

eNWRs

BOOSTING FINANCE AND TRADE IN THE AGRICULTURE SECTOR

India being an agrarian economy still faces a shortage of effective scientific storage solutions in comparison to the agricultural yield of the country. The storage capacity available in India as on 31st March, 2021 stood at close to 166 million tonnes. India needs to amplify its efforts towards a robust regulated warehousing ecosystem for easy finance and trade at the warehouse level.

The Importance Of Warehouses

The focus of GOI is on bringing warehouses under the regulatory regime of WDRA to enhance liquidity, trade and data of storage and dissemination in agriculture. This will make scientific warehousing a common standard and digitize the warehousing ecosystem through the usage of electronic Negotiable Warehouse Receipts (eNWR).

eNWR is slowly turning into a high potential financial instrument. It guarantees transparency in storage process and brings greater flexibility and ease of business to depositors, warehousemen and associated parties like lending institutions, buyers, etc.

Benefits of eNWR

The introduction of eNWRs has benefited farmers and all agri value chain participants like warehouses, assayers, Banks, Insurers, Exchanges, Spot / auction platforms etc.

eNWRs provide an efficient and secure way for depositors to access working capital finance. Traditional warehouse receipts were often paper-based and

could be lost or damaged, making it difficult to use them as collateral for loans. With eNWRs, farmers and depositors can access loans easily and quickly. The digital format makes it easy for banks to verify authenticity of the receipt and reduces turnaround time. RBI has advised bBanks to lend against eNWR and has increased Priority Sector Lending (PSL) limits for loans against eNWR to ₹75 lakh and kept the PSL limit of Physical receipts up to ₹50 lakh per borrower .

Reducing post-harvest losses

eNWRs help to reduce post-harvest losses by providing farmers with a way to store their commodities in a warehouse. eNWRs help reduce the need for farmers to sell their crops immediately after harvest, which can often result in lower prices. This can help to increase farmers' incomes and reduce multiple hand-

shakes before reaching end users.

eNWRs can help to reduce volatility in prices by offering scientific storage facilities and increasing liquidity in the market. This can help to improve stability of the agricultural sector. GOI offers the interest subvention of 1.5% to KCC farmers availing the loan against eNWR. This subvention is not available to any other form of warehouse receipt.

High Market Penetration

Currently, over 50 national, regional and local presence banks are financing loans against eNWRs. National E-Repository Ltd. (NERL), a leading repository that issues eNWR, has witnessed over ₹4000 Cr. worth of loans being financed against eNWRs on its platform. NERL's market penetration, as of December 2022, was more than 8500 re-mat accounts opened, and over 2700 accounts were opened by farmers.

More than 4.8 lakh eNWRs were issued and over 45 lakh MT of stock was managed amounting to over 17,500 Cr. worth of eNWR. eNWR has users in 16 states in India. The instrument has seen significant growth and acceptance amongst its value chain participants over the past five years. WDRA has made it



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WHAT IS AN eNWR?

eNWRs are recorded and managed in repository accounts, which is more or less similar to holding funds in bank accounts. Transfer of ownership of eNWRs is done through simple repository account transfers. This method does away with all the risks and hassles normally associated with paper receipts. Consequently, the cost of transacting in a repository environment is considerably lower as compared to transacting in physical warehouse receipts.

eNWR is a regulated instrument with fiduciary trust that can be used as a collateral for loans in India and is a title document for completing the trade (buy or sell). eNWRs are managed by Repositories which are regulated by the Warehousing Development Authority (WDRA) of India.

An eNWR holds the electronic balances of quantity, quality, and value declared by warehousemen.

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

Improve transparency, traceability of agricultural supply chain

eNWRs help to improve transparency and traceability of the agricultural supply chain. eNWRs is a digital record of life cycle of produce stored in warehouse. It begins with deposit, withdrawal, revalidation, finance and trade (partially or completely) with complete audit trail.

eNWR digital record is available in a public domain regulated by WDRA and government for any market intervention to correct the market.

Presently, the government and agri participants don't accurate information of stock availability in the country. WDRA aggregation of warehouses and its storage recorded in a centralized record keeping will improve the decision making process of government and agri participants.

Future Possibilities

Regulated repositories provide access to monitoring stock and available space in registered warehouses. This can turn out to be a great breakthrough which has been identified by GOI. Government agencies like Food Corporation of India (FCI), National Agricultural Cooperative Marketing Federation of India (NAFED), etc. can benefit from access to such information on real time basis. This can

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improve the public distribution system (PDS) of the country and minimize wastage and logistical costs. Taking calculated decisions on movement of stock at a central level can be a possibility in the near future.

Agricultural warehousing is becoming a lot more conscientious with having to adhere to better warehousing practices under the aegis of WDRA. The repository ecosystem has opened new avenues for market linkages, turning warehouses into marketplaces. This gives them a better business proposition and growth opportunities. The ecosystem can effectively connect the depositor to the derivative Exchanges regulated by SEBI, Spot / auction platforms as well as eNAM.

Role Of WDRA In Strengthening The Ecosystem

Warehouse Development and Regulatory Authority (WDRA) plays a crucial role in implementation and regulation of electronic negotiable warehouse receipts (eNWRs) in India.

WDRA is responsible for the registration and regulation of warehouses in In-

dia. It regulates repositories that records and manages the eNWR. It ensures that warehouses meet standards in terms of infrastructure, safety, and security. The WDRA also sets standards for issuance of eNWRs and ensures that warehouses comply with them.

A major responsibility of WDRA is to register warehouses and warehouse operators. This involves conducting inspections to ensure that the warehouses meet the required standards, and warehouse operators have necessary qualifications and experience. Once a warehouse is registered, WDRA issues a license to the warehouse operator, which allows them to issue eNWRs.

Vital Role In Implementation And Regulation Of eNWRs

WDRA also plays a role in ensuring the integrity of the eNWR system. This includes monitoring the movement of commodities in and out of warehouses and ensuring that eNWRs are issued and redeemed in accordance with rules and regulations. WDRA is an appellate authority and authorized to take action against warehouse operators who do not comply with rules and regulations.

Another important role of WDRA is to provide oversight of the pledge financing process against eNWRs. It conducts regular audits of pledged stock to ensure that it is stored in a fair and transparent manner.

WDRA plays a vital role in the implementation and regulation of eNWRs in India. Its efforts help to ensure that eNWRs are a safe and secure way for depositors to access working capital finance and store their commodities in all WDRA registered warehouses.

Transforming the agri-warehousing industry of the country is the need of the hour. eNWR carries the undeniable potential to do that. With the focus on promoting the use of eNWR, the stress on increasing the hygiene in the agri-warehousing and marketing comes as an outcome and the domino effect of this revolution can indeed change the business of agriculture in India.