distribution of securities held by banks in other countries. The pattern of bank liabilities in India is the same as that in other countries, *i.e.* the demand liabilities have always exceeded time liabilities. If banks holding long-term securities are faced with withdrawals of deposits, they would be compelled to dispose of such securities. If the demand for trade advances increases, these banks will not be able to use their funds profitably unless they sell their securities. Recently there has been a fall in the prices of Government securities and long-term securities are the heaviest losers. The banks may therefore suffer a serious loss if they are forced to dispose of long-term securities. It is true that withdrawals or the demand for trade advances could be temporarily met by borrowing against Government securities, but if the loss of deposits or the demand for advances continues as a permanent feature, the banks would have to bear a financial loss whether they borrow continuously or dispose of their securities at a loss. Besides, if there is a general rise in the interest rates and Government decides to float new loans at higher rates of interest, banks holding long-term securities will not be able to take advantage of the higher rate. It is, therefore, a short-sighted policy for banks to go in for large long-term investments of Government securities.

7. Need for corrective action.

Banks which already have followed a wrong policy during the past should gradually reduce their long-term securities so that they do not disturb the Government securities market and are able to spread their losses, if any, over a period of time. They will also have to restrict fresh advances until they have a better balance of their investment portfolio. The real difficulty however may arise if such banks are faced with a permanent

loss of deposits. If they borrow against these investments on a permanent basis, they will suffer a financial loss as the interest earned by them on these securities after deduction of income-tax will be less than the interest they will have to pay on advances taken by them. On the other hand, if they try to dispose of their long-term securities in large blocks, not only may the banks suffer losses themselves, but they might also disturb the Government securities market. In that event, either the Reserve Bank of India or the Government of India may have to step in to support the Government securities market. If Indian banks persist in investing heavily in long-term securities, legislation may have to be introduced to compel them to hold a certain percentage of their investment portfolio in short-term securities, so that the safety of the banking system and the smooth functioning of the Government securities market are not threatened by a short-sighted investment policy followed by many banks.

APPENDIX I

Ref. No. DRS. 905/Sy-130-48—18 March 1948

Dear Sir,

INVESTMENTS OF SCHEDULED BANKS IN GOVERNMENT SECURITIES

You are aware that with a view to study the investment policy of the scheduled banks, we collected from them statistics of their investments in Government securities as at the end of 1945 and 1946. Out of the 91 and 96 banks included in the Schedule as on 31-12-1945 and 31-12-1946, 89 and 90 banks respectively furnished us with the information regarding their investments. These amounted to a total of Rs. 495.83 crores and Rs. 494.07 crores respectively and were made up of — Treasury Bills, Rs. 23.24 crores (4.7%) and Rs. 16.00 crores (3.23%); Securities maturing within 5 years, Rs. 124.41 crores (25.1%) and Rs. 90.85 crores (18.38%); Securities maturing between 5 and 10 years Rs. 125.04 crores (25.2%) and Rs. 118.92 crores (24.08%); Securities maturing between 10 and 15 years Rs. 94.48 crores (19.1%) and Rs. 132.04 crores (26.73%), and Securities maturing after 15 years Rs. 128.61 crores (25.9%) and Rs. 136.27 crores (27.58%).

These statistics indicate that there is a marked preference on the part of several banks for holding long-dated over short-dated securities. While it is difficult to prescribe any definite rule about the maturity distribution of a bank's investment portfolio, you will appreciate the need for a more balanced maturity distribution to suit the pattern of each bank's liabilities and to enable it to have a stronger second line of defence in the shape of short-term securities. A periodical check up in this direction, you will no doubt agree, will not only lend strength to individual banks but through them to the whole banking system.

Yours faithfully,
M. G. MEHKRI
Deputy Governor

APPENDIX II

STATEMENT SHOWING THE GOVERNMENT SECURITIES HOLDINGS OF COMMERCIAL BANKS AS A PERCENTAGE OF THEIR DEPOSITS

	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947
1. U. S. A.	25.5	23.9	23.7	22.5	22.2	26.4	49.8	61.2	71.6	72.8	54.5	47.3
2. United Kingdom ..	43.1	41.1	37.9	41.8	53.8	65.3	67.4	70.6	71.8	66.4	65.1	60.6
3. Canada	—	—	31.7	35.7	33.2	39.8	51.2	62.2	66.1	64.8	55.5	43.9
4. Australia	33.6	32.8	28.1	32.2	51.4	55.5	44.6	43.1	44.1	51.4	32.5	21.2
5. New Zealand ..	8.1	11.5	13.7	20.2	22.0	27.6	34.2	31.4	29.5	19.3	15.8	11.0
6. Belgium	26.6	17.8	26.7	26.9	52.0	74.7	85.7	97.9	—	88.4	—	—

Compiled from the International Financial Statistics published by the International Monetary Fund.

DBO. No. Ref. 2124/C.107-54—14 April 1954

All banking companies.

Dear Sir,

RELAXATION OF PROCEDURE FOR ISSUE OF DUPLICATES IN THE CASE OF GOVERNMENT PROMISSORY NOTES LOST OR DESTROYED IN AIR ACCIDENTS.

On representations made to the Reserve Bank by some banks for relaxing the prescribed procedure for issue of duplicate notes when securities transmitted by air mail are destroyed as a result of air accidents, it has been decided, with the approval of the Government of India, to make some modifications in the existing procedure. The manner and the extent to which the lost etc. note procedure laid down in the Public Debt Rules, 1946 has been relaxed in cases of loss or destruction of Government promissory notes of high denominations in air accidents originating at places where Public Debt Offices are situated are explained below :

(*i*) As and when Government promissory notes of high denominations (*i.e.* each scrip of the denomination of Rs. 25,000/- and above) are sent by air mail, by brokers, banking/insurance companies they should, if they desire to take advantage of this scheme simultaneously send to the nearest Public Debt Office lists of such securities giving full particulars thereof (such as number, amount, rate of interest, year of loan, place of payment of interest and name of last holder) together with the number and date of postal registration receipt in respect of the relative registered cover of the securities. In the event of loss of securities on account of air accident, the loss should be reported by the brokers, banking/insurance companies to the Public Debt Office concerned inviting attention to the relative list of securities previously forwarded to them.

(*ii*) A certificate from the Postal Department to the effect that the registered cover has been completely destroyed and they have admitted the claim for payment of compensation up to the insured value (even if it be only for a nominal value) of the cover, should be produced to the Public Office concerned.

(*iii*) The loss of securities should thereafter be advertised by the brokers, banking/insurance companies in the prescribed form once in an important English daily newspaper published at the place from where the securities were despatched and once in the Gazette of India and copies of such advertisements furnished to the Public Debt Office concerned.

(*iv*) Documentary evidence in the form of Bills of sale tracing back the title to the holder who was the last recipient of interest or the original holder, as the case may be, should be furnished to the Public Debt Office. The Public Debt Office may waive this condition in special cases where there may be difficulties in furnishing such documents, provided they are otherwise satisfied about the ownership of the securities.

(*v*) On compliance with the above formalities, if the Reserve Bank is satisfied as to the justice of the claim of the applicant, it may pass an order for issue of a duplicate note after the expiry of six months from the date of publication of the loss in the Gazette of India provided the party executes a bond of indemnity for twice the amount involved with one *approved* surety.

2. The person in whose name the Government promissory notes stand last endorsed is considered as the full owner thereof and only his claim for the issue of duplicates will be entertained by the Public Debt Office. If, however, the lost securities happen to be last endorsed in favour of a bank for the purpose of delivery only to the party and the bank has no claim to the securities, the claim of the party will be considered by the Public Debt Office on production of a letter of disclaimer from the bank to the effect that it has no right, title or interest in the notes. The letter should be signed by an official of the bank whose power to deal with Government securities is registered with the Public Debt Office.

3. It should be noted that the above procedure will be applicable only to cases of loss or destruction by air crash of promissory notes of denominations of Rs. 25,000/- and

above despatched by air mail from any of the places where a Public Debt Office is situate *viz.*, Bombay/Calcutta/Delhi/Madras/ Bangalore.

4. Enquiries in this connection may be addressed. to the Secretary, Central Debt Section, Reserve Bank of India, Central Office, Bombay.

Yours faithfully,
A. R. THANAWALA
Dy. Chief Officer

DBO. No. Ret. 10066/C. 236-64—14 August 1964

All foreign banks.

Dear Sir,

SECTION 24(2A) OF THE BANKING COMPANIES ACT, 1949

As you are aware, the amended section 24 (2A) of the Banking Companies Act, 1949, will come into force with effect from the 16th September 1964. This section provides that the liquid assets required to be maintained in India should be twenty-five per cent of the total demand and time liabilities in India instead of twenty per cent, as at present. Any deposit required to be maintained with the Reserve Bank of India under section 42(1) of the Reserve Bank of India Act shall not, however, be taken into account for the purpose of this section. Some of the Exchange Banks have represented to us that in view of the present disposition of their assets, they would like to keep a part of their assets for the time being in the form of approved sterling securities replacing them by rupee securities in two or three years' time. The Reserve Bank of India have no objection to this proposal. However, in view of the provisions of the above section, such approved sterling securities would have to be brought to and physically held in India, after complying with the exchange control requirements.

2. The amount and particulars of approved sterling securities which may be included by your bank under item C. 7 of the return in Form X may please be indicated in the return by means of a foot-note.

Yours faithfully,
K. VARNASY
Jt. Chief Officer

DBOD. No. Nat. 466/C. 469-72—24 March 1972

The Custodians of nationalised banks.

Dear Sir,

NEW LOAN APPLICATIONS

It has been brought to our notice that sometimes subscriptions for substantial amounts for new loans are tendered at our public debt offices by local offices of nationalised banks in the form of cheques payable at outstation centres. The collection of these cheques and placing the proceeds thereof to the credit of Government account takes time. Since the applications for new loans of the Central and the State Governments are received at any of the public debt offices of the Reserve Bank and as a reasonable period of 2 to 3 weeks is always available between the date of announcement of the loans and the date of opening of subscriptions, it should be possible for banks to issue cheques drawn on the same place where the applications are tendered.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

DBOD. No. Sch. BC. 53/C. 96-72—5 June 1972

All scheduled commercial banks.

Dear Sirs,

During the 1971-72 busy season, the increase of Rs. 590 crores in scheduled commercial bank deposits turned out to be somewhat better than anticipated. Prospects for higher deposit accretion during 1972 appear bright. Banks should have no difficulty in meeting any needs for contra-seasonal expansion of bank credit during the 1972 slack season.

2. Banks should seek to build up adequate investments in Government and other approved securities for Plan requirements and also for providing the necessary cushion to meet the needs of the ensuing busy season. In this context, you may recall that at the meeting I had with bankers at the commencement of the last busy season, I had indicated that it

was the intention of the Reserve Bank to increase, with effect from first Friday of August 1972, the minimum ratio of each bank's holding of assets that go to make its statutory liquidity ratio by one percentage point, that is to say, from 28 per cent to 29 per cent of its aggregate demand and time liabilities. This will be exclusive of the statutory cash balances of 3 per cent with the Reserve Bank of India. I hope you are taking this into account while planning your investment portfolio so that your bank would build up to the new minimum liquidity ratio of 32 per cent with effect from August 4, 1972. The minimum net liquidity ratio that is applied to calculate the higher rate of interest on banks' borrowings from the Reserve Bank will continue to remain at 34 per cent.

Yours faithfully,
S. JAGANNATHAN
Governor

Note :—Under section 24 of the Banking Regulation Act, 1949, banks are required to maintain a minimum amount of liquid assets equal to not less than 25% of their demand and time liabilities in India, *exclusive* of the balances maintained by them under section 42 of the Reserve Bank of India Act in the case of scheduled banks, and *exclusive* of the cash balances maintained under section 18 of the Banking Regulation Act in the case of non-scheduled banks. In view of the sharp rise in bank credit which was larger than what was warranted by genuine production and marketing needs, the Governor of the Reserve Bank advised banks in February 1970 to exercise adequate credit restraint; the banks were also asked to step up in two stages their holdings of assets which are included in their statutory liquidity ratio from 25% to 26% of their aggregate demand and time liabilities within a month and further to 27% by the last Friday of April 1970. Later in August 1970, in the light of the credit and price situation and in the context of the need envisaged in the Fourth Plan for reaching a certain proportion of additional deposits to be invested by banks in Government and other approved securities, Governor advised banks to step up their holdings of assets that go to make the statutory liquidity ratio from 27% to 28% from the last Friday of August 1970. At the time the credit policy for the 1971-72 busy season was reviewed by Governor, he had indicated to banks that it was the intention of the Reserve Bank to increase the statutory liquidity requirements by one per cent from 28% to 29% with effect from the first Friday of August 1972. Thus, in terms of the present circular, banks are now required to maintain liquid assets to the extent of not less than 29%* of their aggregate demand and time liabilities, in addition to the 3%, they are required to maintain in terms of section 42 of the Reserve Bank of India Act/Section 18 of the Banking Regulation Act.

Non-scheduled banks have also been advised of the changes in the liquidity ratio from time to time.

* With effect from Friday November 17, 1972 this has been further increased to 30%.

SECTION V (a)

ADVANCES AGAINST SHARES

SECTION V (a)

ADVANCES AGAINST SHARES

No. and Date	Subject
Sch. 1693/C. 96S-67 8-11-1967	Advances against shares— Norms and guidelines—Recommendations of the working group.
EFS. 1102/C. 450-67 18-11-1967	Advances against shares—Guidelines—Clarification—Cases in which banks should obtain the approval of Reserve Bank for repayment schedules arranged with the customers.
EFS. 61/C. 450-68 13-1-1968	Advances against shares—Additional guidelines.
EFS. 151/C. 450-68 31-1-1968	Advances against shares—Explanatory memorandum.
Ins. 828/C. 450A-70 28- 8-1970	Advances against shares—Circular enclosing directive on the subject.
Ins. 1473/C. 450-70 14-12-1970	Advances against shares—Exercise of voting rights in respect of shares held as pledgees—Procedure.

SECTION V(a)

ADVANCES AGAINST SHARES

No. and Date	Subject
Ins. BC. 1/C. 450-73 17-1-1973	Advances against shares—Clarification that banks should continue to extend credit against shares, on merits, keeping in view the guidelines already issued to them.

DBOD. No. Sch. 1693/C. 96S-67—8 November 1967

All scheduled commercial banks.

Dear Sirs,

* * * * *

2. * * * * *

3. * * * * *

4. The Working Group£ was also requested to look into the question of evolving suitable norms for advances by commercial banks against shares. The Working Group has suggested the following guidelines for advances against shares which the Reserve Bank endorses:—

(*i*) The present statutory restrictions on advances against shares embodied in Sections 19(2) and (3) and 20(1)(*a*) of the Banking Regulation Act may continue. Similarly, the ban on bank financing of budla transactions may also be maintained.

(*ii*) The most important precautions which banks must take with respect to advances against shares are to satisfy themselves about the marketability of the shares and the net worth position of the company whose shares are offered as security and to ensure that the requirements regarding proper transfer are fulfilled. Banks should be particularly careful while making advances against shares known to be subject to speculative activity. Adequate margins should, in all cases, be maintained.

(*iii*) Banks should scrutinise carefully the purpose for which an advance against shares is sought. While there can be no objection to banks providing finance to a reasonable extent against the security of shares for purposes such as the functioning and expansion of productive enterprise, banks should ensure that the advance is not being used for speculative purposes or for enabling the borrower to acquire or retain a controlling interest in the company. Advances against shares to companies have also to be scrutinised carefully to see that such advances are not used to facilitate or retain intercorporate investments.

(*iv*) Bank should exercise particular care in making an advance against a large block of shares both from the point of view of its effect on the borrower's ability to repay such advances and because advances against large blocks of shares are liable to be used for other than short-term productive purposes. Advances against shares should not be made for long periods for apart from the strain this imposes on banks' resources, such long term advances against shares might represent a misapplication of bank loans for other than productive purposes. Where a bank has already made such advances on a long term basis, a suitable repayment programme should be drawn up. In the case of advances exceeding Rs. 5 lakhs, banks should obtain the Reserve Bank's approval for the repayment schedule.££

(*v*) Advances to managing agents against shares of the managed companies should be examined on merits and in the light of prevailing conditions in the industry and be sanctioned only if the funds are required to accommodate the companies for short periods and for overcoming temporary or contingent difficulties which would affect production or hold up the implementation of a project. Banks should also watch the operations of such accounts to ensure that they are being used for the purpose for which the advances were sanctioned. The same considerations should apply in respect of advances against shares to promoters of new companies. All such advances should in any case be allowed only against marketable shares and should be subject to a repayment programme. In the case of advances exceeding Rs. 5 lakhs, banks should obtain the Reserve Bank's approval for the repayment schedule.££

(*vi*) As regards advances to stock brokers for whom shares constitute the stock in trade, banks should exercise the closest scrutiny to ensure that the advances are not availed of for the brokers' own speculative or investment

£ Working Group appointed by Governor of the Reserve Bank in July 1967 to look into the question of definition and classification of unsecured advances.

†† Circular No. EFS. 1102/C. 450-67 dated 18th November 1967 clarifies cases in which banks should obtain Reserve Bank's approval for the repayment schedule which they may arrange with their customers.

purposes. Similarly, banks should ensure that accommodation granted to brokers does not help the latter to finance their budla operations.

(*vii*) To ensure a degree of liquidity to investment in shares and thus to encourage investment in shares and securities, banks may allow loans or overdrafts to individual customers against shares provided they are for short periods and/or are subject to a repayment programme. Similarly, banks might take a more liberal view regarding the grant of advances against Government securities.

Yours faithfully,
B. N. ADARKAR
Deputy Governor

Notes: 1. Paragraphs 1 to 3 of this circular, which have been omitted here relate to norm pertaining to unsecured guarantees and unsecured advances. These paragraphs appear in the extract of relative circular included in section V (g).
2. For the words 'Managing agents' in this circular, please read "holding companies."
3. For additional guidelines please see circular DBOD. No. EFS.61/C. 450-68 dated the 13th January 1968.

DBOD. No. EFS. 1102/C. 450-67—18 November 1967

All scheduled commercial banks.

Dear Sir,

In continuation of our letter DBOD. No. Sch. 1693/C. 96S-67 dated November 8, 1967, ****regarding guide-lines for advances against shares, the Reserve Bank wishes to clarify the cases in which banks should obtain its approval for the repayment schedules which they may arrange with their customers in respect of such advances.

2. The approval of the Reserve Bank should be obtained (*a*) for the repayment schedule arranged by a bank in respect of any long-term advance against shares exceeding Rs. 5 lakhs (in terms of the amount drawn and outstanding as distinct from the sanctioned limit) if such schedule extends beyond a period of 5 years and (*b*) where in respect of such long-term advance exceeding Rs. 5 lakhs, the bank does not consider it immediately feasible to determine a repayment schedule. A long-term advance in this context means an advance initially granted for a term of 2 years or longer or one which has remained outstanding for a similar period.

3. The Reserve Bank recognises that share advances granted to stock brokers for their normal business may remain outstanding for long terms, and it might not be appropriate or feasible to fix repayment programmes in such cases. However, banks should take care to ensure that advances to stock brokers are reasonable in relation to the normal turnover in their accounts. If, in the course of inspection of banks or otherwise, it is found that these facilities are being used to an excessive degree, the Reserve Bank will require the repayment of such advances to be effected within a short period.

4. Where a borrower having an outstanding advance in respect of which a repayment schedule has been fixed is granted a fresh advance against shares, the principles stated above will apply in determining the cases to be referred to the Reserve Bank for approval. That is, if the aggregate of advances against shares granted to such a party exceeds Rs. 5 lakhs (even though the individual amount of advances may be less) and the repayment schedule extends beyond 5 years, the Reserve Bank's approval should be obtained. In such cases, the bank should satisfy itself that the fresh advance is needed for a productive operation distinct from the one for which the original advance was granted, so that no rolling over of the same advance is involved.

5. The Reserve Bank recognises that a review of the existing portfolios of share advances to conform to the guidelines now recommended by the Bank may take time; however, the Reserve Bank would like the first priority to be given to a review of the particular cases where, following an inspection, the Bank has already asked for a repayment schedule to be fixed and where applications have to be made for the Bank's approval in terms of this letter.

6. Applications for approval of repayment schedules or a waiver in regard to such schedules should provide full facts about the purpose of the advance, the reasons why repayment has to be spread over a longer

period than 5 years, and, where it is not considered immediately feasible to determine a repayment schedule, the reasons therefor, with full details in every case as to how and when the funds required for repayment, are expected to be obtained.

7. The above procedure is without prejudice to the Reserve Bank's powers to ask a bank to fix a repayment schedule with respect to any advance without any limitation as to the category or size of such advance.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(Banking Operations)

DBOD. No. EFS. 61/C. 450-68—13 January 1968

All scheduled commercial banks.

Dear Sirs,

In continuation of our letter DBOD. No. EFS. 1102/C. 450-67 dated the 18th November 1967, we enclose a further memorandum prepared in the Reserve Bank in consultation with the members of the Working Group on Unsecured and Share Advances which may please be adopted as additional guidelines on certain aspects of advances against shares.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(Banking Operations)

ENCLOSURE TO CIRCULAR DBOD. NO. EFS. 61/C. 450-68 DATED 13 JANUARY 1968

Since the submission to the Governor of the interim report of the Working Group on Unsecured and Share Advances and the subsequent action the Bank has taken in conveying to the banks the guidelines in respect of share advances, the Reserve Bank has been approached by some banks to clarify the position with regard to advances against shares to managing agents/holding companies for the purpose of meeting the financial requirements of managed companies/member companies of the Group as well as advances against shares to individuals.

2. With regard to loans/overdrafts granted to managing agents/holding companies, the problem has to be considered both from the point of view of the lending bank and from that of the borrowing company. The guidelines indicated to banks were conceived primarily with a view to ensuring the safety and liquidity of banks' funds as well as relating bank loans to financing genuine production or investment activity. At the same time the genuine difficulties of companies securing finance, especially in the present conditions of the capital market were realised.

3. The financial requirements of group companies may be conveniently looked at from the angle of (*a*) their requirements for purposes of project implementation and (*b*) working capital requirements. In all cases the advances should be made against readily marketable shares and after providing for adequate margins. As regards requirements for project implementation, it would be necessary for the lending banks to be informed regarding the end use of the money and the availability of finance should be contingent upon the existence of the repayment programme as it is the assurance of the generation of cash resources out of the project to be implemented that would justify the grant of a medium term advance. It may be that the repayment schedule itself has to be liberal or that there are circumstances under which the fixation of a repayment schedule may not be feasible. The Reserve Bank's letter DBOD. No. EFS. 1102/C. 450-67 dated November 18, 1967 provides for such contingencies but requires that a reference in such cases should be made to the Reserve Bank for its approval to either the lengthening of repayment programme beyond 5 years or for waiving of the repayment schedule. The feature of loans to managing agents/holding companies is that the bank will not be making the finance available directly to the group companies for the project but to the managing agents/holding companies. The circular letter referred to above also pointed out that rolling over of credit should be avoided by a fresh loan being taken in effect to repay an earlier one. When the repayment is made to the managing agent/holding company by the group member in a phased manner, it should be reflected in the relevant account of the managing agent with the bank. The presumption, therefore, would be that, other things being equal, the managing agent/holding company's borrowings from a bank should be repaid out of the resources generated by the project after it enters the stage of production. However, it is possible that the loan account of the managing agent/holding company may not fluctuate if the repayment by one group member is used to release resources for another. The lending bank would, therefore, need to be kept continually informed of the repayment by group member to the managing agent/holding company in the event that the primary loan by the bank to the latter itself remains outstanding. If the repayment of the loan is to be spread over a longer period than 5 years or it is not considered feasible to fix a repayment programme (and if the amount of the loan exceeds Rs. 5 lakhs multiplied by the number of borrowing members of the group), the bank should submit its proposals for the Reserve Bank's approval which would be granted on the merits of each case.

4. Where the funds are required for working capital purposes, the presumption is that units in the group are unable to provide adequate margin money in respect of inventory borrowing or have to borrow to meet other working capital requirements. The managed company in such cases is normally expected to endeavour to repay the amount on the basis of a repayment programme out of surplus generated from its operations. In the case of a new unit or the expansion of the existing unit such surplus should be out of the operations of the new or the expanded portion of the existing unit. Where the advance extended by the bank in such cases is in the form of overdraft or cash credit, the bank should have sufficient evidence that the concerned account is

being turned over and the outstanding borrowing shows sufficient fluctuations which would indicate that it is made for working capital purposes. Where the loan or overdraft/cash credit account of the managing agent remains outstanding for over 2 years, on account of his sublending to a managed company and where during that period the minimum debit balance continuing for a period of not less than 30 days exceeds Rs. 5 lakhs, a reference should be made to the Reserve Bank if it is proposed to fix a repayment programme for a longer period than 5 years or to fix no repayment programme at all.

5. It is, however, recognised that where the managing agent maintains a joint pool for meeting the requirements of several managed companies as and when they arise, and funds are moved from one company to another and the bank's advance to the managing agent is in the form of an overdraft or cash credit, it may not be practicable to fix a repayment programme for the managing agent's borrowings from the bank. In such cases, it should be sufficient if the bank took due care to satisfy itself that the managing agent is utilising the advances (granted against marketable shares with adequate margins) for working capital to finance genuine production and there are sufficient fluctuations in the managing agent's account with the bank and in the accounts of the individual managed companies with the managing agent. For this purpose the bank should obtain half yearly statements from the managing agents showing the disposition of the funds and use they are put to and wherever necessary, the balance sheets of the managed companies should also be examined. Any such arrangement where the advance by the bank (in the sense of the minimum debit balance continuing for a period of not less than 30 days during the preceding two years) exceeds a total amount calculated on the basis of Rs. 5 lakhs for each borrowing company in the group and wherein no repayment schedule is envisaged should be subject to the approval of the Reserve Bank which may require periodical report on the conduct of the accounts.

6. As regards accommodation against shares to individual investors* whether by way of loans or overdrafts not exceeding Rs. 5 lakhs, it has been decided to leave it to banks to decide, in their discretion, whether a repayment programme should be fixed or not. The bank's judgement will depend on the marketability of the shares and the availability of adequate margins. In the case of overdrafts continuing for over 2 years, the monetary limit of Rs. 5 lakhs may be taken as referring to the minimum debit balance continuing for a period of not less than one month. The Reserve Bank's approval should be sought for repayment programmes for loans exceeding Rs. 5 lakhs and spread over a longer period than 5 years or where it is proposed not to fix a repayment programme.

DBOD. No. EFS. 151/C. 450-68—31 January 1968

All scheduled commercial banks.

Dear Sirs,

ADVANCES AGAINST SHARES

We enclose for your information and guidance a copy of the explanatory memorandum on share advances prepared in the Reserve Bank and circulated to the representatives of the larger Indian and foreign banks who were present at the meeting held by the Governor in Bombay on the 29th January 1968 to review the credit trends so far in the current busy season. We shall be glad if the various points mentioned in the memorandum are kept in view while dealing with advances against shares.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(Banking Operations)

EXPLANATORY MEMORANDUM ON SHARE ADVANCES

1. In issuing the guidelines the intention was to rationalise the policy and not to tighten it.

2. Banks should, therefore, continue to extend credit against shares as part of their normal service to the community, keeping the guidelines in view, and in the absence of any evidence of an excessive use of bank credit for this purpose impose no restrictions on the normal extension of credit against shares.

3. It follows that no action to recall share advances generally is called for.

4. Action should be taken selectively, on a careful consideration of the merits and circumstances of each case. It should be suitably phased, because simultaneous action on a wide-front, involving a sudden liquidation of large holdings, may affect business confidence and have unintended effects on share prices causing unnecessary damage to genuine investment.

5. Overdrafts to sharebrokers should be left undisturbed so long as they are within reasonable limits in relation to their normal turnover. Reasonable credit to sharebrokers to finance budla operations and to finance their own stock of shares should not be denied.

6. The legitimate credit needs of investment companies to bridge the gap between their own investment in shares and receipt of long-term funds should be recognised, so long as there is no evidence of funds being used for speculation or acquiring control over an undertaking.

7. No repayment programme need be fixed for share advances (not exceeding Rs. 5 lakhs) granted to investors (whether individuals, firms or companies), so long as the shares are marketable and adequate margins are kept, unless this is found necessary for the bank's own liquidity.

8. The guidelines recently issued in respect of share advances to managing agents should be studied.

9. In fixing repayment programmes, priority should be given to cases where the shares pledged are not easily marketable, where an advance, though granted for business purposes, is not showing appropriate fluctuations for a long time, or where there is reason to believe that funds have been used for a take-over bid, for acquir-

* Individual investors' will cover firms and companies.

ing managerial control, for cornering of shares, for hoarding scarce commodities or for similar anti-social activities.

10. Except in special circumstances, a repayment programme should be fixed after taking into account the capacity of the borrower to make the payments as scheduled without adverse effects on production or prices. The tendency to fix repayment programmes without proper consultation, merely to conform to a time-limit should be avoided. Generally speaking, the Reserve Bank's approval is required where the advance exceeds Rs. 5 lakhs and the repayment is to be spread over a longer period than 5 years or it is not proposed to fix any repayment programme. Banks should not hesitate to approach the Reserve Bank for its approval in cases where such approval is necessary. The requirement of approval does not and need not mean that banks should not make such advances.

11. Instances have come to notice where

(*i*) banks had asked for repayment of share advances generally, within a year or so, regardless of their amount (in some cases, the outstandings were a few hundred rupees)

(*ii*) small advances granted to individual investors against good shares for genuine personal needs were asked to be repaid in instalments.

(*iii*) applications for advances against good shares to help the borrower to subscribe to rights shares were turned down

(*iv*) sharebrokers were asked to reduce the outstandings against their normal overdraft limits by instalments

(*v*) overdrafts against shares were unilaterally converted into loans and a repayment schedule was prescribed

(*vi*) repayment programmes were fixed for reputed borrowers, including investment companies, without any attempt to ascertain whether the undertakings to which the funds might have been lent would be able to generate sufficient resources to make the payments as demanded.

In all these cases the banks concerned appear to have informed the borrowers that the action had become necessary because of the Reserve Bank's advice. These banks had apparently misunderstood the Reserve Bank's advice. It will, therefore, be useful if banks make improved arrangements to ensure that any action affecting a sensitive sector like share advances is taken with utmost care and deliberation.

DBOD. No. INS.828/C.450A-70 — 28 August 1970

All functioning commercial banks.

Dear Sir,

ADVANCES AGAINST SHARES

The Reserve Bank of India has been considering for some time past the question of banks following a uniform policy in respect of their advances against shares with a view to discouraging and preventing bank finance being utilised for speculative purposes and other unhealthy practices. With this end in view it has been decided to regulate advances against shares and we have today issued a directive in this regard which comes into force with immediate effect. The relative directive is enclosed.

Yours faithfully,
R. K. HAZARI
Deputy Governor

DBOD. No. INS. 827/C.450A-70 — 28 August 1970

ADVANCES AGAINST SHARES

In exercise of the powers conferred by section 35A of the Banking Regulation Act, 1949 the Reserve Bank of India, being satisfied that it is in the public interest so to do, hereby directs:—

(*i*) that every banking company which grants or renews an advance limit over Rs. 50,000/- against the security of shares, shall stipulate as one of the conditions of such grant or renewal that the said shares shall be transferred to its name, that it shall have exclusive voting rights in respect thereof which it may exercise in any manner whatsoever and get the said shares transferred to its name expeditiously:

Provided that this clause shall not apply to shares lodged by a sharebroker as security for an advance:

Provided further that where any such shares are held as security for such advance in the account of a sharebroker for a period longer than three months, the provisions of this clause shall, after the expiry of the said period of three months, apply to such shares:

Explanation:—The limit of Rs. 50,000/- shall apply to the aggregate of all limits of advances against shares from a single banking company extended to a borrower:

(*ii*) that no banking company shall grant advances against the security of shares in cases where any condition is imposed as to the exercise of voting rights by the banking company in respect of such shares or requiring the banking company to issue proxies in respect of such shares:

(*iii*) that no banking company shall, without the prior approval of the Reserve Bank, grant advances against the security of partly paid shares:

Provided that this clause shall not apply to advances to a sharebroker:

Provided further that where advances are granted against the security of partly paid shares to a sharebroker and such shares are held in his account for a period longer than three months, the banking company shall make a reference to the Reserve Bank and obtain its directions as to whether it should take steps for the transfer of such shares to its name or not:

(*iv*) that in respect of advance limits of over Rs. 50,000/- against shares subsisting on the date of this directive, every banking company shall,

(A) In case the shares are not transferred to its name, take immediate steps to have the shares transferred to its name and further in case there is any restriction on such transfer or on the exercise of voting rights by the banking company or any obligation is cast to issue proxies, the banking company shall give notice to the borrower about its intention to terminate the relative agreement on the expiry of 35 days from the date of issue of the notice by the banking company and substitute the same by a fresh agreement without any condition restricting the transfer of the shares to the name of the banking company or restricting the banking company from exercising voting rights freely or requiring it to issue proxies:

(B) In case the shares are already transferred in the name of the banking company but there is any restriction on the exercise of voting rights by it or any obligation is cast on it to issue proxies, the banking company shall give notice to the borrower about its intention to terminate the relative agreement on the expiry of 35 days from the date of issue of the notice by the banking company and substitute the same by a fresh agreement without any condition restricting the banking company from exercising voting rights freely or requiring it to issue proxies:

And in case the borrower is not aggreeable to the revised terms, the loan shall be recalled forthwith if it is repayable on demand, and, on the expiry of its term, if it is a term loan:

Provided that this clause shall not apply to shares lodged by a sharebroker as security for an advance :

Provided further that where any such shares are held as security for such advance in the account of a sharebroker for a period longer than three months, the provisions of this clause shall, after the expiry of the said period of three months, apply to such shares:

Provided further that in cases where partly paid shares which have not already been transferred to the name of the banking company, are held as security for an advance the banking company shall make a reference to the Reserve Bank and obtain its directions as to whether it should take steps for the transfer of such shares to its name or not.

(*v*) that no banking company shall grant or renew any advance against shares forming a security composite with any other security:

Provided that where an advance has been granted or renewed against the composite security of shares and other types of securities the advance limit against shares shall be segregated from the advance limit against other types of securities and the provisions of this directive would be applicable to such segregated advance limit against shares.

(*vi*) that no banking company shall exercise voting rights in respect of shares held by it as a pledge except with the prior approval of the Reserve Bank and in accordance with such directions as may be given by the Reserve Bank.

Explanation :

(A) 'Advances' shall include cash credits, over drafts, loans and advances of every description.

(B) 'Advances against security of shares' shall include all types of advances against shares whether by way of principal security or collateral security.

(C) 'Banking company' shall include the State Bank of India, its subsidiaries and corresponding new banks established under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

(D) 'Sharebroker' shall mean a sharebroker who is a member of a recognised stock exchange.

(E) 'Shares' shall include shares and stock of every description.

R. K. HAZARI
Deputy Governor

DBOD. No. Ins.1473/C.450-70 — 14 December 1970

All functioning commercial banks.

Dear Sir,

ADVANCES AGAINST SHARES

Please refer to our circular letter DBOD. No.Ins.828/C.450A-70 dated the 28th August 1970 forwarding to you our directive on the above subject. In terms of paragraph (vi) of the said directive, no banking company shall exercise voting rights in respect of shares held by it as a pledgee except with the prior approval of the Reserve Bank and in accordance with such directions as may be given by the Reserve Bank. To enable your bank to exercise voting rights in accordance with such instructions or directions as may be given by the Reserve Bank from time to time, it would be necessary to devise a suitable procedure.

2. Accordingly, it is suggested that your bank may, by means of a resolution of its Board of Directors, authorise a selected number of its officers at the Head/Central/ Principal Office and Regional Offices and branch agents/managers, especially in the metropolitan centres, to act as its representatives at meetings of the companies or at meetings of classes of members of the

companies. The authority conferred by such resolution to represent the company may be general in nature and need not necessarily be confined to any particular meeting or any particular company in which your bank is a shareholder. The resolution may be drawn up in consultation with your legal advisers and passed by the Board as early as practicable after receipt of this letter.

3. In terms of sub-section (1) of section 176 of the Companies Act, 1956, a proxy appointed by any member of the company shall not have any right to speak at the meeting; further, unless the articles of the concerned company provide otherwise, a proxy shall not be entitled to vote except on a poll. You may not, therefore, ordinarily issue proxies in favour of your officers but authorise them in the manner suggested in paragraph 2 above. However, there may be occasions where attendance by a proxy may be necessary. To cover such cases, your bank may grant a power of attorney (if powers of attorney now granted do not include such powers), either under its seal or by the hand of one of its officers authorised to execute such powers of attorney, to a panel of selected officers at the metropolitan centres authorising them to act as proxy/proxies for the bank.

4. The work relating to exercise of voting rights will no doubt be centralised at the Head/Central/Principal Office of the bank. When the bank is approached for the issue of a proxy or where it considers that the voting rights vested in it should be exercised in the interests of the company, a reference should be made to us well in advance of the General Meeting or of any meeting of a class of members of the company concerned, furnishing particulars as in the enclosed form. A copy of the notice of such meeting issued by the company, and in the case of a General Meeting of the company, a copy of the annual report of its directors along with a copy of the Balance Sheet, etc. should also be furnished along with the reference.

5. If on receipt of the reply to the reference in terms of paragraph 4, it is decided that your representative should attend the meeting, a copy of the resolution (referred to in paragraph 2 above), duly certified to be a true copy, should be sent to the company sufficiently in advance of the date of the meeting with a view to establishing the authority of your representative to represent the bank at the meeting.

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

V (a)

Name of bank _____ Name of the company _____

(Amounts in lakhs of rupees)

Total number of shares : Paid-up capital :

Serial No.	Name of the borrower	Amount of limit	Balance outstanding as on _____	Class, number and paid-up value of shares of the above company pledged in the account			Remarks
				Class	Number	Paid-up value	
		Rs.	Rs.			Rs.	
1.	2.	3.	4.	5.	6.	7.	8.

Total: _____

% of the total in column 6 to total number of shares in the company; and % of the total in column 7 to the total paid-up capital of the company _____

_____

(*Signature*)
(*Name and Designation with date*)

NB :— (1) If capital of the company includes preference share capital and such shares carry voting rights, separate data to be furnished in columns 5, 6 and 7 in respect of such shares.

(2) Where a request for giving a proxy by the bank has been received, please indicate the name of person in whose favour proxy is asked for and his connection with the company.

(3) Such of the shares as have been forwarded to the company for registration in the bank's name, but have not been so registered, may please be indicated separately.

DBOD. No. Ins. BC. 1/C. 450-73
17 January 1973

All scheduled commercial banks.

Dear Sir,

ADVANCES AGAINST SHARES

As you are aware, the Reserve Bank has issued, certain guidelines for advances by commercial banks against shares. In defining its policy regarding credit, the Reserve Bank concerns itself much more with what the advances are *for* rather than what the advances are *against*. The banks should, therefore, in considering proposals for advances against shares, primarily take into account the nature, purpose and need for the credit facilities, ensuring that bank finance is not utilised for speculative or other anti-social purposes. The underlying intention in issuing our circular letter DBOD. No. Sch. 1693/C. 96S-67 dated the 8th November 1967,† laying down the guidelines for advances against shares as also our subsequent circular letters on the subject, was merely to rationalise the policy and not to deny credit for genuine productive requirements. We would, therefore, like to suggest that the commercial banks should continue to extend credit against shares, on merits, as part of their normal service to the community, keeping the guidelines in view and in compliance with our directive dated the 28th August 1970@ regarding transfer of shares to their names and the exercise of voting rights.

2. We would also like to mention the following in this connection for your consideration :—

(*i*) The investor's attitude towards savings by way of securities or shares is materially influenced by the possibility of borrowing against them in case of need. To ensure a degree of liquidity to investment in shares, banks may continue to allow loans or overdrafts against shares on merits, if they are satisfied regarding the end-use of funds ; in such cases banks need not also consider it obligatory always to impose repayment schedules for advances up to Rs. 5 lakhs.

(*ii*) There may be no objection to the grant of advances, on merits, for working capital purposes to assist genuine productive activity.

(*iii*) There may also be no objection to the grant, on merits, of 'bridge-over' facilities for short durations.

3. It has been stated to us that some scheduled commercial banks are reluctant to grant short-term advances or 'bridge-over' facilities against quoted shares even for meeting the genuine needs of the borrowers. We trust this letter will serve to clarify the position and remove any misapprehensions that may exist.

Yours faithfully,
M. L. GOGTAY
Chief Officer.

† Please see page 1 of this Section.

@ The directive appears at page 5 of this Section.

SECTION V (b)

ADVANCES AGAINST REAL ESTATE

SECTION V (b)

ADVANCES AGAINST REAL ESTATE

No. and Date	Subject
EFS. 213/C. 249-68 13-2-1968	Advances against real estate—Advice to banks not to adopt a policy of discouraging advances for construction of godowns and warehouses.
EFS. 1068/C. 249-68 19-6-1968	Advances against real estate—Advice to banks to consider proposals for advances for construction of warehouses and godowns at distribution centres also in addition to port towns.
Ref. 436/C. 456-69 19-4-1969	Advances against immovable property—Advice to banks that legitimate credit should not be denied.
EFS. 313/C. 249-70 6-2-1970	Premises for branches of banks—Advances to landlords—Terms.

DBOD. No. EFS. 213/C.249-68—13 February 1968

All scheduled commercial banks.

Dear Sir,

ADVANCES AGAINST REAL ESTATE

It has come to our notice that some banks have expressed reluctance to entertain applications for advances for the construction of warehouses or godowns. You will appreciate that with the present day emphasis on extension of enlarged credit by the commercial banks for agricultural and connected purposes, perhaps the need for finance for construction of warehouses or godowns for storage facilities also exists. Although the Central and the various State Governments have set up warehouses at different places, there may be scope for private agencies also to set up warehouses or godowns with bank finance at places which are potential producing or marketing centres. While we appreciate that advances against immovable properties tend to be of a medium-term nature and banks would, therefore, like to keep these within reasonable limits, they should not adopt a general policy of discouraging such advances irrespective of their purpose. Thus, there should be no objection to their providing finance against such security for construction of warehouses or godowns or for other productive purposes. No doubt banks should observe the requisite safeguards and ensure the safety of the funds lent.

Yours faithfully,
A. R. THANAWALA
Chief Officer
(Inspections)

DBOD. No. EFS. 1068/C. 249-68—19 June 1968

All scheduled commercial banks.

Dear Sir,

ADVANCES AGAINST REAL ESTATE

Please refer to our circular letter DBOD. No. EFS. 213/C. 249-68 dated the 13th February 1968 regarding advances for construction of warehouses and godowns. We have been given to understand that some banks have understood our above circular as requiring them to consider proposals for advances for construction of warehouses and godowns at producing and marketing centres only. You will appreciate that such facilities are equally necessary at distribution centres as also in port towns, where goods/commodities are required to be stored pending processing or distribution to the ultimate consumers or shipment in the case of exportable items. We, therefore, feel that banks should not have any objection to providing finance for construction of warehouses and godowns at such centres also and shall be glad if any proposals received by them for this purpose are considered on merits.

Yours faithfully,
A. R. THANAWALA
Chief Officer

DBOD. No. Ref. 436/C. 456-69—19 April 1969

All scheduled and non-scheduled commercial banks.

Dear Sir,

ADVANCES AGAINST IMMOVABLE PROPERTY

It has come to our notice that some offices of commercial banks have refused credit against immovable property to small-scale industries on the ground that the Reserve Bank of India has instructed banks that no loan should be made against immovable property. As you are aware, the Reserve Bank of India has not imposed any ban on the grant of loans to small-scale industries, or to any other class of borrowers for that matter, against the security of land or other immovable property, provided the banks concerned are otherwise satisfied about the merits of the relative loan applications. The Reserve Bank has also made it clear to banks in its circular letter DBOD. No. EFS. 213/C. 249-68 dated the 13th February 1968 that they should not adopt a general policy of discouraging advances against immovable property irrespective of their purpose. Inspite of the above position, we have recently received complaints

that the offices of banks at certain centres refused, on the above score, to grant advances against the security of land for the purpose of financing dairy farming and other small-scale industries. We shall, therefore, be grateful if you will kindly issue suitable instructions to your offices clarifying the position and impressing upon them that legitimate demand for credit should not be denied on such grounds.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(*Banking Operations*)

DBOD. No. EFS. 313/C. 249-70—6 February 1970

All commercial banks.

Dear Sir,

It has come to our notice that some banks while taking up premises for their branches, particularly in metropolitan cities, grant credit facilities to the landlords concerned. While there is no objection to such advances being granted for meeting the cost of construction, alteration etc. of the premises, at rates of interest not involving an element of concession, we feel that the period of repayment of such advances should not normally exceed 10 years and the quantum of the advance should be reasonable and related to the cost of such construction, alteration etc. and should not normally exceed the rent of the premises for 10 years. The rent of the premises should also be reasonable and should be in conformity with the prevailing rents in the locality.

2. We shall be glad if you will please keep the above criteria in view while arranging premises for your branches particularly in the metropolitan cities.

Yours faithfully,
P. N. KHANNA
Dy. Chief Officer

SECTION V (c)

ADVANCES AGAINST OTHER SECURITIES/COMMODITIES

SECTION V (c)

ADVANCES AGAINST OTHER SECURITIES/COMMODITIES

No. and Date	Subject
	Advances against Government Securities
ACD. No. 1096/BS-C. 55-44 22-4-1944	Advances against Government securities—Advice to banks to refrain from making advances to parties for purposes of making capital gains.
	Advances against savings certificates
Sch. 1905/C. 96-58 20-3-1958	Advances against savings certificates—Procedure to be followed for pledge of Treasury Savings Deposit Certificates and National Savings Certificates.
Sch. 8279/C. 96-60 18-10-1960	Ten Year Treasury Savings Deposit Certificates—Transfer by endorsements.
Sch. 1614/C. 96-62 17-2-1962	Ten Year Treasury Savings Deposit Certificates—Section 9B(1) of Public Debt Act, 1944—Payment to nominee.
Sch. 2448/C. 96-62 14-3-1962	Ten Year Treasury Savings Deposit Certificates—Acceptance by banks as security for loans—Advice to refer to Public Debt Office in case of any procedural difficulty.
Sch. 3268/C. 96-62 2-4-1962	National Plan Savings Certificates—Acceptance by banks as security for advances.
Sch. BC.71/C. 96-71 7-6-1971	Advances against National Savings Certificates/Post Office Time deposits by banks—Extract from the relevant rules regarding pledging of the certificates/deposits.
	Advances against gold and silver
Ins. 642/C. 124(P)-64 20-1-1964	Advances against gold and gold ornaments—To assess them according to bank's own judgement of the market and to retain such margins as are normally deemed adequate.
Sch. 1140/C. 96-69 12-7-1969	Loans to finance budla transactions in silver—Advice to banks not to support speculative activity.
Ins. 616/C. 124(P)-70 16-7-1970	Exemption from quarterly declaration by banking companies of gold ornaments/ articles under Gold (Control) Act, 1968—Government of India notification.
Leg. BC.49/C. 124(P)-71 22-4-1971	Exemption from quarterly declaration by banks of gold ornaments/articles under Gold (Control) Act, 1968—Extended to nationalised banks—Government of India notification.
	Advances against hypothecation of stocks
EFS. 2519/C.249-70 9-12-1970	Advances against hypothecation of stocks—Precautions suggested.
	Advances against Kerala Jenmikaram Payment (Abolition) Bonds
Ins. BC.32/C. 124(C)-71 16-3-1971	Jenmikaram Payment (Abolition) Act, 1960—Acceptance of Bonds issued under the Act by the State of Kerala as security for advances—Advice to banks that the bonds are negotiable by endorsement and delivery like other Government securities.

ACD. No. 1096/BS.C.55-44—22 April 1944

Dear Sir,

ADVANCES AGAINST GOVERNMENT SECURITIES

We have noticed that during a phase of recovery in the prices of Government securities, particularly accompanying large sales of fresh securities, some banks make advances towards the financing of purchases by individuals and institutional investors who do not buy with a view to holding such securities indefinitely as a genuine investment, but purchase them in the hope of making a capital gain through resale at higher levels. Such purchases inevitably introduce an element of weakness into the general position of the securities market; for, as signs appear of a halt or possible reversal of the advance in prices, for any reason, including an increase in the cost of carrying securities through a rise in short term borrowing rates or stricter margin requirements, the weak holders unload their stock on the market and intensify the resulting depression of prices. As soon as prices begin to recover from a low level, speculation starts again and is superadded to the normal demand for securities on behalf of persons and institutions who propose to hold them as permanent investment, and thereby increases the instability of the securities market. The rate and amplitude of fluctuations in security values are both enlarged in this manner.

2. This result is undesirable from the point of view alike of general monetary and economic stability and the healthy and sound development of the banking system, of the assets of which Government securities form an increasingly important part.

3. The attention of the banks is, therefore, invited to these unhealthy consequences of the course of developments referred to above and they are requested to refrain from extending credit against government or other securities, where the proceeds of borrowing are in their opinion clearly intended to be used for purely temporary investment in government securities, with the aim of realising a speculative profit on a rise in prices. It is recognised that it may be difficult for banks to draw in each case a line between speculative and non-speculative investment, for not unoften the two motives co-exist. Nor is it easy for banks, provided that their stipulations in respect of the terms of loans and the margins required, which can be tightened, are fulfilled, to refuse credit to customers of standing. The banks can, however, through wholesome advice and persuasion assist to build up sounder lending traditions and policies and contribute towards greater stability of the securities market and thereby to some extent of the country's economy, and establish for themselves a more assured basis of development. It is, therefore, hoped that the banks will, in their own interest, keep in view the desirability of conducting their loan and investment policies on the lines indicated above and help in the attainment and maintenance of the maximum degree of stability, reasonably possible, in the value of what has to come to be the most important liquid asset of the financial community in general and the banking system in particular, *viz.*, Government securities.

Yours faithfully,
WAJAHAT HUSSAIN
Deputy Governor

DBO. No. Sch. 1905/C.96-58—20 March 1958

All scheduled banks.

Dear Sir,

ADVANCES AGAINST SAVINGS CERTIFICATES

The Government of Bombay have drawn our attention to the fact that banks do not generally appear to be aware that the 10-Year Treasury Savings Deposit Certificates and the National Saving Certificates can be pledged to banks as security for advances. In this connection, we enclose for your information, copies of extracts from the Public Debt Rules, 1946 and the National Savings Certificates Rules, 1944, which indicate the procedure required to be followed for the pledge of the Treasury Savings Deposit Certificates and the National Savings Certificates respectively. Should there be any points relating to the pledge of

the certificates which require clarification, a reference may be made to the Secretary, Reserve Bank of India, Central Debt Section, Bombay, in the case of the Treasury Savings Deposit Certificates and to the Deputy Director-General (Savings Bank), Posts and Telegraphs, New Delhi, in the case of the National Savings Certificates.

Yours faithfully,
R. A. GULMOHAMED
Dy. Chief Officer

Extract from the Public Debt Rules, 1946.

RULE 7A. Non-transferability of Treasury Savings Deposit Certificates.—(1) Government Securities issued in the form of Treasury Savings Deposit Certificates shall not be transferable.

Provided that such a security may be transferred by endorsement to a Gazetted Government official or an executive officer of a local authority, as defined in the General Clauses Act, 1897, in his official capacity or to the Reserve Bank of India, or to a scheduled bank as defined in clause (*e*) of section 2 of the Reserve Bank of India Act, 1934, or to any Society registered or deemed to be registered under any law for the time being in force in India relating to co-operative societies, for the specific purpose of its being held by such transferee as security. Such transferee shall, during the continuance of such transfer, be deemed, for the purposes of these Rules, to be the holder of the Certificate.

(2) Where such a security has been transferred under the proviso to sub-rule (1), it may be retransferred to the depositor by endorsement; on such retransfer, the depositor shall receipt the Certificate for renewal and obtain a renewed Certificate from the Bank.

Extracts from the National Savings Certificates Rules, 1944.

RULE M.—PLEDGING OF CERTIFICATES AS SECURITY

(1) Transfer of certificates as security to private individuals, Banks or other concerns is prohibited, provided that such prohibition will not apply to —

(*i*) the Reserve Bank of India ;

(*ii*) Scheduled Banks as defined in the Reserve Bank of India Act, 1934;

(*iii*) Co-operative Banks and Societies registered or deemed to have been registered under the Co-operative Societies Act, 1912 or any law relating to co-operative societies for the time being in force in a State ;

(*iv*) corporations, incorporated limited companies and registered firms in which Government hold shares to the extent of 50 per cent or above.

(2) Certificates can be transferred for the purpose of being treated as security to a Gazetted Government Officer, the Reserve Bank of India or any such Scheduled Bank, Co-operative Bank or Society, corporation, limited company or firm as is referred to in the proviso to sub-rule (1) or the Rehabilitation Finance Administration constituted under the Rehabilitation Finance Administration Act, 1948, or to an executive officer of a Local Authority as defined in the General Clauses Act, 1897, or to any officer of the Government of an Indian State, the posts of which have been amalgamated with the Imperial Post, and such officer of other Indian States, as is mentioned in the list referred to in clause (XIII) of Sub-rule (2) of Rule A in his official capacity.

Note :—"Official capacity" means that the certificates must be transferred to the Official described by the official designation such as the District Magistrate of (place) or "Dewan of (State)" etc. as the case may be. The certificates must not be transferred to the personal name of the official who will hold them as security.

(3) A person who has lodged money with a Government official as Security can authorise, or consent to, its being invested in Certificates.

(4) The value of the Security shall be:—

(*a*) The amount for which the Certificates were purchased, or

(*b*) The surrender value [See Rule J (3)] on the date on which transferred as Security if interest has accrued.

(5) The procedure for pledging Certificates shall be as follows:—

(*a*) The pledger must obtain from the officer to whom the Certificates are to be pledged written authority to pledge them to him in his official capacity as Security.

(*b*) If the pledger has not yet bought the Certificates, he shall write on the Application Form for purchase above his signature the words "Pledged to (Official designation), vide authority attached, and to be issued to him in his official capacity."

(*c*) If the pledger is already in possession of the Certificates, he must present at the Post Office the prescribed Form for Transfer (obtainable at Post Offices) applying for transfer to the officer in his official capacity. The authority referred to in clause (*a*) must be attached and the Certificates be at the same time presented.

(*d*) When the Security is to be released, the officer concerned shall give written authority to the pledger to resume possession, and shall return to him the Certificates. The pledger can then present the authority and Certificates at the Post Office, and have them transferred to his own name. [Vide Rule K(4) (*c*)]

(*e*) In the case of person who desires to pledge Certificates to the National Savings Commissioner as security in respect of his appointment as authorised agent for the sale of National Savings Certificates the authority to pledge the Certificates prescribed by Sub-rule (*a*) shall not be necessary and the procedure for pledging the Certificates shall be as follows :—

(*i*) If the pledger has not yet bought the Certificate he shall write on the application for purchase, above his signature, the words 'Pledged to the National Savings Commissioner as security in respect of my appointment as authorised agent and be issued to him in his official capacity.'

(*ii*) If the pledger is already in possession of the Certificates he shall present at the Post Office along with the Certificates the prescribed Form for Transfer (obtainable at Post Offices) applying for their transfer to the National Savings Commissioner in his official capacity. The pledger should write above his signature on this Form the words 'The Certificates are being transferred as security in respect of my appointment as authorised agent.'

(*f*) The pledge is permitted with the written consent of the pledger in this behalf to transfer the certificates to another officer belonging to the same department of the Government in his official capacity after filling in the prescribed form of transfer obtainable at Post Offices.

DBO. No. Sch. 8279/C. 96-60—18 October 1960

All scheduled banks.

Dear Sir,

TEN-YEAR TREASURY SAVINGS DEPOSIT CERTIFICATES—ENDORSEMENTS MADE UNDER OLD RULE 7-A

* * * *

* Under new Rule 7(3A) inserted in the Public Debt Rules, 1946, Treasury Savings Deposit Certificates, whether issued before or after 1st August 1960, are transferable by execution of transfer-deed and the transfers will not take effect until they have been registered with the Public Debt Office. Rule 7(3B) ibid provides that these Certificates may also be transferred to certain officials/institutions mentioned therein for the purpose of pledge or security. Before the Public Debt (Amendment) Rules 1960 came into force, *i.e.* before 1st August 1960, these Certificates were transferable by mere endorsement in favour of certain officials/institution for the purpose of pledge or security in accordance with Rule 7A of the Public Debt Rules, 1946 as it then stood.

2. Although transfers of certificates effected by means of endorsement for pledge or security before the 1st August 1960 are not invalid, it would not be possible for our Public Debt Offices to know the date of transfer, since the endorsements are not required to be dated. Hence, it will be necessary for the pledgees to satisfy the Public Debt Office that such transfers had been actually effected *before* the 1st August 1960. For this purpose, the pledgees will be required by our Public Debt Offices to furnish a declaration to that effect and also extracts from their relevant office records supporting their statement as to the date of transfer, before the pledgees' claims for payment of interest/refund value will be recognised by the Public Debt Offices. Alternatively, the pledgees may arrange for completion of a formal transfer-deed in respect of Certificates already pledged to them and send the deed and the Certificate to the local Public Debt Office for registration of transfer and issue of a fresh Certificate ; the adoption of this procedure, although not legally necessary in the case of Certificates transferred by endorsement before the 1st August 1960, would avoid delay and inconvenience at the time of payment of interest or refund value of Treasury Savings Deposit Certificates so pledged.

3. All correspondence in the matter may please be addressed to our Public Debt Offices.

Yours faithfully,
R. A. GULMOHAMED
Dy. Chief Officer

DBO. No. Sch. 1614/C. 96-62—17 February 1962

All scheduled banks.

Dear Sir,

TEN-YEAR TREASURY SAVINGS DEPOSIT CERTIFICATES—SECTION 9B(1) OF THE PUBLIC DEBT ACT, 1944

Section 9B(1) of the Public Debt Act, 1944, (copy enclosed for ready reference) provides that notwithstanding anything contained in any law for the time being in force or in any disposition, whether testamentary or otherwise, where a nomination made in the prescribed manner purports to confer on any person the right to receive payment of the amount for the time being due on a Government security on the death of the holder thereof, the nominee shall, on the death of the holder of the security, become entitled to the security and to payment thereon to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

2. Treasury Savings Deposit Certificates are sometimes transferred to a scheduled bank by way of pledge or security under Rule 7(3B) of the Public Debt Rules, 1946. Furthermore, these Certificates, as also Annuity Certificates, are accepted by banks for safe-custody from their constituents. If after pledge of the Treasury Savings Deposit Certificates and deposit of the Treasury Savings Deposit or Annuity Certificates (nomination in respect of which stands registered with the Public Debt Office) the pledger/depositor dies, the bank concerned will be faced with a difficulty in the matter of release of the Certificate. In view of the provisions of section 9B(1) ibid the certificate will require to be released to the nominee only. To avoid unnecessary hardship to the nominee and to enable the bank to release the Certificate from safe custody or pledge, it would be in the interest of the banks to adopt the following precautions at the time of accepting Treasury Savings Deposit Certificates as security for a loan and both Treasury Savings Deposit Certificates and Annuity Certificates for safe custody:

(1) The Certificate should be scrutinised to see that it bears no brand to the effect that a nomination in respect thereof has been registered with the Public Debt Office.

(2) The pledger or the person lodging the certificate for safe-custody may be required to give a declaration as to whether or not the certificate is subject to a nomination ; if so, he should also state the name/s of the nominee/s to facilitate delivery in the event of pledger/depositor dying before release of the security, and

(3) Before actually releasing the scrip to any person other than the holder (who is reported dead) the bank may check up with the Public Debt Office as to the fact of nomination.

3. As this question raises purely legal issue, you may also consult your legal advisers in the matter.

4. All correspondence in the matter may please be addressed to our Public Debt Offices.

Yours faithfully,
K. RAGHAVAN
Asstt. Chief Officer

Copy of Section 9B(1) of the Public Debt Act, 1944

Nominations by holders of Government Securities
9B. (1) Notwithstanding anything contained in any law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of a Government security, where a nomination made in the prescribed manner purports to confer on any person the right to receive payment of the amount for the time being due on the security on the death of the holder thereof, the nominee shall, on the death of the holder of the security, become entitled to the security and to payment thereon to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

DBO. No. Sch. 2448/C. 96-62—14 March 1962

All scheduled banks.

Dear Sir,

TEN-YEAR TREASURY SAVINGS DEPOSIT CERTIFICATES— ACCEPTANCE AS SECURITY AGAINST LOANS

Please refer to our circular letter DBO. No. Sch. 8279/C. 96-60 dated the 18th October 1960. Under sub-rule (3B) of Rule 7 of the Public Debt Rules, 1946 (relevant extract given on the reverse), Treasury Savings Deposit Certificates can be transferred by way of pledge or security to scheduled banks and this has already been brought to your notice in our circular referred to above.

2. The above certificates, tendered as security, can be transferred to the banks by execution of a Transfer Deed in the prescribed form. They can also be encashed (subject to adjustment of discount at specified rates) after one year from the date of original deposit and normally, therefore, there should be no difficulty for the banks to accept them as security for advances. If, however, you experience any procedural or other difficulties in this regard, you may kindly refer the matter to our Public Debt Offices.

Yours faithfully,
K. RAGHAVAN
Asstt. Chief Officer

Extract of sub-rule (3B) of Rule 7 of the Public Debt Rules, 1946.

"(3B) Notwithstanding anything contained in clause (*e*) of sub-rule (3A) but subject to the conditions specified in clauses (*a*), (*b*), (*c*) and (*d*) of that sub-rule, a Treasury Saving Deposit Certificate may be transferred by way of pledge or security to—

(*a*) a Gazetted Officer of Government in his official capacity ;

(*b*) a local authority or any officer of such local authority ;

(*c*) the Reserve Bank of India, a scheduled bank or a co-operative society including a co-operative bank ; or

(*d*) any other corporation or a Government company as defined in section 617 of the Companies Act, 1956.

Explanation.—In this sub-rule

(*a*) "local authority" means a municipal corporation, municipal committee, district board, body of Port Commissioners or other authority legally entitled to or entrusted by the Government with the control or management of a municipal or local fund ;

(*b*) "corporation" means a corporation established by or under any law for the time being in force but does not include a company or a foreign company as defined in the Companies Act, 1956."

DBO. No. Sch. 3268/C. 96-62—2 April 1962

All scheduled banks.

Dear Sir,

NATIONAL PLAN SAVINGS CERTIFICATES—SECTION 9B(1) OF THE PUBLIC DEBT ACT, 1944

Please refer to our circular letter DBO. No. Sch. 1614/C. 96-62 dated the 17th February 1962. As the statutory provisions in regard to nomination and pledging of National Plan Savings Certificates are analogous to those relating to the Treasury Savings Deposit Certificates, the procedure prescribed in our above circular for the acceptance and release of those securities lodged with the bank for safe-custody/as security will, *mutatis mutandis*, apply to National Plan Savings Certificates with the difference that before releasing the Certificate to a person other than the pledger, the pledgee may check up with the *concerned Post Office* as to the fact of nomination instead of with the concerned Public Debt Office (vide paragraph 2(3) of our above circular).

Yours faithfully,
K. RAGHAVAN
Asstt. Chief Officer

DBOD. No. Sch. BC. 71/C. 96-71—7 June 1971

All scheduled commercial banks.

Dear Sir,

ADVANCES AGAINST NATIONAL SAVINGS CERTIFICATES/POST OFFICE TIME DEPOSITS

It has been brought to our notice that some banks are not accepting the following National Savings Certificates/Post Office deposits as security for advances.

1. 7 year National Savings Certificates—II Issue	Managed by Post Offices
2. 7 year National Saving Certificates—III Issue	
3. 7 year National Savings Certificates—IV Issue	
4. 1 year Time Deposits	
5. 3 year Time Deposits	
6. 5 year Time Deposits	
7. 7 year National Savings Certificates—II Issue (Bank Series)	Managed by the State Bank of India and its Subsidiary Banks.
8. 7 year National Savings Certificates—III Issue (Bank Series)	
9. 7 year National Savings Certificates—IV Issue (Bank Series)	

In this connection, we enclose for your information extracts from the relevant rules which provide for the pledging of the above certificates/deposit accounts. Should there be any points relating to the pledge of these securities which require clarification, a reference may be made to the Deputy Director General (Savings Bank), Posts and Telegraphs, New Delhi in the case of National Savings Certificates/Time Deposits, managed by the Post Offices and to the Chief Officer (Operations) State Bank of India, Central Office,

Bombay in the case of the National Savings Certificates managed by the State Bank of India and its Subsidiary Banks.

Yours faithfully,
V. K. SYAMASUNDARAN
Dy. Chief Officer

Extracts from the Post Office Savings Certificates Rules, 1960 (which govern 7-year National Savings Certificates II and III issues managed by Post Offices)

Rule 19.

Pledging of certificates:—

(1) On an application being made in the form laid down by the Director General, Posts and Telegraphs by the transferor and the transferee, the Postmaster of the office of registration may at any time, before or after the period of its non-encashability permit the transfer of any certificate as security to—

(*a*) the President of India or Governor of a State in his official capacity;
(*b*) the Reserve Bank of India or a Scheduled bank or a Co-operative Society including a Co-operative Bank ;
(*c*) A Corporation or a Government Company; and
(*d*) A local authority.

Provided that the transfer of a certificate purchased on behalf of a minor shall not be permitted under this sub-rule unless the purchaser of the certificate certifies that the minor is alive and the transfer is for the benefit of the minor.

(2) When any certificate is transferred as security under sub-rule (1), the Postmaster of the office of registration shall make the following endorsement on the certificate, namely :

"*Transferred as security to*....."

(3) Except as otherwise provided in these rules, the transferee of a certificate under this rule shall, until it is re-transferred under sub-rule (4), be deemed to be holder of the certificate.

(4) A Certificate transferred under sub-rule (2) may, on the written authority of the pledgee be re-transferred with the previous sanction in writing of the authorised Postmaster and when any such re-transfer is made, the Postmaster of the office of registration shall make the following endorsement on the certificate, namely:

"*Re-transferred to*....."

Note: 1. The Gazetted Officer of the Government accepting certificates as security under sub-rule (1) or releasing the pledge under sub-rule (4) on behalf of the President or a State Governor shall certify that he is duly authorised under Article 299 of the Constitution vide Notification No.....dated..... .....by the Government of India in the Ministry of ...../ State Government .....to execute such instruments or deeds on behalf of the President of India/Governor of .....State.

Note: 2. An officer of the Reserve Bank of India or a Scheduled Bank or a Co-operative Society, including a Co-operative Bank, a corporation or a Government Company or a local authority, as the case may be, accepting the Certificates as security under Sub-rule (*i*) or release the pledge under sub-rule (4) on behalf of the respective institution, shall certify under his dated signature and seal of office that he is duly authorised under the articles of the said institution, to execute such instrument or deeds on its behalf.

(5) Where as a result of several endorsements made under sub-rules (2) and (4) on a certificate, no space is left for making further endorsements of a like character on that certificate a fresh certificate may be issued by the Postmaster of the office of registration in lieu of such certificate.

(6) A fresh certificate issued under sub-rule (5) shall be treated as equivalent to the certificate in lieu of which it has been issued for all the purposes of these rules.

Extracts from the National Savings Certificates (IV Issue) Rules, 1970 (which govern 7-year National Savings Certificates (IV Issue) managed by Post Offices)

Rule 15.

Pledging of Certificate:

(1) On an application being made in the form laid down by the Director General, Post and Telegraphs by the transferor and the transferee, Postmaster of the office of registration may at any time, permit the transfer of any certificate as security to—

(*a*) the President of India or Governor of a State in his official capacity;
(*b*) the Reserve Bank of India or a scheduled bank, or a Co-operative Society including a co-operative bank ;
(*c*) a corporation or a Government company; and
(*d*) a local authority :

Provided that the transfer of a certificate purchased on behalf of a minor shall not be permitted under this sub-rule unless the purchaser of the certificate certifies that the minor is alive and the transfer is for the benefit of the minor.

(2) When any certificate is transferred as security under sub-rule (1), the Postmaster of the office of registration shall make the following endorsement on the certificate, namely:—

"*Transferred as security to*....."

(3) Except as otherwise provided in these rules, the transferee of a certificate under this rule shall, until it is re-transferred under sub-rule (4), be deemed to be the holder of the certificate.

(4) A certificate transferred under sub-rule (2) may, on the written authority of the pledgee, be re-transferred with the previous sanction in writing of the authorised Postmaster and when any such re-transfer is made, the Postmaster of the office of registration shall make the following endorsement on the certificate, namely:—

"*Re-transferred to*....."

Note: 1-"A gazetted officer of the Government accepting the certificates as security under sub-rule (1)

or releasing the pledge under sub-rule (4) on behalf of the President or the Governor of a State shall certify that he is duly authorised under article 299 of the Constitution vide Notification No..... dated.....by the Government of India in the Ministry of...../State Government ..... to execute such instruments or deeds on behalf of the President of India/Governor of ..... State."

Note: 2. An Officer of the Reserve Bank of India or a scheduled bank or a co-operative society, including a co-operative bank, a corporation or a Government company or a local authority, as the case may be, accepting the certificate as security under sub-rule (1) or releasing the pledge under sub-rule (4) on behalf of the respective institution, shall certify under his dated signature and seal of office that he is duly authorised under the articles of the said institution, to execute such instruments or deeds on its behalf.

(5) Where as a result of several endorsements made under sub-rules (2) and (4) on a certificate, no space is left for making further endorsements of a like character on that certificate, a fresh certificate may be issued by the Postmaster of the office of registration in lieu of such certificate.

(6) A fresh certificate issued under sub-rule (5) shall be treated as equivalent to the certificate in lieu of which it has been issued for all the purposes of these rules.

Extracts from the Post Office (fixed deposits) (Amendment) Rules, 1970. (which govern 1 year, 3 years, 5 years Time Deposits managed by Post Offices)

Rule 14.

Pledging of accounts —

(1) On an application being made in the form laid down by the Director General, Posts and Telegraphs, by the transferor and the transferee, the Post Master of the office of registration may, at any time, during the currency of the account, permit transfer of any account as security to —

(*a*) the President of India or Governor of a State in his official capacity;

(*b*) the Reserve Bank of India or a Scheduled Bank or a Co-operative Society including a Co-operative Bank;

(*c*) a Corporation or a Government Company; and

(*d*) a local authority:

Provided that at the time of such transfer, there is not more than one deposit in the account :

Provided also that the transfer of an account opened on behalf of a minor shall not be permitted under this sub-rule unless the guardian certifies that the minor is alive and the transfer is for the benefit of the minor.

(2) When any account is transferred as security under sub-rule (1), the Post Master of the office of registration shall make in red ink the following endorsement below the entry of deposit in the pass book and also on the page where the name and address of the account holder are written, namely —

"*Transferred as security to*....."

(3) Except as otherwise provided in these rules, the transferee of an account under this shall, until it is re-transferred under sub-rule (4), be deemed to be the holder of the account.

(4) An account transferred under sub-rule (2) may, on the written authority of the pledgee, be re-transferred with the previous sanction in writing of the authorised Post Master and when any such re-transfer is made, the Post Master of the office of registration shall make the following endorsement on the pass book at the places indicated in sub-rule (2), namely —

"*Retransferred to*....."

Note: 1 — The Gazetted Officer of the Government accepting an account as security under sub-rule (1) or releasing the pledge under sub-rule (4) on behalf of the President or a Governor shall certify that he is duly authorised under article 299 of the Constitution, vide Notification No.....dated..... by the Government of India in the Ministry of..... ...../State Government..... .....to execute such instrument or deeds on behalf of the President of India/Governor of..... .....State.

Note: 2 — An officer of the Reserve Bank of India or a Scheduled Bank or a Co-operative Society, including a Co-operative Bank, or a Corporation or a Government Company or a local authority, as the case may be, accepting the account as security under sub-rule (1) and releasing the pledge under sub-rule (4) on behalf of the respective institution, shall certify under his dated signature and seal of office that he is duly authorised under the articles of the said institution to execute such instrument or deeds on its behalf.

Extracts from the Government Savings Certificates Rules 1965 (which govern 7 years National Savings Certificates (II, III and IV issues) managed by State Bank of India and its subsidiaries).

Rule 12.

Transfer by way of pledge or security —

1. Notwithstanding anything contained in clause (e) of sub-rule (1) of rule 11, but subject to the conditions specified in clauses (a), (b) and (d) of that sub-rule, a certificate may be transferred by way of pledge or security to —

(*a*) the President of India or Governor of a State in his official capacity ;

(*b*) the Reserve Bank of India or a scheduled bank, or a co-operative society including a co-operative bank;

(*c*) a corporation or a Government company; and

(*d*) a local authority.

Provided that the transfer of a certificate purchased on behalf of a minor shall be permitted only if at the time of the proposed transfer, a parent or a guardian referred to in sub-clause (1) or, as the case may be, sub-clause (ii) of clause (b) of section 5 of the Act certifies in writing that the minor is alive and that such transfer is in his or her interest.

Provided further that a gazetted officer of the Government who accepts the certificate as security under sub-rule (1) or releases the pledge under sub-rule (3) on behalf of the President or the Governor of a State shall certify that he is duly authorised under article 299 of the Constitution in pursuance of the Notification No. .....dated the..... by the Government of India in the Ministry of...../ State Government..... to execute such instruments or deeds on behalf of the President

of India/Governor of..... State. Such a certificate shall bear the signature and seal of office of the gazetted officer.

2. Until a certificate is re-transferred under sub-rule (3), the pledgee shall be deemed to be holder of the certificate.

3. A certificate transferred under sub-rule (1) may be re-transferred, even within the period of non-encashability, by registration of the transfer deed in Form IV executed by the pledgee and the pledger.

4. No new certificate shall be issued in the case of a transfer under the provision of this rule. On the registration of a transfer, the officer-in-charge of the issuing office shall make the following endorsement on the certificate, namely :—

"*Transferred as security to ..... (official designation).*"

In the event of the certificate being re-transferred to the pledger, the officer-in-charge of the issuing office shall make the following endorsement on the certificate, namely :—

"*Retransferred to.....*"

5. Where as a result of several endorsements made under sub-rule (4) on a certificate, no space is left for making further endorsements of a like character on that certificate, a fresh certificate may be issued by the officer-in-charge of the office of registration in lieu of such certificates.

6. A fresh certificate issued under sub-rule (5) shall be treated as equivalent to the certificate in lieu of which it has been issued for all the purposes of these rules.

DBO. No. Ins 642/C. 124(P)-64—20 January 1964

All scheduled and non-scheduled banks.

Dear Sir,

ADVANCES AGAINST GOLD AND GOLD ORNAMENTS

We invite a reference to**** our circular@ letter****** stressing the advisability of valuing gold and gold contents of ornaments at not more than the international rate for purposes of advances. The position in this regard has since been reviewed and it is considered that while the policy of discouraging bank advances against gold or ornaments and particularly advances which are likely to be utilised for non-productive purpose stands, it has been decided that where such advances are given the value of gold or gold ornaments may be assessed by the banks according to their own best judgment of the market and such margins thereon as are normally deemed adequate by them may be maintained.

Yours faithfully,
D. R. JOSHI
Executive Director

DBOD. No. Sch. 1140/C. 96-69—12 July 1969

All scheduled commercial banks.

Dear Sirs,

A bank has enquired of us whether a loan to finance budla transactions in silver (i.e., buying silver ready and selling forward to earn interest) would be consistent with paragraph 4@@ of the Governor's circular letter DBOD. No. Sch. 869/C. 96-69 dated the 30th May 1969. We have advised the bank that such a transaction would not be in keeping with the above letter. I am to reiterate that the banks should not allow their resources to be used to support speculative activity. In case of doubt, a reference may be made to the Reserve Bank of India.

Yours faithfully,
B. N. ADARKAR
Deputy Governor

@@PARAGRAPH 4 of GOVERNOR'S CIRCULAR LETTER DBOD. NO. SCH. 869/C. 96-69 DATED THE 30TH MAY 1969 ADDRESSED TO ALL SCHEDULED COMMERCIAL BANKS

I further indicated that in the light of the generally easy liquidity position, banks should be careful to avoid their resources being diverted to support speculative activity and they should not hesitate to apply restraints on lending in sectors which showed an unhealthy upward trend in prices. They must on the other hand pay greater attention to financing the productive sectors and widening the range of their activities to cover not only agriculture and small scale industry but also retail trade in rural areas, the self-employed, the hire-purchase of trucks, taxis and scooters and other similar activities.

@ Not included in this booklet.

DBOD. No. INS. 616 /C. 124 (P)-70—16 July 1970

All functioning commercial banks except the 14 nationalised banks.

Dear Sir,

EXEMPTION FROM QUARTERLY DECLARATIONS BY BANKS OF GOLD ORNAMENTS/ARTICLES UNDER SECTION 16 OF THE GOLD (CONTROL) ACT, 1968

We reproduce below, for information, the text of notification No. F. 1/31/70-GC. II dated the 18th May 1970 issued by the Department of Revenue and Insurance, Ministry of Finance, Government of India on the above subject.

Yours faithfully,
D. PRABHAKAR
for Chief Officer

No. F. 1/31/70-GC. II Government of India, Ministry of Finance (Department of Revenue and Insurance)

NEW DELHI, the 18th May, 1970

NOTIFICATION

S. O. 1753 — In exercise of the powers conferred by section 109 of the Gold (Control) Act, 1968 (45 of 1968), the Central Government, being of the opinion that it is necessary and expedient in the public interest so to do, hereby exempts :—

(*i*) the State Bank of India,

(*ii*) a subsidiary bank as defined in clause (*k*) of section 2 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959),

(*iii*) a banking company as defined in clause (*c*) of section 5 of the Banking Regulation Act, 1949 (10 of 1949),

from the operation of the provisions of section 16 of the Gold (Control) Act, 1968, in so far as the said section relates to the making of declarations or further declarations by such bank in relation to any article or ornament which is in its possession, custody or control as a security for any money lent or advanced by it.

Sd/- JASJIT SINGH,
Joint Secretary to the Government of India

Note : Please see amendment to the above notification sent to all functioning banks with circular No. Leg. BC. 49/C. 124 (P)-71 dated the 22nd April 1971.

DBOD. No. Leg. BC.49/C. 124 (P)-71—22 April 1971

All functioning commercial banks.

Dear Sir,

EXEMPTION FROM QUARTERLY DECLARATIONS BY BANKS OF GOLD ORNAMENTS/ARTICLES UNDER SECTION 16 OF THE GOLD (CONTROL) ACT, 1968

Please refer to our circular DBOD. No. Ins. 616/C. 124(P)-70 dated the 16th July 1970 on the above subject addressed to all commercial banks except the 14 nationalised banks. Government have now issued a notification dated the 3rd March 1971 (reproduced below) exempting nationalised banks also from filing quarterly declarations under the Gold (Control) Act, 1968.

Yours faithfully,
V. G. JAMBHEKAR
for Chief Officer

No. F. 1/31/70-GC. II Government of India, Ministry of Finance (Department of Revenue and Insurance)

NEW DELHI, the 3rd March 1971.

NOTIFICATION

In exercise of the powers conferred by section 109 of the Gold (Control) Act, 1968 (45 of 1968) the Central Government, being of the opinion that it is necessary and expedient in the public interest so to do, hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue and Insurance) S.O. No 1753 dated the 18th May 1970 namely :—

In the said notification after Serial No. (*iii*) the following shall be inserted namely :—

"(*iv*) a corresponding new bank specified in the First Schedule to the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970 (5 of 1970)."

Sd/- M. A. RANGASWAMY
Joint Secretary to the Govt. of India.

DBOD. No. EFS.2519/C.249-70—9 December 1970

All commercial banks.

Dear Sir,

ADVANCES AGAINST HYPOTHECATION OF STOCKS.

It has come to our notice recently that some of the banks in their anxiety to grant advances on an increased scale to small traders, shop-

keepers etc. had granted advances to such persons against the hypothecation of stocks without ascertaining whether they were having similar credit facilities with other banks, with the result that in a number of cases, the same stocks had been hypothecated to more than one bank. As this type of double financing is undesirable, banks in their own interest, are advised to observe the following precautions in case they are not already doing so :—

(*i*) Before sanctioning any credit limit, the bank should ensure that the applicant is not enjoying similar facilities with other banks. In case it is found that he is having any credit facilities from any other bank/banks, detailed information should be called for by the bank from those banks. As far as possible, parties should be advised to restrict their borrowings to only one bank.

(*ii*) The bank should obtain from the borrower/s written application accompanied by a declaration about the existing credit arrangements and an undertaking that the stocks will not be hypothecated to any other bank without the prior approval of the bank. The undertaking should also be incorporated in the stock statements which the borrower is required to submit to the bank periodically. The terms of sanction should, *inter alia*, stipulate that the advance will be recalled forthwith in case it is subsequently found that he has made a false statement in this regard.

(*iii*) Before granting credit facilities to the party, as also during the pendency of the advance, an officer of the bank should inspect the stocks with a view to ensuring that the same stocks have not been hypothecated to other bank/s ; he should record such information in his reports relating to his periodical inspection.

(*iv*) In case the borrower is allowed to avail himself of credit facilities against hypothecation of stocks from various banks, it should be ensured that such stocks are segregated/demarcated in different godowns/ shops and the same are properly recorded in separate stock books so as to facilitate easy verification by the bank officials.

(*v*) Unlike in the case of limited companies where a charge on the goods hypothecated by them can be registered under the provisions of the Companies Act, 1956, there is no provision for registration of charge when advances on a hypothecation basis are granted to individuals and firms, and, therefore, in such cases, it is desirable that the bank's name boards are invariably displayed at the shops/godowns where the stocks hypothecated to it are stored so that these will serve as a notice to third parties of the bank's charge.

2. We shall be glad if you will kindly review all the advances granted to individuals/ firms against hypothecation of stocks, in the light of the above, and take such steps as may be necessary in the matter to safeguard the interests of the bank.

Yours faithfully,
V. N. VINEKAR
Dy. Chief Officer

DBOD. No. Ins. BC. 32/C. 124(C)-71—16 March 1971

All commercial banks operating in the Kerala State.

Dear Sir,

JENMIKARAM PAYMENT (ABOLITION) ACT, 1960—ACCEPTANCE OF BONDS ISSUED UNDER THE ACT BY THE STATE OF KERALA AS SECURITY FOR ADVANCES

It has been brought to our notice that some of the commercial banks in the Kerala State have not been considering favourably applications for advances against the Jenmikaram Payment (Abolition) Bonds. As you may be aware, these bonds have been issued by the Government of Kerala in payment of compensation payable under the Jenmikaram Payment (Abolition) Act, 1960 and are negotiable by endorsement and delivery like other Government securities. There seems to be, therefore, no reason why banks should not grant advances against them provided other requirements such as adequate margin, etc. are complied with. We shall, therefore, be glad if you will kindly issue suitable instructions in the matter to your branches in the Kerala State.

Yours faithfully,
R. N. MAJUMDAR
Dy. Chief Officer

SECTION V (d)

COMMITMENT CHARGE

SECTION V(d)

COMMITMENT CHARGE

No. and Date	Subject
CIB. 12532/C.421-63 2-11-1963	Limits sanctioned by banks and utilisation by parties—Advice to ensure that borrowings do not exceed the foreseeable requirements of parties.
Sch. 491/C.96-70 28-3-1970	Commitment charge to be levied by banks in respect of the unutilised portion of credit limits—Circular enclosing the directive on the subject.
Sch. 777/C.96-70 16-5-1970	Levying appropriate charges on drawings in excess of limits indicated by borrowers—Exemptions in respect of certain types of credit limits from the directive on commitment charge.
Sch. 1308/C.96-70 27-8-1970	Commitment charge—Exemption—Credit limits of less than Rs. 25 lakhs in respect of banks having demand and time liabilities not exceeding Rs. 25 crores.
Sch. BC.38/C.96(AA)-71 22-3-1971	Commitment charge levied by banks—Difficulty in respect of certain borrowers to estimate their credit requirement—Change in procedure.
Sch. BC.57/C.96(AA)- 72 15-6-1972	Commitment charge—Exemptions from the directive extended to all land development banks, all State Financial Corporations including Tamilnadu Industrial Investment Corporation Ltd.

SECTION V(d)

COMMITMENT CHARGE

No. and date	Subject
Sch. BC. 62/C. 96(AA)-72 19-7-1972	Commitment charge—Clarification that the exemption from the levy of commitment charge for credit limits is applicable to all land development banks and State Financial Corporations irrespective of amount of limits sanctioned to them or their aggregate demand and time liabilities.

DBO. No. CIB.12532/C.421-63—2 November 1963

All banks eligible for advances under the Bill Market Scheme.

Dear Sir,

LIMITS SANCTIONED AND UTILISATION THEREOF

It is observed that the total credit limits sanctioned by some of the banks to their constituents are high in relation to their total resources and further that in the case of a number of them a sizable portion of the limits has remained unutilised. We shall, therefore, be glad if while sanctioning credit limits in future, you will ensure that they do not exceed the borrowers' foreseeable requirements during the season or the period for which the accommodation is required. We shall also be glad if while reviewing your advances periodically, suitable action is taken for reduction or cancellation of limits the continuation of which is no longer justified. If action on the above lines is taken, you would be in a better position to assess the requirements of your borrowers during the busy season and the limits applied for under the Bill Market Scheme would be more realistic.

2. Some of the banks, it was observed, do not maintain at the Head Office/Central Office/Principal Office, a record relating to the limits sanctioned at all their offices. As it is necessary to ensure that the total of the limits sanctioned is not disproportionate to the resources of a bank, we suggest that a suitable record for this purpose be maintained, if this is not already being done.

Yours faithfully,
D. R. JOSHI
Executive Director

DBOD. Sch. 491/C.96-70—28 March 1970

All scheduled commercial banks.

Dear Sirs,

The Reserve Bank of India has been considering for some time the question of commercial banks levying a commitment charge on the unutilised portion of credit limits sanctioned by them. The object of this measure is to bring about a greater degree of discipline on the part of the borrowers in estimating their credit requirements and to assist in a more rational allocation of credit. It has accordingly been decided that banks should levy a commitment charge at the rate of 1 per cent per annum in respect of the unutilised portion of the credit limits from April 1, 1970. In the calculation of the unutilised limit, the borrower's own indication of his credit requirements in any quarter will serve as the basis. Thus in respect of advances which have a seasonal character though the limits sanctioned once a year may be related to the peak level of requirement, the borrower will be expected to indicate to the bank his requirement of limits (within the annual limits) of credit in any quarter and the degree of utilisation will be calculated with respect to such indication of quarterly requirement. Further, credit limits of less than Rs. 10 lakhs will not be subject to the commitment charge.

2. It is the intention of the Reserve Bank that the commitment charge should also be made applicable to existing credit limits. If a bank anticipates any legal difficulty in levying this charge in terms of any existing contract, it may, if necessary, recall the loan or advance (being on a demand basis) and renegotiate the limit to provide for the levy of the commitment charge.

3. The text of the directive issued in this connection is attached.

Yours faithfully,
R. K. HAZARI
Deputy Governor

DBOD. No. Sch. 492/C. 96-70 — 28 March 1970.

In exercise of the powers conferred by Section 21 of the Banking Regulation Act, 1949, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest to do so, hereby directs that every scheduled commercial bank shall levy a commitment charge on unutilised portion of the credit limits at the rate of 1 per cent per annum from April 1, 1970.

Explanation

The charge shall be calculated on the unutilised portion of the credit limit which shall be the difference between the amount indicated by the borrower as the maximum

extent during any quarter† to which he will utilise the limit and the average over the said quarter of the credit limit actually utilised by him.

*Exemptions**

The commitment charge shall not apply to :—

(*a*) credit limits of less than Rs. 10 lakhs in each account ;

(b) credit limits granted to the Food Corporation of India, State Governments and their authorised agencies for the purpose of food procurement/ storage/distribution operations ; and

(*c*) credit limits sanctioned in respect of bills purchased and discounted (inland and export bills) advances against such bills taken for collection, and letters of credit and packing credits for exports.

R. K. HAZARI
Deputy Governor

DBOD. No. Sch. 777/C.96-70—16 May 1970

All scheduled commercial banks.

Dear Sirs,

Please refer to our letter DBOD. No. Sch. 491/C.96-70 and the directive DBOD. No. Sch. 492/C.96-70 dated March 28, 1970, whereby the scheduled commercial banks were directed to levy a commitment charge on the unutilised portion of the credit limits sanctioned by them at the rate of 1 per cent per annum. It may be recalled that the commitment charge is to be calculated on the unutilised portion of the credit limit, which would be the difference between the maximum amount indicated by the borrower which he would draw during any quarter in which he will utilise the limit and the average over the said quarter of the credit limit actually utilised by him. It has since been brought to our notice that there have been cases where borrowers are inclined to underestimate their quarterly drawings and consistently draw more than this indicated maximum amount for any quarter, thereby avoiding the liability to pay the charge as per the provisions of the directive. In cases where the indicated quarterly limits are exceeded, banks are free to take such action as they deem necessary in the matter of accommodating parties drawing in excess of such limits and in levying appropriate charges on such excess drawing.

2. It was indicated in the directive that commitment charges would not apply to certain categories of credit limits. In addition to these, the following credit limits are also being exempted from the provisions of the directive :—

(*i*) Credit limits granted to the State Trading Corporation for the purpose of storage/distribution of soyabean oil and sunflower oil ;

(*ii*) Credit limits sanctioned in respect of all types of export finance including advances against duty draw-backs and cash incentives, etc. in respect of exports, due from Government or other appropriate authorities;

(*iii*) Credit limits sanctioned for import of goods under letters of credit or otherwise, in respect of import bills and trust receipt facilities for release of import documents, clearance and disposal of covered merchandise within the specified period.

Yours faithfully,
R. K. HAZARI
Deputy Governor

DBOD. No. Sch. 1308/C.96-70—27 August 1970

All scheduled commercial banks.

Dear Sirs,

COMMITMENT CHARGE

Please refer to our circular letter DBOD. No. Sch. 491/C. 96-70 and the directive DBOD No. Sch. 492/C. 96-70 dated March 28, 1970 and our subsequent circular letter DBOD. No. Sch. 777/C. 96-70 dated May 16, 1970 regarding the levy of commitment

† With effect from 1st April 1971 banks could permit borrowers to indicate their maximum credit requirements on a monthly basis if requested for by the borrowers — Vide circular No. Sch. BC. 38/C. 96(AA)-71 dated 22nd March 1971.

* Please see circulars Nos. Sch. 777 and 1308/C. 96-70 dated the 16th May and 27th August 1970 respectively and No. Sch. BC. 57/C. 96(AA)-72 dated the 15th June 1972 indicating further exemptions.

charge on the unutilised portion of the credit limits sanctioned by scheduled commercial banks at the rate of 1 per cent per annum. In terms of Exemption (*a*) in the above directive, commitment charge shall not apply to credit limits of less than Rs. 10 lakhs in each account. The Reserve Bank has now decided that credit limits upto Rs. 25 lakhs granted by scheduled commercial banks to other banking institutions and co-operative banks having aggregate demand and time liabilities not exceeding Rs. 25 crores shall be exempted from the levy of commitment charge.

Yours faithfully,
R. K. HAZARI
Deputy Governor

DBOD. Sch. BC.38/C.96(AA)-71—22 March 1971

All scheduled commercial banks.

Dear Sir,

Please refer to our letter No. DBOD. Sch. 491/C. 96-70 dated March 28, 1970 enclosing the directive on Commitment Charge and our letter DBOD. No. Sch. 777/C. 96-70 dated May 16, 1970.

2. At present, the commitment charge is calculated on the unutilised portion of the credit limit, which would be the difference between the maximum limit of utilisation indicated by the borrower and the actual average amount utilised by him during a quarter. It has been represented to us that this requirement causes some hardship to certain categories of borrowers who experience difficulty in estimating their maximum credit limits for a quarter at a time and that some flexibility should, therefore, be introduced in this procedure. It has, therefore, been decided that such of the borrowers as may be experiencing difficulty in this regard may be permitted to indicate to the bank their maximum credit requirements on a monthly basis instead of on a quarterly basis. This relaxation may be allowed on specific requests from the borrowers. It has also been decided that no commitment charge should be levied by the bank, if the average monthly/quarterly utilisation does not fall short of 95% of the maximum monthly/quarterly requirements indicated by borrowers. However, banks are allowed to continue the present practice of excluding the drawals by parties in excess of their indicated limits, for the purpose of calculation of the average utilisation for the month or for the quarter as the case may be.

3. It may be recalled that in our letter of May 16, 1970, we had advised banks to take such action as they deemed necessary in the matter of accommodating parties drawing in excess of indicated limits and in levying appropriate charges on such excess drawings. In order to bring about uniformity in the procedure for charging penal rates on such excess drawings, it has been decided that no charge should be levied in cases where the drawings by the parties exceeded the indicated limits by not more than 5 per cent for a period not exceeding one week.

4. The changes in the procedures indicated herein will be effective from the 1st April 1971.

Yours faithfully,
R. K. HAZARI
Deputy Governor

DBOD. No. Sch. BC. 57/C.96(AA)-72—15 June 1972

All scheduled commercial banks.

Dear Sirs,

COMMITMENT CHARGE

Please refer to our letter DBOD. No. Sch. 1308/C. 96-70 dated the 27th August 1970. It has now been decided that the exemption from commitment charge for credit limits would also apply to all land development banks and all State Financial Corporations including the Tamil Nadu Industrial Investment Corporation Ltd.

Yours faithfully,
M. L. GOGTAY
Chief Officer

DBOD. No. Sch. BC. 62 /C.96(AA)-72— 19 July 1972

All scheduled commercial banks

Dear Sir,

COMMITMENT CHARGE

Please refer to our circular letter DBOD. No. Sch. BC. 57/C. 96(AA) -72 dated the 15th June 1972@ on the above subject. In this connection, we have to advise that the exemption from the levy of commitment charge for credit limits is applicable to the institutions referred to in our above circular *irrespective* of the amount of the credit limit sanctioned to them *or* the amount of aggregate demand and time liabilities of such institutions.

Yours faithfully,
D. GUPTA
Dy. Chief Officer.

@ Plese see page 3 of this Section.

SECTION V (e)

UNSECURED ADVANCES

SECTION V(e)

UNSECURED ADVANCES

No. and Date	Subject
Cre. 8218/C. 218(K)-64 2-7-1964	Clean advances—Advice to banks to discontinue the practice of extending financial accommodation to joint stock companies by placing fixed deposits with them.
EFS. 1018/C. 249-68 11-6-1968	Unsecured advances to artisans, other professionals, retailers, small businessmen, small agriculturists and individuals—Advice to banks not to deny the facilities if satisfied about the integrity of the borrowers, their ability to utilise for genuine purposes, etc.

DBO. No. Cre. 8218/C.218(K)-64—2 July 1964

All scheduled banks.

Dear Sir,

CLEAN ADVANCES

It is observed that some banks have been extending financial accommodation to joint stock companies by placing fixed deposits with them. The above practice seems to result in the granting of clean advances without banks applying the usual lending considerations in the matter of the grant of clean loans. This practice also leads to an anomalous position in that while such transactions virtually constitute clean advances of the bank and are shown as such in their balance sheets and other returns, the documents held thereagainst comprise deposit receipts only and not the usual loan documents. Clean advances should be made only after proper processing of loan applications keeping in view the normal banking considerations and sufficient information in respect of such loans should be available with the banks to facilitate the review of such advances by the Reserve Bank inspecting officers. As the procedure for placing deposits with companies does not provide for these requirements, it is considered that the practice of placing deposits with companies should be discontinued.

Yours faithfully,
M. S. NADKARNI
Chief Officer

DBOD. No. EFS.1018/C.249-68—11 June 1968

All scheduled commercial banks.

Dear Sir,

UNSECURED ADVANCES

It is understood that some banks are still reluctant to entertain requests for unsecured advances from artisans, other professionals, retailers, small businessmen, small agriculturists, and from individuals for meeting educational expenses or for other socially desirable purposes. Although from the standpoint of profitability such loans may not be attractive, you will appreciate that denial of credit facilities in deserving cases in these categories will not be in consonance with the social objectives of banking. Banks should be prepared to grant unsecured advances to deserving borrowers of small means, where they are satisfied about the integrity of the borrower, his ability to utilise the advance in a genuine productive, service or trading enterprise so as to generate surpluses to repay the loan or are otherwise assured about the safety of the funds lent and their repayment within a short period. Banks may evolve schemes to ensure that applications for such loans are properly screened and evaluated, proper safeguards are maintained and the bank's total commitments in respect of such loans are kept within reasonable limits. For the purpose of the regulatory norm for unsecured advances, several categories of advances have already been exempted by us and it is, therefore, felt that it should not normally be difficult for banks to accommodate the above types of borrowers within the permissible norm. Should, however, for any reason any particular bank find that such requests cannot be entertained without exceeding the norm, it may approach the Reserve Bank for necessary relaxation indicating the types of cases where it wishes to extend unsecured credit and to what extent.

Yours faithfully,
A R. THANAWALA
Chief Officer

SECTION V (f)

UNSECURED GUARANTEES

SECTION V (f)

UNSECURED GUARANTEES

No. and Date	Subject
Sch. 666/C.96Z-67 3-5-1967	Guidelines and norms for guarantee business undertaken by banks.
Sch. 1069/C.96Z-67 11-7-67	Guarantee business of banks—Guidelines—Clarification—Counter guarantees backed by adequate tangible securities will be secured guarantees.

SECTION V(f)

UNSECURED GUARANTEES

No. and data	Subject
Sch. BC. 68/C. 109-72 31-7-1972	Bank Guarantee Scheme—Revision made by Government of India in the Scheme.

DBOD. No. Sch. 666/C.96Z-67—3 May 1967

All scheduled commercial banks.

Dear Sirs,

In recent years there has been a rapid growth in the amount of guarantees executed by commercial banks on behalf of their constituents. At the end of September 1965, such guarantees of the 21 large banks operating in India amounted to Rs. 412 crores or 60 per cent more than in September 1962. Of this, guarantees executed in favour of Government and other public authorities in India amounted to Rs. 171 crores while guarantees to foreign sellers in respect of imports on deferred payments basis accounted for Rs. 154 crores (a figure which would now need an upward revision on account of devaluation). This growth in guarantee business has occurred both in absolute terms and, more importantly, in relation to the growth of banks' overall resources. The outstanding guarantees in September 1965 of the 21 banks referred to above amounted to 17 per cent of their deposit liabilities and, in respect of 18 Indian banks covered, to over five times the total of their capital funds. The guarantees executed by banks comprise both performance guarantees and financial guarantees ; guarantees also show wide variety in terms of security, maturity and purpose.

2. With a view to assessing the implications for the banking system of this increase in the guarantee business and examining the need for regulation in this respect, I had appointed an Informal Advisory Committee, sometime ago, consisting of Sarvashri B. N. Adarkar (Deputy Governor, Reserve Bank of India), C. H. Bhabha (Vice-Chairman, Central Bank of India), R. N. Chettur (Managing Director, State Bank of India), B. K. Dutt (Managing Director, United Bank of India), T. D. Kansara (General Manager, Bank of India), K. M. Nanjappa (General Manager, Indian Overseas Bank), R. L. Tuli (since replaced by S. C. Trikha, General Manager, Punjab National Bank) and D. R. Joshi (since replaced by M. Narasimham, Deputy Economic Adviser, Reserve Bank of India). This Committee has now submitted its unanimous Report to me.

3. The Committee has discussed the various types of guarantee business and has provided factual information on the growth of guarantees executed by commercial banks with details regarding purpose, maturity, security and the rates charged. The Committee refers to the circumstances that have led to the increasing magnitude of guarantees, namely, the growth of investment activity, the growing volume of Governments' commercial transactions, the larger role of the public sector in infrastructural investment and expansion of industrial capacity with imported machinery obtained on the basis of suppliers' credit. The Committee is of the opinion that as an important criterion for judging the soundness of a banking institution is the size and character, not only of its assets portfolio but also, of its contingent liability commitments, it is necessary to evolve guidelines on the extent to which banks may, with due regard to the safety of their depositors' interests, undertake this business. The guidelines, according to the Committee, should take into account the varying degrees of risk in guarantee business and provide for a measure of selectivity. The guidelines have, therefore, been evolved by the Committee with reference to the purpose of the guarantee, the period of maturity, the security offered and the distribution of risk. The Reserve Bank has accepted the Committee's suggestions and enjoins on commercial banks that they should follow the guidelines suggested by the Committee in the conduct of their guarantee business. The guidelines are indicated below :

4. (*i*) As regards the *purpose* of the guarantee, commercial banks should, as a general rule, limit themselves to the provision of financial guarantees and exercise due caution with regard to their performance guarantee business.

(*ii*) As regards *maturity*, as a rule, it would be advisable for banks to guarantee shorter maturities and leave longer maturities to be guaranteed by other institutions. No bank guarantee should normally have a maturity of more than 10 years.

(*iii*) As regards *security*, banks should limit their commitments by way of unsecured guarantees in such manner that 20 per cent of a bank's outstanding unsecured guarantees plus the total of its outstanding unsecured

advances should not exceed 15 per cent of its total outstanding advances. Banks are expected to conform to this norm* within a period of twelve months.

(*iv*) For the purpose of conforming to the above norm, guarantees covered by counter-guarantees of the Central Government and the State Governments, public sector financial institutions and insurance companies will be regarded as secured guarantees ; however, in respect of deferred payment guarantees banks are advised that such guarantees should be backed by adequate tangible security or by counter-guarantees of the Central Government or the State Governments or public sector financial institutions, or by counter-guarantees of insurance companies or other banks provided the counter-guarantees of insurance companies and banks are themselves backed by adequate tangible security. In exceptional cases, banks may give deferred payment guarantees on an unsecured basis for modest amounts to first class customers who have entered into deferred payment arrangements in consonance with Government policy, but such unsecured guarantees should be accommodated within the limits suggested in paragraph 4(*iii*) above.

(*v*) As regards the total volume of guarantee business of individual banks, each bank should so restrict its credit and/or guarantee commitments as to allow sufficient scope for a contingent rise in its credit-deposits ratio to take place without impairment of its liquidity. The Reserve Bank will review individual bank's performance in this regard in the course of its annual inspection.

(*vi*) Banks should, as a rule, avoid giving unsecured guarantees in large amounts and for medium and long terms and should avoid undue concentration of guarantee commitments to particular groups of customers and/or trades.†

(*vii*) Unsecured guarantees on account of any individual constituent should be limited to a reasonable proportion of a bank's total unsecured guarantees. Guarantees executed on behalf of any individual constituent should bear a reasonable proportion to the constituent's equity.

5. The Reserve Bank believes that if commercial banks follow the broad guidelines set out above, they will be able to continue rendering this valuable service to Indian trade and industry without incurring undue risks in regard to the safety or liquidity of their funds. It is essential that banks, like all other agencies concerned, should realise that guarantees contain inherent risks and that it would not be in their interest or in the public interest generally, to encourage parties to over-extend their commitments and embark upon enterprises solely relying on the easy availability of guarantee facilities.

Yours faithfully,
P. C. BHATTACHARYA
Governor

DBOD. No. Sch. 1069/C.96Z-67—11 July 1967

All scheduled commercial banks.

Dear Sirs,

Please refer to the governor's circular letter to scheduled commercial banks DBOD. No. Sch. 666/C. 96Z-67 dated May 3, 1967.

2. On a further consideration of the matter, the Reserve Bank would like to modify slightly the guidelines contained in paragraph 4(*iv*) of the above letter so that counter-guarantees by commercial banks which themselves are backed by adequate tangible securities will be treated as secured guarantees not only for purposes of deferred payment guarantees but in respect of all guarantees.

3. Further, the guideline contained in paragraph 4(*vi*) may be amended to read as follows :—

'(*vi*) Banks should, as a rule, avoid giving unsecured guarantees in large amounts and for medium and long terms and should avoid undue concentration of such unsecured guarantee commitments to particular groups of customers and/or trades.'

Yours faithfully,
B. N. ADARKAR
Deputy Governor

* The types of unsecured advances and unsecured guarantees which need not be taken into account for the computation of the above norm are enumerated in the note appearing at the beginning of Section V(*g*).

† This sub-paragraph has been amended by circular DBOD No. Sch. 1069/C.96Z-67 dated the 11th July 1967.

DBOD. No. Sch. BC. 68/C. 109-72
31 July 1972

All scheduled commercial banks:

Dear Sirs,

BANK GUARANTEE SCHEME

As you are aware, the Bank Guarantee Scheme formulated by the Government of India for the issuance of bank guarantees in favour of Central Government Departments, in lieu of security deposits, etc. by contractors has, in its present form, been in vogue since 1955. Most of the State Governments and a number of autonomous bodies/institutions have also adopted the scheme. Following a review of the working of the scheme recently by the Government of India, in consultation with the Reserve Bank, it has been decided that the scheme may be modified as explained below. A copy of the Office Memorandum No. F. 9(5)-BC/67 dated the 29th June, 1972 issued by the Government of India in this connection is enclosed for your information.

2. It will be observed from the above Office Memorandum that the Bank Guarantee Scheme, in its present form, will be discontinued and effective from the *1st September 1972*, the revised scheme will be adopted by the Railways and other Central Government Departments. We have also advised all State Governments and autonomous bodies, which have adopted the existing Bank Guarantee Scheme, about the revision made by the Government of India in the scheme and to adopt the revised scheme, if they so desire, for the issuance of bank guarantees, etc. in their favour.

3. The following are the material changes as per the revised scheme :—

(*a*) There will no longer be any distinction between 'approved' and 'unapproved' banks on the basis of which the former are assigned certain limits up to which they could issue guarantees and the latter are required to lodge cash/Government securities as cover for the guarantees. The question of accepting cash/Government securities from scheduled commercial banks by the Reserve Bank will not, therefore, arise in future.

(*b*) In view of (*a*) above, it will be open to Government Departments to accept freely guarantees, etc. from *all scheduled commercial banks*.

(*c*) From the 1st September 1972, the present system of issuing confirmatory advices by the Reserve Bank in respect of guarantees, etc. issued by scheduled commercial banks in favour of Government Departments will be discontinued.

4. In this connection a reference is invited to the Governor's circular letter DBOD. No. Sch. 666/C. 96Z-67 dated 3rd May, 1967@ to all scheduled commercial banks, advising them to limit their commitments by way of unsecured guarantees in such a manner *that 20 per cent of a bank's outstanding unsecured guarantees plus the total of its outstanding unsecured advances should not exceed 15 per cent of its total outstanding advances*. We have to advise that the modification now made in the Bank Guarantee Scheme, by which scheduled commercial banks are authorised to furnish guarantees, irrespective of any limit, is, however, subject to their strictly conforming to the above norm. In future, therefore, whenever a bank furnishes an unsecured guarantee, whether to a Government Department or to an autonomous body or to any other private party, it should ensure that it conforms to the norm of 15 per cent referred to above. It may also be noted that when any bank reaches a stage where it is likely to exceed the norm, it should not undertake any further commitment on account of guarantees, but should advise the applicant to approach some other scheduled commercial bank for the purpose. Suitable arrangements may please be made to keep a watch from time to time about the outstanding guarantees of your bank so as to ensure that it does not exceed the norm. Further, we have to advise that it will be necessary for your bank to prepare periodically, (say once a quarter) a statement of *all* outstanding unsecured guarantees and outstanding unsecured advances (excluding the exempted categories) and indicating what percentage they constitute to the bank's total outstanding advances and place it before the

@ This circular appears at page 1 of this Section.

bank's Board of Directors for its information. A copy of such a statement prepared as at the end of December every year should also be submitted by your bank to our regional office to which the returns under the Banking Regulation Act, 1949 are submitted by it.

5. With regard to cash/Government securities already deposited with the Reserve Bank by scheduled commercial banks as cover for guarantees, etc. issued by them, as these are earmarked against particular guarantees, they will be returned to you as and when the liability under the relative guarantee is extinguished.

Yours faithfully,
R. N. MAJUMDAR
Dy. Chief Officer

NO. F. 9(5)-BC/67.
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF BANKING)

Jeevan Deep Building,
Parliament Street,
NEW DELHI.
Dated the 29th June, 1972.

OFFICE MEMORANDUM

Subject : Guarantees offered by banks to Railways and other Government Departments regarding the payment of freight, implementation of Government contracts, etc.

The revised Bank Guarantee Scheme introduced in terms of this Ministry's Office Memorandum No. 7(27)-FI/54 dated the 25th February, 1955 covering all scheduled banks, has been allowed to remain in force until further orders, *vide* this Ministry's Office Memorandum No. F. 7(136)-FI/55 dated the 8th February, 1956.

The requirements to be complied with by (*a*) scheduled commercial banks which tender guarantees, etc. and (*b*) the Government Departments which accept such guarantees etc., under the existing Bank Guarantee Scheme, have been clarified in this Ministry's Office Memorandum No. F. 7(27)-FI/54 dated the 17th May, 1955. Following a review of the working of the Scheme recently by Government in consultation with the Reserve Bank of India, it has been decided to do away with all the said requirements. Accordingly, in future, Government Departments may freely accept guarantees from *all scheduled commercial banks* without observing any of the formalities contained in the Office Memorandum of the 17th May, 1955, referred to above.

The above arrangement will take effect from 1st September, 1972 ; from the said date, Reserve Bank of India will not issue any confirmatory advices in respect of guarantees, etc. issued by scheduled commercial banks in favour of Government Departments, nor will it, from that date, accept from scheduled commercial banks cash/Government Securities as cover for guarantees issued by them to Government Departments.

Sd/- K. YESURATNAM
Under Secretary to the Government of India

SECTION V (g)

TYPES OF UNSECURED ADVANCES AND UNSECURED GUARANTEES WHICH NEED NOT BE TAKEN INTO ACCOUNT IN COMPUTING THE NORM RELATING TO UNSECURED ADVANCES/GUARANTEES

SECTION · V(g)

TYPES OF UNSECURED ADVANCES AND UNSECURED GUARANTEES WHICH NEED NOT BE TAKEN INTO ACCOUNT IN COMPUTING THE NORM RELATING TO UNSECURED ADVANCES/GUARANTEES

No. and Date	Subject
	Note on the norm relating to unsecured advances and unsecured guarantees.
Sch. 1288/C. 96Z-67 17-8-1967	Guarantees issued by branches of foreign banks in India on behalf of their Head Office will not be taken into account for the purpose of the norm.
Sch. 1296/C. 96Z-67 21-8-1967	Guarantees counterguaranteed by another bank need not be taken into account for the purpose of the norm.
Sch. 1693/C. 96S-67 8-11-1967	Types of unsecured advances/guarantees to be excluded from the total of unsecured advances for computing the norm.
Sch. 1794/C. 96Z-67 29-11-1967	Bid bonds and guarantees executed by banks in respect of contracts secured by Indian firms in foreign countries and guarantees relating to exports not to be taken into account for the purpose of the norm.
Sch. 1850/C. 96Z-67 7-12-1967	Guarantees in respect of which ECGC would be issuing Export Performance Guarantee need not be taken into account for the purpose of norm.
Sch. 68/C. 96(S)-68 12-1-1968	Unsecured advances granted by the branches of foreign banks in India backed by guarantees of their Head Office—Not to be taken into account for the purpose of the norm.
Sch. 359/C. 96S-68 7-3-1968	Inland D/A bills having a usance of 90 days excluded for the purpose of norm. Position to be reviewed after a year.
Sch. 421/C. 96(S)-68 19-3-1968	Advances against supply bills drawn on Central/State Governments accompanied by receipted challans excluded for the purpose of the norm.
Sch. 481/C. 96S-68 30-3-1968	Advances against supply bills drawn on State owned undertakings accompanied by authorised inspection notes or receipted challans excluded for the purpose of the norm.
Sch. 2342/C. 96S-68 8-8-1968	Advances against book debts which are not outstanding for more than 6 months and are due by companies may be excluded for the purpose of norm.
Sch. 2381/C. 96Z-68 14-8-1968	Performance guarantees executed by banks on behalf of small scale industries may be excluded for the purpose of the norm.
Sch. 1001/C. 96Z-69 23-6-1969	Certain guarantees issued on behalf of construction contractors need not be included for the purpose of the norm.

No. and Date	Subject
Sch. 1051/C. 96(S)-69 1-7-1969	Unsecured advances made to exporters in respect of export made on consignment basis—To be excluded for the purpose of the norm.
Sch. 1610/C. 96(S)-70 23-10-1970	Continuance for one more year of the exemption of inland D/A bills having usance not exceeding 90 days for the purpose of the norm. Bills eligible for rediscount with Reserve Bank under its Bills Rediscounting Scheme also excluded for the purpose of the norm.
Sch. BC. 27/C. 96(S)-72 24-3-1972	Continuance until further advice of the exemption of inland D/A bills having usance not exceeding 90 days for the purpose of the norm.

SECTION V(g)

TYPES OF UNSECURED ADVANCES AND UNSECURED GUARANTEES WHICH NEED NOT BE TAKEN INTO ACCOUNT IN COMPUTING THE NORM RELATING TO UNSECURED ADVANCES/GUARANTEES

No. and Date	Subject
BM. BC. 81/C. 297(P)-72 14-9-1972	Bid Bonds and Performance Guarantees—Banks to adopt a flexible approach in the matter of cover for these guarantees.
Sch. BC. 88/C. 96(S)-72 10-10-1972	Unsecured advances guaranteed by the Credit Guarantee Corporation of India Ltd. may not be taken into account in computing the norm.

NOTE EXPLAINING THE NORM RELATING TO UNSECURED ADVANCES AND UNSECURED GUARANTEES AND TYPES OF SUCH ADVANCES/GUARANTEES WHICH NEED NOT BE TAKEN INTO ACCOUNT IN THE COMPUTATION OF THE NORM.

With a view to assessing the implications for the banking system of the rapid growth in the business of guarantees undertaken by commercial banks, both in relation to their amount and variety, it was felt necessary to examine the need for some regulation in this respect. An Informal Advisory Committee, appointed for the purpose by the Governor of Reserve Bank, considered the matter, and it suggested certain guidelines on the extent to which banks may, with due regard to the safety of their depositors' interests, undertake guarantee business. The Committee was of the view that banks should limit their commitments by way of unsecured guarantees in such manner that 20% of a bank's outstanding unsecured guarantees plus the total of its outstanding unsecured advances should not exceed 15% of its total outstanding advances. The recommendations of the Group, on their acceptance by the Reserve Bank, were circulated to banks in May 1967 for their guidance [vide circular DBOD. No. Sch. 666/C. 96Z-67 dated the 3rd May 1967 included in Section V(f)].

In July 1967, a Working Group appointed by the Reserve Bank to evolve uniform concepts in the matter of unsecured advances looked into the various aspects of the question and suggested that certain types of the advances might be excluded from the total of unsecured advances for the purpose of the norm relating to unsecured advances and guarantees. The exemptions were suggested, as the Committee felt that such exemptions were necessary so that banks might not be inhibited from extending certain types of credit. The various suggestions in this regard and the cases where unsecured advances/unsecured guarantees need not be taken into account for arriving at the abovesaid norm were also circulated by the Reserve Bank to banks in November 1967 and from time to time. (The relative circulars are included in this Section). At present, the types of unsecured advances/unsecured guarantees which are excluded from the total of a bank's unsecured advances and guarantees for the purpose of this norm are as under :—

(*i*) Guarantees issued by the branches of foreign banks in India on behalf of their Head Offices.

(*ii*) Guarantees counter-guaranteed by another bank.

(*iii*) Advances backed by guarantees of the Central Government, State Governments, public sector financial institutions, insurance companies, banks and, in respect of credit to small industries, the Credit Guarantee Organisation. However, guarantees furnished by insurance companies in connection with deferred payment arrangements should themselves be backed by adequate tangible security.

(*iv*) Advances against supply bills drawn on the Central Government and State Governments, which are accompanied by duly authorised inspection notes and provided the bank holds an irrevocable power of attorney registered with the concerned authorities.

(*v*) Advances in the form of packing credits for exports.

(*vi*) Advances against trust receipts.

(*vii*) Advances against Export D/A bills.

(*viii*) Advances against inland D/A bills drawn under letters of credit.

(*ix*) Advances against bills drawn for machinery supplied on deferred payment terms which have been accepted by the purchaser's bank and advances to finance sales on hire purchase or deferred payment terms of machinery and equipment for agriculture, dairy, farming and fishing as well as trucks/commercial vehicles.

(*x*) Cheques and D/Ds purchased.

(*xi*) Advances against truck/lorry receipts issued by operators approved by the Indian Banks' Association.

(*xii*) Advances against deferred receivables such as excise drawbacks, cash subsidies to exporters and dividends receivable from the Coffee Pool, provided

the amounts are due from Government or under export promotion schemes or commodity marketing schemes approved by Government, and advances to exporters for payment of export duty.

(*xiii*) Advances to farmers against hypothecation of crops.

(*xiv*) Bad and doubtful debts fully provided for.

(*xv*) The secured portion of a partly secured advance.

(*xvi*) Bid bonds and guarantees executed by banks in respect of contracts secured by Indian firms in foreign countries.

(*xvii*) Guarantees relating to exports.

(*xviii*) Guarantees in respect of which Export Credit Guarantee Corporation would be issuing its Export Performance Guarantee.

(*xix*) Unsecured advances granted by the branches of foreign banks in India backed by the guarantees of their Head Offices.

(*xx*) Inland D/A bills (even where such bills are not drawn under letters of credit) having a usance of not exceeding 90 days.

(*xxi*) Advances against supply bills drawn on Central and State Governments which are accompanied by receipted challans provided the bank holds an irrevocable power of attorney registered with the concerned authorities.

(*xxii*) Advances against supply bills drawn on state owned undertakings, which are accompanied by duly authorised inspection notes or receipted challans, provided the bank holds an irrevocable power of attorney registered with the concerned authorities.

(*xxiii*) Advances against book debts which are not outstanding for more than six months and are due by companies.

(*xxiv*) Performance guarantees executed by banks on behalf of small scale industries.

(*xxv*) Following types of Guarantees given by banks to Government Departments on behalf of contractors in the construction industry:

(*a*) guarantees issued in lieu of earnest money at the time of submission of tenders, provided the tenders are rejected and the rejection is supported by a note issued by Government Department concerned;

(*b*) performance guarantees issued on behalf of contractors, provided the contractors produce a certificate from the appropriate authority that the contracts have been fulfilled by them satisfactorily.

(*xxvi*) Unsecured advances made to exporters in respect of exports made on consignment basis, where the consignees give an undertaking to remit the sale proceeds or return the goods direct to the bank.

(*xxvii*) Bills eligible for rediscount with Reserve Bank of India under Bills Rediscounting Scheme under section 17(2) (*a*) of Reserve Bank of India Act.

DBOD. No. Sch. 1288/C. 96Z-67—17 August 1967

All foreign banks in India.

Dear Sirs,

Please refer to the Governor's circular letter DBOD. No. Sch. 666/C.96Z-67* dated May 3, 1967 to all scheduled commercial banks.

2. It has been decided that guarantees issued by the branches of foreign banks in India on behalf of their Head Offices may not be taken into account for the purpose of the norm suggested in paragraph 4(*iii*) of the above letter.

Yours faithfully,
B. N. ADARKAR
Deputy Governor

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* This circular is included in Section V(f).

DBOD. No. Sch.1296/C.96Z-67—21 August 1967

All scheduled commercial banks.

Dear Sirs,

BANK GUARANTEES

Please refer to the Governor's circular letter DBOD. No. Sch. 666/C.96Z-67 dated the 3rd May 1967.

2. It has been decided that a guarantee counter-guaranteed by another bank need not be taken into account for the purpose of the norm of 15 per cent suggested in sub-paragraph (*iii*) of paragraph 4 of the above letter. It may be recalled that in this sub-paragraph, banks were advised to limit their commitments by way of unsecured guarantees in such a manner that 20 per cent of a bank's outstanding unsecured guarantees plus the total of its outstanding unsecured advances should not exceed 1.5 per cent of its total outstanding advances.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(*Banking Operations*)

DBOD. No. Sch.1693/C.96S-67—8 November 1967

All scheduled commercial banks.

Dear Sirs,

The Reserve Bank of India has been considering for some time the question of definition and classification of unsecured advances in view of the difference in practices of various banks in this regard. Accordingly, in July 1967 the Governor of the Reserve Bank constituted a Working Group to look into this question and to evolve uniform concepts in the matter of unsecured advances with particular reference to the present regulations governing unsecured advances.

2. The Working Group has recommended that for the purposes of the norms relating to unsecured advances and guarantees, certain types of unsecured advances may be excluded from total of unsecured advances. After a careful consideration of the Working Group's recommendations, the Reserve Bank of India has decided that while applying the norms relating to unsecured advances and guarantees indicated in the Bank's letter DBOD. No. Sch 666/C.96Z-67 dated May 3, 1967 the following types of unsecured advances should be excluded from the total of unsecured advances.

(*i*) Advances backed by guarantees of the Central Government, State Governments, public sector financial institutions, insurance companies, banks and, in respect of credit to small industries, the Credit Guarantee Organisation. However, guarantees furnished by insurance companies in connection with deferred payment arrangements should themselves be backed by adequate tangible security.

(*ii*) Advances against supply bills drawn on the Central Government and State Governments, which are accompanied by duly authorised inspection notes and provided the bank holds an irrevocable power of attorney registered with the concerned authorities.

(*iii*) Advances in the form of packing credits for exports.

(*iv*) Advances against trust receipts.

(*v*) Advances against Export D/A bills.

(*vi*) Advances against inland D/A bills drawn under letters of credit.

(*vii*) Advances against bills drawn for machinery supplied on deferred payment terms which have been accepted by the purchaser's bank and advances to finance sales on hire purchase or deferred payment terms of machinery and equipment for agriculture, dairy, farming and fishing as well as trucks/commercial vehicles.

(*viii*) Cheques and D/Ds purchased.

(*ix*) Advances against truck/lorry receipts issued by operators approved by the Indian Banks' Association.

(*x*) Advances against deferred receivables such as excise drawbacks, cash subsidies to exporters and dividends receivable from the Coffee Pool, provided the

amounts are due from Government or under export promotion schemes or commodity marketing schemes approved by Government, and advances to exporters for payment of export duty.

(*xi*) Advances to farmers against hypothecation of crops.

(*xii*) Bad and doubtful debts fully provided for.

(*xiii*) The secured portion of a partly secured advance.

The Reserve Bank's decision with regard to the treatment of advances against book debts* will be advised to banks in due course. The views expressed by the Working Group on the special treatment to be accorded to certain types of unsecured advances in applying credit policy measures will be given due consideration while formulating such measures. Suitable action will also be taken in regard to certain ancillary recommendations made by the Working Group.

3. As recommended by the Working Group, the Reserve Bank will deal, on merits, with any special problems which may arise as a result of advances backed by guarantees of foreign companies being treated as unsecured advances. The Working Group has emphasized that while certain types of unsecured advances may be excluded from the total of such advances for the purposes of norms stipulated by the Reserve Bank, the safety of deposits must remain the prime concern of a bank and that it is primarily for the bank to decide how far it should allow its portfolio of unsecured advances (including the exempted categories), to grow without detriment to the interests of its depositors. The Reserve Bank endorses this view.

4. * * * * *

Yours faithfully,
B. N. ADARKAR
Deputy Governor

Note : The remaining part of the circular relates to advances against shares; it appears in Section V(*a*).

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* Please see circular DBOD No. Sch. 2342/C. 96S-68 dated the 8th August 1968.

DBOD No. Sch. 1794/C. 96Z-67—29 November 1967

All scheduled commercial banks.

Dear Sir,

BANK GUARANTEES

Please refer to the Governor's circular letter DBOD. No. Sch. 666/C. 96Z-67 dated the 3rd May 1967. In this connection, we have to advise that bid bonds and guarantees executed by banks in respect of contracts secured by Indian firms in foreign countries and guarantees relating to exports may not be taken into account for the purpose of the norm stipulated in paragraph 4(*iii*) of the above letter.

Yours faithfully,
K. B. CHORE
Asstt. Chief Officer

DBOD No. Sch. 1850/C. 96Z-67—7 December 1967

All scheduled commercial banks.

Dear Sirs,

BANK GUARANTEES

Please refer to the Governor's circular letter DBOD. No. Sch. 666/C. 96Z-67 dated the 3rd May 1967. We have to advise that the guarantees in respect of which the Export Credit and Guarantee Corporation Ltd. would be issuing its Export Performance Guarantee need not be taken into account for the purpose of the norm stipulated in paragraph 4(*iii*) of our circular letter referred to above.

Yours faithfully,
K. B. CHORE
Asstt. Chief Officer

DBOD No. Sch. 68/C. 96(S)-68—12 January 1968

All foreign banks in India.

Dear Sirs,

Please refer to our circular letter DBOD. No. Sch. 1693/C. 96(S)-67 dated the 8th November 1967 to all scheduled commercial banks.

2. It has been decided that unsecured advances granted by the branches of foreign banks in India which are backed by the guarantees of their Head Offices may not be taken into account for the purpose of the norm indicated in paragraph 4(*iii*) of our circular letter DBOD. No. Sch. 666/C.96Z-67 dated the 3rd May 1967.

Yours faithfully,
K. B. CHORE
Asstt. Chief Officer

DBOD. No. Sch. 359/C. 96S-68—7 March 1968

All scheduled commercial banks.

Dear Sirs,

We invite your attention to our circular letter DBOD. No. Sch. 1693/C. 96S-67 dated November 8, 1967. In terms of paragraph 2 of the circular, certain types of unsecured advances are to be excluded from the total of unsecured advances, for the purposes of the norms relating to unsecured advances and guarantees indicated in our letter DBOD. No. Sch. 666/C. 96Z-67 dated May 3, 1967. Among others, advances against inland D/A bills drawn under letters of credit are to be so excluded. It has now been decided that inland D/A bills (even where such bills are not drawn under letters of credit) having a usance not exceeding 90 days should also be excluded from the total of unsecured advances for the purposes of the norms applicable to the total of unsecured guarantees and unsecured advances. The position in this regard will be reviewed after a year.*

Yours faithfully,
M. S. NADKARNI
Chief Officer
(*Banking Operations*)

DBOD. No. Sch. 421/C. 96(S)-68—19 March 1968

All scheduled commercial banks.

Dear Sirs,

Please refer to our circular letter DBOD No. Sch. 1693/C. 96(S)-67 dated the 8th November 1967. It has now been decided that advances against supply bills drawn on the Central and State Governments, which are accompanied by receipted challans may also be excluded for the purpose of the norm indicated in paragraph 4(*iii*) of our circular letter DBOD. No. Sch. 666/C. 96Z-67 dated the 3rd May 1967 provided the bank holds an irrevocable power of attorney registered with the concerned authorities.

Yours faithfully,
JOGINDRA SINGH
Dy. Chief Officer

DBOD. No. Sch 481/C. 96S-68—30 March 1968

All scheduled commercial banks.

Dear Sirs,

Please refer to our circular letter DBOD. No. Sch. 1693/C. 96(S)-67 dated the 8th November 1967. It has now been decided that advances against supply bills drawn on the State owned undertaking like Electricity Boards, Transport Corporations, etc. which are accompanied by duly authorised inspection notes or receipted challans may also be excluded for the purpose of the norm indicated in paragraph 4(*iii*) of our circular letter DBOD. No. Sch. 666/C. 96Z-67 dated the 3rd May 1967 provided the bank holds an irrevocable power of attorney registered with the concerned authorities.

Yours faithfully,
JOGINDRA SINGH
Dy. Chief Officer

DBOD. No. Sch. 2342/C. 96S-68—8 August 1968

All scheduled commercial banks.

Dear Sirs,

ADVANCES AGAINST BOOK DEBTS

Please refer to paragraph 2 of our circular letter DBOD. No. Sch. 1693/C. 96S-67 dated the 8th November 1967. It has now been decided that advances against book debts, which are not outstanding for more than six

* Please see circular DBOD. No. Sch. 1610/C. 96S-70 dated the 23rd October 1970.

months and are due by companies, may also be excluded for the purpose of the norm indicated in paragraph 4(*iii*) of our circular letter DBOD. No. Sch. 666/C. 96Z-67 dated the 3rd May 1967.

Yours faithfully,
JOGINDRA SINGH
Dy. Chief Officer

DBOD. No. Sch. 2381/C. 96(Z)-68—14 August 1968

All scheduled commercial banks.

Dear Sirs,

BANK GUARANTEES

Please refer to the Governor's circular letter DBOD. No. Sch. 666/C. 96Z-67 dated the 3rd May 1967. It has now been decided that performance guarantees executed by banks on behalf of small-scale industries may not be taken into account for the purpose of the norm stipulated in paragraph 4(*iii*) of the above letter.

Yours faithfully,
JOGINDRA SINGH
Dy. Chief Officer

DBOD. No. Sch. 1001/C. 96Z-69—23 June 1969

All scheduled commercial banks.

Dear Sirs,

BANK GUARANTEES

Please refer to the Governor's circular letter DBOD. No. Sch. 666/C. 96Z-67 dated the 3rd May 1967.

2. It has now been decided that the following types of guarantees given by banks to Government Departments on behalf of contractors in the construction industry may be excluded for the purpose of the norm suggested in paragraph 4(*iii*) of the above letter :—

(*i*) guarantees issued in lieu of earnest money on behalf of contractors at the time of submission of tenders, provided the tenders have been rejected and the rejection is supported by a note issued by the Government Department concerned.

(*ii*) performance guarantees issued on behalf of contractors provided the contractors produce a certificate from the appropriate authority that the contracts have been fulfilled by them satisfactorily.

Yours faithfully,
O. P. KOCHHAR
Dy. Chief Officer

DBOD. No. Sch. 1051/C. 96(S)-69—1 July 1969

All scheduled commercial banks.

Dear Sirs,

Please refer to our circular letter DBOD. No. Sch. 1693/C. 96S-67 dated the 8th November 1967. It has now been decided that unsecured advances made to exporters in respect of exports made on consignment basis where the consignees give an undertaking to remit the sale proceeds or return the goods direct to the bank, may be excluded for the purpose of the norm suggested in paragraph 4(*iii*) of our circular letter DBOD. No. Sch. 666/C. 96Z-67 dated the 3rd May 1967.

Yours faithfully,
O. P. KOCHHAR
Dy. Chief Officer

DBOD. No. Sch. 1610/C. 96(S)-70—23 October 1970

All scheduled commercial banks.

Dear Sir,

Please refer to our circular letter DBOD. No. Sch. 359/C. 96(S)-68 dated the 7th March 1968 advising that advances against inland D/A bills (even where such bills are not drawn under letters of credit) having a usance not exceeding 90 days should be excluded from the total of unsecured advances for the purposes of the norms relating to unsecured advances and guarantees. As indicated in our

letter under reference, it was our intention to review the position in this regard after a period of one year, but this review was postponed pending a further study of the position of the unsecured loans portfolio of banks. It has now been decided to continue the exemption for a period of one year more.*

2. It has also been decided that the bills which would be eligible for rediscount with the Reserve Bank of India under the new Bill Market Scheme which is to be operative with effect from 1st November 1970 (vide our circular DBOD. No. B M. 1304/C. 297(V)-70 dated the 28th August 1970) should be excluded from the norms relating to unsecured advances and guarantees.

Yours faithfully
S. R. AVADHANI
Jt. Chief Officer

* It has been decided in March 1972 to continue the exemption until further notice—Vide circular DBOD. No. Sch. BC.27/C. 96(S)-72 dated 24th March 1972.

DBOD. No. Sch. BC. 27/C. 96(S)-72—24 March 1972

All scheduled commercial banks.

Dear Sir,

Please refer to our circular letter DBOD. No. Sch. 1610/C. 96(S)-70 dated the 23rd October 1970 advising that advances against inland D/A bills (even where such bills are not drawn under letters of credit) having a usance not exceeding 90 days should be excluded from the total of unsecured advances for the purposes of the norms relating to unsecured advances and guarantees. It has been decided to continue the exemption until further advice.

Yours faithfully
S. R. AVADHANI
Jt. Chief Officer

DBOD. No. BM.BC. 81 /C. 297(P)-72
14 September 1972

All scheduled commercial banks

Dear Sir,

BID BONDS AND PERFORMANCE GUARANTEES

It has been represented to us that exporters are sometimes unable to submit offers against global tenders as certain banks insist on obtaining suitable security or earmarking of their assets or cash credit limits or the drawing power available in the relative accounts as cover against bid bonds or performance guarantees. In certain cases, this results in the curtailment of the working capital resources of the parties. Our enquiries, however, reveal that several bigger banks do not, as a rule, insist on obtaining securities or earmarking of assets/ credit limits/drawing power while executing bid bonds or performance guarantees, but they do so only in exceptional cases where the exporter is either new to the field or his dealings or financial position otherwise warrant a cover. In appropriate cases, banks also secure their position by asking for an Export Performance Guarantee of the Export Credit and Guarantee Corporation Ltd. (ECGC).

2. In view of the imperative need for boosting exports, it will be helpful if the banks adopt a flexible approach in the matter. We, therefore, suggest that such of the banks as insist on a cover as a rule may review the policy in this regard and consider whether a cover could be dispensed with or substantially reduced, save in exceptional cases. They may, however, safeguard their interests by obtaining an Export Performance Guarantee of the ECGC, wherever considered necessary.

3. We may add for your information that in terms of our circular DBOD. No. Sch. 1794/C. 96Z-67 dated the 29th November 1967† bid bonds and guarantees executed by banks in respect of contracts secured by Indian exporters in foreign countries and guarantees relating to exports are excluded for the purpose of the norm stipulated in paragraph 4(iii) of the Governor's Circular letter DBOD. No. Sch. 666/C. 96Z-67 dated the 3rd May 1967.* In terms of the said norm, scheduled commercial banks are required to limit their commitments by way of unsecured guarantees in such manner that 20 per cent of a bank's outstanding unsecured guarantees plus the total of its outstanding unsecured advances should not exceed 15 per cent of its total outstanding advances.

Yours faithfully,
A. K. BHUCHAR
Joint Chief Officer.

DBOD. No. Sch. BC. 88/C. 96(S)-72
10 October 1972

All scheduled commercial banks.

Dear Sir,

Please refer to paragraph 2 of our circular letter DBOD. No. Sch. 1693/C. 96S-67 dated the 8th November 1967.$ It has now been decided that unsecured advances guaranteed by the Credit Guarantee Corporation of India Ltd. may also not be taken into account for the purpose of the norm indicated in paragraph 4(iii) of our circular letter DBOD. No. Sch. 666/C. 96Z-67 dated the 3rd May 1967.*

Yours faithfully,
D. GUPTA
Dy. Chief Officer

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† Please see page 4 of this Section.
* This circular is included in Section V(f).
$ Please see page 3 of this Section.

SECTION V (h)

PERSONAL GUARANTEES

SECTION V (h)

PERSONAL GUARANTEES

No. and Date	Subject
Nat. 2002/C.473-70 29-7-1970	Personal guarantees of directors and other managerial personnel of borrowing concerns while sanctioning loans by banks—Broad considerations to be taken into account to identify circumstances under which a guarantee may or may not be considered necessary.

DBOD. No. Nat. 2002/C. 473-70—29 July 1970

All scheduled commercial Banks, Industrial Finance Corporation, State Financial Corporations including Madras Industrial Investment Corporation Ltd.

Dear Sirs,

The Reserve Bank of India has reviewed the practices of commercial banks and other financial institutions taking personal guarantees from directors and other managerial personnel of borrowing concerns while sanctioning loans. In some cases, such guarantees have been taken essentially to make up for the insufficiency of tangible security offered or the weak financial position of the borrowing concern. In some other cases, guarantees have been taken as a matter of routine even where the financing institutions have the security of the company's tangible assets. An important reason for taking guarantees so far has been the feeling that with the signing of the guarantees, the personal interest of the directors and other managerial personnel in the company is strengthened and hence, that the banks taking such guarantees can be reasonably confident of the continuity of good management.

2. Circumstances which perhaps justified the obtaining of such guarantees in the past have undergone significant changes recently. With the gradual rise of an entrepreneurial class in the place of the Managing Agency System and the professionalisation of managerial cadres, there is no need for such guarantees in all cases to ensure continuity of efficient management. Further, the ability of financially-sound units to offer adequate security for meeting their banking needs and the improvement in the techniques of financial and technical appraisal by the lending institutions provide scope for minimising the use of such guarantees.

3. A perusal of practices obtaining abroad also reveals that guarantees by directors are taken mostly in the case of small private companies requiring funds for additional working capital (as in the United Kingdom) or in the case of closely held corporations or in the case of concerns whose financial standing does not warrant the extension of straight unsecured bank credit (as in the United States).

4. No hard and fast rules or firm guidelines can be laid down to indicate as to which of the cases would still require a guarantee and which would not. The decision can be arrived at only by a careful case-by-case examination of all loan proposals. In general, however, it should be borne in mind that guarantees should be obtained only in circumstances absolutely warranted after a careful examination of the circumstances of each case and not as a matter of course. A detailed credit analysis will have to be undertaken to determine the need for guarantees. Lending institutions will therefore have to improve the system of credit appraisal and obtain financial statements from the borrowing concerns at more frequent intervals than at present.

5. In order to help identify the circumstances under which a guarantee may or may not be considered necessary, the following broad considerations may be taken into account :

A. Where guarantees need not be considered necessary

Ordinarily in the case of public limited companies, when the lending institutions are satisfied about the management, its stake in the concern, economic viability of the proposal and the financial position and capacity for cash generation, no personal guarantee need be insisted upon. In fact, in the case of widely owned public limited companies, which may be rated as first class and satisfying the above conditions, guarantees may not be necessary even if the advances are unsecured. Also in the case of companies, whether private or public, which are under professional management, guarantees may not be insisted upon from persons who are connected with the management solely by virtue of their professional/technical qualifications and not consequent upon any significant share holding in the company concerned.

Where the lending institutions are not so convinced about the aspects of loan proposals mentioned above, they should seek to stipulate conditions to make the proposals acceptable

without such guarantees. In some cases, more stringent forms of financial discipline like restrictions on distribution of dividends, further expansion, aggregate borrowings, creation of further charge on assets, and stipulation of maintenance of minimum net working capital may be necessary. Also, the parity between owned funds and capital investment and the overall debt-equity ratio may have to be taken into account.

Taking these factors into account a review should be made of the existing cases where guarantees have been obtained and where warranted, personal guarantees already obtained should be given up.

B. Where guarantee may be considered helpful

(*i*) Companies, whether private or public, where shares are held closely by a person or connected persons or a group (not being professionals or Government) irrespective of other factors such as financial condition, security available, etc. except where by court or statutory order, the management of the company is vested in a person or persons, whether called directors or by any other name, who are not required to be elected by the shareholders. Where personal guarantee is considered necessary, the guarantee should preferably be that of the principal members of the group holding shares in the borrowing company rather than that of the director/managerial personnel functioning as director or in any managerial capacity.

(*ii*) Even if a company is not closely held there may be justification for a personal guarantee of directors to ensure continuity of management ; for some time now, changes in control over companies have acquired some importance in the Indian corporate scene. Thus, a lending institution could make a loan to a company whose management is considered good. Subsequently, a different group, could acquire control of the company, which could lead the lending institution to have well-founded fears that the management had changed for the worse and that the funds lent to the company were in jeopardy. One way by which lending institutions can protect themselves in such circumstances is to obtain guarantees of the directors and thus to ensure either the continuity of the management or that the changes in management take place with their knowledge. Even where personal guarantees are waived, it may be necessary to obtain an undertaking from the borrowing company that no change in the management would be made without the consent of the lending institution. Similarly, during the formative stages of a company, it may be in the interests of the company as well as the lending institution to obtain guarantees to ensure continuity of management.

(*iii*) Public limited companies other than those which may be rated as first class, where the advance is on an unsecured basis.

(*iv*) Public limited companies, whose financial position and/or capacity for cash generation is not satisfactory even though the relevant advances are secured.

(*v*) Cases where there is likely to be considerable delay in the creation of a charge on assets, guarantee may be taken, where deemed necessary, to cover the interim period between the disbursement of loan and the creation of the charge on assets.

(*vi*) The guarantee of parent companies in the case of subsidiaries whose own financial condition is not considered satisfactory.

(*vii*) Where the balance sheet or financial statement of a company discloses interlocking of funds between the company and other concerns owned or managed by a group.

6. Where guarantees are warranted, they should bear reasonable proportion to the estimated worth of the person. Care should be taken to ensure that the system is not used by the directors and other managerial personnel as a source of remuneration from the company. Banks should obtain an undertaking from the borrowing company as well as the guarantors that no consideration, whether it be by way of commission, brokerage, fees, or any other form, will be paid by the former or received by the latter, directly or indirectly. This requirement should be incorporated as one of the specific conditions for granting the facility in the set of terms and conditions, subject to which such facility

is granted and the banks/institutions should also, during their periodic inspections, verify, on the basis of the company's books, whether this stipulation has been complied with. There may, however, be some exceptional cases where payment of remuneration has to be tolerated. For example, where assisted concerns are not doing well and the existing guarantors are no longer connected with the management but continuance of their guarantees is considered essential because the new management's guarantee is either not available or is found inadequate, the existing guarantees may be continued and payment of remuneration to guarantors by way of guarantee commission, allowed.

Yours faithfully,
R. K. HAZARI
Deputy Governor

SECTION V (i)

CREDIT FACILITIES BY BANKS — MISCELLANEOUS

SECTION V (i)

CREDIT FACILITIES BY BANKS—MISCELLANEOUS

No. and Date	Subject
Credit facilities to book publishers	
Nat. 3153/C. 469(W)-70 24-12-1970	Credit facilities to book publishers and book traders—Advice to banks to consider requests on merits keeping in view the usual safeguards.
Credit facilities to agriculture	
Ins. 236/C.453-68 13-3-1968	Credit facilities to agricultural sector—Advice to banks to consider the desirability of having the relevant literature, forms, etc., printed in the regional languages.
CPBDC. 6/C.26-70/71 9-12-1970 Nat.C.24/C.456-70 16-12-1970	Financing of agricultural development by commercial banks—Guidelines.
Nat. 1715/C.453-71 14-10-1971	Guidelines in regard to financing of agricultural development by commercial banks—Guidelines—Clarification.
EFS.2361/C.453-70 10-11-1970 Nat.351/C.453(F)-71 1-3-1971 Nat.803/C.453(F)-71 17-5-1971 Nat.1901/C.453(F)-71 13-11-1971	Financing of minor irrigation schemes.
Nat.189/C.453-71 1-2-1971	Advances against pump sets.
Nat.389/C.453(A)-72 14-3-1972	Charging of interest on agricultural advances.
Credit schemes of banks with particular reference to employment potential	
Nat.477/C.464(G)-71 19-3-1971	Credit schemes of banks with particular reference to employment potential—Thakkar Committee Report—Advice to banks to initiate appropriate action—Broad guidelines.
Nat.207/C.453-72 8-2-1972	Scheme for poviding employment to unemployed technical personnel through Agro-service centres.

No. and date	Subject
Credit facilities to Jute industry	
CAS.1200/C.446(M)-71 13-9-1971	Financial problems of jute industry—Stipulation regarding prior authorisation by Reserve Bank waived for the purpose of allowing increased credit limits to individual jute mills for 1971 jute season.
Credit facilities to sugar industry	
CAS.BC.137/C.446(H)-71 27-11-1971	Advances to sugar industry—payment of cane dues by sugar mills—Advice to banks to devise a procedure for ensuring prompt payment of sugarcane dues by sugar mills.
CAS.BC.154/C.446(H)-71 29-12-1971	Advances to sugar industry for 1971-72 season.
Credit facilities to industries manufacturing/supplying goods for defence efforts	
GCS.BC.142/C.483-71 11-12-1971	Governor's circular—Credit need of industries manufacturing/ supplying goods for defence efforts in the context of war situation.
Credit facilities to shoddy and woollen mills	
CAS.1755/C.446-71 10-12-1971	Supply of credit to shoddy and woollen mills manufacturing and supplying blankets to Defence Ministry—Advice to banks to see that credit is adequate and timely for working capital requirements.
Credit facilities to textile mills and dealers	
CAS.BC.141/C.446(T)-71 8-12-1971	Advances to textile mills and dealers—Concessions that may be extended by banks.
Credit facilities to tea industry	
GCS.BC.21/C.279-72 8-3-1972	Advances to tea industry—Advice to banks to take action on the recommendations of the study group.
Credit facilities to traders dealing in fertilisers, mineral oils, etc.	
Nat.379/C.464(A)-72 13-3-1972	Credit facilities to traders for small amounts—Relaxations of certain usual safeguards in respect of credit facilities eligible under the Scheme of the Credit Guarantee Corporation of India Ltd.
Nat.833/C.453(L)-72 30-5-1972	Credit facilities against stocks of fertilisers and pesticides—Advice to banks to facilitate flow of adequate credit.

No. and date	Subject
Credit facilities to coal industry	
CAS.BC.9/C.446(U)-72 19-1-1972 CAS.BC.49/C.446(U)-72 26-5-1972	Credit facilities to coal industry—Advice to banks to take certain measures to tide over the difficulties experienced by the coal industry.
Credit facilities to handloom weavers	
Nat.194/C,464-72 4-2-1972	Forwarding to nationalised banks for their information, scheme formulated by State Bank of India for financing small weavers—Suggesting to nationalised banks to explore possibilities of extending credit to the industry.
Differential rates of interest on advances	
Nat.BC.52/C.453(U)-72 3-6-1972	Charging of differential rates of interest on advances by public sector banks—Guidelines.
Other miscellaneous circulars	
EFS.109/C.107-66 3-2-1966	Discounting/Collection of hundies—Irregularities noticed during inspection of banks.
Nat.85/C.469(W)-71 18-1-1971	Scheme for rediscounting of bills arising out of deferred payment sales of indigenous machinery—Advice to banks to ensure that the proceeds of the bills are credited to the cash credit account of the seller maintained with the discounting bank.

SECTION V(i)

CREDIT FACILITIES BY BANKS— MISCELLANEOUS

No. and Date	Subject
Credit Facilities to agriculture	
Nat. BC. 63/C. 453(C)(A)-72 19-7-1972 Nat. BC. 76/C. 453(C)(A)-73 29-6-1973	Financing of primary agricultural credit societies by commercial banks—Lending rate for short-term and medium-term loans for agricultural purposes.
Nat. 2199/C. 453(C)(A)-72 18-12-1972	Financing of primary agricultural credit societies by commercial banks—Adoption of more societies by participating banks in Mysore State.
Nat. 355/C. 453(C)-73 24-2-1973	Financing of primary agricultural credit societies by commercial banks—Assignment of charges created in favour of societies.
Nat. BC. 94/C. 453(B)-72 28-10-1972	Credit facilities to the agricultural sector for improved types of storage structure (metal bins)—Manner of classification in the quarterly statement of 'Advances to Priority Sectors'.
Nat. 2011/C. 453(B)-72 24-11-1972	Crash programme for providing pumpsets to farmers in Bihar.
Nat. 14/C. 453(K)Gen-73 3-1-1973	Scheme of rebate on interest operated by Small Farmers Development Agencies and Marginal Farmers and Agricultural Labourers Agencies.
Nat. BC. 3/C.453 (K)-73 19-1-1973	Simplification of application forms for agricultural advances.
CPC. 1051/195-73 30-3-1973	Credit for purchase of tractors.
Credit facilities to Dairy Development Schemes	
Nat. 1370/C. 453(K) Gen-72 21-8-1972	Financing of dairy development schemes by commercial banks for providing subsidiary and addtional employment to small and marginal farmers.
Credit facilities to Jute industry	
CAS. 2162/C. 446(M)-72 20-12-1972	Advances to jute industry—Advising concerned banks that no additional limit should be sanctioned for enabling mills to effect fresh purchases over and above the minimum stock level of 8 weeks' consumption.
CAS. BC. 4/C. 446(M)-73 24-1-1973	Advances to jute industry—Jute Commissioner's advice regarding raising of the limit for holding raw jute from the stipulated level of 8 weeks' requirements to 12 weeks' requirements in respect of certain mills/twine units in Andhra Pradesh.

CAS. BC 55/C. 446(M)-73 18-5-1973	Advances to jute industry—Reduction in the level of stocks of raw jute to six weeks' consumption by mills in West Bengal and Bihar and to 10 weeks' consumption by mills in other States.

Credit facilities to sugar industry

CAS. BC. 112/C. 446(H)-72 17-11-1972	Credit Authorisation Scheme—Advances to sugar industry—1972-73 crushing season—Limits upto which finance can be provided without prior authorisation.

Credit facilities to tea industry

GCS. BC. 76/C. 279-72 9-9-1972	Term finance to tea industry—Advice to banks to take action on the recommendations of the Working Group.

Credit facilities to Coal industry

GCS. BC. 129/C. 492-72 20-12-1972	Finance for coal industry—Advice to banks to take action on the recommendations of the Working Group.
Nat. 222/C. 469(W)-73 1-2-1973	Advances to coal mines—Advice to banks regarding takeover of the management of private non-coking mines by Government of India.

Credit facilities to cashew industry

CAS. BC. 29/C. 446(CA)-73 27-3-1973	Finance for the cashew industry—Banks to keep in view the recommendation of the Study Group while financing this industry.

Differential rates of interest on advances

Nat. BC. 31/C. 453(U)-73 27-3-1973	Scheme of Differential Rates of Interest—Modification.

Other miscellaneous circulars

Temporary credit facilities against cheques

CAS. 1392/C. 446-72 19-8-1972	Advice to banks that they need not obtain Reserve Bank's prior authorisation under Credit Authorisation Scheme in respect of temporary credit limits granted against cheques taken for collection when clearing is suspended.
Sch. BC. 12/C. 95-73 13-2-1973	Advice to banks to temporarily accommodate the constituents by purchasing the local cheques, drafts etc. when clearing house operations are suspended.

DBOD. No. Nat. 3153/C. 469(W)—70 24 December 1970

All commercial banks.

Dear Sir,

CREDIT FACILITIES TO BOOK PUBLISHERS AND BOOK TRADERS

It has been represented to Government that banks should be asked to be more liberal in giving credit facilities to book publishers and book traders. While it may not be possible to issue any general guidelines in this regard, requests from smaller units in the book publishing trade for credit facilities may be considered on merits keeping in view the usual safeguards, commercial prospects, professional ability, availability of security, extent of risk involved, etc. In this connection, any advantage accuring to banks with the introduction of the Credit Guarantee Scheme may also be kept in view.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

DBOD. No. Ins. 236/C. 453-68—13 March 1968

All commercial banks.

Dear Sir,

CREDIT FACILITIES TO THE AGRICULTURAL SECTOR

It was been brought to our notice that the literature relating to schemes of agricultural finance formulated by certain banks and the prescribed forms to be filled in by the borrowers for availing themselves of advances in this connection have been printed only in English. You will appreciate that the potential borrowers in this sector may not be conversant with English and consequently, they may not be in a position to understand properly in such cases the details of the scheme; nor will they be in a position to have a correct idea of the formalities to be complied with by them for availing themselves of advances from banks. We shall, therefore, be glad if you will kindly consider the desirability of having the relevant literature, forms, etc. printed in the regional language also, if not already done. It will also be necessary to give sufficient publicity to your bank's schemes of agricultural finance, amongst the potential borrowers.

Yours faithfully,
P. KRISHNA IYER
Dy. Chief Officer

D.O. No. CPBDC. 6/C. 26-70/71—9 December 1970

Custodians of nationalised banks and Chairman of State Bank of India by name.

Dear Shri

I am enclosing herewith a set of 'guidelines' for the financing of agricultural development by commercial banks. These guidelines, as you would see, have been prepared on the basis of a study made by our Credit Planning Cell into the methodology of operations, policy and procedure adopted by some of the nationalised and other commercial banks involved in agricultural financing. While making a study every effort was made to see what organisational pattern was available for not only evaluation and scrutiny of proposals but also for keeping an effective watch over disbursement, utilisation and timely recovery. These studies indicated that there were in many cases perceptible and avoidable gaps in communication within the banks in this matter. In several cases, the field level staff were not conversant with their proper role in the field of agricultural financing, and in several others, the procedures relating to appraisal, post credit supervision and recovery called for improvement. The Reserve Bank, therefore, felt that it may be useful if a set of guidelines were issued so that at all levels the rationale, policies and procedures for making agricultural loans were made clear. In its very nature, the set of guidelines cannot be considered exhaustive though every effort has been made to make them as comprehensive as possible. The broad indications given in the guidelines may please be observed while making loans for agricultural development, both for crop raising and for

durable capital investment. While making these loans, as has been indicated in the guidelines, the agro-economic and the agro-climatic situations, where the branches are operating, would have to be kept in mind and the scales to be adopted by the branches may have to be on the basis of local requirements and local needs. I need hardly add that while meeting the requirements the efforts of the bank should always be (*a*) to improve the quality of loaning, (*b*) to help the borrowers to move on to a higher technological plane and (*c*) funnel back into the banking system surpluses accruing to the borrowers or from others residing in the area.

2. You will also see from the guidelines enclosed that emphasis has been laid on the banks moving into agriculturally less developed areas, moving away from security oriented lending to purposive, productive and incremental income oriented lending and financing small and potentially viable farmers.

Yours sincerely,
R. K. HAZARI
Deputy Governor

GUIDELINES FOR THE FINANCING OF AGRICULTURAL DEVELOPMENT BY COMMERCIAL BANKS

1. General—Objectives and approach

1.1. The main objective of commercial banks lending to agriculture is to assist cultivators in the adoption of an improved package of practices and thus move them to a higher technological plane of activity. Credit for agriculture would have to be purposive and should be provided not only to already viable cultivators for further increasing their surpluses but, more importantly, to marginal and potentially viable cultivators.

1.2. The efforts of banks in the field of agricultural credit should be directed primarily towards lending for discernibly productive purposes *viz.*, for new investments that would result in a better input-output co-efficient and consequently higher incremental income. Lending for purposes in the nature of ways and means accommodation, for the maintenance and replacement of existing assets, should be given lower priority.

1.3. However, the financing of agriculture at the traditional or existing plane cannot be altogether avoided. Indeed it may, at times, be worthwhile to undertake such lending in order to bring cultivators within the ambit of commercial banking. The effort should thereafter be to improve upon the package of practices with a view to increasing the output of the cultivator and consequently the incremental income accruing to him.

1.4. In agricultural lending even more than in lending to other sectors, the availability of funds at the right time and in adequate quantity are of vital significance. When the requisite finance is not forthcoming from banks, the cultivator has to borrow from elsewhere and it is the provider of this crucial instalment of credit who comes to be considered a benefactor. The basis for a proper enduring relationship between the bank and borrower is hence affected.

1.5. Close and constant touch with the borrower will have to be maintained, not only for the purpose of loan recovery but with the wider objective of educating the cultivator and getting him into the habit of regular repayment.

1.6. Every effort should be made to inculcate the banking habit in the cultivators. Borrower should be encouraged to open a savings account. The loan amount may be credited to the deposits account of the borrower and, in some cases, even the value of the 'kind component' of a loan may be so credited ensuring that the suppliers of inputs are paid by cheques on the account. All efforts should be made to get some deposits after the sale of the produce. Some linking of deposits to the credit provided and collecting such deposits at the time of repayment of the loan may advantageously be considered.

1.7. Hitherto, banks have tended to concentrate their activities in high potential, easy areas and have also leaned heavily on intermediaries. For the future, they would have to move into more difficult areas and also consolidate the position in regard to the recovery of old loans.

2. Area of operations and staff*

2.1. Recent experience has shown that better results are achieved when banks adopt an "area approach" in agricultural lending. In the context of an overall shortage of resources, it is of the utmost importance to avoid the possibility of overlapping of efforts and resources in the same area by two or more commercial banks. Consistent with the availability of staff, each bank branch should decide on the "command area" it would serve. In general, a branch with one field officer/assistant attached to the Agent could serve an area within a radius of 10 miles. For this area, a norm of one supervisor for 450-500 borrowers could be adopted. However, in areas where a multiple cropping pattern prevails or seasons tend to overlap two sets of staff may be considered: one for evaluating and scrutinising proposals and the other for effecting recoveries.

2.2. The discretionary powers allowed to the Branch Agent should be such that at least 80% of the proposals can be cleared by him, without reference to the Central Office. Since the scale of finance would vary considerably between areas, there should be suitable adjustments in the discretionary powers allowed to agents according to the prevalent conditions and no attempt should be made towards uniformity in this regard.

2.3. The Branch Agent should collect and have available for ready reference the basic agricultural data relating to the area under his jurisdiction *e.g.* land use and cropping patterns; seasonality of operations; extent and types of irrigation facilities, tenurial structure etc. For medium term loans more detailed technical information would have to be collected *e.g.* sub-soil water table recharge potential, minimum distance between wells etc.

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* Please see circular DBOD. No. Nat. 1715/C. 453-71 dated the 14th October 1971 for further clarification.

3. Credit norms and scales of finance

3.1. Based on all the relevant data pertaining to the area, the Branch Agent would have to work out (with the help of the District Agricultural Officer and progressive cultivators) a rational scale of finance for the various crops grown locally. The Head of the Agricultural Finance Department of the bank should look into the scales suggested by various agents, particularly with a view to checking on discrepancies between contiguous or similar areas.

3.2. The scales should be worked out considering all the inputs required as well as the off-farm income or resources available to cultivators.

3.3. While working out the scales of finance, banks may check with the scales fixed by the Co-operatives in their annual Field Workers' Conference. These scales would broadly indicate an optimum, and may require some alteration for adoption by commercial banks, in case the scales of the Co-operatives were inadequate due mainly to constraints of resources with the Co-operatives.

3.4. Short-term loans, for crop raising should generally be divided into a cash and kind component. It should be ensured that the kind component is, in actuality, lifted in kind, and necessary payments could be made directly by the bank. A list of approved dealers, common to all banks, could be maintained for this purpose. As cultivators grow more responsive to the use of fertilizer and other inputs, the kind component may in course of time be provided in cash. Before doing this the bank should be sure of effective post credit supervision.

3.5. A tendency has been in evidence to exaggerate the cash component of a scale. This should be worked out realistically, taking into account both the conditions of cultivation in the area as well as the circumstances of a particular borrower (*e.g.* the number of labourers employed by him ; the consumption requirements of himself and his family, etc.). In general, the cash component may be around 30 per cent of the value of the inputs.

3.6. In regard to medium-term loans, the norm should relate to the income-generating potential of the proposed investment rather than to the size of the holding, *e.g.* a certain acreage may be able to support a composite well-sinking or pump-set loan in a particular area because of the cropping pattern, agro-economic and agro-climatic situation while the same may not be true in an equivalent land-holding in another area.

4. Margins and Security

4.1. Some banks have been asking for a 25% margin. Despite this, however, the scales of loans were more liberal than those adopted by the co-operatives in the area. This followed from the initial enthusiasm of banks to build up custom. Where scales are worked out realistically and the supervisory machinery is adequate, there is actually no need for any margin. The only precautionary measure in this regard should be that in working out the requirements of big cultivators, the amount of owned funds that could be brought in by them for their operations should be correctly estimated and taken into account in determining the size of the loan.

4.2. The question of security is mainly of relevance to medium-term loans although some banks have been insisting on mortgage security even for short-term loans. This is unjustified in the case of crop loans to small and medium-cultivators and in such cases, provided rationa scales have been fixed by the bank, a mere charge or hypothecation of crops would be sufficient.

4.3. Since banks should attempt to dissuade cultivators from approaching various agencies for ad hoc loans and meet the entire financial needs of farm requirements (short as well as medium-term), it would be advisable to persuade the cultivator to mortgage his entire holding, even if, for a specified initial purpose the mortgage of a part of the holding may be sufficient.

4.4. Some cultivators might prefer to provide two guarantors and accept margins in the case of pump-set loans, etc. The sanction of a loan against hypothecation of the asset could be considered in such cases. However, it would be in the interests of the borrower himself, in view of the overall requirements of his advancement to a higher technological plane, to provide a mortgage of land for which purpose, some special facilities are offered in some States.

5. Seasonality and Timing

5.1. Banks should canvass and elicit custom well in advance of the commencement of operations. (Say by mid-May for Kharif and end-September for Rabi). This would ensure that preliminaries would be completed and the funds kept ready for disbursal at the right time.

5.2. Some banks have been insisting on disbursal of loans in instalments (2 to 3). In the present conditions and for the majority of cultivators, it would be most advantageous to make the loan available in one lump, simultaneously with the disbursal of the kind component.

5.3. The appropriate time for the disbursal of medium-term loans would be the off-season, when the cultivator is not busy with his crops (March-May and September-October).

6. Repayments and Recovery Performance

6.1. For both short and medium-term loans, the repayment schedule of loans should coincide with the time when the cultivator has sold his produce and is *fluid*. The branch agent should hence study the trend in market arrivals and peak sales of all the major crops in his area. The due date of loans should be fixed on the basis of this information. Care should be taken to allow sufficient manoeuvrability to the cultivator to hold the produce and get a good price.

6.2. Efforts at recovery should commence in advance of the due date. It has been seen that banks which are systematic in sending reminders and notices one or two weeks before the due date and whose field staff have been active around this time have been far more successful at recovery than banks that have merely waited for the repayments to flow in. The branch agent should keep the recovery procedures *fair* but *firm*.

6.3. Where multiple-cropping prevails or one of the two seasonal crops is pronouncedly more important than the other—one being the main crop and the other a subsistence crop—the due date should be related to the time of sale of the main crop. It is extremely important that the habit of regular repayment should be inculcated in the cultivators; if this is not done, a psychosis of default would develop rapidly.

6.4. The cultivator's repayment capacity would depend on the yields expected from the improved practices adopted. In working this out, care should be taken not to exaggerate the gross output. Generally,

50 per cent of the gross value of the produce could be taken as available for meeting all loan commitments with two thirds of the 50 per cent set apart for short-term crop loans and the balance for instalments of medium-term developmental loans.

6.5. The close inter-relationship between short and medium-term credit requirements is best illustrated from the angle of recovery. The repayment of developmental loans, as also crop loans, come from out of the crop raised. If the lender bank does not take care of the requirements for crop raising under an improved package of practice, the chances of the recovery of the instalments of the developmental loan would be jeopardised. This has been the experience of many banks which have advanced term loans, ignoring crop raising requirements.

6.6. Recovery programmes should at all times be sufficiently flexible as to allow easy and appropriate rephasing in case of natural calamities or adverse seasonal factors.

6.7. It is of the utmost importance that the recovery performance, in each area and for each season, should be under constant and close review. In this connection, recovery performance should be related, not so much to total outstandings as to the demand raised on account of the loans. Each bank branch should hence maintain a demand, collection and balance register and a due date register.

7. Financing of small farmers and potentially viable farmers

7.1. Small Farmers Development Agencies have already been registered in certain districts as directed by the Planning Commission for identifying small farmers and working out economically viable schemes of agricultural development mixed farming, which would have to be serviced by both commercial banks and the co-operatives.

7.2. Generally, in areas where small farmers development agencies have been organised, the co-operative, credit structure may perhaps not be very strong and therefore, to service the programme, the commercial banks branches would have to be very much more active and properly staffed, with Field Officers and/or Field Assistants.

7.3. Small farmers may first have to be identified and generally it has been indicated that farmers holding land between 2.5 to 5 acres could be considered as small farmers. This norm would vary, as has been stated earlier in the guidelines, depending upon the fertility of the soil, cropping pattern, crop yields and so on. Having identified the small farmers, the banks may have to group them into various categories for credit support so as to enable them to become viable cultivators. The categories may be as follows :

(*a*) Land holding of the small farmer may be situated in a place where sub-soil water table was high and with a well the cultivator could convert his dry holding into wet. Coupled with a pump-set loan he may change the cropping pattern into double or even multiple cropping activity and thus be in a position to pay back the loan in 5 years or so.

(*b*) Some cultivators situated as they may be near urban centres and with some irrigation facilities available from canals, wells, tanks etc. may with additional crop loans go in for vegetable cultivation, coupled with Poultry schemes or one or two milch cattles.

(*c*) Third category would be which might need combination of all these schemes *viz.* agriculture, poultry, dairy as well as digging of a well, a pump-set and so on.

7.4. In the financing of these small farmers, supervision would assume crucial significance and therefore, the branches to be opened in the small farmers development agency areas or in areas where there is a preponderance of small farmers may have to be on a slightly more liberal pattern than elsewhere.

7.5. It should, however, be borne in mind by the bankers that once small farmers are identified, the effort should be to make them viable farmers by proper technological advice. But if the incremental income indicates that the borrower may not be able to pay back the loan within the maximum currency permissible, as per the rules in force with the banks, he may be advised to approach a long term financing agency.

7.6. The currency for the durable capital loans such as loans for well digging, purchase of pump-sets, milch cattles, poultry, etc. may perhaps have to be longer in these cases than in other cases.

7.7. Commercial banks would do well to commence operations in small farmers development agency areas where the agency has been doing some good work in the last one year or so *e.g.* Purnea in Bihar and use this expertise elsewhere while making loans in other small farmers development agency areas or in areas where there may be a preponderance of small farmers.

8. Supervision

8.1. The most crucial part of production credit is supervision. Without close and constant supervision, it would be difficult to arrive at realistic scales of credit or effect smooth recovery. As recovery would depend upon the yields estimated on the basis of package of practices indicated in the proposal, the banks would have to build up an effective machinery for post credit supervision. An efficient supervisory machinery should be built up at the Head Office, with a view to both judging the actual implementation of their policies, understanding the problems and lacunae in the field and ensuring genuine timely recoveries.

8.2. Reporting systems should be strengthened to provide information in the Regional Offices and/or the Head Office, on such matters as the types of advances made, recovery performance and the impact of agricultural lending on deposit mobilisation.

9. Inter-Institutional Relationship.

9.1. At various stages of lending to agriculture, banks would have to turn to the concerned governmental extension and developmental agencies for guidance and help. While this is absolutely necessary at this stage of commercial banking experience in agriculture, banks should not lean too heavily on Government staff or depend on them entirely for technical and financial supervision. At no time should banks lose direct contact with their clients. Also, while the required data etc. may be sought from the Government, the final decision in all cases of loan sanctions would have to be that of the banker and the banker alone.

9.2. At the initial stages of commercial banks entry into the agricultural sector, a certain extent of duplication of effort was perhaps unavoidable. Thus, it has been noticed that occasionally more than one commercial bank as well as co-operative banks might have financed the same borrower for the same purpose and against the same security. It is common banking

practice for lending institutions to consult each other in the process of appraising loan proposals. Such consultation is of special significance in agriculture where the base for repayment is relatively narrow. It is hence essential that all branch agents in a centre/area should be in touch with each other as well as with their counterparts in the co-operatives and attempt to work out informal methods of exchanging information. This collaboration should not merely stop with avoiding duplication of financing—which is of course crucial—but should be extended to such matters as working out common norms and scales of finance.

9.3. It is also necessary for banks to obtain full information on the programmes of the Agricultural Refinance Corporation in their various areas. Commercial banks financing of developmental programmes in areas where ARC schemes are in operation might result not only in the bank loan becoming infructuous but might have more far-reaching consequences by adversely affecting the water table and thus the economic viability of the loans financed by the ARC scheme.

9.4. In the ARC scheme areas the commercial banks should see that full benefit accrues to the borrowers of durable capital loans by providing crop loans, especially in ARC scheme areas where the co-operative credit structure is weak.

DBOD. No. Nat. C.24/C 456-70—16 December 1970

All commercial banks.

Dear Sir,

We enclose a set of guidelines for the financing of agricultural development by commercial banks.

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

RESERVE BANK OF INDIA

Note on guidelines for the financing of agricultural development by commercial banks

A set of 'guidelines'* for the financing of agricultural development by commercial banks is attached. These guidelines have been prepared on the basis of a study made by the Reserve Bank of India, Credit Planning Cell, into the methodology of operations, policy and procedure adopted by some of the nationalised and other commercial banks involved in agricultural financing. While making a study every effort was made to see what organisational pattern was available for not only evaluation and scrutiny of proposals but also for keeping an effective watch over disbursement, utilisation and timely recovery. These studies indicated that there were in many cases perceptible and avoidable gaps in communication within the banks in this matter. In several cases, the field level staff were not conversant with their proper role in the field of agricultural financing, and in several others, the procedures relating to appraisal, post credit supervision and recovery called for improvement. The Reserve Bank, therefore, felt that it may be useful if a set of guidelines were issued so that at all levels the rationale, policies and procedures for making agricultural loans were made clear. In its very nature, the set of guidelines cannot be considered exhaustive though every effort has been made to make them as comprehensive as possible. The broad indications given in the guidelines may please be observed while making loans for agricultural development, both for crop raising and for durable capital investment. While making these loans, as has been indicated in the guidelines, the agro-economic and the agro-climatic situations, where the branches are operating, would have to be kept in mind and the scales to be adopted by the branches may have to be on the basis of local requirements and local needs. It need hardly be added that while meeting the requirements the efforts of the bank should always be (*a*) to improve the quality of loaning (*b*) to help the borrowers to move on to a higher technological plane and (*c*) funnel back into the banking system surpluses accruing to the borrowers or from others residing in the area.

2. It will be observed from the guidelines that emphasis has been laid on the banks moving into agriculturally less developed areas, moving away from security oriented lending to purposive, productive and incremental income oriented lending and financing small and potentially viable farmers.

* Please see enclosure to Dy. Governor Dr. Hazari's D.O. letter No. CPBDC. 6/C.26-70/71 dated 9th December 1970 to the Custodians of nationalised banks and Chairman of the State Bank of India.

DBOD. No. Nat. 1715/C. 453-71—14 October 1971

All commercial banks.

Dear Sir,

FINANCING OF AGRICULTURAL DEVELOPMENT BY COMMERCIAL BANKS

Please refer to our letter No. C.24/C. 456-70 dated the 16th December 1970 enclosing the guidelines on the above subject. In paragraph 2.1 of our guidelines, it was indicated that a branch with one field officer/assistant could serve an area within a radius of ten miles. It has been represented to us that some banks are interpreting this restriction too rigidly. The limit has been indicated by us only as a guideline and the intention is that banks should not make advances to parties with farms too scattered and too far away from the lending office, rendering processing and supervision of the loans difficult and ineffective. Thus, banks may extend the command area of each of its branch taking various considerations into account such as the topography of the place, the means of communication available as also its staffing pattern to effectively supervise disbursement utilisation and timely recovery of loans.

There is no hard and fast rule about this restriction of 10 miles and if a particular bank branch feels it could supervise a few loan proposals beyond this jurisdiction there is nothing preventing the branch from doing so. As a matter of fact in cases where a reasonable number of applications are forthcoming from a compact area it may be easier to process and supervise such loans even if they are beyond the 10 miles radius than scattered cases even if they are within the ten miles radius.

2. We shall be glad if you will instruct your branches in the matter suitably so that complaints of neglect of areas solely on the ground that they are beyond 10 miles radius of the lending branches do not arise.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

DBOD. No. EFS. 2361/C. 453-70—10 November 1970

All commercial banks.

Dear Sir,

FINANCING OF MINOR IRRIGATION SCHEMES

As you are aware, the Agricultural Refinance Corporation, among other items, is refinancing projects involving the exploitation of underground water resources. The Corporation invariably insists upon a technical investigation in respect of such projects to assess the general characteristics of the aquifer in the area and, in particular, to establish the annual recharge to the aquifer. A water-balance analysis is made for each project on the basis of such an investigation to ensure that the likely additional draft on the aquifer on account of the proposed programme will be within the annual recharge to it. The Corporation maintains a panel of experts and is also assisted in its groundwater evaluation by the Exploratory Tubewell Organisation of the Government of India and the Geological Survey of India. Apart from the technical feasibility study undertaken by the Corporation, it also subjects each scheme to an economic appraisal study.

2. It is necessary for commercial banks also to ensure that the capital investments financed by them in minor irrigation works have adequate technical and economic justification. Certain studies carried out by the Agricultural Refinance Corporation have revealed that in some areas where the Corporation has sanctioned schemes for minor irrigation, commercial banks have financed sinking of wells without consulting the relevant financing agencies or without studying the physical targets fixed for the area by the technical experts. As such, the situation poses a potential danger of duplication of financing and over-exploitation of groundwater resources. We shall, therefore, be glad if commercial banks will note the following :

(*i*) In areas under Agricultural Refinance Corporation schemes, commercial banks should not lend for purposes similar to those under the schemes [except as indicated in item (*ii*) below]. In this connection, we have to point out that the All-India Central Land Development Banks Co-operative Union, situated at Garment House, Dr. Annie Besant Road, Worli, Bombay-18, in a circular letter issued on 28th July 1970 (copy attached as Annexure I) to all the Central Land Development Banks in the country has requested them to send to the commercial banks, operating in Agricultural Refinance Corporation scheme areas, details of the schemes as under:

1. Brief description of the scheme
2. Area of the scheme—list of villages, taluks etc. covered by the scheme
3. Physical programme
4. Outlay
5. Phasing and rephasing when done.

The lists of schemes sanctioned by the Agricultural Refinance Corporation in each area together with the physical and financial targets and phasing will be circulated* by us to the commercial banks. On receipt of the lists the commercial banks should instruct their concerned branches that in areas under Agricultural Refinance Corporation schemes

*Please see circulars DBOD Nos. Nat 351, 803 and 1901/C. 453(F)-71 dated 1st March, 17th May and 13th November 1971 respectively.

they should not lend for purposes similar to those under the schemes.

(*ii*) There will be no objection to commercial banks *investigating* the scope for financing of sinking of wells in existing Agricultural Refinance Corporation scheme areas by obtaining technical data from State Groundwater Cell/Geological Survey of India/Exploratory Tubewells Organisation of the Government of India and also private consultants. If such data indicate that there is definite scope for financing of additional number of wells or tubewells in the area without affecting the existing availability of groundwater, specific schemes can be prepared.

(*iii*) In other areas, *i.e.*, not covered under Agricultural Refinance Corporation schemes, commercial banks are of course welcome to take up technically and economically viable schemes after consulting the concerned Government authorities *viz.* State Groundwater Cell/Geological Survey of India/Exploratory Tubewells Organisation of the Government of India and private consultants. It would be desirable for commercial banks to confine the financing of minor irrigation schemes in *a compact area*, since development in a compact area lends itself to close guidance on the technical feasibility of the scheme. In this connection, we enclose for your guidance a copy of circular letter No. ARC. Sec. Apr. 12008/3-69/70 dated the 3rd March 1970 (Annexure II) issued by the Agricultural Refinance Corporation to State Governments containing guidelines for preparation of minor irrigation schemes.

We may also add that in case you wish to have information on private technical consultants, the Agricultural Refinance Corporation will be able to give you the necessary information if you write to their Head Office at Bombay. As regards the actual preparation of schemes, this will have to be done by your local offices. In case there is any difficulty and any guidance is required in this regard, you may contact the regional offices of the Agricultural Refinance Corporation.

* * * * * * *

(*iv*) Commercial banks should take up utilization studies of the schemes financed by them with a view to ascertaining whether the schemes are proceeding on the lines envisaged. Such studies will help in detecting defects, if any, in operation and enable corrective steps to be taken by the banks to rectify them.

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

ANNEXURE I

ALL INDIA CENTRAL LAND DEVELOPMENT BANKS CO-OPERATIVE UNION LIMITED

Ref. No. 123/70-71—28th July 1970

Dear Sir,

Sub : **Co-ordination between "Ordinary" loaning programmes and special schemes approved by the Agricultural Refinance Corporation—Regarding**

Ref : **Reserve Bank of India's circular* letter No. ACD. Plan. 2153/PR. 221A-69-70 dated 19th February 1970.**

The attention of the member banks is invited to the Reserve Bank's circular letter cited above, in which it is stated that the land mortgage/development banks should ensure that there is no loaning from their own resources or from the funds derived out of the ordinary debenture programmes for the same purposes for which the Agricultural Refinance Corporation schemes have been sanctioned covering specified areas, until the financing under the special scheme is over. On this, our Union has represented to the Chief Officer, Agricultural Credit Department, Reserve Bank of India, that, as was expressed number of times by the representatives of member banks during the discussions on the subject in the Standing Committee meetings of the Union, there was no restriction on commercial banks and central co-operative banks for giving loans for similar purposes in the areas where the Agricultural Refinance Corporation schemes were in operation, that unless lending by these agencies also was regulated, the desired result would not be achieved and that steps might be taken towards that end also. The matter is engaging the attention of Reserve Bank.

2. Meanwhile it was considered that it would be conducive to the successful working of Agricultural Refinance Corporation Schemes, if details of the special schemes were communicated to commercial banks and central co-operative banks operating in the area (of the schemes) and they were requested not to finance agriculturists for the same purpose in such area or areas. The Agricultural Refinance Corporation has agreed to this proposal and given general permission to the central land development banks to communicate the following details to commercial banks and central co-operative banks :

1. Brief description of the scheme.
2. Area of the scheme.
   (*a*) List of villages, Talukas etc., covered by the scheme.

* This is a circular issued by the Agricultural Credit Department of the Reserve Bank of India.

3. Physical Programme.

4. Outlay.

5. Phasing and rephasing when done.

3. Member banks are requested to communicate the above details relating to special schemes in operation by them to commercial banks and central co-operative banks (as also the State Co-operative Bank) functioning in the area of the schemes and request them not to issue loans for the same purpose in such area or areas till the working of the schemes is completed.

Thanking you,

Yours faithfully,

Sd/-
Assistant Secretary

ANNEXURE II

No. ARC. Sec. Apr. 12008/3-69/70—3 March 1970

The Secretary

(All State Governments)

Dear Sir,

GUIDELINES FOR PREPARATION OF MINOR IRRIGATION SCHEMES

Please refer to our circular letter No. OPS.4264 /L.1-66/7 dated 2 July 1966 and circular letter No. OPS. 2836/L.1-66/67 dated 10 January 1967 indicating certain guidelines for formulation of area development schemes involving sinking of wells etc. The minor irrigation schemes received from various States however show that they generally lack in essential details on account of which the Corporation has to enter into correspondence with the concerned State Government and the financing bank, resulting in avoidable delay. We have, therefore, revised the guidelines for formulation of minor irrigation schemes. A copy of the revised guidelines is enclosed. (Appendix I). We also enclose six extra copies of the guidelines. We shall be grateful if the schemes under preparation and future schemes are drawn up on the lines of the enclosed guidelines.

2. Before forwarding a scheme to the Corporation for consideration, the financing bank should obtain a technical feasibility report from the State Groundwater Unit or the concerned technical department in the State Government. The terms of reference for the technical study are given in Appendix II. The bank should also carry out an economic feasibility study of the scheme and satisfy itself about the feasibility of the scheme.

3. In order to expedite the evaluation of the schemes by us, it is necessary that six copies of every scheme, together with a copy each of the economic and technical study reports mentioned in paragraph 2 should be sent to the Head Office of the Corporation, apart from one copy each of the scheme and the reports to be sent to our Regional Office which is looking after schemes from your State.

Yours faithfully,
K. MADHAVA DAS
Managing Director

APPENDIX—I

GUIDELINES FOR PREPARATION OF MINOR IRRIGATION SCHEMES

Introduction

Minor irrigation schemes are prepared for planned utilization of either sub-soil or surface water resources in a defined, compact area. A scheme for exploitation of underground water may envisage one or more of the following activities, viz., sinking of wells and tubewells, construction of dug wells, construction of dug-cum-bore wells, deepening of existing dug wells, boring of existing dug wells and energization of wells *i.e.* use of electric pumpsets for withdrawal of water. It may also include one or more of certain supporting activities such as levelling and development of land coming under irrigation, construction of field channels, laying of pipelines etc. The exploitation of surface water may be done through formulation of schemes for lifting and channelising of water from rivers, canals, tanks, etc. Such a scheme may also include one or more of the supporting activities mentioned above. Selection of the scheme area should be made after careful planning and investigation. The area should not only have adequate reserve of water capable of economic exploitation but it should also be compact and susceptible to close and intensive supervision by the financing and implementing agencies. The more important of the data to be furnished in a minor irrigation scheme are indicated below :

I. Location

A clear indication of the specific area to be covered should be given in the scheme Apart from mentioning the names of the district and taluka/s where the scheme is to be implemented, a list of villages and an index map of the area proposed to be brought under the scheme should be attached to each scheme.

II. General information about the scheme area

The following data about the area should be furnished.

(1) Total geographical area

(2) Area under forest

(3) Waste land

(4) Area under cultivation

(*a*) Net area
(*b*) Gross area

(5) Area under irrigation

(6) Sources of irrigation

	No.	*Acres*
(*a*) Tanks		
(*b*) Tubewells		
(*c*) Dug wells		
(*d*) Canals		
(*e*) Streams		
(*f*) Rivers (indicate name/s and whether perennial or seasonal)		

(7) Elevation and slope of land

(8) Nature of drainage

(9) Soil type

(10) Extent of electrification

(*a*) Number of villages electrified

(*b*) Number of villages to be electrified during the next 3 years (specify relevant year)

(11) Average annual rainfall during the last 5 years (specify relevant year)

Year	*Average rainfall*

(12) Survey of India Toposheet No./s for the scheme area

(13) Principal crops grown :

Name of crop	Area under crop during the last two years		Average cost of cultivation per acre	Average yield per acre	Sowing season
	19	19			

(14) Practice of rotation of crops

(15) Present exploitation of groundwater

Type of well	Number	Irrigated in Kharif		Irrigated in rabi		Irrigated in both seasons	
		Area	Crops	Area	Crops	Area	Perennial crops
(*a*) Dug wells with mhot or rahat							
(*b*) Dug well with pumpset							
(*c*) Dug well with Diesel engine							
(*d*) Dug-cum-bore well with mhot or rahat							
(*e*) Dug-cum-bore well with pumpset							
(*f*) Dug-cum-bore well with diesel engine							
(*g*) Tubewell with electric pumpset/diesel engine							
(*h*) Others (specify)							

(16) Indicate the depth from ground level at which water is struck in reasonable quantities and extent of seasonal fluctuations in water table.

III. Objective of the scheme

The objective should be to enable as many cultivators as possible, particularly small cultivators to avail themselves of the facilities under the schemes, subject to their repaying capacity being adequate for the payment of interest and repayment of principal. The minimum size of holdings which is laid down as one of the conditions should be determined taking this important aspect into account. The prospects of joint loans should also be investigated and made a part of the scheme, if feasible.

The various activities to be undertaken under the scheme, the need for such activities and the benefit likely to flow from the implementation of the scheme should be furnished as under :

Item of development	Particulars*	No. of units etc.

*(Give details such as depth, diameter etc. in the case of a well)

In case it is proposed to provide financial asistance to cultivators for deposit with the State Electricity Board for giving electric connexions to energize their wells details thereof such as number of wells to be energized, amount to be deposited for each well, total amount required, etc. should also be furnished.

A base map of the area indicating the location of the existing wells and the location of the proposed wells may be attached.

In the case of schemes for utilization of flow water from river, canal, tank etc. it should be indicated whether the permission of the concerned authority for exploitation of water on long-term basis has been obtained. A certificate from the Irrigation Department regarding adequacy of water resources in the river etc. to support the programme should be enclosed with the scheme. It should also be mentioned whether arrangements have been made for purchase of land on which the storage tanks will be constructed and pipes laid or consent of the owners of the land has been obtained for the above purposes.

IV. Organizational pattern

It is necessary that the organizational pattern for implementation of the scheme should be carefully considered. For example, in the case of a scheme for installation of tubewells it may have to be considered whether loans should be given to individual cultivators for the proposed development or to a group of cultivators. Similarly in the case of lift irrigation schemes it has to be considered whether the scheme is to be implemented on a co-operative basis *i.e.*, by organizing co-operative lift irrigation societies or loans could be disbursed to a group of cultivators having a cluster of fields. In other words, the organizational pattern for execution of the scheme should be carefully examined and details thereof furnished in the scheme.

V. Irrigation potentiality of well etc.

The irrigation potentiality of each type of well, tubewell etc. proposed to be constructed under the scheme and the recommended cropping pattern should be furnished. In the case of deepening of wells, the present availability of water and the additional water expected may be indicated. Information regarding the potentialily of the new wells and cropping pattern may be furnished as under :

In the case of lift irrigation schemes, the total availability of water, the total area that can be irrigated in kharif, rabi and summer and the crops recommended should be indicated.

VI. Unit cost

For proper assessment of the project cost and the loan requirement it is necessary to work out carefully the unit cost of each type of development. The break-up of the unit cost under various items of expenditure together with basis adopted for working out the expenditure should be furnished. It should also be indicated whether the cost has been approved by a technically qualified person or institution *e.g.* Civil Engineer, Public Works Department etc. or whether it has been checked by the technical staff of the financing bank from comparable cases sanctioned by it. Some of the items of information to be furnished for different types of development are indicated below.

The list is illustrative and not exhaustive.

(a) *Dug wells/tubewells*

In the case of dug wells the expenditure on labour and material for earth work, revetting and boring, if any, should be shown separately. For tubewells information should be given on cost of boring, casing pipe and strainers. The type and quality of material to be used and the basis of cost should be indicated.

(b) *Water lifting appliance*

The scheme may envisage lifting of water either by mhot, rahat or diesel/electric pumpset. If the lifting is to be done by mhot or rahat approximate size and estimated cost should be furnished. In case a pumpset is proposed, details should be furnished regarding the horse power of the motor/engine, the size of the pump, the cost thereof and the make usually preferred by cultivators. The diameter, length and the cost per foot of the pipes, assembling cost and the cost of pumpshed, accessories and spare parts usually bought should also be separately indicated.

(c) *Water channels*

Water channels may be either katcha or lined with bricks etc. or water may be carried through underground pipe lines. The type of channel to be constructed together with approximate length and cost per running foot should be mentioned. The cost of material and laying should be shown separately.

££

Type of well	Discharge (gallons per hour)	Cropping pattern					
		Kharif		Rabi		Summer	
		Crop	Area	Crop	Area	Crop	Area

(d) *Land levelling and development*

It may be necessary in certain cases to level the land, remove boulders and bushes and tone it up before the land can be made fit for irrigation and cultivation. The estimated cost per acre of levelling according to the percentage slope of the land, removal of boulders etc. and for toning up should be shown separately. A detailed statement should be furnished indicated how the cost of levelling and development has been arrived at.

VII. Total Project Cost

Information regarding the total financial outlay involved in the scheme may be furnished in the following *pro forma* with such modification as may be necessary.

Nature of development(*)	Unit cost(**)	No. of units(***)	Total cost (3 × 2)
1	2	3	4

(*) e.g. Sinking of a tubewell (**) e.g. Total cost of sinking of a tubewell (***) e.g. Total number of tubewells.

VIII. Loan requirement

It is expected that cultivators who will join the scheme will normally meet a part of the cost of development from their own resources and for the balance only they will approach banks for financial assistance. The extent of cultivators' own contribution will depend upon the economic condition of the cultivators in the scheme area. The extent of likely contribution by cultivators may be assessed by the state government/financing bank after a preliminary survey of the area and contacting cultivators and also from the experience of financing such purposes in the area or adjacent area. The information regarding loan assistance necessary should be furnished as under.

Nature of development	Cost	Participants' contribution	Loan required	Out of (4), contribution by	
				Financing bank/State Government	A. R. C.
1.	2.	3.	4.	5.	6.

IX. Phasing

It will be necessary to spread the period of implementation of the scheme over say, three years. The annual programme may be decided after taking into consideration factors such as availability of material and agency for executing the physical programme, field organization of the financing bank and State Government available in the proposed scheme area etc. The first year's programme may be kept at a moderate level as experience shows that considerable time is taken in arranging for materials and setting up the field organization for implementation of the scheme. The year-wise phasing may be shown as under, to take an example:

(a) Physical Programme

Year	No. of dug wells		No. of dug-cum-bore wells		Length of water channel	Area to be levelled and developed
	With oil engine	Electric motor	With oil engine	Electric motor		
(*a*) 1970-71						
(*b*) 1971-72						
(*c*) 1972-73						
Total						

(b) Loan requirement

	1970-71		1971-72		1972-73		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
(*a*) Dug wells								
(*b*) Dug-cum-bore wells								
(*c*) Tubewells								

(c) Contribution by financing agencies/state government

Year	Amount of loan/debentures to be floated	Financing bank/State Government's contribution	A.R.C.'s contribution
(*a*) 1970-71			
(*b*) 1971-72			
(*c*) 1972-73			
Total			

X. Security.

The type of security to be obtained for loans, the method of valuation for purpose of loans and loan admissibility and whether any part of the cost of the proposed development will be taken into account by the financing bank for fixing loan admissible may be indicated. The willingness of the state government to stand guarantee for deficit in security to the financing bank and to the Corporation for payment of interest and repayment of principal should also be specifically mentioned.

XI. Rate of interest

The rate of interest proposed to be charged to the cultivator and the interest margin to be retained by each of the financing agencies which will channel the finance may be indicated.

XII. Economics

For determining whether the proposed scheme is feasible it is necessary to find out first the pattern of landholding in the scheme area. The next step would be to determine whether it would be economical for the cultivators having representative size of holding to undertake the development. If not, the size of holding which will be able to sustain the cost of development should be worked out. It may also be possible that cultivators having less than the representative size of holding can also profitably participate in the scheme. This aspect should be looked into carefully. The economics should show the pre-development and post-development net farm income of the cultivator so that the benefit arising out of the development may be assessed and repayment schedule worked out accordingly. A set of model *pro formae* for working out the economics will be furnished separately.

XIII. Period of repayment

After taking into account the accretion to the cultivators' income on account of the development and allowing for a reasonable increase in family expenditure, where necessary, the period of repayment of loan may be fixed. Indicate also whether postponement in collection of principal and/or interest is warranted in view of the inadequacy of net income accruing to the cultivator in the initial years.

XIV. Financing institutions

The financing institutions through which loans under the scheme will be provided to participating cultivators should be decided in advance and indicated in the scheme. The latest balance sheets of these financing institutions, together with statements showing the advances, recoveries and overdues for the last two years (in the case of co-operative banks) should be furnished with the scheme.

If the scheme is to be implemented through co-operative credit agencies information regarding the number of primary credit societies in the scheme area and their financial position including data on outstanding loans and overdues at the end of the last co-operative year should be furnished.

XV. Availability of material and labour

The position regarding availability of materials such as cement, pipes, strainers, electric motors/diesel engines, pumpsets, drilling rigs and other boring equipment, blasting material and skilled labour in the scheme area may be indicated. In regard to boring equipment mention may be made of the number of Government units existing in the scheme area, their annual capacity and their adequacy or otherwise to complete the programme as phased. If there are private operators, their number and capacity may also be indicated. In case the rigs are inadequate or there is shortage of material or labour, the steps proposed to be taken to improve the position may be mentioned.

XVI. Servicing facilities

The facilities available in the scheme area for repair of pumps etc. may be indicated. If the facilities are inadequate, the steps proposed to be taken to augment them may be mentioned.

XVII. Supporting agricultural operations

It may be indicated whether the scheme area is covered by an existing programme for increasing agricultural production *e.g.*, the high yielding varieties programme. The existing arrangements for supply of seeds, fertilizers, pesticides etc. and further arrangements proposed, if any, may be indicated.

XVIII. Technical advice

Cultivators will require guidance in locating and spacing of wells, preparation of technical plans and supervision of the works. They will also need help in determining the appropriate cropping pattern and in the matter of agricultural practices. The Departments which will render such assistance, the staff with them and proposals, if any, to strengthen the staff may be indicated. Also mention in detail the arrangements to be made for preparation of technical plans, the agency or agencies responsible for the same and how the cost will be met.

XIX. Supervisory staff of financing banks

It may be indicated whether the present strength of staff with the financing bank is adequate to handle the additional work arising out of the implementation of the programme such as collection and processing of loan applications, supervision of utilization of loans etc. If not, what is the additional staff proposed ? Indicate whether the cost of additional staff will be met by the banks entirely or any subsidy will be available from the state government in the initial years. If subsidy is available the extent thereof and the number of years over which it will be available may be indicated.

XX. Co-ordinating agency

It will be necessary to co-ordinate the various activities under the scheme to ensure that its implementation is according to schedule. For this, it is very essential that a senior Project Officer who will be in overall charge of the programme should be appointed by the state government.

It may be necessary, where considerable work has to be done by way of collection of hydrogeological data and observing various precautions for safe utilization of the groundwater available etc. for the state government to appoint a trained Geologist to assist the Project Officer. The arrangements proposed to be made on the above may please be indicated in the scheme.

XXI. Processing and marketing

If the crop/s to be raised under the scheme need processing before they can be marketed, the details of the

existing processing units in the Government/Co-operative/private sector and their ability to handle the additional produce may be indicated.

Mention the places where regulated markets, if any, are operating in the scheme area, the extent of their operations and the commodities sold. If co-operative marketing societies (general or commodity marketing society) are also working in the area, it may be indicated whether they undertake marketing of agricultural produce on commission or outright basis and the extent of their operations in this regard during the last 2 years. It may be mentioned whether the marketing facilities available in the area are adequate for marketing of additional produce expected under the scheme.

XXII. Technical data

Information on the points mentioned in Appendix II should be furnished in a separate statement attached to the scheme.

APPENDIX-II

Technical Data

1. Whether there is enough sub-soil water in the areas covered under the scheme to support a programme of construction of additional number of wells envisaged in the scheme.
2. Whether the additional number of wells could be safely dug without affecting the present water table in the existing wells.
3. Whether the areas selected are suitable for the scheme to make it an economic proposition.
4. Whether the sub-soil water is suitable for irrigation purposes.
5. Whether the estimated cost of a well as indicated in the scheme is reasonable. If not, what would be the reasonable estimate ?
6. Whether any levelling of land is required in the scheme area to effectively utilise the irrigation.
7. Whether the cropping pattern envisaged under the scheme and the estimates of cost of cultivation, income etc. indicated in the scheme are reasonable.
8. Whether the existing arrangements for sinking of wells will be adequate to carry out the proposed programme in the areas of the scheme.
9. Whether the administrative and technical staff is adequate for the successful implementation of the scheme.
10. Whether there is any problem of water logging in the area and if so, the measures necessary for drainage.
11. Data specifically on the following points should be furnished :

    (*i*) An estimate of the quantum of water in the aquifer which is proposed to be tapped.

    (*ii*) The annual recharge to the aquifer on account of (*a*) seepage from rivers and canals and (*b*) rainfall.

    (*iii*) The draft on the aquifer on account of existing wells in the area.

    (*iv*) The draft on account of the additional number of wells proposed for the area.

    (*v*) The depth upto which the wells are to be sunk.

    (*vi*) The minimum distance to be maintained between the wells.

    (*vii*) In case a scheme involves sinking of wells/tubewells, the estimated daily recuperative capacity of an average well/tubewell of the type proposed in the scheme, during different seasons of the year, should be indicated.

    (*viii*) The type of water-lifting appliance and its horse-power, which would be adequate for drawing out the estimated water available, should be indicated.

    (*ix*) The area (in acres) which can be irrigated by an average well/tubewell during different seasons of the year should be indicated, co-relating the estimated water available and the water requirements of each crop recommended for the scheme area.

    (*x*) Arrangements for blasting rocks, deepening of existing wells by boring and for drilling tubewells, may please be indicated, with particular reference to the availability of equipment required for these operations, whether the work will be done by Government departments or private contractors etc.

DBOD. No. Nat. 351/C.453(F)-71—1 March 1971

All commercial banks.

Dear Sir,

FINANCING OF MINOR IRRIGATION SCHEMES

Please refer to paragraph 2(*i*) of our circular letter DBOD. No. EFS. 2361/C.453-70 dated the 10th November 1970 on the above subject. We forward herewith a list giving the statewise information about the minor irrigation schemes sanctioned by the Agricultural Refinance Corporation together with the physical target and financial outlay thereof in different states. Similar information in respect of schemes sanctioned/rephased in future will also be forwarded to you.

Yours faithfully,
M. L. INASU
Asstt. Chief Officer

NAME OF THE STATE—ANDHRA PRADESH

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical Targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
1.	Dharmavaram	Dharmavaram Taluka of Anantpur District	1968-69	100	—	100	—	—	—	9.250	
			1969-70	100	—	100	—	—	—	9.250	
										18.500	
2.	Kadiri	Anantpur District	1968-69	40	—	350	120	—	—	20.250	
			1969-70	40	—	350	120	—	—	20.250	
			1970-71	35	—	360	110	—	—	19.500	
										60.000	
3.	Cuddapah, Rayachoti and Rajampet	Cuddapah District	1969-70	250	—	550	50	—	—	30.000	
			1970-71	150	—	300	75	—	—	20.000	
			1971-72	280	—	100	75	—	—	20.000	
			1972-73	220	—	50	100	—	—	15.000	
										85.000	
4.	Muddanur	Muddanur Panchayat Samithi of Cuddapah District	1969-70	60	—	50	20	—	—	7.000	
			1970-71	90	—	75	30	—	—	10.500	
										17.500	
5.	Annavaram	Annavaram Panchayat Samithi of East Godavari District	1968-69	50	30	70	—	—	—	6.500	
			1969-70	50	30	90	—	—	—	6.925	
			1970-71	50	40	90	—	—	—	7.575	
										21.000	
6.	Peddapuram	Peddapuram Panchayat Samithi of East Godavari District	1969-70	6	16	28	—	—	—	2.020	
			1970-71	10	17	31	—	—	—	2.340	
										4·360	

NAME OF THE STATE—ANDHRA PRADESH

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
7.	Pithapuram	Pithapuram Panchayat Samithi of East Godavari District	1969-70	20	77	95	—	—	—	7.920	
			1970-71	23	77	102	—	—	—	7.080	
										15.000	
8.	Rangampeta	Rangampet Panchayat Samithi of East Godavari District	1968-69 / 1969-70	—	75	75	—	—	—	8.325	
										8.325	
9.	Samalkot	Samalkot Panchayat Samithi of East Godavari District	1969-70	—	70	—	—	—	—	5.350	
			1970-71	—	75	—	—	—	—	5.775	
										11.125	
10.	Sankavaram	Sankavaram Panchayat Samithi of East Godavari District	1968-69	100	60	190	820	—	—	15.000	
			1969-70	100	90	180	900	—	—	15.000	
			1970-71	100	100	180	980	—	—	18.050	
										48.050	
11.	Gannavaram	Gannavaram Panchayat Samithi of East Godavari District	1968-69 / 1969-70	—	100	—	—	—	—	4.000	
										3.000	
										7.000	
12.	Tiruviuru	Tiruvuru taluk, Krishna District	1968-69	155	—	40	—	—	—	6.000	
			1969-70	155	—	40	—	—	—	6.000	
										12.000	
13.	Nuzvid I	Nuzvid taluk of Krishna District	1968-69	50	—	50	—	—	—	5.000	
			1969-70	50	—	50	—	—	—	5.000	
										10.000	

NAME OF THE STATE—ANDHRA PRADESH

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
14.	Nuzvid II	117 villages in the area of operation of the Nuzvid Primary Land Mortgage Bank	1968-69	50	—	63	90	—	—	8.320	
			1969-70	50	—	63	90	—	—	8.320	
			1970-71	50	—	64	90	—	—	8.360	
										25.000	
15.	Adoni and Yemiganur	Adoni and Yemiganur Panchayat Samithi in Karnool District	1969-70	30	—	55	10	—	—	4.000	
			1970-71	60	—	110	20	—	—	8.000	
			1971-72	105	—	115	20	—	—	10.000	
			1972-73	105	—	120	25	—	—	10.745	
										32.745	
16.	Banaganapalli and Nandyal	Banaganapalli and Nandyal, Karnool District	1968-69	60	—	40	—	—	—	4.000	
			1969-70	100	—	90	—	—	—	6.000	
			1970-71	140	—	100	—	—	—	12.650	
										22.650	
17.	Giddalur	Giddalur taluk of Kurnool District	1969-70	40	—	72	20	—	—	4.910	
			1970-71	80	—	114	50	—	—	8.770	
			1971-72	80	—	114	50	—	—	8.770	
										22.450	
18.	Indukurpetta, Kovur Buchireddipalam	Indukurpetta, Kovur and Buchireddipalam Panchayat Samithi in Nellore District	1968-69	—	150	140	—	—	—	9.600	
			1969-70	—	100	110	—	—	—	6.900	
										16.500	
19.	Velligamdla	Nellore District	1970-71	150	—	200	75	—	—	15.500	
			1971-72	250	—	400	125	—	—	28.500	
			1972-73	300	—	500	150	—	—	34.000	
										78.000	

NAME OF THE STATE—ANDHRA PRADESH

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
20.	Chipurupalli	Chipurupalli, Shermahammedpuram, Ranastalam and Kota Bommali Panchayat Samithi in Srikakulam District	1968-69	350	—	350	150	—	—	32.000	
			1970-71	350	—	350	150	—	—	32.000	
			1970-71	300	—	300	100	—	—	26.000	
										90.000	
21.	Gara and Amadalavalasa	Gara and Amandalavalasa Panchayat Samithi in Srikakulam District	1968-69	230	—	160	40	—	—	17.950	
			1969-70	230	—	160	40	—	—	17.950	
			1970-71	140	—	130	20	—	—	11.850	
										47.750	
22.	Kasimkota	Kasimkota Panchayat Samithi of Visakhapatnam District	1968-69	110	30	105	40	—	—	10.824	
			1969-70	90	40	110	50	—	—	10.766	
			1970-71	100	30	85	10	—	—	9.210	
										30.800	
23.	Nakapalle	Nakapalle Panchayat Samithi of Visakhapatnam District	1968-69	55	80	130	40	—	—	11.020	
			1969-70	45	80	120	40	—	—	10.240	
			1970-71	50	90	125	20	—	—	10.490	
										31.750	
24.	Nellimerla	Nellimerla Panchayat Samithi of Visakhapatnam District	1968-69	175	15	120	40	—	—	11.290	
			1969-70	175	15	120	40	—	—	11.290	
			1970-71	150	20	210	20	—	—	9.945	
										32.525	
25.	Yellamanchili	Yellamanchili Panchayat Samithi of Visakhapatnam District	1968-69	110	50	120	30	—	—	12.390	
			1969-70	110	60	130	30	—	—	13.115	
			1970-71	80	70	130	40	—	—	11.957	
										37.462	

NAME OF THE STATE—ANDHRA PRADESH

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
26.	Narsipatnam	Narsipatnam, Chodavaram, Srungavarapukota and Gantiada Panchayat Samithi of Visakhapatnam District	1968-69	370	50	150	40	—	—	25.100	
			1969-70	500	70	200	50	—	—	33.870	
			1970-71	630	80	250	60	—	—	42.360	
										101.330	
27.	Peddapadu and Bhimadole	Bhimadole and Peddapadu Panchayat Samithi of West Godavari District	1968-69	100	50	225	—	75	—	19.500	
			1969-70	100	50	225	—	75	—	19.500	
										39.000	
28.	Bheemadevarpalli	Bhimadevarpalli Panchayat Samithi of Karimnagar District	1968-69	80	—	140	90	—	—	9.000	
			1969-70	80	—	130	80	—	—	9.000	
			1970-71	90	—	130	80	—	—	12.000	
										30.000	
29.	Gangadhara and 6 other samithis	Gangadhara and 6 other Panchayat Samithis of Karimnagar District	1969-70	300	—	500	300	—	—	33.500	
			1970-71	800	—	1000	300	—	—	65.500	
			1971-72	800	—	900	150	—	—	61.000	
										160.000	
30.	Huzurabad	Huzurabad Panchayat Samithi of Karimnagar District	1968-69	150	—	130	—	—	—	10.000	
			1969-70	125	—	130	—	—	—	10.000	
			1970-71	125	—	140	—	—	—	10.000	
										30.000	
31.	Metapalli	Metapalli taluk of Karimnagar District	1969-70	—	—	500	—	—	—	24.500	
			1970-71	—	—	750	—	—	—	36.750	
			1971-72	—	—	750	—	—	—	36.750	
										98.000	

NAME OF THE STATE — ANDHRA PRADESH

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
32.	Pedapalli	Pedapalli Panchayat Samithi of Karimnagar District	1968-69	150	—	185	100	—	—	13.000	
			1969-70	125	—	184	150	—	—	12.000	
			1970-71	125	—	171	50	—	—	11.750	
										36.750	
33.	Sultanabad	Sultanabad Panchayat Samithi of Karimnagar District	1968-69	150	—	136	135	—	—	12.500	
			1969-70	150	—	166	85	—	—	12.000	
			1970-71	100	—	98	80	—	—	8.500	
										33.000	
34.	Vemulvada	Vemulvada Panchayat Samithi in Karimnagar District	1968-69	300	—	275	200	—	—	24.000	
			1969-70	300	—	275	200	—	—	24.000	
			1970-71	200	—	300	200	—	—	20.750	
										68.750	
35.	Khammam, Madhira	Khammam, Madhira and Kothagudem taluk of Khammam District	1968-69	200	20	625	150	—	—	37.000	
			1969-70	200	20	625	150	—	—	37.000	
			1970-71	200	10	600	—	—	—	32.000	
										106.000	
36.	Medak and Ramayyapet	Medak and Ramayyapet Panchayat Samithi of Medak District	1969-70	90	—	85	—	—	—	7.937	
			1970-71	80	—	80	—	—	—	7.238	
			1971-72	80	—	85	—	—	—	7.450	
										22.625	
37.	Sangareddi	Sangareddi taluk of Medak District	1969-70	100	—	80	—	—	—	8.275	
			1970-71	75	—	85	—	—	—	7.237	
			1971-72	75	—	85	—	—	—	7.238	
										22.750	

NAME OF THE STATE—ANDHRA PRADESH

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
38.	Siddipet and Dubback	Siddipet and Dubback Panchayat Samithi of Medak District	1969-70	40	—	160	37	—	—	8.795	
			1970-71	40	—	165	38	—	—	8.655	
			1971-72	20	—	175	25	—	—	6.900	
										24.350	
39.	Alair	Nalgonda District	1968-69	130	—	130	—	—	—	9.500	
			1969-70	120	—	120	—	—	—	9.000	
			1970-71	100	—	100	—	—	—	7.550	
										26.050	
40.	Devarkonda and Chintapally	Devarkonda and Chintapally Panchayat Samithi of Nalgonda District	1969-70	100	—	100	15	—	—	10.000	
			1970-71	100	—	100	15	—	—	10.000	
			1971-72	100	—	100	15	—	—	10.000	
			1972-73	50	—	100	5	—	—	7.000	
										37.000	
41.	Ramannapet	Ramannapet Panchayat Samithi of Nalgonda District	1968-69	150	—	150	—	—	—	13.300	
			1969-70	150	—	200	—	—	—	14.700	
										28.000	
42.	Munnugode	Munnugode Panchayat Samithi of Nalgonda District	1969-70	125	—	125	25	—	—	13.000	
			1970-71	125	—	175	25	—	—	14.995	
										27.995	
43.	Madnoor	Madnoor Panchayat Samithi of Nizamabad District	1969-70	30	—	35	5	—	—	4.075	
			1970-71	75	—	90	10	—	—	10.550	
			1971-72	75	—	90	5	—	—	10.500	
			1972-73	70	—	85	5	—	—	9.875	
										35.000	

NAME OF THE STATE — ANDHRA PRADESH

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
44.	Bheemgal	Bheemgal Panchayat Samithi of Nizamabad District	1968-69	265	15	280	—	—	—	19.200	
			1969-70	315	15	330	—	—	—	23.400	
			1970-71	370	20	390	—	—	—	27.150	
										69.750	
45.	Yellareddy	Yellareddy taluk of Nizamabad District	1968-69	60	—	50	—	—	—	5.480*	Includes provision for lift points also.
			1969-70	90	—	80	—	—	—	8.200*	
										13.680	
46.	Mehboobabad and Narsampet	Warangal District	1968-69	300	—	340	50	—	—	30.500	
			1969-70	300	—	340	50	—	—	30.500	
			1970-71	250	—	220	—	—	—	21.500	
										82.500	
47.	Jangaon, Cherial	Jangaon, Cherial, Kodakandla Panchayat Samithi of Jangaon taluk of Warangal District	1969-70	115	—	130	—	—	—	10.000	
			1970-71	190	—	175	—	—	—	15.000	
			1971-72	190	—	175	—	—	—	15.000	
			1972-73	255	—	220	—	—	—	20.000	
										60.000	
48.	Parkal and 5 samithis	Parkal and 5 samithis in Warangal District	1969-70	60	—	20	25	—	—	3.700	
			1970-71	180	—	260	125	—	—	19.100	
			1971-72	180	—	260	125	—	—	19.100	
			1972-73	180	—	260	125	—	—	19.100	
										61.000	
49.	Tandur	Tandur Panchayat Samithi of Hydrabad District	1970-71	75	—	100	25	—	—	7.250	
			1971-72	75	—	75	25	—	—	7.375	
			1972-73	50	—	75	25	—	—	5.125	
										19.750	

NAME OF THE STATE — ANDHRA PRADESH

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
50.	Atmakur	Atmakur Panchayat Samithi of Mehaboobnagar District	1970-71	—	—	75	30	—	—	2.500	
			1971-72	—	—	75	30	—	—	2.500	
			1972-73	—	—	75	40	—	—	3.500	
										8.500	
51.	Mehaboobnagar, Nagarkurnool and Godwal Panchayat Samithi	Mehaboobnagar District	1969-70	100	—	60	—	—	—	6.250	
			1970-71	550	—	270	—	—	—	30.000	
			1971-72	550	—	270	—	—	—	29.750	
										66.000	
52.	Adilabad and Mudhol	Adilabad and Mudhol Blocks in Adilabad District	1970-71	30	—	40	—	—	—	3.550	
			1971-72	40	—	120	—	—	—	6.900	
			1972-73	40	—	120	—	—	—	6.900	
			1973-74	40	—	120	—	—	—	6.900	
										24.250	
53.	Lift Irrigation Scheme, Guntur	Guntur Distirct	1970-71	—	—	—	—	—	—	5.000*3 units	
			1971-72	—	—	—	—	—	—	6.530*	
										11.530	

NAME OF THE STATE — BIHAR

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
1.	Patna — Darbhanga	Patna and Darbhanga Districts	9-11-67 to 30-6-69	10	81	137	—	—	—	14.500	
			1- 7-69 to 30- 6-71	35	275	349	—	—	—	45.730	
				45	356	486				60.230	
2.	Monghyr	Monghyr-Mofusill, Surajgarh and Lakhi-sarai blocks of Monghyr District	27-12-67 to 30-6-69	9	36	52	—	—	—	5.500	
			1- 7-69 to 30- 6-71	21	96	150	—	—	—	14.960	
				30	132	202				20.460	
3.	Purnea-Saharsa	Purnea and Saharsa Districts	1969-70	—	2001	—	—	—	—	173.530	
			1970-71	—	1979	—	—	—	—	165.070	
			1971-72	—	1961	—	—	—	—	162.780	
			1972-73	—	2109	—	—	—	—	173.920	
					8050					675.300	
4.	Shahabad	Arrah, Barhara, Shahapur and Behia blocks	1970-71	150	—	150	—	—	—	16.950	
			1971-72	160	—	160	—	—	—	18.080	
			1972-73	173	—	173	—	—	—	19.549	
				483		483				54.579	

NAME OF THE STATE — GUJARAT

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
1.	Baroda District	Shihor, Dabhoi, Karjan and Sankheda talukas	1967-68	250	—	—	—	—	—	50.000	
			1968-69	250	—	—	—	—	—	50.000	
										100.000	
2.	Mehsana District	Sami-Harij, Mehsana, Valam-Modhera, Madhora-Vadaj, Sabarmati and Kodikalol blocks	1-4-68 to 31-3-69	—	50	—	—	—	—	25.000	
			1-4-69 to 31-3-70	—	50	—	—	—	—	25.000	
										50·000	
3.	Bulsar and Surat Districts	Bulsar and Chikhli talukas Vyara and Valod talukas	1968-69	300	—	300	—	—	—	27.000	
			1969-70	300	—	300	—	—	—	27.000	
			1970-71	300	—	300	—	—	—	27.000	
										81.000	
4.	Kaira District	Borsad and Kapadwanj talukas	1968-69	100	—	200	—	—	—	46.000	
			1969-70	150	—	250	—	—	—	68.000	
			1970-71	150	—	250	—	—	—	68.000	
										182.000	
5.	Bhavnagar District	Mahuva and Talaja talukas	1968-69	150	—	100	—	—	—	10.050	
			1969-70	150	—	150	—	—	—	12.450	
			1970-71	200	—	150	—	—	—	14.200	
										36.700	
6.	Banaskantha District	Vadgam and Deesa talukas	1968-69	150	—	200	—	—	—	14.500	
			1969-70	250	—	350	—	—	—	25.000	
			1970-71	300	—	350	—	—	—	26.500	
										66.000	

NAME OF THE STATE—GUJARAT

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
7.	Rajkot District	Jetpur and Gondal talukas	1968-69	150	—	150	—	—	—	13.500	
			1969-70	150	—	150	—	—	—	13.500	
			1970-71	200	—	200	—	—	—	18.000	
										45.000	
8.	Kutch District	Mandvi taluka	1968-69	50	—	125	—	—	—	8.250	
			1969-70	75	—	160	—	—	—	11.000	
			1970-71	75	—	200	—	—	—	13.000	
										32.250	
9.	Junagadh District	Keshod and Mangrol talukas	1968-69	100	—	200	—	—	—	11.700	
			1969-70	150	—	300	—	—	—	17.550	
			1970-71	150	—	300	—	—	—	17.550	
										46.800	
									(Rs. lacs)		
10.	Broach District	Jhagadia, Broach and Nanded talukas	1969-70	160	—	310	—	—	9.75	41.150	
			1970-71	180	—	330	—	—	9.75	43.850	
			1971-72	260	—	410	—	—	13.00	56.000	
										141.000	
11.	Bulsar District	Pardi taluka	1969-70	50	—	50	—	—	—	4.500	
			1970-71	50	—	50	—	—	—	4.500	
			1971-72	100	—	100	—	—	—	8.000	
										17.000	
									(Rs. lacs)		
12.	Baroda District	Jambugaon and Naswadi talukas	1969-70	60	—	60	—	—	0.80	6.800	
			1970-71	120	—	120	—	—	1.60	13.600	
			1971-72	120	—	120	—	—	1.60	13.600	
										34.000	

NAME OF THE STATE — GUJARAT

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovaton of old wells	Boring	Field channels		
									(Rs. lacs)		
13.	Ahmedabad District	Dahgam and Dholka talukas	1969-70	175	—	275	—	—	1.875	23.375	
			1970-71	175	—	275	—	—	1.875	23.375	
										46.750	
14.	Banaskantha District	Bhanera and Shihor talukas	1969-70	300	—	400	—	—	—	28.750	
			1970-71	300	—	400	—	—	—	28.875	
			1971-72	300	—	400	—	—	—	28.875	
										86.500	
15.	Mehsana District	Kadi taluka	1969-70	—	—	250	250	—	—	13.750	
			1970-71	—	—	150	150	—	—	8.250	
			1971-72	—	—	200	200	—	—	11.000	
										33.000	
16.	Kaira District	Mehmedabad taluka	1969-70	30	—	75	—	—	—	4.950	
			1970-71	30	—	75	—	—	—	4.950	
			1971-72	40	—	100	—	—	—	6.600	
										16.500	
17.	Bhavnagar District	Sihor and Savarkundla talukas	1969-70	250	—	350	—	—	—	22.750	
			1970-71	250	—	350	—	—	—	22.750	
			1971-72	250	—	350	—	—	—	22.750	
										68.250	
18.	Surendranagar District	Dhrangadhra and Halwad talukas	1969-70	300	—	550	—	—	—	29.750	
			1970-71	300	—	550	—	—	—	29.750	
			1971-72	300	—	550	—	—	—	29.750	
										89.250	

NAME OF THE STATE — GUJARAT

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
19.	Rajkot District	Jasdan and Morvi talukas	1969-70	300	—	500	—	—	—	25.500	
			1970-71	300	—	500	—	—	—	25.500	
			1971-72	300	—	500	—	—	—	25.500	
										76.500	
20.	Sabarkantha District	Bayad, Prantij and Idar talukas	1969-70	350	—	600	—	—	—	47.500	
			1970-71	350	—	600	—	—	—	47.500	
			1971-72	350	—	600	—	—	—	47.500	
										142.500	
									(Rs. lacs)		
21.	Kutch District	Nakhatrana taluka	1969-70	50	—	50	—	—	0.8325	5.11250	
			1970-71	50	—	50	—	—	0.8325	5.11250	
			1971-72	50	—	100	—	—	0.8325	8.97500	
										19.20000	
22.	Banaskantha District	Palanpur, Danta and Deodar talukas	1969-70	150	—	300	—	—	—	18.750	
			1970-71	150	—	300	—	—	—	18.750	
			1971-72	300	—	300	—	—	—	24.000	
										61.500	
									(Rs. lacs)		
23.	Broach District	Amod taluka	1970-71	50	—	50	—	—	1.50	6.650	
			1971-72	50	—	50	—	—	1.50	6.650	
			1972-73	50	—	50	—	—	1.50	6.650	
										19.950	
24.	Junagadh District	Mendarda, Talala and Visardar talukas	1970-71	280	—	360	—	—	—	24.200	
			1971-72	280	—	360	—	—	—	24.200	
			1972-73	340	—	380	—	—	—	27.100	
										75.500	
25.	Amreli District	Kodinar taluka	1970-71	50	—	50	—	—	—	4.000	
			1971-72	50	—	50	—	—	—	4.000	
										8.000	

NAME OF THE STATE — HARYANA

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
									(Rs. lakhs)		
1.	Jind District	Jind, Safidon & Kalayat blocks	1968-69	—	400	—	—	—	—	43·250	
			1969-70	—	400	—	—	—	—	43·250	
			1970-71	—	400	—	—	—	—	43·250	
			1971-72	—	400	—	—	—	—	43·250	
										173·000	
2.	Karnal, Gurgaon & Ambala	Ambala District	1967-68	—	800	—	—	—	—	60·000	
			1968-69	—	1200	—	—	—	—	90·000	
			1969-70	—	1200	—	—	—	—	90·000	
										240·000	
3.	Rohtak District	3 Blocks of Rohtak District	1968-69	—	400	—	—	—	10·00	34·000	
			1969-70	—	400	—	—	—	10·00	34·000	
			1970-71	—	500	—	—	—	12·50	42·500	
										110·500	
4.	Karnal — II	Ambala District	1968-69	—	700	—	—	—	—	53·200	
			1969-70	—	900	—	—	—	—	68·400	
			1970-71	—	900	—	—	—	—	68·400	
										190·000	
5.	Mohindergarh	Mohindergarh District	1968-69	500	—	500	—	—	—	97·500	
			1969-70	500	—	500	—	—	—	97·500	
			1970-71	500	—	500	—	—	—	97·500	
			1971-72	500	—	500	—	—	—	97·500	
										390·000	

NAME OF THE STATE — HARYANA

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
									(Rs. lakhs)		
6.	Ambala	Chhachrauli, Bilaspur & Barara	1970-71	—	250	—	—	—	—	20·000	
			1971-72	—	250	—	—	—	—	20·000	
			1972-73	—	300	—	—	—	—	24·000	
										64·000	
7.	Gurgaon	Hodel, Palwal, Bawal & Pataudi	1970-71	—	200	—	—	—	2·00	18·000	
			1971-72	—	400	—	—	—	4·00	36·000	
										54·000	
8.	Hissar	Tohana, Ratia, Sirsa & Rania blocks	1970-71	—	240	—	—	—	0·70	24·700	
			1971-72	—	460	—	—	—	1·40	47·400	
										72·100	
9.	Rohtak	Jhajjar Tehsil	1970-71	—	50	—	—	—	—	4·250	
			1971-72	—	250	—	—	—	5·00	26·250	
			1972-73	—	250	—	—	—	5·00	26·250	
			1973-74	—	250	—	—	—	5·00	26·250	
			1974-75	—	—	—	—	—	5·00	5·000	
										88·000	

NAME OF THE STATE — KERALA

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outly (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
1.	Chitoor	Chitoor taluk of Palghat District	1969-70	130	—	100	75	—	—	10·000	*Total amount includes Rs. 5·36 lakhs towards supervising charges
			1970-71	300	—	250	250	—	—	36·910	
			1971-72	70	—	200	375	—	—	28·440	
				500	—	550	700			75·350*	

NAME OF THE STATE — MADHYA PRADESH

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
1.	Sagar — I	Sagar City	1967-68 1968-69 1969-70 (i.e. upto March 1970)	60	—	178	146	—	—	10·594	
2.	Rewa	Rewa District	1968-69	800	—	600	—	—	—	49·000	
			1969-70	1200	—	1000	—	—	—	73·000	
			1970-71	1600	—	1400	—	—	—	99·000	
										221·000	
3.	Raisen	Bareli Tehsil	1969-70	—	100	—	—	—	—	20·000	
4.	Shivpuri	Karera and Pichhore talukas	1968-69	1000	—	300	—	—	—	43·500	
			1969-70	1000	—	300	—	—	—	43·500	
										87·000	
5.	Khargone	Maheshwar Tehsil	1968-69	400	—	300	—	—	—	28·800	
			1969-70	—	—	—	—	—	—	—	
			1970-71	100	—	200	—	—	—	7·200	
										36·000	
6.	Narsinghpur	Gotegaon, Chawarpatta, Narsinghpur, Babaichichli Kareli and Sainkheda (6 Blocks)	1968-69	—	75	—	—	—	—	15·000	
			1969-70	—	150	—	—	—	—	30·000	
			1970-71	—	250	—	—	—	—	50·000	
			1971-72	—	250	—	—	—	—	50·000	
			1972-73	—	275	—	—	—	—	55·000	
										200·000	

NAME OF THE STATE — MADHYA PRADESH

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
7.	Hoshangabad	Hoshangabad District	1968-69	—	50	—	—	—	—	10·000	
			1969-70	—	150	—	—	—	—	30·000	
			1970-71	—	250	—	—	—	—	50·000	
			1971-72	—	275	—	—	—	—	55·000	
			1972-73	—	275	—	—	—	—	55·000	
										200·000	
8.	Bhind District	Bhind, Gohad, Mehgaon and Lohar tehsils	1969-70	—	30	—	—	—	—	6·900	
			1970-71	—	100	—	—	—	—	23·000	
			1971-72	—	100	—	—	—	—	23·000	
			1972-73	—	150	—	—	—	—	34·500	
			1973-74	—	220	—	—	—	—	50·600	
										138·000	
9.	Morena District	Ambah, Morena, Jawra and Sabhalgarh tehsils	1969-70	—	25	—	—	—	—	5·000	
			1970-71	—	75	—	—	—	—	15·000	
			1971-72	—	150	—	—	—	—	30·000	
			1972-73	—	250	—	—	—	—	50·000	
			1973-74	—	250	—	—	—	—	50·000	
										150·000	
10.	Jabalpur District	280 villages in 5 Blocks Patna, Jabalpur and Sihora tehsils	1969-70	—	40	—	—	—	—	8·000	
			1970-71	—	90	—	—	—	—	18·000	
			1971-72	—	140	—	—	—	—	28·000	
			1972-73	—	165	—	—	—	—	33·000	
			1973-74	—	165	—	—	—	—	33·000	
										120·000	
11.	Sagar—II	Sagar City	1969-70 (8·12.69 to 30.6.70)	106	—	108	60	—	—	8·860	

NAME OF THE STATE — MADHYA PRADESH

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
12.	Gwalior District	Gwalior District	1970-71	300	10	30	—	—	—	13·610	
			1971-72	600	100	330	—	—	—	50·845	
			1972-73	600	70	235	—	—	—	41·800	
			1973-74	—	70	225	—	—	—	21·795	
										128·050	
13.	Sidhi District	Singrauli tehsil	1969-70	25	—	25	—	—	—	1·250	
			1970-71	200	—	200	—	—	—	10·000	
			1971-72	400	—	400	—	—	—	20·000	
										31·250	
14.	Tikamgarh District	Tikamgarh District	1970-71	200	—	200	—	—	—	13·400	
			1971-72	400	—	400	—	—	—	26·800	
			1972-73	600	—	600	—	—	—	40·200	
			1973-74	800	—	800	—	—	—	53·600	
										134·000	

NAME OF THE STATE—MAHARASHTRA

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
1.	Sholapur	Sholapur District	1969-70	180	—	40	75	—	—	11·000	
			1970-71	50	—	250	235	—	—	15·700	
			1971-72	50	—	250	235	—	—	15·700	
			1972-73	50	—	250	235	—	—	15·700	
				330		790	780			58·100	
2.	Indapur	Indapur taluks of Poona District	1969-70	—	—	100	—	—	—	6·000	
			1970-71	—	—	150	—	—	—	9·000	
			1971-72	—	—	150	—	—	—	9·000	
						400				24·000	
3.	Kolhapur (Reimbursement Scheme)	Kolhapur District	1970-71	958	—	1135	368	—	570	134·000	
4.	Aurangabad (Reimbursement Scheme)	Aurangabad District	1970-71	1050	—	1650	38	—	27	96·500	
5.	9 Lift irrigation schemes	Sholapur, Kolhapur, Nasik, Jalgaon, Sangli, Satara, Dhulia Districts	Upto June 1970	—	—	—	—	—	—	36·000	9 Units.
			1970-71	—	—	—	—	—	—	14·000	
			1971-72	—	—	—	—	—	—	12·760	
										62·760	
6.	Sangli District	Shirola, Khanapur, Tasgaon, Walva, Kawthi Mahankal & Miraj	1969-70	1685	—	3737	821	—	—	205·330	

NAME OF THE STATE — MAHARASHTRA

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
7.	Wardha District	Wardha District	1969-70	—	—	—	100	—	—	3·000	
			1970-71	—	—	150	400	—	—	16·500	
			1971-72	—	—	300	500	—	—	24·000	
			1972-73	—	—	300	—	—	—	9·000	
										52·500	
8.	Second lift irrigation Scheme (12 Units)	Sholapur, Kolhapur, Poona, Jalgaon, Ahmednagar and Buldana Districts	1969-70	—	—	—	—	—	—	20·000	12 units
			1970-71 (Up to 31-12-70)	—	—	—	—	—	—	22·570	
										42·570	
9.	Bhoom taluka of Osmanabad District	Bhoom taluka of Osmanabad District	1969-70	—	—	48	—	—	—	2·880	*Includes cost
			1970-71	25	—	52	—	—	—	4·870	@ Rs. 1000 per
			1971-72	25	—	100	—	—	—	7·750	well also
			1972-73	50	—	200	—	—	—	15·500	
				100		400				31·000*	

NAME OF THE STATE — MYSORE

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
1.	Area development scheme in Tumkur district	Tumkur District	1969-70	500	—	50	—	—	—	16·900*	*Amount of debentures to be floated year-wise. It includes amounts for deposit to be kept with Electricity Board, Land to be levelled, Eradication of Haryali and for Manuring
			1970-71	500	—	200	—	—	—	28·650	
			1971-72	550	—	300	—	—	—	41·500	
			1972-73	—	—	1000	—	—	—	74·960	
										162·010	
2.	Scheme of sinking of wells etc. in Chitradurga District	Chitradurga District	1969-70	500	—	500	—	—	—	52·240*	*Amount of debentures to be floated year-wise includes amount for Eradication of Haryali
			1970-71	750	—	750	—	—	—	78·095	
			1971-72	750	—	750	—	—	—	78·605	
										208·940	
3.	Kolar wells	Kolar District	1969-70	500	—	50	—	—	—	15·700	
			1970-71	890	—	450	—	—	—	47·225	
			1971-72	—	—	890	—	—	—	80·000	
										142·920	
4.	Minor irrigation in Dharwar District	Dharwar District	1969-70	50	—	50	—	—	—	5·500	Sanction letter not issued
			1970-71	350	—	350	—	—	—	38·500	
			1971-72	800	—	800	—	—	—	88·000	
			1972-73	800	—	800	—	—	—	88·000	
										220·000	

NAME OF THE STATE — MYSORE

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
5.	Wells in Belgaum District	Belgaum District	1968-69	100	—	100	—	—	—	12·000	
			1969-70	600	—	600	—	—	—	72·000	
			1970-71	600	—	600	—	—	—	72·000	
			1971-72	700	—	700	—	—	—	84·000	
										240·000†	† Includes deposits with Electricity Board
6.	Bangalore	Bangalore District	1970-71	250	—	250	—	—	—	60·000	
			1971-72	375	—	375	—	—	—	90·000	
			1972-73	375	—	375	—	—	—	90·000	
										240·000†	†Includes deposits with Electricity Board
7.	Mandya District	Mandya District	1970-71	200	—	200	—	—	—	22·000	
			1971-72	200	—	200	—	—	—	22·000	
			1972-73	200	—	200	—	—	—	22·000	
			1973-74	300	—	300	—	—	—	33·000	
										99·000	

NAME OF THE STATE — PUNJAB

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
									Rs. (lakhs)		
1.	Nabha	Nabha tehsil of Patiala District	1967-68	—	186	—	—	—	—	12.000	
			1968-69	—	414	—	—	—	1·275	32·137	
										44·137	
2.	Ferozepur—Zira	Ferozepur & Zira tehsils of Ferozepur District	1967-68	—	300	—	—	—	—	22·050	
			1968-69	—	1200	—	—	—	3·00	91·800	
										113·850	
3.	Tanda—Dasuya	Tanda & Dasuya blocks of Dasuya tehsil—Hoshiarpur District	1967-68	—	100	—	—	—	—	7·500	
			1968-69	—	300	—	—	—	1·20	23·400	
										30·900	
4.	Mukandpur	Mukandpur block of Nawanshahr tehsil of Jullunder District	1967-68	—	30	—	—	—	—	2·260	
			1968-69	—	120	—	—	—	—	9·240	
										11·500	
5.	Ludhiana District	Ludhiana Tehsil	1967-68	—	303	—	—	—	—	16·000	
			1968-69	—	165	—	—	—	1·700	23·900	
			1969-70	—	218	—	—	—	1·959	31·336	
										71·236	
6.	Kapurthala	Kapurthala District	1967-68	—	111	—	—	—	—	5·700	
			1968-69	—	489	—	—	—	—	45·690	
			1969-70	—	400	—	—	—	—	43·950	
			1970-71	—	—	—	—	—	—	15·500	
										110·840	

NAME OF THE STATE—PUNJAB

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
									(Rs. lakhs)		
7.	Majitha	Majitha block of Amritsar District	1967-68	—	50	—	—	—	—	3·600	
			1968-69	—	150	—	—	—	1·05	12·460	
			1969-70	—	150	—	—	—	1·05	12·460	
			1970-71	—	150	—	—	—	1·05	12·460	
										40·980	
8.	Dhuri-Malerkotla	Dhuri-Malerkotla	1967-68	—	80	—	—	—	—	6·400	
			1968-69	—	360	—	—	—	—	29·880	
			1969-70	—	360	—	—	—	—	29·880	
										66·160	
									(Rs. lakhs)		
9.	Batala—Fatehgarh	Batala & Fatehgarh, Churian blocks of Gurdaspur District	1967-68	—	100	—	—	—	—	7·700	
			1968-69	—	400	—	—	—	1·60	32·000	
			1969-70	—	500	—	—	—	2·00	40·000	
										79·700	
									(Rs. lakhs)		
10.	Balachur	Balachur block of Hoshiarpur District	1967-68 / 1968-69	—	200	—	—	—	2·15	18·250	
			1969-70	—	200	—	—	—	2·15	18·650	
										36·900	
									(Rs. lakhs)		
11.	Patiala District	Patiala Tehsil	1968-69	—	600	—	—	—	9·00	52·200	
			1969-70	—	1200	—	—	—	18·00	104·400	
			1970-71	—	1200	—	—	—	18·00	104·400	
										261·000	

NAME OF THE STATE—PUNJAB

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
12.	Sangrur	Sangrur District	1968-69	—	400	—	—	—	—	34·800	
			1969-70	—	1100	—	—	—	—	95·700	
			1970-71	—	1500	—	—	—	—	130·500	
										261·000	
13.	Samrala	Samrala Tehsil of Ludhiana District	1968-69	—	300	—	—	—	—	25·500	
			1969-70	—	700	—	—	—	—	59·500	
			1970-71	—	1000	—	—	—	—	85·000	
										170·000	
									(Rs. lakhs)		
14.	Tarn-Taran	Tarn-Taran Tehsil of Amritsar District	1968-69	—	400	—	—	—	6·00	36·000	
			1969-70	—	1100	—	—	—	16·50	99·000	
			1970-71	—	1500	—	—	—	22·50	135·000	
										270·000	
									(Rs. lakhs)		
15.	Jullunder District	Jullunder Tehsil	1968-69	—	200	—	—	—	—	15·000	
			1969-70	—	550	—	—	—	4·125	45·365	
			1970-71	—	750	—	—	—	5·625	61·885	
										122·250	
									(Rs. lakhs)		
16.	Gurdaspur District	Gurdaspur tehsil of Gurdaspur District	1968-69	—	400	—	—	—	—	30·000	
			1969-70	—	1100	—	—	—	8·25	90·750	
			1970-71	—	1500	—	—	—	11·25	123·750	
										244·500	

NAME OF THE STATE — PUNJAB

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
									(Rs. lakhs)		
17.	Rupar	Rupar tehsil of Rupar District	1968-69	—	400	—	—	—	—	30·400	
			1969-70	—	1100	—	—	—	8·25	91·850	
			1970-71	—	1500	—	—	—	11·25	125·250	
										247·500	
18.	Moga	Moga District	1968-69	—	337	—	—	—	—	25·274	
			1969-70	—	1013	—	—	—	—	83·560	
			1970-71	—	1350	—	—	—	—	111·385	
										220·219	
									(Rs. lakhs)		
19.	Nabha	Nabha tehsil of Patiala District	1969-70	—	—	100	—	—	1·50	8·500	
			1970-71	—	—	900	—	—	13·50	81·500	
			1971-72	—	—	1000	—	—	15·00	90·000	
										180·000	
									(Rs. lakhs)		
20.	Barnala	Barnala tehsil of Sangrur District	1970-71	—	100	—	—	—	2·00	9·500	
			1971-72	—	680	—	—	—	3·00	54·460	
			1972-73	—	1360	—	—	—	3·00	105·520	
			1973-74	—	1360	—	—	—	4·00	106·520	
										276·000	
									(Rs. lakhs)		
21.	Nathana, Pampura, and Phul	Nathana, Pampura & Phul blocks of Bhatinda District	1970-71	—	100	—	—	—	3·00	10·900	
			1971-72	—	700	—	—	—	5·00	60·900	
			1972-73	—	1000	—	—	—	5·00	84·600	
			1973-74	—	1100	—	—	—	5·00	92·700	
										249·100	

NAME OF THE STATE — RAJASTHAN

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
1.	Panchayat Samithi Sangod in Kota District	Panchayat Samithi Sangod in Kota District	1968-69	300	—	186	—	—	—	32·070	
			1969-70	300	—	187	—	—	—	32·115	
			1970-71	300	—	187	—	—	—	32·115	
										96·300	
2.	Area development scheme in Govindgarh Panchayat Samithi of Jaipur District	Govindgarh Panchayat Samithi of Jaipur District	1969-70	300	—	600	—	—	(lakh feet) 3·00	55·500	
			1970-71	400	—	800	—	—	4·00	74·000	
			1971-72	300	—	600	—	—	3·00	55·500	
										185·000	
3.	Area development scheme in Nadbai Panchayat Samithi of Bharatpur district	Nadbai Panchayat Samithi of Bharatpur District	1969-70	101	—	37	—	—	(acres) 600	8·395	
			1970-71	203	—	74	—	—	1200	16·845	
			1971-72	203	—	74	—	—	1200	16·845	
										42·085	
4.	Area development scheme in Kathumar Panchayat Samithi of Alwar District	Kathumar Panchayat Samithi of Alwar District	1969-70	466	—	253	—	—	(lakh feet) 1·50	34·180	
			1970-71	944	—	501	—	—	3·00	68·610	
			1971-72	1275	—	631	—	—	4·00	90·710	
										193·500	

NAME OF THE STATE—TAMIL NADU

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
1.	Scheme for sinking of wells and installation of pumpsets in the Pudukottai Division of Tiruchirapalli District	Pudukottai Divisions of Tiruchirapalli District	1968-69	500	—	100	—	—	—	22·500	
			1969-70	750	—	200	—	—	—	35·000	
			1970-71	750	—	200	—	—	—	35·000	
										92·500	
2.	Thondamuthur and Perianayakapalayam taluks in Coimbatore District	Thondamuthur and Perianayakapalayam taluks in Coimbatore District	1968-69 / 1969-70	600	—	230	—	—	—	45·500	
			1970-71	400	—	270	—	—	—	49·500	
			1971-72	—	—	500	—	—	—	15·000	
										110·000	
3.	Scheme for construction of wells in Udumalpet taluk of Coimbatore District	Udumalpet taluk of Coimbatore District	1969-70	200	—	200	—	—	—	18·000	
			1970-71	350	—	350	—	—	—	40·000	
			1971-72	450	—	450	—	—	—	51·000	
			1972-73	—	—	—	—	—	—	16·000	
										125·000	
4.	Minor irrigation scheme for construction of wells & installation of pumpsets in Krishnagiri and Uttangiri taluks of Dharmapuri District	Krishnagiri and Uttangiri taluks of Dharmapuri District	1970-71	50	—	25	—	—	—	2·900	
			1971-72	950	—	475	—	—	—	44·900	
			1972-73	1000	—	500	—	—	—	74·200	
										122·000	
5.	Scheme for construction of 150 wells in Periar Extension Area in Sivaganga & Tiruputhur taluks of Ramnathpuram District	Periar Extension Area in Sivaganga and Tiruputhur taluks of Ramnathpuram District	1969-70 / 1970-71	150	—	150	—	—	—	9·000	
6.	The area of Archean and Gondwana rocks regions of Sivaganga and Tiruputtur taluks of Ramnathpuram District	Sivaganga and Tiruputtur taluks of Ramnathpuram District	1970-71	500	—	500	—	—	—	30·000	
			1971-72	500	—	500	—	—	—	30·000	
			1972-73	500	—	500	—	—	—	30·000	
			1973-74	500	—	500	—	—	—	30·000	
			1974-75	750	—	750	—	—	—	45·000	
										165·000	

NAME OF THE STATE — TAMIL NADU

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
7.	Madurai and Malur taluks of Madurai District	Madurai and Malur taluks of Madurai District	1970-71	300	—	300	—	—	—	18·000	
			1971-72	375	—	375	—	—	—	22·500	
			1972-73	375	—	375	—	—	—	22·500	
										63·000	
8.	Sankarankoil taluk of Tirunelveli District	Sankarankoil taluk of Tirunelveli District	1970-71	300	—	360	100	—	—	26·800	
			1971-72	400	—	490	150	—	—	36·450	
			1972-73	400	—	550	250	—	—	40·750	
			1973-74	400	—	400	—	—	—	30·000	
										134·000	
9.	Tirumangalam and Usilampatti taluks in Madurai District	Tirumangalam and Usilampatti taluks in Madurai District	1970-71	500	—	600	200	—	—	54·000	
			1971-72	500	—	700	300	—	—	60·000	
										114·000	
10.	Sinking of wells and installation of pumpsets in Tiruchirapalli District	Tiruchirapalli, Lalgudi and Udayarpalayam	1970-71	350	—	500	—	—	—	24·750	
			1971-72	350	—	500	—	—	—	24·750	
										49·500	
11.	Sinking of wells and installation of pumpsets in Chingleput District	Maduranthakam and Chingleput taluks	1970-71	200	—	200	—	—	—	22·000	
			1971-72	400	—	400	—	—	—	44·000	
			1972-73	400	—	400	—	—	—	44·000	
										110·000	
12.	Deepening of existing wells & installation of pumpsets in Dindigul and Vedasandur taluks of Madurai District	Dindigul and Vedasandur taluks of Madurai District	1970-71	—	—	100	400	—	—	25·000	
			1971-72	—	—	100	500	—	—	30·500	
			1972-73	—	—	100	600	—	—	36·000	
										91·500	

NAME OF THE STATE — TAMIL NADU

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
13.	Construction of open wells and installation of pumpsets in Tirunelveli and Tenkasi taluks in Tirunelveli District	Tirunelveli and Tenkasi taluks in Tirunelveli District.	1970-71	300	—	300	—	—	—	22·500	
			1971-72	600	—	600	—	—	—	45·000	
			1972-73	600	—	600	—	—	—	45·000	
										112·500	
14.	Construction of open wells and installation of pumpsets in Nanguneri taluk of Tirunelveli District	Nanguneri taluk of Tirunelveli District	1970-71	200	—	200	—	—	—	21·000	
			1971-72	500	—	500	—	—	—	52·500	
			1972-73	500	—	500	—	—	—	52·500	
										126·000	
15.	Construction of open wells, deepening of existing wells and installation of pumpsets in Musiri taluk of Tiruchirapalli District	Musiri taluk of Tiruchirapalli District	1970-71	250	—	400	150	—	—	28·750	
			1971-72	300	—	450	150	—	—	33·750	
			1972-73	350	—	550	200	—	—	40·000	
										102·500	
16.	Construction of open wells, deepening of existing wells and installation of pumpsets in Manapparai taluk of Tiruchirapalli District	Manapparai taluk of Tiruchirapalli District	1970-71	200	—	250	50	—	—	19·750	
			1971-72	200	—	275	75	—	—	21·125	
			1972-73	200	—	275	75	—	—	21·125	
										62·000	
17.	Construction of open wells and installation of pumpsets in Kulitalai taluk of Tiruchirapalli District	Kulitalai taluk of Tiruchirapalli District	1970-71	200	—	300	100	—	—	22·500	
			1971-72	250	—	350	100	—	—	26·000	
			1972-73	250	—	350	100	—	—	26·000	
										74·500	
18.	Construction of open wells and installation of pumpsets in Karur Taluk of Tiruchirapalli District	Karur taluk of Tiruchirapalli District	1970-71	150	—	250	100	—	—	19·000	
			1971-72	225	—	325	100	—	—	25·750	
			1972-73	225	—	325	100	—	—	25·750	
										70·500	
19.	Sinking of dug-cum-bore wells and installation of pumpsets in Villupuram taluk of South Arcot District	Villupuram taluk of South Arcot District	1970-71	350	—	500	—	—	—	28·000	
			1971-72	400	—	550	—	—	—	31·250	
			1972-73	450	—	650	—	—	—	36·250	
										95·500	

NAME OF THE STATE — UTTAR PRADESH

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
									(Rs. lakhs)		
1.	Khurja	(Bulandshahr Khurja Tehsil District)	1967-68	43	124	166	—	—	0·279	12·749	
			1968-69	300	400	350	—	—	1·000	36·500	
			1969-70	157	176	234	—	—	28·337	47·177	
				500	700	750			29·616	96·426	
2.	Meerut	Baghpat Tehsil	1968-69 to 1969-70	—	250	125	—	—	—	15·750	
					250	125				15·750	
3.	Saharanpur	Saharanpur District	1968-69	—	460	—	—	—	—	20·700	
			1969-70	—	290	—	—	—	—	13·050	
					750					33·750	
4.	Rae-bareli	Rae-bareli District	1968-69	400	150	250	—	—	—	35·500	
			1969-70	250	100	400	—	—	—	24·500	
				650	250	650				60·000	
5.	Gorakhpur	Sardar, Maharajganj & Pharenda tehsils	1968-69	213	160	132	—	—	0·128	9·485	
			1969-70	200	200	200	—	—	3·686	15·086	
			1970-71	200	200	200	—	—	3·686	15·086	
				613	560	532			7·500	39·657	
6.	Deoria	Deoria District	1968-69	495	185	420	—	—	—	15·867	
			1969-70	240	224	317	—	450	—	19·766	
			1970-71	213	283	318	—	451	—	21·497	
				966	692	1055		901		57·130	

NAME OF THE STATE — UTTAR PRADESH

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
7.	Muzaffarnagar	Muzaffarnagar, Baghra, Charthawal, Budhana, Shahapur and Khatauli blocks	1968-69	96	154	93	—	—	—	10·732	
			1969-70	9	326	207	—	200	5·302	29·253	
			1970-71	—	470	375	—	375	4·698	42·258	
				105	950	675		575	10·000	82·243	
8.	Lakhimpur-Kheri	Lakhimpur-Kheri District	1969-70	32	350	260	—	—	—	19·760	
			1970-71	10	300	200	—	—	—	16·100	
			1971-72	10	270	200	—	—	—	15·050	
				52	920	660				50·910	
9.	Fatehpur	Fatehpur District	1969-70	775	260	775	—	—	—	60·500	
			1970-71	920	300	920	—	—	—	71·300	
			1971-72	920	300	920	—	—	—	71·300	
			1972-73	495	195	495	—	—	—	40·900	
				3110	1055	3110				244·000	
10.	Ballia	Ballia District	1969-70	40	300	15	—	—	—	13·045	
			1970-71	10	100	5	—	—	—	4·305	
				50	400	20				17·350	
11.	Bijnoor	Bijnoor District	1969-70	173	327	164	—	—	—	26·534	
				173	327	164				26·534	
12.	Allahabad	Allahabad District	1969-70	500	600	200	—	—	—	41·000	
			1970-71	300	300	100	—	—	—	21·100	
				800	900	300				62·100	

NAME OF THE STATE — UTTAR PRADESH

Sr. No.	Name of Minor Irrigation Scheme	Area of operation	Co-operative year	Physical targets						Financial outlay (Rs. lakhs)	Remarks
				Wells	Tube-wells	Pump-sets	Renovation of old wells	Boring	Field channels		
13.	Kanpur	Kanpur District	1969-70	200	400	110	—	—	—	21·700	
			1970-71	200	100	90	—	—	—	9·100	
				400	500	200				30·800	
14.	Azamgarh	Azamgarh, Lalganj, and Phulpur Tehsils	1969-70	650	1000	150	—	—	—	46·750	
			1970-71	100	100	35	—	—	—	5·725	
				750	1100	185				52·475	
15.	Basti	Bahadurpur, Kudaraha, Saltan and Basti blocks	1970-71	80	100	30	—	—	—	10·800	
			1971-72	160	200	60	—	—	—	21·600	
			1972-73	160	200	60	—	—	—	21·600	
				400	500	150				54·000	
16.	Lucknow	Bakshi-ka-talab and Kakori blocks	1970-71	50	18	8	40	—	—	3·250	
			1971-72	250	88	38	200	—	—	16·050	
			1972-73	400	140	60	320	—	—	25·600	
			1973-74	300	104	44	240	—	—	19·100	
				1000	350	150	800			64·000	
17.	Mathura	Naujhil block	1970-71	80	40	—	—	—	—	5·100	
			1971-72	120	60	—	—	—	—	7·800	
				200	100					12·900	

DBOD. No. Nat. 803/C.453(F)-71 — 17 May 1971

All commercial banks.

Dear Sir,

FINANCING OF MINOR IRRIGATION SCHEMES

In continuation of our circular letter DBOD. No. Nat.351/C.453(F)-71 dated the 1st March 1971 on the above subject, we forward herewith a list giving state-wise information about the minor irrigation schemes since sanctioned by the Agricultural Refinance Corporation together with the physical targets and financial outlay thereof in different states.

Yours faithfully,

M. L. INASU

Asstt. Chief Officer

State-wise list of minor irrigation schemes since sanctioned by the Agricultural Refinance Corporation

Name of the State: ANDHRA PRADESH

Sr. No.	District	Area of operation of the scheme	Phasing (co-operative year)	Physical Targets	Financial outlay (Rs. lakhs)
1.	Nellore	Venkatachalam Panchayat Samiti	1970-71 and 1971-72	Sinking of 400 tubewells, installation of 250 electric motors and 150 diesel oil engines and keeping deposit with the State Electricity Board for obtaining electric connections	22.00

Name of the State: HARYANA

Sr. No.	District	Area of operation of the scheme	Phasing (co-operative year)	Physical Targets	Financial outlay (Rs. lakhs)
1.	Rohtak	Nahar and Salahawas blocks of Jhajjar Tehsil	1970-71 to 1974-75	Installation of 800 tubewells and lining and construction of pucca water conveyance channels on an area of 10,000 acres	88.00

Name of the State: MADHYA PRADESH

Sr. No.	District	Area of operation of the scheme	Phasing (co-operative year)	Physical Targets	Financial outlay (Rs. lakhs)
1.	Chindwara	Chindwara, Mohkhed, Pandhurna, Chourai and Sausar blocks	1970-71 to 1974-75	Construction of 3000 surface wells and installation of 2800 electric and 700 diesel pumpsets	248.00
2.	Sehore	Berasia, Huzur, Sehore, Ashta and Budni tehsils	1970-71 to 1974-75	Construction of 3000 dug wells, 100 tubewells and installation of 800 diesel and 2200 electric pumpsets	246.00

Name of the State: MYSORE

Sr. No.	District	Area of operation of the scheme	Phasing (co-operative year)	Physical Targets	Financial outlay (Rs. lakhs)
1.	Belgaum	Chikodi, Raibag, Hukeri and Gokak talukas	1970-71 to 1973-74	Sinking of 2000 wells and installation of 2000 electric pumpsets and keeping deposits with the State Electricity Board for obtaining electric connections.	240.00
2.	Dharwar	Haveri, Ranebennur, Byadgi and Hirekerur talukas	1970-71 to 1973-74	Sinking of 2000 wells and installation of 2000 electric pumpsets and keeping deposits with the State Electricity Board for obtaining electric connections.	220.00
3.	Mandya	Nagamangala, Krishnarajpet Pandavpura, Mandya, Maddur, Malavalli and Srirangapatna talukas	1970-71 to 1973-74	Sinking of 900 wells with 900 electric pumpsets and keeping deposits with the State Electricity Board for obtaining electric connections.	99.00
4.	Bangalore	Doddaballapur, Devanhalli, Nellamangla, Hoskote and Bangalore (South) talukas	1970-71 to 1973-74	Sinking of 2000 wells with 2000 electric pumpsets and keeping deposits with the State Electricity Board for obtaining electric connections	240.00

Name of the State : PUNJAB

Sr. No.	District	Area of operation of the scheme	Phasing (co-operative year)	Physical Targets	Financial outlay (Rs. lakhs)
1.	Bhatinda	Nathana, Rampura, and Phul blocks	1970-71 to 1973-74	Installation of 2900 tubewells and construction of field channels.	249.10

Name of the State : RAJASTHAN

Sr. No.	District	Area of operation of the scheme	Phasing (co-operative year)	Physical Targets	Financial outlay (Rs. lakhs)
1.	Jaipur	Shahpura Panchayat Samiti	1970-71 and 1971-72	Sinking of 54 dug wells, installation of 129 diesel pumpsets and construction of 81,000 running feet of field channels	14.19
2.	Alwar	Ramgarh Panchayat Samiti	1970-71 to 1972-73	Sinking of 742 dug wells, 509 dug-cum-bore wells with pumpsets, installation of 184 diesel and 150 electric pumpsets and construction of 5 lakh running feet of field channels.	110.42
3.	Tonk	Tonk Panchayat Samiti	1970-71	Construction of 50 open wells, installation of 40 diesel and 10 electric pumpsets and construction of 12,600 running feet of field channels	6.26
4.	Bharatpur	Rajkhera Panchayat Samiti	1970-71 to 1972-73	Construction of 227 dug wells, 223 bore wells with pumpsets, installation of 167 diesel and 60 electric pumpsets with shed and construction of 80,000 running feet of field channels.	46.01
5.	Sawai-Madhopur	Sawai-Madhopur Panchayat Samiti	1970-71 to 1972-73	Construction of 418 open wells and installation of 192 diesel and 328 electric pumpsets	46.16

Name of the State : TAMIL NADU

Sr. No.	District	Area of operation of the scheme	Phasing (co-operative year)	Physical Targets	Financial outlay (Rs. lakhs)
1.	Dharmapuri	Dharmapuri and Harur taluks	1970-71 to 1972-73	Deepening of 1200 wells and installation of 1200 electric pumpsets	96.00
2.	-do-	Hosur Taluk	1970-71 to 1972-73	Deepening of 300 wells and installation of 300 electric pumpsets	16.50
3.	Thanjavur	Cauvery Sub-basin	1970-71 and 1971-72	Sinking of 2500 filter point wells fitted with pumpsets and keeping deposits with the State Electricity Board for extension of power lines	150.00
4.	Salem	Namakkal taluk	1970-71 and 1971-72	Deepening of 1000 wells and installation of 500 pumpsets.	60.00

Name of the State: UTTAR PRADESH

Sr. No.	District	Area of operation of the scheme	Phasing (Co-operative year)	Physical Targets	Financial outlay (Rs. lakhs)
1.	Barabanki	Ramnagar and Fatehpur blocks	1970-71 to 1972-73	Construction of 1000 tubewells, 1600 masonry wells bored and fitted with persian wheels and installation of 900 pumpsets	183.00
2.	Hardoi	Bawan, Sursa, Tandiyawan and Ahirori blocks in Hardoi tehsil	1970-71 to 1972-73	Construction of 1100 bore wells with Persian wheels, 500 masonry wells, installation of 250 pumpsets on existing wells and construction of 600 tubewells with a provision for keeping deposits with the State Electricity Board	88.50
3.	Faizabad	Sohwal, Amaniganj, Milkipur and Bikapur blocks	1970-71 to 1972-73	Construction of 330 masonry wells bored and fitted with persian wheels, 550 tube wells with provision for keeping deposits with the State Electricity Board and installation of 50 pumpsets.	66.40
4.	Sultanpur	Akhandnagar, Kadipur, Dostpur, Jaisinghpur and Kurebhar blocks in Kadipur and Sadar tehsils	1970-71 to 1972-73	Construction of 1000 tubewells, 500 masonry wells, 135 masonry wells fitted with persian wheels and installation of 500 diesel pumpsets and 175 electric pumpsets with provision for keeping deposits with the State Electricity Board	140.05
5.	Pratapgarh	Sadar and Laxmanpur blocks of Pratapgarh tehsil	1970-71 to 1972-73	Construction of 700 dug-cum-bored masonry wells, 60 dug-cum-bored masonry wells with diesel/ electric pumpsets and installation of 300 tubewells	45.60
6.	Unnao	Sikandarpur, Sirosi and Bichhia blocks in Unnao tehsil	1970-71 and 1971-72	Construction of 19 masonry wells bored and fitted with persian wheels and installation of 38 diesel and 40 electric tubewells with a provision for keeping deposits with the State Electricity Board	5.86

DBOD.No.Nat.1901/C.453(F)-71 — 13 November 1971

All commercial banks.

Dear Sir,

FINANCING OF MINOR IRRIGATION SCHEMES

In continuation of our circular letter DBOD. No. Nat.803/C.453(F)-71 dated the 17th May 1971 on the above subject, we forward herewith a list showing State-wise information about the minor irrigation schemes since sanctioned by the Agricultural Refinance Corporation together with the physical targets and financial outlay thereof in different States.

Yours faithfully,

N. RAMASWAMY

Asstt. Chief Officer

Name of State : BIHAR

Sr. No.	District	Area of operation of the scheme	Phasing (Co-operative year)	Physical Targets	Financial outlay (Rs. lakhs)
(1)	(2)	(3)	(4)	(5)	(6)
1.	Champaran	Turkaulia, Sugauli, Nautan, Majhaulia and Bairia blocks.	1971-74	Installation of 834 electrically operated tubewells and 316 diesel-powered tubewells.	168·10

HARYANA

(1)	(2)	(3)	(4)	(5)	(6)
1.	Mohindergarh and Hissar	Bhadra and Dadri I and Dadri II blocks in Dadri Tehsil of Mohindergarh District and Loharu Block in Bhiwani Tehsil of Hissar District.	1971-74	Construction of 720 percolation wells, installation of 1020 pumpsets and construction of pucca field channels over an area of 10200 acres.	187·20

MAHARASHTRA

(1)	(2)	(3)	(4)	(5)	(6)
Sr. No.	District	Area of operation of the scheme	Phasing (Co-operative year)	Physical Targets	Financial outlay (Rs. lakhs)
1.	Ahmednagar	284 villages in the following 13 talukas Srirampur Kopergaon Sangamner Rahuri Shrigonda Ahmednagar Karjat Newasa Shevgaon Parner Jamkhed Akola Pathardi	1970-71	Installation of 3335 electric pumpsets for energization of wells.	100·05

MAHARASHTRA

(1) Sr. No.	(2) District	(3) Area of operation of the scheme	(4) Phasing (Co-operative year)	(5) Physical Targets	(6) Financial outlay (Rs. lakhs)
2.	Satara	In the following talukas Satara Karad Phaltan Patan Wai Man Khandala Koregaon Jaoli Khatav Mahabaleshwar	1970-71	Installation of 1600 electric pumpsets for energization of wells.	48·00
3.	Sangli	In eight talukas of Walwa Atpadi Shirala Kavathe Mahankal Jath Tasgaon Miraj Khanapur	1970-71	Installation of 1800 electric pumpsets for energization of wells.	54·00
4.	Kolhapur	In 6 talukas of Karvir Hatkanangale Shirol Gadhinglaj Panhala Kagal	Upto 31st December 1971	Installation of 1500 electric pumpsets for energization of wells.	45·00
5.	Poona	In five talukas of Shirur Purandhar Baramati Indapur Bhor	31st December 1971	Installation of 300 electric pumpsets for energization of wells.	9·00
		MADHYA PRADESH			
1.	Indore	38 villages in Indore Tehsil of Indore district	1971-74	Construction of 143 dug-wells, repairs to 75 existing wells—installation of 160 electric and 8 diesel pumpsets, fencing of 400 acres and laying down 35,000 ft. of pipe lines.	14.99

Sr. No.	District	Area of operation of the scheme	Phasing (Co-operative year)	Physical Targets	Financial outlay (Rs. lakhs)
(1)	(2)	(3)	(4)	(5)	(6)
1.	Gonda	Jhanjhari Itiathoke Katra Bazar Haldharmau Rupaidih Balrampur and Nawabganj blocks.	1970-73	Construction of 950 masonry wells bored and fitted with rahats, 1500 diesel tubewells, 500 electric tubewells and installation of 1200 pumpsets.	230·25
2.	Barabanki	Ramnagar and Fatehpur blocks.	1970-73	Construction of 602 tubewells, 1600 masonry wells bored and fitted with persian wheels and installation of 900 pumpsets.	147·18
3.	Shahjahanpur	Jaitipur Tilhar Bhawal-Khera Kant and Jalalabad tehsils	1971-75	Construction of 100 electric tubewells, 400 diesel tubewells, 1000 masonry wells bored and fitted with persian wheels, 1000 pit borings and installation of 1000 diesel pumpsets together with a provision to keep deposits with State Electricity Board for electricity connexions.	140·50
4.	Etah	Aliganj Jaitra and Ganjdudwara blocks	1971-74	Installation of 650 masonry wells bored and fitted with persian wheels, 650 tubewells and 200 pumpsets together with a provision for keeping deposits with the State Electricity Board.	63·25
5.	Rampur	Rampur and Suar tehsils	1971-74	Installation of 750 masonry wells bored and fitted with persian wheels, 250 tubewells and 500 pumpsets together with a provision to keep deposits with the State Electricity Board for electric connexions.	52·00

DBOD.No.Nat.189/C.453-71 — 1 February 1971

All scheduled commercial banks.

Dear Sir,

CREDIT FACILITIES TO THE AGRICULTURAL SECTOR — ADVANCES AGAINST PUMPSETS

It has been brought to our notice that some banks do not make advances on pumpsets other than those approved by them and that this has resulted in monopoly for certain firms who charge exorbitant prices. There are also complaints of collusion between bank officials and suppliers of pumpsets and farmers are thereby compelled to purchase pumpsets of the choice of such officials. With a view to obviating such practices, banks are advised to prepare lists of approved brands of pumpsets indicating the price of each brand from which the intending borrower should be at liberty to select the brand he likes. Wide publicity should also be given by the banks to such lists to protect the interests of farmers.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

DBOD.No.Nat.389/C.453(A)-72 — 14 March 1972

All scheduled commercial banks.

Dear Sir,

CHARGING OF INTEREST ON AGRICULTURAL ADVANCES

There is at present no uniformity in the manner of charging interest on the various types of agricultural advances by banks. Although interest is compounded at monthly, quarterly or half yearly rests on advances, such a system of compounding in the case of agricultural advances may not be suitable. The agriculturists do not have any regular source of income other than the sale proceeds of their crops. They will not, therefore, be in a position to pay interest at usual fixed intervals.

2. Having regard to the special characteristics of agricultural finance, banks are advised to bear in mind the following principles in the matter of application of interest on such advances.

(*i*) Repayment period of agricultural advances, whether short-term or medium term, should be so fixed as to coincide with the period when the farmer is fluid *i.e.*, after harvesting and marketing of his crops. Payment of interest should also be insisted upon only at the time of repayment of loan instalment so fixed.

(*ii*) Interest on current dues should not be compounded.

(*iii*) When crop loans or instalments under medium-term loans become overdue, banks can add interest outstanding to the principal and compound the interest keeping in view what has been stated in paragraph 1 above.

3. Subject to the observance of the above principles, banks may adopt suitable accounting procedures in the matter of charging interest on agricultural loans.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

DBOD.No.Nat.477/C.464(G)-71 — 19 March 1971

The Chief Executive Officers of all commercial banks.

Dear Sir,

CREDIT SCHEMES OF BANKS WITH PARTICULAR REFERENCE TO EMPLOYMENT POTENTIAL

You may be aware that pursuant to a suggestion made by the Union Finance Minister, Shri Y. B. Chavan, at a meeting of the Chairmen/Custodians of the public sector banks in July 1970, a Committee was constituted by the Reserve Bank of India under the chairmanship of Shri V. D. Thakkar, to review the working of special credit schemes of commercial banks with particular reference to their employment potential. A copy of the Report* of the Committee is enclosed for your information. In the Committee's view, there is considerable scope for rationalisation of the special credit schemes of banks in order to make them more effective and purposeful. We hope that you will initiate appropriate action at your end, bearing in mind the findings of the Committee. In this connection, we indicate below a set of broad guidelines for your consideration.

2. We have earlier circulated to you the details of the new Credit Guarantee Scheme. At the outset, we would like to emphasise that the availability of guarantee cover under the new Scheme of comprehensive credit guarantee which is coming into force on April 1, 1971, should not mean any dilution of standards on the part of banks in appraising loan proposals. Nor should this mean that assistance should be restricted to the classes of borrowers or to the extent of the amounts for which guarantee facilities are available under the Scheme. The assistance that is provided should be essentially need-based, consistent with the economic viability of the proposition being financed.

3. Banks have been dispensing credit to different categories of self-employed on an increasing scale in recent months and a stage

* Not included in the booklet.

has been reached when the portfolio of financial assistance to this sector requires to be handled on a continuing and organised basis. Banks should keep in mind the fact that, in the ultimate analysis, the source of funds for their credit operations of which financing the additional requirements of the different categories of self-employed should be a part, is the deposits mobilised by them. It is only to the extent that their efforts towards deposit mobilisation succeed that banks would be able, not only to meet the genuine requirements of the other sectors of the economy, but also divert a reasonable proportion of deposits to finance schemes intended for small enterprises and other self-employed.

4. Credit schemes to help particular classes of borrowers are basically meant to function only as guidelines for the banks' staff and it is, therefore, important that they should be implemented at the branch level with adequate degree of flexibility as the key-note. This calls for appropriate delegation of authority to branch agents simultaneously with adequate control over the exercise of such discretion by the branch agents.

5. We would like to draw your attention in particular to the simplified Model Application Forms* suggested by the Committee for use by prospective small borrowers. In addition, we have also enclosed a model application form** for financial assistance to road transport operators, taxi-drivers, etc. Information collected in these forms would also meet the requirements of data for purposes of guarantee cover. These forms should be made available in all local languages and branch officials should render assistance, wherever necessary, in filling up the forms†.

6. Since the branch agents have a key role to play, a rapid training programme will have to be organised urgently to provide the necessary orientation to the branch officials. The branch official, who has so far been accustomed to granting advances mainly on the basis of the tangible security the borrower can provide, has now to be speedily trained to assess credit proposals taking into account considerations, such as, viability of the project, the applicant's skill, experience, integrity and the ability to organise an activity or a business. Periodical discussions should be arranged at the regional/district level to enable the officials to exchange relevant information about the implementation of the various credit schemes formulated for assisting the self-employed. The Training Institutions attached to banks will have to place special emphasis on the various aspects of financing this category of borrowers, particularly in regard to the need for extending personalised service to such constituents.

7. Since the requirements of the self-employed are so vast and complex, it should be the endeavour of banks constantly to watch for new areas of action and formulate schemes tailored to meet the needs of the situation. For the purpose of framing effective schemes, it may be helpful for banks to draw upon the information available in the Lead Bank Survey reports In fact, each bank should, while organising such surveys, particularly in the comparatively backward districts, lay special emphasis upon identifying areas for action. In this connection, it may be noted that the Industrial Development Bank of India, which has recently conducted techno-economic surveys of some of the backward regions in the Eastern areas, can make available to banks copies of these survey reports for their guidance.

8. Mere introduction of credit schemes by banks is a necessary but not a sufficient condition for creating the total environment favourable for generating employment. The facilities offered by banks under the schemes may not add up to much if they are not accompanied by arrangements to enable the borrowers to obtain technical guidance, assistance in regard to securing land and shed, machinery, raw materials and advice on financial, accounting and taxation, labour management, marketing and other aspects of business. Banks will, therefore, have to consider as to how best integrated financial

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* Forms A & B referred to in paragraph 91 of the Committee's Report.

** Form 'C'.

† Also attached are two forms of application (D1 and D2) for assistance to small-scale industrial units. One of these relates to Working Capital assistance, appending 'Interview Forms' to be completed by the Branch official on the basis of interviewing the applicant. The other is a combined form of application for Term and Working Capital finance. These forms may also be of guidance to banks.

and management assistance could be arranged or organised, taking into account the totality of the requirements of the borrowers. Such provision of comprehensive credit services would depend on local conditions and would, therefore, differ from area to area. Banks may have to evolve an appropriate strategy for this purpose and can function effectively in this regard if they act jointly rather than individually. The Report of the Committee has suggested the setting up of Multi Service Agency for this purpose. Setting up of an institution of this type is one way of achieving the purpose and such agencies will be particularly helpful for relatively under-developed areas.

9. The credit schemes should be administered in such a manner that the assistance provided is need-based. The financial assistance provided should be able to take care of the total requirements of the borrower and should include provision of assistance for meeting the legitimate expenses of renovation of plant and machinery, acquisition of essential spares and periodical repairs of a major nature, as in the case of transport operators. Assistance should, where justified, provide for acquiring testing equipment and for expenses in regard to other measures of product development such as advertising, contribution towards research activity, marketing surveys, etc. While entertaining proposals of small entrepreneurs, due weightage should be given to promoter's technical qualifications and such other contribution to the business, of a non-financial nature. In deserving cases, it should be possible for the banks to charge on a term loan a lower rate of interest in the initial stages, the rate being raised subsequently, thereby maintaining a commercially viable average rate of interest on the loan for the entire period. However, care should be taken to ensure that the preferential terms of assistance given in the initial stages are not indefinitely continued and normal commercial basis of lending should be established at the earliest.

10. Preferential consideration may have to be shown in the case of persons commencing business/practice as well as in respect of those who leave well-established jobs to take up self-employment. In such cases, there should be provision for reasonable personal drawings during the initial stages, commensurate with the minimum requirements of the borrower for family maintenance. In deserving cases, such drawings may be considered on a clean basis and at comparatively lower rates of interest. The drawings can be added to the original term loan after the stipulated initial period and subjected to the same terms and conditions as applicable to the term loan.

11. As far as possible, no self-employed/small enterprise applicant should be denied credit merely for want of a third party guarantee, when the quality of the application is otherwise satisfactory.

12. With a view to minimising the time taken for ascertaining the technical and other feasibilities of the proposals received for financial assistance, banks, particularly the bigger ones, should seek to appoint on their staff, at appropriate centres, such technical and other experts as may be needed for appraisal. It is also open to banks to avail of assistance of agencies providing technical and other consultancy services as also of the expert staff attached to the financial institutions, such as the Industrial Development Bank of India, State Financial Corporation, Small Industries Service Institute, etc.

13. As indicated earlier, there is urgent need for banks to pay greater attention than hitherto to the needs of comparatively backward areas and of a smaller borrowers belonging to the weaker sections of society. While lending, special consideration should be shown to such borrowers in respect of security requirements, margins, rates of interest, repayment schedule, etc. Banks should devote particular attention to setting up technical services and providing counselling arrangements either on their own or through other agencies providing such assistance with a view to encouraging new entrepreneurs in backward areas.

14. Adequate follow-up and supervisory arrangements should be organised to keep track of the end-use of funds lent to the small entrepreneurs and other self-employed categories of borrowers, and for effecting recovery of the advances according to schedule. This will help achieve a measure of rotation of funds so that the scarce resources

can be made to reach as large a number of people as possible. The borrower should be encouraged to maintain some basic minimum of accounts and should be persuaded to accept financial supervision and discipline. In particular, the borrower units should be encouraged to build up equity by ploughing back a portion of the surplus generated in the business.

15. Instances have been noticed of financiers making entry into the group of self-employed small entrepreneurs by offering financial help to such entrepreneurs and becoming partners in their enterprise. So long as this participation represents genuine promotional effort on the part of financiers, they are welcome. Where such participation merely represents efforts to buy up such enterprise purely for the benefit of the financiers, then they run counter to the social objective of bringing about a wider diffusion of economic power. From this point of view, it may be desirable for the commercial banks to keep in touch with changes or modifications in the proprietorship/constitution of the small enterprise assisted by them.

16. The Committee has given a list of categories of self-employed and has drawn attention to the fact that this list is by no means exhaustive but only illustrative. Banks should on their own initiative formulate special credit schemes for promoting the generation of employment, according to their innovative capacity and exercise a measure of healthy competition with other banks in this regard.

17. These are but very broad indications and we hope that with the more detailed guidelines given in the Report of the Committee, it should be possible for banks to increase their involvement in financing the professional and self-employed categories and help employment generation.

Yours faithfully,
R. K. HAZARI
Deputy Governor

MODEL FORM—C

FORM OF APPLICATION FOR FINANCIAL ASSISTANCE TO ROAD TRANSPORT OPERATORS/TAXI DRIVERS/AUTORICKSHAW DRIVERS ETC.

Photograph of the Borrower

The Agent/Manager,

_____

_____

Dear Sir,

I/We hereby apply for a loan of Rs._____(Rupees_____) and furnish the following particulars :

1. Name of the borrower :
2. Address :
3. Date of Establishment :
4. Constitution :
5. Name(s) and address(es) of Proprietor/Partners/Directors etc. :
6. Brief history of the borrower giving his experience in the business :
7. Names of other Bankers together with full particulars of facilities enjoyed :
8. Total original investment in vehicles as per the books (This will exclude vehicles to be purchased) :
9. Purpose of the loan and when the loan is expected to be availed of :
10. Particulars of vehicle (such as make, H.P., Model, Retail price of vehicle. Please give particulars of retail price, if available) :

    How is it proposed to finance the vehicle(s) to be acquired (Please indicate amount to be invested by the borrower, and the amount to be borrowed) :

    In case of Partnership please state whether it is registered as a firm under Partnership Act and/or under Income-tax Act :
11. Seating and/or carrying capacity of individual vehicles :
12. Average earnings per month indicating the basis thereof :
13. Details of all expenses including depreciation, insurance, registration etc. :
14. Estimated profit before tax (i.e., 12 minus 13) :
15. Places where the vehicle will be operated (Please indicate area of operations, routes, etc., and whether permission from requisite authorities has been obtained for the proposed operations) :
16. Period for which loan is required (this should not exceed 3 years from the date of loan) :
17. Terms of repayment proposed :
18. Nature and value of security to be offered. Please indicate whether the assets are encumbered (Full particulars to be given) :
19. Name and address of the guarantor :
20. General (any remarks not covered by above items like income-tax assessment, annual turnover etc.) :

I/We declare that the information supplied above is correct to the best of my/our knowledge and that this proposal will form the basis of the agreement between the Bank and myself/ourselves, if the loan is granted.

If the loan is granted to me/us, I/we hereby agree to produce the vehicle(s) for inspection at your branch every 6 months or earlier.

N.B.—Please attach two certified copies of audited balance sheets and profit and loss accounts for the last two years where the transport company is a limited company. A statement of assets and liabilities in the enclosed form (Appendix) should be furnished for partnership and proprietary concerns. A certificate evidencing the size i.e. the original book value of the investment in vehicles is not in excess of Rs. 7·50 lacs is also to be attached.

Yours faithfully.

Date:_____19

APPENDIX

Name and address of the concern .....

Statement of Assets and Liabilities as on.....

LIABILITIES	Rs.	Rs.	ASSETS	Rs.	Rs.
CAPITAL			FIXED ASSETS		
At the beginning of the year	———		Land & Buildings .. .. .. at cost	———	———
Add further capital introduced during the year	———		Vehicles .. .. do.	———	———
Add Profits during the year	———		Equipments .. .. do.	———	———
Less Loss for the year	———		Furniture and Fittings .. .. .. do.	———	
Less Drawing during the year	———	———	Others (to be specified) .. .. .. do.	———	
LOANS			TOTAL	———	———
(a) Secured			Less Depreciation written off up-to-date ..	———	
(1)	———	———	CURRENT ASSETS		
(2)	———	———	Advances	———	
(Please indicate borrowings from each source separately together with nature of security offered)			Deposits	———	
			Stores	———	
(b) Unsecured			Sundry Debtors	———	
			Bills Receivable	———	
(Please indicate each source separately) ..	———	———	Cash in hand	———	
			Cash in Bank	———	———
CREDITORS ..	———	———	PROPRIETOR'S/PARTNER'S CURRENT ACCOUNT BALANCES, IF IN DEBIT	———	———
OTHER LIABILITIES & PROVISIONS (to be specified)	———	———	OTHERS (to be specified)		———
TOTAL		———	TOTAL		———

(ii) ∨

	For the previous Financial Year (From.....to.....)	For the last completed Financial Year (to which this statement relates) (From.....to.....)
	Rs.	Rs.
SUPPLEMENTARY INFORMATION		
1. Total Receipts		
2. Gross Profit		
3. Net profit/loss		
4. Depreciation charges		
5. Date and month of annual closing of accounts		
6. Number of persons employed (including the proprietor or partners)		
7. Total mileage covered		
8. Value of fuel used up		

(Signature of the borrower)

MODEL FORM—D1

APPLICATION FOR FINANCIAL ASSISTANCE TO A SMALL-SCALE INDUSTRIAL UNIT (FOR WORKING CAPITAL LOAN)

The Agent/Manager

_____

_____

_____ _____

1. DETAILS OF UNIT

   (*a*) Name and address

   (*b*) Date established

   (*c*) Nature of business

2. WORKING RESULTS AND PAST PERFORMANCE

	For the year ended ..... (past 12 months)	For the year ended ..... (projected)
(*a*) Purchase of raw materials		
(*b*) Raw materials consumed		
(*c*) Expenses		
(*d*) Sales		
(*e*) Gross Profit (before depreciation and taxation)		
(*f*) Depreciation		
(*g*) Taxation		
(*h*) Net profit		

3. FINANCIAL POSITION FOR PAST TWO YEARS

Liabilities	As on .... Rs.	As on .... Rs.	Assets	As on .... Rs.	As on .... Rs.
(*a*) Capital ..			(*a*) Goodwill, preliminary expenses, etc. if any ..		
(*b*) Reserves ..			(*b*) Fixed assets :		
			(*i*) Land & building ..		
			(*ii*) Plant & machinery		
			(*iii*) Miscellaneous ..		
(*c*) Loans*			(*c*) Investments, if any ..		
(*i*) Secured ..					
(*ii*) Unsecured ..					
(*d*) Sundry creditors ..			(*d*) Sundry debtors ..		
			(*e*) Stocks		
			(*i*) raw materials ..		
			(*ii*) goods in process ..		
			(*iii*) finished goods ..		
			(*f*) Loans and advances ..		
			(*g*) Cash balances ..		
	_____	_____		_____	_____
	_____	_____		_____	_____

* Details on page 62.

*Details of loans availed of :—

	Amount outstanding Rs.	Security (if any)	Rate of interest %	Terms of repayment
1. From the bank to which application is addressed .. .. (Indicate limits sanctioned already)				
2. From other banks				
3. State Government				
4. State Financial Corporation				
5. National Small Industries Corporation				
6. Friends and relatives				
7. Others (Furnish details)				

4. DETAILS OF LOANS REQUIRED

(*a*) Amount .. .. Rs.

(*b*) Purpose .. ..

(*c*) Security available .. .. ..

I/We certify that my/our investment in plant and machinery (at original cost price) is not in excess of Rs. 7½ lacs (Rupees seven and half lacs).

I/We confirm that the particulars furnished herein are correct and I/we undertake to furnish such information as the Bank may require.

I/We are agreeable to your forwarding a copy of this application along with such other data/particulars that the Bank may be in possession of to the Directorate of Industries/Small Industries Service Institute/other consultants in connection with the compilation of technical report on my/our unit.

(Signature)
Proprietor/Partner(s)/Director(s)

Place :

Date :

INTERVIEW FORM

PART I

Name of unit.....

Additional particulars obtained from .....

on .....

(Reference—application for working capital submitted on .....)

1. Brief history

2. Office and factory addresses and telephone number(s), if any

3. Particulars of registration with Directorate of Industries/Small Industries Service Institute, etc. (if any) (Number and Date)

4. Constitution

5. Name(s) of proprietor/partners/directors

6. Brief particulars of their background and relationship (if any) with each other

7. Details of their interest in associate and identical firms

8. Investment in the business (capital and deposits to be shown separately)

**9. Particulars of immovable properties owned by the firm/company

**10. Particulars of immovable properties owned by the proprietor/ partners/directors

11. Particulars of outside liabilities of proprietor/partners/directors

BUSINESS

12. Products manufactured and a short account of the manufacturing/ processing activity involved

13. Details of machinery (whether owned/leased/on hire purchase, etc.)

14. Quality of products with standards/specifications

15. Details of marketing arrangements

16. Pending orders

17. Number of workers

18. Arrangements, if any, for technical and managerial guidance/ assistance

ACCOUNTS

19. Who writes up unit's accounts and what are his qualifications ?

20. Are accounts more or less up to date or are they heavily in arrears ?

**Following details should be covered by these items :

Place where the land or building is situated along with survey number name of the street, etc.; in case of land an indication should be given as to whether it is wet, dry or garden, along with acreage whether the properties are ancestral or self-acquired; if encumbered, the extent of encumbrance and connected particulars; market value of the properties, etc.

21. Are the unit's accounts audited ? If so, at what intervals ?

22. Explanation in respect of any unusual features revealed in financial data furnished in the application

PRODUCTION

23. Current monthly production (estimated sale value)

24. Cost of monthly production

25. Raw material contents of monthly production (value)

PURCHASES

26. Description of raw materials and names of the larger suppliers of materials (Indicate 'Imported' and 'Indigenous', separately)

27. Terms of purchase of raw materials; indicate period for which credit obtained from suppliers

28. Particulars of import licences/quotas held and expected

29. Season, if any, for purchase of raw materials

30. Season, if any, for sale of finished goods

MARKETING

31. Extent of sales (other than cash sales) for which bills are drawn, types of bills drawn, period for which bills normally remain outstanding and the anticipated amount of bills likely to remain outstanding at any one time.

FINANCE

32. How was the unit financed in the past ?

33. Reasons for approaching the Bank for accommodation.

(Signature of official)

I certify that the information furnished above is correct.

(SIGNATURE OF APPLICANT/S)

INTERVIEW FORM

PART II

Assessment of working capital requirements

.....	months' raw material requirements	Rs.
.....	weeks' stock-in-process at any one time (average period of processing, value of raw material content in stocks-in-process and manufacturing expenses for the period of processing to be indicated)	Rs.
.....	months' finished goods at cost	Rs.
.....	weeks'/months' receivables representing credit sales	Rs.
One month's manufacturing and administrative expenses.		Rs.
	Total working capital requirements	Rs.

Less :	Credit available on purchases and advance payments received	Rs.		
	Working capital in business or liquid surplus	Rs.	Rs.	
	Net working capital requirements			(A)

PERMISSIBLE LIMITS

Raw materials	Rs.		
less margin	Rs.	Rs.	
Stock-in-process	Rs.		
less margin	Rs.	Rs.	
Finished goods	Rs.		
less margin	Rs.	Rs.	
Receivables			
Representing supplies to Government	Rs.		
less margin	Rs.	Rs.	
Representing supplies to sundry parties	Rs.		
less margin	Rs.	Rs.	
	Total limits	Rs.	(B)

Net working capital requirements	(A)	Rs.
Permissible limits	(B)	Rs.
Deficit (if any)		Rs.
How this is to be met		

Signature of official making the assessment

Designation

Date

Further data including third party enquiries

(1) Record of verbal enquiries made (indicate sources/dates/information gathered)

Signature of Bank Officer

Analysis of limits required			*Limits recommended*	*Limits sanctioned*
Cash credit (Special Hypothecation)	*OR*	Rs.		
Cash credit (lock and key)		Rs.		
Cash credit (mandy type)		Rs.		
Cash credit/overdraft for retirement of inward bills		Rs.		
Cash credit/overdraft against bilis		Rs.		
Documentary demand drafts purchase		Rs.		
Clean demand drafts purchase		Rs.		
Clean accommodation (Indicate purpose and repayment schedule)		Rs.		
Limit for letters of credit		Rs.		
		Total Rs.		

Margin on raw materials

Margin on finished goods

Margin on bills

Sub-limit for goods in process

Sub-limit for finished goods

Signature
Recommending official

Signature
Sanctioning Authority

*Sanctioned by Agent/Development Officer on.....and control return sent to Regional Office on.....

*Put up to controlling authority on..... and sanctioned on.....*vide* sanction letter No.....
dated the .....
Borrower advised on .....
Account opened on .....

*Delete whichever is inapplicable

MODEL FORM D 2

APPLICATION FOR FINANCIAL ASSISTANCE TO A SMALL-SCALE INDUSTRIAL UNIT

Date :

The Agent/Manager,

.....

.....

Dear Sir,

We hereby apply for a Term Loan/Overdraft/Cash Credit/Bills Purchase/Bills Discounting (retain whichever is applicable) facility to the extent of Rs.....(Rupees.....
.....) and furnish the following particulars in two sets :—

1. Name of the applicant :
2. Address (Mention District and State)
   (*a*) Office :
   (*b*) Factory :
3. Brief history (Regarding promotion of the unit, indicating experience of the promoters, initial investment, progress made by the unit and its present position, etc.)
4. Type of industry.
5. Nature of products manufactured/proposed to be manufactured.
6. Date of establishment (if reconstituted, state date of last reconstitution).
7. Constitution (Whether public/private limited company, co-operative society, joint family concern, partnership or proprietorship).
8. Name (s) and address (es) of proprietor (s)/partner (s), coparceners and directors.
9. (*a*) Name (Proprietory or partnership) and address of other industrial concerns, if any—

	Name & address	Relationship to industrial concern (Head Office, branch, Independent unit, etc.)
(*i*) having the same proprietor/set of partners.		
(*ii*) having one or two partners different but the management substantially in the hands of the same persons.		

   (*b*) If the industrial concern and any of the units mentioned against item 9(*a*) are functioning as Head Office and branch(es) or if they have common capital, fixed assets and/or other liabilities and assets, please note that the affidavit regarding size and the statement of liabilities and assets attached to this application should relate to the consolidated position of the Head Office and branch(es).

   (*c*) If the industrial concern and any of the concern mentioned against item 9 (*a*) which are deemed as independent units, are engaged in the same line of activity, please state the reason why they are treated as independent concerns.

10 (a) Names of other Bankers together with particulars of facilities enjoyed.

Nature of facility	Limit	Purpose	Amount outstanding as on.....	Security	Whether covered under Credit Guarantee Scheme

(b) Particulars of borrowings from other sources (including deposits)

Nature of sources (Friends, relatives, others)	Amount Rs.

11. Total Investment in plant and machinery (original cost without depreciation to be shown).

12. (*a*) Yearly Sales/Turnover during the last three years.

(*b*) Yearly profit/loss in the last three years.

13. Production capacity of the factory. Is it fully used? If not, to what extent used? When is the capacity expected to be utilised fully ?

14. Raw Materials :

(*a*) Type of raw materials required.

(*b*) Whether available without difficulty.

(*e*) Sources of supply.

(*d*) Value of raw materials required per month. (Import component to be shown separately).

15. Availability of power, fuel, water, labour and technical know-how.

16. Annual production and sales (Present figures and estimates after utilisation of the advance to be separately indicated)—Please indicate quantity and value separately.

17. Market :—

(*a*) Prospects of sale of products.

(*b*) Sales arrangements.

(*c*) Whether Government orders are executed/Supplies made to defence.

(*d*) Whether exported, and if so, to which countries indicating particulars of actual exports during the last three years.

(*e*) Whether sales are on credit and if so, for what period.

18. Purpose of the advance and when it is expected to be drawn.

19. Period for which advance is required.

20. Terms of repayment proposed.

21. Nature and value of security to be offered. Also indicate whether the assets are unencumbered.

22. Name(s) and address(es) of guarantor (s), if any, and their worth.

23. General (Any remarks not covered by above items).

Please attach :

(i) Authenticated copies of audited balance sheets and profit and loss accounts for the last three years where the industrial concern is a limited company or an industrial co-operative society. A statement of assets and liabilities in the enclosed form (Appendix 1) should be furnished in the case of partnership and proprietary concerns. If the available financial statements are more than 12 months old, *pro forma* statements as on as recent a date as possible should be attached.

(ii) *The industrial concerns applying for term loans should give additional information as in Appendix II.*

(iii) Two certified copies of the affidavit evidencing the size of the unit i.e., the unit's investment in plant and machinery, is not in excess of Rs. 7·50 lakhs.

We declare that the information supplied above is correct to the best of our knowledge and that this proposal will form the basis of the agreement between the Bank and ourselves, if the advance/facility is granted.

If the advance/facility is sanctioned under the Credit Guarantee Scheme for Small-Scale Industries, we authorise you to furnish to the Guarantee Organisation any information or report received from us by you or otherwise in your possession.

Yours faithfully,

Note: Furnish particulars of arrangements, if any, for technical and managerial guidance/assistance.

APPENDIX I

Name and address of the Industrial Concern.....

Statement of Assets and Liabilities as on.....

CAPITAL	Rs.	Rs.	FIXED ASSETS	Rs.	Rs.
At the beginning of the year	.....		Land & Buildings at cost	.....	
Add further capital introduced during the year	.....		Machinery & Equipment -do-	.....	
			Tools, implements etc. -do-	.....	
Add Profits during the year	.....		Furniture & Fittings -do-	.....	
			Others (to be specified) -do-	.....	
Less Loss for the year	.....		TOTAL		
Less Drawings during the year	.....				
			Less depreciation written off up-to-date		
LOANS					
(*a*) Secured			CURRENT ASSETS		
(1)	.....		Advances	.....	
(2)	.....		Deposits	.....	
(Please indicate borrowings from each source separately together with nature of security offered)			Stores	.....	
			Closing Stock (broad break-up to be shown)	.....	
(*b*) Unsecured			Sundry Debtors	.....	
(Please indicate each source separately)			Bills Receivable	.....	
			Cash in hand	.....	
CREDITORS			Cash at Bank	.....	
For goods supplied ..	.....				
For expenses ..	.....		PROPRIETOR'S/PARTNERS' CURRENT ACCOUNT BALANCES, IF IN DEBIT		
Others (to be specified) ..	.....		OTHERS (to be specified)		
OTHER LIABILITIES AND PROVISIONS (to be specified)					
TOTAL			TOTAL		

	For the Previous Financial Year (From.....to.....)	For the last completed Financial Year to which this statement relates (From.....to.....)
SUPPLEMENTARY INFORMATION		
(1) Sales	Rs.	Rs. .....
(2) Gross profit	Rs.	Rs. .....
(3) Net Profit/loss	Rs.	Rs. .....
(4) Depreciation charges	Rs.	Rs. .....
(5) Date and month of annual closing of accounts	.....	.....
(6) Number of persons employed (including the proprietor or partners)	.....	.....
(7) Value of raw-materials used	Rs.	Rs. .....

(Signature of the applicant)

APPENDIX II

Statement showing the economics and other details of the scheme for establishment/expansion.

Name and address of the industrial unit:

Brief History :

(In the case of a newly established concern or a concern to be established please indicate the qualifications and past experience of the directors/partners/proprietor in the line of manufacture to be undertaken).

1. Salient features of the project which will have a bearing on the successful implementation with particular reference to the following :

(i) Land and building—location, requirement and availability.

(ii) Plant and Machinery—available and arrangements made, if any, to acquire them.

(iii) Raw materials and stores—description, source and availability.

(iv) Availability of power, water, labour and technical know-how.

(v) Production capacity (indicating present or estimated capacity and increase in the case of expansion of an existing unit).

(vi) Marketability of manufactured goods—demand and prospects of sale.

(vii) Expected date of completion of the project :

2. Financial aspects of the Project :

(i) Cost of the Project

	Already incurred Rs.	To be incurred Rs.	Total cost on completion Rs.
(*a*) Fixed Assets			
Land	.....	.....	.....
Building	.....	.....	.....
Plant and Machinery ..	.....	.....	.....
Others	.....	.....	.....
Erection, preliminary and other pre-operative expenses	.....	.....	.....
TOTAL			

(*b*) Working Capital

Estimated period between the date of purchase of raw materials and the date of realisation of sale proceeds.

Value of raw materials and goods in process, etc. held during the above period. .. Rs. .....

Wages and other manufacturing expenses for the above period. .. Rs. .....

Other expenses, if any .. Rs. .....

TOTAL ..

Total cost of the project [(*a*) + (*b*)]

(ii) Sources of Finance [to meet the total cost of project as at (i) above] Capital (in the case of the expansion of an existing unit, please indicate the amount of fresh capital proposed to be introduced). Rs.

Reserves and surplus, if any. .....

* Long-term borrowings. .....

* Deferred payments (including hire-purchase). .....

* Short-term borrowings. .....

* Others such as deposit, etc. .....

TOTAL ..

* (Specify source, period, security, etc.)

3. Cost of Production and Profitability:

(As estimated for any one year of normal working after completion of project; in the case of expansion of existing concerns, please indicate separately figures in respect of existing set-up and as estimated after expansion, for one full year).

(i) Cost of Production Rs.

Raw materials (import component to be shown separately) .....

Power and Fuel .....

Repairs and maintenance .....

Wages .....

Administrative overheads (viz. office salaries, insurance, rent, travelling and other expenses, etc.) .....

Interest .....

Depreciation .....

Other expenses, if any. .....

Total Cost ..

(ii) Total Income Rs.

Sales .....

Other income, if any .....

Total Income

(iii) Operating profits [(ii)—(i)] .....

Less Taxation .....

(iv) Net profit

(v) Available surplus—(Net Profit + Depreciation) .....

4. Technical feasibility of the project :

(A copy of the report of technical expert/Small Industries Service Institute/ Director of Industries etc., if obtained, to be enclosed).

DBOD. No. Nat. 207/C.453-72 — 8 February 1972

All scheduled commercial banks.

Dear Sir,

SCHEME FOR PROVIDING EMPLOYMENT TO UNEMPLOYED TECHNICAL PERSONNEL THROUGH AGRO-SERVICE CENTRES

The Ministry of Agriculture, Government of India, has formulated a scheme for providing employment to unemployed technical personnel by assisting them to set up Agro-Service Centres. Under the scheme, technical entrepreneurs will be assisted in the establishment of workshops in rural areas for repair, maintenance and hiring of agricultural machinery and for taking up such allied activities as sale of spare parts and agricultural inputs. We are enclosing a copy of the scheme for your information. We trust that proposals received from unemployed technically qualified persons for setting up Agro-Service Centres under the scheme will be given due consideration on merits.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

SCHEME FOR PROVIDING EMPLOYMENT TO UNEMPLOYED TECHNICAL PERSONNEL THROUGH AGRO-SERVICE CENTRES

Outline of the Scheme ·

Percolation of the benefits of New Farm technology to the lower strata of farm community is now being limited mainly due to the general shortage of resources with medium and small farmers. Mechanisation of operations even on small farms has become indispensable for remunerative cultivation. It is virtually impossible for even a small farmer without machines to stick to the precise schedule of operations required by "three and four crops a year" rotations under multiple cropping programme.

The small and medium farmers who form the core of the farming community are yet to modernise their agriculture and take full advantage of the new technology. Possession and operation of costly equipment are beyond their means and they are to be assisted with machinery, servicing and hiring facilities besides making available other essential agricultural inputs at his door.

Agro-Industries Corporations, in some States operate machinery hire units and workshops. Also private entrepreneurs and some State Governments operate machinery hiring and servicing Centres, but the problem being vast, the existing facilities are extremely inadequate. The lack of technical services of machinery hire and repair and input supply in the rural areas is a serious handicap which is to be remedied on priority basis.

While on the one hand there is lack of technical services in the rural areas, there is also a growing unemployment amongst technical personnel. A scheme for establishment of Agro-Service Centres, by these unemployed technical personnel has, therefore, been conceived for the benefit of small and medium farmers and at the same time for creating self-employment opportunities for them.

Under the scheme, technical entrepreneurs will be assisted in the establishment of workshops in the rural areas for repair, maintenance and hiring of agricultural machinery such as tractors, drilling rigs, plant protection and irrigation equipment and for taking up such allied activities as sale of spare parts and other agricultural inputs.

Facilities ·

The Ministry of Agriculture has earmarked imported tractors and other agricultural machinery for priority allotment to Agro-Service Centres. Under the scheme, the following assistance is given :—

1. 6 months training, an amount of Rs. 2500 paid to the training Institution for every trainee under the scheme ;
2. A stipend of Rs. 250 per month per trainee during the training period ;
3. Subsidy on interest on loans advanced by Banks equivalent to the difference between the normal lending rate of the Bank and 5% the maximum rate payable by the borrower for a period of 3 years.

Achievements ·

87 Agro-Service Centres have already been set up by the unemployed technical personnel under the scheme:

Bihar	40
Madhya Pradesh ..	1
Orissa	9
Uttar Pradesh	20
Haryana	17

Targets :

It is proposed to set up minimum of 2500 such centres all over the country during the year 1971-74 with an estimated expenditure of Rs. 300·00 lakhs.

Investment per centre may range from Rs. 50,000 to Rs. 2·00 lakhs depending upon the type and size of activity which would be met by the entrepreneurs out of loan from State Bank of India, Nationalised Banks and other financial institutions and necessary assistance in this regard will be rendered by the State Governments/Agro-Industries Corporations.

DBOD. No. CAS. 1200/C.446(M) -71 — 13 September 1971

Banks financing Jute Industry.

Dear Sir,

It may be recalled that in the meeting which was held on July 12, 1971 at the Reserve Bank of India, Calcutta, to discuss the financial problems of the jute industry, it was agreed that banks might extend more credit to jute mills to enable the latter to purchase and stock a larger quantum of raw jute this year. This has been necessitated by the considerable increase in the availability of raw jute supplies and the bright prospects of expanding jute goods production in view of the expected large export demand for Indian jute goods.

2. It has, therefore, been decided in consultation with the Jute Commissioner, Government of India, that banks may finance the required inventory stocks of raw jute with jute mills, equivalent on an average to 4 months' consumption. While the banks would try to accommodate such additional finance as may be required for purchases and stocking of raw jute as well as manufacture of jute goods, it is necessary that jute mills, on their part, should endeavour to extend full co-operation to the banks by furnishing them with all the relevant information in respect of their turnover, cash accruals, inventory and trade credits, etc. so as to enable banks to make a quick and realistic assessment of the working capital requirements of the mills. For the purpose of expediting the grant of the additional facilities, we have also decided, as a special case, to waive our prior authorisation, under our Credit Authorisation Scheme, for your bank allowing, for the current jute season, increased credit limits to individual jute units, provided the limits are allowed taking the necessary precautions. The sanction of such limits should, however, be reported to us subsequently.

3. In this connection, the Reserve Bank would urge upon the industry to take to financing of the raw jute purchases by adopting the system of usance bills on the letter of credit basis, which, in turn, would enable the commercial banks to have recourse to the Reserve Bank under the New Bills Rediscounting Scheme. Such a system will also enable the jute mills to reduce their reliance on double finance and the recourse to market credit at higher rates of interest.

4. The Reserve Bank would also like to reiterate that in regard to extending packing credit facilities to exporting units, banks are free to exercise their discretion in relaxing the margin requirements, particularly on the basis of past performance of the borrowing units.

Yours faithfully,
R. K. HAZARI
Deputy Governor

DBOD.No.CAS.BC.137/C.446(H)-71 — 27 November 1971

All scheduled commercial banks.

Dear Sir,

ADVANCES TO SUGAR INDUSTRY — PAYMENT OF CANE DUES BY SUGAR MILLS

With the onset of the current sugarcane crushing season, banks would again be called upon to finance the working capital requirements of sugar mills. While such requirements, commensurate with the production needs of the sugar mills, would no doubt be considered by banks on merits, we feel that they should also pay special attention to the problem of prompt payment of dues payable to cane growers for the supply of cane. In some cases there is the additional problem of the need for liquidation by the mills of the dues of the cane growers in respect of the previous season(s). Of late, there have been persistent complaints of delay/default by sugar mills in paying the dues on account of cane supplied to them, despite liberal credit facilities made available by banks against the stocks of sugar, which should have normally been utilised, in the first instance, for payment to the cane growers. Such non-payment of dues has also resulted in sugar mills obtaining double lines of credit (one from the cane growers and another from banks against stocks of sugar), giving some scope for diversion of funds so obtained for purposes

other than genuine working capital needs. This tendency on the part of sugar mills, you will agree, needs to be curbed, in the interests of both the cane growers as also the banks, by a stricter supervision by banks over the end use of the credit made available by them to the sugar mills. We would, therefore, like to suggest to banks that they should take suitable steps to ensure, as far as possible, that sugar mills clear the dues of the cane growers promptly.

2. It is gathered that some banks have already introduced certain procedures or are calling for appropriate control data to ensure prompt payment of cane dues, treating such dues payable as being in the nature of a first charge over the funds available to the sugar mills. One of the methods which could be adopted (based on practice in this regard in a major bank) is the bifurcation of the credit facilities whereby an adequate portion of the funds is earmarked for payment of the cane dues. A brief note outlining the salient features of the procedure is given in the Annexure. While we would like to commend this procedure for adoption by all banks, it may be that some banks may have particular difficulties in implementing it. We would, therefore, add that banks in such cases might devise any other procedure, which they consider proper, so long as they satisfy themselves that the main objective in view, namely, prevention of diversion of bank credit (which should legitimately be utilised towards sugarcane purchases) for uses other than the payment of cane dues, is achieved. In other words, any scheme which ensures that drawals on the limit of a sugar mill are used primarily for payment of cane dues would meet our requirements. However, in case any bank adopts a procedure other than the one outlined in the Annexure, we shall be glad if we are advised in this regard, furnishing the particulars of the control data and the procedures devised.

3. The Reserve Bank would appreciate being kept informed of the progress of the scheme which your bank will be adopting.

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

ANNEXURE

PROCEDURE WHICH MAY BE ADOPTED FOR ENSURING PROMPT PAYMENT OF SUGARCANE DUES BY THE SUGAR MILLS

1. The cash credit/overdraft facilities may be provided under two separate accounts which may be styled 'Cane Price Payable Account' and 'General Account', with a view to bifurcating drawings by sugar mills. The 'Cane Price Payable Account' should be utilised for payment to cane suppliers *i.e.*, sugarcane cultivators or cane growers' unions/co-operative societies, whereas the 'General Account' would be available for all other transactions such as the payment of cane cess, wages, cost of stores and other running expenses, etc. It is suggested that receipts by way of sale of sugar etc. and other adjustments may be passed through the 'General Account'.

2. For the purpose of permitting drawings in the above accounts, it is suggested that while working out the drawing power against the stocks of sugar pledged/hypothecated, the drawing power should be further bifurcated into 'D/P for payment of cane dues' and 'D/P for general purposes'. It is understood that the sugar mills generally fixed the cane price payable on the basis of the percentage of recovery and it may, therefore, be possible for the officials of banks to ascertain the position and allocate the drawing power with a view to ensuring that an adequate portion of the credit line sanctioned is earmarked towards payment of cane dues. To illustrate, in case 100 bags of sugar, each of one quintal, are lodged with the bank on the basis of a margin of 15% and sugar price at Rs. 150 per bag/quintal, the drawing power could be worked out as under:

Value of stocks (100 × 150)	Rs.	15,000
Margin @ 15%	Rs.	2,250
Drawing power	Rs.	12,750
Drawing power to be apportioned for 'Cane Price Payable Account' [Presuming that cane crushed is 1,000 quintals (10% recovery) and cane price is Rs. 8 per quintal]	Rs.	8,000
Balance to be apportioned for the 'General Account'	Rs.	4,750

3. With a view to ensuring that the apportionment of the drawing power has actually achieved the objective of the prompt payment being made to the cane suppliers, banks may call for from the sugar mills fortnightly data relating to the payments made/to be made to the suppliers so that they can verify whether the settlement of these accounts is in order. In case it is observed that mills are withholding payment to cane growers, banks should take suitable steps to set right the position. In other words, banks would have to go into the settlement of the cane dues to the cane growers every fortnight so that they can watch the compliance by the mills with the statutory obligations to pay these dues within the specified period.

4. In cases where the cane dues are in arrears (in respect of previous season/s), banks would also have to ensure that these accounts are cleared as early as possible. For this purpose they may allocate a portion of the facility available under the 'General Account' so that the surplus generated on the release/sale of the stocks of sugar is applied by the sugar mills, to the extent warranted, for liquidating these dues.

5. In cases where the sugar mills have made direct advance payments to the sugarcane growers and suppliers, whether at the stage of the cultivation itself or at a later stage, such amounts may be permitted to be withdrawn (after such verification as may be considered necessary) from the 'Cane Price Payable Account'.

DBOD.No.CAS.BC.154/C.446(H)-71 — 29 December 1971

All scheduled commercial banks.

Dear Sir,

CREDIT AUTHORISATION SCHEME — ADVANCES TO SUGAR INDUSTRY — 1971-72 SEASON

* * * * * * * *

* Banks were advised that they might make available to the sugar mills, during the 1970-71 season, the additional limits authorised by us under the Credit Authorisation Scheme for the 1969-70 season. On current indications, it is anticipated that the production of sugar during the current (1971-72) season will be below that of last year. Taking into consideration this factor and the estimated releases, the peak level of sugar stocks to be held by the sugar mills in the current season is expected to be appreciably below that of last year. Accordingly, the requirement of bank credit for financing the working of sugar mills is also likely to be much lower during the current season. It has, therefore, been decided that, for the current season, banks may, on merits, allow to the sugar mills 80% of the limit/s against stocks of sugar available to them during the 1969-70 season, without our prior authorisation under Credit Authorisation Scheme. Banks should, however, report to us the particulars of such limits fixed in the case of each party, together with the working capital data, as in the *revised* Form "A" attached.

2. In case banks deem it necessary to grant, on the basis of the availability of sugarcane in the area covered by any sugar mill and its anticipated production level, limit/s in excess of those indicated in paragraph 1 above, they should release such limits only after obtaining our prior authorisation. It is suggested that the relative application should invariably be made to us well in advance, on the usual lines, supported by data as required in our circular@ letter DBOD. No.CAS. 952/C.446-70 dated the 30th June 1970, *together* with data as in the revised Form "A".

Yours faithfully,

R. C. BHANDARI
Dy. Chief Officer

@ This circular is included in Section VIII

FORM 'A'

PERMISSIBLE CASH CREDIT LIMIT OF THE COMPANY DURING SUGAR SEASON 19 — 19

(Amounts—000's omitted)

1. Date of commencement of crushing
2. No. of working days
3. Estimated stocks of sugar that would be carried over from the previous year as at date of commencement of crushing, in quintals
4. Excise duty per quintal
5. Estimated cane crushed in quintals
6. Percentage recovery
7. Estimated production during the season in quintals
8. Estimated releases of stocks per month in quintals
9. Maximum stock build-up during the season (inclusive of carry over of stocks) in quintals
10. Value of stocks (as shown in 9 above) per quintal (excluding excise duty @ Rs. per quintal)
11. Less credit received from

(*i*) Sugarcane suppliers _____

(*ii*) Others _____

12. Value of stocks eligible for bank finance (10 minus 11)

13. Less margin at (on 12 above)

14. Drawing power (12 minus 13) (A)

15. Drawing limit against other items, if any, accepted as security (B)

16. Total drawing power available and as such the amount of permissible bank finance (A) + (B)

Limits sanctioned for 1969-70 season _____

Existing limits _____

Proposed limits _____

Arrears —	Relating to previous seasons	Relating to current season
17. of cane dues		
18. of purchase tax		
19. of cane cess, etc.		

DBOD.No.GCS.BC.142/C.483-71 — 11 December 1971

All scheduled commercial banks.

Dear Sir,

In the context of the present war situation, it is necessary that the banks meet, on a priority basis, any increase in the financial requirements of industry to manufacture and supply goods for the defence effort as well as to augment production in general and ensure smooth distribution of goods, particularly in the border areas. With this in view, the Reserve Bank of India suggests the following measures.

2. In order to facilitate the expeditious execution of defence orders, banks are advised to grant credit, adequately and expeditiously, to units which are producing material, equipment, etc. on the basis of firm orders from the Defence Ministry/Government Departments, for the supply of goods for defence purposes. For this purpose, banks may, on merits, grant 'defence packing-cum-supply' credit limits against confirmed defence orders or acceptance of tenders. Banks may consider granting similar facilities in respect of sub-contractors providing materials etc. to the primary supplier fulfilling the defence order.

3. It has also been decided that the Reserve Bank's prior authorisation under the Credit Authorisation Scheme need not be obtained by banks for sanction of the foregoing credit facilities, both at the pre-delivery and the post-delivery stages. Such limits should, however, be reported to the Bank subsequently.

4. The Reserve Bank of India has decided to make available to banks full refinance facilities, at the Bank Rate, irrespective of a bank's net liquidity ratio, for the foregoing purpose. Refinance for the purpose would be provided under the Old Bill Market Scheme (with which you are, no doubt, familiar) under Section 17(4)(c) of the Reserve Bank of India Act, 1934. For availing of the facility, it would be necessary for banks to grant such advances under separate accounts and to convert such advances into eligible usance promissory notes as was being done under the Old Bill Market Scheme. In view of the priority nature of this credit and the availability of refinance on preferential basis,

banks would no doubt, consider making available adequate credit for this purpose on relatively liberal terms and conditions such as reduced margins, etc.

5. Apart from meeting credit needs arising out of fulfilling defence orders, it is also necessary that production in all spheres be sustained and increased. Banks are, of course, meeting the working capital requirements of manufacturing units now but there may be situations when some increase in limits and credit may be called for especially in respect of small-scale units. This would arise owing to the pile up of inventory due to factors beyond the control of the units such as arising from transport bottlenecks and inability or reluctance of dealers in border areas to accept deliveries or make prompt payments for supplies delivered. Banks may permit at their own discretion and on merits a suitable enhancement of credit limits and in the case of parties covered by our Credit Authorisation Scheme, the enhancement may be up to a maximum of 15 per cent; such enhancement would not require the Reserve Bank's prior authorisation where such authorisation is normally required. If necessary, the banks may also consider relaxing margins for temporary periods on inventory accumulation due to causes beyond the control of the producing units. With regard to the borrowers engaged in export effort, banks should see that maximum and timely assistance is given to them on liberal terms in cases of inventory accumulation at ports, railheads or with themselves resulting from factors beyond their control such as dislocation in shipping.

6. Banks are also advised that they should enhance the bills discounting facilities when it becomes necessary to lengthen the tenor of bills to 90 days with the consent of the parties.

7. In regard to border areas in Punjab, Haryana, Upper Rajasthan and West Bengal, the Reserve Bank, by a separate letter, is relaxing the selective credit controls on commodities. (List of districts in border areas is attached). The other border States, such as Jammu & Kashmir in the North West and Assam, Meghalaya, Nagaland, Manipur, Tripura and N.E.F.A. on the Eastern border are already exempt from selective credit controls except in respect of sugar, gur and khandsari.

8. In granting the defence credit facilities for procurement of raw materials, fabrication and processing thereof and against relative supply bills till the bills are paid by Government departments, banks would, no doubt, take the usual safeguards and precautions so as to ensure that they are utilised for the specific purpose in view and not misused for speculating in or hoarding of essential commodities. They may also ensure that the outstandings in the relative account in respect of a single party do not, at any time, exceed the total amount of defence orders to be executed by that party and the outstanding amount of Government supply bills tendered through the bank.

9. In order to augment the resources with the Government for meeting the financial requirements for defence, the Government of India propose to float a new series of loan, the terms of which would be communicated to you later. The banks which, as a single group of institutional investors, can play a significant role in contributing to resources mobilisation, would, no doubt, subscribe generously to this issue.

Yours faithfully
S. JAGANNATHAN
Governor

LIST OF BORDER OR NEAR-BORDER DISTRICTS WHERE SELECTIVE CREDIT CONTROLS ARE BEING RELAXED OR ARE ALREADY RELAXED

1. *Jammu & Kashmir*	— all districts
2. *Punjab*	— Gurdaspur, Amritsar, Ferozepore, Julunder, Kapurthala, Bhatinda, Ludhiana and Sangrur
3. *Haryana*	— Hissar
4. *Upper Rajasthan*	— Ganganagar, Bikaner, Jaisalmer and Barmer
5. *Gujarat*	— Kutch
6. *Eastern Region*	— Assam, Meghalaya, Nagaland, Manipur, Tripura and N.E.F.A.
7. Western Bengal	— 24-Paraganas, Nadia, Murshidabad Malda, West Dinajpur, Darjeeling, Jalpaiguri and Cooch Behar

DBOD. No. CAS. 1755/C.446-71—10 December 1971

Chairman, State Bank of India, and Custodians/Chief Executives of selected banks by name.

Dear Shri

ADVANCES TO SHODDY AND WOOLLEN MILLS

We understand that some banks are financing the shoddy and woollen mills which are executing orders from the D. G. S. & D. for manufacture and supply of barrack woollen blankets, on an immediate basis, to the Defence Ministry. The blankets are to be supplied within a period of two months and it is, therefore, desirable that the financial requirements of shoddy and woollen mills are met on a priority basis. In this connection, we have to advise that you may take immediate steps to see that the supply of credit to these mills is adequate and timely for meeting their working capital requirements, particularly for purchase of raw material, payment of wages and excise and other duties. You may also kindly make arrangements to grant facilities for discounting the bills in respect of these supplies, out of which the loans advanced under the credit facilities should be adjusted proportionately on the basis of supplies completed.

2. In this connection, banks need not also obtain our prior authorisation under the Credit Authorisation Scheme for sanction of the above facilities ; the limits sanctioned should, however, be reported to us subsequently.

With kind regards,

Yours sincerely,

R. K. HAZARI

Deputy Governor

DBOD. No. CAS. BC.141/C.446(T)-71—8 December 1971

All scheduled commercial banks.

Dear Sir,

ADVANCES TO TEXTILE MILLS AND DEALERS

It has been represented to us that the present emergency arising out of the war situation has created severe financial strain on the resources of the textile mills mainly because of accumulation of inventories as also delays in the realisation of receivables. As such a position is likely to hamper the production of textile goods, which are of basic importance to the economy and defence effort, it has been decided that banks may forthwith extend to the textile mills the following facilities, for a temporary period of two months,* to enable them to tide over the present difficulties :

(*i*) The stipulations relating to 'sub-limits' under the working capital limits authorised by us may be waived or suitably altered so as to permit sufficient flexibility to provide for the shift in the composition of the inventories as also between the stocks and receivables.

(*ii*) Banks may, on merits, increase the authorised limits against inventories, particularly when these are on a pledge basis, suitably in cases where there has been *involuntary* accumulation of stocks. The raising of these limits up to a maximum of 15% of the existing authorised limits on this basis would not require our prior approval under the Credit Authorisation Scheme.

(*iii*) Banks may, where warranted, allow the extension of the period of the bills discounted for a short duration, so that the total tenor does not exceed 90 days, at the request of the parties thereto. This has been suggested so that the mills and dealers, who have drawn bills for shorter maturity in the normal circumstances, may not face precipitate decline in the credit facilities available against such bills.

Yours faithfully,
R. K. HAZARI
Deputy Governor

*The concessions, which were initially permitted for a two month period *i.e.* upto 9th February 1972 were subsequently continued from time to time. The facility will be available upto the end of December 1972.

DBOD. No. GCS. BC.21/C.279-72—8 March 1972

All scheduled commercial banks.

Dear Sir,

ADVANCES TO TEA INDUSTRY

It may be recalled that in the Conference held on the 13th July 1971 at the Reserve Bank of India, Calcutta, to discuss the financial problems of the tea industry, it was suggested that the flow of institutional credit to meet the requirements of the industry should be augmented. Following this suggestion, the Reserve Bank constituted a Study Group under the Chairmanship of Shri B. K. Dutt, Custodian, United Bank of India, to consider all aspects of the question in depth. The Report of the Group has been submitted and arrangements are being made to send you a copy at an early date. In the meantime, it is felt that action should be taken immediately on the recommendations relating to the flow of short-term credit.

2. It is the Group's impression that while some sections of the tea industry have been getting working capital facilities in adequate quantity, others are experiencing difficulties. With a view to enlarging and smoothening the flow of credit for working capital, the Group has made the following recommendations:-

(*a*) The cash credit limit/overdraft (*i.e.* the *maximum* outstanding that may be permitted in the account at any one time) may ordinarily be 60 per cent of the average gross sales turnover or 75 per cent of the average actual cost. Cost should be taken to include all expenses including excise duty, provident fund dues, transport, stores, foodgrains, interest on term loans, etc.

Sales and cost referred to above may be calculated on the basis of average of actuals of the past two years (any abnormal year being given due weight for this purpose) with a provision for normal crop expansion, cost escalation and other contingencies.

(*b*) The seasonal drawings or total drawings (*i.e.* the aggregate debits or withdrawals which would be allowed in the cash credit account for the entire season) may be permitted to rise up to 95 per cent of the net sales turnover or the actual cost, whichever is less. The drawings may be regulated by monthly schedules as submitted by the borrowers and approved by the bank.

(*c*) The annual credit review should be complete at least a month before the commencement of the season. Mid-season reviews undertaken around August or September should take into account unforseen developments and provide for necessary adjustments in the financial arrangements. Borrowers' obligations to term-lending institutions should also be taken into account.

(*d*) Banks should ensure that there is no change in lending rates during the currency of a loan except when warranted by changes in the Bank Rate and deposit rates or other such contingencies.

(*e*) To ensure the continuance of credit facilities in cases of change in the management and/or ownership, banks should arrange for easy exchange of credit information on the parties.

(*f*) Where gardens are not able to bring their accounts to credit at the end of a season, consideration may be given to segregating the cumulative deficit and covering it with term loan with suitable repayment schedule so that the working capital limit sanctioned would be available in full.

(*g*) The foreign bills purchased/discounted limits may be revised upwards where necessary to provide for such contingencies as might arise from bulk shipments, delay in realisation of bills, remittance of proceeds, etc.

3. The Reserve Bank hopes that banks financing the tea industry would give due

consideration to the above suggestions of the Group and consider making suitable modifications in the existing limits, if necessary by undertaking a review of the credit facilities already sanctioned.

Yours faithfully,
R. K. HAZARI
Deputy Governor

DBOD. No. Nat.379/C.464(A)-72—13 March 1972

All scheduled commercial banks.

Dear Sir,

CREDIT GUARANTEE CORPORATION OF INDIA (SMALL LOANS) GUARANTEE SCHEME, 1971.

Under the Small Loans Guarantee Scheme, while providing credit facilities to traders dealing in fertilisers, mineral oils or other goods, credit institutions are expected as far as practicable to obtain the borrower's stocks as security. The usual practice when this form of security is taken is to call for periodical stock statements, inspect the stocks from time to time, insist on insurance cover and to ask for the restoration of the value of the security, if this value is reduced because of price changes. It has been represented that the observance of these safeguards may not be practicable in respect of credit facilities for very small amounts granted to petty shopkeepers who generally stock and sell numerous commodities in small quantities.

2. Reserve Bank of India has considered the matter in consultation with the Credit Guarantee Corporation of India Ltd. and the latter has no objection to extending its guarantee cover if relaxations are made to the extent indicated below, in respect of credit facilities to small traders eligible under the scheme:—

(*i*) If the total amount of the credit facilities granted to a borrower does not exceed Rs. 2,000/-, a charge over the stocks may be dispensed with at the discretion of the lending institution.

(*ii*) If the total amount of credit facilities is above Rs. 2,000/- but not exceeding Rs. 10,000/-, a charge over the stocks should be obtained, in the usual legal form, the charge being registered under section 125 of the Companies Act, 1956, where the provisions of this section are applicable, but the submission of stock statements by the borrower at prescribed intervals, the periodical verification of the stocks by officials of the credit institution and the insurance of the stocks against fire and other risks may be waived at the discretion of the lending institution.

(*iii*) If the total amount of the credit facilities exceeds Rs. 10,000/-, besides obtaining a charge over stocks, the credit institutions should observe all the normal safeguards.

3. Appropriate instructions in the matter may please be issued to all your branches and offices.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

DBOD. No. Nat.833/C.453(L)-72—30 May 1972

All scheduled commercial banks.

Dear Sir,

BANK ADVANCES AGAINST STOCKS OF FERTILISERS AND PESTICIDES

The increasing use of important agricultural inputs such as fertilisers, requires the build-up of adequate stocks of these commodites, especially in interior centres. Banks are advised to facilitate the flow of adequate credit for this purpose by liberalising margin requirements of their advances against fertilisers, pesticides and improved seeds, *e.g.*, if the general practice is to observe a margin of 25 to 30% on such advances, banks may consider its reduction even to 10 to 15%. Banks should ensure that the full benefit

of such relaxation should reach small dealers, especially those coming under the coverage of the Credit Guarantee Scheme. In this connection, attention is drawn to the recent liberalisation of the scheme in terms of which, effective from January 1, 1972, fertiliser dealers with an annual turnover up to Rs. 5 lakhs (as against Rs. 2 lakhs earlier) are eligible for the guarantee cover; the limit of the guarantee cover has also been raised from Rs. 30,000/- to Rs. 75,000/.

Yours faithfully,
M. L. GOGTAY
Chief Officer

DBOD. No. CAS.BC.9 /C.446(U)-72—19 January 1972

All scheduled commercial banks.

Dear Sir,

CREDIT FACILITIES TO THE COAL INDUSTRY

It has been represented to us that the coal industry is experiencing difficulties in the matter of transport of coal from the mine-heads to the consuming centres and that this is likely to adversely affect coal production. In order, therefore, to enable the industry to tide over the present difficulties, banks are advised to consider taking the following measures :

(*a*) Wherever banks have fixed sub-limits within the overall credit limit for advances against the various items of inventories, book debts, etc. there could be scope for reshuffling of the sub-limits to permit sufficient flexibility in the utilisation of credit facilities.

(*b*) Banks may consider extending, under suitable circumstances, additional temporary credit limits upto a maximum of 15% of existing credit limits upto the end of June 1972@. The raising of limits upto a maximum of 15% of the existing authorised limits would not require our prior approval under the Credit Authorisation Scheme; such additional limits sanctioned should, however, be reported to us.

(*c*) Wherever banks are satisfied that owing to unavoidable circumstances the collieries are in need of extension of credit facilities against book debts/ bills for periods beyond 90 days, banks may consider requests in this behalf sympathetically.

(*d*) In regard to claims of the collieries for reimbursement by the Coal Board of certain specified expenses incurred by them, banks may consider giving advances for suitable periods against claims approved/certified by or under the authority of the Coal Board.

2. Please acknowledge receipt of the letter and indicate the action taken by you in the matter.

Yours faithfully,
R. K. HAZARI
Deputy Governor

DBOD. No. CAS.BC.49/C.446(U)-72—26 May 1972

All scheduled commercial banks.

Dear Sir,

CREDIT FACILITIES TO THE COAL INDUSTRY

Please refer to our circular letter DBOD. No. CAS.BC.9/C.446(U)-72 dated the 19th January 1972 wherein banks were advised to consider taking certain measures as the coal industry was experiencing difficulties in the matter of transport of coal from the pit-heads to the consuming centres. As the coal industry continues to experience these difficulties which are likely to adversely affect coal production, banks are advised that the additional temporary credit limits up to a maximum of 15% of the existing credit limits allowed by them till the end of June 1972 (in terms of item 1(b) of the circular) may be

@Extended up to end of December 1972—Vide circular DBOD No. CAS BC. 49/C 446(U)-72 dated 26th May 1972.

extended up to the end of December 1972. Such extension of time, which would not require our prior authorisation under the Credit Authorisation Scheme, should be reported to us subsequently. Banks are also advised to continue to extend to the coal industry the other facilities suggested in our above circular so as to alleviate the difficulties of that industry.

Yours faithfully,
M. L. GOGTAY
Chief Officer

DBOD. No. Nat. 194/C.464-72 — 4 February 1972

The Custodians of the nationalised banks.

Dear Sir,

It has been represented to Government that nationalised banks are not providing finance to the handloom weavers. In this connection we forward herewith for your information copy of a scheme formulated by the State Bank of India for financing small weavers which has been introduced by it at Tanda and Khalilabad in U.P. We shall be glad if you will please explore possibilities of extending credit to the industry.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

STATE BANK OF INDIA

EMPLOYMENT ORIENTED SCHEME FOR SMALL WEAVERS

Introduction

In pursuance of the recommendations made by the Thakkar Committee and the importance assigned by them in their recommendations to the financing of the handloom weavers, a special scheme has been evolved to provide gainful employment to this weaker section of the rural population. The main features of the Scheme are as follows :—

Area approach

The weavers to be selected for financing by the Bank should be established in a compact area within a reasonable distance, say, 10 miles from the concerned branch. All eligible weavers in a particular village will first be covered before operations are extended to other villages in order to avoid scattered lendings and to ensure proper follow-up and supervision of the advances. To begin with, the Scheme will be operated at Tanda and Khalilabad pilot centres.

Eligibility

(*a*) Handloom/powerloom weavers located in the area served by the branch and whose working capital requirements are upto Rs. 5,000/- only will be considered eligible for assistance under the Scheme. In this connection, such of the units who have already obtained loans from the Government and/or other agencies will not ordinarily be considered eligible for financial assistance under the Scheme.

(*b*) The weaver should belong to the village where he is carrying on his manufacturing activity and should be owning one or more handlooms/powerlooms.

(*c*) Only weavers who are not members of the weavers' co-operative societies will be eligible to apply for the advance under the Scheme. In case of weavers who are members of the societies which have since ceased functioning, the Bank's officials will satisfy themselves by independent enquiry that the concerned weaver does not owe any amount to the society.

Type of credit facility

(*a*) The Bank will sanction the loan by way of clean cash credit to enable the weavers to meet their working capital requirements on group-guarantee basis, say, 4 to 5 weavers joining together in the guarantee so, however, that no weaver thus guarantees the loans of more than 5 weavers. This safeguard is considered essential because almost all the weavers established in the area surveyed by the Bank are illiterate and cannot maintain the usual stock registers and/or submit periodical stock statements.

(*b*) *Assessment of credit limit*

(*i*) To start with, a weaver will be disbursed loan to meet the cost of 4 to 6 weeks' requirements of raw material *viz.* cotton yarn, worked out on the following basis :—

For one handloom

4 bundles of cotton yarn (standard size) @Rs. 60/- per bundle consumed per week :

	Rs.
Monthly requirement of raw material *i.e.* Rs. 240/- × 4	960
Less: Margin 25%	240
	720
Say ..	700

For one power loom

20 bundles of cotton yarn (standard size) @ Rs. 60/- per bundle consumed per week : Rs. 1200/-

	Rs.
Monthly requirement of raw material *i.e.* Rs. 1200/- × 4	4,800
Less : Margin 25%	1,200
	3,600
Say ..	3,000

(*c*) *Disbursement of loan*

The loan will be disbursed subject to a maximum of Rs. 600/700 per handloom and Rs. 2,000/3,000 per powerloom in three instalments of 40%, 30% and 30%. After the first instalment of, say, 40% of the amount of the loan is released, the subsequent two instalments will be released only on the basis of their satisfactory performance and verification of the stocks purchased out of the loan already disbursed by the Bank. The first inspection will be carried out within 2 weeks of the disbursement of the loan.

Documentation

(*a*) The borrowers will execute a Demand Promissory Note (C.O.S. 228) in favour of the guarantors and the latter will endorse it in favour of the Bank.

(*b*) A Demand Promissory Note Delivery Letter (C.O.S. 230) duly signed by the borrower and the guarantors will be obtained.

(*c*) The guarantors will also execute a Guarantee Agreement (C.O.S. 146 Form 'E') and deliver it to the Bank along with the aforesaid Demand Promissory Note.

Security

Demand Promissory Note executed by the borrower bearing the endorsement of the guarantors as mentioned in paragraph (a) above under Documentation.

Interest

(*a*) Interest will be charged at 1¼% above State Bank Advance Rate, minimum 9¼% per annum, with monthly rests.

(*b*) The borrowers are also expected to deposit at least a portion of their sale proceeds in their account with the Bank. In any case, it will be obligatory for them to deposit at least the amount of interest every month during the first week.

Margin

(*a*) The borrowers will always keep adequate stocks to cover the advance taken from the Bank after taking into account the following margins:-

(*i*) Raw Material	25%
(*ii*) Stocks-in-Process	40%
(*iii*) Finished Goods	40%

(*b*) A relatively higher margin is stipulated in case of the finished goods as, according to the custom of the areas selected by the Bank for financing, the weavers sell almost all their finished stocks in the weekly market or deliver to the wholesalers their entire stocks once a week. In the circumstances, higher margin is intended to discourage undue stocking of finished goods.

(*c*) In deserving cases the margin will be suitably reduced for an initial period of 3 to 6 months.

Repayment

The advance will be repayable on demand.

Inspection

(*a*) The Agent/Field Officer will conduct a pre-sanction survey of the unit.

(*b*) After the first disbursement of the loan, an authorised supervising official will visit the unit as soon as possible, but not later than a fortnight, with a view to satisfying himself that the advance has been used for the purpose for which it was disbursed.

(*c*) Thereafter, inspection by the Bank's officials will be carried out at monthly intervals to verify that :

(*i*) the value of stocks held by the borrower is sufficient to cover the outstandings on the account less margin; and

(*ii*) the borrower's overall performance is satisfactory and the Bank's advance is not out of proportion to his turnover and scale of operations.

DBOD. No. Nat.BC.52/C.453(U)-72 — 3 June 1972

The Chairman, State Bank of India,
The General Managers, Subsidiary Banks, and
The Custodians of Nationalised Banks.

Dear Sir,

As you are aware, the Finance Minister made a policy statement in the Parliament on the 25th March 1972 on differential interest rates on advances by public sector banks. A copy of this statement is enclosed for your information. Following this statement, a set of guidelines have been prepared by Government laying criteria for the identification of persons eligible to get loans at concessional rates and the conditions under which loans should be given. A copy of these guidelines is given in the Annexure.

2. It is important to note that even if it becomes necessary that a portion of the loan should be given, in exceptional cases, for other than productive purposes, the main purpose of the loan is to encourage productive endeavours and it should, therefore, be emphasised on all sanctioning authorities that this aspect should be clearly kept in mind.

3. The banks will have to maintain close touch with the borrowers to whom the benefits of concessional rates have been extended. The project of the borrower will have to be examined with sympathy and understanding and the financial discipline which is expected of him should be explained to him carefully. They will have to arrange for necessary guidance in a number of ways, *e.g.* provision of raw materials, processing and marketing

facilities, etc. It is not visualised that bank offices entirely on their own will always be able to make these arrangements. Where the banks themselves do not find it possible to provide such guidance, they may take the help of recognised bodies, governmental and non-governmental, which function in that area. They may look for voluntary organisations or agencies of known integrity and influence on the local community and persuade them to take some responsibility on behalf of borrowers and become their benevolent protectors and guardians in order to ensure that they are not exploited by others. Final decision about sanctioning the loan will rest with the bank.

4. For lending at concessional rates, each bank should select at least one branch in every 8 or 10 and in making such selection it should ensure that backward pockets in rural, semi-urban and urban areas in the country are well represented. A list is enclosed of districts which have been earmarked as relatively backward by the Planning Commission, of which those with known tribal concentrations and SFDA and MFAL districts have been indicated. SFDA and MFAL districts have to be excluded for the time being. Banks may select branches from the districts in the list for concessional lending. Considering the categories of persons to whom the concessional rates are to be applied, the banks may at the beginning look for groups of borrowers in particular. Groups will lend themselves to easier handling than individuals though they are not barred out on principle.

5. Banks operating in particular districts may after mutual consultation, allocate branches and specific areas in which differential lending will take place. Care should be taken to avoid overlapping.

6. An endeavour which is receiving assistance of the differential rate should have the capability of standing on its own after some period; in other words, not merely viable proposals but even those which are potentially viable could be covered under the scheme. The banks should work on the principle that normally the borrower would not need differential interest for more than 5 years (except in the case of indigent students). When the enterprise having the benefit of differential rate starts generating cognizable surplus the differential can be gradually reduced and when warranted done away with. In some cases after the surplus starts emerging it is likely that a borrower can, without real difficulty, offer some security, and even provide on his own a margin of, say, 15 or 20%.

7. The scheme at present is only at the pilot stage. It is not proposed to allocate specific targets for the districts. Broadly, it is expected that the quantum of lending under the concessional scheme in each bank might correspond to about ½ of 1 per cent of its aggregate lending at the end of the previous year.

8. All the loans given under the scheme should be covered under the Credit Guarantee Scheme. For this purpose, the Credit Guarantee Scheme will be suitably modified to the extent necessary. The guarantee fee, however, should not be transferred to the borrowers; but it will have to be borne by the bank.

9. Separate registers will have to be maintained in respect of the accounts under this scheme.

10. Every public sector bank, in its annual report, should devote a chapter to describing its operations under the differential interest rate scheme, including areas and kinds of lending at differential rates, the number of branches concerned, and the social benefits achieved, if any, which are discernible.

11. The branches selected by each bank should be communicated to the Reserve Bank with a copy to the Department of Banking as early as possible but not later than the 30th June 1972. Quarterly reports about the lending under the scheme may be sent to the Reserve Bank, with a copy to the Department of Banking, for the quarters ending 31st March, 30th June, 30th September and 31st December each year. The first report should relate to the period ending 30th September 1972.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

STATEMENT BY THE FINANCE MINISTER ON DIFFERENTIAL INTEREST RATES ON ADVANCES BY PUBLIC SECTOR BANKS

Hon'ble Members will recall that in my Budget speech I made a mention of the policy of differential interest rates as one of the steps recently taken to bring about basic changes in our economic institutions and policies to supplement the Central Budget for furtherance of our social and economic objectives. I thought I should take an early opportunity to place before the House the essentials of the policy.

2. As the House is aware, the idea originated in the meeting I had with the chief executives of the public sector banks and senior officials of the Reserve Bank in July, 1970. I made the suggestion then that lower interest rates should be charged to carefully selected low-income groups, who deserve financial assistance for productive endeavours and higher interest rates to more affluent borrowers. In pursuance of this, a committee was appointed by the Reserve Bank to determine the criteria for identifying borrowers within each sector in selected income groups who can be granted the benefit of lower interest rates without affecting the profitability of the banking institutions. The committee submitted the report in May, 1971, and it was made available to Members of Parliament. The subject also came up for discussion on more than one occasion in Parliament. The report has also attracted wide notice in newspapers and journals. I have taken careful note of the opinions expressed in Parliament and outside in giving shape to the contours of the policy.

3. The report of the Committee was not unanimous. The majority report and the note of dissent have fundamental differences between them. The basic approach of the majority report is that the criterion for charging lower rate of interest should be the size of the loan taken by a party and not the party's own financial position or economic status. They have in view a range between 8½ per cent to 10 per cent per annum on those borrowals which come within the cover of the guarantee schemes now in operation. On the question of charging higher rates to the more affluent borrowers, the majority take the view that the present normal rates are high enough and asking the banks to charge higher than normal rates to selected categories of the affluent people would be to invite legal complications and create distortions in the economy. The dissenting note on the other hand does not agree that the size of the loan should be the principal determinant of eligibility for the benefit of an interest differential or that the selection of small borrowers should be linked with the existing credit guarantee schemes. It has stressed that differential lending rates including, in some instances, loans at even zero interest are an established feature of international lending and it should be possible for banks to charge different rates of interest to different income groups, beginning with a very nominal rate of interest for the most needy and going up to 20 per cent for prosperous traders.

4. While it is difficult to reconcile the two points of view, I have no doubt about the basic soundness of the idea which led to the formation of the Committee. I am aware that a wide ranging differential in interest rates is likely to pose practical policy and operational problems for the banking system, but in a country where a large segment of population is abjectly poor, social needs and expectations cannot be ignored and the public sector banking system will need to re-orient its functioning in a way which makes it an effective instrument of service to the community. Interest rate mechanism should subserve our objective of social justice in the matter of distribution of credit but at the same time I am no less conscious that the banks should continue to retain their character as viable institutions.

5. I propose to make a start with the scheme of differential interest rate in favour of borrowers who answer to all of the following descriptions :—

(1) have really no tangible security of any worth to offer on their own;

(2) cannot produce a security/guarantee of a well-to-do party;

(3) are prepared to work hard;

(4) can be helped to rise above their present economic levels in a productive endeavour with assistance from banks, the productive endeavour being such as would become economically viable within a period of, say, 3 years ;

(5) do not incur liability to two sources of finance at the same time.

6. The following are among the sectors within which the banks should be able to locate parties who deserve the differential rate :—

(1) Scheduled Tribes, Scheduled Castes and others engaged, on a very modest scale, in agriculture.

(2) People who themselves collect, or do elementary processing of forest products and people who themselves collect fodder in difficult areas and sell them to farmers or traders.

(3) People physically engaged on a modest scale in the fields of cottage and rural industries and vocations in urban areas. Illustrative examples are: cutting cloth and sewing garments, making reasonably cheap eatables, home delivery service of articles and commodities of daily use, running way-side tea stalls, plying of self-owned manual rickshaws and cycle-rickshaws, repairing of shoes/sandals mainly by hand, basket-making by hand etc.

(4) Indigent students going in for higher education who do not get scholarships/maintenance grants from governmental or educational authorities.

(5) Physically handicapped persons pursuing a gainful occupation where some durable equipment and/or continuous supply of raw material is useful.

(6) Orphanages and Women's Homes where saleable goods are made and for which no adequate and dependable source of finance, *e.g.*, endowments or regular charities, exist.

7. The differential interest rate under the scheme is for the present to be uniformly fixed at 4 per cent *i.e.*, 2 per cent below the current Bank Rate. The question of charging higher rates from the affluent borrowers is beset with operational difficulties. I am having the matter further examined so that a rational structure of higher interest rates is devised.

8. The banks may give both working capital and term loan according to the facts of the situation. In addition to a differential rate, some initial moratorium in repayment may also be considered. Availability of

tangible security will not be a pre-condition for the grant of a loan; when a surplus starts emerging and the borrower can, without real difficulty, offer some security, a margin of 15 or 20% can be looked for. While loans to individuals are not barred, the banks may at the beginning look for groups in particular areas as groups lend themselves to easier handling. Each loan is to be covered by the existing credit guarantee schemes. The guarantee fee will be met by the banks and not charged to the borrowers.

9. For lending at the differential rate, each bank should select at least one branch in every 8 or 10 and in making such selection it should ensure that backward pockets in rural and semi-urban and urban areas of the country are well represented. The banks will have to maintain continuous touch with the borrowers to whom the benefit of the differential is extended and arrange for necessary guidance and help in a number of ways *i.e.*, provision of raw materials and processing and marketing, etc. facilities. It is not visualised that bank offices, entirely on their own will always be able to make these arrangements. When the banks themselves cannot make such arrangements they will have to link their operations with those of other recognised bodies, governmental and non-governmental, which function in that area.

10. The scheme which I have outlined above would operate for the present in districts which are not covered by SFDA/MFAL scheme. In SFDA and MFAL districts, the Central and State Governments have accepted substantial financial responsibility over schemes intended to raise people through productive endeavours from below subsistence level or bare subsistence level to a higher level. The banks assisting borrowers in these districts through the differential rate of interest should get suitable financial reimbursement from the Government concerned. Details will be worked out in consultation with the concerned Ministries and the State Governments.

11. The Scheme will for the present be confined to the public sector commercial banks. I have given careful consideration to the question as to whether the co-operative banking system should not also operate the differential interest rate scheme. It is not quite clear whether the co-operatives would be able to recoup consequential losses by charging higher interest rates from larger farmers. The extent of differential rates and the manner in which the co-operative institutions should be compensated for the loss involved are to be considered in detail by the Government in consultation with the Reserve Bank of India.

12. I expect that each of the public sector banks will in the first year lend at the concessional rate at a minimum of ½ per cent of its aggregate lending of the previous year. This will come to about Rs. 20 crores. This is a modest beginning, but I am confident that as we go along, the banks will use their ingenuity, imagination and resources to make the differential interest rate policy one of the important instruments for reducing disparities in income and wealth and for encouraging talent and enterprise that go waste for lack of support.

ANNEXURE

In pursuance of the policy decision announced by the Government of India in the statement made by the Finance Minister in the Lok Sabha on March 25, 1972 for granting loans at concessional rates to selected low income groups for productive endeavours, the following guidelines are issued.

2. It has been decided that for the present, the concessional rates of interest will be available to borrowers belonging to the following sectors :—

(*a*) Scheduled Tribes, Scheduled Castes and others engaged, on a very modest scale, in agriculture and/or allied agricultural activities.

(*b*) People who themselves collect, or do elementary processing of, forest products and people who themselves collect fodder in difficult areas and sell them to farmers or traders.

(*c*) People physically engaged on a modest scale in the fields of cottage and rural industries and vocations. Illustrative examples are: cutting cloth and sewing garments, making reasonably cheap eatables, home delivery service of articles and commodities of daily use, running wayside tea stalls, plying of self-owned manual rickshaws and cycle-rickshaws, repairing of shoes/sandals mainly by hand, basket-making by hand, etc.

(*d*) Indigent students of merit going in for higher education who do not get scholarships/maintenance grants from governmental or educational authorities.

(*e*) Physically handicapped persons pursuing a gainful occupation where some durable equipment and/or continuous supply of raw material is useful.

(*f*) Orphanages and Women's Homes where saleable goods are made and for which no adequate and dependable source of finance, *e.g.*, endowments or regular charities, exist.

3. A person belonging to the categories indicated above will be eligible if he satisfies the tests given in 3.1 below and fulfils the essential conditions indicated in 3·2 below.

3·1.(*a*) his family income from all sources does not exceed Rs. 2000 per annum in an urban or semi-urban area or Rs. 1200 per annum in a rural area ;

and

(*b*) He does not own any land or the size of his holding does not exceed one acre in the case of irrigated land and 2·5 acres in the case of non-irrigated land.

3·2.(*a*) He is prepared to work hard ;

(*b*) He can be helped to rise above his present economic level in a productive endeavour with assistance from banks, the productive endeavour being such as would become economically viable within a period of, say, 3 years ;

(*c*) He does not incur liability to two sources of finance at the same time ;

(*d*) He does not engage any employees working for him.

4. It is not intended that a borrower should be required to produce documentary evidence to establish his eligibility under the scheme or be called upon to furnish tangible security. It is expected that the officials of the bank at the branch level would be conversant with the economic and other circumstances of the borrower;

they may make such local enquiries as may be required in each case before sanctioning the loan, bearing in mind the conditions at paragraph 3·2 above.

5. The terms and conditions of loans under the scheme will be as follows :

(*a*) Amount of loan will depend on the particular scheme proposed to be financed and should be adequate to enable the borrower to finance his requirements without having to borrow funds from another source. It is expected that normally, the maximum amount under the scheme may not exceed Rs. 500/- for a working capital loan and Rs. 2500/- for a term loan. In exceptional cases and in the case of indigent students of merit, higher amounts may be considered.

(*b*) Both working capital and term loan will be admissible in accordance with the specific requirements of the borrower.

(*c*) Requirements of margin money may be waived.

(*d*) Rate of interest will be uniformly fixed at 4 per cent

(*e*) While the working capital loan for financing seasonal agricultural operations or the marketing of crops or other similar activities, will be liable for repayment at the end of the season or such extended period as may be allowed in suitable cases the repayment period of the working capital loan for other purposes shall be determined with reference to the goods and transactions that are being financed. Term loan for the acquisition of fixed assets shall not exceed 5 years, including a grace period not exceeding two years on the repayment of principal. The repayment schedule will be worked out in each case having regard to the nature of activity of the borrower and the economics of the scheme. In assessing the surplus for the payment of interest and principal, due allowance should be made for the sustenance requirements of the borrower himself.

(*f*) The assets purchased with the loan may be hypothecated to the bank. However, in appropriate cases of loans to a homogenous group of borrowers, group guarantee may be accepted.

(*g*) Each loan is to be covered under the Credit Guarantee Scheme. The guarantee fee should be met by the banks and not charged to the borrowers.

(*h*) The cost of insurance of the asset charged to the bank, if considered necessary, should be borne by the bank.

LIST OF RELATIVELY BACKWARD DISTRICTS

Sr. No.	States	Districts/Areas
1.	Andhra Pradesh	*Nalgonda, Medak, Mahbubnagar, Karimnagar, Warrangal, **Khammam, Chittoor, Anantapur, Kurnool, Nizamabad, *Srikakulam, *Cuddapah, Nellore and Ongole.
2.	Assam	*Goalpara, Cachar, *Nowgong, *Kamrup, *Mikir Hills and **North Cachar-Hill.
3.	Bihar	**Santhal Parganas, Bhagalpur, **Palamau, *Champaran, Saran, Darbhanga, *Purnea, Muzaffarpur and Saharasa.
4.	Gujarat	**Panchamahals, Kutch, Amreli, **Broach, *Sabarkantha, Banaskantha, Bhavnagar, Mehsana, Surendernagar and *Junagadh.
5.	Haryana	Mohindergarh, *Hissar and Jind.
6.	Himachal Pradesh	Chamba, Kinnaur, Kangra, Kulu and Lahaul and Spiti.
7.	Jammu & Kashmir	Srinagar, *Anantnag, *Baramula, *Jammu, *Kathua, Udhampur, Doda, Ladakh, *Poonch and *Rajouri.
8.	Kerala	Alleppey, Trivandrum, *Cannanore, Trichur and Malapuram.
9.	Madhya Pradesh	**Bastar, **Mandla, **Surguja, **Seoni, **Jhabua, Balaghat, *Bilaspur, **Sindhi, **Betul, **Raigarh, **Rajpur, **Dhar, Tikamgarh, Rajgarh, **Khargone, Shajapur, Shivpuri, *Chindwara, Rewa, Panna, Dewas, Mandsaur, Chhatarpur, Guna, Datia, Morena, Vidisha, Narsimhapur, *Raisen, Hoshangabad, Damoh, Bhind, Sagar and*Ratlam.
10.	Maharashtra	Bhir, Osmanabad, Bhandara, *Ratnagiri, Aurangabad, Yeotmal, Chanda, **Dhulia, Buldhana, Nanded, *Parbhani, Jalgaon and Colaba.
11.	Manipur	*Entire area.
12.	Meghalaya	Both the districts of *United Khasi and *Jaintia Hills and *Garo Hills.
13.	Mysore	Belgaum, *Bidar, *Bijapur, Dharwar, Gulbarga, Hassan, *Mysore, *North Kanara, Raichur, South Kanara and *Tumkur.
14.	Nagaland	*Kohima, *Mokokchung and *Tuensang.
15.	Orissa	*Bolangir, **Mayurbhanj, *Dhenkanal, **Kalahandi, Balasore, *Koenjhar, **Koraput and Phulbhani.
16.	Punjab	*Hoshiarpur, Bhatinda, Gurdaspur and *Sangrur.
17.	Rajasthan	Jalore, **Banswara, **Dungarpur, Nagaur, Churu, *Alwar, Tonk, *Udaipur, Jodhpur,

	Jhunjhunu, Sikar, **Sirohi, *Bhilwara, Jhalawar, Jaiselmer and Barmer.
18. Tamil Nadu	*South Arcot, Thiruchirapalli, *Madurai, Ramanathapuram, Kanyakumari, *North Arcot, Thanjavur and Dharmapuri.
19. Tripura	*Entire area.
20. Uttar Pradesh	Almora, Azamgarh, Baharaich, Banda, *Ballia, *Badaun, Chamoli, *Fatehpur, Garhwal, Ghazipur, Hamirpur, Hardoi, Pilibhit, Jalaun, Jaunpur, Jhansi, Mainpuri, Pithorgarh, *Pratapgarh, *Rae Bareli, Sultanpur, Tehri Garhwal, Unnao, Uttar Kashi, Barabanki, Basti, Bulandshahr, Etah, Etawah, Faizabad, Gonda, *Mathura, Farrukhabad, Moradabad, Shahjahanpur and Deoria.
21. West Bengal	*Purulia, *Bankura, Midnapur, *Darjeeling, Malda, Cooch Behar, *West Dinajpur and Murshidabad, Jalpaiguri, Birbhum, Burdwan, *Hooghly and Nadia.

UNION TERRITORIES

1. Andaman and Nicobar Islands	Entire area.
2. Dadra and Nagar Haveli	Entire area.
3. *Goa, Daman and Diu	Entire area.
4. Laccadive, Amindive and Minicoy Islands.	The inhabited Islands
5. Arunachal Pradesh	Entire area.
6. *Pondicherry	Entire area.
7. **Mizoram	Entire area.

*{SFDA / MFAL}

**Tribal concentration.

DBOD. No. EFS. 109/C.107-66—3 February 1966

All banks.

Dear Sir,

DISCOUNTING/COLLECTION OF HUNDIES

During the course of our inspection/scrutiny of affairs of some banks, our Inspecting Officers have come across certain irregularities relating to the discounting/collection of Multani hundies and other clean usance bills. The more important of these are enumerated below :—

(a) *Discounting of hundies*

(*i*) Some of the banks did not maintain credit reports on the drawers of the hundies (usance promissory notes).

(*ii*) In certain cases, the names of the persons who made payment of the hundies were not entered in any of the bank's records, such as vouchers, cash scroll etc.

In order to ensure that the hundies discounted arise out of bonafide commercial transactions, we shall be glad if you will please take steps to avoid irregularities of the above nature.

(b) *Collection of hundies*

(*i*) A large number of hundies had been collected on behalf of several Shroffs. Many hundies had been lodged for collection almost invariably on their due dates or a day or two earlier and no notices were being sent by the banks to the drawers concerned.

(*ii*) In a number of cases, the current accounts opened by the Shroffs which had been utilised mostly for putting through transactions relating to the collection of hundies had generally been closed soon after the banks had ceased accepting hundies for collection.

(*iii*) In almost all cases, all the transactions *viz.* lodgement of the hundies for collection, payment of the same and withdrawal of the proceeds had taken place on the same day without any notice/credit advice being sent by the banks.

(*iv*) The names/signatures of the persons who are stated to have made payment of the hundies were not in several cases recorded in the vouchers or other records of the banks.

It would appear that the above irregularities/characteristics afford sufficient grounds to suspect that the hundies collected were not genuine hundies of the type which are usually discounted by banks. The possibility of their having been lodged for collection only with a

view to creating evidence of their having passed through a bank so as to bring into use "black or unaccounted" money cannot be ruled out. You will appreciate that, in public interest, it will not be proper for banks even unwittingly to allow themselves to be utilised by unscrupulous persons for the purpose of tax evasion. It is, therefore, necessary that banks, in their own interest, and in order to check such malpractices, exercise adequate caution and conduct a more rigorous scrutiny of the hundies offered by Shroffs for discount/collection so as to ensure that the hundies offered to them arise out of bonafide trade/commercial transactions.

2. We shall be glad if you will please issue suitable instructions to your offices in regard to the points mentioned above.

Yours faithfully,
A. R. THANAWALA
Chief Officer
(Inspections)

DBOD. No. Nat. 85/C.469(W)-71—18 January 1971

1. **All banks availing of facilities under the Scheme.**

2. **State Bank of India and its Subsidiaries.**

Dear Sir,

SCHEME FOR REDISCOUNTING OF BILLS ARISING OUT OF DEFERRED PAYMENT SALES OF INDIGENOUS MACHINERY

As you are aware, the Industrial Development Bank of India has been operating the above Scheme since the 1st April 1965 primarily for promoting sales of manufacturer-sellers of indigenous machinery on a deferred payment basis.

2. Recently, the Industrial Development Bank of India has received complaints from a number of manufacturer-sellers of machinery alleging that some of the banks have rejected the requests for sanction/enhancement of the limits for discounting of bills on the ground that the total credit facilities sanctioned to the manufacturer-sellers were on the high side. We appreciate the anxiety of the banks to keep within reasonable level the credit placed at the disposal of a borrower. We are, however, of the view that the financial assistance extended to a manufacturer-seller under the Industrial Development Bank of India's Rediscounting Scheme stands on a somewhat different footing. The advances under the Scheme, though availed of by the seller, are actually recoverable from the purchaser, and the bank/State Financial Corporation/insurance company, accepting/guaranteeing the payment of the bills, is expected to ensure payment of the bills on the due dates. Thus, the seller's liability on the bills is only of an indirect and contingent nature. In the circumstances, we feel that if the discounting bank is sure of the genuineness of the transactions covered by the bills (accepted by the banks and institutions approved under the Scheme) offered for discount and there are no adverse features, it may not take into account the outstandings of a manufacturer-seller in respect of such bills while fixing the optimum level of bank finance to be placed at his disposal. As a matter of abundant caution, we would suggest that the discounting bank might ensure that the proceeds of the bills are credited to the cash credit account of the seller maintained with the discounting bank.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

DBOD. No. Nat. BC. 63/C. 453(C)(A)-72
19 July 1972

All participating banks

Dear Sir,

FINANCING OF PRIMARY AGRICULTURAL CREDIT SOCIETIES BY COMMERCIAL BANKS — LENDING RATE FOR SHORT-TERM AND MEDIUM-TERM LOANS FOR AGRICULTURAL PURPOSES

The commercial banks financing primary agricultural credit societies are required to charge 7½ per cent interest on their short-term lendings to the latter as per paragraph 8(ii) of Introduction to the 'Guidelines to Commercial Banks for financing of Primary Agricultural Credit Societies'.* Consequent on the rise in Bank Rate from 5 per cent to 6 per cent in January 1971, some of the banks requested that they might be allowed to raise their lending rate for short-term loans to societies by 1 per cent to 8½ per cent. After careful consideration of the request, it has been decided that the commercial banks may charge interest at the following rates to primary agricultural credit societies on their short-term lending :

(*i*) 7½ per cent to societies whose loan business (both short-term and medium-term loans issued during the year 1971-72 *i.e.* from 1st July 1971 to 30th June 1972) was less than Rs. 1·50 lakhs, provided that they have appointed a full time paid secretary,

(*ii*) 8½ per cent to societies whose loan business as described above, was above Rs. 1·50 lakhs during the year 1971-72, and

(*iii*) 8½ per cent to societies which have not appointed a full-time paid secretary.

2. No rate was stipulated in the 'guidelines' to commercial banks in regard to the interest to be charged on medium-term lendings to societies under the scheme. It has since been decided that the commercial banks may charge to the societies 8½ per cent on their medium-term advances for agriculture.

3. The primary agricultural credit societies financed by the commercial banks may continue to retain the minimum margin of 1½ per cent and so adjust their lending rates to the ultimate borrowers that they generally correspond to the lending rates of societies financed by the central co-operative bank of the district/area concerned.

4. The above rates may be charged by the commercial banks for their short-term lendings to agricultural credit societies with effect from 1st July 1972.

Yours faithfully,
P. N. KHANNA
Joint Chief Officer.

DBOD. No. Nat. BC. 76/C.453(C)(A)-73
29 June 1973

All participating banks.

Dear Sir,

FINANCING OF PRIMARY AGRICULTURAL CREDIT SOCIETIES BY COMMERCIAL BANKS—LENDING RATE FOR SHORT-TERM AND MEDIUM-TERM LOANS FOR AGRICULTURAL PURPOSES

Please refer to our letter DBOD. No. Nat. BC. 63/C. 453(C)(A)-72 dated the 19th July 1972 on the above subject. Consequent on the increase in the Bank Rate from 6 per cent to 7 per cent, it has been decided that commercial banks may increase their lending rates to primary agricultural credit societies by ½ per cent with effect from 1st July 1973. The revised rates of interest to be charged by banks would be as under :

Short-term advances

(*i*) 8 per cent to societies whose loan business (both short-term and medium-term loans issued during the year 1972-73 *i.e.*, from 1st July 1972 to 30th June 1973) is less

* Not included.

than Rs. 1·50 lakhs, provided that they have appointed a full time paid secretary ;

(*ii*) 9 per cent to societies whose loan business as described above, is over Rs. 1·50 lakhs during the year 1972-73 ; and

(*iii*) 9 per cent to societies which have not appointed a full-time paid secretary.

Medium-term advances

9 per cent on medium-term advances made by banks to societies.

2 The primary agricultural credit societies financed by the commercial banks may continue to retain the minimum margin of 1½ per cent and so adjust their lending rates to the ultimate borrowers that they generally correspond to the lending rates of societies financed by the central co-operative bank of the district/area concerned.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer.

DBOD. No. Nat. 2199/C. 453(C)(A)-72
18 December 1972

All participating banks.

Dear Sir,

FINANCING OF PRIMARY AGRICULTURAL CREDIT SOCIETIES BY COMMERCIAL BANKS

As you are aware, the scheme of financing agricultural credit societies by commercial banks has been in operation in seven districts of Mysore State for the last two years. However, the average number of societies financed per branch worked out to 6 as at the end of June 1972 against the suggested norm of 10 societies per branch. There is, therefore, scope for adoption of more societies by the participating banks. The State Government has also expressed the view that banks can take up more societies, particularly in Bangalore, Kolar, Chitradurga and Tumkur districts. It is understood that the Registrar of Co-operative Societies has already identified certain primary agricultural credit societies for adoption by commercial banks. We would, therefore, request you to get in touch with the Registrar of Co-operative Societies, obtain the list of the identified societies and adopt for financial assistance—such of them as are found acceptable after appropriate scrutiny of their accounts and making necessary enquiries. In addition to adopting societies at the branches where the scheme is already in operation, banks may also take up societies, where possible, at some of their newly opened branches, particularly in the districts referred to above, keeping in view their organisational strength and availability of field staff.

2. The commercial banks will be eligible for refinance from the Reserve Bank in respect of their advances to the primary agricultural credit societies under the scheme as stipulated in our circular DBOD. No. Sch. BC. 113/C. 96-72 dated the 21st November 1972.@

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer.

DBOD. No. Nat. 355/C.453(C)-73
24 February 1973

All participating banks.

Dear Sir,

FINANCING OF PRIMARY AGRICULTURAL CREDIT SOCIETIES BY COMMERCIAL BANKS—ASSIGNMENT OF CHARGES CREATED IN FAVOUR OF SOCIETIES

According to paragraph 28 of the guidelines issued to commercial banks for financing primary agricultural credit societies, the commercial bank *may* require the society to assign the charges created by members in its favour by means of executing a deed of assignment. Some of the banks have pointed out certain difficulties in following this procedure in that if a charge is assigned in their favour, the societies cease to be creditors of their member borrowers and will not, therefore, be able to enforce the securities. The result

@This circular is included in Section A III(a) at page 2 of Supplement A.

would be that when occasion arises for taking legal action against the member borrowers, the bank has to take recourse to Civil Courts and cannot take advantage of the benefits of simplified procedure for recovery enjoyed by the co-operative societies.

2. We have to advise that the Expert Group on State Enactments having a bearing on commercial banks lending to agriculture (Talwar Committee) have incorporated a clause in the 'Model Bill' suggested by them for adoption by the State Governments, which would obviate the above difficulty. Clause 24 of the Model Bill enables a financing bank to direct the concerned society to take action against its defaulting members under the Co-operative Societies Act. Failure on the part of the co-operative society to comply with the direction would enable the financing bank to take action against the defaulters directly. In such an event, the financing bank would be eligible to all the facilities available to the defaulting co-operative society under the Co-operative Societies Act, rules and bye-laws.

3. The State Governments are considering the recommendations of the above Group and when the above suggestion is given effect to, banks can finance the societies without obtaining an assignment deed. Pending this, however, the following alternatives are available to the financing banks :

(*a*) Obtaining assignment deeds as at present.

(*b*) In cases where the societies have taken a mortgage, the same could be sub-mortgaged to the bank in which case both the society and the bank could independently proceed against the defaulting member borrower.

(*c*) Grant advances to the societies on a clean basis.

We have, therefore, to suggest that pending adoption of the Model Bill by the concerned State Governments, the financing banks may adopt any of the above alternatives as they consider suitable.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer.

DBOD. No. Nat. BC. 94/C. 453(B)-72
28 October 1972

All scheduled commercial banks.

Dear Sir,

CREDIT FACILITIES TO THE AGRICULTURAL SECTOR FOR IMPROVED TYPES OF STORAGE STRUCTURES

We are advised that the Indian Grain Storage Institute at Hapur (of the Ministry of Agriculture) has developed designs for metal bins suitable for storage of foodgrains especially at the farmers' level and the fabrication of such bins by various State Government Workshops, Agro-Industries Corporations and certain private manufacturers is now in progress. As it is likely that the average farmer in the country may not be able to provide himself with these receptacles on an outright purchase basis, banks may consider providing financial assistance for this purpose to the intending farmers. We may add that such advances to farmers may be treated as direct finance to agriculture and reported in Section A of Part IV under the head 'Direct finance to farmers for agricultural operations' in the quarterly statement of 'Advances to Priority Sectors.'

Yours faithfully,
P. N. KHANNA
Joint Chief Officer

DBOD. No. Nat. 2011/C. 453(B)-72
24 November 1972

State Bank of India/
Custodians of Nationalised banks operating in Bihar.

Dear Sir,

CRASH PROGRAMME FOR PROVIDING PUMPSETS TO FARMERS IN BIHAR

Please refer to our Deputy Governor's D.O. letter dated the 18th September 1972* on the above subject. The question of providing credit

* Copy appended.

to the farmers for taking service connections for energising pumpsets was discussed by us with the Bihar State Electricity Board. The Board has since clarified that it is agreeable to underwrite that portion of the loan to the farmer which is meant for service connection provided the required amount is actually deposited with the Board and the consumer enters into a formal agreement for taking supply from the Board under its terms and conditions. This will be subject to a maximum of Rs. 1000/- per service connection and the arrangement would be valid for the period for which the bank's loan remains outstanding. It would also be open to the banks to pay on behalf of the farmers, the service connection costs direct to the Board. The Board is also agreeable to give service connections to the farmers against undertakings from the banks concerned to deposit the relevant amount as soon as the power connection is given. This arrangement would, however, require the parties concerned *viz.*, the farmer, the lending bank and the Electricity Boar to enter into a tripartite agreement or separate agreements for fulfilment of their respective commitments.

2. We shall be glad if you will please bring the contents of this letter to the notice of your branches in Bihar.

Yours faithfully,
P. N. KHANNA
Joint Chief Officer.

D.O. No. DBOD. Nat./C. 456(F)-72—18 September 1972.

(CHIEF EXECUTIVES OF COMMERCIAL BANKS IN THE PUBLIC SECTOR FUNCTIONING IN BIHAR)

Dear Shri

As you may be aware, I visited Patna on the 15th and 16th September 1972 and, inter alia, held discussions with Government officials and representatives of banks operating in Bihar regarding the crash programme of the Government of Bihar for providing pumpsets to farmers in Bihar with the help of finance from commercial banks.

We shall be glad if you will kindly arrange to issue, in the light of the record of discussions * suitable instructions to your bank's branches in Bihar under advice to us.

With kind regards,

Yours sincerely,
R. K. HAZARI

***CRASH PROGRAMME FOR PROVIDING PUMP SETS TO THE FARMERS IN BIHAR THROUGH COMMERCIAL BANK FINANCE**

In the meeting convened by the Development Commissioner, Bihar, Shri H. N. Thakur which was attended by the Dy. Governor, Reserve Bank of India, Dr. R. K. Hazari, and representatives of the public sector banks operating in Bihar held at the old Secretariat Building, Patna on the 16th September 1972, the following consensus was reached for financing the puchase of diesel or electric pumpsets by the farmers in Bihar under the captioned programme till the end of March 1973.

1. **Identification of the borrowers**

The Block Development authorities will introduce the prospective borrowers to the banks and also assist them in the completion of the loan application forms. The banks will select the borrowers and process their applications after making the necessary pre-sanction enquiries.

2. **Terms and conditions**

(*a*) *Size of holdings :*

The borrower eligible under the Programme should have a land holding between 2½ and 7½ acres.

For farmers holding land over 7½ acres, the normal terms and conditions for bank loans will be applicable.

(*b*) *Amount of loan :*

For the farmers owning lands between 2½ and 5 acres, the banks would grant loans to cover the cost of the pumpsets (including sales tax, etc.) upto a maximum of Rs. 3,500/-.

For farmers owning lands over 5 acres and upto 7½ acres also, the loan will be restricted to a maximum of Rs. 3,500/- subject to the condition that sales tax, etc. will be paid by the borrower.

The banks will finance purchase of pumpsets of approved makes and through authorised dealers.

(*c*) *Margin/Contribution :*

The purpose of the margin money is to establish the stake of the farmer in the enterprise in which he is investing borrowed capital. No margin will be insisted upon, in the case of farmers with holdings of 2½ to 7½ acres who have already invested at least 10% of the loan amount towards the cost of the well, pump house, platform, etc. In the case of farmers with holdings between 5 and 7½ acres, the payment, if any, in excess of Rs. 3,500/- for the pumpsets together with the payment of sales tax, etc. would be considered as the farmer's contribution towards the cost of the pumpsets.

(*d*) *Security :*

The securities so far specified under the Programme have been :

(*i*) Hypothecation of pumpset

(*ii*) Two guarantors and

(*iii*) Affidavit by the farmer regarding land in his cultivating possession sworn in before the Block Development Officer.

The banks have now agreed to the following two other alternative securities :

I. (*i*) Hypothecation of pumpset

(*ii*) Group guarantee by 5 persons who can also be borrowers and

(*iii*) A certificate from the Block Development Officer that the borrower is in cultivating possession of the land declared in the application.

II. (*i*) Hypothecation of pumpset

(*ii*) Agreement to mortgage the land

(*iii*) Group guarantee of 5 persons who can also be borrowers and

(*iv*) A certificate from the Block Development Officer that the borrower is in cultivating possession of the land declared in the application.

(*e*) *Period of repayment of loans :*

The loan will be repaid within a maximum period of 5 years depending upon the incremental income and repaying capacity of the borrower. The first instalment will be payable out of the proceeds of the harvest of the first crop after the installation of the pumpset.

3. **Crop loans**

The farmers borrowing term loans for pumpsets will be assured of crop loans also by the banks.

Farmers in the same area of operation who are indebted to co-operatives for an amount not exceeding Rs. 250/- would also be eligible.

4 The above relaxations in the normal terms and conditions have been made to meet the present drought conditions in Bihar and will remain in force till the end of March 1973. The banks will continue to take sustained interest in the agricultural development of the State thereafter on their normal terms and conditions.

Reserve Bank of India
Camp : Patna
Date 16-9-1972

DBOD. No. Nat. 14/C. 453(K)Gen-73
3 January 1973

All commercial banks in the private sector (other than foreign banks)

Dear Sir,

SCHEME OF REBATE ON INTEREST OPERATED BY THE SMALL FARMERS DEVEOPMENT AGENCIES AND MARGINAL FARMERS AND AGRICULTURAL LABOURERS AGENCIES

We forward herewith a copy * of D.O. letter No. F. 7/15/72-AC. dated the 26th June 1972 addressed to all the commercial banks in the public sector by the Ministry of Finance, Department of Banking, Government of India on the above subject. It will be observed therefrom that the Ministry of Agriculture has decided to extend to commercial banks the scheme of 2% rebate on interest on such amount of the short-term production loans granted in SFDA/MFAL agency areas as is recovered from the sale proceeds of the produce marketed through the marketing societies in the previous year. We are advised by Government that banks in the private sector can also take advantage of the scheme.

Yours faithfully,
R. S. AGRAWAL
Asstt. Chief Officer.

COPY OF D.O. LETTER No. F. 7/15/72-AC DATED THE 26TH JUNE 1972 FROM SHRI A. K. DUTT, JOINT SECRETARY, GOVERNMENT OF INDIA, MINISTRY OF FINANCE, DEPARTMENT OF BANKING, NEW DELHI TO ALL CUSTODIANS & CHAIRMAN, STATE BANK OF INDIA

You might be aware that SFDA/MFAL agencies are, at present, operating a scheme of 2% rebate on interest on such amount of the short-term production loans advanced by primary credit societies as is recovered from the sale proceeds of the agricultural produce marketed through co-operative marketing societies in the previous year. The intention behind this scheme is to link credit with marketing in order to ensure prompt institutional recovery and fair price to the weaker sections. The benefit of concessional rates or rebate is, however, not available for term loans.

SFDA/MFAL agencies have been extending subsidies for all agricultural development purposes including those for subsidiary occupations to the individual participants in respect of loans obtained from the institutional sources both from the co-operatives and the commercial banks. The Ministry of Agriculture has now agreed to extend the scheme of 2% rebate on interest to commercial banks also. It will be made available by way of reimbursement from the agency in respect of short-term production loans given by the commercial banks to the extent they link their production loans recovery through the marketing societies.

You will appreciate that this scheme, if implemented by the commercial banks, will not only activate and strengthen the co-operative marketing societies but such a tie-up will also eventually ensure prompt institutional recovery of the bank dues. I would, therefore, request you kindly to take full advantage of this scheme by encouraging your borrowers to dispose of their produce through the marketing societies nearer to each of your bank branches functioning in SFDA/MFAL areas and offer them rebate of 2% on the interest being charged on short-term production loans. The banks will no doubt claim reimbursement from the agencies to the extent of rebate provided by them.

* Copy appended.

DBOD. No. Nat. BC. 3/C. 453(K)-73
19 January 1973

All commercial banks.

Dear Sir,

APPLICATION FORMS FOR AGRICULTURAL ADVANCES FROM COMMERCIAL BANKS

In pursuance of the decision at the meeting of the Central Regional Consultative Committee held at Lucknow in June 1972, the Reserve Bank constituted a Working Group to go into the question of simplification of application forms in respect of agricultural advances and devise appropriate model application forms to suit the local requirements of the Central Region *viz.* Uttar Pradesh and Madhya Pradesh. The Working Group has since submitted its report. We enclose for your information the model forms * prepared by the Group and suggest that these forms may be brought into use in your bank as early as possible. Although model form 'A' consists of eight annexures, only the appropriate annexure is required to be used with form 'A' depending on the purpose for which the loan is required. Arrangements have been made for translating the model forms into Hindi and a copy each of the Hindi version** will be supplied to you in due course.

2. It may be observed from paragraph 52 of the report that even though the model application forms have been devised to suit the conditions in the Central Region, the requirements of farmers in other States have also been kept in view by the Working Group. The forms suggested, with such modifications as may be considered necessary to suit local requirements, could also be considered for adoption and use by banks in other States. Wherever considered necessary, the forms could also be translated into the local language of the area.

3. We also draw your attention to paragraph 52 of the Report and shall be glad if you will please advise your branches to render adequate assistance to the applicants in filling up the application forms and also explain to them the terms and conditions of the advance, guarantors, etc.

Yours faithfully,
G. PRATAPCHANDRAN,
Joint Chief Officer.

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* Copies appended.

** Supplied along with circular letter DBOD. No. Nat. BC. 77/C. 453 (K)-73 dated 29th June 1973.

MODEL FORM 'A'

APPLICATIONS FOR AGRICULTURAL CREDIT

The Agent/Manager,

_____

_____

_____

Dear Sir,

I/We hereby apply for a loan of Rs. _____ (Rupees _____

_____) from the bank for the following purpose (s).

	Amount of advance required (Rs.)
(*a*) Production credit (vide Annexure)	_____
(*b*) Investment credit (vide Annexure (s))	_____
Total	_____

2. Certain essential particulars about me/us are given below :

A : Particulars of the applicant (s)

(*i*) Full name (s)

(*ii*) Age

(*iii*) Father's/husband's name

(*iv*) Full address

(*v*) Status (whether Individual/Joint Hindu Family/Partnership)

(*vi*) Number of members of the family and dependants

B: Details of land and crops raised

(*i*) Acreage

(*a*) Area owned as Bhumidar/Bhumiswami (full owner)

(*b*) Area owned as Sirdar (limited owner)

(*c*) Area held as share-cropper (bataidar)

(*d*) Area given on lease

(*ii*) Location village, taluq and district

(*iii*) Approximate present price of the land

(*iv*) Area of land under cultivation, seeds and fertilisers, etc. used and the crops raised in the preceding year

Area under cultivation		Value of inputs used			Other expenses (specify)	Total cost of cultivation, i.e., total of columns 3 to 6	Crops raised	
Name of crop	Area	Seeds	Fertilisers	Insecticides			Quantity	Value
1	2	3	4	5	6	7	8	9
		Rs.	Rs.	Rs.	Rs.	Rs.		Rs.
						Area		Source

(*v*) Land under irrigation

(*vi*) Of (*v*) portion under assured irrigation

C. Other assets owned

(*a*) Agricultural implements Rs.

(*b*) Livestock Rs.

(*c*) Others (specify) Rs.

D. Other income during the preceding year (specify sources and amount of income from each source)

E. Particulars of other borrowings, if any

Name of lender	Amount outstanding Rs.	Purpose	Security offered

(*i*) Primary Agricultural Co-operative Credit Society

(*ii*) Land Development Bank

(*iii*) Government

(*iv*) Other banks (specify)

(*v*) Other creditors (specify)

Note: Please indicate if the applicant is a member of a co-operative society ; if so, give the name of the society.

3. I/We hereby declare that the particulars given above are true and correct to the best of my/our knowledge.

If the loan applied for is sanctioned to me/us, I/we hereby undertake to abide by all the terms and conditions that the bank may stipulate for granting the loan. I/We undertake to utilise the loan for the purpose for which it is granted and to repay the same, together with interest, as and when it becomes due.

Signature of the applicant(s)

Place :

Date :

List of documents enclosed :

Extract of Khasra and Khatauni for one year (if Jot Bahi is available, Khatauni need not be submitted)

ANNEXURE

PRODUCTION CREDIT
CROP LOAN

1. **Proposed Crop Plan**

Crops	Acreage		Source of irrigation	Cost of production							Total estimated outlay, i.e., total of columns 5 to 11	Amount to be met from own resources	Extent of loan required		Expected Value
	Irrigated	Unirrigated		Seeds		Fertilisers			Pesticides	Labour cost and other expenses				Quantity	
				Quantity	Value	Variety	Quantity	Value	Value						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
					Rs.			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.
(*i*) *Kharif*															
(*a*)															
(*b*)															
(*c*)															
(*d*)															
(*ii*) *Rabi*															
(*a*)															
(*b*)															
(*c*)															
(*d*)															
(*iii*) *Others*															

	Month	Amount Rs.
2. Time when loan is required		

3. Name of the Agency (ies) which will supply the inputs .. ..

4. Details of guarantors

Name	Address	Occupation	Net worth Rs.

Place :
Date :

Signature of the applicant(s)

ANNEXURE

INVESTMENT CREDIT

For Purchase of Pumpset

1. Particulars of the pumpset to be purchased and other work proposed to be undertaken

Item	Make	H.P.	Cost/ Charges	Remarks
			Rs.	
(*i*) Pumpset with electric motor/diesel engine				
(*ii*) Electric motor				
(*iii*) Diesel engine				
(*iv*) Accessories for pumpset				
(*v*) Cost of the pump house (give dimensions)				
(*vi*) Installation charges, etc.				
(*vii*) Cost of digging channels or laying pipelines Length :				
Total : ..				

2. Area to be irrigated .. ..
3. Source of water supply .. ..
4. In case of purchase of an electric motor, please state .. ..
   (*i*) Whether electric power is available .. ..
   (*ii*) If electric power is available, has an application for electric connection been made and the likely time by which connection is expected to be received .. ..
   (*iii*) Cost of electric connection .. .. Rs.
   (*iv*) Whether any deposit is to be made to the Electricity Board for getting the connection .. ..
   (*v*) Amount of deposit to be made .. .. Rs.
5. If water is proposed to be sold to other farmers, give rate per hour/ per watering proposed to be charged and expected annual net income
6. Indicate the proposed cropping pattern after the installation of pumpset .. ..

Crop	Acreage	Expected yield	Approximate value	Anticipated net income
		(Quantity)	Rs.	Rs.
(*i*) *Kharif*				
(*a*)				
(*b*)				
(*c*)				
(*ii*) *Rabi*				
(*a*)				
(*b*)				
(*c*)				
(*iii*) *Others*				
Total				

7. State the name and address of the supplier and enclose the quotation/ price list of the equipment .. ..

8. What are the arrangements for :

   (*i*) after-sale service and repairs .. ..

   (*ii*) supply of spare parts .. ..

9. Amount to be paid by me/us .. .. Rs.

10. Amount of loan required and the terms of repayment proposed ..

11. (*a*) Security proposed to be offered .. ..

    (*b*) Details of guarantors .. ..

Name	Address	Occupation	Net worth Rs.

Place: Signature of the applicant (s)

Date :

ANNEXURE

INVESTMENT CREDIT

For Construction, Deepening and Repair of Well

1. State whether it is a new well or repair of an existing well is to be carried out. If it is an existing well, state its dimensions and condition .. ..

2. If there is already a well in the farm, the need for a new well may be stated .. ..

3. (*i*) How is the water proposed to be lifted from the well ? ..

   (*ii*) If by pumpset, mention the arrangements made for purchase and installation of pumpset .. ..

4. (*i*) Is the underground water available throughout the year? ..

   (*ii*) How has it been ascertained ? .. ..

   (*iii*) What is the expected depth of water ? .. .. .. In November In May

5. (*a*) Location of the well, quoting the Khasra number .. ..

   (*b*) Area expected to be irrigated .. ..

   (*c*) If the land on which the well is to be sunk is not owned by the applicant (s), give the name of the owner, the period and terms and conditions of lease and date of its expiry .. .. ..

   (*d*) Has the consent of the owner of the land been taken to sink the new well ? Furnish copy of such consent .. .. ..

6. Indicate the proposed cropping pattern after the completion of the work .. ..

Crop	Acreage	Expected yield (Quantity)	Approximate value Rs.	Anticipated net income Rs.
(*i*) *Kharif*				
(*a*)				
(*b*)				
(*c*)				
(*ii*) *Rabi*				
(*a*)				
(*b*)				
(*c*)				
(*iii*) *Others*				
Total ..				

7. Dimensions of the proposed well and the distance from the nearest well .. .. Depth Ft.....
Diameter Ft.....
Distance .....

8. **Estimated cost of construction**

(*a*) Cost of earth work .. .. Rs.

(*b*) Cost of masonry work .. .. Rs.

(*c*) Cost of repairs to well .. ..

(*i*) Deepening Rs.

(*ii*) Walls Rs. Rs.

(*d*) Other expenses .. .. Rs.

Total Rs.

9. (*i*) Is the construction work proposed to be entrusted to a contractor ? If so, state his name and address and furnish his estima te, if available .. ..

(*ii*) How much of the estimated expenditure will be borne by the applicant (s) ? .. ..

(*iii*) Will the applicant (s) meet the expenses till the water level is struck ? .. ..

10. State the amount of loan required and the terms of repayment proposed .. ..

11. (*a*) Security proposed to be offered, with value .. .. ..

(*b*) Details of guarantors .. ..

Name	Address	Occupation	Net worth Rs.

Place :

Date :

Signature of the applicant (s)

ANNEXURE

INVESTMENT CREDIT

For construction of tube-well

1. Location of the tube-well, quoting Khasra number .. ..
2. Distance of the proposed tube-well from the nearest tube-well .. .. ..
3. Whether the proposed tube-well is in the command area of .. .. ..
   (*a*) Government tube-well .. ..
   (*b*) Canal .. ..
4. Type and size of tube-well .. ..
   (*a*) Electric or diesel .. ..
   (*b*) Cavity or strainer .. ..
   (*c*) Size of boring (indicate diameter) .. ..
   (*d*) Size of delivery pipe (indicate diameter) .. ..
5. Area to be irrigated .. ..
6. Cost of construction .. ..

	Amount (Rs.)	Remarks
(*i*) Cost of boring material		
(*ii*) Labour charges for boring		
(*iii*) Expenses for development of cavity		
(*iv*) Cost of electric motor/ diesel engine (H. P. and Make to be indicated in the 'Remarks' column		
(*v*) Cost of accessories		
(*vi*) Cost of pumphouse and water tank (give dimensions)		
(*vii*) Installation charges, etc.		
(*viii*) Cost of digging channels and/or laying pipe lines (give the length of the channel)		
Total : ..		

7. In case of purchase of an electric motor, please state .. ..
   (*i*) whether electric power is available .. ..
   (*ii*) if electric power is available, has an application for electric connection been made and the likely time by which connection is expected to be received .. ..
   (*iii*) Cost of electric connection .. .. Rs.
   (*iv*) Whether any deposit is to be made to the State Electricity Board for getting the connection .. ..
   (*v*) Amount of deposit to be made .. .. Rs.
8. If water is proposed to be sold to other farmers, give rate per hour/per watering proposed to be charged and expected annual net income. .. ..
9. Indicate the proposed cropping pattern after the construction of tube-well ..

	Crop	Acreage	Expected yield (Quantity)	Approxi-mate value	Anticipated net income
				Rs.	Rs.
(*i*) *Kharif*					
(*a*)					
(*b*)					
(*c*)					
(*ii*) *Rabi*					
(*a*)					
(*b*)					
(*c*)					
(*iii*) *Others*					
Total					

10. State the name of supplier (quotation/price list of the equipment to be enclosed) .. ..

11. What are the arrangements for .. ..

    (*i*) after-sale service and repairs .. .. ..

    (*ii*) supply of spare parts .. ..

12. Amount to be paid by me/us .. .. Rs.

13. Amount of loan required and the terms of repayment proposed .. ..

14. (*a*) Security proposed to be offered .. .. ..

    (*b*) Details of guarantors .. ..

Name	Address	Occupation	Net worth Rs.

Signature of the applicant (s)

Place :

Date :

ANNEXURE

INVESTMENT CREDIT

For purchase of tractor and/or other agricultural machinery

1. Description of the machinery proposed to be purchased :

Nature of machinery	Make	H.P.	Price Rs.	Remarks
(*i*)				
(*ii*)				
(*iii*)				

2. Name and address of the agency from whom the equipment is proposed to be purchased (a copy of the quotation/price list to be enclosed) .. ..

3. Amount to be paid by me/us .. .. Rs.

4. Amount of loan required and the terms of repayment proposed ..

5. Indicate the proposed cropping pattern after the acquisition of equipment .. ..

	Crop	Acreage	Expected yield (Quantity)	Approximate value	Anticipated net income
				Rs.	Rs.
(*i*) (*Kharif*					
(*a*)					
(*b*)					
(*c*)					
(*ii*) *Rabi*					
(*a*)					
(*b*)					
(*c*)					
(*iii*) *Others*					
Total ..					

6. What are the arrangements for : .. ..

   (*i*) after-sale service and repairs ..
   (*ii*) supply of spare parts .. .. ..

7. Possibility of renting out the equipment when not in use on the farm and the expected income from the same .. ..

8. Total area of land to be covered by the tractor and/or the number of hours for which the tractor will be used annually .. .. ..

9. Expected increase in income due to savings in expenditure resulting from the use of the equipment .. ..

10. (*a*) Security proposed to be offered .. ..
    (*b*) Details of guarantors

Name	Address	Occupation	Net worth
			Rs.

Signature of applicant(s)

Place :

Date :

ANNEXURE

INVESTMENT CREDIT

For reclamation of land and bunding

		Khasra No.	Acreage	Owned/ leased
1.	Details of the land which is proposed to be reclaimed or bunded. If the land is not owned land, give the name of the owner, terms and period of lease and the date of expiry of lease. State if the consent of the owner has been obtained. Furnish a copy of such written consent			
2.	Total area to be reclaimed or bunded		Rate	Amount Rs.
3.	Details of the work proposed to be carried out :			
	(*a*) Removing/filling earth	C. Ft.———		
	(*b*) Levelling of land	C. Ft.———		
	(*c*) Construction of bunds	Length———		
		Height———		
	(*d*) Construction of drains	Length———		
		Depth———		
	(*e*) Masonry work	C. Ft.———	Total :	——— ———
4.	Give a sketch map showing the work to be carried out and the areas covered indicating the survey numbers		Enclosed	
5.	Has any technical expert been consulted ? If so, furnish details ..			
6.	If it is a contour bunding scheme, state if the lands at the higher levels have been included in the total bunding scheme for the area and higher level lands have been properly bunded ? If not, state what precautions are taken to see that the alignment of the proposed bunds is properly ascertained to prevent overflooding of water during heavy rains ..			
7.	Is the waste weir strong enough to withstand rushing waters during heavy rains ? Give its dimensions and details of construction ..			
8.	(*a*) How much portion of the expenditure will be met by the applicant from his own resources ?			
	(*b*) What are the advantages expected to be gained by the proposed development			
	(*i*) in respect of crop planning, ...			
	(*ii*) in bringing additional lands under cultivation, and			
	(*iii*) in preventing erosion of soil ?			
	(*c*) What additional income is expected to be accrued by the proposed development ?	Rs.		
9.	Amount of loan required and the terms of repayment proposed ..			
10.	(*a*) Security proposed to be offered			
	(*b*) Details of guarantors			

Name	Address	Occupation	Net worth Rs.

Signature of applicant(s)

Place :

Date :

ANNEXURE

INVESTMENT CREDIT

For Purchase of Bullocks

1. Number of bullocks at present owned .. ..
2. Name of the seller, if known (if proposed to be purchased at a fair, the name of the fair) .. ..
3. Name of the nearest veterinary hospital where medical facilities for live-stock are available .. ..
4. Cost of the bullocks proposed to be purchased .. .. Rs.
5. Amount to be paid by me/us .. .. Rs.
6. Amount of loan required and the terms of repayment proposed ..
7. (*a*) Security offered .. ..
   (*b*) Details of guarantors .. ..

Name	Address	Occupation	Net worth Rs.

I/We hereby undertake that the bullocks to be purchased will not be more than 3-4 years old and they will be purchased and made available for inspection within 15 days from the date of advance.

I/We also undertake to have the bullocks branded/tattooed.

Signature of the applicant(s)

Place :

Date :

ANNEXURE

INVESTMENT CREDIT

For purchase of buffaloes, cows and goats for milk production as subsidiary occupation

1. (*a*) Main occupation of the applicant(s) .. ..

   (*b*) Knowledge and experience in the proposed activities .. ..

2. Details regarding existing arrangements for milk production .. ..

   (*a*) Number of buffaloes .. ..

   (*b*) Number of cows .. ..

   (*c*) Number of goats .. ..

   (*d*) Average milk production (litres per day) .. ..

   (*e*) Arrangements for sale of milk .. ..

3. Details of the animals proposed to be purchased .. .. ..

	Breed(s)	Number	Approximate cost
			Rs.
(*i*) Buffaloes			
(*ii*) Cows			
(*iii*) Goats			
Total : ..			

4. Amount to be paid by me/us .. .. Rs.

5. Amount of loan required and the terms of repayment proposed ..

6. Details of income .. ..

   (*i*) Average production of milk (litres per day):

	Quantity	Rate Rs.	Value Rs.
(*a*) Per animal			
(*b*) Total production			

   (*ii*) Rates for sale of milk (per litre) .. ..

   (*iii*) Total milk production after one lactation of _____ animals (give number)

How many days the milk will be available? (1)	Average per animal (in litres) (2)	Total quantity of milk (in litres) (3)	Total income (4)
			Rs.

7. Expenditure on milk production :

(*i*) Average expenditure per day for fodder, oil cake, grains, etc .. .. Rs.

(*ii*) Expenditure for one lactation .. .. Rs.

(*iii*) Expenditure for remaining days for the year .. .. Rs.

Total :

8. Profit and saving

(*a*) (*i*) Total income .. .. Rs.

(*ii*) Total expenditure .. .. Rs.

(*iii*) Net income ((*i*)—(*ii*)) .. .. Rs.

(*b*) Amount to be repaid to the bank .. .. Rs.

(*c*) Savings ((*a*) (*iii*) less (*b*)) .. .. Rs.

9. Proposed arrangements for sale of milk and processing of butter, cream etc.

10. (*a*) Security proposed to be offered .. ..

(*b*) Details of guarantors :

Name	Address	Occupation	Net worth
			Rs.

I/We hereby undertake that the animals will be purchased and made available for inspection within 15 days from the date of advance, together with a health certificate from a veterinary surgeon.

I/We also undertake to have the animals branded/tattooed.

Signature of the applicant(s)

Place :

Date :

MODEL FORM—B

APPLICATION FOR AGRICULTURAL CREDIT

For rearing of Pigs/Sheep/Goats

The Agent/Manager,

.....

.....

Dear Sir,

I/We hereby apply for a loan of Rs.——————(Rupees——————————————————————————————————————) for purchase of pigs/sheep/goats. Necessary particulars in this connection are given below :—

A. Particulars of the applicant(s)

(*i*) Name ——————————————————————

(*ii*) Age ——————————

(*iii*) Father's/husband's name——————————————————————

(*iv*) Full address ——————————————————————

(*v*) Main occupation ——————————————————————

B. Particulars of land, property, etc. of the applicant(s)

Particulars	Present value (Rs.)	Remarks
(*i*) Land (Khasra number, area and the nature of rights to be indicated in the Remarks column)		
(*ii*) House		
(*iii*) Other property (specify)		

C. Particulars of borrowings, if any, of the applicant(s)

Name of lender	Amount outstanding (Rs.)	Purpose	Security offered
(*i*) Primary Agricultural Co-operative Credit Society			
(*ii*) Land Development Bank			
(*iii*) Government			
(*iv*) Other banks (specify)			
(*v*) Other creditors (specify)			
Total			

D. Details of the proposed project.

(*i*) Applicant's knowledge and experience in the business .. ..

(*ii*) Purpose of the loan (expansion of the existing business or starting a new business) .. ..

(*iii*) Location of the project .. ..

(*iv*) Details of the animals proposed to be purchased :

	Breeds	Number	Approximate cost
			Rs.
(*i*) Pigs			
(*ii*) Sheep			
(*iii*) Goats			
(*v*) Cost of construction of sty/pen/shed			
Total			

E. Amount to be paid by me/us Rs.

F. Amount of the loan required and the terms of repayment proposed

G. Details of annual income:-

(*i*) Sale of pigs/sheep/goats .. .. Rs.

(*ii*) Sale of bristles/hair .. .. Rs.

Total : .. .. Rs.

H. Details of expenditure for_____animals
(give number)

(*a*) (*i*) Cost of feed per day .. .. Rs.

(*ii*) Other expenses (specify) .. .. Rs.

Total expenditure per day : .. .. Rs.

(*b*) Total annual expenditure : Rs.

I. Profit and Savings

(*a*) (*i*) Total annual income .. .. Rs.

(*ii*) Total annual expenditure .. .. Rs.

(*iii*) Net income ((*i*)—(*ii*)) .. .. Rs.

(*b*) Amount to be repaid to the bank .. .. Rs.

(*c*) Savings ((*a*) (*iii*) less (*b*)) .. .. Rs.

J. Proposed arrangements for sale of pigs/sheep/goats and their products

K. (a) Security proposed to be offered

(b) Details of guarantors .. ..

Name	Address	Occupation	Net worth
			Rs.

I/We hereby declare that the particulars given above are true and correct to the best of my/our knowledge.

If the loan applied for is sanctioned to me/us, I/we hereby undertake to abide by all the terms and conditions that the bank may stipulate for granting the loan. I/We undertake to utilise the loan for the purpose for which it is granted and to repay the same, together with interest, as and when it becomes due.

Signature of the applicant(s)

Place :

Date :

MODEL FORM 'C'

APPLICATION FOR AGRICULTURAL CREDIT

For establishing/expansion of a dairy/poultry farm

The Agent/Manager,

.....

.....

.....

I/We hereby apply for a term loan of Rs..... (Rupees.....) for the purpose(s) of establishing/expansion of a dairy/poultry farm. Necessary particulars in this connection are given below to enable you to assess my/our loan requirements.

A. Particulars of the applicant(s)

(*i*) Full name(s) of the applicant(s) and address (in case of firm indicate the names of partners) _____

(*ii*) Applicant's experience/technical qualification in the line _____

B. Particulars of land, movable property, etc. of the applicant(s)

Serial No.	Particulars	Present value Rs.	Remarks
1.	Land (location, area and nature of rights to be indicated)		
2.	Livestock		
3.	Poultry/Dairy equipment		
4.	Stocks of farm produce		
5.	Buildings and godowns		
6.	Others (specify)		
	Total Rs. ..		

C. Particulars of borrowings, if any, of the applicant(s)

	Name of lender	Amount outstanding Rs.	Purpose	Security offered
(*i*)	Primary Agricultural Co-operative Credit Society			
(*ii*)	Land Development Bank			
(*iii*)	Government			
(*iv*)	Other banks (specify)			
(*v*)	Other creditors (specify)			

D. Details of the project

(*i*) Location of the farm (distance from the bank's branch to be indicated)

(*ii*) Cost of the project .. ..

Nature of the scheme	Total* cost of scheme Rs.	Cost already met Rs.	Cost to be met from own resources Rs.	Amount of loan required. Rs.	Mode/frequency of repayment	
					Period	Amount Rs.

*Proposed investment

	Amount Rs.	Remarks
(*a*) *Medium/long-term*		
(*i*) Land (mention the area)		
(*ii*) Building/godowns/sheds (indicate the measurements)		
(*iii*) Livestock£		
(*iv*) Poultry/Dairy equipment		
Total		

£(In the case of dairy farm only)

(*b*) *Short-term*

	Cost during first six months ££ Rs.	Annual cost Rs.
(*i*) Cost of birds (in the case of poultry farm)		
(*ii*) Cost of labour		
(*iii*) Cost of feed		
(*iv*) Cost of maintenance		
(*v*) Other costs (specify)		
Total		

Total cost ($a + b$) = Rs.

££ (In the case of poultry farm only)

(*iii*) Facilities available for :

(*a*) supply of fodder and concentrate feed in adequate quantity, ..

(*b*) medical attention, ...

(*c*) technical assistance, and .. ..

(*d*) marketing of products .. ..

E. Profitability of the Scheme

DAIRY	POULTRY
(*a*) No. of animals proposed to be kept	(*a*) No. of birds proposed to be kept
(*b*) Average expected lactation period per animal (in days)	(*b*) No. of eggs expected per laying season per bird
(*c*) Average expected yield per day (in litres)	(*c*) Duration of laying period
(*d*) Total milk yield during a year (in litres)	(*d*) Total number of eggs expected to be produced during a year
(*e*) Total value of milk@ Rs.....per litre Rs.	(*e*) Total value of eggs@...paise per egg—Rs.....
(*f*) Total value of milk products (i.e. butter, cream, curd, etc.) Rs.	(*f*) Income from : (*i*) Sale of eggs Rs. ..... (*ii*) Sale of birds@ Rs.....per bird Rs.....
(*g*) Income from sale of milk and milk products Rs.....	(*g*) Other income if any Rs.....
(*h*) Other income, if any Rs.....	
Total Income [total of (*g*) and (*h*)] Rs.....	Total income total of (*f*) and (*g*) Rs.....

(*i*) Working profit (Total Income) .. .. (Total Cost) [vide item D(*ii*) (*b*)] Rs. .....

(*ii*) Deduct depreciation on fixed investment Rs. .....

(*iii*) Deduct family living expenses Rs. ..... Rs. .....

Total .. Rs.

F. Security proposed

(*i*) Mortgage of land/house property .. ..

(*ii*) Hypothecation of machinery, livestock, etc. .. .. ..

(*iii*) Details of guarantors .. ..

Name	Address	Occupation	Estimated worth
			Rs.

G. I/We hereby declare that the particulars given above are true and correct to the best of my/our knowledge.

If the loan applied for is sanctioned to me/us, I/we hereby undertake to abide by all the terms and conditions that the bank may stipulate for granting the loan. I/We also undertake to utilise the loan for the purpose for which it is granted and to repay the same, together with interest, as and when it becomes due.

Signature of the applicant(s)

Place :

Date :

No. CPC. 1051/195-73—30 March 1973

All commercial banks.

Dear Sir,

CREDIT FOR PURCHASE OF TRACTORS — MEETING WITH THE REPRESENTATIVES OF MAJOR PUBLIC SECTOR BANKS AND LEADING TRACTOR MANUFACTURERS/ DISTRIBUTORS

We had discussed the various operational aspects connected with bank credit for purchase of tractors at a meeting with the representatives of major public sector banks and leading tractor manufacturers/distributors, held on 7 March, 1973 at the Reserve Bank of India, Bombay. We invite your specific attention to paragraph 11 of the summary record of discussions for suitable action.

Yours faithfully,
A. RAMAN
Director-in-Charge
Credit Planning and Banking Development Cell.

Paragraph 11 of the Summary Record of discussious.

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11. Summing up, Dr. Krishnaswamy stressed the need for after-sales-service of tractors and the tractor manufacturers' responsibility in this regard, particularly in view of anticipated increase in the demand for tractors. Banks should adopt a flexible approach in regard to the period of loan, margin and rescheduling of the repayment programme during the period of drought or any other natural calamity, and also streamline the systems and procedures to extend timely and adequate credit for purchase of tractors The banks might conform to the margin requirement of 15% as adopted under the schemes of IDA projects. The period of the loan should have relevance to the incremental income accruing to the farmer based on a cash flow analysis and it might, if necessary, go up to 7 years.

DBOD. No. Nat. 1370/C. 453(K) Gen-72
21 August 1972

Nationalised banks excluding Central Bank of India and State Bank of India.

Dear Sir,

FINANCING OF DAIRY DEVELOPMENT SCHEMES BY COMMERCIAL BANKS

It has been represented to us that in the matter of advances for purchase of milch cattle, the cost of insurance cover constitutes a heavy burden on the small and marginal farmers. With a view to covering the element of risk involved in such financing and to save costs to the borrowers, Central Bank of India, while financing dairy development schemes in certain areas had set up a risk fund out of the contributions made by the borrowers. We enclose a copy of a note prepared by the bank in this regard and shall be glad if you will consider the feasibility of adopting similar procedure while financing dairy development schemes.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer.

NOTE ON CREATION OF A COMMON RISK FUND BY THE CENTRAL BANK OF INDIA AND THE BANK'S EXPERIENCE IN ITS APPLICATION IN FINANCING DAIRY DEVELOPMENT SCHEMES

The bank is implementing several dairy schemes organised for providing subsidiary income and additional employment especially to small land holders. After ascertaining that such persons possess basic knowledge of maintaining and rearing of milch buffaloes the bank sanctions loans after taking into account the following aspects :—

(1) The small farmers, preferably having their own arrangements for cultivation of green fodder, should be from a compact area falling within the operational jurisdiction of the branch.

(2) The borrowers must organise themselves into a group say, a Co-operative Milk Producers' Society, which should be linked with a district level federation and undertake to collect milk from the village co-operatives.

(3) The member-borrowers should agree to deductions of bank's dues from sale proceeds of milk supplied to the federation. For this purpose, necessary authorisation for direct payment to the bank will be signed by the borrowers.

(4) Preference is given to members who possess at least one milch animal and loans are sanctioned to each member for two buffaloes. Normally, the disbursement is made in two stages with a gap of 6 months between release of loan for purchase of first and second buffaloes. This procedure is adopted in order that continuity in supply of milk, income and repayment could be maintained by the borrowers.

Creation and advantage of Risk Fund :

It has been found that insurance companies were generally reluctant to insure animals and wherever they agreed, the premium rates quoted were high e.g. about 6½% per annum. Assuming cost of a buffalo at Rs. 2,000/-, an amount equal to Rs. 130 would have to be paid to the insurance company annually and hence Rs. 390/- for 3 years. If, as in most cases, the animal survived during the duration of loan, this amount was considered as unnecessary burden especially in case of small farmers and landless persons desirous of maintaining milch buffaloes.

After considering the cost factor and the fact that most of the established insurance companies decline to undertake insurance of cattle, the bank decided to constitute a common risk fund (mortality fund) solely for the benefit of farmers from which replacement of dead animals could be arranged and veterinary services could be provided to borrowers participating in the dairy scheme. In one of the earliest schemes implemented by the bank *viz.* scheme sponsored by Koyana Sahakari Dudh Purvatha Sangh, Karad, District Satara, Maharashtra State, in which 699 small farmers were advanced loans for purchase of "Pandharpur" breed of buffaloes spread over in 17 villages, it was observed that only 25 buffaloes died during the first year (1970). Thus the mortality rate worked out at 3.6% which is 1/3 of the mortality rate (10%) assumed by insurance companies for fixation of annual premium. The borrower, at the premium rate indicated above, would have been obliged to pay Rs. 180 for 3 years for a buffalo costing Rs. 1,000/-. The bank fixed contribution at Rs. 100/- per buffalo to be deposited in a common risk fund @ Rs. 35/- per year from the sale price of milk and accordingly a sum of Rs. 24,500/- was collected in the first year and kept with the bank in a separate savings account. The outstanding loan amount in the case of 25 borrowers who lost their buffaloes was to the tune of about Rs. 20,000/- including interest which was adjusted from the risk fund. It will be observed from the above that there is a saving of Rs. 80 (Premium amount Rs. 180/- minus Rs. 100/- amount collected by the bank) which is substantial considering the economic status of borrowers covered under the scheme.

Administration and investment of risk fund:

A committee representing two member borrowers, Branch Agent and one prominent social worker of the area/or chairman of the Milk Producers' Society is constituted for administration of the fund. Any two of them which must include the branch Agent will administer the fund.

The fund should be invested in a separate deposit account in the bank. It may be invested in fixed deposit for such period as may be deemed necessary. Interest will be added to the corpus of the fund.

Utilisation of the Fund :

The fund may be utilised for the following purposes:—

(*i*) Replacement of animal belonging to any one member of the group.

(*ii*) For providing veterinary services such as vaccines, medicines, etc. fees to doctors, transport of animals to and from hospitals etc.

(*iii*) Payment of loan instalment and/or interest of any defaulting members.

(*iv*) Emergency advance to members for purchase of fodder during dry period.

(*v*) Such other purpose as may be beneficial for the successful implementation of the scheme.

After the completion of the scheme when final accounts are made, the corpus together with interest will be distributed pro-rata among members.

Authorisation:

Each member of the group is required to give an undertaking to abide by the terms and conditions of the risk fund and to authorise deduction of amount out of sale proceeds of milk required for credit to the risk fund. Further, he agrees to the management of the fund by the committee

General Remarks :

From the experience of implementation of some of the schemes and whole-hearted support given by sponsors of the schemes as well as borrowers it is found that constitution of risk fund ensures timely replacement of animals and prevents the whole group from the risk of loss of income on account of death of animals. As the fund is managed by representatives of borrowers themselves under the guidance of Branch's Agent, they make it a point to ensure that animals are maintained properly and veterinary aid is given promptly. The bank has not so far come across any group which is a victim of an epidemic among animals.

DBOD. No. CAS. 2162/C. 446(M)-72
20 December 1972

Banks which are financing jute industry

Dear Sir,

ADVANCES TO JUTE INDUSTRY.

Please refer to our circular letter DBOD. No. CAS 1200/C. 446(M)-71 dated the 13th September 1971@ in terms of which banks were permitted to finance inventory of raw jute with jute mills equivalent to an average of 4 months' consumption. The banks were also permitted, as a special case, to grant increased credit limits for the purpose, *for the 1971-72 jute season*, to individual jute mills, without our prior authorisation under the Credit Authorisation Scheme.

2. The jute crop (including mesta) this year is expected to be substantially lower than that of last year. In particular, there is a serious shortage of superior quality jute and prices of raw jute, particularly of superior quality, have shown an unseasonal rise in recent months. The rise in prices is attributed partly to larger purchases by some mills. Taking these factors into account, the Jute Commissioner has issued an order on the 15th December 1972, under Clause 9 of the Jute (Licensing and Control) Order, 1961, requiring jute mills which hold large stocks to reduce them progressively in such a way that they do not hold stocks of more than 8 weeks' requirements in the mills or outside.

3. In view of the foregoing, banks may ensure that credit made available by them to the jute mills is consistent with the instructions issued by the Jute Commissioner and, till further advice, no additional limit should be sanctioned for enabling mills to effect fresh purchases over and above the minimum stock level of 8 weeks' consumption. Further, for the 1972-73 season, prior authorisation of the Reserve Bank under the Credit Authorisation Scheme should be obtained if increase in limits over those sanctioned for the 1970-71 season is intended.

4. In this connection, the Reserve Bank would reiterate that the industry should, to the maximum extent feasible, finance raw jute purchases by adopting the system of usance bills on the letter of credit basis, which, in turn, would enable the commercial banks to have recourse to the Reserve Bank under the Bills Rediscounting Scheme. Such a system will also result in reduction in double finance availed of by jute mills and recourse by them to market credit at higher rates of interest.

5. Since the jute industry is export-oriented, banks should use their discretion and extend adequate export credit facilities to the jute mills.

Yours faithfully,
R. K. HAZARI
Deputy Governor.

DBOD. No. CAS. BC. 4/C. 446(M)-73
24 January 1973

Banks financing jute industry.

Dear Sir,

ADVANCES TO JUTE INDUSTRY

Please refer to our circular letter DBOD. No. CAS. 2162/C. 446(M)-72 dated the 20th December 1972 advising the banks, *inter alia* to ensure that credit made available by them to the jute mills is consistent with the instructions issued by the Jute Commissioner and not to sanction additional limits for enabling mills to effect fresh purchases over and above the stock level of 8 weeks' consumption. The Jute Commissioner has since advised us that he has raised the limit for holding raw jute from the existing stipulated level of 8 weeks' requirements to 12 weeks' requirements in respect of certain mills/twine units in Andhra Pradesh, *viz.*, Shree Bajrang Jute Mills Ltd., Chitavalshah Jute Mills Co. Ltd., Nellimarla Jute Mills Co. Ltd., Sri Krishna Jute Mills Ltd., East Coast Commercial Co. Ltd. and General Industrial Society Ltd. (Arun Jute Mills). He has also advised us that purchase of imported raw jute by jute mills would be outside the purview of the order issued by him on the 15th December 1972 under Clause 9 of the Jute (Licensing and Control) Order,

@Please see page 74 of this section.

1961. In this connection, we have to advise that credit granted by banks for holding stocks of raw jute should be consistent with the instructions now issued by the Jute Commissioner.

2. As already advised in paragraph 3 of our above-mentioned circular, our prior authorisation under the Credit Authorisation Scheme should be obtained by banks if increase in limits over those sanctioned for the 1970-71 season is intended.

Yours faithfully,
A. K. BHUCHAR
Joint Chief Officer.

DBOD. No. CAS. BC. 55/C. 446(M)-73
18 May 1973

Banks financing jute industry.

Dear Sir,

ADVANCES TO JUTE INDUSTRY

Please refer to our circular letter DBOD. No. CAS. BC. 4/C. 446(M)-73 dated the 24th January 1973 advising the banks, *inter alia*, to ensure that credit granted by them for holding stocks of raw jute should be consistent with the instructions issued by the Jute Commissioner.

2. The Jute Commissioner has since issued an order on the 28th April 1973, in modification of his earlier order dated the 20th January 1973, under clause 9 of the Jute (Licensing and Control) Order, 1961, that jute mills in West Bengal and Bihar should reduce the stocks of raw jute in their possession, including those held up-country and in transit, to their six weeks' consumption and that for the purpose thereof they should not purchase any raw jute till such time as the stocks are reduced to six weeks' consumption and, further, that thereafter they should phase purchases of raw jute in such a manner that at no time the total stocks in their possession including those held up-country and in transit and also the undelivered balance of purchases exceed their eight weeks' consumption.

3. In terms of another order of Jute Commissioner of the same date, jute mills in the States other than West Bengal and Bihar are required to reduce the stocks of raw jute in their possession, including those held up-country and in transit, to their ten weeks' consumption, and that for that purpose they should not purchase any raw jute till such time as the stocks are reduced to ten weeks' consumption and, further, that thereafter they should phase purchases of raw jute in such a manner that at no time the total stocks in their possession including those held up-country and in transit and also the undelivered balance of purchases exceed their 12 weeks' consumption.

4. In view of the foregoing, we have to advise that credit made available by banks for holding stocks of raw jute should be consistent with the instructions now issued by the Jute Commissioner.

Yours faithfully,
A. K. BHUCHAR
Jt. Chief Officer.

Note : As the supply of raw jute during 1973-1974 season was expected to be comfortable, the Jute Commissioner has rescinded his earlier orders to jute mills limiting the stocks of raw jute in their possession. The restrictions as to the level of stocks imposed by Reserve Bank were, therefore, withdrawn in terms of circular DBOD. No. CAS. BC. 101/C. 446(M)-73 dated the 4th September 1973. Banks are, however, required to obtain prior authorisation if increase in limits over those sanctioned for the 1970-71 season or the higher limits specifically authorised subsequently by Reserve Bank is intended. Subsequently, in terms of circular DBOD. No. CAS. BC. 116/C. 446(M)-73 dated 31st October 1973, banks are allowed to finance up to end April 1974 inventories of raw jute with jute mills upto a maximum of 4 months' consumption and finished goods equivalent to 6 weeks' sales and to grant increased credit limits upto the above levels without prior authorisation.

DBOD. No. CAS. BC. 112/C. 446(H)-72
17 November 1972

All scheduled commercial banks.

Dear Sir,

CREDIT AUTHORISATION SCHEME—ADVANCES TO SUGAR INDUSTRY—1972-73 CRUSHING SEASON.

It will be recalled that in terms of our circular letter DBOD. No. CAS. BC. 154/C. 446(H)-71 dated the 29th December 1971,@ banks were advised that our prior authorisation under the Credit Authorisation Scheme was not necessary for allowing to the sugar mills, during the last (1971-72) crushing season, credit limits against stocks of sugar up to 80% of those available to them during the 1969-70 season ; our prior authorisation was, however, necessary for allowing credit limits in excess of the above level. The 1972-73 crushing season already commenced and on the basis of the present indications, it has been decided that for the current season also, banks may continue, on merits, the credit limits of the sugar mills up to the aforesaid level (*i.e.*, 80% of the limits available to them during the 1969-70 season) or the higher limits specifically authorised by us for the last season in individual cases, without obtaining our prior authorisation under the Scheme. Banks should, however, report to us, for our information, the particulars of such limits continued in the case of each party, together with data as in the enclosed Form A.

2. In case a bank deems it necessary to grant credit limits to the sugar mills in excess of those indicated in paragraph 1 above, it should release such limits only after obtaining our prior authorisation and for this purpose, it should submit the necessary applications well in advance, on the usual lines, supported by data as required in our circular letter DBOD. No. CAS. 952/C. 446-70 dated the 30th June 1970,† together with data as in the enclosed Form A.

3. We would also like to advise banks that they should continue to obtain from the sugar mills promptly, at least every fortnight, the control data as suggested in our circular letter DBOD. No. CAS. BC. 137/C. 446(H)-71 dated the 27th November 1971,* with a view to watching the position in regard to the payment of cane dues to the growers. Further, in the case of those sugar mills which are habitual defaulters in making payments to the cane growers, such control data may be obtained weekly, if feasible.

Yours faithfully,
K. B. CHORE
Dy. Chief Officer.

FORM 'A'

PERMISSIBLE CASH CREDIT LIMIT OF THE COMPANY DURING SUGAR SEASON 19 — 19

(Amounts—000's omitted)

1.	Date of commencement of crushing		
2.	No. of working days		
3.	Estimated stocks of sugar that would be carried over from the previous year as at date of commencement of crushing, in quintals		
4.	Excise duty per quintal		
5.	Estimated cane crushed, in quintals ..		
6.	Percentage recovery		
7.	Estimated production during the season, in quintals		
8.	Estimated releases of stocks per month, in quintals		
9.	Maximum stock build-up during the season (inclusive of carry over of stocks), in quintals		
10.	Value of stocks (as shown in 9 above) per quintal (excluding excise duty@ Rs. per quintal)		
11.	Less credit received from (*i*) Sugarcane suppliers ——— (*ii*) Others ———		
12.	Value of stocks eligible for bank finance (10 minus 11)		
13.	Less margin at (on 12 above) ..		
14.	Drawing power (12 minus 13)	(A)	
15.	Drawing limit against other items, if any, accepted as security	(B)	
16.	Total drawing power available, *i.e.*, the amount of permissible bank finance	(A) + (B)	
	Limits sanctioned for 1969-70 season .. ———		
	Existing limits .. ———		
	Proposed limits .. ———		
	Arrears—	Relating to previous seasons	Relating to current season
17.	of cane dues		
18.	of purchase tax		
19.	of cane cess, etc.		

@ Please see page 76 of this section.
† This circular is included in section VIII-Page 4

* Please see page 74 of this section.

DBOD. No. GCS. : BC. 76/C. 279-72
9th September 1972

All scheduled commercial banks and state financial corporations

Dear Sir,

TERM FINANCE TO TEA INDUSTRY

Please refer to our circular DBOD. No. GCS. BC. 21/C. 279-72 dated 8 March 1972† recommending action on the suggestions relating to the provision of short-term finance made by the working group on tea industry. As regards term finance, it was represented to the Group that the quantum of credit made available to the tea industry by various financial institutions was insufficient and that the formalities involved were both complicated and time-consuming, particularly in regard to provision of security and project appraisal. We feel that the magnitude of finance needed by the industry is within the capacity of the financial institutions but more important than that is the evolution of suitable systems and procedures by these institutions to channel the credit in adequate measure. The Group studied these aspects in detail and made recommendations with a view to improving considerably the flow of finance to the tea industry. The Reserve Bank has now considered the recommendations in regard to term finance and is of the view that action may be taken by the financial institutions on the following lines :—

(*a*) The various purposes for which term loans may be granted to the tea industry are given in Appendix II to the Report of the Group. Banks and financial institutions should endeavour to meet adequately the developmental needs of the industry.

(*b*) We endorse the Group's recommendation regarding consortium arrangement. Consortium arrangement enables the parties to meet the security requirements of the institutions providing different types of credit without any difficulty. The Agricultural Refinance Corporation has agreed that it will also have no objection to its eligible institutions having a *pari passu* charge on the security along with other participating institutions who are not eligible for refinance in respect of term loan granted under a consortium arrangement. However, the risk for the loan will be that of the primary lenders wholly and the refinance from Agricultural Refinance Corporation will be available only for the portion of the loan provided by the eligible institutions. Further, the benefit of the lower rate of interest charged by a participating institution like the Tea Board in this arrangement should be passed on to the borrowers. Not all cases would, however, need to be handled through the medium of a consortium nor would all the institutions be required to channel their finance only through a consortium. Where borrowers are able to provide security for all their requirements, they should be free to make arrangements with the institutions of their choice. The commercial/co-operative bank which provides the working capital finance may undertake the function of a sponsoring agent for consortium arrangement. The procedure to be followed in this regard by the lending institutions and also a model application form together with a check list to facilitate expeditious disposal of the applications are furnished in Chapter IV and Appendices III and IV to the Report of the Group.

(*c*) At present only a few commercial and co-operative banks are undertaking the financing of tea gardens. In view of the quantum of finance needed for the industry and the number of gardens yet to be provided with adequate institutional finance, we feel that there is scope for more banks to enter the field.

(*d*) The tenor of term loans should be suitably related to the purpose, repaying capacity, size of the loan and other relative factors. While no hard and fast rule can be laid down in this regard, wherever there is considerable time-lag between the outlay and its fruition, the tenor of the loan should be long enough to suit the repayment capacity of the assisted unit.

† Please see page 80 of this Section.

(*e*) To allow for the gestation period, a moratorium on the payment of principal up to 5 years may be provided in the case of plantation loans. In exceptional deserving cases, the financial institutions may consider a moratorium on the payment of interest as well.

(*f*) Commercial/co-operative banks may finance the co-operative factories and bought-leaf factories both for improving the working of the factories and for meeting the short-term credit requirements of small growers.

(*g*) The 'lead bank' in each of the tea-growing districts may take the initiative and ensure that no garden suffers for want of adequate finance. However, viability, both present and prospective, should be kept in view. The District Consultative Committee of 'lead bank' in districts where substantial tea plantation is undertaken, may arrange to undertake purposeful studies of tea industry, particularly of the weaker units as a basis for further action.

2. While the Reserve Bank is of the view that it may not be necessary to provide term finance at concessional rate of interest, there is scope for providing term loans on softer terms such as moratorium on repayment during the gestation period. longer tenor of loan and other liberal terms and conditions, thus enabling the industry to avail itself of larger credit for developmental purposes.

3. Refinance for loans granted to tea industry is available from the Agricultural Refinance Corporation where the assistance sanctioned is for developmental purposes. The Industrial Development Bank of India is also providing refinance against loans sanctioned for setting up processing facilities including replacement and renovation of factory machinery. With a view to facilitating the flow of credit to the industry in a larger measure, the Reserve Bank has been assured by the Agricultural Refinance Corporation and the Industrial Development Bank of India that the latter would relax normal conditions and terms of refinance, on the merits of individual cases, to avoid undue hardships. In view of the availability of refinance for State Financial Corporations from Industrial Development Bank of India, it is felt that there is, at present, no need for making the former eligible for refinance assistance from Agricultural Refinance Corporation also, as suggested by the Group.

4. In view of the fact that the commercial banks and State Financial Corporations are expected to play a larger role in providing term finance to the industry, particularly with the refinance available from Agricultural Refinance Corporation and Industrial Development Bank of India and also that the requirements of the industry could be comfortably met by these institutions, there appears to be no need, at present, for the extension of facilities of Industrial Development Bank of India and Industrial Finance Corporation of India to the industry, as recommended by the Group. In this connection, it may be stated that a greater utilisation of the 'Bills Rediscounting scheme' of Industrial Development Bank of India for purchase of indigenous machinery required by the industry would increase the flow of credit to it.

Yours faithfully,
R. K. HAZARI
Deputy Governor.

Note : Report of the Working Group has not been included.

DBOD. No. GCS. BC. 129/C. 492-72
20 December 1972

All scheduled commercial banks

Dear Sir,

FINANCE FOR THE COAL INDUSTRY

At a meeting which I had with the representatives of the coal industry in January 1972, it was agreed that a Working Group might be constituted to consider the various aspects of the financial problems faced by the industry. Following this, the Reserve Bank set up in February 1972, a Working Group under the Chairmanship of Shri P. C. D. Nambiar, Secretary & Treasurer, State Bank of India, Calcutta, to study the immediate financial problems of the coal industry and also to review the existing institutional arrangements including bank credit for financing the industry, especially, in the eastern region, *viz.*, Bihar and West Bengal. The Group has studied the financial and other problems faced by the industry in depth and has just submitted its Report. The Working Group is of the view that credit facilities made available to the industry require to be improved and has made a number of recommendations in regard to working capital requirements. We hope that banks will take expeditious action in implementing these recommendations which are summarised below :—

(*i*) The working capital requirements vary from colliery to colliery and are dependent upon several factors such as geological conditions, size of the colliery, stage of development and the degree of mechanisation. Nonetheless, the Working Group feels that a realistic assessment of the working capital needs of the collieries is called for. The banks should, therefore, assess the working capital requirements of individual collieries by taking into account, *inter alia*, the output, normal inventories of coal, stores and spares they have to carry, amount ordinarily locked up in receivables and resources available by way of sundry creditors for purchases and other liabilities. Although the present practice followed by individual banks for fixing sub-limits against each type of security may continue, there should be a reasonable degree of flexibility in prescribing margins as well as sub-limits in order that adequate finance could be made available to the industry to meet exigencies arising out of circumstances beyond its control such as accumulation of pithead stocks.

(*ii*) Unlike other industries, the coal industry requires continuous fresh investments even to maintain the existing level of production. The cost of some of the items essential for maintaining production and for which 100 per cent depreciation is allowed for the purposes of income-tax (*viz.* tubs, winding ropes, haulage ropes and safety lamps) should, therefore, be included under working capital. Besides, the extra expenditure incurred by collieries in sand stowing operations and for working under adverse mining conditions should be taken into account for assessing the working capital requirements.

(*iii*) The collieries usually carry a certain quantity of stocks of coal at pitheads, depending on various factors such as the type of loading arrangements, railway siding facilities, stacking space at colliery depots, bunker capacity and category of consumers. It has been, however, represented by the industry that smaller concerns, especially those belonging to the non-corporate sector, have not been able to secure the required facility against hypothecation of stocks of coal at pitheads from their bankers. We, therefore, feel that there is now a need for a liberalisation of the lending policy of banks in respect of advances against pithead stocks. Further, while insurance of coal stocks at pitheads against which advances have been made by banks need not be insisted upon, the collieries should be required to take adequate precautions against fire risk such as installation of fire fighting equipments, proper stacking, etc. as an essential condition for making advances.

(*iv*) Banks should fix credit limits/sub-limits in respect of advances against unused items of consumable stores and spares (*e.g.*, iron and steel materials including rails, cement, timber, bearings, haulage ropes, cane baskets and general stores)

on the basis of six months' consumption requirements.

(*v*) Banks may also grant suitable sub-limits against certain items of stores (such as winding ropes, guide ropes, safety hooks and electric motors, both flame proof and and non-flame proof for mine ventilators) which the collieries are, for safety purposes, required to hold in stock as stand-by, to the extent they are statutorily required to be maintained, provided the collieries certify that they have not been put into use.

(*vi*) The Working Group has suggested that banks should grant advances against book debts for the customary period of 90 days and, if necessary, extend the period up to 180 days in deserving cases. Care should be taken to ensure that finance has been made available only in respect of genuine sales and that any request for allowing extension of the period is reasonable. Further, borrowing collieries may be persuaded to issue instructions to their buyers to make payments directly to the financing banks. We would, however, add that the collieries should be persuaded to draw, wherever feasible, bills of exchange increasingly in respect of their sales and discount them with banks, instead of borrowing against book debts, with a view to bringing about proper discipline for prompt settlement of bills on the part of purchasers.

(*vii*) Banks should grant advances to collieries by way of negotiation of coal bills evidencing despatches of coal or overdraft against the security of such bills in respect of sales to all categories of consumers on the basis of the credit rating of the collieries and the extent of credit sales. They may also discount bills of exchange covering sale transactions, with a maturity exceeding 90 days where necessary and enhance the bill limits suitably.

(*viii*) In view of the delay in the settlement of claims for stowing subsidy by the Coal Board, banks should extend financial assistance to collieries undertaking stowing operations, against the amount of subsidy receivable by them on the basis of the monthly returns of claims submitted to the Coal Board. The procedure for making advances against stowing subsidy is given in Annexure.

(*ix*) Due to the delay in the settlement of claims of subsidy in respect of adverse mining conditions by the Coal Board and also the uncertainty regarding the extent to which claims would be accepted, financial assistance to the collieries against such subsidy could be extended by banks only after the receipt of billing instructions from the Coal Board.

(*x*) While it would not be desirable for banks to grant advances specifically against the security of sand itself, the resources of the collieres tied up in storing sand may be taken into consideration when the working capital requirements are assessed.

2. The paucity of finance appears to be more pronounced in the case of small producers—largely proprietary and partnership concerns. It has been represented that they do not get credit facilities against stocks and spares, book debts and Coal Board subsidy. Thus, there is need for liberalising the flow of finance to the small collieries, particularly in view of the guarantee cover available under the Credit Guarantee Scheme for small-scale industries. The banks may also consider offering to the small units special concessions in respect of margin, interest rate and service charges in deserving cases. They should further ensure that the small collieries furnish them with the balance sheets and other financial data required for appraisal of credit proposals and effective follow-up.

3. The Reserve Bank hopes that banks financing the coal industry would give due consideration to the above recommendations of the Working Group and consider making suitable modifications *on merits* in the existing limits, if necessary by undertaking a review of the credit facilities already sanctioned.

4. The other recommendations of the Working Group, especially those relating to provision of term finance, are under consideration of the Reserve Bank.

Yours faithfully,
R. K. HAZARI
Deputy Governor.

Note : The Report of the Working Group has not been included.

ANNEXURE

Procedure for making advances against stowing subsidy

(1) The borrowing colliery should furnish to the bank a certified copy of the monthly return of claim together with the particulars of measurements recorded in the duplicate page of the 'field book' duly authenticated by the Coal Board officials. It would also be necessary to submit to the banks for their record a copy each of the colliery's application for stowing assistance, the relative sanction of the Coal Board and the permission of the Director General of Mines Safety for extraction of coal in conjunction with stowing operations. Collieries should also certify that stowing operations have been undertaken in accordance with the terms and conditions of sanction ; any deviation from the original terms and conditions as well as any revision thereof should be promptly advised to the bank.

(2) The credit limit/sub-limit may be fixed on the basis of the maximum amount of claims likely to be outstanding at any time.

(3) The advances against stowing subsidy may be allowed by banks in a separate cash credit or a sub-limit within the overall cash credit/overdraft account. A fresh account should be opened in respect of stowing operations relating to each financial year (*i.e.* from the 1st April to the 31st March next) and the outstanding balance in the account should be adjusted on receipt of the final payment for the year.

(4) The colliery should submit to the bank a monthly statement showing the amount of claims pending with the Coal Board as at the close of the month to which it relates, and the particulars of claim settled during the month as in the pro-forma given in Appendix I.

(5) Banks may retain a margin up to 25 per cent. The drawing power in the account may be regulated on the basis of the amount of claims receivable from the Coal Board, as furnished by the borrowing collieries in the monthly statement referred to above.

(6) The colliery should execute a specific and irrevocable power of attorney in favour of the financing bank to receive and collect directly all payments relating to the claims for subsidy lodged with the Coal Board. The power of attorney should be registered with the Coal Board which should make all payments of subsidy claims directly to the financing bank.

(7) As and when the colliery submits its bill to the Coal Board it should simultaneously furnish a copy thereof to the bank together with a copy of the billing instructions received by it.

APPENDIX—I

PARTICULARS OF CLAIMS FOR SAND STOWING OUTSTANDING WITH THE COAL BOARD AS ON THE .....

(1) Name of colliery .. ..

(2) Name(s) of seam(s) .. ..

(3) Quantity sanctioned for the financial year 19..-19..
(vide Coal Board sanction No.....dated the.....) .. .. cubic metres

(4) Rate admissible per cu. metre
[vide paragraphs..... of Coal Board Manual] .. .. per cubic metre

Progressive total of the quantity of sand stowed admitted by the Coal Board as per billing instructions .. ..
[vide column (5) of Appendix II] .. .. cubic metres

(6) Total quantity of sand stowed as per the monthly return of claims in respect of which billing instructions have *not* been received
[vide column (3) of Appendix II] .. .. cubic metres

(7) Total o items (5) and (6) .. .. cubic metres

(8) Total dues yet receivable from the Coal Board as per billing instructions received .. ..
(vide column (8) of Appendix II) .. .. Rs.

(9) Total amount of claims submitted to the Coal Board in respect of which billing instructions have *not* been received .. .. ..
[vide column (4) of Appendix II.] Rs.

(10) Total of items (8) and (9) .. .. Rs.

(11) Margin (%) prescribed by the bank .. .. Rs.

(12) Drawing power admissible [item (10)–item (11)] .. .. .. Rs.

APPENDIX II

STATEMENT SHOWING PARTICULARS OF CLAIMS FOR SAND STOWING OUTSTANDING WITH THE COAL BOARD AS ON_____

Month to which the return of claims relates	Date of submission of the return to the Coal Board	Where billing instructions have not been received		Where billing instructions have been received				Remarks
		Quantity claimed in the monthly return (in cu. metres)	Amount of claim on the basis of monthly return Rs. P	Quantity admitted (in cu. metres)	Amount admitted Rs. P	Amount of payment received from the Coal Board Rs. P	Balance amount due as per billing instructions Rs. P	
1.	2.	3.	4.	5.	6.	7.	8.	9.
April 19..								
May								
June								
.....								
.....								
.....								
.....								
January 19..								
February								
March								
Total :								

Note : Whenever billing instructions are received in respect of any particular month, columns (3) and (4) relating to that month should not be filled up.

DBOD. Nat. 222/C. 469 (W)-73
1 February 1973

All scheduled commercial banks

Dear Sir,

ADVANCES TO COAL MINES

As you are aware, the Government of India has taken over, with effect from the 31st January 1973, the management of private non-coking coal mines under the Coal Mines (taking over of management) Ordinance, 1973, (No. 1 of 1973), pending their ultimate nationalisation. In view of this transfer, we advise that the account/s of the coal mines with your bank may be ruled off as at the close of business on the 30th January 1973. You may, however, continue to make available the existing credit and other facilities to these mines.

Yours faithfully,
M. L. GOGTAY
Chief Officer.

DBOD. No. CAS. BC. 29/C. 446(CA)-73
27 March 1973

All scheduled commercial banks.

Dear Sir,

FINANCE FOR THE CASHEW INDUSTRY

At a meeting held in Madras on the 24th September 1971, in which the representatives of certain banks and the Reserve Bank of India participated, the memorandum submitted by cashew manufacturers' and exporters' associations pleading for softer terms of advances to cashew industry and certain allied problems was discussed. Following the deliberations at the meeting, the Reserve Bank of India set up in March 1972, a Study Group under the Chairmanship of Shri C. E. Kamath, Deputy General Manager, Canara Bank, Bangalore.

> "to review the practices and procedures followed by commercial banks in regard to lending to the cashew industry, taking into account its current and prospective role as an export commodity and its employment potential and to suggest necessary modifications so that credit flow is smooth and banks are able to ensure greater supervision and control over advances in the light of the special characteristics of the industry ; and
>
> to review the present packing credit facilities available to the industry and to examine how far they are need-based."

2. The Study Group has gone into the financial and other related problems confronted by the industry and has since submitted its Report. With a view to bringing about some uniformity in the procedures governing the grant of bank credit and also for smoothening the flow of bank finance to the cashew industry, it has made a number of recommendations. The main recommendations are as follows :—

(*i*) After receipt of allotment letters from the Cashew Corporation of India (CCI), the stocks should be cleared through approved clearing agents or under trust by the borrowers themselves and despatched to/stored at notified places. The benefit of concessional rate of interest should be extended right from the date of advance for remitting the price of allotment to the CCI. However, normally the time limit for clearing and giving full possession of the cleared stocks is to be a week at the maximum from the commencement of despatch.

(*ii*) Advances against packing materials should be made available at the concessional rate of interest, upto a period of one year.

(*iii*) As for packing credit, the existing facilities are considered reasonable and adequate. However, in the case of units which have to stock raw nuts upto 6 to 8 months' consumption, the stipulation of a time limit of 180 days for export performance is considered restrictive and hence should be extended upto 270 days. This relaxation is particularly necessary for units operating in South Kanara and North Malabar.

(*iv*) For local raw nuts, driage facility on trust basis not exceeding 3 to 5 days is considered reasonable. Within this time, the stocks properly dried and weighed should be charged to key loans in places acceptable to the banks.

(*v*) Kernels held as security for advance, requiring to be packed for export may be released on trust basis when necessary, for the purpose of packing. Such trust period should not exceed two days. A suitable limit/sub-limit for such a trust facility may be fixed by the banks.

(*vi*) The valuation for local nuts should be on the basis of the prevailing CCI rate for the best variety with variations either way in price to the extent of 10-20%, depending upon the different qualities of local nuts. Driage percentage on local nuts is to be determined on the basis of past experience, as this differs from area to area.

(*vii*) Release of raw nuts from key loan should be made on the basis of average value, if exact value cannot be determined.

(*viii*) For valuation of stocks under open cash credit, the basis should be the average value as above, plus Rs. 20 to Rs. 30 per bag towards cost of labour and actual value of packing material for finished product.

(*ix*) The basis for valuing unsold kernels of different grades should be the prevailing market value.

(*x*) A more flexible approach should be adopted by giving additional loan limits to meet the increased demand during the local season, April to June.

(*xi*) In the case of units mainly depending on allotments by the CCI, 3-5 months' requirements should be the basis for fixing total key loan/cash credit limits. For other units, depending mainly on local nuts, this period should be increased by three months. Eight to ten days' stocks for processing under Open Cash Credit is considered adequate. Subject to the individual bank's discretion, 2 months' average production for advances against unsold kernels may be considered, within the overall limit against stocks in various stages.

(*xii*) The maximum time limit for clearing advance against stocks held under Out Agency receipts should be 2 months, within which time it should normally be possible to ship the stocks and negotiate the export documents.

(*xiii*) A margin of 15-20% on advances against raw nuts is considered adequate.

(*xiv*) Margin on processed kernels sold, as also Cashew Nut Shell Liquid (CNSL), awaiting shipment, should not be more than 5 to 10% on the sale prices.

(*xv*) A margin of 10 to 15% on advances against unsold kernels/CNSL is considered adequate.

(*xvi*) Transit insurance cover should be taken in all cases by processors, both on raw nuts and processed nuts.

3. It will be observed that the recommendations mainly relate to maintenance of margins, valuation of raw materials, kernels, level of inventories and fixing of adequate credit limits, etc. The Reserve Bank of India generally agrees with them subject to the observations in the following paragraphs.

4. Referring to recommendations regarding the extension of the benefit of concessionary rate of interest to the exporter right from the date of advance for remitting the price of allotment to the CCI, we advise that such advances will be considered by us as packing credit advances eligible for interest subsidy and refinance under the Export Credit (Interest Subsidy) Scheme and Preshipment Credit Scheme respectively from the dates of the respective advances. Banks should, however, continue to ensure that the packing credit advances are utilised for the purpose for which they have been granted.

5. Adverting to the Group's recommendations (*a*) to extend the concessionary finance upto a period of one year on the advance against packing materials, and (*b*) extension of the stipulated maximum period of 180 days for grant of packing credit advances upto 270 days, we advise that the Export Credit (Interest Subsidy) Scheme provides for extension of the period by the Reserve Bank of India under certain circumstances, and in cases where the Reserve Bank is satisfied that such extension is warranted, the requests received in this behalf are acceded to. We reiterate that such of the individual packing credit advances as may remain outstanding for a period exceeding 180 days for reasons beyond the control of the exporter may be brought to our notice by the banks with supporting reasons for grant of extension of period and we on our part would continue to consider such cases on merits.

6. As regards the recommendation for valuation of unsold kernels at market price, we advise that the finished goods (kernels) should be valued at cost price (*i.e.* selling price minus operating profit) or market price, whichever is lower.

7. The Group has also come out with certain guidelines (furnished in the Annexure) for financial discipline on the part of borrowers. We are in agreement with these and suggest that the banks may keep them in view

while financing this industry. In regard to the Group's suggestion (*vide* item (*iii*) in the Annexure) that banks at various centres may meet periodically for exchanging information etc., we suggest that the lead bank of the district concerned may take initiative in the matter.

8. Having regard to the export-oriented and labour-intensive nature of the cashew industry, we hope that the banks financing units in this industry would appreciate the Group's recommendations in the proper perspective and consider reviewing the existing credit limits on merits and making suitable modifications, wherever necessary, in the terms and conditions and procedures, in force.

9. A copy of the report of the Study Group will be sent to you in due course.

Yours faithfully,
R. K. HAZARI
Deputy Governor.

Note: A copy of the report of the Study Group on financing Cashew Industry was forwarded to banks with circular DBOD. No. CAS. BC. 86/C. 446(CA)-73 dated 3rd August 1973.

ANNEXURE

FINANCIAL DISCIPLINE

(*i*) The capital base of this industry has remained, by and large weak with the result some units have not been able to absorb the shock themselves in times of stress and have had to pass it on to the financing institutions. In the interest of the future of the industry, the processors should co-operate by ploughing back a portion of the profit in good years. The banks could also aid the process, by progressively increasing the cash component of margin.

(*ii*) Considering the problems and the nature of the industry and to ensure proper supervision, it is desirable that one-borrower-one-bank policy is followed. However, if a bank is not in a position to cater to the full requirements, the borrower is at liberty to approach another bank, where, with mutual consent of banks, the additional facilities can be availed. In all such cases, full information should be exchanged by the concerned banks.

(*iii*) The managers of the banks financing the cashew industry at various centres may meet periodically, especially during the local season, for exchanging information in general and particularly for determining the price of local nuts for the purpose of advance.

(*iv*) While making advances against out agency receipts, banks should insist upon Export Inspection Agency certificates concerning the relative consignments.

DBOD. No. Nat. BC. 31/C.453(U)-73
27 March 1973

All Public Sector Banks.

Dear Sir,

SCHEME OF DIFFERENTIAL RATES OF INTEREST

Please refer to our circular DBOD. Nat. BC. 52/C. 453 (U)-72 dated the 3rd June, 1972,* with which we forwarded a copy of the guidelines drawn up under the above scheme. In his budget speech delivered on February 28, 1973, the Union Finance Minister has announced certain modifications in the scheme for differential interest rates. In this connection, we enclose for your information text of paragraphs 28 and 29 of the speech. (Annexure I). The main modifications that have to be carried out in the scheme are set out below :

(*a*) In modification of paragraph 4 of our letter dated June 3, 1972, the scheme has now been extended to all SFDA and MFAL districts. With this modification the scheme will now be operated in 265 districts as against only 163 districts indicated in the earlier letter. A revised list of the districts in which the scheme may now be operated is enclosed (Annexure II).

(*b*) Lending at concessional rates may be made to the following categories wherever they may be, *i.e.*, they should not be denied loans at concessional rates merely on the ground that they are not located in backward or SFDA/MFAL districts. Even institutions located in metropolitan areas may be deemed to be eligible under the scheme.

(*i*) Institutions for physically handicapped persons pursuing a gainful occupation where some durable equipment and/ or continuous supply of raw materials is useful.

(*ii*) Orphanage and Women's Homes where saleable goods are made and for which no adequate and dependable source of finance, *e.g.*, endowments or regular charities, exist.

It will be noticed that para 2(*e*) of the guidelines enclosed to our letter of 3rd June 1972 refers to physically handicapped persons. It has been decided that banks may now deal with the institutions for handicapped persons as well.

(*c*) It is suggested that for the institutions mentioned in (*b*) above no rigid income criteria as such need be applied. What is important is to ensure that the institutions that are borrowing from the banks under the concessional rate scheme utilise those funds for productive purposes only and not for meeting their normal general expenses. It is also necessary to verify from independent sources about the genuineness of the institutions. Such institutions are invariably registered societies and the State Government and the local administration have ample information about them.

(*d*) Paras 3·1(*a*), 3·2(*d*) and 5(*a*) of the Annexure sent with our letter of the June 3, 1972 may be substituted by the following paragraphs respectively :

"3·1(*a*). His family income from all sources does not exceed Rs. 3,000 per annum in an urban or semi-urban area or Rs. 2,000 per annum in the rural area."

In enhancing the income criteria, the intention is that deserving categories should not be denied the benefit of the scheme. It, however, has to be borne in mind that the scheme is broadly intended to benefit the weaker among the weak and the Bank would therefore do well to look for the bulk of the borrowers from the lower levels.

"3·2(*d*). He works largely on his own and with such help as other members of his family or some joint partners may give to him and does not employ paid employees on a regular basis."

"5.(*a*) Amount of loan will depend on the particular scheme proposed to be financed and should be adequate to enable the borrower to finance his requirements without having

* Vide page 84 of this Section.

to borrow funds from another source. The following maximum limits are indicated in this connection."

Working capital loan	Rs. 1500
Term loan	Rs. 5000

In exceptional cases, particularly for institutions, higher amount may be considered*.

2. The other terms and conditions mentioned in the guidelines enclosed with our circular letter of June 3, 1972, remain unchanged.

3. Banks may now select, after mutual consultation, additional branches for the operation of the scheme, care being taken to avoid over-lapping. A list of the new branches selected for the purpose may please be forwarded to us with a copy to the Department of Banking. Quarterly reports about the progress made in implementing the scheme may be sent to us and to the Department of Banking indicating separately the lendings in different States/Union Territories.

Yours faithfully,
P. N. KHANNA
Joint Chief Officer.

* Addition made in terms of paragraph 2 of circular DBOD. No. Nat. BC. 65/C. 453(U)-73 dated 1st June 1973—not included.

ANNEXURE I

EXTRACT FROM FINANCE MINISTER'S BUDGET SPEECH 1973-74.

28. A word would be appropriate here about the Differential Interest Rates Scheme. Honourable Members will recall that on the 25th March last year I made a policy statement in this House in regard to public sector banks starting a scheme of lending at a concessional rate of interest for helping certain categories of persons in the low income brackets in their productive endeavours. The Reserve Bank issued the guidelines for the scheme in June, 1972, and thereafter banks started operating a pilot scheme. Later, when progress was reviewed it was felt that there was need for making some adjustments in the scheme. After considering all aspects I have decided to announce the following changes in the scheme.

29. The pilot scheme was confined to 163 industrially backward districts, excluding those which were covered by the Small Farmers Development Agency and the Marginal Farmers and Agricultural Labour Schemes. The scheme will now be applicable to Small Farmers Development Agency/Marginal Farmers and Agricultural Labour Schemes districts also, and in all will be operated in 265 districts covering three-fourths of all districts in the country. Institutions for physically handicapped persons, and orphanages and women's homes, irrespective of their place of location, will hereafter be eligible to borrow at the concessional rate, provided the funds thus obtained by them are used purely for productive schemes, and not for meeting their normal expenses. In the pilot schemes, the income limit for eligibility had been fixed at not more than Rs. 2,000 per annum per family in urban and semi-urban areas, and Rs. 1,200 per annum per family in the rural areas. I am increasing this limit Rs. 3,000 for urban and semi-urban areas, and Rs. 2,000 for rural areas. I have also decided to make a change in regard to the ceilings for loans under the scheme. The ceiling for working capital loans, which was earlier Rs. 500 is now being raised to Rs. 1,500, and for term loans from Rs. 2,500 to Rs. 5,000. With these liberalisations I hope the scheme will be able to make a better impact.

ANNEXURE—II

DISTRICTS COVERED BY DIFFERENTIAL INTEREST RATES SCHEME

Sl. No.	States/Union Territory	Backward districts/Areas	SFDA/MFAL districts/Areas
1.	2.	3.	4.
1.	Andhra Pradesh	Anantpur, Chittoor, Karimnagar, Khamman, Kurnool, Mahbubnagar, Medak, Nellore, Nizamabad, Ongole, Warrangal.	Cuddapah, Nalgonda, Srikakulam, Visakhaptnam.
2.	Assam	Cachar, North Cachar—Hill	Goalpara, Nowgong, Mikir Hills, Kamrup.
3.	Bihar	Bhagalpur, Darbhanga, Muzaffarpur, Palamau, Saharasa, Santhal-Parganas, Saran.	Champaran, Purnea, Patna, Ranchi, Shahabad.
4.	Gujarat	Amreli, Banaskantha, Bhavnagar, Broach, Kutch, Mehsana, Panchmahals, Surendranagar.	Junagadh, Surat, Sabarkantha Bulsar, Baroda.
5.	Haryana	Jind, Mohindergarh.	Ambala, Gurgaon, Hissar.
6.	Himachal Pradesh	Chamba, Kangra, Kinnaur, Kulu, Lahaul, Spiti.	Sirmur, Simla.
7.	Jammu and Kashmir	Doda, Ladhakh, Srinagar, Udhampur.	Anantnag, Jammu, Kathua, Baramula, Poonch, Rajouri.
8.	Kerala	Alleppey, Malappuram, Trichur, Trivandrum.	Cannanore, Quilon.
9.	Madhya Pradesh	Balaghat, Bastar, Betul, Bhind, Chhatarpur, Damoh, Datia, Dewas, Dhar, Guna, Hoshangabad, Jhabua, Khargone, Mandla, Mandsaur, Morena, Narsimhapuri, Panna, Raigharh, Raipur, Rajgarh, Rewa, Sagar, Seoni, Shajapur, Shivpuri, Sidhi, Surguja, Tikamgarh, Vidisha.	Bilaspur, Chhindwara, Ratlam Ujjain, Durg, Raisen, Sehore.
10.	Maharashtra	Aurangabad, Bhir, Buldhana, Chanda, Dhulia, Jalgaon, Kolaba, Nanded, Osmanabad, Yeotmal.	Bhandara, Thana, Nasik, Ratnagiri, Satara, Parbhani.
11.	Manipur	—	All 4 districts
12.	Mysore	Belgaum, Dharwar, Gulbarga, Hassan, Raichur, South Kanara.	Bidar, Mysore, N. Kanara, Tumkur, Bijapur.
13.	Nagaland	—	All 3 districts
14.	Orissa	Balasore, Kalahandi, Koraput, Mayurbhanj, Phulbhani.	Bolangir, Dhenkanal, Ganjam, Cuttack, Keonjhar.
15.	Punjab	Bhatinda, Gurdaspur	Amritsar, Ferozpur, Sangrur, Patiala, Hoshirapur, Rupar, Jullunder, Kapurthala.
16.	Rajasthan	Banswara, Barmar, Churu, Dungarpur, Jaiselmer, Jalore, Jhalawar, Jhunjhunu, Jodhpur, Nagaur, Sikar, Sirohi, Tonk.	Alwar, Bharatpur, Udaipur, Bhilwara, Ajmer.
17.	Tamil Nadu	Dharmapuri, Kanyakumari, Ramanathapuram, Thanjavur, Thiruchirapalli.	Madurai, South Arcot, Tirunelveli, Salem, North Arcot.

Sl. No.	States/Union Territory	Backward districts/Areas	SFDA/MFAL districts/Areas
1.	2.	3.	4.
18.	Tripura	—	Entire Area
19.	Uttar Pradesh	Almora, Azamgarh, Baharaich, Banda, Barabanki, Basti, Bulandshahr, Chamoli, Deoria, Etah, Etawah, Faizabad, Farrukhabad, Garhwal, Ghazipur, Gonda, Hamirpur, Hardoi, Jalaun, Jaunpur, Jhansi, Mainpuri, Moradabad, Pilibhit, Pithorgarh, Shahjahanpur, Sultanpur, Tehri Garhwal, Unnao, Uttar Kashi.	Badaun, Fatehpur, Pratapgarh, Rae-Bareli, Mathura, Ballia.
20.	West Bengal	Burdwan, Birbhum, Cooch-Behar, Jalpaiguri, Malda, Midnapur, Murshidabad, Nadia.	Darjeeling, Hooghly, West Dinajpur, Purulia, Bankura.
21.	Andaman and Nicobar Islands	Entire Area.	—
22.	Dadra and Nagar Haveli	Entire Area	—
23.	Goa, Daman and Diu	Daman and Diu	Goa
24.	Laccadive, Amindive and Minicoy Islands	The inhabited Islands	—
25.	Arunachal Pradesh	Entire Area	—
26.	Mizoram	Entire Area	—
27.	Meghalaya	—	K & J Hills, Garo Hills
28.	Pondicherry	—	Pondicherry
29.	Delhi	—	Delhi (Rural area only)

DBOD. NO. CAS. 1392/C. 446-72
19 August 1972

All Scheduled Commercial Banks in Calcutta.

Dear Sir,

As you are aware, cheque clearings in Calcutta have remained suspended for some days and it is not certain when such clearings would be resumed. Suspension of clearing has naturally caused inconvenience to the banking public. There have been cases where, because of the inability to realise the proceeds of the cheques credited to their accounts with their banks but drawn on other banks, parties have had to approach their banks for temporary credit limits. The Reserve Bank would suggest that banks take a sympathetic view of such requests. Such temporary accommodation against cheques taken in for collection would tantamount to cheques being purchased and therefore would be exempted from the purview of the Credit Authorisation Scheme. In other words, banks need not obtain the Reserve Bank's prior authorisation in respect of granting temporary credit limits against cheques taken for collection.

Yours faithfully,
R. K. HAZARI
Deputy Governor.

DBOD. No. Sch. BC. 12/C. 95-73
13 February 1973

All Commercial Banks.

Dear Sir,

PURCHASE OF LOCAL CHEQUES, DRAFTS, ETC., DURING SUSPENSION OF CLEARING

Your are aware that there have been occasions in the past when Clearing House operations had to be temporarily suspended for reasons beyond the control of the authorities concerned. Such suspension entails hardship to the constituents of the banks because of their inability to realise promptly the proceeds of cheques, drafts, etc., drawn on the local banks other than those with whom they maintain accounts. We feel that some remedial action has to be taken during such contingencies to minimise, as far as possible, the inconvenience and hardship to banks' constituents as also to maintain good customer service. It is, therefore, suggested that whenever clearing is suspended and it is apprehended that the suspension may be prolonged, banks may temporarily accommodate their constituents, both *borrowers and depositors*, to the extent possible by purchasing the local cheques, drafts, etc., deposited in their accounts for collection, special consideration being shown in respect of cheques drawn by Government departments/companies of good standing and repute, as also demand drafts drawn on local banks. While extending this facility, banks would no doubt take into consideration such factors as creditworthiness, integrity, past dealings and occupation of the constituents, so as to guard themselves against any possibility of such instruments being dishonoured subsequently. Such temporary accommodation would be exempt from the purview of the Credit Authorisation Scheme, *i.e.*, banks need not obtain the Reserve Bank's prior authorisation for granting these credit facilities temporarily.

Yours faithfully,
S. R. AVADHANI
Jt. Chief Officer.

SECTION V (j)

ADVANCES—GENERAL

No. and Date	Subject
CAS. BC. 118/C. 446-72 4.12.1972	Transfer of accounts from one bank to another—Advice to public sector banks that they should not take over from one another, credit limit/s of any party aggregating Rs. 25 lakhs or over.
CAS. BC. 131/C. 446-73 13.1.1973	Transfer of accounts from one bank to another—Instructions to banks that they should not take over from one another, the stipulated credit limits of parties without prior consultation with the banks which have presently granted such limits and without prior clearance from Reserve Bank.
Sch. BC. 63/C. 96-73 31.5.1973	Forwarding the directive stipulating that the interest rate to be charged by scheduled commercial banks on advances should not be less than 10%.

DBOD. No. CAS. BC. 118/C. 446-72
4 December 1972

All public sector banks.

Dear Sir,

TRANSFER OF ACCOUNTS FROM ONE BANK TO ANOTHER

It would be recalled that at the meeting which the Governor had with the Chief Executive Officers of the public sector banks in November 1972, the subject of transfer of credit limits from one bank to another was discussed and it was thought that while a total ban on such transfers would not be desirable, the matter should be examined in all its aspects by a Committee for evolving suitable guidelines in this behalf. As formulation of guidelines would take some time, we would reiterate that there should not be unhealthy competition amongst public sector banks and advise that, for the present, they should not take over, from one another, credit limit/s (by way of loans/overdrafts/ cash credits/bills), of any party, aggregating Rs. 25 lakhs or over, by quoting rates of interest lower than those stipulated by its existing banker/s.

Yours faithfully,
R. K. HAZARI
Deputy Governor.

DBOD. No. CAS. BC. 131/C. 446-73
13 January 1973

All Scheduled Commercial Banks.

Dear Sir,

TRANSFER OF ACCOUNTS FROM ONE BANK TO ANOTHER.

Please refer to our circular DBOD. No. CAS. BC. 118/C. 446-72 dated the 4th December 1972 advising the public sector banks that they should not take over, from one another, credit limit/s, of any party, aggregating Rs. 25 lakhs or over, by quoting rates of interest lower than those stipulated by its existing banker/s. This was done as an interim measure. It has come to our notice that attempts by major banks to take over accounts of large borrowers from one another still continue. It has also been brought to our notice that in some cases rates of interest charged to borrowers are proposed to be reduced by the banks with which they presently have their accounts probably with the intention of dissuading the borrowers from switching over their accounts to other banks. As indicated in our circular letter referred to above, there should not be a disorderly scramble for large accounts and general instability in the banking sector. We have, therefore, to advise that joint consideration of the problems by major banks is being arranged and that meanwhile banks should not hereafter take over, from one another credit limits (by way of loans/overdrafts/ cash credits/bills) or term loans aggregating Rs. 25 lakhs or over without prior consultation with the bank/s which have presently granted such credit limits/term loans and without prior clearance from the Reserve Bank. The above instructions will remain operative till the end of April 1973.*

Yours faithfully,
R. K. HAZARI
Deputy Governor.

DBOD. No. Sch. BC. 63/C. 96-73
31 May 1973

All Scheduled Commercial Banks.

Dear Sir,

Please refer to paragraph 2(*iii*) of Governor's circular DBOD. No. Sch. BC. 59/C. 96-73 dated the 30th May 1973.@ A directive issued by us to-day, stipulating that the interest rate to be charged on advances, except those exempted by the directive, should not be less than 10%, is enclosed.

Yours faithfully,
M. L. GOGTAY
Chief Officer.

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* The instructions contained in this circular will continue to remain in force until further advice vide circular DBOD. No. CAS. BC. 43/C. 446-73 dated 27th April 1973.

@This circular is included in section III(a)

DBOD. No. Sch. BC. 61/C. 96-73—31 May 1973.

In exercise of the powers conferred by section 21 of the Banking Regulation Act, 1949, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that, with effect from the 1st June 1973, every scheduled bank, not being a co-operative bank as defined in section 2(bii) of the Reserve Bank of India Act, 1934, shall, in respect of any loan or advance or other financial accommodation made or provided or renewed by it, charge interest at not less than ten per cent per annum.

Nothing contained in this directive shall apply to—

(A) Loans or advances or other financial accommodation made or provided by a scheduled bank:—

(*i*) to its own employees,

(*ii*) to a co-operative bank or to any other banking institution,

(*iii*) to primary agricultural credit societies as defined in section 2(*c ii*) of the Reserve Bank of India Act, 1934, which are financed by commercial banks in selected districts under the special scheme formulated in this behalf,

(*iv*) under the scheme of Differential Rates of Interest formulated by the Government of India and advised to the banks in the Reserve Bank's circular letter DBOD. No. Nat. BC. 52/C. 453(U)-72 dated the 3rd June 1972,@

(*v*) against any approved securities as defined in section 5(*a*) of the Banking Regulation Act, 1949,

(*vi*) against deposits with the bank,

(*vii*) for financing exports.

(*viii*) for financing food procurement operations of the Government of India, State Governments and their agencies, and

(*ix*) covered by the guarantee schemes of the Credit Guarantee Corporation of India Ltd.

(B) Loans or advances or other financial accommodation to small-scale industrial concerns as defined in section 5(na) of the Banking Regulation Act, 1949.

(C) Loans or advances or other financial accommodation made or provided by a scheduled bank at not more than the ceiling rates of interest specified by the Industrial Development Bank of India and refinanced by it.

(D) Loans or advances or other financial accommodation made or provided by a scheduled bank in respect of which refinance from the Agricultural Refinance Corporation has been availed of.

R. K. HAZARI
Deputy Governor.

@This circular is included in section V(*i*) Page 84.

Note: 1 A directive DBOD. No. Sch. BC. 68/C. 96-73 dated 6th June 1973, on minimum discount rate (8% p.a.) to be charged by scheduled banks in respect of bills of exchange discounted by them is included in section III(d).

2. This directive has been modified by directives Sch. BC. 123, 142/C. 96-73 dated 16th November 1973 and 30th November 1973 respectively.

SECTION VI

CREDIT CONTROL—GENERAL

SECTION VI

CREDIT CONTROL—GENERAL

No. and date	Subject
Sch. 9417/C. 218-59 11-12-1959	Rediscounting of clean usance hundies—Advice to desist from accommodating parties affected by the directives.
Sch. 192/C. 96-65 9-2-1965	Credit control—Advances to parties affected by curtailment of hundi accommodation by indigenous bankers—Caution to banks that credit should be extended only for legitimate purposes.
Cre. 2953/C. 218-69 31-12-1969	Advances against commodities covered by credit control directives—Particulars required to be furnished while applying for limits/additional limits.
Cre. 729/C. 218-70 11-4-1970	Advances against demand documentary bills drawn in connection with movement of goods—Credit Control exemption—Advice to banks to exercise utmost caution so that the benefit is not misused by the parties.
Cre. BC. 106/C. 218-71 23-8-1971	Advances against commodities covered by selective credit controls—Types of clean facilities allowed.
Cre. BC. 38/C. 218-72 13-4-1972	Advances against commodities covered by selective credit control—Banks may grant Clean T. T. purchase facilities to parties on certain conditions.

SECTION VI

CREDIT CONTROL—GENERAL

No. and Date	Subject
Sch. BC. 60/C. 96-73 31.5.1973	Increase in the cash reserve requirements under section 42(1) of Reserve Bank of India Act.

DBO. No. Sch. 9417/C.218-59 —11 December 1959

Dear Sir,@@

REDISCOUNTING OF CLEAN USANCE HUNDIS

The directives issued by the Reserve Bank from time to time require scheduled banks to restrict advances against certain commodities. The banks are also required to desist from accommodating the parties affected by the directives through other means, *e.g.*, through extension of credit against other types of securities or clean advances.

2. The borrowers affected by these regulations are not unlikely to seek finance from other agencies. It is noticed that in the past year credit limits for rediscounting clean usance hundis sanctioned by the scheduled banks have increased substantially and it may well be that a sizable part of this additional credit is flowing to the constituents affected by the Bank's directives.

3. We, therefore, request you to take steps to discourage the practice of rediscounting clean hundis drawn by parties affected by our directives. We would also suggest, if you are not already doing so, your maintaining an *Indirect Liability Register* containing the names of the makers and endorsers of hundis, their main business or vocation (the specific vocation or line of business should be indicated), address, the date and amount of hundis rediscounted for them and the total outstandings against each maker from time to time.

Yours faithfully,
C. S. DIVEKAR
Executive Director

DBO. No.Sch.192/C.96-65 — 9 February 1965

All scheduled banks.

Dear Sirs,

ADVANCES TO PARTIES AFFECTED BY CURTAILMENT OF HUNDI ACCOMMODATION BY INDIGENOUS BANKERS

As a result of the reported curtailment of financing by indigenous bankers against hundis, it appears that the affected parties are likely to approach commercial banks for alternate finance. In this connection, banks should exercise circumspection while considering such requests and ensure that any finance extended by them to such parties is for legitimate purposes and will not defeat the object behind the Reserve Bank's credit control measures. They should, in particular, ensure that advances against foodstuffs and grains are not allowed to be increased as a result of the developments referred to above.

Yours faithfully,
M. S. NADKARNI
Chief Officer

DBOD. No. Cre. 2953/C.218-69—31 December 1969

All scheduled commercial banks.

Dear Sir,

ADVANCES AGAINST COMMODITIES COVERED BY OUR SELECTIVE CREDIT CONTROL DIRECTIVES

* * * * * *

It has been observed that while applying for limits/additional limits, some of the banks do not furnish all relevant particulars which gives rise to avoidable correspondence and causes delay in processing the applications. It is, therefore, requested that banks, while applying for additional limits over Rs. 5 lakhs per party and per commodity, should furnish us in duplicate with the following information :—

(*i*) Name of borrower.

(*ii*) Nature of business (trader, manufacturer, etc.)

(*iii*) Maximum outstanding during corresponding base period of previous year.

(*iv*) Limit, if any, fixed by the bank out of its permissible level to the borrower.

(*v*) Borrower's present requirements.

(*vi*) Total permissible limits sanctioned for the bank as a whole for the relevant period.

@@This circular was issued to certain selected banks.

(*vii*) Bank's utilisation of the permissible limits as a whole (on as recent a date as possible).

(*viii*) Additional limits required and the period for which it is required.

(*ix*) Reasons for the additional limits.

Note : If the limit is composite, its break-up under the various securities should be stated.

Yours faithfully,
JOGINDRA SINGH
Dy. Chief Officer

DBOD. No. Cre.729/C.218-70 — 11 April 1970

All scheduled commercial banks.

Dear Sir,

RE : ADVANCES AGAINST DEMAND DOCUMENTARY BILLS DRAWN IN CONNECTION WITH THE MOVEMENT OF GOODS

In terms of our directive@ DBOD. No. Cre.157/C.218-70 dated January 21, 1970, advances against the security of or by way of purchase of demand documentary bills drawn in connection with the movement of food-grains, oilseeds, vegetable oils and cotton and kapas, are exempted from the margin, minimum rate of interest and ceiling restrictions with a view to facilitating genuine marketing operations. As it is customary for banks to allow payment of such demand bills after arrival of goods at the destination, the duration for which the bills thus remain unpaid depends on the likely transit period taken into account in this connection. However, the relevant duration and the maximum time allowed in this manner in case of genuine hardships vary from bank to bank.

We feel that if the buyer does not promptly pay the bill and take delivery of goods at the destination, there is some scope for taking undue advantage of exemptions granted for demand documentary bills. Banks are, therefore, requested to exercise utmost caution while extending the relevant benefit of the transit period for retirement of such bills with a view to preventing the clients' taking undue advantage of the exemptions granted in respect of advances against such bills.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(*Banking Operations*)

DBOD. No. Cre. BC.106/C.218-71—23 August 1971

All scheduled commercial banks.

Dear Sir,

ADVANCES AGAINST COMMODITIES COVERED BY SELECTIVE CREDIT CONTROLS

Please refer to our circular@ DBOD. No. Cre.560/C.218-70 dated March 17, 1970 wherein you were requested not to allow credit facilities to customers dealing in commodities covered by our selective credit controls which would directly or indirectly defeat the purpose in view.

2. In order to facilitate the speedy movement of goods and to avoid possible hardship to small borrowers who might be affected by the Reserve Bank's directives in this regard, we clarify that the banks may allow the following types of clean credit facilities :—

(*i*) Purchase of bank drafts.

(*ii*) Purchase of third party cheques.

(*iii*) Advances against supply bills arising out of sale of goods to Government departments and quasi-Government bodies, accompanied by receipts/challans/inspection notes, covering consignments of commodities.

(*iv*) Purchase of clean demand bills arising out of movement of goods. It is, however, necessary for the banks to ensure that the bills offered

@ Not included in this booklet.

have arisen out of actual movement of goods and for this purpose, to verify, before purchasing such bills, the relative invoices as also the receipts issued by transport operators. For this purpose, transport operators may include small operators of trucks, boats etc. who may not be on the IBA approved list, but who, in the opinion of the bank, are of good standing.

(*v*) Purchase of clean demand bills covering local sale of goods where the bills are not drawn on parties connected with the borrower or his selling agents. The maximum credit limit in such cases, which may be allowed to a borrower should not exceed Rs. 5,000/-

3. Banks may further ensure that these facilities are granted only in genuine cases.

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

DBOD. No. Cre.BC.38/C.218-72 — 13 April 1972

All scheduled commercial banks.

Dear Sir,

ADVANCES AGAINST COMMODITIES COVERED BY SELECTIVE CREDIT CONTROLS — CLEAN T. T. PURCHASE FACILITY

Please refer to our circular DBOD. No. Cre.BC.106/C.218-71 dated the 23rd August 1971 in terms of which some relaxations were made to enable banks to extend certain types of credit facilities to their clients mainly dealing in commodities covered by our selective credit control directives, in order to facilitate the movement of goods and to avoid hardships to small borrowers. It has now been represented to us that clean T. T. purchase facility, which was extended by banks in the past, is being denied now. The question of extending such a facility by banks to parties dealing in commodities covered by our selective credit control directives has been examined by us and it has been decided that banks may grant clean T. T. purchase facility to the concerned parties upto a reasonable extent, provided the undernoted conditions are satisfied :—

(*i*) The T. T. purchase facility should be extended only for the purpose of drawing funds at up-country centres by the party or its agents for effecting purchases of stocks during the new crop season; banks may devise their own procedure in order to ensure that the funds thus drawn are utilised only for the purchase of the requisite stocks.

(*ii*) The T. T. purchase advice should be sent by the bank's up-country branch concerned to the branch on which it is drawn immediately by Express telegram or by telex/telephone, as the case may be, so as to ensure that it is paid promptly, allowing a maximum transit period of 3 working days.

(*iii*) The T. T. purchase limit should be fixed on a realistic basis, having regard to the turnover of the borrower and this facility should be allowed only during the season when purchases of the new crop are undertaken.

Yours faithfully,
M. L. GOGTAY
Chief Officer

DBOD. No. Sch. BC. 60/C. 96-73
31 May 1973

All Scheduled Commercial Banks.

Dear Sirs,

Please refer to paragraph 2(*ii*) of the Governor's circular DBOD. No. Sch. BC. 59/C. 96-73 dated the 30th May 1973.@ A copy of the proposed notification increasing the cash reserve requirements under section 42(1) of the Reserve Bank of India, Act, 1934 is forwarded herewith. Necessary arrangement is being made to publish it in the Gazette of India. For complying with the above requirements, the total demand and time liabilities of a bank as shown in the weekly return under section 42(2) of the Reserve Bank of India Act, 1934, commencing from the return relating to Friday, the 22nd June 1973, onwards will be taken into account.

@Included in section III a.

2. In terms of sub-section 1B of section 42, interest at the rate of 4·75 per cent per annum will be paid on the additional average daily balance maintained in terms of section 42(1) of the Reserve Bank of India Act, 1934.

Yours faithfully,
M. L. GOGTAY
Chief Officer.

DBOD. No. Sch. BC. 62/C. 96-73—31 May 1973.

NOTIFICATION

In exercise of the powers conferred by the proviso to sub-section (1) of section 42 of the Reserve Bank of India Act, 1934, the Reserve Bank hereby increases with effect from the 29th June 1973 the rate of three per cent., referred to in the said sub-section (1), to five per cent.*

R. K. HAZARI
Deputy Governor.

* Since enhanced to 6% with effect from the week beginning 8.9.1973 and to 7% with effect from the week beginning 22.9.1973.

SECTION VII

CREDIT INFORMATION

SECTION VII

CREDIT INFORMATION

No. and Date	Subject
CID. BC. 25 /127-71 1-3-1971	Collection and furnishing of credit information—Change in the existing returns—Revised quarterly statement.
CID. BC. 11 /C. 127-72 28-1-1972	Collection and furnishing of credit information—Form of application for obtaining credit information from Reserve Bank.

SECTION VII

CREDIT INFORMATION

No. and Date	Subject
CID. BC. 83/C. 127-72 20.9.1972	Collection and furnishing of credit information—Advice to banks to adopt uniform code numbers and submit returns promptly.

DBOD. No. CID. 25/127-71 — 1 March 1971

All scheduled commercial banks.

Dear Sir,

COLLECTION AND FURNISHING OF CREDIT INFORMATION — SECTION 45C(1) OF THE RESERVE BANK OF INDIA ACT, 1934

As you are aware, * * * * * * * * * banks are at present required to submit credit information regarding their clients, who have been sanctioned secured credit limits of Rs. 5 lakhs and over and unsecured limits of Rs. 1 lakh and over, on a quarterly basis. The scheme has been in operation for several years and it has been our constant endeavour to improve the system of collection and processing of credit information, with a view to furnishing up-to-date information to banks. The main difficulty faced by us in maintaining the latest data on borrowers, is the incorrect compilation as well as delayed submission of the quarterly statements by most of the banks/branches. To reduce the delay in the submission of the returns and the area of errors in the compilation of data, it has been decided to give effect to certain changes in the existing returns in regard to the information/data to be furnished therein.

2. We are, therefore, introducing a revised quarterly return, the *pro forma* of which is given in Annexure I. Further, the compilation of credit information on a quarterly basis at the existing levels (*viz.*, secured limits of Rs. 5 lakhs and over and unsecured limits of Rs. 1 lakh and over) involves considerable effort and time on the part of banks as well as in processing the data at our end, and such delay reduces the utility of the credit information. We, therefore, propose to obtain data on the larger borrowers (covering all secured limits of Rs. 10 lakhs and over and unsecured limits of Rs. 2 lakhs and over) quarterly, whereas data at the existing levels will be obtained only half-yearly, *i.e.*, at the end of June and December. Accordingly, the returns relating to the last Fridays of March and September should hereafter cover all secured limits of Rs. 10 lakhs and over and unsecured limits of Rs. 2 lakhs and over, and should be submitted to us *direct* by the branches, as hitherto, within a *fortnight* from the due date, whereas the returns relating to the last Fridays of June and December should continue to cover *all* limits at the *existing* levels (*viz.*, secured limits of Rs. 5 lakhs and over and clean limits of Rs. 1 lakh and over) and be sent within the present time limit of *three weeks*.

3. Comprehensive guidelines for facilitating the correct classification of the information to be furnished in the revised return are provided in Annexure II. As you will observe therefrom, the major areas of change relate to the revision of code numbers relating to "nature of facility" (now redesignated as "Type of Account") and "nature of security and charge" (now redesignated as "Security") and introduction of code numbers to indicate the "Type of Organisation" and "Occupation" of borrowers as well as the "Purpose of Credit." You will also observe that the name of the party and address have been combined. "Constitution" has been replaced by "Code for Type of Organisation" and the column/code number for secured/unsecured/partly secured advances has been deleted. [In this connection, we may add that the credit information to be furnished in the revised return under the various heads, as also the relative code numbers, have been amended on the lines of the Uniform Balance Book (vide the revised list forwarded to banks under cover of our Economic Department's letter No. ED. BD. 1629/B.7.0023-70 dated the 16th October 1970)].* We are hopeful that the changes will facilitate the compilation of data and reduce the scope for errors. We are also of the view that your bank should indicate (under "Remarks" column) by way of code numbers assigned by us, accounts where legal action has been taken or where the parties/companies have been declared insolvent/are being wound up. This information would be particularly useful when borrowers with unsatisfactory past records attempt to shift their dealings to other bank/s. You will also note that with a view to facilitating the processing of the data, it has been decided that only *code numbers* should be given under columns 3 to 7 and 10 of the revised return. Descriptive information (other

* A similar circular omitting the bracketed portion was issued to the non-scheduled banks.

than that specifically called for by us) or other details relating to limits/outstandings (such as cross references, allocation of limits to other branches etc.) should be avoided. It is hoped that banks will follow our instructions carefully and advise their branches suitably regarding the correct compilation of the revised return.

4. You will appreciate that the importance and usefulness of credit information on borrowers furnished to banks will be lost if the data are incorrect or old. We, therefore, seek your utmost co-operation in the prompt submission of properly compiled returns, so that our objective of being in a position to furnish up-to-date credit information regarding the overall indebtedness of individual borrowers can be achieved. In this context, the imperative need for submitting the returns positively within the stipulated time, as also the correct classification of the information furnished, can hardly be over-emphasised. We are sure that your bank will not hesitate to share with us, in full measure, the responsibility for improving the functional efficiency of the Credit Information Scheme, which is being run by the Reserve Bank of India mainly for the benefit of the banks, and you will impress upon the officials of your bank the necessity for correct compilation, as well as prompt submission of the returns. For this purpose, your bank may like to introduce a system, if it is not already in vogue, of watching the prompt submission of these branch returns as well as carry out a test check of the returns at the Central/Head Office of the bank.

5. We shall also be glad if banks make increasing use of the credit information available with us in the context of the steadily growing demand on them for credit from the various sectors of the economy and the consequent need for making a realistic assessment of the credit requirements. In this connection, we would like to suggest that while processing *all* applications for larger credit limits, banks should *invariably* obtain a report from the Reserve Bank (Credit Information Division) regarding the total limits available to the party from the banking system as a whole, with a view to ensuring that the facilities proposed to be sanctioned are *not* excessive.

6. Please note that the first set of returns under the revised procedure should relate to the last Friday of March 1971.

Yours faithfully,
R. K. HAZARI
Deputy Governor

ANNEXURE—I

Statement of secured and unsecured advances as on———————
(Under Section 45C(1) of the Reserve Bank of India Act, 1934).

Name of bank/Financial Institution ———————Code No. ———————

Name of branch ———————Code No. ———————

To

The Chief Officer,
Department of Banking Operations & Development,
Credit Information Division,
Reserve Bank of India,
Central Office,
Post Box No. 1030,
BOMBAY-1.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Name of the party and full address	Code No. (for use of Reserve Bank of India)	Code No. for type of organisation	Code No. for occupation	Code No. for purpose of credit	Code No. for type of account	Code No. for security	Limit sanctioned (Amounts rounded off to the nearest lakh of rupees)	Balance outstanding	Remarks

Signature
(Name of signatory.....)
(Designation. .....)

Date of submission :

ANNEXURE II

GUIDELINES FOR THE COMPILATION OF DATA IN THE RETURN TO BE SUBMITTED UNDER SECTION 45C(1) OF THE RESERVE BANK OF INDIA ACT, 1934

1. The revised form of the return should be of the *uniform* size of 32 c.m. x 21 c.m. Adoption of this standardised form will facilitate compilation of data in the Credit Information Division.

2. The returns relating to the last Fridays of March and September should cover all secured limits of Rs. 10 lakhs and over and unsecured limits of Rs. 2 lakhs and over, and should be submitted within a *fortnight* from the due date. The returns relating to the last Fridays of June and December should continue to cover *all* limits at the *existing* levels (viz., secured limits of Rs. 5 lakhs and over and clean limits of Rs. 1 lakh and over) and should be submitted within *three weeks* as at present. It should be ensured that the credit limits below the above amounts are not reported in the respective returns.

3. New columns for indicating the code numbers for "occupation" of the borrower (column No. 4) and "purpose of credit" (column No. 5) have been introduced, while the existing column for "Constitution" of the borrower has been redesignated as "Type of Organisation" (column No. 3) where only the relative Code No. should be given. The existing columns, "nature of facility" and "nature of security and charge" have been redesignated as "Type of Account" (column No. 6) and "Security" (column No. 7) respectively and the information to be furnished thereunder has been thoroughly revised, with a view to simplifying the credit information and also to make the information more purposive. The revised set of Code Nos. is as under :

I—*Code Nos. for furnishing information in Column (3)*

Code No.	*Type of Organisation*
1	Government (including local bodies and Government owned/Government managed concerns).
2	Limited Company
3	Co-operative
4	Partnership Firm
5	Proprietorship Concern
6	Individuals (including professionals and self-employed persons)
7	Trust/Association

Note:—In case no code number is shown, it would be assumed by us that the party does not fall in any of the above categories.

II—*Code Nos. for furnishing information in Column (4)*

Code No.	*Occupation*
A	Agriculture
H	Plantations
	Industry (including mining)
L	(*i*) Large and medium
S	(*ii*) Small
W	Wholesale Trade/Business
B	Retail Trade and small businesses
F	Banks/Financial Institutions (including Money-lenders)
T	Transport operators
P	Self-employed and professionals
R	Others (not classified elsewhere)

III—*Code Nos. for furnishing information in Column (5)*

Code No.	*Purpose of credit*
1	Agricultural Production Finance
2	Fixed Capital
3	Working Capital (including import/export finance and bills)
4	Trade—wholesale
5	Others (including retail trade, professionals, etc.)

IV—*Code Nos. for furnishing information in Column (6)*

Code No.	*Type of Account*
1	Cash Credits
2	Overdrafts
3	Demand Loans
4	Term Loans (including instalment credit)
5	Packing (Pre-shipment) Credit
6	Export bills purchased/discounted/advanced against
7	Advances against import bills
8	Inland bills purchased/discounted
9	Inland letters of credit
10	Foreign import letters of credit
11	Deferred Payment Guarantees
12	Other Guarantees

V—*Code Nos. for furnishing information in Column (7)*

Code No.	*Security*
PLED	Pledge of stocks
HYPO	Hypothecation of stocks
6344	Shares of Joint Stock Companies
6345	Debentures of Joint Stock Companies
6501	Agricultural land
6502	Real Estate (Other than agricultural land and Industrial block assets)

6600 Book debts and other account receivables.

9300 Pledge/hypothecation of shipping documents/ railway receipts/other documents of title to goods

9400 Assets of Industrial Concerns—Fixed or floating (excluding those specified under book debts/other receivables)

9500 Composite advances

9600 Other secured advances

9700 Unsecured advances

Partly Secured

Please note to add (3) after the relative Security Code No. to denote partly secured advances

VI—*The following Code Nos. may be used, where necessary, in Column (10)*

Code No.	*Present position of account*
1	Suit-filed
2	Decreed
3	Insolvency proceedings pending/Declared insolvent
4	Being voluntarily wound up
5	Being compulsorily wound up

The Code numbers may be combined, wherever necessary. For instance, in a suit-filed account, if the borrower has been declared insolvent, the information may be codified as '13'.

4. Please give only the relative *code numbers* (and *not* descriptive information) under columns 3 to 7 and 10 of the return. No information other than what is specifically called for by us should be incorporated in the return. Unnecessary details of the limits, cross references of all types (including utilisation or allocation of limits to other branches), etc. should be omitted.

5. The amounts of limits sanctioned and balance outstanding (columns Nos. 8 and 9) should be given in lakhs of rupees (rounded off to the nearest lakh of rupees) and, therefore, no decimal numbers should be indicated. By way of illustration, amounts of Rs. 5,82,240 should be indicated as 6, Rs. 6,59,42,647 as 659, Rs. 50,960 as 1 and Rs. 48,000 as—.

6. 'Nil' returns also should be submitted in the revised *pro forma* and *not* in any other form of statement or letter. 'Nil' returns should be submitted to us within *one* week from the due date. In case any return is submitted in duplicate (to cover the contingency of loss in transit), it should be marked "duplicate" in *Red.* Revised statements should be marked "Revised" in *Red.*

7. For your guidance, a model statement compiled by us is enclosed as a specimen.

8. Banks should study the above instructions carefully and instruct their branches suitably in this regard so as to ensure that the revised returns are compiled correctly.

VII

SPECIMEN

Statement of secured and unsecured advances as on the 26th March 1971
(under section 45C (1) of the Reserve Bank of India Act, 1934).

To

The Chief Officer,
Department of Banking Operation
& Development,
Credit Information Division,
Reserve Bank of India,
Central Office,
Post Box No. 1030,
BOMBAY-1.

Name of bank/Financial Institution : A. B. C. Bank Ltd. (Code No. 65)

Name of branch : Cochin (Code No. 2231)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Name of the party and full address	Code No. (for use of Reserve Bank of India)	Code No. for type of organisation	Code No. for occupation	Code No. for purpose of credit	Code No. for type of account	Code No. for security	Limit sanctioned (Amounts rounded off to the nearest lakh of rupees)	Balance outstanding	Remarks
A. B. C. & Co. Ltd., 10, Cowasjee Patel Street, Bombay-1.		2	L	3	1	HYPO	115	104	—
X. Y. & Brothers, 4, Netaji Subhas Road, Calcutta-4		4	S	2	4	9400	24	23	—
A. K. 15, Mahatma Gandhi Road, Ahmedabad-1		6	B	5	3	6344(3)	5	4	13

Date of submission : 3-4-1971

Signature: (Sd)
(Name of the signatory: A.R.S.)
(Designation: Agent)

DBOD. No. CID. BC.11/C.127-72—28 January 1972

All scheduled commercial banks.

Dear Sir,

COLLECTION AND FURNISHING OF CREDIT INFORMATION

Please refer to our circular letter DBOD. No. CID.25/127-71 dated the 1st March 1971 introducing a revised form of return in which the banking and financial institutions are required to furnish credit information under section 45C(1) of the Reserve Bank of India Act, 1934. It is, therefore, considered necessary to revise the present forms of application to be submitted by the banking and financial institutions to the Reserve Bank for obtaining information relating to credit facilities enjoyed by their constituents. Accordingly, the revised application form is enclosed. Please note that the revised form will come into force from the 14th February 1972.

2. At present the application for credit information has to be made to us by the Head/Principal Offices of the banking and financial institutions. It has now been decided that their branches may also obtain the credit information from us direct, under advice to the Head/Principal Offices. The banking and financial institutions, who desire to take advantage of this facility should, however, ensure that only the officials authorised by them in this behalf obtain the information from us.

3. It may please be noted that, under the revised procedure, a separate application for *each party*, (duly signed by an official authorised to call for such information) should be submitted to us, *in duplicate*, for facilitating the supply of the information expeditiously, as the duplicate copy is proposed to be returned to the concerned branch/office of the banking and financial institution after incorporating the information, if any, available with us. Please ensure that the revised application form is properly filled in and is of a uniform size (32 c.m. x 21 c.m.).

4. We invite a reference to circular No. ED.BD.2082/B.7.0011-71 dated the 20th December 1971 addressed by our Economic Department and advise that the uniform code numbers for bank branches will replace the existing code numbers allotted by our department from time to time. We shall, therefore, be glad if you will advise your branches to adopt the revised branch code numbers for the future returns, commencing from the quarter ending 31st March 1972. As regards the allotment of code numbers to newly opened branches, your attention is invited to paragraph 5 of the above circular.

Yours faithfully,
R. C. BHANDARI
Dy. Chief Officer

Note :—A similar circular omitting paragraph 4 was issued to non-scheduled banks.

CONFIDENTIAL

FORM OF APPLICATION PRESCRIBED UNDER SECTION 45D(1) OF THE RESERVE BANK OF INDIA ACT, 1934

(To be submitted in duplicate)

No. Date

To
The Chief Officer,
Department of Banking Operations & Development,
Reserve Bank of India,
Central Office,
BOMBAY-1.

Dear Sir,

Credit facilities

We propose to review/renew/sanction credit facilities to the undernoted party and shall be glad if you will kindly furnish us with credit information as specified overleaf :

(a) Name of the party :

(b) Address :

(c) Type of Organisation :

2. We are aware that any information that may be given in this connection will be in strict confidence and without any responsibility or guarantee on the part of the Reserve Bank of India or any of its officers. We are also aware of the provisions of sections 45E and 45G(2) of the Reserve Bank of India Act, 1934 and hereby undertake not to disclose the information or publish it in any manner.

Yours faithfully,

( )

Authorised Signatory

For and on behalf of

.....

(Name of bank/financial institution)

.....

.....

(Address of office/branch).

INFORMATION REQUIRED

(Amounts rounded off to the nearest lakh of rupees)

Type of account (code number/s)	Purpose of credit (code number/s)	Security (code number/s)	Total limit/s sanctioned			Balance outstanding	No. of banks and notified financial institutions which have sanctioned limits	Remarks
			Secured	Unsecured	Partly secured			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		(To be filled up by Reserve Bank of India)						

DBOD. No CID. BC. 83/C. 127-72
20 September 1972

All Scheduled Commercial Banks.

Dear Sir,

COLLECTION AND FURNISHING OF CREDIT INFORMATION

Please refer to the circular No. ED. BD. 2082/B. 7. 0011-71 dated the 20th December 1971 addressed to you by our Economic Department regarding Uniform Code List for bank branches. As you are aware, we had advised you (vide paragraph 4 of our circular letter DBOD. No. CID BC. 11/C. 127-72 dated the 28th January 1972)* to adopt the uniform code numbers in the quarterly statements under section 45C(1) of the Reserve Bank of India Act, 1934. It is, however, observed that many of your branches still indicate *old* code numbers in the above statements submitted to us thereby causing undue delay in the consolidation of data at our end. We shall be glad if you will kindly advise your branches suitably in the matter.

2. We would also appreciate if you will please ensure that the branches of your bank promptly submit the returns within the prescribed time limit as delay on their part reduces the utility of the credit information, furnished by us.

3. In this connection, we have also to advise that the allotment of uniform code numbers to bank branches is now being done by the Department of Statistics. Accordingly, all references in regard to uniform code numbers, in future, may please be made to the Director of Statistics, Department of Statistics, Reserve Bank of India, Byculla, Bombay-8.

Yours faithfully,
V. SRINIVASAN
For Chief Officer.

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* Vide page 6 of this Section.

Note : Please also see circular DBOD. No. CID BC. 112/C. 127-73 dated 5th October 1973 for change in periodicity of returns, etc.

SECTION VIII

CREDIT AUTHORISATION

SECTION VIII

CREDIT AUTHORISATION

No. and Date	Subject
	Note on Credit Authorisation Scheme
CAS. 11/C. 446-65 8-12-1965	Credit Authorisation—Advice to banks to submit applications to Central Department of Banking Operations and Development.
CAS. 1121/C. 446-68 11-7-1968	Credit Authorisation—Advice to banks to indicate in the application whether any member of Local Board/Local Advisory Committee is interested in the borrowing concern.
CAS. 1185/C. 446-68 22-7-1968	Credit limits—Prior authorisation is not necessary for credit facilities by way of export packing credit and post shipment credit relating to exports.
CAS. 194/C. 446-69 27-1-1969	Credit limits for financing distribution of fertilisers—Prior authorisation not necessary.
CAS. 733/C. 446-69 8-4-1969	Credit authorisation—Prior authorisation not necessary for sanction of credit limits against fixed deposits with banks.
CAS. 969/C. 446-69 12-5-1969	Credit authorisation—Credit facilities of certain types for which prior authorisation not necessary.
CAS. 1486/C. 446-69 19-8-1969	Credit Authorisation Scheme—Prior authorisation not necessary in respect of purchase/discount of inland documentary bills—Limits against supply bills drawn on Semi-Government bodies.
CAS. 952/C. 446-70 30-6-1970	Credit Authorisation Scheme—Data required to be furnished by banks to Reserve Bank for credit authorisation.
CAS. BC. 63/C. 446-71 20-5-1971	Credit Authorisation Scheme—Term lending by banks—Prior authorisation necessary in respect of individual medium or long term loans exceeding Rs. 25 lakhs payable over a period of more than 3 years.
CAS. BC. 78/C. 446 (J)-71 26-6-1971	Credit Authorisation Scheme—Term lending by banks—Submission of quarterly statements by banks—*pro forma.*
CAS. BC. 89/C. 446-71 22-7-1971	Credit Authorisation Scheme—Purchase/discount of inland documentary bills—Limits for discounting accepted bills not accompanied by documents of title to goods as also the limits for negotiation of local usance bills accompanied by only invoices or challans sanctioned to parties require prior authorisation. Limits for acceptance of such bills however do not require prior authorisation.
CAS. BC. 112/C. 446-71 13-9-1971	Credit Authorisation Scheme—Regarding limits for discounting of accepted bills which are not accompanied by documents of title to goods—Prior authorisation not necessary if such bills discounting limits are sanctioned in lieu of cash credit/overdraft limit specifically authorised by Reserve Bank—Prior authorisation is not necessary for re-allocation of limits to parties for working capital purposes within the overall limits specifically authorised by Reserve Bank for such purposes.
CAS. BC. 6/C. 446-72 7-1-1972	Credit Authorisation Scheme—Facilities for which banks need not obtain prior authorisation from Reserve Bank.

SECTION VIII

CREDIT AUTHORISATION

No. and Date	Subject
CAS. BC. 125/C. 446-72 18.12.1972	Credit Authorisation Scheme—Prior authorisation for sanctioning certain temporary/interim limits up to Rs. 25 lakhs not necessary.
CAS. BC. 25/C. 446-73 21.3.1973	Credit Authorisation Scheme—Banks required to obtain prior authorisation for fresh credit limits of Rs. 3 crores or more (medium and long term loans of Rs. 1 crore or more) to public sector undertakings, including State Electricity Boards.
CAS. BC. 33/C. 446-73 27.3.1973	Credit Authorisation Scheme—Clarification regarding coverage of 'Power programmes'—further guidelines for banks extending credit to Electricity Boards.

NOTE ON CREDIT AUTHORISATION SCHEME

In order that the growth of bank credit may be more closely aligned to the requirements of the Plan and as an additional measure of credit regulation, scheduled banks were required in November 1965 to obtain the Reserve Bank's prior authorisation before sanctioning any fresh credit limit of Rs. 1 crore or more to any single party or any limit that would take the total limit enjoyed by such party from the entire banking system to Rs. 1 crore or more on secured and/or unsecured basis. In May 1971, these banks were also required to obtain the Reserve Bank's prior authorisation for sanctioning (singly or jointly with other institutions) of individual medium or long-term loans exceeding Rs. 25 lakhs repayable over a period of more than three years to any single party irrespective of the totality of the credit limits available to it from the banking system as a whole.

The Reserve Bank's prior authorisation is not necessary in certain cases ; these are given in the list attached to circular DBOD. No. CAS. BC.6/C.446-72 dated the 7th January 1972 divided into the following two categories :

(*a*) Credit facilities exempted from Reserve Bank's prior authorisation but which are required to be reported to the Reserve Bank subsequently, and

(*b*) Credit facilities which are exempted from Reserve Bank's prior authorisation and which need not also be reported to Reserve Bank subsequently.

Banks have, however, to report the relative limits to Reserve Bank subsequently.

DBOD. No. CAS. 11/C.446-65—8 December 1965

All scheduled banks.

Dear Sir,

CREDIT LIMITS

Please refer to **** circular@ dated the 20th November 1965 wherein the scheduled banks are required to obtain the Reserve Bank's prior authorisation before sanctioning any fresh credit limit (including commercial bill discounts) of Rs. 1 crore or more to any single party or any limit that would take the total limit enjoyed by such party from the entire banking system to Rs. 1 crore, or more on secured and/or unsecured basis and, in respect of the existing credit limits, where credit limits of Rs. 1 crore or more are increased above their present levels or if any of the existing limits are so increased as to raise the total limits from the banking system to Rs. 1 crore or more.* In this connection, we have to advise that the applications in this regard should be submitted by the Head/ Principal Office of the bank concerned to the Central Office of the Department of Banking Operations and Development of the Reserve Bank of India to the address given below :

The Chief Officer,
Department of Banking Operations and Development,
Reserve Bank of India,
Central Office,
Bombay-1.

In order to facilitate expeditious disposal of the applications, it is necessary that banks should furnish us with particulars relating to the proposed credit limits such as the purpose, the estimated net worth (financial position) of the borrower/guarantor (if any), the period for which the limit/enhancement is proposed to be sanctioned, details and value of the securities, if any, general conduct of the existing accounts, if any, with the bank, and total credit limits sanctioned to the party by the banking system, whether any director£ of the bank is interested in the borrowing concern and, if so, the nature of interest and all other relevant particulars.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(Banking Operations)

@ Not included in this booklet.

* Please see circular DBOD. No. CAS. BC. 63/C. 446-71 dated 20th May 1971 requiring banks to obtain Reserve Bank's authorisation for term loans.

£ Please see further circular DBOD. No. CAS. 1121/C. 446-68 dated 11th July 1968.

DBOD. No. CAS. 1121/C.446-68—11 July 1968

All scheduled commercial banks.

Dear Sir,

CREDIT LIMITS

Please refer to our circular letter DBOD. No. CAS.11/C.446-65 dated the 8th December 1965 in terms of which banks are required to furnish in their applications to us for our prior authorisation, information whether any director of the bank is interested in the borrowing concern, and if so, the nature of interest. We shall be glad if you will please note to indicate, in addition to the above information whether any member of your bank's Local Board/Advisory Board/Local Advisory Committee is interested in the borrowing concern and, if so, the nature of interest.

* * * * * * * *

Yours faithfully,
K. B. CHORE
Dy. Chief Officer

DBOD. No. CAS. 1185/C.446-68—22 July 1968

All scheduled commercial banks.

Dear Sir,

CREDIT LIMITS

* * * * * * * *

It has been decided that our prior authorisation* * * *, need not be obtained by banks for sanction of credit facilities by way of export packing credit and post-shipment credit relating to exports. Such limits should, however, be reported to us subsequently.

Yours faithfully,
K. B. CHORE
Dy. Chief Officer

DBOD. No. CAS. 194/C.446-69—27 January 1969

All scheduled commercial banks.

Dear Sir,

CREDIT LIMITS

* * * * * * * *

It has been decided that our prior authorisation* * * * need not be obtained by banks for the sanction of credit limits for financing *distribution* of fertilisers. Such limits should, however, be reported to us subsequently.

Yours faithfully,
JOGINDRA SINGH
Dy. Chief Officer

DBOD. No. CAS.733/C.446-69—8 April 1969

All scheduled commercial banks.

Dear Sir,

CREDIT REGULATION SCHEME

* * * * * * * *

It has been decided that our prior authorisation **** need not be obtained by banks for the sanction of credit limits against fixed deposits with them. Such limits should, however, be reported to us subsequently.

Yours faithfully,
JOGINDRA SINGH
Dy. Chief Officer

DBOD. No. CAS. 969/C.446-69—12 May 1969

All scheduled commercial banks.

Dear Sir,

CREDIT AUTHORISATION SCHEME

* * * * * * * *

It has been decided that our prior authorisation under the Credit Authorisation Scheme need not be obtained by banks for sanction of the following types of credit facilities:

(i) *Transfer of limits from one bank to another without any increase*

Such transfer should not involve any increase in the credit limits proposed to be transferred and the bank making available the fresh limits to the party should ensure that the need-based character of the advances continues and that the corresponding limits with the party's existing bankers are cancelled.

(ii) *Extension of time for limits sanctioned for a temporary period and authorised by us earlier*

The original limits should have been sanctioned for a temporary period and authorised by us under the Credit Authorisation Scheme. Further, the proposed extension of time should be only up to an aggregate period of one year from the date of original sanction of the limit and such extensions should not conflict with the provisions of the Banking Regulation Act, 1949, especially section 20 thereof.

(iii) *Advances to the State Governments, the Food Corporation of India and the State Co-operative Banks for the financing of food procurement operations*

As regards advances made by the scheduled commercial banks to the State Co-operative banks to enable the latter to finance an apex marketing society directly or district marketing societies or wholesale stores through affiliated central co-operative banks, such advances should be backed by foodgrains pledged or hypothecated to the banks with the necessary margins stipulated by the Agricultural Credit Department of the Reserve Bank of India in this regard.

(iv) Advances granted to the Electricity Boards and Public Sector Undertakings, and those granted against the guarantee of the Central Government and State Governments.

(v) Advances against Government securities and other Trustee securities.

(vi) Limits against Government supply bills.

(vii) Bill limits sanctioned under the rediscounting scheme of the Industrial Development Bank of India and term loans sanctioned on a *pari passu* basis with the Industrial Development Bank of India or the Agricultural Refinance Corporation, or under their refinancing schemes.

2. All the limits sanctioned in respect of the above credit facilities should, however, be reported to us subsequently at the earliest.

Yours faithfully,
JOGINDRA SINGH
Dy. Chief Officer

DBOD. No. CAS. 1486/C.446-69—19 August 1969

All scheduled commercial banks.

Dear Sir,

CREDIT AUTHORISATION SCHEME

* * * * * * * *

It has been further decided that our prior authorisation under the Credit Authori-

sation Scheme need not be obtained by banks for sanction of the following types of credit facilities :—

(*i*) *Purchase/discount of inland documentary bills.*

This will evidently not cover clean bills and bills accompanied by invoices only.@

(*ii*) *Limits against supply bills drawn on semi-Government bodies.*

For this purpose, semi-Government bodies may be taken to mean such institutions as Port Trusts, Municipalities, Municipal Corporations, District and Rural Boards, Panchayats, Improvement Trusts and State Electricity Boards.

2. All the limits sanctioned in respect of the above credit facilities should, however, be reported to us subsequently at the earliest.

Yours faithfully,
JOGINDRA SINGH
Dy. Chief Officer

DBOD. No. CAS. 952/C.446-70—30 June 1970

All scheduled commercial banks.

Dear Sir,

CREDIT AUTHORISATION SCHEME

It has been decided that banks, while applying to us for our authorisation under the above Scheme, should hereafter furnish to us data as in the enclosed set of *pro forma* statements. Certain general instructions for compiling the statements are also enclosed for your guidance. In this connection, it may be stated that these statements have been drawn up by the Study Group appointed for the purpose by the Reserve Bank of India.

2. The statements have been so designed as to provide both to the lending bank and the Reserve Bank of India as complete and comprehensive a set of data as possible to permit a proper evaluation and financial appraisal of credit proposals. We are aware that the compilation of the statements will entail a certain amount of difficulty, at least initially, as all the relevant data might not be readily available. This is particularly so with respect to items like industry averages (Form III E) and in such cases, the banks may not, for the time being, furnish the information, if it is not possible to do so. However, even in regard to these averages, data are available from sources such as Reserve Bank of India Bulletin, financial newspapers/journals, stock exchange publications, etc. The bulk of the other data will be available from the balance sheets and other financial statements that normally accompany credit proposals. We feel that banks should make an endeavour to obtain the type of data indicated in the *pro forma* statements not only from the point of view of furnishing the Reserve Bank with complete information with regard to proposals for limits relating to parties enjoying credit facilities from the banking system, as a whole, to the tune of Rs. 1 crore and above (which are covered by the Scheme), but also for their own purposes in respect of appraisals for larger individual credit proposals of, say, Rs. 25 lakhs and above. Although the discipline sought to be imposed by calling for full information may not be appreciated by the borrowers, and possibly might even be resented by them, it would be in the best interest of the banking system that steps be taken in this direction so that credit appraisal may be placed on a more organised footing. It is also suggested that while, for the present, banks would have to rely on the statements of the borrowing companies (in the form of balance sheets), they should progressively involve the auditors of the borrowing companies in the matter of furnishing financial statements.

3. Banks are required to furnish the particulars of the existing limits from the banking system as a whole (Form I) as also comparative statement of financial position (*i.e.* analysis of balance sheet and profit and loss account, etc.—Forms IIIA to IIIE)

@ This does not cover (a) clean bills, (b) bills accompanied by invoices only and (c) bills drawn on D.A. basis vide circular DBOD. No. CAS. BC. 6/C. 446-72 dated 7th January 1972.

in the case of all proposals for authorisation. The assessment of working capital requirements and bank finance permissible (Form II) is mainly intended for manufacturing industries. In so far as the seasonal industries and other specialised ventures are concerned, the form would require suitable modification. For instance, in the case of sugar industry, which is essentially seasonal, the assessment of financial requirements may be made on the lines indicated in the enclosed Form 'A'. Similarly, in other cases, where this form is considered inappropriate, the banks may, at their discretion, amend it suitably. It may please be ensured that wherever the components of the working capital needs under the various heads are comparatively large, the position is suitably explained so that the delay in processing at our end is minimised.

4. In regard to the balance sheet analysis (Form IIIB) to be furnished to us, you are requested to please give your specific comments in regard to certain aspects, such as inter-corporate lending/investments, excessive inventory build-up, diversion of short-term funds for acquisition of fixed/non-current assets, payment of guarantee commission by the companies in spite of the secured nature of the facilities and/or the relatively low worth of the guarantor(s) etc. Further, steps, if any, proposed to be suggested to the company to improve the accounting ratios, which adversely reflect on the position of the company, may also be suitably indicated. Besides, whenever concessional margins, rates of interest, etc. are proposed to be allowed, the reasons therefor should be given. Where guarantees of directors, etc. are taken, the reasons therefor may be given along with information regarding guarantee commission, if any, being paid to the guarantors. Banks should also invariably furnish us with the latest available published balance sheet, etc. of the borrower, unless already furnished. In case the published balance sheet relates to a period six months prior to the date of the application, a *pro forma* balance sheet and profit and loss account nearabout the date of the application may be forwarded with the application.

5. In the case of the proposals for grant of term loans, banks should also submit data as in Forms IV and V, together with the relative project Report. In this connection, we may add that all individual large term loan facilities (including deferred payment guarantees) should normally be on participation basis with a term lending institution.

6. Where the application for authorisation relates to credit facilities to be given by several banks, on a participation basis, it is suggested that the banks concerned may designate one of the participating banks as a 'lead' bank for dealing with us. The lead bank concerned may thereafter furnish us with all the data and information on behalf of others. Our authorisation for the limits sanctioned, however, will be conveyed to all the participating banks.

7. Banks are advised to apply to us sufficiently in advance, furnishing all the necessary data, so as to avoid inconvenience to all concerned. In case there is no change in the data furnished in connection with an earlier application, this may please be specifically indicated.

8. Finally, we would like to impress upon you that we do not consider the collection of data in the enclosed forms as an end in itself, but merely as a tool for taking judicious decisions on proposals for credit facilities. The forms are thus not substitutes for analysis and judgement based on the financial acumen and expertise acquired in the operational field. It should, therefore, be clearly understood that the purpose of the forms is to help in analysis, decision-making and follow-up. Accordingly, banks are expected to duly process, analyse and interpret the data; otherwise, the collection of the data would be an exercise in futility. We are also of the view that a systematic collection and processing of the financial data would serve as guide for forecasting the credit requirements of the borrowers in the light of their past performance.

Yours faithfully,
R. C. BHANDARI
Dy. Chief Officer

FORM I—PARTICULARS OF THE EXISTING LIMITS FROM THE BANKING SYSTEM

Limits from all banks and financial institutions as on a date near to the date of the application

(Amounts—000's omitted)

Name of bank/financial institution	Existing limits	Extent to which limits have been utilised during the last 12 months		Balance outstanding as on
		Maximum	Minimum	
(1)	(2)	(3)	(4)	(5)
1.				
2.				
3.				
4.				
5.				
etc.				

Note :—Information to be given separately in respect of each of the credit limits under cash credits, overdrafts, medium-term and long-term loans, bills purchased and discounted, etc.

FORM II.—STATEMENT OF ASSESSMENT OF WORKING CAPITAL REQUIREMENTS AND BANK FINANCE PERMISSIBLE

(Amounts—000's omitted)

A. *Assessment of Working Capital Requirements :*

Imported raw materials for————months' consumption		Rs.
Indigenous raw materials for————months' consumption		Rs.
Stocks-in-process (———— weeks' cost of production)		Rs.
Finished goods (————months' sales)*		Rs.
Consumable stores and spares (———months' consumption)		Rs.
Receivables (——— months' sales)		Rs.
Advance payments to be made for purchases		Rs.
Expenses (per month)		Rs.
		Rs.
Less : Advance payments received	Rs. ———	
Credit received on purchases	Rs. ———	Rs. ———
Working capital required		Rs.

B. *Bank finance permissible :*

		Permissible limit
Imported raw materials	Rs.	
Less : Margin (%)	Rs. ———	Rs.
Indigenous raw materials	Rs.	
Less : Margin (%)	Rs. ———	Rs.
Stocks-in-process	Rs.	
Less : Margin (%)	Rs. ———	Rs.
Finished goods	Rs.	
Less : Margin (%)	Rs. ———	Rs.
Consumable stores and spares	Rs.	
Less : Margin (%)	Rs. ———	Rs.
Receivables	Rs.	
Less : Margin (%)	Rs. ———	Rs. ———
Total permissible limit		Rs.

1. Margin requirement (Total) — Rs. ———
2. Net working capital (+) or (—)[*i.e.* current assets (item 29)]@ minus current liabilities (item 8) @ — Rs.
3. In case (2) is less than (1), indicate how the company proposes to meet the deficit :
   - (*a*) Out of projected surplus of current working (for——— months) — Rs.
   - (*b*) Other sources (specify) — Rs.

* Finished goods to be valued at cost (selling price less operating profit) *or* market price, whichever is lower.
@ Vide Form IIIB.

FORM III — COMPARATIVE STATEMENT OF FINANCIAL POSITION

IIIA-FINANCIAL SUMMARY

(Amounts—000's omitted)

Particulars	As on		
	19	19	19
(*i*) Net sales (item 41)			
(*ii*) Profit before taxation (+) or Loss (—) (item 49)			
(*iii*) Net profit (+) (i.e. after taxation) or loss (—) (item 51)			
(*iv*) Profit before taxation (item 49) /net sales (item 41)			
(*v*) Working capital [i.e. current assets (item 29) minus current liabilities (item 8)]			
(*vi*) Current assets (item 29)/current liabilities (item 8)			
(*vii*) Book debts including bills receivable (item 25) How many months' sales do they represent ?			
(*viii*) Inventory (item 26)/Net sales (item 41)			
(*ix*) Total outside liabilities (items 8 plus 14)/tangible net worth (item 62)			
(*x*) Tangible net worth (item 62) plus term liabilities (item 14)/ net fixed assets (item 32)			
(*xi*) Profit before taxation (item 49)/tangible net worth (item 62)			

III B — ANALYSIS OF BALANCE SHEET OF————————

(Amounts — 000's omitted)

LIABILITIES	As on		
	19	19	19
CURRENT LIABILITIES			
1. Short-term borrowings including bills discounted —			
(*i*) from our bank			
(*ii*) from other banks			
(*iii*) from others			
2. Deposits (maturing within one year)			
3. Sundry creditors (Trade)			
4. Interest and other charges accrued but not due for payment			
5. Provision for taxation			
6. Instalments of term loans/deferred payment credits/ debentures/redeemable preference shares (due within one year)			
7. Other current liabilities and provisions (due within one year)			
8. **Total Current Liabilities** .. .. (Total of items 1 to 7)			
TERM LIABILITIES			
9. Debentures (not maturing within one year)			
10. Redeemable preference shares (not maturing within one year, but of maturity not exceeding 12 years)			
11. Term loans (exclusive of instalments payable within one year)			
12. Deferred payment credits (exclusive of instalments payable within one year)			
13. Other term liabilities			
14. **Total Term Liabilities** .. .. (Total of items 9 to 13)			
NET WORTH			
15. Ordinary share capital			
16. Preference share capital (maturing after 12 years)			
17. General reserve			
18. Development rebate reserve			
19. Other reserves (excluding provisions)			
20. Surplus (+) or deficit (—) in Profit & Loss Account ..			
21. **Net Worth** (Total of items 15 to 20)			
22. **Total Liabilities** (Total of items 8, 14 & 21)			

(Amounts — 000's omitted)

ASSETS	As on 19	19	19
CURRENT ASSETS			
23. Cash and bank balances			
24. Marketable investments (Securities and shares other than those of subsidiary companies and affiliates) and fixed deposits with banks maturing within one year			
25. Book debts including bills receivable (outstanding for not more than 180 days)			
26. Inventory:			
(*i*) Raw materials			
(*ii*) Stocks-in-process			
(*iii*) Finished goods			
(*iv*) Consumable stores and spares			
27. Advance payment of tax			
28. Other current assets			
29. **Total Current Assets** (Total of items 23 to 28)			
FIXED ASSETS			
30. Gross block (land and buildings, machinery, construction-in-progress, etc.)			
31. Depreciation to date			
32. **Net Block** (Item 30 minus item 31)			
MISCELLANEOUS ASSETS			
33. Investments/book debts/advances/deposits which are not current assets			
(*i*) In subsidiary companies/affiliates			
(*ii*) In others			
34. Non-consumable stores and spares			
35. Other miscellaneous assets including dues from directors ..			
36. **Total Miscellaneous Assets** (Total of items 33 to 35)			
37. **Intangible Assets** (Patents, Goodwill, etc.)			
38. **Total Assets** (Total of items 29, 32, 36 & 37)			

Tangible net worth (item 21 minus item 37).
Total outside liabilities (item 8 plus item 14).
Net working capital (item 29 minus item 8).
Arrears of depreciation.
Contingent liabilities :—
(*i*) Arrears of cumulative dividends.
(*ii*) Gratuity scheme for staff.
(*iii*) Other liabilities not provided for.
Note : If the company is a subsidiary, the extent and nature of interest of the holding company :
If the company is a holding company, the extent and nature of interest in subsidiary companies:

III C — INCOME STATEMENT

(Amounts — 000's omitted)

		As on		
		19	19	19
39.	Sales			
40.	Less excise duty			
41.	Net sales			
42.	**Cost of production**			
	(*i*) Raw materials consumed			
	(*ii*) Power and fuel			
	(*iii*) Direct labour			
	(*iv*) Consumable stores			
	(*v*) Repairs and maintenance			
	(*vi*) Other manufacturing expenses			
	(*vii*) Depreciation			
	Total (of sub-items *i* to *vii*)			
	Add Opening stocks-in-process and finished goods			
	Deduct Closing stocks-in-process and finished goods			
43.	Cost of sales			
44.	Gross profit (item 41 less item 43)			
45.	Interest			
46.	Selling, general and administrative expenses			
	Sub-total of items 45 and 46			
47.	Operating profit (item 44 less total of items 45 and 46)			
48.	Other income and expenses			
	Add income			
	(*a*)			
	(*b*)			
	(*c*)			
	Deduct expenses			
	(*a*)			
	(*b*)			
	(*c*)			
49.	Profit before taxation (item 47 plus item 48)			
50.	Provision for taxes			
51.	Net profit (item 49 less item 50)			

Note : Income received from and expenses paid to subsidiary companies/affiliates in respect of sales and purchases, should be separately indicated by way of a foot-note.

III D — BALANCE SHEET RECONCILIATION

(Amounts — 000's omitted)

	As on		
	19	19	19
I. Net Worth			
52. Opening net worth			
53. Net profit (+) or loss (—) (item 51)			
54. Fresh capital issued			
55. Other additions to net worth (Specify)			
56. Total additions (i.e. total of items 53 to 55)			
57. Dividends paid			
58. Other deductions (Specify)			
59. Total deductions (total of items 57 and 58)			
60. Increase(+)or decrease(—)in net worth(item 56 less item 59)			
61. Net worth as on date of balance sheet (item 52 plus item 60)			
62. Tangible net worth as on date of balance sheet (item 61 less item 37)—to agree with the relative figure given in statement of analysis of balance sheet (Form III B)			
II. Block			
63. Opening net block			
64. Depreciation for the year [item 42(*vii*)]			
65. Sale of fixed assets during the year			
66. Sub-total [item 63 minus items (64 + 65)]			
67. Capital expenditure (addition to fixed assets) during the year			
68. Net block as on date of balance sheet (item 66 plus item 67) — to agree with item 32			

III E—ANALYTICAL AND COMPARATIVE RATIOS

(Amounts—000's omitted)

	In respect of the borrowing company, as on			Average for the industry
	19	19	19	
I. Operating Ratios				
69. % rise (+) or fall (—) in net sales (item 41) during the year				
70. Finished goods [item 26 (*iii*)]—How many months' sales do these represent ?				
71. Raw materials [item 26(*i*)]—How many months' consumption do these represent ?				
72. Stocks-in-process [item 26(*ii*)]—How many months' cost of production (item 43) do these represent ?				
73. Stores and spares [item 26(*iv*)]—How many months' consumption do these represent ?				
74. Sundry creditors (trade) (item 3)—How many months' purchases do these represent ?				
75. Operating profit (item 47)/net sales (item 41)				
76. Profit before taxation (item 49)/net sales (item 41)				
77. Net profit (after taxation) (item 51)/tangible net worth (item 62)				
78. Net fixed assets (item 32)/net sales (item 41)				
79. A. Book debts including bills receivable (item 25)				
B. Deferred receivables—How many months' sales do these represent ?				
II. Liquidity Ratios				
80. Current assets (item 29)/current liabilities (item 8)				
81. Tangible net worth (item 62) plus term liabilities (item 14)/net fixed assets (item 32)				
III. Leverage Ratios				
82. Total outside liabilities (item 8 plus 14)/tangible net worth (item 62)				
83. Total term liabilities (item 14)/tangible net worth (item 62)				

FORM IV — CASH FLOW STATEMENT

(Amounts—000's omitted)

	Previous year *i.e.* for which latest audited balance sheet is available	Current accounting year	Following accounting year
	19	19	19
Depreciation			
Net profit (before development rebate but after taxation) (item 51)			
Cash accruals			
Add other sources of funds			
Increase in equity			
Increase in term loans/debentures, etc.			
Increase in deferred payment liabilities			
Increase in short-term bank borrowings			
Decrease in inventory			
Decrease in book debts			
Decrease in investments in and advances to subsidiaries/affiliates			
Decrease in other assets (including fixed assets)			
Increase in unsecured borrowings and deposits			
Increase in other current liabilities			
Any others			
Total funds available			
Deduct			
Increase in fixed assets			
Decrease in term loans/debentures, etc.			
Decrease in deferred payment liabilities			
Decrease in short-term bank borrowings			
Increase in inventory			
Increase in book debts			
Increase in investments in and advances to subsidiaries and affiliates			
Increase in other assets			
Decrease in unsecured borrowings and deposits			
Decrease in other current liabilities			
Dividends			
Any others			
Total outlay			
Balance surplus (+)/Shortfall (—)			
Opening cash balance			
Closing cash balance			

FORM V—STATEMENT SHOWING THE TOTAL COST OF THE PROJECT AND SOURCES OF FINANCE

(Amounts 000's omitted)

Cost of the project :	Already incurred	To be incurred	Total
(*i*) Land			
(*ii*) Building			
(*iii*) Plant and machinery			
(*a*) Imported			
(*b*) Indigenous			
(*iv*) Other fixed assets			
(*v*) Technical know-how and engineering fees and expenses			
(*vi*) Preliminary and pre-operative expenses			
(*vii*) Others (Specify)			
(*viii*) Provision for contingencies			
Capital cost of the scheme			
(*ix*) Total working capital requirements			
Less : Borrowings available from banks			
Margin for working capital requirements			
Total cost of the scheme			

Means of financing

(Amounts — 000's omitted)

	Already arranged for	To be arranged for	Total
(*a*) Sources of finance			
(*i*) Share capital			
Equity			
Preference			
(*ii*) Long-term and medium-term loans			
(*iii*) Deferred credits (principal amount only)			
(*iv*) Loans and deposits			
(*v*) Internal cash accruals			
(*vi*) Any other source (Specify)			
Total			

(*b*) Particulars of financial arrangements made or proposed to be made (giving in each case the name of the institution, nature of financial arrangement made or proposed, amount, security, terms, etc.) .. ..

(*c*) Particulars of the security proposed to be offered to the bank *viz.*, the nature of security, value, margin available, etc. State the period within which loan will be repaid and the instalments proposed.

FORM 'A'

Permissible cash credit limit of the company during sugar season 19 —19

(Amounts—000's omitted)

1.	Date of commencement of crushing	
2.	No. of working days	
3.	Estimated stocks of sugar that would be carried over from the previous year as at date of commencement of crushing, in quintals	
4.	Excise duty per quintal	
5.	Estimated cane crushed in quintals	
6.	Percentage recovery	
7.	Estimated production during the season in quintals ..	
8.	Estimated releases of stocks per month in quintals ..	
9.	Maximum stock build-up during the season (inclusive of carry over of stocks) in quintals	
10.	Value of stocks (as shown in 9 above) per quintal (excluding excise duty @ Rs. per quintal)	
11.	Less credit received from	
	(*i*) Sugarcane suppliers	————
	(*ii*) Others	————
12.	Value of stocks eligible for bank finance (10 minus 11) ..	
13.	Less margin at (on 12 above)	
14.	Drawing power (12 minus 13)	(A)
15.	Drawing limit against other items, if any, accepted as security	(B)
16.	Total drawing power available and as such the amount of permissible bank finance	(A) + (B)
	Limits sanctioned for 1969-70 season	————
	Existing limits	————
	Proposed limits	————

	Arrears	*Relating to previous seasons*	*Relating to current season*
17.	of cane dues		
18.	of purchase tax		
19.	of cane cess, etc.		

GENERAL INSTRUCTIONS FOR COMPILING DATA TO BE SUBMITTED UNDER THE CREDIT AUTHORISATION SCHEME

FORM I

Particulars of the existing credit limits from the entire banking system.

1. In this form, details of the credit limits available to the party from the entire banking system, including the financial institutions, should be furnished.

2. Month-wise maximum and minimum utilisation of the limits need not be given; utilisation during the past 12 months and the outstandings as on a recent date should only be indicated.

3. Information should be given separately in respect of each of the credit limits.

4. In the case of term loans, only the original amount of each loan and the balance outstanding need be indicated in columns (2) and (5) respectively.

5. If there are large unutilised limits, the reasons therefor may be indicated and the justification for the additional limits may be explained.

FORM II

Statement of assessment of working capital requirements and bank finance permissible.

1. Data furnished should relate to the projected peak estimate of the inventory build-up during the next year/ ensuing season.

2. Data should be assessed realistically by the bank itself on the basis of the production level achieved and the trend of sales and expenses; the quantum of production achieved during the past year and the anticipated production for the next year may be indicated by way of foot-note to this statement.

3. Wherever the inventory build-up, receivables, expenses, etc. are comparatively high, the bank may suitably explain the reasons therefor.

4. Stocks which have not been paid for, such as those received on consignment basis or received for processing, etc. should not be included in the inventory build-up.

5. Stores and spares which are old and obsolete should not be shown under the item 'Consumable stores and spares'.

6. Receivables in respect of sales on deferred payment term should be shown separately by way of a footnote and should not be included under the item 'Receivables'.

7. The item 'Expenses (per month)' should be based on the monthly requirements in respect of wages, salaries, power, fuel, rent, selling expenses and other ash expenditure.

8. Under the item 'Credit received on purchases', payments to be made for goods and services may be indicated.

9. Wherever exicse duty has been paid on finished goods, the finished goods may be valued at cost, plus excise duty, or market price, whichever is lower.

10. As several items relating to the working capital are inter-related or are related to production and sales levels, this aspect should be borne in mind while furnishing the information.

FORM III

Comparative statement of financial position

Key has been provided by way of numbers against the various items in this statement to facilitate ready reference. Please note that "/" means "divided by "*e.g.*, "inventory/net sales" inventory divided by net sales.

B. *Analysis of balance sheet*

1. Under 'Other reserves' (item 19), share premium account may also be shown.

2. The item 'Net worth' (item 21) would also equal the difference between the total assets (item 38) and total outside liabilities (item 8 plus item 14).

3. Under the item 'Book debts' (item 25), all accounts receivable as also bills receivable, including bills discounted, arising out of normal business transactions, should be indicated. Such amounts should be outstanding for not more than 180 days as on the date of the balance sheet.

4. 'Other current assets' (item 28) should comprise the current assets (including deferred receivables) recoverable within a period of one year.

5. 'Intangible assets' (item 37) should include patents, goodwill, preliminary and formation expenses, improvements to the leasehold property and bad and doubtful debts to the extent not provided for.

C. *Income statement*

1. In respect of 'Net sales' (item 41), cash and credit sales should be indicated separately, wherever possible.

2. Break-up of the amounts of other income and other expenses should be shown as indicated under the head 'Other income and expenses' (item 48), which will include items of non-operating income and expenses.

D. *Balance sheet reconciliation*

The figures to be shown against the items 'Opening net worth' (item 52) and 'Opening net block' (item 63), will be those of the net worth and the net block (gross block less depreciation) at the end of the preceding accounting year.

FORM IV

Cash flow statement

1. Under the items 'increase in term loans/debentures, etc.' and 'Increase in deferred payment liabilities', each of the term loans and deferred liabilities, together with the names of the concerned lending/guaranteeing institutions, should be indicated separately.

2. Similarly, under the items 'Decrease in term loans/ debentures, etc.' and 'Decrease in deferred payment liabilities', the repayment of each of the term loans and deferred liabilities, together with the names of the concerned lending guaranteeing institutions, should be indicated separately.

3. The statement should be furnished for the entire period of the term loan.

FORM V

Cost of the project and means for financing it

The statement should reflect the *proposed* capital expenditure only and should not include the expenditure on the block already acquired.

*. Where the borrowers do not prepare regular balance sheets, data on the basis of the statements of Assets & Liabilities may be furnished to us.

Note:- Whenever banks are unable to furnish the requisite data in any of the forms, the reasons therefor may please be specifically indicated.

DBOD. No. CAS. BC.63/C. 446-71—20 May 1971

All scheduled commercial banks.

Dear Sir,

CREDIT AUTHORISATION SCHEME TERM LENDING BY BANKS

* * * * * * * *

Scheduled commercial banks are required to obtain our prior authorisation before sanctioning any fresh credit limit (including commercial bill discounts) of Rs. 1 crore or more to any single party or any limit that would take the total limits enjoyed by such party from the entire banking system to Rs. 1 crore or more on secured and/or unsecured basis. It has now been decided that the banks should also obtain our prior authorisation under the above scheme for sanctioning by them (singly or jointly with other institutions) of individual medium or long-term loans exceeding Rs. 25 lakhs, repayable over a period of more than three years, to any single party irrespective of the totality of the credit limits available to it from the banking system as a whole.

2. In this connection, we would like to impress upon the banks that while making the necessary applications seeking our authorisation for term facilities under the scheme, they should invariably furnish the data required in terms of our circular DBOD. No. CAS. 952/C. 446-70 dated the 30th June 1970, and in particular the information required in paragraph 5 thereof.

3. The exemptions given in our earlier circulars relating to the term facilities (which do not require our prior authorisation) will continue. Such limits should, however, be reported to us subsequently.

Yours faithfully,
R. K. HAZARI
Deputy Governor

DBOD. No. CAS. BC. 78/C. 446(J)-71—26 June 1971

All scheduled commercial banks.

Dear Sir,

CREDIT AUTHORISATION SCHEME— TERM LENDING BY BANKS

In continuation of our circular letter DBOD. No. CAS. BC. 63/C. 446-71 dated the 20th May 1971, banks are requested to furnish to us a quarterly statement, in duplicate, as in the enclosed *pro forma*, showing particulars of all term loans exceeding Rs. 10 lakhs sanctioned by them (singly or jointly with other financial institutions) during the quarter to any party. As will be seen from the *pro forma*, 'Part A' of the statement should include the term loans repayable after 3 years but not later than 5 years and 'Part B' should include those repayable over a period exceeding 5 years. The attention of the banks is particularly invited to the notes given at the foot of the *pro forma* and they are requested to please ensure that the state-

ment is compiled on the lines indicated therein. These quarterly statements should reach us within *one* month from the close of the quarters to which they relate. The first of such statements should relate to the quarter ending 24th September 1971 and should reach us positively by the 30th October 1971.

2. The above statement should cover term loans which require our prior authorisation, as also those where the banks have been permitted to grant the facilities under the undernoted exemptions, subject to these being subsequently reported to us.

(i) Terms loans by way of post-shipment credit relating to exports.

(ii) Term loans granted (to Electricity Boards and Public Sector Undertakings)@ and those granted against the guarantee of the Central and State Governments.

(iii) Term loans granted on a *pari passu* basis with the Industrial Development Bank of India and Agricultural Refinance Corporation or under their refinancing schemes.

Please ensure that the term loans falling in the above exempted categories are reported to us promptly.

3. * * * * * * * *

Yours faithfully,
R. C. BHANDARI
Dy. Chief Officer

@ Please see paragraph 2 of circular DBOD. No. CAS. BC. 89/C. 446-71 dated the 22nd July 1971.

Name of Bank : _____

Statement showing particulars of term loans exceeding Rs. 10 lakhs sanctioned to concerns in private sector during the quarter ended the_____

(Amounts in lakhs of rupees)

1. Total deposits as on the last Friday of the previous quarter:
2. Total advances as on the last Friday of the previous quarter:
3. Total outstandings under the medium and long-term loans as on the last Friday of previous quarter:

PART — A

Particulars relating to term loans exceeding Rs. 10 lakhs repayable after a period of 3 years but not exceeding 5 years

Sr. No.	Name of borrower	Purpose of the loan	Total cost of the project	District and State where investment is proposed	Date of sanction	Amount of loan	Period of loan and mode of repayment	Rate of interest	Nature of security and margin	Whether (*a*) feasibility studies carried out (*b*) cash flow position ascertained	Participation arrangement		Remarks (such as refinance from IDBI/ ARC, if any, sanctioned/ applied for)
											Name(s) of participating financial institution(s)	Amount(s) sanctioned	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)

Name of the Bank : _____

PART — B

Particulars relating to term loans exceeding Rs. 10 lakhs repayable over a period of more than 5 years.

Sr. No.	Name of borrower	Purpose of the loan	Total cost of the project	District and State where investment is proposed	Date of sanction	Amount of loan	Period of loan and mode of repayment	Rate of interest	Nature of security and margin	Whether (*a*) feasibility studies carried out (*b*) cash flow position ascertained	Participation arrangement		Remarks (such as refinance from IDBI/ ARC, if any, sanctioned/ applied for)
											Name(s) of participating financial institution(s)	Amount(s) sanctioned	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)

Notes : 1. The statement should be submitted to us in duplicate and should relate to the period up to the last Friday of the quarter. Parts A and B should be on separate sheets.

2. Please ensure that the figures of the total advances and deposits tally with those given in the bank's return in Form XII.

3. Non-industrial concerns, @ which have been included in the statement under column (2), should be indicated by means of an asterisk.

4. Under column No. 3, please indicate whether the loans are for one or more of the following purposes :—

(*i*) Establishment of a new project.
(*ii*) Expansion.
(*iii*) Diversification.
(*iv*) Renovation.
(*v*) Modernisation.
(*vi*) Investment in other enterprises.
(*vii*) Deficiency in working capital.
(*viii*) Other purposes (Please give particulars).

5. Under column 7, the amount sanctioned by the bank itself should be shown. The particulars of the participating financial institution(s), if any, should be shown under columns 12 and 13. Where the financial accommodation involves discount of usance bills by different financial institutions, these particulars may also be mentioned under these columns.

6. Under column 10, security may be broadly classified as land, buildings, fixed assets, inventory, other assets, etc. and detailed particulars need not be furnished.

@Concerns other than the "industrial concerns" as defined in Section 2(c) of the Industrial Development Bank of India Act, 1964.

DBOD. No. CAS. BC. 89/C. 446-71—22 July 1971

All scheduled commercial banks.

Dear Sir,

CREDIT AUTHORISATION SCHEME

Please refer to our circular letter DBOD. No. CAS. 1486/C. 446-69 dated the 19th August 1969 in terms of which our prior authorisation under the above Scheme is not required to be obtained by banks for sanction of credit limits for purchase/discount of inland documentary bills. In the context of the facilities which are being granted by banks under our new Bill Market Scheme and the applicability of the Credit Authorisation Scheme thereto, we have to advise as under:

(i) Limits for discounting the accepted bills, which are not accompanied by the documents of title to goods, as also the limits for negotiation of local usance bills accompanied by only invoices or challans, sanctioned to parties covered by the Credit Authorisatiod Scheme require our prior authorisation.@

(ii) Limits for acceptance of such bills do not require our prior authorisation. The banks should, however, report to us the sanction of such acceptance facilities to the parties covered by the Credit Authorisation Scheme. Further, for the purpose of computing the total credit limits available to a party, limits for acceptance facilities sanctioned to it should also be taken into account.

2. We may also clarify that the quarterly statements to be furnished to us in terms of our circular letter DBOD. No. CAS. BC. 78/C. 446(J)-71 dated the 26th June 1971 should cover term loans sanctioned to *the concerns in the private sector only* and need not include those granted to the Electricity Boards and Public Sector Undertakings.

Yours faithfully,
R. C. BHANDARI
Dy. Chief Officer

@ Please see circular DBOD. No. CAS. 112/C.446-71 dated 13th September 1971.

DBOD. No. CAS. BC. 112/C.446-71—13 September 1971

All scheduled commercial banks.

Dear Sir,

CREDIT AUTHORISATION SCHEME

Please refer to paragraph 1(i) of our circular letter DBOD. No. CAS. BC. 89/C. 446-71 dated the 22nd July 1971 in terms of which banks have to obtain our prior authorisation under the above Scheme for sanctioning, to the parties coverd by it, limits for discounting the accepted bills (within the framework of our Bills Rediscounting Scheme) which are not accompanied by documents of title to goods. In this connection, we advise that if such bills discounting limits are sanctioned *in lieu* of the cash credit/overdraft limits specifically authorised by us (not resulting in any increase in the overall limits), banks need not obtain our prior authorisation therefor; the sanction of such limits should, however, be reported to us subsequently.

2. It has also been decided that banks need not obtain our prior authorisation for reallocating credit limits sanctioned to individual parties for working capital purposes, *within* the overall limits specifically authorised by us for such purposes, provided such interchanges do not result in the waiver of any specific condition on which our authorisation was granted earlier. We may add that the reallocation of limits from the exempted categories (i.e. those which do not require our prior authorisation) to the non-exempted categories would continue to be subject to our prior authorisation, unless such transfers are purely temporary.

The reallocation of the working capital limits on a regular basis, within the overall limits already authorised by us, should, however, be reported to us subsequently.

3. It has further been decided that the *occasional* negotiation of bills, bank drafts or third party (outstation) cheques need not be referred to us for our prior authorisation.

Such "stray" negotiation may not also be reported to us subsequently.

Yours faithfully,
R. C. BHANDARI
Dy. Chief Officer

DBOD. No. CAS. BC. 6/C. 446-72—7 January 1972

All scheduled commercial banks.

Dear Sir,

CREDIT AUTHORISATION SCHEME

We have, from time to time, exempted certain categories of advances from the requirement of our prior authorisation under the above Scheme. It has now been decided that banks need not obtain our prior authorisation under the Scheme for granting the undernoted facilities.

(*i*) *Sanction of limits up to Rs. 10 lakhs for a period not exceeding three months.*

Banks should ensure that such limits are sanctioned for genuine productive/trade operations and are adjusted within a period not exceeding three months. The banks should also ensure that the party is not already enjoying such a temporary facility from any other bank. If such limits are not adjusted within a period of three months, the matter should be reported to us. Where any additional limits are proposed to be sanctioned to a party in excess of Rs. 10 lakhs on a regular basis and the release of the facilities is held up pending our prior authorisation, the banks may, if they so desire, allow, on merits, *interim* limits up to Rs. 10 lakhs.

(*ii*) *Credit limits for purchase of third party (outstation) cheques/bank drafts.*

The sanction of such limits should be reported to us subsequently.

(*iii*) *Advances against the security of inland documentary bills received for collection.*

The bills (i.e. demand documentary bills or usance bills drawn on D/P basis) received for collection must be accompanied by railway receipts or lorry receipts of approved transport operators only. The sanction of such limits should be reported to us subsequently.

(*iv*) *Credit limits sanctioned to a party in replacement of its limits with another bank as a result of which, during the intervening period i.e. till its accounts with the existing banker are adjusted, the total limits of the party aggregate/exceed Rs. 1 crore.*

The bank which is taking over the accounts should ensure that the party's limits with the other bank(s) are cancelled ; if, however, it is unwilling to take this responsibility in regard to the cancellation of the limits with the other bank(s), our prior authorisation would be required. The taking over of the limits should be reported to us subsequently.

(*v*) *A limit which was authorised by us earlier, but later reduced by the bank itself, is sought to be restored to the original level.*

The sanction of such increase in the limits would not require our prior authorisation.

(*vi*) *Excess drawings over the sanctioned limit and advances against uncleared effects.*

The excess drawings should not exceed 5 per cent or Rs. 10 lakhs, whichever is lower, over the sanctioned limit. They should also be of a purely temporary nature and for a short duration. If, however, they occur frequently, banks should review the limits sanctioned to the parties concerned. Our prior authorisation for advances against uncleared effects would also not be necessary. These facilities need not also be reported to us subsequently.

(*vii*) *Credit facilities for purchase/discount of bills/third party (outstation) cheques/banks drafts on "ad hoc" basis.*

Where banks are unable to fix suitable credit limits for purchase/discount of bills/third party (outstation) cheques/bank drafts and they are required to purchase bills on an "*ad hoc*" basis, they may do so without our prior authorisation. Banks should, however, endeavour to fix suitable bill limits as far as possible. It should also be ensured by banks that—

(a) the total outstandings under such "*ad hoc*" purchases/discounts for an individual party do not exceed Rs. 10 lakhs at any time,

(b) the bills purchased/discounted represent genuine trade transactions, and

(c) the facilities do not defeat the objectives of our credit control directives.

The grant of such facilities need not be reported to us subsequently.

2. A comprehensive list showing the credit facilities which are exempted from our prior authorisation is attached for your ready reference.

3. As banks are aware, our prior authorisation is not necessary for sanctioning credit limits for purchase/discount of inland documentary bills—vide item V(i) of Part A of the list attached. It has now been decided that banks should, *in future*, obtain our prior authorisation for sanctioning limits for discounting usance bills drawn on D/A basis, whether or not they are accompanied by documents of title to goods at the time of discount. Thus, purchase/discount of demand documentary bills and usance bills drawn on D/P basis only will continue to be exempt from our prior authorisation.

4. It is also observed that while projecting the peak requirements of bank finance in Part B of Form II (enclosed with our circular letter DBOD. No. CAS. 952/C. 446-70 dated the 30th June 1970) banks, in many cases, appear to be showing unpaid stocks as being available for calculating the permissible bank finance. In this connection, we invite your attention to item 4 of the general instructions for compiling data in Form II (enclosed with our above circular) and shall be glad if the projected permissible bank finance takes into consideration this aspect so that the element of double financing may be eliminated.

Yours faithfully,
R. C. BHANDARI
Dy. Chief Officer

LIST OF CREDIT FACILITIES EXEMPTED FROM OUR PRIOR AUTHORISATION

A. *Credit facilities which are exempted from our prior authorisation but which are required to be reported to us subsequently.*

	Types of credit facilities	Circular letter No. and date
	(1)	(2)
I.	Credit facilities by way of packing credit and post-shipment credit relating to exports.	DBOD. No. CAS. 1185/C. 446-68 dated the 22nd July 1968.
II.	Credit limits for financing *distribution* of fertilisers	DBOD. No. CAS. 194/C. 446-69 dated the 27th January 1969.
III.	Credit limits against fixed deposits	DBOD. No. CAS. 733/C. 446-69 dated the 8th April 1969.
IV.	(i) Transfer of limits from one bank to another without involving any increase in the credit limits, provided the need-based character of the advances continues and the corresponding limits with the party's existing bankers are cancelled.	DBOD. No. CAS. 969/C. 446-69 dated the 12th May 1969.
	(ii) Extension of time for limits sanctioned for a temporary period provided :	
	(a) our authorisation under the Credit Authorisation Scheme has been obtained for the original limits.	
	(b) the extension of time is only up to an aggregate period of one year from the date of original sanction and	

	(1)	(2)
	(c) the extensions should not conflict with the provisions of the Banking Regulation Act, 1949, especially section 20 thereof.	
	(iii) Advances to the State Governments and the Food Corporation of India for the financing of food procurement operations or the State Co-operative Banks for financing an apex marketing society directly or district marketing societies or whole-sale stores through affiliated central co-operative banks for the same purpose, such advances being backed by foodgrains pledged or hypothecated to the banks with the necessary margin stipulated by the Agricultural Credit Department of the Reserve Bank of India in this regard.	
	(iv) Advances granted to Electricity Boards and Public Sector Undertakings and those granted against the guarantee of the Central and State Governments.	
	(iva) Advances against Government securities and other trustee securities.@	
	(v) Limits against Government supply bills.	
	(vi) Bill limits sanctioned under the rediscounting scheme of the Industrial Development Bank of India and term loans sanctioned on a *pari passu* basis with the Industrial Development Bank of India or the Agricultural Refinance Corporation, or under their refinancing schemes.	
V.	(i) Purchase/discount of inland documentary bills. This does not cover (a) clean bills, (b) bills accompanied by invoices only and (c) bills drawn on D/A basis.	DBOD. No. CAS. 1486/C. 446-69 dated the 19th August 1969 and DBOD. No. CAS. BC.6/C. 446-72 dated the 7th January 1972.
	(ii) Limits against supply bills drawn on semi-Government bodies (i.e. institutions such as Port Trusts, Municipalities, Municipal Corporations, District and Rural Boards, Panchayats, Improvement Trusts and State Electricity Boards).	
VI.	Limits for acceptance of bills under the new Bill Market Scheme.	DBOD. No. CAS. BC. 89/C. 446-71 dated the 22nd July 1971.
VII.	(i) Bills discounting limits *in lieu* of the cash credit/overdraft limits specifically authorised by us ; the sanction of such limits should not result in any increase in the overall limits of the party.	DBOD. No. CAS. BC. 112/C. 446-71 dated the 13th September 1971.
	(ii) Reallocation of credit limits sanctioned to individual parties for working capital purposes, *within* the overall limits specifically authorised by us for such purposes, provided such inter-changes do not result in the waiver of any specific condition on which our authorisation was granted earlier. This exemption does not cover the re-allocation of limits from the exempted categories (i.e., those which do not require our prior authorisation) to the non-exempted categories, unless such transfers are purely temporary.	
VIII.	(i) (a) Sanction of limits up to Rs. 10 lakhs for a period not exceeding 3 months for genuine productive/trade operations. Banks should, however, ensure that the party is not already enjoying such a temporary facility from any other bank.	DBOD No. CAS. BC. 6/C. 446-72 dated the 7th January 1972.
	(b) Where any additional limits are proposed to be sanctioned to a party in excess of Rs. 10 lakhs on a regular basis and the release of the facilities is held up pending the Reserve Bank's prior authorisation, banks may, if they so desire, allow, on merits, *interim* limits up to Rs. 10 lakhs.	

@ Item (IVa) inserted vide circular DBOD. No. BC.10/C. 446-72 dated 20th January 1972 (Not included in the booklet)

(1)	(2)
(ii) Credit limits for purchase of third party (outstation) cheques/bank drafts.	
(iii) Advances against the security of inland documentary bills (i.e. demand documentary bills or usance bills drawn on D/P basis) received for collection. (The bills must be accompanied by railway receipts or lorry receipts of approved transport operators only).	
(iv) Credit limits sanctioned to a party in replacement of its limits with another bank as a result of which, during the intervening period, i.e., till its accounts with the existing bankers are adjusted, the total limits of the party aggregate/exceed Rs. 1 crore.	
(v) A limit which was authorised by us earlier, but later reduced by the bank itself ; is sought to be restored to the original level.	

B. *Credit facilities which are exempted from our prior authorisation and which need not also be reported to us subsequently.*

I. (i) Temporary excess drawings not exceeding 5% or Rs. 10 lakhs, whichever is lower, over the sanctioned limit and advances against uncleared effects.	DBOD. No. CAS. BC.6/C. 446-72 dated the 7th January 1972.
(ii) Credit facilities for purchase/discount of bills/third party (outstation) cheques/bank drafts on "ad hoc" basis. Banks should, however, ensure that—	
(*a*) the total outstandings under such "ad hoc" purchases/discounts for an individual party do not exceed Rs. 10 lakhs at any time,	
(*b*) the bills purchased/discounted represent genuine trade transactions, and	
(c) the facilities do not defeat the objectives of our credit control directives.	

Notes :—(1) The list does not cover cases where our prior authorisation has been waived for temporary periods or seasonal needs.@

(2) Renewals, in the normal course, of credit limits sanctioned on a regular basis, at the existing/reduced levels do not require our prior authorisation.

(3) Limits for opening letters of credit and issuing guarantees, not partaking the nature of an advance do not fall within the purview of the scheme.

@ Cases of credit for seasonal needs which are exempted from prior authorisation are contained in circulars dated 13-9-1971, 8-12-1971, 11-12-1971, 29-12-1971 and 19-1-1972, 26-5-1972 [included in Section. V(*i*)]

DBOD. NO. CAS. BC. 125/C. 446-72
18 December 1972

All Scheduled Commercial Banks.

Dear Sir,

CREDIT AUTHORISATION SCHEME

As banks are aware, we had, in terms of our circular letter DBOD. No. CAS 952/ C. 446-70 dated the 30th June 1970,* introduced a comprehensive set of *pro forma* statements with a view to placing the credit appraisal in banks on a more systematic basis as also with a view to helping banks in decision-making and proper follow-up. Banks would have, by now, evolved a more effective machinery for appraising credit proposals, particularly the larger ones, on the lines suggested by us. With the rationalisation of the appraisal procedures in banks, it is also expected that they would themselves be stipulating suitable covenants so as to discipline the borrowers and prevent misuse of funds made available to them. In view of this, it has been decided, in partial modification of the existing exemptions in respect of temporary limits, interim limits and excess drawings (vide our circular letter DBOD. No. CAS. BC. 6/C. 446-72 dated the 7th January 1972),@ that banks need not obtain our prior authorisation for sanctioning the following facilities :

(*i*) Temporary limit upto Rs. 25 lakhs to a borrower for a period not exceeding 3 months for genuine productive trade operations. Banks should, however, ensure that the party is not already enjoying such a temporary facility from any other bank.

(*ii*) Interim accommodation up to Rs. 25 lakhs, pending our prior authorisation for higher limits sanctioned by banks on a regular basis.

(*iii*) Temporary excess drawings over the sanctioned limit up to 10% thereof or Rs. 25 lakhs, whichever is lower.

The grant of the facilities at items (*i*) and (*ii*) above should, however, be reported to us subsequently.

2. While applying to us for our prior authorisation or making a subsequent report, as the case may be, banks should invariably furnish us with data and other particulars as required in our aforesaid circular dated the 30th June 1970, including cash flow statement in the case of larger cash credit/overdraft facilities (say, Rs. 25 lakhs and over). In this connection, in order to obviate avoidable correspondence, it has been decided that banks should, *in each case*, furnish us with a brief and self-contained note or a copy of the relative note put up by them to the sanctioning authorities, explaining the reasonableness of the assessment of working capital needs and the justification for the additional limit/s sought, in the light of the working capital data, the cash flow projections and the projected production/sales turnover.

3. In terms of paragraph 5 of our circular letter dated the 30th June 1970 referred to above, banks are required to furnish us, *inter alia*, with Project Reports while seeking our prior authorisation for granting term loans. It has now been decided that banks need not hereafter furnish us with such Project Reports where the amount of the loan does not exceed Rs. 25 lakhs. However, the salient features of the project/expansion programme should be explained while making the relative application.

Yours faithfully,
K. B. CHORE
Deputy Chief Officer.

DBOD. No. CAS. BC. 25/C. 446-73
21 March 1973

All Scheduled Commercial Banks.

Dear Sir,

CREDIT AUTHORISATION SCHEME ADVANCES TO PUBLIC SECTOR UNDERTAKINGS.

Please refer to paragraph 7 of Governor's Circular letter DBOD. No. Sch. BC. 21/C.

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* Please see page 4 of this section.
@ Please see page 22 of this section.
Note: It has been subsequently clarified in circular DBOD. No. CAS. BC. 85/C. 446-73 dated 25th July 1973 that banks may grant defence packing cum supply credit limits subject to the precautions indicated in the circular dated the 11th December 1971. [Page 77 in section V(*i*)] Such limits are required to be reported to Reserve Bank subsequently.

96-73 dated the 17th March 1973@ advising banks that advances to public sector undertakings, including State Electricity Boards, as also advances against the guarantee of Central and State Governments, will be subject to our prior authorisation under the Credit Authorisation Scheme. In this connection, we advise that banks should hereafter obtain our prior authorisation under the Scheme for sanctioning to public sector undertakings, including State Electricity Boards, any fresh credit limit (including commercial bill discounts) of Rs. 3 crores or more or any limit that would take the total limits enjoyed by such a party from the entire banking system to Rs. 3 crores or more, on secured or unsecured basis. Banks should also obtain our prior authorisation under the above Scheme for sanctioning (singly or jointly with other bank (s)/institution(s)) of individual, medium or long term loan of Rs. 1 crore and above, repayable over a period of more than three years, to the above category of borrowers, irrespective of the totality of the credit limits enjoyed by such a borrower from the banking system as a whole.

2. As regards State Electricity Boards, bank finance for implementation of power programmes should take the form mainly of increased subscription to open market loans floated by the Electricity Boards. If during the course of a year, the outlays on certain power programmes are required to be stepped up to secure early completion of projects and the Boards are allowed to go in for additional open market loans or special debentures, then banks could subscribe to these also.

As regards credit facilities that banks may extend to State Electricity Boards, a further letter will follow.

3. It has also been decided to withdraw the existing exemption from the requirement of our prior authorisation in regard to the advances covered by Central and State Government guarantees, in respect of parties enjoying credit limits of Rs. 3 crores or more from the entire banking system or in regard to any such limit that would take the total limits enjoyed by such party from the entire banking system to Rs. 3 crores or more on secured or unsecured basis, as also in respect of individual term loans of Rs. 1 crore and above irrespective of the totality of the credit limits enjoyed by such borrower from the banking system as a whole.

4. Instructions issued by us (except those modified in the foregoing paragraphs) in regard to Credit Authorisation including reporting of advances which do not require our prior authorisation will continue to be effective.

5. We would also like to impress upon banks that while seeking our authorisation under the Scheme, they should furnish us with the required data in terms of our circular letter DBOD. No. CAS. 952/C. 446-70 dated the 30th June 1970,* together with a copy of the latest balance sheet. Where, however, the present forms in which data are now required to be given, warrant modification/ revision to suit the nature of the business activity of the borrowing unit concerned, (*e.g.*, Form II in the case of public utility concerns), banks could modify the forms suitably, furnishing explanatory notes. We may also add that banks should, in each case, furnish us with a brief and self-contained note or a copy of the relative note put up by them to the sanctioning authorities, explaining the reasonableness of the assessment of working capital needs and the justification for the additional limit/s sought, as advised in paragraph 2 of our circular letter DBOD. No. CAS. BC. 125/C.. 446-72 dated the 18th December 1972. This would obviate avoidable correspondence and the consequent delay.

Yours faithfully,
R. K. HAZARI
Deputy Governor.

@ This circular is included in section III(*a*).

* Vide page 4 of this section.

DBOD. No. CAS. BC. 33/C. 446-73
27 March 1973

All scheduled commercial banks.

Dear Sir,

CREDIT AUTHORISATION SCHEME—ADVANCES TO PUBLIC SECTOR UNDERTAKINGS.

Please refer to paragraph 2 of our circular letter DBOD. No. CAS. BC. 25/C. 446-73 dated the 21st March 1973 regarding bank finance to State Electricity Boards. We clarify that finance for implementation of "power programmes" will cover all types of capital investment by the Electricity Boards. Bank finance for implementation of these programmes, as stated in our above-mentioned circular, should take the form mainly of increased subscription to open market loans or special debentures floated by the Electricity Boards. In case the outlays on certain power programmes need to be increased during the course of a year, and the Boards are allowed to go in for additional open market loans or special debentures, the bank could subscribe to these also.

2. Banks may keep in view the following further guidelines for extending credit to these Boards :

(*i*) Banks may after proper scrutiny extend credit for rural electrification programmes relating to energisation of tube wells or pumpsets. It may, however, be ensured that the expenditure on feeder lines from sub-stations to the pumpsets and tube wells constitutes the major part of the proposed outlay on the programme and that the proportion of expenditure on other items such as street lighting, etc. is kept to the minimum.

(*ii*) Banks may extend short-term accommodation to those Electricity Boards, for whom they are acting as bankers, for meeting their working capital requirements, bridging requirements and ways and means requirements. Bridging finance should be extended only for short periods not exceeding one year and that too on a clear indication of the amount as well as the source of funds from which the bridging finance is proposed to be cleared. Such short-term loans should not be related to budgetary provisions to be made from the Consolidated Funds of the States.

Yours faithfully,
R. H. HAZARI
Deputy Governor.

SECTION IX

APPOINTMENTS AND REMUNERATION

SECTION IX

APPOINTMENTS AND REMUNERATION

No. and Date	Subject
Rem. 2319/C. 318(B)-59 26-3-1959	Section 35B of the Banking Companies Act—Specimen forms for seeking approval of Reserve Bank.
Rem. 8647/C. 318(C)-59 13-11-1959	Section 35B of the Banking Companies Act—Applications to be submitted in duplicate to the principal office of Reserve Bank.
Rem. 5967/C. 318(B)-64 11-5-1964	Accumulation of leave, retirement age, etc. of Chief Executive Officers of banks—Principles governing the above matters.
Rem. 8073/C. 318(B)-64 30-6-1964	Section 35B of the Banking Companies Act—Advice to banks to submit applications for appointment/re-appointment of Chief Executives sufficiently in advance.
Leg. 185/C. 233-68 21-8-1968	Appointment of whole-time officers or employees of banks as directors or part-time employees of companies—Advice to banks to obtain Reserve Bank's approval.
Rem. 351/C. 318(B)-70 11-9-1970	Amendments to Articles of Association of banks—Advice to banks to forward to Reserve Bank the draft of the amendments before they are circulated to shareholders.
ARS.525/C. 234(B)-72 9-6-1972	Advice to nationalised banks—Custodians/Officers should not draw sitting fees for attending the meetings of the Board/Committees of directors of financial institutions/companies on which they have been nominated as directors.

SECTION IX

APPOINTMENTS AND REMUNERATION

No. and Date	Subject
ARS. BC 75/C. 318(C)-72 2·9·1972	Section 35B of the Banking Regulation Act, 1949—Specimen forms for submission of applications seeking approval of the Reserve Bank.
ARS. BC. 80/C. 318(B)-72 14·9·1972	Payment of travelling expenses to whole-time Chairmen and other directors—Advice to Banks to reimburse the cost of actual travelling expenses.

DBO. No. Rem. 2319/C. 318(B)-59— 26th March 1959

All scheduled and non-scheduled banks.

Dear Sir,

SECTION 35B OF THE BANKING COMPANIES ACT, 1949

* * * * * * * *

With a view to ensuring that banks applying to us for our approval in terms of the above-mentioned section furnish the requisite information in their applications, we enclose two specimen forms of applications indicating the usually necessary particulars. Form 'A'@ is for the purpose of seeking our approval for the amendment of a provision relating to the appointment or re-appointment†† or remuneration of the specified persons [vide clause (a) of sub-section (1) of the section ibid] whereas Form 'B'@ is for use while applying for our prior approval for the appointment or re-appointment of the concerned persons [vide clause (b) of sub-section (1) of the section ibid].

2. We shall be glad if you will kindly submit to us £ in future applications under the above section in the relevant form giving all the information called for therein.

Yours faithfully,
MANGESH S. NADKARNI
Asstt. Chief Officer

DBO. No. Rem. 8647/C. 318(C)-59—13 November 1959

All scheduled and non-scheduled banks.

Dear Sir,

SECTION 35B OF THE BANKING COMPANIES ACT, 1949

* * * * * * * *

It has been decided that banking companies should send these applications££ to the principal office of the Reserve Bank, i.e., the office of the Reserve Bank to which returns prescribed under the Banking Companies Act are submitted by them. We shall, therefore, be glad if you will kindly send such applications to the principal office of the Reserve Bank in future *in duplicate* in the forms enclosed with our circular letter DBO. No. Rem. 2319/C. 318(B)-59 dated the 26th March 1959.

2. We shall also be glad if the statements in Form I required to be sent in terms of Rule 5 of the Banking Companies Rules, 1949 are hereafter submitted *in duplicate* to our office concerned.

Yours faithfully,
M. J. AMBANI
Asstt. Chief Officer

DBO. No. Rem. 5967/C. 318(B)-64—11 May 1964

All scheduled and non-scheduled banks (excluding foreign banks).

Dear Sir,

ACCUMULATION OF EARNED LEAVE, RETIREMENT AGE, ETC. OF THE CHIEF EXECUTIVES OF BANKS

It has been noticed in the case of some banks that their chief executives have been allowed the privilege of accumulating earned leave for unduly long periods and that the leave rules applicable to them were not mentioned in the relative applications for their appointments/re-appointments submitted to the Reserve Bank for approval under section 35B of the Banking Companies Act, 1949. It is desirable that the chief executives should be encouraged to avail themselves of leave at reasonable intervals, in their own interests and in the interest of the administrative efficiency of the institutions they serve. We, therefore, consider that they should be allowed to proceed on leave periodically, that the privilege of accumulating earned leave be confined to a maximum period of four months subject to relaxation up to six months in exceptional circumstances and that the leave be availed of before the term of their service expires.

@ In the light of the amendments to the relative provisions of the Banking Regulation Act, 1949 as well as of Companies Act, 1956, the forms have since been revised and forwarded to banks in September 1972. The forms attached to this circular have not, therefore, been included in this booklet.

†† The forms of applications now covers termination of appointment also.

£ Applications are now to be submitted to the principal office of the Reserve Bank—vide circular DBO. No. Rem. 8647/C. 318(C)-59 dated 13th November 1959.

££ Applications under Section 35B of the Banking Companies Act.

We also consider that the maximum age of retirement for chief executives should not exceed 65 years provided they are otherwise fit and that no perquisites excepting bank's contribution to provident fund and the counting of the period for gratuity, if any, should be admissible to them during the leave preparatory to retirement.

2. We shall be glad if you will kindly ensure that the terms governing leave, superannuation benefits, etc. applicable to the chief executives are fixed on the basis of the principles enunciated above and mentioned specifically, among other things, in the relative applications to the Reserve Bank.

Yours faithfully,
K. VARNASY
Jt. Chief Officer

DBO. No. Rem. 8073/C. 318(B)-64—30 June 1964

All scheduled and non-scheduled banks (except the State Bank of India and its subsidiaries).

Dear Sir,

SECTION 35B OF THE BANKING COMPANIES ACTS, 1949

Please refer to our circular letter DBO. No. Rem. 2319/C. 318(B)-59 dated the 26th March 1959, enclosing the specimen forms in which applications for our approval in terms of the provisions of the abovementioned section are to be made to us.

2. It is observed that applications in Form 'B' i.e. for our approval of appointments or re-appointments of the persons specified in the section, are sometimes submitted by banks only a short time before, or even after, the dates on which it is proposed to give effect to the appointment/re-appointments, with the result that it is not possible for the Reserve Bank to convey its decision in this behalf before such dates. Since in terms of clause (b) of sub-section (1) of the section all appointments or re-appointments falling within the purview of the section require the *prior* approval of the Reserve Bank and in order to avoid any hardship to banks which may arise as a result of non-compliance with the provisions of the section or by reason of operation of the provisions of sub-section (3) of the section, banks are advised, in their own interest, to submit in future all applications in Form 'B' sufficiently in advance of the dates on which the proposed appointments/re-appointments are to have effect, say three months before the dates concerned.

3. An amendment of any provision relating to appointment, re-appointment or remuneration of a managing director or any other director, wholetime or otherwise or of a manager or a chief executive officer by whatever name called, whether that provision is contained in the company's memorandum or articles of association, or in an agreement entered into by it or in any resolution passed by the Company in general meeting or by its board of directors will not have effect unless approved by the Reserve Bank. In view of this, it is desirable in such cases also that banks should submit the relative applications in Form 'A' sufficiently in advance.

Yours faithfully,
D. SHARMA
Dy. Chief Officer

DBOD. No. Leg. 185/C. 233-68—21 August 1968

All scheduled and non-scheduled commercial banks.

Dear Sir,

APPOINTMENT OF WHOLE-TIME OFFICERS OR EMPLOYEES AS DIRECTORS OR PART-TIME EMPLOYEES OF COMPANIES

As you are aware, section 10(1)(c)(i) of the Banking Regulation Act, 1949 prohibits a banking company from being managed by any person who is a director of any other company not being (a) a subsidiary of the banking company or (b) a company registered under section 25 of the Companies Act, 1956. In terms of the proviso to the aforesaid section, the above prohibition does not apply in respect of any such director for a temporary period not exceeding three months or

such further period not exceeding nine months as the Reserve Bank may allow. It is, however, observed that in the case of certain banking companies, a few of their whole-time officers or employees are directors of other companies. As this militates against the spirit of section 10(1)(c)(i) of the Act, we shall be glad if you will please obtain the approval of the Reserve Bank of India before permitting any of the whole-time officers or employees of the bank to become a director or a part-time employee of any other company, not being a subsidiary of the banking company or a company registered under section 25 of the Companies Act, 1956. Applications in this respect giving relevant particulars about the appointment should be sent to the office of the Reserve Bank to which the returns under the Banking Regulation Act are being submitted.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(Operations)

DBOD. No. Rem. 351/C.318(B)-70—11 September 1970

All Indian commercial banks (excluding State Bank of India, its subsidiaries and nationalised banks).

Dear Sir,

SECTION 35B OF THE BANKING REGULATION ACT, 1949—AMENDMENTS TO ARTICLES OF ASSOCIATION

It is observed that banks governed by the Companies Act, 1956 which propose to amend their Articles of Association forward to us the proposed amendments after convening a general meeting of shareholders for the purpose of approving the amendments. In case the Reserve Bank were to suggest any modifications to the Articles of Association of the bank, it will be necessary for the bank to convene another general meeting for the purpose of promoting further amendments to the Articles. This would involve expenditure to the bank. It is, therefore, suggested that in cases when banks propose to amend their Articles of Association and such amendments require our approval under the provisions of section 35B of the Banking Regulation Act, 1949, they should forward to the Reserve Bank the *draft* of the amendments before they are circulated to the shareholders and they should not convene a meeting of the shareholders unless the Reserve Bank clears the amendments.

Yours faithfully,
G. G. DESHPANDE
Dy. Chief Officer

DBOD. No. ARS. 525/C. 234(B)-72—9 June 1972

Custodians of all nationalised banks.

Dear Sir,

ACCEPTANCE OF SITTING FEES BY CUSTODIANS/OFFICERS OF NATIONALISED BANKS NOMINATED ON THE BOARDS OF FINANCIAL INSTITUTIONS/ COMPANIES

* * * * * * * *

It has been decided that, *in future*, the Custodians/Officers of the nationalised banks should not draw sitting fees for attending meetings of the Boards/Committees of directors of financial institutions/companies on which they have been nominated@ as directors.

Yours faithfully,
P. R. KULKARNI
Dy. Chief Officer

@ Nominated directors include elected directors also.

DBOD. No. ARS. BC. 75/C. 318(C)-72
2 September 1972

All Scheduled and Non-scheduled commercial banks (except the nationalised banks and State Bank of India Group)

Dear Sir,

SECTION 35B OF THE BANKING REGULATION ACT, 1949

Please refer to our circular letter DBO. No. Rem. 2319/C. 318(B)-59 dated the 26th March 1959,@ enclosing specimen Forms 'A' and 'B' for submission to the Reserve Bank your bank's applications under section 35B of the Banking Regulation Act, 1949, and also the subsequent circulars issued by us in this regard from time to time, ending with DBO No. Rem. 198/C. 318 (B)-64 dated the 2nd December 1964. In the light of the amendments to the relative provisions of the Banking Regulation Act, 1949, as well as of the Companies Act, 1956, certain modifications in the above Forms have become necessary. Accordingly, we enclose revised specimen Forms 'A' and 'B'., which should be substituted for the previous Forms. Form 'A' is for the purpose of seeking our approval for the amendment of a provision relating to the appointment or re-appointment or termination of appointment or remuneration of the concerned persons (vide clause (a) of sub-section (1) of section 35B *ibid*), while Form 'B' is for applying for our *prior* approval for the appointment or re-appointment of the Chairman/wholetime director/Chief Executive Officer, by whatever name called (vide clause (b) of sub-section (1) of the section *ibid*). We shall be glad if you will please submit the applications in future, in duplicate, in the revised Forms to our concerned regional offices as hitherto.

2. It may please be noted that banks should, in their own interest, submit the applications in Form 'B' well in advance of the dates on which the proposed appointments/re-appointments are to have effect, say, three months before those dates. It is also desirable that banks should submit their applications in Form 'A' sufficiently in advance. In this connection, we invite your attention to our circular letter DBO. No. Rem. 8073/C. 318(B)-64 dated the 30th June 1964.* As regards amendments to the Articles of Association, a reference is invited to our circular letter DBOD. No. Rem. 351/C. 318-(B)-70 dated the 11th September 1970.£ It may please be noted in this regard that the draft of the proposed amendments to the Articles should be in the form of a statement in the enclosed Form 'C' to enable us to expeditiously deal with them.

Yours faithfully,
R. N. MAJUMDAR
Dy. Chief Officer.

@Please see page 1 of this section.

*Please see page 2 of this section.

£Please see page 3 of this section.

FORM A

FORM OF APPLICATION FOR THE APPROVAL OF THE RESERVE BANK OF INDIA TO AN AMENDMENT OF A PROVISION RELATING TO THE APPOINTMENT/RE-APPOINTMENT/REMUNERATION, ETC. OF A CHAIRMAN (CHIEF EXECUTIVE OFFICER) OR ANY OTHER DIRECTOR OR TERMINATION OF APPOINTMENT OF A DIRECTOR

Name of the banking company .....

Address .....

Date .....

The Joint/Deputy/Assistant Chief Officer,
Department of Banking Operations and Development,
Reserve Bank of India,

.....

Dear Sir,

SECTION 35B OF THE BANKING REGULATION ACT, 1949

We hereby apply for the approval of the Reserve Bank in terms of section 35B of the Banking Regulation Act, 1949, to the following amendment/s of the relevant provision/s as per particulars given below. We shall be glad to furnish any further information that you may deem necessary in this connection.

Yours faithfully,

(Signature)

(Designation)

Particulars

(1) State who is the competent authority to make the amendment/s in question. In case it is the Board of Directors, please quote the number of the relevant Article :

[A certified copy of the resolution (also mentioning the date thereof) of the competent authority—the General Body or the Board of Directors, as the case may be—authorising the amendment/s should be furnished along with the application. If the resolution is in vernacular, a certified copy thereof—as translated into English may preferably be supplied.]

(2) Full name of the person to whom the amendment relates :

(3) Post held by him and whether he is also the Chief Executive Officer :

(4) Particulars of— .. .. } The particulars should be furnished in the enclosed Form 'C'.

(*a*) the existing provision/s : } .. ..

(*b*) the proposed amendment/s : } .. ..

[For instance: an amendment of the Articles relating to the appointment or re-appointment or termination of appointment or remuneration (including sitting fees, travelling/ halting allowance, other payments/ benefits) of the specified persons ; additions to the remuneration payable to them such as by way of an increase in the pay, allowances perquisites and benefits, etc.]

(5) Position in regard to compliance with such of the provisions of the Companies Act, 1956, as are attracted, *e.g.*, sections 197 A, 302, 309 and 314.
Please state the position with reference to each section (which is applicable) separately :

(6) Any additional facts which the banking company may like to state in support of the application or otherwise :

For _____
(Name of the banking company)

_____
(Signature)

_____
(Designation)

FORM B

FORM OF APPLICATION FOR THE APPROVAL OF THE RESERVE BANK OF INDIA TO THE APPOINTMENT/RE-APPOINTMENT OF A CHAIRMAN (CHIEF EXECUTIVE OFFICER)

Name of the the Banking Company .....

Address .....

Date.....

The Joint/Deputy/Assistant Chief Officer,
Department of Banking Operations and Development,
Reserve Bank of India,

.....

Dear Sir,

SECTION 35B OF THE BANKING REGULATION ACT, 1949

We hereby apply for the approval of the Reserve Bank in terms of section 35B of the Banking Regulation Act, 1949 to the following appointment/re-appointment* and give below the relevant particulars. We shall be glad to furnish any further information that you may deem necessary in this connection.

Yours faithfully,

_____
(Signature)

_____
(Designation)

* Strike out the word that is not applicable.

Particulars

(1) State who is the competent authority to make the appointment/ re-appointment in question and to fix the terms thereof. In case it is the Board of Directors, quote the number of the relevant Article :
[A certified copy of the resolution (also mentioning the date thereof) of the competent authority—the General Body or the Board of Directors, as the case may be—authorising the appointment/re-appointment should be furnished along with the application. If the resolution is in vernacular, a certified copy thereof as translated into English may preferably be supplied.] .. ..

(2) Full name of the person to be appointed/re-appointed :

(3) His present designation .. ..

(4) His (*a*) age, ...
(*b*) academic qualifications, ...
and (*c*) banking and/or other professional experience, stating the name/s of the institution/s, the position/s held therein and the approximate period of such experience : .. ..

(5) Terms of appointment/re-appointment :
(*a*) whether the appointment/re-appointment will be under a contract or agreement. (If so, a copy of the draft contract or agreement should be furnished, together with a copy of the existing contract or agreement, if any) : ..
(*b*) period of appointment/re-appointment, if any, fixed : .. .. ..
(*c*) details of remuneration : .. .. } The particulars should be furnished in the enclosed Form 'D'.

(6) (*a*) State whether the banking company complies with the provisions of section 10(1) (*b*)(*i*) and (*ii*) and section 10(1)(*c*) of the Banking Regulation Act, 1949 in respect of the person proposed to be appointed/re-appointed .. ..
(*b*) State whether the person to be appointed as the Chairman (Chief Executive Officer) is subject to any of the disqualifications mentioned in section 10B(4) of the Banking Regulation Act, 1949 : .. ..

(7) Position in regard to compliance with such of the provisions of the Companies Act, 1956 as are attracted, *e.g.*, sections 197A, 302, 309 and 314. Please state the position with reference to each section separately : .. ..

(8) Any additional facts which the banking company may like to state in support of the application or otherwise .. ..

For _____
(Name of the banking company)

_____
(Signature)

_____
(Designation)

Note : In case the application relates to the re-appointment of the Chairman, also involving an amendment of the provision/s relating to his existing appointment or remuneration, only one application as in Form 'B' need be submitted, particulars of the existing provision/s and the proposed amendment/s being furnished as indicated in item 5 thereof.

FORM C

DRAFT OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Article No.	Provisions of the Existing article	Amendments proposed	Article as it would stand after amendment	Reasons for the amendment
(1)	(2)	(3)	(4)	(5)

FORM D

DETAILS OF REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

Remuneration, etc.	Existing	Proposed	Reasons for change
(1)	(2)	(3)	(4)

Remuneration :
1. Salary .. ..
2. Dearness allowance .. ..
3. House rent allowance .. ..
4. Conveyance allowance .. .. ..
5. Entertainment allowance .. .. ..
6. Other allowances, if any (please specify) ..

Perquisites :
1. Free furnished house .. ..
2. Free use of bank's car for .. .. ..

   (*i*) official purposes .. ..
   (*ii*) for private purposes on compensating the bank with suitable amount .. ..

3. Provident Fund/Gratuity/Pension .. ..
4. Travelling and Halting Allowances .. ..
5. Medical benefits .. ..
6. Other benefits, if any (please specify) ..

Leave :
1. Casual Leave .. ..
2. Ordinary Leave .. ..
3. Sick Leave .. ..
4. Leave Fare Concession .. .. ..

Note : (1) If any of the benefits is of a non-monetary nature, *e.g.* free furnished house, its monetary equivalent as best as it is possible to determine, should be given. In case the person to be appointed is already associated with the applicant bank, particulars of his existing remuneration, etc., should be furnished.

(2) If the bank proposes to increase the emoluments and/or other benefits/perquisites, the reasons therefor may be explained suitably under column No. (4).

DBOD. No. ARS. BC. 80 /C. 318(B)-72
14 September 1972

All commercial banks (except foreign banks, nationalised banks, State Bank of India and its subsidiaries).

Dear Sir,

PAYMENT OF TRAVELLING EXPENSES TO WHOLE-TIME CHAIRMEN AND OTHER DIRECTORS

We have recently reviewed the position regarding the existing practice of banks in the matter of reimbursement/payment of travelling allowance/expenses to their whole-time Chairmen and Chief Executive Officers as well as to their directors, in connection with the journeys undertaken by them on official business. It has been observed that there is no uniformity, among the banks, in the system followed in this regard. Thus, while some banks reimburse the cost of *actual* travel, whether the travel is undertaken by rail, air or sea and pay a fixed rate per k.m. for travel by road, other banks have been paying an extra fare (normally either ¼ or ½ fare more in the class of travel admissible or by way of a fixed mileage rate, purportedly to cover the incidental charges) *in addition* to the actual cost of travel by air, rail or sea, as the case may be.

2. As the Chairmen and other directors are also entitled to the usual halting allowance, etc., it is felt that there should be no need to pay any extra fare, in addition to meeting the actual cost of travel. We are, therefore, of the view that those banks which are at present allowing an extra fare in respect of travel by their Chairmen/directors should review the position in this regard in the light of what has been stated above and revise the existing rules to provide for the payment of *actual* travelling expenses to their Chairmen/directors, i.e. single fare each way, whether the travel is by rail, air or sea, plus and further transport and other incidental expenses incurred in travelling to and from the place of meeting/business.

3. We shall be glad if your bank will kindly take suitable action in this regard, if your present rules relating to travelling allowance are not in accordance with what has been stated in paragraph 2 above. The relevant application, under section 35B of the Banking Regulation Act, 1949, may be submitted to our concerned regional office as usual.

Yours faithfully,
R. N. MAJUMDAR,
Deputy Chief Officer.

SECTION X

RETURNS

SECTION X

RETURNS

No. and Date	Subject
Sch. 2531/C. 103(B)-59 1-4-1959	Banking Statistics as on 31st March—Information required to be furnished by banks.
Bom. 9168/C. 236-59 2-12-1959	Borrowings from IDBI—Classification in Balance Sheet.
Bom. 500/C. 236-62 15-1-1962	Distinction between 'provision' and 'reserve'
Bom. 2061/C. 236(D)-63 25-2-1963	Returns submitted by banks—Provisions in respect of Income-tax to be treated as outside liability to the extent of actual liability.
Leg. 11977/C. 236-63 22-10-1963	Placing of funds by banks with industrial houses—Classification of such funds as advances in balance sheets, returns under Banking Regulation Act and weekly returns.
Rem. 102/C. 267 A-64 22-10-1964	Returns in Form I—Instructions regarding compilation.
Ret. 310/C. 236-65 31-12-1965	Return in Form XII (Revised)—Submission in duplicate for March, June, September and December.
Ret. 30/C. 254-67 13-2-1967	Form of Balance Sheet—Particulars of capital—Disclosure of bonus shares.
Sch. 1720/C. 110-67 16-11-1967	Returns submitted by banks—Classification—Usance bills converted for the purpose of Bill Market Scheme.
Ret. 294/C. 254-69 28-11-1969	Deposits on Balance Sheet date—Window dressing.
Ret. BC. 138/C. 236-71 3-12-1971	Borrowings from IDBI—Classification in Balance Sheet—Borrowings under new documentation as 'unsecured' and under old documentation as 'secured.'
Ret. BC. 149/C. 236(G)-71 27-12-1971	Return in Form X—Classification of branch adjustments account—Advice to banks to include in the returns net credit balance in the branch adjustments account.
Nat. 152, 153, 154/C.464(M) -72 1-2-1972	Statistics relating to priority sector advances—*Pro formae.*
Nat. 634/C. 464(M)-72 25-4-1972	Statistics relating to priority sector advances—Advice to banks to arrange to submit consolidated statements within the scheduled time.
Leg. BC. 46/C. 234-72 6-5-1972	Form of Balance Sheet—Government of India notification—Exemption regarding disclosure of market value of investments in Government and other Trustee securities in the balance sheet as at 31-12-1971.

No. and Date	Subject
EFS. 636/C. 452(K)-70 26-3-1970	Section 30(1A) of Banking Regulation Act—Need for rotation of auditors.
Nat. 964/C. 469(F)-70 29-4-1970	Audit of balance sheets of nationalised banks—*Pro forma* of the auditors' certificate and of letters forwarding audit reports to Department of Banking (Government of India) and Reserve Bank of India.
Nat. 975/C. 469 (F)-70 29-4-1970	Closing of books and preparation of final accounts of nationalised banks—Instructions and *pro forma* of directors' report.
EFS. 1245/C. 452(K)-70 5-6-1970	Half-yearly closing and audit of books by nationalised banks.
Nat. 1448/C. 469(F)-70 11-6-1970	Printing and publication of balance sheet etc. of nationalised banks—Printing of annual reports in regional language—Publishing of statement of Chairman/Custodian.
EFS. 1429/C. 452(K)-70 29-6-1970 EFS. 1451/C. 452(K)-70 1-7-1970	Appointment of statutory Central Auditors by nationalised banks.
Nat. 1694/C. 469(F)-70 3-7-1970	Closing of books and preparation of final accounts by nationalised banks—Hindi terminology to be used by banks.
EFS. 1811/C. 452(K)-70 14-8-1970	Section 228 of Companies Act—Audit of branches—Applicability to foreign banks.
EFS. 2065/C. 452(K)-70 19-9-1970	Appointment of branch auditors for Indian branches of nationalised banks—Aspects to be borne in mind in drawing up programme of audit.
EFS. 2112/C. 452(K)-70 26-9-1970	Half-yearly closing of Accounts—Advice to nationalised banks regarding appropriations out of profit for half year.
Nat. CIR. C. 11/C. 469 (F)-70 5-10-1970	Advice to nationalised banks regarding transfer of profit to Government.
Nat. CIR. C. 16/C. 469(F)-70 24-10-1970	Closing of books and preparation of final accounts—Format of auditors' certificate.
Nat. CIR. C. 23/C. 469(F)-70 16-12-1970	Hindi version of balance sheet—Further Hindi terminologies.
ARS. 367/C. 452(K)-71 26-4-1971	Nationalised banks—Remuneration of Statutory Central Auditors and branch auditors.
ARS. 568/C. 452(K)-71 23-6-1971	Appointment of Statutory Central Auditors of nationalised banks for 1971.
ARS. 1132/C. 452(K)-71 15-12-1971	Appointment of branch auditors of nationalised banks for 1971—Remuneration.
ARS. 18/C. 452(K)-72 7-1-1972	Advice to nationalised banks to furnish information relating to the remuneration paid by them to statutory central auditors and branch auditors.
ARS. 533/C. 452(K)—72 13-6-1972	Nationalised banks—Appointment of statutory auditors for 1972—Procedure.

SECTION X

RETURNS

No. and Date	Subject
Returns relating to priority sector advances of banks	
Nat. 1086/C. 464 (M)-72 17·7·1972	Statistics relating to the priority sectors—Quarterly returns—Clarification that credit extended to State Small Industries Corporations and State Industrial Development Corporations should not be included in the figures of advances to small-scale industries.
Nat. BC. 87/C. 453-72 7·10·1972	Loans granted to farmers—Classification of advances granted to farmers against gold in the returns to Reserve Bank and C.G.C.I.
Nat. BC. 110/C. 456(H)-72 16·11·1972	Special Returns on Agricultural Advances—Pro formae.
Returns under the Reserve Bank of India Act	
Ret. BC. 8/C. 236 (G)-73 12·2·1973	Branch Adjustment Account—Banks to include in the weekly returns under section 42 of the Reserve Bank of India Act net credit balance in the 'Branch Adjustment Account.'
Sch. BC. 75/C. 110-73 22·6·1973	Weekly returns under section 42(2) of the Reserve Bank of India Act, 1934—Regarding reporting of the figures of additional reserves.
Returns under Banking Regulation Act.	
Ret. BC. 10/C. 236(G)-73 12·2·1973	Sections 18 and 24 of Banking Regulation Act, 1949—Banks to report returns in Forms III and X net credit balance in the 'Branch Adjustment Account'
Leg. BC. 73/C. 234-73 16·6·1973	Banking Regulation Act—Exemption from the provisions of Note (f) appended to the form of balance sheet.
Audit and Balance Sheet	
Nat. BC. 14/C. 469(F)-73 13.2.1973	Finalisation of accounts and submission of balance sheet as at 31st December 1972—Advice to nationalised banks to finalise the annual accounts within the prescribed period.
ARS. 421/C. 452(K)-73 14·5·1973.	Advice to nationalised banks to discontinue the half-yearly audit of their books as also conveying to them the formula for selection of branches for annual audit.

DBO. No. Sch. 2531/C. 103(B)-59—1 April 1959

All scheduled banks.

Dear Sirs,

BANKING STATISTICS AS ON MARCH 31

At present the data relating to scheduled banks contained in their weekly returns under section 42(2) of the Reserve Bank of India Act, 1934 are available only as of each Friday while that contained in Form XIII* under the Banking Companies Act, 1949 are available as of the last Friday of the month. In order to facilitate the study and statistical comparison of the monetary and fiscal data relating to the financial year (April 1 to March 31) on a more accurate basis, it has been decided to obtain in future from all scheduled banks additional returns as of *March 31* containing the usual data embodied in the weekly return under section 42(2) of the Reserve Bank of India Act and the monthly return in Form XIII* under the Banking Companies Act.

2. You are accordingly requested to submit every year a return as on March 31, on the lines of the weekly return referred to above, to the principal office of the Reserve Bank *not later than April 15*. The first return to be so submitted this year should show the required information both as on the 31st March 1958 and the 31st March 1959, and in view of this, as a special case, the return may be submitted not later than the 30th April 1959. The subsequent return should relate only to the 31st March every year.

3. You are also requested to submit every year an additional return showing the assets and liabilities in India of your bank as on March 31 on the lines of the return in Form XIII* submitted under the Banking Companies Act, 1949. In this case also, the first return to be submitted this year should show the relavant particulars both as on the 31st March 1958 and the 31st March 1959, while the subsequent returns may relate only to March 31 each year. This return may be submitted before the close of April to the office of the Reserve Bank to which the other statutory returns under the Banking Companies Act are being submitted.

Yours faithfully,
R. A. GULMOHAMED
Dy. Chief Officer

* Since revised and renumbered as XII.

DBO. No. Bom. 9168/C. 236-59—2 December 1959

14 banks (vide foot-note)

Dear Sir.

BORROWINGS FROM THE REFINANCE CORPORATION FOR INDUSTRY (PRIVATE) LTD.@@ —CLASSIFICATION IN THE BALANCE SHEET

* * * * * * * *

We have to advise that you may show such borrowings‡‡ in the balance sheet in the form of notes in brackets appended to the relative items as follows :—

LIABILITIES SIDE.

Item No. 4 Borrowings from other Banking Companies, Agents, etc.
(i) In India (includes an amount of Rs.....borrowed from the Refinance Corporation for Industry (Private) Ltd.@@)
The borrowings from the Corporation may be treated as "secured"@ and classified as such under "Particulars" below item 4 referred to above, so long as the market value of the security/securities held by the bank (subject to the control of the Corporation) is not less than the borrowings from the Corporation.

ASSETS SIDE

Item No. 5 (I) Loans, Cash Credits, Overdrafts, etc.

‡‡ Borrowings from erstwhile Refinance Corporation for Industry (Private) Ltd.
@@ May be read as Industrial Development Bank of India.
@ Please see circular DBOD. No. Ret. BC. 138/C. 236-71 dated 3rd December 1971.

(i) In India (includes an amount of Rs.....relating to medium-term advances in respect of which finance has been obtained from the Refinance Corporation for Industry (Private) Ltd.@ as per contra).

Yours faithfully,
R. A. GULMOHAMED
Dy. Chief Officer

@ May be read as Industrial Development Bank of India.

Note :—This circular was addressed only to 14 banks who were members of the erstwhile Refinance Corporation for Industry (Private) Ltd., as they alone were eligible for refinancing facilities from the said Corporation at that time. The refinancing facility of the Industrial Development Bank of India is at present available, among others, to all licensed scheduled banks, State Bank of India, its subsidiaries and nationalised banks.

DBO. No. Bom. 500/C. 236-62—15 January 1962

All banking companies incorporated in India.

Dear Sir,

THE BANKING COMPANIES ACT, 1949 AND THE COMPANIES ACT, 1956—DISTINCTION BETWEEN 'PROVISION' AND 'RESERVE'

In partial modification of the instructions contained in our circular letter£ DBO. No. Bom. 7818/C. 236-59 dated the 15th October 1959 on the above subject, we have to advise that amounts set aside by way of "provision" may be shown under * * * * 'Other demand liabilities' or * * * * 'other time liabilities', as the case may be, in the returns in Form XIII††. However, in terms of the provisions contained in sub-clause (2) of clause 7 in Part III of Schedule VI to the Companies Act, 1956, the provisions in excess of the amounts reasonably necessary for depreciation in investments etc. can be treated as 'reserves'.

Yours faithfully,
K. RAGHAVAN
Asstt. Chief Officer

£ Included in Section I.
†† Since revised and renumbered as XII.

DBO. No. Bom. 2061/C. 236(D)-63—25 February 1963

All scheduled££ and non-scheduled@ banks.

Dear Sir,

THE RESERVE BANK OF INDIA ACT, 1934—WEEKLY RETURNS££—THE BANKING COMPANIES ACT, 1949—RETURNS IN FORMS III@ X AND XI.$

* * * * * * * *

We have to advise that the provision in respect of income-tax should be treated as an outside liability to the extent of the actual liability in this regard for the purposes of the above returns.

Yours faithfully,
U. M. BANERJEE
Asstt. Chief Officer

DBO. No. Leg. 11977/C. 236-63—22 October 1963

All scheduled and non-scheduled banks.

Dear Sirs,

KEEPING OF DEPOSITS BY BANKS WITH BUSINESS HOUSES

It has been brought to our notice that a few banks had recently placed funds with industrial or business houses on certain terms and were treating them as deposits with the latter. As the placing of funds by banking companies with non-banking institutions virtually amounts to granting them loans or advances, the transactions should be classified by banks as such and shown under 'Advances' in the balance sheets and the returns under the Banking Companies Act as also the weekly return@@ under section 42(2) of the Reserve Bank of India Act.

Yours faithfully,
R. A. GULMOHAMED
Dy. Chief Officer

$ Form XI has since been eliminated and its features have been combined in form XIII and renumbered as form XII.
@@ For scheduled banks only.

DBO. No. Rem. 102/C. 267A-64—22 October 1964

All banking companies.

Dear Sir,

RULE 5 OF THE BANKING COMPANIES RULES, 1949—RETURN IN FORM I

We shall be glad if the instructions contained in the enclosed statement are followed by your bank in compiling its future returns in Form I, beginning with the return for the year ending the 31st December 1964.

Yours faithfully,

P. RAJANARAYANAN

Asstt. Chief Officer

STATEMENT SHOWING THE INSTRUCTIONS TO BE FOLLOWED BY BANKS WHILE COMPILING THE RETURN IN FORM I PRESCRIBED UNDER THE BANKING COMPANIES RULES, 1949.

Column No. in the prescribed Form 1.	Description	Instructions
(1)	(2)	(3)
2.	Age	The date of birth should also be shown within brackets.
3.	Qualifications	In this column, the educational qualifications of the person concerned should be given. The shares held by directors need not be shown.
4.	Experience in banking and non-banking institutions	The total number of years of experience of the person concerned in banking institutions and non-banking institutions should be shown separately *e.g.*, if a person has put in total service of 25 years of which 20 years is in banking institutions, it may be shown as under : Banking experience — 20 years. Experience in non-banking institutions—5 years.
6.	Designation	In the case of the person holding the office of the Chief Executive Officer, his official designation (*e.g.*, Managing Director, General Manager) should be indicated. The fact that the person concerned is the Chief Executive Officer should be mentioned in the remarks column. In this connection a reference is invited to footnote (*i*) to the prescribed form of the return.
7.	Total remuneration during the year ended 31st December	The total of the amounts indicated under columns 8 to 21 (excluding column 16) should be shown.
14.	Other allowance (to be specified)	The nature of 'other allowance' should be indicated *invariably* and the relative amounts under each allowance should be shown *separately*.
15.	Bonus	Amount of bonus paid *during the year* to which the return relates, should be shown, although the bonus may relate to the previous year. Similarly bonus if any sanctioned but not paid during the year should not be included in the return for the year.
16.	Rate per meeting	The rate of sitting fees per Board/Committee meeting should be shown separately in column 16. The amounts paid under each head during the year should also be shown separately in column 17 and thereafter the consolidated figure of sitting fees paid should be given.
17.	Amount paid	

(1)	(2)	(3)
18.	Free quarters	(*i*) Where a specific amount has been approved by the Reserve Bank in respect of the residential accommodation provided by the bank to its Chief Executive Officer, the amount so approved should be shown.
		(*ii*) Where no specific amount has been approved by the Reserve Bank, and the bank pays the rent to the landlord, the latter amount should be shown.
		(*iii*) In cases where the chief executive officer is provided with free residential accommodation in premises owned by the bank and in regard to which no monthly/yearly rent is payable, the basis prescribed in Rule 3(*a*) and (*b*) of the Income-Tax Rules may be adopted for the purpose of arriving at the monetary value of the perquisite.
19.	Free use of cars (The term free use of car denotes that the person concerned is entitled to the use of the car for his private purpose)	(*i*) If a car is used exclusively for official purposes, by the person concerned, no amount need be shown under the relevant column. A note to this effect may be given in the remarks column.
		(*ii*) If a car is used both for official as well as private purposes the amount admissible to him under the Income-tax rules may be shown.
		(*iii*) If a conveyance allowance sanctioned by the bank has been approved by the Reserve Bank, the amount so approved should be given, under column 11 and no mention thereof be made under column 19.
		(*iv*) If a specific amount has been sanctioned in respect of the free use of the car, the amount so sanctioned should be indicated under this column. In case the sanctioned amount has not been fully utilised, the amount so utilised may be shown.
21.	Other perquisites	The amount of gas bills, electricity bills and any other amounts paid (which are not covered by columns 8 to 20) on behalf of the person concerned should be shown here.
		Other instructions of a general nature.
		(*i*) The return relates to the amounts *actually* paid during the year and all payments made during the year should be included therein. It should not include amounts accrued but not paid. In case any arrears are paid as a result of revision of pay scales etc., the relative amounts should be shown in the return in Form I relating to the year *during* which they are actually paid.
		(*ii*) The return should be drawn in the prescribed form without omitting any columns. In case there are no particulars to be reported under any column, they should be shown as 'Nil'.
		(*iii*) Details of the terms of appointment of the person mentioned in foot-note (*ii*) appended to the prescribed form of return (*i.e.* the chief executive officer) should invariably be stated in column No. 22.
		(*iv*) If two persons have acted as chief executive officer during the particular year, the details of the remuneration paid to each of them in that capacity should be given separately.
		(*v*) Remuneration paid to the first ten highest paid employees of the bank (irrespective of their designations) should be included in the return.

DBOD. No. Ret. 310/C. 236-65—31 December 1965

All banking companies.

Dear Sir,

THE BANKING COMPANIES ACT, 1949 —RETURNS IN FORM XII (revised)

* * * * * * * *

In supersession of the instructions contained therein@, we shall be glad if you will kindly submit hereafter the returns in Form XII for the months of March, June, September and December *in duplicate* each year. The returns may be submitted, as usual, to the office of the Reserve Bank to which the returns under the Banking Companies Act are being submitted by your bank.

Yours faithfully,
R. RAGHUNATHA RAO
Dy. Chief Officer

DBOD. No. Ret. 30/C. 254-67—13 February 1967

All Indian scheduled and non-scheduled banks.

Dear Sir,

THE BANKING REGULATION ACT, 1949— FORM OF BALANCE-SHEET SET OUT IN THE THIRD SCHEDULE

In the form of the balance-sheet set out in the Third Schedule to the Banking Regulation Act, 1949, banks are required to show the particulars of their authorised, issued, subscribed and paid-up capital under item 1 of the liabilities side thereof. Some of the banks, in addition to the above, disclose in their balance-sheets, information regarding the bonus shares issued by them. As, however, there is no uniform practice followed by banks in this regard, it appears desirable that relevant information pertaining to the bonus shares issued by banks should also be disclosed in their balance-sheets, with a view to ensuring uniformity in the matter and presenting a more detailed and accurate picture of the capital structure. We shall, therefore, be glad if particulars regarding the bonus shares, where such shares are issued by banks, are also furnished by them separately under the above item in their balance-sheets commencing from the balance-sheet as at the 31st December 1966, if conveniently possible, and in the balance-sheet every following year.

Yours faithfully,
S. T. KARNIK
Dy. Chief Officer

DBOD. No. Sch. 1720/C. 110-67—16 November 1967

All scheduled commercial banks.

Dear Sirs,

CLASSIFICATION OF USANCE BILLS IN THE WEEKLY/MONTHLY RETURNS

It is considered desirable that the figure relating to aggregate amount of usance bills converted by banks for the purpose of borrowings under the Bill Market Scheme inlcuded under 'Inland Bills Purchased and Discounted' in the weekly returns prescribed under section 42 of the Reserve Bank of India Act and in the monthly returns prescribed under section 27 of the Banking Regulation Act should be separately available to us. We shall, therefore, be glad if, in future, you will please show the figures of such converted bills by way of a footnote in the weekly/ monthly statements.

Yours faithfully,
K. B. CHORE
Asstt. Chief Officer

DBOD. No. Ret. 294/C. 254-69—28 November 1969

All commercial banks.

Dear Sir,

DEPOSITS ON BALANCE SHEET DATE

During the course of inspections of banks, instances have come to notice where the

@ The reference is to an earlier circular issued in July 1965 in terms of which the relative returns for the months of March and September was to be submitted in duplicate and those for the months of June and December in triplicate each year.

deposits of certain banks showed a steep rise shortly before the balance sheet date but declined soon after that date. This temporary increase in deposits occurred generally as a result of one or more of the following types of transactions:

(i) resorting to borrowing from other banks in the form of deposits ;

(ii) increasing overdrafts and loans by special arrangements with their constituents and paying the amounts of these drawings into temporary deposit accounts ;

(iii) diverting proceeds of cheques and bills to deposit accounts instead of adjusting them in reduction of overdrafts and loans ; and

(iv) persuading parties to postpone withdrawals after the balance sheet date.

2. Such window-dressing, especially when it is on a large scale, distorts the statistical picture, leads to unfair competition as between banks and makes it difficult for the Reserve Bank or Government to judge the performance of individual banks in the mobilisation of genuine deposits or savings. It is also difficult to assess the true rate of growth in deposits.

3. We shall, therefore, appreciate it if banks will please take suitable steps to avoid window-dressing of their deposits.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(Banking Operations)

DBOD. No. Ret. BC. 138/C.236-71—3 December 1971

All eligible banks.

Dear Sir,

BORROWINGS FROM INDUSTRIAL DEVELOPMENT BANK OF INDIA—CLASSIFICATION IN THE BALANCE SHEET

In the context of the changes introduced by the Industrial Development Bank of India in the refinancing documents to be executed by the borrowing institutions as advised in their circular letter No. 6372/RD. Pro (1)-69/70 dated the 13th May 1970, the question of classification of the borrowings in the balance sheets of the borrowing banks has been examined by us. We advise that the borrowings under the new documentation may be shown as "unsecured", while those under the old documentation may continue to be classified as "secured" so long as the market value of the security/securities held by the bank is not less than the borrowings from the Industrial Development Bank of India.

Yours faithfully,
V. K. SYAMASUNDARAN
Dy. Chief Officer

DBOD. No. Ret. BC. 149/C. 236(G)-71—27 December 1971

All scheduled commercial banks.

Dear Sir,

SECTION 24 OF THE BANKING REGULATION ACT, 1949—CLASSIFICATION OF THE "BRANCH ADJUSTMENT ACCOUNT" IN THE RETURN IN FORM X

It is observed from a scrutiny of the returns in Form X that some banks do not include the 'net credit balance' in the "Branch Adjustment Account" in the aggregate liabilities as reported in the return. As the net credit balance in the "Branch Adjustment Account" constitutes an outside liability in relation to the bank, as contemplated under Sections 18 and 24 of the Banking Regulation Act, 1949, the omission of the item results in incorrect reporting of the amount of liabilities and of the minimum assets required to be maintained under section 24 of the Banking Regulation Act, 1949. We have, therefore, to advise that the liabilities should include the 'net credit balance' in the "Branch Adjustment Account."

Yours faithfully,
P. P. ANTONY
Dy. Chief Officer

DBOD. No. Nat. 152@ 153†154 £/C. 464 (M)-72—1 February 1972

@All subsidiaries of the State Bank of India.

† All nationalised banks.

£ All scheduled commercial banks other than the public sector banks.

Dear Sir,

STATISTICS RELATING TO ADVANCES TO THE PRIORITY SECTORS

In order to rationalise the scope and coverage of the various returns relating to priority sector advances submitted by banks it has been decided to introduce a new set of *pro formae* for the purpose, a copy of which is enclosed. The returns in the *pro formae* may please be submitted on a quarterly basis commencing from the quarter ending March 1972. Detailed instructions regarding the scope of the various items in the different statements and the manner in which the statements have to be compiled have been given separately which may be carefully studied before filling up the returns. Banks may issue suitable instructions to their branches/offices early so that the latter may familiarise themselves with the requirements of the new *pro formae*.

Questions are often asked in Parliament about advances of banks to the priority and neglected sectors. Further these data are published in certain important publications of the Reserve Bank of India. As such, banks are requested to ensure that there is no delay in the submission of these basic data and the statements reach us as early as possible after the end of the quarter but in any case not later than one month from the date to which they relate. We shall also be glad if you will please arrange to furnish to us each part of the set of statements on separate sheets as in the *pro formae* enclosed.

2. With effect from the month/quarter ending March 1972 statements showing the advances to the agricultural sector (monthly and quarterly) submitted in terms of our circulars DBOD. Nos. Ref. 335 and 862/C. 456-69 dated the 29th March and 10th July 1969 and the quarterly statement showing the advance to the small scale industries submitted to our Industrial Finance Department (vide our circular DBOD. No. Ref. 1351/C. 456-69 dated the 24th October 1969) may be discontinued. [Monthly statements of advances to the priority sectors being submitted to us in terms of our letters DBOD. No. Nat. 1024/C. 469 (M)-70 dated the 6th May 1970 and DBOD. No. Nat. Cir. C. 21/C. 469(16)-70 dated the 2nd December 1970 may also be discontinued with effect from the above date.]

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

Notes : (i) A similar advice was issued to the State Bank of India.
(ii) Paragraph 2 was not included in the circular to subsidiaries of the State Bank of India.
(iii) The bracketed portion in paragraph 2 was not included in the circular to private sector banks.

X

ADVANCES TO THE PRIORITY SECTORS

Name of the Bank :
Date of Return :
Provisional or Final :

As on the_____

Signature of authorised officials

(Amounts in thousands of rupees)

PART I	No. of accounts	Limits sanctioned	Balance outstanding
1. Total loans and advances to Small-Scale Industries@ (including loans and advances granted to craftsmen and other qualified entrepreneurs and term loans granted to Small Scale Industries—Part II).			
2. Advances to Road and Water Transport Operators (Part—III).			
3. Loans for setting up industrial estates (Part—III).			
4. Total advances to agriculture (Total of (a) and (b) below).			
(*a*) Direct finance for agriculture (total of Part IV excluding Section B).			
(*b*) Indirect finance for agriculture (total of Part V).			
5. Advances for other priority sectors (total of Part VI).			
(*a*) Retail trade and small business.			
(*b*) Professional and self-employed persons.			
(*c*) Education.			
6. Total advances to exports (Total of (*a*) and (*b*) below			
(*a*) Pre-shipment finance (Part—VII).			
(*b*) Post-shipment finance (Part—VII).			

@ Inclusive of figures pertaining to the Small Scale Industries under item 6 (Please see Part VII.)

Name of the Bank :

Date of Return : As on the———————————

Provisional or Final :

PART II

State/Union Territory	Loans and advances granted to craftsmen and other qualified entrepreneurs				Term loans (including instalment credits) granted to small scale industries				Loans and advances to small scale industries			
	No. of units	No. of accounts	Limits sanc-tioned	Balance outstand-ing	No. of units	No. of accounts	Limits sanc-tioned	Balance outstand-ing	No. of units	No. of accounts	Limits sanc-tioned	Balance outstand-ing

Note : The loans and advances to small scale industries should include 'loans and advances granted to craftsmen and other qualified entrepreneurs' as well as "Term Loans (including instalment credits)" granted to small scale industries. Similarly 'term loans' (including instalment credits) granted to small scale industries should include such loans granted to craftsmen and other qualified entrepreneurs.

Name of the Bank :

Date of Return : As on the———————————

Provisional or Final :

PART III

State-wise break-up of advances to the priority sectors

Loans and advances granted to (a) road and water transport Operators and (b) for setting up industrial estates

State/Union Territory	Advances to Road and water transport operators								Loans for setting up industrial estates			
	Taxi, Scooter and auto-rickshaw drivers and persons plying boats and barges				Other transport operators							
	No. of units	No. of accounts	Limits sanc-tioned	Balance outstand-ing	No. of units	No. of accounts	Limits sanc-tioned	Balance outstand-ing	No. of units	No. of accounts	Limits sanc-tioned	Balance outstand-ing

X

Name of the Bank:

Date of Return: As on the———————

Provisional or Final:

SECTION A PART IV SECTION B

State/Union Territory	Direct finance to agriculture												Investment in debentures of Land Development/ Mortgage Banks
	Direct finance to farmers for agricultural operations*						Other types of direct finance to farmers@						
	Short term			Medium/long term			Short term			Medium/long term			
	No. of accounts	Limits sanctioned	Balance outstanding	No. of accounts	Limits sanctioned	Balance outstanding	No. of accounts	Limits sanctioned	Balance outstanding	No. of accounts	Limits sanctioned	Balance outstanding	Balance outstanding

* This will cover advances to farmers as specified in item Nos. 2(I) to 2(VII) in the list of direct finance enumerated in the Categories of Agricultural advances (vide Instruction A2)

@ This will cover development loans to plantations as indicated in item (1) and advances to farmers as specified in items 2 (VIII) to (XI) in the list of direct finance enumerated in the Categories of Agricultural Advances (vide Instruction A 2)

10

Name of the Bank :

Date of Return : As on the———————

Provisional or Final :

PART V

Indirect finance to Agriculture

State/Union Territory	Distribution of fertilisers and other inputs			Loans to Electricity Boards			Loans to farmers through primary credit societies			Other types of indirect finance*		
	No. of accounts	Limits sanctioned	Balance outstanding	No. of accounts	Limits sanctioned	Balance outstanding	No. of accounts @	Limits sanctioned	Balance outstanding	No. of accounts	Limits sanctioned	Balance outstanding

* This will comprise the advances specified under items (4) to (13) in the list of 'Indirect Finance' enumerated in the categories of Agricultural advances [vide instruction A(2).]

@ The number of accounts in which advances have been allowed by the societies and not the number of societies financed should be shown in this column.

Name of the Bank :

Date of Return : As on the———————

Provisional or Final :

PART VI

FINANCE TO OTHER PRIORITY SECTORS

State/Union Territory	Retail Trade			Small business			Professional and self-employed persons			Educational loans		
	No. of accounts	Limits sanctioned	Balance outstanding	No. of accounts	Limits sanctioned	Balance outstanding	No. of accounts	Limits sanctioned	Balance outstanding	No. of accounts	Limits sanctioned	Balance outstanding

Name of the Bank :

Date of Return : As on the———————

Provisional or Final :

PART VII

FINANCE FOR EXPORTS

	Pre-shipment				Post-shipment		
	No. of units	No. of accounts	Limits sanctioned	Balance outstanding	No. of accounts	Limits sanctioned	Balance outstanding
I. Small Scale Industries							
II. Others							
Total							

Note :—(1) The finance for exports to small-scale industries should also be included in the loans and advances to small scale industries.
(2) The number of units financed may be given jointly for both pre-shipment and post-shipment finance.

INSTRUCTIONS

A. General description of various categories of priority sector advances

A.(1) Loans to Small Scale Industries include :

(*a*) Loans to small scale industrial units viz., those engaged in the manufacture, processing or preservation of goods and whose investments in plant and machinery (original cost) does not exceed Rs. 7·5 lakhs. These would, *inter alia*, include units engaged in mining or quarrying, servicing and repairing of machinery (automobiles, tractors, pumpsets), Photo Studios and Custom Service Units i.e., those hiring out and servicing and repairing of agricultural machinery such as Crawler, Wheeled tractors, Threshers, Combine harvesters, etc.

(*b*) Loans to Road Transport Operators including operators of taxis and autorickshaws, the original book value of whose investment does not exceed Rs. 7·5 lakhs.

(*c*) Loans for setting up industrial estates for small scale industries.

A. (2) Loans to agriculture may be either by way of indirect finance or direct finance as indicated below:

Indirect finance

(1) Credit for financing the distribution of fertilisers, pesticides and seeds.

(2) Loans to the Electricity Boards for reimbursing the expenditure already incurred by them for providing low tension connections from step-down point to individual farmers for energising their wells.

(3) Loans to farmers through primary agricultural credit societies in certain states under schemes introduced for the purpose.

(4) Finance for hire-purchase schemes for distribution of agricultural machinery and implements.

(5) Loans for construction and running of storage facilities (warehouses, godowns, silos and cold-storages) in the producing areas. If the loans to the cold storages are covered by the guarantee of the Credit Guarantee Organisation, they should be classified under small scale industrial advances.

(6) Advances to Custom Service units managed by individuals, institutions or organisations who maintain a fleet of tractors, bull-dozers, well-boring equipment, threshers, combines, etc. and undertake work from farmers on contract basis. If these advances are covered by the guarantee of the Credit Guarantee Organisation, they should be classified under small scale industrial advances.

(7) Loans to individuals, institutions or organisations who undertake spraying operations.

(8) Loans to co-operative marketing societies and loans to co-operative banks for re-lending to co-operative marketing societies (provided a certificate from the State Co-operative Bank in favour of such loans is produced).

(9) Loans to co-operative banks of producers (for example, Aarey Milk Colony Co-operative Bank, consisting of licensee-cattle owners).

(10) Financing the farmers indirectly through the co-operative system (otherwise than by subscriptions to bonds and debentures issues) provided a certificate from the State Co-operative Bank in favour of such loans is produced.

(11) Loans to Agro-Industries Corporations.

(12) Loans to State-sponsored Agricultural Credit Corporations.

(13) Advances to the Agricultural Finance Corporation Ltd.

Direct finance

(1) Development loans (i.e., the type of loans eligible for refinance from the Agricultural Refinance Corporation) to traditional plantations, viz. coffee, tea, rubber and spices and short-term as well as development loans to other plantations, horticulture (including the growing of bananas, cashew-nuts, cocoanuts, lemon grass oil, etc.) and bee-keeping.

(2) Credit provided directly to farmers secured or otherwise for financing production and development needs such as those indicated below :—

(I) *Purchase of agricultural inputs and machinery :*

(*a*) Purchase of agricultural inputs : Fertilisers, pesticides, insecticides, fungicides and weedicides and improved seeds, high-yielding variety seeds, manures, etc.
(*b*) Purchase of agricultural implements : Iron-ploughs, harrows, hose, land-levellers, bundformers, hand-tools, sprayers, dusters, hay-press, sugarcane crushers, thresher machines, etc.
(*c*) Purchase of farm machinery: Tractors, drillers, power-tillers, tractor accessories, namely, disc-ploughs, etc.
(*d*) Purchase of trucks, bullock-carts and other transport equipment, etc. to assist the transport of agricultural inputs and farm products.
(*e*) Purchase of farm animals like cows, bullocks, buffaloes, poultry birds, pigs, bees, etc.

(II) *Development of irrigation potential through:*

(*a*) Construction of shallow and deep tube-wells, tanks, etc. and purchase of drilling units.
(*b*) Constructing, deepening and clearing of surface wells, boring of wells, electrification of wells, purchase of oil engines and installation of electric motors and pumps.
(*c*) Purchase and installation of turbine pumps, construction of field channels (open as well as underground), etc.
(*d*) Construction of lift irrigation projects.
(*e*) Installation of sprinkler irrigation system.

(III) *Reclamations and land development schemes :*

Bunding of farm lands, levelling of land, terracing, conversion of dry paddy lands into wet irrigable paddy lands, development of farm drainage, reclamation of soil lands and prevention of salinisation, reclamation of ravine lands, purchase of bull-dozers, etc.

(IV) *Construction of farm buildings and structures :*

Bullock-shed, implement-shed, tractor and truck sheds, farm stores, etc.

(V) *Construction and running of storage facilities* :

Construction and running of warehouses, godowns, silos and cold storages.

(VI) *Production and processing of hybrid seeds of crops.*

(VII) *Payment of irrigation charges, etc. :*

Charges for hired-water from wells and tube-wells, canal water charges, maintenance and upkeep of oil engines and electric motors, payment of labour charges, electricity charges, marketing charges, service charges to Custom Service Units, purchase of poultry feed, payment of development cess, etc.

(VIII) *Development of dairying and animal husbandry in all its aspects.*

(IX) *Development of fisheries in all its aspects:*
- (*a*) From fish-catching to the stage of export.
- (*b*) Financing of equipments necessary for deep-sea fishing.
- (*c*) Rehabilitation of tanks (fresh water fishing).
- (*d*) Fish breeding, etc.

(X) *Development of poultry and piggery, etc. in all its aspects :*

Erection of poultry houses and pig houses, bee-keeping, etc.

(XI) *Miscellaneous:*

Development and maintenance of stud farms, seri-culture, etc.

A. (3) Loans to Retail Traders include loans and advances to persons engaged primarily in buying and selling goods other than fertilisers, pesticides and seeds including all advances granted under special schemes, if any, introduced by the bank for the purpose. Loans for financing distribution of fertilizers, pesticides and seeds are to be included under 'Indirect Loans' to agriculture in Part V.

A. (4) Loans to professional and self-employed persons include loans for the purpose of purchasing equipments, repairing or renovating existing equipments, and/or acquiring and repairing business premises or for purchasing tools, and/or for working capital requirements to medical practitioners including dentists, Chartered Accountants, Cost Accountants, Lawyers or Solicitors, Engineers, Architects, Surveyors, Construction contractors or management consultants or to persons trained in any other art or craft who holds either a degree or diploma from any institution established, aided or recognised by Government or to a person who is considered by the bank as technically qualified or skilled in the field in which he is employed. The term also includes firms and joint ventures of such professional and self-employed persons. This category will include all advances granted by the bank under special schemes, if any, introduced for the purpose.

A. (5) Loans to small businesses include loans to all other small borrowers who are not covered by items (1) to (4). These units would include business enterprises established mainly for the purpose of providing services, not being professional services covered by item (4), and will include all the advances granted by banks under special schemes, if any, introduced for the purpose.

A. (6) Educational loans should include only loans and advances granted to individuals for educational purposes and not those granted to institutions and will include all advances granted by banks under special schemes, if any, introduced for the purpose.

B. Instructions for filling up the forms :

B.1. The statements should relate to the last Friday of each calendar quarter i.e., March, June, September and December and should be submitted within one month of the date to which they relate.

B.2. Two copies of the statements should be sent to the Chief Officer, Department of Banking Operations and Development, (Nationalisation Division), Reserve Bank of India, Central Office, Bombay (and one copy to the Department of Banking, Government of India, New Delhi).* Every effort should be made to submit the statements in time as delay on the part of any one bank holds up the consolidation of the data. In case, receipt of the particulars from some of the branches is likely to be delayed, the figures in respect of these branches for the previous quarter may be repeated and the provisional statements submitted in time. The final statements should be submitted thereafter as early as possible.

B.3. The No. of accounts/units should relate to the limits sanctioned and in force and *not* the balance outstanding.

B.4. The limits sanctioned in respect of cash credit, overdrafts, etc. will be the operative limits in force as on the date of the return. In the case of loans, the 'Limits sanctioned' will mean the balance outstanding in the accounts.

B.5. The different categories of advances are mutually exclusive (except in the case of export finance for small-scale industries) and the same advance should not be classified under different heads. All export finance granted to the small scale industry should, however, be classified under 'small scale industry' as well as 'exports'.

B.6. For the purpose of Statewise classification, in cases advances outstanding at a branch are treated as advances granted in the State in which the branch is situate, care should be exercised to see that at least larger advances, granted at Head/Regional/Main Offices etc. specifically intended for use in any State other than the State in which the Head/Regional/Main Offices are situated, are properly segregated according to the location of the borrowers. For instance, advances to Electricity Boards in different States although granted by the Head Office in Bombay should be shown under the respective States to which the Electricity Board belongs.

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* To public sector banks only.

DBOD. No. Nat. 634/C. 464(M)-72—25 April 1972

All scheduled commercial banks.

Dear Sir,

STATISTICS RELATING TO ADVANCES TO PRIORITY SECTORS

Please refer to our circular letter * * * * dated the 1st February 1972 in terms of which banks are required to furnish to us statements showing statistics of advances to priority sectors in the new set of *pro formae* commencing from the quarter ended March 1972. It is, however, observed that the branches of certain banks have sent the statements directly to us instead of sending them to their respective Head Offices. We shall, therefore, be glad if you will please issue suitable instructions to your branches/offices in the matter and arrange to submit to us the *consolidated statements* within the scheduled time indicated in our circular referred to above.

Yours faithfully,
C. R. DASS
Asstt. Chief Officer

DBOD. No. Leg. BC. 46/C. 234-72—6 May 1972

All banking companies.

Dear Sir,

THE BANKING REGULATION ACT, 1949

We reproduce below for your information a copy of the notification No. SO. 935 F.15(1)-BC./72 dated the 6th March 1972 issued by the Government of India in exercise of the powers conferred by section 53 of the Banking Regulation Act, 1949 ; the notification was published in the Gazette of India dated the 1st April 1972. In terms of the aforesaid notification, the provisions of Note (f) appended to Form "A" in the Third Schedule to the Act would not apply in respect of the balance sheet as at the 31st December 1971 to the State Bank of India, any banking institution notified under section 51 of the said Act, the corresponding new banks constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and any banking company in so far as they relate to the disclosure of the market value, within brackets, of their investments in Government and other Trustee Securities. We would, however, emphasise that it would be contrary to the spirit of the above exemption if any bank were to increase its dividend distribution while making inadequate provision for depreciation in its investments.

Yours faithfully,
V. K. SYAMASUNDARAN
Dy. Chief Officer

Government of India,
Ministry of Finance,
Department of Banking,
New Delhi.

6th March 1972

S.O. 935 — In exercise of the powers conferred by Section 53 of the Banking Regulation Act, 1949 (10 of 1949), the Central Government, on the recommendation of the Reserve Bank of India, hereby declares that the provisions of Note (f) appended to Form "A" in the Third Schedule to the said Act shall not apply in respect of the balance sheet as at the 31st December 1971 to the State Bank of India, any banking institution notified under Section 51 of the said Act, the corresponding new banks constituted under Section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, and any banking company which, when the value shown in the inner column against any of the sub-heads (ii), (iii), (iv) and (v) of item 4 on the Property and Assets side of the said Form exceeds the market value of the investments under that sub-head, shows separately within brackets the market value of the investments under that sub-head.

K. YESURATNAM
Under Secretary
[No. F-15(1)-BC/72]

(Published in the Gazette of India dated the 1st April 1972 — Part II — Section 3 — Sub-section (ii))

DBOD. No. EFS. 636/C. 452 (K)-70—26 March 1970

The Chief Executive Officers of all functioning commercial banks (other than the public sector banks and foreign banks).

Dear Sir,

SECTION 30(1A) OF THE BANKING REGULATION ACT, 1949

It is observed from the information available on our record that the books and accounts of some of the banks are being audited by the same auditors for the last several years. We are of the opinion that it is not desirable that the same auditors should be associated with a bank continuously for an unduly long period of time and that the banks in such cases should take steps for rotation of auditors. We are aware that the appointment of the auditors is made by the bank's shareholders at the annual general meeting and that the management of the bank does not legally have a right to make such appointment. We nevertheless feel that it should be possible for the bank to arrange for the rotation of auditors in consultation with the existing auditors and if necessary after apprising our views in this regard to the shareholders. We, therefore, suggest that if all or any of the existing statutory auditors have been auditing the books of the bank for a period of five years or over, the bank may consider taking action on the following lines.

(i) If there is only one auditor at present, the existing auditor may be replaced by a new auditor.

(ii) If there are more than one auditor at present, the auditor who has acted as such for the longest period or any one of them in case all of them have acted for the same number of years, may be replaced by another auditor.

2. We shall be glad if your bank will kindly take into account the above suggestion while seeking our approval to the appointment of statutory auditors for 1970 itself. If, however, it is not practicable to give effect to this suggestion during 1970, we shall appreciate if it is implemented not later than the audit relating to 1971.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(Banking Operations)

DBOD. No. Nat. 964/C. 469(F)-70—29 April 1970

The custodians of nationalised banks.

Dear Sir,

In terms of Section 10(4) of the Banking Companies (Acquisition and Transfer of Udertakings) Act, 1970, every auditor of the corresponding new bank shall make a report to the Central Government upon its annual balance sheet and accounts. For the sake of uniformity, the report to be attached to the balance sheet and profit and loss account may be, as far as possible, in the *pro forma* indicated in Annexure I*.

2. Section 10(5) of the Act stipulates that the report of the auditor shall be verified, signed and transmitted to the Central Government. The balance sheet and profit and loss account, together with a signed report of the auditors, may be transmitted by the auditors to the Secretary, Department of Banking, Ministry of Finance, New Delhi, under cover of a forwarding letter as in Annexure II.

3. In terms of Section 10(6), the auditor shall also forward a copy of the audit report to the corresponding new bank and to the Reserve Bank. This may be done under cover of suitable forwarding letters on the lines indicated in Annexures III and IV.

4. Apart from the report made to the Central Government in terms of Section 10(4) of the Act, the auditor may, if he so desires, bring to the notice of the Custodian of the bank his observations/suggestions on any aspect of the bank's working. A copy of such communication should be sent to the Chief Officer, Department of Banking Operations and Development, Reserve Bank of India, Central Office, Bombay, in duplicate.

5. You may kindly bring the foregoing to the notice of the auditors.

Yours faithfully,
P. KRISHNA IYER
Jt. Chief Officer

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* The Annexure has been replaced by a new one. Please see footnote to circular DBOD.. No. Cir. C.16/C.469(F)-70 dated 24th October 1970.

ANNEXURE I*

SPECIMEN FORM OF AUDITORS' REPORT

The President of India,

We, the undersigned auditors of the———— appointed in terms of section 10(1) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, do hereby report to the Central Government upon the Balance Sheet and Accounts of the Bank as at the 31st December .....

We have examined the above Balance Sheet and Profit and Loss Account and the Accounts relating thereto of the Head Office and the returns from———— branches audited by us, ———— branches audited by branch auditors, and unaudited returns from————branches, which returns have been incorporated in the above Balance Sheet and Accounts, and report that :

(*a*) In our opinion, the balance sheet read along with the notes thereon is a full and fair balance sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and fair view of the affairs of the bank, according to the best of our information and the explanation given to us and as shown by the books of the Bank.

(*b*) Where we have called for any explanation or information such explanation and information have been given to us and have been satisfactory.

(*c*) The transactions of the Bank which have come to our notice have been within the powers of the Bank.

(*d*) The returns received from the offices and branches of the Bank have been found adequate for the purpose of our audit.

(*e*) The Profit and Loss Account together with the notes thereon shows a true balance of profit for the period covered by such account.

(f)@ In our opinion, the Balance Sheet and Profit and Loss Account are drawn up in conformity with the law.

(*g*) @ In our opinion, the books of account have been kept by the Bank as required by law.

Auditors

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* Please see footnote on the covering letter.

@ These two certificates were later consolidated into one certificate vide circular DBOD. No. Cir. C.16/C. 469(F)-70 dated 24th October 1970 (As indicated in the footnote to the said circular, the entire annexure has since been replaced by a new annexure).

ANNEXURE II

The Secretary to the Government of India,
Ministry of Finance, Department of Banking,
"Jeevan Deep,"
Parliament Street,
New Delhi.

Dear Sir,

In terms of sub-section 5 of section 10 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, we transmit to the Central Government our report on the Annual Balance Sheet and Accounts of the———— as at the 31st December ..... made in accordance with the provisions of sub-section 4 of section 10 of the Act.

(name of bank)

Yours faithfully,

(*Auditors*)

ANNEXURE III

The Custodian,

———————————

———————————

Dear Sir,

In terms of sub-section 6 of section 10 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, we forward herewith a copy of our report on the Balance Sheet and Accounts of the———— (name of bank) ———— as at the 31st December ....., made to the Central Government in accordance with the provisions of sub-section (4) of Section 10 of the Act.

Yours faithfully,

(*Auditors*)

ANNEXURE IV

The Chief Officer,
Department of Banking Operations and Development,
Reserve Bank of India,
Central Office,
Bombay.

Dear Sir,

In terms of sub-section 6 of section 10 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, we forward herewith a copy of our report on the Balance Sheet and Accounts of the———— (name of bank) ———— as at the 31st December ....., made to the Central Government in accordance with the provisions of sub-section 4 of section 10 of the Act.

Yours faithfully,

(*Auditors*)

DBOD. No. Nat. 975/C. 469(F)-70—29 April 1970

The custodians of the nationalised banks.

Dear Sir,

CLOSING OF BOOKS AND PREPARATION OF FINAL ACCOUNTS ****

In terms of section 10 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, read with section 29(1) of the Banking Regulation Act, the nationalised banks have to prepare profit and loss accounts and balance sheets as at the 31st December each year * * * *. For the sake of uniformity of presentation of the accounts to the extent possible, the banks may

bear in mind the following instructions in connection with the preparation of balance sheet and profit and loss account * * * * *. These instructions also cover the issues raised by some of the banks in this regard.

(a) * * * * *

(b) * * * * *

(c) *Form and procedure of accounting* :

Corresponding new banks may follow generally the same procedure for the preparation of the final accounts * * * * * as the existing banks were following hitherto. Thus, the figures relating to the Pakistan branches on the basis of the latest available information and those relating to foreign branches (*other than those in Malaysia*) on the basis of the statements received from such foreign branches should also be incorporated in the final accounts. However, the accounts of the Malaysian branches of the corresponding new banks having branches in that country *should not be* incorporated in the profit and loss account * * * * or in the balance sheet * * * * *. A note to this effect should also be incorporated in the final accounts.

The balance sheets, etc. of the subsidiary companies should also form part of the final accounts as hitherto.

As regards capital, the paid-up capital of the existing bank under different classes as on the 18th July 1969 may be totalled up and the aggregate figure may be shown against the "Paid-up-capital" of the corresponding new bank with the remark "(wholly owned by Central Government)". It is not necessary to show the different categories of capital separately nor to show the number, face value, amounts called and paid-up, etc. under the heads "Authorised Capital, Issued and Subscribed Capital and Amount called up." The advance calls paid, if any, by shareholders as on the 18th July 1969 may be treated as outside liabilities.

The Reserves may be shown in the balance sheet in accordance with the practice followed by the existing bank concerned.

Suitable notes regarding the position of the provision for gratuity, etc. may be incorporated in the final accounts according to the practice adopted in the past in the case of the existing banks.

(d) *Printing, Publishing, etc. :*

The final accounts should be published in the manner prescribed under section 31 of the Banking Regulation Act * * * * * .

As the corresponding new banks do not have any private shareholders, it will not be necessary for them to print as many copies of the balance sheets as was the practice in the past. Government would like to have 1,000 copies of the printed Directors'/Custodian's report, balance sheet, profit and loss account, auditors' report, etc. in English language as well as 750 copies printed in Hindi. Banks would also like to distribute copies to certain important constituents/members of the public and also their foreign correspondents, if any. For such distribution they may require, say, 10 copies for each branch and a copy for each correspondent.

The number of copies to be printed may be settled on the above basis keeping a margin of, say, about 2,000 copies in English and 500 copies in Hindi. The general get up of the Report containing the final accounts should be as economical as possible and at the same time decent * * * * * . The banks may publish their final accounts in newspapers/periodicals generally in accordance with the practice followed in the past ensuring, however, that the expenditure in this regard is kept as low as possible * * * * * * * * * * * * * * * *.

(e) *Allocation of profits*:

The banks have not been following a uniform practice in the matter of allocation of profits in the past. It is felt desirable to have some uniformity in this regard at least in so far as the nationalised banks are concerned. It has, therefore, been decided that the profits to be published should be after providing for taxation, bad and doubtful debts, contingencies, etc. and the appropriation statement will contain only the following heads :

(1) Bonus to staff.

(2) Transfer to Reserve Fund in terms of section 3(6) of the Banking Companies

(Acquisition and Transfer of Undertakings) Act, 1970.

(3) Balance being amount transferred to Government in terms of section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

In the past, there has been no uniformity in the matter of provision for bonus. It has been decided that banks should provide in full for the bonus to be paid in each year out of the profits for that year itself. All provisions for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and all other matters for which provision is necessary under any law or which are usually provided for by banking companies (except the items indicated above provided by way of appropriation of the published profits) should be adjusted before declaring the profits * * * * * * * * * * *.

(f) *Data to be included in the report of the directors* :

It is considered necessary that the Directors' Report * * * * should form part of the printed balance sheet and profit and loss account. While it is not the intention to prescribe any standardised form for the relevant report, it will be helpful if they follow a generally comparable pattern. Subject to essential modifications necessitated by the circumstances of each case, it may, therefore, be ensured that the report covers the aspects outlined in the Annexure.

(g) *Filing of balance sheet with the Registrar* :

The provisions of section 32 of the Banking Regulation Act are not applicable to the corresponding new banks.

* * * * * *

Yours faithfully,

P. KRISHNA IYER

Jt. Chief Officer

ANNEXURE

DIRECTORS' REPORT

The following points may be covered by the Report :

(*a*) General economic and banking developments of the period covered by the report including data regarding the growth of deposits, advances and investments of the scheduled banks in general.

(*b*) *Bank's business.*

Efforts and achievements of the bank during the year towards attaining objectives of nationalisation should cover :

(*i*) Deposit mobilisation.

(*ii*) Advances to the neglected sectors. A specimen of the summarised form in which data may be given in the report is attached. The data regarding separate sectors may be given at appropriate place in the body of the report, as in the case of the State Bank and its subsidiaries while discussing the growth of the advances to the respective sectors, instead of giving as an appendix or annexure to the report.

(*iii*) The banks may also present in their report data showing the extent to which small business has been assisted and the impact of such assistance; a break-up of the limits sanctioned, percentage of total advances to small sector (for example: agriculturists holding 5 acres or less; small scale units with investments of less than, say, Rs. 1 lakh, etc.) to the total advances in that sector, volume of production of the neglected sectors financed by the bank, typical instances (example: village adoption scheme) where bank finance has helped a community to improve their lot, etc. will give a picture of the role played by the banks in the financing of the neglected sectors.

(*iv*) Arrangements made for accelerating developmental activities — staff aspect, training programmes, Branch Expansion — Bank's role in the lead bank scheme, branch expansion particularly in rural areas, introduction of special schemes for deposit mobilisation and diversification of credit, improvement in service to customers, etc.

(*c*) Review of bank's general growth — deposits, advances, investments, foreign exchange, any other particular field compared to previous year and compared to the performance of the scheduled banks as a class.

(*d*) Profit and loss — comments on larger/lesser profits — analysis of operating costs if of any particular significance.

(*e*) Other general matters.

SUMMARISED FORM OF PRESENTING DATA REGARDING ADVANCES TO THE NEGLECTED SECTORS

	@			£		
	No. of a/cs.	Limit	Balance outstanding	No. of a/cs.	Limit	Balance outstanding
I. Advances to Agriculture						
(*a*) Direct finance						
(*i*) Production finance						
(*ii*) Equipment finance						
(*iii*) Others						
(*b*) Distribution of fertilisers and other inputs.						
(*c*) Loans to electricity boards						
(*d*) Loans to farmers through primary credit societies						
(*e*) Other types of indirect finance						
(*f*) Plantations						
(*g*) Dairy farming, poultry farming, piggery and fisheries						
(*h*) Others						
II. Advances to Road Transport operators and taxi, scooter, auto-rickshaw drivers and persons plying boats and barges.						
III. Advances to small-scale industries						
IV. Advances to the retail trade						
V. Advances to other types of small business ..						
VI. Advances to professional and self-employed persons						
VII. Educational loans						
VIII. Exports						

Note : This form is to indicate, on a comparative basis, the progress made by the bank in financing the priority sectors during the year.

@ As at the end of previous year.

£ As at the end of current year.

DBOD. No. EFS. 1245/C.452(K)-70—5 June 1970

The custodians of the 14 nationalised banks.

Dear Sir,

HALF-YEARLY CLOSING AND AUDIT OF BOOKS

It has been decided that all the nationalised banks should close their books as on the 30th June every year and get the final accounts as on that date audited by the statutory auditors appointed in terms of section 10(1) of the Banking Companies (Transfer and Acquisition of Undertakings) Act, 1970. For the purpose of this audit, it should be open to the statutory auditors to visit any branch they desire. We have already advised you in December 1969 that although the provisions of section 228 of the Companies Act, 1956 and the Companies (Branch Audit Exemption) Rules, 1961, are not applicable to the nationalised banks, they should continue the existing arrangements for branch audit and follow the principles laid down by the Company Law Board in the matter of selection of branches for audit. In selecting the branches for the half-yearly audit, the auditors should see that such branches, along with those selected for the annual audit, would be on the principles indicated above. In short, the number of branches audited during the half-yearly/annual audit will be so settled that as far as possible branches which are to be selected in rotation will be those which have not been audited during the previous two years.

2. As far as this year is concerned, the books of your bank should be closed as on 30th June 1970 and the accounts audited as indicated above. We shall be glad if you will make necessary arrangements accordingly.

3. As regards the appointment of statutory auditors for this year, who will also undertake the half-yearly audit as on the 30th June, a further advice will follow.

Yours faithfully,
M. L. GOGTAY
Jt. Chief Officer

DBOD. No. Nat. 1448/C.469(F)-70—11 June 1970

The custodians of all nationalised banks.

Dear Sir,

PRINTING AND PUBLICATION OF BALANCE SHEET, ETC.****

In paragraph 1(d) of our circular letter No. DBOD. Nat. 975/C.469(F)-70 dated the 29th April 1970, we had indicated to banks the basis on which the number of copies of the report, containing the balance sheet as on the 31st December 1969, to be printed was to be settled. Some banks have represented to us in this connection that they would like to print some copies in the languages of the regions where they predominantly operate. We have no objection to the banks' printing, if they so desire, a certain number of copies of the reports containing accounts, etc. in such local languages. Banks will, however, have to make their own arrangements for the versions of the reports in such local languages. The number of copies in English could be proportionately reduced.

2. * * * * * *

3. We had also indicated in paragraph 1(d) of our letter referred to above, that banks could publish their balance sheet and profit and loss account in newspapers/periodicals generally in accordance with the practice followed in the past. Apart from the balance sheet and profit and loss account which have to be published for statutory compliance, some banks also used to publish separately the Chairman's speech in some newspapers/periodicals. While there cannot be any question of a 'Chairman's Speech' now in view of the changed status of the banks, the Chairmen/Custodians may, if they so desire, make out a statement setting out the main achievements of the bank during the year, together with any general observations which they may like to make, and publish it independently of the balance sheet and the profit and loss account * * * * * * * .

Yours faithfully,
M. L. GOGTAY
Jt. Chief Officer

DBOD. No. EFS. 1429/C.452(K)-70—29 June 1970

The custodians of nationalised banks.

Dear Sir,

APPOINTMENT OF STATUTORY CENTRAL AUDITORS FOR THE YEAR 1970

Please refer to paragraph 3 of our circular letter DBOD. No. EFS. 1245/C. 452(K)-70 dated the 5th June 1970. It has been decided that the bank should appoint the following auditors as *one* of its Statutory Central auditors for the year 1970.

* * * * * *

The name/s of the other Statutory Central auditors will be communicated later. In the meantime, Messrs.* * * may commence the half-yearly audit as on the 30th June 1970.

These auditors will be the joint Statutory Central auditors of the bank and their responsibility in auditing its accounts would be concurrent and co-extensive with those whose name/s will be communicated later. They will undertake the half-yearly audit as on the 30th June 1970 as stated in our circular letter dated the 5th June 1970, as also the annual audit as at the 31st December 1970. It should be open to them to visit any branch they desire. The selection of the branches may be left to be settled amongst themselves. In this connection, it should be ensured that the branches selected for audit by the Statutory Central auditors for the year 1970 and those to be allotted to the branch auditors (to be appointed in due course) for audit as at the 31st December 1970 are in accordance with the principles laid down by the Company Law Board under the Companies (Branch Audit Exemption) Rules, 1961, as stated in our aforesaid circular.

2. * * * * * *

Yours faithfully,
M. L. GOGTAY
Jt. Chief Officer

DBOD. No. EFS. 1451/C.452(K)-70—1 July 1970

The custodians of nationalised banks.

Dear Sir,

APPOINTMENT OF STATUTORY CENTRAL AUDITORS FOR THE YEAR 1970

Please refer to our letter DBOD. No. EFS. 1429/C. 452(K)-70 dated the 29th June 1970. The name/s of the other auditors who should also be appointed as the bank's Statutory Central auditors for the year 1970 is/are given below.

* * * * * *

2. We shall be glad if you will kindly send formal letters of appointment to the above auditors, as also those mentioned in our letter dated the 29th June 1970, indicating, in particular, that they will be the joint Statutory Central auditors of the bank and that their responsibility in auditing its accounts would be concurrent and co-extensive.

Yours faithfully,
G. G. DESHPANDE
Dy. Chief Officer

DBOD. No. Nat. 1694/C. 469(F)-70—3 July 1970

The custodians of the nationalised banks.

Dear Sir,

CLOSING OF BOOKS AND PREPARATION OF FINAL ACCOUNTS****

* * * * * * * *

We enclose 2 copies each of the Hindi translation of the *pro forma* of the balance sheet and profit and loss account so that a uniform terminology may be used by all the nationalised banks in the Hindi version of the final accounts.

Yours faithfully,
M. L. INASU
Asstt. Chief Officer

Note : Please see further circular DBOD. No. Nat. Cir. C.23/C.469(F) -70 dated the 16th December 1970.

तीसरी अनुसूची

(धारा 29 देखिए)

फार्म क

तुलन-पत्र का फार्म

पूंजी और देयताएँ	रु.	पै.	रु.	पै.	संपत्ति और आस्तियाँ	रु.	पै.	रु.	पै.
1. पूंजी (क)—					1. नकदी				
प्राधिकृत पूंजी ————रु. के ————शेयर	——				हाथ में और रिज़र्व बैंक तथा स्टेट बैंक के पास (विदेशी मुद्रा नोटों को मिलाकर)				
जारी पूंजी ——रु. के ———— शेयर	——				2. अन्य बैंकों के पास जमा-राशि (यह दर्शाया जाए कि वे जमा खाते में हैं या चालू खाते में): (i) भारत में	----			
अभिदत्त पूंजी ———रु. के ———— शेयर	——				(ii) भारत के बाहर	----			
प्रति शेयर ——— रु. की दर से मांगी गयी राशि	——				3. मांग और अल्प सूचना पर प्रतिदेय राशि	——			
घटाइये : मांगी गयी अदत्त राशियाँ	——								
जोड़िये : जब्त शेयर	——								
2. प्रारक्षित निधि और अन्य प्रारक्षित राशियाँ					4. निवेश (मूल्यांकन की प्रणाली अर्थात् लागत मूल्य या बाजार मूल्य बताया जाए) : (च)				
					(i) केंद्रीय और राज्य सरकारों की प्रतिभूतियाँ और अन्य न्यासी प्रतिभूतियाँ, केंद्रीय और राज्य सरकारों की राजकोष हुंडियों सहित				
3. जमा-राशियाँ और अन्य लेखे : मीयादी जमा-राशियाँ ———— बचत बैंक जमा-राशियाँ ———— चालू खाते, आकस्मिकता लेखे, आदि					(ii) शेयर (अधिमान्य, सामान्य, आस्थगित और अन्य प्रकार के शेयरों में वर्गीकृत किये जाएँ और पूर्णतः चुकता शेयरों और अंशतः चुकता शेयरों को अलग-अलग दर्शाया जाए)				
4. अन्य बैंकिंग कंपनियों, एजेंटों आदि से उधार ली गई राशियाँ (i) भारत में (ii) भारत के बाहर					(iii) ऋण-पत्र या बाण्ड				
					(iv) अन्य निवेश जिनका वर्गीकरण उचित शीर्षों के अधीन किया जाना चाहिए				
					(v) सोना				

(तीसरी अनुसूची)

फार्म क—चालू

पूंजी और देयताएँ			संपत्ति और आस्तियाँ		
	रु.	पै. रु. पै.		रु.	पै. रु. पै.
ब्योरा :					
(i) जमानती (जमानत का स्वरूप बताया जाए)			5. अग्रिम (अशोध्य और संदिग्ध ऋणों से भिन्न जिनके संबंध में लेखा परीक्षकों के लिए संतोष-प्रद व्यवस्था की गयी है)		
(ii) गैर-जमानती			(I) ऋण, नकदी ऋण, ओवरड्राफ्ट, आदि :		
5. देय बिल			(i) भारत में		
6. वसूली के लिए बिल, जो सामने लिखे अनुसार प्राप्य बिल हैं :			(ii) भारत के बाहर		
(i) भारत में देय			(II) भुनायी और खरीदी गयी हुंडियाँ (केंद्रीय और राज्य सरकारों की राजकोष हुंडियों को छोड़कर)		
(ii) भारत से बाहर देय			(i) भारत में देय		
7. अन्य देयताएँ (ग)			(ii) भारत के बाहर देय		
8. सामने लिखे के अनुसार स्वीकृतियाँ, पृष्ठांकन और अन्य दायित्व :			अग्रिमों का ब्योरा :		
9. लाभ और हानि पिछले तुलन-पत्र के अनुसार लाभ————			(i) शोध्य माने गये ऋण जिनके संबंध में बैंकिंग कंपनी के पास पूरी जमानत है ;		
घटाइये : विनियोजन			(ii) शोध्य माने गये ऋण जिनके लिए बैंकिंग कंपनी के पास ऋणकर्ताओं की व्यक्तिगत जमानत के सिवाय कोई दूसरी जमानत नहीं है :		
जोड़िये : लाभ-हानि लेखे में से लाया गया वर्ष का लाभ :			(iii) शोध्य माने गये ऋण जिनके लिए ऋणकर्ताओं की व्यक्तिगत जमानत के अतिरिक्त एक या अधिक पार्टियों की व्यक्तिगत देयताओं के रूप में जमानत है :		

(तीसरी अनुसूची)

फार्म क—चालू

पूंजी और देयताएँ			संपत्ति और आस्तियाँ		
	रु.	पै. रु. पै.		रु.	पै. रु. पै.
10. आकस्मिक देयताएँ (घ)			(iv) संदिग्ध या अशोध्य माने गये ऋण, जिनके लिए कोई व्यवस्था नहीं की गयी :		
			(v) बैंकिंग कंपनी के निदेशकों या अधिकारियों से या उनमें से किसी से पृथक् रूप से या किन्हीं अन्य व्यक्तियों के साथ संयुक्त रूप से प्राप्य ऋण :		
			(vi) उन कंपनियों या फ़र्मों से प्राप्य ऋण जिनमें निदेशकों या साझेदारों या प्रबंध एजेंटों के रूप में या गैर-सरकारी कंपनियों के मामले में सदस्यों के रूप में बैंकिंग कंपनी के निदेशक हितबद्ध हों :		
			(vii) बैंकिंग कंपनी के निदेशकों या प्रबंधकों या अधिकारियों को या उनमें से किसी को पृथक् रूप से या किन्हीं अन्य व्यक्तियों के साथ संयुक्त रूप से वर्ष में किसी भी समय दिये गये अग्रिमों की अधिकतम कुल राशि जिनमें अस्थायी अग्रिम भी शामिल हैं (चच)		
			(viii) उन कंपनियों या फर्मों को, जिनमें निदेशकों या साझेदारों या प्रबंध एजेंटों के रूप में या गैर-सरकारी कंपनियों के मामले में सदस्यों के रूप में बैंकिंग कंपनी के निदेशक हितबद्ध हों, वर्ष में दिये गये		

(तीसरी अनुसूची)

फार्म क—चालू

पूंजी और देयताएँ		संपत्ति और आस्तियाँ	
रु. पै.	रु. पै.		रु. पै. रु. पै.
		अग्रिमों की अधिकतम कुल राशि जिनमें अस्थायी अग्रिम भी शामिल हैं (चच)	
		(ix) बैंकिंग कंपनियों से प्राप्य	
		6. प्राप्य बिल जो सामने लिखे अनुसार वसूली के लिए हैं :	
		(i) भारत में देय	
		(ii) भारत के बाहर देय	
		7. सामने लिखे अनुसार स्वीकृतियों, पृष्ठांकनों और अन्य दायित्वों के लिए संघटकों (असामियों) की देयताएँ :	
		8. मूल्य-ह्रास घटाकर परिसर (छ):	
		9. मूल्य-ह्रास घटाकर फर्नीचर और फिक्सचर (छ) :	
		10. अन्य आस्तियाँ, चांदी सहित (बतायी जाए) (ज) :	
		11. दावों के बदले प्राप्त की गयी गैर-बैंकिंग आस्तियाँ (मूल्यांकन की प्रणाली बतायी जाए) (झ)	
		12. लाभ और हानि	
जोड़ :		जोड़ :	

टिप्पणियाँ

(क) पूंजी—

(i) यदि पूंजी के विभिन्न वर्ग हों तो उनको अलग-अलग दर्शाया जाए।

(ii) उन शेयरों का उल्लेख अलग से किया जाए जो नकद रकम प्राप्त हुए बिना ही किसी करार के अनुसार पूर्णतः चुकता शेयरों के रूप में जारी किये गये हों।

(iii) जहाँ परिस्थितियों के अनुसार संभव हो वहाँ जारी की गयी और अभिदत्त पूंजी और माँगी गयी राशि एक मद के रूप में दर्शायी जाए, उदाहरण के लिए, ———————— रु. के ———————— चुकता शेयरों की जारी और अभिदत्त पूंजी ।

(iv) भारत के बाहर निगमित बैंकिंग कंपनियों के मामले में बैंकिंग कंपनी अधिनियम, 1949 की धारा 11 की उप-धारा (2) के अंतर्गत भारतीय रिज़र्व बैंक के पास रखी गयी जमा रकम इस शीर्ष के अंतर्गत लिखी जाए, परंतु उसे बाहरी स्तंभ तक बढ़ाया न जाए ।

(ग) इस शीर्ष के अंतर्गत निम्नलिखित जैसी मदें शामिल की जाएँ :—
पेंशन या बीमा निधियाँ, अदावी लाभांश, अग्रिम अदायगियाँ और अनतीत बट्टे, सहायक कंपनियों के संबंध में देयताएँ या कोई अन्य देयताएँ ।

(घ) इनको निम्नलिखित श्रेणियों में वर्गीकृत करना चाहिए :—

(i) बैंकिंग कंपनी के विरुद्ध दावे जो ऋण न माने गए हों,

(ii) वह राशि जिसके लिए बैंकिंग कंपनी सापेक्ष रूप से जिम्मेदार हो ; निदेशकों या अधिकारियों की तरफ से बैंकिंग कंपनी द्वारा दी गयी किसी गारंटी की राशि को अलग से दर्शाया जाए ।

(iii) संचयी, अधिमान्य लाभांशों की बकाया राशियाँ ।

(iv) फिर से भुनाई गयी हुंडियों के संबंध में देयता ।

(v) वायदा विनिमय के बकाया करारों के कारण देयता ।

(च) जहाँ तुलन-पत्र के बाहरी स्तंभ में दिखाया गया निवेशों का मूल्य बाजार मूल्य से अधिक हो वहाँ बाजार मूल्य अलग से कोष्ठकों में दर्शाया जाए ।

(चच) ऐसे सभी लेखों में वर्ष में किसी दिन इकाई के रूप में रहनेवाली अधिकतम कुल बकाया राशि इस शीर्ष के अंतर्गत दर्शाई जाए ।

(छ) जिस परिसर में बैंकिंग कंपनी कारोबार के उद्देश्य के लिए पूर्णतः या अंशतः स्थित हो उसे "मूल्य-ह्रास घटाकर परिसर" के सामने दर्शाया जाए । स्थिर पूंजी व्यय के मामले में, मूल लागत और उसमें इस वर्ष हुई वृद्धियों और की गयी कटौतियों को तथा बट्टे खाते डाले गये कुल मूल्य-ह्रास को भी दर्शाया जाए । जहाँ पूंजी में कटौती या आस्तियों का पुनर्मूल्यांकन करने के बाद राशियाँ बट्टे खाते डाली गयी हों वहाँ कटौती या पुनर्मूल्यांकन के पश्चात् पहले तुलन-पत्र के बाद वाले प्रत्येक तुलन-पत्र में कम किए गए आँकड़े, कटौती की तारीख और राशि के साथ दर्शाये जाएँ । पूर्ण रूप से बट्टे खाते डाले गये फर्नीचर, फिक्सचर और अन्य आस्तियों को तुलन-पत्र में दिखाने की आवश्यकता नहीं है ।

(ज) इस शीर्ष के अंतर्गत निम्नलिखित जैसी मदों को शामिल किया जाए और उन्हें उचित शीर्षों के अंतर्गत दर्शाया जाए : प्रारंभिक, निर्माण और संगठन व्यय, विकास व्यय, शेयरों पर कमीशन और दलाली, निवेशों पर संचित किन्तु वसूल न किया गया ब्याज, सहायक कंपनियों के शेयरों में निवेश और कोई अन्य आस्तियाँ ।

(झ) दर्शाया गया मूल्य बाजार मूल्य से और जिन मामलों में बाजार मूल्य का निर्धारण नहीं हो पाता हो वहाँ अनुमानित प्राप्य मूल्य से अधिक न हो ।

सामान्य अनुदेश : तुलन-पत्र जिस वर्ष से संबंधित हो उसके पिछले वर्ष के तदनुरूप आँकड़े (यदि वांछित हो तो निकटतम रुपयों में) अलग स्तंभों में दर्शाये जाएँ ।

(तीसरी अनुसूची)

फार्म ख

लाभ हानि लेखे का फार्म

——————दिसम्बर ———— को समाप्त हुए वर्ष का लाभ-हानि लेखा

	रु. पै.	रु. पै.		रु. पै.	रु. पै.
1.	जमा-राशियों, उधार राशियों आदि पर अदा किया गया ब्याज :		1.	ब्याज और बट्टा	
**2.	वेतन तथा भत्ते और भविष्य निधि (प्रबंध निदेशक, प्रबंधक, या मुख्य कार्यपालक अधिकारी को दिये गये वेतन-भत्ते अलग से दिखाए जाएँ)		2.	कमीशन, विनिमय-शुल्क और दलाली	
3.	निदेशकों और स्थानीय समिति के सदस्यों की फीस और भत्ते		3.	किराया	
4.	किराया, कर, बीमा, रोशनी आदि		4.	निवेशों, सोने और चांदी, भूमि, परिसर और अन्य आस्तियों की बिक्री से शुद्ध लाभ (जो प्रारक्षित निधि या किसी विशेष निधि या लेखे में जमा न किया गया हो)	
5.	विधि प्रभार				
6.	डाक, तार और टिकट खर्च				
7.	लेखा-परीक्षकों की फीस		5.	निवेशों, सोने और चांदी, भूमि, परिसर और अन्य परिसंपत्तियों के पुनर्मूल्यांकन से शुद्ध लाभ (जो प्रारक्षित निधि या किसी विशेष निधि या लेखे में जमा न किया गया हो)	
8.	बैंकिंग कंपनी की संपत्ति पर मूल्य-ह्रास और उसकी मरम्मत				
9.	लेखन-सामग्री, छपाई, विज्ञापन आदि				
			6.	गैर-बैंकिंग आस्तियों से आय और ऐसी आस्तियों की बिक्री या लेन-देन से लाभ	
10.	गैर-बैंकिंग आस्तियों की बिक्री या लेन-देन से हानि				
11.	अन्य व्यय		7.	अन्य प्राप्तियाँ	
12.	लाभ शेष		8.	हानि (यदि कोई हो)	
	जोड़			जोड़	

*निवेशों, सोने और चांदी, भूमि, परिसर और अन्य आस्तियों की बिक्री या पुनर्मूल्यांकन के कारण यदि कोई शुद्ध हानि हुई हो तो उसे आय में से घटाया जाए ।

इस फार्म के साथ निम्नलिखित विवरण दर्शाते हुए एक नोट दिया जाए, अर्थात् :—प्रबंध निदेशक, प्रबंधक या मुख्य कार्यपालक अधिकारी के पारिश्रमिक के विवरण—निम्नलिखित प्रत्येक मद के लिये इस वर्ष की गयी सभी अदायगियों या व्यवस्थाओं और उन सभी मदों के जोड़ को अलग-अलग दर्शाया जाए ।

(i) वेतन,
(ii) भत्ते,
(iii) बैठक फीस,
(iv) बोनस,
(v) भविष्य निधि, पेंशन निधि या किसी अन्य निवर्तन निधि में नियोजक के अंशदान,
(vi) उपदानों या पेंशनों के रूप में या अन्य रूप में, नियोजक के अंशदानों और उनके ब्याज से अधिक किये गये भुगतान, और
(vii) किन्हीं अन्य सुविधाओं या परिलब्धियों का मुद्रागत मूल्य ।

सामान्य अनुदेश : लाभ-हानि लेखा जिस वर्ष से संबंधित हो उसके पिछले वर्ष के तदनुरूप आँकड़े (यदि वांछित हों तो निकटतम रुपयों में) अलग स्तंभों में दर्शाये जाएँ ।

DBOD. No. EFS. 1811/C.452(K)-70—14 August 1970

All foreign banks operating in India.

Dear Sir,

SECTION 228 OF THE COMPANIES ACT, 1956—AUDIT OF BRANCHES

Recently, we had an occasion to examine the applicability of the provisions of section 228 of the Companies Act, 1956 to foreign banks operating in India. We have since been advised by the Central Government that the provisions of section 228 of the Companies Act, 1956 are applicable to a foreign banking company having branches in India. We shall be glad if you will please note this for your guidance.

Yours faithfully,
G. G. DESHPANDE
Dy. Chief Officer

DBOD. No. EFS. 2065/C.452(K)-70—19 September 1970

The custodians of the 14 nationalised banks.

Dear Sir,

APPOINTMENT OF BRANCH AUDITORS FOR INDIAN BRANCHES FOR THE YEAR 1970

Please refer to paragraph 1 of our circular letter DBOD. No. EFS. 1429/C. 452(K)-70 dated the 29th June 1970. We shall be glad if you will kindly request the Statutory Central auditors to draw up a programme of audit of Indian branches to be allotted to branch auditors and forward to us their proposals, to enable us to consider the question of appointment of branch auditors for such branches for the year 1970. In this connection, the following aspects may please be borne in mind.

(i) For purposes of audit of branches by branch auditors, it is the intention to appoint local auditors as far as possible. The former statutory auditors would also be eligible for branch audit, particularly in view of the principle of rotation.

(ii) It should be ensured that the branches selected by the Statutory Central auditors for audit by themselves as at the 30th June as well as 31st December 1970, and those to be allotted to the branch auditors for audit as at the 31st December 1970, are in accordance with the principles laid down by the Company Law Board under the Companies (Branch Audit Exemption) Rules, 1961, as stated in our aforesaid circular. A larger number of branches than is required according to the prescribed principles may be selected for audit if there are special reasons.

2. * * * * * * *

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

DBOD. No. EFS. 2112/C.452(K)-70—26 September 1970

The custodians of the 14 nationalised banks.

Dear Sir,

HALF-YEARLY CLOSING AND AUDIT OF BOOKS AS ON THE 30TH JUNE

Please refer to our circular letter DBOD. No. EFS. 1245/C. 452(K)-70 dated the 5th June 1970. In this connection, we have to advise that it is not necessary for the banks to make any *specific appropriations* out of the profit for the half-year ended 30th June.

2. The half-yearly profit and loss accounts and balance sheets are *not* meant for publication. The accounts, after audit, may be submitted to the Boards of the respective banks for information. The banks may make *provisions* out of the income for the half-year ended 30th June if they consider it necessary to do so in consultation with the Boards.

3. Three copies each of the audited balance sheets and profit and loss accounts for the half-year ended 30th June may be forwarded to us as also to Government, in due course.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

DBOD. No. Nat. CIR. C.11/C.469(F)-70—5 October 1970

The custodians of the nationalised banks.

Dear Sir,

SECTION 10(7) OF THE BANKING COMPANIES (ACQUISITION AND TRANSFER OF UNDERTAKINGS) ACT, 1970—TRANSFER OF BALANCE OF PROFIT TO CENTRAL GOVERNMENT

In terms of sub-section (7) of section 10 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the balance of profit, after making provisions for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and all other matters for which provision is necessary under any law, or which are usually provided for by banking companies, is required to be transferred to the Central Government. It is intended that such balance of profit should be credited under the new minor head "Profits transferred to Government under section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970" under the major head "LVIII—Dividends, etc. from Commercial and other Undertakings." The Comptroller and Auditor General of India has already issued necessary instructions authorising the opening of the new minor head.

2. As cash cannot normally be paid into Government account, except through a treasury or Pay and Accounts Officer, the challans, indicating the complete head of account as shown below, should be prepared by the banks and, after being passed by the Accountant General, West Bengal, in respect of payments at Calcutta, the Pay and Accounts Officers at Bombay and Madras in respect of payments at these places, and appropriate Treasury Officers at other centres, payments may be made either in cash or by cheques in the normal course as in the case of other payments to the Central Government.

"LVIII—Dividends etc. from Commercial and other Undertakings—Profits Transferred to Government under section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970—
.....
(name of the bank).

3. To facilitate centralised control, the banks should, after payments have actually been made, advise the Secretary, Department of Banking, New Delhi, the Accountant General, Central Revenues, New Delhi and the Chief Officer, Department of Banking Operations and Development, Reserve Bank of India, Central Office, Bombay, of the dates on which the payments are made and the particulars of the payments.

4. The payments to Government should be made as soon as the accounts for the respective year are audited and finalised and within a week of the date on which the appropriations are approved by the Board of Directors * * * * * *

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

DBOD. No. CIR.C. 16/C.469(F)-70—24 October 1970

The custodians of the nationalised banks.

Dear Sir,

CLOSING OF BOOKS AND PREPARATION OF FINAL ACCOUNTS****

Please refer to our circulars DBOD. Nos. Nat. 964 and 975/C. 469(F)-70 both dated the 29th April 1970 on the above subject. Subsequently, some banks sought certain clarifications. A Committee of the auditors of nationalised banks also considered certain points on the format and contents of the au-

ditors' report on the accounts of the banks and has expressed certain views. We have considered the various points and have to advise as under :

(a) *Format of the Auditors' Report — True and fair concept of balance sheet and profit and loss account.*

(b) *Books of Account.*

The format of the auditors' report prescribed under section 10(4) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, is similar to the form prescribed under section 41 of the State Bank of India Act, 1955. Section 51 of the Banking Regulation Act, 1949 which applied section 29(1) of the same Act to the State Bank of India, applied the same section to the nationalised banks as well. Thus, the structure and scheme of law are the same in respect of all the public sector banks. In the case of the State Bank of India, the statutory auditors have been giving their report without any qualifications or reservation in the prescribed statutory form all these years since 1955. No difficulty seems to have arisen in the case of the State Bank of India. The reason for this is that the certificate that the balance sheet is "full and fair" etc. has obviously to be taken in relation to the form of balance sheet prescribed by law for the purpose. As the form prescribed in the Banking Regulation Act differs from the form prescribed under the Companies Act, a specific provision was necessary for the protection of an auditor of a banking company certifying the balance sheet in that form. This protection was given by sections 211(5) and 227(5) of the Companies Act. Since the corresponding new banks are not companies, the requirements of the Companies Act do not apply to them. By the same token no specific provision as in sections 211(5) and 227(5) of the Companies Act appears necessary in the case of auditors certifying accounts in the form prescribed by the Banking Regulation Act.

Regarding the certificates (*f*) and (*g*) of the format of auditors' report as per the specimen furnished to banks along with our circular letter DBOD. No. Nat. 964/C. 469(F)-70 dated the 29th April 1970, we have no objection to their being amended slightly to read as follows :

(*f*) "In our opinion proper books of account have been kept and the balance sheet and profit and loss account have been drawn up in conformity with the law and in agreement therewith."

You may, therefore, inform your bank's auditors that in so far as the format of the auditors' report is concerned, the auditors may adopt the form as given in the annexure@, if they are particular about amending the certificates (*f*) and (*g*) referred to above. Otherwise, the format of the auditors' report on the accounts of the State Bank of India may be adopted without any change.

(c) * * * * * *

(d) *Bonus to staff*

* * * * * * * from the year 1970 onwards, the banks will be required to show the bonus as an appropriation of profits of the concerned year to which the bonus relates. * * * *

* * * * * * * *

(e) * * * * * *

(f) * * * * * *

(g) * * * * * *

2. * * * * * *

3. * * * * * *

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

@ Same as the annexure to circular DBOD. No. Nat. 964/C. 469 (F) -70 dated 29th April 1970 except for the consolidation of certificates (*f*) and (*g*) into (*f*) as indicated here. On further consideration, the form was again revised;the form at present in force (circulated with circular DBOD. No. Nat. C. 22/C. 469(F)-70 dated 8th December 1970) is given as annexure below.

ANNEXURE

The President of India,

1. We have audited the foregoing Balance Sheet of———— Bank as of ..... and also the foregoing Profit & Loss Account of the Bank for the period * * * * in which are incorporated the returns of———— Branches audited by us,———— Branches audited by other auditors, and the unaudited returns in respect of———— Branches not visited by us, for the exclusion of which Branches from audit, concurrence of the Reserve Bank of India was obtained.

2. The Balance Sheet and Profit and Loss Account have been drawn up in forms 'A' and 'B' respectively of the Third Schedule of the Banking Regulation Act,

1949. Accordingly, they disclose such matters as were required to be disclosed in the case of banking companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph, we report that :—

(*a*) In our opinion and to the best of our information and the explanations given to us and as shown by the books of the Bank :—

(*i*) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at.....

(*ii*) the Profit and Loss Account read with the notes thereon shows a true balance of profit for the period covered by the Account;

(*b*) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;

(*c*) The transactions of the Bank which have come to our notice have been within the powers of the Bank;

(*d*) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

DBOD. No. Nat. CIR.C.23/C.469(F)-70—16 December 1970

The custodians of the nationalised banks.

HINDI VERSION OF THE BALANCE SHEET, ETC.

Please refer to our circular letter DBOD. No. Nat. 1694/C.469(F)-70 dated the 3rd July 1970. We forward herewith a copy of the Hindi translation of some more terminologies to be used in the Hindi version of the final accounts for 1969.

Yours faithfully,
N. D. JAIN
Asstt. Chief Officer

1. कराधान आदि के लिए प्रारक्षित आकस्मिकता—निधि
(Contingency Reserve for taxation, etc.)

2. लाभ और हानि
(Profit and Loss)

पिछले वर्ष के लेखे में से आगे लायी गयी बकाया राशि (Balance brought forward from last year's account)	_____
जोड़िए : 1-1-1969 से 18-7-1969 तक की अवधि का लाभ (अनुसूची के अनुसार) [*Add* Profit for the period 1-1-1969 to 18-7-1969 (as per Schedule)]	_____ _____ _____
घटाइए : प्रारक्षित निधि को अंतरित किया गया (*Less* Transferred to Reserve Fund)	_____ _____ कुछ नहीं (Nil)

19-7-1969 से 31-12-1969 तक की अवधि का लाभ (Profit for the period 19-7-1969 to 31-12-1969)	
घटाइए : प्रारक्षित निधि को अंतरित किया गया (*Less* Transferred to Reserve Fund)	
सरकार को अन्तरणीय शेष रकम (Balance being the amount to be transferred to Government)	

DBOD. No. ARS. 367/C. 452(K)-71—26 April 1971

The custodians of the 14 nationalised banks.

Dear Sirs,

NATIONALISED BANKS—REMUNERATION OF STATUTORY CENTRAL AUDITORS AND BRANCH AUDITORS FOR AUDIT OF INDIAN BRANCHES FOR 1970

As you are aware, the question of fixing the remuneration of the statutory central auditors and branch auditors of the nationalised banks for audit of Indian branches for 1970 has been under our consideration for some time. We have examined the proposals made by the banks for fixing the remuneration of the statutory central auditors for audit of Indian branches for 1970 and the basis generally adopted by the banks in the past in fixing the remuneration of the branch auditors. It is considered that there is need for rationalising the structure of remuneration for audit of Indian branches. Accordingly, the Reserve Bank, in consultation with the Central Government under section 10(2) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970, has fixed the fees for statutory central auditors as well as branch auditors for audit of Indian branches for 1970 at the rates indicated below on the basis of the volume of advances of each branch :—

Size of branch according to volume of advances	Rate of fees per branch/ office per audit
	Rs.
(*a*) Advances up to Rs. 15 lakhs	500/-
(*b*) Over Rs. 15 lakhs up to Rs. 30 lakhs	600/-
(*c*) Over Rs. 30 lakhs up to Rs. 75 lakhs	700/-
(*d*) Over Rs. 75 lakhs up to Rs. 150 lakhs	800/-
(*e*) Over Rs. 150 lakhs up to Rs. 300 lakhs	1000/-
(*f*) Over Rs. 300 lakhs up to Rs. 5 crores	1250/-
(*g*) Over Rs. 5 crores up to Rs. 10 crores	1500/-
(*h*) Over Rs. 10 crores up to Rs. 20 crores	2000/-
(*i*) Over Rs. 20 crores up to Rs. 30 crores	3500/-
(*j*) Over Rs. 30 crores	5000/-

2. In this connection, the following points may please be noted :—

(*i*) The rates of fees specified above are per branch/office per audit.

(*ii*) However, in the case of a branch/office opened after 30th June 1970, the fee is to be paid at the rate of one-half of the full rate for its audit as at 31st December 1970.

(*iii*) The rates are to be applied on the basis of the advances of the branch/office concerned as on the date with reference to which the audit is conducted (*i.e.* 30th June or 31st December 1970 as the case may be).

3. You may kindly make payments to the statutory central auditors and branch auditors for audit of Indian branches for 1970 on the aforesaid basis. As regards statutory central auditors, these rates will be applicable only to branches/offices *not* covered by the fees already fixed for the central audit for 1970.

4. The audit fees indicated above are exclusive of travelling and out-of-pocket expenses. It is observed that at present there is no uniformity amongst the nationalised banks in regard to settling of claims of auditors for travelling and out-of-pocket expenses. In view of this, it has been decided, in consultation with the Central Government, that the rates of travelling and halting expenses as indicated below may be adopted for statutory central auditors (in respect of central audit as well as branch audits) and branch auditors for 1970.

	For Principals/Partners	For Assistants
(a) **Travelling Allowance :**		
I. **Statutory central auditors**	First class railway fare (Air-conditioned railway fare whenever they undertake the journey by that class) or Air fare.	First class railway fare (Air-fare as a special case wherever considered necessary)
II. **Branch auditors**	First class railway fare or actual cost of conveyance by bus/car/boat.	First class railway fare or actual cost of conveyance by bus/car/boat.
(b) **Halting expenses (Actual):**		
I. **Statutory central auditors**	Not exceeding Rs. 20/- per day. (Ceiling to be fixed at Rs. 70/- for Bombay, New Delhi and Calcutta and at Rs. 40/- for other State Capitals and towns with population exceeding 5 lakhs)	Not exceeding Rs. 15/- per day. (Ceiling to be fixed at Rs. 45/- for Bombay, New Delhi and Calcutta and Rs. 25/- for other State Capitals and towns with population exceeding 5 lakhs)
II. **Branch auditors**	Not exceeding Rs. 20/- per day. (Ceiling to be fixed at Rs. 40/- for State Capitals and towns with population exceeding 5 lakhs)	Not exceeding Rs. 15/- per day. (Ceiling to be fixed at Rs. 25/- for State Capitals and towns with population exceeding 5 lakhs)

5. With regard to reimbursement of travelling and halting expenses to the auditors, we may make the following observations :—

(*i*) The travelling and halting expenses should be kept to the minimum.

(*ii*) Banks should call for such details as are considered necessary for verification of the bills in this regard and the statutory central auditors as well as branch auditors should furnish such details for verification of the actual expenses.

(*iii*) Where the statutory central auditors are located at the same place as the Head Office/Central Office of the bank concerned, no travelling and halting expenses should be reimbursed to them in respect of central audit.

(*iv*) Where the statutory central auditors are located at a different place but have an office at the same place as the Head Office/Central Office of the bank concerned, the travelling and halting expenses, if any, should be nominal in respect of central audit. However, to ensure quality of audit, there should be no objection to the partners of the firms visiting the Head Office/Central Office of the bank as and when they deem it necessary.

(*v*) Where the statutory central auditors or branch auditors have an office at the place where the branches/offices to be audited are situated, they will not be reimbursed travelling and halting expenses.

(*vi*) Where the statutory central auditors or branch auditors have offices at different places, they should ordinarily be reimbursed travelling expenses in respect of *branch audits* from their offices nearest to the branches audited.

6. As the audits for 1970 would have already been completed or would be nearing completion, the ceiling rates and the principles for travelling and halting expenses indicated in paragraphs 4 and 5 above may be treated more as guidelines than as strict norms in settling the relevant claims of the auditors for 1970. A rigid adherence to these ceiling rates or principles is not intended if the Custodian is satisfied that the actual expenses incurred by a particular auditor in excess of the ceiling rates or contrary to the principles indicated by us are justified and the auditors give a declaration that the expenses have been actually incurred and do not include an element of profit. You may kindly settle the claims of the auditors concerned for travelling and halting expenses on the lines indicated above.

7. * * * * * *

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

DBOD. No. ARS. 568/C. 452(K)-71—23 June 1971

The custodians of nationalised banks.

Dear Sir,

APPOINTMENT OF STATUTORY CENTRAL AUDITORS FOR THE YEAR 1971

It has been decided that the nationalised banks should close their books of accounts and get them audited by statutory auditors as at the 30th June as well as the 31st December for the year 1971. Accordingly, your bank may appoint the auditors indicated in the Annexure* as Statutory Central auditors for 1971 on the remuneration indicated therein, which have been fixed by us in consultation with Central Government in terms of section 10(2) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

2. You may entrust the half-yearly audit as at the 30th June 1971 to the above auditors immediately. In this connection, we would like to impress upon you that the 30th June balance sheet and profit and loss account, duly audited, should be made available to us as also the Government as early as possible and in any case *not* later than the 30th September 1971. We may add that the auditors appointed for your bank will function as joint Statutory Central auditors of the bank and their responsibility in auditing the accounts would be concurrent and co-extensive. As was done for 1970 audit, they will undertake both the half-yearly audit (as at the 30th June) and the

* Not enclosed. Annexure differed from bank to bank.

annual audit (as at the 31st December) for 1971.

3. We advised you last year (vide our letter DBOD. No. EFS. 1429/C. 452(K)-70 dated 29th June 1970) that it would be open to the Statutory Central auditors to visit any branches they desired and that the selection of the branches to be audited should be left to be settled among themselves. We have carefully considered the matter again in the light of the experience of the nationalised banks of 1970 audit and feel that it would be sufficient if the Statutory Central auditors take up the audit of only some of the more important branches, either according to size or keeping in view any other factors which they consider relevant, instead of auditing a large number of branches (as was done in the case of some banks for 1970). We also feel that in order to keep the travelling and other out-of-pocket expenses to the minimum, the Central auditors should, as far as practicable, avoid audit by themselves of outstation branches which are far away from centres where they have offices. Further, it does not seem necessary for them to audit all the branches selected for audit as at the 30th June again as at the 31st December, unless there are any compelling reasons. While we recognise the principle that the Statutory Central auditors should have discretion in selecting branches for audit by themselves, they will no doubt keep the aforesaid factors in view in drawing up the programme of audit of branches for 1971.

4. The remuneration to be paid to the Statutory Central auditors for branch audits as also the rates of travelling and halting expenses payable to them, for the year 1971 will be the same as approved by us for the year 1970—vide our circular letter DBOD. No. ARS. 367/C. 452(K)-71 dated the 26th April 1971.

5. Branch auditors will be appointed for audit of Indian branches of the nationalised banks as at the 31st December 1971 only. It is our intention that the distribution of branch audits amongst branch auditors as at the 31st December should, as far as practicable, be regional, widespread and local. * * * * * * * * *

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

DBOD. No. ARS. 1132/C. 452(K)-71 — 15 December 1971

The custodians of nationalised banks.

Dear Sir,

APPOINTMENT OF BRANCH AUDITORS FOR INDIAN BRANCHES FOR THE YEAR 1971

* * * * * *

On the basis of the programmes of audit of Indian branches received from the Nationalised Banks, we now enclose@ a panel of auditors for appointment as branch auditors as at the 31st December 1971. As regards remuneration of the branch auditors, we advise that audit fees as also the rates of travelling and halting expenses payable to them for the year 1971 will be the same as approved by us for 1970 (vide our circular letter DBOD. No. ARS. 367/C. 452 (K)-71 dated the 26th April 1971) which are as follows :

I. **Audit fees**

Size of branch according to volume of advances	Rate of fees per branch/ office per audit
	Rs.
(*a*) Advances up to Rs. 15 lakhs	500/-
(*b*) Over Rs. 15 lakhs up to Rs. 30 lakhs	600/-
(*c*) Over Rs. 30 lakhs up to Rs. 75 lakhs	700/-
(*d*) Over Rs. 75 lakhs up to Rs. 150 lakhs	800/-
(*e*) Over Rs. 150 lakhs up to Rs. 300 lakhs	1000/-
(*f*) Over Rs. 300 lakhs up to Rs. 5 crores	1250/-
(*g*) Over Rs. 5 crores up to Rs. 10 crores	1500/-
(*h*) Over Rs. 10 crores up to Rs. 20 crores	2000/-
(*i*) Over Rs. 20 crores up to Rs. 30 crores	3500/-
(*j*) Over Rs. 30 crores	5000/-

@ Not enclosed. The panel differed from bank to bank.

In this connection, the following points may please be noted.

(*i*) The rates of fees specified above are per branch/office per audit.

(*ii*) However, in the case of branch/office opened after 30th June 1971, the fee is to be paid at the rate of one-half of the full rate for its audit as at 31st December 1971.

(*iii*) The rates are to be applied on the basis of the advances of the branch/office concerned as on the date with reference to which the audit is conducted (*i.e.*, 31st December 1971).

II. **For Principals/Partners**	**For Assistants**
(a) *Travelling allowance*	
First class railway fare or actual cost of conveyance by bus/car/boat.	First class railway fare or actual cost of conveyance by bus/car/boat.
(b) *Halting expenses* (actual)	
Not exceeding Rs. 20/- per day. (Ceiling to be fixed at Rs. 40/- for State Capitals and towns with population exceeding 5 lakhs).	Not exceeding Rs. 15/- per day. (Ceiling to be fixed at Rs. 25/- for State Capitals and towns with population exceeding 5 lakhs).

With regard to reimbursement of travelling and halting expenses to the auditors, we may make the following observations :—

(*i*) Banks should call for such details as are considered necessary for verification of the bills in this regard.

(*ii*) Where the branch auditors have an office at the place where the branches/offices to be audited are situated, they will not be reimbursed travelling and halting expenses.

(*iii*) Where the branch auditors have offices at different places, they should ordinarily be reimbursed travelling expenses in respect of *branch audits* from their offices nearest to the branches audited.

In this connection, we advise that a rigid adherence to the ceiling rates or principles for travelling and halting expenses indicated above is not intended if the Custodian is satisfied that the actual expenses incurred by a particular auditor in excess of the ceiling rates or contrary to the principles indicated by us are justified and the auditors give a declaration that the expenses have been actually incurred and do not include an element of profit. You may kindly settle the claims of the auditors concerned for travelling and halting expenses on the lines indicated above.

2. As you are aware, it is the intention that the distribution of branch audits amongst branch auditors as at the 31st December 1971, should, as far as practicable, be regional, widespread and local. It is also the intention that branch audits should cover the whole year. Thus, even in respect of branches to be allotted to branch auditors which have been audited by the statutory central auditors as at the 30th June 1971, the audit need not be split into two half years but should cover the whole year.

You may, therefore, kindly bear the above aspects in mind while making the actual allotment of branches and distribute, in consultation with the statutory central auditors, branch audits depending upon the location of the offices of the branch auditors so that the travelling expenses are kept *at the mininum.* It may also be ensured that every one of the auditors from the panel is allotted branch audit and that the distribution of branches among the branch auditors is, as far as possible, made equitably.

3. You may kindly issue formal letters of appointment to the branch auditors specifying the audit fees and other expenses payable to them and secure their acceptance to the terms of appointment. Also, kindly note to forward to the Government (Department of Banking, Ministry of Finance) and to us the distribution of branch audits amongst the branch auditors, for information, in due course.

Yours faithfully,
J. S. AHLUWALIA
Chief Officer

DBOD. No. ARS. 533/C. 452(K)-72—13 June 1972

The custodians of the nationalised banks.

Dear Sir,

APPOINTMENT OF CENTRAL STATUTORY AUDITORS FOR THE YEAR 1972

It has been decided that the nationalised banks should close their books of account and get them audited by the Central statutory auditors, as at the 30th June as well as the 31st December, for the year 1972. It is intended that, for the year 1972, all the Central Statutory auditors appointed for the year 1971 should be retained in the respective banks on the same remuneration as fixed for that year. The rates of travelling and halting expenses payable to the Central statutory auditors for the year 1972 should also be on the same basis as approved by us for the year 1970 vide our circular letter DBOD. No. ARS. 367/C. 452(K)-71 dated the 26th April 1971. We shall, therefore, be glad if you will kindly arrange to get the necessary resolution, appointing the statutory auditors of your bank for the year 1972, passed by the bank's Board of Directors and, thereafter, seek our prior approval for the appointment, in terms of section 10(1) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

2. For the purpose of the half-yearly audit as at the 30th June 1972, the Central statutory auditors should not audit any branches, *including* the Main Office at the principal place of business or the Banking Department attached to the Head Office. The branch audits, either by the Central statutory auditors or by the branch auditors, will therefore, be done only for the whole year, i.e., for the year ending the 31st December 1972, and incorporated in the annual accounts. A further communication in regard to the appointment of branch auditors will follow in due course.

3. In this connection, we would like to impress upon you the need to ensure that the audit of your bank, for the half-year ending 30th June 1972, is completed, *before the 15th August 1972*, so that the relative balance sheet and profit and loss account, duly audited could be placed before the Board of Directors, by the 31st August 1972, *without fail*. Kindly also ensure that the audited balance sheet and profit and loss account as on the 30th June 1972 are submitted to the Government and to us, as early as possible, after they are adopted by the bank's Board of Directors, and in any case, *not* later than the 15th September 1972.

Yours faithfully,
G. G. DESHPANDE
Jt. Chief Officer

DBOD. No. ARS. 18/C. 452(K)-72—7 January 1972

The custodians of the nationalised banks.

Dear Sir,

NATIONALISED BANKS—REMUNERATION OF STATUTORY CENTRAL AUDITORS AND BRANCH AUDITORS FOR AUDIT OF BRANCHES FOR 1971

We shall be glad if you will kindly furnish us, in due course, with a statement as in the *pro forma* given in the Annexure showing the remuneration paid by your bank to statutory central auditors and branch auditors (in India as well as outside India) for the year 1971.

2. Similar information may kindly be furnished to us each year.

Yours faithfully,
G. G. DESHPANDE
Jt. Chief Officer

ANNEXURE

Name of bank:

Statement showing the remuneration paid to statutory central auditors and branch auditors for the year 1971

(Amounts in rupees or rupee equivalents)

Part A — Statutory central auditors

Name of the firm of auditors	No. of branches audited		Total fees paid				Travelling & halting expenses reimbursed				Total amount paid (total of columns 4 to 11)
			Central audit		Branch audits		Central audit		Branch audits		
	30-6-1971	31-12-1971	30-6-1971	31-12-1971	30-6-1971	31-12-1971	30-6-1971	31-12-1971	30-6-1971	31-12-1971	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)

Part B — Branch auditors (for audit of branches in India as on 31-12-1971)

Name of the firm of auditors	No. of branches audited	Total fees paid	Travelling and halting expenses reimbursed	Total amount paid (total of columns 3 and 4)
(1)	(2)	(3)	(4)	(5)

Part C — Branch auditors (for audit of branches outside India)

Country	Name of the firm of auditors	No. of branches audited		Total amount paid for 1971 (including travelling and other out-of-pocket expenses)
		30-6-1971	31-12-1971	
(1)	(2)	(3)	(4)	(5)

DBOD. No. Nat. 1086 /C. 464(M)-72
17 July 1972

All scheduled commercial banks except State Bank of India.*

Dear Sir,

STATISTICS RELATING TO THE PRIORITY SECTORS—QUARTERLY RETURNS

A clarification has been sought for from us by a bank whether the figures of financial assistance given to the State Small Industries Corporations and State Industrial Development Corporations could be treated as assistance to small-scale industries and included under advances to the small-scale industries in the quarterly returns required to be submitted to us in terms of our letter No. DBOD. Nat. 154 /C. 464(M)-72 dated the 1st February 1972.@ We have to advise that credit extended to the above institutions should not be included in the figures relating to advances to small-scale industries to be reported in the above returns.

Yours faithfully,
N. RAMASWAMY
Asst. Chief Officer.

DBOD. No. Nat. BC. 87/C. 453-72
7 October 1972

All scheduled commercial banks.

Dear Sir,

CLASSIFICATION OF LOANS GRANTED AGAINST GOLD ORNAMENTS

The Credit Guarantee Corporation of India Ltd. has informed us that advances granted to farmers against gold ornaments are classified by some of the banks as direct advances to agriculture in the returns submitted to the Reserve Bank of India but these advances are not so included for the purpose of the Corporation's Guarantee Scheme. In this connection, we have to advise that for the purpose of classification, the criterion to be adopted is that the advances should have been granted for *genuine* agricultural purposes irrespective of the nature of security taken therefor. There should, therefore, be no distinction in the manner of classification adopted for reporting the above type of advances to the Reserve Bank and the Credit Guarantee Corporation of India. We shall be glad if this is kept in view while reporting the figures to the Reserve Bank of India and the Credit Guarantee Corporation of India Ltd.

Yours faithfully,
P. N. KHANNA
Joint Chief Officer.

DBOD. No. Nat. BC. 110/C. 456(H)-72
16 November 1972

All Scheduled Commercial Banks.

Dear Sir,

SPECIAL RETURNS ON AGRICULTURAL ADVANCES

Please refer to the letter of Deputy Governor (Dr. R. K. Hazari) No. CPC. 130/213-72 dated August 17, 1972@ regarding the recommendations of the Committee on Banking Statistics.

2. The Committee has pointed out in paragraph 50 of its Report that the data on agricultural advances furnished by banks in BSR 1 would not be adequate to assess their performance in regard to agricultural lending and that banks may be asked to submit two special returns giving details of their agricultural loans. The Committee has, therefore, designed two pro formae pertaining to agricultural lending by banks. *Pro forma I* relates to direct finance to farmers and is required to be submitted twice a year *i.e.* as on the last Friday of March and September. *Pro forma II* relates to recoveries of agricultural advances and is required to be submitted as on the last Friday of June each year. Each return consists of two parts, the first part in respect of farmers financed directly by banks and the second, in respect of farmers financed through

*State Bank of India was advised separately vide letter DBOD. No. Nat. 1060/C.464(M)-72 dated the 13th July 1972.

@Please see page 7 of this Section.

@ Copy included at the end of this circular.

primary agricultural credit societies. Both the returns are to be prepared on a *State-wise* basis and submitted by the head office of each bank direct to us. The first return on Pro forma I (loans issued and outstanding) should relate to the position as on the last Friday of September 1972 and the next return should be submitted as on the last Friday of March 1973. The first return on Pro forma II (recoveries of loans) should be as on the last Friday of June 1973. In this connection, your attention is invited to the Committee's observation that it would be necessary for banks to consolidate the data received from individual branches on a district-wise basis, so that they will be in a position to supply the information for *ad-hoc* enquiries that might arise from time to time from the Central Government and Reserve Bank.

3. As the first return on Pro forma II (recovery of loans) is required to be submitted as on the last Friday of June 1973, we would like to know the present position regarding recoveries and shall be glad if the required information as on the 30th June 1972 in the Pro forma II or as near thereto as possible is kindly furnished to us early.

4. A copy each of the two pro formae together with instructions is enclosed for your information and guidance. You may kindly make available to your branches copies of these for collecting the required information from them.

5. We need hardly emphasise the necessity for banks keeping a close watch over the recovery of agricultural advances. In this connection, it is essential that the branches maintain a suitable register showing the position of demand, collection and outstanding balances of agricultural advances, the particulars in the register being recorded as on the last Friday of every month/quarter as you may desire. This will also facilitate the preparation of return in Pro forma II.

Yours faithfully,
P. N. KHANNA
Joint Chief Officer.

Ref. No. CPC. 130/213-72—17 August 1972

Dear Sirs,

BASIC STATISTICAL RETURNS

Please refer to my letter Ref. No. ED.BD.213/B. 700/12-72 dated July 24, 1972 in which I had indicated that pending the recommendations of the Committee on Banking Statistics, the UBB and Q 1 returns submitted by your branches may be discontinued for months subsequent to June 1972. The Committee have since submitted their report and we are in agreement with the recommendations. I have pleasure in enclosing a copy of the report for your information. Detailed instructions about the returns to be submitted are also given in the Annexure to the Report.

2. One of the main aims of the Committee has been to reduce the burden of reporting on branches consistent with requirements of data. They have suggested a structure of returns relating to advances and deposits, called the Basic Statistical Returns (BSR), as also some special returns pertaining to certain aspects of lending. The periodicity of these returns has been kept at a minimum. For instance, BSR 1 (which will replace the UBB) will need to be submitted only twice a year, instead of once a month as until now. Various changes in the forms have also been suggested with a view to simplifying reporting. For instance, the account-wise reporting of loans is confined to large accounts and data on small account (with limits of Rs. 10,000 and below) are to be presented in a simple, consolidated form.

3. You will doubtless appreciate the importance of placing the system of reporting on a firm basis, so that a steady flow of information, with a minimum time-lag and with due regard to accuracy, is ensured. In the past, returns from your branches were submitted straight to the Reserve Bank, with a copy to your Head Office. This has proved unsatisfactory, as pointed out in the Committee's Report. The new system proposed now places considerable reliance on your co-operation. Your branches will submit the returns to your Head (or Regional) Office and you should assume the responsibility for the collection, as also some preliminary checking of the returns. The returns may then be sent in convenient batches to our Economic Department. The responsibility for obtaining returns from defaulting branches should be taken by you.

4. The method of distributing this responsibility within your organisation is left to you. If you wish, you may assign the task of collection, checking and transmission of the return to the Reserve Bank to your regional or other offices. However, a senior officer in your Central Office should be in overall charge of the reporting for your bank as a whole. I would like you to give thought to the necessary internal arrangement and let us know, at an early date, the name and designation of the officer at the Head Office and where relevant as also those of the officers in the Regional Office who would deal with statistical returns.

5. In the Reserve Bank, we have already constituted a Committee of Direction consisting of senior officers of concerned Departments to take necessary follow-up action relating to the BSR Scheme. Some of the members of this Committee will be visiting various centres to meet bankers and explain the concepts involved in the BSR and special returns and the methodology of reporting. We hope this will pave the way for an understanding of the nature and importance of statistical reporting, which, in turn, would ensure the quick

success of the scheme. I need hardly add, that your co-operation in this regard is of the utmost importance. The Committee of Direction will discuss with you and your officers the best methods, suited to your structure and set-up, through which the concepts can be conveyed to your branches.

6. The data collected through the bases returns would be useful, not only to the Reserve Bank and the Government but also to you for your internal purposes. We can make available to you detailed statements on the position of your advances and deposits in various districts (with reference to the total of bank advances and deposits in the same). This will enable you to watch your progress closely. If this feed-back is extended by you to each of your offices in respect of the district of their location, that would bring about a true sense of involvement at the basic reporting level. While the returns in respect of advances and deposits need be submitted only twice a year, you may certainly collect the same at greater frequency if you so desire for your internal purpose.

7. In addition to the BSR, the Committee has also devised some special returns on agricultural lending which will have to be collected by your Head Office from your branches, consolidated on a State-wise basis and and reported to the Department of Banking Operations and Development. As has been indicated in the report, it is important that the data be maintained by you on a district-wise basis, to enable you to provide supplementary information.

8. The quarterly return on priority sector advances at present submitted by you to our Department of Banking Operations and Development will continue for the time being.

9. Any questions you might have on the BSR scheme and all further correspondence on this subject may please be addressed to the Chairman of the Committee of Direction, Shri A. Raman, Director, Credit Planning Cell, Reserve Bank of India, Central Office, Bombay-1.

10. My letter of July 28 had stressed the importance of receiving the data relating to June 1972, on the format of the UBB and Q 1. May I once again repeat that it is very essential for us to have these returns from all your branches ?

Yours faithfully,
R. K. HAZARI
Deputy Governor.

SPECIAL RETURNS ON AGRICULTURAL LOANS (STATE-WISE)

Instructions

1. Two special returns on agricultural loans are to be submitted by Head Offices of banks on a state-wise basis. The consolidated figures relating to the bank as a whole in the same pro formae are also to be furnished.

2. Special Return I relates to loans issued and outstanding. Section A of this return requires information on direct finance to farmers for various purposes classified according to the size of holdings of the farmers. Section B calls for data on loans granted by commercial banks to farmers through primary agricultural credit societies. Both Sections A and B should be submitted twice a year, as on the last Friday of March and September.

3. Special Return II relates to recoveries of agricultural loans. Section A of this return calls for data on recoveries in respect of direct finance to farmers and Section B for data in respect of loans granted to farmers through primary agricultural credit societies. Both Sections A and B should be filled and submitted as on the last Friday of June.

4. Information in the returns is required to be furnished separately for each State. However, banks are advised to consolidate the information on a district-wise basis so as to enable them to supply it to the Reserve Bank and the Central Government, when required.

5. The term '*Farmer*' would include sharecroppers, lease-holders and tenants-at-will who do not own any land as well as those who are engaged in allied occupations such as dairying, poultry farming, piggery, fisheries, etc.

6. The term 'Loans' would cover all types of credit made available to *farmers*, including medium-term credit given to them for construction of godowns, cold storage, etc.

7. Banks are advised to submit these returns within one month from the date to which they relate. The returns should be sent to the Chief Officer, Department of Banking Operations and Development, Reserve Bank of India, Post Box No. 1030, Bombay-1.

SPECIAL RETURN OF AGRICULTURAL LOANS—I

Total loans and advances disbursed and outstanding (State-wise)

Period : Half-year ending as on the last Friday of March/September*

Name of the Bank : _____

Name of the State : _____

SECTION A : *Direct finance to farmers*

	Loans and advances disbursed during the period@@		Loans and advances outstanding as on the last Friday of March/September*	
	No. of A/cs.	Amount (in thousands of rupees)	No. of A/cs.	Amount (in thousands of rupees)
	1	2	3	4
Agriculture				
1. Short-term £(including crop loans) to farmers holding				
1.1 Upto 2.5 acres				
1.2 Above 2.5 acres				
1.3 Above 5 to 10 acres				
1.4 Above 10 acres				
Total of (1)				
2. *Term loans* (classified according to purpose)				
2.1 Sinking and deepening of wells and tube wells..				
2.2 Pump sets/oil engines				
2.3 Composite minor irrigation Schemes				
2.4 Tractors and agricultural implements and machinery				
2.5 Plough animals (bullocks)				
2.6 Reclamation and land development schemes				
2.7 Construction of godowns, cold storage				
2.8 Plantations				
2.9 Other term loans				
Total of (2)				

SECTION A : *Direct finance to farmers* (Contd.)

	Loans and advances disbursed during the period@@		Loans and advances outstanding as on the last Friday of March/September*	
	No. of A/cs.	Amount (in thousands of rupees)	No. of a/cs	Amount (in thousands of rupees)
	1	2	3	4
Allied Activities				
3. Dairying				
4. Poultry farming, piggery and bee-keeping				
5. Fisheries				
6. Other direct advances				
Total of 1 to 6 above : ..			$	
7. *Term loans* (Classified according to size of holdings)@				
7.1 Upto 2.5 acres				
7.2 Above 2.5 to 5 acres				
7.3 Above 5 to 10 acres				
7.4 Above 10 acres				
Total of (7) ..				

*Strike out whichever is not applicable.

@@All the advances disbursed during the period subsequent to the last Friday of March/September to the last Friday of September/March *i.e.*, the date to which the return relates should be shown here.

£ Excluding advances to traditional plantations *viz.* Coffee, Tea, Rubber and Spices.

$ The total should tally with the figures given against item 4(*a*) of Part I of the relative quarterly statement of advances to priority sectors.

@The total amount of term loans should tally with the total of 2 above.

SPECIAL RETURN OF AGRICULTURAL LOANS—I

Total loans and advances disbursed and outstanding (State-wise)

PERIOD : Half-year ending as on the last Friday of March/September.*

Name of the Bank ——————————————Number of Societies financed by the bank ——————————

Name of the State :—————————— ——————Number of Members ——————————

Number of Borrowers——————————

SECTION B : *Loans granted to farmers through the Primary Agricultural Credit Societies*

	Loans and advances disbursed during the period@@		Loans and advances outstanding as on the last Friday of March/September*	
	No. of A/cs @	Amount (in thousands of rupees)	No. of A/cs. @	Amount (in thousands of rupees)
	1	2	3	4
1. Agriculture				
1.1 Short-term (including crop loans)				
1.2 Medium term				
2. Allied activities				
Total				

* Strike out whichever is not applicable.

@ Number of accounts in which advances have been allowed by the societies.

@@ All the advances disbursed during the period subsequent to the last Friday of March/September to the last Friday of September/March *i.e.* the date to which the return relates should be shown here.

SPECIAL RETURN OF AGRICULTURAL LOANS—II

(Recoveries of Agricultural Loan State-wise)

Name of the Bank : ———————————————

Name of the State : ———————————————

SECTION A : *Direct finance to farmers*

(As on the last Friday of June 197)

(Amount in thousands of rupees)

	Total Demand*	Amount recovered	Overdue amount	Balance outstanding
	1	2	3	4
Short-term (including crop loan)				
Medium/long term				
Total :				

Particulars of Overdue amount

Over 1 year	Rs.
Over 2 years	Rs.
Over 3 years	Rs.
Total :	Rs.

SECTION B : *Loans and advances granted to farmers through Primary Agricultural Credit Societies*

(As on the last Friday of June 197)

(Amount in thousands of rupees)

	Total Demand*	Amount recovered	Overdue amount	Balance outstanding
	1	2	3	4
Short-term (including crop loan)				
Medium-term				
Total :				

* Total Demand : Overdue amount as on the last Friday of previous June *Plus* current demand during the period under reference.

DBOD. No. Ret. BC. 8/C. 236(G)-73
12 February 1973

All Scheduled Commercial Banks.

Dear Sir,

CLASSIFICATION OF THE 'BRANCH ADJUSTMENT ACCOUNT' IN THE VARIOUS STATUTORY RETURNS

Please refer to our circular letter DBOD. No. Ret. BC. 149/C. 236(G)-71 dated the 27th December 1971.@ We have to advise that the instructions contained therein are also applicable to the weekly return under section 42 of the Reserve Bank of India Act, 1934 and that these instructions supersede our previous instructions, if any, in the matter.

Yours faithfully,
N. D. MIRANI
Asstt. Chief Officer.

DBOD. No. Sch. BC. 75/C.110-73
22 June 1973

All scheduled commercial banks.

Dear Sirs,

WEEKLY RETURN UNDER SECTION 42(2) OF THE RESERVE BANK OF INDIA ACT, 1934

Please refer to our circular letter DBOD. No. Sch. BC. 60/C. 96-73 dated the 31st May 1973,@ enclosing a copy of the proposed notification, increasing the cash reserve requirement under section 42(1) of the Reserve Bank of India, Act, 1934, from 3 per cent to 5 per cent, with effect from the 29th June 1973. We shall be glad if, in addition to the minimum amount (at 3 per cent.) which you are showing at present, you will show the amount of additional balance of 2 per cent required to be kept as also the total amount required to be maintained at 5%, as indicated below, in the weekly return submitted by you to our concerned Regional Office in terms of section 42(2) of the Act ibid :—

"Minimum amount required to be maintained under the Act"	(Correct to rupees)
at 3%	.....
at 2%	.....
Total at 5%	.....

Yours faithfully,
M. J. SEQUEIRA
Dy. Chief Officer.

@Please see page 6 of this section.

@This circular is included in Section VI.

DBOD. No. Ret. BC. 10/C. 236(G)-73
12 February 1973

All Non-scheduled Commercial Banks.

Dear Sir,

SECTIONS 18 AND 24 OF THE BANKING REGULATION ACT, 1949—'BRANCH ADJUSTMENT ACCOUNT'

We enclose a copy of our circular letter DBOD. No. Ret. BC. 149/C. 236(G)-71 dated the 27th December 1971@ issued to all scheduled commercial banks. We have to advise that the instructions contained therein are applicable not only to the return in Form X but also to the return in Form III and that they supersede our previous instructions, if any, issued in the matter.

Yours faithfully,
N. D. MIRANI
Asstt. Chief Officer.

DBOD. No. Leg. BC. 73/C.234-73
16 June 1973

All scheduled and non-scheduled banks.

Dear Sir,

BANKING REGULATION ACT, 1949—EXEMPTION FROM THE PROVISIONS OF NOTE (f) APPENDED TO THE FORM OF BALANCE SHEET.

Please refer to our circular letter DBOD. No. Leg. BC. 20/C. 234-73 dated the 16th March 1973 on the above subject. As you are aware, Government have been exempting banks generally from the provisions of Note (f) appended to the form of balance sheet in so far as they relate to the disclosure of the market value of their investments in Government and other Trustee securities. On a review of the matter, we feel that the grant of such a general exemption to all banks year after year is not necessary and that, in future, exemption may be granted only to those banks, which apply for it. In case, therefore, your bank desires to have the exemption, in respect of its future balance sheets, you should make a request in this behalf giving specific reasons therefor, before the end of October each year. While making such a request, you should also submit to us information regarding its investments, etc., as in the enclosed pro forma.

Yours faithfully,
S. R. AVADHANI
Joint Chief Officer.

@Please see Section X—page 6.

———————————Bank

Statement showing the position of investments in Government and other Trustee securities as on the last Friday of September....

(Amounts in lakhs of rupees)

Type of Security	Total investments in Government and other Trustee securities			Depreciation in the value of investments 3–4	Reserve fund	Provision made or proposed to be made for depreciation in investments@	Other free reserves	Total of (6), (7) and 8	Remarks £
	Face value	Book value	Market value						
1	2	3	4	5	6	7	8	9	10
Central & State Government securities									
Other Trustee securities									
Total :									

Note : Please indicate the mode of valuation, whether at cost or market value, adopted in the balance sheet.

@If possible, please indicate separately the provision for fluctuation in Government and other Trustee securities.

£ Please indicate here the steps proposed to be taken to provide adequately for the depreciation in the value of investments in Government and other Trustee securities, if the provision is not adequate at present.

DBOD. No. Nat. BC. 14 /C. 469(F)-73
13 February 1973

(All Nationalised banks)

Dear Sir,

FINALISATION OF ACCOUNTS AND SUBMISSION OF BALANCE SHEET AS AT THE 31ST DECEMBER 1972

We invite a reference to the provisions of section 31 read with section 29(1) of the Banking Regulation Act, as also section 10 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, in terms of which the nationalised banks are required to submit their balance sheets and profit and loss accounts together with Auditors' reports, within a period of 3 months from the close of the year. We shall be glad to hear from you in regard to the progress made in the matter. Kindly ensure that the annual accounts are finalised within the prescribed period of three months.

2. Your attention is also invited to paragraph 4 of our letter DBOD. No. Nat. 964/C. 469(F)-70 dated the 29th April 1970@. Any special report containing observations/suggestions on any aspect of the bank's working which the auditors may submit to the Board of Directors may also be forwarded to us in duplicate. You may kindly bring to the notice of the auditors.

Yours faithfully,
G. PRATAPCHANDRAN
Joint Cheif Officer.

DBOD. No. ARS. 421/C. 452(K)-73
14 May 1973

All Nationalised banks.

Dear Sirs,

(i) DISCONTINUANCE OF HALF-YEARLY AUDIT.
(ii) SELECTION OF BRANCHES FOR ANNUAL AUDIT.

Please refer to our circular DBOD. No. EFS. 1245/C. 452(K)-70 dated the 5th June 1970@. It has now been decided that the nationalised banks should discontinue the half-yearly audit of their books of accounts for and from the year 1973. At the same time, they are advised to prepare a pro forma balance sheet as at the 30th June and profit and loss account for the half-year ended June which should be placed by them before their respective Boards on or before the 31st July, failing which, at least before the 15th of August each year.

2. As regards the selection of branches for annual audit, it has now been decided that the formula laid down by the Company Law Board for the selection of branches for audit need not be adhered to by the nationalised banks. The branches to be audited for the year 1973 and onwards may be selected on the following lines :

(*a*) All branches where advances exceed Rs. 50 lakhs should be audited every year.

(*b*) Of the remaining branches, one-third should be audited by rotation every year, so that all the branches of the bank are audited at least once in a period of three years.

(*c*) In addition, banks can, if they so desire, get some more branches audited in certain special circumstances, *e.g.* where embezzlements, frauds, etc. have taken place, or where transactions are of a suspicious nature.

Yours faithfully,
V. K. SYAMASUNDARAN
Dy. Chief Officer.

@ Please see page 15 of this Section.

@ Please see page 20 of this Section.

SECTION XI

OTHER MISCELLANEOUS CIRCULARS

SECTION XI

OTHER MISCELLANEOUS CIRCULARS

No. and Date	Subject
Underwriting of shares by banks	
Ref. 871/C. 396-67 3-8-1967	Underwriting of shares, debentures, etc.—Information required to be furnished by banks.
Ins. BC. 124/C. 396-71 8-11-1971	Underwriting of shares, debentures, etc.—Advice to banks to submit each year annual statement as on 31st December.
Inward bills for collection	
Nat. BC. 68/C. 469-71 31-5-1971	Inward bills for collection—Advice to banks to take steps to mitigate difficulty caused by restrictions imposed by banks on collection of bills sent directly by parties.
Collection of pension bills for constituents	
Ref. 1880/C. 107-70 23-12-1970	Drawal of pension by pensioners resident in India, through agents (including a bank) having a legally valid power of attorney—Order of Govt. of India clarifying relative Treasury Rules.
Nat. 548/C. 469-71 6-4-1971	Collection of pension bills through banks—Advice to banks to minimise delay.
Buying and selling of goods by banking companies	
Leg. 59/C. 90(H)-68 19-4-1968	Section 8 of Banking Regulation Act—Exemption to banks in respect of buying and selling of, as agents of any State Government, judicial and non-judicial stamp papers.
Loans and advances to directors	
Leg. 39/C. 233-69 1-2-1969	Section 20 of Banking Regulation Act (as amended by Banking Laws (Amendment) Act, 1968)—Order specifying that 'loans and advances' shall not include those against Government securities, Life Insurance policies or fixed deposits or those granted to Agricultural Finance Corporation.
Opening of branches	
No. 1993/C. 212-50 18-4-1950	Section 23 of Banking Companies Act—Monthly statement to be submitted by Indian banks in respect of branches in foreign countries.
BL. 1639/C. 168-65 12-11-1965	Section 23 of the Banking Companies Act—Record of shifted offices/ departments—Advice to banks to report changes in the location of offices—Administrative offices opened also would require Reserve Bank's approval.

No. and Date	Subject
BL. 602/C. 168-67 2-6-1967	Section 23 of Banking Regulation Act—Regarding change of location of offices—Stipulating that an office should not be located within 400 metres from an existing office of a bank.
BL. 99/C. 168-68 19-1-1968	Branch banking—Opening of mobile offices.
BL. 490/C. 168-69 11-2-1969	Branch expansion programme—Functioning of satellite offices.
BL. 2155/C. 168-69 19-6-1969	Branch expansion—Distance stipulation—Clarification that in cases where distance stipulation is not applicable the bank should not establish its office in the same building where another bank is functioning.
BD. 825/C. 168-70 25-2-1970	Branch expansion programme by commercial banks—Criteria for selecting areas for branch opening.
BD.2955/C. 168-70 11-8-1970	Lead Bank Scheme—Advice to banks to take steps to enlist the co-operation and assistance of District Central Co-operative Banks.
BD. BC. 60/C. 168-71 12-5-1971	Intimation regarding opening/closing of offices by banks in monthly statements—Revised form.
BD. BC. 73/C. 168-71 16-6-1971	Branch expansion programme—Eligibility for opening offices in Calcutta.
BD. BC. 125/C. 168-71 9-11-1971	Branch expansion *vis-a-vis* deposit mobilisation—Criteria for allowing banks to open branches in urban/rural areas.
BD. 2558/C. 168-72 25-5-1972	Branch Expansion Programme—Report of the Administrative Reforms Commission on Treasuries—Advice to nationalised banks/State Bank of India to open branches in the premises or at a place adjoining the treasury.
BD. BC. 55/C. 168-72 10-6-1972	Intimation regarding opening/closing of offices of banks—Submission of monthly statement—Advice to banks to ensure the submission of the statement in time.
Organisation and methods	
Ins. 881/C. 408B-68 30-9-1968	Organisation and methods unit—Its major functions of the unit in State Bank of India—Advice to banks to consider the desirability of making similar arrangements.
Ref. 798/MPP(1)-70 29-5-1970	Development of managerial and other personnel of banks—Advice to furnish half yearly reports.
Employment of personnel	
Sch. 7397/C. 107-60 22-9-1960	Employment of senior officers of banks who have left service of other banks.
Nat. Cir. C. 13/C.469-71 9-6-1971	Procedure to be followed by employees of nationalised banks while applying for employment elsewhere.

No. and Date	Subject
Nat. 471/C. 456(G)-72 25-3-1972	Advice to banks to furnish information relating to employees in all categories.
Internal control in banks	
Ins. 606/C. 408(A)-70 15-7-1970	Advice to banks to furnish information relating to frauds perpetrated in them.
FCS. 1153/C. 408(A)-71 5-8-1971	Internal control in banks—Necessity for periodical rotation of duties of officers and staff.
FCS. 1155/C. 408(A)-71 5-8-1971	Frauds in banks—Advice to banks to continually review their systems and procedures and to take steps to plug loop-holes so as to prevent recurrence.
Preservation of records	
Ref. 11527/C. 215-63 10-10-1963	Preservation of banks' records—List of records/documents to be preserved for 10 years.
Ref. 15127/C. 215-63 24-12-1963	Preservation of banks' records—Govt. of India's decision regarding return of paid cheques drawn by Government, autonomous Corporations, L. I. C., offices of foreign Governments and agencies of United Nations.
Ref. 50/C. 215-64 4-1-1964	Preservation of banks' records—Return of paid cheques to parties after obtaining a formal undertaking to preserve the same for 10 years.
Ref. 835/C. 215-64 22-1-1964	Preservation of banks' records—Specimen form of undertaking to be obtained from constituents before returning paid cheques.
Ref. 606/C. 215-65 16-10-1965	Preservation of banks' records—Reduction in respect of the period of preservation in respect of certain records.
Use of Hindi in banks	
GCS. BC. 25/C. 486-72 11-3-1972	Use of Hindi in banks—Advice to banks to ensure progressive use of Hindi and suggestions therefor.
Public relations and publicity	
Nat. 3046/C. 469(45)-70 7-12-1970	Public relations and publicity—Report of the Committee on public relations and publicity in public undertakings—Implementation of recommendations.
Other circulars	
Sch. 384/C. 96-63 11-1-1963	Investments in Govt. securities by trusts, provident fund and other unincorporated bodies—Section 6 of the Public Debt Act, 1944—Desirability of taking stock certificates by such bodies.
Leg. BC. 13/C. 181B-72 28-1-1972	Advice to banks to submit a return regarding possession of Pakistani property to the Custodian of Enemy Property for India—Government notification.

SECTION XI

OTHER MISCELLANEOUS CIRCULARS

No. and Date	Subject
Loans and advances to directors	
Leg. BC. 71/C. 235-72 10-8-1972	General order specifying that 'loans or advances' for the purpose of Section 20 of the Banking Regulation Act shall not include those made to any director of a banking company (who was its employee prior to becoming a director) in his capacity as an employee.
Opening of branches	
BD. BC. 77/C. 168-72 9-9-1972	Section 23 of the Banking Regulation Act—Banks to keep in view the convenience of its existing clients while shifting their offices.
BD. 5490/C. 168-72 27-9-1972	Section 23 of the Banking Regulation Act—Applications for extension of the period of validity of licences to be forwarded to the Regional Offices which issued the licence.
BD. BC. 19/C. 168-73 8-3-1973	Section 23 of the Banking Regulation Act—Particulars of branches incurring losses to be reported annually.
Employment of personnel	
EFS. BC. 924/C. 249-72 29-11-1972	Technical or Management—Advice—Directive to banks to obtain prior approval of Reserve Bank for appointment of any advisers residing outside India for giving technical or management advice.
Internal controls in banks	
GCS. BC. 121/C. 124(V)-72 12-12-1972	Reconciliation of inter-branch accounts—Advice to banks to clear the arrears in work.
GCS. BC. 126/C. 124(V)-72 18-12-1972	Balancing of transactions relating to clearing of cheque , drafts etc.—Banks to ensure that clearing accounts are balanced daily, as far as possible.
EFS. ROC. 11/C. 249-73 22-2-1973	Books of instructions—Need for comprehensive books of instructions on various aspects of a bank's business.
Use of Hindi in banks	
GCS. BC. 51/C. 486-72 2-6-1972	Official Languages Implementation Committee's (5th) meeting—Advice to public sector banks to furnish such literature in Hindi brought out by them.
GCS. BC. 67/C. 486-72 29-7-1972	Issue of advertisements—Public sector banks to ensure that their advertisements meant for all-India coverage and for Hindi-speaking areas are invariably issued simultaneously in Hindi and English.

GCS. BC. 32/C. 486-73 27-3-1973	Use of Hindi in banks—Evaluation of translation of statutory and non-statutory material in Hindi.
GCS BC. 34/C. 486-73 29-3-1973	Use of Hindi in banks—Public sector banks to make available bilingual forms, specially for agricultural loans, in Hindi-speaking areas.
GCS. BC. 36/C. 486-73 14-4-1973	Information relating to Hindi Cells, etc., in banks.
GCS. BC. 39/C. 486-73 23-4-1973	Signature in Hindi on official documents though drawn up in English.
GCS. BC. 44/C. 486-73 27-4-1973	Use of Hindi in banks—Guidelines for its progressive use.
GCS. BC. 47/C. 486-73 3-5-1973	Invitation cards for official functions in both Hindi and English.
GCS. BC. 48/C. 486-73 9-5-1973	Procedure for prompt disposal of letters received in Hindi.
GCS. BC. 57/C. 486-73 23-5-1973	Scrutiny and correction of Hindi Sign-Boards and Notices appearing on Central Goverment buildings and structures in Hindi-speaking areas—guidelines.
GCS. BC. 66/C. 486-73 1-6-1973	Preparation of international agreements and treaties signed in India both in Hindi and English.
GCS. BC. 69/C. 486-73 12-6-1973	Addition of a Hindi Section to the bulletins or journals of public sector banks.
GCS. BC. 74/C. 486-73 22-6-1973	Meeting of Central Hindi Committee-Extract from Minutes.

Other circulars

Nat. 1740/C. 469(78)-72 18-10-1972	Banca Nazionale Del Lavoro, Rome—Regarding offer of facilities to Indian banks.
Nat. BC. 17/C. 469(78)-73 23-2-1973	Janta Bank (Bangladesh)—Branch in Brussels—Regarding offer of facilities to Indian banks.
Nat. BC. 24/C. 464(A)-73 21-3-1973	Credit Guarantee Corporation of India (Small Loan) Guarantee Scheme, 1971—Waiver of insurance cover in respect of specified credit facilities covered under the guarantee scheme.

DBOD. No. Ref. 871/C. 396-67—3 August 1967

All scheduled commercial banks.

Dear Sir,

UNDERWRITING OF SHARES, DEBENTURES, ETC.

We shall be glad if you will please furnish us with information relating to the underwriting of shares, debentures, etc. by your bank as in the *pro forma* attached, yearwise, for the past five years, *i.e.*, 1962 to 1966. The information may also be furnished for the year 1967 up to the end of June. As these particulars are urgently required, they may please be furnished to us within one week of the receipt of this letter.

2.@ The data required in the *pro forma* may kindly continue to be furnished for subsequent half-yearly periods so as to reach us not later than the end of the month succeeding the half-year period to which the statement relates. (The figures in the last column should be with reference to the end of the relative half-year).

3. If your bank has not undertaken any underwriting business during the periods mentioned in paragraphs 1 and 2 above the fact may be reported to us by a letter.

Yours faithfully,
R. RAGHUNATHA RAO
Dy. Chief Officer

@ Para 2 modified vide circular DBOD. No. Ins. BC. 124/C. 396-71 dated 8th November 1971.

ANNEXURE

Statement of shares and debentures under-written

Name of the bank:

Sr. No.	Name of the company of which the shares/ debentures under-written	Amount offered by the company for public subscription				Date of issue		Shares and debentures under-written by the bank			
		Shares		Debentures		Shares	Debentures	Shares		Debentures	
		No.	Amount	Denomination of each debenture	Amount (Total)			No.	Amount	Denomination of each debenture	Amount (Total)
1		2		3		4	5	6		7	

Shares & Debentures taken up by the bank				Of the Shares & Debentures taken up by the bank those held by it as on 30-6-1967			
Shares		Debentures		Shares		Debentures	
No.	Amount	Denomination of each debenture	Amount (Total)	No.	Amount	Denomination of each debenture	Amount (Total)
8		9		10		11	

Note : In the case of shares, please indicate their nature.

DBOD. No. Ins. BC. 124/C. 396-71—8 November 1971

All scheduled commercial banks.

Dear Sir,

UNDERWRITING OF SHARES, DEBENTURES, ETC.

Please refer to our circular letter DBOD. No. Ref. 871/C. 396-67 dated the 3rd August 1967. In modification of the instructions contained in paragraph 2 thereof, we have to advise that the information relating to the underwriting of shares, debentures, etc., may hereafter be furnished to us on an annual basis (instead of half-yearly basis) commencing from the year ending the 31st December 1971. We shall be glad if you will please ensure that the statement furnishing the information in the *pro forma* attached to our above circular reaches us not later than the end of January succeeding the year to which the statement relates. (The figures in the last column should be with reference to the position as at the end of the relative year).

2. If your bank has not undertaken any underwriting business during the year, the fact should be reported to us by a letter.

Yours faithfully,
R. N. MAJUMDAR
Dy. Chief Officer

DBOD. No. Nat. BC. 68/C. 469-71—31 May 1971

All commercial banks.

Dear Sir,

INWARD BILLS FOR COLLECTION

It has been represented to us that some banks have placed certain restrictions on collection of bills sent to their branches direct by parties and that such restrictions create difficulties for traders and manufacturers. We shall be glad if you will please take such steps as may be possible to mitigate the difficulties of the parties in this regard. You would of course, provide for such safeguards as may be deemed necessary.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

DBOD. No. Ref. 1880/C. 107-70—23 December 1970

All scheduled commercial banks.

Dear Sir,

DRAWAL OF PENSION BY A PENSIONER RESIDENT IN INDIA THROUGH AN AGENT HAVING A LEGALLY VALID POWER OF ATTORNEY

By their order No. F. 10(150)-B/68 dated the 16th December 1968, the Government of India, Ministry of Finance, Department of Economic Affairs, New Delhi, have clarified that under the Central Treasury Rules, a pensioner resident in India can authorise another person in India, *including a bank*, to claim and draw the pension admissible to him by giving a legally valid power of attorney in favour of the latter. Some banks, however, appear to be unaware of this order and consequently, pensioners are not able to derive any benefit from the facility. A copy of the aforesaid order is, therefore, enclosed for your information and necessary action.

Yours faithfully,
G. G. DESHPANDE
Dy. Chief Officer

No. F. 10 (150 -B/68)
Government of India
Ministry of Finance
(Department of Economic Affairs)

New Delhi, the 16th December, 1968.

OFFICE MEMORANDUM

SUB : **Drawal of pension by a pensioner resident in India through an agent having a legally valid power of attorney — Consideration of —**

The undersigned is directed to state that a question has been raised whether a pensioner resident in India can draw his pension in India by giving a legally valid power of attorney in favour of another person in India. It has been held in consultation with the Comptroller and Auditor General of India that a pensioner resident in India can authorise another person in India to claim

and draw the pension admissible to him by giving a legally valid power of attorney in favour of the latter.

2. In so far as the procedure for the drawal and payment of pension is concerned, a pensioner desiring to receive his pension through another person to whom he has given a valid power of attorney should endorse a copy of the deed conferring the power of attorney to his disbursing officer and the audit officer. The person holding the power of attorney will then prepare and present the bills, making a claim on behalf of the pensioner and receive the payment on his (the person holding the power of attorney) giving the quittance. If the person holding the power of attorney is an agent (including a bank) who has also executed a bond to refund overpayments, he can draw the pension for a period of not more than a year after the date of the life certificate furnished by him in respect of the pensioner in accordance with the provisions of rule 347 of the Central Treasury Rules. If, however, the person holding the power of attorney is not an agent (including a bank) who has executed a bond to refund overpayments, he will either receive the payment in person from the disbursing officer after giving his quittance, or if he desires to draw the pension through an agent or representative nominated by him, he may receive payment through him but in either case of receiving payment in person or through an agent or representative he will append to the bills for pension for each month a life certificate in respect of the pensioner duly signed by any of the authorities stated in rule 343 *ibid* and also furnish certificates signed by the pensioner required under the provision of rule 354(i) *ibid.*

It is also brought to notice that under the provisions of Rule 354(2) *ibid,* when a pensioner draws his pension through an agent who is authorised to do so by conferring on him a power of attorney, and who has executed a bond of indemnity under Rule 247 *ibid* (*e.g.* a scheduled bank), the certificate regarding re-employment and acceptance of commercial employment, modified suitably can be signed by the agent and the pensioner himself should furnish once a year, a certificate concerning the period for which the pension has been drawn on the basis of the agent's certificate.

3. The pension disbursing officer will maintain a register of power of attorney in the form prescribed in the Government Securities Manual and all cases in which the power of attorney has been granted will be recorded therein.

4. Ministry of Home Affairs etc. are requested to bring these instructions to the notice of all concerned, particularly of those Government servants who are likely to retire shortly.

Sd/-
LAKSHMI NARAIN
Under Secretary to the Government of India

DBOD. No. Nat. 548/C. 469-71—6 April 1971

All scheduled commercial banks.

Dear Sir,

PENSION BILLS—DELAY IN COLLECTION AND PAYMENT OF BILLS

It has been represented to us by the All India Organisation of Pensioners, New Delhi, that the pensioners are undergoing hardship as a result of undue delay in collection of pension bills by banks. In this connection, we understand that the Government treasuries and sub-treasuries have standing instructions from the Government of India, Ministry of Finance, New Delhi to accept bills relating to pension claims if presented through banks a few days in advance before the close of the month to which the claims relate, so as to enable the pensioners to get payment soon after the month is over. We shall be glad if you will please look into this matter and, if necessary, advise your branches to take steps to minimise the delay in collection of these bills.

Yours faithfully,
N. D. JAIN
Dy. Chief Officer

DBOD. No. Leg. 59/C. 90(H)-68—19 April 1968

All banking companies.

Dear Sirs,

THE BANKING REGULATION ACT, 1949

We reproduce overleaf for your information a copy of the notification No. S.O. 1129-F. 4(6)-BC./68 dated the 25th March 1968, issued by the Government of India, in exercise of the powers conferred by section 53 of the Banking Regulation Act, 1949 ; the notification was published in the Gazette of India dated the 30th March 1968. In terms of the aforesaid notification, the provisions of section 8 of the Act shall not apply to any banking company, in so far as the said provisions prohibit banking companies from engaging themselves in buying or selling, as agents of any State Government, of judicial and non-judicial stamp papers, on commission basis.

Yours faithfully,
V. N. VINEKAR
Asstt. Chief Officer

Government of India
Ministry of Finance
(Department of Economic Affairs)
New Delhi, the 25th March 1968

NOTIFICATION

S.O. 1129 — In exercise of the powers conferred by section 53 of the Banking Regulation Act, 1949 (10 of 1949), the Central Government, on the recommendation of the Reserve Bank of India, hereby declares that the provisions of section 8 of the said Act shall not apply to any banking company, in so far as the said provisions prohibit banking companies from engaging themselves in buying or selling, as agents of any State Government, of judicial and non-judicial stamp papers, on commission basis.

(No.F.4(6)-BC/68)
V. SWAMINATHAN
Under Secretary

DBOD. No. Leg. 39/C. 233-69—1 February 1969

All scheduled and non-scheduled commercial banks.

Dear Sir,

THE BANKING REGULATION ACT, 1949, AS AMENDED BY THE BANKING LAWS (AMENDMENT) ACT, 1968

We have to advise that the Banking Laws (Amendment) Act, 1968 has come into force with effect from to-day, i.e., the 1st February 1969. In exercise of the powers conferred by clause (a) of the Explanation under sub-section (4) of section 20 of the Banking Regulation Act, 1949 as amended by the amending Act, the Reserve Bank has issued to-day a General Order specifying that, for the purposes of the aforesaid section, 'loans or advances' shall not include (i) loans or advances against Government securities, life insurance policies or fixed deposits and (ii) loans or advances to the Agricultural Finance Corporation Ltd. A copy of the relative order is enclosed for your information.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(Banking Operations)

DBOD. No. Leg. 33/C. 233-69 — 1 February 1969

GENERAL ORDER

In exercise of the powers conferred by clause (a) of the Explanation under sub-section (4) of Section 20 of the Banking Regulation Act, 1949 (X of 1949), the Reserve Bank of India hereby specifies that for the purposes of the aforesaid section, 'loans or advances' shall not include (i) loans or advances against Government securities, life insurance policies or fixed deposits and (ii) loans or advances to the Agricultural Finance Corporation Ltd.

B. N. ADARKAR
Deputy Governor

DBO. No. 1993/C. 212-50—18 April 1950

Banks incorporated in India and having branches outside India (excluding Pakistan).

Dear Sir,

THE BANKING COMPANIES ACT, 1949

* * * *

The satisfactory working of such branches@ and their ability to meet the demands of the depositors are matters of vital importance not only to the prestige of Indian Banking abroad but also in the larger interests of the country. We have, therefore, to request you to send us a monthly statement regarding the assets and liabilities of your branches in each foreign country excluding Pakistan as in the enclosed form. This statement may please be submitted in duplicate to the principal office of the Reserve Bank before the close of the month succeeding that to which the statement relates. Information as regards overdraft arrangements with the local banks which you may have made in respect of your branches in each foreign country (excluding Pakistan) and also the manner in which you expect to be in a position to meet any unexpected withdrawals at your foreign branches (excluding Pakistan) should also be given at the foot of the statement. The first of such statements shall relate to the close of business as on the last Friday of May 1950 and should be submitted to the Reserve Bank before the close of June 1950.

Yours faithfully,
M. S. NADKARNI
Dy. Chief Officer

@ Branches (places of business) outside India of Indian banks.

THE BANKING COMPANIES ACT, 1949.

Name of the banking company.....

Name and designation of the officer submitting the return.....

Name of the country.....

Names of branches .....

Statement showing the assets and liabilities of the foreign branches (excluding Pakistan) of banking companies incorporated in India as at the close of business on Friday* the .....

(To be submitted in duplicate to the Reserve Bank before the close of the month succeeding that to which the return relates).

(Rounded off to the nearest thousand)

A. LIABILITIES	(In Rupees)	B. ASSETS	(In Rupees)
1. Demand deposits		1. Cash in hand	
2. Time deposits		2. Balances with other banks in current account and money at call and short notice ..	
3. Due to other banks		3. Bills purchased and discounted	
4. Branch adjustments		4. Investments :—	
5. Other liabilities		(1) In Foreign Government securities	
		(2) Other investments ..	
		5. Loans, advances, cash credits and overdrafts (excluding due from banks) ..	
		6. Due from banks	
		7. Branch adjustments	
		8. Capitalised expenses including preliminary expenses, organisation expenses, amounts of losses incurred etc.	
		9. Other assets	
TOTAL		TOTAL	

Date..... Signature.....

Note : The balance of Profit and Loss Account, if any, should be included in items A5 or B8 as the case may be.

* The last Friday of every month or if that Friday is a holiday, as at the close of business on the preceding working day.

Information as regards overdraft arrangements with other banks and the manner in which any unexpected withdrawals are proposed to be met may be given here.

DBOD. No. BL. 1639/C. 168-65—12 November 1965

All banking companies.

Dear Sir,

SECTION 23 OF THE BANKING COMPANIES ACT, 1949—RECORD OF SHIFTED OFFICES/DEPARTMENTS

It is observed that banks have lately been shifting some of their offices/departments, especially in bigger cities, to new premises for various reasons such as paucity of accommodation, etc. In some cases, they have not advised us of such shifting. With a view to enabling us to have a complete record of all the offices of banks and their departments working in separate premises, we shall be glad, if you will please note to report to the appropriate office of the Reserve Bank, whenever there is a change in the location of your bank's offices/deparments, as early as possible but in any case not later than a week from the date the shifting takes place.

2. As you are aware, in terms of the recent amendment to the Form No. IX, prescribed under the Banking Companies Rules, 1949, banks are required to furnish, under item (a) of their return for the last quarter of every year, particulars of *all* their offices as on the 31st December (including administrative offices) at which deposits are accepted, cheques cashed, moneys lent or any other form of business referred to in section 6 (1) of the Banking Companies Act, 1949 is transacted. They are also required to furnish, under item (b) of the form, particulars of offices opened in India during the relevant quarter including places of business opened by them as a result of shifting of department/s from an existing office. In the case of offices opened as a result of bifurcation of an existing office or shifting of some of the departments to another premises, we shall be glad if you will please note to indicate the correct position by means of suitable footnotes.

3. We may also point out that shifting of a part of the establishment of an existing office to another premises even within the same city, town or village would attract the provisions of section 23 of the Banking Companies Act, 1949, if identical types of business are intended to be carried out at both the premises. The opening of any office for purposes of administrative work or for any form of business referred to in section 6(1) of the Act would also come under the purview of section 23 *ibid.* In such cases, therefore, banks are required to make an application in the prescribed Form VIII for obtaining our permission.

Yours faithfully,
R. A. GULMOHAMED
Dy. Chief Officer

DBOD. No.BL. 602/C. 168-67—2 June 1967

@ @

Dear Sir,

SECTION 23 OF THE BANKING REGULATION ACT, 1949—CHANGE OF LOCATION OF OFFICES

A condition is at present incorporated in the letter forwarding a licence to banks for opening an office in a predominantly residential or suburban locality to the effect that the office should not be located within 400 metres from an existing office of a commercial bank. The intention behind the requirement as to distance is to avoid clustering of offices of banks in such areas. We shall, therefore, be glad if you will kindly ensure compliance with the above stipulation if any existing office of your bank is subsequently shifted to a residential or suburban locality in the same city or town for which the prior permission of the Reserve Bank is not required.

Yours faithfully,
C. N. SIVABHUSHANAM
Dy. Chief Officer

@@ *Note :—* The circular was issued only to those commercial banks in respect of which distance stipulation was applicable under the then existing branch licensing policy. This stipulation is now applicable to all commercial banks in respect of residential localities in metropolitan cities and port towns.

DBOD. No.BL. 99/C. 168-68—19 January 1968

@ @

Dear Sir,

SECTION 23 OF THE BANKING REGULATION ACT, 1949—OPENING OF MOBILE OFFICES

As you are aware, the Reserve Bank of India has been urging the commercial banks to extend their operations to the rural places devoid of banking facilities with a view to extending such facilities to those places and mobilising rural deposits. It is possible that some rural centres may not be suitable for opening of full-fledged offices. In such cases, it would be desirable for banks to consider the question of running mobile offices.

2. The scheme of mobile offices visualises the extension of banking facilities through a well-protected van with arrangements for two or three officials of a bank sitting in it with regular books, a small safe containing cash etc. The mobile office will be attached to a principal branch of its own bank where a system of duplicate accounts is maintained. The mobile unit will visit the places proposed to be served by it on certain specified days. The bank concerned will also make advances for agricultural and allied purposes, in the area covered by the mobile office.

3. In addition, the following considerations should be borne in mind :—

(*i*) The bank concerned should make adequate accounting and security arrangements as laxity in such arrangements resulting in possible malpractices might shake the confidence of the depositors in the rural areas ;

(*ii*) the mobile offices should not visit rural places which are served by co-operative banks and places served by regular offices of commercial banks; and

(*iii*) the permission of the Reserve Bank of India under section 23 of the Banking Regulation Act will be required for running mobile offices.

4. We shall be glad if your bank will take energetic steps to extend the above scheme to rural places not already covered in its operations.

Yours faithfully,
C. N. SIVABHUSHANAM
Dy. Chief Officer

DBOD. No.BL. 490/C. 168-69—11 February 1969

@ @

Dear Sir,

BRANCH EXPANSION PROGRAMME

Commercial banks have been endeavouring to extend their services in rural areas. It is felt that some of the difficulties in this matter could be avoided by locating a branch at a central village from which a cluster of villages can be served. There could be several satellite offices in the surrounding villages which the staff from the central branch could visit on certain specified days in a week. Each such satellite office should, of course, be located at a fixed place and should function during specified hours. The central branch could also employ mobile vans to serve the villages in its neighbourhood. There may be other ways whereby villages where the population or economic activity is too small to support a branch could be brought within the ambit of modern banking. It is suggested that commercial banks may study the situation in their respective areas of operation and consider how banking services can be extended to very small villages. The Reserve Bank would be glad to entertain applications for licences covering groups of villages to be served from a central location.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(*Banking Operations*)

@@ *Note :*— The circular was issued only to those Indian commercial banks whose applications for opening new offices satisfied the requirements of section 23 of the Banking Regulation Act, 1949.

DBOD.No.BL.2155/C. 168-69—19 June 1969

@ @

Dear Sir,

BRANCH EXPANSION PROGRAMME—DISTANCE STIPULATION

Please refer to paragraph 1(v) of our circular letter DBOD.No.BL.1154/C. 168-69 dated the 4th April 1969, wherein your bank has been advised that the distance stipulation (400 metres from another bank office) has been dispensed with, except in respect of residential localities in metropolitan centres and port towns. It may be clarified in this connection that even in cases where the distance stipulation is not applicable, a bank should not, as far as possible, establish its office in the same building where another bank is already having an office or in a building opposite to it or adjoining it.

Yours faithfully,
C. N. SIVABHUSHANAM
Dy. Chief Officer

DBOD. No. BD. 825/C. 168-70—25 February 1970

All licensed Indian commercial banks.

Dear Sir,

BRANCH EXPANSION PROGRAMME

As you are aware, with a view to stepping up the pace of branch expansion to cover all the unbanked towns with banking facilities, the Reserve Bank has drawn up a programme of branch expansion for the major scheduled banks and allotted a number of unbanked centres to them for establishment of their offices before the end of 1970. Besides, commercial banks are being given permission for opening offices at other unbanked centres identified by them for extending their activities. As the banks have now a definite programme of opening offices at unbanked centres, it would be desirable for them to plan their expansion in banked centres also, having regard to their resources, organisational capacity, availability of trained manpower, etc.

2. In view of the advantages of formulating a phased expansion programme for banked centres, which would enable banks to open their offices in a systematic manner on the basis of an approved programme and with a view to achieving co-ordinated and planned extension of banking facilities to various regions in the country, it is proposed to call for a programme of opening offices by banks in banked centres, including metropolitan centres and port towns, for the year 1970 and to allot a reasonable number of offices to be opened by them.

3. In considering the programme of expansion of offices in urban centres, the Reserve Bank has kept in view the need to distribute more equitably the burden on banks of opening branches as between the rural and semi-urban centres on the one hand and the urban centres on the other. Accordingly, the Reserve Bank proposes to be more liberal in respect of those banks in whose cases the proportion of offices in semi-urban and rural centres is already high. It has been decided that in the case of banks which have more than 60% of their offices in rural and semi-urban areas as on the 31st December 1969, a ratio of 1 office in urban centre for every 2 offices in rural and semi-urban centres should be adopted for allotment of offices, while in other cases the ratio should be one office in an urban centre for every three offices in semi-urban and rural centres. As the banks should be opening a number of offices in rural and semi-urban areas in terms of the bulk licences already issued and as, under the 'Lead-Bank' Scheme, further centres may be identified for opening of offices in rural and semi-urban areas, the banks would have sufficient scope for opening offices in urban centres also even on the basis of the above norm. To give effect to this, it is proposed to review this ratio

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@@ *Note* :— This circular and the circular of 4th April 1969 referred to therein, were issued only to those Indian commercial banks whose applications for opening new offices satisfied the requirements of section 23 of the Banking Regulation Act, 1949.

on the basis of the position as on 30th June 1970 so as to make suitable adjustments in the case of banks whose overall position in the distribution of offices shows improvement.

4. * * * * * * *

5. * * * * * * * *

6. * * * * * * *

Yours faithfully,
M. S. NADKARNI
Chief Officer
(Banking Operations)

Note :— Please see circular DBOD. No. BD. BC. 73 and 125/C. 168-71 dated the 16th June and 9th November 1971 respectively.

DBOD. No. BD. 2955/C.168-70—11 August 1970

State Bank of India and its subsidiaries, 14 nationalised banks, Andhra Bank Ltd., Bank of Rajasthan Ltd., and Punjab & Sind Bank Ltd.

Dear Sir,

LEAD-BANK SCHEME

Please refer to our circular letter DBOD. No BD. 4327/C. 168-69 dated the 23rd December 1969@ wherein the specific functions of the Lead-Bank have been spelt out in detail. As mentioned therein the Lead-Bank is expected to assume the major role in the development of banking and credit in the allocated districts and for this purpose it is required to identify through surveys areas requiring branch expansion and areas suffering from credit gaps. In formulating and implementing plans for development of credit and banking in each district, it is necessary to bring together all concerned with institutionalised finance. While the major role in this regard will no doubt have to be taken by the concerned Lead-Bank, it is desired that it should invoke the co-operation not only of the other banks operating in the area but also of the co-operative banks of the districts in this process. In this context it appears necessary that the co-operative banks should be made to realise that they have also an important role to play in the formulation and implementation of the plans under the Lead-Bank Scheme. We shall, therefore, be glad if you will please take steps to enlist the co-operation and active assistance of the District Central Co-operative Banks in your lead districts in the performance of the tasks devolving on your bank under the Lead-Bank Scheme.

Yours faithfully,
K. S. CHAKRAPANI
Jt. Chief Officer

@ Not included in the booklet.

DBOD. No. BD. BC.60/C. 168-71—12 May 1971

All commercial banks.

Dear Sir,

INTIMATION REGARDING OPENING OF OFFICES BY BANKS

* * * * * * * *

The *pro forma* of the statement to be submitted by the banks has since been revised and we shall be glad, if you will, in future, arrange to submit to us monthly statements as in the *pro forma* enclosed, commencing from *May 1971*. It may also be noted that the statements should be sent to our concerned regional office and to us as early as possible, but in any case not later than ten days after the end of the month to which it relates.

Yours faithfully,
L. KRISHNAN
Dy. Chief Officer

Note :— Please also see circular DBOD. No. BD.BC.55/C.168-72 dated 10th June 1972.

ANNEXURE

Statement showing the number of offices opened/closed during the month of——————————

Name of the Bank :

A. OFFICES OPENED

Sr. No.	Name of centre	Status*	District	State	Date of opening	Postal Address	Working hours
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Note :— (1)* State clearly whether branch, sub-branch, one-man office, pay office, base office of satellite/mobile offices, administrative/regional/development office, etc.

(2) Suitable remarks should be given for :—

(*i*) Offices taken-over,
(*ii*) Offices not transacting banking business,
(*iii*) temporary offices,
(*iv*) Offices opened out of 1350 centres allotted in terms of our circular letter DBOD. BD. No. 150/C. 168-70 dated the 10th January 1970 (not included in the booklet.)

B. OFFICES CLOSED

Sr. No.	Name of centre	Date of closure	Status	District	State	Postal address	Reasons for closure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

C. CHANGE IN LOCATION OF EXISTING OFFICES

Sr. No.	Name of centre	Previous location	Present address	District	State	Date of change of localities
(1)	(2)	(3)	(4)	(5)	(6)	(7)

DBOD.No.BD.BC. 73/C. 168-71—16 June 1971

All licensed Indian scheduled commercial banks.

Dear Sir,

BRANCH EXPANSION PROGRAMME

Please refer to paragraph 3 of our circular letter DBOD.No. BD. 825/C. 168-70 dated the 25th February 1970. Based on the distribution pattern of their existing offices, banks are at present eligible to open offices in urban centres (including metropolitan and port towns), in the ratio of one office for every two or three offices, as the case may be, opened in rural and/or semi-urban centres. It is observed that according to the 1971 Census the population of Calcutta, one of the metropolitan centres, has increased considerably and that by the usual criterion of population per banking office there is scope for a large increase in the number of banking offices. It has, therefore, been decided that, for the time being, grant of permission to banks to open offices in Calcutta will be made without impairing their entitlement for urban centres. Accordingly, licences issued to banks from and after July 1, 1971 for Calcutta will not be taken into account for the purpose of computing their eligibility for urban centres. It should, however, be noted that this decision does not mean that sanction for opening offices in Calcutta would be automatic. Applications for eligible banks will be considered subject to their complying with the usual criteria regarding location, adequate service to customers, etc. applicable for metropolitan centres.

Yours faithfully,
K. S. CHAKRAPANI
Jt. Chief Officer

DBOD.No.BD.BC. 125/C. 168-71—9 November 1971

All licensed Indian commercial banks.

Dear Sir,

SECTION 23 OF THE BANKING REGULATION ACT, 1949—BRANCH EXPANSION

Please refer to paragraph 3 of our letter DBOD. No. BD. 825/C. 168-70 dated the 25th February 1970 in terms of which banks which have more than 60% of their offices in rural and semi-urban areas, are permitted to open offices in urban areas in the ratio of one office in urban centre for every two offices opened in rural/semi-urban centres and in other cases in the ratio of one office in urban centre for every three offices opened in rural/semi-urban centres.

2. A recent Reserve Bank study of the performance of banks in metropolitan centres has indicated that there exists in most of these centres good deposit potential which can be readily tapped and they offer scope for opening of more bank offices. Further, increase in the number of offices in large cities would afford relief for the existing offices particularly in business localities, which find it difficult to cope with the rapid increase in business and help in siphoning off the overflowing business in the existing offices thereby bringing about improvement in the customer service rendered by banks.

3. In the circumstances and in the context of the urgent need for mobilising deposit resources, it has been decided to relax the eligibility requirements of banks in this regard to enable them to open large number of offices in metropolitan cities/port towns.

4. Accordingly a bank which has 60% or more of its offices in rural and semi-urban centres will be eligible to open one office *each* in an urban and a metropolitan/port town for every two offices opened in rural/semi-urban centres and in other cases one office *each* in an urban and a metropolitan/port town for every three offices opened in rural/semi-urban centres.

5. In so far as Calcutta is concerned, as already advised in our circular letter DBOD. No. BD.BC. 73/C. 168-71 dated the 16th June 1971, opening of offices by banks at the centre will continue to be allowed for the time being without impairing their entitlement for such category of centres.

6. The eligibility of banks for opening offices at urban centres including metropolitan/port towns under the revised norms will be calculated on the basis of the performance of banks in opening offices from 1st October

1971. The eligibility of banks for urban centres (including metropolitan/port towns) that has accrued, if any, up to the 30th September 1971, on the basis of the old norm will also be taken into account. Applications from eligible banks will, however, continue to be considered subject to the usual criteria such as adequacy or otherwise of existing banking facilities, location of the proposed office and service to customers applicable in the case of metropolitan centres.

7. * * * * * * *

Yours faithfully,
K. S. CHAKRAPANI.
Jt. Chief Officer

DBOD. No. BD. 2558/C. 168-72—25 May 1972

14 nationalised banks.

Dear Sir,

BRANCH EXPANSION PROGRAMME—REPORT OF THE ADMINISTRATIVE REFORMS COMMISSION ON "TREASURIES"

The Administrative Reforms Commission has recommended in its report that the object of public policy should be to promote the location in close proximity of the offices of the bank and the treasury in the districts and that in places where bank offices are at present located at a distance from the treasury, the bank should consider the question of opening branch office in the premises of or at a place adjoining the treasury. ***** We ***** shall be glad if your bank keeps in view the recommendations made by the Administrative Reforms Commission.

We may add for your information that Central Government have already advised all State Governments as under :

"Whenever a particular bank is opening a branch to take over the cash transactions of the treasury, it may be assisted by the State Government to open its branch within the treasury building. It may be possible that when the treasury building is being constructed or any alterations are being made to it to provide also for the contingency of a bank's branch being located within the premises as such location would enable the public to transact their business speedily and economically and would be in the interest of all concerned."

Yours faithfully,
K. P. PATEL
Dy. Chief Officer

Note :-- An advice on almost similar lines was sent to the State Bank of India for its guidance and of the subsidiaries.

DBOD. No. BD.BC. 55/C. 168-72—10 June 1972

All commercial banks.

Dear Sir,

INTIMATION REGARDING OPENING/CLOSING OF OFFICES BY BANKS—SUBMISSION OF MONTHLY STATEMENT

Please refer to our circular letter DBOD. No. BD. BC. 60/C. 168-71 dated the 12th May 1971. In terms of instructions contained therein, banks are required to send the above monthly statement not later than 10 days after the end of the month to which it relates. It is, however, observed that some of the banks are not punctual in submitting the statement, resulting in avoidable delay in finalisation of the branch banking statistics at our end. You are, therefore, requested to ensure that the above statement is submitted hereafter in time. The statement relating to the month of May 1972 may please be sent on receipt of this letter if the same has not been submitted by you so far.

2. Information regarding branch banking statistics as on the 30th June 1972 is required by us for publication immediately after the aforesaid date. You may, therefore, in respect of offices opened/closed during the month of *June 1972*, please furnish us with the particulars regarding the names of centres, the status and the dates of opening/closing of offices and the name/s of the district/s and the State/s in which the respective offices

are/were located, by the 5th July 1972 and the remaining information by the 10th July 1972 positively.

Yours faithfully,
K. P. PATEL
Dy. Chief Officer

DBOD. No. Ins. 881/C. 408B-68—30 September 1968

All scheduled commercial banks other than the State Bank of India.

Dear Sirs,

ORGANISATION AND METHODS UNIT IN BANKS

As you may be aware, the State Bank of India has an 'Organisation and Methods Division' which is concerned with the review of the procedures and working safeguards in its internal organisation with a view to remedying the deficiencies and inadequacies, if any, therein. It also considers measures for effecting improvements in other aspects of the bank's operations such as customer service, business development, etc. We give below for your information a brief description of the major functions of this unit in the State Bank of India.

(i) *Systems & Procedures:* A constant review of the existing practices and procedures and devising ways and means for their improvement, in the light of any fresh ideas, suggestions, complaints, frauds, etc.

(ii) *Banking Services :* A constant review of the existing services. Offer of additional services/facilities. Development, introduction and follow-up of new services.

(iii) *Customer Service Improvement :* Introduction of new ideas/suggestions to improve customer service, reduce delays to the customers, etc.

(iv) *Organisation, Delegation and Control:* Organisation review. System of delegation of operational/administrative/financial powers to various levels. Control procedures. Devising ways and means for improving operational efficiency. Productivity Increase/Work Measurement Programme. Suggestion Scheme.

(v) *Mechanisation :* Feasibility surveys for the use of machines for various operations and provision of machines/mechanical devices/equipment, etc.

(vi) *Advisory Service :* Analysis and examination of any specific organisational/operational problems.

2. I am to suggest that other scheduled commercial banks may consider the desirability and feasibility of making similar arrangements (if they do not already exist in their organisation) with such modifications as may be necessary to suit their working.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(Banking Operations)

DBOD. No. Ref. 798/MPP(1)-70—29 May 1970

The State Bank of India and its subsidiaries and the fourteen nationalised banks.

Dear Sir,

DEVELOPMENT OF MANAGERIAL AND OTHER PERSONNEL

In order to implement vigorously the programmes of branch expansion and of financial assistance to priority and neglected sectors and undertake other activities in response to national policies and objectives, it would be necessary for banks to give continuous attention to development of managerial and other personnel. In this connection, we invite a reference to the recommendations of the Working Group on Training and Development of Higher Banking Personnel, under

the Chairmanship of Shri B. N. Adarkar which are reproduced below:

> "The Working Group . . . . recommends that each commercial bank evolves a management development programme for its personnel and organises itself for its implementation on a continuing basis. Such a programme to be effective should be placed in charge of a senior executive. This executive should not be saddled with other organisational responsibilities so that he can give concentrated attention to the manpower needs of the bank and its systematic development and utilisation."

2. In order to assist banks in implementing this recommendation, the National Institute of Bank Management organised in March this year a workshop on management development in the banking industry. The representatives of most of the bigger banks participated in the deliberations of the workshop and a copy of its report was furnished to banks.

3. We trust that your bank has already set up or initiated arrangements for setting up a section/department for attending to the work relating to development of managerial and other personnel and shall be glad if you will please let us have a description of the organisational set-up in your bank, existing or proposed, for this purpose. You may please let us have information on the following points in particular :

(*i*) *Organisational set-up*

What are the qualifications and experience of the personnel of the section/department constituted or proposed to be constituted ?

Is the section/department separate and distinct from that dealing with matters such as industrial relations, *operational* work relating to staff such as recruitment, posting, transfer, leave, deputing of members of staff for training, etc. ?

Is there any committee charged with the function of directing the programmes of management development ?

(*ii*) *Manpower planning*

Since manpower planning has necessarily to be done in the perspective of business development, has your bank drawn up a business development plan for the next, say, five years ?

How many branches does the bank plan to establish in the next, say, five years ?

What is the estimated scale of deposits and advances at the end of each year in the period 1970/1974 ? What existing/new activity does your bank intend to develop further in the next five years or so ?

In the light of the business plan, has the bank made estimates of requirements of personnel of different categories, for the next few years—more concrete estimates for the next two years and broad estimates for the subsequent three years ?

What are the criteria for making the estimates of staff requirements for various departments ?

What are the estimates of requirements of personnel of different categories as at the end of 1970 and 1971 and the years 1972 to 1974 ?

Has the bank made an inventory of the existing personnel containing details such as age, academic qualification, experience, special abilities and potentialities ?

Has the gap between the manpower resources available in the bank and what the bank would need in 1970 and 1971 and the years 1972 to 1974 been ascertained ?

On the basis of estimates of numbers and specialist skills of manpower required, what organisational steps are planned to meet those requirements ? What steps are being taken to recruit and select the staff of various categories, possessing the requisite skills and abilities to meet the requirements as estimated ?

(*iii*) *Recruitment and selection of officer and clerical staff.*

What is the system of recruitment of the officer and clerical staff ?

What are the eligibility standards in terms of minimum academic qualifications, minimum and maximum age limits for recruitment of the officer and clerical staff ?

Is the recruitment by a written examination and interview, or by interview only ?

What kind of written examination is conducted (whether it is an essay, general knowledge, simple arithmetic test) or whether there are objective tests seeking to measure leadership/supervisory abilities, analytical abilities, aptitude, intelligence etc. ?

How is objectivity and speed sought to be achieved in marking examination answer papers ?

Is there any permanent Recruitment and Selection Board and if so, the composition of the Board ?

Does the Board consist of executives of the bank only or are there any specialists from outside ?

What is the criterion for promotion from one grade to another—seniority or seniority-cum-merit or is the selection for promotion made by a written test and interview or interview alone ?

Does the Recruitment and Selection Board make the selections ?

How is extraordinary performance rewarded ?

(*iv*) *Performance appraisal*

Is the performance appraisal used as a tool of discipline or as a yardstick for rewarding good performance or as a tool of development ?

How is the appraisal sought to be made objective and how is the subjective element sought to be minimised?

Is the appraisal done with reference to the job contents, duties and responsibilities of the officer appraised ?

Is appraisal done by the immediate superior or by the immediate superior and the officer next above ? If the appraisal is done by more than one officer, is the second officer merely a reviewing or countersigning authority or is the appraisal done independently by the two officers ?

Does the appraisal seek to assess weaknesses, strengths and potentialities of the appraisee ?

What steps are being taken to bring about a reconciliation between the appraisee's own expectations and achievements and the institution's expectations ?

(*v*) *Training* (*viewed as an aid to development*).

What are the arrangements for training of the officer and clerical staff in functional and managerial skills ?

If your bank has set up a training institution, are the existing arrangements adequate for training of the staff according to the needs —levelwise and subjectwise—as ascertained from the personnel inventory, performance appraisal, etc. in the years 1970 and 1971 and the period 1972/1974 ?

What are the arrangements for training staff in matters such as (a) deposit mobilisation, public relations (b) financing of exports, agriculture, small-scale industry, retail trade etc. (c) audit and inspection (d) personnel relations, supervisory skill, etc. ?

Is the Principal of your training institution associated with the programme for management development ?

What are the criteria for selection of staff for deputation to training courses and their posting thereafter ? Is the deputation made with an eye to the assignment to be given to the officer on completion of training or sometime thereafter ?

What are the criteria for deputation of staff to courses organised by other institutions ?

What are the arrangements for on-the-job training and job-rotation ?

4. Since the essential method of developing managerial abilities is to expose officers to decision-making, we trust that the section/department concerned with management development gives continuous attention to assigning functional responsibilities, to the extent possible, in the fields like advances, expenditure, personnel, to regional-in-charges, branch agents and other functionaries. The steps taken for delegation of authority and assignment of responsibility to various functionaries may be advised to us.

5. In furthering your programmes of development of personnel, the National Institute of Bank Management will render such technical assistance as you may need, either through its own faculty or through other sources. If your bank desires to discuss any points arising in connection with the management development programme with us, we shall be pleased to do so on hearing from you.

6. We shall be glad if you will kindly let us have a detailed report by the 31st July 1970 on the steps taken or proposed to be taken by your bank for development of managerial and other personnel. The information asked for in paragraphs 3 and 4 may also be furnished in your report. Subsequently, you may furnish half-yearly reports on the 31st January and 31st July showing the progress made in the implementation of your programme of management development.

Yours faithfully,
M. S. NADKARNI
Chief Officer
(Banking Operations)

DBO. No. Sch. 7397/C. 107-60—22 September 1960

All scheduled banks.

Dear Sir,

It is observed that banks sometimes employ as Senior Officers persons who have left or had to leave their employment with other banks as a result of differences with the managements concerned. The object of making such appointments is doubtless to take advantage of the experience and contacts of the employee concerned. Instances have, however, come to light in which such a practice has led to undesirable results such as pressing competition to illegitimate lengths. While the Reserve Bank does not desire to place an embargo on such appointments, it wishes to caution banks against taking such persons on their staff without carefully satisfying themselves of their antecedents and bonafides.

Yours faithfully,
C. S. DIVEKAR
Executive Director

DBOD. No. Nat. Cir. C. 13/C. 469-71—9 June 1971

The custodians of the nationalised banks.

Dear Sir,

We enclose for your information and guidance a copy of letter No. 7(42)PSB-NB/70 dated the 31st May 1971 received from the Department of Banking, Ministry of Finance, regarding the procedure to be followed by the employees of the nationalised banks while applying for employment elsewhere.

Yours faithfully,
K. S. KRISHNA RAO
Asstt. Chief Officer

No. 7 (42) PSB-NB/70
Government of India
Ministry of Finance
Department of Banking

Parliament Street,
New Delhi, the 31st May, 1971.

The Reserve Bank of India,
Parliament Street, NEW DELHI.

Sir,

It has been brought to our notice that one of the employees of a nationalised bank had applied for an assignment outside India directly to the Department of Economic Affairs in the Ministry of Finance. As an employee of a public sector bank should apply for any employment outside the bank through the Department of Banking instead of sending their applications direct, no action was taken on this application. The Reserve Bank of India may consider advising all the nationalised banks to inform their employees that in future all applications for employment elsewhere should be forwarded to the Department of Banking through the bank where they are at present employed with the employer's recommendations.

Yours faithfully,
Sd/-
D. K. SEN
Under Secy. to the Government of India.

DBOD. No. Nat. 471/C. 456(G)-72—25 March 1972

All scheduled commercial banks.

Dear Sir,

We shall be glad if you will please furnish us every half-year with information relating to the total number of your employees categorised under the heads (i) Sub-ordinate, (ii) Clerical and (iii) Officers. The information should relate to the position as on the 30th June and 31st December and should be forwarded to us so as to reach us not later than the 15th of the following month.

Yours faithfully,
A. RAMANATHAN
Asstt. Chief Officer

DBOD. No. Ins. 606/C. 408(A)-70—15 July 1970

The Chief Executive Officers of banks by name.

Dear Shri,

FRAUDS IN BANKS

To enable the Reserve Bank of India to have immediate information on all actual or suspected frauds perpetrated in the bank, we shall be glad if you will kindly report full details thereof (in duplicate) to the respective regional office of the Reserve Bank of India under whose jurisdiction the Head Office of your bank falls, as soon as such frauds come to your notice.

Yours sincerely,
S. R. AVADHANI
Dy. Chief Officer

DBOD. No. FCS. 1153/C. 408(A)-71—5 August 1971

The Chief Executive Officers of all banks by name.

Dear Shri,

INTERNAL CONTROLS IN BANKS

As you are aware, it is the usual practice in banks to fix the duties of staff and to change these duties from time to time as a measure of internal control. In this connection we may mention that in certain banks it is the practice to rotate the duties of clerical staff once in nine months or in a year and to require the officers either to go on leave once a year or to shift them from their seats for two or three weeks in a year if they do not proceed on leave. The regular rotation of officers and clerical staff is essential in affording each one an opportunity to acquire a broad knowledge of the bank's working and to achieve greater usefulness in the bank's service. It also serves as a safeguard against errors and irregularities.

2. We appreciate that there would be difficulties in adopting a similar practice as a rule in most of the banks. However, considering the usefulness of this practice as a measure of internal control and the benefits which would accrue therefrom, we would commend to the banks to introduce this system to the extent possible in their banks. We would also suggest that, in order to ensure that there is a periodical change of duties among the officer and clerical staff, the banks may maintain appropriate registers and records to ensure that the various categories of staff are rotated periodically in a systematic manner.

Yours sincerely,
J. S. AHLUWALIA
Chief Officer

DBOD. No. FCS. 1155/C. 408(A)-71—5 August 1971

The Chief Executive Officers of all banks by name.

Dear Shri,

FRAUDS IN BANKS

A number of bank frauds have come to light in the recent past. This is a disturbing state of affairs because what is at stake in these frauds is not merely a large sum of money involved but also the reputation and image of the banks in general and the trust and confidence reposed by the public in the banking system of the country. It is, therefore, imperative that the banks should continually review their systems and procedures and take necessary steps to plug loop-holes so as to

prevent recurrence of frauds. In this connection, we have been bringing to the notice of the banks from time to time the modus operandi of the various frauds which came to our notice and have also been making suggestions for avoiding frauds in future.

2. * * * * * *

Yours sincerely,
J. S. AHLUWALIA
Chief Officer

DBO. No. Ref. 11527/C. 215-63—10 October 1963

All banking companies incorporated in India.

Dear Sir,

PRESERVATION OF BANKS' RECORDS

* * * * * *

Government have drawn up a list of records and documents which are intended to be preserved for a period of ten years@ immediately preceding the current year, a copy of which is enclosed for your information. We shall be glad if you will preserve your records for the period indicated by Government. In case a constituent demands the return of paid cheques, which are also required to be preserved for ten years, permission of the Government of India in the Ministry of Finance, Department of Revenue, should be obtained before returning the paid cheques to the constituent.£

2. In the case of foreign branches of banks incorporated in India, Government have no objection to their destroying the records of their foreign branches after preserving the records for a period of eight years as required by sub-section (4A) of section 209 of the Companies Act, 1956.

Yours faithfully,
R. A. GULMOHAMED
Dy. Chief Officer

Ledgers & Registers

1. All personal ledgers
2. Loans and/or advance registers/ledgers
3. Call, short or fixed deposit registers/ledgers
4. F. D. Interest registers
5. Draft T. T. and Mail Transfer Registers
6. Remittance Registers
7. Bills Registers
8. Cheque Book Registers
9. Delivery Order Registers
10. Clearing Registers
11. Demand Liability Registers
12. Demand Loan Liability Registers
13. Demand Remittances Despatched Registers
14. Demand Remittances Received Registers
15. Draft and Mail Transfer Advices Despatched Registers
16. Draft and Mail Transfer Advices Received Registers
17. Drafts payable registers
18. Drawing Power Registers
19. Vault Registers
20. Stock registers of goods pledged
21. Stocks and Share registers
22. Government securities Registers/ledgers
23. Registers showing collection of dividends and interest on securities on behalf of constituents.
24. Registers/ledgers of Bank's own investments
25. Branch ledgers
26. Overdrafts/Loan Registers
27. Safe Custody Registers
28. Equitable Mortgage Registers
29. Trust Registers
30. Clean Cash Books.

Records other than registers.

1. Bank Cash Scrolls
2. Bank Transfer Scrolls
3. Remittance Schedules
4. Telegraphic Transfer Confirmations
5. Paid cheques
6. Paying-in slips
7. Vouchers relating to D.Ds, T.Ts, M.Ts, F. Deposits, Call Deposits, cash credits and other deposit and loan accounts
8. Account opening forms
9. Standing Instructions regarding current accounts.
10. Applications for T.Ts, D.Ds, M.Ts, and other remittances
11. Applications for overdraft/loans/advances
12. Press — copy books
13. Telegrams and Telegram confirmations.

DBO. No. Ref. 15127/C. 215-63—24 December 1963

All banking companies.

Dear Sir,

PRESERVATION OF BANKS' RECORDS

Please refer to our circular DBO. No. Ref. 11527/C. 215-63 dated the 10th October 1963 on the above subject. It has been decided by the Government of India, De-

@ Period reduced in respect of certain documents vide circular DBOD. No. Ref. 606/C.215-65 dated 16th October 1965.

£ Please see circulars DBO. No. Ref. 15127/C 215-63 and 50/C. 215-64 dated 24th December 1963 and 4th January 1964 respectively.

partment of Revenue that banks may, on demand, return paid cheques drawn by :—

(i) Central and State Governments ;

(ii) Autonomous Corporations set up by the Central and State Governments ;

(iii) Life Insurance Corporation of India ;

(iv) Offices of Foreign Governments situated in India ; and

(v) Agencies of the United Nations functioning in India.

As regards paid cheques drawn by other parties, the permission of the Government of India in the Ministry of Finance, Department of Revenue, New Delhi, should continue to be obtained before returning the paid cheques to the constituents.

Yours faithfully,
P. KRISHNA IYER
Dy. Chief Officer

DBO. No. Ref. 50/C. 215-64—4 January 1964

All banking companies.

Dear Sir,

PRESERVATION OF BANKS' RECORDS

Please refer to our circular DBO. No. Ref. 15127/C. 215-63 dated the 24th December 1963 on the above subject. It has now been decided by the Government of India, Department of Revenue that banks may, on demand, return paid cheques to their constituents after obtaining a formal undertaking@ from them to the effect that they shall preserve the returned paid cheques for a period of ten years and produce the cheques before the Income-tax authorities whenever called upon to do so. No such undertaking need be taken by banks while returning paid cheques to the parties referred to in paragraph 1 of our above circular.

Yours faithfully,
R. A. GULMOHAMED
Dy. Chief Officer

@ For form of undertaking please see circular DBO. No. Ref. 835/C. 215-64 dated 22nd January 1964.

DBO. No. Ref. 835/C. 215-64—22 January 1964

All banking companies.

Dear Sir,

PRESERVATION OF BANKS' RECORDS

Please refer to our circular DBO. No. Ref. 50/C. 215-64 dated the 4th January 1964 on the above subject. We append a specimen of the formal undertaking, drawn up by the Government of India, Department of Revenue, which banks are required to obtain before returning paid cheques to their constituents.

2. As regards paid cheques to be returned by foreign branches of banks incorporated in India, Government have advised that the branches may return paid cheques to their constituents, wherever it is customary to do so, without obtaining any undertaking on the lines indicated above.

Yours faithfully,
R. A. GULMOHAMED
Dy. Chief Officer

FORM OF UNDERTAKING

In consideration of the Bank of———— returning to us paid cheques drawn on our account No———— with that Bank, we hereby undertake to preserve the said paid cheques for a period of ten* years and produce them before the Income-tax authorities whenever called upon to do so.

Signature of the Customer

DBOD. No. Ref. 606/C. 215-65—16 October 1965
All banking companies.

Dear Sir,

PRESERVATION OF BANKS' RECORDS

Please refer to our circular DBO. No. Ref. 835/C. 215-64 dated the 22nd January 1964 on the above subject. It has since been decided by the Government of India, in consulta-

* Amended to read as "eight" — vide para 2 of circular DBOD No. Ref. 606/C.215-65 dated the 16th October 1965.

tion with the Department of Revenue, to reduce the period of preservation from ten years to five years in the case of the following items of banks' records included in the list forwarded to you with our circular letter DBO. No. Ref. 11527/C. 215-63 dated the 10th October 1963:

Ledgers and Registers

1. Cheque Book Registers
2. Delivery Order Registers
3. Demand Liability Registers
4. Demand Remittances Despatched Registers
5. Demand Remittances Received Registers
6. Vault Registers

Records other than Registers

1. Telegraphic Transfer Confirmations
2. Telegrams and Telegram Confirmations

As regards the other items of banks' records (including vouchers, paid cheques etc.) mentioned in the said list, Government have decided to reduce their preservation period from ten years to eight years.

We shall be glad if you will kindly preserve your records for the periods indicated by Government.

2. As the period of preservation in respect of paid cheques has been curtailed, it would be necessary to make consequential amendments in the form of undertaking appended to our circular letter dated the 22nd January 1964 referred to above by substituting the words "eight years" for "ten years" appearing therein.

Yours faithfully,
R. A. GULMOHAMED
Dy. Chief Officer

DBOD. No. GCS. BC. 25/C. 486-72—11 March 1972

All private sector banks.

Dear Sir,

USE OF HINDI IN BANKS

At the meetings of the Official Languages Implementation Committee of the Department of Banking, Ministry of Finance, Government of India, held on the 12th July and 22nd December 1971, the position relating to the use of Hindi in banks was reviewed. It was noted that the use of Hindi by the banks was not satisfactory. It was observed that letters received in Hindi were generally replied to in English and almost all Hindi signatures were required to be verified resulting in delay and inconvenience to customers in their work being done by banks. With a view to improving the situation in this regard and ensuring progressive use of Hindi in banks, Government have made the following suggestions :

(*i*) Banks should make use of Hindi in day-to-day business at the offices, especially those situated in Hindi speaking areas.

(*ii*) Banks should arrange for printing their cheque-books, pay-in-slips, standard forms of applications, etc. in Hindi also. The forms should be made available in all the offices of the banks, particularly in the offices located in Hindi speaking areas.

(*iii*) Banks should issue their advertisements, etc. in Hindi in addition to English especially in Hindi speaking areas.

(*iv*) In the offices of the banks, particularly those located in Hindi speaking areas, signatures in Hindi should be accepted without any additional formality of getting them countersigned in English.

We shall be glad if you will kindly take necessary steps to implement these suggestions if they have not been implemented already. To enable us to advise Government of the progress made by your bank in the use of Hindi, kindly let us know *at an early date* the present position regarding implementation of the suggestions above, and the measures which your bank proposes to take in this regard. Later, you may kindly furnish to us in duplicate a progress report in this respect as on 31st December 1972.

2. A copy of Office Order No. 13016/1/Hindi/72 dated the 9th February 1972 issued by the Ministry of Finance, Government of

Note : A similar circular was issued to public sector banks also.

India, on this subject is enclosed for your information and necessary action.

3. A Hindi Section has been functioning in the Reserve Bank of India for some years. If banks need any assistance in setting up similar sections or require other assistance in promoting the progressive use of Hindi, they may get into touch with the Hindi Section, Department of Administration and Personnel, Reserve Bank of India, Bombay.

Yours faithfully,
G. G. DESHPANDE
Jt. Chief Officer

Circular/Order No. 2.

No. E. 13016/1/Hindi/72

Government of India/Bharat Sarkar
Ministry of Finance/Vitta Mantralaya
Department of Banking/Banking Vibhag

New Delhi, February 9, 1972

OFFICE ORDER

People (whether officials or non-officials) writing d.o. letters to Senior Officers have an impression that Hindi d.o. letters would not receive quick attention and that prompt replies would not be forthcoming. They also have a feeling that not all the issues mentioned in the d.o. letters would be thoroughly examined. It is, therefore, imperative that —

(*a*) prompt reply and not merely prompt formal acknowledgement is given to all Hindi D.Os;

(*b*) thorough examination of all issues raised in such Hindi D.Os. is done at the earliest.

2. In order to ensure that letters — particularly D.O. letters — received in Hindi by this Department are attended to promptly and action is taken quickly, the following procedure will in future be followed :—

I. Letters received by Officers :

(*i*) As soon as a D.O. letter in Hindi is received by an officer in this Department, whether direct or from superiors, the P.A. concerned should, before putting up that Hindi D.O. letter to the officer in the Dak Pad, get the communication translated into English immediately from the Hindi Cell of this Department. On that English translation, the officer concerned is required to give instructions for further action to be taken by the sections concerned. These instructions will *inter-alia* contain a specified date by which the examination of the D.O. letter should be completed by the Section Officer and draft reply submitted.

(*ii*) P.A's to the officers, before sending such communications down to the branches, should keep a proper record of them. For this purpose, they should maintain a separate register showing (*a*) the date of receipt of the letter (*b*) the party from whom received (*c*) subject matter (*d*) the date on which the English translation of the same was obtained from the Hindi Cell and (*e*) the date specified by the officer concerned by which reply should issue.

Progress of these receipts should be watched periodically and the position brought to the notice of the officers concerned.

II. Letters received in sections :

Where Hindi-knowing staff is available, Section Officers should ensure that a self-contained note in English is submitted for information without waiting for a formal translation of the Hindi communication if the file is intended to go to an officer who does not know Hindi. In the cases of Hindi-knowing officers, *notes in Hindi should be preferred.* In the sections where this device is not feasible or Section Officer is not a Hindi-knowing Officer, the communication should expeditiously be sent to the Hindi Cell with a indication of the date by which they expect the summary or translation of the communication. In the latter case, however, Section Officers should take particular care to note: (*a*) the date of receipt of the letter (*b*) the date on which English translation of the same was obtained and (*c*) the date by which the reply is expected to issue. Except where the reply would necessitate collection of material/report from banks and other agencies, every endeavour should be made to reply such letters within a fortnight, failing which, an interim letter of acknowledgement should issue with an assurance of follow-up action.

Yours faithfully,
R. K. SUNDARESAN
Deputy Secretary to the Government of India.

DBOD. No. Nat. 3046/C. 469(45)-70—7 December 1970

1. The Managing Director, State Bank of India.

2. The General Managers of the subsidiaries of State Bank.

Dear Sir,

PUBLIC RELATIONS AND PUBLICITY

We enclose a copy of the recommendations S. No. 8, 9 and 11 made by the Committee on Public Undertakings in its 47th Report on the Public Relations and Publicity in Public

Undertakings. Government have advised that the public sector banks should implement the recommendations No. 8 and 9 of the Committee, *viz.* they should evolve suitable machinery for assessing the effectiveness of the various media and publicity and should also have a review at the level of the management once a quarter and at the level of the Board of Directors once a year. So far as recommendations No. 11 of the Committee is concerned, the banks should show the total expenditure on public relations and publicity as a note to the profit and loss account. It is not, however, necessary to include in such expenditure or show separately the amount spent on staff as no staff is separately assigned for public relations and publicity. We shall be glad if you will please take necessary action in the matter.

Yours faithfully,
P. N. KHANNA
Jt. Chief Officer

Note : Custodians of nationalised banks also were advised earlier on the lines of this letter.

RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

Recommendation (Serial No. 8 — Para 3.5)

The Committee note that by and large the public undertakings are adopting all the available media for their publicity campaigns. The Committee, however, feel that the public undertakings should pay due attention to institutional publicity to project a better image of the services they are rendering to the public. They should also continuously analyse the effectiveness of their publicity media and campaigns in terms of sales promotion and projection of a better image of their products and service so as to channelise their limited resources to achieve the best results.

Recommendation (Serial No. 9—Para 3.6)

The Committee suggest that such a review may be made at the level of the management once a quarter and at the level of Board of Directors once a year.

Recommendation (Serial No. 11—Para 3.12)

The Committee further recommend that the expenditure on public relations and Publicity should be shown separately in the accounts of the public undertakings. The expenditure on staff or establishment employed in the undertaking for this work should also be shown distinctly.

DBO. No. Sch. 384/C. 96-63—11 January 1963

All scheduled and non-scheduled banks.

Dear Sir,

INVESTMENT IN GOVERNMENT SECURITIES BY TRUSTS, PROVIDENT FUNDS AND OTHER UNINCORPORATED BODIES.

You are presumably aware that under Section 6 of the Public Debt Act, 1944, no notice of any trust is receivable by Government in respect of Government securities. Consequently, the Public Debt Office treats, and has to treat, every person, *in whose name a Government security stands*, as the full owner thereof, even though the said person may be having no *personal* interest in the security but may be holding it merely as a trustee of a particular trust or as an office-holder of a society or a fund—*i.e.* in a fiduciary or representative capacity. Holding of securities in the personal names of officials or trustees is liable to lead to considerable difficulties under certain circumstances. Since the Public Debt Office is bound to treat the 'holder' as the 'owner', it follows, that if a trustee or office-holder, in whose personal name a security (belonging to a trust or society) is held, dies, the Public Debt Office will refuse to make any payment on the security to the trust or society unless the said trust or society obtains legal representation (*i.e.* Probate, Letters of Administration or Succession Certificate) in the estate of the deceased trustee/office-holder. As the obtaining of such a grant entails considerable inconvenience and expense, the societies or trusts concerned are as a rule unwilling to adopt this course and approach us for relaxations, which the Public Debt Office is understandably reluctant to make, except on the condition that the claimant-body, execute a bond of indemnity in the Reserve Bank's favour jointly with one or two sureties. Very often it is difficult for the claimants to arrange for sureties of the requisite financial standing. It also sometimes happens that the office-holder/trustee in whose favour a security is held resigns, and omits or refuses to transfer the security to his successor-in-office. In

such cases, the Public Debt Office is unable, to help the real beneficiary whose only course is to bring a suit against the ex-trustee or the ex-official in a civil court for obtaining a proper decree to enable the Public Debt Office to recognise the claimant's title.

2. A body which has a corporate status can, of course, hold Government securities in its corporate name, but this recourse is not available in case of unincorporated bodies—to which category most trusts, provident funds etc. usually belong. The most convenient course for such bodies is to hold securities in the form of *Stock Certificates* (and not in the form of Government Promissory Notes). Under Rule 8(2)(b) of Public Debt Rules, 1946, Stock Certificates can be issued in favour of officials/trustees *ex-officio* without mentioning their personal names, so that in the event of death or resignation, the security can be dealt with immediately by the successor-in-office, without any formality. No question of legal representation or indemnity bond will arise if securities are so held.

3. Besides the above advantage, holding in stock is very convenient from the point of view of a long-term investor. For example, the periodical interest on Stock Certificates is remitted by the Public Debt Office to the holder or to the holder's bankers on the due date, without any cost to the holder, whereas a Government promissory note has to be physically presented for drawal of interest every time such interest is to be drawn. Again, if a Government Promissory note is lost, the procedure for obtaining a duplicate is a long and expensive one, whereas a lost/destroyed Stock Certificate can be replaced by the Public Debt Office on the holder merely reporting the loss and executing an affidavit.

4. Like Stock Certificates, Treasury Savings Deposit Certificates and Defence Deposit Certificates can also be issued in favour of office holders and trustees, ex-officio. Usually all organisations like provident funds and trusts make investments through, or on the advice of, their bankers and it, therefore, occurs to us that the expense and inconvenience caused to the beneficiaries in such cases would be obviated, if banks were to advise the above position to their customers.

5. We shall be glad, therefore, if you will please take note of these instructions and also communicate them to such of your customers as belong to the above categories with the advice that if any securities are held by their officials/trustees in their personal names, they would be well advised to contact the nearest Public Debt Office for getting the matter regularised.

6. In case you require clarification or further information on any point, reference may be made to our Public Debt Office.

7. Your co-operation in this matter will be appreciated.

Yours faithfully,
U. M. BANERJEE
Asstt. Chief Officer

DBOD. No. Leg. BC. 13/C. 181B-72—28 January 1972

All banks.

Dear Sir,

We enclose copy of a notification No. SO. 5511 dated the 18th December 1971 issued by the Government of India for your information. In this connection, your attention is invited to the notice issued by the Custodian of Enemy Property for India, Bombay in the Press (copy enclosed for ready reference) requiring persons in possession of Pakistani property to submit to the Custodian, a return of all such property held by them within two months from the date of the Custodian's notice *i.e.* before the 18th February 1972.

2. For any clarification you may require in interpreting the Government's notification or the notice of the Custodian of Enemy Property, you may make a reference to him at his address given in his notice.

Yours faithfully,
V. K. SYAMASUNDARAN
Dy. Chief Officer

PUBLISHED IN PART II, SECTION 3 SUB-SECTION (ii) OF THE GAZETTE OF INDIA EXTRA-ORDINARY, DATED 18-12-1971.

GOVERNMENT OF INDIA, MINISTRY OF FOREIGN TRADE

ORDER

New Delhi, the 18th December, 1971

S.O. 5511 —

In exercise of the powers conferred by sub-rule (1) of rule 151 of the Defence of India Rules, 1971, the Central Government hereby directs that all enemy property as defined in clause (4) of rule 138 of the said rules, whether moveable or immovable, and belonging to or held by or managed on behalf of —

(*i*) an enemy as defined in clauses (*b*) and (*c*) of rule 130 of the said rules, or

(*ii*) an enemy subject as defined in clause (5) of rule 138 of the said rules,

shall vest in the Custodian of Enemy Property for India.

Sd/-
Y. T. SHAH
Additional Secretary to the Govt. of India

OFFICE OF THE CUSTODIAN OF ENEMY PROPERTY FOR INDIA, BOMBAY.

ADVERTISEMENT

Pakistan Property in India

RETURNS TO BE SUBMITTED TO THE CUSTODIAN OF ENEMY PROPERTY FOR INDIA

The attention of the public, commercial banks, exchange banks and other firms is invited to the Notification issued by the Ministry of Foreign Trade No. S.O. 5511 dated the 18th December, 1971, by which the Central Government has ordered the vesting of all property in India, moveable or immovable, belonging to, or held by, or managed on behalf of all Pakistan nationals in the Custodian of Enemy Property for India, with immediate effect. Any property in India, which became Pakistani property on or after the 10th July 1968 and therefore did not vest in the said Custodian under Section 5 of the Enemy Property Act, 1968, is 'enemy property' and is therefore now vested in him under the Notification dated the 18th December, 1971, referred to earlier.

Under Enemy Property (Custody and Registration) Order, 1971 it is incumbent on any one in possession of such property to submit to the Custodian of Enemy Property for India, Kaiser-I-Hind Building, Currimbhoy Road, P. B. No. 689, Bombay-1, a return of all such property held by him, within two months of the date of this notice. Sub-rule (2) of Rule 151 of the Defence of India Rules, 1971, exempts any person complying with the order of the Custodian from liability to any suit or other legal proceeding by reason only of such compliance. Sub-rule (6) of the same rule penalises persons paying any debt or dealing with any property to which an order under sub-rule (1) applies otherwise than in accordance with the provisions of the order.

The attention of all concerned is hereby drawn to these provisions. Those persons who are holding or managing any moveable or immovable property belonging to Pakistan nationals and who have not submitted returns in the form prescribed under the Enemy Property (Custody and Registration) Order, 1962, are now required to submit to the Custodian at the address detailed above, returns under the Enemy Property (Custody and Registration) Order, 1971.

M. K. RANGACHARI

Custodian of Enemy Property for India

Bombay,
18th December, 1971.

DBOD. No. Leg. BC. 71/C. 235-72
10 August 1972

All scheduled and non-scheduled commercial banks.

Dear Sir,

THE BANKING REGULATION ACT, 1949

In exercise of the powers conferred by clause (a) of the Explanation under sub-section (4) of section 20 of the Banking Regulation Act, 1949, the Reserve Bank of India has issued today a General Order. A copy of the relative Order is enclosed for your information.

Yours faithfully,
M. L. GOGTAY
Chief Officer.

Note : Please also see General Order dated the 1st Feb. 1969 at page 4 of this Section

DBOD. No. Leg. 193/C. 235-72—10 August 1972

GENERAL ORDER

In exercise of the powers conferred by clause (*a*) of the Explanation under sub-section (4) of section 20 of the Banking Regulation Act, 1949 (10 of 1949), and having regard to the considerations referred to therein, the Reserve Bank of India hereby specifies that for the purposes of the aforesaid section, the term 'loans or advances' shall not include such loans or advances as can be made by a banking company to any of its directors (who immediately prior to becoming a director, was an employee of the banking company) in his capacity as an employee of that banking company and on the same terms and conditions as would have been applicable to him as an employee of that banking company, if he had not become a director of the banking company.

Explanation : In this order, "banking company" includes every bank, other than the State Bank of India, to which the provisions of section 20 of the Act apply.

R. K. HAZARI
Deputy Governor.

DBOD. No. BD.BC. 77/C. 168-72.
9 September 1972.

All Indian commercial banks.

Dear Sir,

SECTION 23 OF THE BANKING REGULATION ACT, 1949—BRANCH EXPANSION PROGRAMME

It is observed that there is a tendency among some banks to shift their existing offices to certain other premises in the same city, town or village and approach us for a licence to carry on banking business in the old premises on the ground that it is required to serve its existing clients. While shifting of offices to new premises may be warranted by factors like expansion of business, better location and improved customer service, we would like to emphasise that in selecting the new premises, banks should keep in view the convenience of its existing clients. You will appreciate that the Reserve Bank of India will have to consider any such application within its overall branch expansion policy and it may not always be possible to grant the required licence.

Yours faithfully,
M. J. AMBANI
Joint Chief Officer.

DBOD. No. BD. 5490/C. 168-72.
27 September 1972

All functioning comercial banks

Dear Sir,

SECTION 23 OF THE BANKING REGULATION ACT, 1949—EXTENSION OF THE PERIOD OF VALIDITY OF LICENCES

At present, banks forward to us applications for extending the period of validity of licences issued to them by the Regional Offices of this Department for opening offices at various centres. It has now been decided that henceforth applications for such extensions should be dealt with by the Regional Offices concerned. All applications seeking extension of the validity period of licences for opening offices in India may, therefore, please be forwarded in future to the Regional Office which issues licences to your bank under section 23 of the Banking Regulation Act, 1949.

Yours faithfully,
K. P. PATEL
Dy. Chief Officer.

DBOD. No. BD.BC. 19/C. 168-73.
8 March 1973

All Indian commercial banks.

Dear Sir,

SECTION 23 OF THE BANKING REGULATION ACT, 1949

The commercial banks while submitting their applications to the Reserve Bank of India for permission under section 23 of the Banking Regulation Act, 1949 for opening a new place of business or for changing the location of an existing place of business otherwise than within the same city, town or village, are required to furnish particulars of their offices making losses as also of offices which have been in existence for less than 3 years (vide item 8 of Form VIII prescribed under Rule 12 of the Banking Regulation (Companies) Rules 1949). For sometime past we have not been insisting on banks to furnish the above information unless considered necessary in individual cases. In order to have a broad idea about the performance of the branches of individual banks, it has been decided that particulars of loss-making branches should be obtained annually from all commercial banks. We shall, therefore, be glad if you will kindly furnish to us as at the end of every year a statement as in the pro forma enclosed so as to reach us by the 31st March of the succeeding year. The first statement as at the end of 31st December 1972 may, however, be submitted to us so as to reach us not later than the 30th April 1973.

Yours faithfully,
A. K. BHUCHAR
Joint Chief Officer.

NAME OF THE BANKING COMPANY

Statement showing particulars of offices in India which had incurred losses for the year ended the 31st December

(Amounts in thousands of rupees)

Sr. No.	Name and Status of the office		District	State	Date of opening	Deposits (as on the last working day of the year)	Advances including bills purchased and discounted (as on the last working day of the year)	Amount of loss for the year	Remarks.
	Name	Status*							
1	2	3	4	5	6	7	8	9	10

*Status of the office e.g., branch, sub-branch, pay office, etc. may be indicated.

Note : 1. The branches should be listed district-wise in chronological order of their opening.

2. Names of centres served by Mobile/Satellite offices attached to the base office should be suitably indicated in the remarks column against the name of the base office.

DBOD. No. EFS. BC. 924/C. 249-72
29 November 1972

All commercial banks.

Dear Sir,

Technical or Management Advice

The Reserve Bank of India has been considering for some time the question whether banking companies should appoint any person/firm/banking institution/banking company incorporated outside India as adviser for giving any technical or management advice, in regard to the business in India of such banking companies or any part of their business. It has now been decided to regulate the appointments referred to above and we have to-day issued a directive in this regard which comes into force with immediate effect. The relative directive is enclosed.

Yours faithfully,
R. K. HAZARI
Deputy Governor.

DBOD. No. EFS. BC. 925/C. 249-72
29 November 1972.

TECHNICAL OR MANAGEMENT ADVICE

In exercise of the powers conferred by section 35A of the Banking Regulation Act, 1949, the Reserve Bank of India, being satisfied that it is in the public interest so to do, hereby directs that no banking company shall, without the prior approval of the Reserve Bank, appoint or employ any banking institution or company incorporated outside India, or any branch or office in India of such banking institution or company, or any firm consisting wholly or in part of persons resident outside India or any person resident outside India, as its adviser for giving it any technical or management advice in regard to the business in India of such banking company or any part of such business.

EXPLANATIONS :

(*i*) The expression 'technical or management advice' includes services rendered in respect of training programme, personnel management, operating policies and practices, cash management, credit and investment policies and practices and expansion and development of business undertaken by a banking institution.

(*ii*) If a dispute arises whether any appointment by a banking company of any person/firm/banking institution/banking company referred to above is or is not an appointment for rendering technical or management advice in regard to business in India, the interpretation of the Reserve Bank of India in the matter will be final for the purpose of this directive.

R. K. HAZARI
Deputy Governor.

DBOD. No. GCS. BC. 121/C. 124(V)-72
12 December 1972.

All Indian Commercial Banks.

Dear Sirs,

Reconciliation of inter-branch accounts

It has been observed that the work relating to reconciliation of inter-branch accounts has gone into considerable arrears in several banks. Even in the case of banks wherein it is fairly up-to-date, there is delay in taking up the long outstanding entries with the branches concerned and their final adjustment. Such arrears /delays are fraught with grave risks as they lead to frauds/irregularities in inter-branch accounts. It is, therefore, imperative that adequate steps be taken at an early date to clear the existing arrears and to ensure that in future similar arrears do not pile up.

* * * * *

Your faithfully,
P. N. KHANNA
Joint Chief Officer.

DBOD. No. GCS. BC. 126/C. 124(V)-72
18 December 1972.

All Scheduled Commercial Banks.

Dear Sir,

BALANCING OF TRANSACTIONS RELATING TO CLEARING OF CHEQUES, DRAFTS, ETC.

It is observed that inward/outward clearing is not balanced daily in certain branches of banks and the resulting differences, debited/ credited to nominal accounts (e.g., suspense and sundry deposit account), are left untraced for long periods. It is also observed that measures for minimising the differences and arrangements for taking follow-up action, on a continuing basis, for adjustment of the outstanding items, are sometimes inadequate. You will appreciate that the risks involved in allowing the differences to accumulate are manifold and that this is an area which affords wide scope for perpetration of frauds ; further, such frauds may remain concealed if prompt steps are not taken to locate the differences. It is, therefore, imperative for the banks to exercise constant vigil and take necessary measures to ensure that clearing accounts are balanced daily as far as possible and that the differences, if any, are located and adjusted promptly.

In this regard, you may consider the following suggestions for suitable action :

(i) In each major branch, a particular officer may be made responsible for ensuring that clearing is balanced daily. Similarly, at the Head Office, a sufficiently senior officer may be made responsible for ensuring that branches balance the clearing everyday and, if any differences arise, they are traced out early. He may call for the requisite information, say, once in a quarter.

(ii) The working of the clearing department should not be allowed to be hampered by shortage of staff ; the position in this regard may be reviewed periodically.

(iii) Where the number of cheques handled is heavy, banks may consider resorting to mechanisation to the extent possible.

(iv) Old differences may be segregated as on a specific date and it may be ensured that clearing is balanced daily from that date onwards. If the old differences are large in number, a special cell may be created for tracing the errors and adjusting the entries.

(v) In regard to old differences for petty amounts, which have not been traced in spite of efforts, the matter of their writing off may be considered in consultation with Auditors and with the approval of the appropriate authority in the bank.

Yours faithfully,
A. K. BHUCHAR
Joint Chief Officer.

DBOD. No. EFS. ROC. 11/C. 249-73
22 February 1973

All Indian Commercial Banks.

Dear Sir,

Books of Instructions

As you are aware, the complexion of the banking industry has changed perceptibly during the last few years. With the rapid branch expansion and functional diversification, a centralised decision-making system, which was generally in vogue in many banks in the past, has become out of tune with the present-day requirements. Recognising this fact, several banks have already taken steps to progressively decentralise authority down to the level of the junior officers, including those at the branches, to obviate unnecessary delays in decision-making, particularly in regard to provision of credit, and with a view to providing better customer service. But, decentralisation of decision-making has not always been accompanied by appropriate guidelines for the benefit of the staff which is to exercise the delegated powers. Such guidelines are imperative also for the reason that the newly-opened branches have sometimes to be placed under the charge of relatively inexperienced officers because of paucity of trained personnel. In this context, there is need for comprehensive books of instructions on various aspects of a bank's business.

2. It is observed that while some banks have not brought out any books of instructions at all, many others have not taken steps to bring their books of instructions up to date, in the light of the latest developments in the field of banking, especially in regard to extension of credit facilities to agriculture, small-scale industry, transport operators, retail dealers, etc. Certain banks have, no doubt, issued circular letters to their branches from time to time, but generally no attempt has been made to codify the instructions contained therein so as to make available to the staff a handy Book of Instructions for ready reference. It is, therefore, necessary for banks, which do not have books of instructions, to bring out expeditiously comprehensive books of instructions. It is also desirable that separate subjectwise/deskwise booklets are available at the Head Office/regional offices/branch offices for the use of the staff members. In banks where the books of instructions have fallen into disuse due to obsolescence, steps may be taken to re-write the relative books and bring them up to date. The compilation/revision of such books of instructions can be usefully entrusted under a time-bound programme, to a small committee of officers who have adequate experience of the working of the Head Office/ regional offices/branch offices, under the overall supervision of a senior officer.

3. The banks may also make standing arrangements for keeping the books of instructions and subjectwise/deskwise booklets, up-to-date. A procedure may also be devised whereby members of the staff are afforded an opportunity to study and become fully conversant with the relevant instructions before they take up a particular item of work and to make available to them the subjectwise/deskwise booklets for reference purpose, as and when required.

* * * * *

Yours faithfully,
A. K. BHUCHAR
Joint Chief Officer.

DBOD. No. GCS. BC. 51/C. 486-72
2 June 1972

All public sector banks

Dear Sir,

USE OF HINDI IN BANKS

We invite a reference to the minutes of the fifth meeting of the Official Languages Implementation Committee of the Department of Banking, Government of India held on the 30th March 1972, a copy of which was forwarded to your bank by the Ministry of Finance, Government of India, New Delhi (vide their communication No. E-11011(2) Hindi/72 dated the 17th April 1972). It will be observed that in terms of paragraph III(a) of the minutes, the public sector banks have been requested to furnish to the Department of Banking, literature brought out by banks in Hindi for Government's reference, record and exhibition, if and when required. It is presumed that your bank has furnished the relevant material to Government by now. If not, we shall be glad if you will kindly arrange to furnish the literature in Hindi brought out by your bank so far, direct to the Department of Banking, Government of India and also note to forward to Government copies of the material that would be brought out by you in future. A copy of your advice to Government, along with a list of items of such literature in Hindi, together with a specimen copy of each may kindly be sent to us for our information and record.

Yours faithfully,
P. R. KULKARNI
Dy. Chief Officer.

DBOD. No. GCS. BC. 67/C. 486-72
29 July 1972

All public sector banks.

Dear Sirs,

ISSUE OF ADVERTISEMENTS IN HINDI AND ENGLISH

Please refer to our circular DBOD. No. GCS. BC. 24/C. 486-72 dated the 11th March 1972@ regarding the use of Hindi in banks. In terms of sub-para (iii) of paragraph 1, it was suggested that banks should issue advertisements in Hindi, in addition to English, especially in Hindi-speaking areas. Government have since brought to our notice that some of the corporations in the public sector are not releasing their advertisements for all-India coverage and for Hindi-speaking areas simultaneously in Hindi and English. As this procedure is not in keeping with the bilingual policy, they have requested us to ensure strict compliance with the instructions in so far as public sector banks are concerned. We shall, therefore, be glad if you will kindly ensure that your bank's advertisements, meant for all-India coverage and for Hindi-speaking areas, are invariably issued simultaneously in Hindi and English.

2. The position in regard to the implementation of the above instructions may please be indicated in the progress report.

* * * * *

Yours faithfully,
P. R. KULKARNI
Dy. Chief Officer.

DBOD. No. GCS. BC. 32/C. 486-73
27 March 1973

All public sector banks.

Dear Sir,

TRANSLATION OF STATUTORY AND NON-STATUTORY MATERIAL IN HINDI

We invite a reference to D.O. letter No. E. 13012(1) Hindi/72 dated the 19th May 1972 addressed to you by the Government of India, Ministry of Finance, Department of Banking, New Delhi, on the above subject. We shall be glad if you will kindly let us know, at an early date, whether your bank has since evaluated the translation work category-wise as indicated in the D.O. letter referred to above.

@A similar circular issued to private sector banks—DBOD. No. GCS. BC. 25/C. 486-72 dated 11th March 1972 included at Page 20 of this Section.

The steps taken or proposed to be taken to carry out the work may also be reported to us.

Yours faithfully,
B. J. F. D'SOUZA
Dy. Chief Officer.

DBOD. No. GCS. BC. 34/C. 486-73
29 March 1973

All Public Sector Banks.

Dear Sir,

USE OF HINDI IN BANKS

We invite a reference to the minutes of the seventh meeting of the Official Languages Implementation Committee of the Department of Banking, Ministry of Finance, Government of India, New Delhi, a copy of which has been forwarded to your bank by Government (vide their endorsement No. E. 11011(1) Hindi/72 dated the 3rd November 1972). It will be seen from paragraph 3.1 of the minutes that it has been decided that in the Hindi-speaking States (Bihar, Haryana, Madhya Pradesh, Rajasthan, Uttar Pradesh, Himachal Pradesh and Delhi), the banks should make available bilingual forms, specially for agriculture loans (Krishi Rin) in these areas and the documents for these loans should also be made available in Hindi or bilingually in Hindi and English. We shall be glad if your bank will arrange to make available to the customers in the Hindi-speaking States the necessary forms accordingly. We, however, understand that some of the banks have got their forms printed in Hindi, in addition to English, although not bilingually. In such cases, the Hindi forms should be used by the branches operating in the States referred to above, in addition to the forms in English.

2. It would be desirable to stock a certain number of forms referred to in paragraph 1 at your offices located in the non-Hindi speaking areas also to meet any possible demand for them from the public at those offices.

3. We shall be glad if you will kindly let us know at an early date the steps taken or proposed to be taken by the bank in the matter.

Yours faithfully,
B. J. F. D.'SOUZA
Dy. Chief Officer.

DBOD. No. GCS. BC. 36/C. 486-73
14 April 1973

All Public Sector Banks.

Dear Sir,

USE OF HINDI IN BANKS

We invite a reference to the minutes of the eighth meeting of the Official Languages Implementation Committee of the Department of Banking, Ministry of Finance, Government of India, New Delhi, a copy of which has been forwarded to your bank by Government (vide their endorsement No. E. 11011(1) Hindi/73 dated the 1st February 1973). It will be seen from paragraph 7 of the minutes that the Reserve Bank has been requested to collect the latest information regarding the creation of Hindi Cells in the banks and send the consolidated information to the Department of Banking before the next meeting of the Committee. Accordingly, we shall be glad if you will kindly furnish us with the following information :—

(*i*) Whether a Hindi Cell/Section has been set up in your bank ? If so, at what place/s ?

(*ii*) If there is no Hindi Cell/Section in your bank at present, whether there is any proposal to set up such a Cell/Section and, if so, the steps taken in this regard ?

2. The following particulars for the whole bank as at the 31st March 1973 may also be furnished:—

(*a*) No. of Hindi Officers

(*b*) No. of assisting staff with their designations in the Hindi Cells/Sections

(*c*) No. of Hindi typists and

(*d*) No. of Hindi typewriters.

* * * * *

Yours faithfully,
B. J. F. D'SOUZA
Dy. Chief Officer.

DBOD No. GCS. BC. 39/C. 486-73
23 April 1973

All Public Sector Banks.

Dear Sir,

SIGNATURE IN HINDI ON OFFICIAL DOCUMENTS

We enclose a copy of Office Memorandum No. E. 11015/27/72-OL (Circular No. 3) dated the 8th February 1973, received from the Government of India, Ministry of Home Affairs, New Delhi, for your information and guidance.

Yours faithfully,
B. J. F. D'SOUZA
Dy. Chief Officer.

No. E. 11015/27/72-0L

Government of India/Bharat Sarkar

Ministry of Home Affairs/Grih Mantralaya

New Delhi 110001, the 8 February 1973

OFFICE MEMORANDUM

Subject : Signature in Hindi on official documents.

The undersigned is directed to state that a question has been raised whether official documents can be signed in Hindi. It is clarified that such documents although drawn up in English can be signed in Hindi. However, in such cases the signatory's name should be typed in English below the signature. Similarly documents having financial bearing such as pay bills can also be signed in Hindi provided the specimen signatures in Hindi have been lodged with the Treasury/Accounts Offices. Recording of signatures sometimes in Hindi and at other times in English on documents of this nature might lead to confusion and fraud. It is suggested, therefore, that it would obviate chances of confusion or fraud if the officer/employee concerned were to record his signature in one script only on documents of a financial nature.

This O.M. issues with the concurrence of Ministry of Finance (vide U.O. No. 9213/EI(B)/72—dated 15th November 1972 and C.A.G. (vide U.O. No.93- TA II/345-72 dated 15.1.73).

(BADRI NATH)
Deputy Secretary to the Government of India.

DBOD. No. GCS. BC. 44 /C.486-73
27 April 1973

All Public Sector Banks.

Dear Sir,

USE OF HINDI IN BANKS

We invite a reference to our circular letters DBOD. Nos. BC. 24* and 67/C. 486-72 dated the 11th March and 29th July 1972, respectively regarding the use of Hindi in the public sector banks. We had requested banks to furnish us with a progress report as on the 31st December 1972, indicating the position regarding the implementation of the suggestions/instructions contained in the above circular letters. On a review of the progress reports received from banks, we note that they are taking steps for gradually complying with the provisions of the Official Languages Act and the instructions issued in this direction and are endeavouring to use Hindi and other regional languages in their day-to-day transactions.

2. With a view to improving the situation further in regard to the progressive use of Hindi in the day-to-day business at the office of the public sector banks, especially those situated in Hindi-speaking areas, we have to advise as under :—

(i) All sign boards, counter boards, names of banks and other placards should be displayed in Hindi, besides English, in the Hindi-speaking States.

(ii) All correspondence received from the public in Hindi should be replied to in Hindi.

(iii) All forms used by the members of the public in their dealings with banks should be printed bilingually in Hindi and English for use in the offices in Hindi-speaking areas, and if the banks consider it necessary, in English and the respective regional languages for use in the offices in non-Hindi-speaking areas. In case the

*Circular DBOD. No. GCS. BC. 25/C. 486-72 dated the 11th March 1972 containing similar instructions to private sector banks included in page 20 of this section.

forms are long, they may be printed separately in different languages. A certain number of forms printed in Hindi and English or separately in Hindi may be stocked in the offices in non-Hindi-speaking areas to meet any possible demand for them from the public. In this connection, we also invite a reference to our circular letter DBOD. No. GCS.BC.34/C. 486-73 dated the 29th March 1973.

(iv) The question whether cheque books of the Reserve Bank of India should be printed in bilingual form or separately in Hindi is under our consideration. The public sector banks may await the decision of the Reserve Bank in the matter, in case they have not already taken steps to print their cheque books in Hindi.

(v) Pending introduction of bilingual forms of cheques, Savings Bank withdrawal forms printed bilingually in Hindi and English, or separately in Hindi, may be made available in the Hindi-speaking areas.

(vi) International form of numerals (1, 2, 3, 4. . .) only should be used in the application forms and other literature which are printed in Hindi.

(vii) All advertisements, press communiques, releases, etc., meant for all-India coverage and for Hindi-speaking areas, should invariably be issued simultaneously in Hindi and English.

(viii) Signatures made by constituents in Hindi on cheques and other documents should be accepted without any additional formality.

(ix) Banks may consider printing their letter heads in bilingual form in English and Hindi for use in their offices in Hindi-speaking areas.

3. Government desire that the public sector banks might experiment with the use of Hindi in originating correspondence with State Governments which have adopted Hindi as their official language.

4. We observe that some of the banks propose to draw up schemes for incentive payments to their staff for passing standard examinations in Hindi. Banks which have not done so may consider the introduction of such schemes to encourage their staff to acquire knowledge of Hindi. In this connection, we enclose, for your information and guidance, a copy of the Hindi Teaching Scheme of the Reserve Bank of India and the incentives offered thereunder. We also enclose a list of Hindi Teaching centres where the Ministry of Home Affairs has organised Hindi training programmes.† Banks may, if they so desire, advise their staff to take advantage of these Hindi Teaching centres.

* * *

Yours faithfully,
B. J. F. D'SOUZA
Dy. Chief Officer.

A NOTE ON THE HINDI TEACHING SCHEME FOR THE STAFF OF THE RESERVE BANK OF INDIA

(i) Categorization of staff

Depending upon the knowledge of Hindi possessed by them and the linguistic groups to which they belong, the members of staff are divided into the following categories, as under the Government scheme :—

Category 'A'

Those employees whose mother-tongue is Hindi and who can express themselves well in Hindi.

Category 'B'

Those employees whose mother-tongue is one of the following languages :—

Punjabi, Urdu, Kashmiri, Pashtu or other allied languages.

Category 'C'

Those employees whose mother-tongue is one of the following languages :—

† A copy of the incentive scheme of the Government of India and Reserve Bank of India for the employees learning Hindi typewriting/Hindi Stenography has been forwarded to public sector banks with circular DBOD. No. GCS. BC. 86/C-486-73 dated the 27th July 1973.

Marathi, Gujarati, Bengali, Oriya, Assamese and other allied languages and Sindhi. As regards employees having Konkani as mother tongue, those having no knowledge of Hindi script be placed under 'D' Category but if they have a good background of Marathi and its script they may be placed under 'C' Category.

Category 'D'

Those employees who speak a South Indian Language or English.

(ii) Types of classes

There is a different course for each of the categories mentioned above. The course for the employees falling under category 'D' is a simple one, that for category 'C' slightly more advanced and that for category 'B' still more advanced. The classification is, however, not intended to be rigid one and admission to each course is made on the basis of knowledge of Hindi of each employee. In course of time, there is movement of trainees from one course to another i.e. an employee, on passing the examination for 'D' category could take up 'C' category course and so on.

(iii) Number and timings of classes

There are classes for five or more employees on alternate days i.e. one class on Mondays, Wednesdays and Fridays and the other on Tuesdays, Thursdays and Saturdays. The classes are held after office hours from 5.45 p.m. to 6.45 p.m. on week days and 2 p.m. to 3 p.m. on Saturdays or partly during and partly after office hours from 5 p.m. to 6 p.m. on week days and 1.15 p.m. to 2.15 p.m. on Saturdays as per the convenience of the employees and the offices.

(iv) Admission to classes

Admission to classes is voluntary.

(v) Teaching staff

Teaching staff is secured with the assistance of the Hindi teaching organisation of the Central Government or from the local schools and colleges or through the employment exchange.

(vi) Books

Books are provided to the employees free of charge on returnable basis.

(vii) Examination

The employees attending classes appear for the examinations conducted by the Central Government for their employees, namely, Pragya, Praveen and Prabodh intended for employees in categories 'B', 'C' and 'D' respectively. The employees appearing at the Prabodh, Praveen and Pragya examinations are treated as on duty for the period of examination on the days when they are held.

(viii) Honorarium

An honorarium of Rs. 100/—*is paid to all employees in Classes I, II and III for passing each of the examinations mentioned above whether by attending classes or by private study or by offering correspondence courses in Hindi conducted by the Central Hindi Directorate, Ministry of Education and Social Welfare, New Delhi. In admitting the claims for honoraria, the underlying principle is that an employee must have passed an examination in Hindi, higher in standard than that he had already possessed. An honorarium of Rs. 100* is also paid to employees for passing each of the recognised Hindi examinations conducted by different Hindi Pracharak Institutions and recognised by the Bank as equivalent to matriculation or higher standard in Hindi (list attached). An honorarium of Rs. 100/- is also paid to the typists who pass the Hindi typewriting examination conducted by Hindi Teaching Scheme on their own.

At present, the Bank is considering to offer further incentives to accelerate the pace of learning Hindi by its employees.

The Bank is conducting Hindi classes at the following centres at present :

(1) Bombay (5 Centres),
(2) Bangalore,
(3) Calcutta,
(4) Cochin,
(5) Madras, and
(6) Nagpur.

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*This amount has since been raised to Rs. 250 vide circular DBOD. GCS. BC. 114/C. 486-73 dated 22nd October 1973.

LIST OF HINDI EXAMINATIONS RECOGNISED

Sr. No.	Name of the Organisation	Name of the examination recognised	Standard of Hindi prescribed in the equivalent examination
1.	Hindi Sahitya Sammelan, Allahabad.	Prathma Madhyama (Visharad) Uttama (Hindi Sahitya)	S.L.C. B.A. B.A. (Hons. in Hindi)*
2.	Rashtrabhasha Prachar Samiti, Wardha.	Parichaya Kovid Ratna	S.L.C. Inter. B.A.
3.	Dakshin Bharat Hindi Prachar Sabha, Madras.	Praveshika Visharad Praveen	S.L.C. Inter. B.A.
4.	Hindi Vidyapeeth, Deoghar.	Praveshika Sahitya Bhushan Sahityalankar	S.L.C. Inter. B.A.
5.	Maharashtra Rashtrabhasha Sabha, Poona.	Prabodh Praveen Pandit	S.L.C. Inter. B.A.
6.	Hindi Prachar Sabha, Hyderabad.	Visharad Bhushan Vidwan	S. L. C. Inter. B.A.
7.	Bombay Hindi Vidyapeeth, Bombay.	Uttama Bhasha Ratna	S.L.C. Inter.
8.	Gujarat Vidyapeeth, Ahmedabad.	Tisri Vinit Sevak	S.L.C. Inter. B.A.
9.	Assam Rashtrabhasha Prachar Samiti, Gauhati.	Prabodh Visharad	S.L.C. Inter.
10.	Hindustani Prachar Sabha, Bombay.	Tisri Kabil	S.L.C. Inter.
11.	Mysore Hindi Prachar Parishad, Bangalore.	Praveen Uttama	S.L.C. Inter.
12.	Kerala Hindi Prachar Sabha, Trivandrum.	Pravesh Bhushan	S.L.C. Inter.
13.	Manipur Hindi Parishad, Imphal.	Prabodh Visharad	S.L.C. Inter.
14.	Punjab University, Chandigarh.	Ratna Bhushan Prabhakar	S.L.C. Inter. B.A.
15.	Punjabi University, Patiala.	Prabhakar	B.A.

Note : Recognition to the following examination has temporarily been accorded by the Ministry of Education and Youth Services vide their Press Note No. F. 7-21/69-H.1 dated 15th November 1969.

Dakshin Bharat Hindi Prachar Sabha, Madras	Parangat	M.A. up to 31-12-1974 *

* These examinations are not to be considered for the payment of honorarium.

GOVERNMENT OF INDIA

LIST OF REGIONAL OFFICERS, HINDI TEACHING SCHEME

MINISTRY OF HOME AFFAIRS

1. Shri A. K. Bhattacharya,
The Regional Officer,
Hindi Teaching Scheme,
Eastern Region,
25, Ezra Mansion,
10 Government Place (East),
Calcutta-1.

2. Shri P. N. Chaturvedi,
The Regional Officer,
Hindi Teaching Scheme,
Western Region,
Maneckji Wadia Building,
Bell Lane,
Bombay-1.

3. Dr. Devesh Chandra,
The Regional Officer,
Hindi Teaching Scheme,
Northern Region,
Room No. 16, Gallery No. 7,
Block No. 10 Jamnagar House,
New Delhi.

4. Shri N. Chandrakant Mudaliar,
The Regional Officer,
Hindi Teaching Scheme,
Southern Region,
Shastri Bhavan,
No. 35, Haddows Road,
Nungumbakkam,
Madras-6.

5. Smt. Sarojini Nigam,
Regional Officer,
Central Region,
3 Lajpat Kunj,
Jabalpur.

GOVERNMENT OF INDIA

MINISTRY OF HOME AFFAIRS

EASTERN REGION

1. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Inspecting Assistant,
Commissioner of Income-tax,
Dibrugarh (Assam).

2. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Assistant Collector,
Central Excise,
Gauhati.

3. The Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o District Commercial
Superintendent,
North-Frontier Railway,
Lumding (Assam).

4. The Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Senior Personnel Officer,
North-Frontier Railway,
Maligaon (Assam).

5. The Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Collector of Customs
Central Excise,
Shillong.

6. The Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Assistant Traffic Supdt.,
N. F. Railway.
Badarpur (Assam).

7. The Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Assistant Medical Officer,
North Frontier Railway,
Karimganj.

7A The Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Superintendent
Customs and Central Excise,
Dhubri.

8. Officer-in-Overall Charge,
Hindi Teaching Scheme,
(New Gauhati Centre) C/o Area Officer,
N.F. Railway,
New Gauhati
P.O. Gauhati-20
Distt. Kamrup (Assam).

9. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Works Manager,
North Frontier Railway,
New Bongalgaon.

ORISSA

10. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Deputy Accountant General,
(Admn.),
Office of the Accountant General,
Orissa,
Bhubaneswar.

11. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Senior Superintendent of Post Offices,
Railway Mail Service, North Division,
Posts & Telegraphs Department,
Cuttack.

12. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Divisional Supdt.,
South-Eastern Railway,
Khurda Road.

13. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Deputy Accountant General,
Orissa, Puri (Orissa).

14. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Assistant Engineer,
South-Eastern Railway,
Rourkela.

15. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Superintendent of Post Offices,
Sambalpur.

16. Officer-in-Overall Charge,
Hindi Teaching Scheme,
Administrative Officer,
PRO, Jaypore

WEST BENGAL

17. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Divisional Personnel Officer,
Eastern Railway, Asansol.

18. Officer-in-Overall Charge,
Hindi Teaching Scheme,
Zone A, C/o Collector of Customs,
Calcutta-1.

19. Officer-in-Overall Charge,
Hindi Teaching Scheme,
Zone B, C/o Director General,
Geological Survey of India,
Chawrangee Lane,
Calcutta.

20. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Assistant Manager,
Metal & Steel Factory,
Ishapore (W.B.)

21. Officer-in-Overall Charge,
Hindi Teaching Scheme,
West Bank Centre,
C/o Deputy Director,
Indian Botanical Gardens,
Shibapore, Howrah.

22. The Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Personnel Officer,
Chittaranjan Locomotive Works,
Chittaranjan.

23. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Divisional Superintendent,
South-Eastern Railway,
Kharagpur (W.B.).

24. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Secretary Finance,
Office of the Chief Commissioner,
Port Blair (A & N Island).

25. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Divisional Superintendent,
South-Eastern Railway,
Adra (W.B.)

26. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Deputy Director (Tech.),
Central Sericultural Station,
Berhampore (W.B.)

27. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Training Superintendent,
Fisheries,
Central Sericultural Station,
Barrackpur (W.B.)

28. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Security Officer,
Farakka Barrage Project,
Farakka (W.B.)
Distt. Murshidabad.

29. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Assistant Executive
Engineer (E.M.)
Kankinara, 24 Parganas (W. B.).

30. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Principal, Central School,
Panagarh (W.B.).

31. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Assistant Engineer,
Bengdubi Project,
North-Frontier Railway,
Siliguri (West Bengal).

NORTHERN REGION

CHANDIGARH

32. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Director, Survey of India,
North-Western Circle,
Sector 4, Chandigarh.

HARYANA

33. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Director of Postal
Services Punjab, Ambala Cantt.

34. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Superintending Engineer,
Exploratory Tubewells
Organisation, N. H. IV.
Faridabad.

DELHI AND NEW DELHI

35. Officer-in-Overall Charge,
Hindi Teaching Scheme,
Zone 'A' and Joint Secy.
Deptt. of Electronics,
Jasalmer House, Man Singh Road,
New Delhi.

36. Officer-in-Overall Charge,
Hindi Teaching Scheme,
Zone 'B' C/o the Collector
of Central Excise & Customs,
Central Revenues Building,
New Delhi.

37. Officer-in-Overall Charge,
Hindi Teaching Scheme,
Zone 'C' C/o Secretary,
Railway Board, New Delhi.

38. Officer-in-Overall Charge,
Hindi Teaching Scheme,
Zone 'D',
C/o Director (C),
Ministry of Defence, New Delhi.

PUNJAB

39. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Controller of Exports
& Imports, Amritsar.

40. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Inspecting Assistant
Commissioner of Income Tax,
Ludhiana (Punjab).

41. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Inspecting Assistant
Commissioner of Income Tax,
Jullundur.

42. The Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Divisional Personnel Officer,
Northern Railway,
Ferozepur.

43. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Deputy Director of
Audit & Accounts,
Darbar Hall, Kapurthala.

44. Officer-in-Overall Charge,
Hindi Teaching Scheme,
Nangal Centre,
C/o Deputy Accountant General
(Projects), Nangal Township.

45. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Commissioner of Income Tax,
Patiala (Punjab)

RAJASTHAN

46. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Deputy Accountant
General (Admn.),
Rajasthan, Jaipur.

47. Officer-inOverall Charge,
Hindi Teaching Scheme,
C/o Divisional Personnel Officer,
Northern Railway, Jodhpur
(Rajasthan).

48. Officer-in-Overall Charge,
Hindi Teaching Scheme,
Abu Road, C/o Divisional
Personnel Officer,
Western Railway,
Ajmer (Rajasthan).

49. The Officer-in-Overall Charge,
Hindi Teaching Scheme and Divisional Supdt,
Western Rly.,
Ajmer (Rajasthan).

JAMMU AND KASHMIR

50. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Director Postal Services,
P & T Department, Srinagar.

51. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Dy. Accountant General (Works),
Jammu.

CENTRAL REGION

BIHAR

52. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Deputy Coal Mines Welfare Commissioner,
P.O. Jagjivan Nagar,
Dhanbad.

53. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Deputy Controller of
Defence Accounts, Office of
Joint Controller of Defence
Accounts, Rizwan Building,
Fraser Road, Patna-1.

54. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Sr. Deputy Accountant General,
Bihar, Ranchi-2.

55. Officer-in-Overall Charge,
Hindi Teaching Scheme,
C/o Divisional Operation
Superintendent, South-
Eastern Railway, Chakaradharpur (Bihar).

56. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Assistant Traffic Superintendent, North-Eastern Railway, Garhara.

57. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o District Commercial Superintendent, North-Eastern Railway, Katihar (Bihar).

58. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Superintendent. Zonal Training School, North-Eastern Railway, Muzaffarpur (Bihar).

59. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o District Operating Superintendent, Sonepur (Bihar).

60. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Principal, Zonal Training School, South-Eastern Railway, Sini (Bihar).

61. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Assistant Director of Inspection (Met)., D.G.S. & D. Tatanagar.

MADHYA PRADESH

62. Officer-in-Overall Charge, Hindi Teaching Scheme, Bina C/o Divisional Personnel Officer, Central Railway, Jhansi.

63. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Accounts Officer, Pay & Accounts (ORS) AEC Pachmarhi.

64. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Assistant Engineer, S.E. Rly. Chhindwara.

65. Officer-in-Overall Charge, Hindi Teaching Scheme, Superintending Archaeologist, Archaeological Survey of India, Central Circle, Bhopal.

66. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Regional Officer, Central Region, Hindi Teaching Scheme, Jubbalpore (M.P.).

67. Officer-in-Overall Charge, Hindi Teaching Scheme, Mana Camp and Kurud Camp, C/o Chief Commandant, Mana Camp, Raipur (M.P.).

68. Officer-in-Over-all-Charge, Hindi Teaching Scheme, C/o Office of Financial Adviser, Chief Accounts Officer, Dandakaranya Project, Jagdalpur (M.P)

69. Officer-in-Overall Charge, Hindi Teaching Scheme, C/0 Divisional Personnel Officer, Western Railway, Ratlam (M.P.)

70. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o District Engineer (WRS) S. E. Railway, Raipur (M.P.)

71. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Divisional Superintendent of S. E. Railway, Bilaspur (M.P.)

72. Officer-in-Overall Charge, Hindi Teaching Scheme, Katni, Satna and Damoh, New Katni C/o Divisional Personnel Officer, Central Railway, Jabalpur (M.P.)

UTTAR PRADESH

73. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Deputy Collector of Central Excise, Allahabad (U.P.)

74. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Director, Northern Directorate, Survey of India, Dehradun (U.P.)

75. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Dy. General Manager, (General), North Eastern Rly., Gorakhpur (U.P.)

76. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Divisional Operating Supdt. (T) E. Rly. Mughal Sarai (U.P.)

77. Officer-in-Overall Charge, Hindi Teaching Scheme, Headquarter, Bengal Engineering Group Centre, Roorkee (U.P.)

78. Officer-in-Overall Charge, Hindi Teaching Scheme, Kanpur Chakri C/o Collector of Central Excise, Kanpur (U.P.)

79. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Divisional Supt., Northern Rly., Lucknow.

80. Officer-in-Overall Charge, Hindi Teaching Scheme, Meerut Centre, C/o Controller of Defence Accounts, Western Command, Meerut Cantt. (U.P.)

81. The Officer-in-Overall Charge, Hindi Teaching Scheme, C/o District Engineer, North-Eastern Railway, Fatehgarh (U.P.)

82. The Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Deputy Commandant, C. O. D., Chheoki (U. P.)

83. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Deputy Controller of Defence PAO (ORS) Arty. Accounts, Mathura (U.P.)

84. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Assistant Medical Officer, North-Eastern Railway, Kashipur (U.P.)

85. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o DPO North-Eastern Railway, Izatnagar (U.P.)

86. The Officer-in-Overall Charge Hindi Teaching Scheme, C/o General Manager, Ordnance Factory, Muradnagar (U.P.)

87. Officer-in-Overall Charge, Hindi Teaching Scheme, Tundla Centre, C/o Divisional Supdt., Northern Railway, Allahabad (U.P.)

88. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Secy. to General Manager, North-Eastern Railway, Diesel Locomotive Works, Varanasi (U.P.)

89. The Officer-in-Overall Charge, Hindi Teaching Scheme C/o General Manager, Ordnance Clothing Factory, Shahjahanpur.

WESTERN REGION

GUJARAT

90. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Inspecting Assistant Commissioner of Income-tax Income Tax Building, Ahmedabad.

91. Officer-in-Overall Charge, Hindi Teaching Scheme, Godhra, Anand, Dabhoi Centres, C/o Divisional Personnel Officer, Western Railway, Baroda (Gujarat)

92. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o H. Qrs., Assistant Collector of Central Excise, Baroda (Gujarat)

93. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Divisional Personnel Officer, Western Railway, Bhavnagar Para.

94. Officer-in-Overall Charge, Surendra Nagar and Mehsana, Hindi Teaching Scheme, C/o Divisional Personnel Officer, Western Railway, Rajkot.

95. Officer-in-Overall Charge, Hindi Teaching Scheme, Palanpur and Gandhi Dham Centres, C/o Divisional Personnel Officer, Western Railway, Ajmer.

GOA

96. Officer-in-Overall Charge, Hindi Teaching Scheme C/o Deputy Collector of Customs & Central Excise, Panjim (Goa)

MAHARASHTRA

97. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Asstt. Manager, Ordnance Factory, Bhusawal.

98. Officer-in-Overall Charge, Hindi Teaching Scheme, Zone 'A' C/o Deputy Secy., Regional Office, Gold Control Administration, Laxmi Building, P.M. Road, Bombay-1.

99. Officer-in-Overall Charge, Hindi Teaching Scheme, Zone 'B' C/o Chief Personnel Officer, Central Railway, G.M.'s Office, Bombay-V.T.

100. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Director of Audit & Accounts Posts & Telegraphs Nagpur (Maharashtra).

101. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o General Manager, India Security Press, Nasik Road (Maharashtra).

102. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Deputy Controller of Defence Accounts, Southern Command, No. 1, Finance Road, Poona.

103. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Assistant Manager, Machine Tool Prototype Factory, Ambarnath (Maharashtra)

104. Officer-in-Overall Charge, Hindi Teaching Scheme, Amla, Bulharshah & Centres, C/o Divisional Personnel Officer, Central Rly., Nagpur (Maharashtra).

105. The Officer-in-Overall Charge, Hindi Teaching Scheme, Itarsi Centres, C/o Divisional Personnel Officer, Bhusawal Central Rly. Line, Bhusawal (Maharashtra).

106. The Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Assistant Armament Supply Officer, Karanja (Maharashtra)

107. The Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Commanding Officer, I.N.S. Shivaji, Lonavala (Maharashtra).

108. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Assistant Bridge Engineer (Shops), Central Railway, Manmad (Maharashtra).

109. Officer-in-Overall Charge Hindi Teaching Scheme, C/o Civilian Labour Officer, Central Ammunition Depot, Pulgaon Camp. (Maharashtra)

110. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Divisional Personnel Officer, S. E. Railway, Sholapur (Maharashtra)

111. Officer-in-Overall Charge, Hindi Teaching Scheme, Kalyan—Karjat Centres, C/o Divisional Personnel Officer, Central Railway, Bombay-V.T. (Maharashtra)

112. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Manager (Adm.), Ordnance Factory, Bhandara (Maharashtra)

MYSORE

113. Officer-in-Overall Charge, Hindi Teaching Scheme' C/o Supdt. Central Telegraph Office, Belgaum (Mysore)

114. Officer-in-Overall Charge, Hindi Teaching Scheme C/o Divisional Personnel Officer, South-Central Railway, Hubli (Mysore).

115. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Senior Superintendent of Post Offices, Dharwar Division, Dharwar (Mysore).

116. Officer-in-Overall Charge, Hindi Teaching Scheme, Supdt. of Post Offices, Bijapur (Mysore).

117. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Collector Central Excise, No. 12, Richmond Rd., Bangalore-1. (Mysore).

118. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o The Principal, Postal Training Centre, Mysore-1.

SOUTHERN REGION

ANDHRA PRADESH

119. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Divisional Personnel Officer, Southern Railway, Guntakal (A.P)

120. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Collector of Central Excise, C. L. S. Building, Hyderabad (A.P.)

121. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Divisional Personnel Officer, South-Central Railway, Vijayawada (A.P.)

122. Officer-in-Overall Charge, Hindi Teaching Scheme, Visakhapatnam Centres, C/o Divisional Superintendent, South-East Railway, Waltair (A.P.)

123. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Superintendent of Post Offices, Cuddapah (A.P.)

124. The Officer-in-Overall Charge, Hindi Teaching Scheme, Hanamkonda and Warangal Centres C/o Superintendent of Post Offices, Warangal Division Hanamkonda (A.P.)

125. The Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Superintendent of Post Offices, Kurnool (A.P)

126. Officer-in-Overall Charge, Hindi Teaching Scheme, Rajahmundry Centres, C/o Senior Superintendent of Post Offices, East Godavari Division, Rajahmundry (A.P.)

127. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Assistant Collector, Central Excise, Nellore, Division, Nellore (A.P.)

128. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Sub-Divisional Officer, (Telephones), Kakinada.

129. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Sub-Divisional Officer, (Telephones), Vizianagaram

KERALA

130. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Income Tax Officer, Calicut (Kerala)

131. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Assistant Collector of Headquarters, Central Excise Wing, Cochin (Kerala)

132. The Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Divisional Personnel Officer, Southern Rly., Olavakkot (Kerala)

133. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Dy. Accountant General (Admn.), Trivandrum (Kerala)

134. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Income Tax Officer, Kottayam (Kerala).

TAMIL NADU (MADRAS)

135. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Works Manager, Engineering Workshop, Southern Railway, Arkonam (Tamil Nadu)

136. Officer-in-Overall Charge, Hindi Teaching Scheme, Karur C/o Superintendent of Post Offices, Pudukkottai-2. (Tamil Nadu)

137. The Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Supdt. of Post Offices, Kanya Kumari Division, Nagarcoil (Tamil Nadu)

138. Officer-in-Overall Charge, Hindi Teaching Scheme, Tirunelveli & Palayamkottai Centres, C/o Senior Supdt. of Post Offices, Tirunelveli Division, Tirunelveli (Tamil Nadu)

139. The Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Supdt. of Post Offices, Tuticorin (Tamil Nadu)

140. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Senior Supdt. of Post Offices, Thanjavur (Tamil Nadu)

141. Officer-in-Overall Charge. Hindi Teaching Scheme, C/o Appellate Assistant Commissioner of Income-Tax, Coimbatore-18 (Tamil Nadu)

142. Officer-in-Overall Charge, Hindi Teaching Scheme, Madras and Tambaram Centres, Central Directorate of Rehabilitation, Shastri Bhavan, Haddows Road, Madras-6.

143. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Senior Superintendent of Post Offices, Madurai (Tamil Nadu).

144. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Assistant Financial Adviser and Accounts Officer, Madras Atomic Energy Project, Kalpakkam (Tamil Nadu).

145. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Divisional Engineer (Telephones), Salem Division Salem-7 (Tamil Nadu)

146. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Divisional Personnel Officer, Southern Railway, Tiruchirapalli (Tamil Nadu)

147. Officer-in-Overall Charge, Hindi Teaching Scheme, Wellington and Aruvankadu Centres, C/o Station Staff Officer, Station Headquarters, Wellington (Nilgiris), Tamil Nadu:

PONDICHERRY

148. Officer-in-Overall Charge, Hindi Teaching Scheme, C/o Professor of Anatomy Jawaharlal Institute of Postgraduate Medical Education & Research, Pondicherry.

DBOD. No. GCS. BC. 47/C.486-73
3 May 1973

All Public Sector Banks.

Dear Sir,

ISSUE OF INVITATION CARDS FOR OFFICIAL FUNCTIONS

The Government of India, Ministry of Finance, Department of Banking, have advised that in accordance with the Official Language Policy, invitation cards etc., for official functions should be issued both in Hindi and English. We shall, therefore, be glad if invitation cards etc., for the official functions of your bank are issued both in Hindi and English in future.

Yours faithfully,
B. J. F. D'SOUZA
Dy. Chief Officer.

DBOD. No. GCS. BC. 48/C.486-73
9 May 1973

All Public Sector Banks.

Dear Sir,

USE OF HINDI IN BANKS

Please refer to paragraph 2 of our circular letter DBOD. No. GCS.BC.24/C. 486-72 dated the 11th March 1972@ on the above subject. We now forward herewith a copy of Office Order No. E.13016/1/Hindi/72 dated the 24th January 1973 issued by the Department of Banking, Ministry of Finance, Government of India, New Delhi, which is self-explanatory. The procedure indicated therein may be followed as far as possible.

Yours faithfully,
B. J. F. D'SOUZA
Dy. Chief Officer.

@ Please see similar circular dated 11th March 1972 issued to private sector banks at page 20 of this section.

No. E. 13016/1/Hindi/72
Government of India/Bharat Sarkar
Ministry of Finance/Vitta Mantralaya
(Department of Banking/Banking Vibhag)

New Delhi, dated the 24th January, 1973

OFFICE ORDER

SUBJECT : Prompt and quick disposal of the letters received in Hindi—Maintenance of proper record.

Attention is invited to Office Order No. E. 13016/1/Hindi/72 dated the 9th February, 1972. A general impression has been created that, in order to have action expedited, communication should be sent in English. In order to allay such a misapprehension, it is necessary that special care is taken in the processing and disposal of letters, etc. received in Hindi.

2. It has, therefore, been decided that :

(*i*) henceforth all communications received in Hindi should be diarised separately ; their disposal, with file number and date, should be indicated against these diary entries and the procedure outlined in Office Order dated the 9th February, 1972 should be strictly adhered to by all the Sections and P. As. ;

(*ii*) the officers approving and signing the draft of such letters are requested to ensure that they are issued in Hindi ;

(*iii*) officers knowing Hindi may directly dictate the letters or D.O's. in Hindi instead of waiting for the Hindi translation as soon as the Hindi Stenographer, who is to be appointed shortly, is in position ;

(*iv*) the figures regarding receipt/disposal of Hindi letters should be indicated by the Sections separately in the Weekly Arrear Report ; and

(*v*) all officers/Sections in the Department of Banking are requested to make every effort to ensure that prompt action is taken in processing and sending replies to communications received in Hindi from any quarter.

Sd/-
(R. K. SUNDARESAN)
Deputy Secretary to the Government of India

DBOD. No. GCS.BC. 57/C.486-73
23 May 1973

All Public Sector Banks.

Dear Sir,

SCRUTINY AND CORRECTION OF HINDI SIGN BOARDS AND NOTICES APPEARING ON CENTRAL GOVERNMENT BUILDINGS AND STRUCTURES IN HINDI-SPEAKING AREAS

We forward herewith a copy of the Government of India, Ministry of Home Affairs, Office Memorandum No. 11015/90/72-OL dated the 30th December 1972 on the above

subject for your information. We shall be glad if you will kindly note the general principles outlined in paragraph 2(b) and (c) of the above Office Memorandum in so far as they relate to the issue of notices meant for the general public. As regards paragraph 2(a), we are taking up the matter with Government.

Yours faithfully
B. J. F. D'SOUZA
Dy. Chief Officer.

Copy of the Ministry of Home Affairs/Grih Mantralaya Office Memorandum No. 11015/90/72-OL dated the 30th December, 1972

....

SUBJECT : Scrutiny and correction of Hindi Sign-Boards and notices appearing on Central Government buildings and structures in Hindi-speaking areas.

....

The undersigned is directed to say that in the meeting of Parliamentary Consultative Committee of the Ministry of Home Affairs, a Member observed that Hindi spellings in the names of roads, public buildings and in the notices meant for the public are often defective and incorrect. It has also been observed that notices meant for the general public and average user of facilities are often literal translations instead of the free and simple translations.

2. It is, therefore, requested that the Devanagari versions of such notices may be checked up and the concerned offices may be directed to observe the following general principles :—

(*a*) Names of offices written in Devanagari script should follow the spelling on the basis of the Sanskrit system. If there is any doubt, such cases may be referred to the Hindi Adviser for advice. Names of Persian or Arabic origin will follow the Urdu Pronunciation ;

(*b*) in the translation of notices meant for the facility of the general public and average user, an English word generally used by the ordinary people may freely be used but it should be written in Devanagari script, e.g. the word "Doorbhash" for telephone is not commonly understood more than telephone. The word telephone should be written in Devanagri script. This is by way of example. There are several words of this kind ; and

(*c*) since the object is to make the notice understood by the users, care should be taken to break up the original English sentence into short Hindi sentences. Simple words that are commonly understood in Delhi area may be preferred to literary type of technical terms.

The above suggestions are made for Central Government buildings and structures in Hindi speaking areas only.

Sd/-
(S. DWIVEDI)
Director (OL)

DBOD. No. GCS.BC. 66/C.486-73
1 June 1973

All Public Sector Banks.

Dear Sir,

PROGRAMME FOR THE YEAR 1972-73 FOR THE PROGRESSIVE USE OF HINDI FOR THE OFFICIAL PURPOSES OF THE UNION—PREPARATION OF INTERNATIONAL AGREEMENTS AND TREATIES SIGNED IN INDIA BOTH IN HINDI AND ENGLISH

We forward herewith for your information and guidance a copy of the Government of India, Ministry of Home Affairs Office Memorandum No. E 11013/4/72-OL dated the 16th February 1973.

Yours faithfully,
B. J. F. D'SOUZA
Dy. Chief Officer.

NO. E. 11013/4/72-OL
GOVERNMENT OF INDIA/BHARAT SARKAR
MINISTRY OF HOME AFFAIRS/GRIH MANTRALAYA

OFFICE MEMORANDUM

New Delhi : 110001 dt. the 16th Feb. 1973 27 Magha, 1894

SUBJECT :—**Programme for the year 1972-73 for the progressive use of Hindi for the official purposes of the Union—preparation of international agreements and treaties signed in India both in Hindi and English**

The undersigned is directed to say that the programme for the progressive use of Hindi for official purposes of the union for the year 1970-71 inter-alia included that by 31st March, 1971 both Hindi and English should be used for all agreements and treaties executed in India with foreign countries with certain exceptions. This item was continued in the programme for the year 1971-72 as certain Ministries/Departments had pointed out some difficulties in the implementation of this item of the programme. The difficulties in this regard were sorted out at an inter-departmental meeting and a clarification regarding authenticity of English and Hindi texts of treaties etc. was issued vide MHA OM NO. 16/21/ 70-OL (Vol. II) dated 24th February, 1972. It has been observed that it has not been possible for certain Ministries/Departments to fully carry out the instructions with regard to the implementation of this item of the programme. It is, therefore, proposed to continue this item in the annual programme for the year 1972-73, with a view to ensuring that satisfactory solutions are found to the difficulties encountered

by the various Ministries in this regard and international treaties and agreements signed in India are prepared in Hindi also. The Ministry of Finance etc. are, therefore, once again requested to implement this item of the programme. They may issue necessary instructions to all concerned and also endorse copies of these instructions to this Ministry (O.L. Cell).

2. The progress in this regard may be reviewed in the quarterly meetings of the official Languages Implementation Committees.

Sd/-
(BADRI NATH)
Deputy Secretary to the Govt. of India

DBOD. No. GCS.BC. 69/C.486-73
12 June 1973

All Public Sector Banks.

Dear Sir,

USE OF HINDI IN BANKS

As you may be aware, the Reserve Bank of India has started adding a Hindi Section to its Monthly Bulletin. We have also been advised by one of the nationalised banks that it is considering the printing of a couple of pages of its Monthly Bulletin in Hindi. In case your bank is publishing any periodical bulletin/journal, etc., for the use of your customers/public at large, we shall be glad if you will consider adding a Hindi Section to such a bulletin or journal, if this is not already being done or, if feasible, a Hindi version of such publications.

Yours faithfully,
B. J. F. D'SOUZA,
Dy. Chief Officer.

DBOD. No. GCS.BC. 74/C.486-73
22 June 1973

All Public Sector Banks.

Dear Sir,

FIRST MEETING OF THE RECONSTITUTED CENTRAL HINDI COMMITTEE HELD ON THE 20TH DECEMBER 1972.

We enclose certain extracts from the Minutes of the meeting of the above Committee for your information and guidance.

Yours faithfully,
B. J. F. D'SOUZA,
Dy. Chief Officer.

EXTRACT FROM THE MINUTES OF THE FIRST MEETING OF THE RECONSTITUTED CENTRAL HINDI COMMITTEE HELD ON THE 20TH DECEMBER 1972 UNDER THE CHAIRMANSHIP OF THE PRIME MINISTER

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3. In the opinion of some of the members Hindi used in the notes on agenda was difficult. In this connection the Chairman opined that Sanskritised language was not considered to be difficult by the people of southern states, but not so by the people in the north, particularly those living around Delhi as they are accustomed to Persianised language. It was, however, decided that effort should be made to use such language in notes as does not give an impression of being a translation and English equivalents in Devanagri script may be given in brackets here and there, as is the policy in regard to the language to be used in official work.

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11. Many Ministers have agreed to Hindi being used as a medium of answer for question papers in departmental examinations in English. This too was a good indication.

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15. The Samiti welcomed the recent action taken in regard to the progress of Hindi in the Public Sector Undertakings under the Central Government.

* * *

16. The Samiti accepted the proposal that special arrangements may be made to teach Hindi to the newly recruited Government employees during their probationary period. It was hoped that in the syllabus to be introduced under this special arrangement on noting, drafting etc. special emphasis would be laid on the functional official language.

* * *

18. The Samiti noted the present position regarding the implementation of the Parliamentary Resolution of 1968 and the problems connected therewith.

* * *

22. The members emphasised that the official language should be made simple. Referring to the complicacy in official correspondence and noting the Chairman stated that the problem, in fact related to officialese and this problem has cropped up in other countries too. A watch will have to be kept to ensure that Hindi also does not become a victim of officialese. Some members laid stress that during the transition period English equivalents of some Hindi words may be given in brackets in Devanagri script. It was stated that the Ministry of Home Affairs had recently issued an instruction in this connection. In the opinion of the Samiti more stress would be laid on that.

DBOD. No. Nat. 1740/C.469(78)-72
18 October 1972

The Managing Director, State Bank of India and the Custodians of Nationalised Banks.

Dear Sir,

As you are aware, Banca Nazionale Del Lavro, Rome, is one of the correspondents in Italy for some of our banks. This bank has indicated that it would be happy to provide through its New York office an aggregate credit facility of about 3 million US dollars to some of our banks. The bank probably desires that its New York office may act as correspondents for our banks. Any bank which may be interested in availing of the facilities offered by the bank may get in touch with it.

2. This circular letter is merely intended to draw the attention of the banks to the offer of the Italian bank and should not be construed as a sponsorship or recommendation.

Yours faithfully,
P. N. KHANNA
Joint Chief Officer.

DBOD. No. Nat. BC. 17/C.469(78)-73
23 February 1973

Public Sector Banks.

Dear Sir,

We are advised that the Janta Bank (incorporated in Bangla Desh) proposes to open a branch in Brussels. This bank has offered the services of the proposed Brussels branch to the Indian banks for transacting the business emanating from the trade between India and the Common Market countries. The bank has also indicated that in addition to extending the normal services like advising/confirmation of letters of credit, handling of documents and sale/purchase of foreign currencies etc., it will be prepared to allow interest on the day-to-day balances maintained by our banks with its Brussels branch.

2. This circular letter is issued to draw the attention of the banks to the offer of the Janta Bank and should not be construed as a sponsorship or recommendation.

Yours faithfully,
P. N. KHANNA
Joint Chief Officer.

DBOD. No. Nat. BC. 24/C.464(A)-73
21 March 1973.

All Scheduled Commercial Banks.

Dear Sir,

CREDIT GUARANTEE CORPORATION OF INDIA (SMALL LOANS) GUARANTEE SCHEME, 1971.

While granting facilities for purchase of equipment, banks generally insist on insurance against fire risk for the equipment. Since the incidence of insurance premium imposes a heavy burden on the small borrowers, the Reserve Bank of India has considered the matter in consultation with the Credit Guarantee Corporation of India Ltd. and the latter has no objection to banks waiving the requirements of insurance against fire and other risks in respect of finance provided for purchase of equipment where the credit facilities covered under the above guarantee scheme do not exceed Rs. 10,000/- However, in cases where insurance of vehicles or machinery or other equipment is compulsory under the provisions of any law, it should not be waived even if such credit facilities do not exceed Rs. 10,000/-.

2. Appropriate instructions in the matter may please be issued to all your offices.

Yours faithfully,
P. N. KHANNA
Joint Chief Officer.