Providing Access to Credit for the Hope Project Farmers to Enhance Pearl Millet Productivity

Harnessing Opportunities for Productivity Enhancement (HOPE) of Sorghum and Millets in Sub-Saharan Africa and South Asia
Agriculture production in India depends upon millions of small farmers. It is the intensity of their effort and efficiency of technology that will help in raising yields per hectare. Because of inadequacy of credit facilities at reasonable rates, many of the farmers even though otherwise willing, unable to go in for improved seed, fertilizer or to introduce new techniques. Various research studies have shown that credit constraint is one of the important reasons for slow adoption of improved technology. It is therefore of the utmost important that the financial requirement of the farmers are adequately met.

CREDIT REQUIREMENT FOR PEARL MILLET CULTIVATION

In order to adopt improved technology, farmers need additional financial support exclusively to purchase improved seed, fertilizers and to hire labour and machineries. Since, the farmers in dry land areas are extremely poor and their ability to invest on improved technologies is limited, they depend on formal and informal sources of credit. The institutional sources comprising commercial banks, Regional Rural Banks and Cooperative societies provide short term crop loans to the farmers to meet the cost of cultivation and marketing. The average cost of cultivation considering only variable inputs for pearl millet varies between Rs. 7000-8500 per hectare. The owned resources of the farmers are less; therefore, there exists need for credit gap to use optimum quantity of inputs for enhancing productivity. Keeping this background, HOPE Project is intended to facilitate the credit requirement of the farmers through various means particularly in association with banks existing in the area and self help groups/Farmer groups promoted by the project.

To enable the farmers to access to the credit, the following process is envisaged.

INDIVIDUAL LOAN APPROACH

- Sensitizing the banks about HOPE Project and its objectives through training programmes.
- Emphasizing the need of timely and adequate credit to the farmers to support their Agriculture operations.
- Facilitating all the farmers of HOPE Project to have bank accounts as a part of National Financial Inclusion Programme.
- Asserting the farmers to appropriately proportionate their crop/agriculture requirements based on the genuine needs and requirement.
- Sensitizing the farmers about the availability of various agriculture related loans and schemes which are helpful.
- Facilitating the farmers to access and to obtain bank credit as per bank procedures.
- Ensuring the loans towards agriculture operational investments and to have better agriculture productivity.
- Providing needful follow up support to banks for the recovery of the loans and to enable the farmers to further access to the bank credit and to become credit worthy.
- Also facilitating the farmers to obtain Kissan Credit Cards to fulfill their further credit requirements.

GROUP LOAN APPROACH

In spite of all efforts, due to many reasons it is noticed that the bank loans has its own norms, documentary requirements and official procedures which results in delay and all the farmers may not get loans. So, in HOPE Cluster areas, it is intended to promote group loan approach (SHG Bank Linkage Model) through the Farmer groups/SHGs promoted by the project.

The SHG Bank Linkage model will be facilitated to operationalize as per NABARD Guidelines to enable all the HOPE target families to access timely and adequate credit in a reasonable rate of interest with an inbuilt monitoring and follow up measures for the better utilization of credit for the said purpose.

The following process will be adopted to promote group loan approach which is generally known as SHG Bank Linkage model

- Organizing all the HOPE target families into Farmer groups/SHGs.
- Providing training to SHGs about SHG Concept, its importance and its operational functionalities.
• Introducing appropriate books of accounts and orienting SHGs on book keeping.
• Motivating towards weekly meetings, weekly savings and enabling them towards internal lending.
• Orienting SHGs towards proper financial management and extending timely credit support to all its members to invest in productive activities with a special reference to agriculture and income generation programmes.
• Orienting the SHGs and sensitizing the bankers with regard to SHG Bank Linkage Model as per the NABARD Guidelines.
• Facilitating the SHGs to approach bank for their additional credit requirement as a group as per NABARD assessment criteria and to access the loan as required by them.
• Emphasizing the SHGs to increase credit availability on a priority basis towards agricultural activities.
• Bringing all the eligible and deserved SHGs into the fold of banks to access to credit as per their requirement to meet the credit demand of HOPE target families especially the farmers who needs credit in time.

• Formalizing the SHG Bank Linkage credit model to continue further as a process to fulfill the credit requirements of the HOPE Target families and to enhance their livelihood options.

**SCALE OF FINANCE.** At the beginning of the agricultural year, state governments decides on the scale of finance for all crops considering the recommendations made by different district level committees as well as state level committee. The scale of finance is based on the cost of cultivation of individual crops. Accordingly, for Pearl Millet, the scale of finance is fixed at minimum Rs.7600 and maximum 8800 per hectare during the year 2011-12. The scale of finance is fixed on the basis of variable cost. While pearl millet (fodder crop) the scale of finance fixed at Rs.4200 to Rs.4600. The loan is extended in the form of direct finance to farmers with a repayment period not exceeding 12 months. The loan will be at an interest rate of 7 per cent per annum (Table 1). Those farmers who pay their loan regularly in stipulated time period are allowed for subsidy in the interest rate at the 2 per cent per annum. To avail crop loan for Pearl Millet cultivation, needy farmers may contact nearest commercial bank or primary agricultural cooperative credit society along with necessary documents.
Table 1. Requirements for obtaining short, medium and long term loans.

<table>
<thead>
<tr>
<th>Bank</th>
<th>Application Details</th>
<th>Document Required</th>
<th>Security</th>
<th>Loan amount with interest rate per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI</td>
<td>5-6 page application form</td>
<td>7/12, 8-A • Search report • Land holding details • Photo &amp; address proof • Guarantor • Project report, plan &amp; estimate</td>
<td>NA</td>
<td>• Short term Crop loan – 7% • Medium term – 11.75 to 14.50% • Long term – 12 to 14.50%</td>
</tr>
<tr>
<td>District Central Co operative Bank (DCCB)</td>
<td>1 page application form</td>
<td>7/12, 8-A • Land holding • Guarantor if farmer does not have land • Project report, plan &amp; estimate • Photo • Quotation for machinery</td>
<td>Due date cheque</td>
<td>• Short term Crop loan – 7% • Medium term – 10.50 to 12% • Long term – 13 to 15%</td>
</tr>
<tr>
<td>Gramin Bank</td>
<td>1 page application form</td>
<td>7/12, 8-A • Land holding • Ration card &amp; Photo • Blank cheque</td>
<td>Primary-crop</td>
<td>• Short term Crop loan – 6% • Medium term – 10 to 12% • Self help group – ≥13%</td>
</tr>
</tbody>
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**SCHEMES FOR PROVIDING CREDIT FOR COMPREHENSIVE CREDIT REQUIREMENTS OF THE FARMERS**

**KISAN CREDIT CARD**

This is one of the innovative schemes aims at providing adequate and timely credit for comprehensive credit requirements of the farmers under single window system, with a flexible and simplified procedure adopting whole farm approach. It caters to short term credit needs and a reasonable component for consumption needs of the farmers. Credit requirements for ancillary needs such as maintenance of agricultural machinery and implement, electricity bills, diesel charges, unforeseen credit needs related to crop production, are made up to 20 per cent of aggregate scale of finance with a maximum of Rs. 50000/-. For meeting contingency needs pertaining to expenses such as medical, education of children, birth, funerals, marriages and other religious ceremonies, consumption limit up to 25% of the total peak level limit with a maximum of Rs. 25000/- is provided. Term credit is also provided for allied activities such as purchase of submersible pump sets, land development, plantation, drip irrigation and other complementary agricultural activities such as dairy farming, sheep breeding, fisheries, bee keeping etc. The rate of interest is as applicable to crop loan and term loan in agricultural sector. The repayment period of crop loan is 12 months and for term loan is 5 years. The validity of KCC is 5 years. All KCC holders are covered under personal accident insurance scheme at a premium of rupees 15 for one year policy and rupees 45 for three year policy. It is shared between farmer and the bank in the ratio of 1:2 to be paid in advance. The risk coverage under the scheme is Rs. 25000 – 50000/-. The rates of premium and risk coverage are subject to variation among states.

**KISAN GOLD CARD**

This scheme was launched to benefit the farmers having excellent repayment record. Farmers have the choice in regard to amount, time, purpose including consumption needs. New farmers are not eligible for this scheme. Only the farmers having good track record in repayment in their ACC/ATL accounts for the last two years are eligible. Quantum of limit is five times the annual farm income or 50 per cent of the value of the land to be mortgaged as collateral securities,
whichever is less subject to maximum of Rs.10 lakh. This facility is in addition of KCC limit. The repayment period is 6-7 years.

**PRODUCE MARKETING LOAN SCHEME**

The objective is to provide certain amount of liquidity to farmers and save them from resorting to distress sale of the produce at the time of harvesting. The loan will be available only to those farmers who have availed loan from the bank for raising the concerned crop in that season which should not be overdue for repayment. The loan against hypothecation of agricultural produce will be available for non perishable crops only under the scheme. Loan to the extent of 60 per cent of the market value/value at minimum support price, whichever is lower, can be sanctioned subject to maximum loan amount of 10 lakh per borrower. The repayment period is 12 months from the date of loan disbursement.

**FINANCE FOR MINOR IRRIGATION**

The objective is to finance for investment credit needs of the farmer for development of irrigation potential. It is given for construction of new wells, bore wells, deepening and repair of wells in safe and semi-critical areas, for purchase of pump sets, sprinkler sets, drip sets, construction of Diggies (water storage tanks) in the canal command areas, laying of conveyance pipe and lining of the water courses etc. The quantum of loan is as per unit cost approved by state level technical committee, less margin to be borne by the farmers which is 15-25 per cent depending on the purpose and repayment capacity of the farmers. The repayment period is 5-9 years.

**CROP INSURANCE SCHEME**

Rajasthan government has provided for insurance crop of 14 crops viz. Pearl millet, Guar, Cowpea, Cotton, Sorghum, Maize, Moth, Moong, Groundnut, Chilies, Paddy, Soyabean, Sesamum and Urad through Agricultural Insurance Company of India Limited (AICIL) for loanee farmers. Other companies active in the crop insurance in Rajasthan are ICICI Lombard and IFFCO Tokyo General Insurance.

**NEW FORM OF LOAN SERVICES**

New loan services such as pledge financing, marketing credit, loans against warehouse receipts and export credit have to be extended widely in order to enhance the profitability of dry land agriculture. The current emphasis of production credit has led to imbalance between production and post-production credit.