A PRIMER FOR MEGHALAYA'S YOUTH

Agricultural Infrastructure Fund

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SPECIAL ARTICLE
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The Government of India (GoI) announced an Agriculture Infrastructure Fund (AIF) in May 2020 to invest Rs 1 lakh crore over the next decade to build specific infrastructure connected to the agriculture sector. An amount of Rs.190 crore was allocated to the State of Meghalaya to implement the scheme during 2020-21. The principal idea of the Fund is to create or modernize agriculture value chains in the country. Most central government schemes are either grant-driven or subsidy-driven, but the AIF is different from them in that it changes the model to a debt-driven one – the Government being a facilitator now instead of being a patronizing provider. Since Agriculture is a priority sector in India, the Banks are being gently nudged by the AIF to kick up the infrastructure creation in the country through two handles: (i) an interest subvention approach and (ii) providing credit guarantees to the Banks. The GoI will bear these costs to safeguard the project viability, and banks' bottom lines are not hurt. The AIF is a liberal scheme to support the farmer-entrepreneurs, start-ups, FPOs, SHGs, Cooperative Societies to avail medium to long-term loans from the Banks with an interest subvention of 3% for projects up to Rs.2.00 crore.

Typically, agriculture infrastructure means irrigation, rural roads, transportation machinery, greenhouses, warehouses, post-harvest infrastructure like cold chains, innovative and precision agriculture infrastructure, financial institutions, information and communication services, markets, and renewable energy structures. AIF gives a special thrust on developing post-harvest infrastructure on the premise that such a value-addition will tilt the scales favouring the farmers. However, any unique idea specific to the State's requirement can also be pitched by the entrepreneurs.

The AIF is well-founded also because: (1) Most small and marginal farmers (>80% of Meghalaya's farmers) have no cash surpluses to build any such infrastructure on their own. So, public and private investments should be marshalled to help the farming community (2) Public investment in Indian agriculture has been near stagnant for decades now. In fact, the private sector invests far more in the agriculture sector than the state or central governments put together. Through the AIF, the Government wants to bring in fresh private sector investments into the agricultural sector. The idea behind this Fund seems to cut down the inefficiencies of routing the subsidies through the formal government channels, which to my mind, are incalculably high.
The perceived benefits of the AIF are multiple: (1) A survey report indicates that our farmers are unable to sell up to 40% of their produce. When marketing infrastructure becomes available to the farmers, they may sell directly to a broader group of consumers, and hence they may get better value. (2) When investments materialize in logistics infrastructure in the form of cold chains or warehouses, post-harvest losses will most certainly come down, and the problem of intermediaries will be reduced. (3) The farmers will be able to time the markets and sell at the best prices. (4) The Government will have ensured better targeting of the priority sector lending. (5) Wastages of agricultural produce will decrease (6) Agri entrepreneurs and start-ups will push for innovation in the agriculture sector by leveraging new technologies, including the Internet of Things, Artificial Intelligence, etc. It will also create avenues for better collaboration between entrepreneurs and farmers. (6) With Credit Guarantee, incentive and interest subvention, Banks will lend with lower risk and (7) The consumers will also benefit because of better quality and lower prices.

For the benefit of the young readers who want to avail a loan under the AIF, I will briefly explain the process for obtaining a loan: (1) The GoI has created an institution by the name 'National Agriculture Infra Financing Facility' to facilitate the application process. (2) To begin with, an applicant has to register on the online portal of the National Agriculture Infra Financing Facility (NAIFF) (https://agriinfra.dac.gov.in/) (3) Upon receiving the credentials, loan application should be submitted online by filling an application form available on the portal and uploading the soft copy of Detailed Project Report (DPR) (4) The Government of India will send the application along with DPR to the Bank. The Bank and the branch may be opted by the applicant (5) The Bank will appraise the project and decide to sanction the loan or otherwise, based on the project's viability. (6) If the loan is sanctioned, funds will be transferred directly to the beneficiary's bank account. The time taken for completing the process is sixty days (7) Post the loan disbursal to the beneficiary by the Bank, the interest subvention and credit guarantee fee will be released by the GOI to the Bank and the CGTMSE. The interest rate may vary between the Banks, but no bank can charge more than 9%. The portal gives details about the lending rates of various Banks, so the entrepreneurs make the correct choice. No collateral is required because the credit guarantee is given by the Government of India. Beneficiary contribution is 10% of the project cost. Since the interest subvention is credited by the Government of India immediately after the Bank disburses the loan, the beneficiary is charged only the residual interest. Also, the DPR templates are made available on the website, so potential entrepreneurs can take advantage of them while preparing their projects.

One good feature of the AIF is that it is a top-up scheme combined with other state and central government schemes. Therefore, any grant or subsidy available under any present or future scheme of the Central/State government can be availed for projects in addition to the financing under the Agriculture Infrastructure Fund. Furthermore, the repayment period covered under the financing facility will be for a maximum of 7 years, including the moratorium period of up to 2 years. Twenty-four per cent of the total funds available under the scheme should be utilized for SC/ST entrepreneurs (16% for SC and 8% for ST). Besides this, lending institutions would ensure adequate coverage of entrepreneurs belonging to women and other weaker segments of society to ensure that the benefits of implementation are inclusive.

The NAIFF has already received 11,165 applications, and Rs 5004 crore have since been sanctioned. Regrettably, in Meghalaya, only one sanction has been issued so far, that too for a meagre amount of Rs. 15 lakhs, for a Mustard Oil Expeller in the West Garo Hills district. The poor response is because (1) low awareness about the AIF among the stakeholders, and that is because there have not been many efforts to organize workshops or awareness programmes across the State. This article is an effort to create such knowledge, so the number of applications will go up (2) The predominant culture among the youth of the State is toward receiving grants and subsidies but not so much to build enterprises. However, of late, this culture is changing thanks to the momentum created by Meghalaya Institute of Entrepreneurship (MIE) & PRIME (3) Even when some awareness is generated, handholding support will still be required because most applicants would be first-generation entrepreneurs. They will benefit immensely if some government organization does the handholding of these applicants end-to-end. Hence I believe the PRIME and the Farmers' Commission should come together to create an ecosystem of entrepreneurship through the AIF, discussions for which have begun (4) The commercial Banks do have their priorities, and the likelihood of their being proactive to create entrepreneurship is low. History is not on their side. Therefore, a Council of Bankers can be constituted by the Commission to bring both the Bankers and the Entrepreneurs together. Meanwhile, the allocation of Rs.190 crore will lapse by March 2022. Who will pick up the challenge?

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