

First, banks should develop an MIS to flag agricultural loans sanctioned against gold as collateral in core banking solution (CBS) to segregate such loans for effective monitoring of end use of funds. Second, banks should provide crop loans, eligible for interest subvention, only through KCC mode to curb the mis-utilisation of interest subsidy. Third, Banks should be allowed to give consumption loans to farmers upto a sanctioned limit of ₹1 lakh under PSL provided banks are able to obtain collateral security and are satisfied with their repayment capacity based on the cash flows of the borrowers. However, such loans will not classify for PSL-Agri.

Fourth, to improve ease of credit, the limit of ₹3 lakh for waiving collateral security by the banks in case of tie-up arrangements should be revised to ₹5 lakh under the existing KCC guidelines subject to the condition that the tie-up arrangements are between the producers and processing units without any intermediaries.

Fifth, for better monitoring of branches by banks and easier implementation of KCC, there should be uniformity in scale of finance (SoF) for both crops and allied activities. Towards this objective, state-wide SoF for crops should be prescribed separately for irrigated and unirrigated areas by the State Level Bankers' Committee (SLBC). IBA in consultation with NABARD should fix a pan-India SoF for allied activities.

Sixth, the corpus of Rural Infrastructure Development Fund (RIDF) should be enhanced. State governments should be sensitised to allocate a larger portion of their borrowing from RIDF for the purpose of absorbing funds for rural infrastructure development in their state.

Seventh, Government of India should push state governments to complete the digitisation process and updation of land records in a time bound manner. State governments should give access to banks to digitised land records to verify the land title and create charge online.

Eighth, aggressive efforts are needed to improve institutional credit delivery through technology driven solutions to reduce the extent of financial exclusion of agricultural households. Also, Government of India should identify the successful models, for example, mobile

warehouses/cold storages and mobile based apps providing farm machineries on rental basis which can be scaled up across the country. Further, banks should be encouraged to provide credit to such innovative solutions which support the agriculture sector.

### Way Forward

Institutional credit at reasonable cost all along the agri-value chain can catalyse the transformation of subsistence farmers into vibrant commercial farmers. A win-win model to spur agriculture growth is linkage of Farmer Producer Organisations (FPOs), marketing cooperatives and integrators with banks, as exemplified by the SHG-bank linkage programme. This will enable them to reap the benefits of economies of scale as well as of assured markets for their produce. This will also be in line with the enhanced role being envisaged for FPOs in the agri-ecosystem and synergise the efforts of the policymakers in propelling farmer incomes.

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