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**IMPLEMENTATION OF AGRICULTURAL  
DEBT WAIVER AND DEBT RELIEF  
SCHEME, 2008**

**MINISTRY OF FINANCE**  
(Department of Financial Services)

**PUBLIC ACCOUNTS  
COMMITTEE 2013-2014**

**NINETY-FIFTH REPORT**

FIFTEENTH LOK SABHA



**LOK SABHA SECRETARIAT  
NEW DELHI**

NINETY-FIFTH REPORT

PUBLIC ACCOUNTS COMMITTEE  
(2013-2014)

(FIFTEENTH LOK SABHA)

IMPLEMENTATION OF AGRICULTURAL DEBT  
WAIVER AND DEBT RELIEF SCHEME, 2008

MINISTRY OF FINANCE  
(DEPARTMENT OF FINANCIAL SERVICES)

*Presented to Lok Sabha on 06 February, 2014*  
*Laid in Rajya Sabha on 06 February, 2014*



LOK SABHA SECRETARIAT  
NEW DELHI

*February, 2014/Magha, 1935 (Saka)*

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
(2013-2014)

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| 3. Smt. Anju Kukreja   | — | <i>Under Secretary</i>  |

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\* Elected *w.e.f.* 14th August, 2013 *vice* Dr. Girija Vyas appointed as Minister of Housing, Urban Development & Poverty Alleviation *w.e.f.* 17th June, 2013.

† Elected *w.e.f.* 3rd September, 2013 *vice* Dr V. Maitreyan ceased to be a member upon his retirement as a Member of Rajya Sabha *w.e.f.* 24th July, 2013.

†† Elected *w.e.f.* 3rd September, 2013 *vice* Dr. E.M. Sudarsana Natchiappan appointed as Minister of State for Commerce and Industry *w.e.f.* 17th June, 2013.

## INTRODUCTION

I, the Chairman, Public Accounts Committee (2013-14), having been authorised by the Committee, do present this Ninety-fifth Report (Fifteenth Lok Sabha) on 'Implementation of Agricultural Debt Waiver and Debt Relief Scheme, 2008' based on the C&AG Report No. 3 of 2013 (Performance Audit) relating to the Ministry of Finance (Department of Financial Services).

2. The Report of the Comptroller and Auditor General of India for the year 2013 was laid in Parliament on 05.03.2013.

3. The Committee took evidence of the representatives of the Ministry of Finance (Department of Financial Services), Reserve Bank of India and NABARD on the subject at their sitting held on 14th June, 2013, The Committee considered and adopted the Draft Report at their sitting held on 30th January, 2014. The Minutes of the sittings form Appendices to the Report.

4. In the C&AG Report, the Audit had pointed out that Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS), 2008 did not achieve the intended goals due to various reasons which included, *inter-alia*, errors of inclusion and exclusion at the beneficiary level, poor and inadequate documentation, reimbursement of loan to Micro Finance Institutions in violation of guidelines, tampering/overwriting/alteration of records, funds lying idle with lending institutions, non-extension of benefits to entitled farmers, non-issuing of debt waiver/relief certificates and ineffective monitoring of scheme etc. The Ministry of Finance (Department of Financial Services) has accepted all the above said irregularities as pointed out by the Audit in the implementation of the Scheme and has taken necessary remedial action.

5. While strongly deprecating such a cavalier approach on the part of the Ministry of Finance (Department of Financial Services) and Nodal Agencies namely RBI and NABARD, in the implementation of the Scheme, the Committee have recommended that the irregularities pointed out and admitted by the Ministry of Finance should be rectified and stringent penal action taken against those responsible for the grave irregularities. The Committee have also desired the Department of Financial Services to reflect seriously and find the reasons for the scheme failure. For facility of reference and convenience, the Observations/Recommendations of the Committee have been printed in thick type and form Part-II of the Report.

6. The Committee would like to express their thanks to the representatives of the Ministry of Finance (Department of Financial Services), Reserve Bank of India and NABARD for tendering evidence before them and furnishing requisite information to the Committee in connection with the examination of the subject.

(vi)

7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;  
31 January, 2014  
11 Magha, 1935 (Saka)

DR. MURLIMANO HAR JOSHI  
*Chairman,*  
*Public Accounts Committee.*



## REPORT

### PART I

#### I. Introductory

With a view to provide relief to the farmers by de-clogging the line of credit and thereby catalyzing flow of credit to agriculture, and enhance the agricultural production and productivity, the Government of India, in February, 2008, announced a debt waiver and relief package for farmers *i.e.*, Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS), 2008. Under the Scheme complete waiver of 'eligible amount' was to be provided to Marginal/Small farmers while a one-time relief of 25 per cent of the 'eligible amount' was to be provided to 'Other farmers' subject to payment of the balance 75 per cent of the 'eligible amount' by the farmer. Agricultural loans meeting the following set of conditions were to be covered under the Scheme:

- Loans disbursed between 1 April, 1997 and 31 March, 2007,
- Loans overdue as on 31 December, 2007, and
- Loans remaining unpaid upto 29 February, 2008.

The Scheme in respect of debt waiver was to be completed by 30 June 2008 while the date for debt relief was extended upto 30 June, 2010. The wide-ranging package targeted waiver of loans to over 3.69 crore Small and Marginal farmers and a One-Time Settlement (OTS) of loans for another 0.6 crore 'Other farmers', *i.e.* other than Small and Marginal Farmers.

#### II. Guidelines for implementation of the Scheme

2. The Department of Financial Services (DFS), Ministry of Finance issued detailed guidelines on 28th May, 2008, for the implementation of the Scheme. The guidelines specified the conditions of eligibility, type of loans covered under the Scheme, etc. Subsequently, clarifications were issued on 18 June, 2008 regarding implementation of the Scheme. Details of the guidelines issued by the DFS are given as under:

- "(a) Every branch of 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 30 June, 2008.

- (b) 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 authorized officer of the lending institution.
- (c) 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 the 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."

### III. Types of loans covered under the Scheme

3. The Scheme covered '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. These Loans comprised Short Term Production Loans for agricultural purposes and Investment Loans availed by farmers for agricultural and allied activities. Details of these loans are given as under:

- (i) **Short Term Production Loans**—These loans were given in connection with the raising of crops and were to be repaid within 18 months. They included working capital loans not exceeding ₹1lakh for traditional and non-traditional plantations and horticulture.
- (ii) **Investment Loans**—These loans comprised investment credit for both direct agricultural activities and allied activities. The former included credit 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. The latter included credit 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.

4. These loans were disbursed to farmers through Scheduled Commercial Banks and Cooperative Credit Institutions. Loans provided directly to groups of individual farmers (*e.g.* Self Help Groups and Joint Liability Groups) were also included in the Scheme, provided that the lending institutions maintained disaggregated data of the loan extended to each farmer belonging to that group. Direct agricultural loans disbursed under Kisan Credit Cards were also eligible for debt waiver / debt relief.

#### IV. Categorisation of beneficiaries

**5. Farmers who had taken Short Term Production Loans or Investment Loans for agricultural activities**—Such farmers qualified for the Scheme and were categorised according to the following parameters:

- (a) Marginal Farmer: A farmer cultivating (as owner or tenant or share cropper) agricultural land upto 1 hectare (2.5 acres).
- (b) Small Farmer: A farmer cultivating (as owner or tenant or share cropper) agricultural land of more than 1 hectare and upto 2 hectares (5 acres).
- (c) Other Farmer: A farmer cultivating (as owner or tenant or share cropper) agricultural, land of more than 2 hectares (more than 5 acres).

**6. Farmers who had taken Investment Loan for allied activities**—Land holding was not the criteria for categorisation of farmers for investment loan for allied activities. The categorisation of farmers under this category was based on the amount of loan obtained for allied activities:

- (a) Marginal Farmer: Farmer obtaining loan upto ₹ 50,000.
- (b) Small Farmer: Farmer obtaining loan upto ₹ 50,000.
- (c) Other Farmer: Farmer obtaining loan above ₹ 50,000.

#### V. Eligible amounts and cut-off dates

7. The amount eligible for debt waiver or debt relief, as the case may be, would qualify only subject to certain conditions. These conditions were:

- (a) In the case of a short-term production loan, the amount of such loan (together with applicable interest):
  - (i) disbursed upto 31 March, 2007 and overdue as on 31 December, 2007 and remaining unpaid until 29 February, 2008; or
  - (ii) restructured and rescheduled by banks in 2004 and in 2006 through the special packages announced by the Central Government, whether overdue or not; or
  - (iii) restructured and rescheduled in the normal course upto 31 March, 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 were overdue (together with applicable interest on such installments) if the loan was:
  - (i) disbursed up to 31 March, 2007 and overdue as on 31 December, 2007 and remaining unpaid until 29 February, 2008;
  - (ii) restructured and rescheduled by banks in 2004 and in 2006 through the special packages announced by the Central Government;

- (iii) restructured and rescheduled in the normal course upto 31 March, 2007 as per applicable RBI guidelines on account of natural calamities; and
- (iv) 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.

## **VI. Benefits under debt waiver and debt relief**

8. Debt waiver essentially signified 100 per cent waiver of the 'eligible amount' while debt relief signified waiver of 25 per cent of the 'eligible amount' under a One-Time Settlement (OTS) Scheme. Debt waiver or debt relief were to be applicable as follows:

- **Marginal and Small farmer:** The entire 'eligible amount' was to be waived.
- **Other farmer:** The farmer would be given a rebate of 25 per cent of the 'eligible amount' subject to the condition that the farmer paid the remaining 75 per cent of the 'eligible amount'. In the case of 237 revenue districts falling under Drought Prone Areas Programme or Desert Development Programme or Prime Minister's Special Relief Package mentioned in the Scheme, Other farmer would be given rebate of ₹ 20,000 or 25 per cent of the 'eligible amount', whichever was higher, provided the farmer paid the balance of the 'eligible amount'. The rebate, in both cases, would be indicated as debt relief under ADWDRS and would be claimed by the lending institution from the GoI after receipt of balance of 75 per cent of the 'eligible amount' from the farmer willing to avail the benefit under the Scheme.

9. As per the guidelines of the Scheme, the payment of the balance of 75 per cent of the 'eligible amount' was to be made by the beneficiary in three installments—falling on 30 September, 2008, 31 March, 2009 and 30 June, 2009, with the condition that at least one-third amount be paid in each of the first and second installments. The due dates for payment of installments were extended successively during the course of implementation of Scheme as mentioned below:

- Date of payment of 1st installment was extended to 31 March, 2009 (*vide* DFS circular dated 14 January, 2009).
- Date of payment of lumpsum 1st and 2nd installment extended to 30 June, 2009 (*vide* DFS circular dated 12 June, 2009).
- Date of payment of full share of 75 per cent (all the three installments) was extended to 31 December, 2009 (*vide* DFS circular dated 8 July, 2009.)
- Date of payment of full share of 75 per cent (all the three installments) was finally extended to 30 June, 2010 (*vide* DFS circular dated 26 March, 2010).

## **VII. Implementation structure**

10. **Department of Financial Services** - DFS was the apex authority responsible

for the overall implementation of the Scheme. DFS prepared the guidelines for the implementation of the Scheme and issued clarifications, when required. It released funds to the nodal agencies after receiving claims from them. It was also required to monitor the progress of the Scheme and supervise the nodal agencies, *i.e.* RBI and NABARD, to ensure that they were effectively monitoring the implementation of the Scheme through the lending institutions.

**11. Nodal agencies**—The RBI and NABARD were the nodal agencies for the implementation of the Scheme. While RBI was responsible for Scheduled Commercial Banks (SCBs)\*, Urban Cooperative Banks (UCBs) and Local Area Banks (LABs), NABARD performed a similar role in respect of Cooperative Credit Institutions and Regional Rural Banks (RRBs). They were to receive claims from the lending institutions and forward the same to DFS for reimbursement. RBI and NABARD were also required to put in place a system for monitoring the progress in the implementation of the Scheme.

Both RBI and NABARD in their regulatory roles were required to exercise checks on the lending institutions. In addition, specific to the Scheme, these nodal agencies issued circulars to the lending institutions and directed them to do the following:

- Maintain State-wise and bank-wise data relating to the amounts waived and rebates given under OTS as part of data maintenance, and forward the same to nodal agencies;
- Form dedicated cells in each State for the purpose of monitoring the progress in implementation of the Scheme and disseminating the progress report to the convenor banks of State Level Bankers' Committee (SLBC) through their controlling offices; and
- Audit the claims through internal auditors as well as central statutory auditors.

**12. State Level Bankers' Committees**—The State Level Bankers' Committee<sup>†</sup> (SLBC) was responsible for consolidating and sending district-wise and state-wise data, of each bank in the State relating to amount waived and rebate given under OTS, received from the controlling offices of the banks to the regional office of the RBI. The SLBC was also required to constitute dedicated cells for consolidation and dissemination of State-wise and bank-wise data. A special steering committee was also to be formed to oversee the consolidation and dissemination of State-wise and bank-wise data, besides monitoring the implementation of the Scheme.

**13. Lending institutions**—The lending institutions were the primary agencies for implementation of the Scheme. Every lending institution implementing the Scheme was assigned the responsibilities to:

- Display a copy of the Scheme in English and in the official language or languages of the State/Union Territory in its branch;
- Prepare two lists, one of Small and Marginal farmers who were eligible for debt waiver and the second of Other farmers who were eligible for debt relief

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\* Both Public Sector Banks and Private Sector Banks.

† The State Level Bankers' Committee (SLBC) was envisaged as a consultative and co-ordination body of all financial institutions operating in each State.

under the Scheme. The lists were to 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 were to be displayed on the notice board of the branch of the bank/society on or before 30 June, 2008;

- Ensure the correctness and integrity of the lists of farmers eligible under the 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 the lending institution for the purposes of this Scheme was to bear the signature and designation of an authorised officer of the lending institution;
- Appoint one or more Grievance Redressal Officer (GRO) for each State (having regard to the number of branches in that State). The name and address of the GRO concerned was to be displayed in each branch of the lending institution;
- Credit the amount of OTS relief (GoI's share, *i.e.* 25 per cent) in the account of the Other farmer upon the farmer paying his share (75 per cent);
- Issue a certificate to the effect that the loan had been waived, mentioning, the 'eligible amount' that had been waived in the case of Small/Marginal farmers, upon waiver of the 'eligible amount'; and in the case of Other farmers, upon granting OTS relief, a certificate to the effect that the loan account had been settled to the satisfaction of the lending institution and mentioning the 'eligible amount', the amount paid by the farmer as his share and the amount of OTS relief;
- Extend the benefit of fresh loan, upon the eligible amount being waived, to the farmers; and
- Introduce Grievance Redressal Mechanism (GRM) for attending to the grievances of farmers. The last date for receipt of grievances by lending institutions for the debt relief portion of the Scheme was 31 July, 2010.

The actual point of interaction with the beneficiaries for the purpose of implementation of the Scheme was the lending institution. Thus, quality of implementation and the ultimate effectiveness of the Scheme were greatly dependent upon the capacity of the banks and the efficiency with which they discharged their responsibilities.

#### **Financial and physical coverage**

14. In their note to the Cabinet in May, 2008, Department of Financial Services had estimated that about 3.69 crore Small/Marginal farmers' accounts and about 0.60 crore Other farmers' accounts would be covered under the Scheme. In the same note, the cash outgo from GoI towards reimbursement of the amount of waiver/relief to the lending institutions was estimated at around ₹ 60,416 crore for Small/Marginal farmers and ₹ 7,960 crore for Other farmers. As per the information provided (March, 2010) by DFS to Parliament, according to provisional estimates, the Scheme was likely

to cost the Government approximately ₹ 65,318 crore and benefit 3.69 crore farmers, details of which are given as under:

Sl. No.	Name of State/UT	Number of farmers covered under			Total eligible amount of Waiver/Relief (₹ in crore)
		Debt Waiver (Small/Medium farmers)	Debt Relief (Other farmers)	Total	
1	2	3	4	5	6
1.	Andhra Pradesh	6646198	1109029	7755227	11353.71
2.	Assam	319546	18146	337692	405.51
3.	Arunachal Pradesh	10775	1241	12016	20.47
4.	Bihar	1662971	94548	1757519	3158.90
5.	Chhattisgarh	493828	201119	694947	701.28
6.	Delhi	1324	388	1712	7.36
7.	Gujarat	576137	410605	986742	2395.32
8.	Goa	1592	768	2360	5.58
9.	Haryana	527490	357612	885102	2648.73
10.	Himachal Pradesh	114997	4794	119791	273.82
11.	Jammu & Kashmir	47449	3081	50530	97.06
12.	Jharkhand	639187	27239	666426	789.60
13.	Karnataka	1171983	555360	1727343	4020.29
14.	Kerala	1390546	40192	1430738	2962.97
15.	Madhya Pradesh	1715624	659202	2374826	4203.25
16.	Maharashtra	3023000	1225000	4248000	8951.33
17.	Meghalaya	40885	2129	43014	77.94
18.	Mizoram	18699	1641	20340	34.22
19.	Manipur	56670	1393	58063	57.49
20.	Nagaland	12623	2290	14913	22.39
21.	Odisha	2377022	135935	2512957	3277.75
22.	Punjab	227416	193862	421278	1222.91
23.	Rajasthan	1111821	732765	1844586	3795.78
24.	Sikkim	7140	651	7791	13.309
25.	Tamil Nadu	1427280	328206	1755486	3365.39
26.	Tripura	60502	1101	61603	97.09
27.	Uttar Pradesh	4794348	621693	5416041	9095.11
28.	Uttarakhand	154962	18733	173695	317.65

1	2	3	4	5	6
29.	West Bengal	1445743	16590	1462333	1882.27
30.	Andaman and Nicobar Islands	1537	958	2495	1.96
31.	Chandigarh	148	79	227	1.35
32.	Dadar and Nagar Hveli	351	137	488	0.69
33.	Daman and Diu	65	38	103	0.15
34.	Lakshadweep	130	2	132	0.25
35.	Puducherry	26247	5055	31302	59.37
Total		30106236	6771582	36877818	65318.33

Source: Department of Financial Services' letter no. 3/6/2010-AC dated 16 June 2010.

DFS informed Audit (February, 2012) that, up to 31 January, 2012, ₹ 52,153 crore (provisional figures) was extended as debt waiver/relief by lending institutions to ₹ 3.45 crore# farmers' accounts under the Scheme. Further, as of 31 March, 2012, DFS had released ₹ 52,516 crore to RBI/NABARD between 2008-09 and 2011-12.

#### Release of funds

15. To ensure that banks had ample liquidity for disbursing credit to farmers who became eligible for fresh credit after benefiting under the Scheme, the GoI created a Farmers Debt Relief Fund (FDRF) with an initial corpus of ₹ 10,000 crore in March, 2008. The claims of all lending institutions including SCBs, RRBs and Cooperative Banks were to be reimbursed from the fund. The FDRF was replenished from time to time depending on the requirement. The details of releases, amounting to ₹ 52,516 crore, to RBI/NABARD between 2008-09 and 2011-12 are given as under:

SI. No.	Date of transfer of funds to FDRF	Amount of funds transferred to FDRF (₹ in crore)	Date of release to nodal agencies	Amount of release to nodal agencies (₹ in crore)	Closing balance of the FDRF after releases (₹ in crore)
1	2	3	4	5	6
1.	31.03.2008	10000.00	-	-	10000.00

# In respect of Urban Cooperative Banks (UCBs), though the amount of fund released was given, the corresponding numbers of farmers' accounts was not provided. Hence, the total number of farmers' accounts provided by DFS does not include the farmers covered under the Scheme by the UCBs.



1	2	3	4	5	6
2.	05.12.2008	15000.00	05.12.2008	15000.00	10000.00
3.	-	-	10.12.2008	10000.00	Nil
4.	10.06.2009	5000.00	17.06.2009	5000.00	Nil
5.	03.09.2009	10000.00	03.09.2009	10000.00	Nil
6.	-	-	06.12.2010	11340.47	(-)11340.47
7.	29.03.2011	16000.00	-		4659.53
8.	-	-	01.11.2011	1079.41	3580.12
9.	-	-	21.02.2012	96.98	3483.14
	Total	56000.00		52516.86	

#### **VIII. Audit Examination**

16. The C&AG carried out a Performance Audit of the Scheme to assess whether the management of claims for debt waiver and relief under the Scheme was in accordance with relevant guidelines and requirements. The review, carried out from April, 2011 to March, 2012, covered 25 States involving field audit of a total of 90,576 beneficiaries'/farmers' accounts in 715 branches of lending institutions situated in 92 districts. The sample included 80,299 accounts of such farmers who were extended benefit under the Scheme, 9,334 accounts of such farmers who were not selected as beneficiaries even though they had received agricultural loans between 1 April, 1997 to 31 March, 2007 and 943 cases where complaints were received.

17. The main objectives of the performance audit were to ascertain whether:

- The Scheme achieved its objectives of extending benefits to all the eligible beneficiaries;
- Ineligible persons/loans were not included under the Scheme;
- Correct amount was claimed by the banks for reimbursement;
- Fresh loan was extended to all the farmers covered under the Scheme, if they requested for it;
- The grievance redressal mechanism was efficient, effective and based on clear understanding of Schemes guidelines; and
- The internal control and monitoring was effective.

#### **IX. Audit Constraints**

18. Audit had called for (June-July, 2010) basic data of beneficiaries, State-wise, district-wise and bank-wise, before the start of field audit from DFS as well as from the

two nodal agencies, RBI and NABARD, for the purpose of planning the performance audit. RBI issued (July, 2010) directions to State Level Bankers' Committee (SLBCs), who started sending this data in piecemeal basis to Audit till February, 2011. However, the completeness and correctness of this data was not confirmed by the RBI who stated (December, 2010) that they had not maintained data in such format.

DFS replied to Audit (February 2012) that it would not be possible to have a desired audited data for the States in respect of scheduled commercial banks as the claims of such banks were only verified at the branch level and not at the central level.

19. The Committee noted that although the Scheme envisaged expenditure of ₹71680 crore and beneficiaries were to be identified in a short span, a consolidated data was not available. Though DFS, the apex authority responsible for the administration and implementation of the Scheme, and RBI and NABARD, being the nodal agencies, none of them had obtained and maintained basic data, State-wise, district-wise and bank-wise about the details of beneficiaries of the Scheme. When asked to explain, the DFS submitted as under:

"The data regarding beneficiaries/claims maintained by RBI was bank-wise. It was convenient to keep the bank-wise record as the claims were settled bank-wise. NABARD maintained State-wise/agency-wise details of claims settled as cooperative banks and RRBs were confined to a district or few districts within the State. However, as per instructions issued, the SLBC (State Level Bankers Committee) convener banks were expected to consolidate the figures received from all lending institutions in the State."

#### **X. Gist of Audit Findings**

20. The Audit found errors of inclusion and exclusion at the beneficiary level. The key findings of audit are given as under:

- (i) Out of 9,334 accounts test checked across nine States, 1,257 accounts (13.46 per cent) were those which were found in audit to be eligible for benefit under the Scheme, but were not considered by the lending institutions while preparing the list of eligible farmers.
- (ii) Out of 80,299 accounts granted debt waiver or debt relief, in 8.5 per cent of cases, the beneficiaries were not eligible for either the debt waiver or the debt relief. A proportion of such claims, amounting to ₹ 20.50 crore, was on account of claims being admitted for ineligible purposes or claims pertaining to periods not eligible for Scheme benefits.
- (iii) A Private Scheduled Commercial Bank had received reimbursement for loans, amounting to ₹ 164.60 crore extended to Micro Finance Institutions (MFIs) in violation of the guidelines.
- (iv) Maintenance of proper and complete documentation with respect to each claim was critical to efficient management of the Scheme. In 2,824 cases, with claims amounting to ₹ 8.64 crore, there was *prima facie* evidence of tampering, over-writing and alteration of records.

- (v) In 4,826 accounts, *i.e.* almost six per cent of the test checked accounts, farmers were not extended the benefits according to entitlements. In 3,262 cases, undue benefit totaling ₹ 13.35 crore was extended. On the other hand, in the remaining 1,564 cases, farmers were deprived of their rightful benefits of ₹ 1.91 crore.
- (vi) In violation of the guidelines, lending institutions claimed amounts related to interest/charges which was not allowed under the Scheme. In 6,392 cases across 22 States, although the lending institutions had not borne interest/charges of ₹ 5.33 crore themselves, they were still reimbursed these amounts by the GoI.
- (vii) DFS accepted the reimbursement claims of RBI in respect of Urban Cooperative Banks amounting to ₹ 335.62 crore despite the fact that even the total number of beneficiaries' accounts was not indicated.
- (viii) Debt waiver/relief certificates were not issued in many cases to eligible beneficiaries. In 21,182 accounts (out of 61,793 test checked accounts), *i.e.* 34.28 per cent, there was no acknowledgement from farmers or any other proof of issue of debt waiver or debt relief certificates to the beneficiaries. Such certificates entitle the farmers to fresh loans.
- (ix) The monitoring of the Scheme was also found to be deficient. The DFS was completely dependent upon the nodal agencies for monitoring the compliance of its instructions issued from time to time in implementation of the Scheme. But, the nodal agencies themselves were relying on certificates and data of lending institutions without conducting independent verification of such data and certificates to confirm the veracity of claims.

The Committee have examined in detail the various issues raised by the Audit and the same have been discussed in the succeeding paragraphs.

#### **XI. Time-frame for implementation and capability of lending institutions**

21. The Scheme set an ambitious target of achieving debt waiver/debt relief for an estimated 4.29 crore farmer accounts in a very short span of one month. The Scheme was circulated to banks on 28 May, 2008 with a stringent deadline of 30 June, 2008 for drawing up beneficiary lists by lending institutions. An important clarificatory circular<sup>s</sup> was issued as late as on 18 June, 2008.

22. Audit examination has revealed that the design of the Scheme had not taken into account aspects about varying capacity and infrastructure of the lending institutions. Apart from the fact that a huge number of branches of the Scheduled Commercial Banks were directly involved, the Scheme was also to be implemented by around one lakh Primary Agricultural Cooperative Societies (PACS), District Central

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<sup>s</sup>Clarificatory circular provided explanation and clarity on the issues raised by the lending institutions.

Cooperative Banks (DCCBs) and Regional Rural Banks (RRBs) and other branches situated in remote localities. In light of these issues, the timeline of 30 June, 2008 was unrealistic and fraught with risk of errors.

In response to the above-stated observation, DFS in its reply to Audit (April, 2012) stated that:

"The Scheme, was circulated to banks on, 28.05.2008. Thereafter, certain queries were received from some banks which were clarified on 18.06.2008. In any Scheme the clarifications are issued on an ongoing basis. In the Scheme guidelines the criteria of eligibility for relief has been prescribed and the benefits of the Scheme extended to the beneficiaries. In view of this, time for making list of beneficiaries as per bank record was not short. The Scheme was implemented at branch level. There was already a grievance redressal mechanism in the Scheme. If there was any discrepancy in short listing the beneficiaries the list could be corrected at the branch level itself by the grievance redressal office. The coverage of beneficiaries as under the Scheme shows that the methodology/approach was suitable and there was no time constraint."

23. The Audit was not contended with the above-said reply of the Ministry on the ground that from the number and nature of deficiencies noticed in Audit, *viz.*, eligible farmers not covered under the Scheme, ineligible farmers extended benefit under the Scheme, less or excess benefits provided under the Scheme, etc., it was clear that in such cases the lending institutions had not prepared correct list of beneficiaries with due care. The Audit had also observed that during the State-level exit conferences in Punjab, the banks expressed their opinion that the time allowed by the Government of India for the implementation of the Scheme was a major constraint which resulted in some of the irregularities pointed out in the performance audit. ICICI Bank, Canara Bank and Land Development Bank, Uttar Pradesh also held similar views.

24. When the Committee desired to know the basis on which, the Ministry had decided that one month time would be sufficient for identifying beneficiaries under this Scheme, the Ministry in its written submission has stated as under:

"The Government envisaged implementation of the ADWDRS, 2008 before 30.6.2008 thereby making the farmers eligible for fresh credit during the impending Kharif season.

The Scheme estimated to cover 3.69 crore small and marginal farmers and about 59.75 lakh other farmers. The total value of overdue loans was estimated at ₹ 50,000 crore and the OTS relief on the overdue loans was estimated at ₹ 10,000 crore.

So as to ensure that the banks have ample liquidity for disbursing fresh credit, in spite of this waiver/relief, a Farmers' Debt Relief Fund was also created with an initial corpus of ₹ 10,000 crore during financial year 2007-08.

3.73 crore farmers across the country were benefited to the extent of ₹ 52,259.87 crore. 308.39 lakh accounts were covered under Debt Waiver amounting to ₹ 43,812.15 crore. The 64.85 lakh accounts were covered under Debt Relief amounting to ₹ 8,447.72 crore."

25. The Committee further desired to know that while deciding on the period of one month for identifying the beneficiaries, whether the Ministry had taken into account that the capacity of the implementing agencies was different and also that the Scheme was to be implemented in more than one lakh 'low capacity' branches of Regional Rural Banks, and Primary Agricultural Cooperative Societies. In response, the Ministry in its written reply stated as under:

"It is also a fact that the capacities of implementing agencies were different and many lacked adequate infrastructural facilities such as not even being on Core Banking Platform. However, actually the exercise was a book accounting/adjustment and the records of all the beneficiaries who had got loans were available with the implementing agencies. No money actually exchanged hands or was paid to the beneficiaries and the implementing agencies simply wrote off the dues and claimed reimbursement from the nodal agencies. Therefore, the errors were more of transactional nature."

## **XII. Release of Funds**

26. A Farmers' Debt Relief Fund (FDRF) was created in March, 2008 with the approval of the Cabinet. The fund was created with an initial corpus of ₹10,000 crore in 2007-08 to be augmented as required, for reimbursing the banks against the amount of debt waiver/relief granted by them. Initially, the money was transferred from the Consolidated Fund of India to FDRF which is a reserve fund under the Public Account of India. Subsequently, the funds were released by the DFS to RBI/NABARD for reimbursement of claims under the ADWDRS. The closing balance in the fund as on February, 2012 was ₹ 3,483 crore.

## **XIII. Non-extension of benefits to eligible beneficiaries**

27. In delivering the benefits of debt waiver and debt relief, the lending institutions were responsible for ensuring that all indebted farmers who met qualifying conditions were extended the benefits of the Scheme. As such, all the lending institutions were required to prepare a list of farmers eligible under the Scheme. The list was to be signed after careful verification by the Branch Manager and then authenticated by a designated officer from Zonal/Regional Office of the lending institution. Every effort was to be made to eliminate errors of inclusion as well as exclusion by certifying to the correctness and integrity of the list of beneficiaries.

28. Audit had examined 25 cases of individual loan accounts in each branch visited by them where no benefit was given. It was found that out of a total of 9,334 accounts test checked across nine States, 1,257 accounts (13.46 per cent) were those which were found to be eligible for benefit of ₹ 3.58 crore under the Scheme, but were

not considered by the lending institutions while preparing the list of eligible farmers. Details of such accounts are given as under:

**State-wise Details of Farmer Accounts found eligible but not extended benefit under the scheme**

S. No.	Name of State	Total number of eligible farmer accounts not included in the Scheme	Amount (in ₹)
1.	Chhattisgarh	22	493097
2.	Gujarat	1	15220
3.	Kerala	6	183272
4.	Madhya Pradesh	1147	32063994
5.	Maharashtra	1	95086
6.	Odisha	30	334004
7.	Punjab	8	532983
8.	Rajasthan	4	94266
9.	Tripura	38	1975743
	Total	1257	35787665

29. In addition to the above, Audit noticed that another 183 accounts\*\* were denied benefits totaling ₹ 21.30 lakh under the Scheme though their names appeared in the list of the beneficiaries. For instance in Punjab, debt relief of ₹17.87 lakh was claimed in 176 cases by three branches of Primary Co-operative Agricultural Development Bank Ltd. from Government of India. It was also found that instead of crediting the same into the accounts of the beneficiaries, the amount was irregularly kept in the sundry accounts thereby denying benefit to the concerned beneficiaries.

30. Further, in Haryana, two†† lending institutions recovered full amount of loan from 69 farmers after 29 February, 2008 even though they were eligible for debt relief of 25 per cent under OTS Scheme. Nonetheless, these banks claimed the debt relief, amounting to ₹ 6.38 lakh from, NABARD and the same was not paid to the farmers. On pointed out by Audit (June and July, 2011), the banks stated that the amounts had been paid to the farmers through cheques.

31. Unable to reply to query of the Committee during evidence about the number of eligible farmers that were not given benefit under the Scheme, the Ministry made the following written submission later:

“As per the information received from the RBI/NABARD/lending institutions, a total of 7749 cases have been reported upon reverification of accounts amounting to ₹ 22.17 crore out of which the benefits have been extended in 404 cases amounting to ₹ 74.58 lakhs. However, as the Scheme is already closed, no benefits can be extended to such persons.”

\*\* In Punjab (176), Manipur (3), and Rajasthan (4).

†† Primary Co-operative Agriculture Rural Development Bank (PCARDB) Limited, Naraingarh and Kaithal.

#### **XIV. Inclusion of ineligible beneficiaries**

32. DFS guidelines issued at the beginning of the Scheme were supported by detailed guidelines issued by RBI and NABARD. In addition, clarifications were also issued from time to time regarding eligibility of beneficiaries. Nonetheless, Audit scrutiny revealed that in 6,823 accounts amounting to ₹ 20.50 crore out of the total 80,299 accounts test checked, *i.e.* in 8.5 per cent of the cases, the beneficiaries were not eligible for either the debt waiver or the debt relief. The details regarding the specific violations as pointed out by Audit are as follows.

33. In 1,174 loan accounts, benefits of ₹ 4.57 crore were allowed for purposes not allowed under the Scheme, *i.e.* for personal loan, loan for vehicle, loans for business, loan for shop or purchase of land, advances against pledge or hypothecation of agricultural produce other than the standing crop, and agricultural finance to corporate firms, partnership firms, or societies other than cooperative credit institutions etc. State-wise details are given separately in **Annexure 1**.

34. According to Scheme guidelines, all direct agricultural loans extended to Marginal and Small farmers and Other farmers by lending institutions from 31 March, 1997 to 31 March, 2007, which were overdue as on 31 December, 2007 and remained unpaid till 29 February, 2008 were covered under the Scheme. However, during Audit scrutiny it was noticed that in 5,616 loan accounts, benefits of ₹ 15.87 crore were allowed although these loans were neither disbursed between 1 April, 1997 and 31 March, 2007 nor was any amount overdue on these accounts as on 31 December, 2007 which remained unpaid upto 29 February, 2008. The State-wise position of such cases is summarized in **Annexure 2**.

35. As per the guidelines of the Scheme, all loans restructured and rescheduled by banks in 2004 and 2006 through the special packages announced by the GoI or restructured and rescheduled in the normal course upto 31 March, 2007 as per applicable RBI guidelines on account of natural calamities, whether overdue or not, were eligible under the Scheme. Audit scrutiny, however, revealed that in four States Chhattisgarh (11), Kerala (17), Tamil Nadu (1) and Uttar Pradesh (4), 33 loan accounts sanctioned prior to 1 April, 1997, were extended benefits of ₹ 6.15 lakh under the Scheme though these loans were neither restructured and rescheduled by banks in 2004 and in 2006 through the special packages announced by the Central Government nor restructured and rescheduled by banks in the normal course up to 31 March, 2007 as per applicable RBI guidelines on account of natural calamities.

36. Apprising the Committee of the steps taken/proposed for rectification of these errors, the Ministry of Finance (Department of Financial Services) made the following written submission to the Committee:

"Under the Scheme, multiple levels of checks and balances and elaborate auditing mechanism were well-ingrained into the Guidelines. Every lending institution

was 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 had to bear the signature and designation of an authorized officer of the lending institution. These lists were required to be displayed prominently for ensuring transparency. The Scheme also provided that every lending institution was to appoint one or more Grievance Redressal Officers for each State. Notably, more than 2 lakh grievances were redressed by the lending institutions during the implementation of the Scheme.

Books of accounts of every lending institution that granted debt waiver or debt relief, including the books of accounts maintained at the branches, were subject to audit as per the process to be prescribed by RBI/NABARD. The audit could be conducted by concurrent auditors, statutory auditors or special auditors, as may be directed by RBI/NABARD.

Finally, the consolidated claims for the bank as a whole duly certified by the Central Statutory Auditors were to be submitted for reimbursement to nodal agencies which in turn had to forward the consolidated claims to DFS for reimbursement. In the light of such robust mechanism, well ingrained into the guidelines, the DFS relied on nodal agencies and implementing agencies for accuracy of data.

Further, based on the feedback received during the interaction with the officials of CAG and at the Exit Conference, the Government advised both RBI and NABARD on 11th January, 2013 to issue directions to the various lending institutions. Accordingly, NABARD and RBI issued on 11th January, 2013 and 14th January, 2013 respectively, directions to all Scheduled Commercial Banks, Local Area Banks, RRBs and cooperative credit institutions to take necessary remedial action."

37. About the remedial action taken for recovery from ineligible beneficiaries, the Ministry submitted:—

"As the benefits under the Scheme were extended to the beneficiaries through their bank accounts, the remedial action *inter alia* includes recovery of such amounts from ineligible beneficiaries, recovery of excess payment and fixing responsibility of the bank staff in appropriate cases. The Government also on 15th February, 2013 directed RBI/NABARD and Public Sector Banks to take immediate corrective action.

As the audit findings were based on a sample of beneficiaries, institutions have been directed to verify cases of all beneficiaries. Institutions have also been directed to take action wherever criminal liability is observed. They have been asked to submit Action Taken Reports before the 10th day of every month.



NABARD has issued instructions to RRBs and Cooperative Credit Institutions on 5th March, 2013. RBI has issued instructions to Scheduled Commercial Banks and Local Area Banks/UCBs on 6th & 7th March, 2013.

The Government had also taken up with RBI the specific deficiencies pointed out in CAG Report regarding reimbursement for loans to a private scheduled commercial bank and also reimbursement of claim in respect of UCBs. The RBI have since recovered ₹164.60 crore from the ICICI Bank and remitted to the Government and the quantum of interest to be charged from the Bank and the regulatory action to be taken is being discussed. As regards furnishing of details in respect of UCBs, the same have since been obtained from the RBI."

38. The Committee were also informed that re-verification was being carried out by lending institutions in all the branches covered under ADWDRS. The progress uptill 30th June, 2013 was as follows :

**Cases pointed out by CAG in PSBs:**

With regard to cases pointed out by CAG during the Performance Audit of PSBs, in cases where benefits were granted to ineligible beneficiaries, so far in 523 cases an amount of ₹ 160.7 lakh has been recovered by PSBs. In cases of excess benefits extended to beneficiaries, in 601 cases so far ₹ 299.22 lakh has been recovered. In cases where charges/interest claimed/debited was not as per guidelines, in 2110 such cases, an amount of ₹ 123.98 lakh has since been refunded. In cases where less benefits were extended to beneficiaries, in 655 such cases an amount of ₹ 44.34 lakh has been disbursed by lending institutions. In cases where benefits were not given to eligible beneficiaries, in 176 such cases, ₹ 49.5 lakh has been given by lending institutions to the beneficiaries. Disciplinary action against the staff of PSBs has been initiated/taken in 1520 cases and the responsibilities of auditors have been fixed in 153 cases.

**Cases identified out of re-verification by PSBs (other than cases pointed out by CAG):**

With regard to cases identified out of re-verification, other than cases pointed out by CAG, by PSBs, where benefits were granted to ineligible beneficiaries, so far in 581 cases an amount of ₹ 152.67 lakh has been recovered by PSBs. In cases of excess benefits extended to beneficiaries, in 439 cases so far ₹ 146.53 lakh has been recovered. In cases where charges/interest claimed/debited was not as per guidelines, in 2384 such cases, an amount of ₹ 56.43 lakh has since been refunded. In cases where less benefits was extended to beneficiaries, in 15 such cases an amount of ₹ 4.3 lakh has been disbursed by lending institutions. In cases where benefits were not given to eligible beneficiaries, in 101 such cases, ₹ 24.69 lakh has been given by lending institutions to the beneficiaries. Disciplinary action against the staff of PSBs has been initiated/taken in 904 cases of deficiencies identified during re-verification and the responsibility of auditors has been fixed in 42 cases.

**Cases identified out of CAG Audit/reverification by RRBs, Cooperative Banks:**

With regard to cases identified out of CAG Audit/reverification by RRBs and Cooperative Banks, where benefits were granted to ineligible beneficiaries, so far in 1286 cases an amount of ₹ 404.73 lakh has been recovered. In cases of excess benefits extended to beneficiaries, in 1720 cases so far ₹ 540.82 lakh has been recovered. In cases where charges/interest claimed/debited was not as per guidelines, in 2732 such cases, an amount of ₹ 171.43 lakh has since been refunded. In cases where less benefits were extended to beneficiaries, in 462 such cases an amount of ₹ 42.10 lakh has been disbursed by lending institutions. In cases where benefits were not given to eligible beneficiaries, in 209 such cases, ₹ 22.65 lakh has been given by lending institutions to the beneficiaries. Disciplinary action against the staff of RRBs/Cooperative Banks has been initiated/taken in 1110 cases of deficiencies identified during re-verification and the responsibility of auditors has been fixed in 12 cases. FIRs have been filed in 5 cases of tampering of records.

In view of the fact that the total number of cases in which re-verification is to be done is around 3.72 crore, the number of cases reported for follow up action is not in consonance with the findings of CAG sample audit in terms of proportion. Hence, the implementing agencies *i.e.* RBI and NABARD have been advised to closely monitor and certify the exercise in next 15 days. In addition, the Government nominee Directors on the Board PSBs have also been advised to address the issue in the Board and respective CMDs of banks have been advised to re-verify the same."

39. While concurring with the Audit observation, Secretary, Financial Affairs stated during evidence that:

"Now the fact that somebody who is not eligible got it and somebody who is eligible did not get it or alternatively there was a case of tampering or alteration. This could not happen unless the bank staff concerned made a mistake and a mistake which was apparent on the face of it."

40. As regards the action taken against the staff, if found guilty, Secretary, Financial Services deposed before the Committee that:

"... all the actions will be taken against those people who are found guilty of putting up a list which was not as per the records available."

He further added that:

"The first stage of audit was the internal auditors who are certified chartered people. This list would never have got through if they had done their job properly. They were supposed to do hundred per cent audit. Automatically, the auditors become responsible. There are two kinds of auditors we are dealing with. One is chartered accountants and the other is local fund audits in the case of Karnataka. The local fund auditors being Government servants, State Government has to deal with them. That case has already been referred to them. In the case of chartered accountants, the instructions which were already given to all the

banks are that all cases are to be referred to the Institute of Chartered Accountants of India (ICAI) who are the disciplinary authority for all chartered accountants who indulge in something which is not proper as per the accounting standards. The matter has also been discussed with the Institute. They have promised that in case any chartered accountant was found at fault, they would take the strongest possible action against them. That is also being done. FIRs are of course done in the rarest of rare cases where the records have been tampered with and changed to facilitate financial benefit to somebody, their of course, the law of the land will take steps."

#### **XV. Loans disbursed through Micro Finance Institutions and claimed under the Scheme**

41. As per the Scheme guidelines, only agricultural loans disbursed directly to farmers were eligible for reimbursement. In November, 2010, DFS also clarified to Audit that agricultural loans extended to Micro Finance Institutions (MFIs) by banks were not eligible under the Scheme for reimbursement from GoI. Audit scrutiny in five States (Andhra Pradesh, Chhattisgarh, Odisha, Tamil Nadu and West Bengal), revealed that a Private Scheduled Commercial Bank had received reimbursement for loans, extended to MFIs.

42. In response to the above said audit observation, (November, 2011), the Bank in its reply to Audit stated that:

"The Bank had lodged claim under ADWDRS for certain borrowers sourced through MFIs (acting as service providers) under the partnership model. Under the said model of lending, borrowers, sourced through the service providers were provided loans directly by the Bank. As per the service provider agreement entered into by the Bank with the MFIs, the service provider was responsible for aggregating the proposals for facilities from the borrowers, ensuring that the documentation for the facility is complete, storage/safety of the facility documents on behalf of the Bank, disbursing the facility to the borrowers and ensuring appropriate end-utilization of loan by customers. These loans given for agricultural purposes and allied activities were considered as direct finance to agriculture. In accordance with the procedure adopted by the Bank, for all customers eligible for waiver, the certificates have been printed centrally and have been mailed by registered AD or have been couriered to the customer."

43. DFS in its reply submitted to Audit in June, 2012 stated that the Bank had made the following submissions in this regard:

"The model of providing these loans was evolved by the Bank for the deepening and widening of financial services in the rural areas and expanding the outreach of the formal financial system to the rural poor. The loans given under the model were direct lending to borrowers and were eligible for benefit under the Scheme. The Bank did not claim benefit with regard to loans given to Micro Finance Institutions (MFIs) for the purpose of on-lending to farmers/individuals."

44. However, Audit review revealed that disaggregated data of the loan accounts sourced through MFIs was not maintained by the Bank. These loans could not be

considered as direct lending to farmers since a lump-sum credit arrangement facility was given to the MFI, against which the MFI actually disbursed the loan to borrowers identified by it. The MFI was also the keeper of all documentation. The procedure for sanctioning of such loans was:

1. First, the MFI would conduct a preliminary survey and submit the quantum of loan required to the bank authorities for sanction.
2. Based on the past credit worthiness of the MFI, the required amount would be sanctioned to the MFI for specific purpose. Subject to an overall credit limit a Credit Arrangement Letter (CAL) would be given to the MFI. As example, an MFI, namely Kotalipara Development Society, was authorized Credit arrangement facility of ₹ 15 crore. Similarly, another MFI, namely All Backward Class Relief and Development Mission, was authorized credit arrangement facility of ₹ 5 crore.
3. The MFIs sourced their clients for loans from across the state and identified the purpose of the loan.
4. Loan applications from the farmers were processed by the MFIs, loans were sanctioned and the amounts disbursed by the MFIs. The loan applications were scrutinized, approved and authorized by the MFI officials. There was no involvement of the Bank officials and the signature/stamp/seal of the Bank and its officials was not on the loan applications and related documents. The loan applications were generally on the letter-heads of the MFI. Know Your Customer (KYC) details were also verified by the MFI officials.
5. Weekly instalments were collected by MFIs from the loanees. Consolidated payments, against the loan given to the MFI, were made to the bank branch on a monthly basis, along with the list of beneficiaries. The MFIs maintained the data and ledgers including weekly repayments received from beneficiaries.
6. Seven percent of the loanee data where repayment was received was to be checked quarterly by bank's auditors and one per cent of MFI branches were to be verified by them for correctness.

45. Audit found that, there was no evidence to show a direct relationship between the recipient farmer and the bank, *i.e.* the individual loan accounts were not on the books of the bank. This was also evidenced by the fact that the debt waiver/debt relief was credited, not to individual accounts but to the account of the MFI. For example, amounts in excess of ₹ 3 crore and ₹ 5 crore were given against farm credit waiver to individual MFIs, All Backward Class Relief and Development Mission and Kotalipara Development Society respectively. Further, as per the service provider agreement the MFI was responsible for providing security, like an Upfront Fixed Deposit for the repayment of loans.

46. Audit could also not get any reasonable assurance that benefits of such waiver were extended to the actual beneficiary as copies of the certificates duly acknowledged by the individual beneficiaries, as stipulated in the guidelines, were not available with the Bank.

47. Audit review revealed that the total claim reimbursed for this Bank relating to loans given to borrowers and sourced through MFIs under the partnership model, across India, in violation of the guidelines, amounted to ₹ 164.60 crore.

48. While submitting clarification on the audit observation, the Ministry of Finance (Department of Financial Services) in its written note stated as under:

"The implementing agencies have been advised to return all the inadmissible charges to the Government which are being refunded by the lending institutions.

The CAG Report had also pointed out that a private scheduled commercial bank (ICICI Bank) had received reimbursement for loans amounting to ₹ 164.60 crore extended to Micro Finance Institutions in violation of the guidelines. The claim was assessed and settled by the RBI. Based on the observations of the CAG, the clarification of RBI was sought on the eligibility of the claim.

The RBI has advised that these loans by ICICI Bank 'through service providers/ MFIs' do go beyond the scope of 'direct agricultural loans' and as such these loans were 'ineligible' for waiver/relief as per the provisions of the Scheme. As regards the specific query of DFS that if the benefit had actually reached the intended beneficiaries', the RBI is of the view that considering the ineligibility of these claims under the provisions of the Scheme, such an exercise is not warranted.

Accordingly, the RBI was advised to recover the reimbursement amount from ICICI Bank. The RBI has since recovered ₹ 164.60 crore from ICICI Bank and remitted the amount to the Government. The quantum of interest to be charged is being decided and the regulatory action to be taken against the Bank is being decided.

RBI have informed that as per the information received by them so far there are no other such cases in which the bank/institution had claimed reimbursement claims pertaining to MFIs."

#### **XVI. Poor and inadequate documentation**

49. Audit came across 2,824 cases amounting to ₹ 8.64 crore where there was *prima facie* evidence of tampering, over-writing and alteration of records and poor/ inadequate documentation while extending benefits. Details of these banks are given as under:

S. No.	Name of State	Particulars	Remarks
1.	Karnataka	In four banks# large scale tampering of records, <i>i.e.</i> overwriting, alteration of purpose of loan etc. was noticed in 2,798 test-checked cases.	Benefit of ₹ 8.52 crore was irregularly claimed under the Scheme.
2.	Andhra Pradesh	In AP Grameena Bank, Ballikurava land holdings of 17 loanees were altered so as to	Excess benefit amounting to

# Mandya City Cooperative Bank Ltd. (Mandya), Lokapavani Mahila Sahakari Bank Niyamitha (mandya), Simsha Sahakara Bank Ltd. (Maddur), Sri Gurusiddeshwara Cooperative Bank Ltd. (Hubli).

S. No.	Name of State	Particulars	Remarks
		change their category from other farmer to small farmer, in order to claim a higher amount.	₹ 10.82 lakh claimed.
3.	Jharkhand	In Brambey Branch of Jharkhand Gramin Bank, nine farmers were eligible for debt relief of ₹ 40,718 on the basis of their land holdings, <i>i.e.</i> their land holdings were in excess of five acres of land. The bank claimed both, debt relief of ₹40,718 as well as debt waiver of ₹1,62,864, against these accounts.	The bank credited the debt waiver amount of ₹1,62,864 to these farmers irregularly and kept the debt relief amount of ₹40,718 in suspense account.

Incidentally, NABARD in their special note on 16 February, 2010 for claims lodged under ADWDRS also pointed out the following irregularities with respect to certain Co-operative Credit Institutions:

- (i) Land holding records of farmers were found tampered.
- (ii) Crop loan policy of lending institutions did not consider the scale of finance and acreage norms.
- (iii) As per crop loan manual of the RBI the adherence to the scale of finance, seasonality of disbursement were must, but these were found absent in many cases.
- (iv) Affairs of societies were infested with recurring incidences of frauds and embezzlement.
- (v) The crop loan/agricultural loan accounts which had already been identified under fraud/benami loaning etc. prior to the introduction of Scheme, had been claimed by banks for waiver.
- (vi) Ineligible loans, *i.e.* loans for non-agricultural purposes, had been claimed under the Scheme.
- (vii) There were complaints alleging grave irregularities *e.g.* tampering with loan records/ledgers, and/or alteration of previous years' statutory reports for showing non-agricultural loans limit as agricultural loans with an intention of covering them under the Scheme.

50. Having asked about the responsibility, if any, fixed for adopting a casual approach while reimbursing the claims to the Nodal Agency and officials found involved

in tampering, overwriting and alteration of records, the Ministry of Finance (Department of Financial Services) in its written note submitted as follows:

"The details of the cases are as follows:

S. No.	Name of bank	No. of cases	Action taken
1.	Mandya City Cooperative Bank, (Mandya) Lokpavani Mahila Sahakari Bank (Mandya), Simsha Sahakara Bank (Maddur) and Sri Gurusiddeshwara Cooperative Bank, Hubli.	2798 cases amounting to ₹ 8.52 crore	The banks have set up internal committees and have sought some more time for completion of investigation/enquiry and for taking necessary follow up action thereon.
2.	AP Grameena Bank, Ballikurava, AP	17 cases amounting to ₹ 10.82 lakhs	One FIR naming all 17 parties involved has been filed.

DFS on 11 January, 2013 itself directed filing FIRs in cases of tampering of records alongwith fixing the responsibility of the concerned. The implementing agencies have informed that FIRs have been filed in 5 cases one in AP Grameena Bank and others in District Central Co-operative Banks (DCCBs) arising out of re-verification."

## XVII. Accuracy of claims

51. The actual amount by which a farmer would be benefited would depend upon his classification based on landholding, the type and amount of loan taken and finally, the amount outstanding as on the prescribed dates. Audit scrutiny of test checked accounts revealed that the classification of farmers or calculation of the 'eligible amount' was not done properly in terms of the Scheme guidelines. Consequently, 4,826 accounts out of the 80,299 test checked accounts of farmers, *i.e.* almost six per cent of the accounts, were not extended the correct benefits. Relevant details in this regard are as follows:

### (a) Less benefits extended to eligible accounts of farmers

52. Audit examination revealed that 1,564 accounts were extended less benefit of ₹ 1.91 crore in 17 States due to the following reasons:

- 98 farmer accounts were deprived of benefit of ₹0.61 crore as they were extended debt relief even though they had less than/up to 2 hectares (5 acres) of land holding under cultivation, *i.e.* they were Small/Marginal farmers and were entitled to debt waiver.



- 23 accounts of farmers, who were sanctioned loans for allied activities for ₹ 50,000 or less, were extended debt relief instead of debt waiver, thereby depriving them benefit of ₹ 0.10 crore.
- 1,443 accounts of farmers were provided benefit of waiver of lesser amount, due to wrong calculation/short estimation of overdue amount, thereby depriving them benefit of ₹ 1.20 crore.

**(b) Excess benefits extended to beneficiaries' accounts**

53. Audit scrutiny also revealed that in 3,262 accounts, undue benefit totaling ₹ 13.35 crore was extended. In , 2300 accounts, debt waiver was extended instead of debt relief resulting in excess benefit of ₹11.05 crore while in 962 accounts, farmers were given excess benefit of ₹2.30 crore because the lending institutions claimed the entire amount of the loan despite only a part amount of the loan being eligible under the Scheme. The state-wise figures are detailed in **Annexures 3A and 3B**.

**XVIII. Reimbursement to lending institutions**

54. The claims of the lending institutions against the debt waiver and debt relief amounts extended were to be reimbursed by the Central Government. Audit found deficiencies in such reimbursement, which were also in violation of guidelines. Details of these deficiencies are as follows:

**(a) Inadmissible charges of ₹ 5.33 crore claimed by the lending institutions from the GoI**

55. As per the clarifications issued with regard to the guidelines of the Scheme, the lending institutions, while computing the eligible amount, were not allowed to claim (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. either from the GoI or from the beneficiaries. All such interest/charges were to be borne by the lending institutions themselves. However, audit scrutiny of test checked beneficiaries' accounts revealed that in 6,392 beneficiaries' accounts out of the 80,299 beneficiaries' accounts test checked (*i.e.* in 7.96 per cent cases), the lending institutions claimed such charges amounting to ₹ 5.33 crore from the GoI. The bank- wise details of such claims (in respect of banks under RBI) and state-wise details (in respect of banks under NABARD) are summarized in **Annexures 4A and 4B** respectively.

However, Audit noticed that high incidence of such cases and the large amount involved therein is indicative of the fact that total errors in inclusion of inadmissible charges would be large with a correspondingly higher monetary value.

56. Apprising the Committee about the recovery of inadmissible charges of ₹ 5.33 crore, the Ministry in its written submission stated as follows:

"DFS *vide* its communications dated 11.1.2013 and 15.2.2013 had asked the implementing agencies to recover such inadmissible amount from the lending



institutions. As per information received from lending institutions upto June, 2013 ₹2.70 crore has already been refunded by the lending institutions."

**(b) Reimbursement received in excess of claim**

57. Audit scrutiny had revealed that in Chhattisgarh, six\*\*\* lending institutions received reimbursement of ₹ 7.87 lakh from NABARD, in excess of their claims. Instead of refunding this amount, they retained the excess amount with them.

58. In this regard, DFS in its reply to Audit (June 2012) stated that:

"Surguja Kshetriya Gramin Bank, has replied that the institution received reimbursement of ₹40,098 in excess of their claim. On the basis of Grievance Redressal Committee, same has been adjusted in the account of eligible beneficiary of Darima branch. In case of Raipur DCCB, NABARD (the nodal agency) while accepting the error attributed the same to typographical error, mis-interpretation of Scheme guidelines and non-feasibility of rectification of such errors at this stage. Bilaspur DCCB has accepted the mistake of claiming an ineligible amount of ₹ 2.58 lakh and has agreed to refund the amount."

59. However, Audit commented that information regarding refund of the amount and replies in respect of the remaining lending institutions were also not furnished to them.

**(c) Claims made in excess of benefit extended to beneficiaries**

60. In one instance, Audit noticed that ICICI Bank made a claim for reimbursement amounting to ₹ 60.26 lakh, which was in excess by ₹ 16.13 lakh of the benefits extended by them. This amount continued to be retained by them.

61. Further, in two cases-banks retained the entire amount claimed by them from Gol and did not credit the same to beneficiaries' accounts, as shown in the following:

₹ in lakh

Sl. No.	Name of Bank / Branch	Amount payable to beneficiaries but retained by bank
1.	Central Bank of India, Brahmandiha, Dhanbad	3.57
2.	State Bank of India, Godhra, Panchmahal	4.55

**(d) Non-furnishing of details of computation of interest paid on reimbursable claims amounting to ₹ 1,934 crore**

62. Audit examination had revealed that DFS released funds amounting to ₹ 1,934 crore to the nodal agencies ₹ 1,612 crore to RBI and ₹ 322 crore to NABARD on

\*\*\* DCCB Arang, DCCB Bhatgaon, DCCB Lormi, RRB Darima, State Bank of Indore, Ambikapur and SBI Bhayathan.

account of interest on reimbursable claims under the Scheme. DFS had not furnished computation sheets for the interest on the reimbursement claims showing the date of claim submitted by the lending institution to nodal agencies, fund released to the lending institutions, period of interest (months/days), rate of interest and eligible amount of interest. As a result, the correctness of the computation of interest on account of reimbursable claims could not be verified in audit.

63. On the above said observations, DFS in its replies submitted to Audit in June, 2012 had stated that:

"The computation of interest on account of reimbursable claims has been made by Reserve Bank of India."

64. However, the Audit observed that DFS had only provided bank-wise interest payments amounting to ₹ 1,612 crore without giving the details of calculations of interest reimbursed to the lending institutions. It was, therefore, apparent that DFS had no mechanism to verify the correctness of the claims reimbursed.

**(e) Reimbursement of claims of Urban Cooperative Banks (UCBs)**

65. During scrutiny of records of DFS, it was noticed by Audit that DFS had accepted the reimbursement claims of RBI in respect of Urban Cooperative Banks amounting to ₹ 335.62 crore and paid ₹ 206.24 crore upto September, 2010, despite the fact that even the total number of beneficiaries' accounts was not indicated.

66. Regarding the basis for accepting the claims of RBI in respect of Urban Cooperative Banks amounting to ₹ 335.62 crore without knowing even the total number of beneficiaries' accounts, the DFS in its written replies submitted to the Committee stated as under:

"The RBI have since furnished the details of claims of UCBs to DFS. The total no. of accounts benefited towards debt waiver and debt relief was 83750 and 11099 respectively. The amount given towards debt waiver and debt relief Scheme was ₹ 319.14 crore and ₹ 33.42 crore respectively".

**(f) Wrong claims of DCCBs**

67. Audit review of five lending institutions in Andhra Pradesh DCCB (Atmakur, Warangal), DCCB (Pitchatur, Chittoor), Canara Bank (Kuppam, Chittoor), SBI (Macherla, Guntur) and DCCB (Vinukonda, Guntur) revealed that these institutions had claimed ₹ 66.16 lakh as 25 per cent share under One Time Settlement (OTS), even though the farmers had not paid their share of 75 per cent of eligible amount. Similarly, Audit noticed in Haryana that three banks (Haryana Gramin Bank, Gurgaon Gramin Bank and Haryana State Cooperative Apex Bank Limited) under NABARD claimed an amount of ₹ 9.18 crore under debt relief in advance although farmers had not paid 75 per cent of the eligible amount. Initially, this claim was accepted by NABARD and the amount was released to the banks. However, after NABARD sought information about the number of beneficiaries who had deposited the 75 per cent share, it was found that the banks had in fact claimed excess amount of ₹ 9.18 crore. Subsequent to this being pointed out

by Audit, the banks refunded (February, 2011 and June, 2011) the excess amount to NABARD.

68. In response to the aforesaid Audit observation, DFS in its replies furnished to Audit (June, 2012) had stated that:

"The entire amount-was absorbed in the corpus meant for ADWDRS 2008."

### **XIX. Extension of fresh credit**

#### **(a) Issue of debt waiver and debt relief certificates**

69. As per the ADWDRS guidelines, the lending institutions had to issue debt waiver/ debt relief certificates to the farmers in the format prescribed by RBI/NABARD. In the case of Small and Marginal farmers, upon waiver of the eligible amount, the lending institution was to issue a certificate to the effect that the loan had been waived and also specifically mention the eligible amount that had been waived. In the case of 'other farmers', upon granting OTS relief, the lending institution was to issue a certificate to the effect that the loan account had 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. Upon issuing the certificate, the lending institution had to obtain an acknowledgement from the farmer.

70. However, Audit scrutiny revealed that in 21,182 accounts (out of 61,793 test checked accounts), *i.e.* 34.28 per cent, there was no acknowledgement from farmers or any other proof of either issue or receipt of debt waiver or debt relief certificates to or by the beneficiaries. State-wise position of non-issue of debt waiver/relief certificates is given in **Annexure 5**.

71. The reasons cited by the lending institutions for lack of acknowledgement from farmers were that the farmers were not traceable either due to death or migration to other places and/or that lending institutions were busy in the implementation of the Scheme and acknowledgements were received only from those borrowers who visited the lending institutions.

72. In this regard, in its reply submitted to Audit (June, 2012), DFS stated that:

"Banks had reported that they had issued the relevant certificates to the beneficiaries as and when the amount was waived or relief provided."

73. Considering that there was no evidence that beneficiaries were issued the required certificates of debt waiver or debt relief in one in every three cases, the Audit concluded that a large number of beneficiaries might not have been issued such certificates at all.

74. While specifying the reasons for not issuing the requisite certificates by the lending institutions to the beneficiaries, the Ministry in its written replies submitted to the Committee stated as follows:

"Non-issuance of certificates to beneficiaries does not debar the farmers to obtain fresh loans. However, all the lending institutions were directed by DFS on

11.1.2013 to ensure that all such certificates are issued immediately and the exercise be completed by 28.2.2013. The banks have confirmed that such certificates have been issued."

**(b) Maintenance of records relating to request for fresh loan by farmers**

75. The objective of the Scheme was to de-clog the lines of credit that were clogged due to debt burden on the farmers and to entitle them for fresh agriculture credit from banks in accordance with the normal rules. Audit made efforts to get information in respect of ADWDRS beneficiaries who were recipients of debt waiver/ debt relief certificates, to ascertain whether they got fresh loan whenever they applied for it. This exercise was made for beneficiaries in receipt of debt waiver/relief certificate only as it was felt that beneficiaries in possession of the certificates would be better placed to get the fresh loan, if they applied for it, in comparison to those who did not get the certificate. Audit scrutiny in 12 states revealed that no records relating to request for fresh loans by the beneficiaries were maintained.

76. Further, in Jammu & Kashmir, Regional Office, NABARD, Jammu claimed that fresh loans amounting to ₹ 8.25 crore had been advanced to 1,001 farmers by the Cooperatives and Regional Rural Banks in the State. However, there was no documentation to show how many ADWDRS beneficiaries who had availed (June 2008) benefits under Scheme had received the benefit of fresh loans.

**(c) Increase in credit subsequent to implementation of Scheme**

77. When Audit sought to verify in quantitative terms also whether the Scheme was able to achieve its objective of de-clogging credit lines, DFS in its reply to Audit had stated (April, 2012) that:

"The Scheme had de-clogged the lines of credit of the farmers, particularly the Small and Marginal farmers; and that the percentage of Small and Marginal farmers loan accounts had increased from 54 per cent in 2008-09 to 61 per cent in 2010-11. Like-wise, the agriculture credit had also increased from ₹ 3.02 lakh crore in 2008-09 to ₹ 4.60 lakh crore in 2010-11, due to the implementation of the Scheme. The number of farmer accounts in the country had increased substantially from ₹ 456.10 lakh in 2008-09 to ₹ 634.82 lakh in 2011-12 after implementation of the Scheme."

78. DFS, however, had not provided any figures on the quantum of fresh loan or number of beneficiaries given fresh loans under the Scheme. Audit also had not come across any quantitative data to verify the claim.

79. The Committee sought to know about the system that had been put in place by the DFS to monitor the issue of fresh loan to beneficiaries and the results of such a system. The Ministry in its written replies submitted as under:

"The Scheme provided issue of certificates to beneficiaries to the effect that the loan has been waived/settled. Irrespective of the certificate, the eligibility of the farmer is assessed by the lending institutions at the time of applications for loans.

The purpose of the Scheme was to de-clog the lines of credit by providing debt waiver to 'small and marginal farmers' and debt relief to 'other farmers' in the books of account of lending institutions, from where farmers had taken loan. After the book exercise, the farmers became eligible for fresh credit and growth of agriculture credit since 2008 exemplifies that the purpose of the Scheme was served substantially.

Considering the need for enhancing the flow of credit to the agricultural sector, the Government sets annual targets for flow of credit to agricultural sector taking, *inter alia*, into account the overall banking credit growth."

80. On target setting and monitoring of the targets achieved, the Ministry stated that the Government has been setting targets for agricultural credit every year. These targets are regularly monitored by the Government. As against the target for flow of agricultural credit for 2007-08 at ₹ 2,25,000 crore the achievement was ₹ 254,657 crore which increased to ₹ 6,07,375 crore during 2012-13 against the target of ₹ 5,75,000 crore. The year-wise disbursement was as follows:

(₹ In crore)		
Year	Target	Achievement
2003-04	—	86,981
2004-05	1,05,000	1,25,309
2005-06	1,41,000	1,80,486
2006-07	1,75,000	2,29,400
2007-08	2,25,000	2,54,657
2008-09	2,80,000	3,01,908
2009-10	3,25,000	3,84,514
2010-11	3,75,000	4,68,291
2011-12	4,75,000	5,11,029
2012-13	5,75,000	6,07,375

Source : NABARD

The number of small and marginal farmers accounts financed during 2009-10 also increased from 284.73 lakh to 404.82 lakhs in 2011-12. The credit disbursed

to small and marginal farmers also increased from ₹ 1, 18,277 crore to ₹ 2,21,329 crore during the corresponding period. The year-wise details are as follows:

(accounts in lakh and ₹ in crore)

Year	Total loan accounts	No. of SF/MF loan accounts financed	Credit disbursed to SF/MF
2009-10	482.30	284.73	1,18,227
2010-11	549.60	335.95	1,63,189
2011-12	646.57	404.82	2,21,329
2012-13(*)	547.32	334.72	1,89,903

(\*) upto January, 2013: Source: NABARD

The Ministry therefore submitted that in evident from the above, since implementation of ADWDRS, 2008 by the Government, there has been consistent growth in the agricultural credit in the country thereby reflecting the fulfillment of objectives of the Government to extend adequate credit to farmers.

## XX. Monitoring by Nodal Agencies

81. Audit scrutiny revealed that the monitoring of the Scheme was also found to be deficient. The DFS was completely dependent upon the nodal agencies for monitoring the compliance of its instructions issued from time to time in implementation of the Scheme. But, Audit found that the nodal agencies themselves were relying on certificates and data of lending institutions without conducting independent verification of such data and certificates to confirm the veracity of claims.

82. **Department of Financial Services**—As per guidelines issued by the Government of India, a National Level Monitoring Committee (NLMC) was required to be constituted with Secretary, DFS as its Chairperson, to monitor the implementation of the Scheme. In this connection, DFS was requested by Audit to furnish information regarding the agenda and minutes of NLMC meetings. In April, 2012, DFS stated that NLMC meetings were held on 17 June, 2008 and 13 August, 2008 to review the implementation of the Scheme. However, DFS had not furnished the agenda or minutes of these meetings.

83. In addition, DFS had sent (June, 2008) its officers to inspect the implementation of the Scheme when it was initiated. However, though 30 June, 2008 was the last date of preparation of the list of beneficiaries, there was no evidence on record to suggest that such lists were test checked by any agencies to ascertain their correctness after the preparation of these lists.

84. According to Audit, monitoring by the nodal agencies namely NABARD and RBI, was also found to be inadequate. Although the guidelines of the Scheme stipulated that RBI and NABARD were to put in place a system for monitoring the implementation of the Scheme on daily basis upto 31 July, 2008 and on weekly basis thereafter, DFS had not specified any periodical reports and returns in the Scheme guidelines to be submitted to it with regard to the implementation of the Scheme.

85. While responding to the above-said Audit observation, DFS stated (April 2012) that:

"Since the Scheme was for a short span of time for a specific purpose, regular reports, returns, etc. were not required."

86. However, the Audit found that the reply of DFS was not in consonance with the huge amount of reimbursement of funds to the tune of around ₹ 52,516 crore and the fact that the claims were being settled till February, 2012. Further, contrary to the claims of DFS that the Scheme was for a short span of time, the Scheme was officially in operation from 28 May, 2008. to 30 June, 2010, *i.e.* for more than two years.

87. **Reserve Bank of India**—RBI had issued guidelines and instructions to the implementing banks for maintenance of data in prescribed format for borrowers, amounts waived, and rebates at different levels *i.e.* Branch Office /Regional Office/Zonal Office/ Head Office. RBI had also advised banks to form dedicated cells in each State for the purpose, of monitoring the progress in implementation of the Scheme and disseminating the progress report to the SLBC Convener Banks who would further consolidate and report the position State-wise and Bank-wise to the concerned Regional Office of the Reserve Bank of India.

88. As regards the submission of claims, the banks were required to prepare the claims duly audited by internal audit at the branch level and forward them to the respective controlling offices which would be further consolidated at the Head-Office level. The consolidated claims were to be checked by the central statutory auditors Chartered Accountants appointed by the banks, by covering a representative sample of branches and accounts, of at least 20 per cent, so as to certify the correctness of the claims. The consolidated claims for the bank as a whole were to be submitted for reimbursement duly certified by the central statutory auditors.

89. There had been no assurance that RBI had instituted a specific mechanism for the ADWDRS Scheme for inspection of branches' claims to verify that the banks had complied with the GoI guidelines/clarifications.

90. In response, RBI in its replies to Audit stated (April, 2012) that:

"The detailed Scheme notified by the GoI along with necessary explanation was forwarded to the scheduled commercial banks (including local area banks) for necessary action towards implementation of the Scheme. RBI was given the role of 'Pass through' agency for receiving the audited consolidated claims from each bank to be sent to the GoI for reimbursement. On receipt of the same from the GoI, the accounts of the banks maintained with RBI were to be credited with appropriate remarks. No further role was envisaged for RBI under the Scheme."

91. While supporting the RBI's stance (June, 2012) DFS in its reply to Audit stated that:

"The Scheme was implemented through the banking institutions where well laid systems and procedures, accounting system, documentation, verification, scrutiny and audit at different levels are in place. Besides, these banks are



audited by Chartered Accountants and they were also required to undertake test check of ADWDRS claims and certify. RBI has reported that its role was limited, *i.e.* issuing suitable instructions and clarifications to banks on implementation of the Scheme, receiving their 'audited' claims and making payments."

92. Further, RBI clarified (December, 2012) that:

"As there was no 'monitoring' role envisaged for RBI, the independent scrutiny of the lists by RBI or institution of specific mechanism for 'monitoring' was not entrusted to it under the Scheme..... RBI maintains accounts of both GoI and the banks. The transmission of funds from GoI to the banks and refunds, if any, were done in the books of accounts of concerned entities maintained with RBI. It was in this limited context that the expression 'Pass through' agency was used to describe one of the functions which RBI performed under the Scheme."

93. **NABARD**—NABARD, being the nodal agency in respect of cooperative credit institutions and regional rural banks, had issued instructions similar to those issued by RBI to the banks under its control for proper implementation of the Scheme. As per these instructions the lists prepared by Primary Agricultural Cooperative Societies (PACS)/Branch officials were to be checked 100 per cent by the Supervisor / Branch Manager of the Central Cooperative Bank and the Concurrent Auditors/Senior Officials from the Head office of the Central Cooperative Bank / Officials from State Cooperative Bank.

94. The banks were to prefer the claims, duly audited as a part of internal audit exercise of the bank, which would then be forwarded to the Regional Office/Head Office of the bank. The consolidated claims for the banks as a whole were to be checked by Chartered Accountants of the bank by covering a representative sample of branches and accounts so as to certify the correctness of the claim. These consolidated claims were to be submitted to regional office of NABARD, for reimbursement, accompanied by a certificate from the Chartered Accountants certifying the correctness of the claim.

95. On being asked as to how NABARD had satisfied itself regarding the fact that the banks had prepared the claims after complying with all the instructions and that necessary checks had been carried out by the officials deputed for the purpose, NABARD stated (April, 2012) that:

"Besides laying down the guidelines in circular dated 2 July, 2008 on conduct of verification at different levels and audit by statutory auditors, NABARD had undertaken monitoring visits/tests checks by its officers during statutory inspection besides reviewing the position in various fora. During the course of the statutory inspection of the Cooperative Banks and RRBs, NABARD officials carried out test checks of the claims under ADWDRS 2008 and the inspecting officers were required to submit a special note on the test checks."

96. Further, DFS replied to Audit (June, 2012) that:

"The procedure laid down by NABARD has ensured scrutiny, verification, validation, etc., at different levels so that errors are kept to near zero. NABARD



has reported that it would not have been possible to scrutinise the veracity of claims at different stages on account of the magnitude of the exercise for which services of CAs were requisitioned. At the same time, to ensure that the claims preferred are in order, NABARD, on its own, decided to verify it during the statutory inspection of CCBs/SCBs and RRBs. This exercise did bring out instances of ineligible claims on which action was initiated."

97. No evidence was adduced to show that RBI and NABARD had instituted a feasible and practical system of checks to ensure compliance with the guidelines and instructions.

98. It was apparent that the Scheme design was based on extensive delegation of authority to the lending institutions, who were the implementing agencies. The lending institutions prepared the list of beneficiaries. These lists were checked for accuracy by the regional office of the banks themselves. These lists were not scrutinized independently by the nodal agencies for accuracy in a systematic manner. Subsequently, once the debt waiver/relief had been granted, banks made claims for reimbursement. These claims were certified through test-check, either by internal auditors of the bank or by Chartered Accountants appointed by the banks. The nodal agencies understood their role to be of a minimal nature, restricted to issuing guidelines and instructions and transferring funds. They simply compiled and consolidated data without conducting independent cross checks on such data and certificate to confirm the veracity of claims. Such a mechanism, thus in effect was that the lending institutions at first, were responsible for implementation and then monitoring their own work.

99. In their replies to the above-said Audit observations, RBI stated that "RBI was given the role of 'Pass through' agency for receiving the audited consolidated claims from each bank to be sent to the GoI for reimbursement." Then subsequently RBI stated that "there was no 'monitoring' role envisaged for RBI, the independent scrutiny of the lists by RBI or institution of specific mechanism for 'monitoring' was not entrusted to it under the Scheme".

100. The guidelines issued by DFS itself required RBI and NABARD 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".

101. When the Committee sought to know why the RBI and NABARD had not performed their roles in a more comprehensive manner to ensure that Government interests were protected and the Scheme benefits reached the farmers, the DFS in its written reply submitted as under:

"The Nodal agencies paid all the claims after duly verifying the certificates submitted by the lending institutions, as per the provisions of the Scheme which were duly certified by the Statutory Auditors. Moreover, the RBI/NABARD as nodal agencies were expected to fully ensure that the Government's interest be protected though the benefits of the Scheme have fairly reached the farmers."

102. When Department of Financial Services was asked as to how such a confusion arose and why DFS had not clarified its expectations and indicated a specific role for monitoring by the nodal agencies *i.e.* RBI and NABARD, the Department in its written replies submitted as follows:

“The Guidelines clearly stipulated that RBI and NABARD would be nodal agencies for their respective lending institutions. The role of nodal agencies is not limited to being a 'pass through' agency and thus, the RBI/NABARD, in turn had issued audit instructions to their respective lending institutions. The lending institutions, thus, cannot undermine their own credibility by terming themselves just 'pass through' agencies.”

103. The claims of the banks were passed by the Nodal Agencies on the basis of certificates issued by the Statutory Auditors/Chartered Accountants. When the Committee desired to know the test check exercised by the Ministry to verify that the claims have been duly certified by them as per the stipulated guidelines, in response, the DFS in its written submission stated as follows:

“RBI has paid all the claims after duly verifying the certificates submitted by the banks, as per the provisions of the Scheme which were duly certified by the Statutory Auditors. Given the built-in checks of the Scheme, there was no requirement specified about the test checks, etc. by RBI. Instead, internal audit and statutory audit and submission of the claims in the prescribed formats were the sole basis for reimbursement of the claims as per the provisions of the Scheme.

NABARD had, while settling the claims of cooperatives and RRBs sought for a certificate; which was to be signed by the authorized signatory of the bank and certified by the Chartered Accounts in the prescribed format to the effect that the claims were as per guidelines and the procedure prescribed. Test checks were also undertaken subsequently during the course of statutory inspection by NABARD.”

104. When asked about the action taken against the erring Officials/Auditors, the DFS in its written submission stated as follows:

“The RBI/NABARD/lending institutions have reported that in 3679 cases disciplinary action has been taken/initiated against the staff concerned. In 499 cases responsibilities of auditors have been fixed and in 301 cases of tampering of records, 5 FIRs have been filed.”

105. The Committee further asked about the action taken on the reports submitted by officers deputed by DFS (June, 2008) to check the preparedness of the banks for the implementation of the Scheme, the DFS submitted as follows:

“In addition to the supervision of implementation of the ADWDR Scheme, 2008 by the implementing agencies and the lending institutions, the officers of the DFS were also deputed to oversee the implementation of the Scheme. The officers guided the lending institutions about the Guidelines and checks to be carried out during implementation of the Scheme. However, as the Scheme was for a

short span of time and for a specific purpose, regular reports, returns etc. were not required/maintained.”

106. Further, regarding the reasons for not initiating timely corrective action keeping in view the interest of Government and beneficiaries on the intimation given by NABARD, the Ministry submitted:

“During the course of the implementation of the Scheme, the NABARD had in February, 2010 intimated that certain irregularities had been observed while lodging audited claims under ADWDRS, 2008. However, such claims were withheld pending investigations/inspections by NABARD.”

107. Overall, the Performance Audit revealed that in 20,216 (22.32 per cent) of the 90,576 cases test checked in Audit, there were lapses/errors which raised serious concerns about the implementation of the Scheme.

108. Regarding the reasons for occurrence of such a large number of mistakes inspite of stipulating many checks before extending the due benefit to the eligible beneficiaries, the DFS in its written submission stated as under:

“Considering the wide scope of the Scheme and the time available for implementation, some errors of inclusion/exclusion were expected to occur. Hence, there were several built-in checks (grievance redressal system which has been made use of, internal audit, sample statutory audit) to ensure that such errors, if any, were kept to the minimum. In some cases, where large scale tampering, over-writing, etc. has been observed, this may definitely be attributed to the deliberate attempt of the individuals involved.”

109. When asked if the DFS was in concurrence with the Audit Observations contained in the Audit Report on the subject, the Secretary, DFS *inter-alia* deposed before the Committee as:

“.... .... the issues largely raised by the C&AG were correct. I do not think that the Department has any intention of disputing the veracity of the kind of points raised by the C&AG.”

## **XXI. Remedial Action Taken by the Government**

110. Apprising the Committee of the action taken on the Audit Observations contained in the Audit Report, the DFS in a written note submitted as under:

“Based on the feedback received during the interaction with the officials of CAG and at the Exit Conference the Government advised both RBI and NABARD on 11th January, 2013 to issue directions to the various lending institutions. Accordingly, NABARD and RBI issued on 11th January, 2013 and 14th January, 2013 respectively, directions to all Scheduled Commercial Banks, Local Area Banks, RRBs and Cooperative Credit Institutions to take necessary remedial action. As the benefits under the Scheme were extended to the beneficiaries through their bank accounts, the remedial action *inter alia* includes recovery of such amounts from ineligible beneficiaries, recovery of excess payment and fixing responsibility of the bank staff in appropriate cases.

The Government has also on 15th February, 2013 directed RBI/NABARD and Public Sector Banks to take immediate corrective action. As the audit findings were based on a sample of beneficiaries, institutions have been directed to verify cases of all beneficiaries. Institutions have also been directed to take action wherever criminal liability is observed. They have been asked to submit Action Taken Reports before the 10th day of every Month. NABARD has issued instructions to RRBs and Cooperative Credit Institutions on 5th March, 2013. RBI has issued instructions to Scheduled Commercial Banks and Local Area Banks/UCBs on 6th & 7th March, 2013. The Government has also taken up with RBI the specific deficiencies pointed out in CAG Report regarding reimbursement for loans to a private scheduled commercial bank and also reimbursement of claim in respect of UCBs.

RBI/NABARD has reported that they have started receiving reports on the action taken from lending institutions. In many cases, recoveries of excess benefits given have been made. This exercise covering over 3.73 crore beneficiaries spread across the length and breadth of the country would take some time. The books of accounts of the banks are also audited by concurrent and statutory auditors. Appropriate corrective action would follow any observation detected in such Audit. As per preliminaries reports received from PSBs/NABARD, recoveries of ₹ 238.58 lakhs have been made in 908 cases where benefits were granted to ineligible beneficiaries. In addition, recoveries have been made amounting to ₹361.39 lakh in 1358 cases where excess benefits were extended to the beneficiaries. ₹195.2 lakh have also been refunded in 2506 cases where excess charges/interests were claimed by lending institutions. Out of 34277 branches of 26 PSBs covered under ADWDRS, re-verification has been completed in 11502 branches. As regards cooperative banks, the information has been received from NABARD in respect of 32 out of 73 DCCBs and 7 out of 15 SCARDBs. As reported by NABARD, the re-verification has been completed in 632 branches out of 5472 in 21 RRBs and in 224 branches of DCCBs/SCARDBs out of 3860 branches."

111. The Committee were further assured that:

“It is submitted that the Government committed to re-examine every single case and take corrective action. Considering the very large number of beneficiaries, this is going to take some time. It is also submitted that the CAG in its final Audit Report placed before Parliament, has noted that prompt remedial action taken by the Government, RBI and NABARD.

In the light of the above, it is submitted that the Agricultural Debt Waiver & Relief Scheme, 2008 was a Scheme, conceived and implemented by the Government to help the farmers who were suffering from heavy debt burden. In a Scheme of this scale implemented at thousands of branches across the country, some errors at the implementation stage, are possible. However, a process to rectify any irregularity that comes to notice during the fresh scrutiny of all beneficiaries is underway. Stringent action will be taken against those found guilty of any malafides.”

112. While furnishing the details of findings of re-verification, the DFS stated as follows:

“Out of total no. of 3.73 crore beneficiaries, 1.85 crore were in lending institutions under RBI and 1.88 crore were under lending institutions under NABARD. Out of these, as many as 3.48 crore beneficiary accounts have already been verified (1.76 crore by lending institutions under RBI and 1.72 crore by lending institutions under NABARD). The irregularities have been observed in 336,516 accounts involving an amount of ₹ 230.67 crore out of which ₹70.08 crore has already been recovered. The details of the other actions taken in the matter are as follows:

- In 3679 cases disciplinary action has been initiated/taken against the staff by the lending institutions.
- In 499 cases the responsibilities of auditors has been fixed by the lending institutions.
- In 301 cases of tampering of records 5 FIRs have been filed.
- ₹ 64.60 crore has been recovered from ICICI Bank and the RBI has been advised to recover the penal interest due from the Bank.”

## PART II

### OBSERVATIONS/RECOMMENDATIONS

**Salient features of the Scheme:** The Committee note that the Government of India, announced a debt waiver and relief package for farmers, through Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS) in February, 2008. The underlying purpose and thrust of the Scheme was to provide relief to the farmers by de-clogging the line of credit and thereby catalyzing flow of credit to agriculture in order to enhance agricultural production and productivity in the country. The Scheme in respect of debt waiver was to be completed by 30 June, 2008 while the date for debt relief was extended upto 30 June, 2010. The farmers who had taken short term production loans or investment loans and qualified for the Scheme were categorized according to the following parameters:

- (a) Marginal farmer: A farmer cultivating (as owner or tenant or share cropper) agricultural land upto 1 hectare (2.5 acres)
- (b) Small farmer: A farmer cultivating (as owner or tenant or share cropper) agricultural land more than 1 hectare and upto 2 hectares (5 acres)
- (c) Other farmer: A farmer cultivating (as owner or tenant or share cropper) agricultural land more than 2 hectares (more than 5 acres).

Further, the Debt waiver in the case of marginal and small farmers essentially signified 100 per cent waiver of the 'eligible amount' while debt relief signified waiver of 25 per cent of the 'eligible amount' under a One-Time Settlement (OTS) Scheme.

The Ministry of Finance (Department of Financial Services) was the apex authority for the overall implementation of the Scheme. In their note to the Cabinet in May, 2008, Department of Financial Services (DFS) had estimated that about 3.69 crore Small/Marginal farmers accounts and about 0.60 crore other farmers accounts would be covered under the Scheme. In the same note, the cash outgo from Government of India towards reimbursement of the amount of waiver/relief to the lending institutions was estimated at around ₹60,416 crore for Small/Marginal farmers and ₹7,960 crore for other farmers.

In-depth examination of the subject by the Committee has revealed a large number of irregularities and deficiencies in the implementation of the Scheme which have been discussed in the succeeding paragraphs.

**2. Guidelines for implementation of the Scheme:** The Government had on the 28th May, 2008 issued detailed guidelines for the implementation of the Scheme. These guidelines envisaged, *inter-alia*, that every branch of scheduled commercial bank, regional rural bank, cooperative credit institution, urban cooperative bank and local area bank covered under this Scheme should 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 the Scheme. These lists were required to include particulars of the landholding, the eligible amount and the amount of debt waiver or debt relief proposed to be granted in each case. These lists were also required to be displayed on the Notice board of the branch of the bank/society on or before 30 June, 2008. Reserve Bank of India and NABARD were the nodal agencies to monitor the implementation of the Scheme in respect of the respective Banks under their due control. Both RBI and NABARD in their regulatory roles were required to exercise checks on the lending institutions. Audit was to be conducted by the concurrent auditors, statutory auditors or special auditors as directed by RBI/NABARD. The Central Government, if satisfied and felt necessary, might direct a special Audit in the case of any lending institution or one or more branches of such lending institution. The Committee note that the elementary lists required to include particulars of the land holding, the eligible amount and the amount of debt waiver or debt relief proposed to be granted in each case were to be finalized by the respective branches of the banks and that too within a short period of one month. The Committee deprecate the myopic approach on the part of the Government in conceiving and implementing a Scheme involving estimated financial concessions to the tune of more than ₹ 68,000 crore. Apparently, vital lists of intended beneficiaries were prepared in a cavalier manner as these were replete with mistakes, leading to serious financial lapses. It appears that the DFS, the apex authority responsible for administration and implementation of the Scheme turned a mute by stander after issuing the guidelines of the Scheme in May, 2008.

3. Release of funds: According to provisional estimates (March 2010), the Scheme was likely to cost the Government approximately ₹ 65, 318 crore and benefit ₹ 3.69 crore farmers. (Refer Table in para 14 of Part-I of this Report). With a view to ensure that banks had ample liquidity for disbursing credit to farmers who became eligible for fresh credit after benefiting under the Scheme, the Government of India created a Farmers Debt Relief Fund (FDRF) with an initial corpus of ₹ 10,000 crore in March, 2008. Upto 31st March, 2012, Department of Financial Services had released ₹ 52,516 crore to RBI/NABARD between 2008-09 and 2011-12. Since ADWDRS involved a huge amount, the objective of performance Audit conducted by the Comptroller and Auditor General of India was to ascertain whether the management of claims for debt waiver and relief under the Scheme was in consonance with relevant guidelines and requirements. The review was carried out from April, 2011 to March, 2012 and covered 25 States involving field audit of total 90,576 beneficiaries/farmers accounts in 715 Branches of lending institutions located in 92 districts. The sample included 80, 299 accounts of such farmers, who were extended benefit under the Scheme, 9,334 accounts of such farmers who were not selected as beneficiaries even though they had received agricultural loans between 1 April 1997 to 31 March, 2007, and 943 cases where complaints were received. Detailed examination revealed errors of inclusion and exclusion at the beneficiary level, reimbursement of loans to microfinance institutions in violation of guidelines, tampering, over-writing and alteration of records, non-extension of benefits to entitled farmers and deficient monitoring of the Scheme. The Secretary, DFS, in fact, conceded that the issues largely raised by the C&AG were correct and the DFS had no intention of disputing



the veracity of the kind of points raised by the Audit. The Committee, therefore, urge the Ministry to take prompt remedial action, fix responsibility for violating the guidelines and apprise the Committee within six months of the presentation of the Report.

**4. Time frame for implementation:** The Committee note that the Scheme set an unrealistic and ambitious target of achieving debt waiver/debt relief for an estimated 4.29 crore farmer accounts in an unrealistically short span of one month. The Scheme, which was circulated to banks on 28 May, 2008 set a stringent deadline of 30 June, 2008 for finalizing and displaying beneficiary lists by the lending institutions. Apart from the involvement of a huge number of branches of the scheduled Commercial Banks, the Scheme was also to be implemented by around one lakh Primary Agricultural Cooperative Societies (PACS), District Central Cooperative Banks (DCCBs) and Regional Rural Banks (RRBs) and other branches situated in remote corners of the country. From the number and nature of serious deficiencies and irregularities subsequently detected, it is amply clear that the lending institutions did not correctly and diligently prepare these fundamental and basic lists of beneficiaries, which is highly regrettable. The shortsightedness of the Government in this regard is further corroborated during the State-level Exit conference in Punjab, where the banks explicitly expressed that the time allowed for the implementation of the Scheme was a major constraint, which resulted in some of the irregularities detected in the performance Audit. ICICI Bank, Canara Bank and Land Development Bank, Uttar Pradesh also held similar views. The vital fact that the capacities of implementing agencies were varied and many lacked adequate infrastructural facilities such as not even having one core Banking platform, was also lost sight of. The Committee deplore, that despite laudable intension the perfunctory manner in which the Scheme was conceived and the shoddy manner which it was implemented. This is unfortunate, to say the least.

**5. Exclusion and inclusion of beneficiaries:** The Committee note that out of a total of 9334 accounts test checked by audit across nine States, 1,257 accounts (13.46 per cent) were those which were found to be eligible for benefit of 3.58 crore under the Scheme, but were not considered by the lending institutions while preparing the list of eligible farmers. This was the figure when the Audit had examined only 25 cases of individual loan accounts in each branch visited by them where no benefit was given to the eligible farmers. In reality it could be that alarmingly large number of eligible farmers, might have been eventually deprived of benefits of the Scheme due to such perfunctory approach on the part of the lending branches in preparing the lists of beneficiaries. Further, Audit scrutiny detected another 183 accounts, which were denied benefits to the tune of ₹21.30 lakh under the Scheme though their names appeared in the list of beneficiaries. For instance, in Punjab, debt relief of ₹17.87 lakh was claimed in 176 cases by three branches of Primary Co-operative Agricultural Development Bank Ltd. from Government, but instead of crediting rediting the same into the accounts of beneficiaries, the amount was irregularly kept in the sundry accounts thereby denying benefit to the concerned beneficiaries. It was also seen that in 6823 accounts out of the total 80,299 accounts test checked *i.e.* 8.5 percent of the cases amounting to ₹20.50 crore, the beneficiaries were not eligible for either the debt



waiver or the debt relief. According to the Department of Financial Services multiple levels of checks and balances and also elaborate auditing mechanism were well ingrained into the guidelines. However, the examination of the matter reveals that these have merely remained on paper. The Committee were apprised that in pursuance of audit scrutiny, Government has initiated action to recover the amounts given to the ineligible beneficiaries. Action is also stated to have been initiated to extend benefits to the eligible beneficiaries who were deprived earlier. The Committee would like the recoveries expedited and to extend benefits to the eligible beneficiaries within six months of the Presentation of this report and be apprised.

**6. Action against erring Bank officials:** The Committee were further informed by the DFS that in respect of cases of irregularities pointed out by C&AG relating to Public Sector Banks, disciplinary action against the staff of concerned Banks has been initiated in 1520 cases and responsibility of auditors fixed in 153 cases. Further, in the cases identified out of reverification by Public Sector Banks (other than that pointed out by audit) disciplinary action against the concerned staff has been initiated in 904 cases. Similar action has also been initiated against the staff of RRBs and the Cooperative Banks. FIRs have also been filed in 5 cases of tampering of records. The Committee recommend that the irregularities pointed out by Audit and further detected should be seriously and conclusively pursued and stringent penal action taken against those responsible for the grave irregularities to obviate the recurrence of such instances in future.

**7. Disbursal of loans through Micro Finance Institutions:** The Committee note that a private scheduled commercial Bank (ICICI Bank) had received reimbursement for loans amounting to ₹164.60 crore extended to Micro Finance Institutions in violation of the guidelines. The claim was initially assessed and settled by the RBI. As per the Scheme guidelines, only agricultural loans disbursed to farmers were eligible for reimbursement. The matter was taken up with the RBI, who subsequently advised that these loans by ICICI Bank through service providers/MFIs do go beyond the scope of direct agricultural loans and as such these loans were ineligible for waiver/relief as per the provisions of the Scheme. The DFS confirmed that the RBI had since recovered ₹164.60 crore from ICICI Bank and remitted the amount to the Government. The Committee were apprised that the quantum of interest to be charged was being considered together with the regulatory action proposed to be taken against the Bank. The Committee would also like to know the basis for initial acceptance of the reimbursement of the irregular claims of ₹164.60 crore and also recommend that suitable action be taken against the erring officials. The Committee also urge the DFS to check and ensure that no such irregularities have taken place with respect to the other beneficiaries.

**8. Deficiencies in documentation:** The Committee note that the Audit scrutiny had also detected that in as many as 2824 cases with claims amounting to ₹ 8.64 crore, there was *prima facie* evidence of tampering, over-writing and alteration of records. The implementing authorities have confirmed that FIRs have been filed in five such cases. The Committee note yet another serious irregularity detected as a result of performance audit. The total amount by which a farmer would be benefited would depend upon his classification based on landholding, the type and amount of

loan taken and finally the amount outstanding as on the prescribed dates. Audit scrutiny of test checked cases revealed that the classification of farmers or calculation of the eligible amount was not done correctly in terms of the Scheme guidelines. Consequently, 4826 accounts, out of the 80299 test checked accounts of farmers, were not extended the correct benefits. It was found that 1564 accounts were extended less benefit of ₹1.91 crore. Similarly, in 3262 accounts, undue benefits to the tune of ₹13.35 crore was extended. In 2300 accounts, debt waiver was extended instead of debt relief resulting in excess benefit of ₹11.05 crore in 962 accounts. Farmers were given excess benefit of ₹2.30 crore because the lending institutions claimed the entire amount of the loan despite only a part amount of the loan being eligible under the Scheme. The Committee take a serious view of these financial infringements and desire that the said cases should be pursued conclusively, responsibilities fixed and the Committee apprised.

9. Irregularities in implementation: The Committee find that inadmissible charges to the tune of ₹5.33 crore on account of interest on the principal amount were claimed by the lending institutions from the Government. According to the guidelines, it was specified that all types of such interest charges were to be borne by the lending institutions themselves. This huge amount related to the test checked scrutiny of 80,299 beneficiaries accounts which revealed that in as many as 6,392 cases the lending institutions claimed the inadmissible charges. Given such high incidences of irregularities and the amount involved therein, the Committee are apprehensive that total errors in inclusion of inadmissible charges may be alarmingly large. As per information received upto June 2013, ₹2.70 crore had already been refunded by the lending institutions. In yet another case, ICICI Bank made a claim for reimbursement amounting to ₹60.26 lakh, which was in excess by ₹16.13 lakh of the benefits extended by them. This amount continued to be retained by the Bank.

The Committee further note that the Department of Financial Services had released funds amounting to ₹1,934 crore to the nodal agencies *i.e.* ₹1,612 crore to RBI and ₹322 crore to NABARD on account of interest on reimbursable claims under the Scheme. The Department simply provided bank-wise interest payments amounting to ₹1,612 crore without giving the details of calculations of interest reimbursed to the lending institutions, as a result of which the veracity or otherwise of these huge payments could not be crosschecked in Audit. The Department glibly responded by stating that the computation of interest on account of reimbursable claims has been made by Reserve Bank of India.

The Committee also found violation of guidelines regarding debt waiver and debt relief certificates issued by the lending institutions which was made imperative as per ADWDRS guidelines. The Committee find that during Audit scrutiny it was revealed that in as many as 21,182 accounts, out of 61,793 test checked accounts (*i.e.* 34.28 per cent) there was no acknowledgment from farmers or any other proof of either issue or receipt of debt waiver or debt relief certificates to or by the beneficiaries. Similarly, it was also seen that in 12 States no records relating to requests for fresh loan, by the beneficiaries were maintained. Further, in a State the Regional Office of NABARD, had claimed that fresh loans amounting to ₹8.25 crore had been advanced to 1,001 farmers by the Cooperatives and Regional Rural Banks in the State. The

Committee are appalled to find that there were no records to indicate the number of ADWDRS beneficiaries who had availed benefits under the Scheme had also received the benefit of fresh loans. The Committee deplore sheer lack of scrutiny leading to claim of inadmissible charges by the lending Banks. Inadmissible charges by the lending Banks should be thoroughly scrutinized and the inadmissible overpayments made to the lending Banks recovered expeditiously and the Committee apprised of the corrective action taken to address the irregularities pointed above.

**10. Monitoring of the Scheme:** The Committee are deeply anguished to note the lack of proper monitoring in such a laudable Scheme meant for eradicating and mitigating the financial distress of farmers, who form the backbone of India's agricultural growth projectory. As per the guidelines issued by the Government, a National Level Monitoring Committee (NLMC) was required to be constituted with Secretary, DFS as its Chairman to monitor the implementation of the Scheme. The Committee held meeting on 17.06.2008 and 13.08.2008 to review the implementation of the Scheme, but the Department failed to even furnish the agenda or minutes of these meetings. Further, Reserve Bank of India and NABARD were made the nodal agencies for monitoring the implementation of the Scheme but their monitoring was also found to be miserably inadequate. The Scheme design was based on extensive delegation of authority to the lending institutions, who were made sole implementing agencies. The lending institutions prepared the lists of beneficiaries. The Committee are deeply concerned to find that even these lists were not scrutinized independently by the nodal agencies for their accuracy in a systematic and responsible manner. The nodal agencies merely understood their role to be restricted to issuing guidelines and instructions and transferring funds. They simply compiled and consolidated data and issued certificates in respect of the claims made. There were glaring instances of reprehensible violation of guidelines by the lending institutions and the nodal agencies had not devised any mechanism for ensuring strict compliance of the guidelines and instructions. The Committee do not accept the reply of the Department of Financial Services that regular reports, returns, etc. were not required since the Scheme was for a short span of time and for a specific purpose. The contention of the Department is not tenable as the Scheme was officially in operation from 23 May, 2008 to 30 June, 2010 i.e. for more than two years and needed constant and vigorous monitoring. The Committee deprecate the casual monitoring approach of both the Department of Financial Services and the nodal agencies *viz.* Reserve Bank of India and NABARD which resulted in serious acts of financial omissions and commissions.

**11. Remedial Action Taken by the Government:** As regards the action taken on the Audit findings the Committee have been apprised by the Department of Financial Services that the irregularities had been observed in 336,516 accounts involving an amount of ₹ 230.67 crore out of which ₹ 70.08 crore had already been recovered. In 3679 cases disciplinary action had been initiated/taken against the staff by the lending institutions. In 449 cases, responsibilities had been fixed by the lending institutions. In 301 cases of tampering of records, 5 FIRs had been filed. Further ₹ 164.60 crore had been recovered from ICICI Bank and the RBI had been advised to recover the penal interest due from the Bank. Besides, NABARD and RBI had issued directions on 11th January, 2013 and 14th January, 2013 respectively to all Scheduled

Commercial Banks, Local Area Banks, RRBs and Cooperative Credit Institutions to take necessary remedial action. The Committee are perturbed to note that out of ₹ 230.67 crore that was pointed out by Audit only ₹ 70.08 crore had been recovered as on 3rd September, 2013. The Committee, therefore, desire that the recovery process be expedited and recoveries with penal interest from the defaulter institutions only be made at the earliest. The Committee be apprised by the DFS about the latest position of recovery within six months of the presentation of this Report.

**12. Conclusion:** The foregoing paragraphs reveal that the Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS), 2008 did not achieve the intended goals due to various reasons which include, inter-alia, errors of inclusion and exclusion at the beneficiary level, poor and inadequate documentation, reimbursement of loan to Micro Finance Institutions in violation of guidelines, tampering/overwriting/alteration of records, funds lying idle with lending institutions, non-extension of benefit to entitled farmers, non-issuing of debt waiver/relief certificates and most importantly ineffective monitoring of Scheme. While taking a serious view of such a flagrant display of financial and administrative indiscipline by the Department of Financial Services/Nodal Agencies/implementing institutions in the implementation of such a Welfare Scheme, the Committee recommend that the Department of Financial Services reflect seriously and find the reasons for the Scheme failure and also to remedy the wrongs done as recommended in the preceding paragraphs.

NEW DELHI;  
31 January, 2014  
11 Magha, 1935 (Saka)

DR. MURLIMANO HAR JOSHI  
*Chairman,*  
*Public Accounts Committee.*

## ANNEXURE I

STATE-WISE DETAILS OF BENEFITS EXTENDED TO FARMERS  
FOR INADMISSIBLE PURPOSES

Sl. No.	Name of State	Number of accounts	Amount of ineligible benefits allowed (Figure in ₹ )
1.	Andhra Pradesh	132	4076107
2.	Assam	20	536443
3.	Bihar	0	0
4.	Chhattisgarh	83	4293114
5.	Gujarat	10	315803
6.	Haryana	9	286005
7.	Himachal Pradesh	19	363328
8.	Jammu & Kashmir	153	8866094
9.	Jharkhand	28	3008452
10.	Karnataka	25	809651
11.	Kerala	48	1815898
12.	Madhya Pradesh	82	1929662
13.	Maharashtra	4	80455
14.	Manipur	33	529133
15.	Meghalaya	7	75014
16.	Nagaland	84	2360130
17.	Odisha	13	872917
18.	Punjab	10	133216
19.	Rajasthan	97	4927291
20.	Sikkim	0	0
21.	Tamil Nadu	95	3969239
22.	Tripura	2	3682
23.	Uttar Pradesh	28	1077253
24.	Uttarakhand	4	16501
25.	West Bengal	188	5338770
Total		1174	45684158

## ANNEXURE II

STATE-WISE DETAILS OF BENEFITS EXTENDED TO FARMERS ON LOANS  
WHICH WERE NEITHER DISBURSED NOR OVERDUE/UNPAID WITHIN  
THE PRESCRIBED PERIOD

Sl. No.	Name of State	Number of accounts	Amount of ineligible benefits allowed (Figure in ₹ )
1.	Andhra Pradesh	96	2655984
2.	Assam	179	1835405
3.	Bihar	272	7391059
4.	Chhattisgarh	118	2621120
5.	Gujarat	49	1842779
6.	Haryana	11	263714
7.	Himachal Pradesh	113	5942763
8.	Jammu & Kashmir	110	4876908
9.	Jharkhand	120	2419666
10.	Karnataka	2879	88576567
11.	Kerala	9	275083
12.	Madhya Pradesh	1050	20532186
13.	Maharashtra	33	1353282
14.	Manipur	67	2700527
15.	Meghalaya	31	766597
16.	Nagaland	185	8005572
17.	Odisha	23	848347
18.	Punjab	2	83742
19.	Rajasthan	5	46929
20.	Sikkim	2	7379
21.	Tamil Nadu	38	893418
22.	Tripura	11	182820
23.	Uttar Pradesh	29	1447124
24.	Uttarakhand	20	788279
25.	West Bengal	164	2361217
Total		5616	158718467

## ANNEXEURE IIIA

STATE-WISE POSITION OF LOAN ACCOUNTS WHERE DEBT WAIVER WAS  
GRANTED INSTEAD OF DEBT RELIEF

Sl. No.	Name of State	Number of accounts	Amount of ineligible benefits allowed (Figure in ₹ )
1.	Andhra Pradesh	193	11625797
2.	Assam	41	1011065
3.	Bihar	58	2006732
4.	Chhattisgarh	61	2168254
5.	Gujarat	57	5922019
6.	Haryana	162	9520516
7.	Himachal Pradesh	6	399015
8.	Jammu & Kashmir	11	715477
9.	Jharkhand	146	2646134
10.	Karnataka	31	3121041
11.	Kerala	58	11726627
12.	Madhya Pradesh	308	7695599
13.	Maharashtra	5	322120
14.	Manipur	411	6720261
15.	Meghalaya	52	1040604
16.	Odisha	63	4141590
17.	Punjab	58	4548452
18.	Rajasthan	104	6662193
19.	Sikkim	1	1354489
20.	Tamil Nadu	161	7311135
21.	Tripura	2	110873
22.	Uttar Pradesh	131	10713379
23.	West Bengal	156	9004035
	Total	2276	110487407

*ANNEXURE IIIB*STATE-WISE POSITION OF LOAN ACCOUNTS WHERE EXCESS  
BENEFIT GRANTED

Sl. No.	Name of State	Number of Cases	Amount (Figures in ₹ )
1.	Chhattigarh	82	2718095
2.	Gujarat	6	48575
3.	Haryana	105	2384822
4.	Jharkhand	99	2377849
5.	Karnataka	227	2650076
6.	Kerala	201	9002717
7.	Maharashtra	46	1169449
8.	Odisha	35	343640
9.	Sikkim	1	34788
10.	Tripura	35	524197
11.	Uttar Pradesh	16	530164
12.	Uttarakhand	85	579219
13.	West Bengal	48	668875
	Total	986	23032466



## ANNEXURE IVA

## DETAILS OF INADMISSIBLE CHARGES CLAIMED BY BANKS (UNDER RBI)

Sl. No.	Name of Bank	Number of Cases	Amount (Figures in ₹ )
1	2	3	4
1.	Axis Bank	88	298261
2.	Citi Union Bank	0	0
3.	Federal Bank	13	466251
4.	HDFC Bank	0	0
5.	ICICI Bank	0	0
6.	ING Vysya Bank	0	0
7.	J&K Bank	39	280458
8.	TMB	0	0
9.	Allahabad Bank	235	3635905
10.	Andhra Bank	46	365927
11.	Bank of Baroda	21	73999
12.	Bank of India	86	451479
13.	Bank of Maharashtra	0	0
14.	Canara Bank	16	106201
15.	Central Bank of India	234	2106400
16.	Corporation Bank	0	0
17.	Dena Bank	1	16879
18.	IDBI	0	0
19.	Indian Bank	0	0
20.	Indian Overseas Bank	60	621653
21.	Lokapavani Mahila Sahakari Bank Niyamitha Mandya	0	0
22.	Mandya City Cooperative Bank	0	0
23.	OBC	51	70494
24.	Punjab & Sind Bank	0	0

Sl. No.	Name of Bank	Number of Cases	Amount (Figures in ₹)
1	2	3	4
25.	Punjab National Bank	140	387492
26.	Simsha Sahakara Bank Ltd. Maddur	0	0
27.	Sri Gurusiddeshvara Co-operative Bank Ltd. Hubbli.	0	0
28.	State Bank of Bikaner and Jaipur	44	81079
29.	State Bank of Hyderabad	5	29973
30.	State Bank of India	738	3978586
31.	State Bank of Mysore	113	19400
32.	State Bank of Patiala	86	286257
33.	State Bank of Travancore	18	63383
34.	Syndicate Bank	0	0
35.	UCO Bank	196	1036991
36.	Union Bank of India	96	1822309
37.	United Bank of India	64	261918
Total		2390	16461295

## ANNEXURE IVB

DETAILS OF INADMISSIBLE CHARGES CLAIMED BY BANKS  
(UNDER NABARD)

Sl. No.	Name of States	Number of Cases	Amount (Figures in ₹ )
1.	Andhra Pradesh	150	3158197
2.	Bihar	19	84070
3.	Chhattisgarh	262	972734
4.	Gujarat	8	255219
5.	Haryana	26	100633
6.	Himachal Pradesh	118	246821
7.	Jammu & Kashmir	214	3493050
8.	Jharkhand	31	354627
9.	Karnataka	27	59703
10.	Kerala	92	822485
11.	Madhya Pradesh	747	2355163
12.	Maharashtra	90	1227434
13.	Manipur	27	192000
14.	Odisha	89	2556436
15.	Punjab	111	1140980
16.	Rajasthan	173	2047815
17.	Tamil Nadu	21	9617
18.	Tripura	42	73512
19.	Uttar Pradesh	1421	14580838
20.	Uttarakhand	267	1105350
21.	West Bengal	67	2001979
Total		4002	36838663

## STATE-WISE POSITION OF NON-ISSUE OF DEBT WAIVER/RELIEF CERTIFICATES TO THE SCHEME BENEFICIARIES

Sl. No.	Name of States	Debt Waiver				Debt Relief			
		Number of accounts test checked	Number of branches test checked	Number of beneficiaries not issued Certificates were not issued	Number of branches where Certificates	Number of beneficiaries accounts checked	Number of branches test checked	Number of beneficiaries not issued Certificates were not issued	Number of branches where Certificates
1.	Andhra Pradesh	2143	32	1986	30	1057	32	1014	30
2.	Assam	2651	32	1034	12	117	17	75	9
3.	Bihar	2516	28	2030	23	331	17	329	16
4.	Gujarat	1199	24	0	0	1191	24	0	0
5.	Haryana	1741	31	0	0	1395	31	0	0
6.	Himachal Pradesh	1371	17	691	13	194	14	90	11
7.	Jharkhand	2723	32	1480	19	255	16	97	7
8.	Karnataka	6413	35	2291	10	542	24	202	6
9.	Kerala	2231	18	441	12	360	15	214	9
10.	Manipur	1400	16	1173	13	143	11	111	9
11.	Meghalaya	1522	16	310	5	78	4	6	1
12.	Nagaland	1000	10	50	1	39	3	50	0
13.	Odisha	2581	32	716	12	318	21	59	6
14.	Punjab	1492	27	50	1	1271	25	50	1
15.	Rajasthan	2115	43	664	14	2048	43	911	19

16.	Sikkim	366	5	359	5	8	3	4	2
17.	Tamil Nadu	5769	61	42	5	1695	56	0	0
18.	Tripura	700	8	432	8	100	5	15	2
19.	Uttar Pradesh	3173	57	1116	26	2468	55	971	24
20.	Uttarakhand	971	16	272	3	580	15	59	3
21.	West Bengal	3308	24	1667	16	218	15	121	7
Total		47385	564	16804	228	14408	446	4378	162

## APPENDIX I

### MINUTES OF THE THIRD SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2013-14) HELD ON 14TH JUNE, 2013

The Public Accounts Committee sat on Friday, the 14th June, 2013 from 1500 hrs. to 1640 hrs. in Room No.'G-074', Parliament Library Building, New Delhi.

#### PRESENT

Dr. Murli Manohar Joshi — *Chairman*

#### MEMBERS

##### *Lok Sabha*

2. Shri Anandrao Adsul
3. Shri Jayaprakash Hegde
4. Shri Bhartruhari Mahtab
5. Shri Abhijit Mukherjee

##### *Rajya Sabha*

6. Shri Prakash Javadekar
7. Dr. E.M. Sudarsana Natchiappan
8. Smt. Ambika Soni

#### SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Smt. A. Jyothirmayi — *Deputy Secretary*
3. Ms. Miranda Ingudam — *Under Secretary*
4. Shri A.K. Yadav — *Under Secretary*

#### **Representatives of the office of the Comptroller and Auditor General of India**

1. Ms. Usha Shankar — Dy. CAG
2. Shri Gautam Guha — DG Commercial-I
3. Ms. Ila Singh — DG (Railway Board Audit)
4. Ms. Santa Kumari — DG (DT)
5. Shri P. Tiwari — Principal Director (PAC)
6. Shri Manish Kumar III — Principal Director (DT-I)
7. Shri A.M. Bajaj — Pr. Director (E&SM)

**Representatives of the Ministry of Finance  
(Department of Financial Services)**

1. Shri Rajiv Takru — Secretary
2. Smt. Snehlata Shrivastava — Additional Secretary
3. Shri Umesh Kumar — Joint Secretary (BA)

**Representatives of NABARD**

1. Shri M.I. Ganagi — Chief General Manager, CPD
2. Shri P.V.S. Surya Kumar — Chief General Manager,  
Delhi Office

**Representatives of RBI**

1. Shri Ramesh Kumar — General Manager, RPCD, Mumbai  
Moolchandani
2. Shri A.K. Bera — Principal CGM, UBD, Mumbai
3. Shri P.K. Arora — General Manager, UBD, Mumbai

2. At the outset, the Chairman welcomed the Members of the Committee, the Audit Officers and the representatives of the Ministry of Finance (Department of Financial Services) RBI and NABARD to the sitting of the Public Accounts Committee convened for briefing on the subject "Implementation of Agriculture Debt Waiver and Debt Relief Scheme, 2008" (ADWDRS) based on C&AG Report No. 8 of 2013. He also drew attention of the representatives to Direction 55 (1) relating to confidentiality of the matter till the report of the Committee is presented to the House. Thereafter, he asked the Secretary to give an overview of the implementation of ADWDR Scheme 2008 and the remedial action taken or to be taken by the Ministry to overcome the shortcomings/deficiencies pointed out by Audit and to fix responsibility for the lapses.

3. The representatives of the Ministry briefed the Committee on various issues relating to implementation of the ADWDR Scheme, 2008, which *inter-alia* included errors of inclusion and exclusion at the beneficiary level, reimbursement of loan to Micro Finance Institutions in violation of guidelines, tampering/overwriting/alteration of records, non-entention of benefit to entitled farmers and deficient monitoring of the scheme. The representatives of the Ministry also responded to the queries raised by the Members. On some specific points, the Chairman asked the Secretary to furnish detailed written reply to the PAC Secretariat within a fortnight.

4. The Chairman thanked the representatives of the Ministry for appearing before the Committee and furnishing the available information on the subject.

*The witnesses, then withdrew*

5. The Committee thereafter, took-up for consideration the following Draft Reports and adopted the same with minor modifications:

- (i) **"Tax Administration and Omissions in computation of Corporation Tax"** based on Chapter- I and. Para Nos. 3.2.1A, 3.3.1, 3.4.1 and 3.5.1 of C&AG Report No. 27 of 2011-12, Union Government (Direct Taxes) relating to Ministry of Finance (Department of Revenue).
- (ii) Action Taken by the Government on the observations/recommendations of the Committee contained in their Forty-second Report (15th Lok Sabha) on **"Uneconomic Branch Lines on Indian Railways"**.

6. The Committee then authorized the Chairman to finalize the adopted Draft Reports in light of the views expressed by the Members and factual verifications made by Audit and present them to Parliament on a date convenient to him.

7. The Chairman thanked the Members for their active participation in the discussion and valuable suggestions.

8. A copy of the verbatim proceeding was kept on record.

*The Committee, then, adjourned.*



## APPENDIX II

### MINUTES OF THE SIXTEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2013-14) HELD ON 30TH JANUARY, 2014

The Public Accounts Committee sat on Thursday, the 30th January, 2014 from 1130 hrs. to 1400 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

#### PRESENT

Dr. Murli Manohar Joshi — *Chairman*

#### MEMBERS

##### *Lok Sabha*

2. Shri Anandrao Adsul
3. Dr. Baliram
4. Shri Sandeep Dikshit
5. Dr. M. Thambidurai
6. Shri Bhartruhari Mahtab

##### *Rajya Sabha*

7. Shri Prasanta Chatterjee
8. Shri Prakash Javadekar
9. Dr. V. Maitreyan
10. Shri N.K. Singh
11. Smt. Ambika Soni

#### SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Jaya Kumar T. — *Additional Director*
3. Shri D.R. Mohanty — *Deputy Secretary*
4. Smt. A. Jyothirmayi — *Deputy Secretary*
5. Ms. Miranda Ingudam — *Under Secretary*
6. Shri A.K. Yadav — *Under Secretary*
7. Smt. Anju Kukreja — *Under Secretary*

**Representatives of the office of the  
Comptroller and Auditor General of India**

- |                            |   |                           |
|----------------------------|---|---------------------------|
| 1. Shri A.K. Singh         | — | Dy C&AG                   |
| 2. Smt. Usha Sankar        | — | Dy C&AG                   |
| 3. Shri Gautam Guha        | — | Director General of Audit |
| 4. Smt. Ila Singh          | — | Director General of Audit |
| 5. Shri C. Gopinathan      | — | Director General of Audit |
| 6. Shri Jayant Sinha       | — | Pr. Director of Audit     |
| 7. Shri Purushottam Tiwari | — | Pr. Director of Audit     |
| 8. Shri A.M. Bajaj         | — | Pr. Director of Audit     |

2. At the outset, the Chairman welcomed the Members and the representatives of the Office of C&AG to the sitting of the Committee. The Chairman, then, apprised that the meeting was convened to consider and adopt nine Draft Reports (five Original and four Action Taken Reports) of the Committee. Thereafter, the Committee took up the following draft Reports one by one for consideration:

- |  |        |       |            |
|--|--------|-------|------------|
| (i) XXXXX  | XXXXX  | XXXXX | XXXXX      |
| (ii) XXXXX   | XXXXXX | XXXXX | XXXXX      |
| (iii) XXXXX  | XXXXXX | XXXXX | XXXXX      |
| (iv) Draft Report on ' <b>Implementation of Agricultural Debt Waiver and Debt Relief Scheme, 2008</b> '; |        |       |            |
| (v) XXXXX  | XXXXXX | XXXXX | XXXXX      |
| (vi) XXXXX   | XXXXXX | XXXXX | XXXXX      |
| (vii) XXXXX  | XXXXXX | XXXXX | XXXXX      |
| (viii) XXXXX   | XXXXXX | XXXXX | XXXXX; and |
| (ix) XXXXX   | XXXXXX | XXXXX | XXXXX      |

3. After detailed deliberations, the Draft Reports at Sl. Nos. (i), (ii) and (iii) were adopted with some modifications/amendments that are given at Annexure\*\* and the rest were adopted without any changes. The Committee also authorized the Chairman to finalise these Reports, in light of their suggestions and the factual verifications received from the Audit and present the same to the House on a date convenient to him.

4. The Chairman thanked the Members for their valuable suggestions on the consideration of the Draft Reports.

The Committee, then, adjourned.

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XXXXX-Matter does not pertain to this Report.

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