

Lagging Performance of Agriculture Sector

- 680 million Indians cannot meet their essential needs – most are rural dwellers.
- The lagging performance of agriculture is of concern as it provides:
 - 73% of rural employment (much done by women) and
 - 52% of rural household income
- Some important causes of low agricultural productivity are due to issues and inefficiencies at the farmer level:
 - Slow adoption of modern agricultural practices
 - Inadequate irrigation
 - Weak integration of farmers in the agriculture value chain
 - Limited and costly access to finance



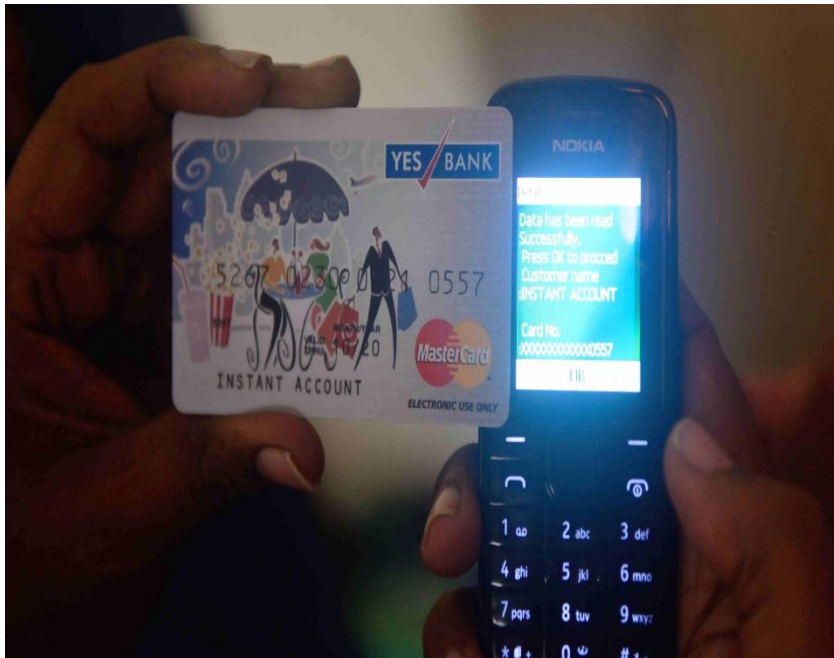
Lack of Investment in Agriculture

- Agriculture generated 17% - 19% of GDP during the period 2007-2012, yet only received 11% -12% of institutional credit.
- A key factor constraining investment in agriculture is limited access to affordable funding for India's 120 million small farmers.



What is Needed?

- Credit processes based on available information
 - Estimate farm household cash flow
 - Reduce reliance on formal collateral for small loans
 - Graduation principle based on good performance
- Credit products respond to small farmers needs
 - Customize tenor and payments to region specific needs
 - Customize tenor and payments to crop specific needs



- Convenience of access to services
 - Use non bank service outlets for payments, deposits loan collection, and cash services
 - Use mobile telephony and card technology
 - Reduce transaction cost
- Improve systems and controls
 - On site know your customer verification
 - Audits of intermediaries and payment channels
 - Improve credit processes and frequency of on site controls
 - Monitor development impact of intermediaries and SHGs
 - Monitor impact on farmers