

# WAIVER OF AGRICULTURAL LOANS: SOCIAL JUSTICE OR A TRAVESTY THEREOF?

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## I. INTRODUCTION

The last day of February is an exciting time for people who are part of the capitalist sector in India. It is when the Wizard of Central Government Ministry, or the Finance Minister of the Union government, announces the budget for the next financial year. In the 2008 “populist” budget, a centerpiece was the Rupees (Rs) 60,000 crore (equal to ten million) offer to completely write off the bank debts of farmers with two hectares or less (almost five acres) and to provide a twenty-five percent rebate against the one-time settlement (OTS) of debt for farmers with over two hectares.<sup>1</sup> In the midst of a global financial crisis, this gift from the Finance Minister to the farmers in the form of an agricultural debt waiver actually resulted in a boon for banks. Because of this agricultural waiver, the government provided liquidity to the banks in an amount up to 60,000 crore,<sup>2</sup> so the banks could recover Rs 60,000 crore worth of Non-Performing Assets

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1. Shri P. Chidambaram, Minister of Finance, Indian Budget Speech 2008-09 (Feb. 29, 2008), ¶ 73, *available at* <http://www.banknetindia.com/banking/budget08.htm>; Press Release, InfoChange India, Budget 2008: Rs 60,000 Crore Debt Relief for Farmers (Mar. 1, 2008), *available at* <http://infochangeindia.org/200803026960/Governance/News/Budget-2008-Rs-60000-crore-debt-relief-for-farmers.html>.

2. *See* Press Release, InfoChange India, *supra* note 1.

(NPAs). Without the debt waiver, the banks were not in a position to get those loans back through repayment.<sup>3</sup> An opposition party, the Bharatiya Janata Party, accused the United Progressive Alliance (UPA) party of trying to sway the votes of farmers, a major voting population, with the agricultural debt waiver and the opportunity to obtain fresh loans from the bank.<sup>4</sup> The announcement was made just a year before the assembly elections and right before the legislative assembly elections in some states (like Karnataka).<sup>5</sup>

To put the size of this support scheme into perspective, the Finance Minister and the Central UPA Government proposed to waive all farm loans disbursed (to small and marginal farmers) through March 31, 2007.<sup>6</sup> The total value of overdue loans under the waiver was estimated at Rs 50,000 crore, and three crore small and marginal farmers were projected to benefit from that proposal.<sup>7</sup> In addition, the UPA government also announced the OTS scheme for other farmers, under which they would have 25% of their outstanding loan forgiven if 75% was paid.<sup>8</sup> Another one crore farmers were expected to benefit from that offer.<sup>9</sup> However, the Finance Minister Mr. P. Chidambaram specified in the budget announcement that only agricultural loans “disbursed by scheduled commercial banks, regional rural banks and cooperative credit institutions up to March 31, 2007 and overdue as on December 31, 2007,” were covered under the scheme.<sup>10</sup> This debt waiver and debt relief scheme was to be implemented quickly too, with implementation to be completed by June 30, 2008.<sup>11</sup>

The relief package expanded the recommendations submitted by the Expert Group on Agricultural Indebtedness (EGAI), chaired by Professor R. Radhakrishna, which was set up by the Ministry of Finance in August of 2006.<sup>12</sup> One recommendation was that repayment of farm loans be rescheduled, new loans be disbursed, and interest be waived for up to two years regardless of the length of the loan if the farmer was affected by a “natural calamity.”<sup>13</sup> The responsibility

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3. *See id.*

4. *See Budget 2008: Reactions from Political Parties*, SARKARITEL.COM, Feb. 29, 2008, [http://www.sarkaritel.com/news\\_and\\_features/feb08/29budget\\_reaction.htm](http://www.sarkaritel.com/news_and_features/feb08/29budget_reaction.htm) [hereinafter *Reactions*]; Press Release, InfoChange India, *supra* note 1.

5. *Reactions, supra* note 4.

6. Chidambaram, *supra* note 1.

7. *Id.*

8. *Id.*

9. *Id.*

10. *Id.*

11. *Id.*

12. DEP'T OF ECON. AFFAIRS, INDIAN MINISTRY OF FINANCE, REPORT OF THE EXPERT GROUP ON AGRICULTURAL INDEBTEDNESS 99 (2007), available at <http://www.igidr.ac.in/pdf/publication/PP-059.pdf> [hereinafter EXPERT GROUP REPORT].

13. *Id.* at 3 (noting natural calamity includes floods and cyclones).

to finance such recommendations was put on the central and state governments who had previously developed relief programs for such situations.<sup>14</sup> The UPA government made such relief available to farmers with loans despite lack of weather-related loss.<sup>15</sup> This was unprecedented—interest waivers had been recommended and done before, but never complete waivers of loans.<sup>16</sup> This extreme proposal was criticized for the risk posed to the entire Indian credit culture.<sup>17</sup> Lenders could be left with a high amount of NPAs if people took out more loans with no intention or ability to pay them back.

There are other faults to the proposed scheme which show the mistakes committed by the Union UPA government. The scheme has caused India to face problems at the international level. Developed countries that India had previously criticized for their agricultural subsidy supports during the Doha Round negotiations were given ammunition to retaliate against India's new support scheme for farmers.<sup>18</sup> "The Rs 60,000-crore farm loan waiver package has come under the scanner of world bodies such as [the] Organisation for Economic Cooperation and Development (OECD) and the International Food Policy Research Institute (IFPRI)."<sup>19</sup> Within the country, the farm debt waiver scheme also failed to cover all sections of farmers because of the two hectares limit. Instead, it may help some wealthy individuals and politicians who purchased pieces of land at cheap prices and declared and registered themselves as farmers.<sup>20</sup> This Essay will provide in-depth exploration of the agricultural loan waiver scheme and attempt to discern whether this scheme is an example of social justice or a travesty thereof.

## II. AGRICULTURAL DEBT WAIVER AND DEBT RELIEF

### A. *Is the Debt Waiver for the Farmers or for the Banks?*

Because of the announcement of a Rs 600 billion debt waiver, the banks had to waive a total of Rs 50,000 crore in agricultural loans issued to marginal

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14. *Id.*

15. *See* Chidambaram, *supra* note 1.

16. Posting of Gursharan Singh Kainth to ExpressIndia.com, <http://blogs.expressindia.com/showblogdetails.php?contentid=294090#> (Apr. 8, 2008, 15:14 IST).

17. *Id.*

18. *See* Arun S., *How 'Green' is Loan Waiver? Global Bodies Examine*, FINANCIAL EXPRESS, Mar. 20, 2008, <http://www.financialexpress.com/news/how-green-is-loan-waiver-global-bodies-examine/2> Stefani Germanotta 86406/ [hereinafter Arun S., *How 'Green' is Loan Waiver?*].

19. *Id.*

20. *See* Kainth, *supra* note 16.

farmers (holding up to one hectare) and small farmers (holding between one and two hectares) and overdue as of December 31, 2007.<sup>21</sup>

A one-time settlement scheme has been announced for other farmers, who will get a rebate of 25 per cent [sic] (amounting to Rs 10,000 crore or Rs 100 billion) against payment of the remaining 75 per cent [sic] of the loans. Banks will get reimbursement for the waiver over three years. The government, N[ABARD] and the Reserve Bank of India will work out the details of the scheme.<sup>22</sup>

Initially when the agricultural debt waiver scheme was announced, most bank shares dipped because Finance Minister Mr. P. Chidambaram only announced the relief package and did not mention whether banks would be required to finance it.<sup>23</sup> The government subsequently announced that it would “provide banks with ‘liquidity’ over the next three years,” even though no budgetary provision had yet been made for such support.<sup>24</sup> Following the clarification, “Bankex, the banking index of the Bombay Stock Exchange, gained 39.82 points or 0.40% to close at 10,113.73 . . . after losing 380 points or 3.77%.”<sup>25</sup> Fourteen of the eighteen bank stocks that constitute the banking index on the Bombay Stock Exchange rose.<sup>26</sup> For example, “Punjab National Bank gained 3.93% to close [at] Rs610.25, Canara Bank rose 3.56% to Rs278.10 and State Bank of India gained 3.48% to close at Rs2,109.70.”<sup>27</sup> Thus, the banks have benefited enormously from the waiver because the government’s package helped them remove the many overdue loan NPAs from their balance sheets.<sup>28</sup>

Commercial banks had a Rs 2.3 trillion exposure to the agricultural sector as of March 30, 2007.<sup>29</sup> If the loans from cooperative banks and regional rural banks (RRBs) are included, the total amount of agricultural loans were around Rs 3.62 trillion.<sup>30</sup> Therefore, “[c]ommercial banks [had] non-performing agricultural loans of more than Rs7,500 crore.”<sup>31</sup> However, industry estimates of agri-

21. BS Reporter in Mumbai, *Debt Waiver No Sweat for Banks*, REDIFF.COM, Mar. 1, 2008, <http://www.rediff.com/money/2008/mar/01budget4.htm>.

22. *Id.*

23. Anup Roy et al., *Poll Bonanza: Rs 60,000 cr Loan Waiver for Farmers*, LIVEMINT.COM, Mar. 1, 2008, <http://www.livemint.com/articles/2008/03/01002330/Poll-bonanza-Rs60000-cr-loan.html>.

24. *Id.*; see also Press Release, InfoChange India, *supra* note 1 (providing the Minister of Finance’s explanation of how the government would have to write off the farm debt through three years of payments to the banks).

25. *Id.*

26. *Id.*

27. *Id.*

28. *See id.*

29. *Id.*

30. *Id.*

31. *Id.*

culturally-related NPAs for cooperative banks and RRBs, which are major dispensers of farm loans, settle around Rs 31,000 crore.<sup>32</sup> Through this debt waiver scheme, banks in the midst of a global financial crisis were guaranteed Rs 600 billion over a period of three years.<sup>33</sup> Even if the commercial banks receive only twenty percent of the funding, the question arises: who are the real winners here—poor farmers or financial institutions?

#### B. *Did the Debt Waiver Scheme Cover Loans of All Kinds of Farmers?*

The second point to be considered is whether the debt waiver scheme benefited all sections of farmers with loans not only from commercial banks, cooperatives and RRBs, but also those farmers with loans from moneylenders and other informal sources. The waiver specifically includes only loans taken from the commercial banks, cooperative credit institutions, or RRBs.<sup>34</sup> What about the farmers who are in debt to informal sources?

The current proposal will cover less than 50 per cent [sic] of the total debt of farmers in India. In 2003, the government estimated the total debt of farmers at Rs 1.13 lakh crore. Farmers owed Rs 65,000 crore to formal institutions and Rs 48,000 crore to non-institutional agencies. The debt has gone up since [then]. The share of moneylenders in farmers' outstanding debt is the highest—53 per cent [sic]—in Andhra Pradesh, followed by Tamil Nadu (40 per cent [sic]), Rajasthan (37 per cent [sic]) and Punjab (36 per cent [sic]).<sup>35</sup>

A study by the National Bank for Agriculture and Rural Development (NABARD) Committee on Financial Inclusion showed that “51.4% of farmer households are financially excluded from both formal [and] informal sources. . . . Overall, 73% of farmer households have no access to formal sources of credit.”<sup>36</sup> Thus, nearly twenty-five percent of farmers borrow from moneylenders (arhtiyas), which are an informal financing source, that may charge between twenty-five and forty percent interest or more.<sup>37</sup> It is estimated that “[a]nother 15 per cent [sic] borrow from traders and are forced to sell their produce to them at lower rates while paying the same [high] rate of interest.”<sup>38</sup> Approximately ten

32. *Id.*

33. BS Reporter in Mumbai, *supra* note 21.

34. Chidambaram, *supra* note 1.

35. Richard Neha Sakhuja, *Budget 2008: No Relief to Agricultural Recession*, DOWN TO EARTH, Mar. 31, 2008, [http://www.downtoearth.org.in/full6.asp?foldername=20080331&filename=news&sec\\_id=4&sid=1](http://www.downtoearth.org.in/full6.asp?foldername=20080331&filename=news&sec_id=4&sid=1).

36. COMM. ON FIN. INCLUSION, NABARD, REPORT OF THE COMMITTEE ON FINANCIAL INCLUSION 2 (2008), available at [http://www.nabard.org/pdf/report\\_financial/Full%20Report.pdf](http://www.nabard.org/pdf/report_financial/Full%20Report.pdf).

37. Kainth, *supra* note 16.

38. *Id.*

percent of the informal loans are projected to have been borrowed from family members.<sup>39</sup> Hence, a major portion of farmers did not benefit from the debt waiver scheme, since they did not borrow from formal institutions.

One other genuine question arises: what happens to the farmers who paid their agricultural debt or are already paying regularly? Will they receive any benefit for their honesty and hard work? The debt waiver scheme was silent on that point. Poor farmers who either paid or were making regular payments in order to clear their debts did not get anything out of the scheme. Support for this excluded population should have been considered before the Finance Minister introduced the debt waiver scheme in the 2008 annual budget.<sup>40</sup> A final point makes the agricultural debt waiver scheme a complete disaster. The twenty-five percent rebate of loans available even to big farmers appears to serve the interests of the government officials who also earn hefty agricultural incomes.<sup>41</sup> Cheap land has been bought up across the country by wealthy individuals, who then register themselves as farmers (kissan).<sup>42</sup> Thus, when “[t]he government claims the proposal will benefit 40 million farmers, . . . [they] may not be the neediest ones, [since] the majority of the small and marginal farmers do not access credit from the formal sector.”<sup>43</sup> P. K. Joshi, Director of the National Centre for Agricultural Economics and Policy Research in Delhi stated, “The waiver will give some relief to roughly 35 per cent [sic] of small and marginal farmers and nearly 50 per cent [sic] of large farmers, mostly confined [to] favourable environment[s].”<sup>44</sup> The government has thereby minimized the scope of waiver and extracted the maximum political mileage out of it.

The biggest beneficiary of the agricultural loan waiver will be the state of Andhra Pradesh, where the loan waivers will benefit six million small and marginal farmers, or sixty percent of the total number of farmers in the state.<sup>45</sup> “The state is expected to get Rs 100-120 billion, [which is] around one-sixth of the package for the entire country.”<sup>46</sup> This high level of support for the area appears to have been more for political gain than for helping farmers. The poor states like Bihar, Rajasthan, Jharkhand, Madhya Pradesh and Chhattisgarh are not giv-

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39. *Id.*

40. See M. Sitarama Murty, *Loan Waiver Sends Wrong Message to Borrowers*, HINDU BUS. LINE, Mar. 3, 2008, <http://www.thehindubusinessline.com/2008/03/03/stories/2008030351121400.htm>.

41. Kainth, *supra* note 16.

42. *Id.*

43. Sakhuja, *supra* note 35.

44. *Id.*

45. India eNews, *Congress in Andhra Pradesh Hopes to Gain from Debt Waiver*, <http://www.indiaenews.com/pdf/101354.pdf> (last visited Sept. 15, 2010).

46. *Id.*

en this support. These states arguably have a more dire need than Andhra Pradesh.<sup>47</sup>

The waiver was also not sufficient because most of the benefit was given to farmers having two hectares, or five acres, of land or less.<sup>48</sup> This disadvantaged farmers who owned a medium-sized parcel of land but were still very poor. The average landholding size in Vidarbha was 7.5 acres, so as many as fifty percent of Vidarbha's farmers were above the five acre limit.<sup>49</sup> In reality though, this may not reflect the size of their farms. Vidarbha farmers "tend to have larger holdings as their land is unproductive and unirrigated."<sup>50</sup> Farmers in Yavatmal often own over ten acres but they can produce very little.<sup>51</sup> Even in Anantapur, Andhra Pradesh, many farmers will be excluded because of size.<sup>52</sup> By contrast, the farmers of Western Maharashtra will benefit greatly because their holdings are smaller, well-irrigated, and more productive.<sup>53</sup> Coincidentally, the Union Agriculture Minister, Mr. Sharad Pawar, maintains strong political support in Western Maharashtra.<sup>54</sup>

The section of farmers with over five acres were given a "one-time settlement" of their bank loans in the waiver scheme.<sup>55</sup> "[I]f they repay 75 per cent [sic] of the loan, they will be given a rebate of 25 per cent [sic]."<sup>56</sup> However, only very large farmers will gain from this because they are the only ones who can afford to pay the 75%.<sup>57</sup> Then, factor in those farmers with two hectares or less of land who did not receive formal institution credit, and only a small percentage of the total number of farmers benefit from the settlement and waiver.<sup>58</sup>

Even the few who did qualify gained much less than Western Maharashtra farmers did.<sup>59</sup> "The average crop loan in [that] sugarcane territory [was] Rs 13,000 per acre."<sup>60</sup> Drip irrigation is also utilized in that area, so farmers re-

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47. See, e.g., T.V. Mahalingam, *Rs 60,000-crore Waiver for Whom?*, BUS. TODAY, Mar. 18, 2008, [http://businesstoday.intoday.in/index.php?option=com\\_content&task=view&id=4384&Itemid=99999999](http://businesstoday.intoday.in/index.php?option=com_content&task=view&id=4384&Itemid=99999999).

48. Chidambaram, *supra* note 1.

49. P. Sainath, *Oh! What a Lovely Waiver*, INDIA TOGETHER, Mar. 11, 2008, <http://www.indiatogether.org/2008/mar/psa-waiver.htm>.

50. *Id.*

51. *Id.*

52. *Id.*

53. *Id.*

54. *Id.*

55. *Id.*

56. *Id.*

57. *Id.*

58. *Id.*

59. *Id.*

60. *Id.*

ceived an additional Rs 18,000 per acre.<sup>61</sup> Compare the cotton regions of Vidarbha; the farmers took out loans of just Rs 4,400 per acre.<sup>62</sup> The scale of the write-off for the relatively better-off farmers was much greater than for smaller farmers with less debt.<sup>63</sup> From a political angle, the Union Agriculture Minister Sharad Pawar's constituent base primarily benefited, while the farm base of the Congress in Vidarbha was shorted.<sup>64</sup>

The cut-off date of March 31, 2007, also worked against the Vidarbha farmers.<sup>65</sup> "Loans in the cotton regions are taken [out] between April and June. In the cane growing regions, they are taken [out] between January and March."<sup>66</sup> Therefore, Vidarbha farmer had one less year of loans waived than sugarcane growers in other regions.

### *C. Agricultural Loan Waiver and the WTO*

Up until now, the national impact of the agricultural debt waiver scheme has been examined, but if looked at from an international perspective, the situation may be even more critical. "The Rs 60,000-crore agriculture debt waiver and relief package may [have won] the government ballot points, but it could hurt India's bargaining power with the [developed countries] at the World Trade Organization (WTO)."<sup>67</sup> The timing of the loan waiver package announcement was poor, because it "coincided with the crucial stage of Doha Round negotiations, where India . . . demanded that developed countries drastically cut their multi-billion dollar 'trade distorting' farm subsidies."<sup>68</sup>

The OECD [was] keen to examine if the package [fell] under the category of trade-distorting farm subsidies in the 'amber box', which include price support subsidies. IFPRI [was] also closely studying the developments and . . . termed the package a 'subsidy', which would hurt Indian agriculture in the long-term.<sup>69</sup>

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61. *Id.*

62. *Id.*

63. *Id.*

64. *Id.*

65. *Id.*

66. *Id.*

67. Arun S., *Waiver Needs to be Sold to WTO First*, FIN. EXPRESS, Mar. 14, 2008, <http://www.financialexpress.com/news/waiver-needs-to-be-sold-to-wto-first/284182/#> [hereinafter Arun S., *Waiver Sold to WTO First*].

68. *Id.*

69. Arun S., *How 'Green' is Loan Waiver?*, *supra* note 18.



The WTO developed nations could now counter India's demands with the argument that the \$15 billion package was a huge farm subsidy.<sup>70</sup> In comparison, the level of subsidies in the U.S. was \$19 billion, while it was €57 billion in the European Union.<sup>71</sup> India's Commerce Ministry grappled with the issue of how to treat the loan waiver package so that it would be acceptable under the international WTO standards.<sup>72</sup> On the other hand, UPA leaders of the central government labeled the farm debt waiver a revolutionary step for India and a "divine gift" to the farmers by the Finance Minister.<sup>73</sup>

India has faced a lot of problems and criticism, especially by developed nations, because of this agricultural debt waiver scheme. In the course of this criticism, "Commerce and [I]ndustry [M]inister Kamal Nath . . . [fought] off suggestions from EU [T]rade [C]ommissioner Peter Mandelson that the loan waiver amounted to [a] subsidy."<sup>74</sup> Nath countered by stating that the "\$15 billion loan waiver was 'distress relief' and not a 'subsidy.'<sup>75</sup> In response to this denial, the Indian government has also hesitated to allow full-fledged analysis of its loan waiver by outside organizations. The OECD declared it would provide an update of the agricultural policy developments in India to be published in early 2009.<sup>76</sup> Preliminary analysis of the available budget and tariff information indicated that "the level of agricultural support for India would appear to be slightly below the OECD average but considerably higher than that for other emerging economies reviewed by the OECD."<sup>77</sup> The OECD also criticized the market price support and input subsidies in India's support scheme as being "the least efficient and the most trade distortive forms of support."<sup>78</sup> The IFPRI asserted that the support scheme was without a doubt a subsidy which would "adversely affect the culture of credit in the country."<sup>79</sup> The subsidies will also harm India's ability to obtain capital investments in agriculture, which produce returns at rates five to ten times higher than subsidies.<sup>80</sup> Additionally, "[a]gricultural input and output subsidies have [proven] to be unproductive, financially unsustainable, environmentally unfriendly, and contributed to increased

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70. Arun S., *Waiver Sold to WTO First*, *supra* note 67.

71. *Id.*

72. *Id.*

73. Press Trust of India, Union Budget a 'Divine Gift' to Farmers: Karuna (Feb. 29, 2008), <http://ibnlive.in.com/news/union-budget-a-divine-gift-to-farmers-karuna/60166-27.html?from=nextstory>.

74. Arun S., *Waiver Sold to WTO First*, *supra* note 67.

75. *Id.*

76. Arun S., *How 'Green' is Loan Waiver?*, *supra* note 18.

77. *Id.*

78. *Id.*

79. *Id.*

80. *Id.*

inequality among rural Indian states,” stated Ashok Gulati, Director of IFPRI Asia.<sup>81</sup> Alternatively, the argument that the WTO Agreement allows subsidies to small and marginal farmers has been raised in support of the agricultural debt waiver scheme.<sup>82</sup> Thus, the loan waiver is technically valid from the standpoint of the WTO.

However, various trade experts advised the agriculture ministry to rework the language of the waiver, suggesting that it be labeled an “income safety net” for poor farmers rather than a “loan waiver.”<sup>83</sup> “Such a redefinition would keep the scheme within a permitted set of subsidies, labeled ‘green box’ measures, instead of ‘amber box.’”<sup>84</sup> Further, it has been said that “without the redefinition, the country may need to offer more concessions to defend the debt waiver.”<sup>85</sup> As a result, India could lose out on the opportunity to bargain in future WTO negotiations for market access in developed countries.<sup>86</sup>

The agricultural debt waiver scheme also added fuel to the fire over other problems India was already facing at the international level. The WTO had sought details regarding India’s sugar subsidy in 2007 after Australia and Thailand complained to the regulatory body in Geneva.<sup>87</sup> In response to this accusation, the government cut the one-year extension of the subsidy in half.<sup>88</sup> With the introduction of the waiver, which has been labeled a subsidy by outside sources, the government may again be forced to cut back the support in the face of international pressure.

### III. CONCLUSION

After a thorough analysis of the agricultural debt waiver scheme, which was the major highlight of the Union Budget 2008-09, this scheme appears to be a total disaster. Such a waiver has not been successful at solving farmer debt crises in the past, and this one does not seem any different. It sets the wrong precedent for borrowing and extending loan credit, and it will have a dire effect on the nation’s financial stability. The government should have spent the resources allocated to this waiver on constructing warehouses, irrigation canals, rural roads, power and other rural infrastructure issues, from which farmers would have reaped greater benefits. In its current form, the waiver will do no

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81. *Id.*

82. *Id.*

83. *Id.*

84. *Id.*

85. Arun S., *Waiver Sold to WTO First*, *supra* note 67.

86. *Id.*

87. *Id.*

88. *Id.*

real good for most farmers in the short term or in the long term because bottom line—the sources of the farmers' problems remain.

Another major drawback of this agricultural debt waiver scheme is that it does not benefit every needy farmer. The Union government could have extended the waiver benefit to all farmers below the poverty line, for example. Economists have pointed out that the one-time measure, a seemingly quick-fix, will not lift the farmers from their inherited, systemic poverty,<sup>89</sup> because it does not address the central problem of agricultural credit and rural indebtedness. The recommendations from the EGAI under Radhakrishna called for an integrated set of measures to tackle the deepening agrarian crisis, and waiver was only suggested for identified districts with extreme distress.<sup>90</sup> By contrast, the small farmers benefiting from the waiver of their bank loans should not have been the utmost concern in the mounting agricultural crisis because they were the small percentage privy to formal institution lending. Additionally, the all-encompassing waiver scheme did not tackle the problem of stifling loans from rural moneylenders who account for more than fifty percent of the rural indebtedness.

The international criticism brought upon the Union government is another serious downside of the agricultural loan waiver scheme. The developing countries, led by India, were pushing to cut down on heavy subsidies to their farmers in the WTO negotiations, which disabled the developing countries' agricultural products from competing in developed countries' markets. They argued the developed countries' subsidies were against the WTO's principles of "free trade." Developing countries will now treat India as their foe in these subsidy debates due to the agricultural debt waiver scheme. This is a great diplomatic failure. Also, the developed countries will not likely be forced to cut down the heavy subsidies, so Indian traders will still be unable to enter the developed countries' markets. Further, different political parties in India have vocalized different statements regarding the scheme. The UPA government has called it historic because it fulfills the aspiration to do something about the financial agricultural crisis and claims to help the poor farmers.<sup>91</sup> But on the other hand, the opposition party has criticized it by saying that it is only for polling benefits in the upcoming general elections.<sup>92</sup> Writing off loans may not have any real beneficial effect on the areas and cultivators that have been affected the most by

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89. See *Big Karnataka Farmers Call Loan Waiver Discriminatory*, THAINDIAN NEWS, Mar. 1, 2008, [http://www.theindian.com/newsportal/business/Karnataka-farmers-22936\\_10022936.html](http://www.theindian.com/newsportal/business/Karnataka-farmers-22936_10022936.html) [hereinafter *Discriminatory*].

90. See EXPERT GROUP REPORT, *supra* note 12, at 1-10.

91. *Reactions*, *supra* note 4.

92. *Id.*

agrarian distress—it's "an attempt to cure the symptom and not the disease."<sup>93</sup> All this leads to the conclusion that the agricultural loan waiver scheme is not a social justice, but a travesty thereof.

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93. *Discriminatory*, *supra* note 89.