

March 09, 2006

All Scheduled Commercial Banks

Dear Sir,

Union Budget 2006-07 - Guidelines for Relief to Farmers

1. Paragraph 48 of the Union Budget Speech envisages grant of interest relief of two percentage points in the interest rate on the principal amount upto Rs1 lakh on crop loans availed by the farmers for Kharif and Rabi 2005-06. The amount of the relief is required to be credited to the borrower's account before March 31, 2006.
2. It has been decided that banks may first credit the proposed relief to the farmer's account before March 31, 2006 and thereafter seek reimbursement.
3. Banks may work out the interest relief on the following basis:
 - (a) All crop loans for Kharif & Rabi disbursed to farmers during the financial year 2005-06 will be eligible for the interest relief of two percentage points. However, where each crop loan exceeds Rs.1 lakh, the interest relief will be applicable on the principal amount up to Rs.1 lakh only.
 - (b) Interest relief may be calculated at two percentage points, on the amount of the crop loan disbursed from the date of disbursement/drawal up to the date of payment or upto the date beyond which the outstanding loan becomes overdue i.e. 31st March 2006 for Kharif and 30th June 2006 for Rabi, respectively, whichever is earlier.
4. For this purpose, the banks may submit their claims in the format given in Annex I to the Chief General Manager-in-Charge, Rural Planning and Credit Department, Reserve Bank of India, Central Office, Mumbai. Information with respect to crop loans disbursed and interest relief claimed (branch-wise) may be maintained in the format given in Annex II at the Head Office for the purpose of audit and RBI inspection. The format for the branches to provide information on relief to their Controlling Office/Head Office is given in Annex III.
5. It is clarified that banks can also furnish their claims to the Reserve Bank in installments, as convenient to them. Banks will be reimbursed their claims by way of credit to their accounts with RBI within one month of the date of receipt of the claim. The claims submitted by banks shall be subject to audit/RBI inspection subsequently.

6. For audit purposes all claims may be certified by the statutory auditors and certificates submitted before 30th June 2006 to the Chief General Manager-in- Charge, Rural Planning and Credit Department, Reserve Bank of India, Central Office, Mumbai.

7. Please acknowledge receipt.

Yours faithfully,

(G.Srinivasan)
Chief General Manager

ANNEX I**Certificate for claiming Subsidy****Name of Bank:**

(Amounts in Rupees)

| Crop Loan Amount Disbursed | | | Amount of Interest Relief Claimed | | |
|----------------------------|-----------------|-------|-----------------------------------|-----------------|-------|
| Kharif 2005-06 | Rabi 2005-06 | Total | Kharif 2005-06 | Rabi 2005-06 | Total |
| (1) | (2) | (3) | (4) | (5) | (6) |
| | | | | | |

We hereby certify that the amounts of crop loan (Kharif and Rabi – 2005-06) disbursements and interest relief being claimed thereon, as shown above, have been correctly calculated in conformity with the Reserve Bank of India Circular letter RPCD. No. PLFS.BC.66/05.04.02 (Kharif-05)/ 2005-06 dated March 8, 2006. We undertake that in the event of any inaccuracy detected later during audit or otherwise, we shall immediately refund to the Reserve Bank any excess amount received by us.

(Authorised Signatory)

Place

Date

Annex II

Data to be kept with the Bank's Head Office for verification/scrutiny by Auditors/RBI inspectors

(Amounts in Rupees)

[illegible]

ANNEX III

Format for Branches to provide Information on Relief extended to their Controlling Office/Head Office

(Amount in

Rupees)

[illegible]