

Pledge financing sees growth due to adoption of e-NWR

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In the last few years, there has been a rapid stride in credit availed by farmers and traders by pledging crops as collateral, as such transactions reached ₹2,442 crore in FY23, up 66 per cent from the previous year — but it was only for those who had electronic-Negotiable Warehouse Receipt or e-NWR.

The pledge finance to those without e-NWRs was much higher at ₹60,000 crore, according to industry estimates. “The growth has been very high as pledge financing was only ₹379 crore in FY20. Though it doubled in FY22, the same tempo could not be maintained last fiscal, mainly due to restrictions on some commodities futures,” said an industry expert.

According to banking sources, in FY23, banks disbursed ₹220 crore against paddy; ₹150 crore each against chana (gram) and castor; ₹130 crore against mustard crop; and ₹80 crore against wheat. Sources added that this was for those who possessed e-NWRs.

The pledge financing against crops such as soyabean, wheat, guar and barley is higher in the non-eNWR seg-

ment, said industry sources. “The warehouse receipt financing programme constitutes a pivotal role in the agri value chain. As of date, the market is at about ₹60,000 crore, and is slated to grow at 40 per cent CAGR. It is an important instrument that enhances rural credit and brings in financial inclusion,” said Sandeep Sabharwal, CEO of collateral management firm, SLCM.

He further said e-NWR is an effective tool for promoting pledge financing since the scope is very vast.

REGISTRATION

Only 3,927 warehouses have valid registration with the Warehousing Development and Regulatory Authority (WDRA) in the country.

e-NWR was introduced by WDRA in 2017, and was made mandatory two years later for accredited warehouses. WDRA was constituted in 2010 under the Warehousing (Development and Regulation) Act, 2007. Warehouses accredited by WDRA are allowed to facilitate e-NWR to those who keep their goods.

Banks normally extend 65-75 per cent of the crop value as a credit against a lower-than-normal interest rate, which is at 8.5-11 per cent.