

## ₹30 bn loans disbursed on NERL platform

**N**ational E-Repository Limited (NERL) provides platform for electronic Negotiable Warehouse Receipt (eNWR) generation for commodities in electronic form. It aims at ensuring the safety and soundness of electronic Negotiable Warehouse Receipts (eNWR) by developing solutions that increase efficiency, minimize risk and reduce costs. Its shareholders include NABARD, NCDEX, ICICI Bank and State Bank of India.

### COOP BANKS AS PLEDGEE

NERL has recently signed an agreement with 3 district banks - Erode, Namakkal and Salem - as pledgee to disburse loans against eNWR. Each DCCB will also take on account maintenance responsibilities as a Repository Participant. The main focus of these banks will be to provide finance against eNWR to small and marginal farmers. This is a first of its kind pan India initiative of NERL, which will soon cover over 260 PACS' warehouses.

Kedar Deshpande, MD & CEO, NERL, explains the whole exercise. "DCCB - PACS and eNWR will bring change to the existing warehouse receipt finance ecosystem for small and marginal farmers. This is a great opportunity for NERL to help these farmers gain maximum benefits from the WDRA-eNWR ecosystem. It will also improve warehouse receipt finance and trade in PACS owned warehouses, further helping to transform PACS' warehouse into a marketplace."

### 6800 ACCOUNTS, 48 BANKS

As on date, 48 public, private and cooperative banks have onboarded NERL, as compared to 3 banks when it started operations. Over 6800 active accounts - 2000 of farmers 200 of FPOs - have been opened with NERL. Over 4.3 million tons of commodity deposits have been made on the NERL platform so far. Deshpande updates: "As on Nov 2022 over 4.7 lakh eNWRs worth over ₹160 bn, and loans of over ₹30 billion have been recorded on the NERL platform. Cumulative amount pledged has increased from over ₹3 bn in FY20 to over ₹10 bn in FY21 to over ₹24 bn in the last FY."



**Kedar Deshpande believes that WDRA - eNWR ecosystem will help to transform PACS' warehouse into a marketplace**

### FUTURE OF FARMERS' CREDIT

There have been other developments that have helped in the acceptance of eNWR within the ecosystem. In 2018, SEBI informed all exchanges that eNWR will be used as a settlement instrument for all agri derivatives. In 2021, RBI increased the PSL limit against eNWR to 7.5 mn from 5 mn. Government of India has also given interest subvention for KCC farmers up to 3 lakhs. eNWRs are held in unique repository accounts with NERL, which is similar to holding funds in bank accounts. Transfer of ownership of eNWRs is done through simple digital repository account transfers. This method reduces the risks and hassles normally associated with paperwork. Consequently, the cost of transacting in a repository environment is considerably lower as compared to transacting in physical warehouse receipts.

Deshpande indicates: "The instrument has seen significant growth, acceptance amongst its value chain participants over the past 5 years. Banks have decided to give a lower rate of interest against eNWR as compared to non-eNWR. It will be more successful because WDRA has made it

mandatory for all registered warehouses to only issue electronic warehouse receipts and completely discontinue physical receipts."

### TECHNOLOGY CAPABILITIES

The NERL repository application is a web-based application, which will be available 24x7 apart from scheduled downtime. It provides an end-to-end solution for all the transactions related to electronic warehouse receipt, both negotiable and non-negotiable. eNWR is a digital form of a warehouse receipt generated by warehouseman and recorded by repositories like NERL, which is regulated by the WDRA of India. Deshpande points out technological features: "The application is highly transparent with maintenance of complete audit trails of all the transactions and is also scalable to handle the increase in market demand. It is highly secure in nature with role-based access management. Complete interface is available for all the stakeholders i.e. beneficiary, repository participants (RPs), warehouseman (WSPs), financial institutions (Pledgee), commodity derivatives exchange and physical market."

### LOAN AGAINST KCC/ENWR AT PAR

At present, KCC loans of up to ₹3 lakh are granted at an interest rate of 4% p.a. to farmers. This includes an interest subvention of 2% p.a. and a further prompt repayment incentive of 3% p.a. The prompt repayment incentive is granted to those farmers repaying/rotating their KCC loans in time. Hence, the cost of borrowing in KCC is reduced to 4% p.a. An anomaly is observed of a higher rate of interest on loans against eNWR to the KCC farmers. Deshpande observes and recommends: "This is currently discouraging farmers from taking loans against eNWR. A prompt repayment incentive of 3% p.a. is required for the farmers who are repaying their eNWR loans on time. This correction can bring loans against KCC and eNWR at par and help farmers explore the entire gamut of benefits both KCC and eNWR have to offer."

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