

## **An Impact on Loan Waiver in Tamilnadu With Special Reference To Erode District**

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### **ABSTRACT**

GDP from Agriculture in India increased to 5418.51 INR Billion in the fourth quarter of 2016 from 3179.76 INR Billion in the third quarter of 2016. GDP From Agriculture in India averaged 3860.31 INR Billion from 2011 until 2016, reaching an all-time high of 5418.51 INR Billion in the fourth quarter of 2016 and a record low of 2690.55 INR Billion in the third quarter of 2011. There are two main cropping seasons, namely kharif (April–September) and rabi (October–March). The major kharif crops include rice, sorghum, pearl millet, maize, cotton, sugar cane, soybean and groundnut, and the rabi crops are wheat, barley, gram, linseed, rapeseed and mustard. With its good range of climates and soils, India has a good potential for growing a wide range of horticultural crops such as fruits, vegetables, potato, tropical tuber crops, mushrooms, ornamental crops, medicinal and aromatic crops, spices and plantation crops. Food grain (cereals and pulses) crops dominate the cropping pattern and account for about 60 percent of total gross cropped area.

### **ISSUES IN AGRICULTURE:**

1. Small and fragmented land-holdings
2. Seeds
3. Manures, Fertilizers and Biocides
4. Irrigation
5. Lack of mechanization
6. Soil erosion
7. Agricultural Marketing
8. Inadequate storage facilities
9. Inadequate transport
10. Scarcity of capital

### **LOAN WAVIER:**

A loan waiver is the waiving of the real or potential liability of the person or party who has taken out a loan through the voluntary action of the person or party who has made the loan.

## **HISTORY OF LOAN WAIVER:**

In addition to subvention on short-term credit introduced in 2006-07, there has been an intensification in the use of the instrument of debt waivers, which results not only in a waste of financial resources but also has adverse consequences for the banking system and seriously impairs its ability to deliver agricultural credit on a regular basis. 26 The first waiver decision was taken in India in 1990 and the Agriculture and Rural Debt Relief Scheme (ARDRS) was approved. The announcement was made when the country was preparing for general elections, and the ostensible objective was to provide relief to the farming community overburdened with debt. The following years witnessed a decline in the recovery rates by financial institutions, as farmers believed that they could default with impunity. It affected rural credit with defaults of such a high magnitude that it took the banks several years to recover from its impact (Report on Task Force of Rural Co-operative Credit Institutions, 2006). Although the scheme was implemented during 1990-91, the real impact may have been felt from November 1989 itself when various political parties started making promises that they would write off agricultural loans if they returned to power. A study (Shylendra& Singh 1994) has found concrete evidence that the loan recovery of PACS in Karnataka fell from 74.9 per cent in 1987-88 to 41.1 per cent in 1991-92. Another loan waiver scheme, the Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS) was announced in May 2008, significantly just before the 2009 general elections, seeking to address the problem of indebtedness and difficulties faced by the farming community, particularly by small and marginal farmers. Under the scheme, complete waiver was provided to small and marginal farmers (those with landholdings of up to two hectares) while a one-time relief of 25 per cent was envisaged for other farmers (those with more than two hectares), provided they paid the balance 75 per cent of the 'eligible amount', which included interest and principal component. To qualify for the waiver, the loan had to be overdue as of December 31, 2007. The target was to cover over 3.69 crore small and marginal farmers and 0.6 crore other farmers. Short-term production loans and investment loans were included under the scheme. Loans provided directly to groups of individual farmers were also included in the scheme, provided they maintained disaggregated accounts for each farmer. Direct agriculture loans under Kisan Credit Cards were also eligible for debt relief/debt waiver. The cost of this scheme was initially estimated at Rs.71,680 crore but the actual disbursement towards the ADWRDS up to 2011-12 was Rs. 52,516.86 crore, as shown in Table 9. The amount waived so far is thus much larger (more than double) than the cumulative credit subsidy (Rs.24,525 crore) on short term credit given since 2007-08.

## **ADVANTAGES OF LOAN WAVIER:**

- Direct contact, there are no middle man.
- When we pay the due amount before date the interest will be waived off.
- The loan is easy to obtain.
- There is no need of documents to be submitted for the people who get below Rs.1,00,000.
- They also provide money for buying fertilizers, seeds and pesticides.

## **DISADVANTAGES OF LOAN WAIVER:**

- The person should be an existing member of the bank.
- The person should have owned land to become a member.

- We cannot get big budget loans easily.
- The loan is fixed limit which will not be sufficient to farmers.

## **Gist of the GOs on crop loan waiver:**

Annexure to G.O.(M.S.) No.59, Co-operation, food and consumer protection Department dated 28.06.16.

The loan waiver scheme applicable to farm sector loans issued by the following:

1. Central cooperative banks
2. Primary Agricultural cooperative credit societies
3. Primary cooperative Agricultural and Rural development Banks (PCARDB)
4. Urban cooperative credit societies (UCCS) converted from primary agricultural cooperative credit societies (PACCS).

Entire agricultural loan outstanding principal, interest, Penal interest, and all other charges in respect of small and marginal farmers as on 31/03/2016 for the following categories of agricultural loans in the cooperative societies will be waived:

1. Short Term Crop loan
2. Short Term agricultural crop loans issued with the pledge of jewels
3. Short Term Crop loans which are converted as Medium Term loans
4. Medium Term Agriculture loans
5. Long Term Farm Sector loans

The classification of farmers as small and marginal farmers for the purpose of the scheme would be the same as recorded in the landholding register and loan register at the time of sanction of the agriculture loan. It is reiterated that 'small farmer' means those farmers holding the size of ranging from **2.5 ACRES TO 5 ACRES** AND '**MARGINAL FARMER**' means those farmers with landholding up to 2.5 acres.

The scheme will not be applicable to those cases covered under statutory enquiry, misappropriation, criminal action and surcharge action initiated under sections 81,82 and 87 respectively of Tamil Nadu Cooperative Societies Act 1983 and rule 1988. In such cases, the benefit of waiver will be extended to the farmers based on outcome of enquiry.

This scheme is not applicable to the loans which are proved to be Benami loans or loans given on bogus or fabricated or unauthenticated documents.

## **RESEARCH OBJECTIVES:**

The attempt is to

- To study whether the farmers benefitted from the loan waiver.
- To analyze the financial condition of the rural credit institution after loan waiver

## **RESEARCH METHODOLOGY:**

The research was executed through a quantitative method. Field research was conducted through a questionnaire on Primary cooperative Agricultural and Rural development Banks (PCARD) in

Erode district and on farmers to trace the views of farmers on the loan waiver scheme and whether they consider it to be the most effective measure to get them out of the present agrarian crisis.

**TABLE-8.1**

<b>BANKS</b>	<b>NO. OF FARMERS VISITED</b>
PCARD, 46-pudur	20
PCARD, kaspapettai	20
PCARD, chenniyampalayam	20
<b>Total</b>	60

The table above depicts the survey that has been done by visiting three Rural Credit Institutions and randomly selected 20 farmers from each institution.

**RESULTS:**

PCARD, 46-pudur

<b>S.NO</b>	<b>TYPE OF FARMER</b>	<b>AGE</b>	<b>ANNUAL INCOME</b>	<b>ACRES OF LAND CULTIVATED</b>	<b>THE LOAN PREMIUM PAID</b>
1	SF	32	125000	2.00	74318
2	SF	30	100000	1.36	55427
3	SF	27	155000	2.21	74359
4	SF	30	125000	1.60	22797
5	SF	37	155000	2.15	52541
6	SF	29	350000	1.40	74754
7	MF	33	250000	2.85	82112
8	MF	28	215000	2.85	55654
9	MF	32	180000	2.80	82894
10	MF	42	195000	3.00	90814
11	MF	32	295000	4.89	98740
12	MF	26	250000	3.55	90471
13	MF	36	190000	3.00	98358
14	MF	32	180000	2.62	89551
15	MF	32	200000	3.00	75230
16	MF	28	200000	3.20	99158
17	MF	38	200000	3.20	66407
18	MF	36	300000	4.47	99533
19	MF	45	300000	4.55	94844
20	MF	48	200000	3.10	91696

PCARD, kaspapettai

<b>S.NO</b>	<b>TYPE OF FARMER</b>	<b>AGE</b>	<b>ANNUAL INCOME</b>	<b>ACRES OF LAND CULTIVATED</b>	<b>THE LOAN PREMIUM PAID</b>
1	SF	30	180000	1.20	39480
2	MF	36	180000	2.65	87185
3	MF	32	200000	2.90	99450
4	SF	29	200000	2.00	65800
5	SF	40	60000	2.15	54825
6	SF	56	65000	2.50	75500
7	SF	36	80000	1.10	75900
8	SF	38	60000	2.20	55000
9	SF	42	100000	1.20	75600
10	SF	36	60000	1.00	24400
11	SF	35	82000	1.70	42500
12	SF	38	90000	2.20	55000
13	SF	31	100000	1.49	49021
14	SF	47	120000	1.20	39480
15	SF	10	120000	2.00	50000
16	SF	37	80000	1.44	99360
17	SF	40	85000	1.70	40800
18	MF	46	120000	2.75	68750
19	MF	40	150000	2.75	68750
20	MF	52	200000	3.00	75000

PCARD, chenniyampalayam

<b>S.NO</b>	<b>TYPE OF FARMER</b>	<b>AGE</b>	<b>ANNUAL INCOME</b>	<b>ACRES OF LAND CULTIVATED</b>	<b>THE LOAN PREMIUM PAID</b>
1	SF	30	220000	3.00	98991
2	MF	32	75000	0.95	25198
3	MF	32	80000	1.00	26381
4	MF	28	50000	1.75	34883
5	MF	37	70000	2.50	55450
6	SF	32	120000	3.75	94168
7	SF	28	210000	3.00	97349
8	MF	32	60000	1.00	53747
9	MF	28	80000	1.00	44139
10	MF	32	75000	0.50	15966
11	MF	27	12000	1.00	46191
12	SF	39	256000	4.00	91012

13	MF	42	15000	1.50	68079
14	MF	32	80000	1.75	39742
15	MF	32	65000	1.00	32588
16	MF	32	70000	1.00	51171
17	MF	43	75000	2.25	44872
18	MF	37	175000	1.50	80959
19	SF	33	125000	3.50	70843
20	MF	37	175000	1.25	66608

## CONCLUSIONS AND RECOMMENDATIONS

There were totally 60 farmers and three rural credit institutions also were examined. According to the Rural Credit Institutions, They are no affected due to the loan waiver as they lend money with the coordination of Erode District Central Co-operation Bank (EDCC) and the EDCC coordinate with the Tamil Nadu State Co-operation Bank (TNSC) for the loan. The Rural Credit Institutions are the intermediate body for providing loans to the farmers.

- Farmers should be a **member** of the Rural Credit Institution in order to avail the loan facility.
- They should **own agriculture land** in order to be a member of the institution.
- The interest rate of the loan is **7%**.
- The duration of the loan is **one year**.
- If the farmers pay the loan back on time **the interest will be waived off**.
- According to the area of the landholding and the type of crop cultivated, the **loan amount** will be estimated.
- The entire agricultural loan outstanding principal, interest, Penal interest, and all other charges in respect of small and marginal farmers as on **31/03/2016** were waived.
- The government waived off the farmers loan on **20/09/2016**.
- There is no surety that the money is been spent on the agriculture.
- The government said that they will pay the waived money to the banks on basis of **five** installments.
- The jewel loan was also waived off.
- The farmers are focusing on **non-traditional** way of farming due to faster growth.
- Even after the loan waiver and the money have not been paid back by the government the **lending** of loan has been **taking place** in Rural Credit Institutions.
- Until **Rs.100000** the loan can be borrowed through the non-asset security basis, i.e., the money can be borrowed by the security name of another member of the same bank.
- From **Rs.100000 to Rs.300000** the loan can be borrowed with asset security.
- The penal interest is of the rate of **1%** which will be in active after the due date of loan.
- **Three month** prior notice will be sent to the people on the notification of due date.
- The **youngsters** are not showing active participation on agriculture activities, even the wards of the farmers are not interested in agriculture.
- In current days the **drought** has put the agriculture in a worst position.
- Everyone said that the **price of the products** is not on expected lines.
- There were farmers who availed **crop insurance** but they were in marginal in number.
- Everyone **was benefitted** by the loan waiver.
- Everyone suggested that the **procedure of getting loan** from the bank was easy.
- Even the **recovery of loan** was not strict as the farmers were on a perfect note of repaying the loan on time.

- The **labour availability** was moderate in nature as the field work is so hard to make than the other works and the labours ask for a lesser work time.
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- **The input cost** has been lowered as there are more subsidies but the subsidies are given to encourage the artificial farming.
- All the farmers suggested that the loan amount what the banks provide are **partially sufficient** for the purpose.
- Finally, on all the farmers said that those who had loan on 31/03/2016 the loan was **completely waived off**.

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