

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 charge 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

for crop loan upto Rs. 10,000/- and term loan upto Rs. 10,000/- where moveable assets are created. However, primary security by way of hypothecation of crops/moveable assets are taken. In case the assets created out of the loan amount are immoveable assets, banks should not obtain collateral security for such loans upto Rs. 2,000/-. Besides where there are genuine difficulties in the creation of mortgage, charge on land, wherever required, banks could take third party or such other security as considered appropriate.

(b) to (d) With effect from 1.4.1989, the guarantee cover under the Deposit Insurance & Credit Guarantee Corporation (DICGC) Scheme has been extended to all priority sector advances and the guarantee fee charged to banks for the cover is at the rate of 1.5 per cent on outstanding loans and advances in the priority sectors as at the end of the year. In terms of RBI guidelines, banks are required to bear the guarantee fees in respect of advances to (i) weaker sections in the priority sector; (ii) housing loans upto Rs. 5000 granted to SC/ST and economically weaker sections; and (iii) pure consumption loans, and should not recover the fees from the borrowers. In the case of advances where the banks charge interest of 19 per cent or more, the banks will have to absorb the guarantee fees. In all other cases, banks should ensure that the lending rates as stipulated together with the guarantee fee, irrespective of whether it is levied separately or does not exceed 19 per cent.

#### **Action against Delhi business groups**

2970. SHRI SARADA MOHANTY:  
SHRI CHIMANBHAI MEHTA:  
SHRIMATI MIRA DAS:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that New Delhi firm N.S. Overseas and M/s. Rajendra Brothers had imported in December, 1991 duty free zinc against fraudulent export in August, 1991 through Nepal and whether their duty free goods were seized;

(b) whether it is also a fact that Delhi

business groups indulged in import of duty free goods of Rs. 100 crores and made fraudulent records exports against the same;

(c) if so, what action have been taken against these business groups and particularly against the Rustogis; and

(d) if no, what are the reason therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): (a) to (d) Two Delhi based firms, namely, M/s. N.S. Overseas and M/s. Rajendra Brothers, which are controlled by a Delhi business group, imported duty free zinc in December, 1991, against alleged fraudulent exports effected in July-August, 1991 to Nepal under the Duty Exemption Entitlement Certificate Scheme. The Directorate of Revenue Intelligence has seized about 175 metric tonnes of zinc ingots valued at over Rs. 1 crore on 27th December, 1991. Further investigation are still in progress.

#### **New incentives to revenue officials**

2971. DR. SANJAYA SINH: Will the Minister of FINANCE be pleased to state:

(a) whether there is any proposal under consideration of Government to offer some new incentives/rewards to the revenue officials to increase the revenue collections;

(b) if so, what are the details thereof and

(c) if not, what are the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): (a) to (c) Schemes for rewards to revenue officials have been in operation for many years and these have been under constant review and they are modified from time to time with a view to increasing revenue collections.