



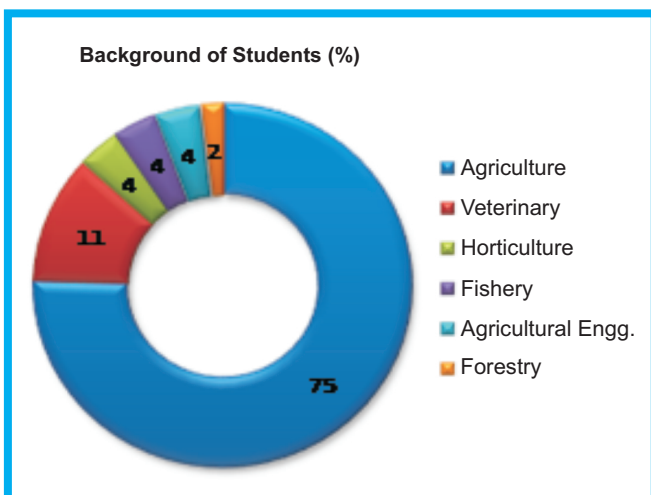
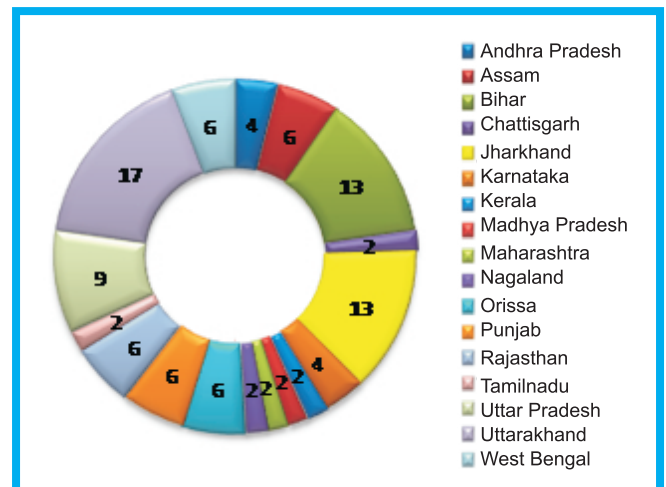
INAUGURATION OF 13th BATCH - PGPABM (2008-10)

The inaugural function of 13th batch of PGPABM (2008-10), was organized on July 07, 2008. The function began with the lighting of lamp by Shri K. V. Satyanarayana, IAS, Director General. The 13th batch comprises of 53 students from across the country representing 17 states and 20 State agricultural universities, five students are post graduates and 11 are with job experience. On this occasion the senior faculty members of MANAGE addressed new members of MANAGE family.



Background of the 2008-10 Batch of PGPABM

The students in the course are from agriculture and allied fields, which include 40 students from Agriculture, 6 from Veterinary science and Animal husbandry, 2 each from Horticulture, Fishery and Agricultural Engineering and one from Forestry. Among 53 students, 5 are postgraduates in their respective fields while 9 have valuable work experience in diverse fields like Banking, Rural Marketing, Agri-finance, R&D and Production.



Students have come from fifteen different states and belong to nineteen different universities from all over India, reliving the very essence of Indian heritage “Unity in diversity”. This provides a platform to students from different culture and social background to come together and work as a team and develop as individuals with tolerance and respect towards each other. This exposure provides the MANAGEites a unique capability to show a high performance level in the different socio-economic situations.

“Financial Strategies for Value Creation - Financial Inclusion”

Devendra Agrawal and Dr. Shashank Sinha (PGPABM, 2nd year)
(The paper won first prize in paper presentation in Chetna 2008 at Osmania University)

Introduction

India has a large rural population, spread over a large area posing a challenge for the Government to develop them, Financial Institution to involve them in their purview and Corporate to tap the bottom of the pyramid for sustainable market development. One of the most important hurdles in the fulfilment of these goals is the lack of financial inclusion. Government spending on rural development is not giving results due to the inefficiency of the system (Trickle down effect). Financial institution can't finance because of high risk involved and corporate not able to tap the rural market because of lack of purchasing power of the rural people.

If we analyse the data for the last few years we see the gap between the rural and the urban standard of living is increasing and the financial institution and the corporate sector are concentrating more on the urban population because of high returns and easy accessibility. The argument can be bolstered by following data. The number of small borrowing accounts in rural areas increased by 2.5% whereas the same in urban areas increased by 13.8% during 2000 and 2005. For the same period number of bank offices increased by 330 in rural areas where as in urban areas it rose by 2575 (source: RBI). This growing inequity need to be curtailed and minimised for the purpose of poverty reduction and overall growth of the rural India. So to achieve an overall social improvement through financial inclusion, a perfect frame work in which Government, Financial Institutions (FIs) and Commercial entities can work together, is required. The barriers to “ready” rural access to finance are high transaction cost, credit information asymmetry, high uncertainty or risk, use of credit for non-productive purposes, lack of training, knowledge and awareness about opportunities and changing technology etc. In the context of solving these issues and achieving stated objectives, a model in which different stakeholders can play a substantial and effective role with equal participation from government, financial institutions, private companies and the rural masses can change the scenario of financial inclusion at very grass root level. Following role need to be played by different stakeholders to achieve 100% financial inclusion:

1. Government

The assistance provided by the government in the form of National Rural Employment Guarantee Programme “NREGP” (which includes providing at least 200 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work) can be divided into two parts. One will be given as wage and the remaining part (approx. 30%) can be kept as security by the Government. Amount kept by government can be used as security by the Financial Institution to provide credit to any other adult member of the family to start up his /her own work, recommended by the person working under NREGP. This step will increase the confidence of FIs in rural lending as it will mitigate their risk. Also, policy issues like Credit Information Bureau Act, 2006 (Dr. Rakesh Mohan, 2006) can help the FIs get credit information about these people, so the credit limit can be decided accordingly. The Government can take such a step with any other scheme meant for rural development. The interest earned by government by keeping the security amount with banks can be used in project like Bharat Nirman.

2. Financial Institutions

FIs involved will include Commercial Banks, NBFCs and Foreign Banks. As their major concern is high risk and high transaction cost, the former can be supplemented by security mechanism of the model provided by the government where as the transaction cost can be reduced by the use of concepts like Mobile Banking and telecommunication (which will cater to the needs of several villages thus increasing accessibility and reducing cost). Retired Postmen and school teachers can be used as representatives for FIs for credit enhancements in the form of reliable information. Starting with lending activity, a relationship can be built with rural people in subsequent years (in the form of savings and insurance) which will further enhance the business of these FIs. Another forward linkage can be established among the Banks/FIs and the Commercial Entities, who will purchase the end product made by the rural enterprises, in the form of better services and easy lending.

3. Rural household

This model provide a solution for the rural household to get out of the vicious cycle of poor economic condition e.g. low credit availability leads to low risk bearing ability which leads to low productivity leads to low value addition and finally to low returns. The model benefits the rural household in providing financial inclusion, easy credit availability, full year employment, sense of savings(as the 30% amount with Government will be given to them at the end of the financial year in the form of bulk amount). The credit received by the rural household will be used in starting their own work for which the training and knowledge will be given by the Commercial entities, who will sell their end products in the market. So, by applying this approach we make sure that the credit will be used only for the productive purposes and thus helping the rural household in increasing their income, clearing their debt and improving their living standards.

4. Commercial Entities/Private companies

These entities will provide support to the rural household by providing market for their end products

and imparting essential skills and training to produce market acceptable products. In turn, there will be a boost to the rural marketing, rural retailing and consumerism thus tapping the huge untapped rural market, with a sense of corporate social responsibility.

Conclusion

As the need of the rural credit is obvious, the proposed model is a win-win situation for the Government, Financial Institutions, Commercial Entities and Rural households with everyone getting benefited. By adopting this model, Government will efficiently use the same resource for NREGP in employment generation as well as facilitating credit to the rural household. Financial Institutions will mitigate the risk and lower the cost of transaction in lending credit to rural masses and in turn will expand their business like insurance at the bottom of the pyramid. From the view point of commercial entities, it will be proved as an opportunity to get associated with rural people to attain a market for sustainable development, whereas for rural people the model will open up a plethora of opportunities to transform the vicious cycle into virtuous cycle.

“Agri- Retail and Its Implication”

Manisha Mishra and Prashant Jha (PGPABM, 2nd year)
(The paper won second prize in paper presentation in Chetna 2008 at Osmania University)

The growing consumerism stimulated by a rapid income growth, increasing urbanization and the growing young population which has the willingness to spend have made India the ninth largest retail outlet in the world with annual retail sales of approximately US\$ 236 bn in 2005. The buzz in agriculture and allied sectors has died out as the famous green revolution and white revolution became a matter of distant past. Today on the growth trajectory are the organized Indian Agri / food retail space with so many business houses vying for their place under the sun. The policymakers are in a quandary. Question before them is whether this boom in agriculture retail can give a lease of life to Indian agriculture and the back end supply chain or will it prey upon the gullible Indian farmer and the petty middle men and retailers of the country.

The organized food retail business is growing at a rate of 47% as against the 26% growth shown by overall organized retail. According to recent CRISIL report Rs.1 trillion worth of food is not being used in the country because of wastage, poor storage and

middlemen commission costs. Therefore if this sector is allowed to flourish then India has to overcome this transition and restructuring at the least social cost for which some policies have been recommended. An ingenious approach needs to be taken by the retailers in India to identify the winning format suited to the varied geographies and diverse segments of consumers based on local buying behaviour. The internal processes that decide the growth trajectory of retail is the proper integration of backend operations which is critical for ensuring scalability and managing costs, the private label for managing margins and loss prevention. The review paper brings out the vast opportunities in agri-retailing for business, employment creation, improvement in agriculture sector. It also underlines the downsides and areas of concern that are resulting and may aggravate affecting livelihoods. Rehabilitation and restructuring of livelihood opportunities of small store owner and prevention of predatory pricing are the major issue now.

The mom & pop store owner is facing the pinch of

supermarkets and hypermarkets in his vicinity. These malls are usually owned and operated by big retailers due to efficiency of supply chain, big size, and diversity of business can manage to sell cheap and thus take away the small retailer's customers. In this context, there should be a ban on predatory pricing. To prevent this there shall be a national authority.

A retailer employment directory may be created in which only family members of mom and pop retail shop owners can register and have to be absorbed on a priority basis for 10 yrs beyond which there will be immense opportunities for everyone in supply chain logistics and other areas. The Paper argues that it is not pertinent to prevent a changing face of agri-retail because any such move will not allow our infrastructural bottlenecks and agriculture to come out of the valley of decline.

Changing Dynamics of the Agricultural Market:

The boom in the organized retail sector particularly in the food retail is directly related to the agricultural markets and the legislations surrounding it. The agriculture sector is in immediate obligation of well functioning markets to accelerate growth in order to ensure economic prosperity of the farmers. In order to provide dynamism and efficiency into the marketing system, large investments are required for the development of post-harvest and cold-chain infrastructure nearer to farmer's field. Post-harvest losses are estimated to be of the order of 5-7 per cent in

food grains and 25-30 per cent in the case of fruits and vegetables.

APMC Act and Its Implications:

The existing policies need to be amended so that procurement of agricultural commodities can be done directly from the farmer's field to establish effective linkages between farm production and the retail chain and the food processing industries. Though all the state governments were requested to amend the APMC act for deregulation of marketing systems in India, to promote investment in marketing infrastructure, thereby motivating the corporate sector to undertake direct marketing and to facilitate a national integrated market

Contract Farming Opportunities:

The amendment of the Act has paved the way for contract farming in a numbers of states although there is a restriction on the lease period. Under the model law on contract farming, a farmer can lease out his land for a minimum of 11 months and a maximum of 30 months. Companies getting into retail state that 30 months is not at all enough time to recover investments. Farmers are wary of longer leases because they fear they would lose their land rights. The corporate entrants have been seeking an amendment in the Revenue Act so that they can lease land for upto 10 years. Currently, only three states Punjab, Haryana and Maharashtra allow farmers to lease land to companies.

Events

"JIGYASA-08"- Business Quiz Contest

"JIGYASA-08", a regular business contest at MANAGE was organized by the final year students for the freshers. The basic objective behind this effort is to make the new students realise their strong and weak areas. No wonder this was appreciated by the new comers and also proven effective in maintaining a fruitful relationship with senior students.

Formation of "MANMARK" groups

The concept of "MANMARK" group is one of the

unique link in the chain of "Capacity Building" exercise at MANAGE. The complete batch of first year student has been divided into 5 groups related to various agribusiness sectors viz. Banking & Finance, Commodities, Agri-inputs, retail and procurement as per the interest and competencies of students. Every group will also be supported by the final year students for the subsequent activities like sectoral report preparation, presentation on burning issues, panel discussion, etc.

Achievements

- 1st place in paper presentation, B plan & case study analysis at "Dhruva 08" conducted by IIIT, Pune in February, 2008.
- 1st place in paper presentation & B plan and 3rd place in "Corporate Czars" at "KRITANSH 08" conducted by

KIIT, Bhubaneswar in February, 2008.

- 1st place in B plan, paper presentation & finance quiz and 2nd place in Business quiz, advertising quiz and overall championship at "CHETANA 08" held at Osmania University, Hyderabad in February, 2008.

SPICE is published by:

The Director General,

National Institute of Agricultural
Extension Management (MANAGE)

Rajendranagar, Hyderabad-500030, India.

Tel:+91 (0) 40 24016702

Fax:+91 (0) 40 24015388

Editor-in-Chief
Shri. K.V. Satyanarayana

Series Editor
Dr. B.D. Tripathi

www.manage.gov.in