



రైతు స్వరాజ్య వేదిక

రైతు స్వరాజ్యమే దేశ క్షేమం

23.06.2014

To

Sri. Krishna Rao, I.A.S
Chief Secretary
Government of Andhra Pradesh
Hyderabad

Sir,

Sub: Concerns of Farm Loan Waiver – reg.

Greetings from Rythu Swarajya Vedika!

Rythu Swarajya Vedika is a forum of farmers, independent farmer groups, researchers, agriculture scientists, civil society groups, dalit and adivasi groups and human rights organizations. We would like to bring to your kind notice some of our concerns regarding the Farm Loan Waiver, promised by the ruling Telugu Desam party which will have a far reaching impact on the farming community of the state of Andhra Pradesh.

The increasing costs of cultivations due to shift towards commercial crops and high external inputs have pushed farmers into high borrowings. In a situation where the institutional credit outreach is poor, the farmers have to depend on money lenders and input dealers for interest rates as high as 60% (Rs. 5/Rs. 100 per month). Frequent crop failures in addition are leaving farmers in indebtedness. The 59th round of the NSS survey on farmers' condition reveals the distressing picture in AP. First, the incidence of indebtedness among farmers was the highest in erstwhile undivided State. About 82 per cent of the farmer households are indebted. The proportion of households is more or less same among all social groups. Secondly, the debt liability-asset value ratio is the highest in AP. According to the NSSO survey it was 7.14 for AP, while it was 1.62 for Haryana, 1.72 for Punjab, 2.71 for Gujarat, 3.55 for Kerala, 3.71 for Karnataka and 4.48 for Tamil Nadu [NSS 2005b]. The asset value of farmer households in AP (Rs 1.35 lakh) was much less than the all-India average (Rs 3.73 lakh). On an average each farmer household in the state had an outstanding debt of Rs 23,965 [NSS 2005a]. Thirdly, most of the debt was incurred for agricultural expenses (about 62 per cent) and very little on education, health, social ceremonies and consumption.

The deep agrarian crisis in the state of Andhra Pradesh is undeniable. In the last 18 yrs, for which the data is available from the National Crime Records Bureau (NCRB), 11,881 farmers have committed suicide in the thirteen districts of Andhra Pradesh, out of these 4490 suicides occurred in four districts of Rayalaseema. District wise data is available from 1999 onwards.

Table 1: District wise Farmers Suicides in Andhra Pradesh 1999-2012

Districts	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
Kurnool	147	243	143	113	59	46	56	66	94	60	62	39	29	90	1247
Ananthpur	36	204	106	168	128	148	157	172	201	7	404	270	214	281	2496
Kadapa	0	8	3	2	1	0	17	10	41	48	37	4	6	18	195
Chittoor	0	41	76	126	1	47	88	74	37	30	61	39	25	16	661
Guntur	49	0	0	0	12	103	46	0	0	10	20	141	118	91	590
Krishna	15	33	17	49	122	71	60	155	156	115	132	181	186	268	1560
E. Godavari	43	0	28	44	42	43	32	36	53	68	232	54	39	20	734
W. Godavari	28	29	62	55	61	86	112	69	38	77	130	151	141	99	1138
Vishakapatnam	19	0	31	3	3	37	25	15	40	24	51	39	20	8	315
Vizayanagaram	11	9	22	15	30	32	21	19	3	10	4	4	22	36	238
Srikakulam	39	15	0	44	27	9	8	21	4	22	2	15	18	19	243
Prakasham	36	0	25	23	16	14	66	38	59	59	63	52	71	37	559
Nellore	1	0	1	9	3	0	0	0	0	0	3	0	1	13	31
Total	424	582	514	651	505	636	688	675	726	530	1201	989	890	996	10007

Source: Accidental and Suicide Deaths, 1999-2012, National Crime Records Bureau and RTI information from the State Crime Records Bureau <http://www.ncrb.nic.in>

Since 2004, there were several committees appointed both by the state government and the central governments' to address the agrarian crisis. Jayati Gosh Commission at the State level and National Farmers Commission under the Chairmanship of Dr. MS Swaminathan at the Central level are few of them which gave reports asking for a comprehensive solution for the farm sector. However, the successive governments only focused on quick solutions.

One such quick solution tried was a loan waiver in 2008 by the then UPA government through Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS), 2008. In undivided AP, the total number of farmers who benefited from the scheme was 77,55,227 and the total loan waiver and relief given to them was Rs 11,353.75 crore. All over India, the total amount waived was Rs 52,000 crore and the number of beneficiaries were 3.45 crore. In spite of conditionalities imposed (annexure 1), it was found that gross irregularities occurred during implementation and the Comptroller and Auditor General Report in 2013 noted that about Rs. 163 Cr went to Micro Finance Institutions and a sum of Rs 40.76 lakh went to ineligible beneficiaries (132 accounts) and reimbursement was made for an amount of Rs 26.55 lakh though loans had not been disbursed (96 accounts) (CAG, 2013). The debt waiver didn't help in reducing the crisis in the state as investments to strengthen agriculture were never made. The crisis in farm sector and the farmer suicides are still continuing.

In this context, the political parties again made a promise to waive farm loans. While the Telangana Rashtra Samithi (TRS) promised to waive farm loans below Rs. 1,00,000, Telugu Desam Party announced its decision to waive all loans. The leaders of these political parties also made appeals to the farmers not to repay their pending loans as they will get waived once the parties come to power. Telugu Desam Party after coming to power has appointed a committee to look into the modalities of loan waive. In this regard we would like bring some statistics to your notice before making our suggestions on the loan waiver for the maximum benefit of the farming committee.

Table 2: Total Agriculture Loans in Andhra Pradesh 2013-14

Agriculture Loans in Telangana 2013-14	In Rs. Crore
Crop loans during 2013-14	34,217.00
Pending crop loans from previous yrs (approx.)	16,000.00
Total pending crop loans	50,217.00
Gold loans (approx.)	20,102.00
2013-14 short term loans (approx.)	4,401.23
2013-14 Allied sector loans (approx.)	7,067.07
SHG Loans(approx..)	14,204.00
Total	95,991.30

Source: State Level Bankers Committee, <http://www.slbcap.nic.in>

In addition there are pending loans of farmers who are part of Israeli experiment in Kuppam block to a tune of Rs. 6.00 cores.

Tenant Farmers

Tenant farmers who form more than 50% of the total farming community do not have access to the institutional credit. The government of Andhra Pradesh has brought a legislation in 2011 to issue 'Loan Eligibility Cards' which facilitates access to bank credit. During 2013-14 only 3,84,621 tenant farmers among the 25 lakh plus tenants in the Andhra Pradesh state were given loan eligibility cards. However, only 1,36,616 of them got crop loans all put together Rs. 306.59 cr, which means less than 10% of the tenant farmers could access the loans.

Table 3: Tenant farmers, Loan Eligibility Cards and loans disbursed (2013-14)

District	Loan eligibility cards issued	Tenant farmers accessed loans	Total Loan received
Srikakulam	27,882	347	0.47
Vijayanagaram	22,991	8,873	7.32
Visakhapatnam	3,142	262	1.60
East Godavari	62,147	47,694	87.42
West Godavari	1,22,420	52,096	132.00
Krishna	12,255	9,519	25.72
Guntur	22,912	9,754	25.50
Prakasam	3,761	300	3.00
Nellore	47,898	1,815	16.32
Chittoor	9,399	286	0.68
Kadapa	13,362	2,156	1.34
Ananthapur	1,005	14	0.20
Kurnool	35,447	3,500	5.02
Total	3,84,621	1,36,616	306.59

Source: Obtained through RTI from State Level Bankers Committee, <http://www.slbcap.nic.in>

Distribution of Agriculture Credit across the State

Another major issue is with regard to the highly skewed and uneven nature of the distribution of loans across the state of Andhra Pradesh. As the data for district wise crop loan disbursal is available only for 2012, we are using it as an indicator to share the highly unequal distribution of credit across the districts.

Table 3: District wise crop loans during 2012-13

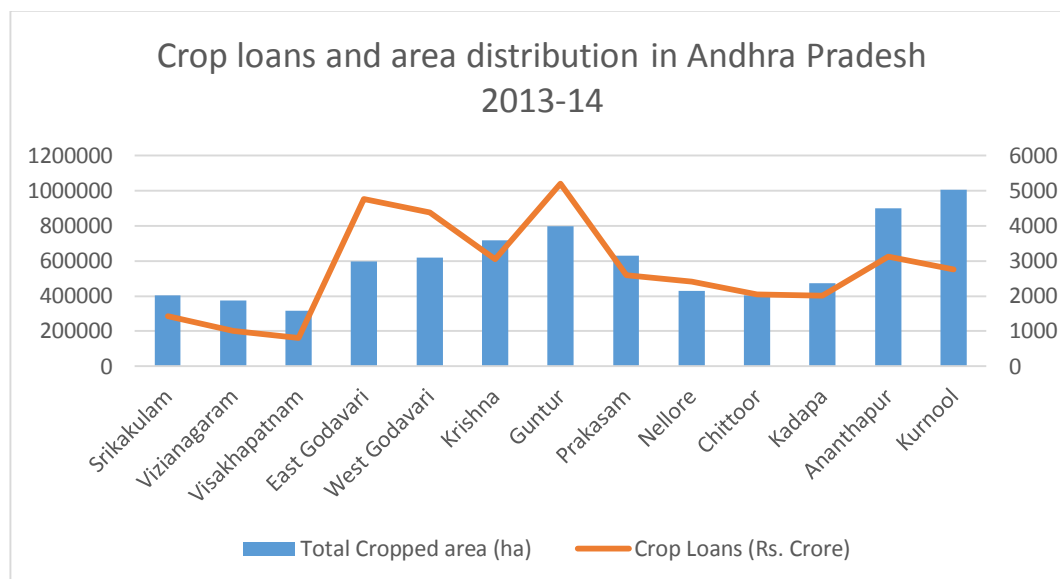
Rs. In Crore

District	Crop loans target	Crop loans given	% of achievement	% to total	Net cropped area	% to total	avg loan per ha
Srikakulam	1003.27	1297.49	129.33%	4%	405000	5%	32036.79
Vijayanagaram	650.85	976.44	150.03%	3%	373000	5%	26178.02
Vishakapatnam	666.71	1257.18	188.56%	3%	315000	4%	39910.48
East Godavari	2862.44	5089.93	177.82%	14%	598000	8%	85115.89
West Godavari	3074.45	5157.56	167.76%	14%	618000	8%	83455.66
Krishna	2178.14	2975.34	136.60%	8%	716000	9%	41555.03
Guntur	3660.46	4597.55	125.60%	13%	796000	10%	57758.17
Prakasham	2039.86	2940.49	144.15%	8%	628000	8%	46823.09
Nellore	1418.68	2316.99	163.32%	6%	429000	6%	54009.09
Chittoor	1767.24	2360.35	133.56%	7%	404000	5%	58424.50
Kadapa	1656.70	2056.82	124.15%	6%	473000	6%	43484.57
Anantapur	2476.06	2704.79	109.24%	7%	901000	12%	30019.87
Kurnool	2049.00	2361.68	115.26%	7%	1006000	13%	23475.94
Total		36092.61			7662000		

Source: State Level Bankers Committee, <http://www.slbcap.nic.in>

Similar trend was observed with respect to 2013-14. There were no equitable distribution of crop loans. Districts like East and West Godavari got more loans and districts like Anantapur, Kurnool in Rayalaseema or the Srikakulam, Vijayanagaram and Vishakapatnam got lesser loans. As a result most of the farmers in these regions have to depend on private loans for an higher interest rates and the loan waiver will not help them.

Figure 1: Crop loans compared to cropped area in Andhra Pradesh (2013-14)



Source: State Level Bankers Committee, <http://www.slbcp.nic.in>

Same is the case with Agriculture term loans and Allied sector loans. As the current government is promising to waive these too, it would pose a serious equity challenge between districts.

Table4: District wise Agriculture loans target during 2013-14

	Name of the District	Total Cropped area		Crop Loans		Agri. Term Loans		Agri. Allied		Total Agriculture Loans	
		in ha	%	Target	% to total	Target	% to total	Target	% to total	Target	% to total
1	Srikakulam	405000.00	5%	1435.80	4%	495.74	11%	132.42	2%	2063.96	4%
2	Vizianagaram	373000.00	5%	1000.00	3%	180.00	4%	350.00	5%	1530.00	3%
3	Visakhapatnam	315000.00	4%	800.10	2%	452.50	10%	160.29	2%	1412.89	3%
4	East Godavari	598000.00	8%	4765.73	13%	463.81	11%	1224.98	17%	6454.53	14%
5	West Godavari	618000.00	8%	4374.08	12%	411.90	9%	1452.05	21%	6238.04	13%
6	Krishna	716000.00	9%	3049.39	9%	453.80	10%	728.65	10%	4231.84	9%
7	Guntur	796000.00	10%	5191.61	15%	210.71	5%	980.70	14%	6383.01	14%
8	Prakasam	628000.00	8%	2600.32	7%	747.38	17%	66.42	1%	3414.13	7%
9	Nellore	429000.00	6%	2402.84	7%	142.01	3%	460.38	7%	3005.22	6%
10	Chittoor	404000.00	5%	2044.87	6%	109.99	2%	577.60	8%	2732.46	6%
11	Kadapa	473000.00	6%	2004.60	6%	253.90	6%	563.20	8%	2821.70	6%
12	Ananthapur	901000.00	12%	3127.31	9%	290.49	7%	123.38	2%	3541.17	8%
13	Kurnool	1006000.00	13%	2752.00	8%	189.00	4%	247.00	3%	3188.00	7%
	Total	7662000.00		35548.65		4401.23		7067.07		47016.95	

Source: State Level Bankers Committee, <http://www.slbcp.nic.in>

The changes made to the norms for crop loans since 1990s make it possible for farmers to take loans anywhere in the state and not necessarily in the district the farm is located. As a result, the loans given in Hyderabad district could have been taken by land owners from anywhere in the 22 districts in the erstwhile Andhra Pradesh.

Main demands

1. As a first measure, the Government must delink the loan waiver proposal from distribution of Kharif loans for the current agricultural season and should immediately take action to disburse crop loans without delay to all the farmers including Tenant farmers.
2. While the farming community is in deep crisis due to indebtedness, loan waiver is not a solution to end the crisis. The crisis is still continuing even after the debt waiver and relief extended during 2008. A comprehensive solution lies in bringing in policy changes related to all aspects of agriculture (Credit, input support, extension and marketing) as well as pursuing the land reforms agenda with renewed vigour to bring about a meaningful change in the agriculture sector to help close to 85% of small and marginal farmers to secure and sustain their livelihoods. A piecemeal, myopic solution in the form of loan waivers alone is a grossly inadequate solution to the larger, complex set of problems ailing the farming sector in the State.
3. Tenant farmers, dalits, tribal and women farmers who received lands under various land distribution schemes do not have access to institutional credit. They are taking loans from private money lenders, input dealers or Microfinance Institutions at a higher interest rate (as high as 60% Rs. 5 per Rs. 100 per month). These farmers are in deep crisis and constitute a large chunk of farmers committing suicides. This loan waiver is of no help to them.
4. Government should make immediate effort to increase access to institutional credit to real cultivators. One of the problems often expressed by the bankers in giving crop loans to these farmers is the lack of a guarantee for repayment. The state government should establish a Credit Guarantee Fund for small and marginal farmers which can give collateral security to the tenant farmers.
5. All the real cultivators who are not covered under institutional credit are to be organised into cooperatives and linked to the institutional credit. All their high interest private loans can be swapped with low interest bank loans.
6. Loans of all farmers who have committed suicides since 1997 have to be waived and their private loans be swapped with no interest bank loans.
7. Government should introduce special budget for agriculture with an allocation of at least 10% of the total budget.
8. Government must ensure that the loan waiver does not benefit non-cultivating, absentee land owners who have other major sources of income or livelihood and have taken loans in the name of agriculture. Specific mechanisms must be evolved to identify and eliminate the above categories of landowners from the purview of the loan waiver scheme. Further, steps must be taken to identify the actual cultivators and update the revenue records accordingly. Government must also actively explore mechanisms (e.g. setting up a separate Committee) for evolving a set of criteria to enable eligible farmers benefit from the loan waiver scheme in a meaningful manner.
9. Government should also take care that the loan waiver does not apply to ineligible loanees through the following measures
 - a. Restricting the loan waiver only to crop loans
 - b. In case government decides to waive short term and allied sector loans, it should be restricted to small and marginal farmers only (up to 4 ha in rainfed areas, 2 ha in irrigated areas)
 - c. Exempting Hyderabad district from the purview of the loan waiver. A thorough enquiry should be conducted and if need be waiver can be extended in the second phase. Pending this, the crop loan waiver up to one lakh for all farmers in the other district should be done immediately.

10. Government should with stain from any effort to impose additional taxes or issue bonds and transfer the burden on to people or the next government.

Thanking you

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