

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2514  
ANSWERED ON:09.12.2005  
WAVING OFF LOAN OF DROUGHT HIT FARMERS  
Adhalrao Patil Shri Shivaji

**Will the Minister of FINANCE be pleased to state:**

:

- (a) whether the Government have received requests from farmers of various States who suffered heavy losses due to drought/flood during the current year to waive off the loans and interest;
- (b) if so, whether the Government have decided to postpone the recovery of loans and interest thereon from the farmers in the wake of drought/flood situations in the country during the current year ;
- (c) if so, the period for which the recovery of the loans has been postponed ;
- (d) the reasons for postponement of recovery of said loans and interest thereon instead of waiving off said loans ;
- (e) whether the Government proposes to fix a period of ten years for recovery of the said loans; and
- (f) if not, the reasons therefor ?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a)to(f): Keeping in view the difficulties being faced by farmers. Reserve Bank of India has issued standing guidelines dated 1st July, 2005 to banks for providing relief in areas affected by natural calamities such as drought, flood etc.. With a view to allowing, greater discretion to banks to decide upon the quantum of relief assistance to be provided to the affected farmers, the modified guidelines, inter-alia, permit banks to;

Convert/reschedule loans and interest accrued thereon in the event of natural calamity for periods ranging from 3 to 9 years, depending upon the successive crop failure/intensity of damage to crops. Contd...

Grant fresh crop loans to affected farmer;.

Convert principal as well as interest due on the existing loans.

Not to treat portion of converted/rescheduled loans as Non Performing Assets

(NPAs).

Not to compound interest in respect of loans converted/rescheduled etc.

Retain security and margin norms.

Provide consumption loans to agriculturists whose crops have been damaged. Further, the Government announced a policy package on June 18, 2004 which includes providing relief to the farmers who have suffered losses on account of successive droughts, floods etc. In pursuance of this package, Reserve Bank of India has issued guidelines on 24 June, 2004 for debt rescheduling/restructuring and fresh loans to farmers affected by natural calamities. As per the guidelines, debts as on March 31, 2004 of all farmers, who suffered production and income losses on account of successive natural calamities, i.e. drought, flood, or other calamities which might have occurred in the districts for two or more successive years during the past five years, may be rescheduled/ restructured by banks provided the state Govt. concerned has declared such districts as calamity affected. Accordingly, the interest outstanding/accrued in the accounts of such borrowers (crop loan and agriculture term loans) upto March 31, 2004, may be clubbed with the principal outstanding therein as on March 31, 2004, and the amount thus arrived at shall be repayable over a period of five years, at current interest rates, including an initial moratorium of two years. On restructuring as above, the farmers concerned will become eligible for fresh loans. The rescheduled/restructured loans as also the fresh loans to be issued to the farmers may be treated as current dues and need not be classified as NPA. While the fresh loans would be governed by the NPA norms as applicable to agricultural loans, in the case of rescheduled/restructured loans, the NPA norms would be applicable from the third year onwards, i.e. on expiry of the initial moratorium period of two years.