

Institutional Finance for Entrepreneurship in Fisheries

The following article is a part of FIFP webinars conducted on 15th May 2021 on the topic Entrepreneurship in fisheries (Part 3)

Note from the Chief Editor

Entrepreneurship in fisheries (Part 3) comprised the main theme of FIFP webinar conducted on 15th May 2021. Two presentations were made that covered Institutional finance for entrepreneurship in fisheries and Gramin banks: Services provided for developing entrepreneurship in fisheries. Sri. Ranjit Kumar made a presentation on Institutional finance for entrepreneurship in fisheries and highlighted the role of NABARD in providing finance/refinance for the development of fisheries sector. He elaborated on the credit functions of NABARD such as providing agricultural refinance to banks, financing state governments for infrastructure projects and direct financing of projects. He explained investment credit support for various fisheries activities from production to marketing, potential activities for bank financing and norms for financing by banks. He presented the details of investment cost per unit for freshwater, brackish and marine fisheries of Kerala during 2020-21. He gave valuable insights on the support available for start-ups in fisheries, eligibility criteria for start-up recognition, incentives and other supports available from the Government for start-ups. Other supports for start-ups include SFAC; Stand-up India; and Support for International Patent. He outlined the support offered by NABARD for Agri Business Incubation Centres (ABICs), Catalytic capital fund for supporting Rural and Agri Start-ups and setting up of NABVENTURES to manage venture growth equity funds for investing in early to mid-stage startups/companies in agriculture, food and other sectors.

Introduction

The Indian financial system consists of banking institutions like Commercial banks (public sector and private), Regional rural banks, Rural agricultural co-operative banks (State apex level and district level), Urban co-operative banks, Small finance banks and Foreign banks; and Non-banking financial Institutions (organised and unorganised).

The major social commitment of the institutional banking system, in addition to providing financial inclusion to our people, is financing the priority sectors of the economy. As per the directives of RBI, all banking institutions are required to involve at least 40% of their net bank credit to priority sectors consisting of agriculture, micro and small enterprises, renewable energy, export credit etc. All activities allied to agriculture, like fish farming and marketing, comes under preferred category for bank financing. Bank finance is provided for investment activities like establishment of productive assets and as working capital for running enterprises.

The National Bank for Agriculture and Rural development (NABARD) was set up on 12 July 1982 as an apex level financial institution through an Act of Parliament, to facilitate integrated development of rural areas and address the need for investment and working capital credit for agriculture, through the banking system. NABARD has its corporate office at Mumbai, 30 regional offices covering all states and 400 district level offices all over the country. NABARD serves credit functions like providing agricultural refinance to banks, financing state governments for infrastructure projects and direct financing of projects. It also has non-credit functions like credit planning, institutional development and supervising rural financial institutions.

Investment credit

Investment credit support covers Asset creation/ acquisition, buildings, Plant and machinery, Equipment, Infrastructure, Preliminary & Prepaid expenses and Working capital (one cycle). Investments in fisheries covers all fish production systems like marine capture fisheries, mariculture, inland open-water fisheries, inland aquaculture and brackish water aquaculture. The various activities covered in marine fisheries are mechanised boats (trawler, gill netter, long liner), traditional boats (Country crafts, Wooden/FRP), outboard motors, in-board engines, nets, net making units and boat building yards.

The potential activities for bank financing in the inland fisheries sector are freshwater aquaculture (freshwater fish farming and freshwater prawn-scampi farming), fish/ prawn hatcheries, reservoir fisheries (boats/nets, cage/pen culture) and integrated farming (fish farming integrated with agriculture/animal husbandry). Brackish water fisheries activities covered are brackish water aquaculture (finfish farming, vannamei shrimp farming), hatcheries (fish/ shrimp) and feed mills. Other potential activities are processing plants (freezing-IQF, value-added products : ready-to-eat/cooked, canning, traditional processing activities - salting & drying, pickles), upgradation/modernization of existing plants, pre-processing plants, ice plants/cold storages and marketing infrastructure (vehicles & insulated boxes, kiosks with deep freezers, mariculture/ coastal aquaculture (seaweed farming, mud crab rearing/fattening, mussel culture, oyster farming, lobster fattening), ornamental fish breeding & rearing, diagnostic labs and aqua clinics.

Norms for financing by banks

Potential activities, viable farm models, investment costs per unit and other terms for financing like margin money, moratorium (grace) period, repayment period etc. are fixed on a state-basis by NABARD on the recommendation of a Standing Committee on Unit Cost represented by banks and Government departments. The unit costs are accepted by the State Level Bankers Committee (SLBC) as directives for lending operations and credit planning. The prescribed unit costs are used as indicative costs with a deviation up to 10% by banks while financing.

Investment cost per unit for fisheries in Kerala (2020-21)

a. Fresh water fisheries

No.	Particulars	Specification/ Unit/ Rate	Amount (Rs)
1	Country boat for fishing	No.	24,000
2	Composite fish culture- new pond	Ha	4,86,000
3	Freshwater prawn farming in ponds	Ha	5,71,000
4	Paddy cum fish farming (with coconut and banana cultivation)	Ha+100 coconut + 160 banana	2,06,200
5	Coconut cum prawn farming in existing coconut groves with canals	Ha	3,21,000
6	Prawn farming in Kole lands	Ha	3,88,000
7	One paddy one fish in Kuttanad and Kole areas	Ha	2,81,500
8	One paddy one fish in Kuttanad and Kole padasekharams	100 Ha	21,80,000
9	Re-circulatory Aquaculture System (RAS)	40 cu.m	6,00,000
10	Cage farming of fish in fresh water	60 cu.m (2 cages)	3,47,500
11	Ornamental fish breeding	NFDB norms	
11(a)	Backyard hatchery		1,00,000
11(b)	Medium scale unit		8,00,000
12	Indigenous catfish farming in ponds	Ha	13,50,000
13	Backyard seed production of Murrel	0.1 million	2,00,000
14	Nile Tilapia farming in bio-secured pond	Ha	13,50,000
15	Pangassius farming in bio-secured pond	Ha	19,40,800
16	Freshwater fish culture with Biofloc unit	5m x 1.5m	1,56,000

17	Homestead fish farming	2 cents	1,23,000
18	Fish cum pig integrated farming	1 acre, 10 pigs	99,000
19	Fish cum duck farming	1 Ha + 300 ducks	2,23,100

b. Brackish water fisheries

No.	Particulars	Specification/ Unit/ Rate	Amount (Rs)
1	Modified extensive shrimp farming	Ha	6,78,800
2	Modified extensive shrimp farming with zero water exchange	Ha	7,09,200
3	Vannamei shrimp farming (zero water exchange)	Ha	18,30,200
4	Brackish water fish farming	Ha	5,50,000
5	Cage farming of fish in brackish water	4m x 3m x 2.5m	3,50,000
6	Backyard hatchery for Pearlspot-Model I		1,00,000
7	Backyard hatchery for Pearlspot-Model II		2,50,000
8	Crab culture (fattening unit)	0.5 Ha	4,77,500
9	Mussel farming	25 sq.m raft	20,500
10	Eco friendly shrimp farming in pokkali/ kaipad areas	5 Ha	21,85,000
11	Pearl spot farming		1,50,000

c. Marine fisheries

No.	Particulars	Specification/ Unit/ Rate	Amount (Rs)
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1	Country boat (Cattamaran)	4 logs	96,200
2	Fibre glass Cattamaran		3,40,900
3	Outboard motor	9.9 HP	1,25,000
4	Fishing gear		3,00,000
5	Inboard engine- 120 to 400 HP		15,00,000
6	Marine plywood canoe (30' OAL)	30 ft	5,42,000
7	Fibre glass boat	33 ft	5,94,000
8	Thanguvallam with inboard engine	70 ft	1,17,55,000
9	FRP Tuna longliner		12,73,500
10	FRP boat with choodavala	36 ft	30,38,000

Support available for start-ups in fisheries

There are various challenges in the development of entrepreneurship in fisheries sector, such as inefficient supply chain; presence of numerous middlemen and agents; lack of finance; smaller farm sizes vs productivity; and lack of hi-tech production systems and urban aquaculture/vertical farming. All these challenges could be converted into opportunities for startups.

Eligibility criteria for Start-up recognition

- Incorporated as a private limited company or registered as a partnership firm or a limited liability partnership
- Up to 10 years from the date of its incorporation
- Turnover < INR 100 Crores in the previous financial years
- Working towards innovation/ improvement of existing products, services and processes and should have the potential to generate employment/ create wealth.
- An entity formed by splitting up or reconstruction of an existing business shall not be considered a "Start-up"

Salient features of a start-up

- It is a bold entrepreneurial venture

- It has a scalable business model
- It is based on a disruptive business idea

Incentives available from Government for start-ups

- Simple online process of registration
- Govt bears the facilitation cost for filing patents by start-ups
- Set up corpus of Rs. 10,000 crores for funding start-ups through VC
- Incubating the emerging start-ups
- Income Tax exemption up to 3 years
- Award of govt tenders to start-ups on priority basis
- Tax saving for investing capital gains in venture funds set up by Govt
- Annual Start-up fests (nationally and internationally)

Other supports available from Government

- SFAC: Venture Capital Assistance Scheme from Ministry of Agriculture and Farmers Welfare – Provide interest free loan to meet shortfall in capital requirements.

<https://www.startupindia.gov.in/content/sih/en/government-schemes/venture-capital-scheme.html>

- Stand-Up India: Bank loans between 10 lakh and 1 crore to at least one SC/ST borrower and at least one woman per bank branch for setting up a greenfield enterprise

<https://www.startupindia.gov.in/content/sih/en/government-schemes/stand-up-india.html>

- Support for International Patent: Ministry of Electronics & Information Technology extend financial support to MSMEs and Technology Startup units for international patent filing.

<https://www.startupindia.gov.in/content/sih/en/government-schemes/international-patent-protection-sip-eit.html>

Potential for start-ups in fisheries

- Market intervention: Linking producers/ fishermen to consumers/ processors
- Development of on-farm diagnostic equipment: to reduce risks and improve productivity
- Integration of sensors, mobile connectivity and decision tools: for affordable aquaculture monitoring and automation

NABARD support for start-ups

- Support for Agri Business Incubation Centres (ABICs)
- NABARD has set up Alternative Investment Funds (AIFs) to facilitate Innovations and Technology dissemination in Agriculture
- NABARD has setup NABVENTURES Limited (NABVENTURES)
- Created Catalytic Capital Fund for supporting Rural and Agri Start-ups

Catalytic Capital Fund

- Most of the start-ups face challenge in funding and start with their own resources. Most of the investors are not keen to invest in Agri start-ups.
- Even where early-stage funding is available, these start-ups enter a stage called “Death Valley”.
- During the Death Valley stage, additional financing is usually scarce, leaving the firm vulnerable to cash flow requirements.

To support the Agri Start-ups entering “Death Valley” phase, NABARD has set up “Catalytic Capital Fund of ₹100 crore for supporting such Rural and Agri Start-ups”.

NABVENTURES

- NABVENTURES Limited, a wholly-owned subsidiary of NABARD, is an Asset Management Company, set up under Companies Act, 2013.
- The objective of the Company is to manage venture growth equity funds that invest in early to mid-stage startups/companies in agriculture, food, related financial services and rural healthtech/edutech.

Conclusion

Major players in Agri Start-up ecosystem are Agri Start-ups; Incubators; Investors; FPOs; Corporates; Govt; and ICAR Institutes, SAUs/ ICRISAT. There is need for a leadership space in this ecosystem. NABARD having rich experience in this sector, can take on the leadership role. Agri-Start-up fund envisaged in Agri Export Policy of Government of India could be created in NABARD.

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After completing MSc Industrial Fisheries, Mr. K G Ranjit Kumar started his career as a trainee executive at Matsyafed (Matsyafed net Factory, W. Island) in 1985, and later joined the Federal Bank Ltd. at their Rajkot branch in May 1986, where he worked as Credit Officer. He also holds a law degree (LLB, Saurashtra University) and is a Certified Associate of Indian Institute of Bankers (CAIIB). He joined the National Bank for Agriculture and Rural Development (NABARD) in October 1988

as Technical Officer- Fisheries and later in the Rural Development Banking Service. He is presently the General Manager of Farm Sector Development and Climate Change, at their corporate office in Mumbai. During the 33 years of service at NABARD, he has worked in Bihar, UP, Maharashtra, Assam, Kerala and Karnataka and handled various functional areas like Technical Services, Refinance, State Projects (RIDF), Farm Sector Development and NABARD Consultancy Services (NABCONS). He also functioned as faculty at the Bankers' Institute of Rural Development (BIRD), Mangalore. He has undertaken overseas assignments like International Consultancy on Agriculture, DCDM at Mauritius and was member of the Expert Group on Micro finance and Micro insurance of the Asia-Pacific Rural and Agricultural Credit Association (APRACA) at Bangkok. Mr. Ranjit Kumar is in the Executive Committee of NFDB, and represents NABARD in its Governing Committee.

