

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.

Annex 1 (to the Guidelines)

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

STATE	SL.NO.	DISTRICTS covered under DPAP, DDP and PMS's Relief Package	
ANDHRA PRADESH	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
BIHAR	18	1.	Bhabhua
	19	2.	Jamui
	20	3.	Madhubani
	21	4.	Nawadah
	22	5.	Rohtas
	23	6.	Sitamarhi
CHHATISGARH	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
GUJARAT	32	1.	Ahmedabad
	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.	Surendranagar
HARYANA	52	1.	Bhiwani
	53	2.	Fatehabad
	54	3.	Hissar
	55	4.	Jhahhar
	56	5.	Mohindergarh
	57	6.	Rewari
	58	7.	Sirsa
HIMACHAL PRADESH	59	1.	Bilaspur
	60	2.	Solan
	61	3.	Una
	62	4.	Kinnaur
	63	5.	Lahaul and Spiti
JAMMU & KASHMIR	64	1.	Doda
	65	2.	Udhampur
	66	3.	Ramban
	67	4.	Kishtwar
	68	5.	Reasi
	69	6.	Kargil
	70	7.	Leh
JHARKHAND	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
KARNATAKA	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
KERALA	108	1.	Wayanad
	109	2.	Palakkad
	110	3.	Kasaragod
MADHYA PRADESH	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
MAHARASHTRA	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



ORISSA	162	1.	Bargarh
	163	2.	Bolangir
	164	3.	Boudh
	165	4.	Dhenkanal
	166	5.	Kalahandi
	167	6.	Nuapada
	168	7.	Sonepur
	169	8.	Phulbani
RAJASTHAN	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
TAMILNADU	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
UTTAR PRADESH	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
UTTRAKHAND	227	1.	Almora
	228	2.	Bageswar
	229	3.	Chamoli
	230	4.	Champavat,
	231	5.	Pauri Garhwal
	232	6.	Pithoragarh,
	233	7.	Tehri Garhwal
WEST BENGAL	234	1.	Bankura
	235	2.	Birbhum
	236	3.	Medinapur West
	237	4.	Purulia
Total No. of districts			237 Districts

No.
Ministry of Finance
Department of Financial Services

New Delhi, dated 28th May 2008

Agricultural Debt Waiver and Debt Relief Scheme, 2008
Implementation Circular 1 / 2008

The Agricultural Debt Waiver and Debt Relief Scheme is comprehensive and self-explanatory. Chief Executives of all Banks are requested to ensure that all those concerned in the implementation of the Scheme are fully acquainted with the provisions, and ensure its speedy, efficient and timely implementation.

2. This circular contains certain supplementary instructions of an explanatory nature. Implementing agencies will find these instructions useful to address doubts which may be raised by field level functionaries :-

- (i) Only those direct agricultural loans which fulfil all the three conditions, i.e., (a) disbursed between March 31, 1997 and March 31, 2007, (b) overdue on December 31, 2007, and (c) remaining unpaid until February 29, 2008 will be eligible for debt waiver/debt relief under the Scheme.

Illustrations:

1. An instalment of investment credit for allied activity overdue on December 31, 2007 will not be eligible if it has been disbursed after March 31, 2007.
 2. A short-term production loan disbursed up to March 31, 2007 for raising crops with repayment period of 18 months will not be eligible for debt waiver/debt relief if it has not become overdue on December 31, 2007.
- (ii) Only the instalments of Investment Credit (not the total loan) which were overdue on the date of restructuring and the instalments of the portion of the Investment Credit which had not fallen due on the date of restructuring but have subsequently fallen due on December 31, 2007, are eligible for debt waiver/debt relief. Hence, in the case of restructured Investment Credit, the overdue instalments on the date of restructuring plus the instalments which were not due on the date of restructuring but have subsequently fallen due on 31.12.07 will be eligible for debt waiver/debt relief. Even in cases where the **total** Investment Credit has been restructured, only the overdue instalments on the date of restructuring and the instalments of the un-restructured portion that have fallen overdue on December 31, 2007 will be eligible for debt waiver/debt relief.
 - (iii) Loans granted by banks to such agricultural credit co-operative societies which are lending institutions (as defined in the Scheme) for advancing direct agricultural loans to farmers are covered under the Scheme.
 - (iv) A single eligible borrower may have more than one agricultural loan account. The overdue loans in all these accounts will be independently covered under the Scheme. The OTS Relief of 25% (relief upto Rs.20,000 or 25%, whichever is higher, in 237 stressed districts) is also to be separately applied in the case of crop loans and investment loans.
 - (v) Separate sectoral definitions for 'marginal farmer', 'small farmer' and 'other farmer' may exist in some other context, as for example in the case of plantations crops. However, for the implementation of this



Scheme, classification as a 'marginal farmer' or 'small farmer' or 'other farmer' will be done using the criteria of size of landholding as prescribed in the Scheme.

However, in the case of investment credit for allied activities, the size of the landholding is not germane. If the principal amount of the loan is Rs.50,000 or less, the farmer will be classified as 'small and marginal farmer' and if the principal amount of the loan is more than Rs.50,000, the farmer will be classified as 'other farmer'.

- (vi) In partially disbursed loan accounts, the 'eligible amount' shall be restricted to the overdues in respect of the portion/instalments of the loan actually disbursed up to March 31, 2007 and overdue on December 31, 2007 and unpaid until February 29, 2008.
- (vii) The accounting norms provide that in case of NPA accounts, 'suit-filed' accounts and 'recalled' loans, the whole loan will be classified as such. However, for the purposes of the Scheme, only instalments of such loans that were disbursed up to March 31, 2007 and overdue on December 31, 2007 and remain unpaid until February 29, 2008 will be eligible for debt waiver/debt relief.
- (viii) The amount of loans written off (prudentially or actually) by the lending institutions will not be covered under the Scheme. Such written-off loans shall neither be claimed from the Central Government nor will they be recovered from the farmer. However, the farmers whose loans have been written off (prudentially or actually) by the lending institutions will be eligible for fresh finance from the lending institutions.
- (ix)
 - (a) Lending institutions shall neither claim from the Central Government, nor recover from the farmer, interest in excess of the principal amount, unapplied interest, penal interest, legal charges, inspection charges and miscellaneous charges, etc. All such interest/charges will be borne by the lending institutions.
 - (b) Interest on crop loans disbursed after April 1, 2006 will be calculated at a rate not exceeding 7% per annum. The amount of interest in excess of 7% per annum on crop loans will be borne by the lending institutions.
 - (c) Normal interest will continue to accrue on the amount of loan not eligible for debt waiver/debt relief.
- (x) Short-term loans sanctioned against pledge of gold jewels are covered under the Scheme, provided such loans were given for agricultural purposes. However, the applicable interest will not be in excess of what is normally charged for agricultural loans by the lending institution in the corresponding year and not in excess of 7 per cent per annum in respect of loans disbursed after April 1, 2006.
- (xi) Marine fisheries would come within the ambit of pisciculture and loans given to marine fishermen by lending institutions would be covered under investment loans for allied activities.
- (xii) Loans for construction of storage facilities are not covered under the Scheme. Loans for purchase of land, construction of farmhouses, sheds, fencing, etc. are also not covered under the Scheme.
- (xiii) Only direct agricultural loans to farmers are covered under the Scheme. Loans to farmers for purposes other than agriculture and loans for agricultural purposes to companies or other legal persons like registered societies, trusts, partnerships etc. are not covered under the Scheme.
- (xiv) Short-term production credit will include working capital loan up to Rs.1 lakh for traditional and non-traditional plantations and horticulture. This means that working capital loans for these categories will be reckoned



only up to Rs. 1 lakh and of this reckoned sum, only the irregular amounts (overdues) as on December 31, 2007 will be eligible for waiver or OTS relief (and not the entire sum of Rs.1 lakh).

- (xv) The Scheme shall be implemented by June 30, 2008 and RBI and NABARD are requested to put in place a system for monitoring the progress in the implementation of the Debt Waiver and Debt Relief Scheme on a **daily** basis upto July 31, 2008 and thereafter on a weekly basis.
- (xvi) Lending institutions shall appoint Grievance Redressal Officers in every State as indicated in the Scheme and report compliance to RBI and NABARD by June 5, 2008.
- (xvii) CMDs of Scheduled Commercial Banks, Chairpersons of RRBs and Chief Executives of Cooperative Credit Institutions should identify senior officers who should visit the branches of the lending institutions and ensure smooth implementation of the Scheme. Every branch of the lending institution should be visited atleast once by a designated officer in the second and third weeks of June 2008. In addition, CMDs of Scheduled Commercial Banks, Chairpersons of RRBs and Chief Executives of Co-operative Credit Institutions should, in the months of June and July, undertake extensive tours to oversee the process of implementation of the Debt Waiver and Debt Relief Scheme. The primary object of these tours and visits shall be the preparation of accurate lists of beneficiaries together with the particulars of debt waiver or debt relief in each case, display of the lists on or up to June 30, 2008 and the issue of certificates to the farmers.
- (xviii) It should be ensured that the lists are displayed without fail on or before June 30, 2008. The list should be signed after careful verification by the Branch Manager and after supercheck by an officer superior to him, preferably the senior officer assigned as per the instructions in para (xvii) above. Every effort must be made to eliminate errors of inclusion as well as errors of exclusion. The two officers shall be responsible for the correctness and integrity of the lists of beneficiaries.
- (xix) All officers of the lending institutions may be advised about paragraph 11 of the Scheme that deals with audit. It may be impressed upon all officers that, since the claims of the lending institutions upon the Central Government will be processed on the basis of the audited books of accounts, it is important that due care is taken while preparing the lists of beneficiaries.
- (xx) RBI, in consultation with NABARD, may prescribe necessary formats including that of the OTS undertaking to be obtained from the 'other farmer' and the certificate of waiver or relief to be given to a farmer together with a provision for obtaining his/her acknowledgement of receipt of the certificate.
- (xxi) RBI and NABARD are requested to reissue these instructions to the lending institutions and take immediate steps to supervise the implementation of the Scheme. They may ensure that the Scheduled Commercial Banks, Local Area Banks, RRBs and the relevant cooperative credit institutions, including urban cooperative banks, as defined in the Scheme, are sensitised to the importance of a diligent and time-bound implementation of the Scheme.

(Arun Ramanathan)
Secretary (Financial Services)

To

1. Dy. Governor, RBI
2. Chairman, NABARD

No.
Ministry of Finance
Department of Financial Services

New Delhi, dated 18th June, 2008

To

Deputy Governor, RBI
Chairman, NABARD
All CMDs/MDs of Public Sector Banks
All SLBC Conveners

Sir/Madam,

Sub: Clarifications regarding queries on Agricultural Debt Waiver and Debt Relief Scheme, 2008

After the issue of Agricultural Debt Waiver and Debt Relief Scheme, 2008 and the Implementation Circular 1/2008, the lending institutions have referred some queries to the Government. The queries have been examined and the clarifications thereof are enclosed. You are requested to kindly ensure that these clarifications are available to all the branches implementing the Scheme.

Thanking you,

Yours sincerely,

Sd/-

(Amitabh Verma)
Joint Secretary to the Government of India

Clarifications on queries raised by lending institutions

Sr. No.	Queries	Clarifications
1.	<p><u>Interest on NPA</u></p> <p>(i) In case of NPA accounts, where the interest has not been applied since the date of NPA/or otherwise, whether interest upto 29th February 2008 can be included for determining the eligible amount for Debt Relief/Debt Waiver (DWDR).</p> <p>(ii) The eligible amount as stated in the guideline dated 23.05.08 is inclusive of applicable interest. However, subsequently the supplemental instructions dated 28.05.08 mentioned about exclusion of unapplied interest, which may kindly be clarified.</p> <p>(iii) Once an account is classified as NPA, the interest is not being applied. However, the unapplied interest upto the cut of date is recoverable as long as it does not exceed the principal amount.</p> <p>The clarification is required whether to include unapplied portion of interest in eligible amount, if it satisfies the condition of fallen due (overdue as on the cut of date) and not exceeding the principal amount.</p>	<p>In the case of NPA loans, no interest will be applied from the date when the loan account was classified as NPA. Hence, interest on loans classified as NPA for any period after it is so classified can neither be claimed from the Government nor from the farmer.</p> <p>Unapplied interest on NPA loans are neither to be claimed from the Government nor from the farmer</p>
2.	<p>(i) It is stated in the Scheme that in the case of an investment loan, the installments of such loan that are overdue (together with applicable interest on such installments) will be the eligible amount for debt relief. Please clarify in case of accounts which are not NPA but irregular, whether for determining the eligible amount, the interest on overdue installments which included principal as well as interest as on 31.12.07 may be included till 29th February 08.</p> <p>(ii) In case of term loans, as interest is charged on entire outstandings, the claim amount should cover entire interest overdue (not interest on overdue installments only) plus overdue installments (principal).</p>	<p>The entire applicable interest on the investment loan that is overdue as on December 31, 2007 and remains unpaid as on February 29, 2008 in the account of the farmer shall be included in the calculation of "eligible amount". However, paragraph 8.3 of the Scheme will apply and the amount of interest that may be claimed shall not, in any case, exceed the principal amount of the loan.</p>
3.	<p>Whether Lift Irrigation Societies financing to farmers, financed directly by branches are eligible under the Scheme?</p> <p>Whether functional societies such as dairy, Fishermen's cooperative, lift irrigation society, etc. can be treated as CCI.</p>	<p>Lift Irrigation Societies and Functional Societies are not Cooperative Credit Institutions as defined under the Scheme. Loans given to and by these Societies are not covered under the Scheme.</p>

4.	Whether Harvesting and Transport advances granted to Individuals SF/MF/AI for Sugarcane crop given in the State of Maharashtra, where individual records are available with the branches are eligible under the Scheme.	Not covered, since these loans are not short term production loans.
5.	Whether Backend Subsidy is to be adjusted from the principal loan amount to reckon the loan quantum (upto Rs. 50,000/- and above Rs. 50,000/-)?	The original loan amount, without adjusting the back- ended subsidy, will be the amount for reckoning the loan quantum for the purpose of calculating the 'eligible amount'.
6.	Whether Backend Subsidy is to be notionally adjusted for calculating the overdue amount in case of Govt. Sponsored Schemes?	The overdue amount in case of Government sponsored schemes, eligible under the Scheme, will be calculated after adjusting the back-ended subsidy.
7.	Whether proprietors are covered i.e. Dairy Units in the name of a proprietorship firm? As per item no. (xiii) of the Implementation Circular 1 / 2008 dated May 28, 2008, loans to farmers for purposes other than agriculture and loans for agricultural purposes to companies or other legal persons like registered societies, trusts, partnerships etc. are not covered under the Scheme. What would be the status of sole proprietary firms and Hindu Undivided Families (HUFs)?	Proprietary firms are not covered under the Scheme. HUFs are included in the Scheme.
8.	(i) Whether Motorcycle/Jeep/Truck/ Harvester/JCB financed under Agriculture Finance schemes are covered under the Scheme? (ii) Finance to transport vehicles for transportation of agri produce to a farmer- Corporate Centre has made a reference to RBI as to whether such advances are covered not, under the Scheme.	Harvesters and Combines, if financed as a Direct Agricultural Investment Loan will be included. Motor Cycles, Jeeps, Trucks are not included.
9.	“Our bank has financed to farmers service societies in Rajasthan. These Societies provide finance to member farmers for short term production credit and investment credit and are eligible for 2% interest subvention”. The Agriculture Debt Waiver & Debt Relief Scheme 2008 clause 3.4 covers the cooperative societies which provide short term credit to farmers and are eligible for interest subvention. We request you to clarify whether such farmer service society will lodge the claim through our bank or directly to NABARD.	Since the interest subvention has been provided through the Bank, the claim should also be lodged through the Bank.

10.	Whether the short term finance for cultivation of Banana and Sugarcane crops will be considered under plantation crops or other short term crops.	Loans to sugarcane and banana crops are covered under Short Term Production Credit with the repayment schedule varying from 12 to 18 months.
11.	<p>(i) Whether the amount debited as crop insurance premium paid to AICL is to be considered for debt relief while arriving at eligible amount.</p> <p>(ii) Whether insurance premium debited in the loan accounts are eligible for coverage.</p> <p>(iii) Whether Crop Insurance premium amount and premium under PAIS debited to the eligible loan accounts are to be treated as Misc. charges and excluded from the claims?</p> <p>(iv) Whether Crop Insurance claims received after 29.02.2008 are to be adjusted to eligible claims and only the net amount submitted to RBI for reimbursement?</p>	<p>Insurance premium debited in the loan accounts can be included in the 'eligible amount'.</p> <p>Yes, the amount of crop insurance claims received are to be adjusted before claiming reimbursement from the Central Govt.</p>
12.	<p>Loans provided directly to the groups of individual farmers (for example SHGs) provided banks maintain disaggregated data of the loan extended to each farmer belonging to that group. Whether the debt waiver and debt relief scheme is applicable, in such cases if the banks have not maintained disaggregated data but built up the same subsequently by obtaining required documents from the SHGs?</p> <p>Disaggregated data of the agri loan extended to each farmer in respect of SHGs may not be available with branches since loans are given to SHGs as Group loan. Therefore, disaggregated data (borrower-wise) may not be available at the branch. But such data may be available with the SHGs. Will such loans qualify for benefits?</p> <p>Disaggregated data of the agri loan extended to each farmer in respect of SHGs may not be available with branches since loans are given to SHGs as Group loan. Therefore, disaggregated data (borrower-wise) may not be insisted upon. All overdues in SHGs should qualify under 'loans to SF/MF' and Scheme benefits made available. Overdue percentage is also very low in case of SHGs.</p>	<p>Direct Agricultural Loan as defined in paragraph 3.1 of the Scheme would also include loans extended to SHGs of individual farmers even if the disaggregated data is maintained at the level of the SHG and reflected on the books of accounts of the SHG. However, it must be ensured that the disaggregated data is maintained to the satisfaction of the lending institution concerned.</p>

13.	<p>(i) Whether the scheme is applicable for short term credit extended to agriculture and allied activities for dairy, poultry, fishery etc. Or is it restricted to only investment credit for allied activities.</p> <p>(ii) Whether term loan for purchase of fodder for dairy units during the period of drought to be classified as investment loan/allied activities?</p> <p>(iii) Whether working capital loan given for allied activities like poultry, dairy etc. are eligible.</p> <p>(iv) Whether the Scheme is applicable for short-term credit extended to allied activities for dairy, poultry, fishery etc. or is it restricted to only investment credit for allied activities.</p>	<p>Dairy, poultry, fisheries etc are treated as allied activities. Investment credit for allied activities is governed by paragraph 3.3 of the Guidelines. Paragraph 3.3(b) makes it clear that the loan must be extended for “acquiring assets”. Hence, only investment credit for allied activities intended for acquiring assets in respect of such allied activities will be covered.</p>
14.	<p>There are 12 societies which are under various stages of liquidation. Whether claims of these societies would be eligible for reimbursement from GoI?</p>	<p>If these societies are lending institutions as defined under the Scheme, they would be eligible for reimbursement irrespective of the stage of liquidation.</p>
15.	<p>Small farmers having meager land holding of less than 2.5 acres form Samithis of 100 to 150 farmers for taking cultivation of paddy of large scale. However, of the total number of famers, a few farmers may be having land holding of more than 5 acres. In such case, as per the scheme, the size of the largest land holding in the pool will be the basis for the classification of all farmers. As such, these accounts will be treated as “Other Farmers”, consequently a large number of small farmers would be denied benefit of waiver of agricultural loan.</p>	<p>Only direct agricultural loans given to farmers by lending institutions as defined in the Scheme are covered. If ‘Samithis’ is not a lending institution as defined in the Scheme and the loans are not direct agricultural loans to each farmer, this does not fall within the scope of the Scheme.</p>
16.	<p>The adoption of EMI system of repayment by LT Cooperative Structure results in higher quantum of interest in the EMI during first two or three years of loan repayment. Insistence of <u>interest claim</u> not exceeding <u>principal amount claimed</u> may result in many of the SCARDBS being affected adversely.</p> <p>Reimbursement of claim of interest shall not exceed the principal amount of loan (item No.8-3).</p> <p>This clause may prove disastrous for Co-op. Banks and PACS, because the loans which are overdue are of earlier years</p>	<p>Interest claims should not be excess of the original amount of principal disbursed.</p> <p>The amount of interest in excess of the principal disbursed will be borne by the lending institutions.</p>

	<p>when the normal lending rates were high. Now, restricting its re-imburement of interest upto principal amount of loan will give rise to the following situations:</p> <p>(i) PACS/Banks have to recover from the borrowers otherwise they cannot be certified as debt-free. Hence remains ineligible for fresh finance.</p> <p>(ii) PACS/Banks have to write off which is normally not allowed under the Co-op. Societies Act.</p>	
17.	<p>(i) A farmer who has availed OTS benefit and fails to honour the commitment of paying in 3 installments whether banks can charge interest at contracted rate on loan account with effect from 1st March, 2007?</p> <p>(ii) The lending institutions have been asked not to charge any interest on 'other farmers' from 29.02.2008 to 30.06.2009. Whether the interest for this period would be reimbursed to the banks in case of default by such farmers?</p>	<p>Paragraph 8.1 of the Guidelines is clear. No interest shall be charged on the eligible amount for any period between February 29, 2008 and June 30, 2009. In the case of a farmer who defaults on the OTS commitment, he will not be entitled to debt relief and, in the case of that farmer, the lending institution may charge interest for the period after June 30, 2009.</p>
18.	<p>(i) Working capital loan not exceeding Rs.1 lakh, for traditional plantations and horticulture is eligible. If the limit exceeds one lakh, whether the amount in excess of one lakh may be considered as investment loan as discussed in the SLBC conveners meeting held on 27.05.2008</p> <p>(ii) We are of the view that short-term credits provided to farmers for traditional and non-traditional horticulture field crops (<i>not orchard crops</i>) like vegetables, potato, jasmine and other annual crops (<i>up to 18 months</i>) will have the upper ceiling of Rs. 1 lac prescribed under clause no. (xiv) of circular no RPCD. NO. PLFS. BC. 73 / 05.04.02/ 2007-08 dated 30th May 2008. Beyond Rs 1 lac for such horticulture (vegetable crops) is a kind of commercial activity.</p> <p>(iii) Please clarify, whether Rs. 1 lac is the Limit sanctioned or loan amount outstanding. Most farmers availing short-term production credit have limits above Rs. 1 lac. Whether such farmers are eligible for relief.</p>	<p>Short-term production loans are dealt with in paragraph 3.2 of the Scheme and the investment loans are dealt with in paragraph 3.3 of the Scheme. There is another kind of loan, namely, working capital loan. Paragraph 3.2 deals with working capital loan for traditional and non-traditional plantations and horticulture. In such cases, the working capital loan account could become an irregular account and some amount may have become overdue as on December 31, 2007. That overdue amount of working capital loan qualifies for debt waiver or debt relief, subject to the condition that the amount is limited to Rs.100,000. If the working capital loan is in excess of Rs.100,000, debt waiver or debt relief will not apply to any amount in excess of Rs.100,000.</p>

19	<p>(i) Whether loans eligible under the scheme but repaid partly or closed after 29.02.2008 are eligible.</p> <p>(ii) What treatment is to be given to those accounts (where disbursements took place prior to March 31, 2007, which were overdue as on Dec 31, 2007 and remained unpaid as on Feb 29, 2008), but were paid in full or in part after Feb 29, 2008? Whether, they are to be made eligible for the benefits of the Scheme.</p> <p>(iii) What treatment is to be given to those accounts (where disbursements took place prior to March 31, 2007, which were overdue as on Dec 31, 2007 and remained unpaid as on Feb 29, 2008), but were written - off after Feb 29, 2008? Whether, they are to be made eligible for the benefits of the Scheme?</p>	<p>The debt waiver/debt relief admissible on the eligible amount paid after 29.02.2008 should be credited to the account of the borrower by September 30, 2008.</p> <p>The eligible amount outstanding as on 29.02.2008 qualifies for debt waiver/debt relief. Hence, any amount written off after 29.2.2008 which would, otherwise, have been eligible for reimbursement under the Scheme, will qualify for reimbursement.</p>
20.	<p>Whether loans disbursed on 31.03.1997 are eligible as the scheme says prior to 31.03.1997.</p> <p>While declaring the guidelines for implementation of the scheme, it is incorporated as item 4.3 as under : “Nothing contained in this scheme shall apply to any loan disbursed by a lending institution prior to March 31, 1997”.</p> <p>GSCB Ltd. has further viewed that most of the PACS under liquidation are having overdues on the period before 31st March, 1997. Problem is further aggravated by no further finance by such PACS. These has put the borrowers of such PACS in a critical situation that -</p> <ul style="list-style-type: none"> (i) They are not able to repay the loan (ii) They are not able to renew it as PACS has stopped financing because of liquidation proceedings (iii) They are not able to get other loan from other banking institution as they considered as defaulters. <p>As such it has been requested for removal of item No.4.3 of the ADWDR Scheme 2008, restricting the loans disbursed before March 1997 and give the unqualified effect to the budget speech.</p>	<p>The Scheme does not apply to any loan disbursed by lending institutions prior to close of business on 31.03.1997.</p>

21.	Para 4.1.(ii) of the Scheme says that loans restructured and rescheduled by banks in 2004 and 2006 through special packages by Central Government, whether overdue or not, are eligible for the benefits under the present Scheme. Para 4.3 of the Scheme also says that nothing contained in the Scheme shall apply to any loan disbursed prior to 31.03.1997. Since, under the PM's package in 2006, loans were rescheduled irrespective of age, what treatment is to be given to loans which were originally disbursed prior to 31.03.1997?	The cut-off date of 31.03.1997 will not apply to loans restructured and rescheduled by lending institutions in 2004 and 2006 through special packages and in the normal course as per RBI guidelines.
22.	Gold (Jewel) Loans for Investment Credit under agriculture should also qualify under the Scheme.	Yes, short-term loans for investment credit for agricultural purposes sanctioned against pledge of gold jewels are covered under the Scheme. However, the applicable interest will not be in excess of what is normally charged for agricultural loans by the lending institution in the corresponding year.
23.	In case of NPA accounts (other farmers), where suit has been filed, whether suit has to be withdrawn without payment of their entire 75% share.	No. An adjournment of the case beyond 30.06.2009 may be taken in view of the farmers undertaking. However, the 'other farmer' will be eligible for fresh crop loan on payment of his first installment.
24.	In case of 'other farmers', they are eligible for fresh production credit once they pay 1/3 rd share of eligible amount of overdue production credit and fresh investment credit once they pay the full share of the eligible amount of overdue investment credit. However, in case the other farmer pays only his 1/3 rd share of production credit but does not pay his share in investment loan, whether he would be eligible for fresh production credit.	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 as such the farmers will be eligible for fresh production loan.
25.	Item 4.1 (a) and (b) of the Scheme, indicate that the benefit would include applicable interest. As per item 8 of the Scheme, lending institutions were asked not to charge interest on the eligible amounts beyond 29.02.2008. Item no.(ix) of the Implementation Circular 1 / 2008 dated May 28, 2008 prohibits the lending institutions from claiming unapplied interest. Now banks mostly charge interest on a half yearly basis in September and March. Therefore, are the banks eligible to charge and claim interest on the eligible amounts in the standard accounts from October 2007 to 29.02.2008, which has not been applied so far.	In the standard accounts, lending institutions are eligible to charge and claim interest on the eligible amount from Oct. 2007 to February 29, 2008. However, no interest shall be applied in NPA accounts from the date of classification of these accounts as NPA.

26.	<p>(i) It has been stated in Para 6 of the Scheme that in the case of 237 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'.</p> <p>(ii) What happens when the outstanding in such cases is less than Rs. 20, 000/-?</p> <p>(iii) In case 25% of the eligible amount for 'other farmers' is less than Rs.20,000 per account/facility, exact amount for each of the accounts/facility will be reckoned so that there is no profit made on account of the Scheme. Each account of 'other farmer' will be treated separate for the claim.</p>	<p>The proviso to paragraph 6.1 of the Scheme applies in the Annexure-I districts. The debt relief will be 25 per cent of the 'eligible amount' or Rs.20,000, whichever is higher. However, if the 'eligible amount' is, say, Rs.12,000, while 25 per cent of the 'eligible amount' will result in Rs.3,000, the debt relief will be Rs.12,000. It is obvious that the amount of debt relief cannot be more than the 'eligible amount' itself.</p>
27.	<p>(i) As per item (ix) (b) of the Implementation Circular 1 / 2008 dated May 28, 2008, interest on crop loans disbursed after April 1, 2006 will be calculated at a rate not exceeding 7% per annum. The amount of interest in excess of 7% per annum on crop loans will be borne by the lending institutions. However, in order to make credit available at a reasonable cost to the farmers, the Union Finance Minister, in his budget speech for 2006-07 announced the Government's decision to ensure that the farmer receives short term credit at an interest rate of 7 per cent per annum, with an upper limit of Rs.3,00,000 on the principal amount. Accordingly, only Public Sector Banks, RRBs and co-operatives have been implementing this ever since. The above Scheme was not applicable to Private Sector Banks. Therefore, in the present Scheme, is it that the Public Sector Banks, RRBs and co-operatives would be required to bear the interest burden in respect of the amount beyond Rs. 3 lakh and private sector banks would be required to bear the entire interest burden in excess of 7%?</p> <p>(ii) Clarification is required whether the Scheme instructions to claim interest upto 7% on crop loans disbursed after April 1, 2006 will be applicable to all the crop loans, irrespective of the limit. As the interest at applicable rates have already been applied and booked by the</p>	<p>The cap on the rate of interest @ 7% per annum is applicable only on Crop Loans up to Rs.3 lakhs for all lending institutions. For other loans, the rate of interest charged by the banking institutions would be applicable.</p>

	Banks. Any changes in these instructions will lead to reversal of interest booked/applied and involves accounting issues. We suggest that charging of interest up to 7% may be applicable to the crop loans upto Rs. 3 lakh limit as per the extent instructions.	
28.	If a farmer owns less than 2.5 acres and has taken 10 acres on lease, whether he should be treated as a small farmer or 'other' farmer? In other words, is it the land ownership or the area of cultivation that need to be reckoned?	Paragraphs 3.5, 3.6 and 3.7 describe the status of the farmer, namely, marginal or small or other farmer. That status is determined on the basis of the agricultural land that is in the possession of the farmer as owner or tenant or sharecropper. Hence, all land in the possession of the farmer as owner or tenant or sharecropper should be taken into account for determining whether he is a marginal or small or other farmer.
29.	Whether Crop Insurance claims received after 29.02.2008 are to be adjusted to eligible claims and only the net amount submitted to RBI for reimbursement?	Yes, the amount of crop insurance claims received are to be adjusted before claiming reimbursement from the Central Govt.
30.	As fresh crop loans are to be given to 'other farmers' on payment of first installment under OTS by September, 2008, the RBI may allow banks to classify such accounts as Standard Assets (even though the account remains overdue as on September, 2008) Otherwise, it will tantamount to financing to overdue borrowers. Further, in the event of such farmers given fresh loans, however, fail to honour their commitment under OTS to pay the balance amount by June 2009 - the asset classification issue may be further clarified.	It is the intention of the Government that once the debt waiver or debt relief has been granted, the account should be treated as a standard account with effect from June 30, 2008. Government has promised to reimburse the banks the loan amount that has been waived or accorded relief in accordance with the Scheme. Hence, the issue of classification will be suitably addressed by the RBI.
31.	Corporate Centre has also referred to RBI that Agri Clinics and Agri Business Centres, which are treated as Direct Agri Advances as per RBI guidelines under Agri Priority Sector, should also be brought under the ambit of the Scheme. RBI is yet to clarify on the issue.	Since, these loans are not provided directly to farmers for agricultural purposes, these are not included under the Scheme.
32.	i) Whether in case of written off accounts, the suit / RCs filed are to be withdrawn. If so, who will pay the recovery charges payable to revenue authorities? ii) Revenue authorities may demand recovery charges hence we feel necessary instructions for waiver of such charges should be issued to Govt. Authorities in	No charges of any kind may be included in the computation of 'eligible amount'. Paragraph 8 of the Scheme is clear. Supplemental instructions in this behalf have also clarified the position. Lending institutions may apply to the revenue authorities for refund of charges if there is a provision for such refund.

	case of written off cases and banks may be permitted to include such charges in the eligible amount claimed in cases other than written off cases.	
33.	In horticulture, poultry and dairy advances, construction of shed financing are included in the composite scheme. There is no separate repayment for these items and hence cannot be bifurcated / separated while eligible amount is calculated. Please clarify whether above loans can be exempt from the clause (xii) of is <i>RPCD</i> . NO. PLFS. BC. 73 / 05.04.02/ 2007-08 dated 30 th May 2008.	The 'eligible amount' will be calculated after excluding the amounts of loan advanced for construction of shed, farm house, fencing etc. which are not included under the Scheme.
34.	The clarification is required: (i) whether all the items mentioned in para 2(ix)(a) of Implementation Circular 1/2008 put together should not exceed the principal amount or the only interest-applied portion. Alternatively, interest applied & accrued / unapplied interest (<i>which has fallen due</i>) should not exceed the principal amount (<i>excluding other charges</i>). (ii) Whether to include unapplied portion of interest in 'eligible amount', if it satisfies the condition of fallen due (overdue as on the cutoff date) and not exceeding principal amount.	Paragraph 4 of the Scheme defines what would be the 'eligible amount'. A difficulty arising in respect of paragraph 4.1(b) has been removed by an order issued today. Hence, the principal and the applicable interest alone would qualify for inclusion in the calculation of 'eligible amount'. The 'eligible amount' will be the basis for determining the amount of debt waiver or debt relief. The amount so waived or accorded relief may be claimed as reimbursement from the Central Government, subject to the stipulation (paragraph 8.3) that in no case shall the interest claimed exceed the principal amount of the loan. Para 2(ix)(a) of the Implementation Circular 1/2008 clearly states that lending institutions shall neither claim from the Central Government, nor recover from the farmer, (i) interest in excess of the principal amount, (ii) unapplied interest, (iii) penal interest, (iv) legal charges, (v) inspection charges and (vi) miscellaneous charges, etc. All such interest/charges will be borne by the lending institutions.