

Reforming agri-credit system

.What is the issue?

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Agriculture in India should be made profitable, in addition to reforming the credit system in the sector.

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What are the existing concerns?

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- The NSSO Situation Assessment Survey of Agricultural Households (2013) shows that 52% of farming households are indebted, with rates as high as 89-92% in some States.

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- The quantum of debt has increased enormously, especially from informal sources.

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- Tenant farmers who lease land from other land owners are especially vulnerable.

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- A study showed that 75% of farmer suicides in Telangana are by tenant farmers.

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- The NSSO Situation Assessment Survey (2013) also showed that the average debt from institutional sources for small and marginal farmers was only Rs. 17,570 per household, and Rs. 1,41,804 for medium and large farmers.

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- Though the RBI issued guidelines (2014) for extending loans to landless farmers and for a debt-swapping scheme to convert informal loans of farmers into bank loans, they have remained merely on paper.

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- However, many state governments push for a loan waiver which is only an element of immediate and temporary relief.

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- The burden on farmers lies elsewhere in the -

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1. Lack of compensation during drought and disasters

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2. Failures of the crop insurance scheme

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3. Deficit due to prices falling below the announced MSP

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4. Thus, any immediate relief should be accompanied by a long-term systemic solution to indebtedness.

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- Accordingly, a Bill has been developed by the All India Kisan Sangharsh Coordination Committee recently to provide freedom from indebtedness.

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What does the bill contain?

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- It incorporates two key elements of reform - a functional institutional credit system which is accessible and accountable to all cultivators, and protection from debt trap in bad years.

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- Access to institutional credit covers not only land-owning farmers but also sharecroppers, tenants, Adivasi and women farmers, and animal-rearers.

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- It requires the registration of all cultivators and providing them Kisan credit cards.

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- This is critical because marginal and landless farmers are mostly excluded from institutional credit, thereby putting them at the mercy of predatory lending by moneylenders and input dealers.

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- The Bill also establishes farmers' distress and disaster relief commissions at the national and State levels, based on the model of Kerala's Farmers' Debt Relief Commission.

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- The commission can recommend declaration of certain areas or crops as distress-affected in any particular year, based on incidences of natural disasters, extensive pest attack and such calamities.

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- It has the power to order measures of debt relief, which may include loan rescheduling, interest waiver, one-time settlement, discharge of debt in instalments, or even an immediate discharge of debt.

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- The State-level commission is also empowered to pass orders regarding non-institutional loans of distress-affected farmers.

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What are the advantages?

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- The bill ensures that farmers who suffer losses due to circumstances entirely out of their control deserve to be protected.

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- Given that agriculture is a key national enterprise, the concepts of limited liability and bankruptcy protection need to be adapted to the farming sector.

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- Thus the bill provides targeted protection to distressed farmers when they require it, rather than allowing debt, distress and suicides to accumulate until an election year.

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- Also, the problem of inadequate coverage and payout faced by crop insurance schemes will be included and covered under the distress relief provided by these commissions.

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What more should be done?

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- In addition to reforming the credit system, agriculture should be made profitable by -

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1. Ensuring fair remunerative prices

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2. Lowering the cost of cultivation

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3. Promoting viable farmer collectives

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4. Engaging in sustainable models of agriculture.

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5. Thus the challenge before political parties and governments is to implement these institutional solutions demanded by farmers.

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Source: The Hindu

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