

Approach Paper

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Agricultural Finance has been in the past on priority list in lending by the Banks. 18 per cent of the total financing is earmarked for Agriculture. Similarly 72 Hi-tech Vrnches had been set up by various Nationalised Banks to finance the Hi-tech Agricultural Activities.

MCCIA had followed up with Governor of Reserve Bank of India in converting these Hi-tech Branches into Agribusiness Branches, which was appreciated. Thus, by converting and further increasing agribusiness branches, the much needed value addition agribusiness will get higher monetary inputs, which is the need of the present day.

There is plenty of agricultural produce and there is plenty of money with the Banks. Presently 30 per cent of agri-produce is vanishing harvest, i.e., wastage of farm produce and hence capital from Financial Institutions is also lost, resulting in NPAs in farming sector. This needs to be corrected in the future reforms.

The Relevant Issues

The farm produce, which is in plenty in our country, needs to go through proper development of Agribusiness hub activities, which in future will require appropriate financial inputs.

Definition of Agri-business Hub

The Agri-business Hub will consist of the following: (1) Collection centers of agri-produce at village level; (2) Grading & packaging units – which will help in value addition to agri-produce; (3) Godowns & Storage units – which will be useful for safe handling of agri-produce; (4) Cold Chains – which will support increase in shelf life of agri-produce and (5) Logistic support – which will help in proper and safe transportation of agri-produce in domestic, as well as, international markets.

This is already carried out successfully in the developed countries, due to large size operation of agriculture farm and hence economies of scale. In India's context the farms are fragmented and are of small size.

Therefore, Taluka level agri-business hubs need to be established in order to service the above activities. Funds need to flow in that direction to create surplus investable funds in the hands of the farmers. These funds available with the farmers will be helpful in servicing the loan component and reinvestable reserve for future, technological and infrastructural investment.

Honourable Prime Minister and Finance Department of Government of India have taken the initiative recently and funds of Rs.50,000 crore have been allocated for various agricultural activities. Agri-business Branches can now take it to the self-help groups of farmers for viable distribution – so that the infrastructure lacuna can be met.

The new agricultural reform package by the Ministry of Agriculture, Government of India has made specific provision of supportive financial packet in form of pledge finance and warehouse receipt for agri-produce.

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