

and departure would bear this out. The newspaper report also indicates that the passenger died on 10.2.1992, i.e. 4 days after his clearance from the Ahmedabad Airport.

(b) No, Sir.

(c) Does not arise in view of reply given in part (b) above.

(d) Customs Officers at all International airports are under instructions to be courteous and helpful to all international passengers. Senior officers of the department are also available on the spot to oversee clearance operations.

Compound interest on Agricultural Loan

2968. SHRI BHUPINDER SINGH MANN: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that banks cannot change compound interest on any agricultural loan;

(b) whether Government are aware that loan advancing commercial banks credit the interest amount to the principal amount after every six months, inform the loanees about this, and start charging interest on this total amount;

(c) if so, what are the details thereof and also the reasons therefor; and

(d) what corrective steps Government propose to take in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) to (d) Reserve Bank of India (RBI) has issued instructions to commercial banks regarding interest on agriculture advances as under:—

1. Repayment schedule of agricultural advances, whether short term or term loans should be so fixed as to coincide with the time when the cultivator has sold his produce and is in funds. Payments of interest should be insisted upon only at the time of repayment of loan instalments.
2. Interest on current dues should not be compounded.
3. When crop loans or instalment under term loans become overdue, banks can add interest outstanding to the principal and compound the interest. However, total interest debited to an account should not

exceed the principal amount in case of short term loans to small and marginal farmers.

4. Where the default is due to genuine reasons, banks should reschedule the instalments under term loans. Once such a relief has been extended the overdues become current dues and banks should not compound interest.

5. Subject to the above, commercial banks can charge interest on loan account at quarterly or longer rests.

By virtue of the powers conferred under Sections 21 and 35A of the Banking Regulation Act, the RBI issues directives on interest rates on advances and it is mandatory for the banks to follow these directives. In case any instances are brought to the notice of RBI, the matter is taken up with the concerned banks and if it transpires that the bank has charged interest in excess of that prescribed by directives on interest rates on advances issued by RBI, the bank is asked to refund excess interest charged to the borrower.

Warranty fee on Agricultural Loans

2969. SHRI BHUPINDER SINGH MANN: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that agricultural loans are advanced as secured loans;

(b) whether it is also a fact that according to R.B.I. instructions, no warranty fee can be charged on secured loans by loan advancing agencies/banks;

(c) if so, whether Government are aware that commercial banks charge warranty fee @ 1.5 per cent per annum on agricultural secured loans; and

(d) what steps Government propose to take to check this practice and also arrange for refund?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) Reserve Bank of India (RBI) has reported that they have issued guidelines to all the commercial banks to liberalise margin and security norms in respect of priority sector advances. According to the guidelines, banks should not obtain collateral security by way of mortgage of land, charge on land or third party guarantee