

# Evaluation of Farm Loan Waiver (Mahatma Phule Karj Mukti) Scheme in Wardha District: A Survey

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## ABSTRACT

This study evaluate the opinions of farmers regarding loan waiver scheme as well as problems faced by farmers while applying for the scheme. A sample survey was conducted in Wardha district by selecting 400 farmers. The data was collected through self-prepared interview schedule. Study results illustrates that only few farmers are benefited through this scheme, while others have to wait for the response from government. Most of the farmers in the region encountered problems such as unnecessary fee payments, lack of knowledge regarding ICT, ADHAR information update as well as documentation. It is suggested that there is need of effective planning of programs for sustainable economic development of farmers in the region.

**Key Words:** Loan Waiver, Farmer, Problems

## 1. INTRODUCTION

To improve farmer's access to institutional credit and reduce their dependence on informal credit is one of the principal objectives of agricultural policy of India since independence. Since then various measures were taken by Indian government to improve status of agriculture and farmers. In recent years, agriculture distress is prominently addressed by the policy of loan waiver. Number of state governments such as Maharashtra, Uttar Pradesh, Rajasthan, Punjab and Karnataka were announced farm loan waivers during past few years. Almost all political parties have welcomed this step of state governments to provide relief to farmers from their debts.

India faced food grain shortage during the decade of 70s and to overcome this problem Green Revolution was initiated by former Prime minister of India Lal Bahadur Shastri, with the objective of self-sufficiency regarding the food grains in India. This enables farmers to take high yield of crop by means of Hybrid seeds, chemical fertilizers, chemical pesticides and adequate irrigation facility. However, over the period of time it was evident that these measures affect the crop yield adversely. For better crop yield farmers needed more fertilizer, more powerful insecticides and more productive seeds. Extensive use of chemical fertilizer and pesticides reduced the fertility of soil, but due to less awareness regarding use of chemical based resources, farmers going on increasing their doses. The sale of fertilizers and insecticide increased tremendously. For purchasing, more fertilizer and insecticide farmers had to take loan from banks or moneylenders. In addition to this, environmental calamities like, draught and heavy rainfall also affect the farmers. Thus, the increased dependence of farmers on credit to meet out the rising cost of cultivation and decreased returns from additional costs has mainly caused the indebtedness of farmers.

In the Indian agriculture history, the accomplishment of self-sufficiency regarding food grains was one of the most important purposes during 70's and 80's. During the decade of 80s, India attained substantial development in efficiency and output of agricultural supplies. However, this growth in productivity was not simultaneous throughout the Indian states and regions. In India, the growth in agricultural yield was not interpreted into remarkable higher levels of economic growth, especially in the rural regions. Furthermore, in the reform era during 1990's, condition worsened leading to a substantial slowdown in agricultural output and productivity. The slowdown in agricultural production principally affected the rural poor, which unfavourably additional increased discrepancy in rural areas. Different weather conditions varied agro-climatic factors, varying levels of resources, irrigation facilities, varied infrastructural development and high pressure of the population in rural areas across

the states and regions were the factors for unevenness and deceleration in agricultural growth and development (Banerjee and Kuri 2015).

From its first use during 1990s, it has always been observed that after every loan waiver, a spike in non-institutional credit was observed that loan waivers doesn't only lead to burden on the financial health of the state but also to lead to the moral hazard problem which ultimately hurts the farmer in the long run (Rathore, 2017).

The first large-scale debt relief programme implemented by the government after 1990 was Agricultural Debt Waiver and Debt Relief (ADWDR) Scheme (2008). The 1990-91 Agricultural and rural debt relief scheme for small borrowers had left a severe scratch on the credit delivery arrangements precisely for such small borrowers and borrowers in the agricultural sector.

Wardha District in Vidarbha region of Maharashtra state is a major cotton-growing district in the region. Farmers also take crops such as soybean and tur apart from cotton on large scale. As per census 2011 there were total 1,32,989 farmers in the district, out of which, 92,726 were male whereas 40,256 were female (census 2011). Total 61,084 farmers in the District will be benefitted with 'Mahatma Phule Karj Mukti' (a loan waiver scheme) scheme run by Government of Maharashtra. The loan waiver less than Rs. 2,00,000 will be provided, under this scheme, to farmers who were taken agriculture loan from different banks. (District Collector Office).

In the backdrop of above information, this study is carried out with the objective to evaluate the opinions of farmers regarding loan waiver scheme as well as to find out problems faced by farmers while applying for the scheme.

## 2. REVIEW OF LITERATURE

Anand (2009) concluded that loan waiver scheme was a total catastrophe and such waiver never worked in the past. He suggested that farmers would be benefitted much more if the government would spent this waiver amount on constructing warehouses, irrigation, canals, rural roads, power and other rural infrastructure. Ramankumar (2013) concluded that farmer households that borrowed predominantly from the informal sector were excluded from the scheme. This exclusion, which was built into the scheme, was exacerbated in its implementation, as States with a high proportion of indebted farmers. De and Tantri (2014) concluded that rationally anticipating adverse borrower behavior, the lending institutions ration credit, generating ex ante inefficiency as well. Ironically, access to credit declines for poor households following unconditional debt relief. Mukherjee et al (2014) studied the impact of loan waiver among distressed and nondistressed borrowers in India. They found that waivers have positive effect on the loan performance of distressed beneficiaries however, no effect on non-distressed beneficiaries. In addition, they noted that loan waivers also lead to limiting of future credit by banks to the non-distressed borrowers. According to Ravi (2015), it was not indebtedness but poor mental and physical health of farmers that is the leading cause of suicides among farmers in India. Loan waivers are a conservative policy evolving from a naive diagnosis of the causes for farmer suicide. Kanz (2016) identified pragmatic indication that is unreliable with the debt projection theory. He observed that loan waiver beneficiaries tend to make lower investments and have less productive farms than similar non-beneficiaries.

Gadre (2017) examined the arguments in favour and against loan waivers to farmers taking into consideration the major issues. She pointed out that there are various reasons for low profitability of Indian agricultural sector-unfavourable terms of trade, too much dependence on weather conditions, lack of access to technology, non-availability of large acres of land for modernization of agricultural methods etc. Loan waiver is a temporary solution and unlikely to lead to sustained development of the sector. Raj and Edwin (2018) examines the impact and implications of Tamil Nadu's agricultural loan waiver scheme of 2016. It was evident that the immediate post-waiver period near the cut-off acreage of 5 acres, the probability of obtaining credit was higher for non-beneficiary farmers than for beneficiary farmers. However, the differentiation in post-waiver access to credit to the beneficiary farmer and the non-beneficiary farmer comes down as the supply of funds for agricultural loans normalizes. Banik (2018) argued that in the year following loan waivers, small farmers lose out on three

counts: lower access to formal loans, falling agricultural revenue because of higher informal loan costs, and falling agricultural productivity. Phadnis and Gupta (2018) demonstrated how political, economic and environmental factors such as party ideology, elections, droughts and state finances have had a bearing on the politician's choice to introduce waivers. Jha et al., (2019) explored the antecedents and consequences of farm loan waivers and the way forward. Besides, it also reconnoiters whether the state takes such decisions as farm loan waiver purely on the basis of economics or any hidden political agenda. Mands and Yamijala (2019) examined the various dimensions surrounding the agriculture loan waiver. The problem is examined from a bank-specific perspective. Loan waivers can turn into epidemic and spread to other segments causing a systemic risk to the economy. Authors study the economic implications with a specific focus on the impact on the banking system.

Pande (2019) investigated the impact of the agriculture debt waiver debt relief scheme (2008) on the consumption expenditure of smallholder farmers on food and non-food items. We do not find any significant difference in the consumption expenditure on food or non-food items, both categories showed increased consumption expenditure over time without the loan waiver. Singh and Tiwana (2019) analysed the demographic and socio-economic status of loan waiver beneficiary households in Punjab using primary data collected from three districts of Punjab using a detailed schedule from 318 households. Majority of the households belong to the Sikh religion (92.45 per cent), living in a joint family (58.49 per cent), illiterate (29.59 per cent) and are self-employed in agriculture (61.65 per cent). It is observed that marginal and small farmers are leaving agriculture and giving their land to other farmers on the rent due to the increased cost of cultivation. Narayanan and Mehrotra (2019) reviewed and synthesized existing research and available data on the implications of loan waivers, especially for the flow of credit to farmers from banks. Authors concluded that even if loan waivers are an inappropriate strategy to support farm incomes in sustainable ways, the wide-ranging negative impacts on the formal banking sector are perhaps overstated. A more fruitful approach would be to focus on whether loan waivers can be designed to reduce the possible negative consequences for the formal banking system as well as for macroeconomic system.

It is apparent from the literature review that studies were carried out on loan waiver specially limited to their impact on economy and banking. However, no study was undertaken on the farmer's views on loan waiver scheme. Hence, by identifying this research gap the study was carried out to evaluate farm loan waiver scheme according to farmer's point of view.

### **3. METHODOLOGY**

Keeping in view the objective of the study, a sample survey was conducted in Wardha district. For the study purpose, total 400 loan waiver eligible farmers were selected from all (Wardha, Hinganghat, Samudrapur, Selu, Deoli, Arvi, Ashti and Karanja) 8 tehsils (50 farmers from each tehsil) of Wardha district. The data was collected through self-prepared interview schedule, which contain questions regarding personal information, loan waiver amount, problems faced by them while applying for the scheme. The data collected by using interview schedules was analysed by using descriptive statistics.

### **4. DATA ANALYSIS**

Descriptive statistical method (frequency and percentage) was used to analyse the primary data obtained from the 400 individual samples. Therefore, an attempt was made in this section to show the "what" of this research. For proper analysis and interpretation of the data, the use of tables and statistical mode of data presentation formed the basis for analysis. The frequency of answer was shown by providing a frequency table for responses to each of the relevant questions in the questionnaire.

**Table 1:** Loan waiver expected to be received by farmers, under the scheme

Loan Waiver (Rs.)	No. of Farmers	Percent
Less Than Rs. 50000	27	6.75
Rs. 50000 to 1,00,000	122	30.50
Rs. 1,00,001 to 1,50,000	192	48.00
Rs. 1,50,001 to 1,99,999	59	14.75
<b>Total</b>	<b>400</b>	<b>100</b>

Above Table illustrates information pertaining to loan waiver received by farmers in Wardha District, under Mahatma Phule Karj Mukti scheme run by Maharashtra Government. The loan waiver scheme is announced by Maharashtra Government, however, not all eligible farmers in the district received loan waiver in their loan account. The data in the table was based on the loan waiver amount applied by the farmer under scheme. It is evident that 48.0% farmers expected to receive Rs. 1,00,001 to 1,50,000 in their agriculture loan account as a waiver, whereas 30.5% farmers expected to receive Rs. 50000 to 1,00,000 in their agriculture loan account as a waiver under scheme. In addition to this percentage of farmers applied for loan waiver Rs. 1,50,001 to 1,99,999 and less than Rs. 50,000 was 14.75% and 6.75% respectively.

**Table 2:** Causes of problems faced by farmers while applying for loan waiver under scheme

Problems	Yes		No		Total
	N	%	N	%	
Documentation	301	75.25	99	24.75	<b>400</b>
Unavailability of Bank Account	12	3.00	388	97.00	<b>400</b>
Lack of ADHAR Linkage with Account	217	54.25	183	45.75	<b>400</b>
ADHAR information Update	316	79.00	84	21.00	<b>400</b>
Non-Cooperation of Officials with Farmers	113	28.25	287	71.75	<b>400</b>
Charges Taken at Seva Kendra	342	85.50	58	14.50	<b>400</b>
Lack of Knowledge about ICT	321	80.25	79	19.75	<b>400</b>

N- Number of Farmers

Table 2 shows information regarding causes of problems faced by farmers while applying for loan waiver under scheme. It is apparent from the survey data that charges were taken from 85.50% farmers at Sewa Kendras while applying for loan waiver, whereas 80.25% farmers faced problem due to lack of knowledge about ICT while applying for loan waiver under scheme. In addition to this, 79.00% farmers faced problem due to not updating ADHAR information, whereas 75.25% farmers faced problem due to documentation. Furthermore, percentage of farmers facing problems due to lack of ADHAR linkage with account, non-cooperation of officials and unavailability of bank account is 54.25%, 25.25% and 3.00% respectively.

## 5. CONCLUSION

Poverty is gradually engulfing farmers in India. There is no significant growth in the income of farmers as compare to other professionals in India. Indian Government is concerned about it, but not much is done for the farmers from their side. Current central and State government are now taking serious notes on the problems such as suicide, draught, non-fertility, crop diseases faced by farmers. Government introduced different schemes and policies from time to time for farmers, still there is no noticeable change appear in farmer's condition. The main reason behind that, Indian agriculture is near about entirely depend on monsoon rain. Which deviate from time to time with respect to duration and rainfall. Other reasons are high cost of seeds, fertilizer, labour, lack of subordinate income source, lack of awareness about government schemes, lack of reserve capital etc.

From last three to four years, farmers in the region are highly suffered from different agriculture related problems, which ultimately lead into suicides. Farmers suicides are mainly due to the debt increasing on them continuously, which they are unable to pay in due time with only available income source, which is agriculture. Farmers in Maharashtra raised their voice through protest by organizing long March in Feb 2019. In response to this protest and to overcome the debt problem farmers, Government of Maharashtra launched loan waiver scheme, named 'Mahatma Phule Karj Mukti'. One year after announcement, farmers are still not benefited with scheme. This may be due to certain problems among farmers to fulfill their eligibility for scheme. This study tried to evaluate and find out problems faced by framers while applying for this scheme.

In this survey-based study, it is concluded that, few farmers are benefited through this scheme, while others have to wait for the response from government. Most of the farmers in the region encountered problems such as unnecessary fee payments, lack of knowledge regarding ICT, ADHAR information update as well as documentation.

It is suggested that Government should design certain programs, which make farmers independent of such loan waiver schemes, as these scheme are not affordable economically for Government. In addition, these type of schemes only provide short-term relief to farmers. Hence, there is need of effective planning of programs for sustainable economic development of farmers in the region.

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