

Agriculture Infrastructure Fund



Agriculture Infrastructure Fund

The Union Cabinet chaired by the Prime Minister has given its approval to a new pan-India Central Sector Scheme- Agriculture Infrastructure Fund.

What is its objective?

To provide a medium to long term debt financing facility for investment in viable projects for post-harvest management infrastructure and community farming assets through interest subvention and financial support.

Who are the beneficiaries?

Under the scheme, 1 Lakh Crore will be provided by banks and financial institutions as loans to-

1. **Primary Agricultural Credit Societies (PACS)**
2. **Marketing Cooperative Societies**
3. **Farmer Producers Organizations (FPOs)**
4. **Self Help Groups (SHG)**
5. **Farmers**
6. **Joint Liability Groups (JLG)**
7. **Multipurpose Cooperative Societies**
8. **Agri-entrepreneurs & Startups**
9. **Aggregation Infrastructure Providers**
10. **Central/State agency or Local Body sponsored Public-Private Partnership Projects**

What shall be the duration?

The duration of the Scheme shall be from FY2020 to FY2029 (10 years).

What is the validity period?

Loans will be disbursed in four years starting with the sanction of Rs. 10,000 crores in the current year and Rs. 30,000 crore each in the next three financial years.

What are the limits of the Interest Subvention?

All loans under this financing facility will have an interest subvention of 3% per annum up to a limit of Rs. 2 crores. The interest subvention will be available for a maximum period of seven years.

What is the Credit Guarantee?

- Credit guarantee coverage will be available for eligible borrowers from this financing facility under the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme for a loan up to Rs. 2 crores.
- The fee for this coverage will be paid by the Government. **Under the scheme, the government will guarantee cover for the portion of the credit facility not covered by collateral security.**
- This is to ease bank credit for eligible borrowers with fewer hassles of collaterals / third party guarantees. In the case of FPOs, the credit guarantee may be availed from the facility created under the FPO promotion scheme of the Department of Agriculture, Cooperation & Farmers Welfare (DACFW).

What is the significance of the fund?

By facilitating formal credit to farm and farm processing-based activities, the scheme is expected to create numerous job opportunities in rural areas.

Who would manage & monitor the fund?

Agriculture Infra Fund (AIF) will be managed and monitored through an online Management Information System (MIS) platform. It will enable all the qualified entities to apply for a loan under the fund. The online platform will also provide benefits such as:

1. a) Transparency of interest rates offered by multiple banks
2. b) Scheme details including interest subvention and credit guarantee offered
3. c) Minimum documentation
4. d) Faster approval process
5. e) Integration with other scheme benefits
6. f) The National, State, and District level Monitoring Committees will be set up to ensure real-time monitoring and effective feedback.

What are the different types of Credit Organizations/ Groups?

Primary Agricultural Credit Society (PACS)

- A Primary Agricultural Credit Society (PACS) is a basic unit at the bottom-tier of the three-tier Cooperative credit structure operating in the country.
- It works at the grassroots level of gram panchayat, i.e. it works at the village level. These are owned by local people like farmers, rural artisans etc. and provide mutual credit help among the members.
- It deals directly with the rural borrowers (farmers), gives loans to them, and collects repayments of the loans given. It serves as the ultimate link between final borrowers on one hand and higher financing agencies like banks.

Marketing Cooperative Society

- An agricultural cooperative is a democratic society where farmers pool their resources in certain areas of activity.
- For example, marketing cooperative societies are established by farmers to undertake transportation, packaging, distribution, and marketing of farm products (both crop and livestock). It is a registered body.

Multipurpose Cooperative Society

- It is like any other cooperative society where the members (in this context- farmers) come together and pool their resources to fulfill certain objectives like production or supply activities.

Farmers Producers Organization (FPO)

- A Farmer Producer Organization (FPO) is a legal entity formed by primary producers, viz. farmers.
- FPO is a registered body and a legal entity. Ownership of FPO is with its members. An FPO can be a producer company, a cooperative society, or any other legal form which provides for sharing of profits/benefits among the members.

Self Help Groups (SHGs)

- **Self Help Group is a type of informal financial group of locals or villagers who are usually daily wage earners or poor.**
- The objective of SHGs is to promote small savings among their members which are then kept with the bank under the name of a common fund. The SHG gives small loans to its members from its common fund, thereby acting as an informal source of small credit for its members.
- SHG is an informal group and registration under any Societies Act, State cooperative Act or a partnership firm is not mandatory.

Joint Liability Group (JLG)

- **A Joint Liability Group (JLG) is an informal group comprising of 4-10 individuals coming together for the purpose of availing bank loans on an individual basis or through group mechanism against the mutual guarantee.**
- Generally, the members of a JLG would engage in a similar type of economic activity. In certain groups, members may prefer to undertake different types of economic activities as well. The members would offer a joint undertaking to the bank to enable them to avail of loans.
- JLG members are expected to provide support to each other in carrying out occupational and social activities.
- The basic objective of a JLG is to augment the flow of credit to landless farmers cultivating land as tenant farmers, oral lessees, or share crops and small/marginal farmers as well as other poor individuals taking up farm activities, off-farm activities and non-farm activities.

Key Takeaways

- **The Union Cabinet chaired by the Prime Minister has given its approval to a new pan-India Central Sector Scheme- Agriculture Infrastructure Fund.**
- **To provide a medium to long term debt financing facility for investment in viable projects for post-harvest management infrastructure and community farming assets through interest subvention and financial support.**
- **The duration of the Scheme shall be from FY2020 to FY2029 (10 years).**
- **Under the scheme, the government will guarantee cover for the portion of the credit facility not covered by collateral security.**
- **By facilitating formal credit to farm and farm processing-based activities, the scheme is expected to create numerous job opportunities in rural areas.**
-

-----0-----

CLAT 2021:

A Comprehensive Course

1-year program with a day-wise study-plan
to reach your dream NLU

Why take this course?

- › Expert guidance by NLU alumni provided
- › Day-wise study plan covering the entire syllabus
- › All topics covered through live classes & quizzes
- › Daily quizzes to boost your speed and accuracy



Surajit Shantanu, Navin, Savitri, Ankit, Pranav