

POLICY GUIDELINES

**BANK OF INDIA POLICY OF RELIEF MEASURES TO BE ADOPTED BY BRANCHES
IN AREAS AFFECTED BY NATURAL CALAMITIES**

RBI Directions, 2016 (RBI/FIDD/2016-17/27 Master Direction
FIDD.No.FSD.BC.2/05.10.001/2016-17 dated July 1, 2016)

**CHAPTER – I
PRELIMINARY**

1.1. Short Title and Commencement:

- (a) These Policy measures shall be called the “Bank of India Policy of Relief Measures to be adopted by the branches in Areas Affected by Natural Calamities”.
- (b) These Policy measures shall come into effect on the day they are placed on the official website of the Bank.

1.2. Applicability:

The provisions of these Policy measures shall apply to every branches of Bank of India in India.

**CHAPTER – II
BACKGROUND**

2.1 Periodical but frequent occurrences of natural calamities take a heavy toll of human life and cause widespread 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 bank, warrants its active support in revival of the economic activities.

2.2. 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 recognized 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.

2.3 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. In order to enable branches to take uniform and concerted action expeditiously, these Policy measures are issued covering four aspects viz. Institutional Framework (Chapter III), Restructuring of existing loans (Chapter IV), Providing fresh loans (Chapter V) and Other ancillary relief measures (Chapter VI).



CHAPTER – III INSTITUTIONAL FRAMEWORK

Establishing Policy/ Procedures for dealing with natural calamities:

3.1 Since the area and time of occurrence and intensity of natural calamities cannot be anticipated, it is imperative that bank has 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 pre-supposes that all the branches and the Zonal Offices will have a set of such standing instructions spelling out the action that the branches will have to initiate in the calamity affected area immediately after the requisite declaration by the District/ State authorities.

Discretionary Powers to Divisional/ Zonal Manager of banks:

3.2 The Bank has a well defined delegation of powers delegated to the Officers at different levels which should be used to take appropriate measures on the occurrence of natural calamities. The branches do not have to seek fresh approvals from their Controlling Offices to the line of action agreed to by the District/ SLBC until and unless it exceeds their delegated authority. 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:

3.3 In the event of calamity covering entire State/ larger part of a State, the convener of SLBC will convene a meeting immediately after the occurrence of natural calamity to evolve a co-ordinated action plan for implementation of 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 DCC 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 bank.

3.4 Wherever the calamity is very severe, the relief measures initiated and undertaken should 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:

3.5 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 including rescheduling of loans by banks 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.



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 33% or more before acting on these pronouncements

CHAPTER IV

RESTRUCTURING/ RESCHEDULING OF EXISTING LOANS

4.1 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):

4.2 All short term loans, except those 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.

4.3 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. A maximum period of repayment of upto 2 years (including moratorium period of 1 year) is to be allowed if the loss is between 33% to 50% and if the crop loss is 50% or more, the restructured period for repayment may be extended to a maximum of 5 years (including moratorium period of 1 year).

4.4 In all cases of restructuring, moratorium period of atleast 1 year should be considered. Further, Branches should not insist on additional collateral security for such restructured loans.

Agriculture Loans

Long Term (Investment) Credit:

4.5 The existing term loan instalments will have to be rescheduled keeping in view the repaying capacity of the borrower and the nature of natural calamity viz.

- a) Natural Calamities where only one 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.



4.6 In regard to natural calamity under category (a) above, the branches may 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 branches may also have to postpone payment of interest by borrowers.

4.7 In regard to category (b) above, 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 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 5 years.

Other Loans:

4.8 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 (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, branches will have to assess the requirement of the individual borrowers in each such case and depending on the nature of account, repayment capacity and the need for the fresh loans, appropriate decision shall be taken by the individual branch.

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

Asset Classification:

4.10 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 term loans would thereafter be governed by the revised terms and conditions. Nevertheless, branches are required to make higher provisions for such restructured standard advances as prescribed by Department of Banking Regulation of Reserve Bank of India 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 & conditions. Consequently, the dues from the borrower shall be classified by the lending branch under different asset classification categories viz. Standard, Sub-standard, doubtful and loss.
- c) 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.



4.11 With the objective to ensure that branches 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 to reschedule all the loans, they should immediately approach RBI (concerned Regional Office) through their Zonal Office giving the reasons for seeking extension. These requests may be considered at RBI on the basis of merit of each case.

4.12 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.

Utilization of Insurance Proceeds:

4.13 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. The loanee farmers are compulsorily covered under the Prime Minister Fasal Bima Yojana (PMFBY) 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' in cases where they have granted fresh loans to the borrowers. However, branches should act with empathy and consider restructuring and granting fresh loans without waiting for the receipt of insurance claims, in cases where there is reasonable certainty of receipt of the claim.

CHAPTER - V

SANCTIONING OF FRESH LOANS

5.1 Once the decisions on the rescheduling of loans is taken by SLBC/DCC, pending such conversion of short-term loans, branches shall 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.

5.2 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 credit to sustain their livelihood. Branches shall 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.

5.3 Branches shall also grant consumption loans upto Rs.10,000/- to existing borrowers without any collateral. The limit may, however, be enhanced to Rs.25,000/- at the discretion of the branches.



Terms and Conditions

Guarantee, Security and Margin-

5.4 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 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 sympathetic view will have to be taken.

5.5 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 branch should be content with a second charge for the converted term loan. Branch should not insist on third party guarantees for providing conversion facilities.

5.6 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 by registered share-croppers.

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

5.8 The rates of interest will be in accordance with the rate of interest structure prevailing during the time.Considering the extent of loss and the direction of the DCC/SLBC for lowering rate of interest, suitable memorandum should be put up before the appropriate authority for concession.In respect of current dues in default, no penal interest will be charged. The branches should also suitably defer the compounding of interest charges. Branches 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.

CHAPTER - VI

OTHER ANCILLARY RELIEF MEASURES

Know Your Customer Norms – Relaxations

6.1 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 a small account based on the photograph and signature or thumb impression rendered in front of the bank official shall be opened. 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

6.2 In areas where the branches are affected by natural calamity and are unable to function normally, branches 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. Bank 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.

6.3 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. Branches may take the help of Zonal Offices for putting in place arrangements for allowing their customers to access other ATM networks, Mobile ATMs, etc.

6.4 Other measures 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 EMIs repayable in 1 or 2 years may be taken by the Bank considering the extent of loss and the decision of the DCC/ SLBC in this regard.. Besides, all charges debited to the farm loan account other than the normal interest may be waived considering the hardship caused to farmers.

CHAPTER VII

APPLICABILITY OF THE GUIDELINES IN THE CASE OF RIOTS AND DISTURBANCES

7.1 Whenever RBI advises the banks to extend rehabilitation assistance to the riot/ disturbance affected persons, the aforesaid guidelines may broadly be followed by the branches 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.

7.2 The issuance of advice to the bank by Reserve Bank of India on receipt of request/ information from State Government and thereafter issue of instructions to the branches generally results in delay in extending the assistance to riot affected people. With a view to ensuing quick relief to the affected persons, branches are advised to follow RBI guidelines i.e. 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 DCCs, the District Collector may request the convener of the SLBC 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.

In case of any discrepancies, the master direction, 2016 of Reserve Bank of India for Relief Measures by Banks in Areas Affected by Natural Calamities may be followed and the Branches/Zonal Offices will act according to such master directions.

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