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Weak bank support may drive farmers to web of traders, private moneylenders

By [Jayashree Bhosale](#), ET Bureau | Updated: Dec 06, 2016, 01:22 AM IST

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PUNE: The rabi sowing season may be progressing well, but it looks like farmers are teetering on the edge of a massive debt trap created by traders and private money lenders.

The rural economy is in a shambles, say farmer leaders and rural economy experts, who feel that the declining farm credit from institutionalised players and restrictions on the operations of cooperative banks may throw farmers at the mercy of private money lenders.

“The dependence of (farmers handling) agricultural commodities on the informal sector credit is huge and the system is crumbling day by day. A disaster is in the making by May/June, which may soon lead to a rural revolt,” warns P [Chengal Reddy](#), secretary general, Consortium of Indian Farmers’ Associations (CIFA).

Although the rabi sowing figures look good, farmers have borrowed most of the inputs required for sowing operations, for which they will end up paying an indirect interest rate, paid in the form of higher prices.

“The stranglehold of moneylenders and traders is going to increase. The agricultural credit scenario will worsen in the short term and possibly also in the medium term,” said [Shreekant Sambrani](#), former founderdirector, Institute of Rural Management, Anand.

Private money lenders have reported a decline in business due to cash crunch. [Gopal Khandelwal](#), a registered money lender from Vidarbha (who owns a licence for this) said his business has declined by 50% since the ban on notes.

The number of people getting their mortgaged properties released by repaying loans has also gone down by 50%.

“Many farmers are not willing to accept cheque payment for their kharif harvest fearing that if they deposit the cheque in the bank then the bank will take back the loan amount. As they have not sold their produce, they are unable to release their mortgaged properties,” said Khandelwal.

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