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SYNTHESIS OF IMPORTANT DISCUSSIONS ON MICROFINANCE AND LIVELIHOOD SUPPORT TO SMALL AND MARGINAL FARMERS

2012

**United Nations Development Programme
New Delhi**



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Selection and Compilation of Consolidated Replies

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Poverty



Work and Employment Community

Microfinance Community

Solution Exchange for the Work and Employment Community

Solution Exchange for the Microfinance Community Consolidated Reply

FOR COMMENTS: Guidelines of Mahila Kisan Sashaktikaran Pariyojana (MKSP)

Compiled by Navin Anand, Resource Person and Monika Khanna and Warisha Yunus, Research Associates

Issue Date: 8 August 2011

From C. S. Reddy, Chairman – Working Group on NRLM and MKSP (for Planning Commission and MoRD, GoI), New Delhi

Posted 4 July 2011

Dear Members,

The Planning Commission, Government of India (GoI) has formed a working group on National Rural Livelihood Mission (NRLM) with 21 eminent members (Available at: <ftp://ftp.solutionexchange.net.in/public/mf/cr/res30051101.pdf> Size: 1.12 MB) and entrusted me to facilitate the group as a Chairman to review and suggest changes on the proposed NRLM Mission Document and NRLM Framework for implementation and **Guidelines of Mahila Kisan Sashaktikaran Pariyojana (MKSP)**. The first meeting of the Working Group was held on 2nd May 2011. The minutes of the meeting are available at <ftp://ftp.solutionexchange.net.in/public/mf/cr/res30051102.pdf> (Size: 33 KB) for your reference so as to communicate key issues being focused by the Working Group.

The Terms of Reference (ToRs) of Working Group are as follows:

- Review the proposed NRLM document and NRLM Framework for Implementation and make suggestions for improvement
- Suggest a framework for participation of civil society organizations in NRLM
- **Examine the guidelines of the MKSP and make suggestions for improvement**

The guidelines of the MKSP are available at <ftp://ftp.solutionexchange.net.in/public/mf/cr/res01071101.pdf> (Size: 97 KB). The Ministry of Rural Development (MoRD) is in a process strengthening the guidelines. Since the focus of Planning Commission has been on involving various stakeholders and development practitioners in the planning process of 12th Five Year Plan as well other important schemes of GoI, I find it

most appropriate to get inputs of the members of Work and Employment Community as well as Microfinance Community on the Guidelines of MKSP.

With this background, I request members of Work and Employment Community as well as Microfinance Community to go through the **Guidelines of MKSP** and share their views and suggestions on -

- Various components and target groups to be covered under the project
- Key activities and fund disbursement mechanism

Your valuable inputs will help us to suggest Planning Commission and MoRD, GoI to modify the Guidelines of MKSP.

Responses were received, with thanks, from

1. [Suman K. A.](#), Change Planet Partners Climate Innovation Foundation (CPPCIF), Hyderabad
2. [Shivani Bhardwaj](#), Saathi All For Partnerships (SAFP), New Delhi
3. [Ritesh Dwivedi](#), Amity University, Uttar Pradesh
4. [Nidhi Sadana Sabharwal](#), Indian Institute of Dalit Studies (IIDS), New Delhi
5. [Ashok Kumar Sinha](#), Karma Consultants, New Delhi
6. [Neelesh Kumar Singh](#), Consortium to State Level Nodal Agencies (SLNA), Ranchi, Jharkhand
7. [Neelkanth Mishra](#), Revitalizing Rainfed Agriculture (RRA) Network, Secunderabad, Andhra Pradesh
8. [Hemantha Kumar Pamorthy](#), Hand in Hand Micro Finance Limited, Chennai
9. [Rajesh K. Verma](#), Vananchal Gramin Bank (VGB), Dumka, Jharkhand
10. [Sarat Kumar Patnaik](#), Koraput Farmers Association (KFA), Koraput, Orissa
11. [P. Purushotham](#), Centre for University Industry Interaction (CUII), Periyar Maniammai University (PMU), Vallam, Thanjavur
12. [Jalpa Sukhanandi](#), ANANDI, Veraval, Gujarat
13. [Resham Singh](#), Punjab Gramin Bank, Punjab
14. [Jaya Patel](#), Tata Power Company Limited, Ranchi, Jharkhand
15. [Ruturaj Pattanaik](#), Sahayog Foundation, Bhubaneswar *
16. [Veerashankharappa](#), Institute for Social and Economic Change, Bangalore *

**Offline Contributions*

Further contributions are welcome!

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Summary of Responses

Commenting on the **Guidelines of Mahila Kisan Sashaktikaran Pariyojana (MKSP)** members gave various suggestions for improvising the guidelines to have a positive impact on the lives of the women farmers. Some of the issues to be dealt with at the policy level suggested by members are as follows:

Defining the Woman Farmer: While members stressed on the need to **define** 'woman farmers', they also pointed to the definition of the farmers given in the **National Policy for Farmers, 2007** that includes person involved in growing crops and producing agricultural commodities. The definition includes cultivators, agricultural laborers, sharecroppers, tenants, poultry and livestock rearers, fishers, bee keepers, gardeners, pastoralists, non-corporate planters, planting laborers as well as those involved in sericulture, vermiculture and agro-forestry. If the same definition applies in MKSP then it must be categorically included in the guidelines, stated the members.

Support to Women Farmers from SC/ST, Minority and Other Marginalized Backgrounds: Members highlighted the fact that women farmers from SC/ST and minority communities have less access to income earning assets and agricultural inputs compared to other women farmers. This 'social group disparity' within the category of women farmers needs to be addressed separately. It has also been observed that SC/ST women farmers face problems in selling their products. Members suggested addressing these aspects through MKSP.

Focusing on Resource Poor and Rainfed Regions: Focus on resource poor and rainfed areas is also required, stated the members. Poverty in such areas is generally higher and more so amongst the marginalized communities. Members therefore stressed on the need to focus on these regions specifically.

Promoting Women's Land Ownership: The project can be a good opportunity for promoting land ownership in the name of women by making it mandatory for the land to be owned by the woman individually or jointly for receiving any project benefit. It has been the experience of the organizations working on land rights for women that the issue of women as farmers has to be associated with their ownership issue. In the absence of this framework, any effort to link them with productivity or enterprise will not bring envisaged outcomes, shared the members.

Considering Gender Concerns in Land Alienation Projects: Discussants stressed on the need to give due consideration to gender concerns before any land alienating project is implemented. It must be ensured that women are provided with equal rights to compensation and rehabilitation in case land of acquisition. Members also recommended compensating women for land with which their livelihood is interconnected like the pastures, forest land etc.

Members also gave suggestions on the steps/activities/projects that can be taken up under MKSP. They are as follows:

Identifying and Enumerating the Women Farmers: To begin with, members suggested identifying and enumerating the women farmers block/villagewise for smoother and effective implementation. Once identified, they could be provided with **identity cards** as well as facilities like the **kisan credit cards** – a service that is mainly utilized by the male farmers as of now.

Identification of the Unique Problems Faced by Women Farmers: The problems raised by the framework are mostly gender neutral, noted the members. There must be an attempt to identify the problems/concerns and barriers faced uniquely by women farmers.

Mobilizing them into SHGs/Producer Companies/Livelihood Collectives: Once identified, members recommended organizing the women farmers into Self Help Groups/Livelihood Collectives and Producer Companies for collective farming and marketing of the farm produce. Some members also suggested that in addition to SHGs, the Primary Agricultural Credit Societies (PACS) must also be revitalized. Often, women are not considered for membership in any PACS.

Making Primary Agriculture Credit Societies (PACS) Work as Mini Banks: Members suggested introducing women as members of the PACS. They also recommended PACS to function as mini banks to provide financial services to the SHGs or Livelihood Collectives. Creating revolving fund for agriculture exclusively for the women farmers and delivered through nationalized banks directly or through reputed NGOs was another idea floated by the discussants.

Building Skills of Women Farmers in Tune with Modern Agricultural Practices: Modern agriculture is highly mechanized and in this changed scenario the traditional skills of the women farmers need up gradation. Besides, their capacity building is required in the area of value addition to farm produce, marketing, business development etc.

Promoting Viable Business Models: Respondents stressed on taking up livelihood/business activities that are promoted under the mandatory guidance of different big players like Rural MART, NAFED, Fab India, Sewa and others. This will ensure that the activities taken up have a market for their produce/products. Further, members recommended providing subsidy to the women farmers in inputs, transport services, storage services, processing services etc. so that the cost of production is reduced and women farmers are benefitted.

Promoting Collective Farming: Members suggested in favor of promoting collective farming especially for the women farmers who cultivate on leased lands. This is suggested because collective farming would reduce the cost of inputs, technology and other expenditures and increase the income by effective marketing and enhanced bargaining power.

Promoting Joint Farming Cooperatives: Members suggested that women based joint farming cooperatives can be formed to take up farming as a collective enterprise. They recommended considering subsidized financial services to these cooperatives under MKSP.

Applying Cluster Development Approach: Giving example of Vaazhndu Kaatuvom Project, members suggested that cluster approach works well in case of most marginalized people as it provides them access to a source of livelihood therefore it will be useful to apply cluster approach in MKSP.

Making a Digital Inventory of Public Assets Members also recommended developing a digital inventory of public assets for use of vacant and unused public facilities by cooperatives and SHGs. Their status should be available online to all stakeholders so that their usage can be better managed, stated the members.

Convergence: Members recommended convergence of MKSP with the flagship poverty alleviation programmes like the Mahatma Gandhi National Rural Employment Guarantee (MGNREGS) for multiplying the benefits that accrue to the women farmers manifold.

Harnessing the Strengths of the Civil Society Organizations (CSOs): The CSOs play a major role in making any poverty alleviation programme successful. Their role is also important in MKSP and making it beneficial for the poor women farmers especially dalits, tribals and socially excluded groups. Under MKSP, members suggested that keeping in view the high possibilities of CSOs reaching out to socially excluded groups, the role of CSOs could be framed in such a way that they undertake end-to-end task envisaged in the programme.

Special Agricultural Projects for Women: Members suggested introducing special agricultural projects for women farmers wherein provision for individual participation as well as through groups, federations and cooperative can be made.

Amount of Funding: Since 80% percent of women are employed by the agriculture sector in one capacity or the other, members found the budget of Rs. 100 crore as extremely small as it averaged at Rs. 2-3 per woman farmer for one year.

Other Suggestions:

- Leveraging best approaches from successful private sector initiatives (Example: ITC e-Choupal's Sanchalak –Samyojak model).
- Providing membership to women in the institutions providing agri-services and giving subsidy to promote their participation.
- Creating a nationwide MKSP learning alliance.
- Promoting women staff at the block level as ADO and gram sevaks.
- Providing agriculture machines and tools like power tillers and tractors to single women farmers.
- Using the network of credit and non-credit cooperative societies for livelihood promotion.
- Introducing Mahila Kisan Club and extension center through National Bank for Agriculture and Rural Development (NABARD), Agriculture Technology Management Agency (ATMA) and Krishi Vigyan Kendra (KVK) etc.
- Promoting women's seed producer group at village level or panchayat level and involving them in producing pulse, millet, vegetables etc. in rainfed areas.
- Providing long term lease to women's groups over water bodies to take up fish hatchery, fish seed nursery and pond rearing as enterprise.
- Harnessing the extensive knowledge of tribal women regarding herbs and medicinal plants for their economic independence and empowerment.
- Considering the National Policy for Women in Agriculture that was developed by National Commission for Women (NCW) in 2008.

In conclusion, members stated that MKSP as a program must focus on improving the status of women in farming and providing them opportunities, resources, knowledge and support. Women need to have a control over resources and access to production system without which their status as farmers is not really going to bring about any positive change in their lives.

Related Resources

Recommended Documentation

Draft National Policy for Women in Agriculture (from [Neelesh Kumar Singh](#), Consortium to State Level Nodal Agencies (SLNA), Ranchi, Jharkhand)
Policy; by National Commission for Women (NCW); 2008

Available at <ftp://ftp.solutionexchange.net.in/public/emp/cr/res04071101.pdf> (PDF; 325 KB)

Draft policy aims at highlighting crucial concerns regarding women farmers and agricultural workers that were left out in National Policy on Farmers 2007.

Recommended Organizations and Programmes

From [Suman K.A](#), Change Planet Partners Climate Innovation Foundation (CPPCIF), Hyderabad

e - Choupal, Andhra Pradesh

ITC - Agri Business Division, 31, Sarojini Devi Road, Secunderabad 500003; Tel: 91-40-27800875; Fax: 91-40-27804476; <http://www.echoupal.com>

Web based initiative of ITC, provides information and customised knowledge to farmers to take decisions and align their farm output with market demand.

International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), Andhra Pradesh

Patancheru 502324; Tel: 91-40-30713071; Fax: 91-40-30713074; icrisat@cgiar.org; <http://www.icrisat.org/index.htm>

Non-profit organization that conducts agricultural research for development in Asia and sub-saharan Africa.

From [Shivani Bhardwaj](#), Saathi All for Partnerships (SAFP), New Delhi

M. S. Swaminathan Research Foundation (MSSRF), Chennai

3rd Cross Street, Institutional Area, Taramani, Chennai 600113; Tel: 91-44-22541229; <http://www.mssrf.org/index.html>

Non profit research organization, working towards on-farm and non-farm livelihoods through appropriate ecotechnology and knowledge empowerment.

Mahila Dakshata Samiti (MDS), Karnataka

No. 66/A AECS Layout, Sanjaynagar Main Road, RMV 2nd Stage, Bangalore; Tel: 91-80-23512543; mahiladakshatasamiti@yahoo.co.in; <http://www.mahiladakshatasamiti.org/>

Working with women and children in the areas of education, rehabilitation, empowerment and health.

From [Ritesh Dwivedi](#), Amity University, Uttar Pradesh

National Agricultural Cooperative Marketing Federation of India Limited (NAFED), New Delhi

NAFED House, Siddhartha Enclave, Ring Road, Ashram Chowk, New Delhi - 110014; Tel: 91-11-26340019; Fax: 91-11-26340261; mdcell@nafed.nic.in; <http://www.nafed-india.com/home.asp>

Promotes Co-operative marketing of Agricultural Produce for the benefit of the farmers.

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Delhi

Ministry of Rural Development, Krishi Bhawan, New Delhi 110001; Tel: 91-11-23782373; Fax: 91-11-23385876; <http://www.rural.nic.in>

Poverty alleviation scheme of the Government that guarantees 100 days of employment to the poor.

National Commission for Women (NCW), New Delhi (from [Neelesh Kumar Singh](#), Consortium to State Level Nodal Agencies (SLNA), Ranchi, Jharkhand)

4, Deen Dayal Upadhyaya Marg, New Delhi - 110002; Tel: 91-11-23237166; Fax: 91-11-23236154; ncw@nic.in ; <http://ncw.nic.in/default.aspx>

Apex national level organization with the mandate of protecting and promoting the interests of women.

From [Neelkanth Mishra](#), Revitalizing Rainfed Agriculture (RRA) Network, Secunderabad, Andhra Pradesh

OXFAM India, New Delhi

1, Community Centre, New Friends Colony, New Delhi 110025; Tel: 91-11-46538000;
<http://www.oxfamindia.org/>

Initiated Aaroh - a campaign for asserting rights and demanding justice for women farmers in Uttar Pradesh.

Vinoba Sewa Ashram, Uttar Pradesh

Village and Post - Bartara, District Shahjahanpur 242306; Tel: 91-9415035035; Fax: 91-5842-231358; <http://vsa.org.in/index.html>

Aims at organizing rural poor communities for reconstruction of village community on the principles of non-violence and collective efforts.

Ministry of Rural Development (MoRD), New Delhi

Krishi Bhawan, New Delhi 110001; Tel: 91-11-23782373; Fax: 91-11-23385876
<http://www.rural.nic.in>

Initiated SGSY, an anti-poverty alleviation programme that provides micro credit and group insurance services to the poor through SHGs now transformed into NRLM.

National Bank for Agriculture and Rural Development (NABARD), Mumbai

Plot No. C-24, "G" Block, Bandra-Kurla Complex, P. B. No 8121, Bandra (E), Mumbai 400051;
Tel.: 91-22-26539244; Fax: 91-22-26528141; nabmcid@vsnl.com;
<http://www.nabard.org/roles/microfinance/index.htm>

Apex institution providing loan funds for microfinance services in the form of revolving fund assistance to NGO-MFIs, SHG Federations and NGOs to lend to SHGs.

Agricultural Technology Management Agency (ATMA), Himachal Pradesh

Krishi Bhawan Complex, Boileauganj, Shimla 171005; Tel: 91-177-2832257; Fax: 91-177-2832257; support@atmashimla.org; <http://www.atmashimla.org/>

Integrating research and extension activities through different organizations like Governing Board, ATMA Management Committee and Farmer Advisory Committees.

From [Jalpa Sukhanandi](#), ANANDI, Veraval, Gujarat

Working Group for Women and Land Ownership, Gujarat

C/105 Royal Chinmaya Tower, Judges Bungalow Road, Near IOC petrol pump, Bodak Dev, Vastrapur, Ahmedabad 380054; Tel: 91-79-26857745; Fax: 91-79-26857443
Wgwlo.gujarat@gmail.com; <http://www.wgwlo.org/index.html>

Working group of 23 CSOs, CBOs and Development Professionals to address the issue of Rural Women's Land Ownership through multi-pronged approach.

Area Networking and Development Initiatives (ANANDI), Gujarat

<http://anandi-india.org/default.aspx>

Helps poor families of the most vulnerable and marginalized groups, including the Tribals, Dalits, and Muslims to move out of poverty conditions.

Responses in Full

Suman K. A., Change Planet Partners Climate Innovation Foundation (CPPCIF), Hyderabad

The Mahila Kisan Sashaktikaran Pariyojana (MKSP) guidelines are commendable. Here are a few suggestions that can be included in the guidelines to meet the MKSP objectives.

- **Leveraging Best Approaches from Successful Private Sector Initiatives:** Example is the award winning ITC e-Choupal's - Sanchalak - Samyojak Model of reaching out to farmers. If the said model can be adopted and driven through women farmers and women SHGs, I am of the view that a beginning can be made in the direction of extension service packages reaching the women farmers. Better still, if the MKSP programme has private sector collaboration components built into it, then it might be possible to help reach scale on the programme quickly.
- **Nation Wide MKSP Learning Alliance Creation:** Very often it is noticed that farmers learn from observations and peer group participation. If such a learning alliance mechanism is created, it could pave way to bring women farmers together and help them learn from each other's experiences and innovative local approaches.
- **Inter-cropping Experiments - Jatropha with Food, Cash Crops:** With the collaboration of the likes of International Crops Research Institute for the Semi Arid Tropics (ICRISAT), Jatropha Alliance, successful experiments on inter-cropping may be undertaken to ensure food and livelihood security, additional income generating opportunities and putting to use vast tracts of degraded land.
- **National Initiative on Climate Resilient Agriculture (NICRA):** The programme covers 100 most backward districts across the length and breadth of the country and could be considered for collaboration to experiment with women farmers' driven innovative climate adaptation options and packages and the successful learnings consolidated for scale through National Rural Livelihood Mission (NRLM).

Shivani Bhardwaj, Saathi All For Partnerships (SAFP), New Delhi

We coordinate a forum known as Consult for Women and Land Rights. We were invited to discussion on the Mahila Kisan Sashaktikaran Pariyojana (MKSP) by M. S. Swaminathan Research Foundation (MSSRF), when it was to be drafted. Consequently when Dr. Meena Swaminathan informed us that the scheme has been approved we asked a few women farmers and women and land groups to apply for the scheme.

None who tried could match the criteria set by the scheme. Once they were ready to take this scheme on it was not clear where and who the applicant should approach to submit the proposal and what will be the process of approval. The amount of support is also now clear from the guidelines. In one particular case a widow farmer from Haryana who had fought her inlaws to retain her 10 *bigha* land was asked to apply to this scheme with 10 other women but we realized that she herself had no skills to apply for the project. Mahila Dakshta Samiti (MDS) that was counseling her not to sell the land under duress could not help her write a proposal as they were not agriculturist.

I will like to have information on how many proposals has the Government received under the scheme so far and how was it decided that the project be awarded for what amount.

Ritesh Dwivedi, Amity University, Uttar Pradesh

Starting with the Swarnajayanti Gram Swarozgar Yojana (SGSY), I would like to say that villagers have got benefited out of it but it was not implemented in coordination with organizations already working in the areas. I have come across various cases where the Self Help Group existed only on paper. This trend had degraded the standard checks and balances under SGSY because SHG were formed just for the sake of target fulfillment and no capacity building was provided to them. In the implementation of National Rural Livelihoods Mission (NRLM), these shortcomings have to be taken care of and the network of credit and non-credit cooperative societies can be used for livelihood promotion.

Primary Agriculture Cooperative Societies (PACS) have to be strengthened in a big way and also their computerization should be initiated so that credit operations can be streamlined and farmers as well as villagers can get better results. Multiplicity of umbrella organizations always creates confusion. So there should be minimum but better coordinated cooperatives other than PACS. Some of these societies are also promoting Self-Help Groups. PACS working as mini banks can very well provide financial services to the SHGs as these societies are catering to rural poor of the nearby villages. Cooperative laws should be changed to strengthen them and provide them a better opportunity to think, plan, design their strategy independently. There are too many bodies which are constantly capacitating Cooperatives and training their members how to face the market forces.

Under NRLM the different income generation activities should be promoted under the mandatory guidance of different big players like Rural MART, NAFED, Fab India, SEWA and others so that these activities should remain rational as well as market oriented. Local demand should be recollected through various women consumer cooperative societies so that they can again save some money and also remain safe from market hiccups. Farm and non-farm products of SHGs should be promoted after analyzing their food security condition.

SHGs should also know how to secure their resources and make use of it. Under NRLM, a digital inventory of public assets should be developed so that vacant and unused public structures and facilities can be used by Cooperatives and other Community Bodies. These facilities can be used for various purposes under NRLM programme and their status should be available online to all stakeholders so that their usage can be better managed.

There should be separate provision under NRLM through which certain requirements (stationary, curtains, racks, food packets etc.) of district and local level government offices should be fulfilled through provisioning direct orders to Community Bodies/Cooperatives. I hope I can attract some support.

Nidhi Sadana Sabharwal, Indian Institute of Dalit Studies (IIDS), New Delhi

We have evidence through census that most SC/ST women lack access to income earning assets as compared to general category (GC) women (2001 census - 21 percent SC women were cultivators as compared to 45 percent from GC) and depend mainly on wage labour (half of SC women, 39% ST versus 17% for GC). This we call social group disparities within the category of women. Now there are disparities between men and women within SC group. Census data show that only 22 percent of SC women were cultivators as compared 29 percent men). A higher proportion of SC women work as agricultural laborers as compared to SC men. So, higher proportions of SC women work in the unorganized sector, vulnerable to features of that sector and have limited social protection. Data for Muslim women also reveals less access to quality employment and education when compared to other religions.

As such the evidence indicates that there are similarities and differences in the problems faced by women belonging to SC, ST, Muslim groups and rest of the women. Like all women these women also suffer from subordination resulting from patriarchy. Like their poor counterparts they also suffer from lack of access to income earning assets and resultant high poverty. However, women from excluded groups differ from the rest of the women in so far as their performance to human development indicators (income, literacy and health) is lower compared to other women. This heightened deprivation can be attributed to social exclusion.

Dalit women face social exclusion in access to sources of livelihood. Social exclusion deprives them of choices and opportunities to escape from poverty and denies them a voice to claim their rights. We have some evidence on forms of exclusion and discrimination (IIDS/ILO study) in the labour market. Dalit women face discrimination through exclusion in certain types of work like work inside the house of higher caste, denial of work related to fetching drinking water etc. These are the forms of discrimination which are not faced by non-SC female and therefore they are likely to enjoy higher employment in household work. The same study also provides evidence on discrimination while selling milk and vegetables. The group faced difficulties in selling these products due to the notion of impurity and pollution associated with the status of 'untouchables'.

Now since we have only the above analysis on gender and it's inter face with group specific vulnerabilities, not sure if it is enough to policy suggestions for the query posted.

Ashok Kumar Sinha, Karma Consultants, New Delhi

I am adding my viewpoints based on my experiences and work on the social exclusion agenda with a focus on women. I agree with the explanation of Ms. Nidhi. I am also adding my reflection on multiple vulnerabilities of the women from Dalit, Adivasi and socially excluded groups. While framing any programme, the aspects of vulnerability should be taken into consideration.

The Civil Society Organizations (CSOs) play a major role in making any poverty alleviation programme successful. They are assigned the task of capacity building, awareness generation, monitoring and evaluation as well as research and advocacy work but due to operating in isolation, the results have not been very effective.

For examples a trained, informed and aware member in Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) moves ahead and demands his/her entitlement from the respective service providers [Panchayat Rozgar Sewak and members of Panchayati Raj Institutions (PRIs)] but if they are not getting response from them then the role of CSOs become jeopardized in a way.

Here role of CSOs should be framed for **end-to-end task** so that CSOs will be responsible for all aspects of the programme and can create a model for its wider replicability.

It is proven that Dalits, Adivasis and socially excluded women suffer a three-fold deprivation based on caste, gender and class. They are victims of major atrocities and suffer from sexual violence. Dalit women experience oppression and exploitation on three principle counts – based on patriarchy as experienced by all other women, based on poverty comparable to all other poor women and in particular based on caste discrimination, social exclusion and untochability. While 71 percent of Dalit women are agriculture labourers, many Dalit women are also employed in the so-called unclean occupation such as manual scavenging, which depresses their status further. Dalit women have been victims of Jogni (in Andhra Pradesh) and Devdasi system, which gives them not only a stigmatized status but makes them more vulnerable to HIV. High morbidity,

malnutrition and child mortality among Dalits is closely linked with poverty, poor literacy and lack of access to basic services.

Due to these conditions, focus should be on reaching out to the Dalits, Adivasi and socially excluded women's groups. Here CSOs could be instrumental in reaching out to these special groups and contribute in organizing and mobilizing.

Building a rights-based approach for empowering women within Adivasi, Dalit and women from socially excluded groups. It is the task of the CSO to facilitate this process. The CSOs could monitor the programme from gender perspective. Traditional norms, values and practices that undermine women's dignity and equity have to be challenged. Gender has to be mainstreamed in the programme.

In this context, National Rural Livelihood Mission (NRLM) should develop its strategy along the following directions:

- Ensuring intervention for non-discriminatory access to work under MNREGS.
- Building capacities of women from Dalit, Adivasi and socially excluded groups to claim & assert their rights/entitlements.
- Ensuring equal access to resources and skills for women from Dalit, Adivasi and socially excluded groups to diversify their livelihood options facilitating convergence and department to department coordination.

Neelesh Kumar Singh, Consortium to State Level Nodal Agencies (SLNA), Ranchi, Jharkhand

Feminization of agriculture is already leading to feminization of rural poverty in India. With the changing face of Indian agriculture due to mechanization and modernization the existing skill sets of women farmers have already become redundant. Rising agrarian crisis is already robbing women of their basic rights and entitlements. However, the framework of Mahila Kisan Sashaktikaran Pariyojana (MKSP) fails to recognize the basic issues of women farmers. In its current form, the framework is a mixture of proposed National Rural Livelihoods Mission (NRLM) and farmer in general. The problems recognized by the framework are mostly gender neutral. The framework is more of a rolling out strategy than a policy framework.

I would like to draw the working group's attention over following problems related to women farmers:

- **Land Rights:** Gender discriminatory provisions from all personal laws, both with regard to homestead and agricultural property, shall be removed. Land reforms shall have special focus on rights of women and single women headed family. Provisions can be made of joint *pattas* in the name of both the spouses. Legal safety nets can be created for daughters and wives in case of marriage dissolution, devolution or transfer of *pattas*, etc.
- **Land Acquisition:** Gender concerns shall be prioritized and taken into account when environmental and social impact assessments are done of any land alienating projects. Women shall have equal right to compensation and rehabilitation in case of the sale or transfer or alienation of privately or collectively held land. Efforts shall also be made to compensate the women whose livelihoods are connected with the piece of land though they may not own any land like pastoral community, fisher folks, Non-timber Forest Produce (NTFP) collecting families, etc.
- **Female Literacy/ health:** If we are talking about *Mahila Kissan* then assume our self what we were about 30 years back(No, I am not hinting Green Revolution) because that's exactly where today women farmer stand where men farmer used to be at that time, if we believe in statistics. She is still fighting for basics - food, independence, health, education, safety, cloths, water, raising children, caring men and old folks of family, etc.

- **Institution Base:** I really don't know why anything to do with '*Mahila*' has to be done in Self Help Group (SHG) and Federation mode. You ask the policy for anything related to rural women from education to livelihood and half of the policy framework is already presumed to be SHG, its Federation, Federation of Federation and so on. Instead, we can revitalize Primary Agricultural Credit Societies (PACS). Currently, to the best of my knowledge, women are not considered for membership in any PACS. Not only women, if you are small and marginal farmer then also you won't be offered membership in PACS.

National Commission for Women (NCW) had drafted a [National Policy for Women in Agriculture](#) in 2008 but I don't know if it has or will ever see the light of the day. I am attaching this for wider circulation and reference. I suggest that the draft shall also be considered while preparing MKSP.

Neelkanth Mishra, Revitalizing Rainfed Agriculture (RRA) Network, Secunderabad, Andhra Pradesh

Mahila Kisan or women farmers' empowerment initiatives have even taken in past by United Nations Development Programme (UNDP) and other civil society organizations. Oxfam GB had also initiated state level campaign in Uttar Pradesh to ensure recognition of women as farmers. There are many examples and success stories established by community, government programs and NGOs in the same approach as envisaged by proposed Mahila Kisan Sashaktikaran Pariyojana (MKSP).

In the Oxfam GB led 'Aaroh' campaign in Uttar Pradesh, it was realized that the issue of women as farmers has to be associated with their title rights, Joint Patta or wherever possible ownership issue. In absence of this framework, any effort to link them with "productivity" or "enterprise" will not bring envisaged outcome.

As the approach paper recognizes, Agriculture sector employs 80% of all economically active women; they comprise 33% of the agricultural labour force and 48% of self employed farmers but fact is mostly so called 'women farmers' are paid or unpaid agriculture laborers only. Until the element of control over resources and access to production system are imparted to them, the term "women farmer" doesn't have any significance.

Are we really concerned about improving production related contribution and status of women as farmers? The approach paper presents "Agriculture sector employs 80% of all economically active women" but the proposed budget is Rs. 100 Crore. **That is on an average Rs. 2 – 3 per women farmers for one year.**

As part of women farmers' campaign, Vinova Sewa Ashram, Shahjahanpur (U.P.) has trained more than 500 women and SHG members to produce vermicompost and organic manure. The produce is now in good demand by local farmers. Last year, we realized that a local trader is selling the same produce at very high rate after packaging. Not only this, women in aqua produces like Makhana, Singhara etc. also have to go through the same situation. Ultimately, the traders, middle men or business houses take away major share of the profit earned.

I would like to stress that through MKSP, National Rural Livelihoods Mission (NRLM) and Ministry of Rural Development (MoRD) must engage with producers and farm laborers to:

- Develop their share /control over value chain of farm produces
- Explore various agriculture related enterprises like womens group producing and selling vermin compost, organic compost etc.

- Develop capacity and provide handholding support to develop women farm cooperatives, women managed Producer Companies that deals with farm produces, value addition, marketing, processing etc.
- Introduce Mahila Kisan club and extension center through National Bank for Agriculture and Rural Development (NABARD), Agriculture Technology Management Agency (ATMA) and Krishi Vigyan Kendra (KVK) etc.
- Promote women's seed producer group at village level or panchayat level.
- Involve women in producing pulse, millet, vegetables etc. in rainfed areas.
- Provide long term lease to women's groups over water bodies to take up fish hatchery, fish seed nursery and pond rearing as enterprise.

Recently Karnataka Government has earmarked resources to develop air conditioner fish marts for women vendors. Similarly, panchayat and block level market yards, cold storage, godown etc should be allocated to women farmers group, SHG etc. This approach will lead to providing them control over production system and marketing activities.

Government should also develop a system so that agriculture graduates and women agriculture graduates spend 3 – 6 months during their academic periods in rural area as interns. This approach will help to produce and innovate local technologies, drudgery reducing tools for farming communities.

Similarly, panchayat lands and common lands etc. should be given to women's groups for collective farming, horticulture development or plantation work. This kind of moves will establish women as farmers in Indian society as well as make women's groups economically independent.

The process of application for pilot activity seems cumbersome, there are lots of administrative process to be fulfilled before project clearance and then for fund release. Even state government departments are also involved in this process. Looking at the center – state dynamics, it would be better to **develop an independent committee** that would select and approve submitted projects. The department or competent committee can ask for "call for proposals" for MKSP. Recently, National Initiative on Climate Resilient Agriculture (NICRA) has done in the same way by entrusting administrative responsibility to Central Research Institute for Dryland Agriculture (CRIDA).

At last I would like to suggest that, instead of activities and output based initiatives, MKSP program should be based on a [framework](#) to improve status of women in farming and provide them not only opportunities but also resources, knowledge and support to improve their socio economic status. MKSP could be a good initiative to improve rainfed area farming which is still operated by small and marginal farmers.

Hemantha Kumar Pamarthy, Hand in Hand Micro Finance Limited, Chennai

Though the Agriculture sector is steadily being dominated by women, whether they are getting the resources and recognition needed for shouldering such an important responsibility for the country is highly debatable. We need to build the capacity of women farmers. In my humble opinion, this would require:

- Identifying and enumerating the women farmers or the "Mahila Kisans" irrespective of caste, religion, language and all such bars
- Organizing the Mahila Kisans into Self Help Groups (SHG)/Joint Liability Group (JLG) etc.
- Providing required capacity building to the group members in the agricultural sector with latest technology.
- A finite ownership of land and if on lease the lease documentation favoring the women involved in tilling the land.

- Ensuring wage parity and incentives for shouldering the responsibilities of taking care of the family, children, farm work and also marketing of the farm produce.
- Ensuring that the women get uninterrupted resources such as irrigation facilities, power, proper seeds, equipment and fertilizers.
- Creating agricultural revolving fund exclusively for these Mahila Kisan Groups to be delivered through Nationalized banks directly or through the intervention of reputed regional NGOs.

Rajesh K. Verma, Vananchal Gramin Bank (VGB), Dumka, Jharkhand

As a grass root practitioner working with a bank, I feel that SHG concept is the best available medium for the upliftment of the rural impoverished women. The only drawback is the approach being adopted in group formation, which should happen through selection and not by election. Practically, poor women are being lured into the groups by the agencies concerned with the promise of large subsidized capital never to be returned and hence, there is no surprise that they show lackluster approach towards any concept of development. It is only quick money for their immediate consumption. Illiteracy I suppose is the biggest hurdle in their comprehension of the government initiatives and its implication for their well being.

Some suggestions are:

- In addition to funding, they need extensive vocational training with intermittent exposure to well functioning groups, during which due daily allowances should be paid to compensate for their daily livelihood work.
- Rural womenfolk are very much attracted to the 'mela' concept, the places of mass gatherings like the village fairs, religious fairs, festival fairs etc. To equip them with the latest ideas and their implementation. These occasions should be utilized with audio visual shows, demonstrations, banners etc.
- Adivasi womenfolk by tradition have extensive knowledge of herbs and medicinal plants, which need to be harnessed to boost up their economic independence and empowerment.

Sarat Kumar Patnaik, Koraput Farmers Association (KFA), Koraput, Orissa

I have gone through the suggestions made by different members, on women farmers and their capacity building. If you look at the situation of Koraput District in Orissa, most of the works are being done by the women farmers - from sowing to marketing. The male farmers only help them in preparing the land. To some extent it is the tradition among the tribal communities. Majority of women are engaged in agricultural activities, which is their main source of livelihood.

My suggestions in this regard are:

- The women farmers are to be **capacitated on value addition**, what ever they produce.
- Linkages must be established with **external markets** to sell their produce at a better price because it is very difficult for the farmers to get market linkage.
- To avoid distress sale, knowledge and information on **Produce as per Market** demand have to be provided to the farmers.

P. Purushotham, Centre for University Industry Interaction (CUII), Periyar Maniammai University (PMU), Vallam, Thanjavur

As a policy note I like the content of the Guidelines of Mahila Kisan Sashaktikaran Pariyojana (MKSP), but on the implementation and success side of it, I have my doubts and hence I have my reservations and suggestions:

- **Budget:** How has the budget of Rs. 100 Crores been finalized? Is it by just apportioning certain amount or by working out costs roughly? So this appears to be a major weakness. If it is by apportioning certain amount, then we may have to spend some money for pilot

testing of projects, because, we can't be sure in spite of all scrutiny and overseeing by officers whether proposals will result fruitful or not.

- **Direct Intervention and Cluster Development Approach:** I have seen in the Vaazhndu Kaatuvom Project that direct intervention within the community with an objective of developing a Cluster works well especially for the most marginalized as it provides them access to a source of livelihood.

Jalpa Sukhanandi, ANANDI, Veraval, Gujarat

The following points could be addressed in Mahila Kisan Sashaktikaran Pariyojana (MKSP):

Land Ownership: The MKSP document shows certain figures and percentages about the contribution of women in agriculture. The percentage of women having land on their name is a big challenge. The Working Group on Women Land Ownership (WGWLO), a network, had done a survey that has revealed - only 11% women hold land in their name. Needless to say women face lots of problems in order to avail their land rights. Government of Gujarat (GoG) had announced 100% free of cost land registration in women's name that attracted some big farmers to transfer and purchase land in the names of the female members of their families. But small and marginalized women farmers are still waiting for their turn. I think MKSP will become an opportunity to attract farmers to have land ownership jointly or in the name of women to enable them to avail benefit from this scheme.

Limited Understanding of Women Farmers: Only 33% of rural women (NSS Report No. 515: Employment and Unemployment Situation in India, 2004-05) in India are identified as workers, but almost all rural women not otherwise employed, would be farmers as per the comprehensive definition in the National Policy for Farmers, 2007. It says "*FARMER*" will refer to a person actively engaged in the economic and/or livelihood activity of growing crops and producing other primary agricultural commodities and will include all agricultural operational holders, cultivators, agricultural laborers, sharecroppers, tenants, poultry and livestock rearers, fishers, beekeepers, gardeners, pastoralists, non-corporate planters and planting laborers, as well as persons engaged in various farming related occupations such as sericulture, vermiculture, and agro-forestry. The term will also include tribal families / persons engaged in shifting cultivation and in the collection, use and sale of minor and non-timber forest produce which includes various livelihoods activities that rural poor women are engaged in.

The scheme however may exclude the fisher folk, salt pan workers, forest producers and many others from deriving benefits out of the scheme.

Certain organizations in Gujarat have been working intensively with women farmers and have been able to form their cooperatives after lot of struggle. **ANANDI**, a leading organization working on women rights in Saurashtra and other tribal regions of Gujarat, has worked with fisher folks of Maliya Miyana block, Rajkot and registered a women's cooperative **Azad Mahila Machhimar Sahkari Mandli** over there. The limitation is that women get license for selling their products, but it's not proving their identity as fisher folk (farmer). The second cooperative they have registered in the tribal region is **Ratanmahal** which primarily focuses on vermiculture and marketing its products. Due to political interference members of the cooperative had to approach the high court to get their cooperative registered. Similar problems were faced by **BSC** that had started interventions with women farmers to register their cooperative (in tribal region) but due to community and local level political interference they are still struggling. **Ujash Mahila Sangathan** has also intervened with fisher folks of SEZ affected areas of Mundra block. I have just highlighted the experience; respective organizations can contribute with details. This organization worked with the entire cycle of production and the valuable role of women in it, meanwhile it needs brainstorming to know how MKSP will address this issue in.

Since MKSP is a part of National Rural Livelihood Mission (NRLM), women's issues should be addressed holistically. It is not just for their important role in the sector but also to create their important identity as farmers. Each occupation has its identity card for example for salt pan workers, fisher folks, similarly **kisan credit cards** should be allocated to women farmers so as to strengthen their identity as farmers and the states to know how much resources they have actually allocated for women. For example GoG celebrates **Krushi Mahotsav** each year and distributes seed and agriculture related tool kits to farmers but mostly these are distributed to male farmers because they are the ones holding the land titles and kisan credit cards. Finally it leads to producing data that has a male bias with no data on women farmers. These are some points which should be considered to have a positive impact on the livelihoods of women farmers through this scheme.

Resham Singh, Punjab Gramin Bank, Punjab

Like any other scheme of MoRD, I feel that the ultimate goal of Mahila Kisan Sashaktikaran Pariyojna (MKSP) is also to alleviate poverty. SHG methodology is well tested to provide prosperity to the poor to prosperity and strengthen their socio-economic conditions. In SHGs, we are always been promoting landless labor that are underemployed and wander here and there in search of work.

When I started working with SHGs in the year 2000, as a branch manager, I found that poor were totally dependent on the money lenders and landlords for their small credit needs. Under SHG bank linkage programme, SHG model was introduced primarily to fulfill microfinance needs of poor especially women. The people were persuaded to join SHGs to make them free from risks, insecurity and uncertainties. Thirty two self-help groups under SBLP were formed without the assistance of government and NGO and 23 groups were linked with bank. The By-laws having terms and conditions were prepared and handed over to each group along with various registers for maintenance of records. As a branch Manager, I could play the role of a dreamer, thinker, idealist, leader, actor, director, producer, motivator and Financier. Knowing the success of the micro credit programme of the poor, the then Governor of Punjab honorable Shri. O. P. Verma visited the Branch to know the details and to interact with the SHG members. Realizing the fact that SHGs are primarily women based and Rs.300 is a good amount for the poor to spend on inter-se agreement being executed by the SHG members, he has taken quick action to help poor women.

Unlike other states, the trend of cultivating on leased lands is not common in Punjab as majority of the land is fertile and people want to do cultivation by themselves. The cost of getting land on lease is quite high therefore poor do not opt for cultivating on the leased land. I see possibilities of collective farming by forming cooperatives of women farmers. In order to do collective farming, members can join together to form joint farming cooperatives and take up farming as collective enterprises. Under the Guidelines, arrangement for subsidized financial services should be there. Through joint farming the cost of inputs, technology and other expenditures can be reduced while income can be enhanced by effective marketing and bargaining.

For women farmers, it will be useful to provide subsidy in inputs, transport services, storage services, processing services so that cost of production is reduced and women farmers are benefitted.

zJaya Patel, Tata Power Company Limited, Ranchi, Jharkhand

It is good to know that Ministry of Rural Development (MoRD) has introduced a programme to support women farmers. First of all, I would like to mention that the Guidelines on MKSP do not provide a clear definition of 'Mahila Kisan'. I stress on the need of 'women farmers' as majority of the women are working on fields as farmers but do not have property and land in their names. Also, there are women SHGs who take up cultivation activities collectively on the land taken on lease from the local landowners utilizing the common fund. In Himalayan region especially Pauri Gahrwal and few other districts of Uttarakhand, poor Nepali families plough farms of local land owners. Now based on traditional definition of farmers, these people will not be able to get loans from banks. Hence there is a need to define 'Mahila Kisan' in a different way so that tenant farmers (women) can also get benefits of getting loans from the banks.

The National Bank for Agriculture and Rural Development (NABARD) provides refinance in the form of a consolidated limit to SCBs on behalf of all eligible DCCBs and RRBs to provide crop loans to Tenant Farmers/Oral Lessees by organizing them into groups on the lines of SHGs. Recently, in Andhra Pradesh, Banks are also coming up to finance tenant farmers.

For promoting women Farmers, following can be done -

More land ownership by the women: In order to enhance the ownership of land by the women, it will be good to reduce the registration charges (Stamp duty) significantly so that more and more people opt for getting registration of land in women's names. This is clearly visible in urban areas nowadays.

Special attention for Agri- Services to women farmers: Women memberships in the institutes providing agri. Services should be highly appreciated and subsidized so that more and more women come forward for taking membership and do financial and business transactions with high level of ownership

Promoting Women Staff at the Block Level: A thought can be given to provide more appointments of women as ADO and Gram Sevak – Agriculture to enhance involvement of women in agriculture

Providing Agriculture machines and tools: Power tillers and tractors can be given to women who are single and handles their agriculture work independently.

Specific Agricultural projects for women: Project should be formulated as viable business models so that women farmers can join together and do the business either individually or collectively through SHGs and SHG federations or cooperatives.

Ruturaj Pattanaik, Sahayog Foundation, Bhubaneswar *

People in the impoverished are eking their livelihoods against all odds. They know how to live and lead the life where services and facilities are less especially women. So there should be more flexible funds available to be utilized by them. There may be two types of target groups in Mahila Kisan Sashaktikaran Pariyojana (MKSP) -

Direct: Direct Target groups are the individual women belong to farming community. Farming communities are those directly acts in the farm field at the time of farming season, take up direct selling activities of raw farm produces and semi finished farm produces. However, there may be efforts for inclusive (male and female) actions through their own institutions may be in the form of SHGs, Cooperatives (New Generation Cooperatives), and other Joint Liability Groups. Inclusive

actions may be designed specifically for the tribal region. As in most of the case NGOs and other agencies separately promote institutions.

Indirect: Local youth clubs, Community Based Organizations (CBOs) and NGOs may be the stakeholders of the programme. Their capacity needs to be improved both in terms of skill and infrastructure in their own operational area. Leaders of SHGs, Panchayat members and traditional leaders of the area those can act as peer.

Key Activities:

- Building capacity of Youths clubs, CBOs, SHG Leaders, local NGOs on book keeping and business plan development specifically on farm produces.
- Promoting demonstrative models through handholding process.
- Identification of NGOs working in single district.
- For handholding technical, grassroots experienced, educationally qualified and skilled persons may be given charge for 4-5 such demonstration activities.
- Review of the activities in each quarter about the progress at the cluster level and six monthly at the district level.
- Infrastructure Development such as common facility centre for value addition for farm produces and agro-service centre for individual usage at the panchayat level owned and managed by the groups and cooperatives.

Fund Disbursement:

- For fund disbursement it will be better if funds are transferred in advance once the agreement is over after selection of the local and district level NGOs.
- For infrastructure development and demonstrative actions at the Panchayat level, funds may be given in 40:40:20 ratio.
- Individuals those are to be in charge of 4-5 demonstrative actions should act as main players for the disbursement or release of funds to the NGOs. Though they will act with the NGOs.
- Proposals may be sought from NGOs about programme and the NGOs must be allowed to have flexibility in designing their own projects.
- Procedures should be simple and straight for the partner NGOs.
- In case of Tribal districts, their state level agencies like TDCC (Orissa), Girijan Cooperative Corporation (Andhra Pradesh) should be involved in the process.
- DRDAs should act as facilitating agencies and recommending agencies.

Veerashekharappa, Institute for Social and Economic Change, Bangalore *

It is ok to frame all the rules and regulations subject to a condition that the lending will not go bad. If it goes bad what is the solution? I feel a mechanism to insulate the smallest borrowers is important that protects them from the uncertainties of our system due to so many unforeseen circumstances for which the borrower is in no way responsible but results in failed repayment. This perennial problem of our economy needs to be looked into seriously as the problem of recovery was the bane of our micro finance. The problem of uncertainty has to be sorted out by an affordable insurance mechanism which will protect the lender as well as relieve the borrowers from harassment. All other issues are controllable and devised conveniently and in acceptable manner suitable for both the parties.

Many thanks to all who contributed to this query!

If you have further information to share on this topic, please send it to Solution Exchange for the Work and Employment Community in India at se-emp@solutionexchange-un.net.in or to Microfinance Community at se-mf@solutionexchange-un.net.in with the subject heading "Re: [se-emp][se-mf] For Comments: Guidelines of Mahila Kisan Sashaktikaran Pariyojana (MKSP). Additional Reply."

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Poverty

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Query: Microfinance for Small Farmers through Exclusive Agriculture Credit Cooperatives and JLGs – Experiences; Advice

Compiled by Navin Anand and Gopi Ghosh, Resource Persons, Raj Ganguly, Consultant and Monika Khanna and T. N. Anuradha, Research Associates

Issue Date: 30 March 2009

From P. S. M. Rao, Andhra Pradesh Gramin Vikas Bank, Hyderabad
Posted 13 February 2009

I have been associated with Andhra Pradesh Gramin Vikas Bank and presently engaged in a study on credit related issues in the rainfed areas of Andhra Pradesh and specifically focusing on the present arrangements of microfinance services available for marginal and small farmers.

In the rainfed areas of Andhra Pradesh, the banks find it risky to finance small farmers and therefore they are not proactive in providing loans to these farmers. There are also cases of inadequate financing. Similarly, the institutional finance support to the tenant farmers is not at all encouraging due to risk aversion of the institutions. Thus, there exists a gap in demand and supply of microfinance services for small farmers and marginal in Andhra Pradesh.

We all are aware that the cooperative credit movement in the country is functional since 1904 with execution of the first Cooperative Societies Act. There is a three-tier system with State Cooperative Banks, District Central Cooperative Banks and Primary Agriculture Cooperative Societies (PACS) catering to the short term and medium term microfinance needs of farmers. The PACS are primarily meant for providing short-term agriculture credit to their members. Since, PACS are heterogeneous in nature, it is observed that these cooperatives are able to serve small farmers and landless people cultivating on leased lands up to limited extent only. This fact was also identified back in 1955 by the Gorawala Committee on direction on Rural Credit Survey. To read the excerpts, please visit: <http://www.solutionexchange-un.net.in/mf/cr/res12020901.doc> (Doc, Size: 29.5 KB)

Besides, SHGs and Joint Liability Groups (JLGs), there are experiments of forming homogenous cooperatives exclusively formed out of small and marginal farmers. Being a forerunner in coming out with the Mutually Aided Cooperative Societies Act (MACS Act), Andhra Pradesh offers the option of registering such cooperative societies.

In the above context, I would like to request the members to share their experiences and views on:

- Strengths and weaknesses associated with lending through the farmers' JLGs/SHGs to the small farmers cultivating in the rainfed areas and on the leased land
- Feasibility of organizing thrift and credit cooperatives with the exclusive membership of the small and marginal farmers
- Innovative mechanisms through which PACS can become a more useful financial intermediary

Your valuable suggestions will greatly help me in making practical recommendations in the study to facilitate Government, NGOs and MFIs in streamlining microfinance services for marginal and small farmers of Andhra Pradesh.

Responses were received, with thanks, from

1. [Kedareswar Choudhury](#), Darabar Sahita Sansad, Orissa
2. [Vineet Raj](#), Intellectap, Mumbai
3. Maroti Upare, Independent Consultant, Mumbai ([Response 1](#); [Response 2](#); [Response 3](#))
4. [Neeraj Verma](#), Bhartiya Samruddhi Investments and Consulting Services (BASICS Ltd.), Jaipur
5. [G. V. Krishnagopal](#), Access Livelihoods Consulting India Private Limited, Secunderabad
6. [D. S. K. Rao](#), Global IT and Innovation Consultant, Hyderabad
7. [Sanjeev Kumar](#), Association for Rural Advancement through Voluntary Action and Local Involvement (ARAVALI), Jaipur
8. Prakash Kumar, Consultant, Ranchi ([Response 1](#); [Response 2](#))
9. [Rakesh Das](#), BASIX, Ranchi
10. [George Thomas](#), Evangelical Social Action Forum (ESAF), Trichur
11. [L. B. Prakash](#), Akshara, Hyderabad
12. [Sachin Kumar](#), MicroSave, Lucknow
13. [Bharathi Bhupal](#), Academy of Gandhian Studies, Tirupati, Andhra Pradesh*
14. [G. V. Ramanjaneyulu](#), Centre for Sustainable Agriculture, Secunderabad*
15. [G. K. Agrawal](#), Rural and Microfinance Consultant, Mumbai*

**Offline Contributions*

Further contributions are welcome!

[Summary of Responses](#)
[Comparative Experiences](#)
[Related Resources](#)
[Responses in Full](#)

Summary of Responses

Small and marginal farmers (SMFs) constitute the majority of the rural population in India. Despite a number of schemes and programmes of government, National Bank for Agriculture and Rural Development (NABARD), cooperatives, commercial banks, regional rural banks, local area banks, NGOs and MFIs, there exists a demand-supply gap in providing credit to marginal and small farmers of rainfed areas.

Members highlighted that the **credit requirements** for these farmers are small, and are either seasonal or required at regular intervals, which makes it difficult for the formal banking sector to lend to them. Moreover, financial institutions are often reluctant to lend to the agriculture sector due to the high degree of speculation on crop survival due to the risk of floods, droughts, pest attacks, etc.

Given the situation facing small and marginal farmers, lending through small groups like Joint Liability Groups (JLGs)/Self-Help Groups (SHGs) is often an effective way to meet the credit needs of SMFs. Discussants opined that the repayment percentage is normally high in the case of loans provided through these groups, as group members hold joint responsibility for repaying loans. However, there **risks associated with lending to small farmers** through JLGs/SHGs, such as:

- Extending credit exclusively to SMFs is hard for these groups, due to the lack of homogeneity in terms of member's occupation
- Maintaining the desired debt equity ratio is difficult as the quantum of loans required is normally higher than the amount of group savings
- Since SHGs/JLGs are not registered entities, therefore lending beyond small loans is not a feasible option as legal recourse is not possible in case of defaults
- Accounting services/providers are difficult for SHGs/JLGs to locate/access

To address these risks, discussants recommended JLGs/SHGs/thrift and credit cooperatives do the following:

- Focus on generating their own funds through members' savings, so they are not dependent on external funds
- Promote voluntary savings linked with agriculture transactions, because cooperatives that maintain a good debt equity ratio tend to perform better than others do
- Maintain a minimum number of members, for example having more than 100 members and pooling their mandatory savings is generally considered a good strategy

Commenting on the **role of government** in providing credit, respondents underscored that SHGs/JLGs require support from both the government and financial institutions in order to reduce their risks and become profitable. And they opined that subsidizing risks by providing insurance has not served the purpose of SMFs, therefore they advised the government to invest in livelihood finance and infrastructure development.

Members enumerated successful **national and international experiments and initiatives** that have effectively provided credit to small and marginal farmers. In **Andhra Pradesh**, the [Chetna Organic Farmers Association](#) is working to improve the livelihood options of small cotton farmers by promoting self-sustaining farmers' trading company. Also in Andhra Pradesh, the [Cooperative Development Foundation](#) provides support to strengthen forward and backward linkages, to enable Primary Agriculture Cooperative Societies (PACS) to become multi-purpose cooperatives undertaking processing and marketing activities. Similarly, various cooperatives in **Orissa** are now implementing microfinance initiatives under the new [Orissa SHG Cooperative Societies Act](#), which is enabling farmers to benefit by JLGs/SHGs, through the support of

cooperative banking and credit organizations. In **Rajasthan**, the Credit Cooperative Reform Project, a national consulting company, has undertaken the task of understanding the organizational aspects and value chains of the services provided by PACS to reform the cooperative credit movement in the state. Respondents also shared how in a community in **Vietnam** under the "[Microfinance Programme for Small Fish Farmers](#)" are managing a small-scale aquaculture and micro-credit initiative.

Discussants pointed out that members of PACS own, manage, and govern these institutions, which primarily cater primarily to the needs of marginal and small farmers in rural areas. Various innovative mechanisms for making PACS better financial intermediaries are now being tried, these include:

- Provide marketing and other value added services along with credit, such as trainings, market linkages, and facilitation of insurance coverage
- Create an environment in which political interference in the management and governance of PACS is not allowed
- Convert PACS into self-reliant and self-managed farmer's cooperative
- Diversify the portfolio of products and services to meet the requirements of farmers
- Offer machinery loans and leasing services/financial services for asset creation, etc.
- Strengthen the capital base of PACS by introducing various savings/deposits schemes and linking it with transactions made by the members
- Begin using a computerized system for accounting, to improve credit and savings services, and monitor activities and outputs
- Fix a "Minimum Performance Standards" for members, board of directors and staff to enable the PACs to discard inactive and passive members
- Introduce a system of preparing credit schedules, based on the seasons (i.e. harvest time or other agricultural operations)
- Engage professionals to train PACS's employees
- Help PACS develop partnerships with local organizations, which have an expertise in people's organizations and livelihood linkages

Additional research also revealed that adoption of the [Vaidyanathan Committee](#) recommendations by different states could provide functional autonomy to PACS, thereby ensuring diversification of microfinance activities. Besides this, the [Reserve Bank of India \(RBI\)](#) and [NABARD](#) initiatives and schemes for the promotion and revitalization of PACS and the microfinance sector could also result into broader coverage, including marginal and small farmers.

Overall, members concluded that small and marginal farmers are bankable and can manage SHGs/JLGs/cooperatives, effectively and efficiently. Reengineering of PACS they argued would help cover more SMFs and the formation of exclusive JLGs/SHGs/cooperatives could fast track the process of inclusion, through the increased provision of microfinance services.

Comparative Experiences

National

Orissa

Micro Leasing Helps Small Farmers to Get Back to Farming, Jamalpur Village, Pipili Block, Puri District (from *Maroti Upare, Independent Consultant, Mumbai*; [response 1](#))

Some of the SHG members of the KAS Dakshineswar Mahila Group own a patch of land, where they cultivate Tulasi to sell at the Puri temple. This has been possible after 6 months of regular savings to avail of loans to take up cultivation in this land. Tulasi cultivation on the leased land

created employment opportunities for other SHG women members and now families of SHG members earn between Rs. 11,000 to Rs. 12,000 per month selling Tulasi garlands. Read [more](#)

From [L. B. Prakash](#), Akshara, Hyderabad

Andhra Pradesh

Democratic Participation of Farmers through Federations Helps in Informed Decisions, Adilabad District

In 2004, Project Chetna spun off as a supply chain initiative, which enabled federated farmers groups to engage in collective marketing and value additions to their primary produce. This helped enhance the farmers' entrepreneurial capacities and also increased their access to credit and bargaining power in the market. It has aided in better access to the market and price for their produce. Read [more](#)

Farmers Cooperatives Help in Improving Quality of Produce and its Buy Back, Karimnagar and Warangal Districts

Paddy Cooperatives formed to provide quality seeds to farmers helped reduce the cost of cultivation by engaging collective production, processing and marketing. The NGO Sahavikasa extended financial assistance for the development of infrastructure as well as storage and processing facilities, which met the working capital needs of farmers, enabling them to purchase seeds. As a result, the cooperatives were able to pay a better return to members Rs 30 more than the market price (per quintal). Read [more](#)

International

Vietnam

Credit Linkages Help Improve Aquaculture and Repayment Rates, Hoa Binh, Son La and Lai Chau (from Maroti Upare, Independent Consultant, Mumbai; [response 3](#))

Well-functioning aquaculture microcredit groups and credit management committees have been able to achieve excellent repayment rates, with amounts repaid as high as 100%. The funds revolved as farmers repaid their loans and the amounts repaid were used for further loan disbursements. Altogether, 3,630 households in all six project districts were reached by the microcredit component of the project, which was designed to improve aquaculture practices. Read [more](#)

Related Resources

Recommended Documentation

From Maroti Upare, Independent Consultant, Mumbai; [response 1](#)

Micro Leasing Reaping Rich Yield

Article; KAS Foundation

Available at <http://kasfoundation.com/micro.asp>

Describes a success story of women small farmers who were able to cultivate and sell their products through the credit they received under Joint Liability Groups

The Orissa Self-Help Cooperatives Act, 2001

Act; Government of Orissa; 2001

Available at <http://www.sahavikasa.coop/publications/Orissa/oshb.doc> (Document, Size: 256 KB)

Provides for the formation of cooperative societies as self-help, self-reliant, mutual-aid, autonomous, business enterprises, controlled by members useful for the farming communities

Aquaculture Development and Micro-Credit Support in Northern Uplands of Vietnam
(from Maroti Upare, Independent Consultant, Mumbai; [response 3](#))

Case Study; by Maroti Upare; Food and Agriculture Organization of the United Nations (FAO) and United Nations Development Programme (UNDP); Vietnam; 1998

Available at <http://www.solutionexchange-un.net.in/mf/cr/res12020902.doc> (Document; Size: 57.5 KB)

Informes about the increase in productivity of small-scale aquaculture in upland areas through access to a community managed credit and savings scheme

The Story of Chetna: Beyond Certification (from [L. B. Prakash](#), Akshara, Hyderabad)

Report; by Terence Pradhan; Chetna Organic India

Available at <http://www.progresonetwork.org/media/docs/SystematisationChetna.pdf> (PDF; Size: 1 MB)

Outlines the development of the Chetna Organic Farmers Association as an apex group of people's cooperative that took control over the trade and microfinance of their cotton produce

Strengthening India's Rural Credit Cooperatives India (from [Neeraj Verma](#), Bhartiya Samruddhi Investments and Consulting Services (BASICS Ltd.), Jaipur)

Project details; World Bank; June 2007

Available at

<http://web.worldbank.org/external/projects/main?Projectid=P102768&theSitePK=40941&pagePK=64283627&menuPK=228424&piPK=73230>

Describes a project that works to provide members of Credit Cooperative Banks (CCBs), including small and marginal farmers, with enhanced access to formal financing

Excerpts from the Report of the Committee on Direction on Rural Credit Survey (from [P. S. M. Rao](#), A. P. Gramin Vikas Bank, Hyderabad)

Note; Gorawala Committee; 1955

Available at <http://www.solutionexchange-un.net.in/mf/cr/res12020901.doc> (Document, Size: 29.5 KB)

Mentions disparity that exists between financially strong and not so strong providing a wholly different records of co-operative credit in the west and in India

From [T. N. Anuradha](#), Research Associate

Rural Credit Cooperatives in India

Article; Compare Infobase Limited

Available at <http://finance.mapsofworld.com/banks/rural-credit/cooperatives-india.html>

Mentions that in spite of efforts towards setting rural banks, the supply of credit for agriculture has not matched demand

Financing Small and Marginal Farmers in India: Some Policy Issues

Paper; by A. Patel; The Micro Finance Gateway; 2005

Available at <http://www.microfinancegateway.org/content/article/detail/32893>

Examines the scenario for agricultural credit in India and makes suggestions for a policy framework that would make rural financial intermediaries operationally sustainable

From [Monika Khanna](#), Research Associate

Small Farmers Must Get their Share of Credit

Article; by D. Murali The Hindu Business Line; 13 February 2008

Available

at

<http://www.thehindubusinessline.com/bline/2008/02/13/stories/2008021350181200.htm>

Notes that although the National Commission on Agriculture recommended providing credit at a low rate of interest, large farmers turning to money lending profession than farming

Task Force on Revival of Cooperative Credit Structure (Dr. Vaidyanathan Committee Report)

Report; Reserve Bank of India; 11 January 2005

Available at

<http://www.rbi.org.in/scripts/PublicationReportDetails.aspx?FromDate=01/11/2005&SECID=21&SUBSECID=0>

Report deals with the issue of reviving and revitalizing the rural cooperative credit structure (CCS) including cooperative banks and PACS

Recommended Contacts and Experts

Rama Reddy, President, Indian Cooperative Union, Hyderabad (from [G. V. Krishnagopal](#), Access Livelihoods Consulting India Private Limited, Secunderabad)

Hyderabad, Andhra Pradesh 500059; Tel: 91-40-2433-1167

Propagator of cooperative movement in India and initiated CDF model for microfinance

Recommended Organizations and Programmes

KAS Foundation, Bhubaneswar (from Maroti Upare, Independent Consultant, Mumbai; [response 1](#))

A-58, Saheed Nagar, Bhubaneswar, Orissa 751007; Tel: 91-674-2547340; Fax: 91-674-2542471;

kathiresan.sundaram@gmail.com; <http://kasfoundation.com/default.asp>; Contact Mr. S.

Kathiresan; Chief Executive Officer

Provides loan services to the urban poor as well as households in small hamlets where formation of SHGs is not possible, through the formation of Joint Liability Groups (JLGs) of 5 members

From [L. B. Prakash](#), Akshara, Hyderabad

Chetna Organic Farmers Association, Hyderabad

12-2-416/34, Mohan Nivas, Ushodaya Colony, Gudimalkapur, Mehdiapatnam, Hyderabad; Tel: 91-40-23511083; info@chetnaorganic.org.in;

http://www.chetnaorganic.org.in/index.php?page_id=12

Improves livelihood options of small holder farmers by empowering them as informed stakeholders and promoting self-sustaining Farmers' Trading Companies

Cooperative Development Foundation, Hyderabad

Ranga Reddy Women's College Campus Santoshnagar Crossroads, Saidabad, Hyderabad, Andhra Pradesh 500059; Tel: 91-40-24331167; Fax: 91-40-24331167 [information.hyderabad@cdf-](mailto:information.hyderabad@cdf-sahavikasa.net)

sahavikasa.net; http://www.cdf-sahavikasa.net/show-page.php?page_id=7

Assists small and marginal farmers in forming and developing self-reliant cooperatives under the Andhra Pradesh Mutually Aided Cooperative Societies Act of 1995 (Mac's Act)

From [Monika Khanna](#), Research Associate

National Bank for Agriculture and Rural Development (NABARD), Mumbai

Plot No. C-24, "G" Block, Bandra-Kurla Complex, P. B. No 8121, Bandra (E), Mumbai 400051;

Tel.: 91-22-2653 9244; Fax: 91-22-2652-8141; nabmcd@vsnl.com;

<http://www.nabard.org/roles/microfinance/index.htm>

Apex institution providing loan funds for microfinance services in the form of revolving fund assistance to NGO-MFIs, SHG Federations and NGOs to lend to SHGs

Reserve Bank of India (RBI), Mumbai

Rural Planning and Credit Department, Central Office Building, 13th Floor, Mumbai 400 001; Tel.:

91-22- 22610261; Fax: 91-22- 22658276;

<http://www.rbi.org.in/scripts/AboutUsDisplay.aspx?pg=Depts.htm#RPCD>

Rural Planning and Credit Department of RBI formulates policies relating to rural credit and monitors timely and adequate flow of credit

Recommended Portals and Information Bases

Pavala Vaddi Scheme, Government of Andhra Pradesh (from [D. S. K. Rao](#), Consultant, Hyderabad)

http://rd.ap.gov.in/PV_Doc.htm

Provides details about a scheme that provides an interest subsidy on the bank loans taken by Self-Help Groups in Andhra Pradesh to reduce the financial burden on farmers

Related Consolidated Replies

Financing of Agriculture Sector, from Raghvesh Ranjan, Development Alternatives, Jhansi (Experiences). Food and Nutrition Security Community, Solution Exchange India.

Issued 4 October 2005

Available at <http://www.solutionexchange-un.net.in/food/cr-public/cr-se-food-04100501-public.pdf> (PDF, Size: 156 KB)

Examines effective and sustainable options available under the liberalized WTO regime for providing appropriate credit to rural producers at reasonable terms

Responses in Full

Kedareswar Choudhury, Darabar Sahita Sansad, Orissa

Mr. PSM Rao has nicely brought a real issue which the small and marginal farmers have been facing since long be it Andhra Pradesh, Orissa or Chhatisgarh. The financial institutions have often been reluctant to lend to agriculture sector due to high degree of speculation on crop survival and number of reasons for crop failure like flood, drought, pest attack etc.

The small and marginal farmers have been the victims till date. On one hand due to poor insurance coverage, they can not show the guarantee of crop yield to attract the mainstream bankers for lending. Even though the government interferes through nationalized, cooperative and regional rural banks to arrange more credit for the sector, still the benefit does not penetrate as expected. Few reasons for this are as follows:

- The small and marginal farmers are susceptible to flood, drought, pest attack as well as fetch low price for the agriculture produce
- Insurance coverage is poor
- Neither the financier, nor the government departments have successfully created a remunerative market linkage for their produce

- High farm input cost and low produce price

Even in the cooperative sector the small and marginal farmers have been targeted to reduce their face value in front of the financiers due to

- Strong political interference in the management which has not been considered by the financiers as an efficient governance structure
- Repeated loan waivers have created a tendency among the members for poor repayment, where the financing institutions have considered these institutions for willful defaults

The Micro Financing institutions have cared to a limited extent for the poor farmers, which can be evident by analyzing their portfolio. In Orissa, the commercial banks have yet to start financing the Self Help Cooperatives formed after the Self Help Cooperative Act 2001. Hence, credit availability to small and marginal farmers is not encouraging in our country.

In this context, there is a need for investment from both government and financial institutions for linking several other services to these farmers SHGs/JLGs/Cooperatives to reduce the risk and make them profitable. First of all, cost for training and handholding support, market linkage, facilitation for insurance coverage etc need to be done in an organized manner along with the credit. Otherwise the Banks/ MFIs wouldn't expect much by doing only financing and blaming the poor farmers for non-repayments. Therefore, financial institutions need to develop partnerships with local organizations having expertise in people's organisation and livelihood linkages.

Small and marginal farmers are bankable and can be a good market for banks/MFIs if their farming risks (business risks) are managed, or at least paid attention by the financing institutions.

Vineet Rai, Intellectap, Mumbai

The problem of lending to farmers is not because there is a lack of Joint Liability Groups (JLG), cooperatives, MFI's or bank branches to reach them but the risk of the money not coming back. We continue to go back to our past in solving a problem that cannot be solved by creating a new institutional mechanism as JLG, cooperatives or any other mechanism does not reduce the fear of failure of rain fed crops.

The only logical thinking one can do is, to work on insurance and the government to strongly support a 10-year reinsurance program that may cover the risks whenever they strike for the insurer and the lender.

Institutional mechanism then can play a role in mitigating the risks of fraud etc. In my views, looking at institutional mechanism as the panacea to the ill of risks is retrogressive.

Morati Upare, Independent Consultant, Mumbai (response 1)

The issue of credit support for small and marginal farmers through microfinance is very important as they are the backbone of agrarian economy. The credit support from financial institutions to these farmers is a chronic problem. The situation is becoming worst because of policy initiatives such as loan waiver. Banks find this credit support risky since there is no risk mitigation measure. There is need for appropriate insurance coverage of crops.

The cooperative institutions such as cooperative banks are main institutions that support small and marginal farmers but the support is limited. The traditional structure of District Cooperative

Bank and Primary Agriculture Cooperative Society (PACS) has limited impact. In this regard, the initiatives taken by Orissa State i.e. Orissa SHG Cooperative Societies Act can be replicated. This has resulted in facilitating microfinance support to small farmers and the Joint Liability Groups (JLGs) have also shown excellent recovery of loans. I have come across that, Katheresan Foundation has achieved excellent progress in Orissa through JLGs.

In my views, microfinance can facilitate credit to small farmers.

Neeraj Verma, Bhartiya Samruddhi Investments and Consulting Services (BASICS Ltd.), Jaipur

I work with BASICS Ltd and was involved in Credit Cooperative Reforms Project (CCRP) in Rajasthan few times back, participating in understanding the process, operations, issues and alternatives for performance outcomes of the fourteen PACS and their Apex body ACCB in Alwar district. My observation of the structure, functioning, feasibility and gaps were that PACS are a unique client-owner structure of the farmers managed institution; however, this has been affected by certain issues of governance, professional outlook and political/governmental interventions.

It is generally observed that the loans are provided only for agriculture activity and other requirements of a farmer like machinery loans, leasing or asset creation are not fulfilled, which are equally important activities in the chain. Sometimes institutions adopt narrow approach in identifying borrowers. Because of these issues, the loan off take is not utilized many a times, for the purpose it was initially sought by the borrower.

Organizing people in groups/SHGs might be situational strategy as cohesiveness also comes from the culture of the communities. As an alternative, putting professional and trained human resources, smart governance, broadening horizon in delivering loan products and properly managing external support could prove to be fruitful in face-lifting. If properly nurtured, PACS institutions can become people driven and viable organizations, which can serve the local demands.

G. V. Krishnagopal, Access Livelihoods Consulting India Private Limited, Secunderabad

The questions raised in the query are very pertinent and useful. More information on this can be obtained from people like Mr. Rama Reddy, President, Indian Cooperative Union and Ms. Shashi Rajagopalan, Independent Consultant. I have tried to respond as per the questions raised:

Strengths and weaknesses associated with lending through the farmers' JLGs/SHGs to the small farmers cultivating in the rainfed areas and on the leased land

Lending through small groups even in cooperatives is an important way to ensure that members of cooperative take mutual responsibility on the loans extended. Cooperative Development Foundation (CDF) in its field area and in the cooperatives promoted had constituted JLGs for all its members. Through this process the mutual responsibility on ensuring repayment of loans is decentralized.

For SHGs the following points are important for consideration -

- Lack of homogenous membership - SHG is not homogeneous groups although in theory they are supposed to be. Due to various reasons the SHGs have both poor and rich together. Similarly it has small and large farmers together and they also have all castes together. So extending credit exclusively to small and marginal farmers is difficult.

- Lack of legal recognition - SHG is informal group and therefore they are not registered as body corporate organizations. Therefore any lending which is beyond the small loans is infeasible as there is no legal recourse possible for recovery in case of default. Also when we talk of agriculture credit we are talking of providing working capital loans, asset up gradation loans, irrigation facilitation loans and agriculture equipment loans. Most of these will fall under medium and long term loans. These loans can be extended only when there is sufficient legal backing which SHGs don't have right now. The federations of SHGs are usually registered body and their transaction with members directly rather than SHGs will be legally liable.
- Lack of proper accounting skills – Since, there are million of SHGs it is very difficult to train and employ service providers who will provide accounting support. It is clearly visible across Andhra Pradesh. Although AP has been front runner in SHG movement till date no one can confidently state that at least in 60% groups all accounts are up to date. Only bare essentials are being written to access bank credit and linkages. To provide a fool proof system which is well audited and maintained by regular monitoring heavy ICT applications are required. The penetration of ICT technology is very low in India. Currently only 5% of total population have access to own computers.
- Difficult to maintain Debt Equity ratio - Prudent lending practice recommends 1:2 Equity:Debt ratio. However, if agriculture loans are extended through SHGs, since the quantum is large and the regular savings of SHGs are very low it is difficult to maintain such a ratio. Such ratio is only possible if apart from regular savings agriculture transaction based savings are introduced. Good agriculture cooperatives have such practices.

Feasibility of organizing thrift and credit cooperatives with the exclusive membership of the small and marginal farmers

It seems to be a possibility where there are sufficient numbers of small and marginal farmers in a village. For thrift and credit cooperative to be feasible at least 200 members saving Rs. 30 per month are required by the members. If those many farmers are there in a single village it is very much a feasible option.

The other option is to start farmer's cooperative which also undertakes thrift and credit activities. The original design of the agriculture cooperatives had this provision. However, as mentioned earlier savings were linked with agriculture transactions and loans were linked with agriculture returns.

Innovative mechanisms through which PACS can become a more useful financial intermediary

- Increase member own investments and capital base in PACS
- Convert PACS in to independent and autonomous farmer member based self reliant and self managed cooperatives - to be registered under AP MACS 1995
- Introduce agriculture transaction based savings and deposits to improve member own funds in PACS
- Introduce computerization of all accounts and improve loan and savings monitoring process
- Ensure removal of inactive members who are only present for developing voter base of political parties
- Ensure that all those who have active political positions and are members of political parties to be out of the membership. Instead encourage their relatives or spouses to be members
- Ensure that there is minimum performance standards defined for members, board of directors and staff. If this is not delivered for two years continuously remove them from membership
- Make members responsible for profits and losses in PACS
- Integrate marketing and value addition functions in to the PACS to improve its service portfolio to members

- Ensure only tenant farmers and those who have agriculture land and producing to be members of cooperative

If at least some of these points are thought about then it is easy to revive PACS and make them functional.

D. S. K. Rao, Global IT and Innovation Consultant, Hyderabad

Today, we are at a critical stage when several contradictory policies and messages are being communicated to the masses, which may bring to a halt any genuine efforts of acceptable credit/finance operations.

The loan waiver schemes to farmers announced by the central government, coupled with free power to farmers in states like Andhra Pradesh has made farmers to look for loans from public financial institutions with a intent that they would not pay it back or it would subsequently be waived off! This is a dangerous situation as it tends to look at credit more as donation than debt.

Even the 'Paavala Vadi' or Rs. 0.25% interest loans to SHGs in Andhra Pradesh in many cases are not being paid back as many people feel that over a period of time the benevolent government will waive it off.

This is a dangerous mindset situation and becomes too risky for private micro finance institutions to operate.

Micro Finance at very reasonable interest rates is the key for sustainable livelihoods and increased agriculture productivity. However till the current policies become clear, it would be difficult to operate through JLGs/SHGs/PACS, as there is a need to inculcate that any financial support is to be paid back and should be done through assured production and only in rare cases to be covered by crop insurance/waivers.

Sanjeev Kumar, Association for Rural Advancement through Voluntary Action and Local Involvement (ARAVALI), Jaipur

Just to put things into perspective, it is necessary to look at the size of the segment being discussed. In Rajasthan, small farmers constitute more than 60% of the rural population. If the landless and women are included as farming segments then this constitutes almost 80% of the rural households. Just to provide another telling figure on this account is the XIth five year plan allocation for agriculture & allied sector in a district of Rajasthan (medium rainfall area) works out to 2% which effectively means 2% livelihoods resources for nearly 80% of the population segment.

Contextual studies show that the expectation of coverage of the small and marginal farmers segments through regular services is from the mainstream institutions namely village credit cooperative. (The figures have been derived from Panchayat level assessments carried out across 54 Blocks of 8 districts by us as part of developing District Agriculture Plans under the Rashtriya Krishi Vikas Yojana).

Why this high level of exclusion and how it can be addressed needs constant revisiting of our experiences and constructs.

As a mainstream system with attendant accountability, how the state can be strengthened to deliver on this account. One of the answers, constitutionally mandated, is through the

decentralized governance mechanism of the Panchayati Raj. The centralized system of planning had access to an exclusive institution - the Planning Commission to carry out the tasks. What are the mechanisms available for the Panchayati Raj Institutions on this account? It is in this context a need for a dedicated mechanism for the PRI set-up at the block level needs to be created. Thus a livelihoods facilitation cell capable of assessing livelihoods capitals of the segment needs to be in place as a line agency of the Panchayat Samiti (block). Financial agencies need to invest in this, since credit requirement is also an outcome of the livelihood facilitation process. If this is in place we can expect higher demand which is reasonably assessed for financial services and products.

The Bhamashah Yojana, which is under review by a group of ministers in Rajasthan, had identified the segment in the form of 54 lakh families for financial facilitation only. It would meet the same fate if it focuses on finance alone. So as a bank one needs to also look at the kind of service provision that is there on the other livelihoods capital of the segment. The risk perception of bankers would be an important variable that will be impacted by the institutional linkages that the segment would have from livelihoods facilitation services. Securer livelihoods of the segment through such institutional mechanisms at the block level will lower the bankers' risk perception about the segment resulting in better flow of financial services to them.

Prakash Kumar, Consultant, Ranchi (*response 1*)

The issue of credit to small farmers or for that sake credit requirement in rural areas has not been interpreted or diagnosed properly from the point of view of the customers. Rather the issue is more approached from the banker's or MFI's angle i.e. whether it would be profitable or feasible for them or not.

The issue of high risk with small farmers or fear of non-repayment does not have any ground. In 2006, a national newspaper had reported that the annual turnover of informal banks (*mahajan*) is more than Rs. 3,000 crore in north Bihar (the interest rate is well over 5% per month). These are the loans which are primarily invested among the small & marginal farmers or farmers who cultivate on share-cropping or informal lease basis. And it does not need to be stated here that these loans are repaid back. It is also true that despite of so many institutional breakthroughs in lending, we have not been able to break the grip of informal lending, rather it has grown stronger.

I feel that wherever banks or MFI's have not been able to successfully provide any credit product, especially with groups which have very small loan demand, have been analyzed very cleverly as high risk groups.

The basic issues in context of credit to small & marginal farmers are:

- Requirement of very small amount of credit ranging from Rs. 5 to Rs. 1000
- The credit requirements are spread in form of pockets throughout the season. Farmers do not feel comfortable to take the whole capital investment in a single go
- The repayment of loan need to keep in consideration the inward cash flow, both time-wise and amount-wise
- The credit requirement should not be close jacketed in form of well-defined products but should be flexible or should be definition free

In maximum cases, it has been seen that banks do not lend to these types of demands as it does not fit into their definition of credit or the transaction cost involved for delivering such loans is too high for them. Now is it the fault of farmers that credit institution does not have any mechanism

to lower their transaction cost. Institution's inefficiency to deliver is no excuse for referring investment among small farmers as high risk investment or group with investment issues. If this is so, then why the informal lending sector has been investing among the small and marginal farmers for decades. May be because of the fact, informal lending sector answers all the issues raised above. There are definitely some good lessons to be learnt from them, besides hating them as devils.

As far as formation of CBOs or groups is concerned, any group can cater to the needs of the small farmers, provided that it addresses the true issues related with credit. Last 50 years of development in India, we have experiment with almost all kinds/forms/structure of groups (mahila mandal, cooperative, PACS, SHGs, JLGs etc) but the issue of credit has remained the same. This is a pointer that the issue is something else.

The issue is that are we ready to accept the definition of credit that our target group has and accept their intelligence of investment?

May be digressing a little bit from the conventional economist view point on credit issue would give some answer.

Rakesh Das, BASIX, Ranchi

We do realize the risk associated with lending to farmers and especially when it is a crop loan. But at the same time we need to think about the backbone of our economy. We are predominantly an agrarian society and we can't neglect the importance of providing the financial support to farmers. But while we do that we need to focus not only on credit but other value added supports like:

- Productivity enhancement
- Risk mitigation other than insurance
- Providing input and output linkages and
- Local value addition

These are some support which would minimize the risk of money not coming back. The role of government, I am looking at is not in subsidizing the risk covered through insurance but to invest on livelihood finance, infrastructure etc.

In summing up, to solve this problem of minimizing risk by providing crop loans to farmers, we need to think beyond credit.

Prakash Kumar, Consultant, Ranchi (response 2)

I fully agree with Mr. [Rakesh](#) that in context of providing financial assistance, the approach needs to be related to larger dimension, a credit plus process.

But at the same I believe that the process of value addition would begin on the solid foundation of credit itself. All the four areas suggested are a natural follow-up of credit needs (Financial assistance approach).

My dilemma is that, there are still large issues related to credit requirement alone, especially with small and marginal farmers, which are unsolved. Primary being the fact that high cost informal credit is still to be replaced with institutional credit.

Even if value added supports are provided, will it bring the desired result when the foundation is laid on high cost credit system.

Morati Upare, Independent Consultant, Mumbai (*response 2*)

The discussion on microfinance for small farmers is becoming more interesting and practical suggestions are coming forward. I was involved as an International Expert in formulation and execution of microfinance programme for small fish farmers called Aquaculture Development. This programme was very successful and was implemented in three provinces Hoa Binh, Son La and Lai Chau in Vietnam. I would like to share this case study with the members and it can be used for replication elsewhere.

To read the case study, please visit: <http://www.solutionexchange-un.net.in/mf/cr/res12020902.doc> (Word; Size: 57.5 KB)

I shall be glad to share more details about the project.

George Thomas, Evangelical Social Action Forum (ESAF), Trichur

I have worked very closely with the farming Community as agricultural officer and presently I am involved in Microfinance Sector. Based on my experience, I would like to share few things:

- Crop loss risk should be considered through insurances or other means
 - Agriculture input related loan is found to be more effective in fund utilization
 - Credit linked government subsidies also can be explored
 - Exclusive farmers SHGs have lot of advantages like bulk purchase subsidy, joint agriculture operations, etc
 - Credit schedule should be prepared by considering seasonality of harvest and other agricultural operations
-

L. B. Prakash, Akshara, Hyderabad

I had the experience of working closely with PACS for almost 10 years during my work with Cooperative Development Foundation (CDF). Some of the experiences, I am listing below:

Credit Delivery to the farmers was adversely affected by the interest and loan waivers. Where the cooperatives were well functioning and were focusing on loan repayment, the member-farmers of those cooperatives (PACS) probably felt cheated as they were not beneficiaries of the loan waivers which were announced with good intent. Thus credit discipline got affected adversely, resulting in lower repayment rates.

CDF had experimented with forward and backward linkages, helping PACS convert into processing and marketing cooperatives. However, where the membership was not homogeneous, it was difficult to establish forward linkages - particularly processing and marketing, as one was not sure for which crops the investment should be made.

Where credit was linked with marketing, in a significant number/percentage of cooperatives the processing and marketing activity was also affected adversely, once members did not want to repay loans. If they supplied their produce to cooperative, the cost of the produce was generally adjusted to the outstanding loan.

I was also involved in supporting ETC Organic Cotton Project (now known as Chetana Organic) and it was extremely difficult to convince bankers to lend to these groups of farmers. After considerable efforts, due to the initiative of some progressive bankers, credit linkage with the farmer's cooperatives/groups was possible. The repayment experience was positive.

Basically what I am trying to say is that, while one might help farmers form groups - JLGs and/or SHGs and link to MFIs and Banks, there may be an issue when loans and/or interests are waived of, if the loans are specifically named as agricultural loans. Is there any solution? Probably, forming thrift and credit cooperatives of farmers on the lines of the thrift and credit cooperatives promoted by CDF might be an answer, which relies exclusively on member's savings and no external funds/borrowing for on lending. While it might take some time for the farmers to start borrowing loan sizes which they want, the probability of credit discipline and appropriate loan product design will be higher as the funds are totally their own, and if there is a default, the members stand to lose.

As a word of caution, I would like to state that the experience of CDF in linking credit with marketing suggests that it may not be successful. However, having parallel processing and marketing cooperatives, probably with most of the thrift cooperative members has a better chance of success.

Sachin Kumar, MicroSave, Lucknow

I am delighted to see this forum becoming more robust and relevant in context of microfinance. I would like to congratulate to the microfinance team for keeping this forum so vibrant and of course, to the community members for showing faith in this forum and we get answer/solution through discussions with each other.

Coming straight to the point, I think most of us have agreed that small farmers like others require not only credit but also insurance services to mitigate risk. Beyond this, as [Rakesh](#) and other members pointed out, the farmers require other technical support for enhancing productivity and establishing/strengthening backward-forward market linkage. But the question lies whether the MFIs themselves should provide everything that is required by the farmers? Or should the MFIs collaborate with the expert agencies either with government or private agencies for extending technical support to the farmers.

I personally do not see the MFIs doing everything. Even if they intend to do so, the MFIs should carefully evaluate their internal capacity and resources for doing so. At times, I feel we need to revive or strengthen the local village haats so that the issue of market linkage is resolved. Moreover, we need to help the farmers to remember their indigenous knowledge of agriculture-as preparing manures from the cow dung etc.

I remember an NGO based in Jhabua, perhaps Sampark Gram, documented the local knowledge/technique of agriculture. I would definitely like to know from the forum members whether they know any study wherein such indigenous knowledge has been documented. I request members to share such studies.

Maroti Upare, Independent Consultant, Mumbai (response 3)

I have worked for microfinance sector in various countries i.e. Sierra Leone, Malawi, Vietnam, Bangladesh, India and Uzbekistan and was involved in review of Central Asia on microfinance. The encouraging experience in Vietnam and best practices are already shared in my [previous mails](#). There is general belief that Bangladesh Grameen Bank is best and successful model for

microfinance. But as observed in various studies that poorest of the poor were left behind in the programme.

It can be seen that in Cox's Bazar district of Bangladesh, many talukas were not covered by the bank for microfinance operation where poorest of the poor lives therefore UNDP adopted new approach i.e. Micro-Capital Grant in the project 'Improving food security for coastal community of Cox's Bazar district. In this approach emphasis was given on training on enterprise development and funds were provided for setting up the same. The poorest people does not have sufficient money hence, assistance was given for setting up an enterprises. Market support was main condition for establishing enterprises.

I would like to focus the attention of policy makers for microfinance in India. Providing concessions in interest rates has resulted in formation of SHGs for availing the benefits rather than economic upliftment. I find the microfinance movement is deviating from its real objectives of providing sustainable economic activities for livelihoods. If the corrective measures are not taken urgently then this movement may also die like other development programmes.

It may be worthwhile to form advisory committee of international organizations involved in microfinance sector in India such as IFAD, UNDP, UNCDF, FCI, World Bank, Asian Development Bank, FAO, ILO, UNIFEM and International NGOs to advise GoI, since these organizations have global experiences

Bharathi Bhupal, Academy of Gandhian Studies, Tirupati, Andhra Pradesh *

Forming farmers SHG's will be very helpful in providing financial support. When bank provides financial assistance to the group, there is a group pressure and member has to pay back the loan due to peer pressure.

I would like to share an example from Andhra Pradesh. A team of NGOs have formed SHGs to manage the ground water. They have successfully managed the project and now they are also implementing other activities which include health activities towards integrated development.

G. V. Ramanjaneyulu, Centre for Sustainable Agriculture, Secunderabad *

This is a very interesting dialogue. From the credit institutions side the major problems are-

- There is high cost of delivery on the smaller amounts which involves lot of paperwork as well
- High risk of non repayment is there. The popular argument is that agriculture credit especially to small farmers faces high risk of non repayment. Although, it is contradicted by several studies and experiences.

From the farmers side the major problem are-

- The scale of finance is low and do not cover the costs of cultivation
- The terms of loan are complicated and not farmer friendly
- The crop loan term is short and to repay the loan, farmer resorts to distress sale
- Farmer can get better price if he/she can hold the produce for few more months. This option in the form of warehouse receipts is accessible only for big farmers
- Unlike urban areas, people living in rural areas are having limited access to credit. Urban consumers have many cheaper credit options while in rural areas only credit source available is agricultural credit.
- The agriculture insurance scheme today is only an extension of insurance business to agriculture and do not anyway help farmers to tide over natural and crop risks. The

insurance premium forms additional burden on the farmers and in practice farmers ends up paying higher price (interest and the insurance premium).

To think of any alternative model, agriculture credit cannot be considered in isolation. The model of agriculture promoted is also important. Agriculture credit can become productive only if the investments on external inputs are minimized in agriculture especially in case of small farmers. Then the credit amounts can be lesser and can be delivered through the SHGs. The loan, savings in this case can be seasonal rather than being monthly.

Repayment of loans can also be seasonal, this reduces cost of transaction. If the groups can also involve in collective bargaining and marketing of their produce, it also provides collateral security. Around this offering insurance and other products are also easier.

If we can form the SHGs of farmers the platform can also used to deliver the direct input subsidies which are often discussed.

G. K. Agrawal, Rural and Microfinance Consultant, Mumbai *

There may not be a need to form SHGs, JLGs for those small farmers who are already PACS members or otherwise meeting their credit needs from PACS. Credit to small farmers through PACS is already a kin to microfinance. I believe those poor/small farmers who are not reached or under served by the formal banking system and needs financial inclusion should be given priority in micro financing.

**Offline Contributions*

Many thanks to all who contributed to this query!

If you have further information to share on this topic, please send it to Solution Exchange for the Microfinance Community in India at se-mf@solutionexchange-un.net.in and/ Solution Exchange for the Food and Nutrition Security Community in India at se-food@solutionexchange-un.net.in with the subject heading "Re: [se-mf] [se-food] Query: Microfinance for Small Farmers through Exclusive Agriculture Credit Cooperatives and JLGs - Experiences; Advice Additional Reply."

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Poverty



Microfinance Community

Work and Employment Community

Solution Exchange for the Microfinance Community Solution Exchange for the Work and Employment Community Consolidated Reply

Query: Microfinance Services for Agricultural Value Chains - Experiences; Examples

Compiled by Navin Anand, Resource Person and Monika Khanna and Warisha Yunus, Research Associates

Issue Date: 14 September 2010

From Prasun Kumar Das, School of Rural Management, KIIT University, Bhubaneswar

Posted 20 July 2010

I work with School of Rural Management, KIIT University. I teach rural finance and agri-business management and agricultural value chain. Financing agricultural value chain is a new subject on the horizon and the missing link too, hence the need to raise this query.

The agriculture and allied sector accounts for 15.7 percent of the Gross Domestic Product (GDP) and provides employment to around 52 per cent of the workforce (Economic Survey of 2009 – 2010 of India). Commercial banks in India are mandated to lend 18 percent of the Adjusted Net Bank Credit to the agriculture sector. However, access to finance for the small and marginal farmers is still a big challenge for countries like ours which has huge number of small holder cultivators. About 45.9 million farmer households out of a total of 89.3 million households do not have access to credit neither from the institutional nor non-institutional sources (NSSO 2008).

One way to bridge this gap could be identifying the agricultural value chains and financing along the chains. Identification of the value chains and providing finance along the chain will not only encourage the Micro Small and Medium Agri-enterprises to start their new venture but will also help to upscale the agriculture finance to newer horizons. There are certain encouraging examples of adequate financing along the agricultural value chains (e.g. rice, wheat, potato, sugarcane etc.) but the real challenges still remains on mainstreaming the other agricultural value chains (fruits and vegetables) and their access to finance at a competitive rate so the entire value chains get the encouragement and wastages can be minimized.

With this background, I would like to request the members to provide their inputs on the following questions:

- Are there any experiences of adopting and financing 'Agricultural Value Chain Business models' by the commercial banks, Regional Rural Banks, Cooperatives, NGOs and MFIs? How it has helped the Financial Institutions to increase their outreach?
- Are there any comparative studies available that analyze the power of value chain financing in comparison to standalone financing in agriculture? What has been the impact of financing agricultural value chains?
- Are there any studies conducted for mapping value chains in the areas of fruits and vegetables and other non-staple crops?

The contributions of the members will help in developing a strategy for the value chain financing and also provide inputs for the policy and regulatory changes related to agriculture financing especially for small and marginal farmers who require variety of microfinance services along the value chains.

Responses were received, with thanks, from

1. [Trilochan Sastry](#), Indian Institute of Management, Bangalore
2. [Kalika Mohapatra](#), Independent Consultant, Bhubaneswar
3. [Sunil Kumar](#), Bankers Institute of Rural Development (BIRD), Lucknow
4. [PSM Rao](#), Independent Consultant, Hyderabad
5. Umesh Chandra Gaur, Confederation of Community Based Organizations of India, New Delhi ([Response 1](#); [Response 2](#))
6. [M L Sukhdeve](#), National Bank for Agriculture and Rural Development, Mumbai
7. [Krishan Khanna](#), i Watch, Mumbai
8. [Saurabh Vikas](#), Luna Ergonomics Private Limited, Noida
9. [Hemantha Kumar Pamarthy](#), Hand in Hand Micro Finance Limited, Chennai
10. [N. Srinivasan](#), Independent Consultant, Pune
11. [Nitin Bembalkar](#), Independent Consultant, Pune
12. [Mahendra Parida](#), Center for Child and Women Development (CCWD), Bhubaneswar
13. [R. K. Swarnkar](#), Madhya Pradesh Consultancy Organization Limited (MPCON), Indore
14. R. V. Kotnala, Institute of Cooperative Management, Dehradun ([Response 1](#); [Response 2](#))
15. [Bibhuti B. Pradhan](#), Vasundhara, Bhubaneswar
16. [L. P. Semwal](#), Shri Jagdamba Samiti, Dehradun *
17. [Manoj Singh](#), Agribusiness Consultant, New Delhi *

**Offline Contributions*

Further contributions are welcome!

[Summary of Responses](#)
[Comparative Experiences](#)
[Related Resources](#)
[Responses in Full](#)

Summary of Responses

Responding to the query on Microfinance Services for Agricultural Value Chains, members suggested that integrated and strategic approach is necessary in value chain financing particularly in dealing with small scale enterprises. Also, value chains in agriculture require different types of credit arrangements so that individuals, groups and different types of organizations are catered adequately and effectively.

Members highlighted that financing for the value chain of fruits and vegetables to individual farmers is not feasible and practical as the quantity of produce will be very small and they cannot afford to involve in the value chain. However, financing value chain for different types of collectives such as cooperatives, Association of fruits and vegetable growers, federations of farmers, producer companies and Farmers Interest groups is a more viable option. The value chain financing in agriculture includes MF services for various strategic activities of the value chain starting from pre-cultivation to cultivation and up to marketing of produce viz. cultivation, harvesting, grading, packing, storage, transport and marketing.

Sharing the experiences of value chain financing in Adilabad's tribal area, members identified two types of financing within the value chain – investment finance (for value addition/Processing) and working capital financing. They highlighted two important facts related to successful experiment - formation of farmers' cooperatives and its federation; and providing of cash credit limit by Regional Rural Banks to the federation for different activities of the value chain.

Members viewed that financing strategies needs to respond to the changing scenario of agriculture value chains including agriculture food systems. In this regard, members mentioned that nowadays many commercial banks have realized that innovative financial solutions are essential for developing effective loan delivery mechanisms. Referring to the experiences of adopting and financing the Agricultural Value Chain models, members mentioned that many organizations have developed professionally managed value chains in various sub-sectors. Some of the initiatives shared by the members were:

- Dairy Producer Company promoted by Gram and Indur Intideepam wherein dairy farmers are financed by the Indur MACS
- Export oriented Grape cultivation in Maharashtra financed by [State Bank of India](#)
- Cashew and Mango chains based on Tribal Wadis promoted by [BAIF](#) and financed by [NABARD](#)
- [Litchi Value Chain](#) in Bihar supported by State Bank of India that has led to development of 51 litchi growers associations
- Grape value chain financing by banks to 'MAHAGRAPES' (A cooperative having Grape growers societies of Sangli, Solapur, Latur, Pune and Nasik area, as members) in Maharashtra
- NABARD's financing (Loan as well as grant component) to [Tussar Silk value chain](#) managed by MASUTA (a producer company owned by tribal women of Jharkhand, Chattisgarh and Bihar and promoted by PRADAN)
- Development of innovative financial products by [ICICI](#) and financing for entire agriculture supply chain i.e. financing for seeds, fertilizers and agro-based industries

Members also appreciated the initiative undertaken by a MFI – '[Hand in Hand](#)', where the group of women was financed for procuring vegetables and fruits. Besides this, the groups were also supported in grading the vegetables and fruits as per the size and quality; packing the produce; pasting the labels with barcodes; and linking the groups with the shopping malls.

Sharing the examples of Off-Season Vegetable value chain in Uttarakhand, members highlighted that most of the farmers take advance from the traders before the crop is cultivated. Moreover

these farmers are dependent upon traders for inputs, marketing of produce, grading and quality standard of different off season vegetables cultivated in the region. In this value chain, members suggested that microfinance services have to be provided at the producer's level. Also the inputs like quality seeds, fertilizers need to be provided before the sowing of the crop. Further the tie ups with the buyer as per graded produce could be done so that the farmers are not dependent on the traders for their financial requirements for crop production.

Members viewed that banks and other financial institutions are better positioned as compared to MFIs in terms of financing the value chains. Banks have an advantage over MFIs as they can undertake financing for higher links in the value chains like processing, aggregation, storage, packaging, transport and retailing. Some of the microfinance institutions are playing key role in providing credit products for supporting basic livelihood activities in agriculture. Financing by MFIs for start up and basic strategic activities of the agriculture value chain is important as there are high possibilities of creating links between small or primary producers and the players of upper value chain.

Members enumerated various schemes that are offered by commercial banks in financing the value chains in agriculture. These schemes can be classified into following three categories:

Financial schemes for Agriculture Activities: Financing Agri-Business Projects with venture capital assistance from [Small Farmers' Agri-Business Consortium](#) (SFAC); Financing Farmers Growing Sugar Cane Crop in Tie up Arrangement with Sugar Mill Acting as Business Facilitator; Financing micro-financing Institutions (MFIs) For On-lending to individual members or their SHGs/JLGs; Financing against Pledge of Warehouse Receipts issued by National Bulk Handling Corporation Ltd; Financing under Kisan Credit Card; Package loan to farmers; PNB Kisan Ichchha Purti Yojana; Credit against gold ornaments/jewellery, Produce (marketing) loan scheme; mushroom cultivation

Schemes for Infrastructure /Consultancy and Technical support for Agriculture: Purchase of land for agricultural purpose; Providing credit for projects for development and strengthening of infrastructure facilities for production and distribution of seeds; Capital Investment Subsidy Scheme for Commercial Production Units of Organic Inputs under National Project on Organic Farming; Development/strengthening of Agriculture Marketing Infrastructure, Grading and Standardization; Purchase of Second Hand Tractors; financing self-propelled combine harvesters; financing minor irrigation; Farm Mechanization Scheme; financing development of horticulture and plantation crops; financing agricultural graduates for setting up Agri-Clinics and Agri-Business Centers;

Financing schemes of Agriculture Allied Activities: Venture Capital Fund Scheme for Dairy / Poultry Sector (for individuals, cooperatives, NGOs, public and private sector undertakings); financing poultry farming; Financing for milk production activity, marine fisheries, apiculture, kitchen gardening and green houses.

Members cautioned that financing in any value chains requires the financial institution to consider the other links in the chain as well. They also suggested the following to strengthen value chain financing in agriculture -

- Conceptualizing the entire value chain and looking at the different links so as to mitigate the risks to a large extent
- Adopting an exercise – identification of the activity, estimating the profitability of the business plan, imparting training to the borrower on accounts and marketing and analyzing the backward as well as forward linkages of the chosen activity

Members viewed that there is a possibility for the Microfinance Institutions to finance primary activities of the agriculture value chains. Also it is pertinent that the entire value chain has to be closely analyzed by the financial institutions so the chosen activity is beneficial for the farmer as well the financing agency. In a nutshell, members shared various successful experiments of agriculture value chain financing; differentiated the role of MFIs and banks in financing different strategic activities of the value chains; enumerated the schemes of NABARD and government to propose convergence possibilities; identified gaps in financing value chains and finally suggested for adoption of a holistic approach to finance the complete value chain through different delivery mechanisms and financing institutions.

Comparative Experiences

Bihar

Finance Along the Value Chain Benefits all the Value Chain Actors, Muzaffarpur District (from [Kalika Mahapatra](#), Independent Consultant, Bhubaneswar)

To support the Litchi Fruit Growers association, the State Bank of India Litchi supports value chain in Bihar. The money is lent to litchi fruit grower associations, litchi processors, pre-harvest contractors and wholesalers of litchi fruits in various stages after assessing the needs as well as the risks. The model has worked in favor of all value chain actors leading to the development of 51 litchi growers' association each having 15-25 growers per group. [Read more](#)

Maharashtra

Concept of Joint Liability Groups Helpful in Accessing Finance and Timely Repayments, Ahmednagar District (from [M. L. Sukhdeve](#), National Bank for Agriculture and Rural Development (NABARD), Mumbai)

Commercial banks in Ahmednagar District provided finance to individual farmers for cultivation and to a group of farmers for purchase of packaging material and mini truck for transport. This approach not only helped the individual farmers in getting support to buy inputs but also helped in timely repayments. The concept of JLG works in financing value chain in agriculture and has worked for Growers Associations in other parts of the country too.

Procuring Finance in the Initial Stages Helps the Initiative in Taking Off (from [N. Srinivasan](#), Independent Consultant, Pune)

An organization in Maharashtra had a problem in procuring finance in the initial stages for the cashew and mango value chains which were based on tribal wadis. NABARD's support gave a breather to the initiative and is today a significant intervention enjoying finance facilities from the banks too. Getting finance in the early stages of an initiative is critical and helps in making the intervention successful for the growers as well as for the banks.

Multiple Locations

Finance to Meet the Soft Needs is also Critical, (from [Sunil Kumar](#), Bankers Institute of Rural Development (BIRD), Lucknow)

NABARD financed a producer company owned by tribal women in multiple states with a loan and grant component. The loan provided covered the entire value chain and supported buying/selling of tasar cocoons, reeling/spinning/storage of cocoons, buying/selling of yarns, weaving and fabric making, trading/marketing of yarns/fabric etc. The grant met the soft needs like capacity building of members, staff training, market promotion etc. to strengthen the initiative. [Read more](#)

Related Resources

Recommended Documentation

From [Warisha Yunus](#), Research Associate

South East Asian Regional Conference on Agricultural Value Chain Financing

Conference Proceedings; Asian Productivity Organization (APO)

Available at http://www.apo-tokyo.org/projreps_acd/16-07-AG-29-GE-CON-B.pdf (PDF 2288)

Presents the key issues, challenges, opportunities and lessons learnt from cases of value chain financing in the Southeast Asia region.

Value Chain Finance

Publications; Food and Agriculture Organization (FAO)

Available at <http://www.fao.org/ag/ags/subjects/en/ruralfinance/valuechain.html>

Gives detail on what agriculture value chain finance is and on financing agricultural marketing and developing agricultural markets.

Agricultural Value Chain Finance - Tools and Lessons

Book; by Calvin Miller and Linda Jones

Available at <http://practicalaction.org/text/print/docs/sudan/sudan/about-us/publishing/agricultural-value-chain-finance>

Provides details on the models, tools and approaches used in developing countries for development of the agriculture sector.

The Value Chain Approach: Strengthening Value Chains to Promote Economic Opportunities

Report; by ACDI/VOCA

Available at http://www.acdivoca.org/site/ID/resources_worldreportfall06

Gives detail on ACDI/VOCA activities to strengthen value chains for promotion of economic opportunities for the poor.

From [Monika Khanna](#), Research Associate

Integrated Financing for Value Chains

Technical Guide; Jennifer Bernhardt, Stephanie Grell Azar and Janette Klaehn; World Council of Credit Unions; April 2009

Available at <http://www.microfinancegateway.org/gm/document-1.9.34543/Integrated%20finance%20for%20value%20chain.pdf> (PDF; Size: 3.08 MB)

Provides an overview of World Council of Credit Unions' recent initiatives to help credit unions finance agricultural production in Peru and Kenya

Analyzing and Financing Value Chains: Cutting Edge Developments in Value Chain Analysis

Paper; Richard L. Meyer; Rural Finance Learning Centre; 2007

Available at http://www.microfinancegateway.org/gm/document-1.9.31159/Analyzing_Paper.pdf (PDF; 241 KB)

Highlights key features of value chain analysis and suggests how it can help identify interventions to improve financial services outreach to farmers and rural communities

Recommended Organizations and Programmes

Centre for Collective Development (CCD), Karnataka (from [Trilochan Sastry](#), Indian Institute of Management (IIM), Bangalore)

C/o Indian Institute Of Management, Bannerghatta Road, Bengaluru, Karnataka 560076; Tel: 91-80-26993285; Fax: 91-80-26584050;

Works with around 30 farmers' cooperatives and helps them sell their produce which has had a positive impact on the farmers' income.

From [Kalika Mohapatra](#), Independent Consultant, Bhubaneswar

State Bank of India (SBI), Bihar

Sahibganj, Muzaffarpur; Tel: 91-9546009925; <http://www.sbi.co.in>

Finances Litchi Value Chain in Muzaffarpur by conducting it needs and risk assessment which has led to creation of 51 Litchi Growers Association.

ICICI Bank Limited, Maharashtra

ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400051; Tel: 91-22-26536425; Fax: 91-22-26531233; <http://www.icicibank.com>

Offers innovative supply chain solutions to agricultural finance and develops products for financing along the entire value chain of agricultural commodities.

National Bank for Agriculture and Rural Development (NABARD), Maharashtra

Plot No. C-24, "G" Block, Bandra-Kurla Complex, P. B. No 8121, Bandra (E), Mumbai 400051; Tel: 91-22-26539244; Fax: 91-22-26528141; nabmcid@vsnl.com;

<http://www.nabard.org/modelbankprojects/modelbankprojects.asp>

Follows national strategies for accelerating the flow of credit to farm sector which includes doubling the flow of agricultural credit in 3 years.

Small Industries Development Bank of India (SIDBI), Lucknow

SIDBI Tower, 15, Ashok Marg, Lucknow 226001; Tel: 91-522-2288547; <http://www.sidbi.in/>

Works for strengthening the micro, small and medium enterprises; Banks park money with SIDBI to provide 40% funds to the priority sector.

From [Sunil Kumar](#), Bankers Institute of Rural Development (BIRD), Lucknow

MASUTA Producers Company Limited, Jharkhand

Chetna Apartment, Flat No - 2, Opposite Deputy Commissioner's Residence, Circular Road, Barmasia, B.Deoghar 814112; Tel: 91-6432-238661; <http://www.masuta.org/aboutus.html>

Owned by tribal women, it works for their sustainable livelihoods; receives financial assistance from NABARD for the entire value chain.

Professional Assistance for Development Action (PRADAN), Delhi

3, Community Shopping Centre, Niti Bagh, P. B. No. 3827, New Delhi 110049; Tel: 91-11-26518619; Fax: 91-11- 26514682; headoffice@pradan.net; <http://www.pradan.net/>

Works to promote women's Self-Help Groups, suitable economic activities, mobilizes finances to improve livelihoods of the rural poor along the value chain.

MAHAGRAPE, Maharashtra(from [M. L. Sukhdeve](#), National Bank for Agriculture and Rural Development (NABARD), Mumbai)

E-15, Nisarg, Market Yard, Gultekdi, Pune 411037; Tel: 91-20-24270758; Fax: 91-20-24271873; freshpro@vsnl.com; <http://www.mahagrapes.com/>

Leading exporter of grapes from India, it has been successfully financed by commercial banks to run and expand its operations.

BAIF Development Research Foundation, Pune (from [N. Srinivasan](#), Independent Consultant, Pune)

Dr. Manibhai Desai Nagar, Warje, Pune 411058; Tel: 91-20-25231661; Fax: 91-20-25231661; baif@vsnl.com; http://www.baif.org.in/aspx_pages/programs.asp

Works to promote sustainable livelihoods through research, effective use of resources, and technology transfers; have organized and well managed value chain.

Madhya Pradesh Consultancy Organization Limited (MPCON), Multiple Location (from [R. K. Swarnkar](#))

Block 2, 3rd Floor, Paryavas Bhavan, Arera Hills, Bhopal - 462011; Tel: 91-755 4002264; Fax: 91-755-2774244; mpconbpl@yahoo.com; <http://www.mpconsultancy.org/default.html>

Offers consultancy services to entrepreneurs in the Cottage, Small, Medium and Large Industrial Units.

Hand in Hand, Chennai (from [Hemantha Kumar Pamarthy](#))

Vaishna Roy, No 12/26, 3rd floor "Coats Villa" / Southern Foundation Coats Road, T. Nagar Chennai - 600 017; Tel: 91-44-42555535; vaishna.roy@hihseed.org; <http://www.hihseed.org>

Aims to work in the sectors of microfinance, education and health

From [R. V. Kotnala](#), Consultant, Dehradun

Small Farmers Agri Business Consortium (SFAC), Delhi

NCUI Auditorium Building, 5h Floor, 3 Siri Institutional Area, August Kranti Marg, Hauz Khas, New Delhi 110016; Tel: 91-11-26862365; Fax: 91-11-26862367; info@sfacindia.com; <http://www.sfacindia.com/>;

Finances agri-business projects with venture capital assistance to set up a Project Development Facility to help producer groups develop economically viable projects.

Reserve Bank of India (RBI), Maharashtra

Rural Planning and Credit Department, Central Office Building, 13th Floor, Mumbai 400001; Tel: 91-22-22610261; Fax: 91-22-22658276; <http://www.rbi.org.in/scripts/AboutUsDisplay.aspx?pg=Depts.htm#RPCD>

Credit Department of RBI formulates policies relating to rural credit and monitors timely and adequate flow of credit including for value chain financing.

National Bulk Handling Corporation Limited (NBHC), Maharashtra

401, 4th Floor, Boston House, Suren Road, Chakala, Andheri (East), Mumbai 400093; Tel: 91-22-30631000; Fax: 91-22-30631010; info@nbhcindia.com; <http://www.nbhcindia.com/aboutus/aboutus.html>

Provides integrated commodity and collateral management services to its customers and helps them in decreasing costs and mitigating risks along the entire value chain.

Punjab National Bank (PNB), New Delhi

Head Office, 7, Bikaji Cama Place, New Delhi 110066; Fax: 91-11-26196176; <http://www.pnbindia.in/>

Implements various schemes and variety of financial products including the one on financing the value chain in agriculture.

Swarnajayanti Gram Swarozgar Yojana (SGSY), Delhi

Krishi Bhawan, New Delhi 110001; Tel: 91-11-23782373; Fax: 91-11-23385876; <http://www.rural.nic.in>

Anti-poverty alleviation programme that provides micro-credit services to the poor including value chain financing.

Swarna Jayanti Shahari Rozgar Yojana (SJSRY), India

Ministry of Urban Development, Government of India

A unified centrally sponsored scheme for urban poverty alleviation through self-employment and wage employment programmes.

Responses in Full**Trilochan Sastry, Indian Institute of Management, Bangalore**

I am aware of at least one such experience. The Centre for Collective Development (CCD), an NGO, does this in Adilabad's tribal area for farmer cooperatives and their federation. The financing is for two purposes - investment in value adding/processing units, and for working capital. The investment is partly provided by CCD and partly by the local banks.

Mainstream Banks are still reluctant to finance these activities, and after 5 years of effort, CCD has managed to get some financing from the Regional Rural Bank (RRB). Hopefully this will continue, with enhanced amounts in the years to come. The RRB in fact has given the Farmer Federation a cash credit limit facility. This way, they pay interest only on the amount drawn. In other types of financing through MFIs, the interest is on the whole amount sanctioned, and cash credit facility is not available. In agriculture it is very difficult to estimate the amount of loan required in advance because both the crop yield and the prices cannot be accurately forecast. With a cash credit limit this problem is sorted out. So if you ask for say Rs.1 crore and you utilize only Rs.80 lakhs, you still pay interest on the entire Rs. 1 crore. If you end up needing Rs.1.2 crores, you fall short of funds. With a cash credit limit this problem disappears. This is the facility that corporate anyway get from Banks. I feel that same facility should be given to the farmer organizations after due diligence. A lot more work needs to be done to get Banks to finance such activities.

Last year, this financing has resulted in additional income of around Rs. 50 lakhs for the tribal farmers. The federation has also reduced its dependence on external borrowing for inputs by taking a fertilizer dealership for well known companies. They get a credit facility. Another way of reducing external borrowings is through their own accumulated surplus and reserves. The tribal federation has been able to steadily increase its reserves over the last 5 years.

Kalika Mohapatra, Independent Consultant, Bhubaneswar

Currently most of the commercial banks have been favoring indirect rather than direct finance to agriculture. Finance to dealers, commission agents, NBFCs and SEBs, and investment in bonds earmarked for the priority sector have gained more priority than basic agricultural finance. This indirect finance will improve the infrastructure facilities in rural areas and create new services.

The State Bank of India (SBI) supports the Litchi value chain in Bihar especially in Muzaffarpur district. SBI lend money to litchi fruit grower associations, litchi processors, pre-harvest contractors, and wholesalers of litchi fruits in various stages based on the need and risk assessment. This approach of the bank has benefited all of the litchi value chain actors involved, from farmers who need finance for inputs such as irrigation, fertilizers, and insecticides to processors who need access to credit to easily transport litchi fruits and pay advances to the litchi growers. This model has led to the development of 51 litchi growers' associations, consisting of 15 to 25 growers per group, all of which now have direct lending agreements with local banks. SBI has disbursed 27 loans for new litchi plantations. Three additional commercial banks and one insurance company have all shown interest in financing litchi growers.

Similarly, ICICI bank has devised innovative supply chain solutions to agricultural finance. The banks understood the entire chain of value creation in farm finance and develop their products accordingly. Agro-based industries, dealers, seed finance and fertilizer finance are major components in this value chain.

I hope now a day's most of the commercial banks have realized that innovative financial solutions are essential for an effective loan delivery mechanism to support the value chain system and banks are parking money to the Rural Infrastructure Development Fund (RIDF) of NABARD or SIDBI deposits in reaching the statutory norm of 40 per cent of net bank credit to the priority sector.

Sunil Kumar, Bankers Institute of Rural Development (BIRD), Lucknow

I would like to share with you one successful experiment of value chain financing in a very backward region of our country. NABARD, through its window of "Umbrella Programme on Natural Resource management" (UPNRM), has financed MASUTA (a producers company owned by tribal women of Jharkhand, Bihar and Chattisgarh). MASUTA (promoted by PRADAN) is engaged in production and marketing of tasar silk and is a democratic institution having a high degree of professionalism. NABARD's assistance of Rs. 2.85 crore to MASUTA includes loan component of Rs. 2.50 crore at 9% p.a. (reducing balance) and grant component of Rs. 37.50 lakh.

The loan amount covers the entire value chain and supports buying/selling of tasar cocoons, reeling/spinning/storage of cocoons, buying/selling of yarns, weaving and fabric making, trading/marketing of yarns/fabric and associated activities. The grant portion meets various expenses like capacity development of members of MASUTA, staff training, market promotion, office automation, consultancy, etc.

PSM Rao, Independent Consultant, Hyderabad

The query's focus is on 'Microfinance Services' and 'Agricultural Value Chains', in other words, financing on a small scale to the agricultural, particularly fruit and vegetable, processing and other activities across the value chain.

In this context, it should be noted that the financial institutions are not reluctant to loan any activity that is financially viable. They have no objection to lend if the repayment is assured; after all they do business with others, say, depositors' money. Due to guaranteed repayment on the dot, is exactly the reason why they have been liberal in lending to the self-help groups, without bothering about what activity these groups undertook. Banks did not, and rightly so, bother if the SHGs used the money for consumption purpose alone.

In fact, we find, here and there, the examples of banks lending to the activities like pickle making, lime, sugar cane juice, dry fruits etc. which form part of the fruit and vegetable value chain, though on a very low scale. The reason for the banks not financing the agricultural value chains is more on account of nonexistence of viable models, rather than the reluctance of the banks to lend this activity. So, the process of encouraging value chains should begin with the development of viable models, than looking at the banks and other financial agencies to take the initiative.

Since banks are willingly financing to the SHGs, the schemes can be readily undertaken through these groups. The demonstrated success of the units will surely induce the individuals to start similar ones which can create sufficient demand for loans from the banks. But the big question is

- what are the small activities across the value chain relating to fruit, vegetable and other non-staple crops that can survive the competition from the big industry?

Umesh Chandra Gaur, Confederation of Community Based Organizations of India, New Delhi (*response 1*)

In my opinion financing strategies need to change to respond to the changing agri-food systems. Product markets have restructured, driven by changing consumer demand due to increasing income, changing lifestyles and government policies. As a result, value chains have become more coordinated, integrated, concentrated, interdependent, complex and global. Standards have changed and have become more stringent in terms of quality and food safety. More recently, there is more emphasis on marketing than production, product differentiation and niche marketing.

Due to the restructuring of agricultural value chains, all actors in the chains must adjust to be able to respond to the changing rules of the game. This includes not only input suppliers like financial institutions but also producers, marketers, Government and development agents. Adjustments however, may be difficult for small scale enterprises who have limited resources and access to assets like finance. They face the possibility of being excluded in the chain if they are unable to adjust to challenges or tap opportunities brought about by these changes in the chain.

Integrated and strategic approach is necessary in value chain financing particularly in dealing with small scale enterprises. Financing alone may not be enough. In many cases, underlying issues are multi-dimensional and therefore solutions or strategies are also multi-dimensional or integrated. These include technical assistance to meet market requirements, private sector involvement, product differentiation, development of small scale producer groups, use of information and communications technology and effective coordination in the chain are essential in ensuring success. Moreover, these strategies are constrained if the enabling environment that includes policies and institutions is not conducive to the development of agricultural value chains.

In addition, it should not be always the case that financing programs that target small scale producers as beneficiaries should give finance directly to these producers. Other actors that are in the strategic position to enhance linkage with small scale enterprises may be directly tapped to ensure sustained benefits to target beneficiaries. Lead firms for example are in a better position to manage risk in providing financial assistance to their suppliers than traditional financial service providers such as banks as they have a better understanding of the requirements of the chain they operate in.

M L Sukhdeve, National Bank for Agriculture and Rural Development, Mumbai

The inputs sought by Prasun Kumar Das are related to institutional finance for agriculture value chain particularly for fruits and vegetables. Financing for value chain in respect of fruits and vegetable in individual capacity is not feasible and practical as the quantity of produce of individual farmers will be very small and they cannot afford to involve in the value chain. Financing for value chain is possible to Association of Fruits and Vegetable Growers, for the activities (cultivation to supply up to wholesale market) viz. cultivation, harvesting, grading, packing, transport and distribution.

MAHAGRAPE in Maharashtra, a Fruit Growers Association has been financed by banks. I have come across one unique experience in Ahmednagar district of Maharashtra. The farmers of 5-6 villages were identified for vegetable cultivation by a Professor - (motivator) and he also provided the guidance for vegetables to be grown season-wise, common package of practices and pulled

together the harvest. Grading and packing was done at field level and transported to Mumbai wholesale market. The finance was provided by a commercial bank to the individual farmers for cultivation and to a group of farmers for purchase of packaging material and mini truck for transport. The farmers were benefited and banks were happy for their prompt recovery. Growers Associations in many part of the country have been financed by banks.

The concept of JLGs introduced by NABARD can be of the good source to provide finance for value chain for fruits and vegetable growers.

Krishan Khanna, i Watch, Mumbai

China has 500,000 Vocational Training Centers where 90 million people are trained per year. 70% of these centers are in rural China. China with arable land 70% of India produces more than 200% food grains than Indian farmers.

I feel that there is need to empower the farmers with skills and knowledge before you give microfinance. I would like to share a video on Vigyan ashram – development through education (Available at: <http://video.google.com/videoplay?docid=-7244987184341990763>)

Saurabh Vikas, Luna Ergonomics Private Limited, Noida

Please allow me to introduce ourselves and subsequently, I shall be explaining how we can be an ideal partner in the supply chain of agriculture produce. Our farmers primarily converse in regional languages and all the digital interfaces available to them are in English. This makes the entire agriculture industry voiceless in the digital arena. We are an award winning company and maker of revolutionary technology, Paninikeypad.

An Indian start up, Luna Ergonomics has developed world's first ergonomic 'dictionary-less' statistical predictive texting technology which uses dynamic allocation of keys and hence obviate the dependence on printed characters on any digital device, specifically mobile handsets. This technology can work in many low cost mobile phones. The lowest cost of such mobile is Rs. 1600 only. Thus Paninikeypad enables people to write in the major Indian languages, namely Hindi, Bengali, Telugu, Marathi, Tamil, Gujarati, Kannada, Malayalam, Oriya, Punjabi and Assamese; conveniently and faster on the existing keypads. The technology, due to its global impact, has won numerous national and prestigious international awards. For more details, please visit: <http://www.paninikeypad.com/content/aboutUs.html>. Our similar product, clevertexting is running successfully in 10 languages of the globe, namely English, Spanish, Portuguese, French, Arabic, Russian, Hebrew, Swahili, Korean and Finnish.

This technology will enable farmers to SMS in their mother tongue. The farmers in the lower end of the supply chain can message for the rates of the grains and other food products directly from their mobile phones in their mother tongue. More details are available [here](#) for better comprehension.

Hemantha Kumar Pamarthy, Hand in Hand Micro Finance, Chennai

This is quite an appropriate query and about time too. The importance of financing agri-supply chain ventures is no less important. Let me share my few thoughts on the first question from the query:

Are there any experiences of adopting and financing 'Agricultural Value Chain Business models' by the commercial banks, Regional Rural Banks, Cooperatives, NGOs and MFIs? How it has helped the Financial Institutions to increase their outreach?

At our organization - Hand in Hand, we had financed Women SHGs for procuring vegetables and fruits and grading them as per size and quality, pack them, paste the selling labels with barcodes and supported them in linking to shopping malls. In addition to microfinance, this effort required capacity building in procurement, grading, packing and labeling. We also needed to tie up first with the shopping malls.

The problem in this methodology is the interest rates charged on the microfinance, cannot sustain the expenses incurred on the "Credit Plus" activities undertaken and as a result the programme could not be sustained for very long.

This is one of the reasons why we should ask the concerned Government to have a policy on either enabling the MFIs to accept tax free grants or enable the MFIs involved in Credit Plus activities to have tax exemptions or tax holidays.

N. Srinivasan, Independent Consultant, Pune

Very few microfinance institutions have credit products for supporting basic livelihood activities in agriculture. Value chains in agriculture require different types of credit arrangements and to different types of organizations - not always households. At the household level production, investments in productive capacities and primary processing are feasible activities for which microfinance may be able to find answers. The present typical loan disbursement of Rs 10,000 will hardly support crop production in half an acre. This kind of financing will not support investments, primary processing or post-harvest holding of produce before marketing.

The higher links in the value chain - such as processing, aggregation, storage, packaging, transport and retailing call for higher money outlays that are far beyond the MFIs' capacity to meet. Further the capacities to appraise such higher order investments in value chain activities beyond the primary level are very different; the risks associated with such financing are also higher and complex. I feel that Value chain financing and microfinance do not go well together.

If professionally organized value chains require small doses of finance at the primary end - small producer household - then Microfinance can have a financing role to play. There are well organized and managed value chains - BAIF (Gujarat, Maharashtra), PRADAN (Bihar, Jharkhand), CCD (Tamil Nadu), that have small producers at the root. Financing however had come from mainstream financial institutions - and not from MFIs. Gram and Indur Intideepam have a dairy producer company that has small dairy farmer at the base, of which some are financed by the Indur MACS.

If organizations promote value chains that provide access to markets for vulnerable (primary producer) households and employment to non-producer households, finance will flow in. Access to markets in itself has the capacity to attract finance. One need not limit financing in such a case to microfinance alone which is not the best option to support entire agricultural value chains.

State Bank of India had undertaken financing grape cultivation for exports in Maharashtra about five years back. It had a positive impact on exports of table grapes. BAIF organized cashew and mango chains based on tribal wadis - but had problems of procuring finance in the initial stages. NABARD had supported the operations, which today is a significant intervention enjoying finance

facilities from banks. The sugar industry is a classic example of an agricultural value chain - but one which is unavoidable for both the cane farmer and the sugar mill. The different links of the value chain are funded differently.

Banks have significant loan exposure to Dairy and sugar in a value chain mode. In most other crop sectors, the financing is done without much regard to the other links in the chain. Production loans without looking at where the product is aggregated, a warehouse receipt loan regardless of where the product is sold for processing, a processing unit loan disregarding where raw material comes from or the market for the final produce - are typical of mainstream financing. Conceptualizing the entire value chain and looking to financing the different links and there by mitigating the risks is still not an accepted banking practice.

Nitin Bembalkar, Independent Consultant, Pune

I agree with Mr. Srinivasan. Every link in a value chain is independent in respect of its requirement of finance and its modus operandi though they are connected with each other with single produce or commodity.

The amount of finance and period of repayment is very different than a processor and than a retailer, so the cost of funds also becomes an issue. The basic objective of MFI is to serve those small poor people with reasonable loan amount, who are unserved by the current Banking systems.

Mahendra Parida, Center for Child and Women Development (CCWD), Bhubaneswar

The Microfinance for agriculture sector is not reaching to grass root areas in Orissa. Many small farmers are committing suicide because of harassment by the financial institutions for not paying back the loan. In this context, Gramya bank could play a major role for micro financing for rural marginal farmers. But this aspect is missing in many parts of Orissa. NABARD and other nationalized bank should take this matter urgently.

R. K. Swarnkar, Madhya Pradesh Consultancy Organization Limited (MPCON), Indore

At present I am working with Madhya Pradesh Consultancy Organization Limited (TCO promoted by all India Financial Institution and nationalized Banks) as Zonal Head at its Indore zone. During over last 30 years of working experience as project consultant and trainer in the state of Madhya Pradesh and Chhattisgarh, my experience in the line of microfinance is not quite encouraging. As per my opinion before financing any of the group or as individual borrower, following exercise is must:

- Identification of micro activity
- Profitability Estimates of business plan
- Proper training of loan borrower in the line of accounts and marketing
- Backward and forward linkage of the activity

After proper scrutiny, microfinance for marketing of vegetable, fruits, cereals, flowers and horticulture produce can be extended in large volume.

R. V. Kotnala, Institute of Cooperative Management, Dehradun (response 1)

I would like to state that commercial banks appear well positioned to offer financial services to all the segments of society. They have their own sources [deposits and equity capital] of funds; they do not have to depend on scarce and volatile donor resources. They have large network of branches and well established Internal Controls, Administrative and Accounting Systems. Being

regulated institutions they fulfill condition of Financial Disclosure and Capital Adequacy which help in ensuring prudent management.

Commercial banks have variety of financial and other products to offer to its different types of clientele. I give below the few schemes of rural lending of a commercial bank [Punjab National Bank] which include Financing Value Chain in agriculture:

1. Scheme for Financing Agri-Business Projects with venture capital assistance from Small Farmers' Agri-Business Consortium (SFAC)

Purpose: To provide Venture Capital Assistance to agri-business projects and to set up a Project Development Facility to assist producer groups/organizations in formulation of economically viable agri-business projects.

2. Venture Capital Fund Scheme for Dairy / Poultry Sector

Purpose: To provide financial assistance to individuals, NGOs, Public and Private Sector Undertakings, Cooperatives, etc for the following purposes.

- To promote setting up of modern dairy farms for production of clean milk.
- To bring structural changes in the unorganized sector processing and marketing of pasteurized milk at village level.
- To bring about up gradation of quality and traditional technology to handle milk on a commercial scale.
- To boost the unorganized poultry sector in states where development is in primitive state and also to give incentive and create infrastructure facilities for export of poultry products by organized sector from advanced states.
- Establishment of poultry and breeding farms with low input technology and also for other poultry species.
- Setting up of poultry feed plant/ laboratory.
- Setting up of egg grading, packing and storing facility for export.
- Marketing of poultry products (specialized transport vehicles, cold storage, etc.).

3. Scheme for providing credit for projects for development and strengthening of infrastructure facilities for production and distribution of seeds

Purpose: The Scheme aims at providing credit for projects for development creation of infrastructure for seed production, i.e., seed cleaning / grading / processing / treating / packaging, seed storage units, seed testing labs, etc.

4. Capital Investment Subsidy Scheme for Commercial Production Units of Organic Inputs under National Project on Organic Farming

Purpose : To provide financial assistance for setting up of the commercial production units as well as expansion/renovation of existing units of organic inputs like vermi-compost, bio-fertilizers, fruit & vegetable waste compost, etc.

5. Scheme for Development/strengthening of Agriculture Marketing Infrastructure, Grading and Standardization

Purpose: To provide financial assistance to develop/strengthen marketing infrastructure in agriculture and allied sectors.

6. Scheme for Financing Farmers Growing Sugar Cane Crop in Tie up Arrangement with Sugar Mill Acting as Business Facilitator

Purpose: To provide Crop Loans for cultivation of sugar Cane under tie up arrangement with Sugar Mills acting as Business Facilitator.

7. Scheme for Financing Micro-Financing Institutions (MFIs) For On-Lending To Individual Members or their SHGS/JLGS.

Purpose:

a. Project Based Lending: Bank finance may be extended to MFIs as Project based lending. If the MFI clients desire to set up entrepreneurial activity either at Village/Cluster/Federation level, the project cost of an individual unit may be prepared and all such individual unit costs be aggregated into a comprehensive project cost and based on the viability of the project and number of units proposed to be set up in a particular area, the Bank may consider financing the activity through the MFI.

Example: Setting up of Milk Chilling units by SHGs in areas nearer to Dairy /Milk processing units.

b. Client Based Lending: The client base of MFI is built up over a period of time and they are continuously serviced, nurtured and monitored by the MFIs. Based on the past performance and future projections we may finance the MFIs. The MFI should furnish the particulars of Groups proposed to be assisted in the format suggested below

Eligible intermediaries engaged in Micro finance activities:

i) Not for profit MFIs:

a) Societies registered under Societies Registration Act, 1860 or similar State Acts.

b) Public Trusts registered under the Indian Trusts Act 1882

c) Non Profit companies registered under Section 25 of the Companies Act, 1956.

(ii) Mutual Benefit MFIs:

a) State Cooperative Societies (incorporated under State Co-operative Acts)

b) National Credit Cooperatives (Central Multi State Co-operative Act)

c) Mutually Aided Cooperative Societies (MACS)-only in Andhra Pradesh so far incorporated under Andhra Pradesh Mutually Aided Co-op. Societies Act 1995)

(iii) For Profit MFIs:

Non Banking Financial Companies (NBFCs) registered under the companies Act, 1956 (Nabco which are accepting deposits are required to be registered with RBI)

8. Scheme for Financing against Pledge of Warehouse Receipts issued by National Bulk Handling Corporation Ltd. (NBHC)

Purpose: The purpose of the scheme is to provide liquidity to the borrowers.

(9) Scheme for financing under PNB Krishi Card (Kisan Credit Card):

Purpose: Loan is provided to cover short term working capital for agriculture activities, other domestic requirements such as education, consumable items, medical expenses, etc., term credit needs of the farmers and credit against debt from non-institutional lenders.

10. Scheme for Package loan to farmers (PNB Kisan Sampuran Rin Yojana):

Purpose: Bank will provide package loan to the farmers for undertaking various agricultural and allied activities for production as well as investment purposes and to meet the consumption credit

requirements of the farmers. Besides, loan is also provided for processing/storage/value addition activities post harvest technology.

11. PNB Kisan Ichchha Purti Yojana:

Purpose: Loan is sanctioned for productive purpose (production and investment credit) related to agriculture and allied activities, Rural Housing related activities, and Consumption.

12. Credit against gold ornaments/jewellery, national savings certificates, fixed deposit receipts and Kisan Vikas Patra to farmers:

Purpose: Bank accepts gold ornaments and jewellery, fixed deposits, National Savings Certificates and Kisan Vikas Patra as security for agricultural loans, so long as the quantum of loan required is in consonance with crops grown or the investment proposed and repaying capacity likely to be generated and not with reference to value of securities pledged.

13. Produce (marketing) loan scheme:

Purpose: To meet short term credit requirement to adjust/repay the outstanding crop loan/KCC limit availed by farmers from the bank and to procure better price by storing farm produce and selling it at favorable price within a specified period

14. Farm Mechanization Scheme - Financing for purchase of farm machinery and repair/renovation of tractors and power tillers:

Purpose: Loan is sanctioned for Purchase of new tractors and matching implements/equipments, purchase of new power tillers, purchase of second hand tractors with matching implements, purchase of agricultural machinery and repair/renovation of tractor.

15. Scheme for financing Farmers for Purchase of Second Hand Tractors:

Purpose: To provide loan for purchase of second hand tractor to eligible farmers.

16. Scheme for financing self-propelled combine harvesters:

Purpose: Loan is given for financing purchase of combine harvester.

17. Scheme for financing minor irrigation:

Purpose: Purchase of Pump sets, construction of Dug wells, deepening of Wells/Repair to wells, Bore wells, Shallow Tube wells, Deep Tube wells, Installation of Persian Wheels/Rehats, Sprinkler Sets, Drip Irrigation, Solar Pumps, Wind Mills, Check Dams, Construction of pump house, water tanks, laying of field channels, pipe lines and water courses, Use of PVC and MS pipes and GI bends Standby Diesel Engines, Pump sets fitted on Trolleys, Bicycle along with Diesel pump sets Replacement of pumping equipment, Generator sets for energisation of pump sets used for agricultural purposes, Lift Irrigation and related activities.

18. Scheme for financing development of horticulture (fruits, flowers & vegetables) and plantation crops:

Purpose: Financial assistance will be made available mainly for establishment and development of new orchards or groves of fruit crops, plantation crops, ornamental crops, medicinal plants, essential oil/aromatic plants etc, rejuvenation of existing orchards or plantation, raising

vegetables, raising flower crops, inter-cropping in horticultural crops, Marketing loan to meet picking, grading, crating, forwarding and transportation costs etc.

19. Scheme for financing agricultural graduates for setting up of Agri-Clinics and Agri-Business Centers (ACABC):

Objectives:

- (i) To supplement the efforts of Government Extension System.
- (ii) To make available supplementary sources of input supply and services to needy farmers.
- (iii) To provide gainful employment to Agricultural Graduates in new merging areas in agricultural sector.

Concept:

- (i) Agri-clinics: Agri-clinics are envisaged to provide expert services and advice to farmers on cropping practices, technology, dissemination, crop protection from pests and diseases, market trends and prices of various crops in the markets and also clinical services for animal health, etc., which would enhance productivity of crops/animals.
- (ii) Agri-business Centers: Agri-Business Centres are envisaged to provide input supply, farm equipments on hire and other services.

Purpose: Financial assistance is provided to the eligible persons for any economically viable activity selected by the Graduates acceptable to the Bank:

- (i) Soil and water quality-cum-inputs testing laboratories (with Atomic Absorption Spectrophotometers).
- (ii) Pest surveillance, diagnostic and control services.
- (iii) Maintenance, repairs and custom hiring of agricultural implements and machinery including micro-irrigation (sprinkler and drip) systems.
- (iv) Agri-service centers including the three activities mentioned above (Group activity).
- (v) Seed processing units.
- (vi) Micro-propagation through Plant Tissue Culture Labs and Hardening Units.
- (vii) Setting up of vermiculture units, production of bio-fertilizers, bio- pesticides, bio-control agents.
- (viii) Setting up of Apiaries (bee keeping) and honey & bee products processing units.
- (ix) Provision of Extension Consultancy Services.
- (x) Facilitation and agency of agricultural/insurance services.
- (xi) Hatcheries and production of fish finger-lings for aquaculture.
- (xii) Provision of livestock health cover, setting up veterinary dispensaries and services including frozen semen banks and liquid nitrogen supply.
- (xiii) Setting up of Information Technology Kiosks in rural areas for access to various agriculture related portals.
- (xiv) Feed Processing and Testing Units.
- (xv) Value Addition Centers.
- (xvi) Setting up of Cool-Chain from the farm level onwards (Group Activity).
- (xvii) Post Harvest Management Centers for sorting, grading, standardization, storage and packaging.
- (xviii) Setting up of Metallic/Non-Metallic Storage Structures (Group Activity).
- (xix) Retail marketing outlets for processed Agri-products.
- (xx) Rural marketing dealerships of farm inputs and outputs.
- (xxi) Internet kiosks either separately or in combination of any of the eligible project activities selected by the entrepreneurs.

20. Scheme for financing farmers for purchase of land for agricultural purpose:

Purpose: The objective of the Scheme is to finance the farmers to purchase, develop and cultivate agricultural as well as fallow and wasteland.

21. Scheme for financing mushroom cultivation:

Purpose: Loan is considered for Investment Credit and Working Capital (For initial one crop only).

22. Scheme for financing poultry farming: Scheme for financing poultry farming provides for investment credit for construction of sheds and purchase of equipments on the one hand and production credit for purchase of day old chicks, feed, medicines, etc., on the other hand. Financial assistance shall be made available to the intending borrowers as under: -

Purpose:

For subsidiary activity: Investment credit will be provided in the shape of medium term loan for acquiring fixed assets whereas production credit will be given to meet the working capital requirements in the shape of Short Term Loan.

For main activity: Investment credit will be provided as medium term loan whereas production credit will be given either in the shape of cash credit limit or as an integral component of investment credit.

23. Scheme for financing dairy development programmes:

Dairy projects are financed for the following activities: -

- Financing individuals for purchase of good quality high yielding milch animals, viz., cows/buffaloes or cross bred cows for milk production.
- Financing individuals for purchase and rearing of calves' up to the stage of first lactation.
- Financing for other innovative animal husbandry activities, namely, cattle breeding, salvaging of dry pregnant cattle, milk-processing facilities, construction of milk houses, etc.

24. Financing for milk production activity i.e. purchase and maintenance of milch animals (lactating cows/buffaloes) for milk production:

Purpose:

Bank provides loan for following purposes: -

- Purchase of good quality high milk cows/buffaloes.
- Construction of shed(s) for keeping the animals.
- Purchase of dairy machinery or other equipments of dairy business.
- Providing fodder for the animals.
- Cost of transportation of animal from cattle market.
- Composite loans are also given for purchase of milch cattle and one month concentrate feed requirements as also for cultivation of fodder crops in integrated manner.

25. Dairy vikas card scheme (Implemented in select States):

Purpose: Purchase of good quality high milk yielding cows/buffaloes or exotic cross bred cows; Construction of shed for keeping the animals; Purchase of working capital items like, dairy feeds, veterinary medicines, fodder, dairy machinery or other equipments, etc.

26. Scheme for financing inland fisheries development and brackish water fish and prawn culture:

Purpose: Financial assistance is extended for Construction/renovation of ponds/tanks., construction of sluices, purchase of fish prawn, fry and fingerlings/ fish seed/ prawn seed, purchase of inputs like oil cake, fertilizers, organic fertilizers and other feed materials upto the first harvest, purchase of nets, boxes, baskets, ropes, shovels, hooks and other accessories etc.

27. Scheme for financing marine fisheries:

Purpose: Loan can be considered for purchase of mechanized/non-mechanized boats/deep sea fishing vessels/ trawlers, purchase of nets - travel net/purse-seine/grill nets, purchase of other deck equipments like travel, winch, wire rope, gallows, net-handler, navigational lights, life jackets, life boats, anchors, direction finders, fish finders, etc. purchase of marine engine etc.

28. Scheme for financing apiculture (Bee Keeping):

Purpose: Financial assistance is made available for meeting:

Fixed cost such as Construction of honey houses; purchase of colonies; purchase of equipments like bee-boxes, honey extractors, smokers & bee veil, bee knife, hive tool, queen gate, feeder, solar wax extractor, plastic drums for storing honey, sting proof rubber gloves, etc.

Recurring Costs such as purchase of foundation sheets, sugar, medicines, gloves, etc.

29. Scheme for financing kitchen gardening:

Purpose: Loan is given for initial expenditure on fencing, purchase of inputs like seeds, fertilizers, plant protection chemicals; Land development, Small gardening equipments.

30. Scheme for financing green houses:

Purpose: Construction of green houses, purchase of equipments/machinery/inputs and other requirements including post-harvest operations and marketing.

Likewise other commercial banks have similar schemes of lending which may differ in names. Almost, all the rural activities are covered by the schemes of rural lending of commercial banks. In case of any query nearest bank branch may be contacted for details.

Bibhuti B. Pradhan, Vasundhara, Bhubaneswar

Microfinance sector has boomed in India with a hope to address the need of the poor at their doorstep. But the reality is something else. There is still a long way to go for the MF sector to understand the real need of the poor. My experience working with the rural poor of Orissa says that the MFIs are still in confusion on where to finance and whom to finance. Should it be at the household level supporting the primary producers, or at group level to support collective enterprise, or somewhere at a different level mobilizing the community for saving and generating funds in the name of development, etc.? In western Orissa, the producers hardly get any kind of institutional finance support as an individual or in group to further their production or to add value to their products. MFIs are basically promoting sectoral finance to enhance the household cash income, in the areas like dairy, poultry, cash crop without any proper training or orientation to the producers on accessing the market. This, in turn, results in a failure venture for the producers.

The MFIs feel risk with financing at different levels of value chain as they think that there is a risk of supply chain to turn into 'value add chain'. There is always an exploitative relationship in value

chains with lack of competition and lack of proper information dissemination. MFIs should look into interventions that can create links between small or primary producers and the upper value chain players. My experience with NTFP trade analysis reveals that the primary producers of NTFP do not need any kind of financial support related to NTFP trade at household level, rather the nodal traders require finance. Both value chain and financial sector analysis is required for designing the programme for agriculture finance.

Now, when the MF sector is struggling hard to carry forward their schemes and programmes primarily with SHG model, there is an opportunity to intervene into other forms of primary productions and with alternative institutional models in agriculture and NTFP, which is a major base of livelihoods for poor.

Umesh Chandra Gaur, Confederation of Community Based Organizations of India, New Delhi (*response 2*)

Financing strategies need to change to respond to the changing agrifood systems. Product markets have restructured driven by changing consumer demand due to increasing income, changing lifestyles and government policies. As a result, value chains have become more coordinated, integrated, concentrated, interdependent, complex and global. Standards have changed and have become more stringent in terms of quality and food safety. Recently, there is more emphasis on marketing than production, product differentiation and niche marketing.

Due to the restructuring of agricultural value chains, all actors in the chains must adjust to be able to respond to the changing rules of the game. This includes not only input suppliers like financial institutions but also producers, marketers, government and development agents. Adjustments however, may be difficult for small scale enterprises who have limited resources and access to assets like finance. They face the possibility of being excluded in the chain if they are unable to adjust to challenges or tap opportunities brought about by these changes in the chain.

Financing value chains in the agribusiness sector amidst restructuring in the system becomes more challenging as agricultural sector is inherently risky relative to other sectors. The role of information and technology is important in reducing transaction costs in the chain including the costs of delivering services to various actors in the chain. It provides secure structured finance, documents credit histories, creates self-financed credit insurance and formalizes commercial relationships and enforces exchange rules and standards required. It also allows actors in the chain to transact and focus on their main functions by taking over functions such as search for markets and inputs, price negotiation, securing trade credits from stockists and assuring production process is consistent with standard. Farmer clients can organize themselves into groups which co-guarantee credit and which pre-pay for credit insurance.

R. V. Kotnala, Institute of Cooperative Management, Dehradun (*response 2*)

I appreciate the modus operandi of extending the microfinance services for agriculture value chains as stated by Mr. [Hemantha Kumar Pamorthy](#). Procurement, grading, packing, pricing, linking to market and capacity building in all these segments along with providing credit facility is a integrated package. This type of endeavors could really be helpful to the low income groups to earn their livelihood.

On the other hand commercial banks have a Priority Sector and its sub-sectors for credit disbursal. Priority sector consists of Agriculture, Small Scale Industry, Small roads and water transport operators, Retail Trade, Small Business, Professional and Self employed, Education, State sponsored Organizations for SC/ST, Housing, Consumption Loans (under consumption

credit scheme for weaker section), Micro-credit, directly or through intermediary, Software Industry, Food and agro processing sector and Investment by banks in venture capital.

There is a **weaker Sector** within Priority Sector which includes the following:

- Small and marginal farmers with land holding of 5 acres and less and landless labourers, tenant farmers and share croppers.
- Artisans, village and cottage industries where individual credit limits do not exceed Rs. 50,000
- Beneficiaries of Swarnjayanti Gram Swarojgar Yojana (SGSY)
- Scheduled Castes and Scheduled Tribes
- Beneficiaries of Differential Rate of Interest (DRI) scheme
- Beneficiaries under Swarna Jayanti Shahari Rojgar Yojana (SJSRY)
- Beneficiaries under the Scheme for Liberation and Rehabilitation of Scavengers (SLRS).
- Self Help Groups (SHGs)

Targets for commercial banks:

Total Priority Sector:	40% of net bank credit.
Total Agriculture Advances:	18% of net bank credit.
Advances to weaker sector:	10% of net bank credit

In case of commercial banks having shortfall in lending to priority sector/agriculture, they are allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) established in NABARD. Details regarding operationalisation of the RIDF such as the amounts to be deposited by banks, interest rates on deposits, period of deposits etc., are decided every year after announcement in the Union Budget about setting up of RIDF.

Banks are invariably achieving the targets allotted to them but these are in quantitative terms. The credit provided so far has not been able to create livelihood for the poor and thus there is a failure of Government sponsored schemes.

Policies, systems, procedures and schemes for upliftment of poor are suitably framed and implemented, but while we see the impact, it is seen on the papers only and is negligible at the grass root level. For positive impact the modus operandi as opted by 'Hand in Hand Microfinance Chennai' is best suited for creating a livelihood for the low income groups.

L. P. Semwal, Shri Jagdamba Samiti, Dehradun *

I would like to share our experiments of promoting small and marginal farmer's owned fruit (Apple as an entry crop) value chain enterprises in Uttarakhand and Himachal Pradesh. In our opinion, Business development in value chain not only requires financing but much more in organization development, collaboration between structure legal entities of producers, service providers and marketing facilitators.

We are working on the joint venture model as attached herewith with focus on meso financing for enterprises development (JVs) and micro finance for yield promotion. For more information, please click [here](#) (Doc; Size: 86 KB).

Manoj Singh, Agribusiness Consultant, New Delhi *

I would like to share one of the case studies on Financial Value Chain of Off Season Vegetables (different models being operated by different agencies in Uttarakhand) done by me in Dhari and Ukhalkanda Blocks of district Nainital, Uttarakhand. It was found that farmers are not aware of the grading and quality standards of different off season vegetables cultivated in the region. Transportation from field to market is cumbersome process. Farmers are dependent upon traders for inputs and marketing of produce. Farmers are in touch with the traders for their other consumables requirements (such as food grains, clothes, advances in need etc) besides inputs for production of Off Season Vegetables and other vegetables (seeds, pesticides, fertilizers etc). Farmers are getting payments at the end of the season of production and all such settlements for consumables/ inputs etc being done during that time by traders. Most of the farmers take advance from Haldwani mandi traders (70% as advance) before crop is cultivated and are under debt. It was found that most of the farmers have debt of Rs.10,000 – Rs.20,000. There is complete lack of market intelligence at farmer's level; they don't know the prices of the off-season vegetables during production time. Due to fragmentation of land and greater distance from field to road, transportation cost is generally high and collective marketing by farmer is totally absent. Farmer's don't have any infrastructure where primary post harvest operations could be done together and storage could be possible.

Therefore, there is need of microfinance services to be provided at producers' level so that producers could arrange accordingly. Inputs like quality seeds, fertilizers etc before the sowing of the crop and also they could establish primary processing units where sorting, grading operations could be performed after harvest of produce and producers could tie-up with buyers as per graded produce and hence they need not to be dependent upon traders for their financial requirement for crop production.

Within the region, there are some successful cases of off-season vegetables value chains also where producers are getting good prices where they are linked up with the organized retailers in Delhi and also being paid in cash for their produce with proper transparency being maintained.

Many thanks to all who contributed to this query!

If you have further information to share on this topic, please send it to Solution Exchange for the Microfinance Community in India at se-mf@solutionexchange-un.net.in and Work and Employment Community in India at se-emp@solutionexchange-un.net.in with the subject heading "Re: [se-mf] [se-emp] Query: Microfinance Services for Agricultural Value Chains – Experiences; Examples. Additional Reply."

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Poverty



Microfinance Community

Solution Exchange for the Microfinance Community Consolidated Reply

Query: Designing Livestock Insurance Products for Poor - Experiences; Examples

Compiled by Navin Anand, Resource Person and Monika Khanna, Research Associate
Issue Date: 31 March 2010

From Sanjeev Kumar, Micro Insurance Academy, New Delhi
Posted 09 March 2010

I work with Micro Insurance Academy (MIA) as external Resource Person. MIA is a not-for-profit organization dedicated to providing technical assistance in insurance domain-knowledge to organizations that focus on grassroots communities. MIA aims to empower communities to protect livelihoods using Micro insurance as a financial tool. Currently we are focusing on livestock insurance.

Livestock is an important source of livelihood for many small scale farmers in India and other developing countries. It is used as a productive asset as well as "saving good", often financed through increased access to micro credits. It is a known fact the dairy is amongst the most popular livelihood activities being undertaken by women in the villages. Under Swarna Jayanti Gram Swarajgar Yojna, dairy sub sector was predominant in majority of states. A number of evaluation reports including report of Mahila Dairy Project, Uttarakhand appreciates the component of livestock insurance and also recommends for keeping this component in every dairy project.

The importance of livestock insurance is increasingly being realized as death of the animal hits the farmer severely. This is more severe in case of small and marginal farmers, as it effects the cash inflow and income cycle. In the absence of livestock insurance, these farmers bear the entire risk which results into distress sale of other productive assets or loan defaults. It has been observed that there are many schemes implemented by Livestock Development Boards and Animal Husbandry Departments but the percentage of farmers having insurance for their livestock remained low.

Livestock insurance could help manage risks both for the farmers as well as the MFIs/Banks. However, access to livestock insurance is limited due to the complexities involved in overcoming information asymmetries as well as mismatch of demand and supply. Different approaches and methods are being tested to bridge the information gap related to livestock insurance. While private sector players are increasingly using modern technology to gather and disseminate information as well as monitor the activities, many other programmes use community based innovative models like 'livestock mutuals' (experimented under District Poverty Initiatives

Programme in Andhra Pradesh) to bridge the gap between demand and supply side of Live stock insurance activity.

With this background, I request members to provide inputs on the following questions:

- What are your experiences of facilitating livestock insurance (especially small livestock) with mainstream insurance companies and community based micro insurance of livestock?
- What are the demand side (clients/groups) perspective of livestock insurance (product coverage, design, premium, facilities), i.e. what is desired but goes beyond the current product?
- What process factors one should keep in mind while designing livestock micro insurance products for poor?

Your inputs will not only enrich the knowledge base on this partially explored area of livestock insurance but help Micro Insurance Academy to develop new models and initiate the communication with Government about policy issues so as to fast track livestock insurance. This whole initiative will ultimately benefit small farmers and landless people engaged in livestock based enterprises.

Responses were received, with thanks, from

1. [Rakesh Kumar Gupta](#), Self Reliant Initiatives through Joint Action (SRIJAN), New Delhi
2. [Avishek Gupta](#), Dairy Network Enterprise, IFMR Ventures, Chennai
3. [Vineet Sinha](#), Independent Researcher, New Delhi
4. Gurusamy Gandhi, Consultant (Micro (Health, Livestock, Agri) Insurance, Organic Farming, E. Learning), New Delhi ([Response 1](#); [Response 2](#); [Response 3](#); [Response 4](#))
5. [M. Vijaybhasker Srinivas](#), Akshara Gurukulam, Hyderabad
6. [Anupama Sharma and Mangesh Patankar](#), Centre for Insurance and Risk Management – IFMR, Chennai
7. [Sanjay Kumar Gupta](#), MART, Noida
8. [Navin Anand](#), United Nations Development Programme, New Delhi
9. [N. Srinivasan](#), Consultant, Pune
10. [Satish Kumar Anand](#), Expert – Cooperatives, Microfinance and Livelihood Promotion, New Delhi
11. [Susanta Kumar Nayak](#), BASIX, Orissa
12. [Harish Chotani](#), Independent Consultant, Gurgaon

Further contributions are welcome!

[Summary of Responses](#)
[Comparative Experiences](#)
[Related Resources](#)
[Responses in Full](#)

Summary of Responses

India has one of the largest populations of livestock in the world. Livestock plays an important role in the economy of India and contributes 20 percent to the GDP of the Indian economy. Looking at the potential and the importance of the livestock in the life of the poor, members viewed that Livestock insurance has an important role to play in mitigating the risk arising from loss of animal.

Referring to mismatch between the demand and supply side of the livestock insurance, members highlighted various impediments in the smooth functioning of the livestock insurance. Some of the issues raised by the members were:

- Difficulty in getting the animal health certificate from a recognized Government veterinary doctor at the time of taking the insurance policy
- Lack of awareness of the procedures and documents required for re-tagging in case of loss of the tag (most important identification mark) while grazing of the animal
- Lack of awareness about terms and conditions of the insurance coverage and the benefits of the insurance policy
- Difficulty in getting the veterinary doctor to examine the animal at the time of death and determine the cause of death
- Problem in submitting the health certificate to the respective branch of the company due to low proximity
- Lack of availability of proper veterinary care, which increases the risk for the insurer and eventually increases the cost of the premium
- Limited bandwidth of MFIs to offer livestock registration/healthcare services to its clients
- Gap between NGO and Insurers - Most NGOs are not able to offer insurance products primary due to the supply chain gap between the insurers and the NGO

Members viewed that livestock has been promoted under various Government schemes, however insurance products have not been promoted in the same proportion. Also many small NGOs specifically promote livelihood through livestock but are not able to get into dialogue with insurance companies. Generally the number quoted by the NGOs is quite small and might not be profitable for the insurance company to offer insurance products. Members suggested that insurance can be made as an inbuilt mechanism within the livelihood promotion schemes focusing on inducting livestock.

Factors to be considered while designing the Livestock Insurance Products

Members viewed that role of community in livestock insurance is important both at the time of designing the products and also at the time of implementation. Highlighting the importance of the settlement of the claims, members suggested that unless the procedures for the settlement are made simple and on time, no farmer would be interested in any of the insurance product. To develop the faith of the farmer in livestock insurance, it is important that the insurance product offers speedy, hassle free and consumer friendly settlement procedures. Satisfied customer from the insurance product will act as ambassadors for making other farmers literate about the livestock insurance.

Sharing the experiences from the federation that has adopted a [local means of verification](#) of the claim, members suggested that product should have inbuilt mechanism of hassle free and speedy settlement procedures.

Respondent shared a [community-based insurance scheme](#) for animals experimented in Vizianagaram district of Andhra Pradesh. The scheme called 'loan protection scheme' is

implemented through a district level federation of women SHGs promoted under Andhra Pradesh District Poverty Initiatives Project (APDPIP).

Some of the other factors to be considered while designing the Livestock Insurance products are:

- Formation of the clusters around livestock in order to ensure the sustainability of the insurance product
- Simplifying the process of claims settlement and providing training to the Para Vets and the SHG members on certification of animal's death with adequate witness procedures
- Appropriate use of technology and doing away with the unnecessary and cumbersome processes to take the claim. Like using the Radio Frequency Identification tags instead of the metal tags
- Designing the product after assessing the uniqueness of the different regions, needs and capacities of the people
- Designing deposit linked insurance schemes with low premiums
- Clarity of the roles and procedures to be adopted by various stakeholders
- Developing comprehensive product where health care of animal and insurance can be combined to reduce the risk of the farmer and the company
- Simplifying the claims process by evolving a cluster based mechanisms involving federations, SHGs, SHG member in claim processing
- Using mobile technology which supports SMS and MMS (picture transfer)

Members highlighted the importance of technology in smooth delivery of livestock insurance products and referred the experience of [Dairy Network Enterprise](#) using the electronic backend. In this, there is a provision of issuing over the counter cattle insurance and it also stores data on the history of every animal recorded on it. Further, members shared the experience of [Pudhuaaru Ksheteriya Gramin Financial Services](#) offering a package of vaccines and dewormers along with the cattle insurance.

Members also quoted the experiments of [BASIX](#) which are focused on providing add on services to their Livestock Insurance members- like preventive health care and sustaining the productivity of the loaned animals.

Giving the example of initiative of crop insurance scheme of Government of India, where insurance premium charged from farmers is very less, respondents recommended for taking up this matter with Government for providing livestock insurance at low rates like crop insurance scheme.

Finally, members agreed that while designing the insurance products for the poor farmers, it is important that the focus is kept on covering areas like access to technical support, training for delivery of preventive health care and productivity management services, access to cheaper vaccination, drugs and other dairy inputs as well as linkages with veterinary institutions. This will ensure not only the productivity of the animal, reducing the risk of loss of life and eventually in the lowering the premium rates of the insurance products.

Comparative Experiences

Rajasthan

Involving Community in Verification of the Claim, Tonk (from [Rakesh Kumar Gupta](#))

Maitree Mahila Mandal, a community institution with the support from SRIJAN has started a system of local verification of claim. In this arrangement, the community is involved in the process of verifying the authenticity of the claim filed by the members. This has resulted in hassle free and convenient settlement of the insurance claims. [Read more](#)

Tamil Nadu

Insurance Product offering Speedy Claim Settlement and Preventive Healthcare, Thanjavur (from [Avishek Gupta](#))

Dairy Network Enterprise (DNE) in partnership with Pudhuaaru Ksheteriya Gramin Financial Services and HDFC Ergo GIC launched an innovative product. The products promises a 72 hours claim settlement. It offers on the spot cattle insurance product backed by Radio Frequency Identification (RFID) tags and preventive dairy healthcare. This has resulted in reduction in paper work and preventive healthcare adoption.

Andhra Pradesh

Loan Protection Scheme initiated under Andhra Pradesh District Poverty Initiatives Project, Vizianagaram (from [M. Vijaybhasker Srinivas](#), Akshara Gurukulam, Hyderabad)

In this scheme all the milch animals of the SHG members are eligible to be covered. Premium is charged at 4% of the total cost of the animal. Along with the policy a health card is also issued and households are provided training in animal management practices by the paraprofessional. The veterinary doctor and paraprofessional monitor the health of the animal from time to time and provide necessary veterinary care.

Multiple States

Insurance Products through Partnerships (from [Susanta Kumar Nayak](#), BASIX, Orissa)

BASIX, through Bhartiya Samruddhi Finance Ltd, an NBFC, is engaged in retailing insurance at the doorstep of rural customers. It partnered with insurance companies to design both credit-linked and direct insurance products in the area of life, livestock, health and rainfall insurance. It has succeeded in providing the entire life and livelihood protections services through a single channel and has achieved quick turn around time for claim settlements. [Read more](#)

Related Resources

Recommended Documentation

Microfinance India State of the Sector Report 2009 (from [N. Srinivasan](#), Independent Consultant, Pune)

Book; by N Srinivasan; SAGE Publications Private Limited; January 2010

Available at <http://www.uk.sagepub.com/booksProdDesc.nav?prodId=Book234827>

Series of annual reports on the microfinance sector in India, shares experiences of KGFS in using RFID chips to identify the animal

Process Monitoring Report (from [M. Vijaybhasker Srinivas](#), Akshara Gurukulam, Hyderabad)
Report; Society for Elimination of Rural Poverty; Andhra Pradesh District Poverty Initiatives Project; Andhra Pradesh
Available at www.rd.ap.gov.in/IKP/BSindexsept06.htm

Shares the best practices in the six project districts of Andhra Pradesh District Poverty Initiatives Project

Livestock and Poverty Reduction in India (from [Monika Khanna](#), Research Associate)
Paper; by Priya Deshingkar, John Farrington, Laxman Rao, Shaheen Akter Pramod Sharma, Ade Freeman and Jayachandra Reddy; Overseas Development Institute and International Livestock Research Institute; 2008
Available at http://dspace.ilri.org/bitstream/10568/281/1/LivesPovertReduc_DiscPaper8.pdf (PDF; Size: 819 KB)

Paper explores the role of livestock in rural livelihoods and its potential to assist people in escaping poverty

Recommended Organizations and Programmes

From [Rakesh Kumar Gupta](#), Self Reliant Initiatives through Joint Action, New Delhi

District Poverty Initiative Project (DPIP), Rajasthan

3rd Floor, B-Block, Yojana Bhawan, Jaipur; Tel: 91-141-2224755/2226175; Fax: 91-141-5188112; <http://www.dpipraj.gov.in/index.htm>

Launched in July 2000 with financial assistance of World Bank in seven poorest districts of Rajasthan aims at improving the levels of economic activity of BPL households

Self-Reliant Initiatives through Joint Action (SRIJAN), New Delhi

4, Community Shopping Centre, First Floor, Anupam Apartments, Mehrauli-Badarpur Road, Saidullajab, New Delhi-110068, Tel: 91-11-51664521/25936411; Fax: 91-11-51664521; delhi@srijanindia.org; http://www.srijanindia.org/project_dunni.htm

National level organization, promoting dairy as a livelihoods option for women in Rajasthan and has established a value chain for marketing milk

United India Insurance Company Limited, Chennai

24 , Whites Road, Chennai-600014; Tel: 91-044-28520161; info@uiic.co.in; <http://www.uiic.co.in/index.jsp>

General Insurance Company, tied up with Rajasthan DPIP for providing insurance of the animals inducted under DPIP

Institute of Financial Management and Research (IFMR), Chennai (from [Avishek Gupta](#))

1, Kanagam Village, 10th Floor, IIT research Park, Taramani, Chennai - 600113; Tel: 91-44-4305-1500; Fax: 91-44-4305-1558; <http://ifmrtrust.co.in/>

Private trust working towards ensuring universal access to financial services, focussing on under-served regions of rural India

From [Anupama Sharma and Mangesh Patankar](#), Centre for Insurance and Risk Management – IFMR, Chennai

BAIF Development Research Foundation, Pune

Dr. Manibhai Desai Nagar, Warje, Pune 411058 Maharashtra; Tel: 91-20-25231661; Fax: 91-20-25231662; baif@vsnl.com; http://www.baif.org.in/aspx_pages/prog_livestock.asp

Promotes of dairy husbandry by upgrading low productive non-descript cattle and also trains unemployed local youth in technical aspects of livestock development in rural areas

Centre for Insurance and Risk Management (CRIM), Institute for Financial Management and Research, Chennai

8th Floor, Eastern Wing, Fountain Plaza Building, 31/2A, Pantheon Road, Egmore, Chennai 600008 Tamil Nadu; <http://www.ifmr.ac.in/cirm/cirm.html>

Involved in product development, training, dissemination and advocacy in the field of micro insurance services for the poor

Bhartiya Samruddhi Finance Limited, BASIX, Hyderabad (from [Susanta Kumar Nayak](#))

3rd floor, Surabhi Arcade, Bank Street, Troop Bazar, Koti, Hyderabad 500001 Andhra Pradesh; Tel: 91-40-30512500/01; Fax: 91-40-30512502; info@basixindia.com;

http://69.89.31.196/~basixind/index.php?option=com_content&task=view&id=40&Itemid=54

Flagship Company of the BASIX group, provides agricultural business development services dairy cooperatives

Swiss Re, Switzerland (from [Vineet Sinha](#), Independent Researcher, New Delhi)

Mythenquai 50/60, P.O. Box 8022 Zurich; Tel: 41-43-285-2121; Fax: 41-43-285-2999; <http://www.swissre.com/>

Global reinsurer with focus on risk transfer, risk retention financing, and asset management

MART, Uttar Pradesh (from [Sanjay Kumar Gupta](#))

A-32, Sector – 17, Noida – 17; Tel: 91-11-26926527; Fax: 91-11-26926943; <http://www.mart rural.com/index.htm>

A marketing and research team, which conducts rural market research and had worked as state level strategic consultant to MPDPIP - a World Bank funded project

Recommended Portals and Information Bases

Dairy Network Enterprise (DNE), IFMR Trust, Chennai (from [Avishek Gupta](#))

<http://ifmrblog.com/tag/dne/>

Shares information on using a mix of technology and local engagement in the field of dairy also has information on usage of Radio Frequency Identification tags

Centre for Insurance and Risk Management, Institute for Financial Management and Research, Chennai (from [Anupama Sharma and Mangesh Patankar](#))

<http://www.ifmr.ac.in/cirm/conference.htm>

Portal shares the report of the conferences organised by IFMR, also includes the report on Round-Table - Livestock Insurance held on 26 February 2010

Responses in Full

Rakesh Kumar Gupta, Self Reliant Initiatives through Joint Action (SRIJAN), New Delhi

I would like to share my experience in dealing with the livestock insurance with one of the General Insurance Company and developing micro insurance model at the federation level in Tonk district of Rajasthan.

I work with SRIJAN and have been involved to develop a community institution - Maitree Mahila Mandal in Deoli Block of Tonk District, Rajasthan. I was also handling the District Poverty Initiative Program (DPIP) during the period of 2004-2008, under which around 2,000 graded buffaloes were inducted. At that time, there was a provision that the poor families have to get their asset (Buffalo) insured before the purchase. In Tonk, DPIP had an agreement with United India Insurance Company Limited for the cattle insurance. At one hand it was a great initiative for the poor by helping them in covering the risk of the huge investment of Rs. 15000 – Rs. 20000.

I would like to highlight an area that needs innovative products. We covered 800 families under DPIP program. Around 200 families got the coverage for one year with premium of Rs. 350 to Rs. 400 for each animal they possessed. Around, 600 families insured their asset for the period of three years with premium varying from Rs. 900 to Rs. 1100 as per the value of the asset.

Main problem faced during the period was:

1. The farmers were unaware about the process that needs to be followed for the getting the insurance like:
 - Getting their animals tagged
 - Getting the health certificate from the recognized Government veterinary doctor
 - Submitting the health certificate to the respective branch of the company, which was located in district headquarter, 40 kms to 70 kms away from the farmer's reach.
 - Loss of the tag while animal is grazing in the field. So there is a need to retag the animal which means again a long process of getting new tag i.e. putting request to insurance company to issue the tag, call the veterinary doctor, paying fees and transportation cost of calling the doctor, going to company office to submit the animal health certificate and third visit for getting the policy.

Similar long list of procedure for getting the claim, which includes intimation to insurance company, putting the request for issuing claim form, getting postmortem by veterinary doctor, getting the photograph, postmortem report along with submitting the tag of the animal. These all are the minimum paper requirements, but the struggle for poor farmer is not this much. It starts with a visit to the insurance office. Farmer is unaware of whom to talk, what is the process of getting insurance, what is the process of getting claim and so on. Farmers have to make several visits for getting its claim which most of the time goes in vain or if successful than he is forced to adopt some other means.

In Tonk, Maitree Mahila Mandal started a system to cover the insurance risk of the asset of their members by removing the constraint mentioned above. It adopted a local mean of verification to ensure that the claim is genuine with the involvement of the community at the village level.

Regarding the question related to factors that need to be considered while designing the livestock micro insurance product for poor, I feel the factors that need to be considered are:

- Capacity of the poor to access the type of information
- Process or minimum requirement need to be set on the basis of local situation of the area
- While designing the products apart from Company and poor famers the role of other players, authority and accessibility needs to be understood. Some of the issues that have to be kept in mind are - who will be issuing the tag, animal health certificate and who will pay the fees of veterinary doctors and so on

Process of getting insurance and getting the claim need to be made simple which could be understood and can be accessible by the poor illiterate farmers.

Avishek Gupta, Dairy Network Enterprise, IFMR Ventures, Chennai

I work with [Dairy Network Enterprise](#) (DNE), dairy supply Chain Company incubated by IFMR Ventures. Being an organization that is looking at completing the dairy supply chain, DNE looked at the Supply Chain delivering Risk Management Solutions for Dairy Farmers and found the following issues:

- **Lack of dependable information on insured livestock:** The insurance companies in general faced three major problems:
 - a) Lack of reach in remote rural areas where the livestock owners mostly reside
 - b) Lack of information on mortality rate or healthcare of animals in a particular geography
 - c) Lack of availability of proper veterinary care which increases the risk for insurersThe insurers do realize that the non-loan cattle is a huge market that is lying untapped but the current focus on loan cattle insurance is primarily due to the lack of proper channel and lack of proper knowledge about insured livestock. We have to understand here that the reluctance on the part of the insurers is primarily due to the lack of information and the fact that proper preventive healthcare of livestock is a rarity. All this leads to very high premium for insurance cover which in turn results in depressing the demand for such products.
- **Lack of awareness on terms and conditions of the insurance coverage and benefits of livestock insurance:** The other area of concern was the bad experience the dairy farmers have with regards to claim settlements. The insurance companies claim that though they genuinely want to settle claims, it often turns out that the necessary documents (like vaccination certificates, etc) for the claim settlement process, never reach the insurance company. It was because of these reasons that a lot of the claims were not settled. In a lot of cases the awareness about the terms and conditions of coverage was not clear to the farmers. In a lot of cases, the discontent amongst farmers was from undue expectations from the insurance policy with regards to claim settlement.
- **Tedious process for the farmer:** It has to be pointed out here that the entire process of collecting multiple documents from multiple sources is a major hassle for the dairy farmer. Often leading to corruption where in the different certifying authorities often takes their "pound of flesh" for issuing the certificates. Adding to this the hassles of running up and down to the nearest town several times. Exact knowledge about who to get in touch, what are the documents that are needed are not conveyed properly, that adds to the pain for the farmers.
- **Limited bandwidth of MFIs to offer livestock registration/healthcare services to its clients:** One of the best channels for driving insurance products could be the MFIs but they interestingly, prefer to stay away from livestock insurance. Currently, MFIs are focussed entirely on loan disbursements and collection. For microfinance institutions in India, about 40 percent of the total portfolio is accounted by loans given for the purchase of cattle. The MFIs are not comfortable performing other tasks like health certification for livestock insurance and healthcare for livestock. They would prefer any other entity to do it for them. The insurance companies are not able to service all the MFI clients when required.
- **Gap between NGO and Insurers:** Most NGOs do look specifically into the area of livelihood promotion through livestock but are not able to offer insurance products primary due to the supply chain gap between the insurers and the NGO. It is difficult for small NGOs operating across the country to get into a dialogue with insurance companies because the insurance companies are normally wary of doing any livestock insurance other than those

purchased on loan. Moreover, the numbers quoted by each of the NGOs would be so small that the insurance companies might prefer not dealing with them altogether.

In order to address these issues, DNE in partnership with several stakeholders has worked towards developing a model which makes risk management solutions affordable and convenient for the dairy farmer.

What is Dairy Network Enterprise (DNE) doing?

Dairy Network Enterprise is addressing this particular supply chain gap in delivering risk management tools to the dairy farmers by doing two things:

- It has invested in an **Electronic Backend** which not only issues **over-the-counter cattle insurance** but also stores data on the history of every animal recorded on it
- It is building a template of a local and dependable dairy healthcare enterprises called (Dairy Productivity **Enterprise in a Box**) on the ground which could work in partnership with MFIs/NGOs and help them deliver risk mitigation solutions (like **healthcare and productivity management**) and risk transfer solutions (like insurance) to their clients.

Such enterprises on the ground are being powered by the electronic backend that DNE has invested in. The information stored in the backend would be of great value for insurance companies and would help them in the process of claim settlements and fixing of premium for insurance.

The insurance company can directly collect information on the insured animal from the **Electronic Backend** instead of asking the farmer to run from pillar to post to collect vaccination certificates and other details from different agencies. The information stored in the database would also help in correct valuation of the animal and empower the dairy farmers to take better decisions at the time of purchase of cattle. After a period of time, each cattle registered on the electronic backend can be given a certificate containing the details of its productivity and healthcare history which would help farmers in deciding the right price at the time of sale or purchase of cattle.

Experience with the first Over the Counter Cattle Insurance:

Dairy Network Enterprise (DNE) in partnership with Pudhuaaru Kshetriya Gramin Financial Services (a rural finance institution promoted by IFMR Rural Finance) and HDFC Ergo GIC have launched an innovative product in Thanjavur district, Tamil Nadu. Designed in partnership with Centre for Insurance and Risk Management, IFMR, this product is an on-the-spot cattle insurance product backed by Radio Frequency Identification (RFID) tags and preventive dairy healthcare (first of its type). When a farmer asks for the cattle insurance product, DNE accredited Veterinarian tags the cattle with the RFID tag and the cattle registration details are entered into a netbook laptop/PDA (at the doorstep of the farmer) from which the data is sent **real time** to the insurance company server and the policy note is issued **immediately** to the farmer on payment of premium. Pudhuaaru KGFS is also offering loan for premium amount. Every farmer who takes the cattle insurance product gets a package of vaccines and dewormers for the entire coverage period on payment of charges collected along with the premium. Through the DNE promoted Dairy Healthcare Enterprise, the vaccination and deworming is made available at the doorstep of the farmer. This has resulted in reduction in paper work, preventive healthcare adoption, etc. The premium has come down considerably resulting in a favorable swing in demand for the cattle insurance product backed with healthcare services.

Our experience is that today the farmer pays less or almost the same amount for the cattle insurance plus healthcare services when compared to any other conventional cattle insurance

product. The product also promises a 72 hours claim settlement as the settlement procedures are expedited. In many cases, the farmers are paying money upfront.

The same product will be available in Orissa and Uttarakhand as well by end of April.

Way forward for DNE

DNE will replicate these efforts across the country. It will promote several such Dairy Healthcare Enterprises on the ground in partnership with MFIs/NGOs/Insurers/Dairy organizations. DNE will also equip interested NGOs, MFIs, veterinarian-entrepreneurs, small dairy plants with the Electronic Backend (which enables planning and monitoring of healthcare services delivery along with insurance product delivery) to enable them to offer healthcare and productivity management services to dairy farmers.

The intended revenue model being that the interested party adopts a pay-per-animal model after making a minimum upfront investment. This saves the different ground entities from making huge investments. Partnership with DNE would also cover other broader areas like access to technical support, training for delivery of preventive healthcare and productivity management services, access to cheaper vaccination, drugs and other dairy inputs as well as other forms of linkages like linkages with veterinary institutions.

The above model has been laid out based on the understanding that it is not only the product features but also the process that goes a long way into making a cattle insurance product effective and affordable.

For more details, please visit: <http://ifmrblog.com/tag/dne/> and http://www.ifmrtrust.co.in/announcements/cattle_ins.php.

Vineet Sinha, Independent Researcher, New Delhi

I find myself fulfilled by set of information given by previous two mails on this subject. The mails drills into the product, product benefits, shortcomings in delivery channels and not the least meeting the focus of client to deliver the claims. These mails also reveal the existing experiences out of harnessed and tapped market for the product. I am excited to read the innovation in delivering the product under DPIP initiative; as Community based Livestock Insurance cover under shared risk model of insurance. I also see BASIX providing add on services to their Livestock Insurance members- like preventive health care and sustaining the productivity of the loaned animals. At the same time this is great to see the use of Radio Frequency Identification (RFID) serving the challenges in the service delivery. It is a remarkable effort and applauded initiative by Kshetriya Gramin Financial Services (KGFS).

It is fair like white that onset of traditional Livestock insurance is not serving well, at least its purpose of risk mitigation. I have little choice but to say that innovation in underlined requirement in both product and policy servicing to Livestock Insurance Consumers; where I intend to answer part of questions from MIA in this mail. I may not sound new by introducing Weather Index Insurance (WII) for Cattle. I impress WII for Cattle in India with following facts:

- WII experiments (by World Bank - BASIX) are pretty well taken in India. The idea may sound novice but has a huge potential to deliver.
- This also places innovative option to bring new rules to mitigate risk for assets like Livestock for poor and marginalized farmers. If production of fodder for animal has direct relation with rain, correspondingly this affects the severity of loss of lives on animals (morality and morbidity) and their production capacity.

Initial challenges could be, to design a buyable (paying capacity of consumers) comprehensive product which can mark an impact on two aspects - value for money and simple to precept. Precisely idea is to threshold the demand than to stick with supply driven challenges. Trainings at various stages of Insurance process, particularly is a mutual based model of Insurance schemes perpetuate long term sustainability. It also sets deep rooted concept that regenerates the capacity to work on a new product and model, if initial one could not work well. Can I assume that an insured animal is as good an asset like gold to assure a loan product to a poor household?

Agencies like Government metrological departments, academic institutions, private players which are engaged in setting infrastructure (weather stations across India) and collection of data through satellites on various weather parameters and that again on a quality proven scientific way. These complexities that work at the back of WII product and process had resulted in a user friendly insurance product. The validation for claims is scientific and system generated that minimizes moral hazard like anything.

I see a genuine business reason also to harness this potential innovation to cover livestock under WII, as we are a nation with second largest Livestock population (15 percent) in the world. Ours is land where Livestock contributes 20 percent to agriculture GDP. We are fastest growing market for milk in the world. These indicators are equally visible out of growing reinsurance premium collection by Swiss Re under their commodity portfolio of business in India.

Gurusamy Gandhi, Consultant (Micro (Health, Livestock, Agri) Insurance, Organic Farming, E. Learning), New Delhi (*response 1*)

I was associated with Indian Dairy Development sector since the early seventies and Livestock Insurance (as the very first Veterinary Officer of Insurance sector) since mid seventies of previous millennium. Let me share my views for the benefit of all.

I was part of the research team in a World Bank research project titled 'Livestock Micro Insurance as tool for poverty alleviation' in Gujarat. It is a pioneering state wherein the largest women dairy cooperatives are successfully functioning, I could understand the biggest flaws of the current insurance business transactions i.e. there is no meeting point between the demand and supply side perspectives.

Who should fill the gap? How should it be done? And at what cost for both the provider and the beneficiary? If it is affordable for both, why not an intermediary service provider can do this 'facilitation' as an exclusive business model that is totally a new one, different from what was tried all those days in the past. Of course technological developments, for instance - mobile/internet telephony, can be effectively engaged as tools for the right kind of solutions in this regard.

Unless livestock **claims settlements are done on the spot immediately** after few hours of losing his livelihood generating asset, no dairy farmer would develop the faith in the system despite the efforts for creating awareness and knowledge about them. 'Seeing is believing', so farmer has to see this happens before his eyes. I have practiced this in my official capacity way back in the early eighties as Livestock /Rural Insurance Branch Manager of a PSU Insurer. I still believe that this is the only solution, after watching the industry developments for the past almost 4 decades. All the views expressed by members here have been subjects under deliberations/discussions/ debate for decades together but nothing has ever changed.

Let's design such a service delivery model utilizing modern communication technology tools, to achieve this 'spot settlement of claims'. It would not only eliminate all kinds of insurers mental

blocks, moral hazards/anti selection aspects but also all the intermediary authorities/agencies that would take the loopholes of the system for a ride and be unduly benefited at the cost of either parties to the insurance contract.

M. Vijaybhasker Srinivas, Akshara Gurukulam, Hyderabad

In Vizianagaram district of Andhra Pradesh, district level federation of women SHGs promoted under Andhra Pradesh District Poverty Initiatives Project (APDPIP) and later supported under APRPRP/IKP is implementing a community-based insurance scheme for animals called 'loan protection scheme'. This is being implemented for the last six years. A report on its functioning written about 4 years ago can be found at: www.rd.ap.gov.in/IKP/BSindexsept06.htm

Anupama Sharma and Mangesh Patankar, Centre for Insurance and Risk Management – IFMR, Chennai

We work with the Livelihood Vertical at the Centre for Insurance and Risk Management (CIRM), Institute for Financial Management and Research (IFMR), Chennai. Our Centre can be regarded as an institution that works in the area of academic research and product design. Our continuous effort is to learn from the global experiences of a wide array of academicians, funders, MFIs, NGOs, government organisations, insurers and product designers.

Recently, we had conducted a Round-Table on Livestock Insurance on 26 February 2010. This programme saw a variety of players in the sector come together and discuss the way forward. The summary of the programme is available on our blog (<http://ifmr.ac.in/cirm/blog/>) and a detailed report will be available on our website (<http://www.ifmr.ac.in/cirm/conference.htm>) shortly. The Centre has also authored a study on the Indian Livestock Insurance Industry with financial support from the Micro insurance Innovation Facility of International Labour Organisation (ILO), Geneva. It will be published soon, though an internally circulated version can be obtained via e-mail.

As described by other members there are many challenges, and we are highlighting some of the important challenges which we think can have direct and immediate impact on the industry:

Cattle identification:

All programmes whether by private players or through Government schemes need animals to be identified, but India does not possess any specific identification technique and a number series that can be used. It is left to will of the programme organiser. It causes a haphazard number allocation and consequently, even after a long history of animal rearing/management there is a lack of relevant data which can be used for better Artificial insemination services, pedigree analysis, insurance product designing, etc. This issue was well perceived by all the participants at our Round-Table also and they expressed their opinion that unique identification is must for animals and a **National Level Agency** should be created to solve this problem for insurers, dairy service providers and credit providers.

Process Innovations:

- As the enrolment and claim settlement processes in cattle insurance are cumbersome, it leads to lower uptake of products. Insurers agree that these processes are lengthy to reduce the frauds and lengthy documentation procedures are there to assure that it is not a false claim. Despite this entire tiresome process they get fraud claims which lead to high premium rates and make the product unaffordable for clients. Better process innovations are required

to reduce frauds and to bring efficiency and sustainability in the system. Though there can be various other methods, involving the “community” in the management and administration of cattle insurance is one of the best methods to reduce fraud and to reduce the transaction costs. It has been well tested by the District Rural Development Agency Vizianagaram, Andhra Pradesh.

- Bundling of insurance products with credit is there to stay but better insurance products with risk reduction services (e.g. vaccination, de-worming, etc) need to reach the market. There is also need to provide a complete risk management tool to cattle owners. An experiment is being conducted in Thanjavur by the Dairy Network Enterprise (DNE), HDFC-ERGO and Kshetriya Grameen Financial Services (KGFS) with CIRM providing the product design support. [Avishek](#) from DNE has already posted this experiment on the Solution Exchange.

Better products:

- There is need for comprehensive cattle care cover. The product should be able to address more than death risk and try to graduate towards “productivity cover.” Customised product development to suit the varying requirements of the local populace should be the aim of the expansion in risk cover by the insurers. Increase in product cover will help create an increased demand and relevance of the product to the client. Products that cover livestock productivity diseases like mastitis, infertility, etc are to be designed to increase product value to the client. CIRM with help from BAIF is trying to provide such a productivity cover which will be an index based product. This product is still in a conceptual stage and we will be very much happy to share this product once it is fully developed.
- No product is available that can take care of disease outbreak/epidemics of Foot and Mouth Disease (FMD), Hemorrhagic Septicemia (HS), Black Quarter (BQ), Thielariasis, etc. There is also a disincentive for the cattle owner to report a disease outbreak at the earliest as there are no/minimal indemnity payments given by the Government. Owner tries to hide the carrier animals in the herd and sell it off or send it to slaughter house as soon as an opportunity arises. These kinds of moral hazard problems can be solved by practising good indemnity payments and taking cattle owners into the system of disease eradication programmes.

Insurance and Financial literacy:

It is a non-negotiable factor and there are two possible ways to ensure this as suggested by all the market players.

- The Government mandates the insurers, MFIs and service providers to educate the end clients on the concept as well as financial products or
- All market players come together in a system and divide the work among them.

Also, we are excited about index based insurance products in the livestock sector. We have internally reviewed two such concepts, which are done globally, for replicability in India. These are:

- Index based livestock insurance in Mongolia - cattle mortality based index
- Normalised difference vegetative index (NDVI) based livestock insurance in Kenya - NDVI indicates the status of the vegetation of the pasture land. A weather based index is prepared, depending upon correlation between the possibility of drought and corresponding decrease in the herd size, and the payouts were designed accordingly.

In both experiments, rural economy is quite dependent on livestock and herding is the main business in these places. These programmes will work better for these economies as:

- It is difficult to have individual indemnity based livestock cover as animals are reared in herds
- Cattle owners generally are affected directly by weather events as animal rearing depend on grazing

It should be noted that in the Mongolian experiment, insurance is designed in such a way that in case of major covariate losses, the Government takes care of funding the extreme losses of the insured.

With regard to the applicability of such concepts in India, it should be noted that:

- Average number of animals owned by each household in India is far less than what above mentioned countries have.
- Pastoral lands do exist in India, but most of the farmers prefer non-nomadic life, as their other income sources are based on the stationary land. Further, in case of Mongolia, a definite attempt is being made to know the mortality of the animals.
- Though we have regular livestock census but still there are no mortality tables available readily. Therefore, studying weather-mortality correlation becomes difficult.

In conclusion, it must be expressed that it is difficult to have weather (or NDVI) based cover in India for farmers who have not more than 2-3 cattle. Of course, a thought could be given towards designing such a product for sheep herders. However, the commercial viability of such products could be jeopardised by possible low uptake.

Sanjay Kumar Gupta, MART, Noida

I work with MART, a leading knowledge based organization on Emerging Markets. Based on our experience of working with insurance companies on the one hand and developing sustainable livelihoods for poor, MART has several experiences of developing need based insurance products for the poor to insure their livelihood activities including livestock assets.

In one such experience, MART worked as state level strategic consultant to MPDPIP (World Bank funded project) from 2003-05 and provided technical support to strengthen livelihoods of the poor.

MART realized early that in order to secure livelihoods assets provided by the project it was important to develop an insurance package for the poor. The intensive negotiations with community, field project staff and insurance companies led to development of a comprehensive need-based insurance product for a period of three years. Three insurance companies namely United India Insurance Company, Oriental Insurance Company Limited, and National Insurance Company Limited were shortlisted and MoUs were signed between insurance companies and the project. 14 project districts were allotted among these three insurance companies. By the time MART exited, nearly 20,000 families were covered and benefited from insurance package. Nearly 200 Rural Insurance Agents, selected from project villages, got employment and they acted as bridge between the community and insurance companies, and provided an exit strategy. Please find attached a brief on the intervention. (Available with Resource Team of Microfinance Community, for details please contact: se-mf@solutionexchange-un.net.in)

Navin Anand, United Nations Development Programme, New Delhi

Mr. Sanjeev has raised a very relevant and important issue of livestock insurance. Within the domain of micro insurance, I believe that Livestock insurance has great importance due to the fact that it is directly linked with the livelihood of the poor. A large number of the poor in India especially women have undertaken economic activities like dairy, goat rearing, piggery, poultry

and other animal husbandry activities for their livelihoods. Under SGSY (now termed as National Rural Livelihood Mission) the percentage of undertaking animal husbandry activities was very high in many states including mountain states like Uttarakhand.

I got the chance to coordinate the evaluation of Mahila Dairy Project (Department of Women and child development) of Uttarakhand in 2003, wherein veterinary services to the women dairy farmers for their livestock and insurance services, were some of the key areas of the study.

Following were the key observations of the evaluation study:

Making Livestock Insurance inbuilt in the projects

Livestock purchased by the farmers after getting financial support under 'Saghan Mini Dairy Yojna' were insured due to the fact that it was in-built in the scheme itself. Hence, one of the important lessons from the evaluation was that the projects on Dairy activity having component of microfinance for dairy animals must have an inbuilt system of livestock insurance.

Using the beneficiaries for Insurance Literacy

There have been number of examples of farmers who received insurance for the livestock as they were having the insurance for their animals. Those who received the insurance amount have been the best ambassadors for the making the other farmers literate about livestock insurance. The lesson here is the beneficiaries of insurance can be creatively used for insurance literacy initiatives.

Livestock insurance – most important for those having dairy as key livelihood

There were cases wherein the animals of poor dairy farmers died because of no or delayed veterinary assistance. However, members could not get any compensation as the animals were not covered under insurance. Specific examples of the members of Bhorsa women dairy cooperative society, Nainital were given in the report. This had affected the lives of the households as dairy was one of the important source of income for many of them.

Members need low premiums and deposit linked livestock insurance schemes

Based on the input of the women dairy farmers interviewed under the study, it was revealed that members need insurance schemes wherein the premium to be paid by the members is low. It was recommended in the project report that efforts need to be made to evolve innovative deposit schemes which can cover insurance of livestock.

N. Srinivasan, Consultant, Pune

Livestock insurance has produced mixed results, performing very well in some areas and disastrous in others. Among the most vulnerable people, there is distrust and suspicion on the utility of livestock insurance. The insurance companies report considerable problems arising from adverse selection and claim inducing behaviour on the part of policy holders.

The settlements of claims have been low on account of non-fulfilment of different requirements of the insurance company; this leads to farmers developing doubts as to the validity of the scheme. In case of livestock, health care and insurance should be combined so that risks are reduced for both the farmer and the company. Just insuring the animal does not do away with the risk for the farmer. An animal that does not fall sick can still be a burden on the farmer if it is not optimally productive, which can be ensured only through proper veterinary care.

A sound health care routine coupled with insurance would improve productivity of the animal, influence the insurer to reduce the premium and produce superior benefits to all concerned. The model chosen by Kshetriya Gramin Financial Services (referred to in the State of the Sector

Report Microfinance India 2009 commissioned by Access Development Services) has software tracking animal health and uses RFID chips to identify the individual insured animals and ensures ongoing preventive health care. This has enabled the insurance company to drop premium rates by 33 percent and more importantly experiment with making KGFS to primarily decide on claim settlement. It would be useful to know the present state of the scheme which was nascent when the SOS 2009 reported on this.

Gurusamy Gandhi, Consultant (Micro (Health, Livestock, Agri) Insurance, Organic Farming, E. Learning), New Delhi (*response 2*)

A response to the query on this important issue of livestock microfinance highlights excellently the problems of Livestock Insurance and the solutions arrived by APDPIP in the report www.rd.ap.gov.in/IKP/BSindexsept06.htm.

In the earlier pages of the report, it seems as if Livestock Insurance that is transacted at PSU companies is cumbersome, complicated, and too much costly and companies' earn enormous profit out of this rural sector insurance business. As an executive (retired) of PSU Company, I would like to clarify to the learned members that not all the views expressed in the report are facts.

The explicitly exhibited flow charts of procedural stages (both of underwriting and claim settlement) deserve to be appreciated, I wish the same should be kept alongside that of PSU companies' procedures which are as simple as possible to enable the livestock owners get the services hassle-free.

A simple all-in-one 'one page form' to be signed by all concerned is what required as a minimum document both for underwriting and claims settlement by PSU companies. Every year crores of amount is paid as claims, the ratio of which (an average of past less than 20 years) is around 80-85 percent in a normal year leaving a small margin of 15-20 percent for meeting out administration cost. None of the PSU Company has ever made any huge profit out of this poor man's insurance portfolio. Profitable portfolios like Fire/Marine Insurance cross subsidize cattle/rural business.

And the premium rate for BPL Scheme (most of the SHGs come under this) under which assets are grounded through bank finance is charged a lowest rate of 2.25 percent only and if in some places wrongly higher rates are charged, that may be due to ignorance or exploitation of the ignorance of other parties to contract. Only non scheme, private, cross bred cattle are charged 4.5 - 5 percent.

The practices across the country vary although 'uniform guidelines' are issued from higher authorities and in case of noticing of such irregularities, any knowledgeable organization, though not individual, has got the responsibility to point out such matters to supervisory authorities concerned.

Members have also elaborated about the scenario of loans under important rural development programmes as - "An important problem confronting all rural development programs is the phenomenon of asset dispossession by the beneficiaries to meet their emergency needs. This is particularly true of livestock assets which are near liquid assets. This is one of the serious limitations of IRDP and its later version SGSY. Equally important is the tendency on the part of some beneficiaries to claim the pre-project assets as the assets procured under the Government programs. The third and equally important observed tendency is not to ground the assets sanctioned but to divert the funds for other consumption or production purposes. The cumulative result of these factors is the loan defaults".

All 'loan defaults' and 'asset dispossession' by loanee under every stage, by connivance of all people concerned, get converted as false 'cattle claims' and such burden of moral hazards get shifted to PSU companies. This and other kinds of 'selection against Insurers' are aspects that contribute to high claims ratio.

I hope members are getting the clear picture of the other side of the story.

Satish Kumar Anand, Expert – Cooperatives, Microfinance and Livelihood Promotion, New Delhi

I fully agree with the idea that there is a need of livestock insurance in micro financing. You may be aware that under crop insurance scheme of Government of India, this aspect was taken up on pilot basis where insurance premium charged from farmers is very less may be 2 to 3 percent. As Deputy Commissioner in Department of Agriculture and Cooperation (DoAC), GoI I was instrumental in starting this pilot project. We can take up this matter with Government for providing insurance at low rates like crop insurance scheme.

Susanta Kumar Nayak, BASIX, Orissa

At BASIX, we are providing different micro insurances both in life and non life segment. All our insurances are tailor made and customized keeping in mind, the need and want of our customers. Since majority of our customers are from rural areas and have very little education and purchasing power, we make continuous effort to create awareness of different livestock insurances available through our channel and its benefit in meeting unforeseen situation at lower cost. We at BASIX believe that livestock and animal husbandry are major occupation among rural households. As India is a country with highest number of livestock population, so as a livelihood promoting agency we always put utmost effort to mitigate the risk level of livelihood generating activities like livestock by encouraging small insurances. Our financial assistance through our flagship company BSFL also helps our large customer base in encouraging insurances to different milching animal possessed by our customers.

Sometimes we never hesitate in insisting to our customer to do the insurance for their livestock, because of the benefits of insurance in mitigating the risk. The Indian insurance market is largely untapped particularly in livestock segment. No company has made such visible effort to reach rural population and improve the state of mind regarding insurance. Here BASIX has a vantage point in reaching the clients through large infrastructure of manpower and its methodology in customer friendly and door step services. Regarding livestock insurances all services starting from receiving payment from customer to documentation, tagging, and re tagging are done by our experienced and trained staff. Moreover, we have a hassle free and speedy settlement process with very less or zero involvement of the owner, which is a key to the customer satisfaction.

Gurusamy Gandhi, Consultant (Micro (Health, Livestock, Agri) Insurance, Organic Farming, E. Learning), New Delhi (response 3)

I feel that the round table materials shared by Anupama are a matter of debate and discussion. The group presentations of hundreds of Vets in the services of PSU Insurers for the past three decades and many variety of 'product designs' including those unique covers for 'unborn calf' and 'in vitro fertilization and implantation in foster mother' (unborn zygote cover) apart from 'loss of productivity/re productivity' etc. have all been there in the shelves of Insurers' R&D Department for more than 2 decades.

Mongolia's Mortality Index based cover /Kenya's Normalized difference vegetative index (NDVI) based livestock insurance are good to protect 'co variance' of a national scale. Our CEO of Micro Insurance Research Centre, UK is right now engaged in a research assignment in Mongolia for evolving right kind of indemnity product for Livestock micro insurance since Mortality Index based project was just a pilot study and not implemented throughout for the benefit of Animal herders who are mostly nomadic population)

In our country, in the past 3 decades of records we have never come across any national scale covariance of such magnitude, barring a few events of acute droughts, earth quakes, storm/tempest/hurricane, Tsunami like natural disasters which led to some loss of livestock (very negligible percent in localized geography in the past) that is within insurer's capacity (not even reinsurance need was felt). So no huge/colossal scale losses that affected majority of insured population ever occurred because our dairy animals are stall-fed, under individual ownership unlike elsewhere. Theoretically speaking these index based covers are good and no comparison of any kind with that of AIC's crop/agricultural insurance products based on whether index and so on can not be applied to cattle insurance for all these technical reasons. More so, they are not demand side perspectives, reasons being, all livestock on an average are of very low value assets and owners' ignorance of need to adopt scientific breeding practices for enhancing efficiency of their dairy animals.

Further, I feel that there are products available in market to cover Foot and Mouth Disease (FMD), Hemorrhagic Septicemia (HS), Black Quarter (BQ), Thielariasis, etc. only condition is that all animals need to be vaccinated against appropriate diseases of which potential risks are reported in the vicinity.

I do agree with most of the views of members that people should be involved into the 'system of disease eradication programmes' for which entire AH Departments across the country with lakhs of Veterinary fraternity struggle in many ways,(thanks to which India never had any major calamity like the ones of 'mad cow disease' in western Europe a few years back). But, it would have been enlightening to the whole lot of Indian Veterinary Community, had members through their round tables' deliberations could have as well suggested ways and means to do this 'onerous task' that would lead to efficient/ vigilant disease surveillance/eradication programmes of all Animal Husbandry Departments of all States.

Harish Chotani, Independent Consultant, Gurgaon

I have been following a very keen subject of livestock insurance. Indeed the irony is that after so many years of independence, we are still struggling with the ever increasing problem of poverty in which insuring one's life with at least two balanced meals has become a huge target to aspire for. However, the brave soldiers who believe in sustaining life keep on finding the path that eventually will reach us the goal of dignity and equity for all.

I am sharing a few thoughts based on the experiences:

We all know that insuring poor people for life has still not been user friendly (access for purchase and claims) besides the issue of affordability, insurance for livestock is even a greater challenge. There is a huge gap between what is put on the paper in terms of criteria for one to purchase and the actual situation that transpires for purchasing and thereafter if the claim is invoked.

The following observations have been made in the IFAD project on Livelihoods for the North East, Himalayas and in Madhya Pradesh:

- Seeking insurance for small stock like poultry was initially possible in the state of Uttarakhand, but due to mortality which varies by seasons (in summer time it is 5 to 10 percent and in winter rises to 30 percent). The insurance companies found it not profitable to extend insurance. So, the entrepreneurs are now left with mitigating the risk factor from their own resources.
- In the case of milching animal or animal for the agriculture, a number of Government insurance companies are able to provide access, but the processes for seeking the insurance is not very smooth. Since these animals are financed by the banks with intermediation from the Livelihoods Improvement Projects for the Himalayas, (LIPH) project, the scale of liability is actually critical. However, in the eventuality of mortality, the problems faced by the households are multifold:
 - Difficult to get veterinary doctor to examine the dead beast at the right time to determine the cause of death which is vital
 - The process of proving the death of beast beyond the death certificate is indeed cumbersome i.e. providing physical evidence by presenting the specified limb of the beast
 - The insurance claim process itself needs a number of follow ups that costs money and loss of labour; and
 - The household also gets under pressure due to delinquency in the loan repayment.

The insurance is really a very complex issue, but it is also needed in the context of boosting livelihoods for addressing poverty. We need to take a multi prone approach to address the issues:

- Simplify the processes by having the para-vets located in the vicinity for certifying the death with adequate witness in the process
- Consider forming a cluster which has got 200 or more animals so that insurance becomes sustainable
- The claim process could be simplified by evolving a cluster based mechanisms in which options of SHG member being a claim processing agent on commission bases. Where Federations are successfully providing services or MFIs/NGOs are present, the services can be bridged with such entities
- We must use mobile technology which supports SMS and MMS (picture transfer)
- Lastly, we must change the mind set from traditional dealing to technology savvy.

Gurusamy Gandhi, Consultant (Micro (Health, Livestock, Agri) Insurance, Organic Farming, E. Learning), New Delhi *(response 4)*

I feel that the model suggested by Avishek Gupta is an excellent solution. That's what is needed to reduce cost in processing, remove hassles in procedures and speeding up the service delivery besides building up electronic data to be freely accessible by all stakeholders. If this Pudhuuaru Kshetriya Gramin Financial Services is a successful model, then it can be scaled up in a nationwide programme.

I would offer, on my part, a still easier way forward to do simply 'documentation' - just like a post card - which will be available to any dairy owner as a one rupee sachet of shampoo can be purchased easily in any nook and corner of India. This idea was contemplated way back in early nineties even before booming of the Indian retail-marketing revolution wherein many MNCs are now involved. But due to some reasons, this could not be launched. Now, with the support of 'technology solutions' and with wonderful RFID system in place, we can do this.

Should we not try to scale it up? Should we not examine ways and means of PPP models that can rope in all PSU insurers into this? Should we not try to create jobs for our youth, more and more as intermediary service providers?

Many thanks to all who contributed to this query!

If you have further information to share on this topic, please send it to Solution Exchange for the Microfinance Community in India at se-mf@solutionexchange-un.net.in with the subject heading "Re: [se-mf] Query: Designing Livestock Insurance Products for Poor - Experiences; Examples. Additional Reply."

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Poverty

Microfinance Community



Environment

Water Community



Solution Exchange for the Microfinance Community

Solution Exchange for the Water Community

Consolidated Reply

Query: Microfinance for Minor Irrigation and Community based Water Management Systems - Experiences; Examples

Compiled by Navin Anand and Nitya Jacob, Resource Persons and Monika Khanna and Sunetra Lala, Research Associates

Issue Date: 10 June 2009

From Subhash Chandra Garg, National Bank for Agriculture and Rural Development (NABARD), Uttarkashi, Uttarakhand

Posted 15 April 2009

I work as District Development Manager, NABARD in Uttarkashi District of Uttarakhand and closely monitor the problems related to microfinance arrangements for minor irrigation being faced by the small and marginal farmers. In Uttarakhand, there is a practice of cultivating on leased lands by poor SHG members including women groups on crop sharing basis. Often, these poor farmers are out of the formal financial system. They do not have Kisan Credit Card for meeting their short term credit requirements. These SHG members do not have land title and often depend upon commission agents (*Adatiyas*) for inputs and for getting irrigation facilities.

As per the National Water Policy (NWP) 2002 document, in terms of water allocation priorities, irrigation is the second priority area after drinking water. Irrigation being the largest consumer of fresh water, the aim has been to get optimal productivity per unit of water. The irrigation potential through major, medium and minor irrigation projects is increasing steadily. It has increased from 22.6 million hectares (mha) in 1951 to about 102.77 mha at the end of the 10th Five-Year Plan.

In irrigation planning, cost-effective irrigation options, and appropriate irrigation technology for optimal use of water has been the key issues of concern of government, NGOs and international organizations. Disparities in the availability of water between head-reach and tail-end farms and between large and small farms need to be obviated by adoption of a rotational water distribution

system and supply of water on a volumetric basis subject to certain ceilings and rational pricing. Scientific water management, farm practices and sprinkler and drip system of irrigation are being adopted in different parts of the country.

Small and marginal farmers in hilly and remote areas of Uttarakhand face several problems related to irrigation of their small land holdings: use of water for irrigation, microfinance availability for infrastructure facilities and implements. In this context, we would like to request members to share:

- Experiences of existing arrangements of micro financing from Government and other agencies for minor irrigation
- Examples of schemes, projects and programmes of micro financing for individuals as well as Groups for use in minor irrigation and community based water management systems
- Experiences of community based water management systems and innovative technologies/processes of irrigation in India and other developing countries, especially adopted in mountain and remote areas

Your suggestions will help us to formulate a strategy and innovative programs for supporting small and marginal farmers in providing microfinance services for irrigation through banks/MFIs. It will also guide line department and NGOs of Uttarkashi for developing better community based water management systems.

Responses were received, with thanks, from

1. [Prakash Kumar](#), Consultant, Ranchi
2. [G. K. Agrawal](#), Rural and Microfinance Consultant, Mumbai
3. [Hemantha Kumar Pamarthy](#), Hand in Hand Microfinance Limited, Chennai
4. [Indu Chandra Ram](#), Iraq Personnel Support Services (Iraq PSS) Project, Baghdad, Iraq
5. [Abhinandan](#), Jawaharlal Nehru University, New Delhi
6. [Arun Jindal](#), Society for Sustainable Development, Karauli, Rajasthan
7. [Girija Srinivasan](#), Consultant, Pune
8. [Abhishek Mendiratta](#), Consultant, New Delhi
9. [Sanjay Verma](#), PrimeNET Consulting Group, Lucknow
10. [P. S. M. Rao](#), Rural Livelihoods and Microfinance Consultant, Hyderabad
11. [Shailja Kishore](#), Aga Khan Rural Support Programme (India), Ahmedabad
12. [Ravinder Yadav](#), New Delhi
13. [Jay Prakash Lall](#), Agricultural Finance Corporation Ltd., Mumbai
14. [Ramakrishna Nallathiga](#), Centre for Good Governance, Hyderabad
15. [N. Jeyaseelan](#), Helping Hand Micro Finance and Services, Kancheepuram, Tamil Nadu
16. [Puran Singh Yadav](#), Haryana Institute of Rural Development, Karnal
17. [Sanjeev Kumar](#), The Goat Trust, Lucknow *
18. [Bhupal Neog](#), Livelihoods Improvement Finance Company of Meghalaya (LIFCOM), Meghalaya *
19. [P. Uday Shankar](#), Microfinance Consultant and Trainer, Coimbatore *

**Offline Contributions*

[Summary of Responses](#)

[Comparative Experiences](#)

[Related Resources](#)

[Responses in Full](#)

Summary of Responses

Recognizing the importance of microfinance for minor irrigation, members shared microfinance initiatives of Government, NABARD, Banks and NGOs, elaborated successful community based water management systems and also suggested innovative ways to provide micro financing services to small and marginal farmers.

Challenging the basic definition of 'Farmers', respondent highlighted that the small and poor farmers who does not own land and generally cultivate under traditional system of land lease are eliminated from the mainstream agricultural promotion programmes. They are not able to get benefit of kisan credit card and also support available for seed and irrigation and training etc. Respondents opined that the existing microfinance (MF) products generally do not suit the needs of these people as the loan size is not adequate and repayment term is short.

Members argued that usually the minor irrigation works are more capital intensive compared to other farm interventions which require short term loans. Since the loans for micro-irrigation are capital intensive and cash inflows in agriculture is seasonal therefore members suggested for introducing long term loans and customized loan products for small and marginal farmers. Members gave example of [IFAD's](#) MF programme in Bangladesh which provides arrange of products and flexible repayment options-bullet payment, periodic installments etc. to the farmers.

Deliberating on the existing arrangements of micro financing, members highlighted [NABARD's](#) refinancing support for irrigation and watershed development schemes. They informed that these have been individual based schemes or lift irrigation schemes which involve large number of farmers of a particular command area. Members further familiarized that NABARD realized the problems of tenant cultivators and small farmers and introduced innovative scheme of financing to Joint Liability Groups (JLGs). The scheme has a provision of group financing as well as financing individuals in the groups, through various banks.

Commenting on the mega programme of rural development - Swarna Jayanti Gram Swarozgar Yojna ([SGSY](#)) in context of financing for micro-irrigation, respondents informed that farmer groups are being financed for lift irrigation, tube well, dug well, pump sets and pipelines. In majority of cases, the assets are owned by the groups with a clear agreement about their usage and management. Moreover, members shared that Watershed Development Projects and Tribal Development Area Projects have encouraged the small farmers to form water user groups and women members to form SHGs for undertaking activities like raising nurseries and kitchen gardens. They stressed that the loan products offered by the financial institutions have to be backed up by business development services as it is done by International Development Enterprises ([IDE](#)).

Enumerating the examples of financing the irrigation systems and deepening of existing wells, members recommended referring to the work done by Non Governmental Organizations like Professional Assistance for Development Action ([PRADAN](#)), Bhartiya Agro industries Foundation ([BAIF](#)), Watershed Organisation Trust ([WTOR](#)), PRERNA and [Sewa Mandir](#). They also mentioned [Arghyam's](#) initiatives of providing solutions for basic water needs in Southern India.

Additionally, respondents discussed about both centrally sponsored schemes as well as state specific schemes and suggested looking at – National Watershed Development Project in Rainfed Areas (NWDPA) [Uttarakhand Decentralized Watershed Development Project](#), Uttar Pradesh Water Sector Restructuring Project, Chhattisgarh Irrigation Development Project, Watershed Development project in Shifting Cultivation Areas ([WDPSCA](#)) (North East Region), River Valley Project (RVP), Flood Prone River project, Hariyali and [Indira Mahila Samekit Vikas Yojna](#)

([Uttarakhand](#)), Orissa Integrated Irrigated Agriculture. They also referred to DFID funded Andhra Pradesh Rural Livelihood Project (APRLP) in context of interventions in watershed management.

Respondents shared experience of an innovative project implemented by Centre for Promoting Sustainable Livelihood ([CPSL](#)), [Patna](#) applying dialectic approach in micro financing. The project is carried out in partnership with Indian Council of Agricultural Research ([ICAR](#)), GYA England and supported by Department for International Development ([DFID](#)). This approach has enabled poor to graduate themselves from small savers to credit-worthy borrowers of banks and MFIs.

Referring to the Sodic Land Reclamation project in [Uttar Pradesh](#) aimed at improving the water availability to farms, members informed that Farmer User Groups (FUGs) formed under the project, undertook savings and credit activities for - generating resources for maintenance of assets and providing emergency and crop loans.

Members also highlighted the issue of sustainability beyond project periods of these initiatives. They shared that wherever responsibility of monitoring and conflict resolution of the groups is given to larger community institutions, the sustainability levels are high. Alternatively, facilitating NGOs also sign MoUs with the groups to provide hand holding support including conflict resolutions. Hence in both the cases a long term self- sustainable system is formed.

Respondents highlighted a well known community based watershed management model of Ralegan Siddhi Village in district Ahmadnagar, Maharashtra where the revolving funds for soil and water conservation are managed by the village development committees. They quoted another example of Village [Hiware Bazar](#) from the same district wherein through an NGO – Yashwant Agri Watershed Development Trust irrigation facilities are managed. They added few more examples of Jhabua (DRDA initiative), Sukhomajari, Bunga and other places of Shivaliks in Madhya Pradesh.

Discussing about different schemes and programmes in Uttarakhand including [Indira Mahila Samekit Vikas Yojna](#), members informed that the user groups/SHGs used multiple sources such as their own savings, revolving loan funds and other financial assistance/loans mobilized through Swarnajayanti Gram Swarajgar Yojna (SGSY) and Rashtriya Mahila Kosh ([RMK](#)) for minor irrigation. They informed that members arranged plastic pipes to link their field with the sources of water and as a result could diversify their crops and take up off season vegetables.

Commenting on Pani Panchayats organizational mode practiced in Maharashtra and Orissa to develop, maintain and operate lift irrigation projects, members felt that the financial modality is crucial as some banks in Maharashtra extended single loans to the Pani Panchayats on mortgage of the village land and in many cases it turned into Non-Performing Assets for the banks. The default by few members had made it difficult for others to redeem their mortgaged lands.

Lift irrigation systems in Karnataka and Maharashtra has been supported partly by grants and partly by loans and has been a success in Karnataka. Lift irrigation systems both common and individual has been successful and supported by local banks and financial institutions. Respondents shared an experiment funded by Swiss Agency for Development and Cooperation ([SDC](#)) in [Beed district](#) of Maharashtra in context of using Revolving funds for providing interest free loans through Village Development Committees (VDC). Another example mentioned was participatory irrigation management and lift irrigation scheme in Gujarat where SHG members are availing loans for installing bucket drip in their kitchen gardens and plantations.

Members also highlighted that the states like Madhya Pradesh, Chhattisgarh, Orissa, Maharashtra etc. have empowered the Water User Associations (WUAs) by endorsing the acts along with rules and regulations. Highlighting the innovative experiments of rain water harvesting in mountain

regions, members shared the work of [Practical Action](#) and The Energy Resources Institute ([TERI](#)) and suggested MFIs to explore such opportunities as a part of financial inclusion process.

Finally, members recommended exploring Public Private Partnership arrangements, MFIs–manufacturer-dealers linkage model and micro leasing products for providing irrigation equipments to poor. Members suggested introducing innovative products and loan repayment schedules and enhancing the present ceiling of microfinance loans from fifty thousand rupees to one lakh for the benefit of small and marginal farmers.

Comparative Experiences

Bihar

Centre for Promoting Sustainable Livelihood (CPSL) ensures Links with Formal Banking Sector for Farmers, Patna *(from [Prakash Kumar](#), Consultant, Ranchi)*

CPSL has addressed the credit needs of landless and poor farmers by adopting an approach that enables poor people to make a move from making very small savings in a group fund to achieving links with the formal banking sector. By doing so they have become credit-worthy borrowers from banks and other microfinance institutions. This has enabled farmers to get credits for community based water management projects for agricultural purposes. [Read more](#)

Gujarat

Participatory Irrigation Management Scheme Provides Loans for Minor Irrigation for Plantations *(from [Shailja Kishore](#))*

Participatory Irrigation Management and Lift Irrigation schemes, managed by the community, have been provided by the Development Support Centre (DSC), Aga Khan Rural Support Programme India (AKRSP) in Gujarat. As a result, in the AKRSP programme villages, under the drought coping and salinity theme, the women from the SHGs have been able to take loans from the groups for installing bucket drip in their kitchen gardens, and plantations. [Read more](#)

From [Abhishek Mendiratta](#), Consultant, New Delhi

Maharashtra

Revolving Funds Created for Financing Minor Irrigation Projects, Beed District

Until Jan Vikas and Action for Food Production (AFPRO) started funding interventions, the land was kept unutilized by families due to lack of funding assistance. Under the project, they created a revolving fund for soil and water conservation activities, with provision of interest free loans. This fund was used for minor irrigation facilities. The revolving funds were managed entirely by the Village Development Committees (VDC) and the repayments were good. [Read more](#)

Hiware Bazar Shows the Way for Community Managed Minor Irrigation Facilities, Ahmednagar District

Hiware Bazar has emerged as a new role model in community management of natural resources and groundwater. The Sarpanch, Popat Pawar, formed an NGO, Yashwant Agri Watershed Development Trust, here. The trust undertook building of earthen check dams, percolation tanks and concrete check dams through community participation. As a result, through community participation, minor irrigation facilities were managed in the village. [Read more](#)

Community-Based Water Management Leads to Village Prosperity, Ahmednagar District (from [Puran Singh Yadav](#), *Haryana Institute of Rural Development, Karnal*)

Since 1975, the village of Ralegaon Siddhi has been led by Anna Hazare. During that time, the village carried out a range of programmes, including terracing to reduce soil erosion and digging canals to retain rainwater and other watershed activities. As a result of these community-led initiatives, the village is now quite prosperous and is serving as a model for community participation, rainwater harvesting, environmental conservation and economic revival. [Read more](#)

Uttar Pradesh

User Groups of Farmers Formed for Accessing Credits Witnesses Conflicts, (from [Girija Srinivasan](#), *Consultant, Pune*)

Under the Usar Land Reclamation Project user groups of farmers were formed for accessing credits for minor irrigation. Some of the groups were linked with banks for availing credit for a variety of purposes, including pipelines for individual farms. The experience of group ownership has been varied. Conflicts among members are common. Thus, the facilitating NGO had to enter into MOUs with these groups to provide hand-holding support, including conflict resolution.

Uttarakhand

Indira Mahila Samekit Vikas Yojna Improves Livelihood Conditions (from [Jay Prakash Lall](#), *Agricultural Finance Corporation Ltd., Mumbai*)

Under the Indira Mahila Samekit Vikas Yojna roof water harvesting was a key component and SHGs were provided with revolving funds for improving agriculture production system. Group members arranged plastic pipes from the revolving funds for conveying the irrigation water from sources to fields. As a result, there was crop diversification and the area under vegetable cultivation was improved resulting in improved socio-economic and livelihood conditions. [Read more](#)

All India

Microfinancing for Minor Irrigation and Watershed Development (from [G. K. Agrawal](#), *Rural and Microfinance Consultant, Mumbai*)

NABARD has been providing refinancing support for minor irrigation programmes and watershed development schemes. Most of the minor irrigation programmes are supported on an individual basis. Costing is distributed on the basis of land holding and cost recovered in the form of water charges from farmers. It has formulated a scheme to finance Joint Liability Groups of tenant farmers. These schemes have enabled farmers to access micro finance for irrigation projects. [Read more](#)

Commonly Owned Micro Finance Schemes for Minor Irrigation Projects Provided through Swarnjayanti Gram Swarozgar Yojna (from [Girija Srinivasan](#), *Consultant, Pune*)

As part of the Swarnjayanti Gram Swarozgar Yojna (SGSY), poor and marginal farmers have been able to access micro finance for funding watershed works. This has helped financed lift irrigation, tube well, dug well, pump sets and pipelines for minor irrigation purposes. These investments are commonly owned, with a clear agreement with the farmer groups on how these investments will be managed. Some of these schemes are working well with a good repayment record. [Read more](#)

Related Resources

Recommended Documentation

National Water Policy (from [Sanjay Verma](#), PrimeNET Consulting Group, Lucknow)

Policy Document; by Ministry of Water Resources; New Delhi; 2002;

Available at <http://wrmin.nic.in/writereaddata/linkimages/nwp20025617515534.pdf> (PDF; Size: 60 KB)

Provides a framework for planning, development and management of water resources, with an emphasis on augmenting water resources with the growing agricultural needs

From [Ramakrishna Nallathiga](#), Centre for Good Governance, Hyderabad

Revised Selection Criteria for Livelihood Watersheds and Project Implementation Agencies: Volume 5 - Strategies and Practices

Report; by Andhra Pradesh Rural Livelihoods Programme (APRLP); Government of Andhra Pradesh; Hyderabad; 2002;

Available at <http://www.rd.ap.gov.in/aprlp/Publications/Volume-5.pdf> (PDF; Size: 1.72 MB)

Provides selection criteria developed by APRLP for micro financing minor irrigation and watershed development projects in Andhra Pradesh

The Andhra Pradesh Rural Livelihoods Project Hope:

Book; by Andhra Pradesh Rural Livelihoods Programme (APRLP) and Department for International Development (DFID); Government of Andhra Pradesh; Hyderabad

Available at http://www.rd.ap.gov.in/aprlp/Publications/Hope_CaseStudies_BK.pdf (PDF; Size: 1.91 MB)

Provides case studies of how micro financing for agriculture and watershed projects in Andhra Pradesh has proved beneficial for several marginal and poor farmers

From [Sunetra Lala](#), Research Associate

Hiware Bazaar: Community Stewardship of Water Resources

Article; by Nikhil Anand; India Water Portal; Maharashtra; July 2007

Available at http://www.indiawaterportal.org/tt/wbr/case/seed_watr.pdf (PDF, Size: 344 KB)

Describes how community management of natural resources led to groundwater conservation and water harvesting, which helped to mitigate water shortages

Ralegaon Sidhi

Article; Wikipedia; 7 August 2008

Available at http://en.wikipedia.org/wiki/Ralegaon_Siddhi

Describes how the village of Ralegaon Sidhi, Maharashtra has set an example for water harvesting, watershed management and overall rural development

Understanding Microfinance

Book; by Debadutta K. Panda; Wiley-India; New Delhi; March 2009;

Available at http://wileyindia.com/index.php?page_id=bookdetails&id=9788126519446

Analyzes the role of microfinance and microfinance institutions and scans various microfinance lending models practiced throughout the world, and in India

Beyond Micro-credit: Putting Development Back into Micro-Finance

Book; by Thomas Fisher, M. S. Sriram and Malcolm Harper; Sage Publications; New Delhi; 2002;

Available at

<http://books.google.co.in/books?id=jfBnBtxmPUwC&dq=AGRICULTURE+AND+MICROFINANCE%2BBOOK>

Provides comprehensive analysis of Indian innovation and practice in microfinance, including analysis of the "self-help groups" in India

The Transformation of the Microfinance Sector in India: Experiences, Options, and Future

Article; by M. S. Sriram and Rajesh S. Upadhyayula; Journal of Microfinance; Brigham Young University; USA

Available at <http://www.iimahd.ernet.in/~mssriram/jmf.pdf> (PDF; Size: 180 KB)

Describes how the strength of the micro finance organizations in India is in the diversity of approaches and forms that have evolved over time

Microfinance Systems: Designing Quality Financial Services for the Poor

Book; by Graham Wright; Zed Books; USA; 2002;

Available at

<http://www.amazon.com/Microfinance-Systems-Designing-Financial-Services/dp/1856497887>

Outlines cutting edge issues such as how far micro-finance can contribute to reducing poverty with case studies, detailing how two very different systems were developed

Recommended Organizations and Programmes

From [Jay Prakash Lall](#), Agricultural Finance Corporation Ltd., Mumbai

Swarnjayanti Gram Swarozgar Yojana, New Delhi

Ministry of Rural Development, Krishi Bhawan, Dr. Rajendra Prasad Road, New Delhi 110001; Tel: 91-11-23384467; Fax: 91-11-26888254; minooffice@nic.in; <http://www.rural.nic.in/sqsy.htm>

Provides assistance to poor families through funding opportunities for several activities, including watershed development and minor irrigation projects

Rashtriya Mahila Kosh, New Delhi

Ministry of Women and Child Development, 1, Abul Fazal Road, Bengali Market, New Delhi 110001; Tel: 91-11-23354619; Fax: 91-11-23354621; ed_rmk@nic.in; <http://rmk.nic.in/newscheme.htm>

Provides credit for assisting women in agriculture related activities, including irrigation facilities, crop production, land improvement, post harvest infrastructure, etc

Indira Mahila Samekit Vikas Yojana, Uttarakhand

Department of Women and Child Development, Dehradun 248001, Uttarakhand; Tel: 91-1375-223235; Fax: 91-135-2666380; sio-ua@nic.in; <http://www.uttaranchaleducation.net/rd.asp?url=http://gov.ua.nic.in/>

Aims to build the capacity of existing SHGs, promotes credit-based activities and connects SHGs to microfinance institutions for irrigation projects

From [Shailja Kishore](#), Aga Khan Rural Support Programme (India), Ahmedabad ,

NM Sadguru Water Development Foundation, Gujarat

71, Dahod 389151, Gujarat; Tel: 91-2673-238601; Fax: 91-2673-238604; nmsadguru@yahoo.com; www.nmsadguru.org

Has provided micro finance for drip irrigation and community managed water systems projects in the Dahod Panchmahal districts of Gujarat

Aga Khan Rural Support Programme (India), Gujarat

9th -10th Floor, Corporate House, Opposite Dinesh Hall, Off Ashram Road, Ahmedabad 380009;
Tel: 91-79-66312451; Fax: 91-79-66312471; kishore@akrspi.org;
http://www.akdn.org/india_rural.asp; Contact Shailja Kishore; Programme Specialist (Research and Monitoring); Tel: 91-79-27541678; kishore@akrspi.org

Has helped women SHG members to access micro finance schemes for minor irrigation, watershed development, and plantation

From [Sanjay Verma](#), PrimeNET Consulting Group, Lucknow

Uttarakhand Decentralized Watershed Development Project, Uttarakhand

Watershed Management Directorate, Indira Nagar Forest Colony, Dehradun 248006; Tel: 91-135-2768712; Fax: 91-135-2762839; wmd@vsnl.com; http://www.gramya.in/about_the_project.html

Involves communities in its participatory approach of forming Water User Associations for accessing micro finance for minor irrigation schemes

Minor Irrigation and Underground Water Department, Uttarakhand

Watershed Management Directorate, Indira Nagar Forest Colony, Dehradun 248006; Tel: 91-135-2644915; Fax: 91-135-2721187; http://www.uttara.in/minor_irrigation/intro.html

Its objective is to judiciously use available water resources of Uttarakhand to provide appropriate irrigation facility for agricultural purposes

From [Abhishek Mendiratta](#), Consultant, New Delhi

Swiss Agency for Development and Cooperation (SDC), New Delhi

Chandragupta Marg, Chanakyapuri, New Delhi 110021; Tel: 91-11-26877819; Fax: 91-11-26873631; delhi@sd.net; www.sdcindia.in

Implemented a micro finance scheme involving revolving funds for watershed development and minor irrigation projects in Maharashtra

Action for Food Production, New Delhi

25/1-A Pankha Road, D-Block, Janakpuri, New Delhi 110058; Tel: 91-11-8525452; Fax: 91-11-28520343; afprodel@afpro.org; <http://www.afpro.org/programs.htm>

Provides technical support to a rural drinking water and sanitation programme-Jalswarajya, and has also implemented micro finance projects for minor irrigation

Jan Vikas Society, Mumbai

Mermier Bal Ashram, Plot No 18 A, Sector 11, Bonkode Road, Koparkhairane, Navi Mumbai 400709; Tel: 91-22-27543335; Fax: 91-22-27544524; mermierbalashram@gmail.com;
<http://www.mermierbalashram.org/>

In the Beed district of Maharashtra it implemented a micro finance project, involving revolving funds, which helped farmers to access credits for irrigation purposes

Watershed Development Project in Shifting Cultivation Areas, New Delhi (from Abhinandan, Jawaharlal Nehru University, New Delhi)

Department of Agriculture and Cooperation, Ministry of Agriculture, Krishi Bhavan, Dr. Rajendra Prasad Road New Delhi 110001; Tel: 91-11-23782691; Fax: 91-11-23384129; am.krishi@nic.in;
<http://agricoop.nic.in/faq/rfsFags.htm>

Activities undertaken in this programme include micro finance for soil and moisture conservation, measures like construction of check dams, water harvesting structures, etc

World Bank, New Delhi (from [Indu Chandra Ram](#), Iraq Personnel Support Services (Iraq PSS) Project, Baghdad)

69-70, Lodi Estate, New Delhi 110003; Tel: 91-11-24610210; Fax: 91-11-24619393; EDS01@worldbank.org;

<http://www.worldbank.org.in/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/INDIAEXTN/0,,menuPK:295589~pagePK:141159~piPK:141110~theSitePK:295584,00.html>

Documented the success story of a minor irrigation scheme implemented in Uttar Pradesh in four hectares of land with one shallow bore well

From [Prakash Kumar](#), Consultant, Ranchi

Indian Council of Agricultural Research, New Delhi

Krishi Bhavan, Dr. Rajendra Prasad Road, New Delhi 110 114; Tel: 91-11-23382629; Fax: 91-11-25843285; mrai.icar@nic.in; <http://www.icar.org.in>

Apex body for coordinating, guiding and managing research and education in agriculture, and it supported a micro finance project for landless and poor farmers

Centre for Promoting Sustainable Livelihood, Bihar

Karpooa Moon Palace, Flat No 107, Road No 37, Chitkohra, Anishabad, Patna 800002; Tel: 91-9431012521; cpslbihar@sify.com; www.rojiroti.org

Organization promotes innovative approaches to community development, including community level micro financing for irrigation projects

Department for International Development, New Delhi

B-28 Tara Crescent, Qutab Institutional Area, New Delhi 110016; Tel: 91-11-26529123; enquiry@dfid.gov.uk; <http://www.dfid.gov.uk/Where-we-work/Asia-South/India/>

Initiated a project in Bihar which has enabled farmers to access microfinancing for minor irrigation projects at the community level

National Bank for Agriculture and Rural Development, Mumbai (from G. K. Agrawal, Rural and Microfinance Consultant, Mumbai)

Plot No. C 24, G Block, Bandra-Kurla Complex, PB Number 8121, Bandra (E), Mumbai 400051; Tel: 91-22-26530063; Fax: 91-22-26530192; pro@nabard.org; <http://nabard.org/>

An apex Development Bank which facilitates credit for promotion and development of agriculture, and has several micro finance schemes for the same

From [Hemantha Kumar Pamarthy](#), Hand in Hand Microfinance Limited, Chennai

Rajiv Gandhi Drinking Water Mission, New Delhi

Department of Drinking Water Supply, Ministry of Rural Development, Government of India, Room No. 247, A Wing, Nirman Bhavan, New Delhi 110003; Tel: 91-11-23061245; Fax: 91-11-23062715; secydws@nic.in; <http://ddws.gov.in>

The Mission aims at providing safe and adequate drinking water to the rural population by supplementing the efforts made by the State Governments/UTs

Professional Assistance for Development Action (PRADAN), New Delhi

Post Box No.3827, 3 Community Shopping Centre, Niti Bagh, New Delhi 110049; Tel: 91-11-26518619; Fax: 91-11-26514682; headoffice@pradan.net; http://www.pradan.net/index.php?option=com_content&task=view&id=42&Itemid=28

Extends assistance in finding opportunities to enhance livelihoods, particularly related to agriculture by providing micro finance to farmers

BAIF Development Research Foundation, Pune

Dr. Manibhai Desai Nagar, Warje, Pune 411058; Tel: 91-20-25231661; Fax: 91-20-25231662;
baif@vsnl.com; http://www.baif.org.in/asp/asp_pages/prog_water_rec.asp

Has taken up innovative micro finance projects to address water resource development and conservation of village common lands for sustaining the interest of small farmers

Watershed Organisation Trust (WOTR), Ahmednagar

'Paryavaran', Behind Market Yard, Ahmednagar 414001; Tel: 91-241-2450188; Fax: 91-241-2451134; info@wotr.org; <http://www.wotr.org/projects.html>

A premier institution in the field of participatory watershed development, provides micro finance opportunities and capacity building for farmers

Seva Mandir, Rajasthan

Old Fatehpura, Udaipur 313004, Rajasthan; Tel: 91-294-2450960; Fax: 91-294-2450947;
info@sevamandir.org; www.sevamandir.org

Undertakes development activities related to microfinancing watershed development in order to strengthen local livelihoods and village institutions

Lok Prerna, Jharkhand

Aarti Bhawan, Court Road, Deoghar 814112, Jharkhand; Tel: 91-6432-275299; Fax: 91-6432-275299; lokprene_skk@yahoo.co.in; <http://www.lokprerna.org/Overview.html>

Works in Jharkhand to empower communities by providing micro finance for watershed development and irrigation projects, agriculture development, rainwater harvesting, etc

Arghyam, Bangalore

599, 12th Main, Indiranagar, HAL 2nd Stage, Bangalore 560008, Karnataka; Tel: 91-80-41698941; Fax: 91-80-41698943 info@arghyam.org; <http://arghyam.org/>

As a small funding agency, it supports strategic and sustainable efforts for basic water needs by providing micro finance for small irrigation projects

International Fund for Agricultural Development (IFAD), New Delhi (from [N. Jeyaseelan](#), Helping Hand Micro Finance and Services, Kancheepuram, Tamil Nadu)

2, Poorvi Marg, Vasant Vihar, New Delhi 110057; Tel: 91-11-46554000; Fax: 91-11-46554055
s.subramaniam@ifad.org; <http://www.enrap.org.in/ongoing.asp>

Supports SHGs in India through micro financing for agriculture, watershed development, minor irrigation and other activities

From [Bhupal Neog](#), Livelihoods Improvement Finance Company of Meghalaya (LIFCOM), Meghalaya

The Energy Resources Institute (TERI), New Delhi

Darbari Seth Block, IHC Complex, Lodhi Road, New Delhi 110 003; Tel: 91-11-24682100; Fax: 91-11-24682144; mailbox@teri.res.in;
http://www.teriin.org/index.php?option=com_ongoing&task=level

Aims to create an enabling environment for development of solutions to global problems in the fields of energy, environment and patterns of development

International Development Enterprise – India, New Delhi

C 5/43, (1st & 2nd Floor), Safdarjang Development Area, New Delhi 110016; Tel: 91-11-46000400; Fax: 91-11-46000444; mailbox@ide-india.org; <http://www.ide-india.org/ide/product-technologies.shtml>

Develops affordable, appropriate and environmentally sustainable technologies to small and marginal farm families through private marketing channels

International Centre for Integrated Mountain Development, Nepal

G.P.O. Box 3226, Khumaltar, Kathmandu, Nepal; Tel: 977-1-5003222; Fax: 977-1-5003299;
info@icimod.org; <http://www.icimod.org/?page=prog>

A regional knowledge development and learning centre aims to assist mountain people to understand effects of globalization and climate change on mountain ecosystem

Practical Action, United Kingdom

The Schumacher Centre for Technology & Development, Bourton on Dunsmore, Rugby, CV23 9QZ, United Kingdom; Tel: 44-0-1926634400; Fax: 44-0-1926634401;
practicalaction@practicalaction.org.uk; http://practicalaction.org/?id=water_and_sanitation

Works with poor communities to help them in using the technology to improve their lives

Related Consolidated Replies

WUAs and Water Rights in Irrigation Management, from Atreyee Majumder, International Environmental Law Research Centre, New Delhi (Experiences). Water Community and Food and Nutrition Security Community, Solution Exchange India,

Issued 26 March 2008. Available at <http://www.solutionexchange-un.net.in/environment/cr/cr-se-w-es-food-08020801.pdf> (PDF, Size: 178 KB)

Shares experiences from various states to set up WUAs in PIM, suggests ways to overcome inherent challenges in ensuring water rights and groundwater management

Responses in Full

Prakash Kumar, Consultant, Ranchi

Mr. Garg has raised an issue, which I think first needs to be clearly seen in terms of what is the primary issue and what are other related issues. I feel that we have to think, whether it is an issue related to irrigation technique? Or is it related to financing?

It is not surprising that small and marginal farmers in Uttarakhand cultivate on leased land. Leasing is informal in nature and farmers are heavily dependent on informal credit system. Moreover, similar situation exists in Bihar, Jharkhand, Chhattisgarh, Uttar Pradesh and Madhya Pradesh. Mr. Garg has very correctly cited that small and marginal farmers are generally not covered under the institutional credit system.

Now what are the probable reasons for this? The answer to this is hidden into the agricultural and credit policies of our nation itself. Let's begin with basic issues:

- Who can be termed as a farmer - Policies define farmer as a person on the basis of the amount of the land that he/she cultivates, which actually means ownership of land and having land titles. In context of leased cultivation, this needs to be proven through formal lease agreement. This definition is used as basic parameter for endowment of agriculture benefit programmes, like kisan credit card, support for seed and irrigation and training etc. Now, a small and poor farmer who does not own land and generally cultivate under traditional system of land lease (example share-cropping), won't fit into this definition and therefore automatically gets eliminated from the mainstream agricultural promotion programmes.

- Credit - Mainstream institutional credit are generally doled out either through collaterals or through a system of loosely defined method of guarantees. Here the poor farmers do not fare well as they are rarely in a position to give collaterals or guarantee anything. In context of institutional break-through that has taken place for credit access for small and marginal farmers, here also the basic definition of farmer pose a major challenge. Landless farmers face challenge in proving themselves as farmers in front of authorities to access credit benefits.
- Micro-finance - Microfinance to some extent have catered to the problems of poor landless farmers but here also the sector has not been successful in replacing the informal credit market. Microfinance institutions still have not been able to penetrate into the short term and very small credit demand of poor farmers. Here the major bottleneck has been the productive and non-productive approach of defining credit products. Also, investment among small farmers is generally considered high risk prone and till now has not been able to find place in the business plans of Microfinance Institutions.

Above issues leave no option for landless and poor farmers but to rely on the costly informal credit support for cultivation. This limits their capacities to invest properly into cultivation, especially in terms of technology and methods.

No matter how innovative and effective any irrigation technique may be, it comes at a cost and this cost becomes the defining parameter for its access by the intended target beneficiary. If the beneficiary group does not have the capacity to bear the cost, it does not have any meaning. The present institutional system of credit does not enable poor farmers to bear this cost and the informal credit support system is too costly for accessing such kind of facilities.

To address two basic questions asked in the beginning, I feel that the issue is primarily related to financing. Financial empowerment will naturally lead to the irrigational innovation that Mr. Garg has talked about and there is no dearth of technology innovations, the only thing required is financial break through.

Here, I would like to share innovations in micro financing practiced by Centre for Promoting Sustainable Livelihood (CPSL), Patna. CPSL is innovatively addressing credit need of landless and poor farmers. The organisation has adopted the dialectic approach for community development. This approach has enabled poor people to move in a short time from making very small savings in a group fund to achieving links with the formal banking sector and becoming credit-worthy borrowers from banks and other microfinance institutions. The project is carried out in partnership with Indian Council of Agricultural Research (ICAR), GYA England and supported by Department for International Development (DFID) under Research into Use (RIU) Programme. For more information on the approach of CPSL, please visit: www.rojiroti.org

G. K. Agrawal, Rural and Microfinance Consultant, Mumbai

Supporting and financing of minor irrigation, community based water management schemes, both on individual basis/group basis have been the priority for Government, National Bank for Agriculture and Rural Development (NABARD) and banks.

NABARD has been providing refinancing support for minor irrigation programmes and watershed development schemes as one of its priority programmes. However, most of the minor irrigation programmes are supported on individual basis, or as lift irrigation schemes involving large number of farmers coming in the command area of the respective scheme. Costing in the latter is distributed on the basis of land holding and cost recovered in the form of water charges from farmers.

Since loans up to Rs. 50,000 per loan account are termed as microfinance, all loans for minor irrigation, watershed development up to this amount can be clubbed as microfinance. However, in the strict sense of microfinance as per present context of group loaning, these may not be termed as microfinance.

To take care of financing problems of tenant cultivators who may not have rights over the land, NABARD has formulated a scheme to finance Joint Liability Groups (JLGs) of tenant/small farmers. These JLGs should primarily consist of tenant farmers and small farmers cultivating land without possessing proper title of their land. Banks may initially form JLGs by using their own staff wherever feasible. Banks may also engage business facilitators like NGOs and other individual rural volunteers to assist banks in promoting the concept and formation of groups. Government departments like Agriculture Department could also form JLGs of tenant farmers and small farmers not having clear land titles. The JLGs of such eligible farmers can also serve as a conduit for technology transfer, facilitating common access to market information, for training and technology dissemination of activities like soil testing, training, health camps and assessing input requirements.

Banks could finance JLGs by adopting any of the two models. Model A – Financing individuals in the group or Model B – Financing the group.

The JLGs could prepare a credit plan for its individual members and an aggregate of that can be submitted to the banks. Banks may evolve simple loan application for this purpose. The individual members of JLGs would be eligible for bank loan after the bank verifies the individual member's credentials.

Finance to JLG is expected to be a flexible credit product addressing the credit requirements of its members including crop production, consumption, marketing and other productive purposes. Banks may consider cash credit, short-term loan or term loan depending upon the purpose of the loan.

In the Watershed Development Projects and Tribal Development Area Project areas, formation and financing of SHGs for various purposes including minor irrigation and credit worthy programmes are encouraged. In the watershed development project areas, water groups may be formed to share the cost and benefits on the group or individual basis. Women, besides being represented in the Village Water Committees, are encouraged to form SHGs and undertake project related activities like raising a nursery, kitchen gardens. In addition to these activities it has helped the women to inculcating the habit of thrift and funds management/rotation of funds amongst themselves. Women promotion/development activities are undertaken from a Women's Development Fund set up by earmarking 5% of the project measures.

With regard to the specific projects, instances and experiences, specific information may be available with NGOs working in mountain and remote areas. Also the information can be accessed through NABARD's supported programmes.

Hemantha Kumar Pamarthy, Hand in Hand Microfinance Limited, Chennai

I would like to mention here that the credit of this response goes to Mr. Mageswaran. He has experience on this issue and has given his substantial support in sharing valuable information.

As many of us are aware that, minor irrigation system varies from category, region, location and type of land possessed. The systems can also follow traditional or modern methods and is quite subjective or relative. If the traditional systems are called johad/tank in Northern states, yeri in

Tamil Nadu, kunta, cheruvu, yetam-baavi in Andhra Pradesh and so on. I am sure that the same could be called in different names in different states.

However, for individual irrigation some traditional systems such as bamboo based irrigation systems in North East, lift irrigation in North and the Western India are predominant. Wells are the most prominent system used for individual land based irrigation. Different types of wells exist based on the type of land and the culture of the region. The modern minor irrigation systems include sprinkler, drip irrigation, lift irrigation, and gravity based irrigation systems.

There is a large scope for micro financing in water sector in the following areas. Loans can be provided for digging open wells and tube wells, deepening existing wells, drip irrigation and sprinkler irrigation in horticulture crops and lift irrigation systems

Here I would like to focus on the questions raised in the query. Responding to the first question, my views are-

Financing for minor irrigation, especially common irrigation systems such as the tanks, johads, yeris are grant based and are financed by the government schemes and by NABARD.

However, the individual based minor irrigation systems are partly grant based, such as the drip irrigation system and sprinklers. These systems are supported by government schemes and subsidy is provided by the government (schemes under agriculture department, horticulture department and department of agricultural engineering). Loans are also available from some banks for these irrigation systems.

Loans can be availed from banks for the other irrigation systems such wells and tube wells. Some of the nationalized banks and agriculture and rural development banks (land development banks) could provide loans to these systems on collateral of land. In past, various schemes were launched for providing loans to dig wells. In addition, Million Wells scheme provided open irrigation wells to small and marginal farmers amongst the Scheduled Caste/Scheduled Tribes and freed Bonded Labourers who were below poverty line.

My response for question 2 and 3 is-

Community based water management systems were mainly functional in the traditional structures mentioned above. The modern version of the community based water management system was successful in the drinking water schemes, especially the Rajiv Gandhi Drinking Water Mission. But this scheme was grant based with contribution from the local people. The importance of the scheme is that it is to be managed locally by the people themselves.

Lift irrigation systems in Karnataka and Maharashtra has been supported partly by grants and partly by loans and has been a success in Karnataka. Lift irrigation systems both common and individual has been successful and supported by local banks and financial institutions.

Loan based watershed schemes were also introduced in Karnataka and Maharashtra, but was not successful and was converted as a grant based scheme.

Keeping in mind the future of mankind, there is a need for conserving water. Thus micro financing for minor irrigation could play a very significant role in not only developing the ground water tables, support agriculture but also will be life saving for nation.

Some activity in this regard seems to be taking place in India, especially in the central and northern India. NGOs such as Professional Assistance for Development Action (PRADAN), Bharatiya Agro Industries Foundation (BAIF), Watershed Organisation Trust (WOTR), PRERNA,

Seva Mandir are financing irrigation systems, especially for deepening of existing wells. In Southern India, Arghyam supports strategic and sustainable efforts for basic water needs for all citizens.

Indu Chandra Ram, Iraq Personnel Support Services (Iraq PSS) Project, Baghdad, Iraq

With regard to various schemes of Government of India on financing Minor Irrigation projects, I am sure NABARD has the updated information on this. Also, all such schemes are being evolved in close coordination with NABARD. There are a good number of schemes for financing minor irrigation including drip and sprinkler irrigation systems.

Responding to the second question raised in the query, I would like to suggest that strengthening of SHG to be taken as the core activity. SHGs should be democratically operational and financially sustainable before they are linked with bank for availing credit for undertaking group/community based minor irrigation scheme. If the projects are big in size, the mechanism of federation can be considered for successful implementation of such projects. For the sustainability of the project it is crucial that modalities of project identification, planning, implementation and monitoring and evaluation be left to the SHGs/community/federation. However, if there is any existing scheme SHGs must be well informed about the scheme and educate them to avail the benefits of such existing schemes.

I did not have experience in community based water management systems/innovative technologies that can be adopted in mountain or remote areas. However, my experience of minor irrigation scheme in Uttar Pradesh for Sodic Land Reclamation by promoting Water Users Groups (later converted into formal SHGs) in 4 hectares of land with one shallow bore well has been successful. It has been well documented by the World Bank and later on was made one of the components in water restructuring projects in various states of India.

Abhinandan, Jawaharlal Nehru University, New Delhi

My response for the query particularly referring to Northeast (especially Nagaland), I would like to place it in the following way-

Water availability is limited in the hills of Nagaland. Water is generally harvested during the time of monsoon. Small streams in the region satisfy the needs of the people. But maximum of these streams are seasonal and depends on monsoon.

Jhumias, depends on traditional farming system (traditional slash and burn agriculture) for their livelihood. Crops totally depend on monsoon due to the lack of irrigation facilities. Irrigation is required only for wet rice cultivation which is practiced often near the banks of rivers/tributaries. In some places where terrace cultivation is practiced, rain water is generally stored in earthen dams made in hills. Later it is channeled out to the downhill where terrace cultivation is practiced specially for growing paddy. Many a times, this artificial pond (the stock of rainwater) is used for fishery.

I would like to mention here that a central scheme - Watershed Development Project in Shifting Cultivation Areas (WDPSCA) is also implemented in Nagaland through different government departments.

Arun Jindal, Society for Sustainable Development, Karauli, Rajasthan

Finance for irrigation is a basic requirement of a farm owner. Farm owner may avail finance from various sources for irrigation facilities. Farmers may also opt for getting the irrigation equipments on lease.

Girija Srinivasan, Consultant, Pune

Mr. Garg's query relates to microfinance arrangements for minor irrigation and community managed irrigation works and experiences in community managed irrigation systems in mountainous region.

The response below relates to microfinance for minor irrigation.

Minor irrigation works are usually, more capital intensive than what a typical microfinance loan can offer. Microfinance loans are usually short term (from 12 to 24 months), available at higher band of interest rates (from 18 to 36 percent depending on institution's policy). Whereas, the farmer's cash flows usually require longer term financing. Given the risks involved in and falling profitability of farming, loans for minor irrigation will require reasonable interest rates. So, fitting microfinance in financing minor irrigation works requires examination and suitable modifications in the terms of loans.

- (a) Financing can be provided to groups who own common assets and/or to individuals for microfinance investment at farm level. Under Swarnjayanti Gram Swarozgar Yojna (SGSY), some farmer groups have been financed for lift irrigation, tube well, dug well, pump sets and pipelines. Some are working well with good repayment record. These are investments which are commonly owned and with a clear agreement within the group members on how these investments will be managed.

Usar land reclamation project, Uttar Pradesh had formed user groups of farmers for the investments, the project aimed at improving water availability to the farms. The user groups undertook savings and credit activities primarily-

- a. To keep the groups functional with on going activity
- b. To generate resources for maintenance of the assets
- c. To take short term credit for emergency and crop loans

Some of the groups were linked with banks for availing credit for a variety of purposes, including pipelines for individual farms.

The experience of group ownership has been varied and the sustainability beyond project period whether it is SGSY or others like Usar land reclamation project has been difficult. Conflicts among members are very common. It has been observed that, minor irrigation investments undertaken as part of larger community participating projects (such as watershed and land improvement), responsibility of monitoring the functioning of smaller groups was given to the larger community institutions. As a result, sustainability was higher. Another trend observed was that the facilitating NGO enters into MOU with these groups to provide on going hand holding support including conflict resolution. Groups paid for the services provided to them.

Financing of minor irrigation works at individual farm level through JLGs, SHGs has been undertaken for more than a decade now. These are usually successful, though these investments more often break the rules laid down by the government relating to water usage in dark and grey areas.

Abhishek Mendiratta, Consultant, New Delhi

My first observation on the issue of minor irrigation is that it is responsibility of the state government and local self governments to ensure the availability of water for irrigation, especially for marginal and small farmers. However, it is often seen that marginal and small farmers do not access irrigation facilities due to problems in getting finance for irrigation and knowledge about the technology innovations. Many a times, they are unaware about the process of availing the benefits of the government schemes.

Donor grants and loans are important financing sources for water infrastructure in India. The financing mechanism of community based water management systems is varying across the country. Some of the mechanisms are –

- Fund raising - In practice, it often refers to raising small grants from different well-off individuals, local organizations, business houses or service clubs and enterprises
- Co-financing options – Agencies providing grants frequently offer an option of co financing i.e. Public Private Partnerships. Under this arrangement, government provides funds for some irrigation projects and private agencies (mainly companies providing irrigation systems and implements) also share some cost
- Loans through Community Based Organizations (CBOs) – Some of the CBOs /SHG-federations lend to small groups of people or individuals in the community. Loans are given to savings and credit groups for on-lending to their members for various purposes, including irrigation. The loan installments and interest paid by members, strengthens the capital of these organizations, thereby enhancing their lending capacity
- Revolving Funds support - System of revolving loan funds is common in donor funded projects wherein revolving loan funds are provided to the groups/SHGs for various purposes. The funds generated out of the loan repayments, received from the groups are again used for lending to other groups. Here I would like to quote an example of Swiss Agency for Development and Cooperation (SDC) funded project, implemented by Action for Food Production (AFPRO) and a partner organization Jan Vikas, in Beed district of Maharashtra. It aims at rehabilitation of erstwhile degraded 'community land' which has now been allocated to landless dalit families. Till Jan Vikas & AFPRO started project interventions, the land was kept unutilized by the families due to lack of funding assistance. Under the project, they created a revolving fund for soil and water conservation activities, with provision of interest free loans. The revolving funds are managed entirely by the Village Development Committees (VDC) and therefore the repayments were good. For the first few years, VDC decided to use the funds for land development and infrastructure for water, providing interest free loans to the members. In this way revolving loan funds were used for irrigation facilities.
- Venture Capital - The water and sanitation sector is strongly influenced by public funding and involves high risk, the mechanism of venture capital is also in practice but to a limited extent.

Another example of developing community based water management systems is in the village-Hiware Bazar of Ahmednagar district, Maharashtra. This has emerged as a new role model in community management of natural resources and groundwater. It is located 17 kms from Ahmednagar, and surrounded by barren land and dry wells. The Sarpanch, Popat Pawar, decided to form an NGO - Yashwant Agri Watershed Development Trust, at the village level. The trust undertook plantation in the village through an integrated process and undertaken building of earthen check dams, percolation tanks and concrete check dams through community participation. In this way, through community participation, irrigation facilities were managed in the village.

Sanjay Verma, PrimeNET Consulting Group, Lucknow

I wish to respond this query in slightly different manner. First I would like to elaborate upon the requirement and status of irrigation in Uttarakhand, secondly what our constitution says on water, and lastly on specific points expressed in the query.

Microfinance perhaps is now being viewed as solutions for all problems. This is high time when we need to draw a line to segregate areas that are required to be covered under microfinance and those areas that should not be covered. We also need to discuss amongst ourselves that – Is farming being done by choice? Will a person/ farmer like to continue practicing agriculture if other options/choices are offered? Or, if at all one need to take credits/loans for business operations, will agriculture operations would be one of the choices?

As a farmer (specifically small and marginal with small and fragmented land holdings) one need to know why established systems are not supporting to make agriculture operations viable for small holdings. With all risks involved along with uncertain environment (climate and market) one is forced to take loans with all likelihood to push one to a debt trap knowingly or unknowingly through formal or informal sources as no choices are available for him or her. I am aware of examples where a farmer has taken loan to meet his/her cost share, and later the irrigation facility failed, leaving the farmer with debt burden. Where does the fault lie?

Why Minor Irrigation is necessary? Our land is fixed but the needs are increasing. As such we have no option but to make its optimum utilization and get maximum crop per acre. Irrigation is one of the means to achieve this goal. National Water Policy (2002) indicates that the production of food grains has increased from around 50 million tonnes in the fifties to about 208 million tonnes in 1999-2000. This will have to be raised to around 350 million tonnes by 2025.

As per 'Farmer Minor Irrigation Charter' the objective with Minor Irrigation and Underground Water Department of Uttarakhand is to judiciously exploit available water resources to provide appropriate irrigation facility for the agriculture land with the state's small and marginal farmers. As per the available information about 80% of irrigation land is served by means of minor irrigation e.g. gool, hauz, hydrum, boring pump sets, surface pump sets, artisan, electric pump set, wells, government/ personal pump sets, diversion and wear etc. Realizing the importance of the minor irrigation, a department has been created by the Uttarakhand Government with 539 posts that includes Chief Engineer, 4 Superintendent Engineers, 14 Executive Engineers, 38 Assistant Engineers and 145 Junior Engineers. The total irrigation capacity created is for around 357147.871 hectare through gools (15287 kms), Hauz (22730), Pucca well (33), Hydrum (1383 units), Surface pumpset (150), boring/ pumpset (53531), deep well (688) and artisan (177).

Water in Indian Constitution - The Constitution of India lays down the legislative and functional jurisdiction of the Union, State and local Governments regarding Water. Under the Constitution, 'Water' is basically a State subject and the Union comes in only in the case of inter- state river waters. List II of the Seventh Schedule, dealing with subjects regarding states jurisdiction it has the following as Entry 17- "Water, that is to say, water supplies, irrigation and canals, drainage and embankments, water storage and water power subject to the provisions of Entry 56 of List I of Seventh Schedule (Union list), provides that "Regulation and development of inter- state rivers and river valleys to the extent to which such regulation and development under the control of the Union, is declared by Parliament by law to be expedient in the public interest".

The recent 1992 amendments to the Constitution regarding Panchayats and Municipalities introduced the following entries in the schedules listing the subject-areas in which the State Governments and legislatures may devolve functions to such bodies, so as to make them evolve as local self-governing institutions. In the Eighth Schedule (Part IX) dealing with Panchayats, the subjects, "Minor irrigation, Water management and Watershed development", "drinking water"

and "maintenance of community assets" are listed. In the Twelfth Schedule (Part IX A) dealing with municipalities, the subjects "water supply of domestic, industrial and commercial purposes" is listed. Functional responsibilities are, thus, visualized for local Governments in respect of several aspects of water use.

Water being a state subject, the State Governments has primary responsibility for use and control of this resource. The administrative control and responsibility for development of water rests with the various State Departments and Corporations. Major and medium irrigation is handled by the irrigation/water resources departments. Minor irrigation is looked partly by water resources departments, minor irrigation corporations, Zilla Parishads/Panchayats and by the other departments such as agriculture. Generally, urban water supply is the responsibility of public health departments and Panchayats take care of rural water supply. Government tube wells are constructed and managed by the irrigation/water resources department or by tube well corporations set up for the purpose. Hydro-power is the responsibility of the State Electricity Boards.

There are numerous schemes by the Central as well as State Government to increase irrigation potential. Management of water resources is one of the priorities both with State as well as GoI, given the mandate to achieve higher agriculture growth rate targeted in the 12th five year plan. Thus, for irrigation we must also look into the role of the state and local bodies, instead of focusing on individuals that utilize irrigation facilities. Creation of such facilities (like water – drinking or irrigation) that requires higher capital investments and funds for regular operation and maintenance should not rest with farmers/ community of any welfare state. One could very well imagine the price of produce when all operation costs and interests are loaded by the farmer. Who is going to pay for such business operation? Is farmer under compulsion?

Several projects have been designed following the principle of participatory approaches involving community. To name few – Uttarakhand Decentralized Watershed Development Project, Uttar Pradesh Water Sector Restructuring Project, Chhattisgarh Irrigation Development Project, Orissa Integrated Irrigated Agriculture and Water Management Investment Program all designed to form Water Users Association (WUA) for planning, operation and management of water systems. Many states like Madhya Pradesh, Chhattisgarh, Orissa, Maharashtra etc. have also empowered these WUA by endorsing the Act along with rules and regulations. Still, we need to make assessments if WUA are successfully able to generate sufficient funds for operating and managing the systems.

In my view, agency like NABARD along with other banks/financial institutions must work on complete package. It could support a farm household with a clear distinction on the areas where the government has the responsibility and areas where an individual need to be supported in synergy with the operations, to bring out visible results.

P. S. M. Rao, Rural Livelihoods and Microfinance Consultant, Hyderabad

Financing minor irrigation for small holder farmers generally doesn't get support from the lending agencies due to several reasons.

Firstly the investment for the purpose is not found economically viable, as the farm size is very small. The average holding in India as per the official statistics (2001), was 1.32 hectares which could possibly have come down to a lower level now. As high as 63 per cent of the farm holdings are below 1 hectare and those holding between 1 to 2 hectares account for 18.9 per cent. This means that small farm holders (those with below 2 hectares) account for 81.9 per cent of the operational holdings. So, the cost of investment for a well and arranging a pump-set will be very high and unviable compared to the yield from the small piece of land.

Secondly, the investment credit for the purposes like land development and minor irrigation are provided only to those who own sufficient land and has collateral to offer, if the amount exceed certain minimum level. So, low or no land holding is a discouraging factor.

Thirdly, financing for tapping ground water, that is digging too many wells in close proximity would result in inadequate availability of water in each well and their eventual drying up. Failure of the wells which is known only after investing a considerable amount is another problem for the people with small means.

In the background, financing to groups like joint liability groups or self help groups could be the practical solution. This arrangement would also help the situations like cultivation on the leased lands as pointed out in the query, since SHG lending is not supposed to be collateral oriented nor project based.

In fact I have observed that the SHGs of farming communities avail credit for agriculture and allied activities. So, the schemes suitable to a given area and for minor irrigation should be worked out on the basis of specific challenges. Also the general facts of small holdings and tenant farming have to be kept in mind.

Shailja Kishore, Aga Khan Rural Support Programme (India), Ahmedabad

In majority of the states like Gujarat, Maharashtra, Rajasthan, Madhya Pradesh, Government has plenty of schemes for individuals and community based minor irrigation facilities (farm ponds, wells, bori bands, small check dams etc). Moreover, for proper and judicious use of water many Government schemes for promoting micro-irrigation devices (like drip, sprinkler and bucket drips) are available.

I would like to emphasize that today big farmers are taking the benefit of these programmes/schemes but the poor and the marginalized farmers are left out. We need to have a pro-poor approach and try to reach out to the poorest from the lower sections of the society. Poor needs a different approach in terms of special focus, regular follow-up and proper training/exposure.

Support from the Government and other NGOs are being provided in the forms of loans/grants to the CBOs, provision of a revolving fund and Public Private Partnerships. Participatory Irrigation Management and Lift Irrigation schemes which are community managed schemes are extensively practiced by Development Support Centre (DSC), Aga Khan Rural Support Programme India (AKRSP, I) in Gujarat and Sadguru Water Foundation.

In AKRSP (I) programme villages (Gujarat) under the drought coping and salinity theme, the women members of the SHG took loan from the groups for installing bucket drip in the kitchen gardens. It has been able to provide them with a livelihood option in environmentally adverse conditions. In Kukaswada Village, Mangrol Taluka a SHG member - Savitaben Chinobhai Solanki took loan for constructing well and installing drip in her farm for banana plantation.

In practice, microfinance is of great help but requires commitment from the client and the organization with a pro-poor focus. This has to be kept in mind else the needy amongst the poor will be left out.

Ravinder Yadav, New Delhi

Mr. Garg's query is important. Water being key input for agriculture productivity, its efficient use is equally critical. However, microfinance modalities may not be suitable because of following reasons:

- The upper limit of microfinance is kept at rupees fifty thousand however the minimum investment required in minor irrigation is one lakh rupees
- For minor irrigation the debt service period is very long while micro finance can offer funds for short to medium term funding
- Minor irrigation does not require any self help, so delivering microfinance through SHG or JLG may not work

In difficult terrain like Uttarakhand, the community irrigation projects like lift irrigation as practiced in Maharashtra and Orissa may work. Maharashtra follows Pani Panchayat-organizational mode to develop, maintain and operate lift irrigation projects. Pani Panchayat is usually different from Gram Panchayat as the former is formed for lift irrigation purpose alone. Topography is such that the techno-economic feasibility works out only when a critical number of farmers become members, as the capital cost is exorbitant. Here financing modality is crucial. Some banks in Maharashtra had extended single loans to the Pani Panchayat on mortgage of whole chunk of the village land. Many such cases turned into Non Performing Assets (NPA) for the banks. The default by some members has led to cascading effect on others and breaking down of the Panchayat. Even those members who have the repayment capacities could not redeem their land since it was mortgaged in a single loan account. Therefore, financial re-engineering on case to case basis would be required.

In Uttarakhand, water harvesting and storage would need a similar system for village/group of villages. NABARD may develop suitable and alternate models based on techno-economic feasibility studies. Pilots may be tried with few banks interested in this.

Jay Prakash Lall, Agricultural Finance Corporation Ltd., Mumbai

I had an opportunity to work in Uttarakhand from 2002 to 2007. In the process of providing technical support services to different development departments, we came across different minor irrigation schemes in the hills of Uttarakhand. These schemes were implemented under National Watershed Development Project in Rain fed Areas (NWDPA), River Valley Project (RVP) and Flood Prone River (FPR) project. All these were centrally sponsored schemes focusing on macro management of agriculture. Under these schemes/programmes, minor irrigation structures like dugout ponds, water harvesting structures, roof water harvesting etc. were constructed.

Under RVP, FPR and Hariyali, minor irrigation structures were taken up as water conservation measures in line with their programme objectives of fostering community participation in planning, execution and post maintenance of the assets. Under NWDPA, pump sets were also provided to the users groups to lift the water from natural streams for irrigating their crops.

Under Indira Mahila Samakhi Vikas Yojna (IMSVY), a state sponsored scheme was implemented across different districts of the state with support from NGO partners in SHG mode. It has twin objectives-

- To address the drudgery of the hill women. In hilly region, women are working for 16 hours per day
- To empower the women individually, economically, socially and politically.

Besides other interventions, roof water harvesting was a key component of this scheme. Rain water collected from roof was either stored in surface tanks or underground tanks for different purposes including life saving irrigation.

User groups or SHGs formed under these schemes/programmes were working on participatory mode. They were doing thrift and saving. These groups were also provided with revolving funds (interest free financial assistance to the groups for a defined period) for income generating activities/improving agriculture production system under some of the schemes/programmes. Some of the group members had arranged plastic pipes from the revolving funds and from their own savings/financial resources mobilized through Swarnajayanti Gram Swarajgar Yojna and Rashtriya Mahila Kosh for conveying the irrigation water from sources to fields. As a result, there was crop diversification and area under off-season vegetable cultivation was improved resulting in improved socio-economic and livelihood conditions.

Ramakrishna Nallathiga, Centre for Good Governance, Hyderabad

Indeed, all the options suggested by Mr. [Mendiretta](#) are appropriate to Sub Saharan African conditions, where water for drinking and irrigation is scarce. Madhya Pradesh has started a similar programme with community participation and revolving funds were given for door to door drinking water supply and sanitation.

DFID funded Andhra Pradesh Rural Livelihoods Project (APRLP) has initiated interventions in watershed management and livelihood generation through small scale activities financed under the programme. The criterion for selecting implementing agencies is available at: <http://www.rd.ap.gov.in/aprlp/Publications/Volume-5.pdf> (PDF, Size: 1.72 MB) and for the programme description, please visit: <http://www.rd.ap.gov.in/aprlp/aprlpactivities.html>. Moreover, case studies from the programme can be read at: http://www.rd.ap.gov.in/aprlp/Publications/Hope_CaseStudies_BK.pdf (PDF, Size: 1.90 MB).

N. Jeyaseelan, Helping Hand Micro Finance and Services, Kancheepuram, Tamil Nadu

I would like to share some of my views from my experience.

- Existing Micro finance products offered by MFIs generally do not suit the needs of most of the minor irrigation development programs, as the loan size is not adequate and the repayment term is very short
- Some micro irrigation programs like drip irrigation/pump sets, which bring returns in the short term can be considered under micro finance. But, the repayment period should be modified to coincide with the farm household's cash flow and not as 12 months or 50 regular weeks. IFAD's microfinance program for small and marginal farmers in Bangladesh demonstrates the flexibility in offering various repayment options to farmers viz. bullet payment at the end of the harvest, variable principal plus interest every month or 50 percent of loan as regular periodic installments and 50 percent at the end of crop season from the harvest. In India also, we need to introduce some flexible options at least few pilots can be taken up
- NABARD has started focusing on activity based groups for which they are flexible in their approach. Minor irrigation programs can be included as one of the program component in such groups for promoting agriculture based group activities and a flexible loan product could be designed
- For addressing minor irrigation programmes through microfinance, instead of MFIs, bank can try more innovative approaches. Since MFI could face an asset liability mismatch, as MFI gets

bank loan for 3 to 5 year time period whereas minor irrigation program has to be financed by the MFIs for a period of 3 to 10 years

- The present ceiling under micro-credit is fifty thousand per member for other purposes and for housing it is Rs. 1.25 lakhs. The ceiling from fifty thousand could be raised to one lakh per member for micro irrigation program under microfinance
-

Puran Singh Yadav, Haryana Institute of Rural Development, Karnal

India has excellent examples of community based water management systems throughout the country. One of the good examples of community based watershed management is Ralegan Siddhi in Tehsil Parner, Ahmednagar (Maharashtra). It was developed by Annashaheb Hazare. Similarly, Hiware Bazar of Popat Pawar in the same district is another such example. Jhabua district provides an excellent opportunity to see the community based water management systems and the same can be accessed through DRDA Jhabua. Sukhomajari, Bunga and other places in the foothills of Shivaliks also has examples of community based water management systems.

Similar examples of community based water management and irrigations systems can be seen in Alwar and other adjoining districts of Rajasthan. Mr. Rajendra Singh of Tarun Bharat Sangh has done a wonderful job in the water scarce areas of Rajasthan.

Microfinance facilities through SHGs can prove to be highly successful for sustainability of such community based systems.

Sanjeev Kumar, The Goat Trust, Lucknow *

There has been quite interesting discussion on this issue and got lots of enrichment on the issue. However, I personally while initiating career in development, came to minor irrigation issue by default. We were implementing watershed concept based traditional rainwater harvesting structures revival project in Rajasthan in PRADAN (Professional Assistance for Development Action).

In fact the basic issue after water conservation in front of team was water utilisation by the target communities. As per concern of team, we had dealt with issue that how finance can be made available to the small and marginal farmer to utilise ground water for irrigation.

As many of you had been aware, PRADAN (www.pradan.org) has been innovative in promoting men/women lift irrigation committees and promoted this intervention on scale in Jharkhand. What I could learn from Jharkhand experience in PRADAN is water being a scarce resource and crop requiring it almost on similar time, a proper crop planning of water allotment is pre requisite while forming any group around water. PRADAN has documented its experience of promoting lift irrigation and has mobilized finance from DRDA, banks and SHG saving.

Importantly any such minor irrigation finance should look into total cost of water, seed, fertilizer and other input for improved agriculture. It would be real problem if we finance minor irrigation and look into adoption of productive and improved agriculture to be taken care by farmer themselves. Experience suggests that a whole package of intervention and finance for same is a must.

Interestingly this experience also suggests that building achievement motivation and/or livelihood plan of the family is equally important. So, issue does not rest with minor irrigation alone, it stretches towards overall agricultural productivity enhancement especially in remote area and with tribal people.

We had designed a similar effort to provide credit for minor irrigation while providing external facilitation on behalf "The Livelihood School" with BASIX Jabalpur unit while reviving fishermen cooperatives, wherein we find minor irrigation can boost livelihood of the dam displaced community. We found the economics very favorable as many of them has been purchasing water lifting devices through mobilizing credit from traditional financial sources at 2 percent monthly interest rate and still able to repay it.

We do tried such a project with a small cluster of SHGs while in Dausa in Rajasthan, but bankers attitude to finance such a sum to SHG came to real trouble.

Bhupal Neog, Livelihoods Improvement Finance Company of Meghalaya (LIFCOM), Meghalaya *

In the context of mountain economy, water security is a key issue for livelihood security. I have seen that interior villages which have access to water are hygienic and have better life style than villages which have water scarcity. In the context of North East, this is very much true to the Cherrapunji area where in spite of heavy rainfall people have water problems due to poor water harvesting measures. Food security in these villages is also an issue. People are not able to grow enough food crops hence have to depend on market as well as on tuberous crops for survival. In those areas where food crops are grown now people have shifted to commercial broom grass cultivation as it is more remunerative and less water intensive. However, it has made the people of the area more vulnerable to market fluctuations as broom grass value chain is controlled by people outside the state from Gujarat and Rajasthan. The market fluctuations ultimately have a severe impact on their food security. On the other hand, there is ample scope in the area to promote roof water harvesting in Meghalaya. This can be an enterprise by itself in mountain areas and MFI need to design loan products to tap rain water harvesting structure, promote water security, promote food and nutritional security and promote healthy lifestyle. Livelihoods Improvement Finance Company of Meghalaya (LIFCOM) which has been working in this area is exploring this opportunity.

On the other hand, the Apatani tribes of Ziro in lower Subansiri district of Arunachal Pradesh practice paddy cum fish culture. This is a highly evolved indigenous farming system, the energy and economic efficiency of which is very high, partly due to effective irrigation practices. The Apatanis with a highly developed valley cultivation of rice perfected over centuries and has often been suggested to be one of the relatively advanced tribal societies in the North Eastern. The Apatanis market more than 40 percent of their rice production to neighbouring Nishis and hill Miris. The concept of paddy cum fish culture has potential to be replicated across mountain areas. In the NERCORMP - IFAD project this concept was well explored in certain villages. MFIs that want to work in mountain areas need to explore such Traditional Ecological Knowledge (TEK) in collaboration with the communities and research institutions and develop loan products backed by business development services.

I would like to share one unique community effort to conserve fish at Rombagre in the Simsang river in West Garo hills under NERCORMP - IFAD project. This effort has increased fish population. Today the area has become a tourism spot. Hovering around the spot other nonfarm activities have come up. Can we think beyond micro-irrigation? May be investment in water-conservation-livelihood promotion? Can the MFI adopt such approach? Is it lucrative? MFI need to think about both social and economic rate of return.

The opportunity to invest in soil and water conservation structures has increased in recent times with the implementation of National Rural Employment Guarantee Scheme (NREGS). This opportunity needs to be explored fully, backed by MFI loan products and business development services (BDS). MFIs need to explore how to converge and channelize energy and resources to promote /revitalize micro irrigation, water security and livelihood security. Moreover, the zero energy pumps need to be promoted as this is not only earth friendly but also affordable. Carbon trading as an opportunity could be explored. International Development Enterprises (IDE) have successfully marketed low cost irrigation products like treadle pump (in plain belt) and bucket drip and micro irrigation products (in mountain areas) backed by business development services in India.

There is need to do more research on pressure based technologies. The demonstration sites of International Centre for Integrated Mountain Development (ICIMOD), Kathmandu (www.icimod.org) have displayed several models for micro irrigations in mountain areas. Moreover, another agency called 'Practical Action' (www.practicalaction.org) also work in areas of Nepal, Peru and Sri-Lanka on providing sustainable technologies for irrigation and rain water harvesting. The concept of rain-water harvesting needs to be encouraged in the mountain areas. Agencies like The Energy Research Institute (TERI) are already working on affordable rain water harvesting technologies. In the North Eastern Region of India context, I feel there is a need to explore the traditional irrigation systems/mechanism. For example, the bamboo technology based irrigation system in the mountain areas. MFIs in north eastern region need to explore such opportunities also as a part of financial inclusion process.

As far as Uttarakhand is concerned the potentials of micro - hydel and water mills need to be fully harnessed. The rich water resources in the Yamuna valley need to be explored for sustainable water harvesting crop and vegetable production. I feel that there is a need to study the impact of climate change on sustainable water harvesting and crop production. The pressure to grow more off season vegetables in the valley due to high market demands is likely to have a very adverse impact on the water resources. The communities need to be provided necessary handholding services to preserve water resources and at the same time prepare to adapt to challenging issues like climate change-water security-sustainable food production and food security.

There is a need to grow more trees in the region so that water catchment areas are protected. The best examples of water conservation can be found in Tehri itself. SBMA has done a very good social forestry work at Devprayag. I feel, to have more water in hills simply promote more trees, conserve water resources and channelize it to the fields. Can MFI think about financing trees of economic importance in hill areas on a cluster basis?

P. Uday Shankar, Microfinance Consultant and Trainer, Coimbatore *

The responses to the queries raised by Mr Subhash Chandra are interesting. Personally I had the privilege of introducing sprinkler irrigation in Wynaad district way back in 1984 exclusively for small coffee growers. It was a path breaking area development scheme covering the entire district through finance from Syndicate Bank and refinance from NABARD. This type of time bound, target oriented, area development schemes with a fixed outlay were working out miracles in villages in those days. I wonder if such schemes are still taken up by banks and NABARD.

As far as community based irrigation schemes are concerned, one of the best examples I have witnessed is the work done by AKRSP in Surendarnagar district and the case studies are available in plenty and even with Solution Exchange.

Coming straight to the first query raised by Subhash, I would like to narrate my experience of financing pump sets for irrigation. While working in the bank I used the NABARD refinance to the hilt and in places where I was posted if there were no schemes for pump set finance, my first job was to prepare one for the bank. After moving on to microfinance in 1998 I still found a scope for financing pump sets. For sometime, I was exploring the idea of micro-leasing but it did not work out.

Before working out any financing models for pump sets, under microfinance, we have to understand the way these equipments are sold in the market. Cash purchases by farmers form only a small percentage of the purchases. Some farmers having a long time dealing with banks would be lucky enough to get a loan. In at least 30-40 percentage of the cases where small farmers come in for purchases they may not have a bank loan and still would be enquiring. In such cases the dealer himself would offer to arrange a loan for the farmer mentioning the fact that it would come at a higher rate of interest. In all probability the dealer would be shelling out the amount from his own kitty and pocketing the interest on a periodic basis apart from the regular commission he gets from sale of the pump set. Not all the dealers would be able to bring in their own money to lend to the farmer for purchase of a pump set. In my experience, there are a good number of dealers who are not able to do business with this 30-40 percent segment, as the farmers do not have enough to purchase a pump set. MFIs working in areas where there is a good scope for financing pump sets can try out the following model to finance small farmers purchasing pump sets.

The MFI could enter into a tie-up with any of the leading pump set manufacturers and their dealers in that area. The MFI could use the dealers point for sourcing its customers. Till this point it would look like any other bank - manufacturer tie-ups. The difference the MFI could make here is to bring in the dealer in the loop and use him to get the repayments. The dealer who would have been otherwise deprived of a segment of business of the 30-40 percent would only be too pleased to cooperate with the manufacturer and the MFI to not only source good customers for the MFI but also assist in the repayment of loans. The dealer being a local person of some standing in the locality would be able to get information on harvest and movement of crops to enable prompt repayment. The dealer's word would have a value when it comes to collecting dues from the farmers and they could be given a small incentive for their efforts in collection. The loan for purchase of pump set and necessary accessories could be extended as a medium term loan by the MFI (3 to 5 years) and the installments could be worked out on half yearly/annual installments as per the cropping pattern in the operational area. The equipment would be under hypothecation to the MFI and in the event of litigation the equipment could be taken over through a court order.

Many thanks to all who contributed to this query!

If you have further information to share on this topic, please send it to Solution Exchange for the Microfinance Community in India at se-mf@solutionexchange-un.net.in or Water Community at se-wes@solutionexchange-un.net.in with the subject heading "Re: [se-mf] Query: Microfinance for Minor Irrigation and Community based Water Management Systems – Experiences; Examples. Additional Reply."

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