



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RPCD.CO.RF.BC.No. 71/07.37.02/2009-10

April 19, 2010

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

Dear Sir,

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

Please refer to our [circulars RPCD.CO.RF.BC.No.17/07.38.03/2008-09](#) dated July 30, 2008, [RPCD.CO.RF.BC.No.91/07.37.02/2008-09](#) dated March 6, 2009 and [RPCD.CO.RF.BC.No.116/07.37.02/2008-09](#) dated June 26, 2009 and [RPCD.CO.RF.BC.No.23 /07.37.02/2009-10](#) dated September 16, 2009 on the captioned subject.

2. In terms of the circular dated September 16, 2009, we had advised that the Government of India had decided to make the accounts of “other farmers” eligible for a debt relief of 25% from Government of India, provided they pay their entire share of 75% by December 31, 2009.

3. In view of the recent drought in some States and the severe floods in some other parts of the country, the Government of India, as announced in the Union Budget 2010-11, has now decided to extend the last date of payment of 75% of overdue portion by the ‘other farmer’ under Debt Relief Scheme (under ADWDR) for another six months beyond December 31, 2009, i.e **up to June 30, 2010**. The eligible “other farmers” may be allowed to repay this amount in one or more instalments up to June 30, 2010.

4. The Government of India has also advised that the banks / lending institutions are allowed to receive even less than 75% of the eligible amount under OTS provided the banks / lending institutions bear the difference themselves and do not claim the same either from the Government or from the farmer. The Government will pay only 25% of the actual eligible amount under debt relief.

5. The Government has once again clarified that the lending institutions would not charge any interest on the eligible amount for the period from February 29, 2008 to June 30, 2009. However, they may charge normal rate of interest on the eligible amount from July 01, 2009 up to the date of settlement. Further, no interest shall be paid by the Government of India to the lending institutions for this six month extension under the Scheme while reimbursing the 25% amount to the lending institutions as per the delayed reimbursement schedule.

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

(a) adequate provision is made by the banks for the loss in present value (PV) terms for all the receivables due from the borrowers. (For computing the amount of loss in PV terms under the Scheme, the balance amount receivable from the farmers may be assumed to be due on June 30, 2010, and the interest payments would be as per paragraph 5 above. The cash flows should be discounted to the present value at the interest rate at which the loan was granted including the element of interest subsidy, if any, available from the Government.)

(b) such farmers pay their share of the settlement latest by the revised last date, i.e. June 30, 2010.

7. In case, however, the payments are delayed by the farmers beyond June 30, 2010, the outstanding amount in the relevant accounts of such farmers shall be treated as NPA. The asset classification of such accounts shall be determined with reference to

the original date of NPA, (as if the account had not been treated as performing in the interregnum based on the aforesaid undertaking). On such down-gradation of the accounts, additional provisions as per the extant prudential norms should also be made.

8. In view of the six month extension for the debt relief portion of the ADWDRS, 2008, the last date of receipt of grievances by Grievance Redressal Officers of the lending institutions may also be accordingly extended upto 31.7.2010.

9. The accounting treatment for the Debt Relief Scheme as indicated in paragraph 6 of our circular dated September 16, 2009, may continue to be followed.

10. All other terms of the aforesaid circulars including provisioning remain unchanged.

Yours faithfully

(R.C.Sarangi)
Chief General Manager