

**SCHEME FOR FINANCING TENANT FARMERS CULTIVATING LAND  
EITHER AS SHARE CROPPERS OR ORAL LESSEES**

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**A: Joint Liability Group Approach:**

**1. Objectives:**

- To augment flow of credit to tenant farmers cultivating land either as oral lessees or sharecroppers and small farmers, who do not have proper title to their land holding, through formation and financing Joint Liability Groups (JLGs).
- To extend collateral free loans to target clients through JLG mechanism.
- To build mutual trust and confidence between banks and tenant farmers and among group members.

**2. General Features of JLG:**

- It is an informal group comprising 5 to 10 members.
- The JLG is primarily a credit group and savings by the JLG members is voluntary.
- Each member will be jointly and severally liable for repayment of loans taken by all individuals in the group.
- There has to be mutual agreement and consensus among all members about the amount of individual debt liability that would be created.
- The groups shall be organised by the like-minded farmers and not imposed by the Bank or others.
- Groups shall comprise members of same economic status and preferably running similar farm related activities.
- The farmers joining the group should be cultivating lands in the same village or in a contiguous area and knows each other well and has interest and mutual trust to continue as group members.
- They should be engaged in agriculture and farm related activities for a period of not less than one year in the area of operation of the Branch.
- Only one member from a family having genuine interest in agriculture and farm related activities should be included in the group.
- Members may be encouraged to meet at a common place on a monthly basis to discuss about common problems, the improved package of practices and other matters related to farming & voluntarily contribute a small saving, which may be deposited in the group account to develop a corpus fund.

**3. Financing Model:**

- Group would be eligible for accessing individual loans from the bank.
- All members should jointly execute Joint Liability Agreement making each member jointly and severally liable for repayment of loans taken by the individuals.
- There has to be mutual agreement and consensus among all members about the amount of individual liability. For this purpose, group has to submit a resolution along with details of individual loans required by each member, as per Micro-Credit Plan (MCP) signed by all the members.

- Branch has to assess the credit requirement based on the extent of land cultivated, crops grown, scale of finance, and credit absorption capacity of the individuals in the group.

#### **4. Purposes for which credit can be extended under the scheme:**

- To meet the crop production requirements as per Micro-Credit Plan (MCP) of the group.
- Other need based credit to meet the expenses, contingent to cultivation of crop.
- **Maximum ceiling:** Rs. 2.50 lakh per group with a ceiling of Rs. 25000/- per member including a limit of Rs. 2500/- for meeting the expenses contingent to crop production.

**5. Rate of interest:** As applicable for short term crop production loans. 7.0% per annum till the interest subvention scheme of GOI is in force and as per normal rate applicable to such type of advances afterwards.

**6. Repayment period:** Repayment shall be fixed based on the crops grown and possible time of harvest with some leverage for marketing and realization of proceeds.

#### **7. Other Conditions:**

- The farmers should not be indebted to any other financial institutions.
- Group members shall undergo one day orientation training in group dynamics by the branch in association with officials of SIRD / RUDSETI if operating in their area, with LDM, AGM/ DDM of NABARD and reputed NGOs in other areas.
- At least two members of the group should have permanent residence within the operational area of the branch and all remaining members are having permanent residence within the district.
- The eligible crops are to be covered under crop insurance scheme.
- The individual borrower shall be covered under Personal Accident Insurance Scheme.

### **B: Individual approach:**

#### **1. Objectives:**

To extend collateral free loans to tenant farmers / oral lessees/ share croppers individually, under the following circumstances:

- i. Farmers cultivating lands under registered tenancy rights.
- ii. Farmers cultivating lands without registered tenancy rights, but their names appear as cultivators in the land records.
- iii. Farmers cultivating lands as oral lessees and land owner is ready to join the transaction as co-borrower.
- iv. Farmers cultivating lands as oral lessees, but land owner is not ready to join the transaction as co-borrower.

#### **2. Financing Model:**

- a) In respect of the first three categories, tenant farmers will be financed by obtaining **registered tenancy deeds**, or **records of rights** as a proof of cultivation, or joining of **land-owner to the transaction**, as the case may be.

- b) In the case of fourth category, where there is neither documentary proof of cultivation nor the land owner willing to join the loan transaction as co-borrower, branches shall adopt the following approach to extend need based credit.
- i. A letter from Revenue Officials / Village Pradhan / Village Panchayat or any Govt. Officials, confirming cultivation of lands by the applicant as tenant farmer, shall be obtained and kept as record.
  - ii. In case the tenant farmer is not in a position to produce the letter as above, he explore the possibility giving a creditworthy third party guarantee, who is a land holder as guarantor.
  - iii. In case the tenant farmer is not in a position to comply with the above, the Branch Manager shall make local enquiries so as to establish that the applicant tenant farmer is a true cultivator of the land.

### **3. Purposes for which credit can be extended under the scheme:**

- To meet the crop production requirements as per scale of finance.
- Other need based credit to meet the expenses, contingent to cultivation of crop.
- Towards any allied activity like dairy / sheep rearing etc. or a non-farm activity in which the applicant has the requisite skill. This shall be a separate loan in addition to the crop loan / SKCC to be extended to the tenant farmer, encouraging him to take up an alternate income generating activity.

### **4. Quantum of Loan:**

- a) **Quantum of loan:** Quantum of loan shall be decided based on the crops to be cultivated and scale of finance for such crops and a small component for meeting the contingencies related to cultivation of crops. Some additional loan component towards alternate income generating activity, as per need.
- b) **Maximum ceiling:** Rs. 50,000/- per member including a limit of Rs. 2500/- towards consumption expenses.

### **5. Rate of interest:**

- For short term crop production loans: The rate of interest will be 7% p.a for loan amount up to ₹ 3.00 lakh as applicable to agricultural crop production loan with interest subvention from GOI. Additional subvention of 2% p.a is provided to those farmers who repay their loans in time. For loans above ₹ 3.00 lakh as per normal rate applicable to such type of advances.
- For income generating activities under allied activities / non-farm sector: As per extant guidelines.

### **6. Other Conditions:**

- The applicant should be a permanent resident of the operational area of the branch. Branches shall establish the identity and permanent address of the tenant farmer / oral lessee.
- The tenant farmer / oral lessee shall open SB A/c under SyndSamanya Scheme.
- The applicant is not indebted to any other financial institutions.
- Eligible crops are to be covered under crop insurance scheme.
- The borrower shall be covered under Personal Accident Insurance Scheme.

- In the case of subsidiary activity like dairy / sheep rearing etc. insurance of animals is compulsory.