

FATAL FARMS

Inertia at the Time of Crisis

Naresh Minocha

“Soon after I close my speech, it may be stated... by some members of the government that they are seized of this question of agricultural finance... My trouble is this. This is a kind of answer that the government of India has been giving whether it has come in after the achievement of freedom or before, for the last so many years. Ever since 1934, those of us who are so much interested in the agriculturists, have been pressing for some such institution as this and for the kind of initiative on the part of the government of India as is being suggested in this resolution... So little has been done... We were being given the same kind of answer: ‘Wait and see’. Till now we have been waiting and seeing. Meanwhile, the problem has been growing more and more serious.”

The late **Prof. N. G. Ranga**,
Moving a resolution for setting up of an
all-India agricultural credit corporation
in the Rajya Sabha on April 24, 1953.

The late Prof. N. G. Ranga, veteran parliamentarian, was perspicacious, if nothing else, in his observations on farmer indebtedness in India more than 60 years back. With the agrarian crisis grabbing mindspace across the country, thoughts go back to his speech, moving the vital resolution. Prof. Ranga had more wisdom to offer to the country that seems so relevant today.

Referring to the sale of land by farmers to reduce their indebtedness, Prof. Ranga, a pioneer of peasants’ movements, observed: “If... through the neglect of the government or through the failure of the steps taken by the various state governments, our farmers were to be reduced to the plight of having to sell their lands and then reduce their indebtedness, it would only mean inducing the people and helping them to sell their lands and their own economic independence and give up a portion



NARESH MINOCHA
Veteran journalist,
specializing in
agriculture

of their own social security and abandon their own source of employment.”

Such soul-stirring alerts from reputed opinion leaders since Independence seem to have fallen on deaf ears as the central and state governments have let farmers’ problems snowball into a multi-dimensional agrarian crisis. There is now no easy way-out from this. The crisis can be resolved only through a comprehensive package for agricultural renaissance, jointly formulated by the Centre and states and implemented in toto, and under the strict vigil of the National Democratic Alliance (NDA) government’s brainchild, the Niti Aayog, if not under the Inter-State Council or the National Development Council (both moribund at present).

The NDA government has not shown the requisite political will to analyze the problems of agrarian economy in an integrated manner and to act accordingly. Even the United Progressive



Alliance (UPA) government was found wanting on this count in spite of good intentions and best advice from the National Commission on Farmers (NCF) and other official entities.

Under the British Raj and prior to that, agrarian stress was primarily due to the feudal system, private moneylenders' machinations, vagaries of nature, farmers' vulnerability to markets and the emerging pressures of an expanding population, leading to fragmentation of farm holdings. Much remains the same.

- The private moneylender's rise may have been stemmed but he is still a factor to reckon with. So is the role of nature, notwithstanding the increase in irrigated area, emergence of varied and improved agronomic options and provision of crop and animal husbandry insurance cover to a section of farmers.
- The vulnerability of farmers to markets has been mitigated only partly and mainly with respect to a few crops. A majority of farmers is still forced

to sell vegetables and fruits at ridiculously low prices and often resorts to distress sale.

- The population explosion-driven fragmentation of farm holdings has evolved into the foremost cause of agrarian crisis, rendering many small and marginal farms unviable.
- The farming business has come under additional strain due to several factors including the failure to spread a sustainable green revolution to all parts of the country, break the new yield barriers, disbalance in use of fertilizers, poor soil healthcare and NGO-judicial activism against what has been very controversial introduction of genetically engineered crops, considered crucial for improving the viability of shrinking farms by a large segment of opinion leaders.

Another major reason for erosion of the viability of farming is the persistent low capital formation in agriculture with deficient funding both by the centre and the states. The Committee on Review of Agricultural Policies and Programmes (CRAPP)

said, way back in 1990: "Agriculture requires two kinds of capital investments; one by government for creating the necessary infrastructure for growth; and the other, for on-farm investment by farmers. Unless conditions are created to promote the second kind of investment, the first kind may also prove unproductive if not infructuous."

Yet another major cause of agrarian distress is the failure of governments to create adequate non-farm work opportunities in rural areas for enabling growers to supplement their farm income.

These have pushed agrarian stress into a critical state, largely rendering small and marginal farming unviable over the last 25 years. The crisis is, however, acknowledged only periodically, particularly when distressed farmers commit suicide. As and when the news about the harakiri peters out, the political class and other stakeholders of the democracy turn their attention to other riveting issues that have no relevance for rural masses.

The agrarian distress is manifested well in the findings of the latest Situation Assessment Survey (SAS) of Agricultural Households released by the National Sample Survey Office (NSSO) in December 2014. The SAS shows that average monthly income including non-farming earnings per agricultural household during the agricultural year July 2012-June 2013 was an estimated ₹6,426. This earning was marginally higher than the average monthly consumption expenditure of ₹6,223 per household.

Cut to the slum, where a migrant family earns much more today, spends much more and repatriates some savings to his village home. "Even an average slum dweller in the cities is better off than an average villager in terms of nutrition," says CRAPP in its report submitted under the chairmanship of Bhanu Pratap Singh to the agriculture ministry in July 1990.

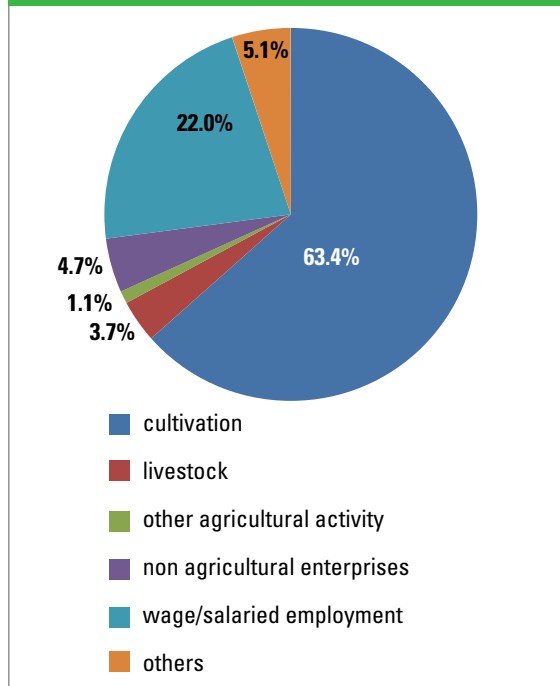
Another alarming finding of the SAS is that every second agricultural household is indebted. The average amount of outstanding loan per agricultural household was ₹47,000, which is 7.3 times the monthly income. The inability to cope with indebtedness, coupled with varied social factors, heightens farm distress and drives certain farmers to end their lives. The state governments, however, pay a pittance as low as ₹1 lakh as a relief to members of the deceased farmers.

The Centre's reluctance to take the agrarian challenge head on is evident from its answers to questions raised in Parliament. The replies on



© Dinodia

Figure 1: Percentage distribution of agricultural households by principal source of income



Source: NSSO's Key Indicators of Situation of Agricultural Households in India, December 2014

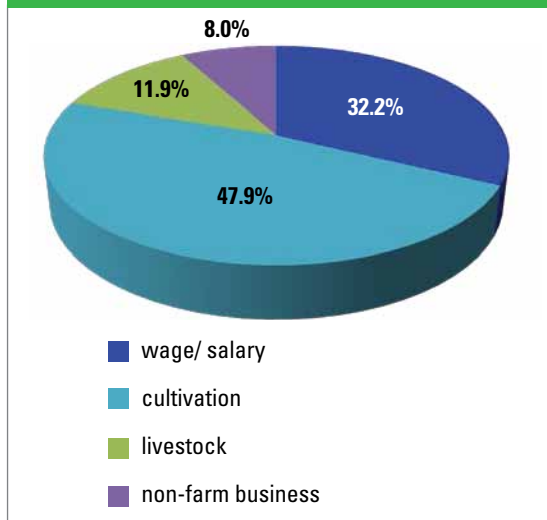


The average outstanding loan per agricultural household was ₹47,000, 7.3 times the monthly income. Indebtedness heightens farm distress

issues relating to agrarian distress and farmers' suicides have been similar and almost identical under both the NDA and UPA regimes.

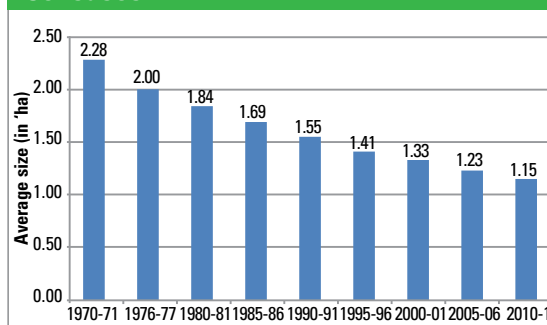
Consider the reply to a question on farm suicides given by the Minister of State for Agriculture Sompal during the NDA I regime in Rajya Sabha on May 28, 1998: "It is primarily the responsibility of the state governments concerned to provide relief to the people affected by natural calamities. The central government supplements the efforts of the state governments by providing additional resources in accordance with the recommendations of the finance commissions appointed from time to time."

Figure 2: Distribution of average monthly income per agricultural households by sources



Source: NSSO's Key Indicators of Situation of Agricultural Households in India, December 2014

Figure 3: Average size of operational holdings as per different agriculture Censuses



Compare it with the reply given by Sharad Pawar, Minister for Agriculture, in the UPA II regime in response to a question in the Rajya Sabha on November 27, 2009: "Agriculture is a state subject and all necessary initiatives continue to be taken by the state governments. However, the government of India has been supplementing the efforts of the state governments in this regard and has always laid great emphasis on solving the problems of the farmers."

Compare it further with the reply given by the Minister of State for Agriculture, Mohanbhai Kundaria, to a question raised in Lok Sabha on December 2, 2014: "Government has not conducted any such study (on agrarian crisis) as agriculture is a state subject under the Constitution and the states are primarily responsible for development of agriculture sector including welfare of farmers."



Table 1: Estimated number of agricultural households, its percentage share in rural households in the major states during the agricultural year July 2012-June 2013

State	Estimated no. of agricultural households (00)	Estimated no. of rural households (00)**	Agricultural households as percentage of rural households (%)
(1)	(2)	(3)	(4)
Andhra Pradesh	35,968	86,763	41.5
Assam	34,230	52,494	65.2
Bihar	70,943	140,611	50.5
Chhattisgarh	25,608	37,472	68.3
Gujarat	39,305	58,719	66.9
Haryana	15,693	25,849	60.7
Jharkhand	22,336	37,516	59.5
Karnataka	42,421	77,430	54.8
Kerala	14,043	51,377	27.3
Madhya Pradesh	59,950	84,666	70.8
Maharashtra	70,970	125,182	56.7
Odisha	44,935	78,120	57.5
Punjab	14,083	27,552	51.1
Rajasthan	64,835	82,722	78.4
Tamil Nadu	32,443	93,607	34.7
Telangana	25,389	49,309	51.5
Uttar Pradesh	180,486	241,328	74.8
West Bengal	63,624	141,359	45.0
All India*	902,011	1,561,442	57.8

*All India figures include all States and UTs which are not shown in the statement

** The estimate of rural households as per the results of the Land and Livestock Holding Survey of NSS 70th round

Source: NSSO's Key Indicators of Situation of Agricultural Households in India, December 2014

The Disaster Management Act, covering drought, floods, hailstorm and other disasters should be fully implemented as a tribute to thousands of farmers driven to suicide

How many more farmers have to commit suicide to force the union government to give up the alibi of the Constitutional division of governance turf between the Centre and the states?

As a tribute to thousands of farmers who were driven to suicide, both the centre and the states should fully implement the Disaster Management Act (DMA), which covers drought, floods, hailstorm and several other disasters. The DMA provides for a National Disaster Response Fund (NDRF), a State Disaster Response Fund (SDRF) in each state and, within the states, a District Disaster Response Fund (DDRF) in each district.

The Law also envisages a National Disaster Mitigation Fund (NDMF), State Disaster Mitigation Funds (SDMF) and District Disaster

Mitigation Funds (DDMF) for disaster mitigation.

The 14th Finance Commission in its February 2015 report says: "So far, at the national level, only the NDRF has been constituted. All state governments have constituted an SDRF but only a few have constituted an SDMF. Very few state governments have constituted DDRFs. During a disaster, relief activities at the district level are generally carried out through transfers from the SDRF."

Apart from setting up all statutory funds with respectable corpuses and ensuring speedy disbursements, the centre and states must unveil an all-weather and all-crop and animals insurance scheme. The premium for subscription under this scheme should be borne in the ratio of 70 per cent





Table 2: Average monthly income (₹) from different sources, consumption expenditure and net investment in productive assets (₹) per agricultural household during July 2012-June 2013 for each size class of land possessed

Size class of land possessed (ha)	Income from wages/salary (₹)	Net receipt from cultivation (₹)	Net receipt from farming of animals (₹)	Net receipt from non-farm business (₹)	Total income (₹)	Total consumption expenditure (₹)	Net investment in productive assets (₹)	Estd. no. of agri. households* (00)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
< 0.01	2,902	30	1,181	447	4,561	5,108	55	23,857
0.01 - 0.40	2,386	687	621	459	4,152	5,401	251	287,381
0.41 - 1.00	2,011	2,145	629	462	5,247	6,020	540	315,008
1.01 - 2.00	1,728	4,209	818	593	7,348	6,457	422	154,810
2.01 - 4.00	1,657	7,359	1,161	554	10,730	7,786	746	83,964
4.01 - 10.00	2,031	15,243	1,501	861	19,637	10,104	1,975	33,519
10.00 +	1,311	35,685	2,622	1,770	41,388	14,447	6,987	3,499
All sizes	2,071	3,081	763	512	6,426	6,223	513	90,2039

Source: NSSO's Key Indicators of Situation of Agricultural Households in India, December 2014

Fragmented farms spelling doom

Fragmentation of farm holdings due to division of property among the family members over the generations has rendered farming an inadequate source of livelihood for many farmers. It has also increased the cost of crop production, thereby raising a big question about the very viability of farming as an occupation.

A Policy Research Working Paper published by the World Bank in November 2014 pointed out: "Fragmentation increases cost of production in India even once potential endogeneity due to market participation or crop choice is accounted for. Second, our findings suggest that the main mechanism underlying this phenomenon is substitution of labour for mechanical and chemical technology. Finally, analysis by farm size group highlights that fragmentation is not neutral from a distributional perspective, as associated cost increases are disproportionately borne by those in the smallest farm size class."

The paper titled: 'Does Land Fragmentation Increase the Cost of Cultivation? Evidence from India' says: "A more consolidated holding structure would thus contribute to equity by benefitting poor and marginal farmers most." Fragmentation has been a festering problem right from the British Raj era. The state governments, which govern agriculture and land under the Constitution, have largely failed to put in place workable options for consolidation of holdings.

With unabated fragmentation overshadowing whatever consolidation that has taken place, the future of farming is bleak. This is in spite of serious concern expressed by different committees over the decades. The National Commission on Agriculture (NCA), for instance, noted: "Land consolidation in India had its beginnings in the attempt to stop or restrict subdivision of fields and to prevent fragmentation when the Settlement Department of Bombay decided in 1847 not to recognize or enter plots below a certain area in the revenue records and enter the name of the eldest son in the record of rights. Without statutory sanctions, these reforms measures proved ineffective."

The NCA, which completed its work in January 1976, stated: "A major impediment to efficient cultivation is the fact that agricultural holdings generally consist of small scattered fields lying at considerable distance from one another. By the custom of dividing landed property amongst heirs, the successive generations descending from a



© Dinodia

common ancestor inherited not only smaller and still smaller share of land but also land broken into smaller and tiny plots." It argued that the problem of excessive fragmentation of farms is different from that of small and uneconomic size of farms but emphasised their interlinkages as each aggravates the drawbacks resulting from the other.

Fourteen years after the NCA submitted its final report, the Committee on Review of Agricultural Policies and Programmes observed: "It is surprising that consolidation of holdings, which undoubtedly increases the productivity of land, has not received attention that it deserves. More than 60 per cent of land holdings in the country remain scattered in many pieces all over the village."

In its report submitted in July 1990, CRAPP stated: "This reduces the farmers' efficiency and is the greatest deterrent to installation of tube-wells by small farmers. In land reform programmes, consolidation of holdings, about which there is already a great deal of unanimity, should be given top most priority."

About 16 years later, the National Commission on Farmers (NCF) observed: "Legislation on consolidation was adopted in some states in order to reduce inefficiency in operations and cultivation. For the most part, these laws and associated consolidation



programmes have failed to achieve their goals because of the lack of political will and administrative difficulties. The legislation was difficult to formulate and did not consider the reality of the caste system within the farming communities and the local processes of politicization. Except in Punjab, Haryana and Uttar Pradesh, consolidation programmes have not made any impact. Given its importance and the extremely unsatisfactory results of this programme, it is essential to evaluate the effectiveness of the legislation and to rethink an institutional solution.”

In its 4th report submitted under the chairmanship of noted farm scientist Prof. M. S. Swaminathan in April 2006, the NCF thus pitched for legislation and its timely implementation to “arrest fragmentation and minuscule of land holdings to promote self-reliance and to ensure livelihood security of farm households.”

The issue once again came under focus when Indian Council of Agricultural Research (ICAR) unveiled its Vision 2030 document in January 2011. It said: “The average size of the landholding declined to 1.32 ha in 2000-01 from 2.30 ha in 1970-71 and absolute number of operational holdings increased from about 70 million to 121 million. If this trend continues, the average size of holding in India would be mere 0.68 ha in 2020 and would be further reduced to a low of

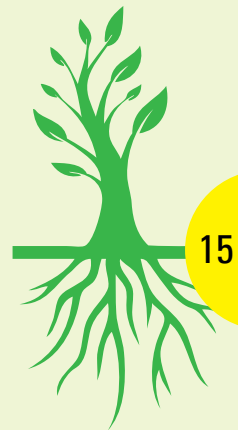
0.32 ha in 2030. This is a very complex and serious problem, when share of agriculture in gross domestic product is declining, average size of landholding is contracting (also fragmenting) and number of operational holdings are increasing.”

It stated: “Declining size of landholdings without any alternative income augmenting opportunity is resulting in fall in farm income, causing agrarian distress. A large number of smallholders have to move to post-harvest and non-farm activities to augment their income. The research focus should be to evolve technologies and management options to suit needs of smallholders’ agriculture, and also to involve them in agri-supply chain through institutional innovations.”

The legislation of land failed to consider the entrenched caste system within the farming communities and the local processes of politicization

- One of the institutional arrangements to overcome fragmentation and improve income of farmers is contract farming. If implemented under a vigilant regulatory framework, contract farming can transform land fragments into a virtual large farm, offering economies of scale for cultivation of a commercial crop. Under a model contract, the farmers should be advised to agree for joint cultivation of a crop under the clearly defined contract farming deal.
- Alternatives to contract farming such as self-help groups or co-operative farming should be encouraged to achieve the deemed consolidation of holdings, which is key to reducing cost of cultivation and enhancing productivity.
- Apart from institutional options, the centre and the states should explore the prospects of enactment of a central consolidation law and remove hurdles in the way of land leasing.

The National Development Council’s Sub-Committee on Agriculture and Related Issues in its report submitted in May 2007 says: “Land leasing should be made legal in all areas, along with a provision that the size of holding of a farm family should not be above the ceilings fixed in respect of various categories of land in each state so as to prevent misuse of such provisions.”



by the centre, 20 per cent by the states and 10 per cent by the farmers. Subsidization of insurance premium is better than excessive subsidy on urea as the former would promote equity among farmers under all farming systems.

The government should consider recommendations of different panels and studies on crop insurance, including the latest one from the Committee to Review the Implementation of Crop Insurance Schemes that submitted its report in May 2014. Apart from recommending enactment of the Agriculture Insurance Act, the committee has recommended linkage between crop insurance and disaster-mitigation initiatives of the government. It has also pitched for educating farmers about the virtues of crop insurance, who largely consider it as an “investment”.

Mitigation of risks should thus be the first approach to reducing farm distress. This should be simultaneously supported by massive investments in storage and utilization of surface water for irrigating farms. This would also help the country arrest the alarming decline in groundwater in many areas due to over-reliance on tubewells.

The agrarian crisis should serve as a trigger for the Bharatiya Janata Party (BJP) to redeem its Lok Sabha poll promise of *har khet ko paani* (water for every farm). The government also has to put on a high pedestal the subject of combining the traits of drought-resistant, flood-tolerant, diseases-resistant with high yield and other valuable traits in varieties. Such wholesome dream seeds can only be developed through genetic engineering, according to some experts.

Their argument is that though genetically modified (GM) crops are a sure-fire bet against the agrarian crisis, the successive governments have allowed a handful of foreign-aided NGOs to whip up demonic fears about GM food in the mind of consumers with the support of judicial activism. Their position is that:

- The time is now ripe to draw a balance between imagined fears and the right of farmers to increase their production and productivity through all modern techniques.
- The judiciary should give as much priority to rights of farmers and to national food security as given to freedom of expression, right to life, right to sleep and such others.

Table 3: Profile of suicide victims classified according to profession – 2013 (All India)

Sl. No.	Profession	Number of suicidal deaths								
		Upto 14 years			15–29 years			30–44 years		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	House wife	0	26	26	0	9,697	9,697	0	7,809	7,809
2	Service:	2	8	10	4,239	1,089	5,328	5,857	813	6,670
	(i) Government	0	0	0	305	131	436	646	97	743
	(ii) Private	2	6	8	3,301	809	4,110	4,352	552	4,904
	(iii) Public sector undertaking	0	2	2	633	149	782	859	164	1,023
3	Student	709	614	1,323	3,660	3,064	6,724	231	90	321
4	Unemployed	15	17	32	2,776	698	3,474	3,102	467	3,569
5	Self-employment:	259	271	530	11,135	2,628	13,763	16,779	2,191	18,970
	(i) Business	1	3	4	1,521	170	1,691	2,774	230	3,004
	(ii) Professional activity	4	0	4	988	119	1,107	1,495	105	1,600
	(iii) Farming/ Agriculture	13	9	22	2,379	426	2,805	3,834	440	4,274
	(iv) Others	241	259	500	6,247	1,913	8,160	8,676	1,416	10,092
6	Retired person	0	0	0	0	24	24	44	19	63
7	Others	561	409	970	4,906	2,452	7,358	6,086	2,118	8,204
	Total	1,546	1,345	2,891	26,716	19,652	46,368	32,099	13,507	45,606

Source: Accidental Deaths and Suicides in India 2013, National Crime Records Bureau

Table 4: Snapshot of weather-based crop insurance scheme

WEATHER BASED CROP INSURANCE SCHEME (WBCIS)							
ALL COMPANIES COMBINED							
From Kharif 2007 to Rabi 2013-14 - State-Wise							
Rs. in Lakh							
Sl. No.	State / UT	No. of Farmers Insured	Area Insured (Ha)	Sum Insured	Gross Premium	Claims	No. of Farmers Benefitted
1	Andhra Pradesh	2789628	4,509,638.594	1,136,477.67	113,336.4	87502.98	2016440
2	Assam	859	296.0698	200.09539	20.05253	6.917171	68
2	Bihar	11,039,526	11,413,353.75	2,660,436.08	22,7554.3	152,819.5	767,9325
3	Chhattisgarh	312,875	557,947.7098	108,184.124	8,635.475	9,230.572	185,522
4	Gujarat	497,661	413,126.4	22,394.745	2,239.477	857.3528	170,576
5	Haryana	359,343	601,956.6842	189,823.697	16,764.47	6,178.176	201,135
6	Himachal Pradesh	152,419	1,016,063.59	64,990.1713	7,485.462	4,776.635	66,723
7	Jharkhand	362,907	344,627.6092	66,320.7679	5,818.656	4,413.825	313,476
8	Karnataka	819,520	1,036,405.672	137,472.033	14,960.21	11,870	631,623
9	Kerala	98,584	70,868.04482	21,404.997	2,208.875	1,455.805	59,034
10	Madhya Pradesh	964,190	1,676,806.177	363,946.543	32,685.66	18,140.49	804,398
11	Maharashtra	643,217	734,610.1693	254,898.929	31,662.19	27,187.28	476,129
12	Odisha	315,755	456,503.668	117,798.568	5,656.268	3,210.353	215,814
13	Punjab	67	338.2	47.576	4.793926	0.67415	50
14	Rajasthan	32,886,047	450,49023.28	3,897,854.51	357,568.4	230,408	1,804,2120
15	Tamil Nadu	131,558	178,622.6961	31,801.9226	3,040.745	1,742.522	57,848
16	Uttar Pradesh	533,852	368,593.5053	124,969.937	11,625.25	5,875.651	322,346
17	Uttarakhand	88,961	191,620.9513	28,958.9602	3,475.095	4,399.763	51,840
18	West Bengal	105,294	116,493.4455	18,311.0081	1,779.563	1,402.739	61,480
Total		52,102,263	68,736,896.22	9,246,292.33	84,6521.3	57,1479.1	31,355,947

Source: Annual Report of Department of Agriculture and Cooperation for 2014-15

Robust storage, transport and marketing infrastructure should be developed with public funds to reduce farming risks. In addition, full-fledged marketing reforms are needed

Yet another crucial initiative to reduce farming risks is the development of robust storage, transport and marketing infrastructure with public funds. This has to be coupled with full-fledged marketing reforms to create mechanism that enable farmers to get remunerative prices for their produce without tortuous wait at the exploitative mandis.

The comprehensive package to tackle agrarian crisis should also herald a shift from the calamities-driven rescheduling and write-off of farm loans to a strategy to keep indebtedness below the distress levels while providing the requisite credit.

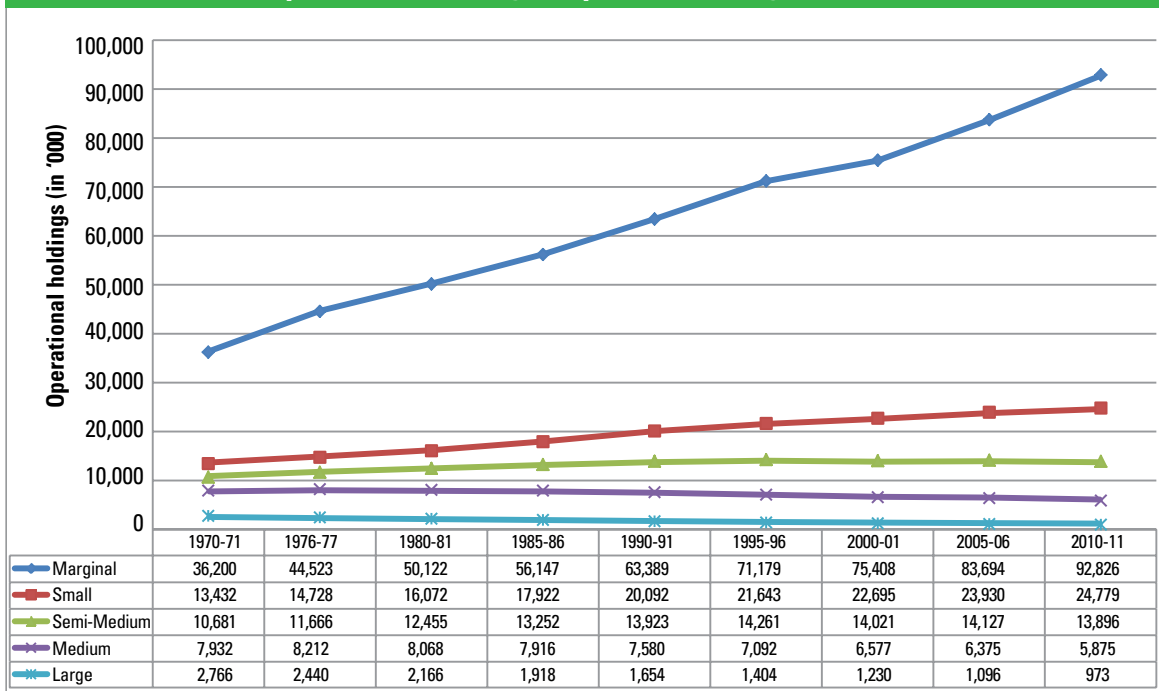
The strategy can be developed by integrating recommendations of different committees set up by the government and the Reserve Bank of India (RBI) to resolve farm credit issues over the last 15 years. It is pertinent to turn to the report of the 'Working Group to Suggest Measures to Assist Distressed Farmers' submitted to the RBI in November 2006.

It observed: "Manifestation of distress is stressful behaviour arising out of social, economic and psychological reasons. However, one common factor that can be seen across all regions is that manifestation of economic distress is primarily through indebtedness."





Table 5: Number of operational holdings as per different agriculture Censuses



Source: Agriculture Census 2010-11

ICICI Bank pays ₹219.4 crore to government due to CAG-PAC's vigil

"As managing director and CEO since 2009, she has brought India's largest private bank a global vision and impressive returns, while also reaching out to the nation's masses with branches in remote villages where banks simply didn't exist."

This is how Mr Anshu Jain, Co-CEO of Deutsche Bank, profiled ICICI Bank CEO Ms. Chanda Kochhar in Time magazine, which included her in its annual list of the World's 100 most influential people released on April 16, 2015.

Mr. Jain's perception has to be taken with a pinch of salt. It should be read along the disclosures contained in three different reports tabled in Parliament, the latest one of which was presented on April 27, 2015.

The latest one from the Public Accounts Committee (PAC) revealed that ICICI Bank has paid ₹54.80 crore penal interest on ₹164.60 crore that the latter wrongly took from the government under a farm loan waiver scheme. It was implemented by UPA regime during the two-year period ending June 30, 2010.

In its action taken report (ATR) on 'Implementation of Agricultural Debt Waiver and Debt Relief Scheme' (ADWDRS), 2008, the PAC said: "Rs 164.60 crore has been recovered from ICICI Bank along with penal interest of ₹54.80 crore effecting a total recovery of ₹219.40 crore."

In the main report, PAC had quoted the government

as saying: "Rs 164.60 crore had been recovered from ICICI Bank and the RBI had been advised to recover the penal interest due from the Bank."

PAC had turned the heat on Finance Ministry's Department of Financial Services (DFS) and Reserve Bank of India (RBI) for serious irregularities unearthed by Comptroller and Auditor General (CAG) through a test audit of the implementation of ADWDRS.

In its report presented to Parliament in March 2013, CAG had stated: "A Private Scheduled Commercial Bank has received reimbursement for loans, amounting to ₹164.60 crore extended to Micro Finance Institutions (MFIs) in violation of the guidelines."

In May 2008, RBI had announced guidelines for implementation of ADWDRS that envisaged write-off of loans taken by 3.69 crore small and marginal farmers. The guidelines also provided for partial relief to other farmers. The scheme envisaged total cash outgo of whopping ₹68,376 crore from the national exchequer. The scheme's ambit did not cover MFIs.

As CAG put it, "Only agricultural loans disbursed directly to farmers were eligible for reimbursement. In November 2010, DFS also clarified to Audit that agricultural loans extended to MFIs by banks were not eligible under the scheme for reimbursement from the government of India. During audit in five states (Andhra Pradesh, Chhattisgarh, Odisha, Tamil

Cottage and micro enterprises can produce standardized items made from farm produce and farm by-products/wastes. These need to be given a fresh impetus

To save farmers from the exorbitant interest rates charged by private lenders, the group, chaired by reputed economist Dr S. S. Johl, recommended legislation of a 'Moneylenders Regulating Act'. The proposed law should stipulate that the total liability of the borrower should not exceed double the amount borrowed. It should also cap interest rate at the prime lending rate of SBI plus a margin of, say, four per cent.

The government should also realize that existing non-farm employment schemes such as MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) and food parks are not adequate to ameliorate the plight of rural people. There is need to fine-tune existing schemes and step up allocations. It ought to

launch new schemes with active participation of reputed co-operative and private marketing entities. The underlying objective should be to give a fresh impetus to cottage and micro enterprises that would produce standardized items made from farm produce and farm by-products/wastes.

The Modi government should thus unveil an innovative programme that facilitates dispersal of manufacturing and service industries, especially ancillaries, to semi-urban and rural areas. As Dr Johl's group said: "The secret of amelioration of farmers' 'distress' may well lie in the non-farm sector. These farmers must either be empowered with alternative skills to make them capable of moving out of farm sector or be enabled to become part-time farmers." ●

Nadu and West Bengal), it was noticed that a Private Scheduled Commercial Bank has received reimbursement for loans, extended to MFIs."

CAG dismissed ICICI's explanation that it had lodged a claim under ADWDRS for certain borrowers sourced through MFIs that acted as service providers.

CAG 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 report observed: "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."

CAG also could 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."

There is nothing in the public domain to show that ICICI Bank made a public disclosure about the

financial impact of CAG-PAC reports on its operations. It has thus left a question mark on corporate governance and business responsibility norms.

ICICI is not the only bank that has operational linkages with MFIs for reaching out to poor rural households. Then how is that no other bank filed claims for routing loans through MFIs under the Scheme?

As for Mr Jain, being one of the world's most competent banking professionals, he knows that Indian banks are obligated by RBI to spread their network to unbanked areas under its branch authorization/licensing policy.

"The current branch authorisation policy mandates that banks have to open at least 25 per cent of all branches opened in a year in unbanked rural centres," says RBI's Master Circular on Branch Authorization dated July 1, 2014.

It is also baffling to find that public interest litigation (PIL) activists have not lapped up the PAC and CAG reports to demand a thorough probe into several irregularities in the execution of ADWDRS.

PAC's latest report has quoted the Finance Ministry as stating that "in 4,030 cases of tampering of records, 22 FIRs (first information reports) were filed."

Was there any FIR against any ICICI official? Would any RTI activist facilitate answer to all such questions by seeking all relevant documents on the waiver scam?