Seeding a data revolution in Indian agriculture

The Data based forecast for agriculture:

Seeding a data revolution in Indian agriculture

1. It includes targeting the production of alternative proteins, and food cell-based food/ingredients and initiating ocean farming, etc.
2. The agriculture sector (currently worth $370 billion), is estimated to receive an additional $35 billion investment.
3. The two enabling conditions for such investment opportunities are the changes in the regulatory framework, especially recent changes in the Farm Acts and digital disruption.
4. The report argues that benefiting from the huge investments into the agri-ecosystem, doubling farmers' income targets can be achieved in near future.

The idea of integration

1. Eventually, the farmer and the improvement of farmers' livelihood is the aim and it is proposed to happen through tight integration of agri-tech innovation and the agriculture industry ecosystem to farming and food systems.
2. Value-added innovative services by agri-tech industries and start-ups are an integral part of the new architecture.

A thread of digital disruption

1. The IT industry has opposition to this mainly due to the ethics of creating a Unique Farmer ID based on one's Aadhaar number and also the potential for data misuse.
2. However, the reports have convincingly demonstrated the business opportunity available in supply chains between farm to Agricultural Produce Market Committee (APMC) mandi and mandi to the customer, which can be realised with the support of digital disruption and the latest agriculture reforms.

An unconvincing 'how'

1. However, the fact is that a majority of small and marginal farmers are not technology-savvy. That most of them are under-educated for capacity building is ignored amidst these ambitious developments.
2. Together, the new reports calling for data-based agricultural revolution look forward to benefiting from the recent agriculture legislature changes without perceiving the capacity-building required at a farmer's end.
3. Politically, these reports ignore the protest of farmers against the reforms without considering it as a barrier or risk factor resulting in a repealing of these new farm laws.

Focus on the farmer

1. While agreeing on the fact that a data revolution is inevitable in the agriculture sector, given its socio-political complexities, we cannot just count on technology fixes and agri-business investments for improving farmers' livelihoods.

2. There need to be immense efforts to improve the capacities of the farmers in India – at least until the educated young farmers replace the existing under-educated small and medium farmers.
3. This capacity building can be done through a mixed approach – preferably building the capacities of individual farmers or coping with the new situation by establishing support systems, through FPOs and other farmers associations where technical support is available for farmers.
4. Considering the size of the agriculture sector of the country this is not going to be an easy task but would need a separate programme across the country with considerable investment.

What are the proposed benefits of a proposed, "AgriStack"?

The NITI Aayog states that diverse problems such as inadequate access to credit and information, pest infestation, crop wastage, poor price discovery, and yield forecasting can be sufficiently addressed by the use of digital technology. This is done through the market and state-based mechanisms that rely on improving four central areas: financing, production inputs, farming methods, and supply and distribution.

What may be potential issues with an Agristack?

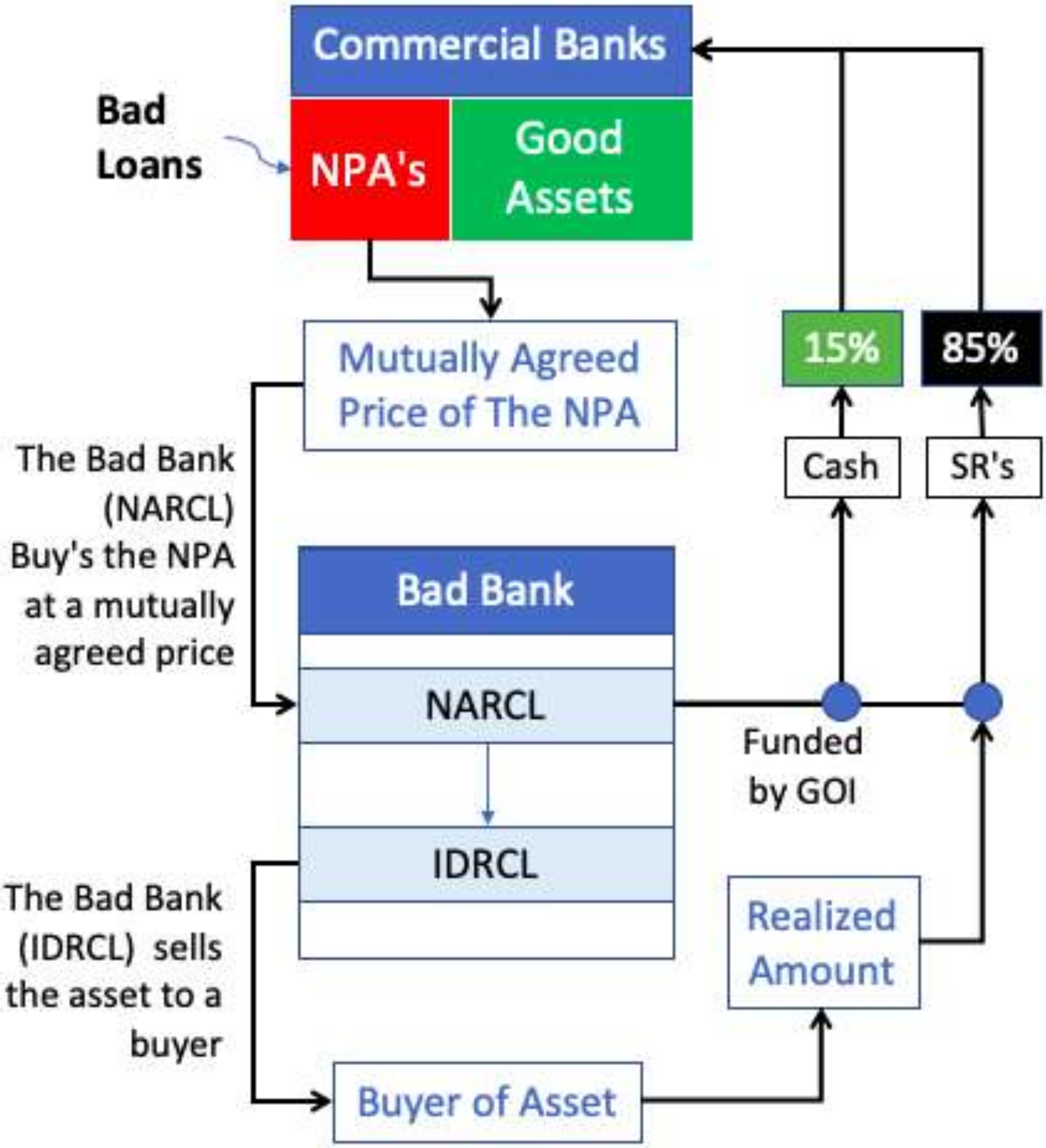
1. Firstly, no farmer organisations seem to have been consulted during the drafting of the recent agricultural reforms.
2. Secondly, With the Personal Data Protection Bill, 2020 yet to be passed, implementing the AgriStack without adequately addressing such issues may lead to harm.
3. The proposed framework for Agristack faces serious questions related to privacy. Farms generate a huge amount of data in their daily operations, and so are fertile ground for agritech and fintech firms.
4. Thus, in their quest to provide farmers with better services, they may end up harvesting and processing farm data without the consent of the farmer, leading to a situation where "banks and insurance companies [know] more about the incomes and businesses of farms than the individual farmers themselves".
5. Farmers may also be unable to adequately judge the value of their data and so may end up with compensation that is incommensurate with the same.

Will a bad bank fix India's broken banking system?

NARCL

1. Last month, the Union government set up the National Asset Reconstruction Company Limited (NARCL) under the Companies Act.
2. Under the new set-up, the NARCL will take over loans worth almost ₹2 lakh crore from the books of commercial banks at a mutually agreed price. The NARCL will pay 15% of the price of these loans upfront in cash to banks and then issue security receipts in lieu of the remaining amount.
3. The NARCL will then try to resolve these bad loans in a time-bound manner with help from the India Debt Resolution Company Limited (IDRCL).

4. In case the IDRCL is unable to sell these bad loans at a satisfactory price to make good on the security receipts, the Centre will step in and fund the gap, but within a budget limit of ₹30,600 crores.



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FAQs regarding Central Government guarantee to back Security Receipts issued by NARCL for acquiring of stressed loan assets

How will NARCL and IDRCL work?

The NARCL will acquire assets by making an offer to the lead bank. Once NARCL's offer is accepted, then, IDRCL will be engaged for management and value addition.

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What is National Asset Reconstruction Company Limited (NARCL)? Who has set it up?

NARCL has been incorporated under the Companies Act and has applied to Reserve Bank of India for license as an Asset Reconstruction Company (ARC). NARCL has been set up by banks to aggregate and consolidate stressed assets for their subsequent resolution. PSBs will maintain 51% ownership in NARCL.

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What is India Debt Resolution Company Ltd. (IDRCL)? Who has set it up?

IDRCL is a service company/operational entity which will manage the asset and engage market professionals and turnaround experts. Public Sector Banks (PSBs) and Public FIs will hold a maximum of 49% stake and the rest will be with private sector lenders.

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Why is NARCL-IDRCL type structure needed when there are 28 existing ARCs?

Existing ARCs have been helpful in resolution of stressed assets especially for smaller value loans. Various available resolution mechanisms, including IBC have proved to be useful. However, considering the large stock of legacy NPAs, additional options/alternatives are needed and the NARCL-IRDCL structure announced in the Union Budget is this initiative.

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What benefit do banks get from this new structure?

It will incentivize quicker action on resolving stressed assets thereby helping in better value realization. This approach will also permit freeing up of personnel in banks to focus on increasing business and credit growth. As the holders of these stressed assets and SRs, banks will receive the gains. Further, it will bring about improvement in bank's valuation and enhance their ability to raise market capital.

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The rationale for the bad bank:

1. First of all, this is a one-time, time-bound effort. The bad bank has been set up to remove bad assets from the balance sheets of banks and free up capital which will allow bank lending to grow.
2. Credit growth is important for economic growth, and bank balance sheets are constrained by the presence of bad assets. So, one of the main objectives of the bad bank is to remove these assets from the balance sheets of existing banks and consolidate them within a bad bank.
3. There are many reasons to bail out banks but two, in particular, are crucial. One is the fact that there are depositors involved here. If you allow banks to fail, depositors who operated under the presumption that the regulatory framework would protect their money would be undermined.
4. If a bank fails, and there is a sort of contagion effect, you could actually have systemic problems. Banks are the core of the settlements system and the credit pipe and allowing them to go down would be a problem.
5. And finally, there is also the option of getting banks to write off these bad assets and then the government can recapitalise them. But that would deal a significant blow to the government's finances.

6. One need to compare the risk to the system itself — the impact that bank failures would have on depositors and the social and political implications of it — with the moral hazard of bailing out banks.

Steps Taken for Bad Loans so far

1. First, we had the Lok Adalats, then the debt recovery tribunal, and then the SARFAESI (Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest) Act, which is supposed to give creditors much more power to be able to recover the debt.
2. Then we had the IBC (Insolvency and Bankruptcy Code).

Other measures Needed:

1. Recapitalization of banks is needed.
2. Fix criminal liability of wilful defaulters