



## ANDHRA PRADESH FARMERS' DEBT WAIVER SCHEME - A PARAGON FOR OTHER STATES IN INDIA

Dr. P. Venkateswararao\* N. Janardhanarao\*\*

\*Professor, Andhra Loyola Institute of Engineering and Technology, Andhra Pradesh.

\*\*HOD & Assistant Professor, Andhra Loyola Institute of Engineering and Technology, Andhra Pradesh.

### Abstract

The role played by the agriculture sector in the economy of Andhra Pradesh, remains crucial, despite its volatility. Further, huge dependency of the population living in rural areas on agriculture and the rural non-farm sector for livelihoods, employment and income, makes it vulnerable. Reviving the agriculture sector and helping the farming community had become the most important priority for the state of Andhra Pradesh. Following the committee report on loan waiver scheme and its modalities, headed by Sri P.Kotaiah former NABARD chairman, The Government of Andhra Pradesh had announced the Debt relief/waiver/Redemption scheme 2014 to its farmers. Even Telangana state Government also implemented loan waiver scheme to its farmers. The loan waiver schemes of the two state governments attracted intense scrutiny from the Reserve Bank of India, which was concerned that a blanket waiver of crop loans would set a bad precedent. As expected by RBI, Uttar Pradesh government recently decided to waive farm loans worth Rs36, 369 crore. The Madras high court directed the Tamil Nadu government to waive crop loans to all farmers. Pressure has risen on the Maharashtra government to provide a similar waiver. Punjab and Madhya Pradesh are working on loan waiver scheme. The farmer loan waiver is becoming an important element in the manifestos of Gujarat political parties and also of other states. In this context present study is proposed to examine the Andhra Pradesh farmers' debt waiver scheme.

**Keywords:** Debt Waiver, Agricultural Crop Loan, Borrower, Lending Institution, Settlement.

### Introduction

With the geographical area of 1, 62,760 sq km Andhra Pradesh ranks as the 8th largest State in the country. Andhra Pradesh is the tenth largest state in the Country, in terms of population. Agriculture, despite vagaries of monsoons, unpredictable weather conditions, escalating farm expenditure and non profitability continues to be the mainstay for millions of population in the state. The role played by the agriculture sector in the economy of Andhra Pradesh, remains crucial, despite its volatility. Further, huge dependency of the population living in rural areas on agriculture and the rural non-farm sector for livelihoods, employment and income, makes it vulnerable. The National Crime Records Bureau of India reported in its 2012 annual report, that 1,35,445 people committed suicide in India, of which 13,755 were farmers which is 11.2percent of the total. Of these, five states namely, Maharashtra, Andhra Pradesh, Karnataka, Madhya Pradesh and Kerala out of 29 states accounted for 10,486 farmer suicides which were 76percent of the total. In this context, Reviving the agriculture sector and helping the farming community had become the most important priority for the state of Andhra Pradesh. Following the committee report on loan waiver scheme and its modalities, headed by Sri P.Kotaiah former NABARD chairman, The Government of Andhra Pradesh had announced the Debt relief/waiver/Redemption scheme 2014 to its farmers. Even Telangana state Government also implemented loan waiver scheme to its farmers. The loan waiver schemes of the two state governments attracted intense scrutiny from the Reserve Bank of India, which was concerned that a blanket waiver of crop loans would set a bad precedent. As expected by RBI, Uttar Pradesh government recently decided to waive farm loans worth Rs36, 369 crore. The Madras high court directed the Tamil Nadu government to waive crop loans to all farmers. Pressure has risen on the Maharashtra government to provide a similar waiver. Punjab and Madhya Pradesh are working on loan waiver scheme. The farmer loan waiver is becoming an important element in the manifestos of Gujarat political parties and also of other states. In this context present study is proposed to examine the Andhra Pradesh farmers' debt waiver scheme.

### Review of Literature

Darling (1925) had estimated the extent of indebtedness and has also examined the factors responsible for it in the erstwhile province of Punjab. Mukerjee (1949) had studied the nature, extent and causes of indebtedness in the undivided state of West Bengal during the first half of the 20th century in general and during 1943, 1944 and 1946 years in particular. Benjamin (1971) has measured the extent of indebtedness in India during the British rule and has also tested various factors that were generally considered to be responsible for it. Singh and Mehrotra (1973) had studied the magnitude and sources of indebtedness among the landless labourers and various categories of farmers in Ballia district of Uttar Pradesh. Vijayagopalan (1976) had examined the extent of rural indebtedness among the small farmers, landless labourers and weaker sections in the state of Tamil Nadu. Adams and Nehman (1979) have studied the demand for rural credit from small and new borrowers of formal lending agencies in Bangladesh, Brazil and Columbia. Bagi (1983) examined the short term and long-term borrowing behavior of 89 farm households in Western Tennessee in the United States of America. Panda (1985) had done a district level study to analyse the utilization and factors associated with the over dues of the borrowing farmers in Puri district of Orissa. Olomola (1992) had provided empirical information regarding the magnitude, components and



determinants of the transaction costs of borrowings by Nigerian households. Ramaiah and Manohar (1992) had examined the problem of indebtedness among the dominant tribes in the Telangana region of Andhra Pradesh. Hooda and Turan (1994) had studied the pattern, magnitude and determinants of indebtedness among 2860 households in rural Haryana. Bhalla et. al (1998) had investigated the nature and causes of suicides in rural Punjab. Shameem (1998) had examined the cases of suicides committed by cotton farmers in Warangal district of Andhra Pradesh during 1980-1998. Iyer and Manick (2000) had studied the problem of indebtedness and suicides in rural Punjab. Sharma and Meher (2001) had studied the problem of indebtedness among rural households in terms of major characteristics at an all India level during 1981 to 1991. Briones (2002) had examined the demand and borrowing behavior of the small rice farmers in Philippines. Sharma (2002) had examined the nature and extent of indebtedness among the tribals and non-tribals in the state of Himachal Pradesh. Mohanty and Shroff (2004) had studied the problem of farmer suicides in the state of Maharashtra. Borbora and Mahanta (2005) had studied the extent of rural indebtedness and flow of institutional credit among rural households in Assam. Kareemulla (2005) had studied the reasons for farmer indebtedness in Jhansi district of Uttar Pradesh. Mishra (2006) had studied the problem of suicides by the farming community in Maharashtra. Satish (2006) had studied the problem and extent of rural indebtedness and the relationship between institutional credit, indebtedness and suicides in Punjab. Nguyen (2007) had studied the role of credit, determinants of credit choices and measured the impact of borrowing activities on borrowers' consumption in Vietnam rural areas. Kasariyan et. al (2007) have investigated the role of both cognitive and structural social capital in explaining the repayment performance of individual members under joint liability in Armenia. Jeromi (2007) explained various reasons and extent of farm indebtedness and farm crisis in the state of Kerala during 1970-71 to 2005-06. Barrett Kirwan (2014) examined the response of credit demand to greater crop insurance coverage in USA. Between 2005 and 2011 federal crop insurance experienced several expansions. Brian C. Briggeman (2015) expressed the view that present monetary policy has had an impact on U.S. agriculture. To conclude most of the studies done both at international level and National level revolved around the rural credit related issues and issues related to rural indebtedness. It was found that there was no study which dealt with Andhra Pradesh farmers' debt waiver scheme. In this context the present study was done.

### **Objectives**

The main objective of this paper is to examine the contents of Andhra Pradesh farmers' debt waiver scheme. The specific objectives are the following

1. To explain the main idea of the farmers' debt waiver scheme.
2. To describe the Modus operandi of the waiver scheme.
3. To identify the eligible borrowers to get benefit out of the debt waiver scheme.
4. To elucidate the method of settlement under the scheme.
5. To clarify the responsibilities of lending institutions under the scheme.

### **Methodology**

The study namely "Andhra Pradesh farmers' debt waiver scheme - a paragon for other states in India" is a descriptive study. An attempt is made to review the existing literature on rural credit related issues and issues related to rural indebtedness in India and abroad. After extensive survey of the literature it is found that there was no specific study which dealt with Andhra Pradesh farmers' debt waiver scheme. Hence, an attempt is made to explain the main idea of the farmer debt waiver scheme, modus operandi, eligible borrowers, method of settlement and responsibilities of lending institutions as per the scheme.

### **Main idea of the Scheme**

The main idea of the scheme is that the state Government waives the agriculture crop loans and gold loans availed for agricultural purposes, together not exceeding Rs.1.50 lakhs per family. Benefit of Debt waiver applies to agriculture family as a unit. Family is defined as consisting of Head of the family, his wife and dependent children. Criteria to identify the family members shall be from documents like Ration Card, Voter list etc. The scheme is applied to crop loans including gold loans sanctioned for raising crops extended by scheduled commercial banks, regional rural banks and cooperative banks through their branches or Societies in thirteen districts of Andhra Pradesh. This scheme has also covered loans granted to Primary Agriculture Cooperative Credit Societies which are accredited to lending institutions for advancing direct agriculture crop loans to agriculture family. The scheme covered not only the crop loans and agriculture gold loans disbursed for crop purposes but also the loans converted to Medium Term Loans due to calamities, up to 31.12.2013 and outstanding including interest as on 31.03.2014. Loans which were outstanding as on 31.03.2014 would be eligible for waiver even if they were subsequently repaid to the bank or cooperative.

### **Modus Operandi for Waiver**

Where a family has taken loan from more than one bank or institution, the bank or institution which has retained the original pattadar pass book while giving loan, will get the priority. If the loan was given against different survey numbers by different banks, the benefit would be distributed on pro-rata basis. The benefit thus shared shall be entered in the respective Pattadar



pass books of the family and the concerned Branch Manager shall put his signature and seal on the pass book. If it is more than the ceiling amount of 1.50 Lakhs, the waived amount will be limited to the ceiling amount. The branch manager concerned will affix their seal and signature after recording the amount in the Pattadar pass book or LEC card. In respect of beneficiaries who had already repaid the loan, the eligible amount would be credited to the saving bank account of the beneficiary and he would be permitted to draw the amount. In case of those who had not repaid the loan, the waiver amount would be credited to the loan account of family and the outstanding balance would be reduced to that extent, as per the method described. If the loan outstanding of the beneficiary is higher than the waiver extended by the Government under the Scheme, the balance will be paid by the beneficiary concerned. Crop Insurance claims of family as and when received, should be appropriated to the Government, to the extent of the amount waived and balance if any, beyond waiver limit shall be credited to farmer's account.

### **Eligible Borrowers**

Following type of borrowers are eligible for debt waiver as per the scheme.

1. Family which has directly availed crop loans against hypothecation of standing crops or mortgage of land or pledge of gold ornaments
2. Rythumitra and Joint Liability Groups which availed crop loans are eligible on pro-rata basis as per the amount drawn by each member, the aggregate amount subject to waiver ceiling.
3. Credit extended to Kisan Credit Card holders.
4. Family unit, whose crop loan was converted into Medium Term Loan on account of natural calamity,
5. Agriculture Gold loan for taken for the purpose of crop production subject to the loan being supported by ROR, observance of seasonality and scales of finance by the bank.
6. In the event of both the pattadar holder as also the LEC holder or oral lessee availing short term crop loans on the same survey number, the benefit should be extended to the LEC holder or tenant cultivator only.

### **Method of Settlement**

The Branch Manager of the bank should maintain an individual account of persons for family manually, where in the amount eligible for waiver will be shown. As and when the amount is released by the Government, adjustments should be made to this account. Controllers of banks should ensure uploading of branch-wise data to the Government portal. District Administration should also render necessary assistance to banks to get full details from the farmers.

### **Responsibilities of the Lending Institutions**

1. Lending institutions need to collect information as per the format furnished by Government, viz; Aadhaar Number, Pattadar Pass Book number etc; and to enter the details in their system and ensure that the benefit goes to family as unit within overall ceiling.
2. Lending institution is responsible for the correctness and integrity of the list of families eligible under this scheme and the particulars of the debt waiver in respect of each family member of farmer. Records relating to the scheme should bear the signature of the authorized officer of the lending institution, name, Employee Code number and seal of the organization.
3. Lending institution is responsible for display of the name, address and phone numbers of the Grievance Redressal Committee or officer concerned, in each branch of the lending institution. The Grievance Redressal Committee formed by the Government is authorized to receive representations from aggrieved farmers and pass appropriate orders within the frame work of the scheme guidelines.
4. Lending institution is responsible for representing any grievance of any farmer to the Grievance Redressal Committee and every such representation shall be disposed of within 30 days of receipt.

### **Conclusion**

The state Government of Andhra Pradesh had waived debt burden of one loan in a household up to Rs.1.5 lakh through farmers' debt waiver scheme, which will entail a financial commitment of up to 35,000 crores for farm loans. The number of accounts redeemed in Andhra Pradesh is 54.06 lakhs and the number of farmer families benefitted under this scheme is 35.15 lakhs. Many states in India are contemplating about the implementation of the scheme. Reserve Bank of India (RBI) governor Urjit Patel cautioned about the moral consequences of loan waivers. He said such waivers engender moral hazard. He also felt that waivers undermine an honest credit culture and also felt otherwise sub-sovereign fiscal challenges in this context could eventually affect national balance sheet. Keeping aside the criticisms, loan waiver/redemption schemes are being floated by Governments to tackle rural indebtedness. To conclude, in spite of the continuous efforts of different public financial institutions and Governments to achieve financial inclusion, the Indian farmer is still waiting for the helping hands in the form of loan waiver and redemption schemes. Andhra Pradesh farmers' debt waiver scheme introduced in this direction had become a paragon for other states in India.



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