Agriculture Infrastructure Fund (AIF)

Why in news?

The Centre is promoting the Agriculture Infrastructure Fund (AIF), a financing facility launched in 2020.

What is the AIF scheme about?

- It is a Central Sector Scheme approved by the Union Cabinet in 2020.
- It aims to provide a medium long-term debt financing facility for investment in viable projects for post-harvest management Infrastructure and community farming assets.
- The duration of the Scheme shall be from FY2020 to FY2032.
- Eligible beneficiaries include:
    - Farmers, FPOs, PACS, Marketing Cooperative Societies, SHGs, Joint Liability Groups, Agri-entrepreneurs, Start-ups, and Central/State agency or Local Body sponsored Public Private Partnership Projects.
- Under the scheme, Rs. 1 Lakh Crore will be provided by banks and financial institutions as loans.
- The loans are provided with interest subvention of 3% per annum and credit guarantee coverage under CGTMSE for loans up to Rs. 2 crores.

What is the significance of the scheme?

- It provides support facilities to farmers and value chain actors for risk sharing and market access.
- Improved marketing infrastructure will help farmers sell their produce directly.
- With investments in logistics infrastructure, post-harvest losses can be reduced.
- It also provides targeting State-specific APMCs and maintenance of sanitary and phytosanitary standards for organic produce marketing and exports.
- District, state or national level monitoring committees will reduce the turnaround time for file processing to less than 60 days.
- The scheme tries to mitigate spatial and temporal risks in the agribusiness ecosystem through adequate post-harvest infrastructure facilities.

How has the scheme performed till date?

- **Finance allocation –** The financing facility allocation to the States/UTs based on the value of the output of agriculture and allied activities is skewed.
- Over 65% of the total funds were allocated to only eight States: Uttar Pradesh, Rajasthan, Maharashtra, Madhya Pradesh, Gujarat, West Bengal, Andhra Pradesh, and Tamil Nadu.
- In contrast, the allocation of AIF to Punjab and Haryana is 9%, and in North-Eastern states, it is 3%.

- **Integration with debt –** AIF is integrated with debt, where the interest rate subvention is facilitated up to ₹2 crore.
- So, the scheme's success depends on the intention and ability of financial institutions.
- Bankers look at the projects from their credit assessment lens, where feasibility depends on the project and the promoter.
- **Credit guarantee –** Credit guarantee cover for eligible borrowers is available for ₹2 crore, which is small for a standard project.
- Although there is a renewed focus on inclusivity and equity in the scheme, offering grants-in-aid for underprivileged and women entrepreneurs may increase the default (credit) risk.
- Large-scale integrated projects cannot be installed singly under this scheme.
- Convergence with other schemes remains a crucial enabler for its success.
- This scheme will be successful for farm-gate-led hub-and-spoke models where the spokes with prescribed distance can be installed under this scheme.

References

1. The Hindu Business Line – AIF could do with a review
2. Down To Earth – Only 15% of Rs 1 lakh crore AIF disbursed

SHANKAR IAS PARLIAMENT
Information is Empowering