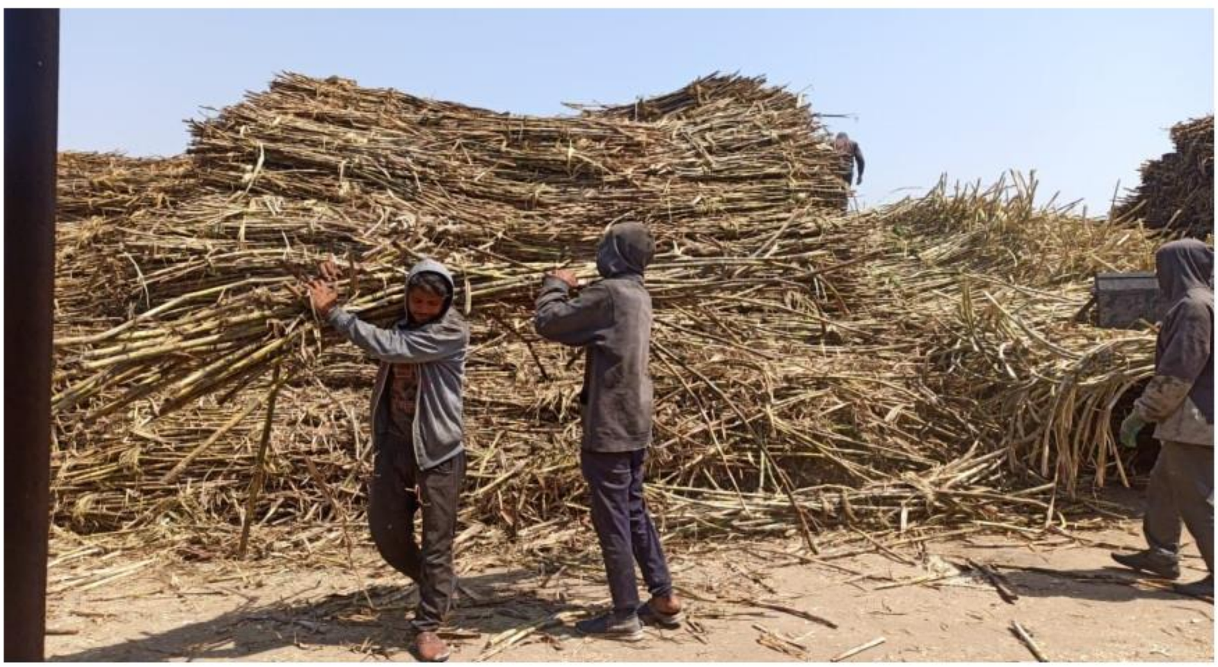
BW BUSINESSWORLD
July 29, 2022

Decoding Farmers' Credit Needs

Like

According to a recent ICAR study, farmers' income has increased 125-275 per cent while states like Uttarakhand, West Bengal and Chhattisgarh have recorded more than 200 per cent increment in four years

Photo Credit :



28 July, 2022
by Abhishek Sharma

Print this article
Font size 16

Farmers in India are facing a turbulent time as challenges are not ready to stop. After battling the deadly Covid-19 pandemic, the Ukraine war, a ban on wheat exports, a massive heat wave in April-May and a rain-dependent crop in the ongoing Kharif season have been hit due to patchy rains in many states.

According to a media report, the central government informed the Parliament that the recent floods have affected more than 2.4 lakh hectares of crops in several parts of India.

During the ongoing monsoon season, the rice-growing states like West Bengal, Bihar and Uttar Pradesh witnessed a major rain deficit, while Assam has been affected by massive floods. Karnataka and Meghalaya also faced significant damage.

Damaged crops and less yield generally led to low revenue and farmers trapped in the heavy debt owed to moneylenders. The credit has a significant importance in the agricultural ecosystem and hence, the central government raises subsidised credit target every year to provide the required assistance to the sector.

In the last 10 years, agriculture credit has grown more than 350 per cent — from Rs 4.75 lakh crore in 2011-12 to Rs 16.50-lakh crore in 2021-22.

However, a study by State Bank of India (SBI) researchers revealed that since 2014, only about half of the intended beneficiaries of farm loan waivers declared by nine Indian states, have received debt write-offs.

"In order to ensure efficiency in agriculture along with increasing productivity and creating sustainable and profitable farming systems, the role of agricultural credit becomes critical. Most of the farmers are small producers engaged in agricultural activities in areas of widely varying potential. A convenient credit system for these farmers will help them with not just productivity, but also asset formation, income, and food security," said Amit Sinha, Co-founder, Unnati.

As per the SBI research, Telangana (5 per cent), Madhya Pradesh (12 per cent), Jharkhand (13 per cent), Punjab (24 per cent), Karnataka (38 per cent) and Uttar Pradesh (52 per cent), performed badly in the implementation of farm loan waiver schemes as far as the proportion of eligible farmers who had received the benefits are concerned.

For Indian farmers, factors like high dependence on debt along with low savings rates and no profitability make the balance sheet fragile and unsustainable.

"Yes. I agree with the above statement because higher dependence on the debt increases the burden of expenditure more than the revenue receipt. It makes the farmers ineligible for the loan for the next term. However, the loan interest keeps on increasing on the farmers' heads," said Sandeep Sabharwal, Chief Executive Officer (CEO), SLCM Group.

As Prime Minister Narendra Modi led the union government struggle to meet its desired objective of multiplying farmers' revenue by 2022-23, the study also shows that between FY 2017-18 and 2021-22, the normal pay of farmers rose by 1.3 - 1.7 times across India.

Also, according to a recent ICAR study, farmers' income has increased 125-275 per cent while states like Uttarakhand, West Bengal and Chhattisgarh have recorded more than 200 per cent increment in four years.

The SBI study comes a few days after the Modi government's exhibition of farmers' success stories who witnessed growth in their income during the past few years. It added that between FY18 and FY22, the growth in the income of farmers growing cash crops has been more than those developing non-cash crops somewhere in the range of FY18 and FY22.

Sabharwal said, "Doubling farmers' income is possible through increasing total output and better price realization in the market, reduction in production costs, diversification of products, efficient post-harvest management, value addition and scaling up lending to Farmer Producer Organisations (FPOs) for the benefit of smallholder farmers."

Sabharwal added that proper dissemination of MSP, Bringing DBT into effect, integrating markets and services and linking farmers to institutionalised sources of credit

Few experts have criticised the National Bank for Agriculture and Rural Development (NABARD) as it failed to deliver for the betterment of farmers. Established in 1982, NABARD is a top regulatory body for regional rural and cooperative banks.

Talking about how NABARD can help farmers in a time of high inflation, Sabharwal said that it can support the farmers in any crisis, it just needs to do proper dissemination of their support. To do that, NABARD needs to integrate high-frequency data on weather and climate condition, debt burden, agricultural commodities and the market.

> "The data will be drawn on the government's foundational Agri stack which has been seeded with data from over 50 million farmers. It has records from all existing schemes like PM Kisan Samman Yojana, Soil Health Card and PM Fasal Bima Yojana and it's been linked to land records available with state governments. Once the information is fed into a single database (including the FDI index) data analytics and AI can be harnessed to identify and solve the agrarian distress across different districts," Sabharwal said.
>
> Meanwhile, the apex body can also address plateauing yield, soil degradation, volatile prices, post-harvest loss and waste and better targeting of loan waivers.
>
> "NABARD has been helping farmers and will continue to do so in the time of high inflation. NABARD has been especially critical in facilitating refinance to banks so farmers get access to adequate, timely, and low-cost credit, leading to enhancements in agricultural productivity and enhanced livelihoods of farmers, especially the small and marginal farmers," said Sinha.