

Agriculture Finance

From A Public Sector Bank Perspective

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Chief Manager



OUR VISION

We envision to be a trustworthy, efficient and strong bank committed to increasing our market share by generating innovative customer-centric services and products, igniting the passion and creative talents in human resource, leveraging technology to expand the clientele & deliver quality and value leading to customer delight.



OUR MISSION

**Amplify the frontline capabilities to serve customers,
develop processes, leveraging technology
dynamically locate and empower people fast-cycle
knowledge into innovative products create
possibilities to reach the business goals & position
the bank as a rising star in the financial horizon**



Andhra Bank

- **A Premier Public Sector Bank operating in 23 States and 3 Union Territories in the country**
- **Bank is currently functioning with 1587 branches, 954 ATMs with total delivery channels of 2615 as on 31.12.2010**
- **Total business of the bank as on 31.12.2010 is USD 32,818.32 Million which includes USD 18,243 Million deposits and USD 14,575 Million advances**
- **The Priority Sector advances of the bank as on 31.12.2010 stood at USD 4,796.67 Million and share of agricultural advances is at USD 2,234.89 Million**



Awards And Accolades

- **Best Public Sector Bank -Banking Excellence Award by the State Forum of Banker's clubs, Kerala**
- **Best Bank Performance on Key Parameters under CAMEL Rating adjudged by "The Analyst"-Magazine**
- **Best Bank (Mid-Size) award by "Business World"-Magazine**
- **Best Bank for the Quality of Assets- Awarded by "Business Today"-Magazine**



Rural Development and Agriculture

- **Growth of Agriculture and allied sectors is a critical factor for inclusive growth and the overall performance of Indian Economy**
- **Agriculture and allied sectors account for 14.2% of GDP of the country**
- **Agriculture and allied sector accounts for 58% of the employment and supplies food, fodder and raw material for vast segment of the Industry**



Corporate Strategy

Our Corporate Policy on agriculture aims at

- **Meeting all genuine credit needs of the farming community**
- **Improving the overall economic status of the farmers**
- **Providing training to the farmers for improving their skill and knowledge**
- **Taking up agricultural finance as business proposition**



Achievements of the Bank

- **Andhra Bank conforms to the RBI requirement of lending 18% of the net bank credit to agricultural sector**

Performance of Andhra Bank for the last three years is as under :

2007-08 : 21.81%

2008-09 : 19.77%

2009-10 : 20.65%



Andhra Bank-Credit Flow To Agriculture

Year	DISBURSEMENTS (amount in Million USD)		
	Target	Achievement	Achievement %
2007-08	964.44	964.97	100.06%
2008-09	1206.67	1213.356	100.56%
2009-10	1508.89	1533.063	101.60%



Source of Funds for Agricultural Sector

- **Bank is having its own source of funds mobilized by way of deposits. Average cost of deposits of Andhra Bank is 6.10% as on 31.03.2010**
- **Refinance from NABARD (Interest rates ranging between 5.50% p.a to 9.50% p.a) to Regional Rural Banks and Commercial Banks**



Deployment Of Funds To Agricultural Sector

- a) Short term credit deployment constitutes around 57% of our total agricultural advances. Interest charged to this segment ranges between 8.5% p.a (7% sub vented rate up to USD 6666.67 + 1.5% interest subvention provided by Government of India) to 14.5% p.a

- b) Medium and long term credit constitute 43% of agricultural credit. Interest rate charged to this segment ranges between 10.5 % p.a to 14.5 % p.a



Agricultural Schemes - Factors Influencing Viability

- **Fixation of minimum support price to major crops by Government**
- **Subsidized inputs like seeds, fertilizers etc.**
- **Low power tariff for agricultural production.**
- **Subsidy on low Horse Power tractors and power tillers for improving farm mechanization**
- **Government directing the banks to provide agricultural credit at subsidized rate of @ 7.00 % p.a up to USD 6666.67 for short term production credit requirements. Banks receive 1.50% interest subvention on such advances from Government.**



Agricultural Schemes - Factors Influencing Viability contd...

- **Farmers with prompt repayment history w.r.t short term production credit are given additional incentive of 2%, there by reducing the ultimate interest burden to 5% p.a.**
- **State Government of Andhra Pradesh has further subsidized the loans for the farmers, with prompt repayment history, thereby reducing the interest rate burden to 3% p.a. only**
- **Schemes like Dairy Development, Sheep/Goat rearing, small ruminants, Pig fattening, Mother units for Rural Backyard poultry etc. receive capital subsidy from Central Government/NABARD**



Agricultural Schemes - Factors Influencing Viability contd...

- **NABARD is providing venture capital funds for the schemes like Emu farming, poultry sector, etc which reduces the interest charged on these loans considerably**
- **National Horticulture Board provides subsidy for the activities taken up under horticulture and plantations**
- **Medicinal and Aromatic Plants Board provides subsidy to the entrepreneurs taking up cultivation of medicinal and aromatic plants**
- **Finance for minor irrigation activities are subsidized by Government through programs like SGSY, BC & SC/ST Action plans**



Agricultural Schemes - Factors Influencing Viability contd...

- **Subsidized credit to the farmers for construction of Godowns for food grains under Rural Godown scheme (Gramin Bhandran Yojana)**
- **Liberalized finance at subsidized rate for sprinkler and drip irrigation schemes which helps in effective water management.**
- **Agriculture is subject to vagaries of monsoon and hence immediate relief measures are extended to farmers in case of need**

Viability of the project will improve recovery rate of the Financial Institutions and contribute to the country's GDP



Agriculture Finance – Andhra Bank's Strategy

Andhra Bank

- **Is responsible for a service area of 5148 villages across the country**
- **Has 852 Branches in rural and semi urban areas of the country**
- **Aims at meeting all genuine credit requirements of the farmers in its service area villages**
- **Educates farmers in latest farming technologies through Andhra Bank Rural Development Institutes and Financial Literacy and credit counseling centers**
- **Disseminates the latest information to farmers on agricultural activities through the in-house magazine “Kisan Vignan Vedika.”(Knowledge platform for Farmers)**



Agricultural Product Development

Objectives of Product Development

- Identifying the farmers' credit needs through market research and ensuring business to the bank
- Designing loan product based on the feedback from the field
- Ensure easy accessibility of the product by the user



Agricultural Product Development contd...

- **Economic viability : assessed using tools like Debt Service Coverage Ratio, Internal Rate of Return, Sensitivity analysis, etc**
- **Technical Feasibility: forward and backward linkages**
- **Commercial viability : should be able to compete in the market**
- **Comply with Government policies**
- **Comply with National objectives**



Agricultural Product Development contd...

- **Comply with environmental aspects.**
- **Product should generate sufficient margins to the financial institutions**
- **To bridge the gap between rural and urban sectors and to eliminate regional disparities**
- **Create ample employment opportunities through out the year or major part of the year**
- **To eliminate poverty**



Agricultural Products

- A) PRODUCTION CREDIT (SHORT TERM LOANS)**
- i) Crop Loans/ Pattabhi Kisan (Farmer) Credit Cards:** to meet credit requirements for production. Andhra bank is first to launch this scheme
 - ii) Kisan Sampathi (Farmer's Wealth) :** loans for avoiding distress sale of farm produce when the prices are low during harvesting season
 - iii) Loans against Gold Jewelry:** to meet production and the working capital requirements for agriculture & allied activities.
 - iv) Cash credits :** to meet working capital requirements for pisciculture, poultry etc.



Andhra Bank – Agricultural Products

(B) INVESTMENT CREDIT (MEDIUM/LONG TERM)

- i) Kisan Samraksha (Farmer's Assets): For construction of Rural Godowns.**
- ii) Kisan Chakra (Farmer's Wheel): for providing 2 or 4 wheelers to farmers for facilitating mobility.**
- iii) Kisan Bandhu (Farmer's Friend): to purchase tractor, trailer and other farm implements to mechanize the farm**
- iv) Kisan Pragathi (Farmer's Progress): to meet misc. credit requirements of farmers**
- v) Horticulture and plantations**
- vi) Minor irrigation schemes**



Andhra Bank – Agricultural Products contd...

(B)Investment Credit (Medium/Long Term) contd..

- **Live stock development**
- **Organic farming**
- **High Tech agriculture projects**
- **Floriculture**
- **Olericulture (Vegetable cultivation)**
- **Land Development**
- **Waste Land development/Social Forestry**
- **Land purchase scheme**
- **Dairy Agent Scheme**
- **Sheep Agent Scheme**
- **Self Help Group financing.**



Andhra Bank – Agricultural Products contd...

Following factors should be considered while fixing prices

- **Government guidelines like interest subvention, base rate etc**
- **Government support by way of subsidies/ to comply with national goals**
- **Availability of resources like interest rate on source of funds**
- **Income generation of the unit and product life**
- **Market demand of a particular product**
- **Risks involved in realization of credit.**
- **Expected future business**
- **Credit rating of the account.**



Risk Factors

- **Sudden change in Government Policies**
- **Acts of nature**
- **Deficiency in selection of the borrower**
- **Poor technology, inadequate infrastructure, lack of marketing abilities**
- **Poor Project Appraisal.**
- **Lack of demand**
- **Defective titles of the securities**
- **Non establishment of unit**
- **Willful default**
- **Diversion of funds**
- **Inadequate insurance coverage**
- **Price fluctuations of commodities**
- **Inadequate storage facilities**



Risk Mitigation

- Adequate training to field level functionaries through staff training colleges and workshops for proper identification, appraisal and loan product awareness of the borrowers
- Compulsory coverage of loanee farmers through “National Agricultural Insurance Scheme” for all eligible crops.
- “Weather Based Crop Insurance Scheme” in identified districts.
- Providing relief measures in case of natural calamities to make the farmers sustain the loss.



Risk Mitigation cont...

- **Continuous follow-up and taking adequate and immediate steps to correct the set backs/deficiencies detrimental to the interest of the farmer and bank.**
- **Farmers' Education through Financial Literacy and Credit Counseling centers.**
- **Providing Kisan Sampathi Loans (Agricultural Produce Loans) to farmers to avoid distress sale.**
- **Encouraging construction of Rural Warehouses to store agricultural produce**



Disbursements Under SHG Bank Linkage

Year	Number of groups financed	Amount (In Million USD)
2007-08	71758	159.55
2008-09	91571	203.78
2009-10	83644	279.55



Outstanding SHG Bank Linkage

Year	Accounts (In Millions)	Amount in Million USD)
2007-08	0.148	223.33
2008-09	0.213	367.33
2009-10	0.245	493.55



Andhra Bank Rural Self Employment Training Institutes

- **Training programs for the benefit of farmers, SHG women, un - employed youth, artisans etc**
- **Disseminating the cost-effective and latest area based Agricultural techniques to farmers**
- **Improving the skills of SHG women and orienting them towards income generating activities**
- **Identifying unemployed youth and motivating them to take up self employment;**



Use of Information Communication Technology (ICT)

Use of ICT has improved the performance of the bank as

- **Centralized accounting systems help the field level personnel to extend good customer service and also devote time for canvassing the agricultural products, and conducting awareness camps among farmers etc.**
- **Issue of smart cards/ATM cards help the farmers to draw the credit at their convenience.**
- **Automated Processing system for lending schemes created a source of knowledge for processing the proposals in line with policy guidelines**



THANK YOU