

# FARMERS NEED MORE THAN LOAN WAIVERS

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

## What is the problem?

After the recent Assembly elections, the new governments in Rajasthan, Madhya Pradesh and Chhattisgarh announced farm loan waivers, a key promise. Last year, Uttar Pradesh, Maharashtra, Karnataka and Tamil Nadu announced waivers as farmers were in distress. Andhra Pradesh, Odisha and Haryana are likely to announce sops ahead of elections. According to SBI Research, around Rs. 70,000 crore will be spent on farm debt waivers till May 2019. The clamour for farm loan waivers has been growing, but this “populist” measure alone cannot be a permanent solution to mounting agrarian distress, according to experts. Since the post-reforms policy regime in 1991, agriculture has been facing multiple crises. The rising pressure of population on land and agriculture, besides sluggishness in the shifting of workforce away from agriculture, has adversely affected small and marginal farmers, say agriculture experts and economists.

## Why do farmers want more?

Rising costs, drop in income and increasing incidence of indebtedness among small and marginal farmers manifested in a spate of suicides over the years. Experts believe it is the responsibility of the Union government to waive farm loans, but insist that it is only a “stop-gap” arrangement. They argue that until policies are not tweaked in favour of farmers to address their risks related to production, weather-disaster, price, credit and market, the loan waiver will become a periodical instrument for temporary relief. A large number of small and marginal farmers are distressed as the current system of market institution doubly squeezes them, in input as well as output.

## What is government stand?

In the backdrop of the ongoing debate on farm loan waivers, the NITI Ayog, the government’s policy think tank, recently pointed out that waiving loans is not a lasting answer to the problem of agrarian distress as this step only helps a small number of farmers. According to agriculture policy expert and NITI Aayog member Ramesh Chand, the number of farmers, especially the small and marginal who avail themselves of institutional loans, are very few and this is the reason that even after spending huge sums of money on loan waivers not even half the farmers are benefiting. In some of the States, not even 25% of farmers get loans from institutional sources. A NITI Aayog study had also highlighted the fact that in some States, about three-fourths of the farm loans were being used for consumption instead of meeting agricultural needs, Professor Chand says. The Reserve Bank of India’s study, ‘State Finances: A Study of Budgets,’ released earlier this year, analysed the previous experiences with loan-waiver schemes in various States and concluded that “debt relief helps in reducing household debt but there appears to be no evidence of increase in investment and productivity of beneficiary households.”

## What is the way forward?

As a short-term measure, farmers need to be freed of the tyranny of the middlemen by reforming the rent-seeking, anti-farmer commission agent (arthiya) system. The inter-locking of the credit and the output markets is a major factor for the crises of indebtedness. The system of making payments through the commission agent needs to be dismantled to break the credit-crop nexus. Lakhwinder Singh, an agriculture expert and a professor of economics at Punjabi University,

Patiala, says that for a permanent solution to agrarian distress, the government should give agro-processing industry a policy push to pull rural people out of agriculture. In the long run, there's an urgent need for integration of agriculture with industry, and that too with the involvement of the local workforce in such a manner that surpluses should be invested locally. "The subsidies and tax concessions which have been offered or given to the corporate sector should be given to rural entrepreneurs who are willing to start manufacturing firms that will process local raw materials and employ rural labour. The transformation is possible if primary producers are integrated with both manufacturing and marketing activities for reaping surpluses generated by them," he says.

VIKAS VASUDEVA

**END**

Downloaded from [crackIAS.com](http://crackIAS.com)

© **Zuccess App** by [crackIAS.com](http://crackIAS.com)

CrackIAS.com