News_AGRC_2000-21.pdf

10/06/00 Daily News

Fast loans for farmers

by H. M. K. D. Herath,
Agrarian Services,
Regional Officer,Narammala

Improving the livelihood of Sri Lankan farmers has been an utmost priority in the development projects enunciated by all governments in the past. They have all worked from the premise that agriculture is the virtual life blood of the Sri Lankan society. The agrarian banking projects started under the agricultural development activities of the present government, can be regarded as a very important step.

Farmers have to invest considerable sums of money for their capital and recurrent expenses and as a result, they are often burdened with indebtedness. The financial insecurity of the Sri Lankan farmers is well known and they live their needy lives in constant fear of the money lender, the middleman and the dishonest trader with whom they have to share their crops to set off unpaid loans. Under these circumstances, the availability of a rural banking system to facilitate the providing of loans to farmer's is an undisguised blessing.

A farmer who is a member of a farmers' association affiliated to the Agrarian Services Department or approved by it, qualifies to obtain loans under the agrarian banking project. Members including the office bearers of a particular farmers' association are required to make an initial deposit of 5000 rupees each at the agrarian committee of the relevant division. This initial investment can be paid in 100 rupee instalments.

The members are entitled to buy up to 50 shares of 5000 rupees each depending on the magnitude of loans they would like to apply for. The growth of savings and the membership, and their active participation are crucial to the success of the farmers banks. The Ministry of Agriculture and Lands will invest money in different activities of the bank to provide the initial resources.

A priority list according to the eligibilities and qualifications of the loan applicants would be prepared independently by the farmers' association. The maximum amount obtainable under this scheme for paddy cultivation is 5000 rupees, but less amounts also can be applied for. In keeping with the order of priority in the list and the monetary resources available the amounts to be dispensed as loans would be decided.

A unique feature of this loan scheme would be the providing of inputs like fertilizers and seeds as loans through the retail outlets of the Agrarian Services Committees. The value of these supplies would be deducted from the loan and only the remainder would be paid in cash. At the end of the cultivation season the farmers are expected to pay back the loans with an annual interest. They can pay back the loans in instalments. Since the money invested by the government in rural banks provide loans as well as accrue interest, which is again dispersed among the farmers for their own benefit, the paying back of loans in time is a crucial requirement for success. To ensure the continued and profitable operation of the rural banking schemes certain important conditions of a reasonable nature have been incorporated. Under these conditions the defaulters would not be given further loans till the outstanding loans are paid in full with interest and penalties. However, the times of repayments and the deadlines have been made flexible; enabling the farmers to pay back when the produce prices are highest in the market.

These measures have been included to encourage the farmers to redeem their loans without undergoing undue hardships and without undermining the banking system invented for their own benefit. The main reason for the failure of previous rural banking and loan systems started by different governments was the non-payment of loans by the farmers.

Making farmers into shareholders, and financially enriching the farmers so that they can obtain their inputs easily and in time, and introducing the farmers to organized farming as a business with the backing of farmer organizations, and showing them the value of collective enterprise are some of the main objectives of the rural banking schemes now in operation throughout the country under the guidance of the Agrarian Services Department.