

# Agri Clinics and Agribusiness Centers

Creating Professional Agri-Entrepreneurship



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**TITLE**

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# Executive Summary

Agriculture sector in Indian economy employs more than 60 percent workforce and contributes about 15 percent of total Gross Domestic Product (GDP). The contribution to GDP has seen a gradual decrease with the changing nature of Indian economy but rural employment is still dependent upon this sector to a large extent. Looking at this phenomenon, Government of India (GoI) devised a scheme called AgriClinics and Agribusiness Scheme (ACABC) to supplement efforts of public extension, support agricultural extension and create gainful employment opportunities to unemployed graduates in agriculture and related courses. Farming community would receive expert advice and services through these centers. This scheme, launched in 2002, is currently run by National Institute of Agricultural Extension Management (MANAGE) under Ministry of Agriculture, Government of India in collaboration with National Bank for Agriculture & Rural Development (NABARD).

AgriClinics and Agribusiness Scheme has trained about 25,000 agri graduates till date and approximately 8900 ventures have been established by these graduates. NABARD has already released about Rs. 5 crores as subsidy towards this scheme.

The low productivity of different crops and allied agriculture products in India compared to global standards as shown by countries like USA, EU, China, Israel etc is the genesis behind this scheme. The gap in the potential productivity and the achieved productivity is contributed by several factors like lack of market information, desired extension services with the crop producers and the absence of quality inputs. In this high food inflation scenario, increase in productivity of Indian agriculture is a certain remedy and so to bridge this anomaly the scheme is expected to play a major role.

The ACABCs are envisaged to provide information and advice on soil health, utilization of nutrients, improved crop varieties, advanced farming techniques, plant protection methods, post harvest technologies, organic farming, crop insurance, clinical services for animals, market information etc. The commercial business units are to sale inputs like pesticides, fertilizers, irrigation inputs like drip units, servicing and maintenance of farm machinery, services in post harvest management, market linkages, entrepreneurship development etc. With the changing dynamics in agro-economy farmers are willing to pay a fee for the extension services which really have economic impact on their farming and also the commercial selling units have a good revenue model in selling of aforesaid inputs and services. This scheme encourages graduates to establish agri-ventures to provide pre and post harvest management and market linkages and thus create commercial agri business units.

The stakeholders like NABARD, MANAGE and MoA have been working-on to make this scheme successful. RBI has classified loans to AgriClinics and Agribusiness Centres as direct agricultural loans, even though input supply is normally classified as indirect loans. A target of financing at least 10 units of Agriclinics & Agribusiness Centres in each district has been set. Also the margin money for the borrower can be given from 'soft loan margin money assistance fund' of NABARD maximum to 50 percent where NABARD would not be charging interest but banks can charge a service fee of 2 percent. Several such measures are taken to make this scheme beneficial.

But with time it has been observed that this scheme has lacunae which require concentrated attention. The scheme has been unsuccessful to convert majority of the trainees into entrepreneurs. Lack of finance, absence of proactive

banks, trainees turning towards jobs and less risk bearing attitude are some of the major reasons towards the failure. It is time to modulate the scheme in a way that it becomes more market oriented and attracts private sector participation.

It has been proposed to integrate the scheme with other GoI initiatives or with other NABARD schemes. Integration is also required with the extension system and the research system. A Public Private Participation (PPP) in ACABC is called for this integration. A holistic review is required to give the scheme the needed impetus and thus achieve the objectives with which the scheme was rolled-out. Proper implementation of this scheme may be instrumental in spreading the micro and small agribusinesses to the farming geography and economy to take the Indian agriculture to a higher orbit of growth.

# Introduction

Agriculture is the mainstay of the Indian economy and accounts for 14.2 percent of the country's GDP. Also this sector is a prime driver of employment contributing to 58 percent of the work force. However, the share of agriculture towards GDP has been declining over the years due to weakening agricultural performance marked by stagnant productivity and decreasing food productivity. Agriculture sector needs to grow at the rate of at least 4 percent for the country's GDP growth rate to be maintained at 8 percent.

Central Government has taken several policy initiatives to increase the production and productivity of crops. In the Union Budget 2011-12, Hon'ble Finance Minister Shri. Pranab Mukherjee has made the following announcements for the agriculture sector:

- Rs. 300 crore expenditure to promote 60,000 villages in rain fed areas to increase crop productivity and strengthen market linkages for pulses.
- Proposal to spend Rs. 300 crore to promote oil palm plantations in 60,000 hectares and another Rs. 300 crore earmarked for the initiative on vegetable cluster.
- Rs. 400 crore allotted to improve rice based cropping system in the Eastern Region.

## Exhibit 1

### Important initiatives already in place for the agriculture sector

- The National Food Security Mission which was launched in 2007-08 with an outlay of Rs. 4,882.48 crores during the 10th Five Year Plan (2007–2012). It aims at enhancing the production of rice by 10 million tonnes (MT), wheat by 8 MT and pulses by 2 MT by the end of year 2011-12.
- The Rashtriya Krishi Vikas Yojna (RKVY) was launched in August 2007 with an envisaged outlay of Rs. 25,000 crores by the Union Government. RKVY is a State Plan scheme administered by the Central Government over and above its existing Centrally sponsored schemes. The funds under the scheme are provided to the States as 100 percent grant. RKVY aims to achieve the envisaged 4 percent growth rate in agriculture and allied sectors during the Eleventh Five Year Plan. Allocation to agriculture and allied sectors was 5.11 percent of total State Plan Expenditure in 2006-07 and this has gone up to 6.29 percent in 2009-10
- The Government has budgeted Rs. 58,000 crores in 2011-12 as subsidy for fertilizer consumption. The decontrolled fertilizers under the nutrient-based subsidy policy came into effect from April 1, 2010. Under the new nutrient-based subsidy policy (NBS), the Government provides subsidy on decontrolled (whose MRP is not decided by the Government) nutrients such as Phosphorus (K) and Potash (S). From next year it is envisaged that Government will provide direct cash subsidy.
- In April 2010, the Cabinet Committee on Economic Affairs (CCEA) approved Rs. 632 crores for the National Horticulture Board to implement its existing schemes and promote 25,000 Integrated Commercial Horticulture Projects in the 11th Plan period ending 2012.
- Further, the Planning Commission is working to boost secondary agriculture, which includes value-addition and value-extraction to and from farm products, in the 12th Five Year Plan (2012-17). According to Planning Commission estimates, the sector has grown to Rs. 100,000 crores from Rs. 60,000 crores in last three years.

However, with high inflation rates, increasing consumption levels and a widening food basket, India needs innovative strategies to achieve higher crop productivity. Agricultural research and extension activities have played a key role in shaping India's current agricultural strengths. The role of extension in improving farm productivity is increasingly being recognized by the Government as can be seen in the 10th and 11th five year plans where agricultural extension has been stressed as the means for agricultural growth.

In an effort in this direction, the Government of India has come up with a scheme to augment extension effort in rural India along with giving employment opportunities to the agricultural graduates. The 'AgriClinic and Agribusiness Centre' scheme aims to promote the delivery of extension and other services in a self-employment mode. The scheme encourages unemployed agri graduates to open agriclinic centres in rural areas by giving financial support to them. Through these clinics, educational programmes are organized for the farmers for improving crop productivity and production. At the same time, the scheme can give a leeway to the unemployed agriculture graduates in the country.

# 1 Overview of Extension Efforts in India

In India, agriculture extension programmes have been a major initiative by the Government to support farmers and has been a center of attention since pre-independence era. Until recently, the Government was the sole agency responsible for the organized extension efforts. However, agricultural extension has evolved with the changing nature of agribusiness in India and it has now become participatory in nature with public-private partnerships working in tandem with the farmers to successfully implement the new technologies and information system.

Some of the important agriculture development programs are listed as below:

## 1.1 Grow More Food Campaign

Launched in 1942 with an objective to meet the country's growing food demand and to overcome the effects of the Bengal famine, 'Grow More Food Campaign', was the first programme to be launched pan India in which new seeds and chemical fertilizers were distributed to the farmers. Crop productivity improved in some parts of the country but the project did not have a lasting impact as it mainly entailed technical information through posters and slogans.

## 1.2 Community Development Programme

The Planning Commission launched Community Development Programme (CDP) in 15 different parts of the country, with assistance from the Ford Foundation. The programme, launched in 1952, aimed at an all round development of the rural community with special focus on developing rural leadership. To spread the Programme, National Extension Service was organized on 2nd October 1953 and extended to the whole nation by 1963. CDP had a significant impact on rural India and was specially appreciated by the United Nations.

## 1.3 Intensive Agricultural District Programme

Focused approach towards agricultural development came through the Intensive Agricultural District Programme (IADP) in 1960. IADP was launched as the first major experiment in intensive agriculture development. The scheme involve adoption of new practices and ensure easy availability of credit and production inputs, research, training, storage and marketing arrangements as well as price assurance, which would encourage the farmers to adopt scientific methods of farming.

## 1.4 Intensive Agricultural Area Programme

The Intensive Agricultural Area Programme (IAAP) was launched in 1964 to tackle the problem of food scarcity. The programme laid stress on the development of scientific agriculture in an intensive manner in the high production areas in the country. Around 115 districts in the country were covered under IAAP but it achieved partial success as there was severe food crisis due to natural disasters. IAAP was instrumental in paving the way for green revolution in the country due to its strong focus on scientific agriculture.

## 1.5 High Yielding Varieties Programme

The High Yielding Varieties Programme (HYVP) was launched in the Kharif season 1966-67 with the sole objective of



attaining self-sufficiency in foodgrain by utilizing high yielding seeds of selected crops. Enhanced usage of fertilizers and pesticides along with effective irrigation were the other features of this program. This program had a transformational effect on Indian agriculture as the country achieved self-sufficiency in wheat in 1972 and in rice in 1974. India produced a record 131 million tonnes of food grains in 1978-79 and became a net exporter of agricultural produce for the first time.

### 1.6 Integrated Rural Development Programme

The Integrated Rural Development Programme (IRDP) launched in 1978 aimed at providing self-employment to the rural poor through acquisition of productive assets or skills. It was envisaged that the additional income generated by IRDP would enable the rural poor to overcome the poverty line. The scheme was successful in generating additional income for the poor but could not draw enough to cross the poverty line.

### 1.7 National Agricultural Technology Project

The Govt of India launched National Agricultural Technology Project (NATP) with the financial support of the World Bank in 1995. This program was launched to make technology development an integral part of the National Agricultural Research Project and National Agriculture Extension Projects. NATP focuses on organizational reforms in Indian Council of Agricultural Research (ICAR). World Bank had rated this project as ‘institutional development impact is substantial’.

### 1.8 National Agricultural Innovation Project

National Agricultural Innovation Project (NAIP) was launched in 2006 by ICAR with the aim of creating new and alternate agri-based livelihoods options for the small and marginal farmers. The project facilitates accelerated and sustainable transformation of Indian agriculture by poverty alleviation and income generation. It promotes collaborative development and application of agricultural innovations between public research organizations, farmers, private sector and other stakeholders.

Despite the variety of agricultural extension approaches that operate in parallel and sometimes duplicate one another, the majority of farmers in India do not have access to a regular source of information for weather, crop prices etc. This severely limits their ability to increase their productivity and production.

#### Various Development Programs Launched By Government of India

Figure 1: Development Programs

Program	Year	Description
Grow More Campaign	1942	Seeds and fertilizers distributed
Community Development Program	1952	Overall rural development
Intensive Agricultural Development Program	1960	Provide loan, seeds, fertilizers
Intensive Agricultural Area Program	1964	To develop special harvests
High Yield Variety Program	1966	Adopting high yield variety seeds along with irrigation and fertilizers
National Agricultural Technology Project	1995	Focus was on organizational reforms

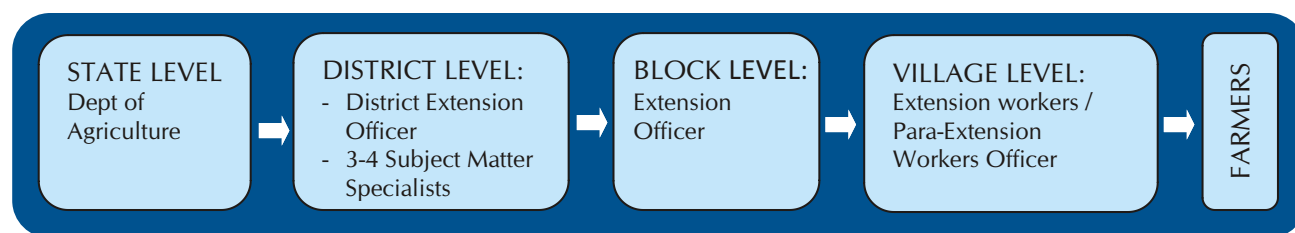
# 2 Agriculture Institutional Framework

The concept of Agriculture Extension has been of a multi-disciplinary partnership effort for application of scientific research and new knowledge to agricultural practices through farmer education. The field of extension has evolved and now encompasses a much wider range of communication and learning activities organised for rural India by professionals from different disciplines, including agriculture, agricultural marketing, medicine and technology among others.

The institutional framework for agricultural extension comprises of a network of agencies and institutes which come under the gambit of the Central and the State Government.

## State Level Agricultural Extension Organisation Framework

Figure 2: Organisation Framework



Agriculture being a State subject, implementation of extension services has been the responsibility of the State Governments. The Central Government has been supporting and complementing State initiatives with funding, technology transfer and monitoring by launching several rural employment generation and agriculture development schemes.

### 2.1 Training & Visit System

T&V extension was introduced in 17 major States of India through 15 World Bank-assisted projects in 1974. The T&V system differed from earlier approaches to agricultural extension as the responsibilities were assigned to the front-line field officers in the villages and in the organizational structure of the State's extension services. Training support to T&V system was provided by Indian Council of Agricultural Research (ICAR) and State Agricultural Universities (SAU). The extension linkages were institutionalized through monthly/bimonthly workshops for training of Master Trainers or Subject Matter Specialists (SMS).

The Agricultural Extension Division of ICAR conducts extension activities through 44 Agriculture Technology Information Centres (ATICs) and about 589 district-level Krishi Vigyan Kendras (KVKs). SAU supplements the State extension and training activity through research and on-field testing.

### 2.2 The Agricultural Technology Information Centres (ATICs)

This scheme was launched in the year 2000 to provide greater coordination and intensive interaction between the researchers and the end-users of technology in a structured manner for effective dissemination of information. Each

ATIC serves as a "Single Window" with an objective to help the farmers and other stake-holders such as agripreneurs, extension workers, development agencies, non-Government agencies (NGOs) and private sector organisations. Specifically, the ATICs provide:

- Diagnostic services for soil testing, plant and livestock health,
- Supply of research products such as seeds, planting materials, livestock breeds, poultry strains, fish seed, processed products etc., for testing
- Disseminate information through published literature, audio - visual aids and electronic media, provide an opportunity to institutions for resource generation through sale of their technologies, and
- Support the district level Agricultural Technology Management Agencies (ATMAs) in technology dissemination wherever they are available.

### 2.3 Krishi Vigyan Kendras (KVK)

KVK is a project of ICAR, launched with an aim to increase agriculture production and productivity and at the same time generate self employment opportunities in the villages. There are 589 networked KVKs at the district level involved in refinement and demonstration of technology/products. With about one centre for every district, KVKs conduct on-farm trials on technologies, identifying their location specificity under different farming systems, Frontline Demonstrations (FLD) to farmers on fields, training farmers and extension personnel, provide access to seeds, sapling/seedlings/livestock strains, besides various bio-products for the farmers.

### 2.4 Mass Media Support to Agricultural Extension

In the last decade the Indian media has expanded phenomenally in the hinterlands. To improve the reach of extension services, the Government of India has mandated MANAGE the use of electronic media to create and deliver the agricultural programs for farming community as this medium has not been exploited to its full potential for the purpose of agricultural extension.

### 2.5 Agricultural Technology Management Agency (ATMA)

ATMA was set up as a semi-autonomous agency as an outcome of the innovations in technology dissemination component of National Agricultural Technology Project (NATP). ATMA was an institutional arrangement that adopted a deCentralized approach and dissemination at district level in order to move towards an integrated extension delivery. 598 Agricultural Technology Management Agencies (ATMAs) have been established at district level to operate the extension reforms in 29 States and 2 union territories until now. The extension delivery adopted a group approach catering to the location specific requirements of the farmers. ATMA has established a Farm Information and Advisory Centre (FIAC) at each block in the district. In effect the FIACs are like extension planning and operational arm of ATMA.

### 2.6 Kisan Call Centre (KCC)

KCC was based on the concept of leveraging the impressive telecom network both in the private and the public sector in India for delivering knowledge and information to the farming community as more than 5 lakh villages in India have access to public telephone. The purpose of Kisan Call centers is to respond to the issues raised by farmers instantly in the local language on a continuous basis. The call centre based extension service can therefore deliver knowledge and information exactly as per the requirements of the farming community. This system would also help keep a record of what is being delivered to the farmers in terms of knowledge and information. The Kisan Call Centre scheme is available throughout the country since 2004 and the Call Centres can be accessed by farmers on a Toll Free Number.



# 3 Private Sector in Agricultural Extension

With the changing dynamics of agriculture-business and the needs of the production system the private players in this sector have started showing interest in the extension services.

Several players have started initiatives in this space in various formats viz. e-Choupal and Choupal Sagar by ITC Ltd., Hariyali Kisaan Bazaar by DCM Shriram Consolidated Ltd. (DSCL), Tata Kisan Kendra (TKK) by Tata Chemicals Ltd., Godrej Aadhaar by Godrej Agrovet Ltd., Triveni Khushali Bazaar (TKB) by Triveni Engineering and Industries Ltd. and others.

A large number of fertilizer companies like IFFCO, KRIBHCO, Chambal Fertilizers and Chemicals have branded their dealer shops and selling points. Recent initiatives by the private sector companies under the Ministry of Food Processing Industries, Mega Food Park scheme envisages creation of various aggregation centres. These aggregation centers also offer additional services and go under various names viz. Rural Transformation Centers or simply Collection Centers. Such centers offer all the services that a typical AgriClinic Center offers, apart from a few innovative themes such as Training Centers, Libraries, and Tractor Booking Center etc.

These initiatives and others are essentially being built in an integrated mode where the companies ensure to have the touch-points with their customer and deliver the extension services as add-on to their products. But mostly these services have enormous value to the customer and they are dependent on them for improved farming practices. The private players have been instrumental in building marketing services like farm-gate buying of commodities, linking the commodities to the wider market, executing contract farming and ensuring quality of the produce for satisfying their product needs.

## ITC – e-Choupal and Choupal Pradarshan Khet

In 1990, to leverage its agri-sourcing competency, ITC set up the Agri Business Division for export of agri-commodities. ITC's unique and now widely acknowledged e-Choupal initiative began in 2000 with soya farmers in Madhya Pradesh. Now it extends to 10 States covering over 4 million farmers. ITC's first rural mall, christened 'Choupal Saagar' was inaugurated in August 2004 at Sehore, Madhya Pradesh. On the rural retail front, 24 'Choupal Saagars' are now operational in the 3 States of Madhya Pradesh, Maharashtra and Uttar Pradesh.



Another unique initiative - the '**Choupal Pradarshan Khet**', brings the benefits of best agricultural practices to small and marginal farmers. Backed by intensive research and knowledge, this initiative provides agri-extension services which are far superior and involves pro-active handholding of farmers to ensure productivity gains. The services are customised to meet local conditions, ensures timely availability of farm inputs including credit, and provides a cluster of farmers schools for capturing indigenous knowledge. These initiatives, which has covered over 70,000 hectares of farmland has a multiplier effect and reaches out to over 16 lakh farmers.

## Tata Chemicals Ltd. - Tata Kisan Sansar

Tata Chemicals Limited had first started with the objective of providing agri inputs to the farmers through the Tata Kisan Kendras (exclusive franchised retail outlets of Tata) but realizing the need of the hour, moved its proposition from 'one-stop agri input shop' to 'one-stop farmers solution shop' with a clear objective of empowering the farmers. The Tata Kisan Kendras were therefore re-launched as Tata Kisan Sansar (TKS-Tata Farmers' World)-a rural agri-retail outlet offering entire range of agri services including quality agri input products in the year 2004. Thereafter, the focus has been to de-link the business dependence for the franchisee as well as the organization from the traditional fertilizer business and provide value added products as well as innovative services to the farmers.

In order to support the activities of TKS, which are basically franchisee outlets, the supply chain model that evolved is a 'hub and spoke' model. The hub acts as the Resource Center to cater to the needs of the TKS in its vicinity. Each Resource Center supports primarily 20-25 TKS franchisee outlets in a radius of 50-60 km, where each TKS caters to 30-40 villages covering approximately 1.3 crore acres overall. The hubs were named as "Tata Krishi Vikas Kendras" delivering value added activities like organization of farmer meets, repository of related agriculture knowledge, soil, water and plant testing laboratory, demonstration farms and also a distribution center.



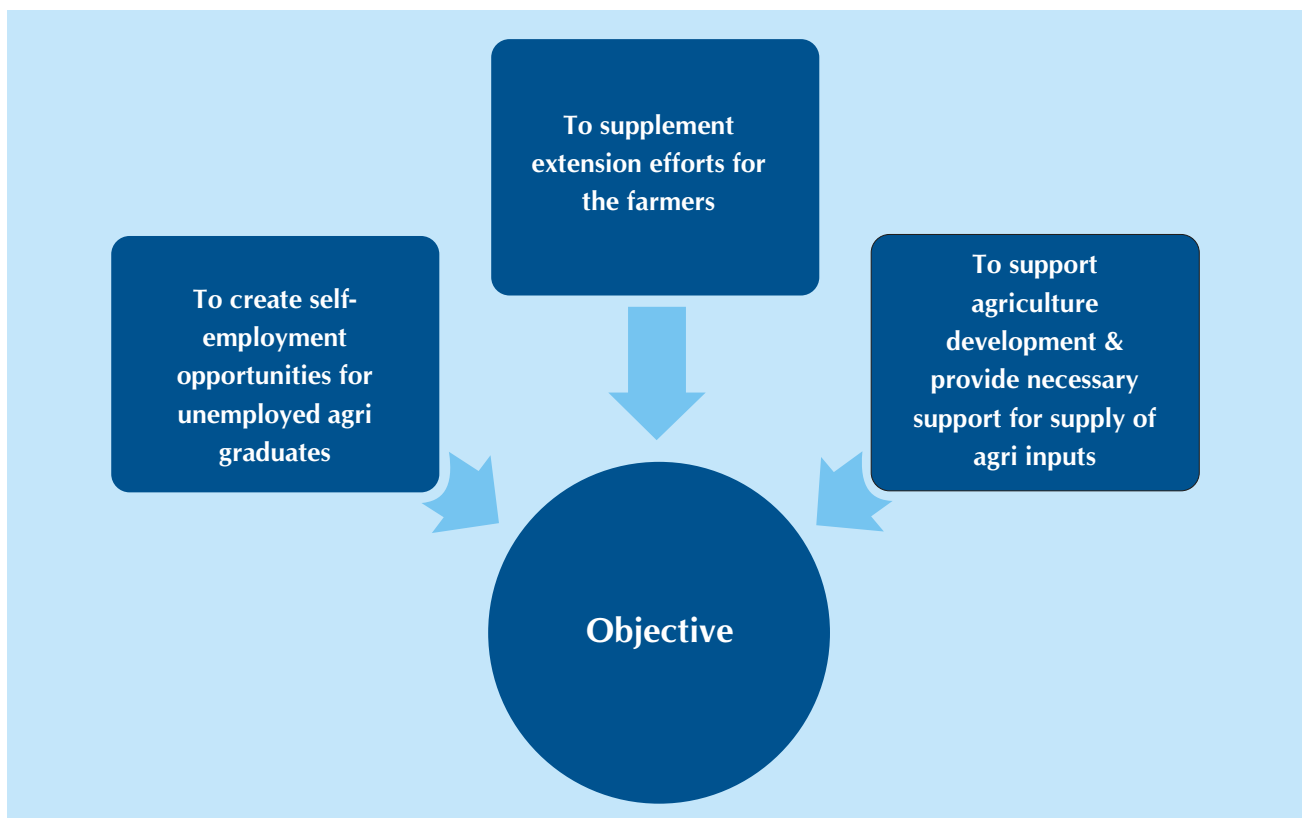
Presently, there are 32 hubs, which cater to 681 Tata Kisan Sansars, covering around 22,000 villages reaching out to approx. 27 lakhs farmers. The Tata Kisan Sansars are spread across 68 districts in the North Zone and 20 districts in the East Zone spanning 4 and 3 States respectively.

# 4 Agri Clinic and Agribusiness Centre Scheme

Despite all these initiatives, agriculture extension in India has not been adequate in reach. In line with its consistent efforts to implement improved and innovative mechanisms for extension and to create more avenues for private sector jobs as well for self-employment opportunities, the Ministry of Agriculture in association with NABARD launched Agri Clinic and Agri Business Centre (ACABC) scheme in April 2002.

By combining agricultural extension with the creation of employment opportunity, the Government is opening an avenue for entrepreneurship for unemployed trained agri graduates. The Agri Clinics & Agribusiness Centers have been conceptualized with these objectives and intended to give an added impetus in making the current extension services relevant, deCentralized and demand driven. These services can be free of cost or fee-based, depending on the agri-preneur's business model.

Figure 3: ACABC Objectives



These centres provide expert advice to farmers through agri-preneurs, who are basically, agriculture graduates. ACABCs are envisaged to provide extension and other services to farmers on:

- Cropping practices
- Technology dissemination

- Crop protection from pests & diseases
- Information on market trends
- Prevailing prices of crops
- Provide inputs
- Offer farm equipments on hire

This programme aims to promote the delivery of extension and other services in a self-employment mode. It is designed to tap the expertise available in the large pool of agriculture graduates and offer them with the opportunity to set up their own AgriClinic and Agribusiness Centre that can offer professional extension services to large number of farmers. To support this programme, the Government is also providing start-up training to graduates in agriculture or allied sectors like horticulture, sericulture, veterinary sciences, forestry, dairy, poultry farming and fisheries etc. Those completing the training can apply for special start-up loans to set up their own ventures. AgriClinics & Agribusiness Centres have been designed with the objective of transition to a demand driven model of extension.

#### Salient Features of Agri-Clinics & Agribusiness Centres Scheme

Selected trainees are provided agri-preneurship training for a period of two months.

The training component is looked after by MANAGE - Training for identified Nodal Training Institutes. Training institutes are being offered cash incentive (Rs. 2,000/-) each successful venture over a 50 percent success rate.

Free handholding support for one year to trained agriculture graduates in obtaining bank finance, setting up their business in the area, etc.

The full cost of training is being borne by the Government of India.

NABARD monitors the credit support to AgriClinics through Commercial Banks/Cooperative Banks/ Regional Rural Banks.

The composite subsidy @ 36 percent of the project cost is available under the scheme. Each Agri-preneur gets an incentive of Rs. 1,000/- on proving establishment of venture.

This subsidy is 44 percent in respect of candidates belonging to identified and other disadvantaged sections and those from North-Eastern and Hill States.

The capital subsidy is back-ended in nature, released to banks upfront, and NABARD ensures banks do not charge interest on the subsidy component.

Ceiling of project cost for subsidy is Rs. 20 lakhs for a individual project and Rs. 100 lakhs for a group project

### 4.1 Training and Handholding Support

As an integral part of this nationwide initiative, specialised training is provided to the agriculture graduate interested in setting up such a centre. This training is provided free of cost and the two month training course is offered by select Nodal Training Institutes across the country. At present, there are 41 such training centres in the country. The course comprises of Entrepreneurship and Business Management, as well as skill improvement modules in the chosen areas of activity.

- Crop selection
- Best farm practices
- Post-harvest value-added options
- Key agricultural information (like weather forecast etc)

- Price trends
- Market news
- Risk mitigation and crop insurance
- Credit and input access
- Sanitary and Phyto-Sanitary considerations

## 4.2 Eligibility

The scheme is open to Agriculture Graduates/Graduates in subjects allied to agriculture like horticulture, animal husbandry, forestry, dairy, veterinary, poultry farming, pisciculture and other allied activities.

## 4.3 Subsidy

The subsidy would be admissible only in respect of Agricultural graduates trained under the ACABC Scheme. Delivery of extension services shall be the main component of ACABC projects availing the benefit of subsidy under the scheme. The Central Government provides 25 per cent of the capital cost as a subsidy which is increased to 33 per cent for women farmers, schedule cast/schedule tribe or other disadvantaged farmers from north east. Credit-linked subsidy of 25 percent of the capital cost of the project funded through bank loans is eligible under the scheme. The full interest subsidy is also provided for the first two years of the project if the bank credit is concurrent in nature.

## 4.4 Total Financial Outlay

Assistance under the scheme would be purely credit linked and subject to sanction of the project by Commercial / Cooperative / Regional Rural Banks based on economic viability and commercial considerations. The repayment period will depend on the nature of activity and will vary between 5-10 years.

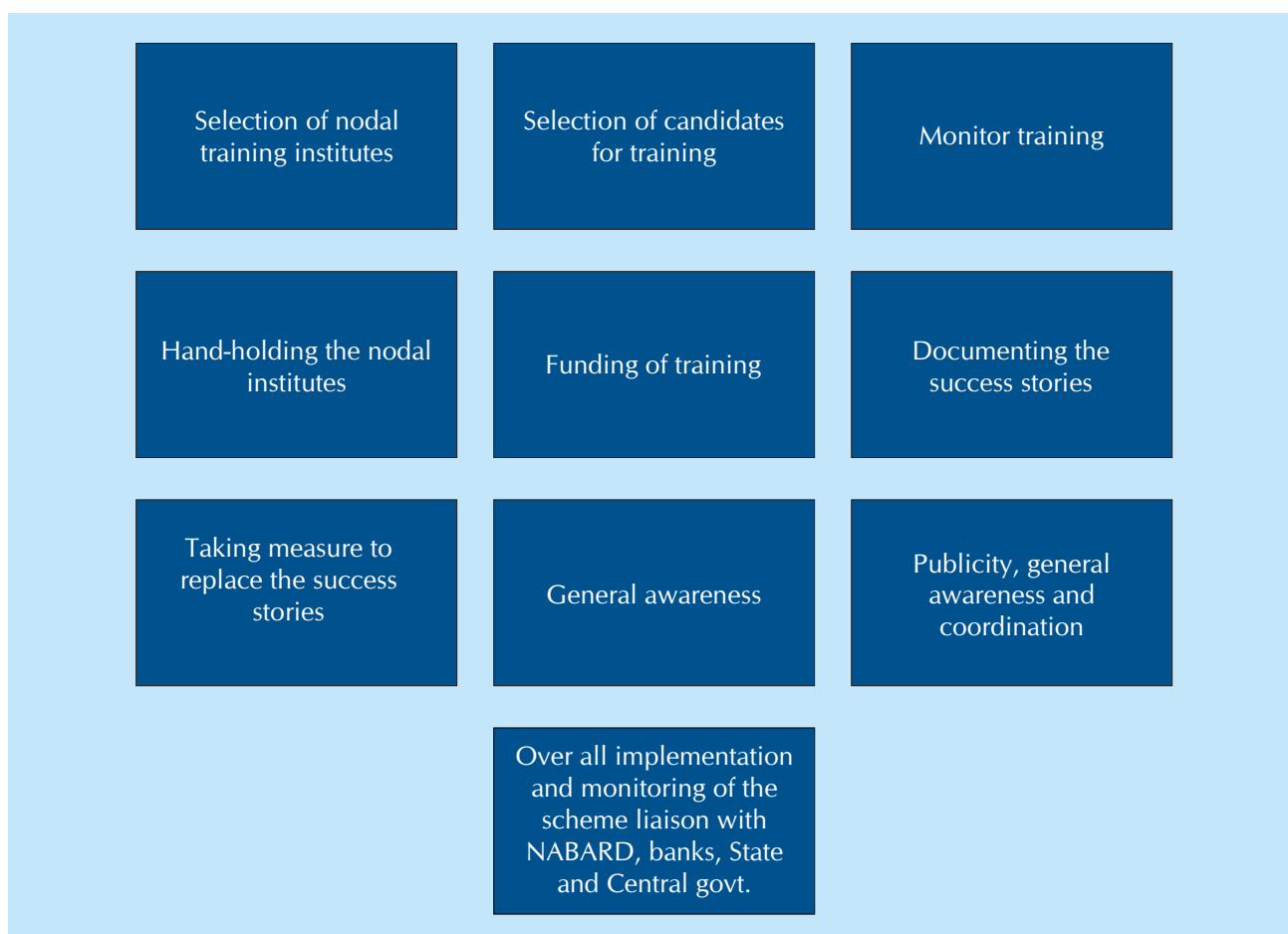
Ceiling of project cost for subsidy has been enhanced to Rs. 20 lakhs for an individual project (Rs. 25 lakhs in case of extremely successful individual projects) and to Rs. 100 lakhs for a group project (established by a group comprising at least five trained persons). To encourage exceptionally successful individual agri-preneurs, the project cost limit for subsidy purposes may be extended by Rs. 5 lakh in addition to the generally applicable project cost limit of Rs.20 lakh for calculating subsidy. This will serve as an incentive to an agri-preneur to expand his/her already established and successful venture. The rate of interest, margin and security on loans are decided by the respective banks, as per RBI norms. In addition, the States have adopted the approach and added their own additional subsidies for agriclinic implementation.

## 4.5 Scheme Administration

The Scheme is being administered by the National Institute of Agriculture Extension Management (MANAGE). In order to effectively implement and monitor ACABC scheme, a separate unit called Centre for Agri Entrepreneurship Development (CAD) has been functioning at MANAGE from October 2009. The centre has been established with the objective of further streamlining and promoting the ACABC scheme and to improve quality and quantity of the training programmes, handholding activities, resolving problems of Agri Entrepreneurs.

CAD is responsible for the following tasks:

Figure 4: CAD Responsibilities



## 4.6 Project Activities

The project activities include a choice from a wide range of high potential areas including:

- Soil, Water Quality and Input Testing Laboratory Service Centre
- Plant Protection Service Centre (Pest Surveillance, Diagnostic and Control Services including Integrated Pest Management)
- Maintenance, Repairs & Custom Hiring of Agricultural Implements and Machinery including Micro-irrigation Systems (sprinkler and drip)
- Agri Service Centres including all three activities mentioned above (group activity)
- Seed Processing Units
- Micro-Propagation through Plant Tissue Culture Labs and Hardening Units
- Setting up of Vermiculture Units, Production of Bio-Fertilizers, Bio-Pesticides, Bio-Control Agents
- Setting up of Apiaries (Bee-keeping) and Honey and Bee Products Processing Units.
- Provision of Extension Consultancy services
- Facilitation and Agency of Agricultural Insurance Service
- Hatcheries and Production of fish finger-lings for Aquaculture
- Provision of Livestock Health Cover, Setting up of Veterinary Dispensaries & Services including Frozen Semen Banks and Liquid Nitrogen Supply
- Setting up of Information Technology Kiosks in rural areas for access to various agri portals.
- Feed Processing and Testing Units
- Value Added Centres



- Setting up of Cool Chain from the farm level onwards(group activity)
- Post-harvest Management Centres for Sorting, Grading, Standardization, Storage and Packing
- Setting up of Metallic/Non-Metallic Storage Structure and Rural Godowns
- Retail Marketing Outlets for Processing Agri-products
- Rural Marketing Dealerships of Farm Inputs and Outputs

Entrepreneurs can adopt a combination of two or more of the above viable activities along with any other economically viable activity selected by the Graduates, which is acceptable to the Bank.

## 4.7 Partners in Implementation

AgriClinics and Agribusiness Center was launched by the Ministry of Agriculture, in association with the National bank for Agriculture and Rural Development (NABARD), and the National Institute of Agricultural Extension Management (MANAGE), Hyderabad.

### 4.7.1 NABARD

NABARD is the nodal institute for banks who is responsible for monitoring credit support to AgriClinics. NABARD monitors the credit support to AgriClinics through Commercial Banks/Cooperative Banks/ Regional Rural Banks. Apart for this NABARD is also responsible for extending refinance support to the banks under the scheme.

### 4.7.2 MANAGE

MANAGE is the monitoring and overall implementing agency of this scheme. It is part of the selection panel to choose eligible candidates and set criteria for selection of nodal institutes. The National Centre for Management of Agricultural Extension (MANAGE) at Hyderabad, was established in 1987, as an autonomous institute by the Ministry of Agriculture, Government of India. Some of the main responsibilities are:

- Management Training
- Consultancy
- Deciding upon the training content, methodology and duration research
- Information services
- Reviewing the performance of the nodal institutes

# 5 The Progress So Far

There is no evidence regarding the extent to which the scheme has benefited farmers. However, the AgriClinic and Business Centres have proved to be a success because they serve as one stop shop for the farmers. Through the AgriClinics, the farmers are able to get timely advice and information and also get access to the desired inputs in terms of seeds, fertilizers and so on. This kind of multifaceted function has led to the success of the ventures. Convenience and single window availability of advisory services are some of the other factors that have made this scheme popular. Services provided by the agripreneurs are professional and many a time comes with quality assurance. Moreover these entrepreneurs are educated and from agriculture background so they have far better understanding and technical knowledge which many a times farmers do not have. Some indication of the progress of these centres can be gauged by the numbers below:

- The Agribusiness and Agri Clinic Centre scheme has been successfully implemented in 31 States in the country.
- Between April 2002 and July 2011, a total of 25,390 agriculture graduates have been trained.
- About 9,000 of these graduates have established agriclinics.
- 2,000 agri graduates/groups have received bank finance while 500 graduates/groups have received Central subsidy.

An investment of Rs 1,000 crore has been made till date in training and hand-holding.

- There are a total of 8,870 agriculture ventures established in the country.
- The number of specialized training centres for agri graduates is 97.
- Further as on March 31, 2011 NABARD has received subsidy of around Rs. 699 lakhs from the Government of India and released Rs. 539 lakhs of this amount to banks already.

Projects like dairy, vermi-composting and crop production are amongst the most popular projects due to the low investment and risk factors. Since it is an advisory service accompanied by input supply, revenue is readily generated without any gestation period. Innovative projects like eco-rural tourism, agri-journalism, agri-insurance and sericulture have also been set up under the scheme.



Figure 5: State-wise ABACs status

Progress of Agriclincs & Agribusiness Centres Scheme					
April 01, 2001 to April 29, 2011					
Sr. No.	Name of State	No. of Applications Received	No. of Candidates Trained	No. of Agri-Ventures Established	No. of Training Organizations
1	Andhra Pradesh	1152	1072	441	6
2	Arunachal Pradesh	13	10	1	0
3	Assam	366	360	122	2
4	Bihar	2627	2591	820	6
5	Chandigarh	2	2	1	0
6	Chattisgarh	333	227	89	2
7	Delhi	10	10	1	1
8	Goa	5	3	1	0
9	Gujarat	751	731	255	5
10	Haryana	374	357	96	2
11	Himachal Pradesh	323	317	91	3
12	Jammu & Kashmir	1023	1008	129	5
13	Jharkhand	428	424	71	5
14	Karnataka	2218	2138	871	3
15	Kerala	156	150	27	1
16	Madhya Pradesh	651	628	164	6
17	Maharashtra	4658	4625	1709	8
18	Manipur	328	327	99	1
19	Meghalaya	3	3	1	0
20	Mizoram	34	34	0	1
21	Nagaland	150	147	13	1
22	Orissa	548	506	95	6
23	Pondicherry	62	62	33	0
24	Punjab	330	327	97	4
25	Rajasthan	2231	2191	772	5
26	Sikkim	0	0	0	0
27	Tamil Nadu	1883	1811	792	7
28	Tripura	3	1	0	0
29	Uttar Pradesh	4489	4382	2007	13
30	Uttaranchal	211	198	49	1
31	West Bengal	365	333	53	3
	TOTAL	25727	24975	8870	97

# 6 Critical Challenges Before The Scheme

The Centrally sponsored scheme of AgriClinics and Agribusiness Centers (ACABC) was launched with a view to further strengthen the extension services and at the same time tap the potential of the unemployed agricultural graduates and provide them with employment opportunities by making them entrepreneurs. The scheme has been evolving over time in response to the feedback from the agripreneurs and training institutes. Since its inception, there have been several amendments in the scheme in order to attract more finance and to have a better control over the training programme delivered by each institute. There is need to strengthen the synergy and coordination between various institutions involved in the process for successful implementation of the programme. Some of the constraints are detailed below:

## 6.1 Demand-driven Extension Approach

In India the approach towards extension has been production oriented so far with programs for area development, input and technology delivery. There is a need to bring about a change in the system by introducing need or demand based extension services to ensure timely availability of quality inputs, technology and strategy to the farmers.

## 6.2 Lack of Awareness about the Scheme

The main reason for low agricultural productivity is lack of awareness on the latest technologies and lack of suitable advisory services. The 2003 National Sample Survey Organization (NSSO) survey showed that 60 percent of farmers don't have access to any source of information on modern technology to assist in their farming practices in the past year. Of those who had sourced information, 16 percent received it from other progressive farmers, followed by input dealers. New cropping techniques along with advice from the agripreneurs can significantly improve the overall crop productivity.

## 6.3 Perception of Utility

The perception of agriclincs is different for the agripreneurs and farmers. This also depends on the region and the progressiveness of the farmer. Most of the input companies are not aware of the scheme. For them the agripreneur is like any other customer who comes to purchase the inputs so they do not provide any special incentive to him.

## 6.4 Uncooperative Financial Institution

The biggest challenges faced by the entrepreneurs are the high rate of interest and banks' lack of interest in providing financing due to limited knowledge about the scheme. It has been seen that most ventures are self-financed with only around 30 percent taking loan from bank. The banks have not been adequately sensitized towards this scheme as they seek collateral security for the loan amount which in most cases is not available with the unemployed agri-graduates. There is an urgent need to sensitize bankers for facilitating loans for projects under the scheme and also guide the entrepreneur in preparing their project proposal as per the requirement of the banks.

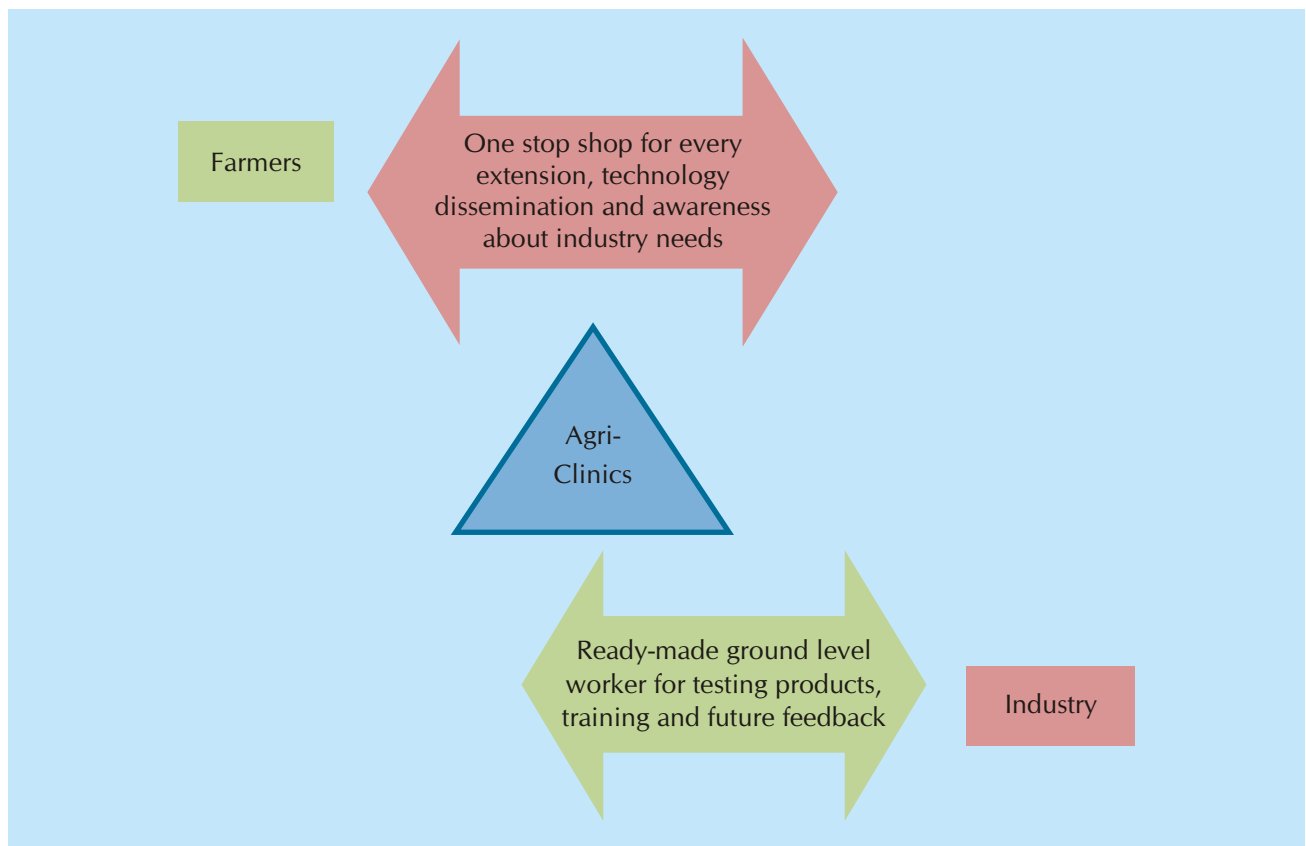
## 6.5 Revitalizing the Current Extension System

One of the major problems of extension services was found to be the practical relevance of the advice given in the agriclinics. The content, timing and relevance of information provided to farmers through the system needs to be validated. While this may be partly due to inadequate channel of communication, inappropriate or wrong information can also affect the farmers' use of extension services. There is therefore a need to re-examine the current agricultural extension approaches in India to understand where information gaps exist.

# 7 Future Road Map for Agriclincs & Agribusiness Scheme

The knowledge sharing should go beyond the formal public-sector extension system and utilize the various agents and intermediaries who interact with farmers and other stakeholders in the innovation system so that the knowledge and information required by farmers to innovate can be provided and linkages developed.

Figure 6: One Stop Shop



## 7.1 Hand Holding by Training Institutes

Hand holding by training institutes need to be strengthened by ensuring that relevant experts are deputed to work with, and support the agri-preneurs in the preparation of project reports, negotiation of bank loans and support during initial period of business development. While training the aspirant agri-preneurs they also need to be taught the art of selling their projects—interpretation, presentation and also engaging in the banking procedures.

MANAGE needs to review the training programmes closely, update the quality of the training, enlist more practical approach and above all try to have direct linkage between farmers, agri-entrepreneurs and the agri-industry. If such a linkage is established successfully, it will result in:

- i. Farmers being linked to the real economy

- ii. Farmer-Industry link which can give real time feedback to industry about ground level requirements where as the industry will get ready testing ground for the products.
- iii. The training of agri-entrepreneurs can also be linked directly with industry expectations and real life problems.
- iv. The AgriClinics as private extension system over and above the normal extension services will become more profitable and lucrative for rural youth.

## 7.2 Private Sector Participation

Participation from the private sector is necessary to introduce new progressive technologies. Public-Private collaboration for extension services like information dissemination, crop pricing, weather forecast etc through agri-clinics can help the farmers in a much better way. Through this, complementarities can be achieved to maximize the provision of information that meets the needs of farmers. The scheme has to build corporate partnership which in turn may spread their footprints in the interior villages through these entrepreneurs. This efficient system may gradually replace the age-old system of dealer networks or complement it in many ways like extending modern production practices, marketing and processing knowledge. Considering the poor reach of extension services in India, contacting the farmer directly will bring more efficient information, which the private sector can do through ICT.

## 7.3 MANAGE and NABARD have to Play an Active Role

Both the implementing agencies have to hand-hold the agri-preneurs for setting up the agri ventures. Assistance is needed right from writing the project report for applying loan to the bank till the time the project is actually initiated. MANAGE and NABARD will have to monitor and review the scheme on regular basis and strengthen the linkage of agri-preneurs with State Governments, Banks, Agro-industries and other stakeholders

## 7.4 Funding by Banks

Banks need to come up with more innovative funding of projects. One of the main problems in getting bank loan is the arrangement of collateral security, since the projects are to be set up by unemployed graduates who are not able to arrange these collaterals. In order to overcome this problem, it is suggested that banks may be sensitized to extend loan against hypothecation of the assets created in the project. Also the security norms applicable to tiny industries as prescribed by RBI should be applicable to these units.

## 7.5 Formation of Farmers' Organisation

A farmer's group will help in increasing the revenue per farmer as the expenses per farm would be less for advisory services. This would also make it more feasible for such groups to avail credit from the banks. Once such consolidation takes place, a cost and profit sharing model can be adopted where farmers and extension workers can jointly share the cost and profits.

## 7.6 Assistance by the State Government

The implementing agency (MANAGE) should coordinate with the State Agriculture / Horticulture departments and inform them about the ventures established in their States. This will help the State Governments to network with the ventures, particularly Agriclinics for involving them in their own extension programmes. Such involvement will be mutually beneficial as Government involvement will give better credibility to the Agriclinics. A suitable mechanism can then be developed to assess the results of such association.

## 7.7 NABARD's Inclusion in the Agriclinic and Agribusiness Centre Scheme

NABARD's inclusion in this scheme is crucial as the various schemes in NABARD may be integrated to cater to the needs of the Agriclinic entrepreneurs. NABARD has evolved several refinance and promotional schemes over the years and has been making constant efforts to liberalise, broad base and refine/ e-Centralise the schemes in response to the field level needs. The focus has been on greater credit flow and provision of linkages for small, cottage and

village industries, handicrafts and other rural crafts and service sector in the e-Centralized sector in the rural areas. NABARD's direct linkage with the scheme will also enable the banks to set up their credit schemes positively. A few of the NABARD initiatives that can be directly linked with Agribusiness enterprises are:

### 7.8.1 Non-Farm Sector Schemes

This scheme was planned keeping in mind that Rural Non Farm Sector (RNFS) holds the key to faster economic development of the country. The scheme has the potential to generate employment and increase income in the rural areas, which is why NABARD has identified financing, development and promotion of RNFS as one of its thrust areas. If the same is routed through banks with special rural credit linkage programmes and delivery system, the outreach will be far higher.

### 7.8.2 Enterprise Loan Scheme (ELS)

The refinance schemes which are in force viz. Integrated Loan Scheme (ILS) and Composite Loan Scheme (CLS) have been merged and modified into a new scheme i.e. Enterprise Loan Scheme (ELS), where the institutions eligible for withdrawal of refinance are commercial banks, regional rural banks, State co-operative banks, State co-operative agriculture and rural development banks and scheduled primary urban cooperative banks. The borrowers of the same are individuals, artisans, small entrepreneurs, groups of individuals, associations (formal and informal), proprietary/partnership firms, co-operative societies, registered institutions/ trusts, NGOs/voluntary agencies, private and public limited companies, etc financed by the above eligible institutions. The funds can be used for setting up new units as well as for modernisation/renovation/expansion/diversification of existing units and also for replacement of old and obsolete machinery. In this scheme, the loan amount to the individual has been linked to the SSI limit as prescribed by the Govt of India.



# 8 Conclusion

The scheme has been successfully implemented in 31 States across the country and has the potential to become the backbone of the State extension services. The ACABCs equipped with new/advanced knowledge have better trouble shooting abilities than any other extension scheme launched by the Government.

AgriClinic and Agribusiness Centres (ACABC) Scheme is in the evolution process. With the changing economic scenario and the dynamics of agriculture in the national economy an integrated approach to revamp the scheme is required. Inter-meshing of the financial institutions with the manpower pool of the agri graduates is required.

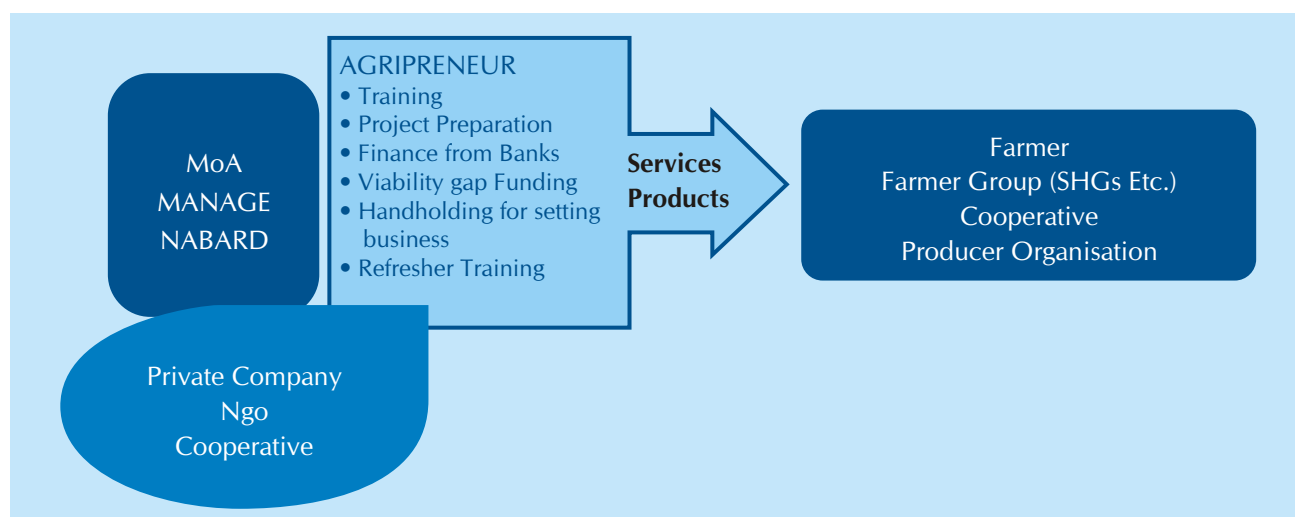
The biggest stumbling block is the unavailability of finance. This can be gauged by the fact that almost 65 percent of the trained agri graduates are unable to set up their agriventures due to lack of finance. While sensitizing the banks is one solution to this problem, the other is to make finance available to the agri-preneurs through viability gap financing. It basically entails financial support from the Government when the agri-entrepreneur is not able to get the level of finance required.

Another option comes in the form of a scheme devised by NABARD for financing AgriClinics and Agribusiness Centres in consultation with Ministry of Agriculture and selected banks. In this model, commercial banks can extend upto 50 percent loan to the borrower wherein NABARD would not charge the bank any interest but the bank can charge upto 2 percent as service charges. Again, this could be done in two ways:

- The money is routed through the financial institutions and the banks take comfort of Government loan (viability gap) to increase the loan size to the entrepreneur.
- If the loan component from bank and Government remains different, the entrepreneur will know exactly where he is falling short and also has target productivity. The Government repayment schedule may vary with the private banker, but still it would link the agri-entrepreneur to the market and help his business to be more sustainable.

## Public Private Ecosystem Synergy

Figure 7:Public Private Partnership



The venture can be given a kick start in the field of PPP through the private financial institutions. While finance is the crying need for this project to be successful, without the backup of the Government (through refinancing via NABARD) the private sector financial institutions will not be able to go full steam in the scheme. However to bridge the gap between socially focused Government and profit oriented private sector, the institutional mechanism in agriculture needs a relook.

The Government needs to recognize both the efforts and the potential of private sector investment in agriculture and accordingly prepare agri-laws and schemes which give private sector an incentive. PPP can be used as an effective tool in the development of ACABC but it needs institutional re-thinking so as to make private players an integral part to rural development.

These micro-businesses and the service delivery touch points would definitely become the market-led demand driven agricultural extension backbone in the coming years. Viability gap finance and other financial approaches are to be structured for the smaller entrepreneurs and the backward areas to spread the scheme and actualize the objectives.



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