

Frequently Asked Questions (FAQs)
Risk Coverage Scheme for Small Farmers & Underserved Areas (RCS)

1. Does RCS allow financing to a farmer for combined farm and non-farm purposes within the overall ceiling of Rs3 million?

Clarification: Yes, the borrowing farmer(s) may obtain financing for his/her combined/integrated farm and non-farm activities within overall limit of Rs3million.

2. As per RCS, a loan is classified as “loss” if repayment remains overdue for 12 months, whereas Prudential Regulations for Agri Financing prescribe different criteria. Please clarify?

Clarification: Under RCS, the loans overdue for 12 months or more are classified as “loss” and the banks may lodge their claim under the RCS after the loan remains unpaid for 12 months or more from the due date. However, all other loans shall continue to be classified in accordance with the said PRs.

3. Does the scheme allow any grace period for repayment of loan(s)?

Clarification: Under RCS, bank may itself decide about allowing grace period to borrowing famers with his/her consent.

4. Is RCS a one-time facility for a borrowing farmer or can bank provide multiple loans under RCS upon successful repayment of the previous loan?

Clarification: During the validity period of the scheme, agri. financing may be allowed to a farmer for multiple times subject to complete adjustment/settlement of the previous loan limit extended to him/her, under RCS.

5. Are there specific minimum or maximum age limits for borrowing farmers to be eligible under RCS?

Clarification: No specific age limit has been prescribed under RCS. However, the age limits defined by banks/SBP for other products/initiatives like Zarkheze etc. shall not be affected due to RCS.

6. What specific loan product/structure may be adopted by banks under RCS viz RF/TF or Both?

Clarification: Banks may offer Running Finance (RF), Term Finance (TF) under conventional or Islamic mode of financing aligned with the key parameters of the scheme.

7. Will the scheme support only unsecured (clean) lending?

Clarification: Under RCS both secured and un-secured financing are allowed.

8. What about Incentive of Rs10,000/- allowed to bank per new borrowers to the extent of net increase in number of borrowers over the previous year? Is it a one-time payment or repeated each year (annually)?

Clarification: The incentive will be available till the expiry of the scheme; however, it is payable at the end of each fiscal year against the net increase in number of borrowers from its level at the end of previous year.

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9. What about treatment of net decrease in the number of borrowers even though new borrowers were added during the year?

Clarification: Incentive of Rs10,000/- per new borrower as defined in the scheme is admissible for new borrowers if there is net increase in the number of borrowers compared with base number (of borrowers) as at the close of previous year. If the overall net borrowers decrease from the previous base, the concerned bank will not be entitled to the said incentive.

10. What will be the procedure for renewal of a loan after expiry of its tenor (12–18 months), and will the risk coverage under RCS continue for the renewed loan?

Clarification: Loan facilities under RCS can be renewed as long as the scheme remains valid and all other eligibility requirements are fulfilled.

11. Is the risk coverage under RCS applicable to financing extended under other agriculture incentive schemes?

Clarification: The risk coverage available under RCS will be available for qualifying agricultural loans if no separate/additional risk coverage was already available for that loan under some other SBP/GOP incentive schemes.
