

# Discussion on Agriculture Advances in Bank Audit

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# Introduction of Agricultural Advance Audit

- A loan granted for short duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for two crop seasons.
- A loan granted for long duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for one crop season.
- “long duration” crops would be crops with crop season longer than one year and crops
- Crops which are not “long duration” crops, would be treated as “short duration” crops

# Introduction of Agricultural Advance Audit

- Meaning of Crop Season- The period upto harvesting of crop raised – (Para 4.2.13 Master Circular dated 1-7-15 on IRAC norms)
- Crop season to be decided by SLBC in each state.
- These norms should be made applicable only to Farm Credit extended to agricultural activities. An extract of the list of these items is furnished in the **Annex - 2 of the Master circular as above at page no-100 of Master Circular.**
- Master Circular on Kisan Credit Card Scheme RBI/2018-19/10 FIDD.CO.FSD.BC.No.6/05.05.010/2018-19 dated 4-7-2018

# Steps in Agricultural Advance Audit

1. Ask and discuss with Branch manager about the nature of crop cultivated in the area of branch.
2. Whether the crops are Long duration or short duration crops
3. Whether Mono Cropping or Multiple cropping is done
4. Ask for the SLBC Circular.
5. Ask the Bank circular / Guidelines for treating NPA in case of Agriculture Advances.

# Steps in Agricultural Advance Audit

6. Do not check the advances done in FY 19-20, 18-19 for NPA purpose as there will be NO NPA of the loan sanctioned during this period in the FY 2019-20
7. Check the status of advances sanctioned in FY 17-18 and in earlier years.
8. The date of sanction can be found out in jotting report.
9. Check in Jotting report the amount overdue and take decision.

# Steps in Agricultural Advance Audit

## Interest Subvention in Agricultural Advances

1. 2% Intt. Subvention is given for Short term production credit in agriculture sector disbursed in the year under audit. check the utilization of funds for Direct Agriculture purpose. And if cross verification not possible then give the disclaimer in the certificate. **This subvention will be given for new loans granted upto Rs.300000/- during the year only and @ upto 7% p.a. only (Point no-13 of closing circular)**
2. 3% Interest Subvention given **for timely repayments**, then cross verify some instances of timely repayments for the loans given in FY immediately preceding the year under audit. **This subvention is not given in the first year of loan given but it is given in the year of repayment of loan. (Point no-13 of closing circular)**
3. **Interest Subvention benefit is to be given only to AADHAAR LINK Accounts. No benefit to non Aadhaar Link accounts.**
4. RBI Circular on Interest Subvention RBI/2018-19/137 FIDD.CO.FSD.BC.No.15/05.02.001/2018-19 Dated 7-3-2019



*Thank You*

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