Analysis Of the Impact of Farm Loan Waivers in India By Avishi Chopra

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ABSTRACT

This paper discusses the issues and impacts of farm loan waivers and the various instances when farmers and peasants were provided relief by waiving off their loans. The various issues include fiscal burden, inflation and overall unproductivity on the part of the beneficiaries. The various initiatives taken by the government have been discussed along with how effective farm loan waivers actually are. New recommendations have been made which can lead to increased productivity of farmers and less requirement of farm loan waivers.

LITERATURE REVIEW

Governments of emerging nations with large agrarian economies, like India, rely on banking systems to provide loans for farming and agriculture. In these nations, agricultural credit is a priority area for lending, thus banks must always set aside a portion of their loan book for it. According to statistical patterns, some farmers who receive these benefits are becoming "clever" and purposefully postponing loan payments in order to receive a loan waiver, especially in the months leading up to elections. They believe that if the political party they voted for wins, their loan would be forgiven. Over time, it becomes apparent that only a very tiny percentage of farmers actually receive the benefit of the loan forgiveness as promised. By that point, the interest and penalties on the loan account balloon, becoming too large for him to ever repay. While governments with deficit budgets were unable to pay back, the hapless farmer demonstrated his incapacity to do so. As a result, banks are forced to designate the loans as non-performing assets (NPAs) and eventually write them off. Loan waivers may become widespread and affect other industries, posing a systemic risk to the economy.

INTRODUCTION

Farm loan waivers are state-specific programmes designed to assist peasants. Crop loans and investment loans are two types of farm loans used to purchase agricultural inputs and equipment from banks. In essence, the federal government or states assume the liability of farmers and reimburse the banks. Only particular loan kinds, categories of farmers, or loan providers may be eligible for waivers. Farmers may be unable to repay debts if the monsoon fails or if a natural disaster strikes. In such cases, rural misery typically leads states or the federal government to provide help in the form of loan reductions or outright waivers.[1]

FLW schemes can differ based on-
(i)the type of beneficiary (where only a subset or all farmers receive the waiver),
(ii) the type of loan (short-term, medium-term, long-term, or all)
(iii) the extent of waiver (waiver of the entire outstanding amount, or overdue amount, or sometimes a waiver of a fixed amount irrespective of the outstanding or overdue amount), and
(iv) the lending institution (some waivers (waiver on principal amount, interest amount or both)[2]

HISTORY OF FARM LAW WAIVERS IN INDIA

The first known occurrence of peasant loans in mediaeval India dates back to the reign of Muhammad-bin-Tughluq (1325-51) in order to alleviate villagers' hardship. In the face of insurrection and starvation, the following king, Firoz Shah Tughluq, wrote off the loans.

After Independence, India only had two nationwide loan waiver programmes: in 1990 and 2008. The VP Singh-led government implemented the first statewide farm-loan waiver in independent India in 1990. It cost the Indian government Rs 10,000 crore.

The Agricultural Debt Waiver and Debt Relief Scheme, which the UPA administration initiated in 2008. As many as 3.73 crore farmers were benefited to the extent of Rs. 52,259.86 crore.

[1] https://www.drishtiias.com/daily-updates/daily-news-analysis/farm-loan-waiver-2
[2] 2304223730 farm-loan-waivers-in-india-assessing-impact-and-looking-ahead_compressed (1).pdf

Various state governments have launched similar initiatives, such as, Punjab , Telangana, Maharashtra, Rajasthan , Andhra Pradesh, etc.

- ➢ Haryana's September 1987 farm loan forgiveness is the first large farm loan waiver in recent history. Before the 1987 state elections, the Lok Dal government of Mr. Chaudhary Devi Lal declared the first state-wide waiver. He vowed to waive loans from co-operative credit institutions of up to Rs.10,000 for every farmer in the state (Gupta 1989). Mr. Devi Lal eventually won the election.
- ➢ A Rs 40,000 crore farm loan waiver was announced in Andhra Pradesh, while a Rs 20,000 crore farm loan waiver was announced in Telangana in 2014.
- ➢ In 2017, Uttar Pradesh offered a Rs 36,000 crore farm loan remission. Maharashtra also announced a Rs 35,000 crore relief. [3]
- ➢ The Tamil Nadu government announced five loan waiver schemes between 1996 and 2004. All provided waivers on interest (or penal interest) and not on the principal outstanding amount.
- ➢ Kerala introduced the Kerala Farmers' Debt Relief Commission Act in 2006 to provide relief to farmers in distress due to indebtedness (Kerala Government 2006).
- ➢ Only 4 out of the 21 political parties lost the election following the electoral promise and implementation of a farm loan waiver scheme.

RATIONALE BEHIND WAIVING OFF FARM LOANS

1. Credit

   Credit is a vital resource for farming households in this environment for carrying out agricultural production and covering consumption and daily-life needs. Most of the farmers in India lack basic inputs for farming and possess very less hectares of holdings. Most of the farmers have to depend on the monsoon for the production and crop yield. However, since such credit is required on a regular basis it becomes very difficult for the community of farmers to pay back the loans

2. Debt Trap

   Farmers take out loans to spend extensively on their crops. Farmers would be trapped in debt if their crops fail due to a lack of rain or insufficient market demand. Farmer suicides have increased as a result of this. As a result, waiving farm loans helps to alleviate the humanitarian problem.

[3] https://thelogicalindian.com/story-feed/awareness/farm-loan-waivers/?infinitescroll=1

3. MSP

   The government's minimum support price (MSP) procurement is designed to safeguard farmers, yet it mostly favors huge dealers. Due to a lack of state market action, almost 70% of Indian farmers rarely receive MSPs. Furthermore, the Public Distribution System (PDS) lacks the capacity to conduct procurement procedures for the 24 crops for which MSP has been established.

4. Agricultural Marketing

   A large amount of post-harvest loss occurs due to a lack of cold chain, storage facilities, and processing capacity. The price of the produce is a key source of concern. Many farmers are still at the mercy of the market.

   Farmers must sell their produce through auctions in regulated markets controlled by cartels of licensed traders, making Agricultural Produce Market Committees (APMCs) unfavorable. Low buying prices are set by these cartels to extort excessive commissions, postpone payments, and so on. APMC is a statutory market committee established by a state government with respect to trade in certain notified agricultural or horticultural or livestock products under the APMC Act of the respective state government.

   Though the APMC Act's goal is to safeguard farmers from being exploited, the licensing of merchants, on the other hand, results in the licensing of middlemen and traders. Farmers are unable to participate in direct and free marketing because of the monopoly. Hence, this is one major reason why farm loan waivers are provided.

HOW EFFECTIVE ARE FARM LOAN WAIVERS

According to research, the loan waiver policy (1990) cost the banks and the economy a lot of money. It was reported that in the years following the waiver, recovery rates from financial institutions decreased because it instilled in farmers the impression that they could default with impunity, resulting in massive defaults that took the banks several years to recover from.

The CAG audit in 2008 uncovered flaws and errors. Fake claims, the addition of ineligible beneficiaries, and a large payout from a lending institution without sufficient verification were all part of the scheme. The list of beneficiaries of the lending banks did not always contain the farmers who were entitled to the benefits. The loans are frequently used for non-agricultural reasons by many farmers.

The audit examined 25 cases of individual loan accounts in each branch visited by audit where no benefit was given. 1257 accounts were found to be eligible for the benefit of Rs3.58 crore under the scheme, but were not considered by the lending institution.

S. No.	Name of State	Total number of eligible farmer accounts not included in the scheme	Amount (in ₹)
1.	Chhattisgarh	22	493097
2.	Gujarat	1	15220
3.	Kerala	6	183272
4.	Madhya Pradesh	1147	32063994
5.	Maharashtra	1	95086
6.	Odisha	30	334004
7.	Punjab	8	532983
8.	Rajasthan	4	94266
9.	Tripura	38	1975743
Total		**1257**	**35787665**

Source- Report of the Comptroller and Auditor General Of India 2008

The above table shows the state-wise details of farmer accounts found eligible but not extended benefit under the scheme

Also, in 8.5% of the cases, the beneficiaries were not eligible either for the debt relief or the debt waiver.

The audit also found out that according to the scheme, certain debt waiver, debt relief certificates were to be made mentioning the amount of loan waived off and other details, however, in 21,182 accounts there was no acknowledgement from farmers or any other proof of either issue or receipt of debt waiver or debt relief certificates to or by the beneficiaries.

Furthermore, invoices or acknowledgements from farmers for loan applications were not kept correctly. Lending institutions, such as banks, were in charge of implementing the system as well as reviewing their own work, posing an apparent conflict of interest. There were no nodal agencies assigned to oversee the work. In many cases, debt waiver/relief certificates were not issued to qualified beneficiaries.

Even though the farm loan waiver schemes have been implemented, suicides of framers and agricultural labourers still take place.

[4]

Agriculture labourers and farmers' suicides

4 https://www.firstpost.com/business/market-roundup-today-sensex-loses-709-points-nifty-slides-1-4-check-top-gainers-and-losers-10824351.html

Details of amount of farm loans waived off by various States in the last five years is as under:-

S.No	State	Name of the Debt Waiver Scheme since 2014	Actual Amount Waived (Rs. crore)
1	Jammu and Kashmir	50% KCC Waiver Scheme-2017	244.10
2	Karnataka	Karnataka State Debt Waiver Scheme 2017	7,794.00
		Karnataka State Debt Waiver Scheme 2018	14293.92
3	Chhattisgarh	2015-16 (ऋणराहतयोजना -2015)	129.76
		2018-19(CG GOVT SHORT TERM AGRI. DEBT WAIVER SCHEME - 2018)	6100.00
4	Madhya Pradesh	Debt Waiver Scheme-2018	11912.00
5	Maharashtra	Chatrapati Shivaji Maharaj Shetkari Sanman Yojana, 2017	30500.00
6	Punjab	Crop Loan Waiver scheme 2017-18	4625
7	Rajasthan	Farm Loan Waiver by Cooperative Banks 2018 (for short term crop loans)	7,524.66
		Farm Loan Waiver by Cooperative Banks 2019 (for medium and long term agriculture loans)	7850.92
8	Tamil Nadu	Crop Loan Waiver -2016 (SFMF)	5,318.73
9	Puducherry UT	Loan Waiver Scheme 2018	19.42
10	Uttar Pradesh	Debt Waiver Scheme 2017-18	25233.48

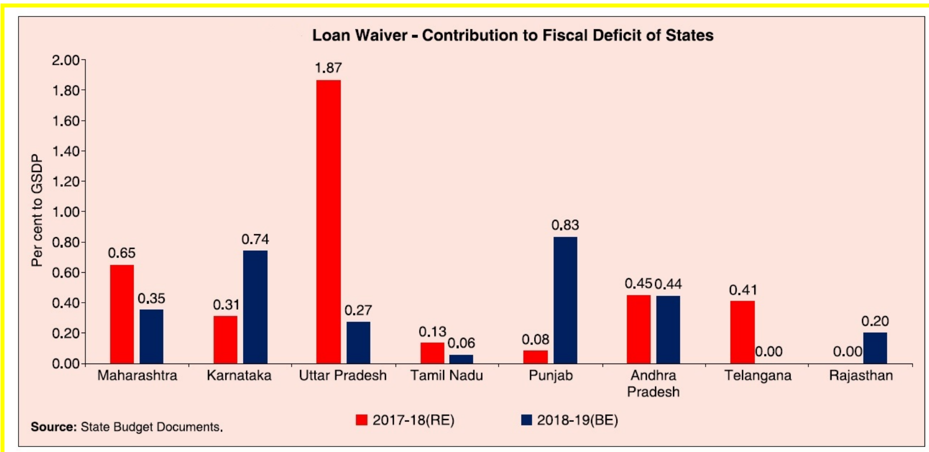
Source- RAJYA SABHA, STARRED QUESTION NO. 172

ISSUES RELATED TO FARM LAW WAIVERS

1. Fiscal Burden and Inflation
   In FY 2017-18, Uttar Pradesh, Punjab, and Maharashtra launched loan waiver plans totaling Rs.77,000 crores. This amounted to around 0.5 percent of the country's GDP in that fiscal year (Banik 2018). Loan waivers, which are basically a transfer from taxpayers to debtors, could add to the fiscal burden in the long run. Fiscal deficit most likely results in rising prices that eventually result in inflation causing a lot of burden on the taxpayers.

Farm loan waivers announced so far				
Announced on	Centre/ State	Loan waiver amount in Rs crore	Loan amount	Farmers to benefit
29-02-2008	UPA govt	71680		3 crore
28-07-2016	Tamil Nadu	7760		20 lakh
04-04-2017	Uttar Pradesh	36359	Up to Rs 1 lakh	2.15 crore
08-06-2017	Madhya Pradesh	6000	Up to Rs 1 lakh	6 lakh
11-06-2017	Maharashtra	34000	Up to Rs 1.5 lakh	56 lakh
19-06-2017	Punjab	9500	Up to Rs 2 lakh	10.22 lakh
21-06-2017	Karnataka	8165	Up to Rs 50,000	22.28 lakh
12-02-2018	Rajasthan	8000	Up to Rs 50,000	22 lakh
05-07-2018	Karnataka	44000	Up to Rs 2 lakh	44.89 lakh
17-12-2018	Madhya Pradesh	NA	Up to Rs 2 lakh	NA
17-12-2018	Chhattisgarh	6100	NA	NA
18-12-2018	Assam	800	up to Rs 25000	8 lakh
Total		**232364**		

Source: Media reports [5]



2. Inefficient utilization of resources and Corruption

When all of the government waivers are added together, the total amount spent almost exceeds the amount spent on agricultural infrastructure. This is inefficient resource consumption. The necessity for farm loan exemptions would have been greatly reduced in the future if the money had been invested on infrastructure instead. The state has already lost a significant amount of money. It's a very negative aspect from an economic standpoint.

The Comptroller and Auditor General (CAG) stated in a report that it discovered errors in 22% of the cases where loans were written off. According to the CAG investigation, many ineligible people received waivers while those who were eligible were ignored.
In the transfer of the State government's farm loan waiver scheme to individual recipients, several farmers have accused primary agriculture credit cooperative societies (PACS) of wrongdoing. It has been claimed that numerous PACS secretaries stole a

5 https://www.firstpost.com/business/farm-loan-waivers-a-fresh-round-of-economic-crisis-is-in-the-making-with-populism-taking-lead-in-asias-third-largest-economy-5757371.html

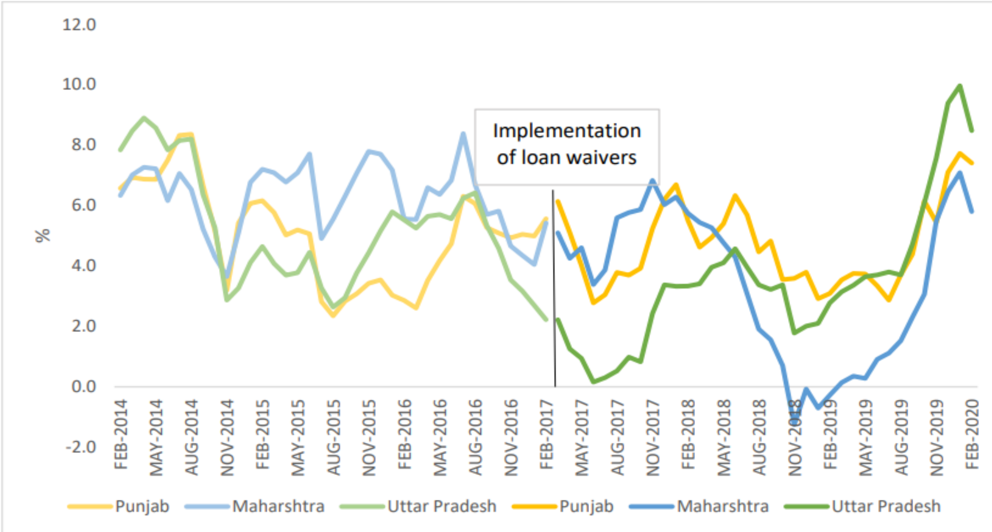
sizable sum of money and distributed some of it to the recipients. Farmers from Hale Koplu, H. Mylahalli, Koravangala, and other villages in Channarayapatna taluk, as well as those from Gowdagere, Mathighatta, and Hirisave, have accused the authorities of corruption. Even though the entire amount of loan forgiveness in certain cases exceeded one lakh, the secretaries' staff allegedly only offered the farmers $15,000 in some circumstances.[6]

3. Demotivation and Unproductivity
   Farm loan waivers might lead to irresponsible behavior. If the farmers realize that even if they are unable to return the loan and pay back the debt, there would be no issues and they would be able to use the political clout of the farmers community to get out without paying back the particular amount. This would indirectly encourage defaulting purposely and enjoying the loans for other non agricultural purposes. [7]

4. Borrowings
   A farm debt waiver necessitates significant financial resources and, if not well planned, can put a strain on the adopting state's budget. In most cases, the amount of a waiver is deducted from the government's revenue expenditure. As a result, a farm loan waiver is most likely to increase the state's revenue expenditure. Increased market borrowings are frequently used to fund higher revenue expenditures. Higher interest rates result from increased market borrowing, which crowds out private investment. If a portion of the farm loan waiver is funded by budgetary provisions, it is likely that capital spending will be cut. Deterioration in the quality of expenditure, as spending on asset formation, such as irrigation works, the construction of cold storage facilities, and so on, is foregone or curtailed. Funding farm loan waiver expenditures from outside budgetary provisions increases the fiscal imbalance, which is likely to lead to inflation.[8]

Trends in Year-on-Year CPI (Rural) Inflation Rates: Punjab, Maharashtra and Uttar Pradesh

[6] https://www.thehindu.com/news/national/karnataka/loan-waiver-farmers-allege-corruption-in-pacs/article28430805.ece
[7] https://www.managementstudyguide.com/problem-with-farm-loan-waivers.htm
[8] 2304223730farm-loan-waivers-in-india-assessing-impact-and-looking-ahead_compressed (1).pdf



***Source**: Database on Indian Economy, RBI. Data accessed in March 2020.*

IMPACT OF FARM LOAN WAIVERS ON STATE FINANCES

Fiscal impact of states' farm loan waiver programs (₹ billion)								
State	**Year of announcement**	**Amount announced**	**Amount provided in the budget**					
			2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19 RE**	**2019-20 BE**
Andhra Pradesh	2014-15	240	40	7.4	35.1	36	8.8	1
Telangana	2014-15	170	42.5	42.5	29.6	29.5		
Tamil Nadu	2016-17	52.8			16.8	18.7	8.8	8.1
Maharashtra	2017-18	340.2				151.8	68	35
Uttar Pradesh	2017-18	363.6				211	55	6
Punjab	2017-18	100				3.7	42.5	30
Karnataka	2018-19	440				39.1	119.7	126.5
Rajasthan	2018-19	180					30	32.4

Madhya Pradesh	2018-19	365					50	80
Chhattisgarh	2018-19	61					42.2	50
Total		2364.6	82.5	49.9	81.5	490.0	425.0	369.0
As per cent of state governments total expenditure			0.4	0.2	0.3	1.8	1.2	1.0
As per cent of state governments Gross Fiscal Deficit (GFD)			2.5	1.2	1.6	11.9	7.7	6.6
Source: Budget documents of state governments.								

Farm loan waivers are a tool for the government to settle private debt contracts, and hence have a fiscal impact on the deficit and debt. Loan waiver schemes typically have a three- to five-year budget impact, which is done either through a phased deployment of the waiver programme or by clearing bank dues over several years. The ADWDRS programme cost the Union Government $525 billion (less than the sum announced in the 2008-09 budget of $600 billion, which was later boosted to $720 billion when the plan was expanded to include large farmers), which was paid for over four years in Union budgets from 2008-09 to 2011-12.

Similarly, when states announce loan waivers, the amount of the waiver is staggered. In 2017-18 and 2018-19, the share of farm loan waivers in total state government expenditure increased significantly for all states (Table) This could have a negative impact on state governments' agricultural capital spending. Furthermore, the deferral of budgetary provisions to meet the expenditure for the stated loan waivers resulted in an increase in nonperforming assets (NPAs). As a result, banks were under pressure to extend new loans.

The RBI study on State Finances: A Study of Budgets for 2017-18 and 2018-19 also underlined the fiscal risks associated with farm loan waivers (2018). According to the research, loan waivers are responsible for nearly a third (5 basis points) of the overall fiscal slippage of 13 basis points in revenue expenditure in 2017-18 (RE). The fiscal impact of loan waivers varies by state, ranging from 4.6 percent of GFD in Tamil Nadu to 60.9 percent of GFD in Uttar Pradesh, according to the research.

In 2018-19, the impact on state exchequers varied greatly among waiver-implementing states, ranging from 1.0 percent of GSDP in Chattisgarh to 0.04 percent of GSDP in Tamil Nadu. Rajendra Raghumanda, Ravi Shankar, and Sukhbir Singh (2017) give alternative scenarios on the extent of farm loan waiver based on different eligibility assumptions in their RBI Mint Street Memo "Agriculture Loan Bank Accounts – A Waiver Scenario Analysis." Depending on the degree of coverage under the waiver plans, the estimates range from 2.2 lakh crore to 4.2 lakh crore.[9]

INITIATIVES BY THE GOVERNMENT TO REDUCE DEBT BURDEN OF FARMERS

- In areas affected by natural calamities, such as drought, the RBI has issued master directives on relief measures that lending institutions must provide. These directives, among other things, call for the identification of beneficiaries, the extension of new loans and the restructuring of existing loans, the relaxation of security and margin requirements, a moratorium, and other measures. In accordance with the National Disaster Management Framework, the criterion for debt restructuring has been lowered from 50% to 33% crop loss. Additionally, according to RBI guidelines, loans to struggling farmers who are in debt to non-institutional lenders qualify as a type of farm credit under the Priority Sector Lending (PSL) programme.

- The interest subvention on crop loans continues to be offered to banks under the aforementioned interest subvention plan for the first year on the restructured amount in order to help farmers affected by natural calamities. According to Reserve Bank of India rules, these restructured loans may incur normal rates of interest after the second year (RBI).

- The Pradhan Mantri Fasal Bima Yojana (PMFBY) offers comprehensive insurance protection against insured crops failing due to unavoidable natural risks, thereby providing financial assistance to farmers who suffer crop loss or damage as a result of unforeseen circumstances, stabilizing their income to ensure they can continue farming, and encouraging them to adopt cutting-edge and modern agricultural practises.

RECOMMENDATIONS

1. Better infrastructure
   Long-term measures such as improving irrigation, improving farm infrastructure, increasing tech-enabled productivity, and opening the sector to market forces and open trade can benefit farmers in the long run. In rural areas, a solid road network is required to connect farmers with buyers so that they can get better prices.

2. Reforms in farm loan waiving
   There should be reforms in such a way that only a portion of the loans are waived. This should include a background check of the particular beneficiary in terms of knowing why the loan was taken and has the purpose been solved, the history of loans taken,etc. This

[9] https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=942#CII32

could provide better insight in terms of how much proportion of the loan is to be waived off.

3. Institutional credit
   The administrative process for obtaining an institutional loan should be simplified, and the amount of paperwork required should be decreased. Poor and illiterate farmers sometimes rely on the services of middlemen to approach banks. Local banking officials prefer such middlemen because they instruct the uneducated farmer and assist the officials in the processing of loan applications. The farmer is usually charged a percentage of the loan amount or a predetermined fee by these middlemen. Several farmers in Uttar Pradesh, for example, believed that such intermediaries were selected by the government and were an unavoidable part of the process of obtaining loans from financial institutions. Improving the accessibility to banking services can go a long way toward addressing this issue.[10]

4. Identification mechanism index
   A mechanism to easily identify the seriously distressed farmers is the need of the hour. A system to track the welfare and the distress of the farmers on a real time basis can help reach out to the needy farmers on time. Policymakers can utilize the index's findings to plan and implement a timely and focused approach to assisting distressed farmers. Support might take the form of unconditional gifts, loan restructuring, and/or a complete debt discharge, depending on the type and severity of the difficulty.

5. Grants
   The government can use certain grants or distress relief packages instead of completely waiving off the loans. As seen in other countries, the farmer can be provided with more time and resources to pay back the loans.

6. Crop insurance
   The Pradhan Mantri Fasal Bima Yojana (PMFBY) and Restructured Weather Based Crop Insurance Scheme (RWBCIS), which were both launched in 2016, were a daring move to give insurance coverage to farmers who suffered losses due to natural calamities and unforeseeable events. Previously, all farmers who took out crop loans, whether with or without a Kisan Credit Card, were required to participate in the scheme.
   Such schemes help in alleviating the distress of the farmers.

OTHER COUNTRIES

[10] 2304223730farm-loan-waivers-in-india-assessing-impact-and-looking-ahead_compressed (1).pdf

1. Brazil
   The Brazilian government's Proagro Mais programme assists farmers in avoiding agricultural loan defaults. Farmers must pay the minimum premium on loans against which the federal government would reimburse them in order to receive the benefits. The government serves as an insurer in the event of natural calamities.

2. Canada
   The Canadian Agricultural Loans Act (CALA) Program ensures that the institutional lender lending to farmers is protected by the Canadian government. In the event that a borrower defaults, the government reimburses the lender for 95% of the loss. The defaulting farmer is still responsible for paying the government's obligation. Farmers under Canada's CALA and Advanced Payments Program (APP) are given more time to repay their loans. Payback periods under CALA can be up to 15 years, whereas under the APP, repayment must be done within 18 months following the sale of the produce. Under the APP, the Canadian government also bears duty for paying interest on the first $100,000 advance to a farmer.

3. Australia
   Crop loans, investment loans, and drought loans are all available through the Regional Investment Corporation (RIC). These loans have a ten-year repayment period and a 1.77 percent yearly variable interest rate. The Drought Community Support Initiative provides the majority of assistance to distressed farmers in the form of direct monetary assistance.

ELECTIONS AND FARM LOAN WAIVERS

Farm Loan Waivers have become a tool to win elections and gain the vote and support of the specific lower income groups.

During election season, farm debt exemptions are a popular announcement. The parties agree to relieve an indebted farmer of their obligation to repay their debt. Farmers do not immediately gain from it, but avoiding having to repay loans improves liquidity in their hands, allowing them to acquire new loans from institutions once their old debt is settled.

These exemptions have ostensibly earned political credibility over time. According to analysis, political parties only lost elections four times out of twenty-one times after promising or enacting a farm debt forgiveness between 1987 and 2019. With a success rate of more than 80%, these waivers provide a fairly certain formula for electoral success.[11]

The Punjab government declared that loans of up to Rs 2 lakh would be waived for small and marginal farmers with land up to five acres who were previously not included by the existing

[11] https://theprint.in/opinion/congress-bjp-aap-promise-farm-loan-waivers-but-real-cost-on-states/833538/

loan waiver scheme. The opposition party in Gujarat has also vowed to waive farm loans if it wins the poll.[12]

In August 2012, the incumbent party in Chhattisgarh declared a waiver ahead of the state elections in December 2013. After winning the election, the party announced a two-year waiver in December 2015.

When political parties include farm loan waivers in their election manifestos, they do not say where the money would come from to cover the waivers. Farm waivers are not included in the budget. Farm loan waivers require money meant for other farm-related initiatives to be diverted.The ultimate outcome is a continued lack of infrastructure in rural areas, as well as a vicious circle of agricultural hardship.[13]

CONCLUSION

Loan waivers isn't a long-term answer for farmers until the basic issues are addressed. Though it provides immediate debt relief and prevents suicides, it has mostly failed to contribute to farmers' long-term welfare on numerous instances. Furthermore, it is always a concern as to how effective this relief measure will be in assisting farmers in getting out of debt and suffering.
The efficiency of loan waivers in India is hindered due to a lack of accountability and professional monitoring. This, coupled with the reality that not all debt is formal, reduces their effectiveness even further. Loan forgiveness is unavoidable because agriculture employs the bulk of India's working population. However, only a professional system of waiver accountability and transparency could ensure that the waiver plan runs well.

12 https://theprint.in/opinion/farm-loan-waivers-are-announced-in-election-season-karnataka-worst-offender/794933/

13 https://www.business-standard.com/article/opinion/letter-to-bs-loan-waiver-has-become-a-tool-for-parties-to-win-elections-118121801069_1.html