

RBI/2009-10/160
RPCD.CO.RF.BC.No.23 /07.37.02/2009-10

September 16, 2009

All State Co-operative Banks (StCBs) and
District Central Co-operative Banks (DCCBs)

Dear Sir,

Agricultural Debt Waiver and Debt Relief Scheme, 2008 – Prudential Norms on Income Recognition, Asset Classification, Provisioning and Capital Adequacy

Please refer to our circulars [RPCD.CO.RF.BC.No.17/07.38.03/2008-09](#) dated July 30, 2008, [RPCD.CO.RF.BC.No.91/07.37.02/2008-09](#) dated March 6, 2009 and [RPCD.CO.RF.BC.No.116/07.37.02/2008-09](#) dated June 26, 2009 on the captioned subject. In terms of the circular dated June 26, 2009, we had advised that the Government of India had decided to make the accounts of “other farmers” eligible for a debt relief of 25% from Government of India, even if they pay their entire share of 75% as one single instalment, provided the same is deposited by such farmers till June 30, 2009.

2. In this context, we advise that the Government of India has now decided to extend the last date of payment of 75% of overdue portion by the ‘other farmer’ for One Time Settlement (OTS) under Debt Relief Scheme (under ADWDR) for another six months beyond June 30, 2009, i.e. up to December 31, 2009. The Government of India has also advised that the banks/lending institutions are allowed to receive even less than 75% of the eligible amount under OTS provided the banks/lending institutions bear the difference themselves and do not claim the same either from the Government or from the farmer. The Government will pay only 25% of the actual eligible amount under debt relief.

3. The Government has also clarified that the lending institutions would not charge any interest on the eligible amount for the period from February 29, 2008

to June 30, 2009. However, the banks may charge normal rate of interest on the eligible amount from July 01, 2009 up to the date of settlement.

4. Where the farmers covered under the Debt Relief Scheme have given the undertaking, agreeing to pay their share under the OTS, their relevant accounts may be treated by banks as "standard" / "performing" provided:

(a) adequate provision is made by the banks for the loss in present value (PV) terms for all the receivables due from the borrowers. (For computing the amount of loss in PV terms under the Scheme, the balance amount receivable from the farmers may be assumed to be due on December 31, 2009, and the interest payments would be as per paragraph 3 above. The cash flows should be discounted to the present value at the interest rate at which the loan was granted including the element of interest subsidy, if any, available from the Government.)

(b) such farmers pay their share of the settlement latest by the revised last date, i.e. December 31, 2009.

5. In case, however, the payments are delayed by the farmers beyond December 31, 2009, the outstanding amount in the relevant accounts of such farmers shall be treated as NPA. The asset classification of such accounts shall be determined with reference to the original date of NPA (as if the account had not been treated as performing in the interregnum based on the aforesaid undertaking). On such down-gradation of the accounts, additional provisions as per the extant prudential norms should also be made.

6. It may be recalled that paragraph 2.1 in the Annex to the circular dated July 30, 2008 provided that in case of small and marginal farmers eligible for debt waiver, the amount eligible for waiver, pending receipt from the Government of India, may be transferred by the banks to a separate account named "Amount receivable from Government of India under Agricultural Debt Waiver Scheme 2008", and the balance in this account should be reflected under the column 'Advances' of the Balance Sheet. It is now clarified that in case of 'other farmers' eligible for debt relief, after the 'other farmer' has paid his entire share of 75%, banks may open an account for Debt Relief Scheme, similar to the one opened for the receivables from GOI under the Debt Waiver Scheme and bearing the

nomenclature "Amount receivable from Government of India under Agricultural Debt Relief Scheme 2008". This amount may also be reflected under the column 'Advances' of the Balance Sheet.

7. All other terms of the aforesaid circulars remain unchanged.

Yours faithfully,

(R.C.Sarangi)
Chief General Manager