

**THIRD REPORT**  
**COMMITTEE ON PETITIONS**  
**(SIXTEENTH LOK SABHA)**

**MINISTRY OF FINANCE**

**(Presented to Lok Sabha on .....)**



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

**February, 2015/Magha 1936 (Saka)**

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**COMPOSITION OF THE COMMITTEE ON PETITIONS  
(2014-2015)**

Shri Bhagat Singh Koshyari - *Chairperson*

**MEMBERS**

2. Shri Suresh C. Angadi
3. Shri Om Birla
4. Shri Jitendra Chaudhury
5. Shri Ram Tahal Choudhary
6. Shri Rajen Gohain
7. Dr. K. Gopal
8. Shri Chhedi Paswan
9. Shri Kamlesh Paswan
10. Smt. Krishna Raj
11. Shri Arjun Charan Sethi
12. Shri Kodikunnil Suresh
13. Shri Dinesh Trivedi
14. Shri Rajan Vichare
15. Shri Dharmendra Yadav

**SECRETARIAT**

- |                       |   |                            |
|-----------------------|---|----------------------------|
| 1. Smt. Sudesh Luthra | - | <i>Joint Secretary</i>     |
| 2. Shri Shiv Kumar    | - | <i>Director</i>            |
| 3. Md. Aftab Alam     | - | <i>Deputy Secretary</i>    |
| 4. Shri Soumik Roy    | - | <i>Executive Assistant</i> |

(iii)

**THIRD REPORT OF THE COMMITTEE ON PETITIONS****(SIXTEENTH LOK SABHA)****INTRODUCTION**

I, the Chairperson, Committee on Petitions, having been authorized by the Committee to present the Report on their behalf, present this Third Report (Sixteenth Lok Sabha) of the Committee to the House on the representation received from Shri Amol M Totey regarding non-inclusion of names of defaulters of agriculture loan in CIBIL.

2. The Committee considered and adopted the draft Third Report at their sitting held on 18 February, 2015.
3. The observations / recommendations of the Committee on the above matters have been included in the Report.

**NEW DELHI;****BHAGAT SINGH KOSHYARI****Chairperson,  
Committee on Petitions****18 February, 2015****29 Magha, 1936 (Saka)**

**REPORT****REPORT ON THE REPRESENTATION RECEIVED FROM SHRI AMOL M TOTEY REGARDING NON INCLUSION OF NAMES OF DEFAULTERS OF AGRICULTURAL LOANS IN CIBIL**

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Shri Amol M Totey, Working President, Orange Growers Association of India submitted representation dated 5 July 2014 to the Committee. The petitioner has stated *inter-alia* that a few financial institutions, in particular, the Nationalized Banks tell the Agricultural borrowers that if their outstanding crop Loans remain unpaid due to unforeseen circumstances like natural calamity, etc. then such Loans come under the category of Non Performing Assets (NPAs) and as such names of such borrowers get reflected in the list maintained by the (Credit Information Bureau) CIBIL and as a result thereof, the persons whose names appear in the list of defaulters are debarred from accessing any further Loans from any Bank which thereby affects the livelihood of the farmers. The Petitioner has, therefore, suggested that in such eventualities of exceptional hardships, the Financial Institutions must be directed to settle such Agricultural Outstanding Loans of farmers, with principal amounts and interest thereon outstanding, amicably and on case to case basis and penal interest imposed in such cases should be completely waived off. The Petitioner has also suggested that the names of defaulters - who have defaulted on the repayment of Agricultural Loans due to frequent natural calamities should not reflect in the data portal of CIBIL. Therefore, in the larger interest of the farmers, the Petitioner, has sought the intervention of the Committee.

2. The Committee took up the matter with the Ministry of Finance (Department of Financial Services) for detailed examination under Direction 95 of the Directions by the Speaker, Lok Sabha and the representation was accordingly referred to the Ministry of Finance for furnishing their comments thereon.

3. Responding to this, the Ministry of Finance, in the written note submitted that the matter was examined in consultation with the Reserve Bank of India (RBI).

According to the RBI, definition of Credit Information as per Section 2(d) of the Credit Information Company Regulation Act, 2005 includes information relating to the amounts and nature of Loans and advances, amounts outstanding under credit cards and other credit facilities granted or to be granted, by a credit Institution to any borrower. Therefore, in view of the Statutory provision all instances of outstanding for all types of Loans (including Agricultural Loans) have to be reported by banks and financial institution to Credit Information Companies. The Ministry further submitted that RBI has not issued any specific instruction stating that any instance of one particular default on a Loan should not be granted any further advance. The Ministry referred to the RBI Circular dated 1 July 2014 para 2.1 and 2.5 (Annexure I) which defines instances which amounts to willful default and the penal measures taken thereon to prevent such occurrences.

4. The Ministry have further mentioned that in case of the borrowers not being able to repay owing to natural calamities, there are separate instructions contained in the Masters Circular dated 1 July 2014 on "Guidelines for relief measures by banks in areas affected by natural calamities" (Annexure II) which enable the banks to decide on rescheduling of Loans and provide relief to borrowers. According to the RBI Circular bank assistance in relation to the Agriculture would be in the form of short term Loans for the purpose of raising crops (crop Loans) and term Loans for purchase of milch/ draught animals, repairs to existing tube wells and pump sets, digging of new tube wells and installation of new pump sets, land reclamation, silt/sand removal, protection and rejuvenation of standing crops/ orchards/ plantation, etc., repairs and protection of livestock sheds, grain and fodder storage structures, etc. Furthermore, the Banks may, of their own, decide the quantum of fresh Loans to be granted to the affected borrowers taking into consideration the extent of the crop loss/ scale of finance and their repaying capacity. Elaborating on the guidelines to be adhered the Circular states that in the case of natural calamities, such as droughts, floods, etc., the Government Authorities' i.e the District Collector would have to declare *and* indicate the extent to which the crops are damaged. The Banks have the responsibility to provide financial assistance in the event of natural calamity which would include providing for (i)

consumption Loans to existing borrowers for general consumption purposes may be sanctioned up to Rs 10000 without any collateral with the discretion upon the Bank to increase it (ii) fresh Loans for resumption of normal business notwithstanding the status of the existing account, fresh Loans granted to the borrowers will be treated as current dues and (iii) restructuring of the existing Loans which involves conversion into term Loan the principal amount of the short-term Loan as well as interest due for repayment in the year of occurrence of natural calamity. In case of term Loans the installment of principal and interest due in the year of occurrence of natural calamity may also be converted into term Loan. In all cases of restructuring, moratorium period of at least one year should be considered. Further, the banks should not insist for additional collateral security for such restructured Loans.

5. In response to a query by the Committee about the modalities of sanctioning Agricultural Loans to the farmers, the Ministry in its written note submitted that Agriculture Loans are generally of 2 types –production credit (short-term) and investment credit (long-term). Sanctioning of these are undertaken by banks as per their Loan policies, systems and procedures. In terms of instructions contained in RBI's Circular dated May 11, 2012 (Annexure III), the Revised Kisan Credit Card Scheme aims at providing adequate and timely credit support from the banking system under a Single Window System to the farmers for their cultivation & other needs as indicated below :

a	To meet the short term credit requirements for cultivation of crops
b	Post harvest expenses
c	Produce Marketing Loan
d	Consumption requirements of farmer household
e	Working capital for maintenance of farm assets and activities allied to Agriculture, like dairy animals, inland fishery etc.
f	Investment credit requirement for Agriculture and allied activities like pump sets, sprayers, dairy animals etc.

Short term Agricultural Loan or Crop Loan is mainly given for financing current expenditure in connection with the raising of crops. It is based on scale of finance for each of the crops fixed separately for the irrigated and unirrigated areas. It takes care

of farmer's need as regards seeds, fertilizers, pesticides along with other miscellaneous cash outlays required to be incurred by the farmer during production period. For short-term Loans (production credit), the modalities for sanctioning of credit limits have been clearly prescribed in para 5 of the Circular *ibid*, whereby credit limit for crop Loan is calculated on the basis of scale of finance for the crop and extent of area cultivated. Besides, the need of the post-harvest expenses/consumption requirement, repairs and maintenance expenses of farm assets, etc. are also taken into account.

6. The Ministry apprised the Committee that the Agriculture Term Loan is provided for making new investments with a view to increasing income earning capacity of the farmer. For example, digging of new well, installation of pump set, purchase of tractors etc. Besides the above, it is provided for periodical maintenance or replacement of existing productive assets so as to ensure maintaining the income earning capacity of the farm for e.g purchase of bullocks, reconstruction of land, etc. For such investment credit requirement of farmers, banks undertake their due diligence as per their Loan policy, systems and procedures and assess the requirement and the repayment capacity of the borrower for arriving at the credit decision.

7. The Committee further sought the comments of the Ministry with regard to the prevailing span of time for Loan repayments. The Ministry elucidated that the repayment period may be fixed by banks as per the anticipated harvesting and marketing period for the crops for which a Loan has been granted. Further explaining that the crop Loan is intended to meet the expenditure in connection with raising of crop and hence the Loan should be recovered out of sale proceeds of the crop soon after the harvest. As a corollary to this, it is necessary to observe seasonality in regard to both Loan disbursement and recovery so as to broadly synchronize with the cultivation and harvesting seasons of the crop. As indicated earlier, since the amount of crop Loan is based on the scale of finance which takes into account his production cost, as also other miscellaneous outlays, while fixing scale of finance, it is ensured that both the above needs will be taken care of after the harvesting of crops. Repayment period for the crop Loan is normally upto 12 months and can go upto 18 months so that



the farmer will again become eligible for fresh crop Loan in the next season. In case of the term Loan, period of the Loan is determined with reference to the repaying capacity of the concerned farmer which normally should not exceed the life of the asset created. It is also to be seen that period of Loan should not be too long so that a quicker turnover of the scarce long term resources is ensured. In case of periodical maintenance or replacement of existing production assets, existing repaying capacity of the farmer as regards to this investment is seen, whereas in case of creation of new assets, repayment period is fixed taking into account incremental income generated from the new investment. This incremental income is difference between income before and after the specific investment. From the incremental farm income, suitable allowance is also to be made for the improvement in the farmer's standard of living following an increase in the income earning capacity. The repayment period normally ranges between 3-15 years depending upon the purpose.

8. On a specific query about the consequences attracted if the names of the defaulters are reflected in CIBIL, the Ministry submitted that Reserve Bank of India, vide its Circular DBOD.No.CID.BC.127/20.16.056/2013-14 dated June 27, 2014 advised banks and financial institutions that Banks/FIs should include in their credit appraisal processes/Loan policies, suitable provisions for obtaining Credit Information Reports (CIR) from one or more Credit Information Companies (CICs) so that the credit decisions are based on information available in the system. The information contained in the CIR would be one of the factors that banks would consider before granting any credit facility to a prospective borrower. However, it will be the commercial judgement of the concerned credit institution to grant Loan or otherwise to such borrowers based on their Board approved policies. Furthermore on a query whether a defaulter of an Agricultural Loan is treated similarly to a defaulter of a commercial Loan and whether name of the farmer defaulter of Agriculture Loan is reflected separately in the CIBIL, the Ministry explained that as per RBI guidelines, defaulter on Agricultural Loan and any other Loan are treated at par. However, the data format used for submission of credit information on their borrowers in respect of individual Loans contains a field - account

type, which would depict whether the Loan sanctioned is for Agriculture purpose (priority sector). Therefore, if a farmer defaults on his Agriculture Loan, the report obtained from a CIC (including CIBIL) would depict so.

9. To another query asking about the measures taken/proposed to be taken by the Banks to address the issue of default in the payment of Loans particularly by the farmers due to natural calamities, the Ministry in its written note submitted that RBI has informed that the banks have been issued necessary instructions consolidated in the form of a Master Circular on 'Guidelines for Relief Measures in areas affected by Natural Calamities' which is revised/updated every year in July (the latest being Circular RPCD. No. FSD.BC 07/05.04.02/2014-15 dated July 1, 2014). The guidelines, inter alia, contain directions to banks to ensure that the meetings of District Consultative Committees or State Level Bankers' Committees are convened at the earliest to evolve a co-ordinated action plan for implementation of the relief programme in collaboration with the State/District Authorities. Banks have been advised to consider moratorium period of at least one year in all cases of restructuring.

In case of occurrence of natural calamity, the bank's assistance in relation to Agriculture would be needed in the form of short term Loans for the purpose of raising crops and term Loans for purchase of milch / draught animals, repairs to existing farm assets, making new investments in wells, pumpsets, etc. the protection and regeneration of orchards, plantations, etc., where damage to the crop is 50% or more, as declared by State Authorities, with remission/suspension of land revenue and other dues to the government. The bank is required to extend relief to the affected farmer by way of conversion, rephasing, reschedulement of Agricultural Loans.

The following guidelines are required to be followed by the bank for the purpose:

To convert/rephase/reschedule only the principal amount of crop Loan/instalment of MT conversion Loan due in the year of occurrence of natural calamity in the affected area for the farmer. The amount of interest due from SF/MF in respect of the Loans eligible could also be deferred for one year at the discretion of the Bank provided their resource base permits the same.

- (a) The period of conversion may vary depending upon the intensity of the calamity and the extent of crop loss and distress caused to the farmer. It could be upto 3 years for other farmers and 5 years for small and marginal farmers in normal circumstances.
- (b) When the calamity is for two successive years or the crop damage is severe (75% or more or more loss in crop yield), conversion could be granted for a period upto 5 years. In case of extreme hardships, arising out of severe loss to the crops, it could be upto 9 years.
- (c) Affected farmer whose crop Loans have been converted into MT conversion Loans are to be extended fresh crop Loans as per their eligibility, scale of finance, etc.
- (d) For treatment of Agricultural Loans affected by natural calamities for the purpose of prudential norms and NPA classification, norms fixed by RBI should be followed.
- (e) Conversion will take place only in respect of current dues.
- (f) As regards Agriculture term Loans, term Loan installments will have to be rescheduled/postponed keeping in view the repaying capacity of the farmer and the nature of natural calamity. Here, installment defaulted willfully in the earlier year is not eligible for rescheduling.

10. Again in response to a query by the Committee as to whether any particular area under Agricultural or a specific farming community/category falls under the purview of the guidelines, the Ministry clarified that the instructions issued by RBI are applicable to all the Scheduled commercial banks across the country. RBI issues these instructions to Scheduled Commercial Banks and NABARD issues instructions to Co-operative Banks. All farmers, affected by natural calamities and satisfying the norm of loss where damage to the crop is 50% or more, as declared by State Authorities, with remission/suspension of land revenue and other dues to the Government are covered by these guidelines.

11. During the course of oral evidence of the representatives of the Ministry of Finance on the issue on 30 October, 2014 the Committee drew the attention of the representatives of the Ministry to the plight of the farmers who are caught in the vicious debt cycle and sought information from the Ministry on the various policies of the Government for providing Agricultural Loans to the farmers. In response, the

representatives of the Ministry submitted before the Committee that the Government, the Banks, RBI and NABARD are taking serious steps to streamline the Agricultural Loans. They further submitted that two types of Agriculture Loans, viz. short term and long term under which Loans are being granted and the interest rate there also happens to be low in case of such Loans. In times of calamity the installments of these Loans are extended. The representative further submitted that the Loans taken are categorized into three sections such as standard, sub standard and doubtful and only those whose category are in doubtful are facing problem in getting further Loans.

12. When the Committee desired to know the consequence of default in repayment due to natural calamities and its consequent effect on the rate of interest, the representative submitted that normally on a loan of Rs. 3 lakh a subsidised interest of 7% is charged. However, in the event of natural calamity where the borrower is unable to repay the amount, the loan is restructured and in such cases the rate of interest remains the same as the loan is treated as a normal loan and the borrower is eligible for further loan.

The representative further submitted that on a crop cycle of 12 months, an extension of 6 months is given in such cases. Only when there is a default in payment for more than one and half years then it is treated as NPAs.

13. When the Committee further enquired about the position in case the calamity continues for a longer period, the representative submitted that the loan is rescheduled for 3 to 5 years further. Furthermore, even in this case the loan is treated as normal loan with the same rate of interest and not as a NPA. The representative further informed that in cases of grave calamity, it is the State Government which declares the loan waiver and the State Government bears the burden.

### **Observations / Recommendations**

**14. In his representation the Petitioner, Shri Amol Totey, Working President, Orange Growers Association of India has raised the matter regarding the plight of farmers particularly when they become ineligible for availing new crop loans due to their names being reflected in the list of Credit Information Bureau of India (CIBIL) consequent upon their outstanding loans remaining unpaid due to genuine reasons like natural calamities. The petitioner has suggested that Financial Institutions should settle such agricultural outstanding loans of farmers amicably and with principle amount outstanding on case to case basis. He has also suggested that interest portion and penal interest should be completely waived off. Besides names of such defaulter agricultural loan borrowers/farmers should not be reflected on CIBIL online data portal. In the larger interest of farmers, the petitioner has sought intervention of the Committee.**

**15. The Committee note from the information furnished by the Ministry of Finance that as per the provisions of Credit Information Company (Regulation) Act, all instances of outstanding for all types of loans (including agricultural loans) have to be reported by Banks/FIs to Credit Information Companies. Credit Information Companies are not negative information database and contain performance of credit accounts reported by credit institutions. The Committee find that no specific instruction stating that any instance of one particular default on a loan to be implied that the defaulter should not be granted any further advance has been issued by Reserve Bank of India.**

**16. The Committee further note that the Government of India has taken a number of steps and initiatives to provide easy and hassle-free credit to farmers. Agricultural loans are classified under priority sector and the Government has been implementing the Interest Subvention Scheme for**

short term crop loan upto Rs. 3 lakh which allows credit at 7%. This is further reduced to 4% if a farmer repays the loan within one year. Other loans also have relaxed Rate of Interest. Besides, levy of interest in account is linked to harvesting season of crops/crop duration and repayment of interest is insisted upon only at the time of repayment of loan installment. Repayment frequency is also linked with harvesting season of crops/crop duration. In addition to above, no collateral is required on agricultural loans upto Rs. 1 lakh.

17. With regard to the initiatives taken to provide relief to farmers in natural calamities, RBI's Master Circular on "Guidelines for Relief Measures by Banks in areas affected by Natural Calamities" enables the Banks to decide on rescheduling of loans and provide relief to borrowers. As per these guidelines, existing term loan instalments are to be postponed depending on severity of the calamity and repayment capacity of borrowers. If productive assets are not damaged, then instalments for the current year may be postponed for 1 year. Where productive assets are partially/fully damaged, borrowers's repayment capacity is to be taken into account for all the loans (including restructured crop loans, fresh loans being availed for purchase of new assets – milch animals, tractors etc.) and based on the other subsidy from Government, Insurance claim, etc. decision on restructuring period is to be taken. SLBCs/DCCs have to take a view of period of repayment which may vary from 3 to 5 year. In extreme cases, repayment can be further elongated. The Committee have also been apprised that restructured/converted loans are treated as current dues and need not be classified as NPA. Accounts restructured second time or more on account of natural calamity will continue to have same status. Restructuring is to be completed within a period of 3 months from the event by Banks to have asset classification benefit.

**18. The Committee observe from above that some initiatives are being taken by the Government which provide relief to farmers in times of distress. The Committee may like to emphasize that agriculture in the country is still dependent on the vagaries of nature and farmers are vulnerable to falling into a depth trap particularly during natural calamity. Instances of crop failures and consequent farmers suicides still occur in great numbers across the country. Relaxations in repayment of loans and facility to avail of fresh crop loans are the need of the hour in the time of distress particularly during natural calamities. In view of this, the Committee feel that some more relaxations in rate of interest and further postponement of repayment of loans schedule as well as granting of fresh loans to farmers can help them to cope up with the hardships that they face during these calamities. The Secretary, Department of Financial Services during the course of deliberations while noting the concerns of the Committee in this regard has stated that they would try to give further relaxations to farmers in consultations with RBI. The Committee while appreciating the positive response of the Secretary would recommend to further extend the repayment period of all types of loans of farmers particularly in case of natural calamities. Besides, the Government should also consider waiving of interest/relaxed rate of interest on the repayment of agricultural loans during natural calamities both in case of Crop Loan and Agricultural Term Loan. The Committee further would like to emphasize that the rehabilitation process during natural calamities in hilly and difficult areas takes much longer period and as such farmers of these areas need to be treated in a different dispensation and some special relief on this account should be provided to them in difficult times.**

**19. The Committee note that in CIBIL, agriculture and non-agricultural loans are treated in a similar way. The Committee are aware of the fact that Credit Information Companies provide credit information reports to specified users who in turn take a decision to approve or decline a loan proposal.**

Thus, it is for the Financial Institution to distinguish between the agriculture and non-agriculture default. The Committee find that though the credit information companies data base is not negative information, the financial institutions interpret it in a negative way. The Committee in this regard would like to recommend that specific instructions should be issued to the Financial Institutions to examine the request of the farmers for a fresh loan on a case to case basis. The farmer's name appearing in CIBIL should not be treated negatively while considering his case for fresh agricultural loans. The cases of farmers inability to repay the loan, in case of natural calamity particularly when there are series of calamities, should not be considered as willful default. The officials of the Financial Institutions further need to be sensitized to be more considerate in the case of grant of fresh loans to farmers when they default in repayment of earlier loan due to natural calamities and their names are reflected in CIBIL. Now when the Secretary has assured to take up the issue in consultations with RBI, the Committee hope and trust that the Government would act on the suggestions of the Committee on an urgent and priority basis.

20. The Committee would like to be apprised about the conclusive action taken by the Ministry of Finance on the issues raised by the Committee in the Report within three months of the presentation of this Report to the House.

**NEW DELHI**

**18 FEBRUARY, 2015**  
**29 MAGHA, 1936**

**BHAGAT SINGH KOSHYARI**  
**CHAIRPERSON,**  
**COMMITTEE ON PETITIONS**