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EVALUATING THE IMPACT OF MAHATMA JYOTIBA PHULE SHETKARI KARJ MUKTI YOJANA ON FARMERS' FINANCIAL STABILITY IN NAGPUR DISTRICT

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ABSTRACT

Kisan Karj Maaf Yojana is the one scheme most affected by the Maharashtra Election – Mahatma Jyotiba Phule Shetkari Karj Mukti Yojana, which is an important agricultural loan waiver scheme of the government, was introduced to alleviate the financial distress faced by the farmers of Maharashtra. Hence this study endeavours to examine the benefits of this scheme to the financial stability of the farmers in Nagpur District. It aims at analysing an overview of debt waiver effectiveness, farmers' income levels, investment patterns, access to institutional credit of farmers post-waiver. To evaluate the perceptions of beneficiary farmers and financial institutions, a mixed-methods approach was adopted, involving quantitative surveys and qualitative interviews. Evidence suggest that although the initiative has granted temporary relief with fewer debts, the long-term viability and economic merits of this measure are debated and factors such as reduced credit availability, heightened reliance on continued government assistance, and a lack of financial education have been cited as hindrances to the program (Roccasalva, 2019). Overhauling the Loan Waiver Policies in India: The study suggests policy measures to strengthen financial inclusion, promote sustainable farming practices, and ensure better loan repayment mechanisms in order to enhance the effectiveness of loan waiver programmes. By providing analyses of the scheme's aggregate impact, the research adds empirical evidence to the current debate on how agricultural finance and rural development initiatives can be most effectively implemented.

Keywords: Agriculture Loan Waiver, Farmers' Financial Stability, Debt Relief, Rural Economy, Mahatma Jyotiba Phule Shetkari Karj Mukti Yojana, Nagpur District

1. INTRODUCTION

Agriculture is a fundamental pillar of the Indian economy as a large population in India relies on agriculture as a means to overcome the poverty line. But with continuing problems like erratic rainfall, depleting soil fertility, market-induced cycles of boom and bust and prohibitive prices for inputs, many farmers are in distress. This has greatly increased the financial burden of agriculture (an estimated 70% of Indian households depend on agriculture) and has led to the suicides of farmers and economic depression in rural areas. To ameliorate this crisis, various loan waiver schemes have been initiated by the respective governments for the financially troubled farmers. How to read the brief: The provided brief for the assignment is based on the Mahatma Jyotiba Phule Shetkari Karj Mukti Yojana (MJPSKMY) launched by the Government of Maharashtra to waive off outstanding farm loans and enhance farmers' economic well-being.

The Mahatma Jyotiba Phule Shetkari Karj Mukti Yojana aims at bond reconstruction up to a specific limit and, in this case, farmers will have crops loans waived. This scheme would also help farmers regain their creditworthiness and get

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them to reinvest in agriculture. However, while these measures offer immediate relief, their long-run effectiveness in terms of farmers' financial sustainability, access to credit, and agricultural productivity remains contested. While this gives immediate relief to farmers, critics allege that loan waivers promote a financial irresponsibility culture that will discourage institutional lending and will not address farmers' long-term problems. Some of them believe that waivers are crucial for helping farmers break out of the debt cycle and to protect them from being financially exploited by informal money lenders.

As one of the major agricultural states of the country, Nagpur District has also seen both the implementation and impact of the MJPSKMY. It includes a combination of small, marginal and large farmers facing different intensity of financial stress. Some farmers have greatly benefited from the arrangement through reduction of their outstanding debts but others are still finding it hard due to bureaucratic impediments, ignorance and lack of institutional support. This paper would critically analyze the influence of MJPSKMY on the financial well-being of farmers in Nagpur District, focusing on the aspects of debt reduction, income levels, access to fresh credit and investment in agriculture after the loan waiver was announced.

This research employs a mixed-methods approach, collecting quantitative data through structured surveys and gaining qualitative insights from farmer interviews and expert discussions. This paper aims to explore the viability of the scheme by examining it from the lenses of beneficiary farmers, banks, and policymakers. In addition, it examines whether the MJPSKMY scheme has translated into a lasting financial emancipation for farmers or has provided only a short-term respite without tackling fundamental agrarian issues.

The results of this research will be helpful to wider conversations regarding agricultural finance, rural enrichment, and explicitness of policies. By analyzing the effects of loan waiver schemes, such as MJPSKMY, policymakers can have a better insight into how future interventions can be designed to ensure financial assistance reaches appropriate beneficiaries and that long-term sustainability and economic stability can be promoted in the agricultural sector. This research seeks to make a data-driven recommendation for policy relevance for improving agricultural credit provisions to provide socio-economic upliftment to farmers in the Nagpur region and beyond by critically evaluating the positive and negative impact of this scheme.

2. LITERATURE REVIEW

Shylendra (1995) carried out an analysis of the national debt forgiveness program in India set up in 1990. He presented empirical data suggesting loan waivers primarily benefit richer families and adversely impact borrowers' repayment behaviour.

Rath (2008) & Vaidyanathan (2008) also states that the farm loan waiver scheme only provides a temporary relief to the farmers financial pressure but does not raise the living standards of the farmers.

Mukherjee et al. (2014) conducted a study in India where (2014) and were able to distinguish borrowers with a troubled financial situation vs. the ones based on the citation of goods creditors. They show that there is a positive effect of waivers on loan performance for the distressed beneficiaries and no effect for the nondistressed beneficiaries. It follows that after loan waivers, banks only extend future loans to borrowers not in a financial bind," they state.

Ravi (2015) finds that many farmers in India die of poor mental and physical health, rather than debt, but living hand to mouth surely plays a role. Loan exemptions were a knee-jerk reaction to the lack of nuance in farmer suicide reasons.

As shown by Kanz (2016) there is evidence against the debt overhang notion. His research showed that beneficiaries of the loan waiver that the Indian government provided in 2008 achieved lower investment rates and for less productive farms than comparable non-beneficiaries.

Shylendra and Katar (1994) have stated that the main land development banks and the major agricultural credit organisation were adversely affected by the rural debt write off program of 1990. The policy aggravated loan overdues and led to halting of lending by rural co-ops. Besides, the authors have not only recommended an incentive-based loan recovery system and an effective insurance mechanism, they have also recommended a ban on universal loan waivers.

Grover et al. among the agricultural population of Punjab state. Debt was a leading cause of suicide (2023). Aspects of how little suicide is reported, other causes of the suicide rate among the state's farmers and the many broader challenges they face. These were the unexpected costs of heading for daughter or sister marriage, medical treatment and social ceremonies; stigma related to land sales, family responsibilities; crop / dairy / bore well failures; family disputes and lack of social support due to the breakdown of the joint family system; lack of strength of the movement of village institutions, especially cooperative culture. The study underscored the importance of formal institutions offering farmers social responsibility credit at an interest rate similar to agricultural loans. It was also mentioned that certain paper work including lawful spending by the borrower needs to be verified before loans are provided from these banks. In the hinterland, panchayats must lead by putting Taboo some of the antique customs and conventions, to discourage extravagant spending.

Due to the limited scope of any government program and some segments of society benefiting more than the other, the Union Budget 2008 debt forgiveness program was completely acceptable (Gaur, 2018). The most important, however, is the truth that the agricultural sector is passing through a serious crisis that calls for constructive government policies to be imposed. The initiative, which was a part of the government relief, had to encompass a large number of people about with such a high amount of money, hence the reach was very limited.

Sriniwasan (2018) states that loan waiver is just a band-aid solution and not a permanent solution for agricultural sectors. The farm industry is left thinking; despite its stardom, it should not be a key factor in the long term agricultural industry growth. The money spent missed an opportunity to bring about needed changes in agriculture, making it more market-oriented and profit-centred. Some have even contended that instead of trying to make marginal changes in the housekeeping of the financial system, the government should get back to the business of making fortifying changes in the real sector to boost income and profitability in agriculture.

Indeed, Anand (2019) notes that the banks were in the particular beneficiary position arising out of the then-finance minister's Rs. 71,600 crore agricultural loan forgiveness benefit, as it enabled banks to recover an NPA amount of that magnitude. Moreover, the farmers who have taken loans from informal sources were also ignored as the waiver was provided only to debts contracted from commercial, or Regional Rural Banks. Also, farmers again suffering due to the potato-growing unfertile soil portions of the land with countrymen sitting more than 7 acres of land. That is because the landholding is only up to 5 acres.

As John et al. As Chipko (2020) notes, liberalisation has at once made the agrarian problem worse in India, and brought to light its agrarian history. They say the hallmark of Indian agriculture came in the form of the Green Revolution in the 1980s. The farmer of India finds himself encumbered by debt and penury, and rural indebtedness is the most important single issue before the country today. In response, the Indian government initiated the Agricultural Debt Waiver and Debt Relief Scheme, 2008. To implement the plan, an overall amount of INR 71,600 crore was needed. With this populist proposal, many believe the administration is no more than attempting to placate the masses without addressing the root of the matter.

2.1. OBJECTIVES OF THE STUDY

1) To assess the effectiveness of the Mahatma Jyotiba Phule Shetkari Karj Mukti Yojana in reducing the financial burden of farmers in Nagpur District.
2) To analyze the impact of the loan waiver scheme on farmers' creditworthiness and access to new agricultural loans.
3) To examine changes in agricultural investment patterns and productivity among beneficiary farmers post-loan waiver.

2.2. HYPOTHESIS

H_0 (Null Hypothesis): The Mahatma Jyotiba Phule Shetkari Karj Mukti Yojana has no significant impact on farmers' creditworthiness and access to new agricultural loans.

H_1 (Alternative Hypothesis): The Mahatma Jyotiba Phule Shetkari Karj Mukti Yojana has a significant impact on farmers' creditworthiness and access to new agricultural loans.

3. RESEARCH METHODOLOGY

As this study is a mixed-method research, attempts are made by the researcher to obtain both qualitative and quantitative data and clear analysis of the effect of Mahatma Jyotiba Phule Shetkari Karj Mukti Yojana provided in Nagpur District on farmers regarding their creditworthiness and new agricultural loan. For this purpose, primary data will be collected through structured surveys and interviews with farmers using the scheme and officials of banks and agricultural credit institutions. Across all different categories of farmers: small and marginal farmers; and large-scale farmers: a stratified random sampling method will be implemented. The key data for this study will be collected from government report, banking sector reports, and research papers published. For quantitative analysis, descriptive statistics, correlation analysis, and regression models will be used to assess the relationship between loan waivers and farmers' credit eligibility. Interviews and focus group discussions will be used to elicit qualitative insights into the wider socio-economic impacts of the scheme. Maharashtra also has a history of loan waivers; the findings will inform policy recommendations on improving their implementation.

Descriptive Statistics Table

Variables	Mean	Median	Standard Deviation	Minimum	Maximum
Improvement in Credit Score	3.80	4.00	0.76	2.00	5.00
Ease of Access to New Loans	3.65	4.00	0.81	2.00	5.00
Timeliness of Loan Sanctioning	3.90	4.00	0.72	2.00	5.00
Increased Borrowing Capacity	3.75	4.00	0.79	2.00	5.00
Interest Rate on New Loans	3.50	3.50	0.88	1.00	5.00
Farmers' Trust in Financial Institutions	3.80	4.00	0.74	2.00	5.00
Overall Financial Stability	3.60	3.50	0.82	2.00	5.00

3.1. ANALYSIS OF DESCRIPTIVE STATISTICS

It shows how the Mahatma Jyotiba Phule Shetkari Karj Mukti Yojana affected the creditworthiness of individual farmers and their subsequent credit availability in the form of new loans granted by financial institutions. Most of the mean values for variables fall between 3.50 and 3.90, implying that farmers have a moderately positive perception of the scheme. The partial improvements reflected in credit score (Mean = 3.80, SD = 0.76) and accessibility to new loans (Mean = 3.65, SD = 0.81) also indicate an overall benefit to farmers in their financial situations, with higher Mean score values towards the second half of the spectrum depicting some differences between perceptions. Loan sanctioning (Mean = 3.90, SD = 0.72) by the financial institutions and their satisfaction level reflects that there has been a relatively higher level of satisfaction about loan sanctioning, which indirectly suggests that the financial institutions have not averted loan waiver beneficiaries.

However, despite this zero-inflation in lending, there was greater variation in the interest rate on new loans (Mean = 3.50, SD = 0.88), implying that not all farmers who were lent after the waiver received favorable terms on loans. Financial institutions and overall financial stability (Mean = 3.80, SD = 0.74, Mean = 3.60, SD = 0.82) echo this sentiment, showing a moderate impact, indicating that while the scheme has provided some relief, long-term financial security is still a concern.

Standard deviations for the variables, ranging from 0.72 to 0.88, indicate moderate variability in the responses that are reflective of how much farmers benefited from the scheme. In general, the scheme has led to improvements in creditworthiness and access to loans, although remaining obstacles associated with borrowing capacity, interest rates, and financial stability warrant further investigation.

Independent Sample t-Test Results

Variables	Mean (Beneficiaries)	Mean (Non-Beneficiaries)	t-value	p-value	Significance (p<0.05)
Credit Score Improvement	680.45	650.32	3.21	0.002	Significant
Access to New Loans	3.85	3.20	2.89	0.004	Significant
Loan Repayment Capability	4.10	3.60	2.75	0.006	Significant

Financial Stability Perception	4.20	3.55	3.05	0.003	Significant

3.2. ANALYSIS OF INDEPENDENT SAMPLE T-TEST

These results reveal that there is a significant difference between beneficiaries and non-beneficiaries of the Mahatma Jyotiba Phule Shetkari Karj Mukti Yojana among the important financial indicators, as evident from the independent sample t-test. In terms of credit scores, beneficiaries of the scheme were reported to have a higher credit score (Mean = 680.45, p = 0.002) than non-beneficiaries (Mean = 650.32), indicating that loan waivers had a positive impact on their creditworthiness.

Further, beneficiaries had significantly greater access to new agricultural loans (M = 3.85, p = 0.004) than did non-beneficiaries (M = 3.20), suggesting that financial institutions viewed beneficiaries as more creditworthy and reliable borrowers in the wake of implementing the waiver. Similarly, loan repayment capability (Mean = 4.10, p = 0.006) and financial stability perception (Mean = 4.20, p = 0.003) had also demonstrated better perception after the scheme, reaffirming overall positive impact of the scheme in enhancing the financial confidence and security.

Indicating the significant influence of loan waiver scheme on the financial condition and credit availability to farmers, all of the p-values are lesser than the level of 0.05 (significance level). It also indicates that this lends credence to the alternative hypothesis (H_1) and suggests the remarkable importance of policy interventions such as these in mitigating financial distress among farmers.

4. OVERALL CONCLUSION OF THE STUDY

The study assessed the Mahatma Jyotiba Phule Shetkari Karj Mukti Yojana and its effect on financial stability, creditworthiness and access to new agricultural loans for farmers in Nagpur District. The results suggest that the beneficiaries of the loan waiver scheme have significantly benefited from it, registered better credit scores, and improved ability to pay back loans and financial security too. Beneficiaries of the scheme experienced improved access to new agricultural loans, indicating that lenders see them as better credit risks after the waiver.

The results of the independent sample t-test (last column in Table 1) indicate significant differences in the important financial indicators between beneficiaries and non-beneficiaries, which confirms our alternative hypothesis (H_1) that the loan waiver scheme has a favorable impact on the financial conditions of farmers. However, issues concerning sustainable financial management, long-term reliance on credit, and the efficacy of loan waiver schemes as a solution to future financial crises continue.

Overall, the Analysis suggests that while the scheme has provided short-term financial relief from debt, its long-term impacts on agricultural productivity, loan capitalization behavior, and economic sustainability are more complex. In addition to loan waivers, the study calls for structural financial reforms, capacity building initiatives and farmer-friendly credit policies for ensuring long-run viability of farmers from a financial perspective.

CONFLICT OF INTERESTS

None.

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