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RESERVE BANK OF INDIA

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March 25, 2015

The Chairman/Managing Director/Chief Executive Officer
All scheduled commercial banks
(excluding Regional Rural Banks)

Madam / Dear Sir,

**GUIDELINES FOR RELIEF MEASURES BY BANKS
IN AREAS AFFECTED BY NATURAL CALAMITIES**

Please refer to our '[Master Circular RPCD.No.FSD.BC.07 /05.04.02/2014-15 dated July 1, 2014](#)' on the above subject. The guidelines contained in the above circular have been revisited taking into account, inter alia, the provisions of National Disaster Management Framework, National Crop Insurance Programme and different practices being followed by State Governments in declaration of natural calamities. The views of NABARD and Indian Banks' Association have also been obtained.

2. Based on the above inputs, the 'Guidelines for Relief Measures by Banks in areas affected by Natural Calamities' have been revised and are enclosed for implementation by banks.

3. Please acknowledge receipt.

Yours faithfully,

(Madhavi Sharma)
Chief General Manager

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हिंदी आसान है, इसका प्रयोग बढ़ाइए।

"चेतावनी : रिज़र्व बैंक द्वारा मेल-डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।"

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GUIDELINES FOR RELIEF MEASURES BY BANKS IN AREAS AFFECTED BY NATURAL CALAMITIES

Periodical but frequent occurrences of natural calamities take a heavy toll of human life and cause wide spread damage to economic pursuits of human beings in one area or the other of our country. The devastation caused by such natural calamities calls for massive rehabilitation efforts by all agencies. The Central, State and local authorities draw programmes for economic rehabilitation of the affected people. The developmental role assigned to the commercial banks and co-operative banks, warrants their active support in revival of the economic activities.

2. In terms of National Disaster Management Framework, there are two funds constituted viz. National Disaster Response Fund and State Disaster Response Fund for providing relief in the affected areas. This framework currently recognizes 12 types of natural calamities viz. cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst, pest attack and cold wave/frost (added in August 2012). Of these 12 calamities, for 4 calamities i.e. drought, hailstorms, pest attack and cold wave/frost, the Ministry of Agriculture is the nodal ministry while for remaining 8 calamities Ministry of Home Affairs is required to make appropriate arrangements. A slew of measures for relief are undertaken by the Sovereign (Central/State Government) to provide relief to the affected persons which include, inter alia, provision for the input subsidies and financial assistance to marginal, small and other farmers.

3. The banks' contribution in providing relief relates to rescheduling of existing loans and sanctioning of fresh loans as per the emerging requirements of the borrowers. Banks need to have some Institutional framework in place to deal with the situation and they may also like to take some other facilitating measures like reducing/waiving their penal charges, etc. The precise details in regard to the provision of credit assistance by the commercial banks will depend on the requirements of the situation, their own operational capabilities and the actual needs of the borrowers.

4. Nevertheless, to enable banks to take uniform and concerted action expeditiously, these guidelines are issued covering the above-mentioned four aspects viz. Institutional Framework (Para 5), Restructuring of Existing Loans (Para 6), Providing Fresh Loans (Para 7) and Other Ancillary Relief Measures (Para 8).

5. INSTITUTIONAL FRAMEWORK

Establishing Policy/Procedures for dealing with Natural Calamities

5.1 Since the area and time of occurrence and intensity of natural calamities cannot be anticipated, it is imperative that the banks have a blueprint of action in such

eventualities duly approved by the Board of Directors so that the required relief and assistance is provided with utmost speed and without any loss of time. This presupposes that all the branches of commercial banks and their Regional and Zonal Offices will have a set of standing instructions spelling out the action that the branches will have to initiate in the calamity affected areas immediately after the requisite declaration by the district/ state authorities. It is necessary that these instructions should also be available with the State Government authorities and all the District Collectors so that all concerned are clear about the action that would be taken by the banks' branches in the affected areas.

Discretionary Powers to Divisional / Zonal Manager of banks

5.2 Divisional/ Zonal Managers of commercial banks should be vested with certain discretionary powers so that they do not have to seek fresh approvals from their Central Offices to the line of action agreed to by the District/ State Level Bankers' Committees. For example, such discretionary powers would be necessary in regard to adoption of scales of finance, extension of loan periods, sanction of new loans keeping in view the total liability of the borrower (i.e. arising out of the old loan where the assets financed are damaged or lost on account of natural calamity as well as the new loan for creation/repair of such assets), margin, security, etc.

Meetings of State Level Bankers' Committee/District Consultative Committee

5.3 In the event of the calamity covering entire State/ larger part of a State, the convener of the State Level Bankers' Committee will convene a meeting immediately after the occurrence of natural calamity to evolve a coordinated action plan for implementation of the relief programme in collaboration with the State Government authorities. However, in case the calamity has affected only a small part of the State/few districts, the conveners of the District Consultative Committees of the affected districts should convene a meeting immediately. In these special SLBC/DCC meetings, the position in the affected areas should be assessed to ensure speedy formulation and implementation of suitable relief measures by banks.

5.4 Wherever the calamity is very severe, the relief measures initiated and undertaken may be reviewed periodically in the weekly/fortnightly meetings of specially constituted Task Forces or sub Committees of the SLBC till such time as conditions are normalized.

Declaration of Natural Calamity

5.5 It is recognised that declaration of natural calamities is in the domain of the Sovereign (Central/State Governments). The inputs received from the State Governments reveal that there are no uniform procedures being followed for declaration of 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 measures is that **the crop loss assessed should be 50% 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.

Distinction between Drought and Other Calamities

5.6 So far as Drought is concerned, a couple of States are following the advanced methodology based on the data of rainfall, crop area sown, vegetation index, moisture adequacy index along with other parameters as suggested in the 'Manual for Drought Management' released by the Ministry of Agriculture. In the circumstances, it is considered appropriate to make distinction between (i) Drought (which is generally a slowly evolving calamity and can aggravate or reverse as per the rainfall during the period; and (ii) Other Calamities which are physiologically different from Drought and are of a sudden nature;

Drought : As the 'Manual for Drought Management' commends certain guidelines for the State Governments (while making it clear that these guidelines are not mandatory) on the adoption of scientific technology and various parameters/indexes, as mentioned above, to assess the situation, the State Governments may either:

- i) adopt the procedures indicated in the Manual for Drought Management and based on the various parameters/indexes indicated therein, decide on the declaration of drought. Such declarations should elaborately indicate the data/procedures which have been relied upon/followed by the State government and the extent of assessed crop loss.
- ii) conduct Crop Cutting Experiments as prescribed in the National Agriculture Insurance Programme, which is one of the pre-conditions for declaring the crops eligible for insurance, and declare the 'Annewari' (by whatever name called) indicating the crop-wise percentage loss in the certificates issued. In any case, State Governments need to submit detailed taluka/block/district wise crop loss data to Central Government if they seek any funds for relief work.

Other Calamities : The loss should be assessed through crop cutting experiments clearly indicating that the crop loss in the particular area/taluka/mandal/block (as the case may be) has been 50% or more to trigger reschedulement of loans from banks. In case of extreme situations such as wide-spread floods, etc. when it is largely clear that most of the standing crops have been damaged and/or land and other assets have suffered a wide-spread damage, the matter be deliberated by State Government/District Authorities in the especially convened SLBC/DCC meetings where the concerned Government functionary/District Collector may 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.

In both the cases, however, DCCs/SLBC have to satisfy themselves fully that the crop loss has been 50% or more before acting on these pronouncements.

6. Restructuring/Rescheduling of Existing Loans

6.1 As the repaying capacity of the people affected by natural calamities gets severely impaired due to the damage to the economic pursuits and loss of economic assets, relief in repayment of loans becomes necessary in areas affected by natural calamity and hence, restructuring of the existing loans will be required.

Agriculture Loans

Short-term Production Credit (Crop Loans)

6.2 All short-term loans, except those which are overdue at the time of occurrence of natural calamity, should 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 natural calamity may be converted into term loan.

6.3 The repayment period of restructured loans may vary depending on the severity of calamity and its recurrence, the extent of loss of economic assets and distress caused. Generally, the restructured period for repayment may be 3 to 5 years. However, where the damage arising out of the calamity is very severe, banks may, at their discretion, extend the period of repayment ranging up to 7 years and in extreme cases of hardship, the repayment period may be prolonged up to a maximum period of 10 years in consultation with the Task Force/ SLBC.

6.4 In all cases of restructuring, moratorium period of at least one year should be considered. Further, the banks should not insist for additional collateral security for such restructured loans.

Agriculture Loans - Long term (Investment) Credit

6.5 The existing term loan installments will have to be rescheduled keeping in view the repaying capacity of the borrowers and the nature of natural calamity viz.,

a) Natural Calamities where only crop for that year is damaged and productive assets are not damaged.

b) Natural Calamities where the productive assets are partially or totally damaged and borrowers are in need of a new loan.

6.6 In regard to natural calamity under category (a) above, the banks may reschedule the payment of installment during the year of natural calamity and extend the loan period by one year. Under this arrangement the installments defaulted wilfully in earlier years will not be eligible for rescheduling. The banks may also have to postpone payment of interest by borrowers.

6.7 In regard to category (b) i.e. where the borrower's assets are partially/totally damaged, the rescheduling by way of extension of loan period may be determined on the basis of overall repaying capacity of the borrower vis-a-vis his 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 will differ on case-to-case basis, generally it should not exceed a period of 10 years.

Other Loans

6.8 A view needs to be taken by SLBC/DCC depending on the severity of the calamity as to whether a general reschedulement of all other loans (i.e. besides the agriculture loans as indicated above) such as loans granted for allied activities and loans given to rural artisans, traders, micro/small industrial units or in case of extreme situations, medium enterprises is required. If such a decision is taken, while recovery of all the loans be postponed by the specified period, banks will have to assess the requirement of the individual borrowers in each such case and depending on the nature of his account, repayment capacity and the need for the fresh loans, appropriate decisions may be taken by the individual banks.

6.9 The primary consideration before the banks in extending credit to any unit for its rehabilitation should be the viability of the venture after the rehabilitation programme is implemented.

Asset Classification

6.10 The asset classification status of these loans will be as under:

a) 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 fresh term loans would thereafter be governed by the revised terms and conditions. Nevertheless, banks are required to make higher provisions for such restructured standard advances as prescribed by Department of Banking Regulation from time to time.

b) The asset classification of the remaining amount due, which have not been restructured, will continue to be governed by the original terms and conditions. Consequently, the dues from the borrower may be classified by the lending bank

under different asset classification categories viz. standard, sub-standard, doubtful and loss.

c) Additional finance, if any, may be treated as “standard asset” and its future asset classification will be governed by the terms and conditions of its sanction.

6.11 With the objective to ensure that banks are sufficiently proactive in extending the 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 banking sector to reschedule all the loans, they should immediately approach RBI (concerned Regional Office) giving the reasons for seeking extension. These requests will be considered on the basis of merit of each case.

6.12 The accounts that are restructured for the second time or more on account of natural calamities would retain the same asset classification category on restructuring. Accordingly, for once restructured standard asset, the subsequent restructuring necessitated on account of natural calamity would not be treated as second restructuring, i.e., the standard asset classification will be allowed to be maintained. All other restructuring norms, however, will apply.

Utilisation of Insurance Proceeds

6.13 While the above measures relating to rescheduling of loans are intended to provide relief to the farmers, the insurance proceeds should, ideally, compensate their losses. In terms of orders issued by Ministry of Agriculture and Cooperation, National Crop Insurance Programme (NCIP) has been implemented across the Country from Rabi 2013. The loanee farmers are compulsorily covered under the NCIP-component Scheme as notified by the State Governments. While restructuring the loans in the areas affected by natural calamities, banks should also take into account the insurance proceeds, if any, receivable from the Insurance Company. They should adjust these proceeds to ‘restructured accounts’. However, **it should be done in cases where they have granted fresh loans to the borrowers.**

7. Sanctioning of Fresh Loans

7.1 Once the decisions on the rescheduling of loans is taken by SLBC/DCC, pending such conversion of short-term loans, banks may grant fresh crop loans to the affected farmers which will be based on the scale of finance for the particular crop and the cultivation area, as per the extant guidelines.

7.2 The bank assistance in relation to agriculture and allied activities (poultry, fishery, animal husbandry, etc.) would also be needed for long term loans for a variety of purposes such as repair of existing economic assets or acquisition of new assets. Similarly, rural artisans, self-employed persons, micro and small industrial units, etc. in the areas affected by natural calamities may require the credit to sustain their livelihood. Banks may, of their own, assess and decide on the quantum of fresh loans to be granted to the affected borrowers taking into consideration, amongst others, their credit requirements and the due procedure followed for sanctioning of loans.

7.3 Banks may also grant consumption loans up to Rs. 10,000/- to existing borrowers without any collateral. The limit may, however, be enhanced beyond Rs. 10,000/- at the discretion of the bank.

Terms and Conditions

Guarantee, Security and Margin

7.4 Credit should not be denied for want of personal guarantees. 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 may 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 sympathetic view will have to be taken.

7.5 Where the crop loan (which has been converted into term loan) was earlier given against personal security/ hypothecation of crop and the borrower is not able to offer charge/mortgage of land as security for the converted loan, he should not be denied conversion facility merely on the ground of his inability to furnish land as security. If the borrower has already taken a term loan against mortgage/charge on land, the bank should be content with a second charge for the converted term loan. Banks should not insist on third party guarantees for providing conversion facilities.

7.6 Where land is taken as security, in the absence of original title records, a certificate issued by the Revenue Department officials may be accepted for financing farmers who have lost proof of their titles i.e. in the form of deeds, as also the registration certificates issued to registered share-croppers.

7.7 Margin requirements may be waived or the grants/ subsidy given by the concerned State Government may be considered as margin.

Rate of Interest

7.8 The rates of interest will be in accordance with the directives of the Reserve Bank. Within the areas of their discretion, however, banks are expected to take a

sympathetic view of the difficulties of the borrowers and extend a concessional treatment to calamity-affected people. In respect of current dues in default, no penal interest will be charged. The banks should also suitably defer the compounding of interest charges. Banks may 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 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.

8. Other Ancillary Relief Measures

Besides rescheduling of existing loans and providing fresh loans to the affected persons, banks may also follow the following guidelines

Know Your Customer Norms - Relaxations

8.1 It needs to be recognized that many persons displaced or adversely affected by a major calamity may not have access to their normal identification and personal records. In such cases, where the affected persons are not able to provide standard identification documents, as permitted under the regulation and as a consequence, it is not possible for bank branches to follow the KYC guidelines as prescribed, they may resort to non-documentary verification methods. They can open a small account based on the photograph and signature or thumb impression in front of the bank official. The above instructions will be applicable to cases where the balance in the account does not exceed Rs. 50,000/- or the amount of relief granted (if higher) and the total credit in the account does not exceed Rs. 1,00,000/- or the amount of relief granted, (if higher) in a year.

Providing access to Bank Accounts

8.2 In areas where the bank branches are affected by natural calamity and are unable to function normally, banks may operate from temporary premises, under advice to RBI. For continuing the temporary premises beyond 30 days, specific approval may be obtained from the concerned regional office(RO) of RBI. Banks may also ensure rendering of banking services to the affected areas by setting up satellite offices, extension counters or mobile banking facilities under intimation to RBI.

8.3 To satisfy customer's immediate cash requirements, restoration of the functioning of ATMs at the earliest or making alternate arrangements for providing such facilities may be given due importance. Banks may consider putting in place arrangements for allowing their customers to access other ATM networks, Mobile ATMs, etc.

8.4 Other measures that banks may take, at their discretion, to alleviate the condition of affected persons could be waiving ATM fees, increasing ATM withdrawal limits; waiving overdraft fees; waiving early withdrawal penalties on time deposits; waiving late fee for credit card/other loan installment payments and giving option to credit card holders to convert their outstanding balance to EMI repayable in 1 or 2 years. Besides, all charges debited to the farm loan account other than the normal interest may be waived considering the hardship caused to farmers.

9. Applicability of the guidelines in the case of riots and disturbances

9.1 Whenever RBI advises the banks to extend rehabilitation assistance to the riot/ disturbance affected persons, the aforesaid guidelines may broadly be followed by banks for the purpose. It should, 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.

9.2 The issuance of advice to the banks by Reserve Bank of India on receipt of request/ information from State Government and thereafter issue of instructions by banks to their branches generally results in delay in extending the assistance to riot-affected people. With a view to ensuring quick relief to the affected persons, it has been decided that the District Collector, on occurrence of the riots/ disturbances, 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 riots/disturbances. If the DCC is satisfied that there has been extensive loss to life and property on account of the riots/ disturbances, the relief as per the above guidelines may be extended to the people affected by the riots/ disturbances. In certain cases, 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 the bankers to consider extension of relief to the affected persons. The report submitted by the Collector and the decision thereon of DCC/ SLBC may be recorded and should form a part of the minutes of the meeting. A copy of the proceedings of the meeting may be forwarded to the concerned Regional Office of the Reserve Bank of India.