

May 23, 2008

The Chairman/Managing Director  
All Scheduled Commercial Banks (including Local Area Banks)

Dear Sir,

**Union Budget – 2008-09 – Agricultural Debt Waiver and Debt Relief Scheme, 2008**

As you are aware, the Hon'ble Finance Minister, in his Budget Speech (paragraph 73) for 2008-09 has announced a debt waiver and debt relief Scheme for farmers, for implementation by all scheduled commercial banks, besides RRBs and co-operative credit institutions.

2. The detailed Scheme notified by the Government of India along with necessary explanations is enclosed. The scheduled commercial banks (including Local Area Banks) may take necessary action towards implementation of the Scheme at the earliest. The implementation of the Debt Waiver and Debt Relief Scheme should be completed by **June 30, 2008**.
3. Further communication in respect of this Scheme would follow.
4. In case of RRBs and co-operatives, a separate circular is being issued by NABARD.

Yours faithfully,

(G.Srinivasan)  
Chief General Manager – in – Charge

## AGRICULTURAL DEBT WAIVER AND DEBT RELIEF SCHEME, 2008

### **1. Introduction**

1.1. The Finance Minister, in his Budget Speech for 2008-2009, announced a Debt Waiver and Debt Relief Scheme for farmers.

1.2. Guidelines for implementation of the Scheme are given below.

### **2. Scope**

2.1 The Scheme will cover direct agricultural loans extended to 'marginal and small farmers' and 'other farmers' by Scheduled Commercial Banks, Regional Rural Banks, Cooperative Credit Institutions (including Urban Cooperative Banks) and Local Area Banks (hereinafter referred to compendiously as "lending institutions") as indicated in the Guidelines.

2.2 The Scheme shall come into force with immediate effect.

### **3. Definitions**

3.1. '*Direct Agricultural Loans*' means Short Term Production Loans and Investment Loans provided directly to farmers for agricultural purposes. This would also include such loans provided directly to groups of individual farmers (for example Self Help Groups and Joint Liability Groups), provided banks maintain disaggregated data of the loan extended to each farmer belonging to that group.

3.2. '*Short Term Production Loan*' means a loan given in connection with the raising of crops which is to be repaid within 18 months. It will include working capital loan, not exceeding Rs. 1 lakh, for traditional and non-traditional plantations and horticulture.

3.3. '*Investment Loan*' means

(a) investment credit for direct agricultural activities extended for meeting outlays relating to the replacement and maintenance of wasting assets and for capital investment designed to increase the output from the land, e.g. deepening of wells, sinking of new wells, installation of pump sets, purchase of tractor / pair of bullocks, land development and term loan for traditional and non-traditional plantations and horticulture; and

(b) investment credit for allied activities extended for acquiring assets in respect of activities allied to agriculture e.g. dairy, poultry farming, goatery, sheep rearing, piggery, fisheries, bee-keeping, green houses and biogas.

3.4. '*Cooperative Credit Institution*' means a cooperative society that

- i) provides short-term crop loans to farmers and is eligible for interest subvention from the Central Government; or
- ii) carries on banking activities regulated or supervised by RBI or NABARD; or
- iii) is part of the Short-Term Cooperative Credit Structure or Long-Term Cooperative Credit Structure in a State or Union Territory.

3.5. '*Marginal Farmer*' means a farmer cultivating (as owner or tenant or share cropper) agricultural land up to 1 hectare (2.5 acres).

3.6. '*Small Farmer*' means a farmer cultivating (as owner or tenant or share cropper) agricultural land of more than 1 hectare and up to 2 hectares (5 acres).

3.7. '*Other Farmer*' means a farmer cultivating (as owner or tenant or share cropper) agricultural land of more than 2 hectares (more than 5 acres).

*Explanation:*

1. The classification of eligible farmers as per the above landholding criteria under the Scheme would be based on the total extent of land owned by the farmer either singly or as joint holder (in the case of an owner-farmer) or the total extent of land cultivated by the farmer (as tenant or share cropper), at the time of sanction of the loan, irrespective of any subsequent changes in ownership or possession.

2. In the case of borrowing by more than one farmer by pooling their landholdings, the size of the largest landholding in the pool shall be the basis for the purpose of classification of all farmers in that pool as 'marginal farmer' or 'small farmer' or 'other farmer'.

3. In the case of a farmer who has obtained investment credit for allied activities where the principal loan amount does not exceed Rs.50,000, he would be classified as "small and marginal farmer" and, where the principal amount exceeds Rs.50,000, he would be classified as 'other farmer', irrespective in both cases of the size of the land holding, if any.

4. Direct agricultural loan taken under a Kisan Credit Card would also be covered under this Scheme subject to these Guidelines.

5. A short-term production loan and an investment loan taken by a farmer shall be counted as two distinct loans and the Scheme will apply to the two loans separately. Likewise, in the case of a farmer who has taken two investment loans for two separate purposes, the two loans shall be counted as two distinct loans and the Scheme will apply to the two loans separately.

#### 4. Eligible amount

4.1 The amount eligible for debt waiver or debt relief, as the case may be (hereinafter referred to as the 'eligible amount'), shall comprise of:

(a) in the case of a short-term production loan, the amount of such loan (together with applicable interest):

- (i) disbursed up to March 31, 2007 and overdue as on December 31, 2007 and remaining unpaid until February 29, 2008;
- (ii) restructured and rescheduled by banks in 2004 and in 2006 through the special packages announced by the Central Government, whether overdue or not; and
- (iii) restructured and rescheduled in the normal course up to March 31, 2007 as per applicable RBI guidelines on account of natural calamities, whether overdue or not.

(b) in the case of an investment loan, the installments of such loan that are over due (together with applicable interest on such installments) if the loan was:

- (i) disbursed up to March 31, 2007 and overdue as on December 31, 2007 and remaining unpaid until February 29, 2008;
- (ii) restructured and rescheduled by banks in 2004 and in 2006 through the special packages announced by the Central Government; and
- (iii) restructured and rescheduled in the normal course up to March 31, 2007 as per applicable RBI guidelines on account of natural calamities.

*Explanation:* In the case of an investment loan disbursed up to March 31, 2007 and classified as non-performing asset or suit filed account, only the installments that were overdue as on December 31, 2007 shall be the eligible amount.

4.2. The following loans shall not be included in the eligible amount:

- (a) advances against pledge or hypothecation of agricultural produce other than standing crop; and
- (b) agricultural finance to corporates, partnership firms, societies other than cooperative credit institutions (referred to in para 3.4), and any similar institution.

4.3 Nothing contained in this Scheme shall apply to any loan disbursed by a lending institution prior to March 31, 1997.

## 5. Debt Waiver

5.1. In the case of a small or marginal farmer, the entire 'eligible amount' shall be waived.

## 6. Debt Relief

6.1. In the case of 'other farmers', there will be a one time settlement (OTS) Scheme under which the farmer will be given a rebate of 25 per cent of the 'eligible amount' subject to the condition that the farmer pays the balance of 75 per cent of the 'eligible amount';

Provided that in the case of revenue districts listed in **Annex-I**, 'other farmers' will be given OTS rebate of 25 per cent of the 'eligible amount' or Rs.20,000, **whichever is higher**, subject to the condition that the farmer pays the balance of the 'eligible amount'.

## 7. Implementation

7.1. Every branch of a scheduled commercial bank, regional rural bank, cooperative credit institution, urban cooperative bank and local area bank covered under this Scheme shall prepare two lists, one consisting of 'small and marginal farmers' who are eligible for debt waiver and the second consisting of 'other farmers' who are eligible for debt relief under this Scheme. The lists shall include particulars of the landholding, the eligible amount and the amount of debt waiver or debt relief proposed to be granted in each case. The lists shall be displayed on the notice board of the branch of the bank/society on or before June 30, 2008.

7.2. A farmer classified as 'small farmer' or 'marginal farmer' will be eligible for fresh agricultural loans upon the eligible amount being waived.

7.3. A farmer classified as 'other farmer' eligible for OTS relief shall give an undertaking agreeing to pay his share (that is eligible amount minus the amount of OTS relief) in not more than three instalments and the first two instalments shall be for an amount not less than one-third of his share. The last dates of payment in the case of three instalments will be September 30, 2008; March 31, 2009 and June 30, 2009.

7.4. The undertaking shall be in such form as may be prescribed by RBI/NABARD.

7.5. The amount of OTS relief (i.e. the Central Government's share) will be credited to the account of the 'other farmer' upon the farmer paying his share in full.

7.6. In the case of a short-term production loan, the 'other farmer' will be eligible for fresh short-term production loan upon paying one-third of his share.

7.7. In the case of an investment loan (for direct agricultural activities or allied activities), the 'other farmer' will be eligible for fresh investment loan upon paying his share in full.

7.8. Reserve Bank of India shall be the nodal agency for the implementation of the Scheme in respect of scheduled commercial banks, urban cooperative banks and local area banks. NABARD shall be the nodal agency in respect of regional rural banks and cooperative credit institutions.

## **8. Interest and other charges**

8.1. The lending institutions shall not charge any interest on the 'eligible amount' for any period after February 29, 2008. However, in the case of an 'other farmer' who defaults in paying his share of the eligible amount on or before June 30, 2009 and becomes ineligible for OTS relief, the bank may charge interest for the period after June 30, 2009.

8.2. Instalments of investment credit which fall overdue after 31.12.2007 shall be recovered by the lending institutions along with the applicable interest. Lending institutions may, however, in appropriate cases, reschedule these instalments in accordance with the normal policy of the lending institution concerned.

8.3. Notwithstanding anything contained in this Scheme, the amount of interest that a lending institution may claim as reimbursement from the Central Government under this Scheme shall not, in any case, exceed the principal amount of the loan.

8.4. Ministry of Finance will issue supplemental instructions to the lending institutions in respect of all incidental and ancillary matters including instructions on interest and other charges that shall not be claimed by the lending institutions from the farmer or the Central Government.

## **9. Certificate of debt waiver or debt relief**

9.1. In the case of small and marginal farmers, upon waiver of the eligible amount, the lending institution shall issue a certificate to the effect that the loan has been waived and specifically mention the eligible amount that has been waived.

9.2. In the case of 'other farmers', upon granting OTS relief, the lending institution shall issue a certificate to the effect that the loan account has been settled to the satisfaction of the lending institution and specifically mention the eligible amount, the amount paid by the farmer as his share and the amount of OTS relief.

9.3. The certificate shall be in such form as may be prescribed by RBI/NABARD and upon issuing the certificate the lending institution shall take an acknowledgement from the farmer.

## **10. Obligations of the lending institutions**

10.1 Every lending institution shall be responsible for the correctness and integrity of the lists of farmers eligible under this Scheme and the particulars of the debt waiver or debt relief in respect of each farmer. Every document maintained, every list prepared and every certificate issued by a lending institution for the purposes of this Scheme shall bear the signature and designation of an authorised officer of the lending institution.

10.2 Every lending institution shall appoint one or more Grievance Redressal Officers for each State (having regard to the number of branches in that State). The name and address of the Grievance Redressal Officer concerned shall be displayed in each branch of the lending institution. The Grievance Redressal Officer shall have the authority to receive representations from aggrieved farmers and pass appropriate orders thereon. The order of the Grievance Redressal Officer shall be final.

10.3 Any farmer who is aggrieved on the ground that his name has not been included in either of the two lists referred to in paragraph 7.1 or on the ground that his name has been included in the wrong list or on the ground that the relief granted to him has been calculated wrongly, may make a representation through the branch from which he received the loan or directly to the Grievance Redressal Officer of the lending institution concerned and every such representation shall be disposed of within 30 days of receipt thereof.

## **11. Audit**

The books of account of every lending institution that has granted debt waiver or debt relief under this Scheme (including the books of accounts maintained at the branches) shall be subject to an audit in accordance with the procedure that may be prescribed by RBI/NABARD. The audit may be conducted by concurrent auditors, statutory auditors or special auditors as may be directed by RBI/NABARD. The Central Government, if it is satisfied that it is necessary to do so, may direct a special audit in the case of any lending institution or one or more branches of such lending institution.

## **12. Publicity**

12.1. A copy of this Scheme in English and in the official language or languages of the State/Union Territory shall be displayed in each branch of every lending institution covered under this Scheme.

12.2. A copy of this Scheme will be available on the websites of the Ministry of Finance, Department of Financial Services; RBI; and NABARD.

### **13. Interpretation and power to remove difficulties**

13.1. If any doubt arises on the interpretation of any paragraph of this Scheme or any instructions issued thereunder, the Central Government shall resolve the doubt and the decision of the Central Government shall be final.

13.2. If any difficulty arises in giving effect to the provisions of the Scheme or any instructions issued thereunder, the Central Government may by order do anything which appears to it to be necessary or expedient for the purposes of removing the difficulty.

### **14. Monitoring**

There shall be constituted a National Level Monitoring Committee consisting of

- (i) Secretary, Department of Financial Services, Ministry of Finance – Chairperson
- (ii) Secretary, Department of Agriculture and Cooperation, Ministry of Agriculture
- (iii) Deputy Governor, Reserve Bank of India;
- (iv) Chairman, NABARD;
- (v) Chairman and Managing Director of two public sector banks;
- (vi) Chairman of two Regional Rural Banks; and
- (vii) Managing Director of two State Level Cooperative Banks to monitor the implementation of the Scheme.
- (viii) Annex 1 (to the Guidelines)

**Revenue Districts covering DPAP, DDP areas and PM's Special Relief Package Districts**

<b>STATE</b>	<b>SL.NO.</b>	<b>DISTRICTS covered under DPAP, DDP and PMS's Relief Package</b>	
<b>ANDHRA PRADESH</b>	1	1.	Adilabad
	2	2.	Chittoor
	3	3.	Cuddapah
	4	4.	Khammam
	5	5.	Kurnool
	6	6.	Medak
	7	7.	Mehaboobnagar
	8	8.	Nalgonda
	9	9.	Prakasam
	10	10.	Rangareddy
	11	11.	Srikakulam
	12	12.	Anantpur
	13	13.	Warangal
	14	14.	Guntur
	15	15.	Karimnagar
	16	16.	Nellur
	17	17.	Nizamabad
<b>BIHAR</b>	18	1.	Bhabhua
	19	2.	Jamui
	20	3.	Madhubani
	21	4.	Nawadah
	22	5.	Rohtas
	23	6.	Sitamarhi
<b>CHHATISGARH</b>	24	1.	Bastar
	25	2.	Bilaspur
	26	3.	Dantewara
	27	4.	Durg
	28	5.	Janjgir-Champa
	29	6.	Kabridham
	30	7.	Korba
	31	8.	Rajnandgaon
	<b>GUJARAT</b>	32	1.
33		2.	Amreli
34		3.	Bharuch
35		4.	Bhavnagar
36		5.	Dahod
37		6.	Dang
38		7.	Junagadh
39		8.	Narmada
40		9.	Navasari
41		10.	Panch Mahals
42		11.	Porbandar
43		12.	Sabarkantha
44		13.	Vadodara
45		14.	Valsad
46		15.	Banaskantha
47		16.	Jamnagar
48		17.	Kutchchh
49		18.	Patan
50		19.	Rajkot
		51	20.

<b>HARYANA</b>	52	1.	Bhiwani
	53	2.	Fatehabad
	54	3.	Hissar
	55	4.	Jhahhar
	56	5.	Mohindergarh
	57	6.	Rewari
	58	7.	Sirsa
<b>HIMACHAL PRADESH</b>	59	1.	Bilaspur
	60	2.	Solan
	61	3.	Una
	62	4.	Kinnaur
	63	5.	Lahaul and Spiti
<b>JAMMU &amp; KASHMIR</b>	64	1.	Doda
	65	2.	Udhampur
	66	3.	Ramban
	67	4.	Kishtwar
	68	5.	Reasi
	69	6.	Kargil
	70	7.	Leh
<b>JHARKHAND</b>	71	1.	Bokaro
	72	2.	Chatra
	73	3.	Deoghar
	74	4.	Dhanbad
	75	5.	Dumka
	76	6.	Garhwa
	77	7.	Godda
	78	8.	Hazaribagh
	79	9.	Jamtara
	80	10.	Koderma
	81	11.	Latehar
	82	12.	Pakur
	83	13.	Palamau
	84	14.	Sahebganj

<b>KARNATAKA</b>	85	1.	Bangalore Rural
	86	2.	Belgaum
	87	3.	Bidar
	88	4.	Chamaraja Nagar
	89	5.	Chickmagalur
	90	6.	Chitradurga
	91	7.	Davanagere
	92	8.	Dharwad
	93	9.	Gadag
	94	10.	Gulbarga
	95	11.	Hassan
	96	12.	Haveri
	97	13.	Kolar
	98	14.	Mysore
	99	15.	Tumkur
	100	16.	Kodagu
	101	17.	Shimoga
	102	18.	Bagalkote
	103	19.	Bellary
	104	20.	Bijapur
	105	21.	Davanagere
	106	22.	Koppal
	107	23.	Raichur
<b>KERALA</b>	108	1.	Wayanad
	109	2.	Palakkad
	110	3.	Kasaragod
<b>MADHYA PRADESH</b>	111	1.	Barwani
	112	2.	Betul
	113	3.	Bhind
	114	4.	Chhindwara
	115	5.	Damoh
	116	6.	Dewas
	117	7.	Dhar
	118	8.	Guna
	119	9.	Jabalpur
	120	10.	Jhabua
	121	11.	Khandwa
	122	12.	Khargaon
	123	13.	Panna
	124	14.	Raisen
	125	15.	Rajgarh
	126	16.	Ratlam
	127	17.	Rewa
	128	18.	Shahdol
	129	19.	Shajapur
	130	20.	Shivpuri
	131	21.	Sidhi
	132	22.	Seoni
	133	23.	Umaria
	134	24.	Ashok Nagar
	135	25.	Anuppur

<b>MAHARASHTRA</b>	136	1.	Ahmednagar
	137	2.	Akola
	138	3.	Amravati
	139	4.	Aurangabad
	140	5.	Beed
	141	6.	Buldhana
	142	7.	Chandrapur
	143	8.	Dhule
	144	9.	Gadchiroli
	145	10.	Hingoli
	146	11.	Jalgaon
	147	12.	Jalna
	148	13.	Latur
	149	14.	Nagpur
	150	15.	Nanded
	151	16.	Nandurbar
	152	17.	Nashik
	153	18.	Oshmanabad
	154	19.	Parbhani
	155	20.	Pune
	156	21.	Sangli
	157	22.	Satara
	158	23.	Solapur
	159	24.	Washim
	160	25.	Yavatmal
	161	26.	Wardha
<b>ORISSA</b>	162	1.	Bargarh
	163	2.	Bolangir
	164	3.	Boudh
	165	4.	Dhenkanal
	166	5.	Kalahandi
	167	6.	Nuapada
	168	7.	Sonepur
	169	8.	Phulbani
<b>RAJASTHAN</b>	170	1.	Ajmer
	171	2.	Banswara
	172	3.	Baran
	173	4.	Bharatpur
	174	5.	Dungarpur
	175	6.	Jhalawar
	176	7.	Karauli
	177	8.	Kota
	178	9.	Sawai Madhopur
	179	10.	Tonk
	180	11.	Udaipur
	181	12.	Barmer
	182	13.	Bikaner
	183	14.	Churu
	184	15.	Hanuman Garh
	185	16.	Jaipur
	186	17.	Jaisalmer
	187	18.	Jalore
	188	19.	Jhunjhunu

	189	20.	Jodhpur
	190	21.	Nagaur
	191	22.	Pali
	192	23.	Rajsamand
	193	24.	Sikar
	194	25.	Sirohi
<b>TAMILNADU</b>	195	1.	Coimbatore
	196	2.	Dharmapuri
	197	3.	Dindigul
	198	4.	Karur
	199	5.	Krishnagiri
	200	6.	Namakkal
	201	7.	Perambalur
	202	8.	Pudukottai
	203	9.	Ramanathapuram
	204	10.	Salem
	205	11.	Sivaganga
	206	12.	Tiruchirapalli
	207	13.	Tirunelveli
	208	14.	Tiruvannamalai
	209	15.	Thothukudi
	210	16.	Vellore
	211	17.	Virudunagar
<b>UTTAR PRADESH</b>	212	1.	Allahabad
	213	2.	Bahraich
	214	3.	Balrampur
	215	4.	Banda
	216	5.	Chitrakoot
	217	6.	Hamirpur
	218	7.	Jalaun
	219	8.	Jhansi
	220	9.	Lakhimpur Kheri
	221	10.	Lalitpur
	222	11.	Mahoba
	223	12.	Mirzapur
	224	13.	Shravasti
	225	14.	Sitapur
	226	15.	Sonbhadra
<b>UTTRAKHAND</b>	227	1.	Almora
	228	2.	Bageswar
	229	3.	Chamoli
	230	4.	Champavat,
	231	5.	Pauri Garhwal
	232	6.	Pithoragarh,
	233	7.	Tehri Garhwal
<b>WEST BENGAL</b>	234	1.	Bankura
	235	2.	Birbhum
	236	3.	Medinapur West
	237	4.	Purulia
<b>Total No. of districts</b>			<b>237 Districts</b>