

## From crutches of political patronage to market dynamics

Kissandhan aims to leverage data-driven, digital and score-based approaches to crop loaning to bring farmers in sync with market dynamics, triggering reforms, innovations and competitiveness:

**K**issandhan Agri Financial Services, wholly owned NBFC subsidiary of Sohan Lal Commodity Management (SLCM), has added a critical dimension to the group by providing tech enabled financing solutions against storage receipts of a diversified basket of agriculture commodities as collateral. This has further strengthened the group's presence across the agriculture supply chain. Presently, Kissandhan has tie-ups with 4 NBFCs in agri space under BC partnerships and impacted 4000 small holder farmers amounting to ₹180 million, averaging ₹45,000 per farmer.

To ensure end use of loan proceeds, Kissandhan disburses the loan amount in respective saving accounts of individual small holder farmers in agri and allied activities. It has on-boarded more than 30 FPOs across 8 states and impacted over 30,000 small farmers till date. It has disbursed loans of ₹25 billion till date and impacted about half a million farmers, agri processors, agri traders, etc. The company is now focusing more on building its retail book with special focus on BC partnerships business, FPOs business and retail commodity-based business loans.

Naresh Kumar, Chief Business Officer, Kissandhan, reveals: "Our 'Business Correspondence (BC) Partnership Product' is in digitized mode, which is helping us processing of cases faster. We aspire to impact the livelihoods of more than 50,000 farming communities through this model in next 2 years. During the current financial year, we have plans to increase partnerships to 10 NBFCs and disburse ₹1.20 billion under this arrangement."

Small holders have utilized loan proceeds for productive purposes/ income generating activities like crop cultivation, dairy farming, poultry, piggery, bee-keeping, sericulture and other such activities. Kissandhan plans to add 25,000 rural retail customers base under this arrangement.

Naresh explains: "We believe that



partnerships are the way forward for building retail rural book. This will help us to create a sustainable portfolio for generating and earning good profits. We have a variety of plans including plans to disburse total ₹2.20 bn during current FY to over 100 FPOs in a cluster-based approach, to extend retail commodity-based business loans and to expand BC partnerships business. These all initiatives are expected to impact total around one lakh small holder farmers by March 2023. We also aim to strengthen our presence pan-India with 36 new offices across 16 states."

### DIGITAL PLATFORM FOR LMS

There is a low level of technology penetration at the end-user/customer level in the agri-financing domain, hence Kissandhan primarily works with BCs to on-board borrowers. There is huge gap in connecting and empowering the farmers and the rural areas. This can be achieved by a deliberately crafted, value chain backed by technology and data. Which is exactly what Kissandhan is planning to deliver with its extensive technology roadmap.

Naresh explains: "We have cutting edge digital platform for loan management

system (LMS) to enable our BCs perform their tasks efficiently. The LMS we use covers the end-to-end loan life cycle from application to closure of the account. This platform is mobile-first cloud-native solution, which enables the users to access the application through mobile from anywhere. Data-driven, digital and score-based approaches to crop loaning would help liberate farm loans from the crutches of political patronage and bring these in sync with market dynamics, triggering reforms, innovations and competitiveness."

### SILVER LINING DIGITAL

On the whole, at the national level the impact of covid and the resultant lockdown has been quite harsh on agriculture and allied sectors in majority of districts. There are numerous examples across metros in the way groups of farmers took the initiative to ensure direct delivery of produce to gated communities and societies for products ranging from exotic avocados to perishables like regular fruits and vegetables. Further, FPOs in close coordination with local administration in some of the districts were quite instrumental in door-to-door delivery of fruits and vegetables.

Naresh observes: "Although banking activities were exempted from lockdown, yet basic banking services viz, loans, deposit and recovery were severely hampered in majority of the sample districts in the country. However, the silver lining was the increase in digital banking transactions in majority of the sample districts. The microfinance sector and MSME sector were the biggest casualty with disruption in more than four-fifths of the sample districts thereby seriously hampering the livelihood in the unorganized sector which provides maximum employment in the rural areas. These rural institutions like Self Help Groups (SHGs) and Farmers' Clubs (FCs) were also active in creation of awareness in rural areas about digital banking options as part of various covid preventive measures."

mehul@bankingfrontiers.com