

SUMMARY OF “THE FARMERS’ FREEDOM FROM DEBT BILL, 2017”

KISAN KARZA MUKTI BILL / VIDHEYAK, 2017

Overview:

This Bill focuses on two aspects: 1. Immediate Debt Relief which means the waiver of existing loans, and 2. Protecting farmers from future debt trap which is through establishment of a Farmers’ Debt Relief Commission.

The immediate loan waiver shall be implemented by the government directly and not by the Commission. Apart from waiver of bank loans, the Bill also includes provisions for debt relief from non-institutional loans. In the Immediate Debt Relief, debt-swapping will be implemented by the government as per due process to convert non-institutional loans into institutional loans, and thereafter loan waiver will be provided for the bank loans.

In the future, the Debt Relief Commission has powers to declare distress-affected areas and distress-affected crops, empowered to initiate certain debt relief measures, to reschedule loans without additional interest burden, to recommend waiver of certain loans, to mandate debt-swapping, and to prevent recovery of debt for three years.

The Bill also provides for a Model Act to be made for states to enact, in order to create state-level Agricultural Debt Relief Commissions which can handle debt relief from all sources including cooperative banks and non-institutional sources. It also seeks to regulate coercive action and attachment/auction of property.

To reduce future indebtedness, the Bill incorporates features on effective crop insurance, disaster relief and low cost sustainable farming.

A Bill to provide immediate debt waiver to indebted farmers and to provide continuous relief to those farmers who are in distress due to indebtedness by constituting a commission with power to pass awards and to recommend appropriate measures for the redressal of the grievances of indebted farmers and matters connected therewith and incidental thereto.

Chapter I: Key Definitions

“**Agriculture**” includes horticulture, farming and growing of medicinal plants, crops and intercrops, fruits, vegetables, milk production, gathering of minor forest produce, flowers, grass, fodder grass and trees or any kind of cultivation of soil, conducting nursery, breeding and keeping of livestock including fish mussel, bees, silkworm, poultry, duck, cattle or pig and the use of land for agriculture allied activities or any other agricultural purposes;

“**Farmer**” means a person actively engaged in the economic and/or livelihood activity of growing crops, or producing other primary agricultural commodities with or without land ownership, and will include all agricultural operational holders, cultivators, agricultural labourers, sharecroppers, tenants, poultry and livestock rearers, fishers, beekeepers, pastoralists, non-corporate planters and planting labourers as well as forest-gatherers. Self-help groups doing cultivation on collectively owned, or leased-in land are included.

“**Debt**” means any liability, whether secured or unsecured, due from a farmer on or before the

commencement of this Act or, in respect of any particular distress affected area in the state, on or before such date as the Government may, by notification in the Gazette specify, whether payable under a contract, or under a decree or order of any Court or tribunal or otherwise and includes any sum payable to an institutional creditor or a private creditor; But does **not** include any loan amount taken by the farmer for commercial purposes or luxury other than agricultural allied commercial purposes, to augment his/her income

Chapter II: Immediate Debt Relief

- Every farmer is entitled to immediate unconditional waiver of entire outstanding institutional debt as of November 20, 2017
- The loan waiver shall be implemented in one installment; Fresh loans shall be given to all farmers in the next season, without being impacted by the implementation of loan waiver
- Debt-swapping scheme shall be implemented by government for farmers with non-institutional debt, converting them into institutional loans
- After debt-swapping is done, the resultant institutional loan shall be waived by government
- Farmers who have repaid the institutional debt from the earlier financial year to the cut-off period shall have their accounts credited with the amount of scale of finance for the crop grown

Chapter III: Farmers' Debt Relief Commission

- National Farmers' Debt Relief Commission chaired by a retired Supreme Court judge, having 9 members, including 2 judicial, 4 farmer representatives, 2 experts and 1 member from economic/cooperative sector. The Commission's term is 5 years, extendable thereon.
- It will receive grievances of farmers related to the implementation, and issue Orders to resolve the cases and specify procedures to be followed by the government.
- In future years, the Commission can declare a particular district or part of district as distress-affected area, or a particular crop as a distress-affected crop. This can be done either *suo motu* or based on application, after due enquiry by necessary experts who can be drawn by the Commission.
- In the declared distress-affected areas and crops, the Commission will recommend the debt relief to be granted by the government including taking over the entire or partial debt of affected farmers from banks as well as non-institutional sources
- In the declared distress-affected areas and crops, the Commission may issue orders to (a) reschedule short-term loans into medium-term and medium-term to long-term loans, (b) recommend waiver of certain loans, (c) provide for one-time settlement of loans provided the farmer is ready, (d) waive penal interest or entire interest as case may be.
- The Commission shall hold sittings as smaller Benches in the distress-affected areas to consider matters of farmers' debt.
- In case of loans from non-institutional sources, the Commission can
 - o Fix a fair rate of interest; interest shall also be paid by the government as per the awards passed by the Commission
 - o Keep in abeyance repayment of all debts of farmers considering nature of crop loss

- for a period not exceeding 3 years
- Order implementation of debt-swapping to convert non institutional debt into institutional debt
- The Commission can receive applications from individual distressed farmers about debt issues with commercial banks and pass orders to provide relief to farmers
- When a distressed area or crop is declared, no suit for recovery of debt can be made against the farmer.
- Commission shall have powers to prevent any coercive action, or naming and shaming of debtor-farmers
- It is stipulated that if the farmer has repaid the principal and an amount equal to the principal (towards interest), then the debt shall be deemed as discharged.
- As per the Orders/awards of the Commission, government shall absorb the debt or interest that has been waived, or any other implication from awards around one time settlement or rescheduling of loans etc.

CHAPTER IV: Obligations of Central Government

- Central government shall provide the necessary financial outlay for Immediate Debt Relief as well as to implement the awards, orders and recommendations of the Debt Relief Commission.
- Government shall notify certain categories of property as exempt from attachment or auctioning by creditors.
- Central Government shall create a Model Act for state governments to enact, which will create state level Farmer Debt Relief Commissions to handle all debt relief matters including cooperative banks and non-institutional creditors.
- Government shall implement adequate and effective disaster relief and crop insurance schemes to ensure that farmers don't fall into debt trap in disaster seasons/years.
- Government shall promote on a large scale low-cost ecological agriculture to reduce indebtedness;
- Government shall reform priority sector lending norms to ensure that marginalized and real cultivators benefit in the institutional credit fold.