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RBI orders probe into alleged frauds in loans to farmers

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The Reserve Bank of India (RBI) has ordered a probe into allegations of irregularities committed by public, private and foreign banks to claim achievements of targets in lending to farmers and the agro-sector, an official said on Friday.

The probe has been ordered following a detailed memorandum listing the alleged frauds, submitted by the Vasantrao Naik Sheti Swavalamban Mission (VNSSM), a state-run body, in December.

The finance ministry had forwarded the VNSSM complaint to the Chief Vigilance Officer of RBI after which the probe was initiated, said VNSSM President Kishore Tiwari, who enjoys the rank of a minister of state.

"It is shocking that due to failure of banks to implement the RBI Targeted schemes, farmers and agro-sectors are suffering and the country has witnessed lakhs of farmland suicides, including over 25,000 in Maharashtra alone, in the past decade," Tiwari said.

He said that as per RBI's guidelines, all banks in the country were given a specific target of lending 18 percent of Adjusted Net Bank Credit or credit equivalent of Off-Balance Sheet Exposure, whichever is higher, to the agro-sector and farmers.

However, a study by the VNSSM revealed the massive alleged irregularities and frauds perpetrated by the concerned banks merely to tom-tom achievements of targets and sub-targets, thereby defeating the purpose of benefiting the farmers and agro-priorities sectors, Tiwari said.

The modus operandi reportedly involved forming fictitious farmers' Joint Liabilities Groups with fraudulent documents in the name of the farmers. The disbursements of crores of rupees of agro-credits never reached them though the targets were shown as 'achieved'.

Similarly, paper-borne schemes of agro-finance against collaterals of agricultural lands of the farmers at subsidized interest rates were shown, but immediately the entire amounts were turned and put in fixed deposits at higher interest rates, Tiwari said.

"Hence, though it was shown as disbursed on paper, in reality the money never reached the farmers and while the banks 'enriched' themselves, the poor farmers resorted to suicide. This is virtually a white collar crime," he said.

Another paper-borne scheme pertains to Agro Warehousing Receipt finance through Urban Cooperative Socieites by way of Cash Credit against agro-produce, said to be stored in warehouses against which the societies claimed finance for farmers at low interest rates. Again the entire amount was converted into FDs and did not reach the famers, according to Tiwari.

The VNSSM listed other methods to defeat the agro-sector and farmers with big Cash Credits made available at low interest rates to corporate houses for their farming businesses to show achievement of targets.