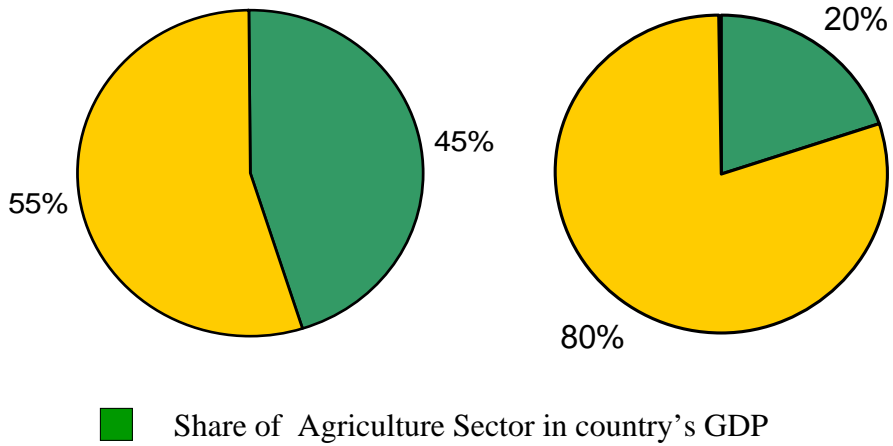


Contribution of Agriculture Sector

1970-71

2005-06



Agriculture Sector - Population Employed

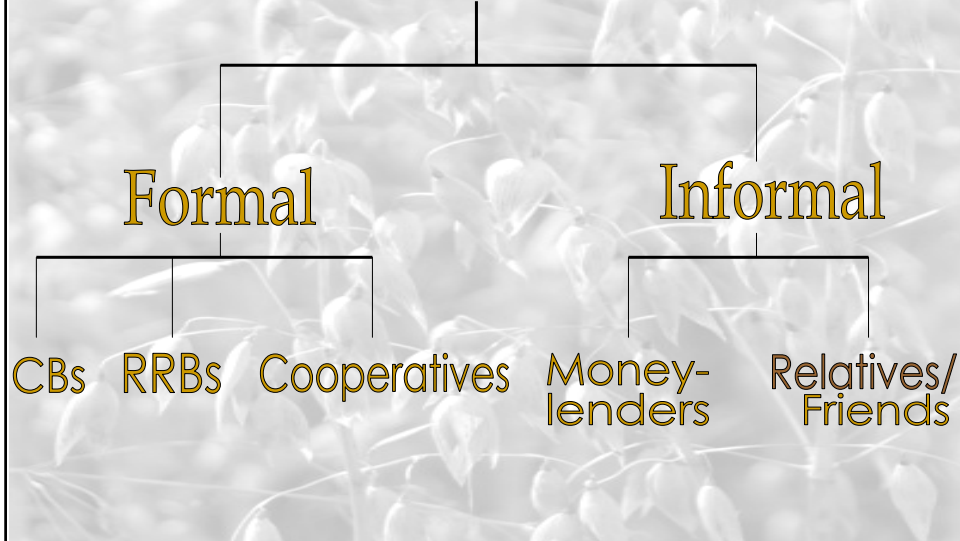
2005-06



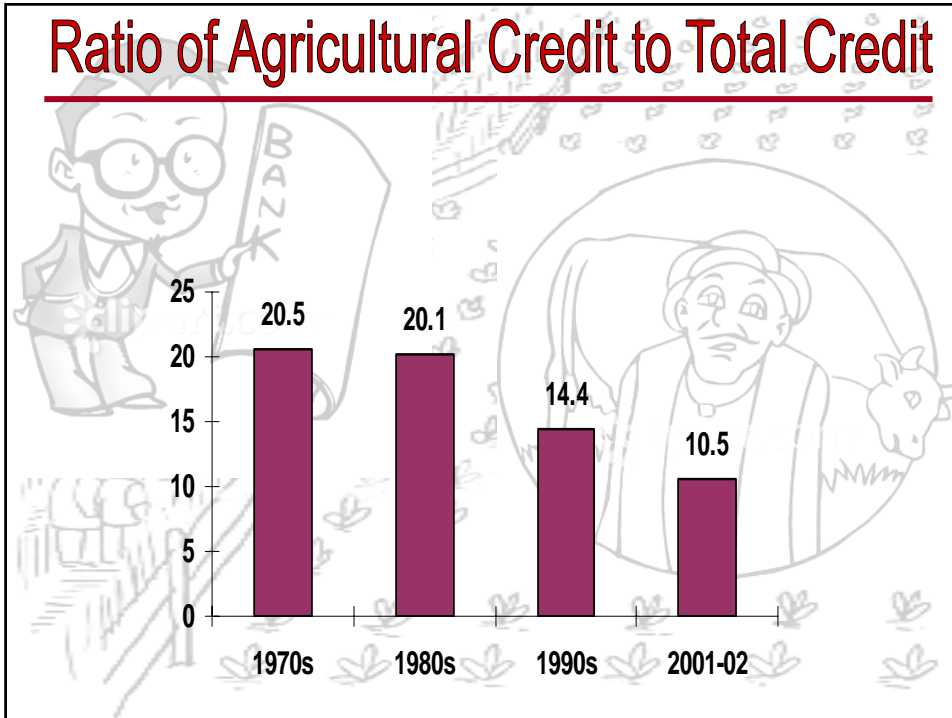
- Percentage of population employed in Agriculture Sector
- Percentage of population employed in Other Sectors

Sources of Agricultural Credit

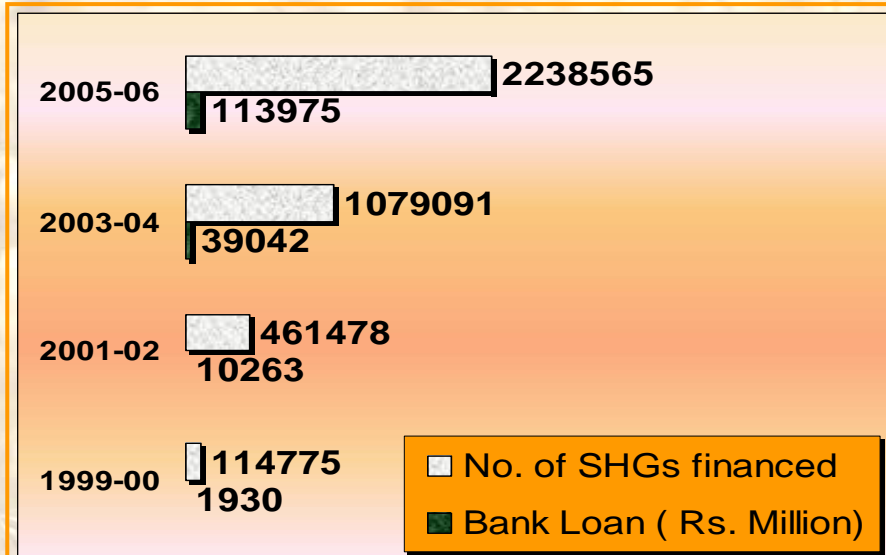

Multi Agency Approach



Ratio of Agricultural Credit to Total Credit



SHG-Bank Linkage- Cumulative Progress (1999-2006)

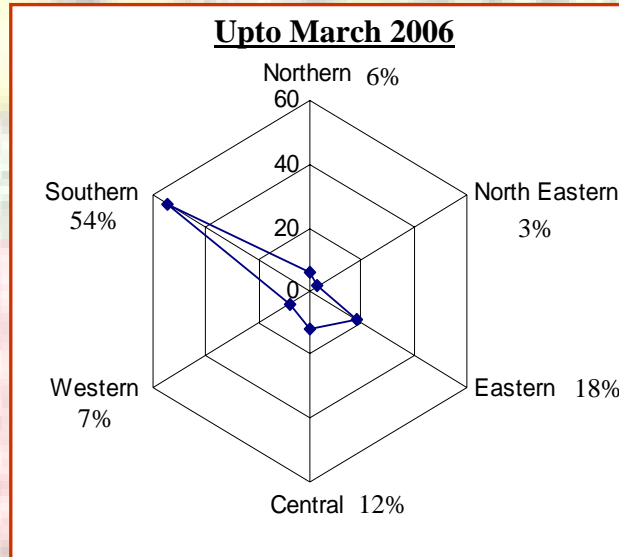



Self Help Group - A Borrowing Unit

(A model of microfinance prevalent in India)

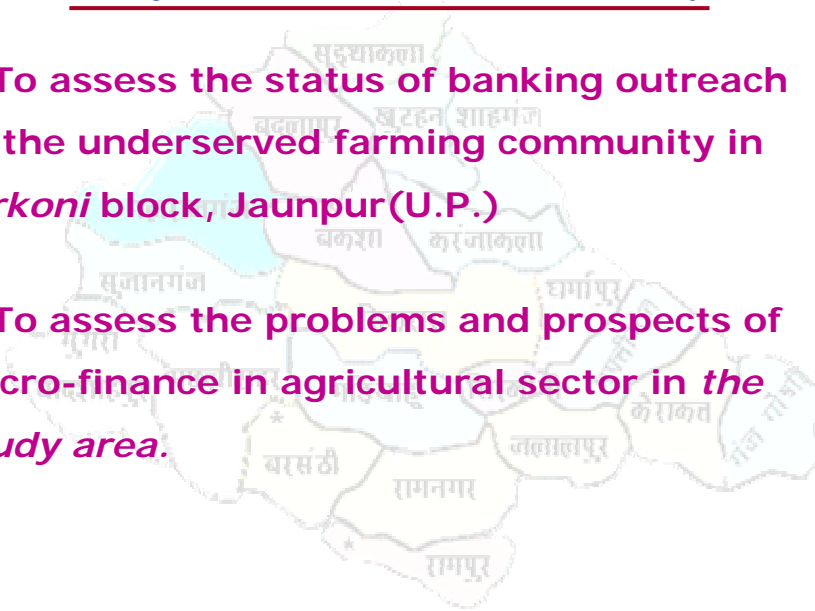
- Peer monitoring of member borrowers
- Credit outreach to the absolute poor
- Active participation of women (90%)
- Timely loan repayment (over 90%)
- Govt. support for SHG based financing e.g. SGSY

Regional Spread of SHG-Bank Linkage



Objective of the Study

- ✓ To assess the status of banking outreach to the underserved farming community in *Sirkoni* block, Jaunpur (U.P.)
- ✓ To assess the problems and prospects of micro-finance in agricultural sector in *the study area*.





Respondents' Profile

- **69% of respondents between 30-40 years**
- **Average family size – eight members**
- **Majority studied upto fifth std.**
- **66 % fall 'Below Poverty Line' category**
- **More than 50% respondents were landless**

Findings

- ❖ **Modest credit needs.**
- ❖ **More than 80% of credit is used for non-productive purposes.**
- ❖ **Major chunk of credit is used to fulfill contingency needs.**
- ❖ **Informal lending channel supplies 80% of credit requirements.**
- ❖ **From borrowers' perspective problems of formal lending channel are inconvenience, collateral requirement, paperwork and delay in sanction.**
- ❖ **Unawareness of various schemes meant for them.**

Impediments **Flow of credit to disadvantaged section**

Lenders' perspective

- **Unappealing clientele base**
- **Legal and regulatory framework**
- **Poor infrastructure development in rural zone**
- **Factors specific to Agricultural Sector**

Microfinance in Agricultural Sector **An alternative**

- **Reduces cost of cultivation and improves productivity**
- **Develops saving habits**
- **Inter-lending for non-productive needs too**
- **Appropriate for their modest credit needs**
- **No collateral required**
- **Loan in time**
- **Low cost credit**

Microfinance in Agricultural Sector

Problems - SHG

- Sustainability of SHGs
 - Quality of group
 - Financial aspects
 - Organizational aspects
- Subsidy element of SGSY against principles of SHG
- Dearth of field staff in Banks

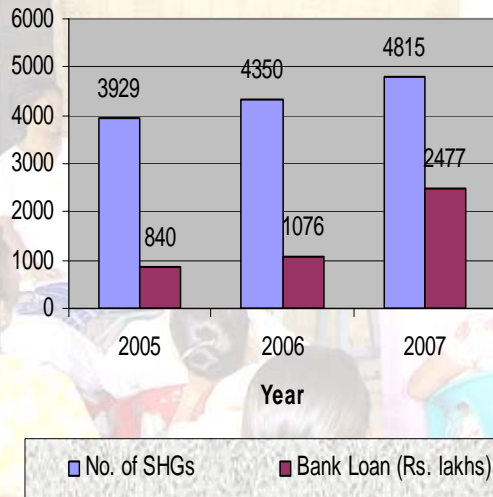
Problems - Agriculture Sector

- Slow capital rotation
- Limited profitability in compare to other allied sectors
- Irregular income generation

Maan Durga Swayam Sahayata Sangh: A Case

- ❑ A group of twelve women share croppers formed by an NGO in July '05 .
- ❑ All the group members belong to BPL category.
- ❑ Group members save Rs. 50 per month regularly.
- ❑ Regular meeting with average attendance of 90 % .
- ❑ Internal lending @ 24% per annum to needy members.
- ❑ Rs. 25000 cc limit was sanctioned to the group after 18 months of its formation by one of the local bank.
- ❑ Only 36 % of members invested in farming activities.
- ❑ Awareness creation and regular counselling by NGO.

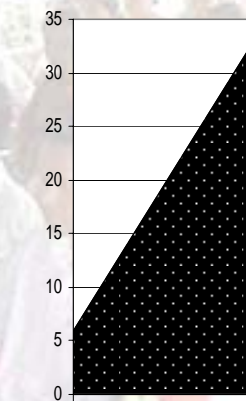
Trends in Cumulative Growth of SHGs in Jaunpur District (U.P)



✓ 93% of SHGs are formed under SGSY

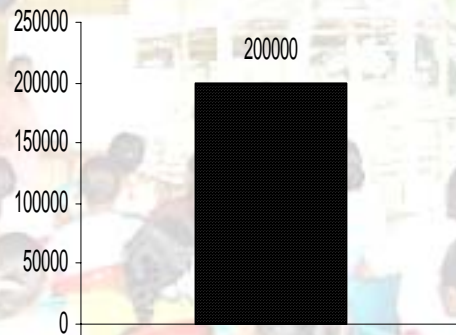
✓ 99% of SGSY loans are given for dairy purposes.

SHG Bank Linkage in Sirkoni Block, Jaunpur (U.P.) (Upto March 2007)



No. of SHGs financed

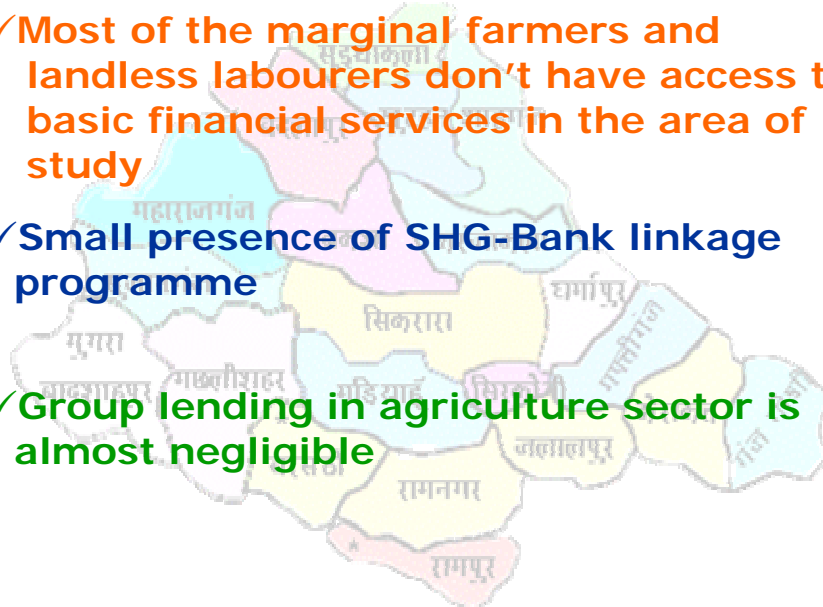
No. of SHGs formed



Bank Loan (Rs.)

Conclusion

- ✓ Most of the marginal farmers and landless labourers don't have access to basic financial services in the area of study
- ✓ Small presence of SHG-Bank linkage programme
- ✓ Group lending in agriculture sector is almost negligible



Bridging the Gap

- ✓ Use Social Collateral
- ✓ Awareness creation
- ✓ At borrowers' doorstep
- ✓ Community Farming
- ✓ Card based Transaction System
- ✓ Provide saving services
- ✓ Grain Bank Approach
- ✓ Better infrastructure



Thank you !