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Saving the Crumbling Agrarian Economy An Analysis on Political Efforts

By

A.G Vinodh Choudary

LLB(Hons.) at the Tamil Nadu Dr. Ambedkar Law University, School of Excellence in Law, Chennai

and

Dhilshath Raihana.S

B.A.LLB(Hons.) at the Tamil Nadu Dr. Ambedkar Law University, School of Excellence in Law, Chennai

INTRODUCTION

Agriculture being an important economic sector in India has an extensive background which dates back to ten thousand years. It is also the key development in civilization. At present, India stands second in the world in agricultural production. It contributes a major share in the Gross Domestic Product (GDP) of the country. This sector recruits about 50% of the total manpower. Regardless of the fact that there has been a gradual slump in its contribution to the GDP, agriculture is still the biggest industry in India. It plays a key role in the socio-economic growth of the country.

India is one of the major competitors in the global agricultural market. Nearly more than half of India's population is involved and dependent on this primary sector, contributing to 15% of India's GDP and 11% of exports[1]. The agricultural sector has become more self-reliant in India, holding the position of the second largest agricultural land in the world as well as being the top producer of jute, milk and pulses. Clearly, the government of India, as and when required had stimulated the productivity of agricultural activities, which led to policy thrust for the various agricultural revolution.

Being a predominantly agrarian society, agriculture was considered as the most prestigious profession until the invasion by British Imperialist government which particularly changed the whole economic landscape of India by destroying the agricultural system and supporting the Industrial Revolution. Prior to 1970, farmers majorly depended on non-institutional sources being charged with exorbitant rates of interest. Undoubtedly, centuries ago, the British rule had started the misery of Indian farmers which continues till date[2]. Despite vast development in the agricultural sector, the rural indebtedness has been the evergreen companion of the Indian peasants. It is rightly quoted by Sir Malcolm Darling that, *"The Indian peasant is born in debt, lives in debt, and dies in debt"*.

[1]Urjit R. Patel, "Seminar on Agricultural Debt Waiver – Efficacy and Limitations", Held on August 32, 2017 *available at*https://m.rbi.org.in//Scripts/BS_SpeechesView.aspx?Id=1045 (last visited on June 2, 2020)

[2]Rajeev Kumar Upandhyay, "Corporate Social Responsibility and Sustainable Growth in Agricultural in India" Volume 11 Issue 3 *Global Journal of Enterprise Information System* 21 (2019)

IMPACT OF INDEBTEDNESS

Indebtedness has been recognized as one of the most cancerous and malignant stumbling blocks for rural prosperity. The main cause of indebtedness is poverty and illiteracy, which forces the peasants to borrow and being charged high rate of interest by institutional and non-institutional sources.

It is a well known fact that the cost of production for farms is huge which involves pesticides, insecticides, fertilizers, diesel for irrigation and running pump sets etc. Moreover a farmer's life is unpredictable when compared to other individuals, as he may have to face numerous expenses like household expenses, education expenses, healthcare expenses, or expenses related to marriage of his children etc. apart from the cost of production. In case of failure to repay the loans, the banks and moneylenders take stringent measures like issuing numerous notices and even humiliate the farmers which lead to mental agony. Farmers are left with no other choice other than sell or lease or auction their farmland. A psychological pressure is created by society and once the pressure is unbearable the farmer decides to commit suicide rather than to sell the farmland. During 2001-2005 almost 86,922 farmers' suicide has been reported.

Due to these demands, the farmers are forced to make decisions like having their children forgo their education, giving up agriculture altogether, migrating to cities to work in a construction site under hazardous conditions or resorting to suicide. This shrinking of choices is perhaps the most tragic outcome of indebtedness. Even getting a loan for purchasing a tractor, which is a quintessential factor for farming, has become difficult due to the high interest rates charged. The price of a tractor ranges from 7.5 to 25 Lakhs and farmers need to have eligibility of having 3 acres of land to secure loans. Interests charged by various banks for a tractor are as follows:

- State Bank of India 12% p.a.,
- ICICI Bank 13% p.a. to 20.65% p.a.,
- HDFC Bank 13.21% p.a. to 25.78% p.a., for loan tenure being five years.

Whereas, if we take the rate of interest charged for cars loans by various banks are as follows

- State Bank of India 9% p.a. to 9.70% p.a.,
- ICICI Bank 8.82% p.a. to 12.75% p.a.,
- HDFC Bank 8.50% p.a. to 11.25% p.a., loan tenure being seven years[3]

The number of suicides by farmers had been reducing due to relief mechanisms by the government such as farm loan waivers. In 2016, about 6270 farmers committed suicide, down from 8007 in 2015[4]. Decades ago, a large number of bank loans were categorized as substandard and the government had to take measures such as waiving bad loans to alleviate the distress of farmers. Subsequent expectations of loan waivers made farmers build up delinquencies as they have stopped repaying loans in the hope of getting their loans waived off. This trend appears to be quite prevalent during elections.

Economists like Keynes, was in favour of government intervention through fiscal channels. Not all economists were in favour of these interventions[5].

At present, when the whole world is at a standstill due to the COVID-19 pandemic, it has raised concerns over agricultural productivity and food supply. The Central and State governments have been working in harmony to redress the grievances of farmers, who have requested for waiver of all agriculture loans. This is in view of the financial loss suffered by the farmers due to the unexpected extending of lockdown due to COVID-19. The absence of transport facilities clubbed with vigilant blocking of roads has had an effect on the movement of migratory harvest labor and agricultural-machinery.

[3]Shashwat Singh, "Farmers Suicide in India"Volume 1 Issue 7 *Journal of White black legal* 8 (December 2019)

[4]Id. at 6

[5]Tanika Chakraborty and Aarti Gupta, "Efficacy of Loan Waiver Programs" *Journal of Economic Literature* 1 (2018)

Due to blockade and restricted private purchase, the government promised farmers procurement from the field at Minimum Support Prices (MSP). Unfortunately, this promise remained confined to government claims, it remained non-functional in most places, and it placed several restrictions on quantity to be procured in the marketplace (mandis) and imposed severe deductions due to allegedly shrivelled grains. Although equipped with smartphones, the uneducated and naïve farmers are not able to reap the benefits of this ingenious measure. Despite being enlisted as an essential service, the agricultural movement of combined harvesters has not been a smooth sailing operation.

Due to current circumstances farmers are selling their produces at throwaway prices. Thus debt waivers that ameliorate the problems faced by farmers can provide only temporary relief and not a lasting solution to rural indebtedness.

AGRICULTURAL LOAN WAIVER HISTORY IN INDIA.

Farm loans are lent by the institutional and non-institutional sources to the farmers to help them meet their operational expenses during the agriculture production. A farm loan waiver means waiving of the real or potential liability of the farmers against the lenders of the loan. Farm loan waivers have existed since 1980's. These loans are not completely waived off, there are several categories of waivers, such as waiver of penal interest rate or normal interest rate, waiving only a certain amount in certain or all banks, selection of a particular category of farmers such as marginal farmers, small farmers and other farmers (above 5 acres of Farmland) and Debt Relief Schemes to the other farmers where 25% rebate is paid by the government and remaining 75% needs to be paid back within a particular time.

When Haryana Chief Minister Chaudhary Devi Lal, promised to waive off cooperative banks loan under Rs.20,000 during Haryana Assembly Elections in 1987[6]. It was an innovative strategy that led to populous vote and since then Indian's agrarian history has witnessed many loan waiver schemes from Central Government and State Government.

In 1990, the Central Government loan waiver scheme by the VP Singh government was worth Rs.10,000 crores and it took almost nine years for banks to recover that amount[7]. It was the first-ever nationwide agricultural loan waiver announced and subsequently in 2008 India's Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS) was initiated partly because of the increasing farmers' suicide in India. Mostly visible near the Vidarbha region of Maharashtra, due to high indebtedness and also an economic theory of debt overhang which explains less indebtedness among farmers would attract good investments[8]. Former Finance Minister of Union Government, Mr. P Chidambaram announced an agricultural loan waivers with an extensive budget of Rs. 60,000 crores the total package further extended to Rs.71,600 crores in the midst of Financial Crisis.

To qualify for this scheme, the farm loan had to be overdue by 31st December, 2007 and the scheme included crop loans investment credits for direct agricultural loans and allied agricultural loans (e.g. Dairy)[9]. In this scheme, small and marginal farmers received full 100% waivers whereas other received relief of 25% rebate on a condition that remaining 75% loan to be repaid within stipulated time and in special districts the waiver is either 25% or Rs. 20,000 whichever is higher on repayment condition of 75% on the stipulated time. At present, more than 10 State Governments have implemented farm debt waiving by stating that "farmers are not a liability, they are our assets – and they should be treated as such."

In 2006, The Government of Tamil Nadu in an unprecedented way waived off farm loans of Rs. 65,263 crores. The scheme had waived all the principal amount and interest on the outstanding loans at 8% in all co-operative banks and societies for a period of five years. This move was different from previous attempts where the government had only waived off interest amounts either on outstanding loans or on overdue loans or as full interest[10].

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[6]Ahamad Fuwad, "Farm Loan Waivers: A short term political solution to a much larger problem", *Indiatv*, April 06, 2017, *available at*https://www.google.com/amp/s/www.indiatvnews.com/amp/news/india-farm-loan-waiver-hort-term-political-solution-much-larger-problem-375629 (last visited on June 01, 2020

[7]Dr. Nityananda Patra,"Farmers Loan Waiver Scheme And Indian Agricturalculture" Volume 9 Issue 4 *Pranama Research Journal* 758 (2019)

[8]Christopher Robert, " Wealth and Well-being, Lessons from Indian Debt Relief" *Journal of Economic Literature* 6 (2012)

[10].Deepa S. Raj and Edwin Prabu A, "Agricultural Loan Waiver: A Case Study of Tamil Nadu's Scheme" Volume 39 No. 1&2 *Reserve Bank of India Occasional Papers* 6 (2018)

The Kerala Farmers' Debt Relief Commission Act, 2006 was an excellent model and was carefully designed to waive Schemes which covers both the formal and informal sources of debt and ensures every small, marginal, and medium-level farmers benefitted. The commission mandated to fix an appropriate amount of debt and a fair rate of interest to be payable by creditors other than institutional creditors. Kerala government would waive, reschedule or reduce any debt by both institutional and non-institutional sources after fair hearing from the parties. These loan Waivers scheme followed by Kerala should be the key blueprint to every other government, so as to avoid any leak in the loan waiver Schemes and only fairly affected people are benefitted.

A similar scheme introduced in the year 2006, the Government of Tamil Nadu had re-introduced in the year 2016, wherein it waived off all medium and long term agricultural loans which were availed by small farmers and marginal farmers for Rs. 60,950 crores for all outstanding loans at an interest of 8% from all co-operative Banks and societies as on March 31, 2016.[11]

IS FARM LOAN WAIVER A POLITICAL MOVE?

Be it a pre-independence or post-independent period, the agricultural sector has always been the priority sector of India. In India, almost more than half of the population is involved and dependent on the agricultural sector. Due to this reason, many politicians have taken advantage of farmers manipulating them by promising schemes which would help them gain relief in times of distress in order to gain votes from them. Loan waivers created chaos in the Indian economic system and did not provide any real-time solution rather than buying a little time for farmers. Out of 18 loan waivers announced in India, 7 of them were announced just a year or year and a half prior to the impending elections. 10 of the loan waivers were implemented by ruling parties within one year of coming into power which was promised by them in the election manifesto and only Maharashtra had implemented the loan waiver in middle of the electoral term[12]

The former Finance Minister of Union Government, Mr. P Chidambaram announces an unprecedented debt loan waiver scheme. The announcement was made just before the year of assembly elections and also few of the state's legislative assembly election. This announcement was a major attraction to attain votes from those citizens who consist of more than half of the country's population with a package of Rs.71,600 cores to eradicate their loan and entitle them with fresh loans.

This loan relief package was a recommendation of an expert committee on agricultural indebtedness chaired by Prof. R. Radhakrishnan, set up by the Ministry of Finance in 2006. The committee in its report had only recommended for rescheduling farm loans for affected families, disbursement of the fresh loan, and waiver of interest liability up to 2 years for both short and long term loans, in which the burden is to be shared by both state and central government. However, none of the expert committee formed by the government had ever advocated or recommended for a complete waiver of loans .[13]

Frequent loan waivers by both state government and central government with a political motivation have hastened the process of erosion in rural credit delivery system. In 2014, the Government of Telangana and Government of Andhra Pradesh had announced a loan waiver for Rs. 43,000 crores even after strongly opposed by RBI and several other economist as the government was facing severe financial crisis by having a fiscal deficit of Rs.16,000 crores and no funds for regular schemes. The loan waiver was announced due to cyclone 'Phailin' where many farmers were affected but the scheme of debt waiver was generalized not having any eligibility conditions for farmers who suffered great crop loss. The beneficiary of an unaffected farmer was also benefitted hugely from this scheme .

Uttar Pradesh's first agricultural borrower bailout program "Rin Maafi Yojana" was announced in November 2011 as a part of an electoral campaign by Mr. Akilesh Yadav. Soon after winning the elections, the loan waiver was implemented in Uttar Pradesh by then Chief Minister Mr. Akilesh Yadav just four months after its announcement in

[11]Ibid

[12] [12]Ajit Phadnis and Aiswarya Gupta, "A politics of farm loan Waivers: A comparative Study" 8 (2019) (Draft Version) *available at*https://www.google.com/url?sa=t&source=web&rct=j&url=https://www.isid.ac.in/~epu/acegd2018/papers/AjitPhadnis.pdf&ved2ahUKEwiJ7qjVsePpAhWHzjgGHXGfAVUQFjABegQICxAG&usg=AOvVaw1OEDxZtyC_2xjD24FxB2Ga&cshid=1591111223862 (last visited on June 1, 2020)

[13] [13].Ravi Anand, "Waiver Of Agricultural Loans: Social Justice Or A Travesty Thereof" Volume 15 *Drake Journal of Agricultural Law* 290 (2010)

March 2012[14]. Even though the loan waiver was not as huge as the 2008 ADWDRS program but yet it was announced immediately after the ADWDRS scheme. Was it really necessary? Did Uttar Pradesh's government really have the fund?

The loan was repaid by the UP government for a staggering period of three years and this delay resulted because the government did not have enough funds. The district of Lakhimpur still did not receive any benefits as the government exhausted all its funds[15].

IMPACT OF AGRICULTURAL LOAN WAIVER ON:

1. Farmers

Agricultural loan waivers are no doubt a relief to the farmers. Although it strengthens the repayment capacity of a farmer for a short term in the post waiver period, there seems to be evidence that it affects the credit discipline of a farmer. Farmers who take loan thereafter expect the future loan to be waived off and defaults loan repayment intentionally to avail benefits. As per Agricultural Debt Waiver and Debt Relief Scheme report (ADWDRS) it is stated that the full waiver beneficiaries delayed 22 days on an average for loan repayment whereas partial beneficiary delayed 25 days on an average and non-beneficiary delayed by 197 days an average[16]..

Since loan waivers have certain prerequisite conditions for eligibility, the non-beneficiaries from the Agricultural loan waiver anticipate future loan waivers and prepare themselves to benefit most out of it. The large hectare area of farmland is divided among the family members to avail Short term period loans, which is now extended from Rs 1,00,000 to Rs 1,60,000, without any collateral. One household may have multiple loans either from different sources such as farm loans, investment loans, and allied loans or in the name of different family members, which entitles it to multiple loans waiving[17]. It is pointed out by Arindam Banik that, “A small farmer with less land but assured irrigation may be financially better off than another farmer with much larger landholding but no assured irrigation.[18] As the loan was generalized, it also benefitted few rich people who had bought farmland within India and registered them as farmers whose initial intention and the motive was to get tax benefits.

2. Banks

According to Former Governor of Reserve Bank of India Dr. Urjit Patel, farm loan waivers distorts credit culture of the banking system, engender moral hazard, and also the national balance sheet is massively affected.[19] Almost after every farm loan waiver scheme, by both state and central government, there is a recovery of Agricultural Non Performing Assets by the banks as defaulted overdue loans are repaid by the government. At the same time, this seems to be a time increase in profitability and it is unclear if this profit stream continues beyond a year of loan waiver. The loan waivers scheme clears the books of their lenders off their non-performing assets. A loan waiver scheme would definitely give hope for future loan waivers by the government to the farmers. Even though the farmers have the capability to repay the loan amount, the scope for subsequent loan waivers scheme would vitiate the repayment culture in which the lenders would register a disproportionate increase in nonperforming assets of the primary sector in post waiver period.

When certain loans are turning bad banks have to embark it with their profits by Provision Coverage Ratio (PRO) guidelines. This means that banks' profits are adversely affected and if suppose failure to do this or if the bank delays it for any announcements by Government for future loan waiver and government fails to do so, then the bank has no options left rather than write-off those bad loans with the capital of the bank. When capital depletes, the promoters will have to replenish the capital to meet the RBI's norm also known as capital adequacy norms or BASEL III Norms. Failure to do so will mean that Central Bank will put several restrictions such as disallowing branch expansion and

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[14] Supra note 6 at 11

[15] Ibid

[16] Sudha Narayan and Nirupam Mehrotra,"Loan Waivers and Bank Credit: Reflections on the Evidence and the Way Forward" Volume 44 Issue 4 J*ournal of VIKALPA* 203 (2019)

[17] Supra note 8 at 753

[18] .Id. at 755

[19] Id at 753

not allowing extending further credit. This will lead to the risk of business to banks and in such times government helps by replenishing its capital to save the banks. But we are aware that the government works around a fiscal budget and eventually burden taxpayers with high taxes to keep banks out of trouble and in a healthy state.

When the government burdens with high tax to taxpayers, it will cost their reputations and creating fear of losing the position in subsequent elections. So, instead of trying and fixing the problem, they leave it with the fiscal budget to the subsequent Government to deal with creating a great mess in the economy[20].

3. Government

The burden is always on the government which announces a loan waiver scheme depending upon how they finance these waivers and how they would structure the absorption of the cost into the budget. If the government borrows to repay the debts of farmers or cutting back on other expenditure would crowd out farm investments which would definitely affect the farming community in the longer run. Higher government borrowings could impact the yields of government bonds, which could lead to an increase in the cost of borrowing for others. Also it could impact the inflation rates by increasing fiscal deficits. The loan waivers scheme budget would be more than the government's fiscal year budget which makes repayment of debt spread over several years. A single loan waiver scheme could have consequences beyond the current fiscal year.

In Andhra Pradesh and Tamil Nadu after the loan waivers scheme was announced, benefits to the farmers were received that same year, whereas reimbursement to the lending institutions was done in a phased manner for a period of five years by the respective governments. Telangana government reimbursed the banks in the year 2017-2018 after announcing its scheme in 2014[21].

According to Prof. Raghuram Rajan, former RBI Governor, loan waivers not only inhibits investment in the farm sector but puts pressure on the fiscal of states which undertake farm loan waiver.[22]

ANALYSIS ON LONG TERM SOLUTION

Indian farmers need a sine qua non for appropriate savings and credit systems that can address the particular needs and constraints of the poor farmers which are important tools for increasing production among the rural poor[23]. Considering the breadth and depth of the agricultural sector in India, the Government alone cannot act for its development. Companies could also contribute to the primary sector and play a very important role in Corporate Social Responsibility (CSR).

Although companies in India have impacted several sectors like education and health, the impact on agricultural sector seems to be comparatively low[24]. A small CSR fund can make a huge difference in agriculture. Bharti Walmart initiated the Farmers development program in Punjab, in which community-building activities had been implemented in Haider Nagar village. This company is working on issues of sanitation and biogas as households tend to use farm fields for lack of sanitation facilities in houses, affecting yields and impacting the produce. The company has also conducted health and hygiene awareness and educating them by community building[25].

Zuari Agro has impacted more than thousands of farmers by conducting workshops, giving training, implementing innovation centers and laboratories, and also recognizing the best practices by a farmer. ONGC is impacting primary sector by constructing a Centre for Agricultural Research and Training in Telangana. "E-Choupal" by ITC has implemented micro-irrigation projects, farmer field schools, organic farming input to farmers, agroforest initiatives in forest regions and development agricultural business centers which had benefited

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[20]Vijaya Kittu Manda and Satya Prakash Yamijala, "Banking & Economic Implications of Farm Loan Waivers" Volume VIII, Issue II *International Journal of Research* 1489 (2019)

[21]Supra note 8 at 206

[22]Id.at757

[23]Swati Bhoj, D. Bardhan and Avadhesh Kumar, " Strengthening Credit Services To LivestockSector For Inclusive Rural Growth" Volume 32 *Journal of Rural Development* 367 (2013)

[24]Supra note 3

[25]Mohammad Rais, Shatroopa Acharya and Neeraj Sharma, " Food Processing Industry In India : S&T Capability, Skills And Employment Opportunities" Volume 32 *Journal of Rural Development* 461 (2013)

many farmers in states like Uttar Pradesh, Madhya Pradesh, Andhra Pradesh, Bihar, and West Bengal[26]. CSR by companies proved to be vital in capacity building and skilling in the agricultural sector, however it should also ensure that it has a real impact on the primary sector rather than limiting to brand building exercise only. The government should also implement tax benefits for donations to entities involved in operating such agricultural projects. The government should also make CSR activities must be made mandatory for the agricultural sector. It would help to increase Farmer's income and growth. Crop insurance scheme did not cover crops which were widely cultivated in certain areas due to lack of crop cutting experience. Comprehensive coverage of crops in the insurance schemes is needed indispensably and also the insurance application needs to be simplified as the present scheme is time-consuming. The settlement of insurance claims needs to be executed speedier as the present scheme is delaying the settlement.

Indian farmers need a spike in technological advancement in the primary sector for the betterment of improved irrigation practices, to reduce cost and improve yields. Diversification of crops is much needed to improve the income of the farmers. Research-based centers need to be established in rural areas for adopting cropping patterns that are best suited for agro-climatic conditions of the region. Generalized loan waivers should be avoided by the government as it benefits most of the farmers who do not deserve such relief on economic grounds and neglects farm households in dire need.

Water is a crucial factor that improves agricultural production. Most of the farmers are majorly distressed because of the scarcity of water. Water scarcity has been a very serious problem for decades in India, would be a bottleneck in the future. In India, most of the farmers are in arid and semi-arid regions depriving them of irrigation facilities and the promotion of water development schemes. Water resources need to be put in sustainable use to improve the crop yields. Global earth temperature is likely to increase from 1.8 degrees Celsius to 4.0 degrees Celsius posing a great threat to water resources with anticipated global warming and climatic change. The water crisis results in greater instability in agricultural production and threatens farmers' livelihood. So the government should take immediate action on conserving water resources and optimizing it for productivity, profitability and maximum utilization.

Investment needs to be made for educating farmers on various harvesting and conservation methods. Some of the water harvesting method like true Hydrogel which absorbs, retains and releases water when necessary should also be made available.

Farmers cannot depend on rainfall alone. The government needs to help the farmers out of this unprecedented water crisis. There should be a balanced distribution and conveyance pipes, affordable and reliable energy to lift water from shallow depths, and setting up underground piped water facility to connect dams/canals. At present, only 40 percent of irrigation water actually reaches the farmers' field from source dam. Investment should be made for proper channelization to make water more efficient and also promote micro-irrigation system to reduce water loss and increase the overall efficiency of water use up to 90%. In Israel, more than 60% of the water used for irrigation comes from recycled wastewater. India should also adopt the best water management practices, technologies, and policies.

Electricity is also essential for agriculture. Without electricity there is no agricultural. In India, we have been struggling to supply electricity in every rural area. Although the government has provided free electricity to certain rural areas in India, still there is a lack of electricity connectivity which hinders agrarian life. The government can provide farmers with better plans such as providing them with solar panels instead of using conventional methods such as diesel and electricity. By using the solar panels, farmers can make extra electricity and causing no harm to the environment. According to the Ministry of New and Renewable Energy, the Central Government pays 30% of the benchmarked installation cost for PV systems. The installation of a PV system may require approximately 100 square feet of space. The average cost of installation of PV rooftop is Rs. 60,000 to Rs.70,000 and after a 30%

[26]Supra note 3 at 22

subsidy from the government it cost only Rs. 42,000 to Rs. 49,000 which is great news.[27] The government should also take initiatives to implement more hydroelectric power plants all over India to generate more electricity.

Indian Agricultural Sector consists majorly of small and marginal farmers with an average landholdings size of 1.08 sectors[28]. They account for 86 percent of all landholdings and 47 percent of the operative area[29]. As per the Economic Survey 2018 – 2019, there is a huge Gross Value Added (GVA) in the allied sector in the past five to six years contributing approximately 40 percent of agricultural output. But credit loans are relatively low compared to farm loans[30]. The allied agricultural loan is granted for Rs. 50,000 and categories it as a small debt loan, whereas loan amounting more than Rs. 50,000 is categorized as 'others'. The farmers should be encouraged to get involved in allied activities as such as dairy, fishers, poultry, beekeeping, and honey. Livestock can provide food security and gain self-employment, which contributes 26% of Agricultural GDP. India owns one of the largest livestock in the world[31].

India accounts for 57% of the world's buffalo population and 16% of cattle population. It ranks first in the population of cattle and buffalo, goat in second and sheep in third-largest population in the world, but there is no much efficacy in production potential. Livestock being a major source of animal husbandry and organic manure should be made an integral part of agriculture. A tree-based system; particularly the Agro-Horti pasture system linked with livestock development can boost agricultural production by providing gainful self-employment and have an extra source of income for small farmers and marginal farmers. Small and marginal farmers should be provided with more credit for allied sectors to buy more livestock as it can improve the farmers' income.

India’s primary sector needs to improve farmers’ direct access to the agricultural market. Although various measures had been taken by the government and non-government organizations, yet agricultural marketing continues to remain weak. The central and state government needs to give training to the farmers in post-harvest processing, marketing and packing which would reduce their dependence on private traders and middlemen. It also facilitates direct linkage between farmers and consumers in order to help them get remunerative prices for farm produce. Post-Harvest processing accounts for 14% of manufacturing GDP i.e. Rs 2,80,000 crores and employs about 14 million people directly and 35 million indirectly[32]. Food Processing Industry is majorly dependent on agriculture for its raw materials. Farmers who have good knowledge about the crops can easily get trained for the Food Processing Industry, which would improve the sustainable development of farmers and an increase in income. A study by McKinsey reiterates that the food sector in India is an economic multiplier i.e. for every rupee of food, the economy at large gets Rs. 2 to 2.5[33]. It was found that in Uttar Pradesh the farmers who are involved in post-harvest processing as suppliers earn to the extent of a 69% increase in income for large farmers, 13% by medium farmers who hold agricultural land of 10 to 15 acres and 0.69 to farmers who hold less than 5 acres of land size[34]

Agricultural and Food Processing Industry have a direct linkage in which if either one gets affected then both are effected equally. Food Processing Industry which is using a large proportion of material input needs to be established in geographic locations of raw materials used in production. It is an advantage to both farmers and Food Processing Industry when specialization of agricultural production in different regions, gives higher income for expansion of the market and better transportation facilities in rural areas. This would help both sectors and can attract huge Foreign Direct Investments. It had attracted 3.3 % of total FDI inflow in India amounting to Rs 45.19 billion in 1999 - 2005[35]. This would cut down the middlemen, thus giving farmers direct linkage to industries to sell their products for profitable prices.

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[27]Team product line, "Solar subsidies: Government subsidies and another incentive for installing a rooftop solar system in India" *Economictimes* (May 15, 2019

[28]M. K. Jain, "Rural and Agricultural Finance: Critical Input to Achieve Inclusively and Sustainable Development" *RBI Bulletin 36* (December 2019)

[29]Ibid

[30]Ibid

[31]Anil Kumar Choudhary and Tapesh Chandra Gupta, "An Indian Agricultural in Search of Second Green Revolution for Sustainable Livelihood of Small Farmer" Volume 4 Number 3 International *Journal of Interdisciplinary and Multidisciplinary Studies* 56 (2017)

[32]Supra note 29 at 451

[33]id at 461

[34]ibid

[35]Id at 459

PepsiCo India's Potato Farming program had been benefitting more than 12,000 farmer families in 6 states. The company provided farmers with superior seeds, arranged credit for lower interest rates with State Bank of India, Provided the weather Insurance to farmers along with ICICI Lombard, the supply of agricultural implements free of charge, timely agricultural inputs, and had also assured buy-back mechanism of prefixed rates even though there are fluctuations in the market. They also had a retention ratio of over 90% which reveals the success of their partnership with farmers.

In 2010, the farmers of West Bengal had a huge increase in farm income with a phenomenal 100% growth in crop output. They had a profit of around Rs. 20,000 – 40,000 in 2010, compared to Rs. 10000 - 20000 in 2009.[36]

Evidence suggests that agricultural investment returns are barely adequate to cover consumption cost and cultivation expenditure, especially for marginal and small farmers who have less than one hectare of landholdings[37]

Failure of prompt repayment of farm loans will affect the creditworthiness of future loans and lose any collateral with which they used to obtain loans. The farmers fear intensively and opt for informal source which is local money lenders, borrowing from family or friends. Informal source of lending is usually from 25% to 30%[38], while the formal source from institutional banks and societies is just 7% annual interest. . Loan waivers help borrowers to resolves this issue by avoiding defaults, which allows farmers to recover and continue accessing loans from formal credit institutions. In the past, the government from the colonial period to after independence had attempted to regulate private money lending. In 1975, the government had taken steps to tackle the debt burden in informal credit by local money lenders by way of a moratorium on the moneylenders' debt. Several States have passed legislation to regulate money lending. Andhra Pradesh Farmers Agricultural Debts (Moratorium) Act, 2004 was passed by Andhra Pradesh Legislative Assembly on 21st June 2004 imposing a six-month moratorium on loan repayment from private moneylenders.

Loan waivers rescue farmers from the burden of high-interest debt from private moneylenders and also prevent farmer suicides. However, it is an only temporary relief to a farmer. The government should take necessary steps to oversee issues and make strict laws to regulate private money lending to save the food providers of our country.

GOVERNMENT INITIATIVES

In the post-liberalization period, the banking sector coincided with the growth of a silent micro-finance revolution in rural India. In 1991, the National Bank of Agricultural and Rural Development (NABARD) initiated the Bank linkage project, which focused on Self-Help Groups (SHGs) as a channel for delivery of micro-finance. Micro-finance provides credit support services in small amounts to people who are unable to undertake economic activities along with training and other related services. The main objective of the Self-Help Group was to provide income-generating assets through a mix of bank credit and government subsidy and to bring about socio-economic development. NABARD has also initiated a quest for "START-UP FUNDING" in the Agricultural and Rural Development sector.[39]

Apart from credit and promotional activities through financial and non-financial intervention for rural prosperity, it has encouraged an alternative method to engage in investment in the agricultural sector through Alternative Investment Funds (AIF) which benefits the Enterprise to increase capital for the benefit of agricultural and rural development. The AIF capital is mainly proposed for the development of new innovative products, develop linkage between the producers and market, and double the income of rural people active in the primary sector. NABARD has invested an amount of Rs 230 crores in 16 funds.

[36] Id at 460

[37] Sudha Narayanan and Nirupam Mehrotra, "Loan Waivers and Bank Credit Reflections on the evidence and the way forward" *Journal of Indira Gandhi Institute of Development Research,* Mumbai, 3 (WP-2019-038)

[38] Vikas Dhoot, "Are Farm Loan Waivers a Political gimmick?" *The Hindu*, (May 10, 2019)

[39] Supra note 27 368

It had also invested in subsidiary 'NABVENTURES' which is directly invested in an enterprise that is seeking development in the agricultural sector. NABARD is basically supporting Agricultural Enterprise based on innovation.

Government has also undertaken several measures to compensate for adverse terms of trade and comforting agricultural culture in order to improve profitability in crop production. Government had initiated interest subvention scheme at concessional rate of 7% for loans up to Rs 300000 and timely repayment attracts incentive of the additional subvention of 1% and it was raised to 2% in 2010-2011 and to 3% 2011-2012. The Government has also encompassed other benefits such as providing post-harvest loan for storage in Warehouse against Negotiable Warehouse Receipt (NWR) up to six months for small and marginal farmers who hold the Kisan Credit Card System (KCC) at a concessional rate of 7% to avoid distress sale[40].

In August 1998, the government had introduced the Kisan Credit Card Scheme (KCC), an innovative delivery system to improve the credit needs of the farmers. Previously, short term credit to the farmers was given mostly through cash credits and demand loans, which is now transformed into ATM / enable debit cards with the facility of withdrawing cards and disbursement of the loan. The main objective was to get farmers to enable the banking institution and create cashless ecosystem. According to RBI, 12 to 84 crore Kisan Credit Card had been issued as of 2012-2013 to spread over vast credit system involving commercial banks, RRB's and cooperatives[41]

Doubling of agricultural credit policy (DCAP) was adopted by the government over a period of three years beginning in 2003-2004.

In 2014 - 2015 union budget, the central government had introduced a scheme under Five Lakh joint liability groups of ' Boom Hen Kisan' (landless farmers) in which NABARD finances credit to landless farmers cultivating land as tenant farmers, sharecroppers or oral lessees to small and marginal farmers who take up the work of farm activities, non-farming activities and off-farm activities.

The Government of India had also initiated many financial schemes to bring rural people closer to banking facility such as the introduction of Benefit Transfer of LPG (DBTL) Scheme where consumers receive LPG subsidy directly to their bank account. Introduction of Pradhan Mantri Jan Dhan Yojna (PMJDY) made banking facilities accessible to almost all households. It provides financial literacy to at least one family member in a household and aim to provide access to various financial services such as pension, credit insurance, remittance, banking savings and deposit account in affordable manner.

In 2011, the government had launched the Swabhiman Scheme to extend the reach of banking facility in rural areas and those initiatives were taken by the government to ensure rural people can avail credit from financial institution and banks rather than their dependency on the non-institution source of income[42].

In 2016-2017, The Hon'ble Finance Minister in his Union budget speech had assured "Doubling Farmers Income by 2022" focusing on seven key strategies for the welfare of the farmers.

- The government of India has made a massive investment in irrigation through Pradhan Mantri Krishi Sinchai Yojana (PMKSY) which focused on improving water usage efficiency 'per drop, more crop'.
- The Pradhan Mantri Fasal Bima Yojana (PMFBY) is a new revolutionary crop insurance scheme has taken care of many of the limitations of existing crop insurance scheme to mitigate risk at affordable cost.
- The government aims at the creation of national farm market and had recently launched the electronic agricultural market (e- NAM) the government strongly advocates on the promotion of ancillary activities like poultry, beekeeping, and fisheries.
- The Pradhan Mantri Gram Sadak Yojana (PMGSY) was initiated to enable farmers to sell their products to the market and also facilitated the collection of milk from their producers.
- It supports investment in warehousing and cold chains
- Value addition through food Processing

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[40]Supra note 1

[41]Ibid

[42]Shreehari Paliath, "Doubling Farmers Income by 2022: Status Check on Governments Ambitious Plan" *Business Standard* (February 1, 2020)

- Quality seed and soil health.

In the midst of Covid-19 pandamic, Prime Minister Mr. Narendra Modi has announced 'Aatma Nirbhar Bharat Abhiyan' package of Rs. 20 lakh crore to revive the economy. This package is 10 percent of India's GDP. The package was announced in five tranches by Union Finance Minister Nirmala Sitharaman, which most of the package benefitted farmers. Such benefits are as

- Government will amend Essential Commodities Act, 1995 for deregulating agricultural food stuffs including oils, pulses, oilseeds, cereals, onions and potatoes to surge in prices in times of national calamities and famine. It also attracts investment and make agricultural sector competitive.
- Central law will be formulated for farmers to sell produces at attractive prices, barrier free inter-state trade and framework for e-trading of agriculture produces. Legal framework will be created to engage farmers with retailer, processor, aggregators and exporter in fair and transparent manner for mitigating risk, assured returns and quality standardisation.
- Rs. 30,000 crore of Additional Emergency Working Capital for farmers through NABARD which will benefit 3 crore farmers, mostly small and marginal. Government has also provided Additional Rs. 2 lakh crore to 2.5 crore farmers through Kisan Credit Card Scheme
- Interest subvention at 2% for dairy cooperatives for 2020-21, which would unlock 5,000 crores benefitting 2 crore farmers.
- Financing facility of Rs. 1,00,000 crore for funding agricultural Infrastructure projects at farm gates for cold chain and Post Harvesting Management.
- Rs. 10,000 crores for formalising Micro Food Enterprise (MFE) which would benefit 2 lakh MFEs attain above goals. This scheme provides Prime Minister vision of: 'Vocal for Local with Global outreach'
- Government also have initiated Rs. 20,000 crores for fisherman for integrated, sustainable and inclusive development of marine and inland fisheries through Pradhan Mantri Matsya Sampada Yojana (PMMSY)
- Rs. 13,343 for 100% vaccination of cattles, sheep, Buffalos goat and pig population for foot and mouth diseases.
- Rs. 15,000 crore for an Animal Husbandry Infrastructure Development Fund which aim to support private investment in dairy products, value addition and cattle feed infrastructure.
- 10,00,000 hectares will be covered under herbal cultivation in next two years with Rs. 4,000 crores which will lead to Rs. 5000 crore profits for the farmers.
- Rs. 500 crores for beekeeping initiatives which will increase income for 2 lakh beekeepers and quality honey to consumers.
- Rs. 500 crores for Operation Greens which will extend to Tomatoes, Onion and Potatoes (TOP) to all perishable fruits and vegetables (TOTAL) for preventing distress sale and reduction of prices. The scheme provides for 50% subsidy on transportation from surplus to deficient markets and 50% on storage and cold storages.

CONCLUSION

Indebtedness has been a vicious problem for generations despite vigorous attempts to solve it. One can always imagine the plight of a farmer, who have worked very hard yet fail to repay the loan amount either because of his inherent inabilities or intentional anticipation of loan waiver. Election Manifesto of most political parties promises agricultural and farm loan waiver within 10 days of coming into power. This earns them more points over opposition and also to gain vote bank. If a political party wins the election, he does as promised, but to farmers despair, most loan waivers are not beneficiary to everyone as there are eligibility criteria's or if that political party loses, then it will be a loss for farmers as well. Late realizations of farmers to the repayment of loans, add up to a bigger interest amount to the principal which is often out of his repayment limits. Political parties are making the best use of farmer's sentiment by misusing the concept of farm loan waivers and making farmers gullible. This might result in increasing bad loan portfolios to banks and loan write-off prospects are high.

A broader policy needs to be set to decide and direct which crops should be grown in which areas. This policy design has to be implemented by involving farmers, lending institutions along with other stakeholders. It is more beneficial to farmers if these policies give indirect non-cash benefits rather than giving a blanket waiver. Doubling Farmers Income by 2022 is one of the best initiatives taken by Hon'ble Prime Minister Mr. Narendra Modi's government. It focuses on long term benefits and improves the sustainable development of farmer's welfare. However, growth in Gross Domestic Product fell to 7% in 2018 and to 4.5% in September 2019[43]. At present, the unprecedented crisis of COVID 19, locust attack and cyclone would pose as a major threat to the agricultural sector which may result in an economic crisis. A Modern Indian farmer can only be successful if they can reduce the cost of production and find an additional source of income to improve their income. When we take a close look at the current government initiatives of doubling farmers' income by 2022, it intends to bring down the cost of production and does not directly focus on raising the market value of crop produced. Every Indian has a great responsibility to contribute to the Primary Sector. Farmers take care of our food requirements; in return we should take care of them. People should be educated on the importance of the agricultural sector and strive for aiding farmers for a better future.

[43] Ibid