

COMBATING UNTIMELY RAINS

More Funds Likely for Rural Banks to Bail out Farmers



Deepshikha.Sikarwar
@timegroup.com

New Delhi: Rural banks and cooperatives may get additional liquidity line to restructure farm sector loans in states hit by untimely rains. The move is part of state-run lenders' bailout plan for farmers who have lost crops worth crores of rupees.

"Not just rephasing, fresh loans will also be made available to farmers," National Bank for Agriculture and Rural Development (Nabard) chairman Harsh Kumar Bhanwala told ET.

The development lender had kept funding arrangement ready as regional rural banks (RRBs) could run into liquidity issues. Nabard would bear up to 40% of the total rephasing quantum, Bhanwala said. Unseasonal rain and hail storm in states such as Madhya Pradesh, Haryana, Uttar Pradesh and Rajasthan has caused wide-spread damage to crops.

Plans are afoot to identify rain-affected farmers so that the quantum of financial aid can be ascertained. RRBs are working with the governments of the affected states and the agriculture ministry to assess the ground-level situation and will draw up a plan accordingly.

In Madhya Pradesh, 3,000 farmers have been hit and the state has undertaken an assessment exercise to identify the extent of damage and the kind of compensation that farmers would require.

"In some cases there has been some damage to the crop and some value can still be achieved, but in

others, the whole crop has been lost ...," a senior Madhya Pradesh government official said, adding that the package would be worked out accordingly.

Finance Minister Arun Jaitley held a detailed review of the situation last week with agriculture and food ministers of states before visiting Rajasthan to make a ground-level assessment.

"The government would raise the compensation limit to help farmers whose crops have been affected by rain and hailstorm... We take the responsibility to help you stand up again after this huge loss of crops and livestock," he told farmers at a village in Rajasthan, one of the worst affected states, on Sunday.

However, Bhanwala said there is no shortage of funds, but at the same time did not favour complete debt waiver. It could destabilise lending to the sector, he said.

Bhanwala pitched for creating mechanisms such as calamity relief fund and multiple insurance products such as income and weather protection products. "If rural stress is to be mitigated... potential suffering of consumers removed... it has to be a long-drawn strategy... We need to put in robust insurance scheme—income protection, weather protection... We need to devise schemes as also increase coverage," he said.

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