Issues with loan wavier schemes

What is the issue?

\n\n

Loan waiving will only provide a short-term relief to a limited section of farmers, more sustainable solutions are needed.

\n\n

What are the reasons for the farmer sufferings?

\n\n

\n
- The problems are aggravated by weather and market risks.
\n
- Most of the farm households experienced negative return from crop production.
\n
- Non-farm income comprised 40% of the income of farm households, but access to non-farm sources of income is highly twisted.
\n

\n\n

What is the financial situation of farmers?

\n\n

\n
- A part of crop loans is likely spent on non-agricultural purposes.
\n
- Rising expenses on health, education, social ceremonies and non-food items put additional financial demand on farm families.
\n
- The crop loans of the farmers increased their debt burden.
\n
- Most of the marginal farmers depend on loans from non-financial institutions.
\n
- The loans taken by cultivators from non-institutional sources, which

involve high interest rate, is rising faster than from institutional sources.
\n

\n\n

How loan waiver schemes will be helpful to the farmers?

\n\n

\n
- The ultimate goal of farm loan waiver is to lessen the debt burden of distressed and vulnerable farmers and help them qualify for fresh loans.
\n
- The success of the loan waiver lies on the extent to which the benefits reach the needy farmers.
\n
- Recently a few States like Uttar Pradesh, Maharashtra, Punjab and Karnataka have rolled out farm loan waiver schemes.
\n

\n\n

What are the draw backs with loan waiver schemes?

\n\n

\n
- Out of the indebted agricultural households, about 40% borrowed only from non-institutional sources.
\n
- All such households are outside the purview of loan waiver.
\n
- It provides only a partial relief to the indebted farmers as about half of the institutional borrowing of a cultivator is for non-farm purposes.
\n
- In many cases, one household has multiple loans either from different sources or in the name of different family members, which entitles it to multiple loan waiving.
\n
- Loan waiving excludes agricultural labourers who are even weaker than cultivators in bearing the consequences of economic distress.
\n
- It severely erodes the credit culture, with dire long-run consequences to the banking business.
\n
- The scheme is prone to serious exclusion and inclusion errors.
\n

\n\n

How this issues can be addressed?

\n\n

\n
- Strengthening the repayment capacity of farmers by improving and stabilising their income is required.
\n
- Identifying vulnerable farmers based on some criteria and giving them financial relief is needed.
\n
- The sustainable solution to indebtedness is to raise income from agricultural activities and enhance access to non-farm sources of income.
\n
- Improved technology, expansion of irrigation coverage, and crop diversification towards high-value crops are appropriate measures for raising productivity and farmers' income.
\n
- Regulation on remunerative prices for farm produce is to be done.
\n
- Implementing long-pending reforms in the agriculture sector with urgency is required.
\n

\n\n

Quick fact:

\n\n

Non - Farming activities in Indiaincludes activities done by the farmers excluding agriculture,like:

\n\n

\n
- **Dairy** - It is a common activity of farming community, the milk is sold in nearby villages and towns.
\n
- **Small scale manufacturing**(cottage industries.)–Basket weaving, coir making, bio manure production, wooden toys, candle making.
\n
- **Shops**–Setting up small shops with the products which they make or buying limited quantity of products from local markets.
\n

- **Transport** –Providing transport services from the rural parts to local urban centres with the bullock carts, tractors, etc.
  \n

\n\n

\n\n

Source: The Hindu

\n\n

\n