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How to design season-agnostic financial products that work for Indian farmers

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The future of Agri-finance must be built not around when farmers grow, but around when they earn

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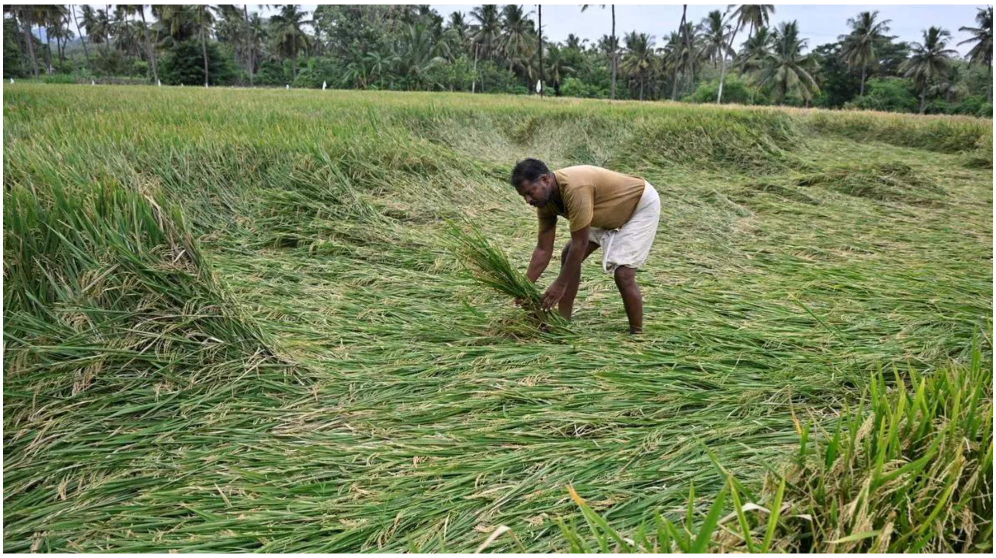

For decades, Agri-credit in India has been shaped around a basic assumption that farmers earn during harvest, repay soon after, and operate in predictable seasonal cycles. However, in reality, today's agricultural economy is anything but predictable. Income is often fragmented, coming from multiple sources including livestock, wage work, and non-farm activities. Cropping patterns are shifting, weather is increasingly erratic, and market prices remain volatile. Recent studies show that agricultural households are adapting rapidly. As of 2024, formal credit and digital payment adoption among Indian farmers rose sharply to 36 per cent, up from just 9 per cent in 2022, yet high interest rates and access barriers still persist for many.

Despite this, most financial products offered to Indian farmers are still designed for a linear income path. This disconnect leads to loan defaults, distress sales, and underutilization of formal credit channels and not because farmers are unwilling, but because the system is misaligned with their financial realities.

The flawed seasonality assumption

The idea that a farmer sows in one season, harvests in another, and repays right after is increasingly outdated. Small and marginal farmers who make up over 85 per cent of India's farming community often manage multiple income sources: intercropping, dairy, labour, and even small-scale trade. Their cash flow is sporadic and influenced by external variables like rainfall, pest outbreaks, and market prices.

Research from North Bihar confirms that diversified farming (mixing crops, integrating livestock) provides higher, more stable incomes and helps families manage climatic and market risk. This underscores the need for financial products built around diverse, non-linear cash flows, not rigid crop cycles.

- Lack of post-harvest credit: Many products focus solely on input financing, leaving farmers unsupported during storage or sale.

- Cumbersome documentation: Manual processes and English-only paperwork create unnecessary friction. A 2023 report found that 40 per cent of agri-households still use informal lenders due to complicated forms, lack of credit histories, and uncustomized products. New recommendations point to the need for tech-driven innovation and simplified, blended finance models.

The role of commodity financing

Commodity financing has begun to address some challenges. By allowing farmers to use stored produce as collateral, it gives them the liquidity to meet short-term needs, without selling at depressed post-harvest prices. Farmers using commodity financing can wait for better market rates, sometimes increasing returns by 20–30%.

Recent government support through schemes like the Kisan Credit Card (KCC) and investments in warehouse infrastructure are expanding this model's impact, but access remains limited to regions with storage facilities and higher financial literacy. For broader impact, product design needs to go further, both in reach and in tailoring to local needs.

What better product design looks like

Designing credit products that actually work for farmers means starting with how and when they earn. A few critical design principles stand out:

● Multi-tranche disbursements that match actual, staggered income flows.

● Simplified, vernacular-language applications.

● Risk-mitigation products integrated with credit.

Infrastructure and Ecosystem Support

Better product design requires enabling infrastructure. Expanding warehouse penetration especially in underserved districts remains urgent. Without local storage, models like commodity financing or post-harvest loans stay out of reach for most. Government schemes such as the KCC, Agricultural Infrastructure Fund, and ongoing credit guarantee programs are helping improve institutional support and access for millions, but gaps persist, especially for the smallest farms.

Conclusion

If India is serious about building a resilient, self-reliant rural economy, the future of Agri-finance must be built not around when farmers grow, but around when they earn. Recent data and new financing innovations reinforce the urgent need for products, infrastructure, and ecosystem support that reflect India's unique rural realities.

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