



Annexures

Annex I

Guidelines for Relief Measures by banks in Areas Affected by Natural Calamities

A. Background

1. Periodic but frequent occurrence of natural calamity takes a heavy toll on human life and cause wide spread damage to economic pursuits in one or the other part of the country. The devastation caused by natural calamities calls for massive rehabilitation effort from all agencies. The Central, State and local authorities draw up programmes on economic rehabilitation for the people affected by natural calamities. The developmental role assigned to the Cooperative Banks warrant their active support in reviving the economic activities of those affected by the occurrence of a natural calamity.
2. In terms of the National Disaster Management Framework, there are two funds constituted viz. National Disaster Response Fund (NDRF) and State Disaster Response Fund (SDRF) for providing relief in the affected areas. The NDRF framework currently recognizes twelve types of natural calamities viz. cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst, pest attack and cold wave / frost. The Ministry of Agriculture is the nodal point for four of the calamities i.e. drought, hailstorms, pest attack and cold wave / frost and for the remaining eight, the Ministry of Home Affairs is the nodal ministry to make the necessary administrative arrangements. A slew of measures for relief are undertaken by the Sovereign (Central / State Government) from time to time to provide relief to the affected people including, inter alia, provision for input subsidies and financial assistance to farmers including small and marginal farmers.
3. The banks as members of the State Level Bankers Committee (SLBC) / District Consultative Committee (DCC) play a key role in providing relief measures through rescheduling existing loans and sanctioning fresh loans as per the emerging requirement of the borrowers. To enable A bank to take uniform and concerted action expeditiously, these guidelines are issued covering four aspects viz. Institutional



Framework, Restructuring of Existing Loans, Providing Fresh Loans and Other Ancillary Relief Measures.

B. Institutional Framework

4. Establishing Policy / Procedures for dealing with Natural Calamities

- (1) The area, time of occurrence and intensity of the natural calamity cannot be anticipated. It is, therefore, imperative that A bank has a blueprint of action duly approved by the Board of Directors for such eventualities so that the required relief and assistance are provided with utmost speed and without any loss of time. Further, all branches of the banks and PACS shall be familiar with these standing instructions. The standing instructions shall immediately come to force after the district / State authorities put in place the requisite declaration. It is essential that these instructions shall also be made available to the State Government authorities and all the District Collectors so that all concerned are aware about the action that shall be taken by the concerned authorities in the affected area.

5. Discretionary Powers to DCCBs

- (1) The DCCBs may be vested with certain discretionary powers to avoid the need to seek fresh approval from Registrar of Cooperative Societies / StCBs regarding the line of action decided by the District Consultative Committee / State Level Bankers' Committee. Some of the areas, among others where such discretionary powers are vital may be the adoption of scale of finance, need based restructuring of loans, extension of loan period, margin, security, sanction of new loan keeping in view the total liability of the borrower arising out of the old loan where the asset financed was damaged or lost as a result of the natural calamity and the new loan financed for creation / repair of such asset(s).

6. Meeting of State Level Bankers' Committee (SLBC) / District Consultative Committee (DCC)



- (1) In the event of occurrence of a natural calamity which covers a larger part of a State, the State Level Bankers' Committee convener bank shall convene a special SLBC meeting immediately. The committee, in collaboration with the State Government authorities shall evolve a coordinated action plan for implementing the relief programme. If the calamity has affected only a small part of the state / a few districts, the convener of the District Consultative Committee of the affected district(s) shall convene a meeting immediately. In the special SLBC / DCC meeting, the position of the affected areas may be assessed so as to ensure speedy formulation and implementation of suitable relief measures.
- (2) In the areas where the calamity is severe, the relief measure(s) implemented shall be reviewed periodically through a specially constituted Task Force / Sub- Committee byway of weekly / fortnightly meetings as decided by the SLBC / DCC.

7. Scope

- (1) The guidelines shall be applicable to farmers / loanees who have been affected by a natural calamity as declared by the State Govt. / Authorities and are willing to avail the benefits under the guidelines.

8. Declaration of Natural Calamity

- (1) It is recognised that declaration of a natural calamity is in the domain of the Central / State Government. The inputs received from the State Governments revealed that there is no uniform procedure being followed for declaration of a natural calamity and issue of declarations / certificates. These declarations / certificates are called by different names such as Annewari, Paisewari, Girdawari, etc. in different States. Nevertheless, the common thread to extend relief measure towards agricultural loans including rescheduling of loans by A bank, is that the crop loss assessed should be 33% or more. For assessing this loss, while some States are conducting



crop cutting experiments to determine the loss in crop yield, some others are relying on the eye estimates / visual impressions.

- (2) In case of extreme situations such as wide-spread floods, when it is largely evident that most of the standing crops have been damaged and / or land and other assets have suffered a wide-spread damage, the matter shall be deliberated by State Government / District Authorities in a specially convened SLBC / DCC meeting where the concerned Government functionary / District Collector shall explain the reasons for not estimating 'Annewari' (percentage of crop loss - by whatever name called) through crop cutting experiments and that the decision to provide relief for the affected populace needs to be taken based on the eye estimate / visual impressions.
- (3) In both the cases, however, SLBC / DCC shall satisfy themselves fully that the crop loss has been 33% or more before acting on these pronouncements.

C. Restructuring of Existing Loans

9. In the event of a natural calamity, the repaying capacity of the people gets severely affected due to the disruption of their economic activities and loss of economic assets. Therefore, relief in loan repayment by restructuring the existing loan may become necessary.

10. Agriculture Loans : Short-term Production Credit (Crop Loans)

- (1) All short-term loans, except those which are overdue at the time of occurrence of natural calamity, shall be eligible for restructuring. The principal amount of the short-term loan as well as interest due for repayment in the year of occurrence of the natural calamity maybe converted into term loan.
- (2) The repayment period of the restructured loan may vary depending on the severity of the calamity, the impact on loss of economic assets and distress it caused. A maximum repayment period of up to two years (including the moratorium period of one year) shall be allowed if the loss is between 33%



and 50%. If the crop loss is 50% or more, repayment period may be extended upto a maximum of five years (including the one year moratorium period).

- (3) In all restructured loan accounts, moratorium period of at least one year shall be considered. A bank may not insist on additional collateral security for such restructured loans.

11. Agriculture Loans: Long term (Investment) Credit

- (1) The existing term loan instalments shall be rescheduled keeping in view the repaying capacity of the borrower and the nature of natural calamity viz.
 - (i) In a natural calamity where only crop for that year is damaged and productive assets are not damaged, A bank shall reschedule the payment of instalment during the year of natural calamity and extend the loan period by one year. Under this arrangement the instalments defaulted wilfully in earlier years will not be eligible for rescheduling. The bank may also have to postpone payment of interest by borrowers.
 - (ii) In a natural calamity where the productive assets are partially or totally damaged and borrowers are in need of a new loan, the rescheduling by way of extension of loan period shall be determined on the basis of overall repaying capacity of the borrower vis-a-vis total liability (old term loan, restructured crop loan, if any and the fresh crop / term loan being given) less the subsidies received from the Government agencies, compensation available under the insurance schemes etc. While the total repayment period for the restructured / fresh term loan may differ on base-to-case basis, generally it shall not exceed a period of 5 years.

12. Other Loans



- (1) Depending on the severity of the calamity, SLBC / DCC shall take a view as to whether a general rescheduling of all other loans (i.e. besides the agriculture loans) such as loans granted for allied activities, loans to rural artisans, traders, micro / small industrial units or in case of extreme situations, medium enterprises are required. If such a decision is taken, while recovery of all the loans be postponed by the specified period, A bank may assess the requirement of the individual borrowers in each case and depending on the nature of his / her account, repayment capacity and the need for fresh loans, appropriate decisions shall be taken by the individual bank.
- (2) The primary consideration for extending credit to any unit for its rehabilitation shall be based on the viability of the venture as assessed by the bank.

13. Asset Classification

- (1) The asset classification status of the restructured loans shall be as under:
 - (i) The restructured portion of the short term as well as long-term loans may be treated as current dues and need not be classified as NPA. The asset classification of these term loans would thereafter be governed by the revised terms and conditions. Nevertheless, A bank is required to make higher provisions for such restructured standard advances as prescribed from time to time. Further, interest income from such restructured accounts classified as 'standard assets' will be recognized as per the norms prescribed.
 - (ii) The asset classification for the remaining dues, which does not form a part of the restructured portion, will continue to be governed by the original terms and conditions of its sanction. Consequently, the dues from the borrower shall be classified by the lending bank under different asset classification categories viz. standard, sub-standard, doubtful and loss.



- (iii) Additional finance, if any, shall be treated as 'standard asset' and its future asset classification will be governed by the terms and conditions of its sanction.
- (iv) With the objective to ensure that A bank is proactive in extending relief to the affected persons, the benefit of asset classification of the restructured accounts as on the date of natural calamity will be available only if the restructuring is completed within a period of three months from the date of natural calamity. In the event of extreme calamity, when the SLBC / DCC is of the view that this period will not be sufficient for the branches to reschedule all the affected loans, it shall approach National Bank for Agriculture and Rural Development (NABARD) giving the reasons for seeking extension. These requests will be considered on the basis of merit of each case.
- (v) The accounts that are restructured for the second time or more on account of recurrence of natural calamities shall retain the same asset classification category on restructuring. Accordingly, for a restructured standard asset, the subsequent restructuring necessitated on account of natural calamity shall not be treated as second restructuring, i.e., the standard asset classification shall be maintained. However, all other restructuring norms shall apply.

14. Utilization of Insurance Proceeds

- (1) While the above measures relating to rescheduling of loans are intended to provide relief to the farmers, the insurance proceeds should, ideally, compensate the losses. In terms of orders issued by the Ministry of Agriculture, Department of Agriculture, Cooperation and Farmers Welfare, the Pradhan Mantri Fasal Bima Yojana (PMFBY) has replaced the existing schemes of National Agricultural Insurance Scheme (NAIS) & Modified National Agricultural Insurance Scheme (MNAIS) with effect from Kharif 2016. Under the Prime Minister Fasal Bima Yojana (PMFBY), all Seasonal Agricultural Operations (SAO) loans for notified crops in notified areas are



to be compulsorily provided insurance cover for all stages of the crop cycle including post-harvest risks in specified instances (Operational Guidelines - PMFBY issued by Ministry of Agriculture & Farmers' Welfare). Farmers' details are required to be entered by A bank in the unified portal for crop insurance which is available at <http://www.agriinsurance.gov.in/> in order to facilitate assessment of coverage of crops insured, premiums deducted, etc.

- (2) While restructuring the loans in areas affected by a natural calamity, A bank shall also take into account the insurance proceeds, if any, receivable from the Insurance Company. The insurance proceeds shall be adjusted to the 'restructured accounts' in cases where fresh loan has been granted to the borrower. However, The bank shall act with empathy and consider restructuring and granting fresh loans without waiting for the receipt of insurance claim in cases where there is reasonable certainty of receiving the claim.

D. Providing Fresh Loans

15. Sanctioning of Fresh Loans

- (1) Once the decision to reschedule loans is taken by SLBC / DCC, pending conversion of short-term loans, A bank shall grant fresh crop loan to the affected farmers based on the scale of finance of the crop and the cultivation area as per the extant guidelines.
- (2) The bank assistance in agriculture and allied activities (poultry, fishery, animal husbandry, etc.) may also be needed for long term loans for a variety of purposes such as repair of existing economic asset(s) and / or acquisition of new asset(s). Similarly, rural artisans, self-employed persons, micro and small industrial units, etc. in the areas affected by a natural calamity may require fresh credit to sustain their livelihood. A bank shall assess the need and decide on the quantum of loans to be granted to the affected borrowers taking into consideration, amongst others, the credit requirement and the due procedure for sanctioning fresh loans.



- (3) A bank shall also grant consumption loan up to ₹10,000/- to existing borrowers without any collateral. The limit may, however, be enhanced beyond ₹10,000/- at the bank's discretion.

16. Terms and Conditions

(1) Guarantee, Security and Margin

- (i) Credit shall not be denied for want of a personal guarantee alone. Where the bank's existing security has been eroded because of damage or destruction by floods, assistance will not be denied merely for want of additional fresh security. The fresh loan shall be granted even if the value of security (existing as well as the asset to be acquired from the new loan) is less than the loan amount. For fresh loans, A bank shall take a sympathetic view.
- (ii) Where the crop loan (which has been converted into term loan) was earlier sanctioned against personal security / hypothecation of crop and the borrower is not able to offer charge / mortgage of land as security for the converted loan, she / he shall not be denied conversion facility merely on the ground of his / her inability to furnish land as security. If the borrower has already availed a term loan against mortgage / charge on land, the bank shall be content with a second charge for the converted term loan. A bank shall not insist on third party guarantee for providing conversion facility.
- (iii) Where land is taken as security, in the absence of original title record, a certificate issued by the Revenue Department officials shall be accepted for financing to farmers who have lost proof of their title such as title deed or registration certificate issued to registered share-croppers. In the areas covered by the Sixth Schedule of the Constitution, whereby the land is owned by the community, certificate issued by community authorities may be accepted.



- (iv) Margin requirements may be waived or the grant / subsidy given by the concerned State Government shall be considered as margin.

17. Rate of Interest

- (1) The rate of interest shall be in accordance with the extant Directions in the matter. Within the areas of their discretion, however, a bank shall take a sympathetic view of the difficulties of the borrowers and extend a concessional treatment to calamity-affected people. In respect of default in current dues, no penal interest shall be charged. The bank shall also suitably defer the compounding of interest charges. A bank shall not levy any penal interest and consider waiving penal interest, if any, already charged in regard to the loans converted / rescheduled. Depending on the nature and severity of the natural calamity, the SLBC / DCC shall take a view on the interest rate concession that could be extended to borrowers so that there is uniformity in approach among banks in providing relief.
- (2) As notified by the Government of India from time to time (subject to inclusion in the IS Scheme on short term crop loans), to provide relief to farmers availing short term crop loans and affected by a natural calamity, an interest subvention of 2 percent per annum will be made available to a bank for the first year on the restructured loan amount. Such restructured loans shall attract normal rates of interest from the second year onwards.

E. Other Ancillary Measures

18. Relaxation on Know Your Customer (KYC) Norms

- (1) It needs to be recognized that many persons displaced or adversely affected by a major calamity may not have access to their identification and personal records. In such cases a basic saving bank deposit account on the basis of photograph along with signature or thumb impression rendered in front of the bank official shall be opened. The above instruction shall be applicable to cases where the balance in the account does not exceed ₹50,000/- or the



amount of relief granted (if higher) and the total credit in the account does not exceed ₹1,00,000/- or the amount of relief granted, (if higher) in a year.

19. Providing access to Banking Service

- (1) A bank may operate its natural calamity affected branches from temporary premises under advice to the concerned Regional Office of the Reserve Bank / NABARD. For continuing the temporary premise beyond 30 days, the bank may obtain specific approval from the appropriate authorities. The bank may also make arrangements to render banking services in the affected areas by setting up satellite offices, extension counters or mobile banking facilities etc. under intimation to the Reserve Bank / NABARD.
- (2) To meet the immediate cash requirements of the affected people, due importance may be given towards restoring the ATMs or other alternate arrangements shall be provided to avail such facilities.
- (3) Other measures that a bank may initiate at their discretion to alleviate the condition of the affected people could be waiving ATM fees, increasing ATM withdrawal limits; waiving of fees towards overdraft / early withdrawal penalty on time deposits / late fee for credit card / other loan instalment payments etc. and giving option to credit card holders to convert their outstanding balance to EMIs repayable in 1-2 years. Besides, all charges debited to the farm loan account other than the regular interest may be waived considering the hardship caused to the affected people.

F. Riots and Disturbances: Applicability of the Guidelines

20. Whenever the Reserve Bank / NABARD advises the bank to extend rehabilitation assistance to the riot / disturbance affected persons, the aforesaid guidelines shall broadly be followed by the bank for the purpose. It shall, however, be ensured that only genuine persons, duly identified by the State Administration as having been affected by the riots / disturbances, are provided assistance as per the guidelines. In the event of large scale riots where most part of the State / Area is affected and the State Administration is not in a position to identify the riot / disturbance affected



persons and subject to SLBC's specific decision, the onus of identifying 'genuine persons' will rest with the bank.

21. The issuance of advice to a bank by the Reserve Bank / NABARD on receipt of request / information from State Government and thereafter issue of instructions by the bank to their branches generally results in delay in extending the assistance to riot-affected people. With a view to ensure quick relief to the affected people, it has been decided that the District Collector, on occurrence of the riot / disturbance, may ask the Lead Bank Officer to convene a meeting of the DCC, if necessary and submit a report to the DCC on the extent of damage caused to life and property in the area affected by riot / disturbance. If the DCC is satisfied that there has been extensive loss to life and property on account of the riot / disturbance, the relief as per the above guidelines shall be extended to the people affected by the riot / disturbance. Incases where there are no District Consultative Committees, the District Collector may request the convener of the State Level Bankers' Committee of the State to convene a meeting of recorded and shall form a part of the minutes of the meeting. A copy of the proceedings of the meeting shall be forwarded to the concerned Regional Office of the Reserve Bank of India and NABARD.



Annex II

Model Operating Procedure (Government Debt Relief Schemes)

Coverage and Meaning

1. For the purpose of the Model Operating Procedure (MOP), Debt Relief Schemes (DRS) refer to Schemes notified by the State Governments that entail funding by the fiscal authorities to cover debt obligations of a targeted segment of borrowers that the regulated entities are required to sacrifice / waive.
2. Announcement / notification of any such DRS should include the specific stress or distress situation necessitating announcement of such support. Given the broader implications of such DRS for the credit culture, while broad based relief measures can be addressed through pure fiscal support in the form of Direct Benefit Transfer (DBT), DRS should be considered only as a measure of last resort when other measures to alleviate financial stress have failed.

Pre-Notification Consultation

3. Before announcing any DRS, Governments may engage with the State Level Bankers' Committee (SLBC)/ District level Consultative Committee (DCC) to evolve a coordinated action plan for conceptualisation, design, and implementation of the DRS. The schemes should, cover critical aspects of the scheme like identification of borrowers, impact assessment, implementation timelines, resolution of issues concerning settlement of dues by Government to the lending institutions, etc.
4. The design features should ensure that the DRS do not impact the financial stability aspects of the region / State or create moral hazards in the borrower segments. Conformance to relevant regulatory guidelines on loan settlement, reporting to credit information companies etc. should also be taken into account.

Funding of Scheme

5. Detailed budgetary provisions / funding may be provided upfront towards any proposed DRS to fully cover the required settlement amounts. Where regulated entities have dues



from the Government, pertaining to earlier DRS schemes, new schemes should be announced only on a fully pre-funded basis.

Design of Scheme

6. The DRS should be targeted only at the impacted borrowers and should not contain any restrictive covenant against timely repayments. Further, it should specify the criteria for determining eligible borrowers on an objective basis, detailed timeline of critical / material events, including cut-off dates for filing/ submission, acknowledgement, approval and settlement of claims along with compensation clauses for delays in settling the funds, on part of the Government.

7. The DRS should cover the entire outstanding dues of the borrowers being covered, including principal and accumulated interest till the date of receipt of funds by the regulated entities from the Government.

8. The DRS should not require the creation of a receivable in the books of the regulated entity against the Government. The exposure of regulated entities to the borrower shall continue and shall be reduced to the extent of funds received from the Government.

9. The entire implementation of the Scheme and settlement of claims by the Governments to the regulated entities, should generally be completed within 45 to 60 days.

10. The DRS should not contain any provision contrary to any regulatory instruction issued by the Reserve Bank / NABARD.

11. The design of the DRS should not contain any provision that casts any obligations on the regulated entities, directly or indirectly, to:

- a. waive/ sacrifice a part or whole of its dues from the borrower;
- b. extend fresh credit to borrowers whose debt has been waived;
- c. make any commitments in anticipation of future budgetary support;
- d. stop pursuing legal avenues available to them, for recovery of dues from the borrower, pending receipt of funds from the Government.



However, if the regulated entities agree to any of the above at the time of design of DRS or subsequently, as per their Board-approved policies, it shall be subject to the applicable prudential guidelines.