

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:368
ANSWERED ON:20.08.2004
ASSISTANCE TO FLOOD VICTIMS
Saroj Shri Tufani

Will the Minister of FINANCE be pleased to state:

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- (a) whether public sector banks have formulated any scheme to provide assistance to flood victims of various states;
- (b) if so, the details thereof;
- (c) whether the Government has issued or propose to issue any guideline to the banks for providing assistance to the flood victims; and
- (d) if so, the details thereof ?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (d) : A Statement is placed on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF THE LOK SABHA STARRED QUESTION NO.+368 REGARDING ASSISTANCE TO FLOOD VICTIMS FOR ANSWER ON 20TH AUGUST, 2004 TABLED BY SHRI TUFANI SAROJ.

(a) to (d): The Reserve Bank of India has issued standing instructions to banks in August 1984 (revised in June 1998) for providing relief in areas affected by natural calamities, including flood. With a view to allowing greater discretion to banks to decide upon the quantum of relief assistance to be provided to the affected farmers, the modified guidelines, inter-alia, permit banks to:

? Convert/reschedule loans in the event of natural calamity for periods ranging from 3 to 9 years, depending upon the successive crop failure/intensity of damage to crops

? Grant fresh crop loans to affected farmers

? Convert principal as well as interest due on the existing loans

? Not to treat portion of converted rescheduled loans as Non performing Assets (NPAs)

? Not to compound interest on current dues

? Relax security and margin norms

? Provide consumption loans to agriculturists whose crops have been damaged. Further, the Government announced a policy package on June 18, 2004 which includes providing relief to the farmers who have suffered losses on account of successive droughts, floods etc. In pursuance of this package, Reserve Bank of India (RBI) has issued guidelines on 24th June, 2004 for debt rescheduling/restructuring and fresh loans to farmers affected by natural calamities. As per the guidelines, debts as on March 31, 2004 of all farmers, who suffered production and income losses on account of successive natural calamities, i.e. drought, flood, or other calamities which might have occurred in the districts for two or more successive years during the past five years, may be rescheduled/restructured by banks provided the State Government concerned has declared such districts as calamity affected. Accordingly, the interest outstanding/accrued in the accounts of such borrowers (crop loans and agriculture term loans) up to March 31, 2004, may be clubbed with the principal outstanding therein as on March 31, 2004, and the amount thus arrived at shall be repayable over a period of five years, at current interest rates, including an initial moratorium of two years. On restructuring as above, the farmers concerned will become eligible for fresh loans.