



Report of the Task Force on Credit Related Issues of Farmers

The Ministry of Agriculture, GoI had constituted a Task Force in October 2009 under the Chairmanship of Shri U.C. Sarangi, Chairman, NABARD to look into the issues of a large number of farmers, who had taken loans from private moneylenders, not being covered under the loan waiver scheme. The Report of the Task Force was submitted to the GoI in June 2010. The highlights of the Report are:

1. The farmer is a risk-taking entrepreneur who faces uncertainties from weather, spurious inputs, pests and diseases, and market shocks among other risks. Inadequate and untimely credit along with procedural hassles from formal institutions add to his/her burden. In recent years, policy interventions have led to doubling of agricultural credit, but the limited access of small and marginal farmers to institutional credit continues to be a matter of concern. What is worrying is that the proportion of such farmers is increasing and they form more than four-fifths of the operational holdings.
2. With spiralling costs of input-intensive cultivation there is an increasing need for credit, but in the absence of adequate and appropriate cover against various uncertainties, and commensurate rise in returns, the farmer's risk gets further accentuated. This calls for risk mitigation mechanisms including the promotion of alternate agricultural practices that reduce costs, insurance policy that compensates income loss, and appropriate prices for agricultural produce. It also calls for aggregation by farmers of their financial and other inputs, and commodity processing and marketing needs, so that the market can do more justice to their transactions.
3. The Report assimilates the lessons learnt during the course of the study, proposes a list of measures to be taken by various agencies to reduce farmer dependence on moneylenders, and to bring the most vulnerable farmer into the institutional credit fold. Some of the measures suggested will have immediate effect, while others contribute to vibrant credit delivery and sustainable agriculture, reducing the farmer's debt burden, in the long term.
4. The various recommendations of the Task Force can be clubbed under four heads:
 - (a) Farmers who were not covered by the Agricultural Debt Waiver and Debt Relief Scheme, 2008 (ADWDRS);
 - (b) Policy measures for addressing the issues of farmer indebtedness to moneylenders and on measures to provide relief to such farmers;
 - (c) Various measures including the Kisan Credit Card (KCC) scheme to ensure coverage of small and marginal farmers, tenant farmers, share croppers, and oral lessees by the institutional credit fold, to reduce their dependence on informal sources; and
 - (d) On legislation regulating loans from private moneylenders and the need for a Grievance redressal mechanism at the district level which is accessible to both moneylenders and farmers.

5. The Task Force, while taking note of the doubling of agricultural credit, observed that it did not reach large number of small and marginal farmers who form the bulk of the farming community and are a critical contributor to the food security of the nation. Substantial loan disbursement by commercial banks takes place in March each year. It appears necessary to take a closer look at what is being termed 'agricultural' credit, especially by commercial banks. Given, too, that rather large 'agricultural' loans were being disbursed in urban centres, a closer look at who is being termed 'farmer' is also needed. In the absence of a Core Banking Solution (CBS) based robust MIS, banks must be directed to submit the Service Area Monitoring Information System (SAMIS) reports to RBI/NABARD to enable a rigorous monitoring of the flow of credit. State-wise data in terms of disbursement, outstanding and recovery regularly published by RBI will also contribute to better understanding of ground reality. Further, surveys such as All India Debt and Investment Surveys (AIDS) and Situation Assessment Surveys (SAS) be interspersed and undertaken every 5 years so that corrective action to ensure access to farm credit can be taken promptly; the survey should also capture credit from Section 25 NBFCs and from cooperatives other than PACS and cooperative banks (such as SHG federations and thrift and credit cooperatives) under formal sources; and credit from closely held, for profit NBFCs under informal sources.

6. The Task Force believes that its recommendations will result in the moneylender becoming one of many players in the rural financial market, and in the farmer having the option to choose from multiple players including farmers' own organizations. More important, the Task Force believes that its recommendations strike at the very causes that lead a farmer to seeking credit under duress, and to becoming caught in a debt trap difficult to overcome.

Provision of Short term credit limits to RRBs under Section 21(1)(i) /(iv)/(v) read with Section 21(4) of NABARD Act, 1981 for financing Marketing of crops, pisciculture and certain approved purposes other than SAO - Policy for the year 2010-11

It has been decided to continue broadly with the existing policy for the financial year 2010-11 with certain modifications. Refinance assistance, from NABARD to RRBs will be available at 8% per annum or such other rate as may be prescribed by NABARD from time to time.

(Ref No.NB.PCD(Policy)/ 607 / 334(P) / 2010-11 dated 09 July 2010.Circular No 128 / PCD- 11 /2010)

Central Sector Scheme for "Rearing of Male Buffalo Calves"

It has been decided by Government of India to launch a Central Sector Scheme for "Salvaging and Rearing of Male Buffalo Calves" with a total outlay of Rs.121.62 crore during the remaining period of XI Five Year Plan (2010-11 & 2011-12). Under the scheme, it is proposed to assist farmers, NGOs, professionals and corporate bodies to rear male buffalo calves for meat production and recovery of hides. The scheme has following three components :

(i) Individual Units (Model-I) : Under this model 100% interest subsidy on short term loan would be provided for rearing of male buffalo calves (1 to 9 calves).

(ii) Commercial Units (Model-II) : Under this model, 25% of the outlay (33 1/3% in NE States including Sikkim and hilly areas) as back ended capital subsidy would be provided for rearing of 10 to 50 male buffalo calves.

(iii) Industrial Units (Model-III) : Under this model, 25% of the outlay (33 1/3% in NE States including Sikkim and hilly areas) as back ended capital subsidy would be provided for rearing of 1000 male buffalo calves.

The Department of Animal Husbandry, Dairying and Fisheries, Ministry of Agriculture, Government of India, is the nodal department for operating the scheme. NABARD will be administering the Interest

Subsidy and Capital Subsidy and monitoring the progress of the scheme besides providing refinance support to the eligible financing institutions for the term loan extended under the scheme.

(Ref.No.NB.ICD. GSS/ 949 /SRMBC-1/2010-11 dated 12 July 2010 Circular No. 129 /ICD- 28 /2010)

Financial Inclusion through “ functionaries of well run Self Help Groups (SHGs) linked to banks” acting as Business Correspondent (BC)/ Business Facilitator (BF) of RRBs - Support from FIF

There are a large number of SHGs in the country, whose capacity have been built up over the years to handle cash, who need to expand and diversify their activities with a view to sustaining their activities. Also the strength of good functioning SHGs provide an opportunity to Banks to expand their outreach to the “last mile clients” through SHGs as BC/ BF.

2. SHGs have the distinct advantage of having the confidence of the local people and 'feel' of the local geography which enables them to be a fit choice for undertaking BC/ BF role. In order to achieve the objectives of Financial Inclusion the role of BC/ BF is vital and RRBs may consider appointing authorised functionaries of well run Self Help Groups (SHGs) which are linked to banks as BC/BF. The support for such initiatives will be extended from Financial Inclusion Fund (FIF). The support will be for 25 capacity building programmes per RRB.

(Ref. No. NB.FID./ 548 / FI- 01 / 2010-11 dated 19 July 2010.Circular No. 131 / FID – 13)

Credit Flow to Agriculture – Agricultural Loans – Waiver of Margin/Security Requirements

On the basis of representations received seeking enhancement of limits, RBI has reviewed the security/margin money norms to be followed by banks for agricultural advances and it has been decided that banks may waive margin/security requirements for agricultural loans from the existing level of Rs.50,000/- to Rs.1,00,000/-.

(Ref. No. NB. DPD-FS. 1960. TC-1/2010-11 dated 23rd July 2010.Circular No. 135 / DPD-FS 04 /2010)

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