



## IMPACT OF LOAN WAIVER SCHEME OF THE PRIMARY AGRICULTURAL COOPERATIVE SOCIETIES IN KANYAKUMARI DISTRICT- A STUDY

### ABSTRACT

**A**griculture accounts for 17 per cent of GDP and about two third of the population depends on agricultural sector. The importance of agricultural credit as a critical input to agriculture is reinforced by the unique role of Indian agriculture in the macro economic framework and its role in poverty alleviation. Agriculture provides the principal means of livelihood for more than 60% of India's population. Despite a steady decline in its share of the GDP, it remains the largest economic sector in the country. To arrest the increasing number of farmers' suicides, the government of India implemented the Agricultural Debt Waiver and Debt Relief Scheme, 2008. The cost of the scheme worked out to be INR 71, 680 crore for small and marginal farmers, other farmers are eligible to debt relief scheme. The amount eligible for debt waiver or debt relief as the case may be shall comprise of short term production loan, the amount of such loan and investment loan, the installment of such loan that are overdue if the loan was disbursed upto March 31, 2007 and overdue as on December 31, 2007 as per applicable RBI guidelines on account of natural calamities. The scheme applicable for direct agricultural loans extended to the farmers by the scheduled commercial banks, RRBs and co-operative societies and local area banks.

Considering the inability of the farmers to repay their loans to the co-operative due to successive crop loss on account of natural calamities the government waived all agricultural loans with interest outstanding as on 31-03 -2006 with the co-operative banks. However, to ensure the continues service of the co-operative banks in providing loans to the farmers, the government have decided to reimburse the entire waived amount to the co-operative in annual equal installments with interest @ 8 % per annum. The government have also taken over the liabilities of Tamilnadu apex and co-operatives and Tamilnadu co-operative state agriculture and rural development bank taken over rural Development from NABARD as 31<sup>st</sup> march 2007, the govt. has released a sum of Rs.1044 .63 crore to the co-operative banks towards a sum of Rs.1044.63 crore to the co-operative Banks waived amount and also released a sum of Rs.613. 59 crore to the co-operatives towards repayment. An amount of Rs.1110.00 crore is proposed for this scheme.



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**KEYWORDS:** Agriculture, Agricultural Debt, Agricultural Loans, Co-Operative Banks, Debt Relief Scheme.

## INTRODUCTION

The co-operative societies put together have met 77 per cent of the farm advances from their own resources, such as reserves and deposits from public. The NABARD is providing only 23 per cent by the way of refinance towards crop loans. If there is only a partial reimbursement of the waived amount, it will result in the co-operative societies not being able to honor the demands of the depositors on the due date of maturity.

The major problem in agriculture today is of declining productivity and lack of adequate infrastructure. One of the reasons for low productivity is the increasing cost and improper supply of inputs, which is the result of a under developed marketing network. Unless the farmers have an assured source of income, we can't expect them to get out of this vicious circle of indebtedness. The core problem of non-remunerative prices and the consequent indebtedness is the major reason for the pitiable condition of the farmer. Income from cultivation accounts for only about 45 per cent of the total income and the remaining receipts are from other sources. In Tamilnadu, the annual expenditure on cultivation is higher than that of the annual income.

## OBJECTIVES OF THE STUDY

The objective of the study is

- ✧ To analyse reasons for request of loan waiver.
- ✧ To analyse the number of beneficiaries in the loan waiver scheme and benefit availed by the respondents.
- ✧ To check the significance existed between the waiver scheme announced in 1990 by the government and the respondents in kanyakumari district.
- ✧ To provide suggestion based on the findings of the study.

## AREA OF STUDY

In this study Kanyakumari district is selected as the study area. Kanyakumari district is having 114 Primary Agricultural Co-operative Societies and had a ban on recovery during the last three years.

## METHODOLOGY

Both primary and secondary data were collected for the study. On the basis of the pilot study conducted by the researcher, a questionnaire and a schedule have been prepared for collecting data from Primary Agriculture Co-operative Credit societies and the farmers selected from each society respectively. The researcher has followed direct personal enquiry method for collecting data from the sample respondents for their

opinion about loan waiver scheme of the government. The researcher has met the secretaries of the PACCS and had oral discussions with them for collecting their views were incorporated.

## SAMPLING DESIGN

Two stages random sampling method was used to select samples from 114 primary agricultural co-operative credit societies in the district. At the first stage 54 societies were selected by taking 6 societies randomly selected from each union in the district. At the second stage, 540 members were selected by taking 10 members randomly selected from each society.

## TOOLS OF ANALYSIS

Applied garret ranking technique to analyse reasons for request of loan waiver and frequency and percentage analysis to analyse the number of beneficiaries in the loan waiver scheme and benefit availed by the respondents, applied chi-square test to check the significance existed between the waiver scheme announced in 1990 by the government and the respondents.

## PRIMARY AGRICULTURAL CO-OPERATIVE CREDIT SOCIETIES

The Co-operative movement was started in India largely with a view to provide agriculturists funds for agricultural operations at low rates of interest and to protect them from the clutches of moneylenders. A Co-operative credit society commonly known as the Primary Agricultural Co-operative Credit Society (PACCS) consists of minimum ten members. The value of each share is generally nominal so as to enable even the poorest former to become a member. The members have unlimited liability, that is each member is fully responsible for the entire loss of the society in the event of failure. This means that all the members should know each other immediately.

The Management of the society is under an elected body consisting of President, Secretary & Treasurer. The Management is honorary, the only paid member being normally. Loans are given for short periods, normally for one year, for carrying out agricultural operations, and the rate of interest is low. Profits are not distributed as dividend to shareholders but are used for the welfare of the village.

## FINDINGS OF THE STUDY

### Reasons for Request of Loan Waiver:-

The borrowers request the government and banks for loan waiving due to several reasons. Table 1 clearly shows the details.

**Table 1. Reasons for request of Loan Waiver (Garret ranking technique)**

| Sl. No. | Reasons for expectation                          | Mean value | Rank |
|---------|--|------------|------|
| 1       | Monsoon failure                                  | 58.36      | 1    |
| 2       | Inadequate income from agriculture               | 52.57      | 2    |
| 3       | Increased labour cost                            | 48.33      | 4    |
| 4       | Un-remunerative price to the agriculture produce | 48.62      | 3    |
| 5       | Higher interest rates                            | 46.79      | 5    |
| 6       | Heavy repayment schedule                         | 44.42      | 6    |
| 7       | Drought  | 40.39      | 7    |
| 8       | High cost of living                              | 31.05      | 8    |

Source: Primary data.

It is inferred from table 1 that monsoon failure accounts for first rank, because agriculture is heavily dependent on the rains, for growing crops especially like rice banana and grains. A delay of a few days in the arrival of the monsoon can badly affect the agriculture. Inadequate income from agriculture came under second

rank for the reason that agriculture products has low price and the expenses involved in the agriculture activities were higher price.

### Beneficiaries in the Loan Wavier Scheme:-

The beneath chart express the total number of borrowers benefited by the loan waiver scheme.

**Table 2. Particulars of number of beneficiaries in the loan wavier scheme (in numbers)**

| Sl. No.   | Particulars of number of beneficiaries | No. of PACCS | Type of loan wavier scheme beneficiaries |                             |  |   |   |                         |                           | Total beneficiaries (1 to 7) |
|---|--|--------------|--|-----------------------------|--|---|---|-------------------------|---------------------------|------------------------------|
|   |  |              | Jewel loan (1)                           | Short term loan (2)         | Short term loan converted into medium term (3) | Medium term loan (4)  | Medium term loan converted into long term (5) | MT int. waiver (6)      | Others (7)                |                              |
| 1   | Below 500                              | 9<br>16.67   | 745<br>124.00<br>(135.00)                | 1671<br>185.00<br>(142.00)  | 152<br>30.00<br>(38.00)                        | 284<br>47.00<br>(45.00)                                       | -   | -                       | 367<br>46.00<br>(37.00)   | 3219<br>358.00<br>(136.00)   |
| 2   | 500-1000                               | 41<br>75.93  | 2767<br>696.00<br>(202.00)               | 14629<br>430.00<br>(139.00) | 1649<br>79.00<br>(49.00)                       | 3162<br>102.00<br>(145.00)                                    | 52<br>13.00<br>(5.00)                         | 51<br>26.00<br>(4.00)   | 1357<br>90.00<br>(88.00)  | 23667<br>696.00<br>(136.00)  |
| 3   | Above 1000                             | 4<br>7.40    | -  | 3383<br>845.00<br>(244.00)  | 554<br>184.00<br>(125.00)                      | 213<br>71.00<br>(34.00)                                       | 24<br>24.00<br>(-)                            | 91<br>91.00<br>(-)      | 494<br>247.00<br>(304.00) | 4759<br>1189.00<br>(201.00)  |
| Overall   |  | 54<br>100.00 | 3512<br>207.00<br>(188.00)               | 19683<br>419.00<br>(219.00) | 2355<br>81.00<br>(68.00)                       | 3659<br>91.00<br>(130.00)                                     | 76<br>15.00<br>(6.00)                         | 142<br>47.00<br>(38.00) | 2218<br>89.00<br>(107.00) | 31645<br>673.00<br>(249.00)  |
| <b>Quantum of loan waived by Government and received compensate to the same by PACCS (in Rs.)</b> |  |              |  |                             |  |   |   |                         |                           |                              |
| <b>Average amount waived for a PACCS by Government</b>  |  |              |  |                             |  | <b>Average Compensation received by PACCS from Government</b> |   |                         |                           |                              |
| 1   | <b>11017303.30<br/>(7867416.23)</b>    |              |  |                             |  | <b>9134592.54<br/>(6893553.19)</b>                            |   |                         |                           |                              |

Source: Primary data (Note: Figures in the parentheses indicate that Standard Deviation to the average.)

Table 2 reveals that 19683 of the borrowers got the loan waiver against short term loan. Since it has the minimum loan amount and it was easily sanctioned by the society, it was helpful to the farmers to cultivate their land at the right time and easy repayment schedule, it shows high. 3659 farmers got loan waiver through medium term loan, because most of the farmers were suffered loss continuously by flood, cyclone, monsoon failure and irregular rain, so through this loan waiver scheme farmers were highly benefited. 3512 borrowers were benefited through jewel loan, the farmers were unable to release the jewels within the prescribed time, hence the crops did

not give sufficient yield. 2355 borrowers benefited through short term converted into medium term loan, this was extension by the PACCS for collection but yields from the land not supported to repay the loan. 2218 farmers benefited through other loans, because of failure in their business and profession they suffered by loss.

### Earlier Loan Waiver Scheme Beneficiaries:-

During the year 1990 the government of India announced loan waiver scheme, minority of the respondents benefited through that scheme. The

following table reveals the respondents those already beneficiary and non-beneficiary of the previous loan waiver

**TABLE 3. Present beneficiaries got loan waiver benefit under earlier loan waiver scheme 1990(in numbers)**

| Sl. No.      | Particulars   | Marginal Farmers | Percent       | Small Farmers | Percent       | Overall    | Percent       |
|--------------|---------------|------------------|---------------|---------------|---------------|------------|---------------|
| 1            | Benefited     | 20               | 9.85          | 41            | 12.17         | 61         | 11.29         |
| 2            | Not benefited | 183              | 90.15         | 296           | 87.83         | 479        | 88.71         |
| <b>Total</b> |               | <b>203</b>       | <b>100.00</b> | <b>337</b>    | <b>100.00</b> | <b>540</b> | <b>100.00</b> |

Source: Primary data

It is understood from table 3 that only very few the repayment behavior of the borrowers of the previous were benefited through the earlier and present loan waiver loan. scheme. Nearly 89 per cent were not benefited. It shows

**Table 3. A. Chi-square analysis for benefit of loan waiver scheme of 1990**

| Factor                        | Calculated value of $\chi^2$ | Table value of $\chi^2$ | Degree of freedom | Level of significance |
|-------------------------------|------------------------------|-------------------------|-------------------|-----------------------|
| Benefit of loan waiver scheme | 1.296                        | 6.635                   | 1                 | 1%                    |

There is no significance benefit in existing loan waiver scheme announced in 1990 by the government to the respondents.

#### **Benefit availed by the respondents:-**

Borrowers were benefited through loan waiver at various amounts. The subsequent table discloses quantum of loan waiver amount benefited by the sample respondents

**TABLE 4. Quantum of Loan Waiver benefit availed by the respondents (in numbers)**

| Sl. No.      | Rupees         | Marginal Farmers | Percent       | Small Farmers | Percent       | Overall    | Percent       |
|--------------|----------------|------------------|---------------|---------------|---------------|------------|---------------|
| 1            | Up to 5000     | 53               | 26.11         | 82            | 24.33         | 135        | 25.00         |
| 2            | 5001 - 10000   | 79               | 38.92         | 141           | 41.84         | 220        | 40.74         |
| 3            | 10001 - 25000  | 42               | 20.69         | 64            | 18.99         | 106        | 19.63         |
| 4            | 25001 - 50000  | 16               | 7.88          | 27            | 8.01          | 43         | 7.96          |
| 5            | 50001 - 100000 | 12               | 5.91          | 23            | 6.83          | 35         | 6.48          |
| 6            | Above 100000   | 1                | 0.49          | -             | -             | 1          | 0.19          |
| <b>Total</b> |                | <b>203</b>       | <b>100.00</b> | <b>337</b>    | <b>100.00</b> | <b>540</b> | <b>100.00</b> |

Source: Primary data

Table 4 shows that 40.74 per cent of the sample respondents benefited from Rs. 5,001 to 10,000. Majority of them were small farmers. 25 per cent of the respondents got loan waiver benefits up to Rs.5,000 most of them situated at rural and tribal areas.19.63 per cent of the respondents got benefit from Rs.10,001 to 25,000.

#### **SUGGESTIONS**

Due to Liberalization Privatisation and Globalisation foreign companies did not concentrate to invest in agriculture production instead they interested in marketing. Joint initiative can be taken by the Central Government, state government and Primary Agricultural Co-operative Societies with timely and adequate support by way of credit to farmers with focus on small and marginal farmers to have them modern technology for improved agricultural productivity.

China's growth rate in agriculture is 7 to 9 percent, whereas India's agriculture growth rate is pathetic for the last 15 to 20 years. We never crossed 2 percent,"Though the government has claimed that more credit is being released for farmers, it is not reaching tenant or landless farm families which constitute 50 percent of the country's 120 million farm families.

The government should take initiative to take insurance on their crops, it will solve the problem of crop failure, as it is inferred one of the reason for non-payment of loan,

The government introduced the Agriculture loan waiver scheme for the welfare of the people. Since the number of defaulters of co-operative credit societies were increased year by year. The government should give attention to reduce the number of defaulters and amount of overdue by conducting awareness among the members

of the PACCS about the benefit of timely payment of installment and easy availability of finance from the Societies.

The government can announce input – support to the agriculturists and agricultural related farmers. It enables the government to identify the proper agriculturists and agricultural labourers. The government can take initiative to safeguard only the non-willful defaulters Government can fix minimum number of meeting as eligibility for getting loan from the Primary Agricultural Co-operative Credit Societies

Government should take initiative to Agriculture loan waiver scheme was introduced to the welfare of the people. Since the number of defaulters of co-operative credit societies were increased year by year. The government should give attention to reduce the number of defaulters and amount of overdue by conducting awareness among the members of the PACCS about the benefit of timely payment of installment and easy availability of finance from the Societies.

The government should introduce proper measure to help Societies in taking possession of land belonging to the willful defaulters. Liberalisation and globalization were important turning points in the contemporary economic history of india. Farmers continuously squeezed by global and domestic market they will have to abandon agriculture. This pushed the mechanization of agriculture and left a great many wage earners unemployed. The poverty among farmers was driven by fall in the prices of agriculture products and high wage and cost of production. This paved the way for increasing rural indebtedness for the farming population. Agriculture lands were used for real estate speculation by corporate. The farmers in kanyakumari district are not able to recover even the cost of cultivation.

The Societies must consider the land holding and consumption expenditure with family income, since higher consumption expenditure leads to a person become willful defaulter. The government can announce input – support to the agriculturists and agricultural related farmers. It enable the government to identify the proper agriculturists and agricultural labourers. The government should take initiative to safeguard only the non-willful defaulters Government can fix minimum number of meeting as eligibility for getting loan from the Primary Agricultural Co-operative Credit Societies.

## CONCLUSION

Primary Agricultural Co-operative Credit Societies plays the vital role in the development of agriculture and improving overall scenario. Now days it

fulfill all the needs of the farm population. Thus debt waiver cannot become a permanent solution to the farmers financial crunch. Rather it creates unwanted problems such as willfull defaulters, financial commitment to the government and political interference. Therefore, finding out an alternative solution to the debt waiver and maintaining the discipline of loan repayment is the need of the hour. The loan waiver scheme not only reduces their debt burden but also enabled them to restore their discontinued access to the institutional credit – *sick person getting relief from the doctor*(IRMA w.p. 86) Agriculture, today, stands at a crossroads, which demands for rational policy formulation and implementation, especially in favour of the small and marginal farmers, and the landless labourers. Creation of off-farm employment through schemes like NREGS might help to ensure livelihood security during the times of extreme poverty and distress. The importance of public accountability in government-sponsored schemes cannot be overlooked. After liberalization of the Indian economy, agricultural sector suffered due to neglect and apathy. Indian peasantry had to compete internationally in the absence of social security and safety nets. The minimum support prices (MSP) offered to the farmers could not rise *pari passu* with input prices, thus, affecting profitability. Paying more attention to fiscal austerity in the name of efficiency gained momentum during the 1990s. Farm income and farm expenditure were the significant factors to determine indebtedness. Efficient management with effective supervision and follow up action would ensure proper utilization of loan as well as prompt repayment by the members. However revival package as loan waiver/relief scheme has given boost to the below poverty line farmers in kanyakumari district. After implementation of the revival package the credit flow to the priority sectors depicted as a moderate increase.

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