

The Changing Landscape Of Agri Tech And Agri Fintech In India

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It is a high time the mantra that can be rightly attributed to the 'Agri Tech' and 'Agri Fintech' market segment in the Indian agriculture sector. The two segment of late has been attracting high level of attention from a diverse spectrum of investors like private equity firms, venture capital firms, apart from the much needed impetus from the government in the form of grants, aids, setting up of incubators and the PPP (public private partnership) route.

Funding Potential:

As per the Maple Capital Advisors - "India Agri Tech – Investment Trends, Initiating Coverage" research report, during H1 2020, an investment to the tune of \$84 million in Indian Agri Tech firms as against \$153 million, during H1 2019. Realizing the

Funding Potential:

As per the Maple Capital Advisors - "India Agri Tech – Investment Trends, Initiating Coverage" research report, during H1 2020, an investment to the tune of \$84 million in Indian Agri Tech firms as against \$153 million, during H1 2019. Realizing the market potential, many of the Agri Tech and Agri Fintech startups has entered the industry since the beginning of 2017. According to a recent NASSCOM survey, India is currently home to more than 500 Agri Tech startups which is estimated to grow by 25 percent year-on-year. Further it is expected that funding will exceed \$ 500 million over the next two to three years as the recently funded startups are scaling up for additional rounds of funding. Deep penetration of high-speed internet coupled with availability of affordable smartphone in rural areas can be attributed to as another trigger for the growth. Based on the nature of service like Input Market Linkage, Supply Chain, Post-Harvest Management and Output Market Linkage, Precision Farming, Advisory and Analytics, Farming as a Service (**FaaS**), Digital Agriculture have received the maximum investment activity (by number of deals).

Whereas on the Agri Fintech segment there are startups that are offering solutions such as credit, insurance, warehouse receipt financing, trade financing, unified e-commerce Agri trading platform, etc. are also gaining traction in terms of investment mandates. Access to organized credit, collateral and formal documentation is said to be the biggest challenge faced by farmers, farming and allied activity community who are in need of small ticket sized loans. Though this particular segment is said to be in a nascent stage but witnessing entry of new players since the last five to six years. In this space, Agri Tech players are basically leveraging technologies such as geo tagging and remote crop monitoring while building risk summaries of farmers and ascertain their credit worthiness. Startups are using innovative and research based deployment of artificial intelligence (AI), machine learning (ML), internet of things (IoT), etc, while unlocking the potential of big data for bigger resource-use efficiency, transparency, and all-inclusiveness. Partnering with banks, NBFCs and other input suppliers, Agri Fintech players in this segment are offering loans at lesser rates of interest than the unorganized lenders.

Emerging Trends:

Emerging business models in the Agri Tech segment can be basically divided into three parts namely as below:

Margins: Players create market linkages on input or output side; earn margins on the buy-sell range.

Subscriptions: Players offering a mix of software, hardware and services to help farmers improve crop yields, track quality of produce while tracing the produce across value chain.

Transactions: Players charging on the number of transactions served such as loans/insurance policies.

Further it very important to note that agriculture being a state subject in India, it is imperative that both central and state governments are proactively launching initiatives to promote Agri Tech ecosystem in India as for an example the National Agricultural Market (e-NAM) initiative that aims to empower with latest pricing information through an electronic trading portal. Many of the state governments are forming technology partnerships to forecast prices of agricultural produce using artificial intelligence (AI) and machine learning (ML) to help farmers in efficiently planning their harvest cycle, while encouraging localized data collection on soil health and providing access to government research facilities to Agri Tech start-ups will further accelerate the adoption of Agri Tech and Agri Fintech.

While we compare the global investment funding patterns with the current Indian scenario, it is clear that the startups in precision agriculture and farm management are currently underfunded, while the Global investors can harness their experience from their global success stories to help them realize their full potential in the Indian context. The overall agriculture sector in India is here to watch for as we expect exponential growth with a conducive policy framework from the government in the upcoming Budget 2022.

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