Rural Sector occupies a critical space in the Indian economic system, as 3 out of every 4 Indian lives in rural areas & 5 out of every 6 people living in rural areas are dependent on agriculture as source of income. The rural credit markets are still dominated by moneylenders & middlemen who charge a huge rate of interest & margins, thus indulging farmers into debt traps. Adding onto this is the lack of availability of banking services in interior rural areas, thus leaving the farmers to turn towards moneylenders as their source of borrowing. Another reason farmers choose moneylenders over banks is the instant and hassle free loans provided by the moneylenders.

Thus we propose the following business model for the banks which will help the farmers to get a fair bargain for their produce as well at the same time would help them to come out of the debt traps laid by the moneylenders.

1) Banks will act as an intermediary between farmers and end consumers by tying up with 3rd parties such as Farmnation, who in turn have arrangements to sell the produce directly to customers, and also helps farmers to get a fair price for their produce.

2) Customized short term schemes for providing agricultural loans during the month of June & July which is the most capital intensive period in Indian agriculture. The loans would be directed towards small farmers having land less than 5 acres who need small amounts of money (Rs 25000 - 50000) during June & July.

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Total NPA of the bank (Vaidyanath Co-operative Bank) is 19% of the loans given. Of this 64% are agricultural loans given to small farmers. This Business model will help to reduce the NPA percentage from 19% to around 12%.

Further this will generate an additional revenue for the banks in terms of the commission earned & increase in customer base.