PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

Business Line, Delhi
Saturday, 15th December 2018; Page: 6
Width: 15.24 cms; Height: 53.42 cms; a3; ID: 20.2018-12-15.42

Avoid loan waivers

Direct income support and improving markets and access for farmers are better ways to address agrarian distress

Rural distress is likely to be the single most important poll issue in the coming general elections. However, the political response to it — promising loan waivers at the drop of a hat — is simply no answer to the woes of small and marginal farmers in particular. It comes as a relief that the Centre has denied reports of considering a nation-wide ₹4-lakh-crore loan waiver. As a *BusinessLine* report (December 9) points out, citing Reserve Bank data, the share of loans of less than ₹2 lakh, typically taken by small farmers, accounts for less than 40 per cent of total farm credit. About 13 per cent of total agri credit was made up by loans of ₹1 crore or more. These cheap loans, taken at 4 per cent interest rate, are availed of by owners of warehouses, food processors and manufacturers of fertiliser and farm equipment. Powerful interest groups in rural India tend to ensure that such loans are categorised under 'priority sector' lending, while bankers are only too pleased to show in their books that targets have been met. Meanwhile, the definition of priority sector lending has been relaxed over the years to include a range of sundry commercial activities. Loan waivers will merely end up aiding these interest groups. Besides, crop loans disbursed to agriculturists leave out tenant farmers. There are no reliable estimates of their numbers, since tenancies are largely oral in nature. The Reserve Bank, while railing against waivers for reasons of fiscal prudence, has overlooked this crucial political economy issue. Agri-lending rules need to be re-examined.

In India's hierarchical rural order, the disadvantaged are unable to access insurance, welfare and loan schemes managed by multiple agencies. These schemes are manipulated by landed interests in collusion with government and bank officials — unless this is checked by concerted socio-political intervention. Given these headaches, it makes sense to shift to direct income support for farmers as a major form of agrarian intervention. SBI Research has mooted income support as a more effective and economical option, in the form of ₹12,000 per family per year to 216 million small and marginal farmers, which will amount to ₹50,000 crore. Telangana has shown the way with its Rythu Bandhu scheme, and reaped handsome political dividends. The State has allocated ₹12,000 crore this financial year for the transfer of ₹8,000 per acre over two crop seasons to an estimated 58.33 lakh farmers.

The farmers' agitation and other political forces must take a cue from this development. To be focussed on prices alone is not good enough. Rural India needs better markets and market access, infrastructure and, above all, policies that recognise socio-economic inequities.