

No farm loan waiver: Centre

Write-offs encourage defaulters, affect credit culture, Minister tells Lok Sabha

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On a day when the BJP's loss in three State elections was partly attributed to rural distress and the Congress's promise to waive farm loans, the government told the Lok Sabha that it was not considering any loan waiver scheme as it would affect the credit culture, incentivise defaulters, create a moral hazard and perpetuate demands for further waivers.

In a written reply to Shiv Sena MP Bhavana Gawali Patil, Union Minister of State for Agriculture Parshottam Rupala said "the Union government at present is not considering any loan waiver scheme for farmers."

During the campaign for the Assembly election, Congress president Rahul Gandhi had vowed to waive farm-



Distress call: Farmers from across the country took out a protest rally in New Delhi recently. ■ SUSHIL KUMAR VERMA

ers' loans in Madhya Pradesh and Chhattisgarh within 10 days of coming to power.

In his reply on Tuesday, Mr. Rupala listed out the ne-

gative consequences of waiving farm loans.

"Such waivers may impact the credit culture of a State by incentivising the defaulters even if they are in a posi-

tion to repay the loan and thus create/amplify the moral hazard by discouraging those borrowers who have been regular in repaying their loans," he said. "Further, each waiver granted makes it even more difficult to reject any future similar demand."

Alternative steps

Mr. Rupala admitted that according to the National Crime Records Bureau data, bankruptcy or indebtedness, and farming-related issues were reported as the major causes for suicides among farmers. While the Centre would not consider loan waivers, it had initiated a number of measures to reduce the debt burden of farmers and to increase availability of institutional credit to farmers, he said.