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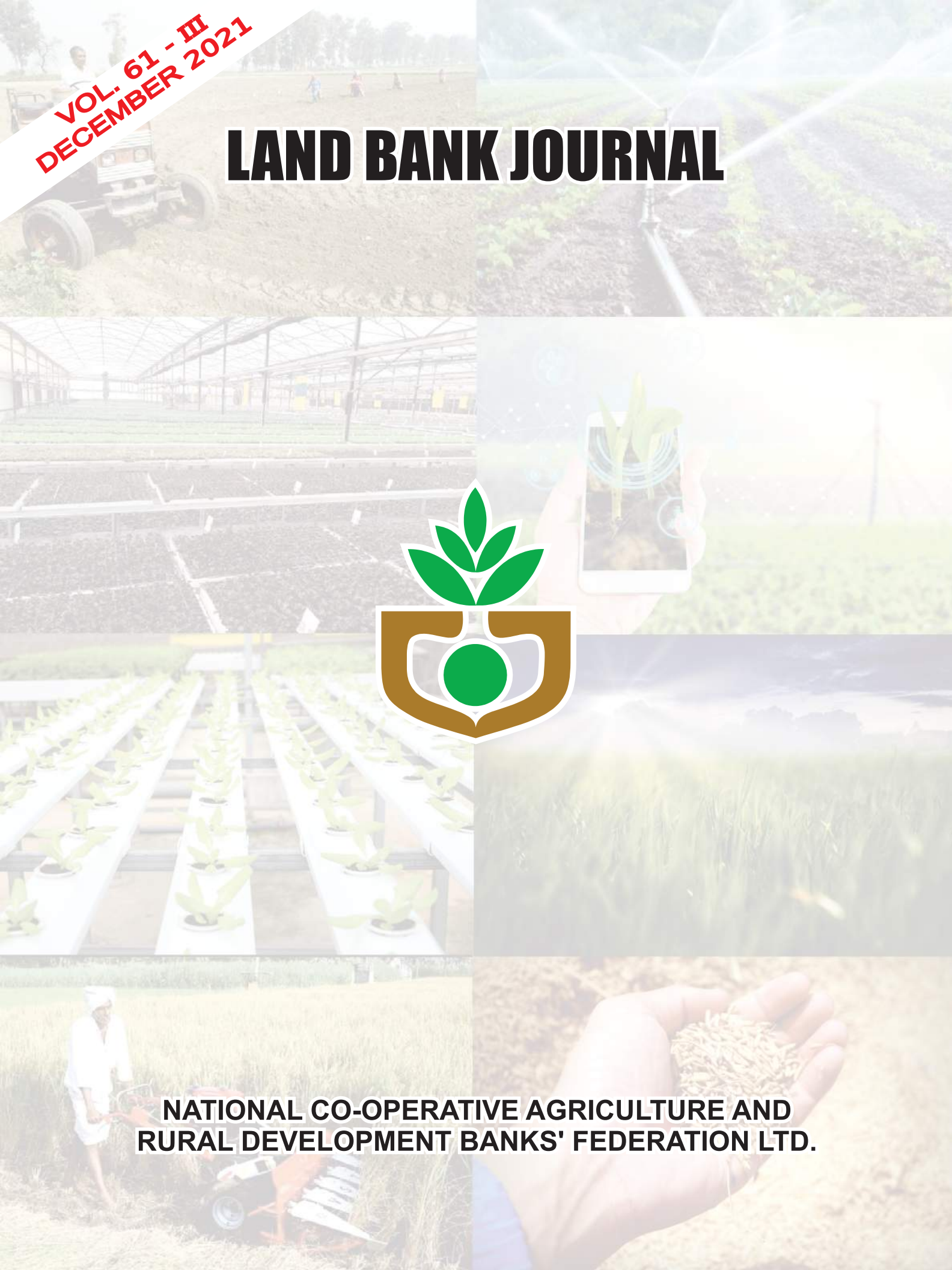

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Editorial

The Ministry of Cooperation has initiated the process to formulate a National Cooperative Education and Training Scheme and circulated a concept paper on the subject to various stakeholders for their views. The objective of the scheme is promoting cooperative education through formal education system and to upgrade human resources in cooperatives. The concept paper circulated by the Ministry envisages inclusion of cooperation as a subject in the school curriculum and introducing courses on cooperative studies in universities. Promoting cooperative education in schools and universities is an important step towards building awareness about cooperatives in the society. Public awareness about the cooperative ideology and the distinct features of cooperative business model will create the right environment for cooperatives to function successfully. Cooperatives are primarily business enterprises to fulfil the common economic needs of their members. At the same time, cooperatives also strive to meet the social and cultural needs of members and to adhere to the values of self-responsibility, democracy, equality, equity and solidarity. Cooperatives also practice the seven principles of cooperation including concern for community which includes community development on a sustainable basis. Concern for community is the social dividend given by the cooperative in return to the community support it gets by way of business and membership growth and financial resources contributed by members as equity and deposits at which lower cost compared to other sources. However, the cooperative and the society reap these benefits only when the cooperative operates in a cooperatively sensitized and enlightened community.

School cooperatives should be an important part of cooperative education in schools. However, new guidelines and rules are required to form students' cooperatives in all schools which are also run by students under the guidance of teachers.

National Cooperative Union of India is actively considering a proposal to establish cooperative university to independently design and conduct various courses on cooperation taking into account the knowledge and skill requirements in cooperative sector. However, starting a university is not easy considering the huge funding requirement for infrastructure and operational expenses still it breaks even. Deemed university status for VAMNICOM was also proposed in the past which, however, did not reach the stage of approval. This proposal can still be revived as VAMNICOM along with affiliated campuses all over the country fulfil the basic conditions regarding minimum size of students and teachers and the age of the institutions for getting deemed university status. Cooperative studies in universities, however, becomes sustainable only when there are placement opportunities for students at adequate level. A national policy on cooperative recruitment system is also necessary to facilitate this. While mainstreaming cooperative studies in schools and universities is necessary to meet manpower requirements of cooperatives, of right talents and skills, it helps to create public awareness about cooperatives only in the long run. Short term strategies are also required to create public awareness about cooperatives. Sectoral federations should be supported for organizing cooperative education programmes for members and prospective members of their affiliate societies at grassroots level. These programmes will be self-sustainable when linked to marketing and business promotion of the cooperative concerned.

Revamping of cooperative training system is necessary for upgrading human resources in cooperatives. The training, apart from employees should also cover members and elected directors. There is shortage of training infrastructure for cooperatives in almost all sectors. At the same time, existing infrastructure needs to be utilized adequately and effectively. Training programmes should be linked to training needs of employees which are assessed objectively as part of annual performance appraisal. Mandatory norms are also required for minimum training days per year to be undergone by employees and also for allocation of funds for training at minimum level in the annual budget of cooperatives. Similarly, it should be made mandatory for state level apex cooperatives to establish in-house training centres if the total staff strength of the apex and affiliates is above certain prescribed level. The proposed National Cooperative Education and Training Scheme needs to consider these challenges in strengthening cooperative education and training in the country.

K. K. RAVINDRAN
Editor

ESSENCE OF FINANCIAL ENGINEERING IN STRENGTHENING FARMER INCOME

Dr Yadnya Pitale*

"Agriculture is Anaadi Anant", and has always been a means of earning livelihood rather than a business to the farmer community. Having said this there is absolutely no ambiguity that farming is treated as the most opted occupation to earn your own bread.

Farming is the mother of livelihoods and meant just growing food. The basic requirement of earth, water and seeds come directly from the nature itself. And does not involve any artificial means such as monetary exchange to initiate the process of earning one's livelihood. Ability to process natural inputs is what makes human kind different from the other living earthlings. Mankind grows food and consumes. Hence for centuries there had been no monetary value to this occupation. Humans sowed and they reaped.

It was only after the progress in materialistic society that there was an evident need to monetise excess production and pave a path for monetising agricultural production. However, in the present scenario we still find ancient footprints of time where a psyche exists that sowing and reaping is the only shape to this occupation. While the changing kaleidoscope of time demands agriculture to be treated just in the same way as the other Business Concerns do.

Thus, the changing face of agriculture demands not only that agriculture be corporatized (which means to be treated as a business entity) but also treated in par with other business activity.

The rising demand for reduction of agricultural subsidies to overcome the issue of fair pricing and treat the global farming business community on par is pushing once covert Indian farmer to treat his occupation with more versatility not only in terms of production mechanism but also while managing the finances.

Climatic adversities and the holocaust there in with climate change being one of the major concerns for famers has pushed the Indian farmer to depend on debt based working capital to fund farm operations. However, the same being a financial burden both to the state financing agencies and the farmer himself who has to wait for the announcement of subsidies, subsequently loses planning of farm operations. Thus, setting an inherent cycle of uncertainty.

Financial engineering of farm operations will no doubt will be an effective tool to overcome this uncertainty both for the state and the farmer and strengthen his income.

In addition to micro level, macro level financial engineering will help reduce variety of factors at macro level which are root to major constraints such as,

- inadequate or ineffective policies
- high transaction and logistics costs for the remote rural populations
- Problems related to covariance of production, market, and price risks
- absence of adequate instruments to manage risks
- Instability in value chains
- lack of expertise of financial institutions in managing agricultural loan portfolios

And help growth and deepening of agriculture finance markets.

A stable development in commercialization of agriculture requires financial services that can support larger agriculture investments such as,

- Improvement in ground level infrastructure such as mechanised farming techniques in terms of seeds, sustainability marked fertilisers, mechanised farming equipment, etc.
- External infrastructure such as transportation and logistics and
- Lastly, the overall controlling infrastructure related to technology etc.

All the above require long-term funding.

Earlier a farmer's problem area majorly was to address systemic risks. And systemic risks received support from state financing agencies in the Indian scenario. The use of Crop Insurance was of secondary use as a risk management practise. Moreover, larger presence of small and marginal farmers especially in Maharashtra did not make it popular.

*Independent Consultant

However, changing face of agriculture is certainly making Agriculture finance and agricultural insurance strategically important for eradicating extreme poverty and boosting shared prosperity.

Recent advancements in technology have made a major breakthrough in terms of mechanizing the agricultural processes. Leveraging mobile phones and electronic payment platforms to enhance access and reduce transaction costs. Which directly did not relate to farming earlier have become an integral part of modern farming .

Thus, an important challenge now exists financially engineer a fund to fund these activities and thus educate the farmer polyvalently to address the issue of supply of finance to these new spurts of requirements in the farming scenario which require adequate finances.

Growing income of farmers and agricultural SMEs through commercialization and access to better technologies, increasing resilience through climate smart production, risk diversification and access to financial tools, and transition of non-commercial farmers towards commercial agriculture and facilitating the consolidation of farms, assets and production (financing structural change) is the need of the hour.

A solution-based State Finance Board will set the pace.

Presently, farmers are having information on piece meal basis. In spite of agriculture institutes proving their best, what helps a standalone farmer is just 30-40% of the information as every farm has its own tell-tale story and history of cultivation. Thus, every individual farmer has different financial need. A tailor-made approach especially when it comes to financing need is what matters most to such a standalone farmer. Again, this farmer is not only affected by individual issues but also systemic issues as discussed earlier. Hence, policy and regulatory interventions should be such that they help and reach individual farmer needs. As smallholder farmers work on lower operating costs .

Hence a State Board which focuses on provision of finance, education and marketing needs will financially engineer products catering to suit any ordinary farmer. Such Board will financially engineer consolidation of these 3 activities into a single entity which will not only consolidate information on all these three fronts but at the same time channelize this information in order to suit the requirement of a standalone farmer, a farming cooperative or a farmer producer company.

The Board should also incorporate fundamentals focusing on developing and implementing financial solutions for “green” agricultural investments promoting resilience of agriculture to climate change and reduction of agriculture's carbon foot print on the environment.

Role of the Board needs to be to implement agriculture finance strategies and instruments to crowd-in private sector, enhancing access to suitable financial services to farmers particularly smallholders and agricultural Small and Medium Enterprises (SMEs) as a way to increase agricultural productivity and income facilitating the integration of finance, technology, production and marketing entities in agriculture to achieve economies of scale and stronger presence in markets.

In order to accomplish such an objective the Board needs to implement important instruments of work such as diagnostics on the state and areas for improvement of agricultural finance, participation of team members as technical experts in agricultural finance and insurance in lending and advisory projects, and primarily work on agriculture insurance and its linkages with agriculture finance.

The key areas of work of such a State Board should be:

Policy and Regulatory Interventions: Produce concrete action plans to reform public policies and regulations in order to create an enabling environment to mobilize agricultural finance.

Some examples of policy and legal/regulatory intervention areas include lending quotas, prudential regulations impacting agricultural lending, warehouse receipt financing frameworks, and alternative dispute mechanisms for contract farming. Advise governments on policies for agriculture insurance.

The Board could collaborate and coordinate with the Global Index Insurance Facility (GIIF) and the Disaster Risk Finance and Insurance Program (DRFIP) for developing policies related to insurance.

Strengthening of Relevant Institutions: Provide technical assistance to reform and build capacity of public financial institutions such as banks, PACS and NBFCS. And coordinate between farmers and institutions to facilitate the need for finances.

In Case of commodity exchanges the Board can play a major role of checking the fair prices of commodities etc.

Furthermore, design and implement risk-sharing mechanisms through various instruments, such as partial risk guarantees.

Develop Tailor-made Financial & FinTech Products:

Design and develop a wide range of instruments, either as a technical assistance or part of lending projects: value chain finance, inventory finance (like warehouse receipts), partial credit guarantee schemes for agriculture-sector loans, matching grants, crop insurance, price hedging instruments, and gender finance. Implement mobile banking & payment platforms to enhance access to finance and reduce transaction costs within the eco-system.

Knowledge Management and Community outreach:

Since the Board would be focal point of merging ideas and innovations, consolidation of this knowledge and prescription of the same through extensive outreach programs. Develop a fund which will assure pension type returns for farmers who are senior citizens.

We have discussed a macro view of how financial engineering needs to be done at a macro level as a State Board however the same needs to be looked at a micro level i.e at the farmer level.

Indian Farmer's need to adopt Smart Technology solution

The Indian farmer can no longer count on fingers to understand the productivity and financial numbers of his farm production. He needs to be better equipped with production numbers based on forecasts and the profit numbers at the end of the production activity. And in order to accomplish this task he needs to better equip himself based on smart technology and fintech solutions.

With the help of fintech solutions a farmer will be able to manage standard accounting records, inventory orders, sale and other activities such as maintenance of soil card records, development of alerts for soil health and other soil related inputs which will help a farmer to check on growth and productivity numbers. Thus the farmer on his own can financially engineer his financial needs and know what actually is the need of the hour instead of seeking excessive debt and defaulting on the same.

MIS based technology solution based on historical and present soil and climatic estimates will help him understand the type of crop for his soil in turn making a better choice for crop rotation. Crop rotation will be based on 90% assured estimates rather than adhoc crop rotation. Well maintained good financial accounting records along with history of soil records will also help him fuel growth in investment value of his farm in time of divestment as it will provide a deeper insight in the farm fundamentals based on crisp certified information.

A farmer's revenue has always been determined by the marketplace. In both good and challenging times, farmers need to stay focused on "tightening the belt. Control over every rupee saved in expenses is a rupee that directly benefits the bottom line which means more quality seeds, affordability to buy organic fertilisers etc. While manual expense control is time consuming and tedious, a farmer will see benefit when MIS automation is put in the farm system. Smart Technology based solutions which will help the farmer achieve breaking even, put a stop loss in excessive expenditure such as buying seeds or fertilisers over a limit etc will help eking out a profit in tough times.

Adapting to technology still is manageable for an ordinary standalone farmer however understanding simple financial statements in connection to his farms becomes a way bit difficult. However, fintech software simplify accounting standards to adapt the farmer's knowledge of making profit. And will no doubt help him understand matching his external liabilities such as bank loans and expected revenue and thereafter its settlement after considering internal domestic expenses. Moreover, focusing on generating cash and reducing debt needs to be the motive. Bankers lend farmers cash to run their farm activity. And it's fair that they need to get paid back with cash and not the farmers land if he runs severe debt. Thus, a fintech solution will financially engineer the farmer's monetary balances enabling him to be more

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"BARRIERS IN THE VALUE CHAIN OF AGRI-PRODUCES: A STUDY OF FARMER PRODUCERS ORGANIZATIONS (FPOS) IN INDIA"

***Dr. Rajiv Kumar & ** Dr. Neeraj Kumar Dubey**

Background:- Inbound logistics, operations, outbound logistics, marketing and distribution service are the key activities of FPOs to strengthen the value chain of agricultural products. The aim of these activities is to generate value that is greater than the cost of doing so, resulting in a higher profit. FPOs can also boost the key activities of their agri-produce value chain. Every primary activity has a function for the support, or secondary, activity. Human resource management, recruitment, infrastructure, and technical support are only a few examples. Marketing and sales strategies such as advertisement, promotion, and pricing are used to increase exposure and attract the right customers. Essentially, this includes all practices that aid in persuading a buyer to buy a farmer's product. Agricultural marketing is distinct from the commonly understood definition of marketing, which entails meeting the demands or desires of customers. Food is the main product of agricultural marketing, and it is a necessary, life-sustaining requirement and a human right, so ensuring food supply is an important part of governments' mandates all over the world. As a result, the government has been engaged in food management in most countries, either by providing markets for agricultural produce, directly procuring farm produce for subsequent supply and distribution, or by importing and exporting food and food goods.

Agricultural marketing also uses a large number of intermediaries, market functionaries, and semi-skilled and unskilled workers at all levels of the supply chain. Agricultural goods generate externalities, which lead to the development of flourishing warehousing, transportation, agricultural finance, and insurance systems, each with its own set of complexities and dynamics. Agricultural marketing has been summarised as a means of enhancing resource use and production management, increasing farm revenue, expanding consumer geography, cultivating and driving the growth of agrobased industries, creating jobs, promoting economic growth, and raising living standards. One of the most important players in agricultural marketing is farmers, and the other is clients (end consumers, growers, retailers, and exporters). The supply chain's intermediaries and other organisations (commission agents, vendors, transporters, warehouse service suppliers, financiers, regulatory structures, and so on) make it possible to move goods and carry out other support operations. Small individual lots for sale, a lack of knowledge of market requirements, a lack of post-harvest infrastructure and funding, and a lack of knowledge of such services are all common problems that farmers face. As a result, they are completely dependent on the broker and have little negotiating leverage. As a result, there is a low level of realisation. Market fragmentation also reduces competition and places farmers in a cartel-like situation within the APMC. As a result, the prices of the farmers are manipulated. Individual farmers' lots could be merged to create bigger lots, increasing their collective bargaining power. If farmers have access to market data, they may be able to make more informed rising and selling decisions. In order to postpone sale, farmers sometimes need warehousing and financing options. The attractiveness, cost-effectiveness, and value of the bundled deal is due to the integration of these solutions. A unified nationwide or national market makes the market more competitive and helps to smooth out pricing over time and space. Primary manufacture, packaging and branding are examples of value-added operations.

As a result, we need interventions that can help with aggregating farmers and their goods, establishing direct physical and informational exchange between consumers and producers, and adding value to the supply chain beyond cost. These policies may also result in higher farmer returns and lower consumer prices. Institutional and infrastructural interventions are the two types of interventions. Farmer groups, such as cooperatives or farmer producer organisations, would be useful in reducing the challenges that farmers face as a result of their size (FPOs). Other systemic problems, such as organised post-harvest creditor engagement, should be addressed by these organisations

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working together.

Farmer Produces Organizations:- The 2018-19 Union Budget prioritized the promotion and strengthening of Farmer Producer Organizations. These interventions will assist FPOs in promoting a stable and productive agriculture sector with enhanced agricultural production through reliable, cost-effective, and long-term resource management. Farmers and customers will benefit from the programme, which seeks to counter market fluctuations in vegetables. Another move taken by the government was to include a 100 percent tax exemption for FPOs with an annual turnover of up to ₹ 100 crores; this step is intended to enable farmers to join FPOs.

Agriculture production companies, also referred to as farmer's producer societies, are legal entities created under the Companies Act of 1956 as Producer Companies. (In 2002, this version was updated.) In the primary produce industry, harvesting, processing, procurement, grading, pooling, handling, distribution, marketing, and export are all essential operations.

1. Production, harvesting, procurement, grading, pooling, handling, marketing, selling, and export of primary produce or import of goods or services for the benefit of FPO members are the most important of these.
2. Processing of its members' produce involves preserving, drying, distilling, brewing, venting, canning, and packing.
3. Providing technical assistance, guidance, training, education, research and development, and other services to its members in order to further their interests.
4. Generation, transmission, and distribution of electricity, as well as the revitalization of land and water resources, protection, and communication of primary products, Primarily to its members, manufacture, sell, or supply machinery, equipment, or consumables.
5. Facilitating mutual aid, welfare measures, financial services, and producer or main produce insurance;

Farmers' Collectives and producers companies are farmers organizations made up mostly of small and marginal farmers (around 70 to 80 percent). Over the last 8-10 years, the government of India (including SFAC), state governments, NABARD, and other organisations has developed about 5000 FPOs (including FPCs) across the country. About 3200 FPOs are registered as Producer Companies, with the rest as Cooperatives, Societies, and other entities. The majority of these FPOs are still in the early stages of their operations, with shareholder membership ranging from 100 to over 1000 farmers, and they need not only technical assistance but also sufficient resources and infrastructural requirements, as well as business linkages. Farmers' Collectives have a lot of Advantages, some of the main advantages of organizing farmers into Collectives as;

- By purchasing all required inputs in bulk at wholesale rates, the cost of production can be minimized.
- Aggregation of produce and bulk transportation lowers selling costs, increasing the producer's net profits.
- Building scale by produce aggregation allows for economies of scale to be realised and attracts traders to collect produce at the farm.
- Access to new technology, facilitation of capacity building, extension and training on production technologies, and assurance of agriculture produce traceability are all priorities.
- Value addition and effective value chain management can help to reduce post-harvest losses.
- Via careful planning and management, a consistent supply of produce can be ensured, as well as quality control.
- Price fluctuation can be regulated if activities such as contract farming and agreements are used.
- Dissemination of information about price, volume, and other farming-related advisories is easy.
- Access to financial capital secured by stock without the need for collateral.
- Improved bargaining power and social capital building, as well as easy access to funds and other support resources through the government, and service providers.

As a result, FPOs are forming as a new wave of producer-led organisations to help them obtain scale and aggregation advantages. Organized programmes and organisations are required to assist small producers in aggregating their demand and supply, as well as obtaining competitive prices for their raw materials and finished products, in order to

maximise their advantages. All enablers and allies exist in the product supply chain, many of whom share sales margins and, as a result, reduce the producer's net income. These middlemen are an inextricable part of the supply chain, and they sometimes act in a non-transparent way to benefit themselves. Much of this is likely due to a lack of programmes and organisations. The main aim of an FPO is to help farmers earn more money from their own organised structure. Small farmers lack a sufficient marketable surplus (both inputs and outputs) to benefit from economies of scale. These farmer members own between 0.5 and 1 hectares of agricultural land, giving them little or no negotiating power over their inputs and outputs.

To make their market activity possible and profitable for all shareholders, farmers producer companies need technological and managerial skills to carry out their required work, which includes forward-backwards linkages, best farming practises, seed processing, value addition, branding, and so on. They must deal with a wide range of issues, ranging from the farm to distant markets. Emergency lending, consumer credit, building credit, agricultural input retail services, storage, transportation, and other agricultural production services may all be part of this ecosystem. Different types of resources made available to farmer participants at the right time and at a reasonable cost will help to improve the environment. These PO services have the potential to divert excess produce from local traders to producer enterprises, enabling the company to expand its profit margins. Producer businesses will also use other resources to guarantee market infrastructure access, such as establishing relationships with banks and line departments. Several policy and structural changes, including technical assistance, financial assistance through personalised services and loan products, and marketing assistance in the different markets available (retail, spot, and futures), would help farmer producer businesses strengthen even more (retail, spot and futures).

To ensure the long-term viability of FPCs, various government-supported institutions and NABARD provided initial funds to construct capabilities, provide technical assistance, and implement advanced financing mechanisms. While continuing to provide promotional assistance to FPOs through grant funds for capacity building, enterprise linkages, and other incubation services, NABARD developed its own subsidiary (NABKISAN Finance Ltd.) to address FPO credit needs through a modular approach centred on life cycle needs. The Indian government has launched a number of programmes to fund FPOs, including:

1. The Equity Grant Fund
2. The Credit Guarantee Fund
3. Backward and forward linkage development scheme
4. National Rural Livelihoods Mission (NRLM)

Barriers in growth of the Farmer Producers Organizations:- Farmers' inability to serve as business managers or CEOs, awareness of different resource utilisation strategies, upgrading with best agri-practices, and representation of farmers as a group in organised markets are just a few of the issues that these new generation organisations face. Strong support and capacity-building programmes are needed, which can be supervised by local governments but delivered by local institutional development civil society groups or other qualified agricultural organisations. Farmers are having difficulty finding individualised and low-cost financial services that are currently inaccessible in accordance with their projected cash flow.

- Every FPO has its own Resource Institution and a single promoting agency. Both have issues with manpower depletion, which makes it difficult to form FPOs, resulting in a lower number of farmers mobilised into FPOs. Since fewer farmers are being mobilised, FPO share capital is lower than predicted, causing a slew of other financial issues.
- Board of Director and Chief Executive Officer Skill Set: - Farmers are the only ones who shape and operate Farmer Producer Organizations. As a result, their Board of Directors is elected democratically, and the CEO is named by the Board of Directors. BODs and CEOs have little management experience and knowledge of entrepreneurship and business growth. As a result, different training programmes should be coordinated from time to time in order to enhance these skills.
- According to Market Infrastructure Statistics, three high-

value sub-sectors horticulture, livestock, and fisheries are driving India's primary sector expansion. Furthermore, agricultural productivity food crops, cotton, and oilseeds has increased dramatically. The facilities needed to manage the volume and quality of agricultural produce is neither adequate nor appropriate.

- The most important condition for the effectiveness of FPOs is the marketing of produce at profitable prices. Corporate suppliers set the majority of input prices. The cultivators lose in the input and export values due to the complex range of business processes. There are more openings on the market; If FPOs can recognise local market needs and form partnerships for the selling of their products, they will be successful. For FPOs to be sustainable in the long run, they must have connections with industry, other business leaders, major retailers, and so on.
- One of the main obstacles that FPOs face today is the inability to provide affordable credit due to a lack of collateral and credit records. Furthermore, SFAC's loan insurance protection for collateral-free loans is only applicable to Producer Companies (other types of FPOs are not covered) with at least 500 shareholders. Since Farmer Producer Organizations rely solely on the equity of their members to leverage borrowings, it is extremely difficult for any financial system to supply them with large sums of money. As a result, the banking system must investigate how these FPOs are able to collect the necessary margin money to mobilise the loans. Since Farmer Producer Organizations do not have many physical assets and only have tangible assets, some alternate approaches to financing them should be sought. From the perspective of financial institutions, two major challenges in financing FPOs are raising equity capital through farmer mobilisation and a lack of tangible protection and physical assets.
- The current SFAC equity grant scheme provides FPOs with an equal equity share. This means that the shares will be distributed in a 1:1 ratio, with a minimum share limit of ₹ 1000 per share holder. And the maximum amount available is ₹ 15 lacs. Due to the farmers' limited land holdings, a contribution of ₹ 1000 is also an issue at the farmer level.
- FPOs are unable to take advantage of many initiatives introduced by SFAC and other relevant organizations due to a lack of a clear path of knowledge flow. This is in terms of reforming the state APMC act, allowing FPOs to apply for direct market licenses, lowering the Mandi cess, and easing the filing of statutory compliances, among other things.
- FPOs are lacking in competencies of entrepreneurship management resulted they found obsolete in executing the function of management such as planning and organizing of resources to increase the access of market for the sales of agri-produces.

Strategic Approach and Way ahead: FPOs have come a long way in recent years, and performance and failure cases demonstrate that these organisations need policy changes to achieve sustainability and maximise shareholder benefits. The following are some regulatory changes that can be considered:

1. Training and development programmes are needed on a regular basis to mobilise farmers and to strengthen the skills of the Board of Directors and other staff members of Farmer Producer Organizations. In India, we have a number of government-supported institutes that provide entrepreneurship growth training and development programmes. The centre of excellence like National Institute of Agricultural Marketing (NIAM) in Jaipur, National Institute of Agricultural Extension Management (MANAGE) in Hyderabad, National Academy of Agricultural Research Management (NAARM) in Hyderabad, Entrepreneurship Development Institute of India in Ahmedabad, National Institute for Entrepreneurship and Small Business Development Noida, Vaikunth Mehta National Institute of Cooperative Management (VAMNICOM) Pune etc. may be engaged to develop the competitive skills among the board of directors and CEO of FPOs for striving the strategic approach for marketing and sales of the agriculture produces and also to strengthen the management of these FPOs.
2. To solve the financial dilemma, FPOs must devise a scheme that allows them to earn over the year using

various methods. To begin, they should form partnerships with public and private companies involved in the fertiliser, pesticide, and seed-selling industries, so that these three inputs can be provided to farmers, and in this way, farmers can benefit with company.

3. Since FPOs have a large number of farmers attached to them, they can increase their finances by taking a much lower margin than retailers and wholesalers in the industry. They can save money in both directions, i.e. backward and forward linkage, which serves as working capital for the FPO. FPOs should be funded based on their needs.
4. Various forms of incubation and handholding should be given to FPOs during their initial stages of operation. During this time, training and seed funding are two forms of funding that can be provided. After a few years, when FPOs have developed a regular business model for growth, funds can be provided in the form of equity funding or venture capitalists.
5. Changes to the Food Grain Procurement Policy are planned to allow for direct procurement of produce from FPOs under the Minimum Support Price scheme, as well as private equity, angel investor, and venture capital support to FPOs as lines of support for new businesses.
6. Government funding may be used to build infrastructure at the FPO level, such as grading, sorting, packaging, marking, storage, transportation, and marketing equipment.
7. FPOs may be given more lenient statutory compliances for the first ten years to help them create a stable (operationally and legally) business environment.
8. Appropriate changes to the APMC Act could be made to treat the country as a single, united agri-produce market with no restrictions on product movement and to allow FPOs to sell directly to customers and bulk buyers.
9. FPOs are used to produce a wide range of farmer and agriculture-related programmes. A single window for the issuance of all licenses to FPOs could be created to make doing business simpler.

Conclusion: Farmer Producer Organizations (FPOs) have a lot of potential to help India's small and medium farmers, whether they are registered as FPCs or Cooperatives. However, they do have some shortcomings in terms of finance and management skills such as negotiation and leadership, so NBFCs and entrepreneurship growth institutes can take the requisite steps to address both of these issues. Aside from that, FPO boards of directors should be taught how to write a business strategy. Promoting Institutes should become more involved with FPOs so that they can assist them in business networking. Even so, market intermediaries are causing difficulties for a huge number of farmers who have limited or marginal land holdings. If FPOs will teach their farmers about Good Agricultural Practices (GAP) and keep them up to date with the latest developments and studies in agriculture and allied sciences using various extension techniques, they would be able to produce crops more efficiently and effectively. Finally, if we are talking about fact, the Indian government does not consciously encourage these FPOs and instead relies on resource institutions such as NGOs in the region to set them up. As a result, assistance from policy-making organizations such as SFAC would benefit the farming community, including small farmers.

Questions:

1) Suggest a suitable marketing strategy for agri-produces to access the new market by FPOs.
2) Examine the governance and management practices of FPOs as organizations, as well as the constraints to FPO development.
3) Suggest Recommendations and tactics for overcoming the challenges and obstacles for the development of FPOs.
4) Actionable to improve the value chain and keep the problems from reoccurring.

FINANCIAL INCLUSION STRATEGIES FOR COOP BANKS : WHAT MATTERS MOST?

India, has embarked on an ambitious journey towards financial inclusion and has undertaken strong initiatives to ensure full financial inclusion in the country. Over the years, the government along with apex financial institutions like RBI and NABARD has addressed financial vulnerabilities of marginal households in the agricultural as well as rural sectors. In the pre independence era, the presence of banking sector was limited and therefore, it may not be wrong to Say that the cooperative movement was probably the first of the financial inclusion efforts to serve the rural poor. The spirit of rural credit cooperative institutions was to cater to the needs of unprivileged sections of the society which is the epicentre of any financial inclusion initiative.

As the country followed a multiagency approach to banking, several players emerged on the financial landscape of India, providing a greater opportunity to achieve full financial inclusion. Even in the present-day context, alongside many new age banks like Small finance and payment banks, the cooperative banks, both rural and urban, hold a great promise to usher in a new era of financial inclusion in the country. The widespread network of to rural credit cooperative banks provides a huge opportunity to District Central Cooperative Banks and Primary Agriculture Cooperative Societies to address the financial needs of rural clients including individuals and enterprises.

With the emergence of new age banks, the rural banking space has become highly competitive and demand driven. Presently, the financial inclusion agenda of the country has advanced from bank account ownership to greater usage of financial services and innovative financial products coupled with quality. The National Strategy on Financial Inclusion (2019 — 2024) also envisages the quantification of financial inclusion on three important parameters namely, "Access", ”Usage”, and “Quality”. As such it becomes imperative for cooperative banks to stretch beyond traditional banking products like and look at financial inclusion as a profitable business proposition to serve the evergrowing financial needs of its clientele, panicularly in the context of the rural economy. Emerging paradigms in rural and agribusiness space has created more scope to serve a range of clientele like farm collectives, FPOs, farmer clubs, agri based startups and women owned microenterprises, along side individual clients. The technological advancements in the financial services space have augmented the pace of financial inclusion, enabling better client outreach and product innovation. Therefore, it is of prime importance that cooperative banks revisit the dimensions of financial inclusion and refrain from viewing it as charity or social objective. Cooperative banks are well poised to tap into the business opportunities at the bottom of the pyramid by reorienting their financial inclusion performance deliverables. In this context, it is important for cooperative banks, particularly the rural credit institutions like DCCBs to design important strategies around four critical dimensions of financial inclusion performance. These are “Accessibility”, “Product Availability”, “Techno logy Adoption” and “Financial Literacy" Tremendous progress has been made in terms of “accessibility” dimension through large number of bank account ownerships. However a strategic approach is the need of the hour in terms of the other three dimensions so as to turn around cooperative banks as the harbinger of financial inclusion in the country.

Accessibility

Historically, the Government of India along with its apex level institutions has focused on institutionalization of rural credit and spread of banking services, particularly for the low income and marginal groups. Various policy reforms and economic liberalization has created a wid espread network of banking systems for better delivery of financial services across various client groups.

The multitiered credit coopeiative structure at village, district and state level has eased the reach of banking services by ensuring greater accessibility in remote areas where most commercial banks are weary to operate. Some of the most common financial access points created by cooperative banks are availability of remote rural branches, availability of bank ATMs, access of own ATM cards at other banks' ATMs, Point of Sale (PoS), Business Correspondent (BC), Business Facilitator (BF), Bank sakhi/Bank mitra, kiosk and mobile van. This accessibility can be further boosted by

Source :- The Cooperator Nov.2021 issue

leveraging the BC model through the grass root institutions like PACS and credit and thrift societies. In certain locations, this may completely obliterate the need for investing in huge overheads of a full-fledged branch banking. With the amplified growth in the payments and remittances space, micro ATMs, payment applications and PoS machines are cost effective and simpler mechanisms of delivering basic fin ancial services through the use of technology.

Product Availability

The strategies of cooperative banks in serving their clients with the suite of available products, need to align well to all the possible financial needs of their clients beyond the conventional offerings of the bank. This refers to the current product and service offerings of the bank with respect to savings, credit, insurance and pension. Most cooperative banks have nurtured long lasting relationships with the lower socio-economic rung of the society, providing them an avenue to do basic banking like the no frills or zero balance account. As such there exists a rich base of rural clientele with the cooperative banks which can be served meaningfully by offering them an array of need based services. It is extremely critical that the client base of credit cooperatives should be fully leveraged through a strategic approach.

The present day banking calls for customization as opposed to standardization of products. Lending by itself could be highly innovative where products can be chalked out with convenient repayment schedules which are aligned to client's cash flows. Small ticket size loans could be a big game changer as the country heavily promotes various models of social entrepreneurship through cooperatives and other forms of collectives like Self Help Groups (SHGs) and Farmer Producers Organisations (FPOs) etc. is an innovative. The SHG network and Bank Sakhi model should be leveraged in order to make people fully aware about the range of services offered by a particular bank. The existing SHG — Bank Linkage programme can be harnessed with more innovative product designs suiting group needs especially credit needs for livelihood development.

For instance, there are agro based firms and start-ups, micro ventures of rural and marginal women, who are in constant need of business loans as well working capital. Similarly there could be project based approach in regional agro based clusters. Are they a part of core client group with the rural cooperatives or do they turn to more flexible avenues? How strongly we have pushed micro insurance products and pension schemes? Can we offer extend banking hours so that people don't loose out a day's work and wage to make a branch visit? Do we provide door step delivery to senior citizens and vulnerable groups? How robust is our agri allied portfolio like fisheries, poultry, goatery, dairy etc? What are the products available at grassroot level like PACS viz a viz at the branches? How do we venture into value chain finance? Experiences of various stakeholders in the rural and agribusiness arena suggest that these questions offer good food for thought to cooperative credit institutions to constantly upgrade their product basket and look for greener pastures in the fast-growing rural economy of India.

Technology Adoption

The financial inclusion mission cannot be pursued without technology adoption. The integration and application of technology in day-to day operations and processes across business functions of the bank is of paramount importance to all cooperative banks, whether rural or urban. More reliance on technology can cut costs and improve service delivery in the remotest of areas. It has been well established through research that technology can auqment the pace of financial inclusion in many ways. Moreover apex institutions like NABARD and RBI have time and again asserted on the role of Micro ATMs, digital demo vans and PoS. For instance, RuPay cards, which have been issued in large numbers by DCCBs can be activated using Micro ATMs, facilitated by an agent. Similarly, a mobile demo van may serve the twin objectives of digital financial education and also allow for basic transaction, again facilitated through an agent. Solar power V-SATs and mobile boosters can further increase the connectivity in remote areas. The pandemic crisis has necessitated that rural cooperative banks push these radical technological solutions to create widespread banking touch points in the rural and remote areas. NABARD has been helping cooperative banks in onboarding of Bharat Bill Payment System platform for providing online utility payment services to their rural customers. It has been promoting the use of mobile demo vans in a mission mode to

ramp up door step banking during the crisis situation. Cooperatives have a huge role to play in digital financial inclusion in the durinq the present crisis. A simple strategy could be crafting out technology-based solutions like dispensation at doorsteps and livelihood cash subsidies to rural women.

While accessibility and delivery models can be enhanced significantly through technology adoption, its integration with the banking operations has been a great concern for district central cooperative banks for many years now. In the present-day context, hundred percent integration with 1he core banking solutions (CBS) has presented many opportunities to the cooperative banks to adopt universal banking features. Areas like existence of "parallel run" or "legacy software system", system generated NPA classification, system generated financial statements, Aadhar seeding of DBT accounts, number of PACS on CBS, Percentage of PACS & Branches covered with micro-ATMs, interoperability of micro-ATMs, BHIM Aadhaar Pay services, provision of SMS alert etc. are some deliverables in terms of technology adoption which can enhance the financial inclusion performance of cooperative banks.

Financial Literacy

Financial Literacy is inseparable from financial inclusion and a precondition for effective utilisation of banking services. Despite, the criticality of this dimension, the outcomes in terms of financial literacy of all stakehol ders has not been sub optimal. The National Strategy on Financial Inclusion (2019 — 2024) also clearly spells out the integ ral role of financial literacy in achieving the objective of financial inclusion in the country. Literacy is not just about awareness but also about the capabilities of understanding banking and using banking services. It could be something as simple as knowing how to use a RuPay card or knowing the processes for online transactions. With the upsurge of remittances and payments sector and rise in the number of digital transactions, digital literacy is equally important to safeguard from cyber threats. In the absence of financial literacy initiatives, members remain unaware of so many important banking developments as well as product offerings. Many beneficiaries often spend a great deal of time running to branches finding about schem es and following up for cash benefits. The awareness on insurance is quite low and it is difficult to pitch newer products in the absence of fundamental financial education.

Cooperative banks can turn around the scenario with the support of regulatory bodies and with the help of civil society organisation. Plethora of opportunities are available with NGOs for such initiatives which could be very useful for members of credit cooperative institutions. Cooperative banks should take a keen interest in preparing and hosting financial literacy initiatives through convergence and collaboration. These activities should go beyond grants and village camps. The outcome of various capacity building programmes for cooperatives have suggested a strong need for training in these areas. Unfortunately, not much attention has been paid by cooperative banks in this area. The benefits of many financial inclusion schemes like PMJDY, PMFBY etc. remain unveiled in the absence of awareness. This dimension calls for small but regular interventions rather than ambitious plans with improper implementation. Convergence with Centre as well as State promoted missions and with ongoing financial literacy initiatives can be a starting point for all the cooperative banks, especially DCCBs. Better branch display, financial literacy messages, promotion of digital literacy through agent, celebration of financial literacy week, employee training, members' education are some of the activities the could add more value to the financial inclusion efforts of the bank.

Concluding Remarks

Cooperative banks particularly the rural credit cooperative institutions form the core of the financial inclusion ecosystem. Their widespread network in terms of geographical outreach and a rich base of virtual as well as semi urban clientele puts them on a strong pedestal as the country ushers in a new era of financial inclusion. With a greater macro level focus on the cooperative sector it is the right time for credit cooperatives to reorient their business strategies and reinstate their role in the financial inclusion agenda of the country. Cooperative banks along with their member institutions can evolve new business models to upscale their financial inclusion performance. The exponential growth in banking technology coupled with the ongoing pandemic crisis has left cooperative banks staring

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PROSPERITY OF WOMEN THROUGH COOPERATIVES

A successful modern women can be defined as a confident, innovative and creative individual capable of achieving self-economic independence, individually or in collaboration, and generates employment opportunities for others. She possesses the power to initiate, establish and run her life by keeping pace with her personal, family and social life. The women of today stand in striking contrast to the women in the past, when they were steeped into the cobwebs of customs and convention of the times, were considered to be breeding machines and house hold drudges, only pictured to be kept in the four walls of the house and living perpetually under the customary "purdah".

Rural women in Indian society have got restricted mobility. The career of women is limited to the four walls of kitchen. The women themselves, to three K's, kitchen, kids, and knitting. There are hardly any opportunities to cross the boundary. The mobility problem has been solved to a certain extent by the explosion of information technology & telecommunication facilities.

Participation of women in the labour force is a prerequisite for improving the position of rural women in society. Their entry in micro enterprises will be particularly encouraged. For this reason, establishment of cooperatives and involvement of women in its functioning and activities, is of immense importance. Co-operatives as a democratic enterprise owned by a group, generally provide all the benefits associated with local ownership such as more local spending, more rootedness, mo re accountability, more local resilience, more sensible development, more creativity, more equity and more participation.

Rural women can do wonders by their effectual and competent involvement in entrepreneurial activities. By multitasking at home and village activities, rural women have gained basic indigenous knowledge, skill, potential and resources to establish and manage enterprise. They are however confronted with some challenges, slowing their progress on the whole, which can be accelerated by getting involved in the cooperative organisations.

Challenges faced by women

i) Dual role of women - overlapping responsibility of business and family

ii) Problem of finance

iii) Illiteracy among rural women Less risk bearing capacity

iv) Lack of visibility as strategic leaders

v) Lack of information and assistance

vi) Requirement of training and development

vii) Male dominated society

Benefits of Co-operatives to women:

I) Alleviation of poverty:

Alleviation of poverty is the core of all developmental programmers. Since the 1950s, various governments in India have experimented with a large number of grants and subsidy-based poverty alleviation programmes, but these programmes have not been fully successful in meeting their economic objectives. At this juncture, co-operative plays a significant role. Cooperative is seen as provision of financial service to mostly low-income women, especially the poor and very poor who are without tangible assets. Co-operative helps such women to increase income, build viable business and reduce their vulnerability to external shock.

II) Economic Agents of change:

Co-operatives provide a functional tool for empowerment and economic independence. Saving and credit cooperatives are much more accessible to women than standard banks, especially in rural areas. It's also a powerful instrument for selfemployment by enabling the impecunious women to become economic agents of change. The budgetary discipline awakened the women to the realities of the situation and also to the possibilities of the future. Thus, women learnt to cut the coat according to the cloth.

III) Co-operatives in running business successfully:

- Access. Cooperatives make certain products or services that would otherwise be in accessible to certain markets & communities.
- Business sustainability The cooperative structure can make a business more stable and can help a company to work through rough patches.
- Community commitment: Co-operatives commit to their

Source :- The Cooperator Nov.2021 issue

local community and will often work to uphold the values of a community through financial services, educational programs or business practices.

- Equality, diversity and inclusion: Voluntary memberships means that cooperatives are often accurate reflections of the diversity of a community. Voluntary membership also makes cooperatives, inclusive organisations.

Financial security and advancement for workers: Cooperatives often serve the needs of their members by providing worker members with living wages.

Growth: By offering high quality products and services, good jobs and by investing in local community, cooperatives are able to grow and can promote growth in the community they serve, both at an individual as well as societal level

IV) Political change:

Cooperatives can be considered as the stepping stone for women to develop their decision making abilities. The regular meetings of the cooperative societies provides opportunity for women's unity and identifying their common economic and social problems, while preparing for strategies for solving problems. Thus, many women were motivated to fight cooperatives' elections. Being inspired by cooperatives, They further get berth in the assembly elections and even in the Parliament.

V) Social change:

Through cooperative organistions, women have also been able to bring about positive changes in the social and physical well-being of their families communities and nation. Cooperative movement helped women to attain constitutional backing for assuring equality, dignity, justice, stability and prosperity. Cooperatives enables the women to import social development activities like adult education, health and family welfare, environment protection, human rights related to women, nutrition etc.

Conclusion

Co-operatives have “empowered" women, providing a functional tool for financial independence, enhancing their dignity, and greatly improving their quality of life.

The benefits of co-operatives could translate to better livelihood for women both in rural and urban co-operatives. To diversify their livelihood prospects, the women were imparted with training to work as labour force and in some cases, entrepreneurial skills. This element of capacity building is one that would be useful to normally marginalised women whether as rural or urban dwellers. For women, co-operatives respond to their practical and strategic needs, provide organisational effective means for members, work on improving their standard of living through respectable employment opportunities, saving, credit, health, housing, social services, education and training, provide opportunities to participate in and influence economic activities, and allow them to achieve equality and change the bias of state institutions towards specified groups. Co-operatives help women to join the activities of income maximising projects by organising their work in a flexible manner while respecting the multiple roles of women in society.

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resilient in debt repayment. It will also aide the farmer in investing the surplus income either in the value chain business or any other allied agri -business thus providing economies of scale and scope.

Financial engineering helps develop solutions to reduce riskiness of agriculture by addressing financial losses due to operating woes such as production and weather risks through insurance, and price hedging instruments thus achieving corporate business sense in agriculture.

This approach will be a roadmap of success to smallholder farmers and related SME agribusinesses to evolve agriculture as a Business succeeding in its goal not only help maximising farm income but also present his farm as a going Business Concern. And not remain backward struggling to find measurable identity.

SAHAKAR SE SAMRUDDHI EVOLVING A STRONG COOP FINACIAL SYSTEM

The central theme of setting up of the new Ministry of Cooperation in Government of India as enshrined in the Gazette Notification dated 06 July 2021 is "Sahkarita se Samruddhi". Emergence of the new ministry exclusively devoted to the Cooperatives is an important development that has been widely acclaimed by entire community of the cooperative institutions across the country. The ministry would have a substantial focus on strengthening of cooperative movement in the country. As a people-based movement, by way of deepening its roots up to the grassroots level and creating an appropriate policy, legal and institutional framework would help the cooperatives realise their complete potential. The ministry would promote a cooperativebased economic development model that encourages spirit of responsibility towards development of the nation amongst the members of cooperatives.

it was pleasantly reassuring to listen to Hon'ble Shri Amit Shah, Hon'bIe Union Minister for Cooperation as the Chief Guest of the National Cooperative Conference organised on 25th September 2021 as he rolled out a host of policy indications that would go a long way in the direction of futuristic development and growth of cooperatives across India. While he appreciated the role being played by the cooperatives of different kinds in various segments of Indian economy, particularly in the rural space, Shri Shah highlighted the directions of the roadmap to be adopted by his ministry. The most important aspect of his speech was a reiteration of the need for taking all the states together in the action plan of the Ministry of Cooperation. This would be purposeful for development and evolution of cooperatives in all spheres of the economy as their role would be substantial in achieving the 05 trillion economy goal of the country. This is absolutely necessary for realising the dream of "Sahkarita se Samruddhi".

In any action plan of "Sahkarita (or Sahkar) Se Samruddhi", the role of finance can hardly be over-emphasised. Cosequently, the rolе of cooperative financial institutions becomes focal in order to cater all the financial needs of the cooperative institutions of all sports, Minister of Coopeiative, Shri Amit Shah, had mentioned in the National Cooperation Conference that the cooperatives in the financial sector had done an excellent job by making the financial resources available to poor farmers across all states as the credit institutions had a share of about 30% in agricultural credit. Perhaps what he intended was that the share of the cooperative credit institutions in agricultural credit would be enhanced to at least 30% across the country. This needs to be looked into from the perspective of the current market share of the cooperatives in field of agricultural credit. Reserve Bank of India has recently published the 'Handbook of Statistics on the Indian Economy 2020-21 ' which shows interesting trends.

It is evident that the cooperative agricultural credit has grown substantially by around 64 times over the period of 38 years from ₹ 2,938 crores in the year 1983-84 to ₹ 1,8T,769 crores in 2020-21. However, because of emergence of much stronger financial institutions on the canvass of rural banking, the market share of cooperatives has reduced from 56% to 12% during the same period. This includes all types of agricultural credit extended by cooperative credit institutions, including the short term and long term agricultural credit, both the direct and indirect credit, as reported to RBI. Evidently, for the cooperative agricultural credit to rise from the current 12.05% to reach 30% market share of agriculture credit, ample efforts shall be required for development, up-dation and up-gradation of the cooperative credit institutions.

It is worth recapitulation here that our country has a separate system of short-term agricultural credit cooperatives and long-term cooperative credit institutions. A huge network with as many as 33 State Cooperative Banks (StCBs with 2072 branches), 351 District Central Cooperative Banks (DCCBs with 13589 branches) and 95995 Primary Agriculture Cooperative Societies (PACS) constitute the Short Term Cooperative Credit Structure (STCCS). In 20 states all the three components of ST CCS are functional, whereas in 13 states the two-tier system is functional with the respective apex state cooperative banks directly funding and supporting the PACS at the ground level. The apex state

Source :- The Cooperator Nov.2021 issue

cooperative banks and the DCCBs are governed under the Banking Regulation Act (as applicable to Cooperative Societies) for their banking functions. The long-term Cooperatives include the unitary system in — states with the State Cooperative Agriculture and Rural Development Bank with its branches at the ground level; and Federal System in states with the state cooperative agriculture and rural development bank at state level and primary cooperative agriculture and rural development Banks at district level.

The financial data of these institutions reveals that the financial health of a substantial number of cooperative credit institutions has not been good enough to compete with the banking and non-banking financial entities operating in the rural financial market. The slow growth of their financial assets is one aspect; however more important is that the working systems, procedures, human resource management & development, governance systems, general customer confidence and market image of the rural financial cooperatives have lagged behind their competitors. Moreover, the pace of adoption of modern age banking systems including computerisation, financial technology systems, tech-based digital banking options etc. has been very slow, barring a few islands of excellence here and there in the country. These banks have not been able to provide services that are offered by other financial entities operating in the rural markets because of their national and international outreach. Resultantly, a number of excellently operating business-cooperatives are forced to adopt the banking arrangements with commercial banks, as against the cooperative banks, thus digressing from the principle of "Cooperation among the Cooperatives". They no more depend upon the cooperative banking system. More so, in some states, fertilizer stocking as well as food-grains or commodities procurement by the PACS is being funded out of the credit limits obtained from the commercial banks.

An analysis of the business pattern of StCBc at id DCCBs reveals that the short-term agricultural production loans continue to occupy the large portion of the loan portfolio of these banks. Historically, the three organs of the STCCS were created with focus on the agricultural production finance requirements in the first quarter of twentieth century. Similarly, the LTCCS were created for meeting the long-term investment needs of agriculture sector. However in today's context, most of the competing rural financial insttutions are providing for all the banking needs of one individual or entity under one roof with one customer identification number. Hence, the separate existence of STCCS and LTCCS has become irrelevant today. There is an urgent need for integration of these two separate sets of cooperative financial institutions without any procrastination.. Moreover, this process of integration has to be accompanied simultaneously with adoption of the concepts of universal banking.

In addition to the consequently required re-engineering of their structure, work systems and human resource management, it has to evolve in such a manner that the cooperative financial system should be able to provide all types of services in a modernized and computerized environment. The integrated banking system must enable all types of digital banking products and services that are being provided by any financial entity operating in the rural banking system in India, and permitted under the provisions of Banking Regulation Act, 1 949. The consolidation of the cooperative banking entities by way of merger of DCCBs with the StCBs in the states with three-tier structure shall also have to be considered on top priority basis as a part of this consolidation process; such a merger should not be postponed any more.

Furthermore, the cooperative banking entity emerging after the consolidation in each state should be enabled to accept deposits of different kinds and duration from all types of depositors without any restrictions. Similarly with respect to loan portfolio aspect, the financial institution must be authorised to provide different types of short-term credit limits to various types of societies. It should also be capacitated to sanction medium-term loans for various purposes such as agricultural/MSME/consumer goods/ vehicles/ rural housing/ education etc., to cooperative societies/ individual nominal members as at present. Also, these banks should be able to provide cash credit limits and medium/ long term loans for agriculture and all other eligible/ bankable purposes including, interalia, infrastructure development/ project-finance/ trading/ industrial/ housing/ vehicles/ consortium finance and

operational/working capital finance requirements etc., to individual borrowing entities that may include firms/ companies/ SMEs/ government entities etc. in both the public and private sector at par with any other commercial bank, subject to the sector-wise/ entity-wise single exposure limits. These banks should also be in a position to undertake off-balancesheet business, like guarantees of all kinds provided by any scheduled bank in India. Additionally, they should also be able to undertake banking business (including deposits, funds management and financing) with the Farmers' Producer Companies/ Organisations (FP0s) of all types and micro-finance Entities in both the individual and the group based approach, not necessarily the cooperative societies. These banks should also make arrangements with appropriate agencies for undertaking insurance business including crop insurance, insurance of agricultural investments financed by these banks, as well as insurance of all kinds in life and general insurance sectors, Various other activities that could be Considered by these bank are-forreign exchange business of all kinds, currency management, treasury management, portfolio management for big clients, depository services, net-banking, mobile app based banking services including UPI, BHIM, and USSD and issuance of financial cards of different kinds, including debit/ credit cards/ multi-purpose cards/ pre-loaded cards/ foregin currency card etc. in association with the concerned entities in financial market, As a part of the National Payment System, these banks should be able to provide all kinds of modern of payment services to the members of entire cooperative movement in the states and also other customers at affordable costs in a seamless manner.

These services and activities mentioned as above, have to be undertaken by these consolidated banks gradually so as to develop competence over a period of time; however the process of enabling them for this kind of universal banking services has to start without any delay. In this process of business re-engineering, it would be necessary to develop work systems in such a manner that these banks won't have to compete with the PACS at the ground level and, conversely, they should be able to take the PACS as their partners and the service points. It would be beneficial for the people, as various services provided by these banks would be available in a limited manner at the counter of PACS, in addition to the branches of these banks.

In order to adopt the new avenues and ventures of business successfully and effectively, as discussed above, these banks shall require evolving and maintaining a strong, robust, efficient and safe computerised technology system platform of its operations so as to provide product-specific and client-specific digital banking services at par with any other bank in India. The fin-tech system so evolved, would need constant up-dating and up gradation and would be required to have capabilities to integrate the new systems developing in the banking system from time to time. The essential components of such a system would include the core banking solutions (CBS) and CBS linked applications for various services and activities like any branch banking, internet banking, mobile application-based banking, phone banking, banking at the counter of PACS/ banking correspondents of the bank, auto mated tmller machines (ATM), Micro ATMs at the level of PACS/ banking correspondents, point of sale (PoS) terminals at public sector agencies/ merchant establishments, mobile wallet, credit cards, debit cards, pre-paid/ pre-loaded cards, cobranded cards, specialised cards like RuPay-KCC/ artisans' Card, card based online/ offline merchant payment systems, online payment for e-commerce transactions, mutual funds, insurance services, bill payments, online international trade/ foreign exchange transaction payments, and similar other services. The banks would also provide instant funds transfer through National Electronics Funds Transfer (NEFT), Real Time Gross Settlement (RTGS), Immediate Payment Service (IMPS), Electronic Clearing Service (ECS), Aadhaar enabled services and payment systems as also the Aadhaar-based account opening & KYC, service for payment of Income-tax and other state taxes on the bank's portal, to its customers. The system would also enable customer relationship management (CRM), port- folio management service (PMS) Io the bank's big-ticket customers, cash management Service, treasury management systems, assetliability management (ALM), anti-money laundering monitoring (AML) systems and services like E-statement, balance enquiry and transaction SMS on mobile-phones as well as email. The computer system would also have modules for

various internal services like monitoring and auditing of financial transactions at various levels, inspection of branches, financial reporting to various levels and regulatory institutions/ authorities, MIS, tax-compliance, inventory management and HRMS etc. The system would have to ensure robust data- management, data-security as also disaster recovery management arrangements.

The primary agricultural credit Societies (PACS) may be allowed to continue as an integral part of the proposed process of development of cooperative banking system. However a lot of developmental efforts shall be required for PACS to remain a vibrant organ of the proposed cooperative banking system, along with a hard process of their consolidation. Hon'ble Minister of Cooperation mentioned in his speech in the National Cooperative Conference referred to earlier, that the new ministry would make efforts to enhance the number of PACS in the country to 3 lakhs, so as to cover, at an average, two villages by one PACS. This proposition needs a thorough review and would be possible only if we are able to empower the PACS with such economic activities, that make them viable in terms of the business that could be generated from two villages only. That appears to be a far cry. The consolidation of PACS in each state has been debated upon in the past by several committees. while some states did act on their recommendations, many states did not. It is debatable as to how many PACS on record today are really financially viable out of the business permitted to them.

A review of the number of PACS reported in each state and the number of villages as also the average number of villages per PACS is presented in RBI's Handbook of Statistics on the Indian Economy 2020-21. It would be seen there from that the number of PACS and the average number of villages to be served by them in different states are unevenly distributed. It can also be construed with affirmation that neither the states having a large number of PACS have a very efficient cooperative credit system; nor the PACS having a large average number of villages are strong in any way. It would depend on the efficiency of the cooperative credit system in particular states as to whether the PACS are financially viable in their area of operation.

In some states like Maharashtra, the consolidation of PACS has not yet been taken with the result that there are a large number of cases of more than one PACS in one village and, consequently, many of them are not viable. In the states which initiated consolidation of PACS, did so without any structural reforms with the result that this process did not yield desirable results. In some states, the number of loss-making and nonviable number of PACS is quite large and a situation has arisen that they would not be able to function independently. Consolidation process by way of amalgamation of such PACS and encouraging a strong PACS in a given geographical area is the first priority rather than looking for the purported approach of one PACS in two villages at an average.

The inadequate membership base of PACS out of the total land holdings in its area of operation as well as the high incidence of dormant memberships have continued as issues of concern for a long. With the provision of services by other institutions on the rural finance canvas in villages, active interest by the farmer members has been eroding further. As a result, the turnover of the business including both the financial and the non-financial/ trading business of the PACS is not sufficient to provide it a profitable working proposition due to which a large number of PACS are not in a position even to pay the salaries to their employees. This has had its consequential impact of eating upon the capital resources itself or meeting the expenses out of the recovery of the loans affecting the repayment of the borrowed funds, thus creating imbalances vis-a-vis the DCCB.

Further the PACS have not been offering various kinds of financial and non-financial services under one roof as required by the farmers in today's context. As a result, even the faithful farmer-members are required to resort to the services of other agencies and banks causing consequent diversion of the good customers away from the PACS. Quite often, only such farmers who fail to get services from other banks in the village remain tied to the PACS. The competitiveness of the PACS in the rural financial system is gradually reducing and the relevance of the PACS as a rural institution of repute would be evading fast unless some urgent measures are taken to contain these impacts. It would be necessary to integrate the PACS with the cooperative banking system in such a manner that the PACS are able to provide all services at their counter that are being

provided by the bank, as their business partners, and not servicing mere short-term agricultural credit or agricultural inputs. The advantage of Direct Benefits Transfer (DBT) in government schemes should also be available to the PACS' members through the deposit account maintained by them with respective PACS on behalf of the cooperative bank with which the said PACS is affliated.

The PACS in a majority of states have been assigned with the onus of implementation of a host of government programs in rural areas with the result that the PACS have relegated their focus towards the main role of purveyance of rural credit & related services to their members. Delay in receipt of compensation by the PACS for these services also leads to further loss due to interest payment on amount of investment by PACS in maintaining/ purchasing commodities/ food grains etc. for such services. This needs to be given a serious thought in the action plan at national/ state le vel for strengthening the PACS.

The systems and procedures of functioning of PACS are archaic, making it a non-competitive entity, as compared to a host of other financial agencies which have evolved on the rural financial scene in the recent past with fast, efficient and user-friendly services both in terms of their financial products and inputs supply. This calls for a thorough review of the functioning of PACS and its digitization and computerization. The computerisation of PACS would be worthwhile only with the following three considerations. First is the computerization of traditional operations of the PACS that includes accounting, credit limit operations both between the PACS and the members, and between DCCB/ StCB and PACS, purchase, stocking and sale of fertilizers and other inputs/sugar, kerosene and other commodities under the public distribution system/ food-grains under various government schemes or otherwise/ consumer goods and all other items being dealt with by the PACS. The second aspect is about banking services that would be provided by the PACS at its counter on behalf of or as agents of DCCB/ StCB. The third aspect is integration of PACS' complete computerisation with the DCCB/ StCB so as to ensure smooth data flow, data security and continuity, availability of shadow data with the supervising agency(ies), data storage and Disaster Recovery Management etc. which may not be feasible at the level of individual PACS owing to limited financial means.

No strengthening efforts for PACS shall be successful unless the governance system in PACS is revamped thoroughly. Equally important is the issue of human resources in PACS. In a majority of PACS, there is a shortage of competent and trained staff on account of their poor financial condition. The physical infrastructure at the command of a majority of the PACS across the country is in dilapidated condition and it needs upgradation. Another important concern in the strategy for development of PACS is availability of financial resources. With the wide-spectrum role conceived for PACS, the availability of sufficient and cheaper financial resources shall be a pre-requisite in their viable functioning. In order to appear as a strong tier of the cooperative financial system, the PACS would need a substantial financial resource as grant component also for which there is a need for creating a dedicated PACS Development Fund at national level as also in each state, to be managed by a governing body of each fund. The new ministry would have an important role in this regard.

To conclude, the underlying suppositions under the banner of "Sahkar se Samruddhi" to enable the cooperative sector across the country to participate actively in the realisation of the goals of a five-trillion economy of India would require a strong cooperative financial system that caters to all the financial needs of the traditional and emerging cooperative ventures of all kinds in each state of the country. Therefore, the strengthening of this system itself would be a pre-requisite to the action plan of "Sahkar se Samruddhi". Let all in the cooperative leadership concerned with this process come together and initiate a plan of action of strengthening the cooperative financial system in India.

FEDERATION FELICITATED DR. CHANDRA PAL SINGH YADAV, NEWLY ELECTED PRESIDENT, ICA-AP

Federation felicitated Dr. Chandra Pal Singh Yadav, newly elected President, ICA-AP at the Joint Inaugural Session of 166th Board Meeting and Seminar on National Policy on Cooperatives held on 19 December 2021 in Ahmedabad. Dr. Chandra Pal Singh who received extensive support across nations in the region was elected as President, International Cooperative Alliance, Asia-Pacific region in the Regional Assembly held in Seoul, Korea on November 30, 2021, Shri K. Sivadasan Nair, Chairman, NCARDB Federation congratulated Dr. Chandra Pal Singh and said that though India is an active member of ICA which was established in 1895 and ICA-AP region established in 1960 it is for the first time a leader from India is elected to lead the cooperative movement in the entire Asia Pacific region.

Top leaders of the movement at national level including Shri Dileep Sanghani, President, NCUI, Dr. Bijender Singh, Chairman, NAFED, Shri K. Ravinder Rao, Chairman, NAFSCOB, Shri G.H. Amin, Chairman, Gujarat State Cooperative Union, Dr. Sunil Kumar Singh, Chairman, BISCOMAUN, Shri R. Parimelazhagan, Vice Chairman, NCARDB Federation, Shri Dollarrai Kotecha, Chairman, Gujarat SCARDB, Shri Tarun Bhargava, General Manager, IFFCO, also felicitated Dr Chandra Pal Singh Yadav on the occasion.

Dr. Chandra Pal Singh expressed gratitude to the Federation and all other members of ICA from India for the strong support given to him in contesting the ICA-AP election successfully. He also thanked the Federation for organizing the felicitation event with the participation of all important leaders of cooperative movement.

Shri Dileep Sanghani Elected as Chairman, IFFCO

Shri Dileep Sanghani, President, NCUI is elected as Chairman, IFFCO, the premier cooperative enterprise which is listed first in the top 300 producer cooperatives in the world in the Cooperative Monitor 2020.

Shri Sanghani has the distinction of being the first leader heading NCUI and IFFCO at the same time.

The Federation felicitated Shri Sanghani on his election as Chairman IFFCO at the joint inaugural session of the 166th Board Meeting at Ahmedabad on 19th December 2021.

Seminar on National Policy on Cooperatives

The Ministry of Cooperation has initiated reformulating the National Policy on Cooperatives in the light of the enhanced role of cooperative movement in the social and economic development of poorer sections of population and called for the views of stakeholders including national federations in this regard. The Federation on the above background organized a Seminar on National Policy on Cooperatives on 19 December 2021 in the Conference Hall of Gujarat State Cooperative Bank, Ahmedabad in order to finalise the suggestions of long term rural cooperative credit structure in formulating the new National Policy on Cooperatives. The Seminar was attended by Chairmen, Chief Executives and Senior Executives of member banks. Shri K.K. Ravindran, Managing Director, NCARDB Federation made the lead presentation followed by presentations by representatives of member banks. The Seminar made the following suggestions on the proposed National Policy on Cooperatives.

[1] While retaining the objectives of National Policy on Cooperatives 2002 renewed thrust may be given in the new Policy on strengthening rural cooperative credit system consisting of both long term and short term credit structures and to equip them to meet credit and non credit needs of their members.

[2] Not much reforms and periodical restructuring and modernization have taken place in most of the sectors of the movement which are more than the century old now. Modernisation including computerization of cooperatives in various sectors should be taken up on priority for enhancing their efficiency and competitiveness in the market.

[3] Cooperative business model is based on the values of self-help, self-responsibility, democracy, solidarity, equality, equity and openness and also on 7 principles of cooperation. The community and social impact the cooperative creates through its working based on these values and principles make the cooperative business model fundamentally different from other enterprises. While creating legal and policy environment to enable cooperatives to uphold cooperative identity, values and principles, the social and community impact of cooperatives needs to be assessed and given due importance in public policy and development goals.

[4] Extending legal and policy support to ensure level playing field and ease of doing business to cooperative enterprises. Cooperatives shall be given equal opportunities both in capital and debt financing of their operations and to bring in uniform norms by banks and financial institutions for financing corporates and cooperatives.

[5] The presence as well as growth of cooperative movement is highly skewed geographically. While the movement is highly developed in most of the States in western and southern India the huge potential for socio economic development through cooperatives in many areas in the eastern and north eastern India remain largely unrealized. The regional/geographical imbalance in the growth of cooperative structures need to be addressed by encouraging and supporting formation of new cooperative institutions either under concerned State Cooperative Acts or under Multi State Cooperative Societies Act.

[6] Redefining the role of women in cooperatives by ensuring their minimum level of participation in the management equivalent to the proportion of women membership to total membership of the cooperative.

[7] Youth participation in cooperatives is coming down in many sectors especially in agricultural cooperatives threatening their sustainability in the long run. Diversifying their activities to post production value chain can attract youth to such cooperatives by providing them

entrepreneurial and employment opportunities. Appropriate policy and programme initiatives are required to encourage youth participation in cooperatives in general and mainstreaming youths in the governance and operations of cooperatives.

[8] The Federations particularly promotional sectoral federations are providing a range of support services to their member cooperatives in their respective sectors. They are also acting as information centre for the sector at national level which needs to be strengthened by supporting them to upgrade their infrastructure and human resources. National level sectoral federations also may be assigned additional functions of audit, strengthening self-regulation, education and training in their respective sectors as in some of the western countries by making appropriate provisions in the cooperative laws of the State and Central Govts.

[9] The National Policy on Cooperatives 2002 in spite of the consensus regarding its acceptability and usefulness failed in effective implementation. Strong and binding partnership through MoUs with State Govts and stakeholders including National Federations is required for the successful implementation of the National Policy apart from creating a dedicated machinery for implementation with adequate budgetary support.

166th Meeting of the Board of Management

The 166th Meeting of Board of Management of the Federation was held on 19th December 2021 in the Board Room of Gujarat State Cooperative Bank Ltd., Ahmedabad. Shri K. Sivadasan Nair, Chairman presided over the Meeting. The Board considered policies and operational issues faced by member banks and also reviewed their performance in key operational areas, Major challenges faced by Long Term Rural Cooperative Credit Structure, Draft Revised norms for performance awards, RBI press release regarding caution against various co-operative societies using the word "Bank" in their names, Meeting of National Federation convened by Ministry of Cooperation on 28 Oct. 2021, issues relating to LTRCCS requiring intervention by the Ministry of Cooperation and other important subjects considered by the Board.

Appointments/Elections

1) Smt Sindhu R. Nair has assumed charge as General Manager of the Kerala State Cooperative Agricultural and Rural Development banks Ltd., Thiruvananthapuram w.e.f. 3rd December 2021.

2) Shri B.R. Lingaraju, M.A. K.C.S., Additional Registrar of Cooperative Societies has assumed charge as Managing Director of the Karnataka State Cooperative Agriculture and Rural Development banks Ltd., Bangalore w.e.f. 17th December 2021.

Cooperative model best suited for development of India: Amit Shah

Union Home and Cooperation Minister Amit Shah described the cooperative model as the best suited model to achieve an all-encompassing and inclusive development in a huge country like India with a population of 130 crore. Mr. Shah said the cooperative model had the capacity to bring prosperity for all and there was a need to increase the number of successful cooperative models like the Amul dairy cooperatives and bring them under one umbrella.

He said this while inaugurating a milk powder factory, a poly film manufacturing plant and other projects of the Gujarat Cooperative Milk Marketing Federation (GCMMF) set up with an investment of ₹415 crore at Gandhinagar; the Union Minister's parliamentary constituency. It is a very difficult job to take development to all and get everyone to participate in the process of development in a country with a population of 130 crore, Mr. Shah said, adding many pundits failed to figure out which economic model would fit the requirements of this country in the past after Independence.

Mr. Shah credited Prime Minister Narendra Modi with recognising the Amul model as the best suited for economic development in villages. Seventy-five years after the country saw many governments, the country's Prime Minister tested the model and realised as the then Chief Minister of Gujarat, that if there is any economic model for an all-encompassing, all-inclusive economic development of a country of 130 crore population, then that is only the cooperative. Mr. Shah asked the management of Amul to work out a similar model for organic farming to encourage more farmers to adopt the practice, as overuse of fertilizers were causing soil degradation and diseases like cancer. He added that Amul should ask its farmers to adopt natural and organic farm practices and promised support from the Centre he said.

Odisha to procure 77 lakh metric tonnes of paddy

The Odisha government has approved Food and Procurement Policy for Kharif Marketing Season 2021-22, setting a target of procuring 77 lakh metric tonnes of paddy. The procurement season commenced from October 1 and would come to end on September 30 next year. The government will procure paddy during kharif and rabi seasons separately during the period.

According to policy approved by State Cabinet, which was chaired by Chief Minister Naveen Patnaik, a tentative target of 52 LMT in terms of rice has been fixed for 2021-22 season while in terms of paddy this comes to around 77 LMT. The government, however, made it clear that there is no bar on procurement of any higher quantum if more volume of paddy comes to mandis from registered farmers.

Paddy [kharif crop] will be procured in the State during the period from November, 2021 to March, 2022 and Paddy [rabi crop] from May to June next year, said the government. Small and marginal farmers shall be accorded priority for sale of paddy to government at minimum support price. There would be no imposition on farmers to keep aside a certain portion of their produce for personal consumption by their families, says the policy.

Small growers edging out big players, says Tea Association

Small tea growers are threatening to push estates in the organised sector out of the competition because they are not burdened with welfare responsibilities, the Tea Association of India (TAI) has said. In its paper titled 'Sustainability of tea industry in India,' the TAI said that the small tea growers, or STGs, are no longer small or a minority as they produce more than 50% of India's green-leaf output. An STG is a person who cultivates tea in an area up to 25 acres. There are more than two lakh STGs in Assam and West Bengal.

STGs are not burdened by the welfare activities that the organised estates provide to their labour force, the TAI said. This creates a dichotomy in the tea industry, with the estates and the small growers having significantly different costs of production, with different welfare responsibilities, yet they compete with each other. The low-cost tea available from small growers undercuts the teas from the organised estates that have a much higher cost of production and a more stringent requirement of regulations to follow. The organised sector cannot remain sustainable in such a scenario, the TAI said.

The paper said tea production in India increased from 945 million kg in 2005 to 1,255 million kg in 2020, indicating a 33% rise in production in 15 years. The production outstripped

consumption of tea, leading to stagnant selling prices for tea plantations. Labour costs, which account for 60% of the cost of production for the organised tea estates, has put the estates in a disadvantage, the TAI said.

Crop insurance being revamped, panel set up

Aiming to roll out an overhauled Pradhan Mantri Fasal Bima Yojana (PMFBY) from kharif 2022, the government has constituted a working group comprising officials from Centre, key crop-producing states and top executives of public sector insurance companies to suggest sustainable, financial and operational models. The move comes after many states quit the scheme, defeating the objective of protecting farmers' income. With a view to achieving sustainable underwriting capacities of insurers and rationalised premium pricing to cut subsidy burden on the government, the working group is expected to address the demand of an alternative model, an official source said. The group will submit its report in six months.

Of late, the Centre has identified a hardening of premium market, lack of sufficient participation in tenders, inadequate underwriting capacity of insurers as major issues that adversely impacted PMFBY during implementation of the scheme. The premium to be paid by farmers is fixed at 1.5% of the sum insured for rabi crops and 2% for Kharif crops, while it is 5% for cash crops under PMFBY. The balance premium is split equally between the Centre and states. Many states have demanded their share of the premium subsidy be capped at 30% while some others demand the Centre to bear the entire subsidy.

The working group will find out reasons for high premium rates and suggest mechanism to rationalize them including the option of creating a risk pool, a source in agriculture ministry said adding role of state governments will have to be defined as they are the implementing agencies. Already, Gujarat, Andhra Pradesh, Telangana, Jharkhand, West Bengal and Bihar exited the scheme, citing the cost of the premium subsidy to be borne by them. While Punjab never implemented the crop insurance scheme, Bihar, West Bengal and Andhra Pradesh have their schemes under which farmers do not pay any premium, but they receive a fixed amount of compensation in case of crop failure. According to provisional data of 19 states (excluding Karnataka), there is over 10% fall in enrollment of farmers under crop insurance during Kharif 2021 from last season's 1.68 crore.

Karnataka is not included since this year's Kharif data of the state is yet to be uploaded in the central portal. Among major producing states namely Chhattisgarh, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamil Nadu and Uttar Pradesh the fall in enrollment is in the range of 2-75%. It is definitely a concern as less than 12% of 14.6 crore land owning farmers are covered under crop insurance during kharif despite the fact that 52% of the country's farm land does not have assured irrigation facility and depends on monsoon. No other scheme than PMFBY will ensure a stable income during calamities. It will also be a big setback for government's target to double farmers' income, said a top executive of an agri-tech firm involved in technology infusion in the scheme. It is good that the working group has included some states who exited the PMFBY, added the executive.

Gujarat to give ₹ 546 cr. compensation to farmers

The Gujarat government announced a special relief package of ₹546 crore to compensate the farmers affected by heavy rain and floods in the four districts of Saurashtra, who suffered crop losses and other damages in September. The package was announced after the Cabinet cleared it. Each eligible farmer would get a compensation of ₹13,000 per hectare with a limit of two hectares if the crop loss was equal or above 33%. Before announcing the package, the government had carried out a survey of crop losses and damages in four districts — Jamnagar, Rajkot, Junagadh and Porbandar — in the Saurashtra region.

State government spokesman and Education Minister Jitu Vaghani said the government is also in the process of surveying other crop loss-affected areas and suitable relief measures will be announced later. He said, the government has announced a ₹546-crore package...will benefit 2.82 lakh farmers of 662 villages in 22 tehsils.

Gross NPAs of banks may decline to 6.9% by March : ICRA

Gross non-performing assets (NPAs) and net NPAs of banks are likely to decline to 6.9-7% and 2.2-2.3%, respectively, by the end of March 2022 as compared to 7.6% and 2.5%, respectively, as of March 31, 2021, according to a report by rating agency ICRA. GNPAs and NNPAs stood at 8.6% and 3%, respectively, as on March 31, 2020.

The GNPAs and NNPAs are expected to further decline to 6.9-7% and 2.2-2.3% by March 2022, which will continue to be a relief for the bottom line (profit) of lenders, the credit rating agency said in the report. The fresh NPA generation rate (or slippages) remained elevated during the second wave in absence of regulatory relief such as moratorium, it said.

The gross fresh slippages during the April-June 2021 quarter stood at ₹ 1 lakh crore (annualised slippage rate of 4.1%) compared with ₹ 2.5 lakh crore or 2.7% during FY2021. Of the total restructured loan book of ₹ 2 lakh crore for the banks as on June 30, 2021, the restructuring under the first coronavirus wave is estimated at 51% of the total restructuring of ₹ 1 lakh crore, while restructuring under the second wave is estimated at 31% of the total restructuring or ` 0.6 lakh crore, it said.

The agency's Vice-President (financial sector ratings) Anil Gupta said that considering that 30-40% of the loan book was under moratorium during Q1 FY2020 across most banks, the loan restructuring at two per cent of advances after the second wave is a positive surprise and much lower than our earlier estimates. Despite the positive headline numbers, we continue to be watchful of the asset quality, given the elevated levels of the overdue loan book and for the performance of the restructured loan book, Gupta said.

As per ICRA's estimates, the public sector banks (PSBs) may not need the capital budgeted by the government for FY2022 even with enhanced capital requirements. However, it provisions for any unforeseen events and shall provide confidence to banks as well as investors and credit growth. It said large private sector banks (PVBs) also remain well-capitalised though few mid-sized PVBs could need to raise capital. We continue to maintain our credit growth estimate of 7.3-8.3% for banks for FY2022 compared to 5.5% for FY2021, Gupta said.

Economy poised to grow by 10.5% or more in FY22

The Indian economy is poised to grow by 10.5% or more in FY'22 despite several supply side constraints on the back of strengthened recovery in the July-September period and jump in exports, NITI Aayog vice chairman Rajiv Kumar said. The economy will achieve 10.5% growth if not more in FY'22. The unevenness in economic recovery is no longer due to consumer deficiency but supply constraints-chips, ships and global TRIPS, Kumar said while addressing the 8th National Forum of the Public Affairs Forum of India (IAFI). According to Kumar, there has been a strong uptake in PMI for manufacturing and service last month and this will strengthen even more going forward. Talking about the chip shortage, which is hurting production of auto mobiles and electronic products among others, kumar said it is indeed a risk factor but despite these headwinds, India is on a road to double digit growth this fiscal year. While global trade has grown substantially, India's share in merchandise trade has not grown. We need to focus on doubling our share in global trade for which we need huge market access, he said. Commenting on Tesla's long pending demand for lowering of custom duty on imported electric cars, Kumar said, Don't give us shipped products as it will not create jobs in India. Come and manufacture here and you will get all tax benefits.

Gene editing guidelines facing delay

Even as the Centre investigates allegations that unauthorised genetically modified (GM) rice was exported to Europe, it is yet to decide on a research proposal from its own scientists which would allow plants to be genetically modified without the need for conventional transgenic technology.

Scientists at the Indian Agricultural Research Institute are in the process of developing resilient and high-yield rice varieties using such gene editing techniques, which have already been approved by many countries, and they hope to have such rice varieties in the hands of the Indian farmers by 2024. However, the proposal for Indian regulators to consider this technique as equivalent to conventional breeding methods, since it does not involve inserting any

foreign DNA, has been pending with the Genetic Engineering Appraisal Committee for almost two years.

The IARI has previously worked on golden rice, a traditional GM variety which inserted genes from other organisms into the rice plant, but ended trials over five years ago due to agronomic issues, said Director A.K Singh. The Institute has now moved to newer technologies such as Site Directed Nuclease (SDN) 1 and 2. They aim to bring precision and efficiency into the breeding process using gene editing tools such as CRISPR.

In this case, you are just tweaking a gene that is already there in the plant, without bringing in any gene from outside. When a protein comes from an outside organism, then you need to test for safety. But in this case, this protein is right there in the plant, and is being changed a little bit, just as nature does through mutation, said Dr. Singh. But it is much faster and far more precise than natural mutation or conventional breeding methods which involve trial and error and multiple breeding cycles.

NBFCs: Reserve Bank to step up vigil with four-layered regulatory framework

The Reserve Bank of India (RBI) will put in place a four-layered regulatory structure for non-banking financial companies to keep a stricter vigil on the shadow banking sector and minimise risks for the overall financial system. The detailed set of norms, which will come into force from October 2022, provides for a Scale Based Regulation (SBR) framework that takes into consideration capital requirements, governance standards, prudential regulation and other aspects of the Non-Banking Financial Companies (NBFCs).

The central bank's latest move, after extensive stakeholder consultations, also comes against the backdrop of previous instances, including the collapse of IL&FS in 2018 and later DHFL, that had a spillover impact on the entire financial system, especially in terms of liquidity woes. Since then, the focus shifted to having tighter regulations rather than a light touch approach for the country's shadow banking sector. Unveiling the four-layered framework, RBI said that over the years, the NBFC sector has undergone considerable evolution in terms of size, complexity, and interconnectedness within the financial sector.

Many entities have grown and become systemically significant, and hence there is a need to align the regulatory framework for NBFCs keeping in view their changing risk profile, it said in a statement. To begin with, the central bank will issue an integrated regulatory framework for NBFCs, providing a holistic view of the SBR structure, set of fresh regulations being introduced and respective timelines.

MFIs need to balance profit with Welfare goals : RBI Deputy Governor

The Indian microfinance sector needs to exercise caution while chasing growth and lenders to the economically weaker sections should not overlook the social objectives embedded in their business. Reserve Bank of India (RBI) Deputy Governor M. Rajeshwar Rao said. While chasing higher asset growth and returns, lenders should not throw caution to the winds. Any slip-up through adverse actions of the MFIs may undo the tremendous progress achieved over the decades and the sector can ill-afford to do that. Rai said at SaDhan National Conference on Revitalizing Financial Inclusion.

He said that self-sufficiency and financial sustainability are the objectives that the lenders need to pursue. However, prioritisation of profitability at the expense of social and welfare goals of micro finance may not be an optimal outcome. Lenders need to remain cognizant of the fact that the balance sheet growth should not be built by compromising on prudent conduct.

Borrowers with under ₹ 5-crore loans exempted from ambit of current accounts circular

The Reserve Bank of India (RBI) announced a series of tweaks to its August 6, 2020, current accounts circular, exempting borrowers with less than ₹ 5 crore of banking system exposure from its ambit. The regulator also exempted accounts opened under specific instructions of the central and state governments from meeting the restrictions under the circular.

In a notification on its website, the central bank said that the changes to the circular were made on a review taking into account feedback received from the IBA and other stakeholders. For borrowers, where the exposure of the banking system is less than ₹ 5 crore, there is no restriction

on opening of current accounts or on provision of CC/OD (cash credit/ overdraft) facility by banks, subject to obtaining an undertaking from such borrowers that they shall inform the bank(s), as and when the credit facilities availed by them from the banking system reaches ₹ 5 crore or more, the RBI said.

Borrowers to whom the exposure of the banking system is ₹ 5 crore or more will be allowed to maintain current accounts with any one of the banks with which it has CC/OD facility, provided that the bank has at least 10% of the exposure of the banking system to that borrower. Further, other lending banks may open only collection accounts subject to the condition that funds deposited in such collection accounts will be remitted within two working days of receiving such funds, to the CC/OD account maintained with the bank maintaining current accounts for the borrower.

In case none of the lenders has at least 10% exposure of the banking system to the borrower, the bank having the highest exposure may open current accounts. Non-lending banks will not be permitted to open current accounts, the RBI said. Three other categories of accounts will also be exempted from the restrictions under the circular. These include inter-bank accounts, accounts of all India financial institutions (AIFIs) EXIM Bank, NABARD, NHB and SIDBI, and accounts attached by orders of central or state governments, regulatory bodies, courts or investigating agencies where the customer cannot undertake any discretionary debits.

It is clarified that banks shall monitor all accounts regularly, at least on a half-yearly basis, specifically with respect to the exposure of the banking system to the borrower, and the bank's share in that exposure, to ensure compliance with these instructions, the RBI said. If there is a change in exposure of banks or aggregate exposure of the banking system to the borrower which warrants implementation of new banking arrangements, such changes shall be implemented within a period of three months from the date of such monitoring, the regulator added.

Banks may implement the necessary changes within one month, after which the RBI will review the compliance position thereon.

Government approves 8.5% interest rate on EPF for FY 2021

The finance ministry has approved an 8.5% return on employees' provident fund (EPF) deposits for 2020-21, a move that will impact over 6.4 crore subscribers. The rate was the same for 2019-20. The labour ministry will now notify the interest rate before the EPFO starts crediting the same into individual accounts. The entire exercise may take a maximum of 30 days to complete from the date the rate is notified, a senior EPFO official said.

EPFO's highest-decision making body, the Central Board of Trustees (CBT), had in March suggested the rate. Keeping a small amount as surplus, EPFO distributes each year the lion's share of its income from investments as returns to its subscribers on their accumulated deposits. EPFO does not take money from the exchequer for interest pay-out. On an annual basis, it receives approximately ₹1.3 lakh crore as subscription. It invests the accumulated corpus, now at over ₹15.5 lakh crore, in debt and equity instruments in the ratio of 85:15.

At 8.5%, EPFO will have to fork out around ₹ 70,000 crore as interest to its subscribers for 2020-21. The retirement fund body will still have ₹ 1,000 crore as surplus. The interest rate for 2019-20 was also same at 8.5%, which, though a seven-year low, was way higher than the returns small saver could get under any other fixed-income schemes. Along with PPF and the Sukanya Samriddhi Account meant for parents of girl children, EPF is one fixed-income instrument that is completely tax-free under the exempt-exempt-exempt (EEE) regime.

Of course, thanks to a proposal in the FY22 Budget, effective April 1, 2021, the interest on employees' contribution to EPF above ₹ 2.5 lakh a year will be taxed at the marginal income tax rate; however, barely 1% of the EPF subscribers will be impacted by the decision. Since 2015, the EPFO has been investing in exchange-traded funds, to build up an equity portfolio and this has enabled it to fetch higher returns. It is hoping to increase the returns in 2021-22, pinning hopes on a rising market.

Over the years, the EPFO has been able to distribute higher income to its members, through various economic cycles with minimal credit risk, thanks to relatively high interest rates and compounding. This is despite the fact that EPFO has consistently followed a conservative approach towards investment.

PSBs told to revise staff accountability policies for NPAs

The finance ministry has advised state-run lenders to adopt broad guidelines on staff accountability for bad loans of up to ₹ 50 crore. The new guidelines - Staff Accountability Framework for NPA Accounts up to ₹50 crore (Other than Fraud Cases) - are aimed to protect the commercial decisions taken by bank employees and quicker resolution of vigilance cases taking into account the past track record of such staff. With the approval of their Boards, lenders may decide on a threshold of ₹10 lakh or ₹20 lakh, depending on their business size, to examine all aspects of staff accountability.

Banks have been advised to revise their staff accountability policies based on these broad guidelines and frame the procedures with approval of the respective boards, the Indian Banks Association said in a statement. The guidelines will be implemented from April 2022 for accounts turning bad on or after April 1 of that year. IBA said currently banks were following various procedures for conducting staff accountability.

Also, staff accountability exercise is being carried out in respect of all accounts which turn NPA. This approach not only adversely affects staff morale but also puts a huge strain on the Bank's resources, it said. While punitive action needs to be taken against officers who have mala fide intent, it was essential to ensure that bona fide mistakes are dealt with compassion, the bankers' association said. "There is a need to protect the people taking bona fide business decisions in this competitive environment," it said. At a time when the country needs an economic boost, slow credit delivery to industries due to fear of being implicated is a matter of concern and needs to be addressed urgently, it added.

Customers can now subscribe to Atal Pension Yojana via Aadhaar eKYC: PFRDA

To expand its subscriber base and simplify the on-boarding process further, pension fund regulator PFRDA has now allowed Aadhaar eKYC as an additional option to add customers under its flagship pension scheme Atal Pension Yojana. The Pension Fund Regulatory and Development Authority (PFRDA) is allowing enrollment of subscribers through physical, net banking and other digital modes, at present.

Now in order to further increase the outreach and simplify the process of subscription, CRA (Central Recordkeeping agency) would be providing digital on-boarding based through Aadhaar eKYC as an additional option. These processes are paperless, the PFRDA said in a notification.

Post opening of an APY account, the subsequent servicing of the subscribers would be offered by the respective APY-SP (Atal Pension Yojana-Service Provider). Besides, the PFRDA said there will be Aadhaar seeding of all the APY accounts. For this, the CRA will be providing a functionality for facilitating the Aadhaar seeding of the existing APY subscribers through the proper consent mechanism. However, APY-SPs can also collect the Aadhaar details from subscribers after taking their consent which would then be shared with CRA for seeding.

All APY-SP banks are encouraged to provide e-APY link in their respective corporate website for the benefit of their customers and facilitate them with ease of on-boarding. CRA is advised to engage with all APY-SPs for system level integration so as to provide the functionality e-KYC based APY on-boarding and consent framework for Aadhaar seeding at the earliest, the PFRDA said. The government introduced Atal Pension Yojana (APY) on June 1, 2015, to provide social security to workers mainly in the unorganised sector. It aims to create a Universal Social Security system for all Indians, especially the under-privileged and workers with limited means.

The PFRDA is the administrator of APY under its administrative and institutional architecture of the NPS (National Pension System). Usage of Aadhaar as identity document, for delivery of services or benefits under APY simplifies government's delivery processes in a transparent and efficient manner. The numbers of subscribers under APY stood at 304.51 lakh as of August 31, 2021, the PFRDA data showed.

NABARD and TCIT to train Rural Youth

NABARD and Tata Community Initiatives Trust (TCIT) have entered into a pact to impart skill development training to as many as 5000 rural unemployed youth over a period of five years. An MoU was signed for this initiative in the presence of Shaji KV, Deputy Managing Director, NABARD and Ms Anita Rajan, CEO, TCIT, in Mumbai.

As part of this CSR partnership, NABARD would provide financial assistance to TCIT for conducting training programmes for rural unemployed youth across the country in trades like android app development, industrial electrician, domestic electrician, general duty assistant, hospitality, etc.

While emphasising on the commitment of NABARD in skilling rural youth for gainful employment, Shri Shaji K.V said participation of other stakeholders is equally important for bridging the gap in demand and supply of skilled labour. He invited reputed corporates to collaborate with NABARD for implementing various rural development projects under CSR, in new areas including solar technicians.

NABARD has so far supported skill development of over 9 lakh rural youth through some 35 thousand training programmes with a grant assistance of Rs. 174 crore.

I-T dept rolls out new AIS for taxpayers

The Income Tax (I-T) department has rolled out the new Annual Information Statement (AIS) on the compliance portal which provides a comprehensive view of information to a taxpayer with a facility to capture online feedback. AIS is more comprehensive than the earlier Form 26AS as it will contain more information about financial transactions of taxpayers beyond the TDS and TCS transactions.

The derived information in TIS will be used for pre-filling of Return (pre-filling will be enabled in a phased manner), the department said. The value shown in TIS may be considered while filing the ITR. In case the ITR has already been filed and some information has not been included in the ITR, the return may be revised to reflect the correct information, it said.

The new AIS could be accessed by clicking on the link "Annual Information Statement (AIS)" under the "Services" tab on the new Income tax e-filing portal (https://www.incometax.gov.in. The display of Form 26AS on TRACES portal will also continue in parallel till the new AIS is validated and completely operational, the income tax department said in a statement.

The new AIS includes additional information relating to interest, dividend, securities transactions, mutual fund transactions, foreign remittance information, etc. The reported information has been processed to remove duplicate information and taxpayer will be able to download AIS information in PDF, JSON, CSV formats. If the taxpayer feels that the information is incorrect, relates to other person/year, duplicate, etc., a facility has been provided to submit online feedback.

A simplified TIS has also been generated for each taxpayer which shows aggregated value for the taxpayer for ease of filing return. TIS shows the processed value (i.e.the value generated after deduplication of information based on pre-defined rules) and derived value (i.e. the value derived after considering the taxpayer feedback and processed value). If the taxpayer submits feedback on AIS, the derived information in TIS will be automatically updated in real time.

In case there is a variation between the TDS/TCS information or the details of tax paid as displayed in Form26AS on TRACES portal and the TDS/TCS information or the information relating to tax payment as displayed in AIS on Compliance Portal, the taxpayer may rely on the information displayed on TRACES portal for the purpose of filing of ITR and for other tax compliance purposes.

RBI DG stresses on banks' appropriate governance standards win public trust

Asserting that banks are repository of public resources, Reserve Bank Deputy Governor M K Jain said lenders need to design appropriate governance standards and implement internal controls to be worthy of the public trust.

Corporate governance is the cornerstone for any enterprise and it assumes a distinctly different undertone and importance for banks, he emphasised. It is well known that banks are special in terms of services they render and the segments they touch, and they act as catalysts in growth of the economy. Most importantly, banks enjoy the privilege of

mobilising uncollateralised public deposits, he added. He pointed out that the negative externalities of banks and NBFCs are also much higher due to their interconnectedness and that's why globally, banks are regulated and supervised very closely.

Being highly leveraged entities and with the interconnectedness, there must be separation between ownership and management, so that they operate on professional lines, he said at an event organised by Business Standard newspaper. Jain Stressed that governance reforms have been an area of continued focus for the RBI, adding that various regulatory measures, including the mandatory listing of private sector banks, have all been driven to improve the corporate governance in the banks.

CBDT notifies e-settlement scheme

The Central Board of Direct Taxes (CBDT) has notified an e-settlement scheme to settle pending income-tax settlement applications transferred to a settlement commission. The scheme will be applicable to pending applications in respect of which the applicant has not exercised the option under sub-section (1) of Section 245M of the Act and which has been allotted or transferred by Central Board of Direct Taxes to an interim board, CBDT said.

The proceedings before the interim board shall not be open to the public. No person other than the applicant, their employee, and concerned officers of the interim board or the income-tax authority or the authorised representatives, without the permission of the interim board, can attend the proceedings even on video conferencing or video telephony.

CBDT shall establish suitable facilities for video conferencing including telecommunication application software that supports video telephony at such locations as may be necessary, it said in the notification. The board had in September allowed eligible taxpayers to file their income-tax settlement claims before the Interim Board for Settlement on certain conditions.

The relief was given to taxpayers who were eligible to file application as on January 31, 2021, but could not file the same due to cessation of Income Tax Settlement Commission as per the Finance Act 2021, and were hence permitted to submit the applications by September 30, 2021 before the interim board. CBDT had said an assessee should have been eligible to file application for settlement on January 31, 2021 for the assessment years for which the application is sought to be filed and all relevant assessment proceedings of the assessee remain pending as on the date of filing the application for settlement. The board said such applications, if found valid, will be deemed as "pending applications" and will not be allowed to be withdrawn.

RBI integrate climate risks into financial stability monitoring

RBI said that it is committed to integrating climate-related risks into financial stability monitoring as well as exploring use of climate scenario exercises to identify vulnerabilities in the central bank-supervised entities. The Reserve Bank of India (RBI) published its 'Statement of Commitment to Support Greening India's Financial System – NGFS', coinciding with the 2021 United Nations Climate Change Conference (COP26). The apex bank joined the Central Banks and Supervisors Network for Greening the Financial System (NGFS) as a Member on April 23, and aims to learn from as well as contribute to global efforts on green finance.

The NGFS has reiterated its willingness to contribute to the global response required to meet the objectives of the Paris Agreement, and, to that end, NGFS will expand and strengthen the collective efforts towards greening the financial system. Against this backdrop, RBI, also emphasised that it was committed to building awareness about climate-related risks among regulated financial institutions and spreading knowledge about issues relating to climate change and methods to deal with them accordingly.

In a statement, RBI said that it broadly supports the NGFS declaration. We commend the co-ordination efforts of NGFS in defining, promoting, and contributing to the development of best practices in climate finance through sharing experiences and best practices for climate risk management in the financial sector, it said. Specifically, RBI, keeping in view the national commitments, priorities and complexity of the country's financial system, is committed to integrating climate-related risks into financial stability monitoring, according to the statement.

Cabinet approves increase in ethanol price, cotton support

The government approved increase in ethanol prices, restoration and continuation of Member of Parliament Local Area Development Scheme (MPLADS), and support of ₹17,408.85 crore to Cotton Corporation of India for minimum support price (MSP) operations. The Cabinet Committee on Economic Affairs (CCEA) also raised prices of sugarcane-based ethanol by up to ₹1.47 per litre for blending with petrol for the supply year 2021-22.

The price of ethanol extracted from C heavy molasses has been increased to ₹46.66 per litre, from ₹45.69, and that of ethanol obtained from B heavy molasses to ₹59.08, from ₹57.61. Ethanol produced from sugarcane juice, sugar/sugar syrup is ₹63.45 per litre, up from ₹62.65. Transportation charges and GST will have to be paid separately. Oil marketing PSUs such as Indian Oil, HPCL and BPCL obtain ethanol from distilleries at government-determined rates to mix with petrol. The government has decided oil PSEs should be given freedom to decide pricing for 2G ethanol as this would help in setting up advanced biofuel refineries, an official statement said.

Cotton Support

The CCEA gave its nod to committed price support of ₹17,408.85 crore to the Cotton Corporation of India to reimburse losses under MSP operations for seven cotton seasons (October to September) from 2014-15 to 2020-21. In order to safeguard the interests of the cotton farmers, it is expedient to conduct price support operations in cotton years 2014-15 to 2020-21 as cotton prices touched the MSP prices, the government said in a statement.

The government will release almost ₹8,000 crore on cotton support this fiscal via supplementary allocation and the remaining in budget next year. With this move, Cotton Corporation will be able to repay its loan. Also, the corporation takes a loan of ₹25,000 every year and with these funds, they can begin procurement, textiles secretary Upendra Prasad Singh said. Normal consumption is 33-34 million bales. We expect record consumption this year, Singh said, adding that cotton availability is expected to fall due to a ban on cotton in China's Xinjiang province. We expect there will be no need for procurement or loss. We only intervene when prices are lower than MSP.

Jute Packaging

CCEA also approved norms for jute year 2021-22 (July 1, 2021 to June 30, 2022) to provide for 100% reservation of foodgrain and 20% of sugar to be compulsorily packed in jute bags. Singh said the season's jute crop is one of the best in recent times and mills have unutilised capacity. We have asked jute mills to diversify to other products so that their total dependence on supply of jute bags to procuring agencies goes away, Singh said, adding that procurement is only 30-40% of total national production. I don't think right now we should think about doing away with JPM (Jute Packaging Materials Act). Singh said the government is asking the agencies to procure 3.5 million bales this time, up from 3 million bales they used to do earlier MPLADS. The Cabinet also approved the restoration of MPLADS for the remaining part of FY22, wherein MPs will get ₹2 crore for local area development. From next fiscal year, they will get ₹5 crore per annum till 2025-26. The total financial implication for restoration and continuation of the MPLADS for the remaining part of the FY22 and up to 2025-26 will be ₹17,417 crore.

NBFCs source majority loans from digital channels post-Covid

The Covid-19 pandemic has accelerated the pace of customer acquisition through digital channels by non-banking finance companies (NBFCs). Several non-bank lenders have focused on digital channels for loan applications and even the approval process, which helped with business continuity. Digital platforms not only enabled business continuity during the lockdown, but has also helped us process larger volumes with greater speed and efficiency. Our increased focus on online loan processing during the lockdown coupled with our quick response helped our services stay seamless and uninterrupted, Renu Sud Karnad, managing director (MD) at Housing Development Finance Corp (HDFC), told.

Mid-sized non-banking finance company Shriram City Union Finance is also focusing higher on digital means to increase loan and deposit business. The company currently receives over 60% of its collections via digital mode where customers can pay via digital wallets or a company-generated

hyperlink.

To ensure social distancing and safe contact with customers during the pandemic, gold loan financier Muthoot Finance launched its 'Loan @ Home' mobile application in July 2020, and, to date, it recorded about 10,000 downloads. The NBFC's gross loan assets under management, as on September-end, stood at ₹ 55,146.8 crore, up 17% on year.

Banks want more provisions included as statutory capital

Banks have urged the sector regulator, Reserve Bank of India, to relax norms and allow more of the provision made towards unidentified losses to be reckoned as statutory capital. At present, because of the regulatory cap, only provisions to the extent of 1.25% of the credit risk weighted assets are considered as tier II capital. If rules are relaxed, more funds can be freed up and made available for banks at a time when recovery is firming up and credit is expected to pick up.

In its monthly economic report, the finance ministry said India is on its way to becoming the fastest growing major economy in the world and forecast a strong possibility of faster credit growth. There is a uniform view among banks that due to increased provision burden, the regulatory cap of 1.25% can be removed. We have also approached RBI to either remove the cap or increase eligible percentage so banks will benefit from the additional provisions made by them, said an executive aware of developments.

As per RBI's July 2015 circular on Basel III Capital Regulations -Elements of Tier II Capital for Indian Banks, under General Provisions and Loss Reserves, provisions held for currently unidentified losses, which are freely available to meet losses that subsequently materialise, will qualify for inclusion under tier II capital. Accordingly, the general provisions on standard assets qualify for inclusion in tier II capital.

With expected increase in standard assets provision on account of restructuring of stressed accounts under Covid-19 dispensations, ranging from 5% to 15%, substantial amount of provisions made will not be qualifying as tier II capital because of the cap, said another bank executive.

Launch by PM Modi : New RBI scheme to enable retail investors to invest in government securities

Prime Minister Narendra Modi launch had two crucial customer-centric initiatives of the Reserve Bank of India (RBI) to enable retail investors to directly invest in government securities for the first time, and to improve the grievance redress mechanism for resolving customer complaints against banks and other entities regulated by the central bank.

Under the Retail Direct scheme, people can invest in central government securities, treasury bills, state development loans and sovereign gold bonds through a portal. It will propel India into the league of a few country that currently offer such a facility. Investors will be able to easily open and maintain their government securities account online with the RBI, free of cost, the PMO said.

The second initiative, the Integrated Ombudsman scheme, aims at bolstering the grievance redress mechanism for resolving customer complaints against entities regulated by the RBI, such as banks, NBFCs and non-bank payment system participants. This scheme will be based on 'One Nation-One Ombudsman' with one portal, one email, and one address for the customers to lodge their complaints. At present, RBI has three separate ombudsmen — for banks, NBFCs and digital payments. These are operated from 22 RBI ombudsman offices across the country. These will be integrated into one centralised scheme to make the grievance redress mechanism simpler and much more effective.

Customers will be able to lodge complaints, submit documents, track status, and give feedback through a single email address under the new scheme. There will also be a multi-lingual toll-free number that will provide all relevant information on grievance redress. This mechanism will continue to be free for customers. The complaints that are not covered under the ombudsman scheme will continued to be addressed by the Customer Education and Protection Cells located in the 30 regional offices of the RBI.

As for the Retail Direct scheme, people can access the online portal to open securities accounts with the central bank, bid in primary auctions and buy and sell the papers. No fee will be charged for any service. The payment for transactions can be made by them through internet-banking and the UPI, using their savings bank accounts. Investor support facility

will be made available via telephone, email as well as online. Providing transaction and balance statement, nomination facility, pledge/lien and gift transactions, etc, will be available.

Punjab sees lesser stubble fires, burnt area this year

With paddy harvesting almost at its fag end in Punjab, the State has witnessed just a tad lesser stubble fire incidents this kharif season and the 'rice burnt area' has also seen a significant drop in comparison to the last year so far. The data from Ludhiana-based Punjab Remote Sensing Centre shows the 'rice burnt area' — which according to officials provides the actual ground reality about farm fires — was close to 10 lakh hectares till November 10, 2021, as against 15 lakh hectares in 2020 in the corresponding period, down by around five lakh hectares.

The Punjab Pollution Control Board data shows that till November 13, as many as 62,863 cases of farm fire occurrence have been reported. Last year, during the same period there were 75,442 such incidents. Sangrur district has seen the highest number of farm fire cases at 7,095, while Moga with 5,839 such cases stands on the second spot. Ferozepur recorded as many as 5,592 cases, according to the PPCB. Paddy has been grown over 29.68 lakh hectares of land in Punjab this year. Burnt area under paddy in 2021 has been estimated to be 10.34 lakh hectare up till November 10, 2021, whereas the burnt area during 2020 till November 10 was close to 15.21 lakh hectare. At the same time the paddy area harvested in 2021 till November 10 is at 28.15 lakh hectares of the total paddy area as against the 27.71 lakh hectares during the same period in year 2020, Krunesh Garg, member secretary of the PPCB, told. In Punjab, the total 'rice burnt area' in 2020 was 18 lakh hectares, while in 2019 it was 19 lakh hectares.

Banks' aggregate NPA provisioning falls in July-Sept

The bad loan provisioning by banks fell sequentially for the second consecutive quarter in the three months ended September 2021 led by a significant drop in some of the private sector banks. Analysts expect the trend to continue given improved collections and lower slippages.

The aggregate provisioning towards non-performing assets (NPA) or loan loss provision for a sample of 29 banks fell by 20.5% sequentially and 10.9% year-on-year to ₹ 30,400 crore. It has softened over the past two quarters after peaking at ₹ 65,986.9 crore in the March 2021 quarter when banks resumed accounting for slippages. The fall in the September quarter was driven by a sharp 43.9% drop in loan loss provisioning by the private sector banks at the aggregate level. Top banks including HDFC Bank, Axis Bank, Kotak Bank, and IndusInd Bank recorded a double digit sequential drop in the NPA provisioning.

The pack of public sector undertaking (PSU) banks on the other hand reported a modest 1.6% fall in the NPA provisioning. Their share in the sample's NPA provisioning increased to 68.5% from 55.3% in the previous quarter. Analysts expect the asset quality of banks to improve gradually in the coming quarters following a pickup in economic activity and recovery in collections. Banks slippage ratios reduced substantially by 100 basis points QoQ on an average in the September quarter. We expect the asset quality situation to improve further driven by a reduction in retail as well as SME nonperforming loans in the coming quarters, noted Suresh Ganapathy, associate director, Macquarie Capital Securities (India) in a sector note.

The sample's net interest income increased by 3.7% sequentially and 2.4% year-on-year to ₹ 1.3 lakh crore. The sequential growth was faster for PSU banks at 5% compared with 2.1% for the private sector banks.

NBFC bad loans set to rise with RBI clarification on IRAC norms, say analysts

Bad loans reported by non-banking financial companies (NBFCs) may rise after March 2022 as the Reserve Bank of India's (RBI's) latest clarification on upgradation of non-performing assets (NPAs) kicks in. Analysts said while banks have been following the new rule on upgrades, it will be a fresh start for most NBFCs.

The central bank had said loan accounts classified as NPAs may be upgraded to 'standard' assets only if entire arrears of interest and principal are paid by the borrower. The rule will apply to both banks and NBFCs. According to sector experts,

most NBFCs currently upgrade gross stage-3 loans, or NPAs, to gross stage-2 loans — or special mention account (SMA)-2 — upon payment of just a single installment.

There is no categorisation of standard and non-performing loans for NBFCs under this system. Anil Gupta, vice president – financial sector ratings, Icra, said the rule on upgradation of bad loans can lead to a rise in NPAs reported by some NBFCs. Also, there could be some ambiguity with regard to classification of such accounts where part of the dues may have been cleared, but some installments may still be due. If such accounts have payments that are due for less than 90 days then they are currently classified as stage-2. But as these accounts will be NPA going forward, these could be classified as stage 3 also. This could lead to an increase in provisioning against such accounts classified as stage 3, he said

NBFCs in India follow the Ind-AS guidelines, under which delinquent loans are classified as gross stage-1 (loans overdue by up to 30 days), gross stage-2 (loans overdue between 31 and 89 days) and gross stage-3 (loans overdue for over 90 days). There is no categorisation of standard and non-performing loans for NBFCs under this system.

In a report, Kotak Institutional Equities (KIE) said as a market practice, all NBFCs have preferred to have a uniform definition for non-performing loans and gross stage-3 or 90 days past due (dpd) loans. However, NBFCs may choose to have parallel reporting under Ind-AS and regulatory filings to RBI. Our preliminary discussion with market participants suggests that NBFCs may not go for parallel reporting and continue the current practice (uniform definition for non-performing loans and gross stage-3). Hence, gross stage-3 loans will likely increase, KIE said.

Some analysts are of the view that while bad loans may rise, the regulatory clarification may not have a significant impact on provisioning. Prakash Agarwal, director and head – financial institutions, India Ratings and Research, said non-banks will report higher NPAs, especially in small-ticket unsecured loan asset classes. However this is unlikely to have a significant impact on the provisions for the NBFCs and hence P&L (profit and loss) may not get impacted much, he said.

On the other hand, Agarwal expects that the co-lending market could get a push from the new norms on asset classification. This would give a fillip to co- lending as the norms of banks and NBFCs will be aligned. This was one of the important issues that was a cause of challenge for co-lending, he said.

Lend without fear, I'm with you, PM Modi tells bankers

Prime Minister Narendra Modi called on bankers to step up lending without fear and satiate the credit appetite of a fast-recuperating economy and help spur growth. Modi offered to stand as a "wall" to defend those bankers who may commit honest business errors, amid fears that bankers are turning risk-averse. I am with you, near you and for you, he said. He was addressing bankers at a conference on 'Creating synergies for seamless credit flow and economic growth' here. The economy is recovering from pandemic-induced shocks and is expected to grow in the range of 8.7% to 10.5% in the current fiscal. A massive credit push is thus required for businesses to continue with their operations without hiccups and expand.

Having remained muted for months together, non-food loan flow has witnessed an uptick of late. Growth in non-food bank credit improved to 6.8% in September from 5.1% a year earlier. Loans to industry, however, grew only 2.5%. That is despite the fact the weekly average (net) liquidity surplus in the banking system jumped from an average of ₹ 4.5 lakh crore at the end of June to over ₹ 7.5 lakh crore as of September-end, according to CARE Ratings.

Modi said the bad loan ratio of public sector banks (PSBs) has dropped to the lowest level in five years and they are flush with liquidity. The consolidation exercise in recent years has brought in greater efficiency and helped PSBs raise money. They are in a strong position now to support the country's growth requirements, as we found ways to address the problems and challenges from before 2014 one by one.

This is a time for you to support wealth creators and job creators. It is the need of the hour that the banks work proactively to bolster the wealth sheet of the country along with their own balance sheets, the Prime Minister said. He asked bankers to go beyond the traditional banking models to make credit available to critical segments of the economy,

which include both established businesses and start-ups, and individuals. I am aware that it's important to invest in viable projects. At the same time, we (bankers) can play a proactive role in making the projects viable, he said.

Instead of waiting for the customers to come and seek loans, the bankers can analyse the credit appetite of both existing and potential customers and approach them with customised solutions, the Prime Minister said. PSBs have recovered as much as ₹ 5 lakh crore in the last few years, Modi said, adding that such news doesn't make as many headlines as the fleeing of a few defaulters from the country. While appreciating a proposal to set up a web-based project funding tracker to bring together ministries and banks, Modi suggested that it be added to the GatiShakti Portal as an interface.

Modi also called on banks to help unlock the productive potential of citizens. He cited the example of a recent research report by the banking sector, which suggests that states where more Jan Dhan accounts are opened have witnessed a reduction in crime rate.

RBI panel pitches for strict regulation of digital loan apps

A working group set up by the Reserve Bank of India (RBI) to review working of digital lending has made a case for stronger regulation of loan apps in its report. The recommendations range from subjecting digital lending apps (DLAs) to a verification process by a nodal agency to a separate legislation to prevent illegal digital lending activities. The report said there were approximately 1,100 lending apps available for Indian Android users across over 80 application stores, of which 600 were illegal.

The group was constituted amid widespread complaints of harassment and unfair recovery practices by a host of lending apps which are virtually unregulated. While acknowledging the importance and role of technological advancements in the growth of the credit ecosystem, the report of the group, headed by RBI ED Jayant Kumar Dash, highlighted the risks arising out of recent developments there have been unintended consequences on account of greater reliance on third-party lending service providers mis-selling to unsuspecting customers, concerns over breach of data privacy, unethical business conduct and illegitimate operations," the report said.

One of the near-term recommendations, implementable in the next one year, is that a nodal agency be set up to primarily verify the technological credentials of DLAs of the balance sheet lenders and lending service providers (LSPs). It will also maintain a public register of the verified apps on its website. Styled as Digital India Trust Agency (DIGITA), the institution would be set up in consultation with stakeholders including regulators, industry participants, representative bodies and the government, the report said.

The report recommends that a self-regulatory organisation (SRO) covering DLAs and LSPs may be set up. The RBI may provide general guidance and recognise such an SRO in respect of its regulated entities and their outsourced agents. The government may also like to take similar action for digital lending business carried out by entities which are not regulated entities of the RBI.

Analogous to the central law on the banning of unregulated deposit schemes, the government could consider bringing through a legislation styled as the Banning of Unregulated Lending Activities (BULA) Act which would cover all entities not regulated and authorised by the RBI for undertaking lending business or entities not registered under any other law for specifically undertaking public lending business. The recommended legislation may also define 'public lending' to bring clarity, the group said in its report.

The group recommended that all loan servicing and repayments should be executed directly in a bank account of the balance sheet lender and disbursements should always be made into the bank account of the borrower.

Committee on zero budget farming, MSP: Agri Minister Tomar

The government will set up a committee on zero budget farming, minimum support price (MSP), crop diversification issues which will have representatives from centre, state governments, farmers, scientists and economists, said Narendra Singh Tomar, Agriculture Minister quoting the Prime Minister after he announced the repeal of the controversial farm laws.

It will submit a report over making MSP effective and

transparent and other issues, Tomar added. Prime Minister Narendra Modi addressed the nation at on November 19 to announce that the new farm laws enacted in 2019 will be repealed in the upcoming winter session of Parliament. PM had tried to bring changes in agriculture with these reforms. But due to some situations, some farmers objected. When we took path of discussions & tried to explain to them, we couldn't succeed. So on Prakash Parv PM decided to repeal farm laws. It is a welcome step, he further said. Farmers, most of them from Punjab, have been opposing the laws since it was enacted.

RBI announces draft scheme for PMC-USFB amalgamation

The Reserve Bank of India (RBI) placed in public domain a draft scheme for amalgamation of the Punjab and Maharashtra Cooperative (PMC) Bank with Unity Small Finance Bank Ltd. (USFB), a banking company incorporated in India under Companies Act, 2013, and having its registered office in New Delhi. USFB commenced operations with effect from November 1, 2021.

The draft scheme of amalgamation published, envisages takeover of the assets and liabilities of PMC Bank including deposits, by the USFB in terms of the provisions of the scheme giving a greater degree of protection for the depositors. It may be seen that USFB is being set up with capital of about ₹1,100 crore as against regulatory requirement of ₹200 crore for setting up of a Small Finance bank under the Guidelines for on-tap licensing of Small Finance bank in Private Sector with provision for further infusion of capital at a future date after amalgamation the banking regulator said.

Mumbai-based PMC Bank Limited, a multi-state urban cooperative bank, was placed under all inclusive directions with effect from the close of business hour on September23, 2019, on account of fraud which led to a steep deterioration in the networth of the bank.

SBI Research upgrades India GDP projection to 9.3-9.6%

SBI Research has revised upwards India's GDP growth projection to range of 9.3%-9.6% for FY 22 as the country recorded only 11% increase in Covid cases during July-September (Q3) 2021 period, second lowest among top 15 most affected countries. The research arm of the country's largest lender had earlier pegged India's GDP growth at a range of 8.5%-9%. SBI Research's revised projection is in line with Reserve Bank of India's projection of 9.5% for FY 22.

As per our Now casting Model, the forecasted GDP growth for Q2 FY22 would be 8.1%, with an upward bias. The full year (FY22) GDP growth is now revised upwards to 9.3%-9.6% from our earlier estimate of 8.5-9.0%. With this the real GDP will be around ₹ 2.4 lakh crore more than the FY20 Real GDP of ₹ 145.69 lakh crore, the Soumya Kanti Ghosh, group chief economic adviser at SBI, said.

Also at an annual rate of 9.3-9.6%, India's real GDP growth would now be 1.5%-1.7% higher than the pre-pandemic level of FY20, he said. The model uses the dynamic factor model to estimate the common or representative or latent factor of all the 41 high frequency indicators from Q4 of FY13 to Q2 of Fy22.

India remained unscathed in Q3 from the global situation, which is marred by supply disruptions, stubborn inflation and surges of infections during Q3 2021, the note said, noting the reasons behind its revised estimates. The increase in Covid cases declined to 2.3% in November over September, and total Covid-19 active cases reached the lowest of 1.24 lakhs since June 2020. Further, vaccination coverage exceeds 1.15 billion mark with 81% of the eligible population receiving at least a single dose and 42% of the eligible population both doses. Also, the economic activity has gained momentum and reached pre-Covid level, Ghosh said. India's projected 8.1% growth rate in Q2 (FY22) is the highest growth across all economies. The average GDP growth of 28 selected economies has decelerated to 4.5% in Q3 (2021) as against 12.1%, he added.

Farm laws

Prime minister announced to repeal all the three agriculture laws. He also announced to form a committee to decide, among others, making the system of MSP more effective and transparent. SBI Research suggested five key agricultural reforms that could act as enablers even without these bills. Firstly, instead of MSP as a price guarantee, the government may ensure a quantity guarantee clause for a minimum

period of five years that make its mandatory of procurement to production percentage of crops being currently procured being at least equal to last year percentage, with safeguards in exceptional events like droughts, floods etc. As India is a oligopsony market where there are large number of small and marginal farmers/ sellers while the buyers are either the government and/or private, the private buyers will always have an incentive to strike a deal separately as the market has many small farmers / sellers willing to sell their produce but unable to do because of lack of market outside APMC, Ghosh said in the note.

In a second suggestion, he said that government could explore converting the Minimum Support Price to Floor Price of Auction on National Agriculture Market (eNAM).

Jan Dhan 3.0 to focus on digital, doorstep banking

The government is working out a roadmap for the third round of financial inclusion, Jan Dhan 3.0, which will focus on doorstep banking, digital financial products and convergence with its flagship pension and insurance schemes.

The government also aims to ensure availability of a banking touch point from any habitat within 5 km. We are working with banks to develop a broad structure that will improve access, simplify digital loan applications, and ensure quicker response for retail, MSME and agricultural loans, said a government official aware of the plan. The government wants banks to also find linkages and converge Jan Dhan accounts with schemes such as the Atal Pension Yojana, PM SVANidhi, Stand Up India scheme and the Sukanya Samriddhi Yojana. Based on Jan Dhan accounts, Aadhaar and mobile (JAM) framework, banks can look to offer customers new analytics-based offers and expand their coverage, the official said, adding that banks are further expected to leverage their business correspondent channels for distribution of small credit and other financial products.

Prime Minister Narendra Modi, in his address at the 'Creating Synergies for Seamless Credit Flow and Economic Growth' conference, said banks need to adopt a partnership model and shed the culture of being an approver and the customer being an applicant.

Proposal for nil charges on USSD SMSes for banking, other services

The Telecom Regulatory Authority of India (TRAI) proposed to remove charges on Unstructured Supplementary Service Data (USSD) messages for mobile banking and payment services to promote digital transactions.

The Unstructured Supplementary Service Data (USSD) messages get displayed on the screen of mobile phones and are not stored like SMSes. This technology is widely used to display balance deduction in mobile phones where a message pops-up on the device screen after a call or outgoing SMS.

At present, the sector regulator has capped the price of a USSD session at 50 paise where each session can be completed in eight stages.

The suggestion to remove charges has been made by a high-level committee on deepening of digital payments constituted by the Reserve Bank of India (RBI) with a view to encouraging digitalisation of payments and enhancing financial inclusion The recommendations made by the committee are supported by the Department of Financial Services (DFS).

TRAI said following a request from the DFS to the Department of Telecommunications (DoT) in this regard, it has analysed the issue from various aspects and is of the view that in order to protect the interests of the USSD users and promote digital financial inclusion, rationalisation of USSD charges is required.

Accordingly, the Authority proposes to revised the framework for USSD based mobile banking and payment services by prescribing a 'Nil' charge per USSD session for mobile banking and payment service, while keeping the remaining items of USSD unchanged, Trai said.

The regulator said the present tariff per USSD session for mobile banking offered by telecom service providers (TSPs) is several times higher than the average tariff for one minute of outgoing voice call, or one outgoing SMS. Considering the decline in charges for other services, the rationalization of USSD charges is required to increase the number of USSD transaction trai said.

Niti Aayog suggests setting up of full-stack 'digital banks'

The government think-tank Niti Aayog suggested setting up of full-stack 'digital banks' to deepen access to financial services in the country. In a discussion paper, Niti Aayog examines the global scenario, and based on the same, recommends a new segment of regulated entities — full-stack digital banks. A detailed architecture and sequencing of reform has been proposed in this paper, the purpose of which is to undertake stakeholder consultations. Based on the comments received, the paper will be finalised and shared as a policy recommendation from Niti Aayog.

Upon progression from the sandbox into the final stage, a full-stack digital business bank will be required to bring in `200 crore (equivalent to that required of the Small Finance bank). "Digital Banks" or DBs referred in this Paper means Banks as defined in the Banking Regulation Act, 1949 (BR Act). In other words, these entities will issue deposits, make loans and offer the full suite of services that the BR Act empowers them to. As the name suggests however, DBs will principally rely on the internet and other proximate channels 22 to offer their services and not physical branches, the think-tank said in the paper. However, as a natural corollary to being a "Bank" in full sense of its legal definition, it is proposed that DBs will be subject to prudential and liquidity norms at par with the incumbent commercial banks, it said.

Creating a new licensing/regulatory framework is being proposed as regulatory innovation and not as regulatory arbitrage. Having said that, DBs offer a differentiated proposition and as such, there is scope for differentiated treatment in adjacent areas of their operation consistent with treating them identically with incumbent commercial banks, in the critical areas of prudential and liquidity risk, it added.

HC issues notices to Centre, RBI on banking amendments

The Kerala High Court issued notices to the Centre and the Reserve Bank of India (RBI) on a writ petition challenging the amendments to the Banking Regulation Act which have brought the urban cooperative banks under the direct supervision of the RBI and made applicable to them the governance norms of commercial banks.

The petition was filed by Thiruvalla East Cooperative Bank Ltd. and Guruvayur Cooperative Urban Bank. The petitioner said the urban cooperative banks were now forced to constitute a board of management and appoint a CEO/Managing Director which would function as a parallel power centre along with the Board of Directors elected by the general body of the cooperative societies.

The petitioners pointed out that, in fact, the RBI had issued a circular in accordance with the amendments containing the procedure of appointment/termination of the MD/CEO, BoM and their qualifications. As per the amendments, the cooperative societies could not now amend their bylaws without the sanction of the RBI. The amendments brought in 2020 had nullified the provisions of the Kerala Cooperative Societies (KCS) Act and Rules and the power granted to the general body of the societies as per the KCS Act. The amendments were brought on the strength of the 97th Constitutional Amendment, 2011, whereby 2nd Provison to Article 243ZL made all the provisions of Banking Regulation Act, 1949, applicable to all cooperative societies doing the business of banking.

As a result of the amendments, the power to fix the maximum number of directors of cooperative societies and the duration of the term of office of elected members of the board of cooperative societies were now put in the hands of the Central Government. The petitioners contended that the amendments had transgressed into the provisions of the KCS Act framed under item 32 in List II. Therefore, the amendments were unconstitutional.

₹ 10,000 crore more for MGNREGA scheme

The Finance Ministry has allocated additional funds of ₹10,000 crore as an interim measure for the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme after it ran out of funds allocated in the budget, according to the Ministry of Rural Development (MoRD). More funds may be forthcoming based on the assessment of demand, added the Ministry.

A Ministry spokesperson told the extra money was allocated

on November 5. However, the scheme's financial statement on November 25 still reflects a negative net balance of ₹9,888 crore. Despite the additional allocations, the funds available for the scheme stand at ₹76,340 crore, well below the ₹86,229 crore which have been incurred as expenditure, including payments due for wages and materials. The scheme's balance sheets remain in the red in 24 States and Union Territories.

Pending wages

Recently, the Ministry of Finance allocated additional funds of ₹10,000 crore for the Mahatma Gandhi NREGA as an interim measure. Further allocation may be made upon assessment of demand during the revised estimate stage, said a MoRD statement issued. These revised estimates will be included in supplementary budget demands made to Parliament when the winter session opens.

Meanwhile, more than ₹1,170 crore worth of wage payments for MGNREGA workers are still pending. Lack of funds results in suppression of demand for work and delayed payment of wages to workers. These are violations of the Act; they also constrain economic recovery, said an open letter from more than 70 economists to the Prime Minister, demanding that additional funds be provided immediately to strengthen and expand the scheme. They noted that 13% of households which demanded work had failed to get the same, adding that the unmet demand is as high as 20% in Gujarat, Telangana and Bihar. In its statement, the MoRD acknowledged that the MGNREGA is a demand-driven scheme, meaning that its funding must increase to accommodate increases in demand.

NBFCs eyeing bank tag face a long wait, tighter regulations

Large corporate-backed NBFCs, such as Bajaj Finance, L&T Financial Holdings, Aditya Birla Capital and Tata Capital, may have to deal with tighter bank-like regulations even as there is no clarity from the Reserve Bank of India (RBI) on their eventual transition into full-service banks. The RBI listed out the recommendations it had accepted from the internal working group (IWG) to review ownership guidelines and corporate structure for private sector banks. Analysts say NBFCs face their own challenges in terms of the rising cost of funds and higher capital requirements and a bank licence is not on the horizon for the next few years.

Prakash Agarwal, head-financial institutions at India Ratings & Research, said the arbitrage between banks and NBFCs is only going to shrink. NBFCs now have considerable similarity on regulations with banks with the major exception of reserve ratios. This of course remains a major concern if NBFCs were to convert to banks, Agarwal said. Banks keep 4% of their deposits with RBI without interest as cash reserve ratio and another 18% of deposits have to be invested in government securities as statutory liquidity ratio. These do not apply to NBFCs and that is why they traditionally avoided banking licences.

There are pros and cons for NBFCs wanting to become banks. They will have to change their deposit mix away from wholesale taking into account a large repricing that happens every year. There will also be some regulatory challenges, especially with regards to reserve ratios, said Karthik Srinivasan, group head-financial sector ratings, ICRA. For now, the RBI has not said anything about licences to corporate groups or NBFCs so everyone will just wait for the dust to settle as they move toward a stricter regime. NBFC executives say the only question now needs answering is whether the regulator wants corporate houses to promote banks.

Centre announces plastic waste recycling targets

The Environment Ministry has issued draft rules that mandate producers of plastic packaging material to collect all of their produce by 2024 and ensure that a minimum percentage of it be recycled as well as used in subsequent supply. It has also specified a system whereby makers and users of plastic packaging can collect certificates — called Extended Producer Responsibility (EPR) certificates — and trade in them.

Only a fraction of plastic that cannot be recycled — such as multi-layered multi-material plastics — would be eligible to be sent for end-of-life disposal such as road construction, waste to energy, and waste to oil and cement kilns. Only methods prescribed by the Central Pollution Control Board (CPCB) would be permitted for their disposal.

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GM crops: Seed companies say NOC rule to seek GEAC nod cumbersome

Domestic seed technology developers have complained that the government has effectively halted field trials of genetically modified (GM) crops in the country via new rule. The new norm makes a no-objection certificate (NoC) from the state government concerned mandatory to approach the regulator, Genetic Engineering Appraisal Committee (GEAC), for permission to conduct the trials.

Earlier, the GEAC was approving trial of a GM crop following which companies were approaching state governments for NoC based on that approval for field trials. Now, a company may not have any substantial evidence to seek permission for first stage confined field trials from a state, said a source. He also drew attention to a recent Karnataka government decision to seek public comments on allowing field trials of GM crops

Committee on zero budget farming, MSP: Agri Minister Tomar

The government will set up a committee on zero budget farming, minimum support price (MSP), crop diversification issues. The panel will have representatives from the centre, state governments, farmers, scientists and economists, Union agriculture Minister Narendra Singh Tomar said. It will submit a report over making MSP effective and transparent and other issues, he informed.

The formation of the committee was announced by Prime Minister Narendra Modi during his address to the nation earlier where he said the controversial farm laws enacted in 2019 will be repealed in the upcoming winter session of Parliament. Zero budget natural farming refers to a method of chemical free agriculture where natural resources are used to manage soil nutrition, fertility pests and weeds drawing from traditional practices in the country.

Soyabean output may rise 14% to 11.9 mn tn this year: SOPA

Soyabean production is estimated to rise by 14% to nearly 119 lakh tonnes this year on higher sowing area and likely improvement in productivity, according to industry body SOPA. In its estimate released, Indore-based Soyabean Processors Association of India (SOPA) said that the total area under soybean for the year 2021 is 119.984 lakh hectares. The government's area estimate is 123.677 lakh hectares. In last year's Kharif (summer sow) season, total soyabean acreage stood at 118.383 lakh hectare.

Estimated total production of soybean crop for all India for the year 2021 is 118.889 lakh tons, which is higher by 14.337 lakh tons (13.71%) as compared to last year, SOPA said. The production stood at 104.55 lakh tonnes last year. The average yield for the year 2021 is estimated as 991 kg per hectare as against 883 kg per hectare during the year 2020, the association said. Soyabean is a major oilseed crop grown in Kharif season. Out of the total estimated production this year, the output in Madhya Pradesh and Maharashtra is seen at 52.3 lakh tonnes and 48.3 lakh tonnes this year. The production in Madhya Pradesh and Maharashtra stood at 41.8 lakh tonnes and 45.44 lakh tonnes last year.

Agritech firm partners with IARI to offer solutions that can prevent stubble burning

Over 5.7 million acres of rice paddy stubble is burned on farms in the northern parts of India every year, leading to environmental issues, depletion of soil quality and loss of flora and fauna. The stubble smog engulfs Delhi and its surrounding areas during October and November. This year, an agri-tech start-up firm based out of Bengaluru — nurture. Farm — hopes to make a difference.

The firm has partnered with the Indian Agricultural Research Institute (IARI) to improvise the Pusa decomposer by providing capsules developed by the institute into a ready-to-use spray solution and use this to stop the stubble burning to some extent. Dhruv Sawhney, chief operating officer, nurture. Farm says the main challenge in agriculture is to drive adoption and scale of technology, make the technology work financially and change the mindsets of users. The technology has been available and the start-up hopes to scale up this in a viable manner by bringing more users onboard.

The Centre has been advocating the use of Pusa decomposer, a low-cost microbial bio-enzyme that can decompose crop residues, including stubble from paddy crops, in a bid to prevent farmers from setting them on fire. In

2020, the government provided Pusa Decomposer, developed by ICAR-Indian Agriculture Research Institute (IARI), to several states on a trial basis for crop residue management. IARI has licensed this technology to 12 companies for mass multiplication and marketing of the bio-decomposer.

Rajasthan facing shortage of fertilizer during rabi crop sowing

Facing an acute shortage of fertilizers during the sowing of rabi crops, Rajasthan has initiated steps to make optimum utilisation of the reserves and advised the farmers to use alternative compounds for mustard and gram crops, which are expected to cover a collective area of 50 lakh hectares. The Congress government has also requested the Centre to sanction more quantity of fertilizers.

Since the supply of diammonium phosphate (DAP) is largely dependent on imports, the gap between demand and supply has widened across the country because of low arrivals, affecting Rajasthan and other States this year. Rajasthan has received only 3.07 lakh metric tonnes of DAP during April to September against the demand for 4.50 lakh metric tonnes.

Agriculture Minister Lalchand Kataria said that the farmers had been asked to use the alternate phosphatic fertilizers, single super phosphate and nitrogen, phosphorus and potassium (NPK) compound, to avoid the possible losses because of shortage of DAP. The SSP had been found to be more beneficial for oilseeds and pulses because of sulphur contents.

Mr. Kataria said he had written a letter to Union Minister of Chemicals and Fertilizers Mansukh Mandavia, pointing out that the Centre had approved only 67,000 metric tonnes of DAP for the rabi crops of 2021-22 in Rajasthan against the demand for 1.50 lakh tonnes during October. We have faced a shortage of 2.25 lakh metric tonnes so far, though we have been making efforts at every level to provide fertilizers to the cultivators on time. The average area of mustard and gram crops is expected to be 30 lakh and 20 lakh hectares, respectively, for which a minimum of 2 lakh metric tonnes of DAP fertilizer will be required.

Stubble burning down by more than half till now

The number of paddy residue burning incidents in Punjab, Haryana and Uttar Pradesh were down by more than half this year, compared to last year, as per data available till October 11. Assessment of stubble fires between September 15 and October 11 shows that the cumulative number of incidents is down from 2,957 to 828 in Punjab. Haryana has reported 247 stubble fire incidents against 411 last year. Twelve cases were reported in UP, compared to 37 last year.

The air quality index in the NCR has deteriorated with change in weather and the trend of lesser cases will have to continue over the next few weeks to prevent AQI from worsening. Pollution control agencies of Delhi and neighboring states and the Commission for Air Quality Management are monitoring stubble fires and fire intensity involved.

As on October 11, six 'very high' intensity fires, 11 of 'high' intensity fire and 31 of 'moderate' intensity were reported from Punjab. Haryana reported 3 incidents of very high intensity, 10 of high intensity and 19 each of moderate and low intensity stubble fires. Uttar Pradesh has so far reported two incidents of moderate stubble fires and one of low intensity. Four hundred and forty-one fields were inspected in Punjab by October 10 and 154 cases of environmental compensation amounting to ₹4.5 lakh were imposed. Nine fields were inspected in Haryana and in six cases environmental compensation to the tune of ₹10,250 was imposed, data submitted by states showed. Nine burning events noted in UP were met with seven cases where fines of about ₹20,000 were imposed.

States have scaled up awareness and education drive to convince farmers to stay off burning paddy residue. Bio decomposers to naturally rid the fields of paddy stubble have been introduced in several areas across states adjoining NCR. United Phosphorus Ltd is sending in its bio decomposer application in around 2.07 lakh acres in Punjab and 2.9 lakh acres in Haryana. In Punjab, 4,518 acres and 51,834 acres in Haryana have been covered. UP is hoping to bring in 6 lakh acres under bio decomposer deployment soon. In the immediate term, weekend showers are expected to bring relief to NCR air quality.

Bio-decomposer a better solution, say farmers

The Delhi Government's initiative of spraying bio-decomposer solution in agricultural fields to help decompose stubble into manure has brought relief to several farmers in the city.

Some farmers in whose fields the solution was sprayed last year that the move helped them save money as the Government was doing it for free. This year, the authorities have so far sprayed the solution in over 500 acres of fields in the city, said officials. Members of the Bhartiya Kisan Union, however, said the Government has to improve the administrative procedure as there seems to be delay in spraying of the solution. The Delhi Government has sprayed the bio-decomposer solution in 500-600 acred of fields and continue it til November 15. Last year, the Government had sprayed the solution in about 1,935 acres, an official said.

The Delhi Government, which first used the bio-decomposer solution last year, sees it as a means to minimise stubble burning and has been urging other States to adopt the measure. This solution helping farmers to save `1,500/- acre.

Earlier, farmer had to plough his field several times to cut the stubble after harvest and overturn the soil. After two-three rounds of ploughing, he used to release water into the field and leave it for around 10 days. The water helped decompose the stubble to an extent. He again had to do two-three rounds of ploughing using different tools attached to his tractor to make his field ready for the next crop. The spraying of the bio-decomposer involves a similar process but the ploughing rounds are fewer as the stubble decomposes faster and better, officials said.

Most mandi prices rule below MSPs, may hit rural demand

Mandi prices of eight out of 10 major monsoon-sown crops are currently ruling below their benchmark rates in leading producing states. This may help government to keep food prices in check even as it threatens to hit rural demand. The average prices were about 4-34% lower than MSPs in the case of paddy, jowar, bajra, maize, moong, urad, tur and groundnut during October 1-22, according to Agmarknet data. Only soyabean and cotton prices were higher – by 16% and 20%, respectively. The mandi prices of 8 kharif crops (out of 10 major crops) were 4-37% below MSPs during October 2020. One of the main demands of agitating farmers is legal guarantee for the minimum support price (MSP) mechanism. The Modi government stepped up MSP procurement of paddy and wheat last year, to pacify the farmers.

The Centre, however, pruned the paddy procurement target for the current year to 50 million tonne (in terms of rice), against actual purchases of over 60 million tonne (MT) during 2020-21 marketing year (October-September), which was an all-time high and almost half the total production of the grain in the year. The wheat purchases for the Central Pool was also about 40% of production of 109.5 MT in the last season. In contrast, out of 61.8 MT of oilseeds and pulses produced during 2020-21 crop year, government procurement was only 2%.

Higher moisture content in the crops due to unduly prolonged monsoon rains have impacted the market prices in many places, traders said. Even though the kharif harvesting season began from October 1, the south-west monsoon is active in many states and is predicted to retreat from the entire country only on October 26 against normal October 15. In fact, the withdrawal of monsoon began from October 6 from the north-west region, against usual September 17.

After steeply raising the MSPs in the range of 4-52%, on year to fulfil a promise of 50% profit for farmers over the costs of production during kharif 2018, the Centre resorted to moderate increases in subsequent years to curb the food subsidy bill. The hike in MSPs was by 1-7%, on year during kharif and by 2-9% for rabi season of 2021-22 crop year (July-June).

Though the Centre in 2018 had launched PM-AASHA, a price support scheme, it did not yield much results in terms of ensuring remunerative prices for farmers as envisaged while fixing the MSP formula. As a robust procurement mechanism for pulses, oilseeds and coarse cereals is absent in most states, the initial trend in mandi prices indicate a repeat of the same situation this year as well. Unless the procurement mechanism improves, the low market prices could hit farmers' earnings, experts said.

On the other hand, the continuous focus on wheat and paddy

procurement has led to huge stocks with the Central Pool. The Commission for Agricultural Costs and Prices (CACP) in a recent report pointed out that government has emerged as the single largest buyer of food grains and driven out private sector from the market after increased production. Even as paddy procurement has reached half of the production, it (government) miserably failed to lift farm-gate prices as many states have reported mandi rates ruling 10-20% below MSP this month, said a former agriculture secretary of Maharashtra.

Sugar production to be lower in 2021-22 season, says ISMA

The country's sugar production is pegged at 305 lakh tonnes in the ongoing 2021-22 season, mainly due to diversion for ethanol production, the Indian Sugar Mills Association (ISMA) said. Sugar output was at 311.8 lakh tonnes in the 2020-21 season. After Brazil, India has begun diverting sugarcane for its ethanol blending program in a big way. With higher ethanol production capacity and continued surplus sugarcane, a larger quantity of cane juice/syrup and B-molasses will get diverted to ethanol in the 2021-22 season ISMA has said.

It is estimated the diversion of cane juice and B-molasses for ethanol making will reduce sugar production by about 34 lakh tonnes in the 2021-22 season, similar to preliminary estimates released by ISMA, it added. However, a better picture of the diversion can be ascertained after the ethanol tenders for 2021-22 are finalised. Already, mills have submitted bids for ethanol supplies, the association said. Releasing the first estimate, the industry body said the sugarcane crushing in the ongoing 2021-22 season has already started in some areas and is expected to start soon in the other regions of the country.

Local growers yet to savour rising global coffee prices

With only a few weeks remaining for the coffee harvest to begin, a disparity in the prices of Robusta coffee in the international market and India has become a major cause for concern among growers in South India. Though the price of coffee in India is usually based on international markets, especially the London market, a proportionate increase in the price of the produce overseas is yet to get reflected in the local market, according to trade sources.

While the price of Robusta coffee rose by about $70 a ton in the international market, the Indian market was yet to reflect the increase. According to Coffee Board data, the price of the produce (AB grade) in the international market was ₹165 a kg on October 29 but the growers here were getting only ₹140 a kg. The trade sources contended that the likely reason for the disparity was 'price cartelisation' by some international buyers. Also, the number of buyers had been relatively low in India as the harvesting season here would begin only by the end of December, they added.

According to the board's final estimates, the total coffee production in India during 2020-2021 stood at 3. 69 lakh tons, including 2.35 lakh tons of Robusta. Of this, a little more than 1.64 lakh tons were exported. Recently, the Centre extended RoDTEP (Refund of Duties and Taxes on Exported Products) scheme to the coffee sector to boost exports. But the growers were not enthused, the sources added. Alleging that some international players were likely trying to enhance profits by not increasing the prices, the trade sources sought the Union Commerce Ministry's intervention to stop such exploitation.

Crop insurance claims for 2020-21 decline over 60%

There has been more than 60% decline in the crop insurance claims of farmers at ₹9,570 crore under the Pradhan Mantri Fasal Bima Yojana (PMFBY) for the 2020-21 crop year from the previous year as there were no major crop losses, according to official data.

However, much of the crop insurance claims reported for 2020-21 and 2019-20 crop years have been cleared by the government. Crop insurance claims stood at ₹ 27,398 crore in the 2019-20 crop year (July-June). PMFBY was launched in 2016-17 with many improvements over the erstwhile crop insurance schemes. The operational guidelines of the scheme were revised with effect from Rabi 2018 and Kharif 2020, respectively, to ensure the benefits reached farmers adequate and timely. According to the data, about 445 lakh

hectares of farm land was insured by 612 lakh farmers under the PMFBY with a total sum insured amount of ₹1,93,767 crore during 2020-21.

The claims at ₹9,570 crore for 2020-21 were significantly lower as there were no major losses unlike previous year, an Agriculture Ministry official told. Maximum crop insurance claims were reported from Rajasthan at ₹3,602 crore, followed by Maharashtra at ₹1,232 crore and Haryana at ₹1,112.8 crore during 2020-21.

During the 2019-20 crop year, about 501 lakh hectare was insured by 613 lakh farmers under the PMFBY with a total sum of `2,19,226 crore. The claims reported from Kharif season remained higher at ₹21,496 crore, while from Rabi season at ₹5,902 crore of the 2019-20 crop year. Maximum crop insurance claims were reported from Maharashtra at ₹ 6,757 crore, followed by Madhya Pradesh at ₹5,992 crore and Rajasthan at ₹4,921 crore during 2020-21.

Dampening rabi prospects: 'DAP shortage real problem, supplies hardly improving'

As farmers keep paying more than ₹1,200 for one bag of diammonium phosphate (DAP) — a key fertiliser in rabi season— amid a severe shortage, the government has been resorting to managing the negative publicity rather than improving supplies, farmer leaders say.

The delay in raising the subsidy for the imported fertiliser amid rising global prices has disrupted the normal arrival schedule which will be difficult to manage, an industry expert said. November is crucial sowing period for wheat when maximum area is covered and farmers need to have it before for its timely application, the expert said, adding there will be late sowing in many places.

While there is no problem in the availability of urea, complex (N, P, K, S) and Muriate of Potash (MOP) fertilisers, the main concern is over DAP, which is not available at many places, contrary to the government's claims.

According to fertiliser ministry data, the availability of DAP was less than 10 lakh tonne against requirement of 17 lakh tonne for entire November.

The government has claimed that the availability was 23 lakh tonne against 18 lakh tonne of demand in October, which many farmer leaders have questioned amid continuing queue before fertiliser retail outlets. DAP is normally applied before planting.

Sowing of mustard has increased about 26% to 24.67 lakh hectares as on October 29 against year-ago period in the on-going rabi season. But chana acreage has declined 17% to 7.77 lakh hectares from year-ago. Wheat sowing has not even reached 1 lakh hectare. Total area under all winter crops has increased 2% at 43.29 lakh hectares.

Union chemicals and fertilisers minister Mansukh Mandaviya appealed to farmers not to hoard fertilisers. He said the government has been constantly monitoring production, imports and movement of fertilisers and adequate arrangements are in place to ensure that farmers get sufficient quantity. While the demand of urea is 41 lakh tonne, the government will make sure 76 lakh tonne is available in November, Mandaviya said. Similarly, 18 lakh tonne of DAP will be made available against a projected demand of 17 lakh tonne. Availability of 30 lakh tonne of NPK will surpass the demand of 15 lakh MT.

The government on October 12 had approved an additional fertiliser subsidy of ₹28,655 crore to insulate farmers from paying extra for the key farm input and to ensure adequate availability by easing the burden of fertiliser companies. With the additional subsidy, the total outgo on fertiliser will reach around ₹1.23 lakh crore in FY22. On June 16, the Centre had announced a ₹14,775-crore additional subsidy over and above the BE as it increased the subsidy on DAP by 140% for the kharif season. As the subsidy on fertilisers has been increased by 55% from the budget estimate (BE) of ` 79,530 crore in current fiscal, the major factor for the steep hike is attributed by experts on the global price rise in phosphorous and potash. Gobal prices of DAP increased from $580/tonne to $672/tonne and that of MoP from $280/tonne to $445/tonne between July and September. The government has set a target of 155.88 million tonne (MT) of foodgrains, including 110 MT of wheat and 15.18 MT of pulses. The target for rabi oilseeds has been fixed at 11.3 MT, which includes 10.2 MT of mustard.

Milk production to increase as consumption picks up

The Indian dairy industry is expected to grow by 9-11% in the current fiscal year. However, higher procurement prices and operating costs are likely to impact profit margins.

In its report on the Indian Dairy Sector, ratings agency Icra has said domestic milk production is estimated to increase by 5-6% in FY2022, supported by a normal monsoon and early onset of the flush season in some regions. Post the moderate impact of pandemic, the industry has witnessed steady recovery in consumption across end-segments. This has been further aided by improving pace of vaccination, fall in fresh Covid-19 cases, revival in economic activities and demand from institutional and HoReCa segments, which too has recovered sharply, says the report.

Liquid milk sales continue to be supported by inelastic nature of demand while increasing consumption of value-added dairy products (VADP)s like ghee, butter, curd, cheese etc., support the overall dairy sales, the report states. With stable milk procurement and lower demand amidst pandemic during FY2021, industry players have converted excess liquid milk to skimmed milk powder (SMP) thus resulting in elevated inventory levels and subdued SMP prices. The same is expected to be liquidated in the current year supported by revival in demand, the agency said.

Icra expects industry-wide demand to grow by 9-11% in FY2022 and maintains stable outlook over long-term. Revival in economic activities, increasing per capita consumption of milk and milk products, changing dietary preferences due to rising urbanisation and continued government support to the dairy industry shall drive demand, the agency observed.

According to Sheetal Sharad, vice-president and sector head, Icra, the organised dairy segment, which accounts for 26-30% of industry (by value), has seen faster growth compared to unorganised segment and the agency expects the trend to continue. Growth in liquid milk segment, which accounts for over half of the industry, shall remain stable (6-7% in FY2022) while majority of VADP categories is estimated to grow by 13-15%, she said. However, demand recovery of a few VADP categories such as frozen yogurt, ice-cream etc., shall be slow with consumer's aversion for cold dairy products post pandemic, she pointed out.

Blockchain can benefit the agricultural ecosystem

Several tech innovations including AI and ML, are being increasingly launched by enterprises to help farmers enhance farm productivity, take well-informed decisions, and connect them to the larger ecosystem to discover synergies. However, there continues to be significant information asymmetry and lack of meaningful data about developments in the ecosystem, which can facilitate the exchange of information and help key stakeholders introduce strategic data-led policies and interventions.

Discrepancies across the value chains can be managed, to an extent, by leveraging technologies such as blockchain. Typically, blockchain is viewed as a technology that facilitates the decentralisation of information, allowing easy access to all the members throughout the value chain. Today, agri players are increasingly looking at opportunities, where this technology can be applied to simplify financial procedures, as well as to integrate all the stakeholders in the agri sector. From input suppliers to farmers and credit suppliers to logistics providers, these stakeholders can be brought onto a single platform to interact, share and consume data in a secure and transparent environment.

Solving information asymmetry in the ecosystem

Given the multiple players across multiple steps and levels of the value chain, there is a huge volume of data generation and transactions on a daily basis in the farm sector. However, the availability of data and maintenance of records continues to be very poor. One of the inherent challenges that the sector still faces is that there are no records available on the transactions that occur at the farmer level, due to multiple channels and no appropriate means of recording.

There is a need to trace transactions throughout the agri value chain right from FPOs, input suppliers to how the product was procured and sold to the institutional buyers. Blockchain can help structure various financial services products which will bring a lot of cohesiveness in how organisations engage with the FPOs. It can connect FPOs with vendors, food processors, and packaging firms, allowing buyers and sellers to interact without an intermediary in a secure and trusted environment. It also eliminates the

requirement for intermediaries to be paid out of farmers' margins, thereby increasing their profit portion.

Blockchain will improve asset traceability, provide accurate data on farmers' input requirements to input suppliers, and inventory data to output providers. This will help estimate future cash flow predictions, enabling lenders to purchase inputs on behalf of the farmers' and provide trade finance. For example, the Maharashtra State Warehousing Corporation (MSWC) recently announced its plan to introduce this ledger technology to help farmers access commodity finance faster. Similarly, the University of Hyderabad, in collaboration with players such as Samunnati, Synchrony IT and Social Education Economical Development Society (SEEDS) announced an integrated blockchain solution to bring the entire agri ecosystem, from farmers to financing experts to a single platform.

A recent EY report suggests that agritech in India is still in infancy with just 1% penetration of the addressable market potential of $24 billion. Although the agriculture sector has started deploying technologies such as blockchain, in the coming years it will definitely find more applications in solving many other problems faced by farmers. This will span finance, accessibility to resources and information, networking and multiple other aspects.

India coffee output hit by rains

India's arabica coffee production will drop by 30% and robusta by 20% this harvest season ending January on account of excessive rainfall, plant damage, bean splitting and berry dropping, as per data provided by the planters' community.

According to Coffee Board's post-monsoon estimates, arabica production in India was expected to be 99,000 metric tons and robusta 2.35 lakh metric tons in the current crop year.

However continuous rains from September had resulted in causing significant damage to coffee plantations, reducing yields in Arabica (30%) and robusta (20%) said Karnataka Planters' Association (KPA) that represents more than 80% of coffee growers in India. A large volume of berries are spitting open or falling down now before they are harvested said KPA chairman S. Appadurai.

Also the cost of coffee production has been rising 10%,15% annually as wage and input costs were constantly rising. Due to vagaries of nature and plant loss due to white-stem borer disease, the yield has also come down significantly.

The Brazillian fros induced supply shortage and price surge in the international coffee markets came as a respite for Indian coffee growers who have been reeling under existential crises. As a result, Arabica prices have risen to ₹12,500-₹13,000 per 50 kg bag from ₹ 9,00 to ₹9,500 in the last coffee season. However robusta continues to stay in the ₹ 6,000 per 50kg range.

WTO may propose new agriculture package

Ahead of a key ministerial conference, the World Trade Organization (WTO) is likely to float a revised draft text for a possible agriculture package to break the deadlock in farm talks at the meeting later this month.

Possible immediate deliverables on improved transparency, including on shipments en route or advance notice for export restrictions, language on a possible exemption from export restrictions for UN World Food Programme, and the possibility of including specific post-ministerial deadlines for some topics, could be part of the package. The revised text will be presented by chair of agriculture negotiations, Costa Rica's Gloria Abraham Peralta, later this week. The previous text was introduced in July.

The proposed package comes after talks on farm subsidies got stuck as China, India, the African Group, and the Group of African, Caribbean and Pacific countries insisted that trade distorting subsidies given by developed countries be checked first. On subsidies for public stockholding programmes, disagreements remain on whether to expand the peace clause to all developing members and new products, sources said. The peace clause protects the food procurement programmes of developing countries such as India against action from WTO members in case the subsidy ceilings-10% of value of food production in the case of India and other developing countries- are breached.

Farm reforms need to be brought back in a different form, says Pramod Joshi, Agri Economist.

Key reforms proposed in the repealed farm laws need to be brought back in a different form to benefit the larger community of farmers, agricultural economist Pramod K Joshi, a member of the Supreme Court-appointed committee on farm laws, has said. The government decision to form a committee to look into the issue of minimum support price (MSP) has opened up a platform for farmers to talk about their issues, Joshi told. Both sides should approach the talks now with an open mind, he said.

The government and protesting farmers who have refused to call off their agitation should weigh options other than MSP to ensure a better price for farm produce, said Joshi, who was also director for South Asia at International Food Policy Research Institute. The repealing of the laws is definitely a setback to the agricultural reform process, said Joshi, It is taking us back to where we were 18 months ago. The negotiations of the government and farmers will again have to address the same issues. The government and farmers should think beyond MSP that currently covers rice, wheat, some pulses and oilseeds, and discuss other options, Joshi said.

We could think of a price insurance scheme so that when prices fall below a certain point, we can insure that component, he said. Legal guarantee on MSP will be very difficult, but legal guarantee on compensating cost can be explored. The variable cost could be guaranteed in some form, but these are models that have to be studied in detail. Such a scheme will help farmers cover their input costs when prices crash, he said.

There are models such as the Bhavantar scheme in Madhya Pradesh, whereby the government pays farmers the difference between MSP and their selling price if they sell at a lower price. But there have been problems with its full implementation, Joshi said. We will have to probably evolve some of the existing models to ensure the prices. He also backed a call for making the panel's report public. It is currently with the Supreme Court. Our member who represents the farmers has already talked about pressure from the farmer community, Joshi said. Probably, we will approach the SC to make the report public so that our recommendations can also be made part of the discussions between the farmers and the government now.

Anil Ghanwat, another member of the SC-appointed panel, told that he has written a letter to the top court demanding that the committee report be released as it can play an educational role.

Insufficient availability of natural rubber affecting tyre production

Lower availability of natural rubber (NR) is adversely disrupting the production processes at tyre manufacturing units even as the demand for tyres is peaking,tyre industry body Automotive Tyre Manufacturers Association (ATMA) said.

The association has written to the Union minister of commerce & industry stating that the scarcity of NR at the height of peak production season in Kerala is unprecedented and doesn't augur well for the tyre industry value chain. ATMA reports that as against the average domestic production in the range of 75,000 tonne each in the months of October and November, the same is not expected to exceed 45,000-50,000 tonne each in October and November of the current year.

NR consumption, on the other hand, is expected to remain at over 1 lakh tonne each in these two months, with a resultant deficit of 1 lakh tonne in a short span of 2 months of the ongoing peak production season leading to major concern for tyre Industry that consumes nearly 75% of total NR produced in the country, ATMA has stated.

The scarcity comes at a time when domestic production of commercial vehicles (CVs) is looking up after a prolonged downturn. Truck and bus (T&B) tyres have relatively higher NR content. NR demand is therefore expected to firm up further but the availability crisis is likely to throw a spanner in the works, said Rajiv Budhraja, director general ATMA.

With a view to ensure that tyre production and exports take place in an uninterrupted manner, duty free imports of NR need to be allowed to the extent of projected demand-supply gap in the country. The duty free import volumes can be reviewed every year, as Tariff Rate Quota (TRQ) quantity, in accordance with production, consumption estimates put up

by the Rubber Board, he added. Moreover, restrictions at various ports on import of natural rubber need to be removed.

Wheat sowing up 3.36% so far: Agriculture Ministry

Area sown to wheat, the main rabi crop, rose 3.36 per cent to 138.35 lakh hectare so far in the current rabi season from 133.84 lakh hectare in the year-ago period, according to the agriculture ministry. Rabi sowing begins from October while harvesting starts from March onwards. Besides wheat, gram and mustard are the other main rabi crops.

As per the ministry data, wheat has been sown in 35.8 lakh hectare in Madhya Pradesh, 34.98 lakh hectare in Uttar Pradesh, 29.45 lakh hectare in Punjab, 13.78 lakh hectare in Haryana and 13.37 lakh hectare in Rajasthan so far in the ongoing season. These are major wheat growing states in the country.

Besides wheat, area sown to pulses has increased to 97.53 lakh hectare as on November 26 of this season from 94.02 lakh hectare in the year-ago period. Area sown to coarse cereals and nutri cereals were slightly lower at 25.87 lakh hectare compared to the year-ago period. Oilseeds acreage increased to 76.60 lakh hectare so far this season from 60.15 lakh hectare in the year-ago period. Total area sown to rabi crops was 346.13 lakh hectare so far this rabi season of 2021-22 crop year, up from 322.70 lakh hectare in the year-ago period, the data showed. The crop year in India runs from July to June. Sowing has been undertaken so far in more than 50 per cent of the normal rabi area of 625.14 lakh hectare.

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at many challenges and also opportunities. Widespread banking network, regulatory support, nuanced understanding of peripheral socioeconomic issues, strong rural client base and grassroot presence of member institutions are the core strengths of the cooperative banks. This should be leveraged in terms of financial inclusion deliverables around four important pillars of "Accessibility", "Product Availability", "Technology Adoption", "financial Literacy". Traditional models have largely addressed supply and outreach of financial services and many demand side barriers are left to adjust on their own. While retaining the strengths of the conventional model, a strategic approach might be required to look out for greener pastures amidst the changing contours of the rural economy. Going forward, new models, product designs and delivery channels will have to evolve so as to converge with the supply side efforts to make full financial inclusion a reality in India.

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Plastic packaging, as per the rules made public on October 6, fall into three categories. The first is "rigid" plastic; category 2 is flexible plastic packaging of single layer or multilayer (more than one layer with different types of plastic), plastic sheets and covers made of plastic sheet, carry bags (including carry bags made of compostable plastics), plastic sachet or pouches; and the third category is called multi-layered plastic packaging, which has at least one layer of plastic and at least one layer of material other than plastic.

Producers of plastic will be obliged to declare to the government, via a centralised website, how much plastic they produce annually. Companies will have to collect at least 35% of the target in 2021-22, 70% by 2022-23 and 100% by 2024. In 2024, a minimum 50% of their rigid plastic (category 1) will have to be recycled as will 30% of their category 2 and 3 plastic. Every year will see progressively higher targets and after 2026-27, 80% of their category 1 and 60% of the other two categories will need to be recycled.

If entities cannot fulfil their obligations, they will on a "case by case basis" be permitted to buy certificates making up for their shortfall from organisations that have used recycled content in excess of their obligation. The CPCB will develop a "mechanism" for such exchanges on a centralised online portal. Non-compliance, however, will not invite a traditional fine. Instead an "environmental compensation" will be levied, though the rules do not specify how much this compensation would be.

Telangana State Co-operative Apex Bank Ltd.

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