



Report of the Comptroller and Auditor General of India on

**Implementation of Agricultural Debt Waiver and
Debt Relief Scheme, 2008**



**Union Government
Ministry of Finance**

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(Performance Audit)**

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Preface

This Report of the Comptroller & Auditor General of India has been prepared for submission to the President of India under Article 151 of the Constitution. It contains the results of the Performance Audit on 'Implementation of the Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS), 2008'.

In 2008-09, the Government of India announced a debt waiver and debt relief scheme for farmers, for implementation by all Scheduled Commercial Banks, besides Regional Rural Banks and Co-operative Credit Institutions.

The pan-India nature of the scheme, enormous financial outlay and large number of beneficiaries made this an ambitious scheme. Audit was undertaken to get an assurance that the objectives of the scheme were achieved.

Executive Summary

The Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS), 2008 was launched in May 2008 to address the problems and difficulties faced by the farming community in repayment of loans taken by them and in helping them qualify for fresh loans. Under the scheme, complete waiver of ‘eligible amount’¹ was to be provided to Marginal² /Small³ farmers while a one-time relief of 25 *per cent* of the ‘eligible amount’ was to be provided to Other⁴ 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 and,*
- *Overdue as on 31 December 2007 and,*
- *Remaining unpaid upto 29 February 2008.*

The scheme was to be implemented by 30 June 2010.

At the Government of India (GoI) level, the Department of Financial Services (DFS), Ministry of Finance, was the apex authority responsible for administration and implementation of the scheme. This included preparation of guidelines, release of funds and overall monitoring. Reserve Bank of India (RBI) was the nodal agency for implementation and monitoring of the scheme for Scheduled Commercial Banks, Urban Cooperative Banks and Local Area Banks. National Bank for Agriculture and Rural Development (NABARD) was similarly responsible for Cooperative Credit Institutions and Regional Rural Banks.

The Government of India estimated in May 2008 that about 3.69 crore Marginal / Small farmers’ accounts and about 0.60 crore Other farmers’ accounts would be covered under the scheme. Over the last four financial years, the GoI has waived

¹ Refer to para 1.2 of the report – Eligible amounts and cut-off dates under ADWDRS.

² Farmers cultivating agricultural land upto 1 hectare or whose loan amount in respect of allied activities was less than ₹ 50,000.

³ Farmers cultivating agricultural land between 1-2 hectare or whose loan amount in respect of allied activities was less than ₹ 50,000.

⁴ Farmers cultivating agricultural land more than 2 hectare or whose loan amount in respect of allied activities was more than ₹ 50,000.

more than ₹ 52000 crore related to approximately 3.45 crore Small / Marginal and Other farmers.

Since debt relief and waiver mechanisms involved a huge amount, Performance Audit was undertaken 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.

HIGHLIGHTS

Errors of inclusion and exclusion at the beneficiary level were noticed. It was found that :

- i. Out of 9,334 accounts test checked in audit 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.

(Para 2.3)

- 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.

(Para 2.4)

A Private Scheduled Commercial Bank have received reimbursement for loans, amounting to ₹ 164.60 crore extended to Micro Finance Institutions (MFIs) in violation of the guidelines.

(Para 2.5.1)

Maintenance of proper and complete documentation with respect to each claim was critical to efficient management of the scheme. Audit noted that in 2,824 cases, with claims amounting to ₹ 8.64 crore, there was *prima facie* evidence of tampering, over-writing and alteration of records.

(Para 2.5.2)

Audit scrutiny revealed that 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 crores.

(Para 2.6)

In violation of 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.

(Para 2.7.1)

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.

(Para 2.7.5)

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.

(Para 2.8.1)

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.

(Para 2.9)

REMEDIAL ACTION

Subsequent to the issue of draft audit report to the Ministry and Exit Conference held at the level of Secretary, DFS, the DFS advised RBI and NABARD in January 2013 requesting them to issue instructions to Scheduled Commercial Banks/Cooperative Banks/RRBs/LABs for taking immediate corrective measures in respect of major audit observations. DFS instructed that institutions need to take action like recovery of money paid to ineligible beneficiaries and loans extended to MFIs, action under Banking Regulations against erring banks, fixing of responsibility of bank officials as well as

bank auditors, filing of FIRs⁵ in cases of tampering of records, issue of debt waiver and debt relief certificates to beneficiaries and monitoring the outcome relating to fresh loans. RBI and NABARD accordingly issued instructions to the implementing institutions on 14 and 11 January 2013.

Audit appreciates the prompt remedial action taken by the DFS, RBI and NABARD.

KEY RECOMMENDATIONS

Based on the audit observations, the following recommendations have been made to improve implementation of such schemes.

1. *As the ADWDRS is a welfare scheme aimed at benefitting poor farmers, DFS may like to take steps to review beneficiary lists in selected banks by focusing on those States where indebtedness was high.*
2. *Bank officials, internal auditors and central statutory auditors, who certified the information for passing the claims, ought to be made accountable for lapses in performing their duties.*
3. *The issue relating to reimbursement of claims of MFIs may be examined to ensure that the benefit of the scheme has actually reached the farmers and was not restricted to MFIs only.*
4. *The specific cases of tampering of records/alteration of loanee details should be reviewed by DFS and stringent action taken against errant officials as also lending institutions.*
5. *Ministry, on its own part, may verify (1) high-value claims of re-imbursement, (2) high-risk areas like inadmissible charges and (3) atleast a sample of claims of lending institutions to ensure that the financial interests of the government are protected.*
6. *Government may like to issue directions to banks to launch a drive of issuing debt waiver/debt relief certificate and keep records of such farmers getting fresh loans.*
7. *Nodal agencies ought to be tasked with specific responsibilities for supervision and should be held accountable for lapses.*
8. *Follow-up action in response to complaints or inspections should be properly monitored.*

⁵ First Information Report

Introduction

I Part

1.1 Background

As part of its budget proposals for the financial year (2008-09), the Government of India (GoI), in February 2008, announced a debt waiver and relief package for farmers. The cost of the scheme was estimated at ₹ 71,680 crore. Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS), 2008 was approved by the Cabinet on 23 May 2008. The scheme in respect of debt waiver was to be completed by 30 June 2008 while the date for debt relief was extended up to 30 June 2010. The scheme sought to lighten the debt burden of the farming community to enable such farmers to qualify for fresh loans. 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.

1.2 Salient features of the scheme

Guidelines of the scheme were circulated by the Department of Financial Services, (DFS) Ministry of Finance in May 2008. These guidelines specified the condition of eligibility, type of loans covered under the scheme etc. Subsequently, clarifications were issued on 18 June 2008 regarding implementation of the scheme.

Types of loans covered under the scheme

The scheme covered 'Direct Agricultural Loans' comprising Short Term Production Loans for agricultural purposes and Investment Loans availed by farmers for agricultural and allied activities.

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 ₹ 1 lakh for traditional and non-traditional plantations and horticulture.

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 like dairy, poultry farming, goatery, sheep rearing, piggery, fisheries, bee-keeping, green houses and biogas.

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.

Categorisation of beneficiaries

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 up to 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 up to 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).

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 up to ₹ 50,000.
- b) Small farmer: Farmer obtaining loan up to ₹ 50,000.
- c) Other farmer: Farmer obtaining loan above ₹ 50,000.

Eligible amounts and cut-off dates

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

In the case of a short-term production loan, the amount of such loan (together with applicable interest):

- a) disbursed up to 31 March 2007 and overdue as on 31 December 2007 and remaining unpaid until 29 February 2008; or
- b) restructured and rescheduled by banks in 2004 and in 2006 through the special packages announced by the Central Government, whether overdue or not; or
- c) restructured and rescheduled in the normal course up to 31 March 2007 as per applicable RBI guidelines on account of natural calamities, whether overdue or not.

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:

- a) disbursed up to 31 March 2007 and overdue as on 31 December 2007 and remaining unpaid until 29 February 2008;
- b) restructured and rescheduled by banks in 2004 and in 2006 through the special packages announced by the Central Government; and
- c) restructured and rescheduled in the normal course up to 31 March 2007 as per applicable RBI guidelines on account of natural calamities.
- d) 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.

Benefits under debt waiver and debt relief

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.

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 lump sum 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).

1.3 Implementation structure

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.

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)⁶, Urban

⁶ Both Public Sector Banks and Private Sector Banks

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.

State Level Bankers' Committees - The State Level Bankers' Committee⁷ (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.

⁷ The State Level Bankers' Committee (SLBC) was envisaged as a consultative and co-ordination body of all financial institutions operating in each state.

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 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; and*
- ✓ *Extend the benefit of fresh loan, upon the eligible amount being waived, to the farmers;*
- ✓ *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.

1.4 Financial and physical coverage

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 in Table 1.

TABLE 1: COVERAGE UNDER THE SCHEME

S. 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.	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
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 Haveli	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 crore⁸ 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

To ensure that banks had ample liquidity for disbursing credit to farmers who became eligible for fresh credit after benefitting 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.

⁸ 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.

The details of releases, amounting to ₹ 52,516 crore, to RBI/NABARD between 2008-09 and 2011-12 are given in Table 2.

TABLE 2: DETAILS OF FUNDS TRANSFERRED TO FDRF AND RELEASES MADE THERE AGAINST

S. 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.	31.03.2008	10000.00	-	-	10000.00
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	

1.5 Audit Approach

Audit Objectives

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.*

Sources of Audit Criteria

Audit criteria for the performance audit were drawn from the following:

- ADWDRS guidelines;
- Implementation circulars and subsequent clarifications issued by DFS;
- Non Performing Asset (NPA)/Write off guidelines of RBI and NABARD for commercial banks and cooperative banks respectively from 1997-2008;
- Circulars issued by RBI and NABARD for monitoring and implementation of scheme;
- Circulars issued by lending institutions;
- Provisions on rate of interest to be charged for different types of loans for each bank from 1997-2008;
- Provisions on penal interest, inspection charges, processing fees, etc. normally charged by banks from 1997-2008;
- Definition of overdue date considered by each bank from 1997-2008;
- Repayment schedule of each type of loan considered by each bank from 1997-2008; and
- Recovery register, inspection register or any other loans' controlling documents including circulars/instructions for each bank from 1997-2008.

Audit scope and methodology

The Performance Audit of the scheme covered 25 states. Field audit of a total of 90,576 beneficiaries'/farmers' accounts in 715 branches of lending institutions of 92 districts was carried out from April 2011 to March 2012. The total sample of 90,576 consists of three parts (S1, S2 and S3) which were the basis of selection of sample in each bank's branch:

- S 1 100 farmers, who had been extended benefit under the scheme as per list prepared by branch and claims approved
- S 2 25 farmers, which were not selected as beneficiaries, even though they had received agriculture loan between 1 April 1997 to 31 March 2007
- S 3 Cases of complaints/representations received either through GRM or otherwise.

State-wise details of these samples are given in **Annexe 1A, 1B and 1C**.

An 'Entry Conference' was held with DFS on 27 September 2011, wherein the audit methodology, scope, objectives and criteria were explained. DFS also made a presentation on the salient features of the scheme to Audit. Field work was based on test check conducted between April 2011 and March 2012. Subsequent audit scrutiny consisted of examination of documents and records at DFS/concerned lending institutions, collection of information through issue of audit memos and questionnaires and interaction with key personnel. An Exit Conference was held on 7 December 2012 wherein the main findings of audit were discussed with the Ministry.

Audit constraints

Audit had called for (June-July 2010) basic records, i.e. state-wise, district-wise and bank-wise beneficiaries' data 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' Committees (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 did not maintain data in such format.

During the course of audit, updated state-wise data was again sought (October 2011) from DFS to know the final figures of state-wise and bank-wise beneficiaries and amount of claims made as well as accepted by GoI. In response, DFS stated (February 2012) that it would not be possible to have an 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.

Audit simultaneously made efforts to collect the data from SLBCs in 25 states (those selected for performance audit) during 2011-12 but the data could be provided only in respect of 20 states by the respective SLBCs. In respect of five⁹ states data was not furnished to the Audit. The data in respect of 20 states was sent (January 2012) to DFS for confirmation. DFS did not confirm the data and instead stated (February 2012) that they had asked the SLBCs to give data as on 31 January 2012 to audit.

⁹ Andhra Pradesh, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand

As regards the information available with the RBI and NABARD, it was found that these agencies were maintaining data related to the implementation of the scheme, on two different parameters, i.e. RBI was maintaining the data 'bank-wise' while the NABARD was maintaining it 'state-wise'. Owing to the different parameters being applied by RBI and NABARD for data, the information available with these nodal agencies was not uniform and could not, therefore, be used for analysis and comparative evaluation with respect to implementation of the scheme by lending institutions.

1.6 Re-verification of audit observations

During this Performance Audit exercise, Audit test-checked 90,576 accounts for evaluating the implementation of the ADWDR scheme, against which there were audit observations relating to 20,756 accounts. Based on these audit findings, a draft audit report was issued to the Department of Financial Services, Ministry of Finance on 8 May 2012. In their reply (29 June 2012), DFS stated that 7,242 observations were verified by them and the banks had contested the audit observations in 2,515 cases. However, as no details were provided, Audit requested (6 July 2012) DFS to intimate the specific cases where banks had not agreed to audit observations. Therefore, DFS directed all the banks to reconcile their differences with Audit by providing relevant details and supporting documentation of the cases.

Subsequently, Audit took up a re-verification exercise during which initial records and documents submitted by banks relating to 6,371 cases (including the 2,515 cases contested in the DFS reply) were examined and discussed in detail with the representatives of the banks. The findings included in this report relate to those cases where the supporting documentation showed that benefits had been extended in violation of guidelines. These findings, thus, represent the final view of audit after thorough evaluation of evidence produced by the banks in selected cases, during the process of reconciliation.

A summary of this effort, which spanned over 3 months, is given in Table 3 while details are in Annexe 2A and Annexe 2B.

TABLE 3: RESULTS OF RE-VERIFICATION

Bank	Number of Cases seen	Number of cases objected by audit	No. of cases disagreed by banks and re-verification done	Results of re-verification		Final number of audit objections sustained	Percentage where audit objections sustained $\{(7) \div (3)\} \times 100$
				Audit objections sustained out of (4)	Audit objections dropped out of (4)		
-(1)-	-(2)-	-(3)-	-(4)-	-(5)-	-(6)-	-(7)-	-(8)-
Banks under RBI	44285	9703	2643	2447	196	9507	97.98
Banks under NABARD	46291	11053	3728	3410	318	10735	97.12
Total	90576	20756	6371	5857	514	20242	97.52

In addition, 26 audit objections (J&K Bank) pertaining to financing of mules, were also dropped in view of the discussion held during the Exit Conference and clarification issued by DFS on 11 December 2012 regarding admissibility of financing of mules under the scheme.

1.7 Acknowledgement

Audit wishes to acknowledge the co-operation received from the Department of Financial Services, Ministry of Finance, Reserve Bank of India (RBI) and National Bank for Agricultural and Rural Development (NABARD) and lending institutions during the audit process.

Audit would also like to place on record its appreciation for the efforts made by DFS, NABARD and various lending institutions in deputing officials to discuss the audit observations during re-verification.

Subsequent to the issue of draft audit report to the Ministry and Exit Conference held at the level of Secretary, DFS, the DFS advised RBI and NABARD in January 2013 requesting them to issue instructions to Scheduled Commercial Banks/Cooperative Banks/RRBs/LABs for taking immediate corrective measures in respect of major audit observations. DFS instructed that institutions need to take action like recovery of money paid to ineligible beneficiaries and loans extended to MFIs, action under Banking Regulations against erring

banks, fixing of responsibility of bank officials as well as bank auditors, filing of FIRs¹⁰ in cases of tampering of records, issue of debt waiver and debt relief certificates to beneficiaries and monitoring the outcome relating to fresh loans. RBI and NABARD accordingly issued instructions to the implementing institutions on 14 and 11 January 2013.

Audit appreciates the prompt remedial action taken by the DFS, RBI and NABARD.

¹⁰ First Information Report

Audit Findings

II Part

The audit findings have been categorised under the following broad areas (i) Scheme design, (ii) Release of funds, (iii) Non-extension of benefits to eligible beneficiaries, (iv) Inclusion of ineligible beneficiaries, (v) Other lapses in implementation of scheme, (vi) Accuracy of claims, (vii) Reimbursement to lending institutions, (viii) Extension of fresh credit, and (ix) Monitoring.

2.1 Scheme design

2.1.1 Time-frame for implementation and capability of lending institutions

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 circular¹¹ was issued as late as on 18 June 2008.

Audit found that the design of the scheme did not take into account 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 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 as eventually seen in audit.

In this regard, DFS stated (April 2012) 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

¹¹ Clarificatory circular provided explanation and clarity on the issues raised by the lending institutions.

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.”

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. as elaborated later in this report, it would be clear that in such cases the lending institutions did not prepare correct list of beneficiaries with due care. In fact, 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.

2.1.2 Outcome relating to fresh loans not monitored

It was noticed in Audit that even though the scheme wanted to, on one hand de-clog the lines of credit due to debt burden on the farmers and, on the other, enable the farmers to avail themselves of fresh agriculture credit from banks in accordance with the normal rules, the scheme guidelines defined outputs only in terms of likely number of beneficiaries/accounts for debt waiver and relief. This led the lending institutions to be more concerned about achieving targets for waiver and relief. There was little or no monitoring to ensure that the objective of extension of fresh loans was achieved.

2.2 Release of funds

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.

2.2.1 Funds lying idle with lending institutions

While claiming reimbursements, the lending institutions had calculated the amounts inclusive of interest. Audit noted that subsequently, certain amounts were refunded by Urban Cooperative Banks and Scheduled Commercial Banks from time to time. To protect the financial interests of the Government, the amounts ought to have been refunded along-with interest for the period that they continued to lie with the lending institutions. However, DFS could not give the details of refunds (lending institution-wise) received by the nodal agencies and interest on unutilized amount lying with lending institutions. As DFS had not maintained full details, amounts may also be lying with lending institutions which have not been accounted for.

2.3 Non-extension of benefits to eligible beneficiaries

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.

Audit had examined 25 cases of individual loan accounts in each branch visited by Audit where no benefit was given. It was noticed that out of a total of 9,334 accounts¹² test checked in 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. Details of such accounts are given in Table 4.

¹² Sample - S 2

TABLE 4: 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

In addition to the above, Audit noticed that another 183 accounts¹³ 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. Audit 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.

Further, in Haryana, two¹⁴ 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. Audit, however, noted that the same was not paid to the farmers. On this being pointed (June and July 2011), the banks stated that the amounts have since been paid to the farmers through cheques.

Recommendation

- ✓ *As the ADWDRS is a welfare scheme aimed at benefitting poor farmers, DFS may like to take steps to review beneficiary lists in selected banks by focusing on those States where indebtedness was high.*

¹³ In Punjab (176), Manipur (3), and Rajasthan (4)

¹⁴ Primary Co-operative Agriculture Rural Development Bank (PCARDB) Limited Naraingarh and Kaithal.

2.4 Inclusion of ineligible beneficiaries

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 accounts¹⁵ 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. This is a significant percentage, and it is indicative of the fact that total errors in inclusion of ineligible beneficiaries can be large with a correspondingly high monetary value. The details regarding the specific violations follow.

The types of loans to be covered under the scheme were explicitly detailed in the scheme guidelines¹⁶. However, audit scrutiny revealed that 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 **Annexe 3**.

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 **Annexe 4**.

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 states¹⁷, 33 loan accounts, which were sanctioned prior to 1 April 1997, were extended benefits of ₹ 6.15 lakh under the scheme though these loans

¹⁵ Sample - S1

¹⁶ See section 1.2.

¹⁷ Chhattisgarh (11), Kerala (17), Tamil Nadu (1), Uttar Pradesh (4)

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.

Recommendation

- ✓ *Bank officials, internal auditors and central statutory auditors, who certified the information for passing the claims, ought to be made accountable for lapses in performing their duties.*

2.5 Other lapses in implementation of scheme

Certain irregularities were noticed as a result of either faulty interpretation of the scheme or inadequate documentation.

2.5.1 Loans disbursed through Micro Finance Institutions and claimed under the scheme

As per 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. During audit in five states (Andhra Pradesh, Chhattisgarh, Odisha, Tamil Nadu and West Bengal), it was noticed that a Private Scheduled Commercial Bank (Bank) have received reimbursement for loans, extended to MFIs.

In response (November 2011), the Bank 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.”

In their reply (June 2012), DFS 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 (MFI) for the purpose of on-lending to farmers / individuals.”

Audit, however, found 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. KYC¹⁸ details were also verified by the MFI officials.

¹⁸ Know Your Customer

5. Weekly installments 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.

Thus, 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.

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.

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. It is necessary for DFS to ensure that benefits of such waivers have reached the beneficiaries rather than being restricted to the MFIs only.

2.5.2 Poor and inadequate documentation

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.

TABLE 5: CASES OF INADEQUATE DOCUMENTATION

S. No.	Name of State	Particulars	Remarks
1.	Karnataka	In four banks ¹⁹ large scale tampering of records, i.e. 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 change their category from Other farmer to Small farmer, in order to claim a higher amount.	Excess benefit amounting to ₹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.e. 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.*

¹⁹ Mandya City Cooperative Bank Ltd. (Mandya), Lokapavani Mahila Sahakari Bank Niyamitha (Mandya), Simsha Sahakara Bank Ltd. (Maddur), Sri Gurusiddeshwara Cooperative Bank Ltd. (Hubli)

- 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.*

Recommendations

- ✓ *The issue relating to reimbursement of claims of MFIs may be examined to ensure that the benefit of the scheme has actually reached the farmers and was not restricted to MFIs only.*
- ✓ *The specific cases of tampering of records/alteration of loanee details should be reviewed by DFS and stringent action taken against errant officials as also lending institutions.*

2.6 Accuracy of claims

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 guidelines²⁰. Consequently, 4,826 accounts out of the 80,299²¹ test checked accounts of farmers, i.e. almost six *per cent* of the accounts, were not extended the correct benefits. Details follow.

2.6.1 Less benefits extended to eligible accounts of farmers

Audit found 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.

²⁰ Please refer section 1.2.

²¹ Sample – S1

- 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.

2.6.2 Excess benefits extended to beneficiaries' accounts

Audit scrutiny revealed that in 3,262 accounts, undue benefit totaling ₹ 13.35 crore was extended. In 2,300 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 amount²² of the loan being eligible under the scheme. The state-wise figures are detailed in **Annexe 5A** and **Annexe 5B**.

2.7 Reimbursement to lending institutions

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 follow.

2.7.1 Inadmissible charges of ₹ 5.33 crore claimed by the lending institutions from the GoI

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

²² Loan was given for multiple purposes, but only the part given for agricultural purposes can be considered for benefits under ADWDRS 2008

state-wise details (in respect of banks under NABARD) are summarized in **Annexe 6A** and **Annexe 6B** respectively.

High incidence of such cases and the large amount is indicative of the fact that total errors in inclusion of inadmissible charges would be large with a correspondingly higher monetary value.

2.7.2 Reimbursement received in excess of claim

In Chhattisgarh, six²³ 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.

DFS replied (June 2012) 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.”

However, information regarding refund of the amount was not furnished to audit. Replies in respect of the remaining lending institutions were also not furnished to audit.

2.7.3 Claims made in excess of benefit extended to beneficiaries

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.

Further, in two cases banks retained the entire amount claimed by them from GoI and did not credit the same to beneficiaries' accounts, as shown in Table 6.

²³ DCCB Arang, DCCB Bhatgaon, DCCB Lormi, RRB Darima, State Bank of Indore, Ambikapur and SBI Bhaiyathan.

TABLE 6: EXCESS BENEFITS CLAIMED BY BANKS

(₹ in lakhs)

S. 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

2.7.4 Non-furnishing of details of computation of interest paid on reimbursable claims amounting to ₹ 1,934 crore

DFS released funds amounting to ₹ 1,934 crore to the nodal agencies²⁴ on account of interest on reimbursable claims under the scheme. DFS did not furnish 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.

DFS replied (June 2012) that:

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

DFS 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.

2.7.5 Reimbursement of claims of UCBs

During scrutiny of records of DFS, it was noticed 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.

2.7.6 Wrong claims of DCCBs

Five²⁵ lending institutions in Andhra Pradesh claimed ₹ 66.16 lakh as 25 per cent share under 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

²⁴ ₹ 1,612 crore to RBI and ₹ 322 crore to NABARD

²⁵ DCCB (Atmakur, Warangal), DCCB (Pitchatur, Chittoor), Canara Bank (Kuppam, Chittoor), SBI (Macherla, Guntur) and DCCB (Vinukonda, Guntur)

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 for information on 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.

DFS added (June 2012) that:

“The entire amount was absorbed in the corpus meant for ADWDRS 2008.”

Recommendation

- ✓ *Ministry, on its own part, may verify (1) high-value claims of reimbursement, (2) high-risk areas like inadmissible charges and (3) atleast a sample of claims of lending institutions to ensure that the financial interests of the government are protected.*

2.8 Extension of fresh credit

2.8.1 Issue of debt waiver and debt relief certificates

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 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.

However, during audit scrutiny it was noticed 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 **Annexe 7**.

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.

In their reply (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.”

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, it would be reasonable to conclude that a large number of beneficiaries might not have been issued such certificates at all.

2.8.2 Maintenance of records relating to request for fresh loan by farmers

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 audit 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.

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.

2.8.3 Increase in credit subsequent to implementation of scheme

Audit sought to verify in quantitative terms also whether the scheme was able to achieve its objective of de-clogging credit lines. DFS 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.”

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

Recommendation

- ✓ *Government may like to issue directions to banks to launch a drive of issuing debt waiver/debt relief certificate and keep records of such farmers getting fresh loans.*

2.9 Monitoring

2.9.1 Monitoring by nodal agencies

2.9.1.1. 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 did not furnish the agenda or minutes of these meetings.

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.

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 did not specify any periodical reports and returns in the scheme guidelines to be submitted to it with regard to the implementation of the scheme.

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.”

The reply of DFS is, however, 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 still being settled (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. Since DFS was responsible for releasing funds on the basis of all claims for debt waiver/relief routed through the nodal agencies, it was, imperative that DFS should have put monitoring mechanisms in place to ensure that it had access to authentic and current data through systematised reports.

2.9.1.2. Reserve Bank of India - RBI had issued guidelines and instructions to the implementing banks for maintenance of data in prescribed formats for borrowers, amounts waived, and rebates at different levels²⁶. 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.

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 auditors²⁷, 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.

²⁶ Branch office /Regional Office/Zonal Office/Head Office

²⁷ Chartered accountants appointed by the banks

Audit was not able to get 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.

In response, RBI 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."

DFS supported RBI's stance (June 2012) by stating 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."

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".

Audit, however, does not agree with the DFS and RBI response as 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."

2.9.1.3. 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.

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.

Audit ascertained from NABARD on how it had satisfied itself 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.”

DFS replied (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.”

The assertion by the DFS/RBI/NABARD that banks had well-established mechanisms and that the scheme was of a short duration or the contention that the nodal agency had limited responsibility does not absolve these agencies from their monitoring obligations. Audit did not find that RBI and NABARD had instituted a feasible and practical system of checks to ensure compliance with the guidelines and instructions.

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, raises the issue of conflict of interest, since in effect, the lending institutions were responsible for first, implementation and then monitoring their own work.

2.9.2 Absence of timely corrective action

Audit observed that though DFS and nodal agencies were aware of numerous flaws in the implementation of the scheme yet they did not take adequate measures to rectify the same in a timely manner.

Shortly after the scheme was launched, DFS deputed (June 2008) its officers to check the preparedness of the banks for the implementation of the scheme. These officers inspected around 6-8 bank branches of 1-2 districts of various states. The reports submitted by the officers highlighted shortcomings like inclusion of ineligible persons, lack of proper display of the scheme, non-availability of forms of debt waiver certificates, inadequacy of calculation sheets, calculation mistakes in working out eligible amount etc, but there was no documentary evidence to suggest that the required remedial measures and corrective action was communicated to the branches and resultantly adopted by them.

NABARD had intimated (February 2010) DFS about serious irregularities being noticed in audited claims lodged by the banks²⁸. In fact, NABARD had even withheld an amount of ₹ 368.96 crore, pending these investigation reports. There was no evidence of steps being taken to strengthen internal controls of co-operative banks, etc. specific to the ADWDR scheme.

Recommendations

- ✓ *Nodal agencies ought to be tasked with specific responsibilities for supervision and should be held accountable for lapses.*
- ✓ *Follow-up action in response to complaints or inspections should be properly monitored.*

²⁸ Refer section 2.5.2

Conclusion and Recommendations

III Part

3.1. Conclusion

The scheme was primarily launched by the GoI to address the issue of financial indebtedness of farmers. Under the scheme, the GoI released a huge sum of over ₹ 52,000 crore to clear part of the dues of farmers against specific parameters based on the categorisation of farmers as Small / Marginal / Other farmers and the period of disbursal of loan, its overdue and unpaid position.

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.

It was found that out of the 9,334 accounts test checked in audit across nine states, 1,257 accounts, (13.46 *per cent*) were such who 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 beneficiaries.

Discrepancies amounting to ₹ 20.50 crore were noticed in 6,822 accounts out of 80,299 test checked accounts wherein ineligible farmers, i.e. farmers who had taken loans for non-agricultural purposes or whose loans did not meet eligibility conditions, were given benefits under the scheme. Further, another 4,826 accounts out of these 80,299 test checked cases were extended incorrect benefits. In these 4,826 cases, excess benefits totaling ₹ 13.35 crore were extended to 3,262 farmers while 1,564 farmers were extended less than their due benefits of ₹ 1.91 crore.

It was, further, noticed that in 6,392 accounts, certain charges (like interest in excess of the principal amount, unapplied interest, penal interest, legal charges, inspection charges, miscellaneous charges, etc) amounting to ₹ 5.33 crore which were to be borne by the lending institutions themselves as per the scheme guidelines, were claimed from the government.

In addition, loans amounting to ₹ 164.60 crore were also waived in violation of guidelines.

After extending benefit under the scheme, the banks were required to issue a certificate and obtain an acknowledgment from the farmer for the same, so as to ensure that farmer could become eligible for applying fresh loan/ refinance from the bank. It was, however, found that in 21,182 accounts, constituting 34.28 *per cent* of 61,793 accounts verified for this purpose, the lending institutions had not obtained acknowledgement from the farmer.

As regards the issue of refinance, it could not be vouched that all the beneficiaries having ADWDRS certificate were given fresh loans, wherever they applied for it, as no record of loan application receipts which were rejected /accepted by the lending institutions, was being maintained.

The monitoring aspect of the scheme was also found to be deficient, as the Department was totally dependent upon nodal agencies for monitoring the compliance of its instructions issued from time to time for implementation of scheme. However, the nodal agencies themselves were relying on certificates and data of lending institution without conducting independent cross checks on such data and certificate to confirm the veracity of claims. This raises the issue of conflict of interest, since in effect, the lending institutions were performing a dual role, first implementing and then monitoring their own work.

3.2. Recommendations

A summary of the recommendations that audit has made in the report are given below.

Implementation of scheme

- ✓ *As the ADWDRS is a welfare scheme aimed at benefitting poor farmers, DFS may like to take steps to review beneficiary lists in selected banks by focusing on those States where indebtedness was high.*
- ✓ *Bank officials, internal auditors and central statutory auditors, who certified the information for passing the claims, ought to be made accountable for lapses in performing their duties.*
- ✓ *The issue relating to reimbursement of claims of MFIs may be examined to ensure that the benefit of the scheme has actually reached the farmers and was not restricted to MFIs only.*
- ✓ *The specific cases of tampering of records/alteration of loanee details should be reviewed by DFS and stringent action taken against errant officials as also lending institutions.*

Monitoring

- ✓ Ministry, on its own part, may verify (1) high-value claims of re-imbursement, (2) high-risk areas like inadmissible charges and (3) atleast a sample of claims of lending institutions to ensure that the financial interests of the government are protected.
- ✓ Nodal agencies ought to be tasked with specific responsibilities for supervision and should be held accountable for lapses.
- ✓ Follow-up action in response to complaints or inspections should be properly monitored.

Achievement of objectives

- ✓ Government may like to issue directions to banks to launch a drive of issuing debt waiver/debt relief certificate and keep records of such farmers getting fresh loans.

Dated: 8 February 2013
Place: New Delhi


(ANAND MOHAN BAJAJ)
Principal Director of Audit
(Economic and Service Ministries)

Countersigned

Dated: 11 February 2013
Place: New Delhi


(VINOD RAI)
Comptroller and Auditor General of India

GLOSSARY

Abbreviation	Full Form
ADWDRS	Agricultural Debt Waiver and Debt Relief Scheme
DCCB	District Central Cooperative Banks
DFS	Department of Financial Services
DLCC	District Level Coordination Committee
FDRF	Farmers' Debt Relief Fund
GOI	Government of India
GRM	Grievance Redressal Mechanism
JLGs	Joint Liability Groups
LAB	Local Area Bank
MFI	Micro Finance Institutions
MoF	Ministry of Finance
NABARD	National Bank for Agriculture and Rural Development
NLMC	National Level Monitoring Committee
NPA	Non-performing Assets
OTS	One Time Settlement
PACS	Primary Agricultural Cooperative Societies
PSB	Public Sector Bank
RBI	Reserve Bank of India
RO	Regional Office

RRB	Regional Rural Bank
SCARDB	State Cooperative Agriculture and Rural Development Bank
SCB	Scheduled Commercial Bank
SHGs	Self Help Groups
UCB	Urban Cooperative Bank



Annexe



**STATE-WISE DETAILS OF DISTRICTS, BRANCHES OF LENDING
INSTITUTIONS AND FARMERS ACCOUNT SELECTED IN AUDIT
(S 1)**

S. No.	Name of State	Number of districts selected	Number of branches of lending institutions selected in the districts	Number of accounts selected in the branches of lending institutions	Amount (Figures in ₹)
1.	Andhra Pradesh	4	32	3200	143160361
2.	Assam	4	32	2768	57338318
3.	Bihar	5	28	2847	106201646
4.	Chhattisgarh	3	24	2797	78996948
5.	Gujarat	3	24	2390	139711756
6.	Haryana	3	31	3136	150936066
7.	Himachal Pradesh	3	17	1565	98888386
8.	Jammu & Kashmir	4	32	4777	113642868
9.	Jharkhand	4	32	2978	70609245
10.	Karnataka	6	35	7110	361054526
11.	Kerala	2	18	2591	106706595
12.	Madhya Pradesh	7	42	6783	181034000
13.	Maharashtra	5	40	3994	169899223
14.	Manipur	2	16	1543	32936986
15.	Meghalaya	2	16	1600	42075779
16.	Nagaland	2	10	1039	20711754
17.	Odisha	4	32	2899	399649335
18.	Punjab	3	27	2763	124572534
19.	Rajasthan	5	43	4163	219283085
20.	Sikkim	1	5	374	6518926
21.	Tamil Nadu	5	62	7464	203002087
22.	Tripura	1	8	800	19102177
23.	Uttar Pradesh	7	57	5641	298969246
24.	Uttarakhand	2	16	1551	53390277
25.	West Bengal	5	36	3526	105272821
Total		92	715	80299	3303664945

**STATE-WISE DETAILS OF THE FARMER ACCOUNTS SELECTED IN AUDIT
WHICH WERE NOT INCLUDED IN THE BENEFICIARIES' LIST BY THE
LENDING INSTITUTIONS (S 2)**

S. No.	Name of State	Number of accounts selected in the branches of the lending institutions
1.	Assam	614
2.	Chhattisgarh	365
3.	Haryana	775
4.	Kerala	425
5.	Madhya Pradesh	2097
6.	Maharashtra	624
7.	Odisha	500
8.	Punjab	675
9.	Rajasthan	901
10.	Tamil Nadu	1475
11.	Tripura	98
12.	Uttar Pradesh	125
13.	Uttarakhand	400
14.	West Bengal	260
Total		9334

STATE-WISE DETAILS OF COMPLAINT CASES SELECTED IN AUDIT (S 3)

S. No	Name of State	Number of complaints
1.	Andhra Pradesh	64
2.	Chhattisgarh	3
3.	Gujarat	39
4.	Himachal Pradesh	6
5.	Kerala	182
6.	Odisha	61
7.	Punjab	40
8.	Rajasthan	340
9.	Tamil Nadu	142
10.	Tripura	3
11.	Uttar Pradesh	62
12.	West Bengal	1
Total		943

RESULTS OF RE-VERIFICATION

Bank wise (Private and Nationalised Banks)

S. No.	Name of Bank	Number of Cases seen	Number of cases objected by audit	No. of cases disagreed by banks and re-verification done	Results of re-verification		Final number of audit objections sustained	Percentage where audit objections sustained {(7) ÷ (3)} x 100
					Audit objections sustained out of (4)	Audit objections dropped out of (4)		
	-(1)-	-(2)-	-(3)-	-(4)-	-(5)-	-(6)-	-(7)-	-(8)-
1.	Axis Bank	814	168	10	10	0	168	100
2.	Citi Union Bank	209	3	0	0	0	3	100
3.	Federal Bank	493	93	0	0	0	93	100
4.	HDFC	125	7	3	2	1	6	85.71
5.	ICICI Bank	3387	785	785	769	16	769	97.96
6.	ING Vysya Bank Ltd.	53	4	0	0	0	4	100
7.	J&K Bank	1017	322	0	0	0	322	100
8.	Tamilnad Mercantile Bank Ltd.	125	41	0	0	0	41	100
9.	Allahabad Bank	1822	415	313	313	0	415	100
10.	Andhra Bank	823	163	83	74	9	154	94.48
11.	Bank of Baroda	969	70	38	25	13	57	81.43
12.	Bank of India	1559	272	55	50	5	267	98.16
13.	Bank of Maharashtra	225	6	1	1	0	6	100
14.	Canara Bank	1168	193	193	177	16	177	91.71
15.	Central Bank of India	3660	495	136	115	21	474	95.75
16.	Corporation Bank	104	5	1	1	0	5	100
17.	Dena Bank	300	18	18	14	4	14	77.78
18.	IDBI	126	8	8	0	8	0	0

19.	Indian Bank	375	47	0	0	0	0	47	100
20.	Indian Overseas Bank	1097	289	9	0	0	9	280	96.89
21.	Lokapavani Mahila Sahakari Bank	247	245	0	0	0	0	245	100
	Niyamitha Mandya								
22.	Mandya City Cooperative Bank	292	292	0	0	0	0	292	100
23.	Oriental Bank of Commerce	783	152	1	1	0	0	152	100
24.	Punjab & Sind Bank	126	3	3	3	0	0	3	100
25.	Punjab National Bank	3195	277	85	54	31	31	246	88.81
26.	Simsha Sahakara Bank Ltd. Maddur	1113	1112	0	0	0	0	1112	100
27.	Sri Gurusiddeshwara Co-operative Bank Ltd. Hubli	1390	1149	0	0	0	0	1149	100
28.	State Bank of Bikaner and Jaipur	938	54	3	2	1	1	53	98.15
29.	State Bank of Hyderabad	201	8	2	2	0	0	8	100
30.	State Bank of India	11222	1839	309	271	38	38	1801	97.93
31.	State Bank of Mysore	300	129	0	0	0	0	129	100
32.	State Bank of Patiala	895	219	122	120	2	2	217	99.09
33.	State Bank of Travancore	340	53	53	53	0	0	53	100
34.	Syndicate Bank	455	25	5	5	0	0	25	100
35.	UCO Bank	2320	366	189	179	10	10	356	97.27
36.	Union Bank of India	1196	248	218	206	12	12	236	95.16
37.	United Bank of India	821	128	0	0	0	0	128	100
Total		44285	9703	2643	2447	196	196	9507	97.98

RESULTS OF RE-VERIFICATION

State wise (NABARD)

S. No.	Name of Bank	Number of Cases seen	Number of cases objected by audit	No. of cases disagreed by banks and re-verification done	Results of re-verification		Final number of audit objection sustained	Percentage where audit objections sustained {(7) ÷ (3)} x 100
	-(1)-	-(2)-	-(3)-	-(4)-	Audit objections sustained out of (4)	Audit objections dropped out of (4)	-(7)-	-(8)-
1.	Andhra Pradesh	1702	448	402	329	73	375	83.71
2.	Assam	1514	194	2	2	0	194	100
3.	Bihar	1195	348	306	301	5	343	98.56
4.	Chhattisgarh	1872	509	293	293	0	509	100
5.	Gujarat	1226	56	40	35	5	51	91.07
6.	Haryana	2074	289	8	5	3	286	98.96
7.	Himachal Pradesh	505	224	193	114	79	145	64.73
8.	Jammu & Kashmir	2879	241	66	48	18	223	92.53
9.	Jharkhand	1476	427	57	57	0	427	100
10.	Karnataka	1253	132	94	45	49	83	62.88
11.	Kerala	1244	313	30	30	0	313	100
12.	Madhya Pradesh	5488	3342	1090	1087	3	3339	99.91
13.	Maharashtra	2454	136	17	9	8	128	94.12
14.	Manipur	943	487	66	66	0	487	100
15.	Meghalaya	800	0	0	0	0	0	--
16.	Nagaland	334	111	111	111	0	111	100
17.	Odisha	1894	179	0	0	0	179	100
18.	Punjab	1680	465	32	16	16	449	96.56

19.	Rajasthan	2678	391	234	175	59	332	84.91
20.	Sikkim	118	2	1	1	0	2	100
21.	Tamil Nadu	6495	321	0	0	0	321	100
22.	Tripura	423	82	0	0	0	82	100
23.	Uttar Pradesh	2971	1494	686	686	0	1494	100
24.	Uttarakhand	1040	365	0	0	0	365	100
25.	West Bengal	2033	497	0	0	0	497	100
	Total	46291	11053	3728	3410	318	10735	97.12

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

S. No	Name of State	Number of accounts	Amount of ineligible benefits allowed (Figures 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

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

S. No	Name of State	Number of accounts	Amount of ineligible benefits allowed (Figures 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

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

S. No.	Name of State	No. of Cases	Amount (Figures 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

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

S. No.	Name of State	No. of Cases	Amount (Figures in ₹)
1.	Chhattisgarh	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

DETAILS OF INADMISSIBLE CHARGES CLAIMED BY BANKS (UNDER RBI)

S. No.	Name of Bank	Number of cases	Amount (Figures in ₹)
1.	Axis Bank	88	298261
2.	Citi Union Bank	0	0
3.	Federal Bank	13	466251
4.	HDFC	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
25.	Punjab National Bank	140	387492
26.	Simsha Sahakara Bank Ltd. Maddur	0	0
27.	Sri Gurusiddeshwara Co- operative Bank Ltd. Hubli	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 Travencore	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

DETAILS OF INADMISSIBLE CHARGES CLAIMED BY BANKS (UNDER NABARD)

S. No.	Name of State	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

S. No.	Name of State	Debt Waiver				Debt Relief			
		Number of accounts test checked	Number of branches test checked	Number of beneficiaries not issued Certificate	Number of branches where Certificates were not issued	Number of beneficiaries accounts checked	Number of branches test checked	Number of beneficiaries not issued Certificate	Number of branches where Certificates were not issued
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