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October 26, 2018

Circular No. 266/DoS-36 /2018

The Chief Executive Officer,
All State Co-operative Banks
All District Central Co-operative Banks

Dear Sir

Compounding of Interest on Agricultural Loans

GoI has received references that some of the banks are compounding interest on quarterly/ half-yearly basis on agricultural loans.

2. As per the extant instructions, banks have to follow the practice of charging/ compounding of interest on agricultural advances linked to crop production. Banks should take into consideration due dates fixed on the basis of fluidity with borrowers and harvesting/ marketing season while charging interest and compounding the same if the loan/ installment becomes overdue.

3. Co-operative banks may, therefore, examine the software being used by them and ensure that compounding of interest on agricultural advances falls in line with the extant instructions as mentioned above. In case, any modifications are required in the software the same may be got done immediately. Further, excess interest wrongly charged in the accounts, if any, may be re-credited.

4. Please acknowledge the receipt of this circular to our Regional Office concerned.

Yours faithfully

(K. R. Rao)
Chief General Manager

राष्ट्रीय कृषि और ग्रामीण विकास बैंक
National Bank for Agriculture and Rural Development

पर्यवेक्षण विभाग

प्लॉट नं. सी-24, 'जी' ब्लॉक, बांद्रा - कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051 • टेलि. : +91 22 2653 0017 • फैक्स : +91 22 2653 0103 • ई-मेल : dos@nabard.org

Department of Supervision

Plot No. C-24, 'G' Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 • Tel. : +91 22 2653 0017 • Fax : +91 22 2653 0103 • E-mail : dos@nabard.org