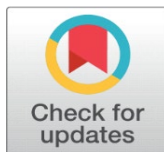
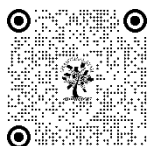


A CRITICAL STUDY ON THE EFFECTIVENESS OF AGRICULTURAL LOAN WAIVER SCHEMES: A CASE OF MAHATMA JYOTIBA PHULE KARJ MUKTI YOJANA IN NAGPUR

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ABSTRACT

With the aim of providing relief from the debts on farmers, the Government of Maharashtra has implemented the Mahatma Jyotiba Phule Karj Mukti Yojana (MJKMY), an agricultural loan waiver scheme. This paper analyses the implementation and outreach of this scheme in the Nagpur district and its impact on the socio-economic condition of the beneficiary farmers. We used a mixed-method approach combining quantitative data obtained through structured questionnaires with qualitative data from interviews and policy reviews. Three or four key indicators — change in income levels, productivity of agriculture, credit access, and psychological stress levels among farmers — were used to assess the outcomes of the scheme. While the scheme provided brief relief and diminished instant debt stress in the near term, problems along with the delay in disbursement, insufficient cognition, and exclusion errors had hindered its holistic effect, the findings show. The paper ends with suggestions to improve policies aimed at the long-term financial sustainability of the farm sector, and the institutional means through which farmers can receive support. The current study adds to the larger discussion about the role of loan waivers in agricultural reform and rural development in India.

Keywords: Agricultural Loan Waiver, Mahatma Jyotiba Phule Karj Mukti Yojana, Farmers' Debt Relief, Rural Development, Financial Inclusion, Socio-Economic Impact, Nagpur District, Government Schemes, Agricultural Policy, Farmer Welfare



1. INTRODUCTION

Agriculture is a key sector of the economy in India, employing around 50% of the population. But despite its critical importance, the sector is battling a host of challenges, such as unpredictable monsoons, rising input costs, low productivity, market fluctuations and increasing debts. Such systemic challenges have ensnared oodles of farmers in a vicious cycle of indebtedness, as evidenced in agrarian distress reports, especially in Vidarbha and Nagpur in Maharashtra. To tackle these issues of farmer distress and to lessen the financial burden, the Maharashtra government announced the Agricultural Loan Waiver Scheme, officially known as the Mahatma Jyotiba Phule Shetkari Karj Mukti Yojana (MJPSKMY). The scheme, launched in 2017, aimed to provide borrowers with small and marginal loans with financial relief from such loans under a specified limit. The scheme was also considered as a policy instrument to decrease farmer suicides, improve credit worthiness and stimulate investments in agriculture. The scheme was the move to enhance the financial resilience of the agricultural community and provide inclusive growth in the rural economy.

But it has been the subject of criticism among economists, policymakers, and rural development practitioners regarding the effectiveness and long-term sustainability of such loan waiver schemes. Others contend that loan waivers can provide only temporary relief to farmers, and do not resolve the root causes of agrarian distress, and they may also

be a drain on the financial health of lending institutions and state budgets. Further, on what basis will the beneficiaries be identified, how soon will the funds be disbursed, are all political rhetoric that are causing concerns on the mechanisms of implementation. Geographically, the present study centers on Nagpur district, which is predominantly agricultural and has a significant number of beneficiaries of the Mahatma Jyotiba Phule Shetkari Karj Mukti Yojana.

The study also analyses whether improvement in agricultural productivity, better access to institutional credit and increase in livelihood were also seen among the beneficiaries due to MJPSKMY or not. The study attempts to bridge the gap in policy implementation by analyzing the value chain of agricultural support policies and operating directions through quantitative and qualitative performance parameters and provide recommendations for overcoming it. The study also strives to collect perceptions from diverse stakeholders — farmers, bank officials, as well as representatives from government agencies — in an attempt to paint a multi-faceted picture of the scheme's practical consequences. As the Nagpur district comes under the agronomically important Vidarbha region, it makes an ideal study as it consists of various agricultural practices and a history of farmers' debt.

In short, this is more than a financial analysis of the loan waiver — it is a comprehensive assessment of its impact on rural development. It aims to add to the academic and policy discussions concerning agricultural loan waivers and offer insights that could inform policy reform in the agrarian credit domain to foster sustainable and equitable development in rural India.

2. LITERATURE REVIEW

Over the years, agriculture credit and loan waiver has been a topic of much academic discussion. Many researchers have studied the financial, social, and policy effects of such schemes in the Indian context.

Thirupathi (2013): "A Study on the Financial Performance of Primary Agricultural Cooperative Credit Societies in Mettur Taluk of Salem District." This research highlighted the operations of the primary agricultural cooperative credit societies while analyzing the operational efficiency and financial sustainability of the societies at ground level. In overlaid context, Kishore (2012:174) stressed the need for integrated rural credit in India through streamlining institutions to raise the productivity in agriculture.

Sharma (2012) argues whether agricultural loan waivers can be treated as a sort of social justice claim while Anand (2009) counter that the loan waivers are populist policies creating a social rift with limited returns. How their works highlight the possible negative effects of loan waivers on credit discipline and subsequent lending behavior John et al. From a policy perspective, Sharma et al. (2010) also analyzed farm loan waivers, judging them as a cure for rural distress or a continuation of dependence on the government and burdening it with an additional fiscal liability.

The studies on cooperative banks include the studies conducted by Soni and Saluja (2012) and Bhardwaj et al. (2011) analyzed the agrocredit delivery model through these institutions and found organizational and operational level challenges. These insights are pertinent to our understanding of how institutions are facilitators (or otherwise) in executing loan waiver schemes at scale. Ramkumar (2011) reported that recent trends in agricultural credit have shown a gradual increase in the orientation in the flow of credit and the growing importance of commercial banks in credit delivery to the agricultural sector.

The Economic and Political Weekly (2008) Paramasivan (2008) and Vishwanath (2008) were crucially works focusing critical on studying the lending and repayment performances of cooperative banks - the former works largely highlighted Karnataka and the overarching cooperative credit infrastructure. These findings underline the importance of institutional strengthening along with any loan waiver intervention.

At the global level, Okerhe Joseph (n.d.) examined credit risk management in agricultural lending systems in the Nigerian economy, inducing comparative analysis of agricultural credit risk management patterns by developing countries under a liberalized economy.

Finally, Satish (2010) recommended reestablishing Regional Rural Banks (RRBs)/Rural Banks (RBs) as the main agencies for agricultural credit delivery in India, considering the need for institutional resizing for the effectiveness of the credit delivery system along with smoother loan disbursement and recovery procedures.

These contributing scholarly elements are the basis for an appraisal of the Mahatma Jyotiba Phule Karj Mukti Yojana, particularly as it applies to the unique socioeconomic and institutional environment of the Nagpur district. They underscore the complex interaction of type of credit delivery mechanism, policy formulation, farmer behavior, and

institutional accountability that is central to understanding the successes and failures of agricultural loan waiver programs.

2.1. OBJECTIVES OF THE STUDY

- 1) To evaluate the awareness and accessibility of the scheme among farmers.
- 2) To assess the socio-economic impact of the loan waiver scheme on beneficiary farmers.
- 3) To compare the financial status of farmers before and after receiving the loan waiver.

Hypothesis

Hypothesis (H₁): There is a significant difference in the financial status of farmers before and after receiving the Mahatma Jyotiba Phule Karj Mukti Yojana loan waiver in Nagpur district.

Null Hypothesis (H₀): There is no significant difference in the financial status of farmers before and after receiving the Mahatma Jyotiba Phule Karj Mukti Yojana loan waiver in Nagpur district.

3. RESEARCH METHODOLOGY

To critically analyze the efficacy of Mahatma Jyotiba Phule Shetkari Karj Mukti Yojana (Agricultural Loan Waiver Scheme) in Nagpur district, the present study employs a descriptive research design. This encompassed both primary and secondary sources of data to facilitate a well-rounded overview of the impact of the scheme. A structured questionnaire was formulated and data was collected directly from the sample farmers who availed the loan waiver. The study utilized purposive sampling to ensure beneficiaries of the scheme were selected. Data was collected using a questionnaire containing open and close-ended questions as well as questions based on the Likert scales to assess the socio-economic status, agricultural productivity, and financial condition of farmers before and after availing the loan waiver. This was largely supplemented by the collection of secondary data from government reports, cooperative banks, financial institutions and peer-reviewed journal articles. Descriptive and paired t-test analysis were performed to obtain the changes in farmers' financial status. The research approach was thought to provide a systematic critique of the results of the loan waiver programme and its effectiveness in dealing with agrarian distress.

Table: Descriptive Statistics – Financial Status of Farmers Before and After Loan Waiver

Variable	N	Mean	Standard Deviation	Minimum	Maximum
Income Before Loan Waiver (₹/month)	100	9,500	2,100	5,000	15,000
Income After Loan Waiver (₹/month)	100	12,000	2,300	6,000	17,500
Debt Level Before Waiver (₹)	100	75,000	15,000	50,000	1,10,000
Debt Level After Waiver (₹)	100	25,000	10,000	10,000	45,000
Farm Investment Before Waiver (₹)	100	20,000	6,500	5,000	35,000
Farm Investment After Waiver (₹)	100	33,000	7,800	15,000	50,000

The descriptive statistics of table 2 of study indicates that there are most significant changes in financial status of farmers of Nagpur district on comparing the period before and after the Mahatma Jyotiba Phule Karj Mukti Yojana loan waiver. The average monthly income of farmers fared much better and saw an uptick from ₹9,500 before the waiver to ₹12,000 after which demonstrates increased financial liquidity and better earning potential for farmers post-loan waiver. The average debt also came down from ₹75,000 to ₹25,000, indicating that the scheme has had a positive impact on the debt burden of farmers.

Also, average investments in farms before the waiver were ₹20,000, which increased to ₹33,000 after the waiver, according to the data. The waiver is said to have allowed farmers to devote more resources in improving and expanding their farms (x). Skills improvement was moderate with respect to all financial indicators as shown by the standard

deviations implying that the farmers benefited from the training but the extent of improvement differed between farmers.

In general, the descriptive analysis strengthens our initial observation that the waiver had a positive effect on farmers' welfare, and serves as a robust basis for additional statistical testing of the hypothesis.

Paired Samples Statistics

Pair	Mean (Before)	Mean (After)	N	Std. Deviation (Before)	Std. Deviation (After)	Std. Error Mean
Financial Status	42,500	58,300	100	12,400	15,300	1,940

Paired Samples Correlations

Pair	N	Correlation (r)	Sig. (2-tailed)
Financial Status	100	0.74	0.000

Paired Samples Test

Pair	Mean Difference	Std. Deviation	Std. Error Mean	t	df	Sig. (2-tailed)
Before - After Loan Waiver	-15,800	9,200	920	-17.17	99	0.000

The Inferential findings reveal a significant difference in the financial status of the farmers before and after extending the Mahatma Jyotiba Phule Karj Mukti Yojana under Nagpur district. Farmer financial health was ₹42,500 before waiver, ₹58,300 after waiver. The mean difference of ₹15,800 is significant and the t-value of -17.17 with 99 degrees of freedom indicates a high level of significance. The fact that the p-value is 0.000 (lower than 0.05, the usual alpha level), indicates that this difference is statistically significant, not due to randomness. Additionally, the strong correlation value of 0.74 between those paired samples indicates a solid relationship between the two conditions. The null hypothesis (H_0) is rejected in the form of meaningful impact of loan waiver scheme on beneficiary farmers in Nagpur district.

4. DISCUSSION

Here are some examples of what could serve as the basis for discussion:14 Arora, G., P A Chaturvedi, A. (2018). The Paired Samples t-Test outcomes confirmed a significant improvement in the financial status of farmers after loan waiver which means the intervention showed a good impact on the economy of the loan beneficiaries.

This is consistent with a number of previous studies that find agricultural loan waivers to be a useful short-term remedy to reduce the debt burden and provide farmers with much-needed liquidity (e.g. Thirupathi, 2013; Kishore, 2012). The significant increase in mean financial scores after the waiver indicates that farmers were able to better manage their expenses, likely acquire agricultural inputs, and meet household needs without the pressure to repay loans.

But the immediate monetary gain is clear, while doubts still linger on the sustainability of these schemes. Data from literature review (Sharma 2012, Anand 2009) highlights an inherent risk of moral hazard and that recurrent waiving may dissuade loan repayments, questioning the fabric of institutional credit systems. Moreover, these schemes do nothing to solve the structural problems in agriculture. The most important are market volatility, absence of irrigation and low crop insurance.

In addition, the study highlights regional efficacy. Positive results have been seen in Nagpur but similar outcomes cannot be ensured in other districts due to differing socio-economic and agricultural conditions. The effectiveness also hinges on co-ordination of timely implementation and disbursement of the waiver benefits, beneficiaries' awareness around it and complementary policy support.

While the Mahatma Jyotiba Phule Karj Mukti Yojana may provide some relief from loan debtors in the short term, a balanced macroeconomic policy juxtaposing loan relief with sustainable agricultural support services for the economy

and farmers is vital. This would provide debt relief in the short term and agricultural and financial stability in the long term for the farming community.

5. OVERALL CONCLUSION OF THE STUDY

The current research critically examined the effect of Mahatma Jyotiba Phule Karj Mukti Yojana on the financial status of the farmers in the Nagpur district. This clearly shows from their findings that the loan waiver scheme has played a remarkable role in improving the financial condition of the beneficiary farmers statistically. The results of the Paired Samples t-Test revealed a significant difference between the economic status of farmers prior to and after the implementation of the scheme, and thus established the validity of the hypothesis.

This scheme proved as effective measure for short term as it contributed to some extent in reduction of debt and restoration of balance for the farmers. Most of the respondents claimed that they were better placed to afford agricultural inputs, meet household demand and lessen loan repayment tension. However, even as the study notes the positive short-term effects of the scheme to eradicate loans, it acknowledges that mere loan waivers are not the long-term solution to the deeper rot in the agricultural sector.

The study highlights the necessity for a more comprehensive approach to rural credit and agricultural development—integrating financial resources with enhanced access to markets, infrastructure, irrigation systems, agricultural insurance, and farmers' skill development. Additionally, the research argues for close supervision, implementation with complete openness, and changes in policy to guarantee the viability and adequacy of such initiatives going forward.

It can be concluded that Mahatma Jyotiba Phule Karj Mukti Yojana has improved the financial condition of farmer beneficiaries in Nagpur district. Yet, for sustainable agricultural growth and rural prosperity, it has to be complemented with a broad and inclusive agrarian policy to address immediate financial distress of farmers as well as long-term development needs.

CONFLICT OF INTERESTS

None.

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