

# Financing small farmers – an innovative methodology

L H Manjunath

*Farmers need credit for various reasons. But their inability to repay has been an important reason for not being able to access timely credit. Pragathibandhu is an innovative programme which makes the poor bankable by diversifying income sources and facilitating labour sharing.*



Financial problems faced by small farmers trying to take up sustainable farming are not new. Farmers need money to grow crops, buy livestock, to raise trees and plantation crops, take up watershed activities etc. But with no access to timely credit these farmers have remained poor unable to maximize returns from their small holdings.

Pragathibandhu is an innovative programme promoted by Shri Kshethra Dhamasthala Rural Development Project (SKDRDP) to take care of the needs of the small farmers. SKDRDP, an NGO working with the small farmers of Dharmasthala in the state of Karnataka has been using the self help group approach for promoting union of small farmers. These groups called as “pragathibandhu” groups are engaged in improving the agriculture practices, sharing labour with one another and accessing credit facilities.

In the year 1982, SKDRDP which was promoted as a charitable organization, to provide temple subsidy to small farmers in villages around Dharmasthala, is today, one of the bigger NGOs in the country. Over the years the organisation has started promoting self help groups of small farmers and women.

## Pragathibandhu SHGs

Pragathibandhu SHGs are organized 5 to 8 members, each of whom own upto 2 hectares of land and come from similar background. The pragathibandhu SHGs are predominantly made up of men members although one or two women members may also be in the group. The members are trained in group management, financial management and documentation.

Group members are trained on various activities related to improved farming. Organising various short duration training programme followed by frequent followup by the staff of SKDRDP are an integral part of the pragathibandhu programme. Further the

farmers capacities are strengthened by organising field visits to model farms, Krishi Vijnan Kendras, interaction with experts etc.

## Planning farm activities

The members are also guided in their farm activities. They are helped in preparing farm plans based on the landholdings and cropping pattern. The *farm plan* is unique to each member and is made along with budgetary estimates. Aspects like multiple cropping to give continuous income, sustainable farming, sustainable water supply and ancillary activities are given due importance while preparing the plan. Different models of water conservation, harvesting and irrigation systems also are included in the farm plan.

The plans are recorded in a book kept in the members house. Meaningful preparation of *farm plan* gives a new focus and goal to the small farmer. It will dare him to conceive a dream and a possibility of realizing his dreams.

The integrated farm unit model also called as Samagra Krushi Ghataka is promoted among small farmers wherein they are encouraged to cultivate multiple crops including field crops, plantation crops and forest crops by intensive practices in his small holding. Farmers are encouraged to use organic inputs, helping

## Increasing biodiversity and income from integrated farm unit

Hanumanthappa of the Jadalli village in Banavasi, Sirsi taluk of Uttara Kannada district has been practicing integrated farming for the last two years by availing the loan and subsidy from SKDRDP. Today, his garden of 3.75 acres boasts of 22 crops along with dairy farming, farm pond and a biological fence. Mr. Hanumanthappa says that he gets a net return of Rs. 1.4 lakhs from his sustainable farming practices. He does not use chemical fertiliser anymore.

him/her to completely avoid external inputs within three years of starting the integrated farm unit. Also multiple farming activities like cultivation of field crops, vegetables, floriculture, dairy farming, poultry, bee keeping, sericulture etc., are promoted so that the farmer is able to get continuous income.

### **Labour sharing**

Labour shortage has acutely affected the small farmers and the crop production. To overcome this labour problem, sharing of labour between the members once a week has been embedded as a feature of the pragathibandhu SHG. The members of the group work on members farm without receiving any wages. The work to be done and the house to be visited will be predetermined. On the day of the laboursharing, hospitality is the 'hosts' responsibility. The same day next week they go to another members house. As a result, each small farmer gets five to six free labour days in two months. As a result, the small farmers get the labour so essential for farming – that too without payment.

The labour sharing programme of the pragathibandhu SHGs is a unique answer to the labour shortage suffered by the small farmers. In this method the farmer does not pay the labourers in cash, instead, returns the labour day to the member farmer, by working on his farm. In the process the affinity between the members of the group becomes stronger. They learn from each other, and help each other in times of crisis. It is very common to see pragathibandhus working for 8 to 9 hours on the laboursharing day to complete the planned task rather than postponing it for another day.

### **Pragathinidhi, an innovative financing development fund**

The loan product of SKDRDP helps in realizing the dream farm plan of the pragathibandhu SHG members. The SHG members save Rs. 10/- every week. SKDRDP provides financial assistance of upto 40 times their savings. This is called as Nidhi (fund) and not loan as SKDRDP expects to treat this money with respect.

The pragathinidhi is available for all possible purposes including agriculture. The groups which have completed 12 weeks of successful savings can aspire for pragathinidhi. Initial loans will be to the extent of Rs. 10,000/- per member going up in subsequent releases. Groups can seek a second loan while the first one is outstanding and three months after the previous loan is released. Members can avail loans from the group based on their savings and purpose. For instance a member can avail upto Rs. 25,000/- or 10 times the savings for emergency purposes, 20 times the savings or Rs. 50,000/- for taking up income generation activities and Rs. 50,000/- or 20 times for building infrastructures like well, pumpset, pipelines etc.

The application for the loan is generated by the group after discussion with the members and based on the farm plans of each member. The applications are then vetted by the village level federation of the SHGs who constitute a subcommittee for recommending the loan. The applications are generally submitted to the field worker after the recommendation of the subcommittee, who then submits it to the appropriate authority for sanction.

The members get a repayment period of 3 to 5 years. However, the money is to be repaid in weekly installments only. For example,

### **UPPA group is proud to share labour**

Uppa pragathibandhu is one of the earliest SHGs formed in 1993 located in Mogru village of Belthangady taluk in Dakshina Kannada district. It is also one of the bigger pragathibandhu SHG with 11 working members. They share labour on Tuesday every week. So far, the Uppa pragathi bandhu group has shared 8,976 labour days valued at Rs. 8.97 lakhs.

Developing plantation crops like areca, coconut, rubber, coco, dug well, tending to vegetable garden, carrying the manure, harvesting the crops are some of the common activities under taken by all the members of the group. All farmers in the group cultivate vegetables to supply it to the Mangalore city market, where they get better price for their produce. Majority also have dairy farming as subsidiary occupation which helps them to produce farm yard manure which has reduced usage of chemical fertilizer, on the farm.

The group has a total savings of Rs. 94,820/-. The group has availed loans to the extent of Rs. 6,21,000/- over the last 17 years. The members have shared this money amongst themselves for a whopping turnover of Rs. 17,36,170/-. All the members unanimously agree that the pragathibandhu SHG is valuable for them, both in terms of providing labour and timely finance.

a farmer borrowing Rs. 20,000/- for taking up arecanut cultivation which has a gestation period of 5 years, has to repay in 156 weeks at Rs. 156/- a week. For this purpose, the member will have to resort to subsidiary occupations like dairy, floriculture, betel leaf or labour work to repay the loan.

### **Conclusion**

Today, SKDRDP working in 9 districts of Karnataka has been working with 1,16,500 SHGs covering 12,85,000 families. With a cumulative savings of 258 crores, nearly 1,75,000 small farmers in Karnataka are able to avail credit for their farming activities in adequate quantities, in time and without hassles, thus improving their lives and livelihoods.

The innovation has developed a new methodology of financing the small farms. The pragathi bandhu innovation looks at daily income of the farmer and encourages him to take up several farm related activities and enterprises which increases his income source. Infact by the time the crop comes to harvest, most of the loan is paid back, avoiding distress sale. SKDRDP has truly redefined lending to small farmers.

### **L H Manjunath**

Executive Director  
SKDRDP

Dharmashri Building, Dharmasthala,  
Blethangady Taluk, Dakshin Kannada District,  
Karnataka – 574216

Email: ed@skdrdpindia.org; Website: skdrdpindia.org