



Loan waivers policy of Government and impact on Agriculture

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Abstract: The frequently announced farm loan waivers with the ostensible reason of reducing the farm debt burden have drawn criticisms both on grounds of equity as well as their likely harmful effects on the functioning of the rural credit system. The present paper is an attempt to evaluate the biggest ever loan waiver scheme so far implemented in the country, namely, the Agricultural and Rural Debt Relief Scheme. The housed level distributional and impact analysis carried out in the Alwar district of Rajasthan reveals that the scheme besides benefiting mainly the relatively better-off households, also had a negative impact on the repayment behavior of the borrowers.

Keywords: Agriculture, Debt Relief, Loan, Government scheme.

ISSN : 2454-308X



Introduction: We all know about the loan waiver scheme of the Union Budget 2008, we know that there have been many farmer suicides in the recent past, and we also know that Indian agriculture is facing a crisis. Still, there is a lot of criticism about the loan waiver scheme which was designed to provide relief to the ailing rural economy and bring some respite to the distressed farmers. This research paper tries to analyze the loan waiver scheme to figure out the problems in the scheme, and if the scheme is capable of doing what it intends to do. The huge amount of money that would be spent for this scheme has caught everyone's attention, and that is not the major concern of this paper. As we know, agriculture is of vital importance in Indian socio-economic framework, and with a large population dependent on agriculture, such a huge amount should not be a problem if it is able to provide some relief to the farmers. This paper attempts to explore the potential of the huge amount of government resources spent on this scheme, and if the present use of money is its best possible use. But we must not forget that Indian agriculture is actually facing a crisis and some measures have to be taken to provide relief. This paper tries to find out the actual problems in Indian agriculture, if the present scheme solves some of these problems, and what steps should have been taken to address these issues.

Research objective:

- What are the drawbacks of the loan waiver scheme?
- Is this scheme the best possible way to address the issues of agrarian crisis?
- Would the loan waiver scheme help to reduce farmer suicides?
- What is the present situation of agriculture in India?

Research methodology: The first section includes the analysis of the loan waiver scheme. It deals with the pros and cons of the scheme, which includes the identification of various problems in the scheme. It considers the limitations of the scheme and the over emphasis of the benefits that have been assumed by the Finance Minister. The methodology adopted for this purpose was to trace the views of different people on the loan waiver scheme, and talking to some economists, agriculture scientists and journalists who had written about the scheme.

Problems with the loan waiver scheme: While reading out the 'Debt Waiver and Debt Relief' scheme in his Union Budget 2008 speech, the Finance Minister showed special concern for the indebted farmers, and especially the small and marginal farmers. The opening statement of this