

Farm-loan waiver: With banks demanding repayment, States face a hard toil ahead

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Following their farm-loan waiver promises, Uttar Pradesh and Telangana have fully paid the banks their dues, while Maharashtra and Punjab have paid them partially.

However, Madhya Pradesh, Chhattisgarh and Rajasthan are likely to face a challenge in February on the farm-loan waiver front.

Banks that have not had their farm loans repaid by February will start raising demands, said a senior government official here, pointing out that they can lend further only if the money lent earlier is repaid.

Normally, States stagger loan waivers over 3-5 years. “The exchequers of some of the States are not in good

shape. It is not easy for them to pay the instalments due for the current fiscal,” the official said.

When the repayment is overdue by 90 days, it becomes a non-performing asset (NPA).

Thus, if the payments by the State governments are delayed, the loan accounts become NPAs, making it difficult for the borrowers to get fresh loans.

Capex hits

Also, it is feared that financially weak States will be left with little to spend on development.

A study by India Ratings said that during periods of fiscal adjustment, like the one that is bound to arise due to farm-loan waivers, capital expenditure becomes a soft target for deficit control.

This has already been witnessed in the cases of Maharashtra, Rajasthan and Karnataka, which had announced farm-loan waivers outside the Budget in the 2017-18 fiscal year.

Despite their revenue receipts surpassing the budgeted amount, these States could not keep the revenue deficit at the budgeted level, as the loan waivers led to a rise in revenue expenditure.

“Rajasthan and Karnataka reduced their capex by 12 per cent and 2.5 per cent, respectively, to offset the increased revenue expenditure, but these States still failed to keep the fiscal deficit at the budgeted level. Meanwhile, in Maharashtra, capex saw a contraction despite fiscal

deficit/GSDP being lower than the budgeted figure,” the study said.

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