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THE LOAN WAIVER SCHEMES IN KARNATAKA AND THEIR IMPACT ON FARMERS

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Abstract: PACS are the banks, which are situated in rural area and plays a very important role in rural credit system by performing their activities on co-operative principles and also these banks are worked under the District Credit Co-operative Banks. They provide short term and medium-term loan to rural people to meet their financial requirements. But, the rural people still depend on unorganized sources such as money lenders in village, mandies, traders etc. So, various measures taken by Government to reduce these unorganized sources through the establishment of PACS in rural areas.

Present study is an attempt to know the various loan waiver schemes of PACS in Karnatak and their impact on the economic life of the farmers. Study found that government of Karnataka announced the various loan waiver schemes during the 2012-2018. Crores together amount is released and Lakhs together farmers are benefited

Key words: PACS, DCCB, Loan waiver schemes,



INTRODUCTION

The co-operative banks in India play an important role in even today in rural financing. These are registered under the Co-operative Societies Act and regulated by the RBI. They are governed by the “Banking regulation Act-1949” and Banking Laws (Co-operative societies) Act 1965. The business of co-operative banks in urban area also has increased in recent years due to sharp increase in the number of primary co-operative banks. The co-operative movement was stated in India largely with a view to providing agriculturists funds for agricultural operations, at low rates of interest and protects them from the clutches of moneylenders.

PRIMARY AGRICULTURAL COOPERATIVE SOCIETIES (PACS)

Primary Agricultural Co-operative Society (PACS) comprised of 10 or more persons, organized at grass-root level of a village or a group of small villages with nominal share to enable even poorest farmer to become a member. . It is the basic unit which deals with rural (agricultural) members for credit transaction like bank such as short-term and medium-term credit based on a three-tier system, i.e., the Apex Co-operative Bank at the State level, the Central Co-Cooperative Bank at the district/tehsil level and the Primary Agricultural Credit Societies at the village level. It acts as a bridge between the ultimate borrowers and higher financial agencies, namely the RBI/ NABARD. Besides credit, it also support members in short term & medium term kind support like critical inputs (Seeds, fertilizer, pesticides) supply, pump set for irrigation, cattle for livestock farming, and processing marketing of member’s agricultural produce, distribution of essential consumer commodities with construction of storage godown facilities. The ownership of shares decides the right and obligations of the holder to the society. Share capital forms an important form or part of the working capital [12].

There is total 95238 numbers of PACS operational in India whereas only 17965 numbers are potentially viable i.e. 19% potentially viable societies covering 639342 numbers of villages and 130547380 numbers of members. There are 43698450 numbers of small farmers covered out of which 19820930 numbers are borrowers i.e. 45% of small farmers borrowed from PACS in India. Only 46405 number of PACS showing profit i.e.49% societies running in profit mode whereas 37838 numbers of PACS (40%) suffering out of loss. This loss in credit transaction is due to low recovery rate and deliberate intervention of government which encourage the defaulters for seeking loan waiving by government [13]. There are 54% untrained staffs i.e. 93432 numbers of out of 172287 number of total staff accounts a serious challenge in sustainability of cooperatives. Despite challenges, there is 85% coverage of villages with 51939 number of societies having go downs (storage structure) having 7214824.81 Ton capacity is tremendous opportunities for societies development and rural prosperity One empirical research on Customer or Member



Satisfaction of Primary Agricultural Credit Societies in Kerala explains that male members, educated youth, medium aged group, agriculturist, low-income group are getting higher satisfaction than others categories. Analysing the factors affecting overall customer satisfaction, loan term is found to be most influencing factor followed by interest rate, behavior of employees and location of societies whereas varieties of service provided by societies have no significant influence in customer satisfaction

OBJECTIVES OF THE STUDY

1. To study the history of Farm loan waiver in India.
2. To study the different loan waiver schemes in Karnataka and their impact on farmers.

METHODOLOGY

The study is based on Secondary data. The data has been collected from books, magazines, and websites.

HISTORY OF FARM LOAN WAIVERS IN INDIA

Farm loan waivers, as we know them today, emerged in the past decade. However, the first farm loan waiver goes back to the late 1980s and indeed as some would argue were a feature of the colonial era as well (see Table 1 for a history; Phadnis & Goswamy, 2019 for a discussion). In the early years, the waivers were somewhat restricted in scale and scope, as with the interest waivers in Tamil Nadu in 1996, the purview of these waivers have expanded in recent years. Furthermore, reflecting perhaps the increasing challenges faced by the agricultural sector, they have become more frequent with states taking the lead in announcing these waivers. This phenomenon is not restricted to specific parties and seems to transcend ideological leanings of political parties. There is a popular perception that these are electoral strategies aimed at wooing rural voters, but as Phadnis and Goswamy (2019) suggest, it is not clear that these announcements are timed towards this end, nor is it apparent that these loan waivers consistently yield measurable electoral gains. Indeed, there is reason to believe that the loan waivers are credible responses to drought conditions in many cases. In design, loan waivers differ substantially from one another in terms of the target group of farmers, and the creditor institutions covered or the amount waived

LOAN WAIVER SCHEMES IN KARNATAKA

1) LOAN WAIVER SCHEME IN KARNATAKA 2012-13

Short term Agricultural Loans up to Rs. 25000 borrowed through agricultural co-operative credit Societies from 1-8-2011 to 25-7-2012 and has remained outstanding as on 25-7-2012 has been waived off along with interest. In case of loans above Rs.25000 borrowed during the above period and has remained outstanding as on 25-07-2012, the loans above Rs.25000 has to be repaid within

the due date or 30-6-2013 whichever is earlier to get the loan waiver benefit of Rs.25000 and interest on it. Under this scheme 15,24,495 members to the tune of Rs.3630.39 crores would be benefitted. For the year 2012-13 budget provision of Rs.1140.00 crores has been made and out of which Rs. 94.00 crores have been released to 4,10,350 members.

As the farmers were faced distress situation due to the occurrence of continuous drought for the last 3 years, GoK has announced loan waiver up to Rs.50000 for the farmers who have crop loan outstanding as on 20-6-2017 in cooperative societies. The loan waiver will come to the effect on due date of repayment and bills has to be submitted based on the due dates. This scheme will benefit 2227506 farmers with Rs.8165.00 crore of loan waiver amount. During the year 2017-18, govt has released Rs.4971.99 cr for 12.80 lakhs farmers.

AMOUNT RELEASED UNDER THE LOAN WAIVER DURING 2013-14

During the year 2013-14 out of the budget provision of Rs.2338.65 crores, the Govt. has released the entire amount, which has in turn benefitted around 10.61 lakh farmer members

AMOUNT RELEASED UNDER THE LOAN WAIVER DURING 2014-15

Further during 2014-15, the budget provision of Rs. 4.73 crores have been released to 1,832 lakh beneficiaries.

3) LOAN WAIVER SCHEME FOR FAILED BORE WELLS/ WELLS 2015-16

Waive off the overdue loans of failed bore well/well out of the loans disbursed for drilling of bore wells for agricultural purposes through PCARD Banks. Waiving off the long overdue loans outstanding will enable the farmers to avail fresh loans for agricultural purposes at concessional rate of interest

LOAN WAIVER -2015-16 SCHEME

In the year 2015-16, out of the budget provision of Rs.19.13 crores an amount of Rs.15.81 crores have been released to the co-operative institutions on behalf of 7,196 farmer members.

2) INTEREST WAIVER SCHEME FOR DEFAULTERS LOAN, 2016-17

The objective of the scheme is to waive of the interest on all types of Overdue Agricultural loans as on 30-9-2015, provided that the farmers pay the principal amount within 31-03-2017. This scheme will enable fresh lending of short-term agriculture loans to such farmers and help them in their agricultural activities

4) LOAN WAIVER -2017 SCHEME

As the farmers were faced distress situation due to the occurrence of continuous drought for the last 3 years, Government of Karnataka has announced loan waiver up to Rs.50,000/- for the farmers. For the implementation of scheme during 2017-18 budget allocation of Rs. 3907.99crores and with the infrastructure apex bank Rs.1064.00crores has been disbursed. This scheme will



benefit 12.80lakhs farmers with Rs.4971.99crore of loan waiver amount. During the year 2018-19, Government has released Rs.2740.21cr for 8.23lakhs farmers.

5) LOAN WAIVER UP TO MAXIMUM OF RS. 1.00LAKHS-2018

During the pre-budget discussion, all the legislative members opined that the farmers were not much benefitted through the loan waiver scheme. Due to this Hon'ble chief minister announced that the short-term loan availed by the farmer in cooperative institutions which are outstanding as on 10.07.2018, maximum of loan up to 1.00lakhs waived off per family. The loan waive will come into effect as and when the due date is if the loan is outstanding as on 10.07.2018 is current principal amount above 1.00lakhs should be paid within the due date of repayment. If the outstanding is overdue as on 10.07.2018 the principal and interest should be paid within 31.03.2019 to avail the benefit.

The person who is salaried / pensioner and the followings are not eligible for the scheme. Salaried / pensioner whose monthly income should not exceed Rs.20,000/-. In last 3 years any person who is paid income tax at least one year. It is to be estimated that 20.38laks farmers will be benefitted with an amount of Rs.9448.00crores. During the year 2018-19, Rs.2600.00crores were released towards 410375 farmers.

CONCLUDING REMARKS

To conclude, that Loan waiver schemes are announced to protect the farmers from the unpredicted losses like heavy floods and drought and loan waiver schemes have their own history in India. in Karnataka during the 2012-13 loan waiver scheme is announced, crores together amount has been released and lakhs together farmers were benefitted during the next couple of years like 2013-14,2014-15,2015-16. In during 2017-18 next round loan waiver scheme is announced with waive of target of 1,00,000 Rs. In the short term, this implicit transfer releases a liquidity constraint and enables farmers to protect their consumption and input expenditures in farming operations. It really helps the farmers to release their financial burdens and to lead the less financial risky life. Finally it also reduces the farmers suicide cases over the farm debt in the stat

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