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The DMK & Congress Farmer Loan Waiver Model for Tamilnadu: How farmers were fooled!

After coming back to power in 2006, DMK announced Loan waivers for all farmers. Total loans taken in 4000 Co-operative societies was ■6526 Crore.

TN Finance minister in his iconic Budget Speech of 2007 said the waived amount of co-operative loans would be reimbursed to the co- operative institutions in 5 instalments with 8 percent interest to ensure the continued functioning https://t.co/Xipm1UgYxt

DMK did not pay the dues to Cooperative banks. They went to UPA asking for 5000 Crores funds. Central Govt showed them the door not wanting to set a bad precedence https://t.co/zaHYSqs8X7

Early 2008, Banks still not paid their dues. Karunanidhi was still hoping centre will fund his electoral promise. https://t.co/VBdWmMpxnO

To DMK’s favour, before the 2009 Loksabha elections, UPA announced Farm loan waivers of 60,000 Crores including the ■6526 Crores committed by DMK in 2006. Point to note: Banks not paid yet https://t.co/VvwWwVWlZz

After 7 years, in 2016, AIADMK announced Farm loan waivers of ■6,095 Crores. Officials were shocked to notice 80% of loans waived off in 2006 appeared in the list. Neither did DMK nor Congress waive off loans. https://t.co/2NpTeVmKUE

In 2006 when DMK came to power, the government waived the loan to the tune of Rs 6, 700 Crores. After this, the farmers do not repay the loans under the assumption that the government will waive their loans.

Now during this election campaign the AIADMK and DMK parties have announced in their manifestos that the farmer loans will be waived. Moreover DMK party president Karunanidhi announced day before yesterday that all the loans of the farmers will be waived.

At this juncture, it has been confirmed that the farmers' loans will be waived. Hence the cooperative banks have started preparing the list of farmers who have borrowed loans. The officials were shocked to see that the list contains 80 percent of the farmers who had their loans waived in 2006.

When you don't pay the bank, the bank cannot generate liquidity to loan again. This is how Agricultural output was killed in TN after 2006. It picked up only after 2017. If DMK says they'll waive of loans, you know how it is now.

Table 1: State Government Measures for Agricultural Loans from Co-operative Institutions

Year of announcement	Policy measures	Extent of relief borne by the Government	Cost to the exchequer (₹ million)
1	2	3	4
1996	Waiver of penal interest rate on agricultural loans	3 per cent on overdue loans	200
1999	Interest waiver for prompt payment within due date for crop loans taken from July1, 1999 to June 30, 2000	7 per cent on outstanding loans	360
2001	Waiver of interest and penal interest for farmers who had paid their dues before November 30, 2001 with respect to overdue outstanding as on June 30, 2000		2,560
2003	Conversion of short-term loans to medium term loans for loans issued from April 1, 2002 to September 30, 2002	Waiver of interest	200
March 2004	Interest waiver for prompt payment within due date for crop loans taken from April 1, 2003 to March 31, 2004		610.5
September 2004	Rescheduling of crop loans as on March 2004		6,450
2006	Waiver of principal and interest/penal interest on all agricultural loans taken by farmers from co-operative banks/ societies as on March 31, 2006	Principal and interest on outstanding loans, interest @ 8 per cent for staggered payment over five years	65,263
2009	Full interest waiver for prompt payment of all crop loans	6 per cent	1,400
2016	Waiver of principal and interest/penal interest on all outstanding agricultural loans as on March 31, 2016 taken by marginal and small farmers from co-operative banks/societies	Principal and interest on outstanding loans, interest @ 8 per cent for staggered payment over five years	60,950

Source: Compiled from various budget documents of the Tamil Nadu government and S. Vydhianathan (2006).