Lifelines beyond farm loan waivers

Posted at: 31/12/2018

Lifelines beyond farm loan waivers-In addition to reforming the credit system, agriculture should be made profitable

- Rural agrarian distress is firmly at the centre of the national discourse today, triggered by the recent Assembly election results in the Hindi heartland as well as continuous farmer agitations in the past two years.

Cry of distress

- A farm loan waiver was among the first steps taken by the three new governments in Rajasthan, Madhya Pradesh and Chhattisgarh, and has understandably set off a debate about its usefulness.
- In fact, this is only the latest round of loan waivers.
- Since 2014, there have been similar moves in Telangana, Karnataka, Andhra Pradesh, Maharashtra, Uttar Pradesh and Punjab, which are States run by various parties.
- The NSSO Situation Assessment Survey of Agricultural Households (2013) shows that 52% of farming households are indebted, with rates as high as 89-92% in some States.
- The quantum of debt has increased enormously, especially from informal sources.
- A loan waiver is only an element of immediate relief which is an acknowledgment that farmers have been pushed into debt due to the systemic failures of the government.
- The burden on farmers on account of just three items (lack of compensation during drought and disasters, the failures of the crop insurance scheme, and the deficit due to prices falling below the announced Minimum Support Prices) runs to tens of thousands of crores every season.

Bill to tackle indebtedness

- Repeated loan waivers used every few years as election sops may be in the interest of political parties but are not in the interest of farmers.

- Immediate relief should be accompanied by a long-term systemic solution to indebtedness.
- The unique aspect of the ongoing farmers' movement is that their demand goes beyond a one-time loan waiver — they want enactment of a law for freedom from indebtedness.
- The Bill, which has been developed by the All India Kisan Sangharsh Coordination Committee, incorporates two key elements of reform: a functional institutional credit system which is accessible and accountable to all cultivators, and protection from debt trap in bad years.
- The Reserve Bank of India did issue guidelines in 2014 for extending loans to Bhoomi Heen Kisan (landless farmers) and for a debt-swapping scheme to convert informal loans of farmers into bank loans, but they have remained on paper.
- It establishes farmers' distress and disaster relief commissions at the national and State levels, based on the model of Kerala's Farmers' Debt Relief Commission.
- The State-level commission is also empowered to pass orders regarding non-institutional loans of distress-affected farmers.
- The principle is that farmers who suffer losses due to circumstances entirely out of their control deserve to be protected.
- Given that agriculture is a key national enterprise, the concepts of limited liability and bankruptcy protection need to be adapted to the farming sector.
- This approach provides targeted protection to distressed farmers when they require it, rather than allowing debt, distress and suicides to accumulate until an election year.
- At present, crop insurance with its inadequate coverage and payout is unable to fulfil that role, but distress relief would include any payout from crop insurance.
- In addition to reforming the credit system, agriculture should be made profitable by ensuring fair remunerative prices, lowering the cost of cultivation, and promoting viable farmer collectives and sustainable models of agriculture.
- The challenge before political parties and governments is to deliver on the institutional solutions demanded by farmers.

The Hindu