



FARM LOAN WAIVERS IN INDIA AND ITS IMPACT ON INDIAN ECONOMY

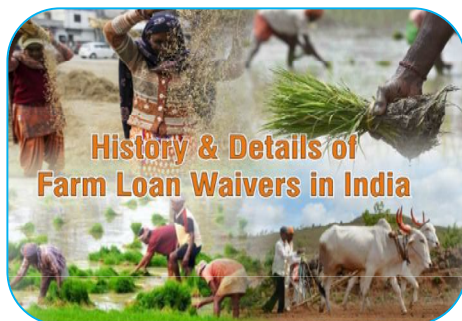
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ABSTRACT:

As we all know agriculture is the most important sector of Indian Economy. Indian agriculture sector shares 18 per cent of India's Gross Domestic Product (GDP) and provide employment to 50 per cent of the countries workforce. The condition of the most of the farmers is horrible. Nearly 80 per cent of the farmers in India belongs to marginal or small farmers category. They take birth in poverty, live in poverty, and die in poverty. We know that there have been many farmers suicide in the recent past years. Taking this problem in mind Indian government make loan waivers scheme which

was design to provide relief to the rural economy and bring some relief to the distressed farmers. The impact of such programs on future bank and borrower behavior and the moral hazard implications should all be taken into account. The monetary policy committee (MPC) of the Reserve Bank of India (RBI) pointed out that the implementation of farm loan waivers across states could hurt the finances of states and stoke inflation.

KEYWORDS: agriculture , Gross Domestic Product (GDP), small farmers category.

INTRODUCTION

A credit waiver is the forgoing of the genuine or potential risk of the individual or gathering who has applied for a new line of credit through the deliberate activity of the individual or gathering who has made the advance. Case of advance waivers incorporate the Agricultural Debt Waiver and Debt Relief Scheme in India. In a ranch advance waiver conspire, the Center or the state Government reimburses the advance to the banks for the benefit of the ranchers. This is proposed to carry alleviation to

the ranchers experiencing obligation and thus headed to end it all.

HISTORY AND DETAILS OF FARM LOAN WAIVERS IN INDIA

The first historically speaking across the nation ranch advance waiver was declared in 1990 by Janata Party government driven at that point Prime Minister V.P Singh and cost the administration Rs 10,000 crore. From that point, on February 29, 2008 P.Chidambaram the money serve under UPA government driven by Prime Minister Man Mohan Singh give credit waiver to ranchers under Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS), 2008.The

pastor of state for agribusiness Harish Rawat said on November 29, 2011 of every a composed answer to the LOK SABHA that more than 2.9 crore ranchers have profited by advance waiver plot so far for which government has discharged Rs 52,419 crore. The UPA government had postponed 1.3 percent of GDP of ranch credits in 2008. After that nation faces the greater part twelve credit waiver proposition from different states.

In 2014 Telangana waived Rs 17,000 crore in loans to farmers. This scheme was aimed to benefiting farmers, who suffered in the cyclone PHAILIN that badly damaged crops. Over 9 years from 2008 to March 2017, the central and state

government waived Rs 88,988 crore in loans to 4.86 crore farmers. The nation wide Rs 52,000 crore loans waiver announced by the UPA government in 2008 occupies the bulk of this figure.

India faces a cumulative loan waiver of Rs 3.1 lakh crore (\$49.1 billion), or 2.6 per cent of the country's GDP in 2016-17 according to calculation based on detailed analysis of the data, demand for farm loan waivers grows across Punjab, Haryana, Tamil Nadu, Gujarat, M.P, Karnataka, U.P, the state announce write off as under...

- U.P chief minister Yogi Adityanath announced on April 4, 2017 farm loan waiver of Rs 36,359 crore.
- Tamil Nadu late chief minister J. Jayalalithaa on May 24, 2016 had waived the loan of Rs 16.94 lakh marginal and small farmers, imposing a financial burden of Rs 5,780 crore on the state government.
- Punjab chief minister Amarinder Singh on June 19, 2017 announced total waiver of entire crop loan for small and marginal farmers in Punjab, and is likely to cost government around 10,000 crore.
- Karnataka chief minister Siddaramaiah on June 21, 2017 announced that the state will waive off farm loan up to Rs 50,000 till Jun 20, that will cost the state Rs 8,165 crore.
- Maharashtra chief minister Devendra Fadnavis on June 24, 2017 announced a 34,022 crore loan relief for farmers, saying all individuals loans by farmers bellow Rs 1.5 lakh will be waived. This is the biggest loan waiver in the country and the scheme will benefited 89 lakh farmers.
- M.P chief minister Shivraj Singh Chouhan has announced on June 8, 2017, a loan settelement scheme which will cover due to Rs 6000 crore. M.P is the only state in the country where farmers get interest free loan and it is the first government in the world which is extending 10 per cent subsidy on farm loans.

• IMPACT OF FARM LOAN WAIVER

Farm loan waivers will strain the finances of states, and harm both farmers and banks over the long run. Banks might gain in the short run as their loan book gets lighter and they get rid of some non-performing assets. But such waivers and their expectancy in future would damage credit culture. Former RBI Governor Urjit Patel, on April 6, 2017, commenting on the farm loan waivers warned as under...

- Farm loan waiver destroy an honest credit culture.
- It impacts credit discipline.
- It impact incentives for future borrowers to repay.
- Waivers generate a moral hazard.
- We need to create a harmony that such loan waiver policies are avoid.
- Fiscal challenges in this context could affect national balance sheet.
- Debt waivers also entail transfers from taxpayers to borrowers.
- Overall government borrowing goes up.
- It can also lead to crowding of the private borrowers as higher government borrowing can lead to increase cost of borrowing for others.

SUGGESTION

Farm loan waivers may be good for short run but it has its bad impact on Indian Economy in long run. To bring relief to farmers suffering from indebtedness and to commit suicide government can help them in other ways also which will beneficial in long run too. Government can provide resionable price for their agriculture products, provide good quality sheeds and advanced technology to increase the productivity of farmers so that they can earn more and improve living standerd. The most important thing is educating farmers, if they are educated then they are capable enough to understand the policiey and plans of the government which are ment for them and can take advantages. The basic problem of Indian farmer is that they are uneducated and because of that they suffer from frauds and many other things. Farm loan waivers is a temporary solution of their problem, we have to identify the root problem and make permanent solution for them.

CONCLUSION

From this whole study we can conclude that farm loan waivers is not permanent solution for our farmers. Yes it can provide benefit in short run but it is dangerous in long run for both farmers as well as Indian Economy. Due to this Indian Economy may suffer from DEBT TRAP and disbalance in trade. To get rid of this problems we should find some better and permanent solutions of this after all Agriculture is Backbone of Indian Economy.

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