

## **FARMERS' PRODUCER ORGANIZATIONS (FPOS)/COMPANIES URGENT NEED FOR AUTOMATIC ACCESS TO BANK CREDIT**

### **A POLICY NOTE TO RBI**

This has to do with lack of enthusiasm/capacity at the branch/zonal level to handle the FPO business nor there has been thrust with credit plans devoted exclusively for financing FPOs like Self Help Groups (SHGs). By far, the policy thrust on FPOs stands out as a unique and far reaching initiative of the nation in agriculture particularly, targeting small holder agriculture. Thousands of FPOs are in the making with huge public investment of fiscal funds by the Central Government and the FPO eco system is expanding and also deepening in several agro climate zones. Although, enabling policy intent is already put in place by both RBI and Central Government, the weakness is in implementation with regard to access to bank credit. Given the paramount importance of FPOs for the small holder agriculture, a **Jan Dhan like mobilization and bank reach out** is absolute necessity now. If anything, this is the utmost priority among priority sector lending crying for development role of RBI in terms of nudging and monitoring credit flow to FPOs by the banking system.

In this regard, FPOs are being promoted and nurtured by resource institutions identified and funded by the Central Government – NGOs, Agriculture Extension Kendras, Agripreneurs, etc. with continuous handholding support in consonance with the Government guidelines. In this process, FPOs, by and large, become bankable as an institutional entity with business plan. A caring approach is called for from the banking system as different from dealing with a commercial entity.

Keeping the above in view, RBI directive to **banks to reach out and offer the FPOs with credit lines** who satisfy basic eligibility criteria, with unorthodox approach of automatic access to bank credit becomes absolutely necessary. The following parameters for FPOs to qualify for automatic access to bank credit (although the quantum of credit shall be decided by the bank and FPO on mutual consent) are suggested. This self-appraisal system more than meets the due diligence requirements of the bank :-

- Two years of existence as an entity, either company or society
- Good governance system of farmers with regular board meetings
- Well defined business plan
- Minimum of 500 member farmers
- Share capital grant should have been received from Central Government
- Commendation of the enabling resource institutions for access to bank credit.

In other words, when a FPO fulfils the above criteria and approach the bank, credit shall be granted. A regulatory directive to banks for such a lending dispensation is called for.