

NATIONAL CONFERENCE
ON
ROLE OF MICROFINANCE PLUS
IN
SUSTAINING SMALL HOLDER AGRICULTURE
- *ISSUES AND CHALLENGES*

24th September, 2014
SKDRDP, Dharmasthala, Karnataka



An Inafi India Initiative

*Organised
by*

SKDRDP, Dharmasthala, Karnataka

National Conference
On
Sustaining Small Holder
Agriculture – Issues and
Challenges

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PROCEEDINGS AND POLICY
RECOMMENDATIONS

INTRODUCTION

Year 2014 is being observed as “International Year of Family Farming” at the initiative of United Nations. Family farming is globally recognized as small holder agriculture and given the utmost imperatives and relevance of small scale farming for global food production and security, new policy initiatives and support strategies are being deliberated across the world. More so, for Indian agriculture this is critically important where nearly 80% of operational land holdings belong to this category and there is an unhappy situation of further fragmentation of this already small holdings of 2 Hectares per farm. Small farming is being exposed to more risks and vulnerabilities as they suffer from several disadvantages – scale, lack of access to credit, technology and market. In fact, the country has already been facing the negative consequences of small farming being abandoned due to impoverished conditions leaving many small farmers in a state of poverty and deprivation and migration to urban areas. Small farms especially in rainfed areas are under the verge of becoming unproductive wasted lands. In other words, millions of farmers particularly in rainfed areas have become migrant labourers. Small family farming is not just about crop based farming but also includes animal husbandry and fisheries based farms or mix of these three major sub sector activities. There have been supportive interventions to address these issues and problems of small scale farming by the Government and NGO Sector. The small farmers are getting organized with the support of Government/NABARD as Farmers' Club, Joint Liability Groups and Self Help Groups. The farmers' groups are being facilitated to access Bank credit. This is where microfinance has come to assume an important role in making these small farmers groups vibrant and their farming to be effective. Many watershed programmes have farmers organized as self help groups under the umbrella programme being implemented by NABARD and this has brought about positive outcome. There have also

been initiatives now to organize the small farmers under the framework of producer organizations for scale advantage, connecting to supply and value chain markets and as the farming get intensive in small farms the need for uninterrupted access to credit and other financial services have become quite crucial. And there are demonstrations which emphasized the need for micro credit providing the start up support and becoming a stepping stone for larger expansion of farming and need for higher doses of credit. Crop and asset insurance particularly livestock have become important to mitigate the risks and absorb the financial shocks arising out of loss of crop or asset. Providing insurance support is more challenging and highly crop and context specific and needs to be a bespoke product. There is also greater recognition that as the small farming expands, the higher order of microfinance service may be required in terms of credit, insurance, etc. And we have situation where micro credit will continue to be relevant which has been demonstrated by the **"Kissan Credit Card"** which is quite flexible and taking care of consumption needs too. There is also a scope for the farmers to avail small doses of micro credit from their own groups as and when unforeseen needs for the credit arises either relating to farming or consumption. It is becoming clear that access to uninterrupted supply of credit is key to sustainable small holders agriculture as the process of own capital formation/internal accrual takes long.

The experience gained in working with the small farmers so far clearly shows that considerable enabling support for a sufficiently longer period to enhance their knowledge and understanding of the 3 critical components namely technology (including farming organizational matters, etc), finances and markets (including supply and value chain) is absolutely necessary. As such credit support to small scale farming to be viable on a long run needs to be backed up by package of other essential services namely technology and access to markets. This process also enables the farmers while being part of the group/producer organizations

equip themselves with entrepreneurial capabilities and graduating towards enterprises model.

Against this backdrop, and in the light of the thrust given by the Government and under the aegis of enabling policy frameworks put in place by the Government and the Reserve Bank, there is a need for the NGOs and the Commercial Banks to come together to reach out to the small farmers and their producer companies with the objective of enhancing the growth potential of agriculture sector in the country.

About the Conference:

Given the paramount importance of small scale farming for rural livelihoods and agriculture growth, INAFI India and SKDRDP has jointly organised a National Conference on Sustaining Small Holder Agriculture – Issues and Challenges on 24th September 2014 at Dharmasthala, Karnataka. The conference kept the following issues and challenges for the deliberations.

- Organizing the unorganized farmers and the need for enabling support to access technologies, finance and markets.
- Context specific small scale farming in watershed and rainfed areas.
- Integrated farming for viability of small holder agriculture.
- Innovative ways of financing, credit lines, appropriate insurance covers to address risks and vulnerabilities.
- Access to markets and linking with supply and value chain.
- Common infrastructure facilities.

ACKNOWLEDGEMENTS

A host of development stakeholders including Governments, RBI, NABARD, Commercial Banks, NGOs / Civil society groups, agriculture university / academia , insurance companies, supply streams organisation supporting small farmers have responded and participated the conference and their contributions are gratefully acknowledged. What is more, Commercial Banks have generously responded with sponsorship for the conference along with NABARD and the following Banks' support is appreciated and acknowledged with gratitude.

NABARD, Canara Bank, Syndicate Bank, Vijaya Bank, Axis Bank, State Bank of Mysore, State Bank of India, Union Bank of India, Corporation Bank and Karnataka Bank.

POLICY RECOMMENDATIONS

- Recognising the risk prone nature of small scale farming the conference has clearly recommended that integrated farming model is the most appropriate to make the small scale farming viable and sustainable whereby combination of crop cultivation with animal husbandry including dairy, poultry, goats/ sheep etc. along with fisheries shall be undertaken.
- While the appropriate model and the scale would be location specific, gleaning from the experience shared from the conference three broad models have been suggested where in model one is about access to credit to run the livelihood activities. And the model two is about collectivization and aggregation and the model three is about value addition to the produce to meet the market requirements.
- The conference, therefore, strongly recommend that the approach to make the small farming viable and sustainable is to build on existing practice and organise the farmers through a process of graduation into farmers producers organisation / companies.
- The Conference declared that organizing small farmers under the producer company framework would pave the way for raising economic profile from being a survival and subsistence mode to a sheer business proposition. This process of change to being an entrepreneurial farmer would impact (which has already started happening) the SHG eco system wherein the members are taking to farming involving crop, animal husbandry and fisheries. Therefore, the Conference recognized the promising potential of farmers' producer companies towards greenpreneurship whereby farmers take up the mixed farming as business ventures with focus on environmental concerns.
- As for the size and scale of the producer companies, the Conference came out with the recommendation that most critical aspect is

adding value to the farmers and this process of adding value would determine size and scale of operations. Which means one size fits all approach won't work and the complexity and diversity of the context and the nature of farming brings greater challenge to the stakeholders.

- Flowing from the above recommendations and also the experience gained from the work so far, the Conference recommend a gradual approach keeping in view the capacity of the enabling institutions including NGOs/civil societies and also the farmers. Simple aggregation which may not involve processing of the produce and commodities but involve "buy, hold, grade and sell" would enhance confidence in the process of morphing from small farming to doing business.
- It has also been suggested that to gain confidence and trust of the farmers the above approach is necessary and more so success in the initial stages would trigger the process of small farmers getting organized under the FPC framework.
- As for the technology of cropping and other farm related technological intervention, given that small holdings preponderate in rainfed eco system, crops which consume less water and of short duration have been demonstrated to be suitable. In this respect, the trio of pulses, small millets and oil seeds are eminently suitable for small farms in rainfed eco system and need to be propagated.
- Keeping in view the imperatives of enhancing the productivity of small scale farms, the conference strongly recommends two appropriate low cost technologies namely tank silt application and construction of farm ponds. This is highly critical in rainfed eco systems.
- In irrigated conditions, particularly for rice, the conference strongly advocates adoption of System of Rice Intensification (SRI) for maximizing production in the given unit area.

- In the light of labour shortage and also the need to reduce the drudgery and enhance the efficiency of farming operations, farm mechanisation need to be accelerated and access to machinery / equipments is made hassle free and economical. In this respect, the conference appreciated the initiatives of custom hire service centre in Karnataka by the State Government with SKDRDP and recommend that its reach is expanded to the Panchayat level and similar initiatives undertaken for the benefit of small farmers throughout the country.
- As multiple services are required by small farmers while doing integrated farming and that incentives including subsidies offered by the Government are accessed hassle free, the conference strongly recommends putting in place single window system at the district / block level by the State Government. This would go a long way in helping the small farmers to get timely services and remain focussed on farming operations.
- Recognising the larger concern of migration of youth from rural areas and farms, it is recommended that adequate incentives and support structure are put in place depending on the context to retain the youth in agriculture and organise them for scale and sustainability.
- As for financial inclusion of small farmers the conference recommends that each and every small farmers shall have access to kisan credit card with RuPay card facility.
- As for access to credit from Commercial Banks the producer companies require a special dispensation in terms of liberalised lending norms.
- Small farmers don't have much of capital to put in as equity in FPC and also the fact that they cannot offer collateral as they have none, the Banks should have an innovative way of lending with relaxed norms without reference to capital and collateral rather

there is a need to look at the social capital of the farmers and their farming activities and plan.

- Unlike the big farmers, small farmers lack capital and capacity to organize themselves into company. Philanthropies and mainstream institutions including Government and development institutions need to invest grants in promoting producer companies for a time frame for at least 3-5 years. This is very much similar to the building of social capital of women through SHGs and within federations in terms of recognizing the need for grant for promotion.
- In this respect, Small Farmers; Agriculture Consortium (SFAC) and NABARD and in the light of new Company act, CSRs of Commercial Banks need to invest in promoting producer companies and extend grant support for this process.
- Access to appropriate risk financing is quite critical for the viability of small farming as need to protect the farmers against the risk faced by the crops they raise and the livestock they tend. Governments and NGOs need to enable small farmers for accessing suitable insurance schemes combining mutual and mainstream products.
- Building capability of small farmers and their collective capacity is not only important but a continuous process with hand holding wherever it required. The conference recognise the need for building organisational / Governance literacy, technological literacy, financial literacy and market literacy and recommends public investment through grant support for such programmes / activities.
- All said and done, the conference highlighted the need for convergence of stakeholders involving Government, Commercial Banks, NGOs, philanthropies to work together in supporting small farmers for delivery of various services and scaling up including enabling them for running agri businesses. And this presents new opportunities for partnership and collaboration among the various stakeholders.

PROCEEDINGS

INAUGURAL SESSION

Welcome and introduction

Dr.L.H.Manjunath Executive Director, SKDRDP

Welcoming the participants to the conference, Dr.L.H.Manjunath referred to the importance of small scale farming for India what with huge number of farm holdings being small. And it is appropriate that United Nations declared 2014 as year of family farming which is nothing but small farms. Talking about numerous challenges faced by small farmers – environmental, rules and regulations prevailing the country, access to finance and markets, he emphasised the importance of small farming for maintaining the culture and tradition among the farming communities to a large extent.

Today's conference, he said, will deliberate on the issues and challenges faced by the small farmers and provide a forum to build bridges among all organisations working for small farmers the conference will also facilitate interaction with Government officials for the participants for ensuring effective and meaningful implementation of various Government programmes not to speak of the opportunity to build relationship with Banks for better access to credit. What is more the conference will present various models and approaches to make the small farming viable and sustainable.

Sustainability Perspectives of Small Scale Farming

Shri. M.P.Vasimalai, Chairperson, INAFI India shared some of the important perspectives relevant for small scale farming like the imperatives of building on the existing practices and improving on them. Our farmers have wisdom and in the changing scenario the right kind of support and facilitations are required which keep them engaged in a

meaningful way. The SHG moment, he said, had a positive impact on the small scale farming which began with savings first credit next approach.

Referring to the DHAN foundation experience in supporting the small scale farming, Shri.M.P.Vasimalai was happy to talk about three distinct models that have emerged – model 1 being addressing the missing link of access to credit from Banks and the model 2 being organising the small farmers as farmers producer organisations with the backward and forward integration and the model 3 being value addition to the produce and direct marketing. While doing so, we need to be cautious in sequencing the graduation from model 1 to 3 as it requires higher capabilities and capacity. Time has come for new way of farming with small farms on the Amul model for various agricultural commodities where professional management would drive the growth and development.

He pointed out some critical disconnects in farming - between young and old, research and farmers, agriculture extension and farmers, policy makers and farmers and production and markets. Stressing the need to focus on three major groups of crops namely pulses, oil seeds, small millets, Mr.M.P.Vasimalai elucidated how these crops are suitable for small farming and also relevance for our country's food security. Its time small farmers take to climate smart agriculture with eye on resilient farming including contingency cropping in response to emerging climate pattern. Mr.M.P.Vasimalai also stressed the importance of agriculture biodiversity with open seed system for making small scale farming sustainable. Above all, there is a paramount necessity for building social capital for small farmers to create an effective demand stream to shape the new way of farming with professional format.

Inaugural address

Smt.Uma shankar, Regional Director, RBI, Bangalore

Thanking SKDRDP for the opportunity to participate the conference and to deliver the inaugural address, Smt.Uma shankar referred to the global

recognition of the importance of family farming which is essentially small holder agriculture in eradicating poverty ensuring sustainable management of resources / eco system and preserving the local heritage. In low income economies, given the right support, it could become a country's backbone of both rural development and national economic growth. She said, strengthening family farming is the most efficient means to combat hunger and poverty. She mentioned that Reserve bank has been making significant efforts to include the small and marginal farmers into the financial sector. Financial inclusion is important because, it is a necessary condition for sustaining equitable growth. Reserve bank has also realised that financial literacy is critical for meaningful financial inclusion and she listed out the important policy initiatives taken by RBI to create an enabling environment for financial inclusion.

- No frills accounts with nil balance
- Easier credit facility (GCC and overdraft against 'No-Frills' Account as indirect finance to agriculture under priority sector).
- Simpler KYC Norms.
- BC/BF Model (Financial Inclusion by extension of Banking Services).
- Use of Information Technology.
- Roadmap – Provision of Banking Services in villages with population above 2000.
- Roadmap – Provision of Banking Services in villages with population below 2000.
- Preparation of Financial Inclusion Plans (FIPs).
- Liberalised Branch Licensing Policy.

Another important policy initiative by the Reserve Bank to enable access to credit for small farmers is Kisan credit card which takes care of short term credit requirements for the cultivation of crops, post harvest expenses, produce marketing loan, consumption requirements of farmers household, working capital for maintenance of farm assets and activities, investment credit requirement for agriculture and allied activities. In the case of marginal farmers, Banks have been advised to offer a flexible limit of Rs.10,000 to Rs.50,000 based on the land holding and crops grown

including post harvest warehouse storage related credit needs and other farm expenses, consumption needs, etc.

With these remarks Smt.Uma Shankar declared the conference inaugurated and wished all success

Address by Monappa Karkera, a progressive small farmer

Shri.Monappa Karkera thanked SKDRDP for organising this conference which provides a platform to farmers. He expressed happiness that he was invited to speak in the conference in the inaugural and said that farmers must speak in such platforms for supporting the small scale farming by Governments Banks and other stakeholders. He shared how his small scale farming has been successful with multiple cropping and proper crop rotation in response to the change in climatic condition.

He exhorted that agriculture should be way of life. He also talked about the shifting focus to commercial crops due to higher value. He strongly advocated that youth should take to agriculture as an enterprise in a big way.

Presidential address by Dr.D.Veerendra Heggade

Dr.D.Veerendra Heggade in his presidential address emphasised that farmers particularly small farmers need to come together and organise themselves to emerge as a force to reckon with. Governments and NGOs have greater role to play in organising small farmers and to support them in building their capacity so that they would be in a position to avail all the facilities from the Government departments and Banks. He said that there is a need for designing special programmes depending on the contextual requirements to reach them. They should not be deprived of benefits of the Governments programmes because of the problems in documents / KYC – rather they should be helped by the concerned departments in such situations.

Shri. Heggade wondered why **there is no single window system** even now to provide solutions to many problems faced by small farmers and it is an urgency that Government shall setup the single window system. He lamented about the lack of basic amenities in villages and sought for stakeholders support in providing basic amenities like drinking water facility, sanitation unit, housing etc. He was of the view that small farmers must prepare their Farm Planning by taking to consideration all wealth available in the land like water, soil, animal and also manpower wealth. He felt that microfinance has provided good support to people to improve their quality of life for effective livelihoods activities.

Address by Shri.Virupaksha Deputy General Manager, Canara Bank, Head office, Bangalore

Addressing the conference, Shri.Virupaksha said that Canara Bank is attaching at most importance to the issue of financing small scale farming and dwelt at length the measures being taken by the bank and schemes introduced to support them. Referring to the initiative of ultra small branches by the bank he informed that main focus of these branches in rural areas is to reach out the small farmers and enable them access credit from the bank. Canara Bank is appreciative of this initiative by INAFI India and SKDRDP in organising this conference and has been delighted to support the conference.

SESSION - I

VIABILITY OF SMALL FARMS – APPROACHES AND EXPERIENCES FROM THE FIELD

Presentation by Shri.Vivekanand Salimath Managing trustee, Initiative for Development Foundation, Bangalore on Integrated Farming for viability of small scale farming.

Shri.Salimath shared the experience of IDF project SUJEEVANA which has focused on building livelihood security. The project has two main components

FINANCIAL INCLUSION	LIVELIHOOD DEVELOPMENT
1. Community Mobilization 2. Capacity building 3. Financial Literacy 4. Online Book Keeping 5. Savings 6. Life Risk Fund / Insurance 7. Credit linkage	1. Sustainable Agriculture 2. Animal Husbandry 3. Non-farm Enterprises 4. Inputs Supply 5. Commodity Marketing 6. Health Services 7. Education Services

LIVELIHOOD DEVELOPMENT ON SUSTAINABLE AGRICULTURE	S.No	PARTICULARS	KUNIGAL
	<ul style="list-style-type: none"> • Field Schools/trainings • Community Seed Banks • Organic dialogues • Field days/Exhibitions • Exposure Visits • Best farmers awards • Organic Certification • Convergence with Govt. depts 	1	No of organic units
2		Acreage under SRI paddy	69
3		Acreage of other crops under SA practices	116
4		No of Organic kitchen gardens	383
5		No of Organic farms	720
6		Acreage under indigenous varieties	163

LIVELIHOOD DEVELOPMENT

ANIMAL HUSBANDRY	NON-FARM LIVELIHOODS		
<ul style="list-style-type: none"> • Field Schools/trainings • Animal Health Camps • Vaccination camps • Supply of poultry chicks • Supply of fishery fingerlings 	<ul style="list-style-type: none"> • Skill trainings/Counseling • Employment linkages 		
	S.No	Particulars	KGL
	1	Tailoring	379
	2	Computer	374
	3	Driving	71
	4	Others	37
	5	Total	861

LIVELIHOOD DEVELOPMENT

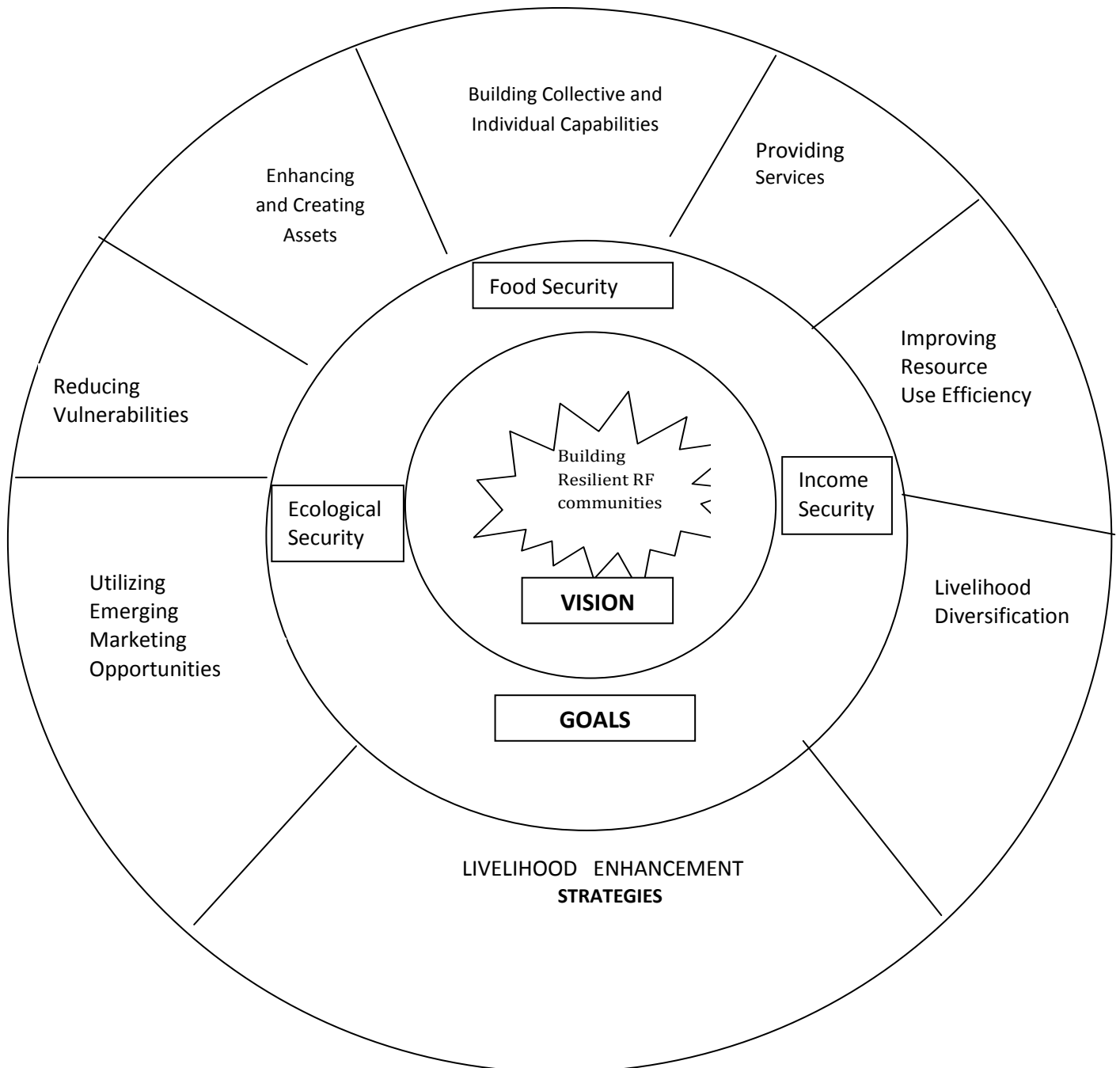
INPUT SUPPLY	COMMODITY MARKETING
<ul style="list-style-type: none">• Cattle feed• Seeds• Organic Manures• Solar lights• Agricultural Implements	<ul style="list-style-type: none">• Ragi• Paddy• Vegetables• Organic Outlets

MAJOR IMPACTS

1. Establishment of self sustainable Federation
2. Increased level of Financial literacy
3. Financial Inclusion of >50% families
4. Reduced dependency on money lenders
5. Reduced cost of accessing credit
6. Regular loan recoveries
7. Wider adoption of Sustainable Organic Agriculture practices
8. Decreased use of chemicals
9. Increase in labor sharing
10. Wider adoption of Kitchen gardens
11. In-situ conservation and multiplication of >100 local varieties
12. Increase in milk production
13. Reduced mortality in the animals
14. Generation of 100s of employment
15. Establishment of 100s of enterprises

Presentation By Shri.Palanisamy, Programme Leader, DHAN Foundation, Madurai on viability of small farms in rainfed eco systems

Presenting DHAN’s work in rainfed farming, Shri.Palanisamy shared the programme components, strategies and the livelihood enhancement model of rainfed programme run by DHAN foundation



Programme components	Livelihood Promotion Strategies
Community mobilisation	Building social capital
Capacity building	Building human capital
Land capability improvement	Asset creation
Soil health enhancement	Asset restoration
Livestock development	Asset creation
CPE Supplementary income	Reducing vulnerabilities
Risk management	Asset protection
Agricultural Finance Action Research	Diversifying livelihoods

He then made a specific elaboration of small millet based cropping system in rainfed areas and the project called "The Revalorising small millets in rainfed regions of south Asia". Further the experience of DHAN in promoting the construction of farm ponds as a critical component of rainfed farming has also been shared.

The following recommendations were made in the presentation for sustaining small scale rainfed farming

Land development works such as in situ moisture conservation and farm pond construction need to be taken up in the farmers' field through various government schemes such as watershed development schemes; MGNREGA money can be spent for farm land development works

Soft loan need to be arranged for the small farmers for investing on the farm land which would lead to better agricultural production in a sustained way.

Tank silt application to the agricultural land must be encouraged by the government to enhance the soil health, and farmers must be motivated on soil health management, Government subsidy should go for the organic matter building of the small holders farm land rather the chemical fertilizers subsidy for the big farmers.

Promotional fund must be allocated for farmer institution promotion such as farmers group, farmers association and farmers federation so that small holders can be organized for collective input purchase, collective marketing and availing agricultural credit to the farmers through the farmers groups; Regular capacity building event must be organised for sustaining the farmers' groups which would lead to sustained benefit to the farmers through continued crop cultivation.

Kissan Credit card must be given to all the small land holders; it can also be facilitated for the farmers groups also. Crop loan can be arranged for all the farmer groups at lesser interest rate for the small holders.

Farmers must be trained and supported to go for Integrated Farming Systems (IFS) which include crop, livestock and fisheries etc.,

Dry land horticultural activities must be promoted in all the places with site specific fruit tree crops such as mango, sapota, amla, cashew and tamarind.

Tree fodder promotion must be taken in large scale with the suitable tree species.

Awareness creation and assistance to use of alternative energy, water management, physical removal of weeds, graze land management, soil fertility management, attracting and conserving beneficial insects, Integrated Pest management, crop diversity and crop rotation must be provided for the sustainable agricultural production with the small holders in the rainfed ecosystem.

Site specific contingency crop plan must be developed and rainfed farmers trained to follow it; in addition timely input mainly seeds must be arranged farmers.

Small millets are the climate resilient crops. Steps must be taken to increase the area under small millets. Minimum support price for the small millet would be the better solution to increase the area and production of small millets; Farmers must be trained and supported to produce quality seeds and encouraged for sharing the quality seeds among them.

Crop and livestock insurance education must be focused for the Small holders for improving the insurance penetration. In addition, a range of customized insurance products must be available to the farmers. Insurance premium subsidy can be given to the farmer rather than loan waiver.

Continuous training and demonstration must be arranged for the agricultural allied agricultural activities such as poultry, fish rearing and mushroom cultivation etc.,

Presentation by Smt.Mamatha Rao, Director, HRD, SKDRDP on the cooperative farming module of SKDRDP.

In her presentation, she started off by listing out the issues of small farmers such as lack of scale, sharing of ancestral property, not able to find labour for work, lack of knowledge in scientific farming, about markets and shared the following efforts of SKDRDP

- Organized into small groups – Pragathi Bhandu
- 4 to 5 Small and Marginal farmers as members in nearby locations
- Introduced thrift among the members
- Introduced Farm planning
- Introduced Labour Sharing
- Introduced Study Tour and farmers field schools.

The uniqueness of the approach is labour sharing which addressed the major problem of the labour shortage whereby all members work for one day in a week in each member's field and labour sharing day itself served as the meeting day of the Pragathi Bhandu and all their financial transaction conducted and written in the books. She then highlighted the following impact of the Pragathi Bhandu model in sustainability of small and marginal farmer.

- The farmer could draw a definite target for achievement
- The exchange of ideas, information and views among the members
- Collective spirit gives lot of confidence among the farmer family
- Through awareness programs, current market situations, latest developments in the technology field can be known and may be practiced.
- Proper financial planning lead to steady growth.
- Collective bargaining power/voice.

Presentation by Shri.S.K.Dwivedi, Executive Director, Grameen Development Services, Lucknow on Producer's Organisations – a new opportunity for small farmers.

In his presentation, Shri.Dwivedi highlighted the following issues and challenges in organizing small farmers as producer organisations.

- It is a rigorous process building business environment among small farmers.
- Organize Producer Company and building Governance capabilities among poor producers/shareholders.
- Different kind of registrations & licenses, compliances are even bigger challenge.
- No relaxation in any law or Income tax to producer companies. It is treated as any private limited company.
- Management of business – professional and expert human resources & their costs.

- Studies, Research, business plans, product development and product diversification.
- Technology up-gradation for competitive quality.
- Infrastructure development – like warehouses.
- Market penetration and linkage with bulk buyers.
- Short term and insufficient funding from donors.
- Mainstream support also not coming through. Banks seek collateral security for credit.
- NRLM yet to converge with the producer organizations.

Further, from their experience of promoting two producer organisations – one in Rajasthan and another in UP, the following learnings have been shared

- PCs and product based business promotion is the logical culmination of sustained grassroots efforts on livelihood.
- Poor communities acquire governance abilities but the business management is too much for them without professionals.
- Sustainability of PCs depend on reasonable scale of operation and this is only possible through Govt support and bank credits. Donor grants can help initiation, capacity building and incubation.
- Sufficient and long term (5-7 years) support from donors could meaningfully contribute to the process of PC promotion and sustainability
- NGOs with 12 A & 80 G registration under Income Tax Act, can play limited role in provisioning the resources to profit making institutions like PCs

SESSION - II

SUPPORT OF GOVERNMENT SPONSORED SCHEMES TO THE SMALL FARMERS

Shri.D.V.Swamy, IAS, Director, State Rural Livelihood Mission, Government of Karnataka chaired the session and in his opening remarks Shri.Swamy, shared the approaches and strategies of NRLM/SLRM to

promote and advance farm based livelihood activities. He also pointed out the differentiation from earlier programmes namely IRDP and SGSY.

Presentation by Shri.M.G.Kerutagi, Professor of Agriculture Economics, UAS, Bangalore.

Shri.M.G.Kerutagi narrated about many projects of Government of Karnataka for the benefit of small and marginal farmers - Bhu Chethana, Suvarna Bhumi Yojana, Organic Village Program, Drip Irrigation Project and more importantly **Integrated farming system**. He further elaborated on integrated Farming system as under

1. The integrated farming system (IFS) means it is a system where the available agriculture facilities in the farmer's field is taken into account to understand how these facilities can be made best use to get uninterrupted return. It takes into account the availability of soil quality, water facility, animal husbandry, plantation, capital required etc.

2. In this system, the cropping is the main activity along with some other income generating activities which are inter connected with each other are undertaken for maximisation of the return to the farmer. The activities like dairying, poultry farming, pig/goat/sheep rearing, bee keeping, gobar gas plants, organic manure production etc.

3. This enables him to ensure daily/weekly/ fortnightly / monthly income. Further this system also protects him from all the possible future risks /difficulties.

4. The main objective of IFS is a.) to ensure maximum utilisation of resources to get maximum returns. b.) to get employment to the farmer family throughout the year c.) reduce the production expenditure d.) Growing the crops throughout the year that is required for the family. e.) Build financial self-sufficiency in the farmer family.

5. Benefits of IFS: a.)Technologically, financially and socially this method can be adopted by any farmer family as it is designed in a very simple manner. b.) the latest technology can be adopted as the importance for technology adoption is given in the system. c.) it adopts scientific approach as a result the economy of the production is ensured.

Presentation by Dr.Kempe Gowda, Joint Director, Agriculture, Mangalore on effective implementation of Custom Hire Service Centre for the benefit of small farmers.

In his presentation, Mr.Kempe Gowda outlined the following features of the scheme

1. As a support to the small farmers to avail the agriculture implements with ease and with economical rate of rent. The project helps farmers to do their cropping in time and labour dependency can be curbed.
2. Implementation of the project by charitable organisation all over the state – SKDRDP and Indian Society of Agri Business and Professionals, New Delhi.
3. District Steering Committee comprising DC and Agri Department Director and officers from other implementing agencies is constituted for monitoring the project and fixation of rent.
4. The scheme is in favour of small and marginal farmers. Priority must be given to them while providing the service.
5. The centre should run up to six years. The surplus if any should be used for the well-being of the centre.

Presentation by Shri.Manoj Menezes, Director, Agri Department, SKDRDP on SRI (System of Rise Intensification) Boon or Ban

Shri.Manoj Menezes , in his presentation highlighted the advantages of SRI technology for enhancing the rice productivity manifold and its potential for contributing food security of the nation. He explained how

SRI technology uses low inputs – seeds fertilizer pesticides and how it contributes to healthy growth of rice plants with strong tillers.

Presenting the following impact assessment on several parameters by conventional SRI technology, he posed the question whether SRI is boon or ban to the audience and to judge for themselves.

PARTICULARS	CONVENTIONAL	SRI
Seeds/acre	25	2
Age of saplings(days)	25	08-Dec
Sapling damage %	More	Less
Planting distance	Irregular	Square method
Population/square meter	40-60	16
Plants /pit	03-Aug	01-Feb
Water level	4-5 cm	Moisture
Water requirement/acre	50 lakh litre	30 lakh litre
Insect / disease	Highly pruned	Less pruned
Particulars	Conventional	SRI
Yield /acre	14 qtls	35 qtls
@Rs.1000.00 per quintal	Rs.14000.00	Rs.35000.00
Income from straw	Rs.4000.00	Rs.5000.00
Total expenses	Rs.14,000.00	Rs.11,000.00
Gross income	Rs.24,000.00	Rs.40,000.00
Net income	Rs.10,000.00	Rs.29,000.00

Address by Shri.Satish Hegde, President, SHG Federation, Kundapur

Shri.Satish Hegde expressed his happiness over the role of SKDRDP in helping small farmers to organise themselves and thanked profusely Dr.Veerendra Heggede for the guidance and support. The Pragathi Bandhu groups promoted by SKDRDP, quite unique programme and

addressed the problem of labour shortage. Appreciating the SKDRDP for its lead role in many development programmes, he made a mention about the contribution of SKDRDP in developing the leadership of small farmers and has shown the way of discipline life with good values.

Referring to the custom hiring service centre, Mr.Satish Hegde suggested for expansion of programmes from Taluk level to Panchayat level and hoped that State Government would work with SKDRDP in more intensive manner.

He wanted the NGOs to work together to protect the small farmers and prevent alienation of their farm lands.

SESSION - III

FINANCIAL INCLUSION OF SMALL FARMERS AND SHGs

This session was chaired by Shri.M.G.Bhat, Chairman, Pragathi Krishna Grameen Bank, Karnataka. In his opening remarks, he referred to the PMs' Jan Dhan Yojana which is exclusively launched for financial inclusion.

Presentation by Shri.K.S.N.Murthy, Asst. Gen.Manager, Union Bank of India, Bangalore on financial inclusion of SHGs.

Shri.K.S.N.Murthy in his presentation dwelt at length the problems faced by small farmers and the challenges for Banks and narrated the Union Bank's initiatives in financial inclusion

- Opening of brick and mortar branches in 2000+ population villages
- Extending services to FI customers by offering BSBDA & BSBDS products of savings bank.
- Financing to SHGs through reputed organisations like SKDRTP under BC model.
- Village Knowledge Centres (202)
- Financial Literacy and Credit Counseling centres
- 13 RUDSETIs in lead districts
- Union Adarsh Gram Yojana

- Pioneer in introducing Biometric Cards based branchless banking
- First bank to introduce biometric smart card for urban poor
- First bank to launch micro credit product with weekly equated installments
- First bank to extend micro insurance as an inbuilt product with micro credit
- Biometric card based remittance product in identified corridors
- Leader in G2P payments (MGNREGA/Old age pensioners through branch less banking).

Shri.Lakshminatha Reddy, General Manager, Corporation Bank, Mangalore shared the initiatives of Corporation Bank in supporting small farmers with various credit schemes and in particular the Bank's drive in providing kisan credit cards to the farmers which carry the benefit of RuPay Cards. The Bank has been proactive, he said, in working with development NGOs, farmers clubs/ their organisations to adopt project lending approach with a view to reach large amount of small farmers in a given area.

Smt.Kusuma, General Manager, Vijaya Bank, Mangalore, in her presentation referred to the importance of Agro industries for Indian agriculture. It provides employment for 35million people and has a share of 14% of the total Industrial production. Its contribution to the GDP is 4%. She explained that the agro industry is broadly categorized in the following types:

1. Village industries owned and run by rural households with very little capital investment and a high level of manual labour; products include pickle, papad, etc. It can be understood here that with the concept of Self Help Groups picking up in India the village Industries can play a vital role in increasing the income of the households.
2. Small scale industry characterized by medium investment and semi automation: products include edible oil, rice mills, etc.

3. Large scale industry involving large investment and a high level of automation; products includes sugar, jute, cotton mills, etc.

She then talked about in general about the role that can be played by banks for uplifting the agro industry:

Banks have been playing a large role in development of agro industries by extending finance in a liberal way. Various agencies like NABRD, state Government., Central Government also play a vital role by way of providing subsidies which encourages people from the villages to take up to agro industries. To encourage this sector, banks are proving loans under various categories like agriculture and MSMF. Various subsidy schemes like credit linked capital subsidy scheme, TUFs-Technology up gradation funds trust scheme etc are available to boost up the agro industries sector. Credit Guarantee funds trust scheme is being utilized by the industrial customers for the loans up to 100 lakhs. MFI are being funds by banks to encourage the agro-industries sector. Direct SHG/JLG loans are being extended by banks to encourage rural development and agriculture based actives. Loans for food processing industries, cotton industries, Dairy Products, Meat Products, sugar mills, Textile Industries, Cold storage units, ware houses etc care being financed by banks under various subsidy schemes with the help of central and state governments.

Shri.Virupaksha, Deputy General Manager, Canara Bank, Head Office, Bangalore made a presentation on the Bank's initiatives for small farmers.

He said that Canara Bank is always in the forefront in designing farmer oriented schemes to enable them access credit in a manner to suite their requirements. In other words, bank has been sensitive in formulating the bespoke credit schemes for the benefit of small farmers. In particular, he elaborately shared about the banks new scheme for Farmers Producer Companies with large menu of options for short term and long term credit requirements. He also stated that the bank has been very proactive in

supporting small farmers engaged in composite farming involving cropping, animal husbandry and fisheries.

Presentation by Shri.Balasubraniam, Programme Leader, DHAN Foundation, Madurai on crop and livestock insurance experiences of DHAN foundation. He began his presentation by referring to the risk coping mechanism of small farmers as under

Risk Prevention

- Not growing the particular crop during the years of late onset of monsoon
- Leaving the land fallow
- Diversification to tree crops
- Shifting to other allied agricultural livelihoods
- Migration

Risk Reduction

- Inter/Mixed cropping
- Drought resistant crops
- Low investment crops

Risk Finance

- Crop insurance

He shared the rainfall indexed crop insurance experiences as below

- DHAN Foundation piloted rainfall indexed crop insurance through a private general insurance company in two locations covering Groundnut, Cotton and Black gram.
- DHAN works with rainfed farmers predominantly where rainfall is the most critical factor influencing crop yield
- The problems faced were :
- 'Spatial basis risk', due to large variations between villages and the reference weather station in experiencing rainfall.
- Insurance companies were not able to offer customized policies on a micro scale.
- The weather insurance product triggers could not reflect the relationship between crop performance and rainfall.
- Presently, the climate change is significantly felt by the farmers through the rainfall pattern changes
- Insured: 6180 hectares owned by 24155 farmers

- Premium: Rs. 56.09 lakhs
- Claims: Rs. 38.11 lakhs

He then shared the DHAN experience in the livestock insurance for the farmers.

DHAN's Mutual Livestock Insurance

- Product in tune with the needs of people
- No procedural bottlenecks at the proposal / underwriting and claim stages.
- The insurer and insured being the same, issues of adverse selection, moral hazard and frauds are overcome.
- Prompt claim payments.
- Implemented with the support of village Mutual Insurance Committee (MIC) and field staff
- All the standard procedures of livestock insurance followed except that the role of Veterinary doctor is taken up by MIC and staff:
- Ensuring and certifying that the insured animals are healthy and worthy to the value of sum insured
- Ensuring and certifying that the dead animal and the insured animal are one and the same – No post mortem
- Premium charged is 4% of the value of the animal and of which 0.5% is towards the administration charges.

DHAN's Mutual Livestock Insurance Experience

- Insured : 3014 animals worth Rs. 175.38 lakhs
- Premium : Rs. 4.99 lakhs
- Claims : Rs. 3.59 lakhs

Way forward steps for effective Access of Livestock Insurance

- Ensuring veterinary services support from government.
- Negotiation with supply chain institutions for supplementary veterinary services feeds & fodder supply and competitive price for produces.
- Negotiation with mainstream insurance companies for pro poor products and systems.
- Training and capacity building of dairy farmers on need for livestock insurance, product and processes.

Shri.Narayana Rao, President, Cooperative Bank, in his address, stressed the importance of Micro Credit support for small farmers. He felt that cooperative system being local and easily accessible should reach out to the member farmers and fulfil their credit requirements. In fact, they should be the first point of contact for the farmer with the formal financial system.

VALEDICTORY SESSION

Dr.Veerendra Heggade, Dharmathikari, Dharmasthala presided over the valedictory session in the presence of Shri.D.V.Swamy, Director, NRLM, Bangalore, Shri.K.T.Rai, General Manager, Syndicate Bank, Dr.S.D. Sampath Samrajya Professor, University Of Agricultural Sciences, Shri.M.G.Bhat, Pragathi Krishna Grameen Bank, Dr.L.H.Manjunath, Executive Director, SKDRDP, Dharmasthala and Shri.M.Kalyanasundaram, Chief Executive, INAFI India, Madurai,

Dr.S.D.Sampath Samraja in his key note address emphasised the importance of small holder agriculture for food security of the country and called for supportive measures to encourage and enhance the small scale farming. He made the following suggestion for supporting the small farmers.

1. Farmers need a high enough income to maintain their rural livelihood and not to move to urban areas in the hope for a better life. To this end, a decent price for their produce and service needs to be obtained.
2. Limited access to land and other natural resources, knowledge education and finance are seriously hindering family farming development globally. Best practices of coping mechanisms should be widely disseminated.
3. Co-operation could offer access to investment, technology and markets making family farming viable Ex: Amul, KMF.
4. Women are the backbone of family farming but their large contribution is not duly recognized in terms of income earned and access to productive

resources and assets. If both women and men have adequate access to productive resources, rural societies can become more resilient.

Hence women's meaningful participation in decision making process should be enabled. Here we can call it as women's empowerment.

5. We should continue raising awareness on the role of women in family farming management and promote women's equal access to land, credit, education, technology, networks and decision making process.

6. Since we all want our agrarian systems and rural networks to be sustainable, we must strive to support family farms.

7. We need pragmatic Co-operation and responsible actions from different stakeholders especially government, Financial Agencies, business fraternity, farmers and civil society.

8. Traditional family farming strongly contributes to environmental sustainability. New environmental challenges should be answered by participative research, knowledge transfer and lifelong learning.

9. Youth are increasingly losing interest in agriculture and are migrating away from rural areas in search for job opportunities in other sectors. In order to provide young farmers with adequate live hood, appropriate income, targeted policies, programmes and projects are essential.

Here the thoughts of former President A.P.J. Abdul Kalam are relevant and he advocated and stressed the importance of his slogan PURA- That's is provide urban amenities in rural area- so that youngsters will stay in rural areas.

Shri.K.T.Rai General Manger, Syndicate Bank in his address elaborated the Syndicate Bank's involvement in promoting financial inclusion. He shared the learnings and new approaches for financial inclusion.

Earlier Approach: Villages with population greater than 2000 covered.

New Approach(PMJDY): Focus on household. Sub Service area (SSA) for coverage of the whole country.

Earlier Approach: Only Rural

New Approach(PMJDY): Both rural and Urban

Earlier Approach: Bank Mitra (Business Correspondent) was visiting on fixed days only.

New Approach(PMJDY): Fixed Point Bank Mitra (Business Correspondent in each SSA comprising of 1000-1500 households 3 and 4 villages on an average) to visit other villages in the SSA on fixed days.

Earlier Approach: Offline accounts opening – Technology lock-in with the vendor

New Approach(PMJDY): Only online accounts in CBS of the Bank.

Earlier Approach: Focus on account opening and large number of accounts remained dormant

New Approach(PMJDY): Account opening to be integrated with DBT Credit, Insurance and pension.

Earlier Approach: Inter –operability of accounts was not there.

New Approach(PMJDY): Inter –operability through Ru-Pay Debit Card, AEPS etc.

Earlier Approach: No issue of Mobile Banking

New Approach(PMJDY): Simplified KYC/E-KYC in place as per RBI guidelines

Earlier Approach: No guidelines on the remuneration of the Bank Mitra (Business Correspondent) Banks went generally with Corporate BCs who used to be least expensive to them

New Approach(PMJDY): Minimum remuneration of the Bank Mitra (Business Correspondent) to be Rs. 5000/- (Fixed +variable)

Earlier Approach: A recent RBI survey finds that 47 % of the Bank Mitra are untraceable.

New Approach(PMJDY): Viability and substantiability of Bank Mitra (Business Correspondent) is identified as a critical component.

Earlier Approach: Monitoring left to banks.

New Approach(PMJDY): Financial Inclusion campaign in Mission Mode with structured monitoring mechanism at centre, State and District level.

Earlier Approach: Financial literacy had no focus.

New Approach(PMJDY): The rural branches of banks to have a dedicated Financial Literacy Cell.

Earlier Approach: No active involvement of states/districts.

New Approach(PMJDY): State level and District level monitoring committees to be set up.

Earlier Approach: No brand visibility of the programme and Bank Mitra (business correspondent).

New Approach (PMJDY): Branch visibility of the programme and Bank Mitra (business correspondent) proposed.

Earlier Approach: Providing credit facilities was not encouraged.

New Approach (PMJDY): OD limit after satisfactory operations/credit history of 6 months.

Earlier Approach: No grievance redressal mechanism.

New Approach (PMJDY): Grievance redressal at SLBC level in respective states.

Shri.M.Kalyanasundaram, Chief Executive, INAFI India presented the key take aways from the sessions on the following aspects

- Models and approaches including integrated farming
- Organising the farmers for scale is highly critical for sustainability
- Value addition to the small farming
- Removing the barriers for access to technology, credit and markets.
- The importance of enabling support and hand holding by Governments, NGOs and other development NGOs - building capabilities and capacities.
- Providing infrastructure including irrigation particularly the farm ponds in the rainfed eco system made huge difference to the livelihoods.
- Connecting small farmers to the urban markets.
- The key for long term sustainability small scale farming hinges on governance literacy, technology literacy, financial literacy, digital literacy and market intelligence.

He informed the gathering that INAFI India and SKDRDP would come out with the conference document containing the deliberations and policy recommendations.

Dr.Veerendra Heggade, in his valedictory address, stressed the needs for the small farmers to unite and organise themselves and find solutions for their problems. It is a happy augury that many Banks, Insurance companies, Government officials have explained about their programmes for the benefit of small farmers and now it is up to the farming community to avail these facilities. The NGOs have greater role to motivate the farmers, build their confidence and capacity to manage their farms effectively and lead a better life. He referred to the thoughts of Mr. Mohammed Yunus that under development is because of lack of financial transactions in villages. Seeking the Government support for giving priority for better irrigation system, he urged upon the small farmers to utilise the scarce resource of water judiciously for survival of the farming, more so the land, for better productivity.

About SKDRDP

(www.skdrdpindia.org)

Sri Kshetra Dharmasthala Rural Development Project (SKDRDP) is a development organisation with mission of promoting farm based livelihood as its major intervention and the microfinance under the frame work of self-help groups is integrated into the livelihood programmes and activities. It is working very intensively in 15 districts of Karnataka reaching 4 million families. SKDRDP has multifarious interventions in agriculture - promoting and supporting farm based livelihoods such as labour share in farming among the smaller and marginal farmers, promoting vegetable cultivation, water shed development programme. For empowering women through livelihood activities, SKDRDP runs SIRI –project.

About INAFI INDIA

Inafi India (International Network of Alternative Financial Institutions –India) is a network of Development NGOs involved in enabling and supporting development programmes/livelihood interventions of the member organizations in India. Inafi India is affiliated to global network of Inafi and being country chapter in India, the network is working on the vision of Inafi for development with dignity for poor and enabling access to basic services including financial services. The collective outreach of members is more than 7 millions across the states. Inafi spearheads the SHG bank linkage and financial inclusion. Building the microfinance sector, capacity building programmes for members and policy advocacy for pro poor microfinance services are the twin mandate of the Inafi India.



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