

Odisha Farm Loan Waiver Comes to the Fore

With the elections to the Lok Sabha and Odisha Assembly months away, political parties are out to woo farmers. Of all the agricultural problems that are driving peasants into desperation and suicides, waiving of farm loans occupy the centre stage. The demand for farm loan waiver gained currency in Odisha ever since the Yogi Adityanath government did it in Uttar Pradesh. Now the BJP and Congress parties in Odisha became vocal on this issue.

The leaders of BJP – Juel Oram and Dharmendra Pradhan, Central ministers – and state Congress president Niranjan Patnaik accused the state government of doing little for farmers and have promised to write off all farm loans once they take the reins of power in the ensuing elections.

Under this pressure, the Chief Minister Nabeen Patnaik promised a group of farmers that met him to examine the loan waiver proposal. In an attempt to deflate the pressure, he wrote to the Prime Minister a letter on June 18, 2018: “In order to relieve farmers of agrarian distress, we should have a national policy on farm loan waiver. The state government would be willing to support any initiative taken by the Central government.” It is also a part of the move to throw the ball into the court of BJP led Govt. Soon he may even take up the demand for farm loan waiver.

According to the State Level Banker’s Committee (SLBC), the value of farm loans stands at Rs. 266 billion as of March 31, 2017. This includes crop loans and term loans, unpaid dues to commercial banks and regional rural banks to the tune of Rs. 168 billion. The remaining Rs. 97 billion was owed to the cooperative banks.

Seeing the imminence of farm loan waiver, the SLBC is estimating its impact in various slabs. A farm loan waiver up to Rs.50,000 per loanee will cost Rs.246 billion. If only a crop loan is waived the cost to the exchequer will be Rs. 201 billion. If around Rs.20,000 per loanee is waived it will come to Rs. 158 billion.

Surely, these parameters for a farm loan waiver may be decided by the next govt. However, the pertinent question is will such a loan waiver mitigate the distress of peasants? The answer is big NO.

The central government implemented a farm loan waiver scheme in 2008. The government of Andhra Pradesh implemented its scheme after bifurcation and the states of Rajasthan, Punjab and Haryana had taken up farm loan waiver as a part of their election promises. Recently the states of Karnataka and Maharashtra have announced the farm loan waiver. Yet the distress of peasants and their suicides continue unabated.

It is a fact that there was a big gap between what was promised and implemented. The schemes were scaled down then promised to reduce the financial burden for the state government. Even if all the farm loans were waived, the distress would have continued because it is not addressing the root cause of the distress.

The distress of peasants is the result of anti-peasant policies being pursued by the successive government both at the centre and states. The growing debt burden of the peasants over the last more than two decades is a symptom of a deep rooted malaise. The successive governments have gradually withdrawn all the support they had been extending to the peasants and agricultural sector. The cost of various inputs viz. fertilizers, seeds, irrigation water, diesel etc were increased. The public extension services that transfer the technology from lab to farm were completely closed down. The public procurement agencies are being withdrawn leaving the peasants to the mercy of private traders. While the capital needs of the peasants have risen, the institutional finance to them remained more or less at the same level (around 17 per cent of peasant’s needs) though on paper they may appear as increased.

Without a thorough reversal of these set of policies mere waiver of part of loans incurred by the peasants is not going to help either the peasants to come out of distress or the agricultural sector from the morass of crisis it landed.
