APPENDIX V

INSTRUCTIONS ISSUED TO THE BRANCHES OF STATE BANK OF INDIA REGARDING THE SECURITY AND MEASURES TO BE TAKEN BEFORE ADVANCING LOANS TO FARMERS

All agricultural advances both short term and medium term may be secured by mortgage of farm lands by deposit of title deeds and hypothecation of all movable assets including crops, cattle, equipment, etc., unless a registered mortgage is considered absolutely necessary to safeguard the Bank's interests.

MORTGAGE MAY BE WAIVED IN RESPECT OF

a) Crop loans upto Rs. 3,000/-

Provided (i) these loans are secured by hypothecation of crops;
   (ii) covered by the group guarantee system, each group consisting of three persons;
   (iii) experience of the branch in financing under this system is satisfactory;
   (iv) the ownership and cultivable rights of the borrowers are fully established.

b) Crop loan sanctioned to a farmer - borrower who has already mortgaged his land in favour of the Bank for a term loan.
Provided (i) the crop loan is not disproportionate to the term loan already granted to him;

(ii) the borrower has, in the past conducted his account satisfactorily.

c) term loans granted to marginal farmers, share croppers and agricultural labourers, for all agricultural activities upto Rs. 1,000/- only

d) term loans granted to other farmers for the purchase of equipment upto Rs. 3,500/-;

e) term loans granted for allied agricultural activities such as dairy and poultry upto Rs. 3,000/-.  

The foregoing relaxations for term loans are made subject to the following further conditions:

(i) The loans should be granted on 'group guarantee'
basis under scheme(s) envisaging integrated development of village(s)

(ii) The scheme(s) should be approved by the A.R.D.C or, in the case of adopted villages, considered by Chief Technical Officer at Head Office, as economically viable and technically feasible

(iii) In the case of dairy and poultry advances, there should be satisfactory arrangement for purchase of quality milch cattle and hens and for marketing of products and recovery of dues out of the sale proceeds.
(iv) A charge should be created on all movable assets of the farmer including crops, cattle etc.,

(v) The farmer should execute an agreement to create mortgage over his immovable properties.

(vi) It should be possible to ensure proper supervision and follow-up of the advance(s)

(vii) The ownership and cultivation rights of the farmer should be verified and found satisfactory.

RELAXATIONS PERMITTED IN THE CASE OF SECURITY NORMS FOR CROP LOANS

(i) In areas where recovery experience is good, say 50% or above in respect of demand raised and recovery as on 30th June of the relevant year, crop loans may be sanctioned against a demand promissory note made by the borrower in favour of the guarantors and endorsed by the latter in favour of the Bank without insisting on the mortgage of land and or hypothecation of crops as security subject to a ceiling of Rs.3,000/- in mono-cropping areas and Rs.5,000/- in multi-cropping areas.

(ii) where crop loans are secured by mortgage/equitable mortgage of land, no other security (in the form of D.P. Note / hypothecation of crops) need be obtained. This facility should however be restricted for the present to loans upto Rs.10,000/- per borrower.
(iii) In exceptional cases, where obtainment of group guarantee for small loans (upto Rs.2000/-) poses considerable difficulty, the loans may be sanctioned on the basis of the guarantees of two third parties who may or may not be our borrowers. In such cases, it should be ensured that the same persons do not guarantee more than two loans.

OBTENTION OF CERTIFICATE

The following certificate are generally insisted upon

(i) Besides the title deeds, where available, extracts from village land records, known as 10(i) extracts and extract of No.2 account known as Adangal signed by a Revenue official not below the rank of a Tahasildar.

(ii) Non-encumbrance certificate for a period of 13 years from Registrar/Sub-Registrar’s Office.

In the case of crop loans upto Rs.3000/- and term loans referred to in IX(e), (d) and (e) above —

(i) it would suffice if the extracts from the village land records are issued under the signature of village Karanam instead of Tahasildar;

(ii) disbursement need not be held up if there is delay in receipt of encumbrance certificate provided the borrower —
1. declares in writing the details of encumbrances
2. undertakes to produce the encumbrance certificate as early as possible thereafter; and
3. produces title deeds, where available, for verification and record.

**DOCUMENTATION**

<table>
<thead>
<tr>
<th>Nature of advance</th>
<th>Documents to be obtained</th>
<th>Stamp duly exigible</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>i) Crop loans:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Upto Rs.3000/- (under group guarantee without Mortgage)</td>
<td>Demand promissory Note (D.P Note) executed by the guarantors and the latter endorsing it in favour of the bank. Hypothecation agreement executed by the borrower/guarantor.</td>
<td>Rs. 5/-</td>
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<tr>
<td>b) Above Rs.3000/- with equitable mortgage of landed properties of the borrower</td>
<td>-do-</td>
<td>-do-</td>
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<tr>
<td>c) Above Rs.3000/- with registered mortgage of landed properties of the borrower</td>
<td>Deed of mortgage and hypothecation executed by the borrower and registered. For the first Rs.1000/- Rs.30/- and for every Rs.500/- or part thereof in excess of Rs.1000 Rs.15/-</td>
<td>-do-</td>
</tr>
<tr>
<td>d) Above Rs.3000 with registered mortgage of landed properties of the guarantor</td>
<td>-do-</td>
<td>-do-</td>
</tr>
<tr>
<td><strong>ii) Medium Term Loans</strong></td>
<td>Deed of Mortgage and Hypothecation executed by the borrowers and registered.</td>
<td>-do-</td>
</tr>
</tbody>
</table>

Source: 'A Ready Reckoner to the current Institutions on Agricultural Finance' Pages 8,9 and 10.
Compiled by: Development Manager's (Agriculture) Department, S.B.I., Hyderabad.