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Working Group to suggest Measures to Assist Distressed Farmers

Notwithstanding the policy initiatives taken by the Central Government, RBI and NABARD to facilitate hassle-free flow of credit from the institutional financial sector to the agricultural/rural sector, the Indian agriculture has been facing difficult times and the Indian farmers have been experiencing extreme distress. The spate of suicides by farmers in different parts of the country is a palpable manifestation of this unfortunate state of affairs. In order to address this issue, the Reserve Bank had announced in Paragraph 152 of the Annual Policy Statement 2006-07, that a Working Group would be constituted to suggest measures for assisting distressed farmers, including provision of financial counselling services and introduction of a specific Credit Guarantee Scheme under the Deposit Insurance and Credit Guarantee Corporation Act for such farmers. Accordingly, Reserve Bank constituted a Working Group under the Chairmanship of Shri S.S. Johl, Vice Chairman, Punjab State Planning Board, Chandigarh.

The Group utilised data available from various sources in conjunction with meetings, interface with bankers, other special invitees, focused group discussions and field visits to a few districts of Orissa, West Bengal, Kerala, Andhra Pradesh and Punjab to study the problems faced by the farmers. To begin with, the Group has come up with a definition of "distress" and based on systemic or idiosyncratic nature of distress confronting the farmers, the Group has made wide-ranging recommendations/measures, which need to be taken by the Central & State Governments, insurance companies, banks and the RBI. The various recommendations cover both the credit related issues and issues beyond credit. The Group has also suggested a Credit Guarantee Scheme for farmers in distress to be administered by Deposit Insurance Credit Guarantee Corporation.

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