



Ref. No.NB.DoS/ POL/ 2645 /J-1/2018-19

October 26, 2018

Circular No. 267/DoS-37/2018

The Chairman,  
All Regional Rural Banks

Dear Sir

**Compounding of Interest on Agricultural Loans**

Please refer to the RBI circular NO. RPCD.CO.RRB.BC.No.59/03.05.72/2010-11 dated April 11, 2011 on the captioned subject. In this connection, 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. RRBs 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

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