

Kissandhan - Setting the path in Agri Financing

Since last few years the thrust on industrialization has increased. Yet, agriculture is one a major contributors to India's GDP and employment. Almost 70 percent of population relies on agriculture as principle means of livelihood. Post slowdown of 2008, there has been a significant decline in agriculture sector. Gauging the importance and need of the hour, government has laid down plans and taken initiatives to promote the sector. To sustain development, ensuring institutional credit to farmers is of utmost importance, apart from promoting scientific warehousing and increasing shelf life of produce. Several schemes have been announced time-to-time to encourage farmers and keep the supply chain rolling.

Out-of-turn monsoon generally offsets agriculture production adding to the woes of farmers, especially small farmers. It also adversely affects asset quality of agriculture credit due to crop damage. This results in selling the crop at short intervals at mandis and compromising on price of agriculture commodities. Tackling the problem, government has been requesting banks and NBFCs to ensure credit allocation to farmers and increase lending to cultivators.


RBI has recently come out with revised guidelines on Priority Sector Lending norms with a clear focus on supporting small and marginal farmers and small agro processing units. RBI has done away with direct and indirect agri financing and created a single group called farm credit which takes care of financial support to farming community. Farm credit consists of loan for farmers, JLGs who are engaged in agriculture and allied activities; loans to farmers under Kissan Credit card scheme; loans to farmers for pre and post harvest activities; loans up to Rs 50 lakh against pledge/ hypothecation of agriculture produce; loan to corporates; partnership firms, societies

of farmers and farmers' producers organisation etc up to Rs 2 cr. RBI has added new categories like loans to renewable energy sector.

Using crop as Collateral

Although, through directives from RBI, banks are doing their bit, the need of the hour is to help mitigate risk and enlarge rural credit. Agri and collateral financing has not evolved to reach out to small and marginal farmers. It does not give farmers benefit of using crop as collateral or link with credit worthiness of farmer.

Private companies like Sohan Lal Commodity Management (SLCM) have developed methods that help farmers avail a loan against their crop through their wholly owned subsidiary Kissandhan. The company gives farmers a supplementary source of income, and provides them with solution of crop storage till they are ready to sell off the production. This reduces the risk of making losses on the crop sale.

Kissandhan provides financing solutions against storage receipts for agri-commodities. To support the agri commodities eco-system; be it farmer, traders, small agro processing units; Joint Liability Groups etc the need is to manage the commodity risk rather than looking at financials of these entities who need to be part of financial inclusion. Kissandhan's approach to consider the underlying commodity as collateral and provide financial assistance has helped many farmers and met the need of market. The company has impacted about 1,15,264 farmers till April 2016 by providing timely finance. Using crop as collateral need more focused approach in managing the underlying asset (crop or commodity in this case) efficiently in terms of quality and quantity of the commodity for better risk management. 



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