Emerging Trends in Financing of Micro Enterprises: AC&ABC Telangana Model Policy Review and Recommendations

Jyoti Sahare[1] & Mahesh Mane[2]

ABSTRACT

Agriculture and Indian economy are essentially the two sides of the same coin. This is due to the agriculture sector providing a livelihood for more than half of the population and contributing roughly 20.0 percent to the Indian economy. Further, important point to note is that India has the unique distinction of being one of the few countries in the world where the working-age population will outnumber those dependent on them, and according to the World Bank (Word Bank Overview Oct 04, 2021), this will continue until 2040, with 70.0 percent of the population living in rural areas. It is a challenge to retain these youth in rural areas by providing self-employment opportunities with credit support. Equally, the Indian Government has launched numerous initiatives over the years to strengthen the country's economy. A number of Government flagship programs have been launched to create massive opportunities for unemployed Agri-professionals in India. Amidst, is the Agri-Clinics and Agri-Business Centers Scheme (AC&ABC), which has been in place for the past 20 years, being implemented in all the States of India. The ultimate goal of AC&ABC Scheme is to provide gainful self-employment opportunities to unemployed agricultural professionals and convert them into Agripreneurs. AC&ABC scheme's main draws also are credit availability and re-finance. However, the financial situation demonstrated insignificant progress. To bridge the financial gap and ensure the availability of credit & re-finance to agripreneurs a tripartite Memorandum of Agreement (MoU) was made between the financial institutions and private/national organizations in Telangana State that was termed as AC&ABC Telangana Model. This article is focused on the progress and performance of AC&ABC Telangana Model in Telangana State with reference to AC&ABC Scheme of India.

Key word: Agripreneurs, Micro-enterprise, Agri-Clinics & Agri-Business Centers Scheme, tripartite agreement etc.

1. Consultant-AC&ABC, MANAGE-Hyderabad
2. Consultant-AC&ABC, MANAGE-Hyderabad

Corresponding author: jyotidhanraj@gmail.com

Article Received Date: 12.07.2024 Article Accepted Date: 04.09.2024

Introduction

Agri-Clinics & Agri-Business Centers (AC&ABC) scheme is a grant-in-aid project run by the Ministry of Agriculture and Farmers Welfare, GoI, since 2002 in all the States of India and Agripreneur is the ultimate beneficiary of the scheme. In the context of AC&ABC scheme, Agripreneur is a term used to describe an unemployed Agri-professional who completed AC&ABC training program and started his/her own Agri-enterprise. Agripreneur is classified under Micro-Enterprise owner because their initial investment does not exceed Rs. 1 Cr. (Ni-MSME- 1st July 2020). Financial assistance in the form of bank loans and subsidies from NABARD is the major attraction of the scheme. Trained agripreneurs are eligible to get a loan to start their agri-ventures after undergoing a residential training program of 45 days. The project cost ceiling under AC&ABC scheme for the purpose of subsidy is Rs.20.00 lakhs for individual projects and Rs.100.00 lakhs for group projects (5 members). The subsidy for general candidates is 36.0 percent of the Total Financial Outlay (TFO) and 44.0 percent for women candidates/SC/ST beneficiaries and candidates from North Eastern and Hilly States. The loans are provided through banks, and credit-linked back-ended composite subsidy is routed to barrowers account through NABARD. Current progress revealed that a total of 82,000 (+ more) candidates were trained and 36,000 (+ more) ventures were established in various agri-enterprises all over India. However, the sanctioned percentage of bank loans and subsidies is very negligible as the main role of the scheme was to provide financial assistance to the agripreneurs. In order to bridge the "financing gap" that exists for certain categories of agri-enterprises and to reduce the increased financial crisis, MANAGE. Hyderabad organized a series of dialogues on credit support with various social and financial institutions in Telangana State. As a result, a tripartite agreement was made for setting up agri-ventures and financial assistance to agripreneurs, in which institutions like Telangana State Agro Industries Development Corporation Limited, State Bank of India, National Bank for Agriculture and Rural Development (NABARD) and National Institute of Agricultural Extension Managemnet (MANAGE) Hyderabad had key roles. This tripartite agreement was named AC&ABC Telangana Model. This article explains in detail the entire Telangana model of financial assistance to Agripreneurs trained under Agri-Clinics and Agri-Business Centers Scheme.

Objectives of the Study:

- To study the description of AC&ABC Telangana Model in terms of financing micro-enterprises.
- To study the progress and performance of AC&ABC Telangana Model in terms of training program, status of credit availability and re-finance.

- To study the knowledge gain of Agripreneurs in entrepreneurship skills after training program.

Methodology:

The study was divided into two parts; to meet the first and second objectives; an in-depth secondary data based on available financial reports, annual reports of MoA&FW, Nationalized banks, NABARD and MANAGE Hyderabad was analysed. To assess the third objective, snowball sampling method of non-probability was used in selecting the respondents for the study. The selection of the respondents was done based on bank loan final sanctions. A list of 50 agripreneurs who got bank loan sanctioned was prepared with the help of National Institutes of Agricultural Extension Management, (MANAGE) Hyderabad. The study was carried out in 50 blocks of the 10 districts of Telangana State. The mean score percent, standard deviation and 't' value were worked out to draw inferences. The secondary data was used to gets details about AC&ABC Telangana Model, progress and performance with respect to training and success in disbursing credit and re-finance.

Review of Literature:

The very first entrepreneurship class kept in 1947 the academic technique of entrepreneurship's development is described utilizing a chronology of 3 domains-- training courses, supplemental facilities and also publications (Katz, J. A. (2003). Despite the discussion whether entrepreneurs are born or made, most accept that entrepreneurship, or certain facets of it, can be taught, or at least encouraged, by entrepreneurship education (Kuratko, 2005). Entrepreneurial activities in both formal and informal sectors are immensely significant for economic growth and national development (Al-Mamun et al., 2016). Micro and small enterprises, as the engines of indigenous entrepreneurship, play a critical role in the development of the global economy by improving technological capability building, innovation diffusion, and capital formation. (Nabiswa and Mukwa, 2017). According to Garavan and Barra (1994), the most commonly referred to goals of entrepreneurship education and training programmes are as follows: i) to get useful knowledge of entrepreneurship; ii) to acquire skills in the use of techniques, in the analysis of business atmospheres, and in the synthesis of action plans; iii) to identify and stimulate entrepreneurial skills; iv) to develop empathy and support for all aspects of entrepreneurship; v) to develop attitudes towards change and uncertainty; and vi) to encourage new start-ups. These entrepreneurship training programmes will contribute to the stimulation of entrepreneurial abilities. Lichtenstein and Lyons (2001) argued that it is important for service providers to recognise that entrepreneurs come to entrepreneurship with different levels of skills and therefore each entrepreneur requires a different 'game plan' for developing his or her skills. Furthermore, they suggested that skill development is a qualitative, not quantitative, change which demands some level of transformation on the part of the entrepreneur. Many countries and international organisations (such as the EU) have attempted to encourage growth-oriented entrepreneurship, either directly or indirectly through policy instruments (European Commission, 2002). It is therefore understandable that policy actors are most eager to benchmark and compare the national government policies for entrepreneurship. They want to find examples of best practices in entrepreneurship policy design and make recommendations to national Governments.

Description of AC&ABC Telangana Model:

The main objective of creating the Telangana model was to provide financial assistance to eligible candidates trained under Agri-Clinics and Agri-Business Centers Scheme in Telangana State. The Telangana model is a product of the tripartite agreement between MANAGE, State Bank of India and NABARD. The Telangana model is operated by various organizations. The tripartite institution does its individual work to operate the scheme in a successful manner. The main functions of all the organizations are given below in detail. A diagrammatic explanation of the roles and responsibilities of each unit in the flow of the Telangana Model AC&ABC plan is given below.

Significant features of AC&ABC Telangana Model: To counter the issue of credit support, the AC&ABC Telangana model is playing an important role in strengthening the credit linkages among Agripreneurs in the Telangana State. The significant features of the model are as follows;

- The Telangana model is a product of the tripartite agreement between MANAGE, the regional headquarter of SBI, and NABARD.
- Telangana State Agro Industries Development Corporation Limited (TSAICDL) has established a network of 1000 Agro Raythu Seva Kendram-ARSK (Farmers Advisory Centers) at different Mandal of Telangana State to supply Agri-Inputs to the farming community.
- Trainees is manned by unemployed Agricultural and Biological science graduates.
- To build up the Agri-entrepreneurship skills among ARSK entrepreneurs TSAICDL has tie-up with MANAGE and allowed ARKS entrepreneurs to be trained under ACA&BC Scheme through existing Nodal Training Institutes in Telangana State.
- During the 45 days training program, on 30th day of the training program,

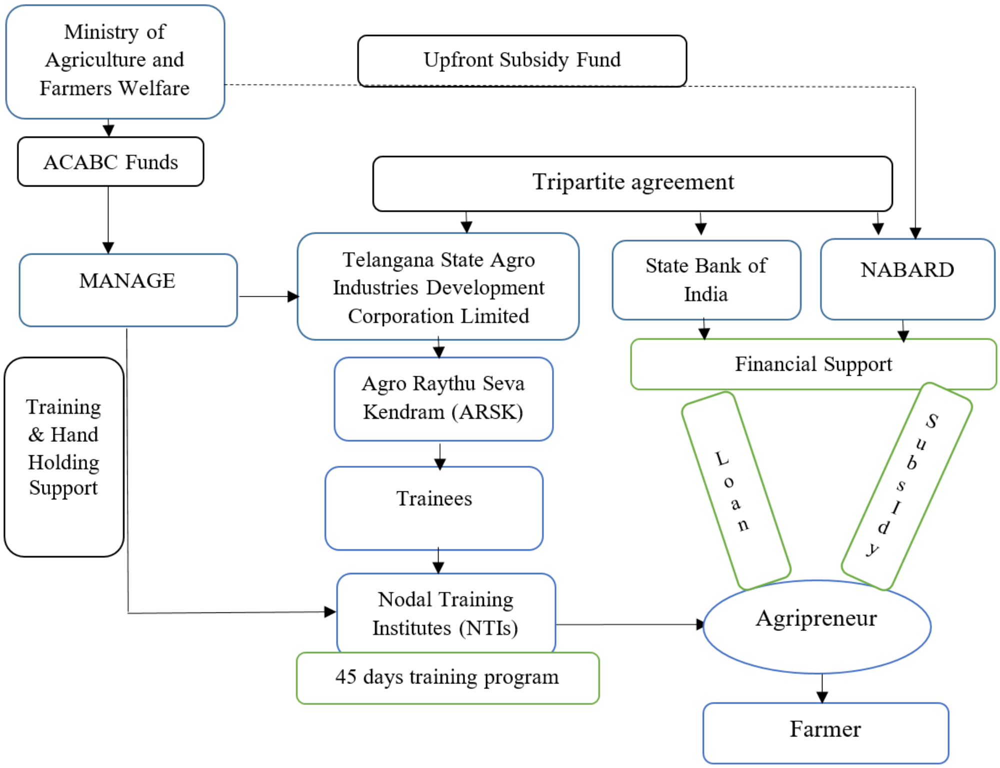

Fig-1 : AC&ABC Telangana Model

Figure-1 : Modified by the author

ARSK entrepreneurs prepared their Detailed Project Report (DPR) and sends for appraisal to the respective Bank branch of SBI of their locality.

- Within a span of 15 days, a bank loan appraisal is done.
- On the 45th day of the training program, trainees are given in principal loan sanction certificate of Rs. 10 lakh from State Bank of India.
- Subsequently after completing the formalities, loan is disbursed within a period of 2-3 months
- NABARD will release the subsidy.

Progress of training program under ACABC Telangana Model (2021-22):

In the financial Year 2020-2021, there were a total of 6 batches consisting of 164 AC&ABC trainees, out of which 113 were male and 51 female. The details are as mentioned in table-1

S. No	No. of candidates trained	Male	Percentage	Female	Percentage
1	32	22	68.75	10	31.25
2	20	15	75.00	5	25
3	28	21	75.00	7	25
4	30	22	73.33	8	26.67
5	30	23	76.67	7	23.33
6	24	10	41.67	14	58.33
Total	164	113	68.90	51	31.10

Table-1: Total number of candidates trained under AC&ABC Telangana Model during 2020-2021

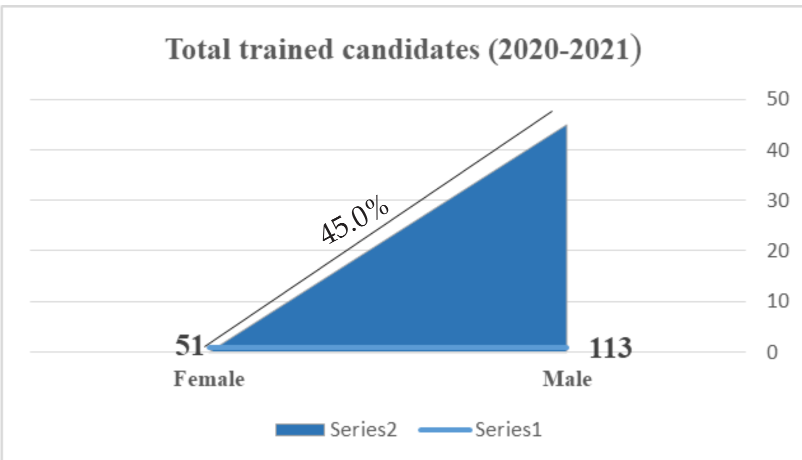

Table-1 presents the total number of programs conducted and gender wise profile of the agripreneurs. Total 164 candidates had undergone training program under AC&ABC scheme in the financial year 2020-2021. Out of that, 113 (68.90%) were male and 51 (31.10%) were female Agripreneurs occupied the entrepreneurial skills during the 45 days of residential training program.

Credit and Re-finance: One of the main benefits of AC&ABC scheme is credit support. The maximum subsidy for an individual project is Rs. 20.0 lakh (Rs. 25.0 lakh for extremely successful individual projects) and Rs. 100.0 lakh for a group project (Established by a group comprising of at least 5 trained persons under the scheme). However, subject to their own satisfaction, the bank may finance groups formed by two or more trained people under the scheme, with a TFO ceiling of Rs. 20.0 lakh per trained person and an overall ceiling of Rs. 100.0 lakh, whichever is less for the purpose of subsidy. NABARD will provide 100.0 percent re-financing assistance to commercial banks, RRBs, SCBs, SCARDBs, and other such eligible institutions.

Table no. 2: Status of credit and refinance under ACABC Telangana Model

Batch.	Total trained candidates	Total Principal loan sanction certificates received	Total no. of loan sanctioned	Total no. of Subsidy released	Remark
1	32	30	22	9	Subsidy release process is based on the certification of extension services extend by Agripreneurs
2	20	20	18	8	
3	28	28	16	6	
4	30	28	18	8	
5	30	27	21	12	
6	24	22	15	10	
Total	164	158	110	53	

Table -2 revealed that a total of 164 candidates were trained under AC&ABC training program. However, 158 respondents got in-principal loan sanction certificates and only total 110 (69.26%) of the respondents got bank loan sanctioned. Out of which only 53 (48.18%) got subsidy. Subsidy release process depends on the certification of extension services provided by Agripreneurs to the farmers.

Table-3: Demographic profile of the Agripreneurs

Particulars	Frequency	Percentage
Age (years)		
18-25	15	30
26-35	15	30
36-45	10	20
46-55	7	14
above 56	3	6
Gender		
Male	36	72
Female	14	28
Caste		
SC	11	22
ST	10	20
Other Backward caste	29	58
Marital Status		
Single	6	12
Married	40	80
Divorced		
Qualification		
Intermediate Agriculture	4	8
Diploma in Agriculture	22	44
Degree	13	26
Post Graduate	6	12
Allied Science	5	10

To study the third objective, the impact of training program on knowledge level of the respondents after AC&ABC training program was assessed. A robust survey was conducted in 50 blocks of 10 districts in Telangana State. Table -3 shows the details demographic profile of the agripreneurs selected for the said study. Majority of the respondents were young and categoriesed under the age group of 18-25 years (15%) followed 26-35 years (15.0%). A total of 36 male (72.0%) were male and 14 female (28.0%) were selected for the study. Majority of the respondents 29 (58.0%) belonged to other backward caste. A total of 80.0% percent of the respondents were married and the remaining 12.0% were unmarried. 44.0 percent of the respondents were studied diploma in agriculture sciences, 26.0 percent had degree and 12.0 percent respondents were qualified post-graduates. 10.0 percent Biological sciences candidates were chosen for the study.

Capacity building under AC&ABC training program:

The data in table 4 reveals knowledge level of AC&ABC trainees in Agri-entrepreneurship skill before and after the training program. The data in table-1 before training reveals that more than 76.0 percent of the respondents had knowledge regarding business design strategies, 70.0 percent of the respondents had knowledge on crop husbandry/Animal husbandry, 60.0 percent in Introduction of interpersonal relationship and Identification of Agri-project respectively, 26 percent in Ledger & Book keeping, total 18.0 percent had knowledge on GoI scheme and their implementation and farm mechanization and use. However, 98.0 percent of the respondents showed that they had knowledge in small enterprise management, 96.0 percent entrepreneurship skill, 84 percent in Stress and risk management, a details study on crop husbandry/ Animal husbandry and Identification of Agri-project. 72.0 percent of the respondents showed that they had knowledge in Market survey/Hands on experience. 50.0 percent in GoI scheme and their implementation. This indicates that the training had positive and significant impact on the respondents. The reason for this was that they all were qualified in agriculture and allied sciences; they underwent hands on experience and market survey and multi-learning facilities on field. The other reason might be that the interaction with other entrepreneurs, dealers, farmers, customers etc. during the training period might have influenced the increased knowledge. Another reason might be that the increased exposure to visit the demonstration models on crop and animal husbandries might have led to the increased knowledge of the respondents.

Table-4: Impact of AC&ABC training program on knowledge level of the respondents

S. No.	**Topic covered in training program**	**Before Training**		**After Training**	
		Frequency	%	Frequency	%
1	Knowledge gain in entrepreneurship Skill	28	56.0	48	96.0
2	Introduction of interpersonal relationship	32	64.0	32	64.0
3	Stress and risk management	29	58.0	42	84.0
4	Small enterprise management	32	64.0	49	98.0
5	Business design strategies	38	76.0	31	62.0
6	A details study on crop husbandry/Animal husbandry	35	70.0	42	84.0

7	Farm mechanization and use	18	36.0	28	56.0
8	Identification of Agri-project	32	64.0	42	84.0
9	Market survey/Hands on experience	30	60.0	36	72.0
10	Ledger & Book keeping	26	52.0	28	56.0
11	Knowledge on GoI scheme and their implementation	18	36.0	25	50.0
12	Preparation of Detailed Project Report	17	34.0	41	82.0

Table-5: **Difference between knowledge level of Agripreneurs before and after AC&ABC training program**

t-Test: Two-Sample Assuming Unequal Variances		
	Variable 1	*Variable 2*
Mean	27.91666667	37
Variance	47.90151515	65.81818182
Observations	12	12
Hypothesized Mean Difference	0	
df	21	
t Stat	-2.950652246	
P(T<=t) one-tail	0.00381719	
t Critical one-tail	1.720742903	
P(T<=t) two-tail	0.007634379	
t Critical two-tail	2.079613845	

In table 5, the mean score for knowledge level at the respondents before and after training was 27.91 and 37.00 respectively. This establishes the fact that after training the respondents had better knowledge compared to before training program. The 't' critical value for the one tailed test - score of 1.720 is 0.05

indicating significant difference. This highlight that the knowledge level of the agripreneurs after training program was significantly higher than that before training program. Hence the findings of this study, indicated that training had a definite positive impact of the knowledge level of the respondents.

Recommendations

The performance of the Nodal Training Institutions of Telangana State should consistently be satisfactory. On reviewing the performance of the work, MANAGE should delist the non-performing Nodal Training Institutions. An expert committee of MANAGE should be constituted to conduct surprise inspections of nodal institutions, through which the available resources (manpower / physical) in the institute can be verified; which will be helpful in the successful implementation of Telangana - AC&ABC scheme. A comprehensive selection process should be devised to shortlist the trainees for interviews, for which an agro-professional can be selected. There should be wide publicity of AC&ABC Telangana model so that more and more unemployed agricultural professionals in the State can take advantage of the scheme and serve the farmers. To promote Telangana AC&ABC model more, the Nodal Training Institutes of various States should try to tie up similar memorandum of agreements with their State lead banks and regional NABARD offices, MANAGE need to be at the forefront of making this process easier.

Conclusion

AC&ABC Telangana Model Scheme has been successfully implemented in 4 Nodal Training Institutes of Telangana State. In a way, 164 agricultural agripreneurs were ready to serve the farming community. A total of 51 women agricultural agripreneurs were ready to serve both male and female farmers. These are the attractive features of the scheme. There will be valuable agricultural advice from Rythu Seva Kendra in 164 blocks of Telangana State which will benefit the farmers of 164 Blocks (approximately 10 villages in each Mandal) of Telangana State. It clearly shows the impact of the scheme. A total 110 candidates got bank loan sanctioned, out of which 53 candidates got subsidy. Rest of the DPR was under progress as the delivery of extension services shall be the main component of AC&ABC projects for availing of the benefit of subsidy. Besides, rural employment will be created, migration of rural youth will be stopped. In light of the above facts, it is recommended that Telangana model AC & ABC scheme should be continued in other States of India for financing micro-enterprises

References

Al Mamun, A. and Fazal, S. (2018), “Effect of entrepreneurial orientation on competency and micro-enterprise performance”, Asia Pacific Journal of Innovation and Entrepreneurship, Vol. 12 No. 3, pp. 379-398.

Garavan, T. N.; Barra, O’ Cinneide (1994), “Entrepreneurship education and training programmes: a review and evaluation - Part I’, Journal of European Industrial Training, 18(8), 3-10

European Commission (2002) – Innovation Tomorrow – European Commission, Brussels

Katz, J. A. (2003). The chronology and intellectual trajectory of American entrepreneurship education: 1876–1999. Journal of business venturing, 18(2), 283-300.

Kuratko, D. F. (2005), “The emergence of entrepreneurship education: development, trends and challenges”, Entrepreneurship Theory and Practice, 29(5), September, 577-597.

Lichtenstein, G.A. & Lyons, T.S. (2001) - The Entrepreneurial Development System: Transforming Business Talent and Community Economies - Economic Development Quarterly, Vol. 15, pp 3-20

Nabiswa, F. and Mukwa, J.S. (2017), “Impact of credit financing on human resource development among micro and small enterprises: a case study of Kimilili Sub County, Kenya”, Asian Journal of Management Science and Economics, Vol. 4 No. 1, pp. 43-53.

https://www.bis.org/review/r191129f.htm

https://www.agricoop.nic.in

http://www.agriclinics.net/

https://sbi.co.in › Hyderabad+Circle+&+Branches

https://www.nabard.org/

http://tsagros.org/

https://m.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=3391

file:///D:/Jyoti%20Sahare/Bihar%20Conference/October_2014_1492784478__193.pdf

https://msme.gov.in/know-about-msme

https://www.worldbank.org/en/country/india/overview