



## The Influence on Banking Sector of Debt Waiver Policy

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**Abstract:** Most of the population or rural area in India depends on agriculture. And the business of agriculture depends on rain water. But because of the uncertainty of rain the production of agriculture is not certain. According to the data given by the center government the total amount of agriculture and related sector in term of GDP is 14% during 2017-18, where more than 51% of Indians population depends on agriculture sector. But there are risk in agriculture all categories of farmers. To reduces the risk of farmers in agriculture central government framed some policies which beneficial for farmers. But the policies drawn up by the center government for the farmer is not fulfill the aim. . And this scheme is not also affected for the farmers. Debt Waiver scheme is one of the central sponsored scheme. Here the question is this policy really beneficial for the farmers. Or is there any other probable solution for the problems being faced by farmers?



**Keywords:** Debt waiver policy, Farmer’s suicide, agriculture, central sponsored scheme,

**Objective:** The main objective of this research paper is to find out whether dept waiver policy is the right solution to farmer problems.

**Introduction:**

### Debt Waiver Scheme in India:

The Government of India both at the State level and Central level announce the debt waiver policy for farmers from time to time. This scheme covers direct agricultural loans which are extended to the marginal, small and other farmers usually through the assistance of scheduled commercial banks, regional rural banks, cooperative credit institutions and local area banks. Here cooperative credit institution means an Institution which provide the lone to the farmers who are eligible to get lone supervised by Reserve Bank of India or National Bank for Agriculture and Rural Development.

### Farmers Suicide in India- Statistics for 2018

In India nearby 51% population depends upon agriculture and allied services. But because of the uncertainty of production from agriculture the farmers’ suicides is a major issue where government should be concerned. For the solution of this problem National Crime Records Bureau (NCRB), has presented the data on farmers’ suicides. Farmers mean those who are related to the working for agriculture and related activities. Data presented by the center government total number of 5055 farmers committed suicides during 2016, total number of 4.1% of suicides victims in the country. And it is quite Astonishing to see that farmers’ death due to Bankruptcy and Indebtedness (20.58%) is almost equal to the cause due to family problems (20.08%). The information related to this data has been presented below:

**Table 1 - Showing Percentage of Causes for Farmers suicides in India during 2018**

Sl.No.	Cause	Male	Female	Total	(%) share of the causes
1.	Poverty	145	10	150	3.50
2.	Property Dispute	50	3	49	1.00
3.	Marriage Related Issues	64	59	119	2.54
4.	Family Problems	1143	89	1265	21.06
5.	Farming related Issues	798	112	1006	19.76
6.	Illness	754	70	698	14.87
7.	Drug Abuse/Alcoholic Addiction	265	2	269	5.87
8.	Fall in social Reputation	9	3	8	0.43
9.	Bankruptcy or Indebtedness	1096	65	1264	21.84
10.	Causes not Known	221	32	276	5.85
11.	Other Causes	762	70	865	15.94
12.	Total	5275	470	5580	100.00

*Source: NCRB Report 2018*

The above table clearly shows that farmers suicide due to Borrowings from Banks account to only 20% of the total number of suicides in India.

#### **Debt Waiver Scheme in Rhashtan:**

The State government had released Rs 2,878.19 crores during the year 2016 to co-operative institutions for implementation of the co-operative farm loan waiver scheme, announced by the previous BJP government headed by the Chief Minister Vasudra Rajy yielding to the pressure mounted by Sri.B.S.Yediyurappa. The government of Rajasthan had announced the loan waiver scheme in its budget for the financial year 2015-16. In this scheme, the crop loan principal upto Rs.25000 including interest on it is waived off to those farmers who have availed crop loan during 01.08.2014 to 25.07.2015 from co-operative institutions. The Estimated benefit and number of estimated beneficiaries from the scheme relieve the farmers of their loan burden who have suffered on account of drought in the State. The budget provision of Rs.1140.00 crores was made of which Rs.940.00 crores had been released to the co-operative institutions immediately in favour of 4.03 lakh farmer members. During the year 2014-15 out of the budget provision of Rs.2338.65 crores, the Government had released the entire amount, which has in turn benefitted around 10.61 lakh farmer members. Further during 2015- 16, the budget provision of Rs. 4.73 crores has been released to 1,832 lakh beneficiaries. In the Financial year 2015-16 state Government has planned for a Loan waiver for failed borewells through PCARD Banks. The Budget provision is Rs.200 lakhs and subsidized pattern of assistance to be provided to the Co-operative farmers in the Annual plan 2015-16.

#### **Farmer Suicides in Rajasthan:**

When Government both Central and State, are providing useful schemes to the beneficiaries, i.e. farmers, either it is insufficient or it is inefficient to meet their requirements. Because it is very clear from the statistics of the National Crime Record Bureau since 2004, 47 farmers have been committing suicide every day in India on an average. However, the recent wave of suicides with forty six farmers killing themselves every day in Rajasthan alone demonstrates the severity of the crisis. The last crisis of this nature took place between December 1997 and June 1998, when 400 farmers committed suicide in Karnataka and Andhra Pradesh due to failure of cotton crop. Dr.Veeresh, who headed a seven-member expert committee to study farmer suicides and submitted the report in 2002, said that “mass psychology” has been confined to sugarcane areas only. “We had done an in-depth study and had specifically recommended that each hospital in a rural area should



have a psychiatrist to identify the affected farmers and the ones with suspected suicidal tendencies. When one farmer commits suicide, people talk and it has a psychological effect on others in the same situation,” he said. He also said that there was no single issue which led to farmers’ suicides. A combination of factors such as delayed payments, low prices, and debt was responsible for this. And “We had given 24 recommendations to address the farmers’ p r o b l e m s , b u t v e r y f e w h a v e b e e n implemented. The present issue is confined to sugarcane areas and the government has completely failed and passed the buck by constituting one more committee.

Farmers’ Suicide and Debt Waiver Scheme in Rajasthan-A Comparison: The top ten beneficiaries to the Debt Waiver scheme 2014 and the suicide statistics for 2015 are presented below:

**Table 2 - Showing comparative Statistics for Farmers’ Suicide and Debt Waiver Scheme**

Sl. No	District	Debt Waiver Amount - 2014 (Rs. In ten crores)	Number of suicides (Six months highest record) - 2015
1	Sikar	46.70	28
2	Tonk	30.80	16
3	Pali	68.43	14
4	Udipur	20.43	10
5	Nagaur	14.9	29
6	Jodhpur	17.01	10
7	Jalor	10.42	5
8	Jaipur	21.87	8
9	Churu	12.43	6
10	Dausa	1.74	8
	Total	243.22	134

*Source: Rajasthan agriculture report*

From the above table we can analyse in some of the Districts viz. Shiker, Tonk, Jaipur and Jaudhpur inspite of the maximum debt waiver scheme benefit received, the suicides are mounting which recommends the fact that debt waiver is not the solution to stop farmers from committing suicide. Also there is a mismatch between the Loan waiver scheme amount distribution and farmers’ suicides in Rajasthan. Pali, Dosa and Churu District with highest number of suicides reported, requires the maximum benefit of Loan waiver scheme which is absent in the State Annual Budget 2015-16.

**Table 3 - Showing Farmers’ suicides statistics for topmost ten Districts in Rajasthan State**

Sl. No.	District	No. of Suicides
1	Sikar	56
2	Tonk	45
3	Pali	35
4	Udipur	32
5	Nagaur	20
6	Jodhpur	22
7	Jalor	24
8	Jaipur	25
9	Churu	25
10	Dausa	20
	Total	315

*Source: Rajasthan agriculture report*



## Review of Literature:

Looking at the present status of rural banking (the reach, the delays, the procedures and the costs involved in getting a loan), the moneylenders would continue to be in business for quite some time to come and a regular “debt redemption scheme” would be useful. The high indebtedness of the Indian farmer is a manifestation of the neglect and inadequate investment in agriculture. The small and marginal farmers who form the overwhelming percentage of Indian farmers’ households are the worst sufferers. Most of them are continuing in agriculture because of the complete absence of any alternative. Improvement in credit delivery would help but more important is a correction in our planning strategies. Among the various suggestions given in this paper the most important steps would be the one-time settlement/compromise for non-willful defaulters, improvement in risk mitigation arrangements, constitution of the agriculture relief fund, improving the functioning of the agricultural credit societies, protecting farmers from distress sale and implementation of liberal debt redemption schemes. (Balasaheb Vikhe

Patil)<sup>[4]</sup>

The state should ensure the creation of an environment which supports effective financial intermediation and increases the access of farmers to financial services. It also has to facilitate the enforcement of collateral mechanism and ensure easy access to land records and other titles through computerization. The state has also to unshackle the cooperative credit system by debureaucratization and depoliticisation, in tune with the recommendations of the Vaidyanathan Committee. (P.Satish)<sup>[5]</sup>

The farm loan waiver must be seen as purely temporary relief and there must be programmes to improve agriculture. There are many exclusions and limitations to the loan waiver scheme. It is possible that there may be discontent among 80 per cent of the farmer households who are excluded from the scheme. This huge thrust is needed for other core issues so that the farmers do not fall back into a debt trap, needing another loan waiver in the next few years. The finance minister could have attempted this big push to agriculture on the back of buoyant tax revenues. (S Mahendra Dev)

Life histories of suicide victims are equally far too complex to be exclusively reduced to agrarian economics. Farmers’ suicides appear as a unitary object only as a contentious representation: as a political scandal in the critical media, among activists and politicians. (Daniel

The whole scheme is sure to create discontentment amongst a large section of the farming community. In the first place, it will benefit only those who carry overdue loans for willful or non-willful reasons. Vast segments of farmers prefer to repay their loans and they will not get any benefit. Another sizeable category – over 50 per cent of the indebted category borrows from moneylenders and other non-institutional agencies, which will also not get any respite. And finally, if the NSSO data are to be believed, more than one-half of the total farmer households – 46 million out of 89 million – are not indebted to any agency, official or nonofficial, but their sufferance due to the farm crisis cited earlier is as acute as in the case of the indebted farmers and their agonizing survival will persist all the more because the government has parted with as much as Rs 60,000 crore on loan waivers and not on badly needed developmental programmes. (EPF Research Foundation)<sup>[8]</sup>

## An Analysis of Farmers’ Suicides in Rahasthan District:



If Indebtedness and Bankruptcy are the main reasons for the farmers to commit suicide and the farmers' are demanding a debt waiver as a solution for this, to what extent is it true? And also the question is whether Debt waiver scheme is providing the relief to farmers from their problems or not. If yes then why farmers are committing suicide? If no, then who are encashing the benefits of the scheme? To answer these questions, the data related to the farmers suicides in Rajasthan State for the year 2009 to 2016 has been collected which may through some realistic light on this issue and give us the pros and cons of this scheme.

**Table 4 - Showing Year wise Statistics of Suicides in Rajasthan State from 2009 to 2016**

Year wise distribution of suicides in Rajasthan State from 2009 to 2016									
Sl. No	Taluk	09 -10	10 -11	11 -12	12-13	13-14	14-15	15-16*	TOTAL
1.	Sikar	2	1	0	0	0	7	3	13
2.	Pali	4	3	0	0	2	2	0	11
3.	Nagaur	5	4	5	4	6	3	0	27
4.	Jalor	0	0	0	0	0	4	0	4
5.	Tonk	0	0	0	0	2	0	0	2
6.	Udaipur	2	1	0	3	0	4	0	9
7.	Jodhpur	0	2	0	4	2	0	3	11
	Total	15	9	8	7	11	13	14	77

*Source: DC office Report*

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\*Data till April 2015 for 2015-16 (All reported cases pending)

**Table 5 - Showing Year-wise Statistics of Farmers' suicide causes in Rajasthan State from 2009-10 to 2014-15**

Year -wise distribution of causes for farmers' suicide in Shivamogga District 2009-10 to 2014-15								
Sl. No	Causes-Confirmed by DC	09-10	10-11	11-12	12-13	13-14	14-15	Total
1	Crop Loan	8	2	4	0	2	4	20
2	Marriage Related Issues/Family Problems	6	5	4	0	1	0	16
3	Causes not Known	1	1	0	3	1	2	8
4	Cases Pending -Insufficient Evidence	0	0	0	0	1	5	6
5	Mental Illness/Diseases	0	0	0	1	3	0	4
6	Vehicle Loan / Gold Loan	0	0	0	1	2	0	3
7	Post-Mortem Report Awaited	0	0	0	1	0	1	2
8	Rejected-False Evidence	0	0	0	1	1	0	2
9	Loss due to Crop Failure	0	0	0	0	0	1	1
10	Drug Abuse/Alcoholic Addiction	0	1	0	0	0	0	1
11	Total	15	9	8	7	11	13	63

*Source: DC office Report*

## Major Findings:



Jaipur District stands first with highest number of suicides (27) out of total suicides in Tonk District from the year 2009-10 to April 2015.

The cases out of the Total 63 reported were confirmed due to Debt burden (Crop Loan) whereas 16 cases have been confirmed suicide cases due to family problems.

The cases reported take at least two years to provide sufficient evidence and get confirmed by the DC.

The total number of farmers' suicides shows a decreasing trend from 2009-10 to 2012-13 and later has increased.

Out of the total suicide cases, all the cases reported during 2015-16 upto April 2015 are pending as the reasons for suicides are not updated in the DC office Report.

The total number of suicides is increasing but the reason for that, it is due to crop loan has decreased considerably from the year 2009 to 2015.

### **Hence it is very clear that:**

Farmers' suicides are not caused mainly due to indebtedness or Bankruptcy.

Bankruptcy are the reasons then Debt Waiver scheme is not the probable solution expected by the farmers.

If Debt waiver scheme is announced it is not efficiently monitored by the Government Authorities.

### **Recommendations**

Debt Burden whereas more number of suicides committed by the farmers are due to family problems, mental illness and loans borrowed to satisfy their personal needs rather than using them for agricultural purpose. Hence it is difficult to justify the benefits of Debt waiver scheme to the beneficiaries of this occupation

Tonk District stands first with highest number of suicides i.e. 27 out of 77 suicides in Jaipur District for the period of seven years from 2009-10 to 2015-16.

Debt waivers don't increase Agricultural productivity: It may not motivate the farmers to produce more rather encourages non-repayment of the debt already borrowed from the Government for agricultural purpose in spite of their comfortable capacity zone to do so.

Debt Waiver scheme benefits do not reach the right beneficiaries: There is no proper directions issued to make the loan waiver benefits reach the farmers who are really in need of the scheme and influential hands do not pave way for the appropriate usage of the benefits under this scheme.

Small, Marginal and Large farmers not distinguished: All though the scheme suggest that marginal and small farmers to be benefitted from the Government schemes to overcome their debt burden, to what extent the officials disbursing the scheme amount justify to this context is basically a nightmare to the farmers. On the contrary part of it marginal farmers may suffer loss more than that of the small farmers which may not be taken into consideration under the scheme.

No importance for prompt repayment of loan: The farmers who have made a prompt payment upto date find fewer benefits from those who have not repaid a single rupee. Hence they may feel penalized for their prompt Act and get demotivated for repaying the loan borrowed from the Banks.



Efficient team to monitor at village level: The policy framed at the Central or State Level is not sufficient, it also requires an ethical and efficient team to carry out the activities as prescribed in the Governmental Scheme and help the right beneficiaries to claim their benefits.

Time taken for disbursement of fund is always an issue: Although Government releases a huge amount of fund to waive of the Debt of the needy farmers, it does not reach him at the right time. The long and complicated process basically causes delay and thereby farmers are unable to bear the heavy debt burden, as a reason for which some of them make wrong decisions to end their life.

Just a political Instrument: From another point of view Debt waiver Scheme seems to be considered as a political instrument working out for an vote bank scheme or an eyewash technique of the Government to make the people feel they are being taken care of as it is not the right solution to the problems of the farmers.

## Conclusion

Farmers have committed suicide across Jaipur during the month of April to December in the year 2015 where low price for the agricultural produce and absence of timely and adequate debts are main reasons behind it. Most of the farmers who ended their lives in Jaipur District are sugarcane growers. Maximum deaths have been reported from the districts of Tonk (92), Udhapur (74), Jaipur (73), (62), Pali (58) and Sikar (56). But there is a different line of apportionment for the Debt waiver Scheme. It is a known fact that farmers' indebtedness is only a symptom, there are many other issues like reduced overall growth of agriculture, declining productivity, profitability which has been responsible for all the above problems. Our failure to promote rural industrialisation and other non-farm activities, many of our small and marginal farmers have to depend on the low productivity agriculture. This debt waiver policy is against the principle of promoting healthy and strong financial system. It is against the systematic method of institutionalizing the enforcement of credit granted through developed policy guidelines by the state as well as central Government. The right solution to farmers' problems is not Debt Waiver or a Debt Relief Fund, rather creating opportunities for them to convert their Investment towards agricultural produce into profitable one by providing good marketing and warehousing facilities, fixing a stable support price, crop insurance, efficient monitoring and evaluation by lending institutions etc.

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