

Impact of Loan Waiver Scheme on Lending Agencies in Visakhapatnam District of Andhra Pradesh

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ABSTRACT

The present study is conducted in Visakhapatnam district of Andhra Pradesh with an objective impact of loan waiver scheme on lending with to assess the agencies. Primary data was collected through personal interview method with the help of pretested schedule. Tabular analysis was used to analyse the data by working out simple averages and percentages. The results revealed that, institution wise overdue of the debt waived borrowers were higher in commercial banks vis-à-vis co-operative banks. With reference to borrowers; the overdue was higher in debt relieved borrowers than debt waived borrowers. Institution wise benefit of the Agricultural Debt waiver and Debt Relief Scheme-ADWDRS (2014) highest was extended by co-operative banks, followed by commercial banks. With reference to borrower wise; debt waived borrowers benefited higher than debt relieved borrowers. Thus, the role of co-operative sector vis-à-vis commercial sector is low, this needs immediate strengthening of co-operative institutions by overcoming the cumbersome procedures for availing loans and adequate loans should be provided at affordable rates of interest.

Key words: Debt waived borrowers, Debt relieved borrowers and ADWDRS, Overdue.

One of the oldest and most important occupations of mankind is agriculture. Now-a-days natural calamities like floods and droughts and other biological and management factors like acute pests and disease infestation, use of spurious inputs *etc.* are having significant role in affecting the agriculture production prospects and thereby, making the farmers to end up in a debt trap.

Farm loan waiver scheme is necessary in the short term as farmers are unable to repay debts due to fall in agri-prices despite a bumper crop (Swaminathan 2017). But, this scheme has created a moral hazard situation in the banking sector with increasing rate of non-repayment, farmers from non-nationalized banks shifting their accounts to nationalized banks (Kasbekar 2008). These unpaid loans run into billions of rupees, which has resulted in huge over dues where farm loans in the range of Rs. 2000 - 2500 crores overdue as farmers' response to the Debt Relief Scheme (Ray 2010). Present research study was taken up with an objective to study the impact of Loan Waiver Scheme on farmers and lending agencies.

MATERIALS AND METHODS

Visakhapatnam district in Andhra Pradesh was purposively selected. The District Credit Plan forms the basis for the selection of institutions, which facilitate to identify the farmer-borrower indebted to the financial institution. Major sources of institutional credit were cooperative and commercial banks. Hence, District Cooperative Central Bank (DCCB) for cooperative sector and State Bank of India (SBI) for

commercial sector were selected. Further, based on the extent of indebtedness criteria, two branches of DCCB were Kaspa jagannadhapuram and Madugula located in Madugula mandal and two branches of SBI were Kodavatipudi and Narsipatnam ADB located in Kotauratla and Rolugunta mandals. Fifteen farmer borrowers from each branch were selected who benefited from ADWDRS named Beneficiaries and an equal number of farmer borrowers from each branch were selected who are not benefited from ADWDRS named Non-beneficiaries. Hence, the sample size was 60 from beneficiaries and 60 from non-beneficiaries. Thus, in total the sample size was 120 farmer-borrowers.

Study was conducted during the crop season 2017-18. Primary data were collected through personal interview method with the help of pretested schedule. From the farmer-borrowers, useful information pertaining to the sources of credit disbursement, magnitude of debt, benefits realized from execution of Agricultural Debt waiver and Debt Relief scheme by the Government *etc.*, were studied. Tabular analysis was used to analyse the data by working out simple averages and percentages.

RESULTS AND DISCUSSION

Overdue amount in the study area

Institution wise overdue amount of debt waived borrowers and debt relieved borrowers in the study area were placed in Table 1 and depicted in Fig.1. It was observed that overdue amount of the debt waived borrowers was high in Commercial banks

Table 1. Institution wise overdue amount in the study area

S. No	Name of the Institutions	Overdue of Debt Waived Borrowers				Overdue of Debt Relieved Borrowers				
		Accounts		Amount		Accounts		Amount		Amount per borrower (Rs.)
		No. of accounts	Percentage to the total	Total amount (Rs. in Crores)	Percentage to the total	No. of accounts	Percentage to the total	Total amount (Rs. in Crores)		
1	Commercial Banks	2,980	63.14	9.05	57.9	2,750	70.22	42.5	70.9	1,54,545.45
2	Cooperative Banks	1,740	36.86	6.58	42.1	1,166	29.78	17.5	29.1	1,50,085.76
	Total	4,720	100	15.63	100	3,916	100	60	100	1,53,217.56

Source: Field survey data

Table 2. Institution wise benefit of the Agricultural Debt waiver and Debt Relief Scheme -2014 availed in the study area

S. No	Name of the Institutions	Benefit of Debt Waived Borrowers				Benefit of Debt Relieved Borrowers				
		Accounts		Amount		Accounts		Amount		Amount per borrower (Rs.)
		No. of accounts	Percentage to the total	Total amount (Rs. in Crores)	Percentage to the total	No. of accounts	Percentage to the total	Total amount (Rs. in Crores)		
1	Commercial Banks	1,051	38	12.35	47.19	534	37.32	8.23	44.39	1,54,119.85
2	Cooperative Banks	1,715	62	13.82	52.81	897	62.68	10.31	55.61	1,14,938.68
	Total	2,766	100	26.17	100	1,431	100	18.54	100	1,29,559.75

Source: Field survey data

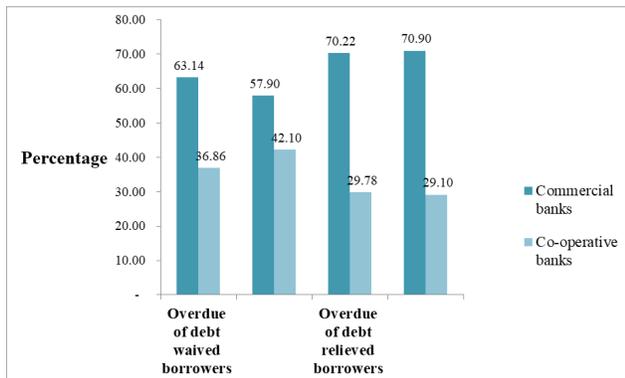


Fig 1: Overdue amount of institutions in the study area

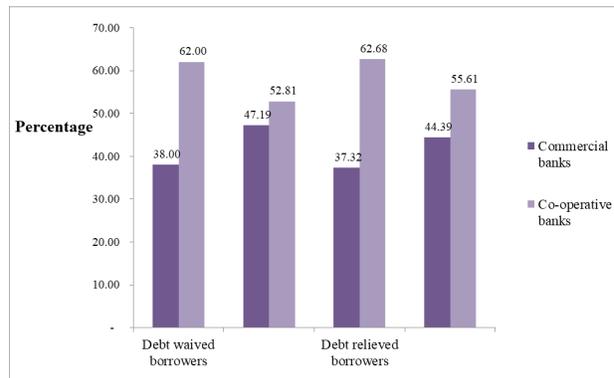


Fig 2: Benefit of the Agricultural Debt Waiver and Debt Relief Scheme on institutions in the study area

(57.90%) with Rs. 9.05 crores in comparison with Co-operative banks (42.10%) with overdue amount of Rs. 6.58 crores.

In case of debt relieved borrowers also overdue amount was high in Commercial banks (70.90%) with overdue amount of Rs. 42.5 crores in comparison with Co-operative banks (29.1%) with overdue amount of Rs. 17.5 crores. Hence, in total 8,636 accounts fell overdue with Rs. 60 crores. Regarding per capital debt, higher (Rs. 1, 53, 217.56) was in debt relieved borrowers than debt waived borrowers (Rs. 33, 144.40). This shows that it was the result of ADWDRS rather than promptness in repayment.

Borrower wise overdue amount in the study area showed that overdue amount of debt relieved borrowers (79.33%) was higher with Rs. 60 crores than debt waived borrowers. Per borrower overdue was Rs. 1, 53,217.56. In the case of debt waived borrowers, overdue was Rs. 15.63 crores (20.67%) with per borrower overdue of Rs. 33, 114.40. Thus, total amount of overdue in the study area was Rs. 75.63 crores and total number of accounts was 8,636. These findings were in conformity with the results obtained by the study by Ray (2010) revealed that farm loans in the range of Rs. 2000 - 2500 crores.

Benefit of the Agricultural Debt waiver and Debt Relief Scheme -2014

Institution wise benefits of ADWDRS 2014 revealed that, in debt waived borrowers, highest amount (Rs.13.82 crores) was extended by Co-operative banks with 52.81% covering 1,715 accounts, in comparison with Commercial banks (Rs. 12.35 crores) with 38% covering 1,051 accounts (Table 2). In total the benefit amount was Rs. 26.17 crores was extended by 2766 accounts with amount per borrower benefit was Rs. 94, 613.16. In case of debt relieved borrowers, highest

loan was extended by Co-operative banks (55.61%), followed by Commercial banks (44.39%) with total amount of benefit were Rs. 10.31 crores and Rs. 8.23 crores respectively. Total benefit amount of Rs. 18.54 crores was extended with 1,431 accounts and amount per borrower benefit was Rs.1, 29, 559.75. The details of the benefit of borrowers were depicted in Fig. 2.

Borrower wise benefit of ADWDRS-2014; amount of benefit availed by debt waived borrowers Rs. 26.17 crores was higher than by debt relieved borrowers, which is accounted for 58.53% with per borrower benefit amount of Rs. 94, 613.16. In case of debt relieved borrowers amount of benefit extended was Rs. 18.54 crores with 41.47% benefit with per borrower benefit amount of Rs. 1, 29, 559.75. This reveals that benefit was extended higher by debt waived borrowers higher than debt relieved borrowers on borrowers.

CONCLUSION

While impact on lending agencies, (institution wise) overdue of the debt waived borrowers were higher in commercial banks than co-operative banks. With reference to borrowers the overdue was higher in debt relieved borrowers than debt waived borrowers. This shows that it was the result of Agricultural Debt waiver and Debt Relief scheme (ADWDRS) rather than promptness in repayment. Institution wise benefit of the ADWDRS-(2014-2017) was extended higher by Co-operative banks than commercial banks. Borrower wise benefit was extended higher by debt waived borrowers higher than debt relieved borrowers.

The role of cooperative sector vis-à-vis commercial sector is low. This needs immediate strengthening of co-operative institutions on war-footing. The cumbersome procedure for availing loans from institutional sources should be simplified and further adequate loans should be provided at affordable rates of interest.

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