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Mandi-linked financing lifts price realisation, stabilises farmer incomes: Sandeep Sabharwal, SLCM

Synopsis

Mandi-based financing mechanisms enhance price realisation by giving farmers the flexibility to sell when prices are favourable, says Sandeep Sabharwal, Group CEO, Sohan Lal Commodity Management Ltd.



Sandeep Sabharwal, Group CEO of Sohan Lal Commodity Management Ltd (SLCM)

The *mandi* financing is set for a major transformation over the next 5-10 years, driven by rapid phygital innovation and the expansion of supply-chain finance solutions, says Sandeep Sabharwal, Group CEO of [Sohan Lal Commodity Management Ltd \(SLCM\)](#), an agri-tech firm. Financing, he notes, will be increasingly embedded within integrated agri-value chain ecosystems, linking credit directly to pre- and post-harvest activities such as input

purchase, logistics, warehousing, processing, and marketing. In an interaction with *ET Digital*, Sabharwal says this seamless integration will reduce friction, boost transparency, and lower financing costs by optimising cash flows across the entire value chain. Edited excerpts:

Meanwhile, SLCM clocked a revenue of Rs 491.26 crore in FY23, Rs 482.36 crore in FY24, and Rs 482.78 crore in FY25. Alongside revenue stability, profit after tax (PAT) stood at Rs 3.1 crore in FY23 to Rs 15.34 crore in FY24 and Rs 15.82 crore in FY25. Edited excerpts.

The Economic Times (ET): What is the current status of *mandi* financing in India? What are the key gaps in credit availability and accessibility for small and marginal farmers at *mandis*?

Sandeep Sabharwal (SS): India's *mandi* financing landscape is undergoing a significant transformation. Formal credit flow to small and marginal farmers has seen a marked increase, with the proportion of farmers accessing institutional loans rising to 76% in 2023-24 from 57% in 2014-15. Agri-fintech solutions and digital infrastructure for credit assessment are increasingly encouraged by the government to overcome traditional bottlenecks.

Despite these strides, persistent gaps remain that constrain credit availability for the most vulnerable small and marginal farmers. Many continue to turn to informal moneylenders because of the complicated nature of formal loan procedures and limited access points. Collateral requirements represent a significant hurdle; in the absence of formal land titles or assets, farmers struggle to secure larger loans. The lack of comprehensive credit histories and low financial literacy further complicate loan eligibility and adoption.

High transaction costs, bureaucratic delays, and limited awareness of government schemes deter many from formal credit channels. Additionally, the servicing of small-ticket loans to farmers in remote locations is often not cost-effective for banks and non-banking finance companies (NBFCs) like Kissandhan.

ET: What are the main challenges farmers face in securing finance against their produce, particularly when it comes to collateral requirements, high interest rates, and slow loan processing?

SS: Many small and marginal farmers do not possess formal land titles or ownership documents that banks traditionally require for loan approval. As a result, they face difficulties in offering acceptable collateral. Even when produce is stored as collateral, a lack of standardised warehouse receipts or certifications limits lenders' confidence.

While institutional credit through banks tends to offer competitive rates, access is often limited to farmers with strong credit histories or significant collateral. Consequently, many farmers resort to borrowing from informal sources, such as local moneylenders or *arthiyas*, who charge prohibitively high interest rates.

While the KCC (Kisan Credit Card) scheme has significantly improved access to affordable credit for many farmers, it is not without shortcomings. Loan limits under KCC can sometimes be insufficient for larger financing needs, and loans beyond the collateral-free portion often require land charges, which smallholders may lack. Institutional loan applications typically involve cumbersome documentation, lengthy approval timelines, and multiple follow-ups, which are particularly challenging for farmers in remote areas with limited literacy and financial awareness.

Many farmers are unaware of available financial products, eligibility criteria, or government schemes that could improve loan access and terms.

Unpredictable agricultural output due to weather, pests, and market price volatility further complicates lenders' risk assessment and credit decisions, leading to cautious lending policies.

Addressing these challenges requires scaling warehouse receipt systems, digitising loan processes, wider financial inclusion initiatives, and tailored financial literacy programs. Supporting FPOs (farmer-producer organisations) and integrating credit with insurance and market interventions can also mitigate these barriers.

ET: What role can warehouse-receipt financing and commodity-backed lending play in deepening *mandi* finance?

SS: Warehouse-receipt financing (WRF) allows farmers, traders, and *arthiyas* (commission agents) to use their stored commodities as negotiable collateral to access formal credit. This links post-harvest storage with liquidity, enabling stakeholders to hold produce until market prices improve, rather than resort to distress sales.

By offering credit through banks, NBFCs, or fintech-driven models against warehouse receipts, farmers can gradually move away from high-interest informal borrowing dominated by commission agents (*arthiyas*).

When farmers are not forced to sell immediately after harvest, market arrivals spread more evenly, helping reduce price volatility within *mandis*. WRF, thereby, supports a more orderly and resilient market, where price discovery is driven by demand rather than distressed supply. Digitally integrated warehouse receipt systems like our 'Agri Reach' platform help monitor the quantity, quality, and location of pledged commodities in real time. This enhances lender confidence, allows dynamic collateral valuation, and supports commodity-backed lending at scale. Phygital-enabled warehousing converts agriculture from a "perception-based" to a "data-driven" credit ecosystem.

ET: What role do digital platforms and fintech innovations play in expanding *mandi* financing, and what challenges do they face when competing with the traditional *arthiya* (middleman) system?

SS: Beyond credit facilitation, digital *mandi* platforms enhance transparency in commodity trading, enabling better price discovery and empowering farmers to connect directly with buyers beyond local *mandis*, thus reducing dependence on intermediaries. This shift enhances farmers' bargaining power and potentially improves their income.

The acceptance and growth of warehouse-receipt financing have further strengthened the credit ecosystem. For instance, SLCM-managed warehouses issued 24,360 storage receipts in FY23, which surged by 63.6% to 39,868 in FY25; similarly, commodity valuations soared by 61%—from Rs 12,362 crore in FY23 to Rs 19,930 crore in FY25—reflecting growing institutional confidence.

However, these technological advances encounter resistance from entrenched *arthiyas* and middlemen, who traditionally control credit and market information in *mandis* and view digital disruption as a threat to their revenue streams. Moreover, limited digital literacy, uneven internet connectivity, and persistent trust deficits among farmers continue to prevent the full adoption of fintech solutions.

ET: How do *mandi*-financing mechanisms impact the overall price realisation and income stability for farmers?

SS: When farmers access formal finance linked to *mandi* infrastructure, such as loans against warehouse receipts, they gain greater bargaining power during harvest months. With timely liquidity, farmers are less compelled to sell their produce immediately post-harvest, when prices tend to be lower due to glut. Instead, they can hold their produce until market prices improve, leading to better price realisation. This not only boosts farmers' incomes but also stabilises regional markets, reducing the volatility caused by oversupply at specific times.

By providing affordable and accessible credit through *mandi*-based financing structures, farmers are protected against income shocks caused by market fluctuations. Timely loans against stored produce mean farmers can invest in quality inputs and technology in subsequent cropping cycles, increasing productivity and profitability. Moreover, access to credit also smooths consumption, helps meet operational expenses, and reduces dependence on informal, high-interest lenders, ultimately leading to more stable farming income.

Mandi financing mechanisms enhance price realisation by giving farmers the flexibility to sell when prices are favourable and improve income stability by ensuring liquidity, reducing dependence on informal lenders, and mitigating market risks. However, their effectiveness depends on ease of access, awareness, digital inclusion, and the integration of formal credit systems with traditional *mandi* structures.

ET: What are the regulatory or institutional bottlenecks that restrict credit flow in *mandis*?

SS: Agricultural markets in India are governed by various state-specific Agricultural Produce Market Committee (APMC) Acts, leading to regulatory fragmentation. This disjointed framework often causes inconsistency in market operations, licensing, and credit facilitation, creating hurdles for lenders and financial platforms looking to provide scalable solutions.

Though warehouse receipt financing holds great promise, the lack of standardisation and uneven legal recognition of these receipts across states restricts their acceptance as robust collateral by banks and NBFCs. This lowers lenders' confidence and limits credit accessibility.

Institutional lenders face difficulties assessing creditworthiness due to inadequate, non-digitised, or dispersed farmer data. The absence of a reliable, unified system for land records, crop history, and repayment behaviour increases perceived credit risk.

Many *mandis* lack modern storage, testing, and certification facilities that underpin quality assurance—an essential prerequisite for collateral-based lending. Without adequate infrastructure, lenders remain cautious. Even today, farmers are heavily reliant on *arthiyas* for manual testing, with both having their fair share of shortcomings in their process and the additional effort it brings to the farmers.

ET: How can financing at *mandis* be better integrated with crop insurance, minimum support prices ([MSP](#)), and procurement systems for more comprehensive risk management?

SS: By connecting *mandi* financing with crop insurance products, farmers can avail loans knowing that their risks related to weather, pests, and crop failures are partially covered. This encourages timely loan repayment and confidence in accessing formal credit. Digital platforms can enable seamless claim processing and real-time insurance premium deductions from sanctioned loans, simplifying the farmer experience.

MSP is something most banking and non-banking financial institutions are already adhering to, as it's the bottom line for pricing created by the administration. Therefore, credit solutions being provided in the market are ensuring that farmers' financing decisions reflect assured price baselines, reducing uncertainty during price volatility.

Integration with government procurement systems, such as authorised procurement centres operating at *mandis*, facilitates assured market access. Loans against stored produce at these centres, backed by warehouse receipts, provide tangible collateral for lenders, enhancing trust and reducing risk premiums.