

Agri Infrastructure Fund Policy, 2020

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Abstract- The Agri Infrastructure Fund (AIF) Policy, 2020, is a visionary initiative launched by the Government of India to bolster post-harvest management and community farming assets. Through a financing facility worth ₹1 lakh crore, the policy aims to strengthen farm-level infrastructure and enable farmers, FPOs, and other stakeholders to enhance income and reduce post-harvest losses. This article analyses the AIF policy in terms of its structure, objectives, progress, and challenges while evaluating its economic, social, and environmental impacts.

Keywords- Agriculture, Infrastructure, Post-Harvest, Farmers, Financing, Rural Development, AIF, Agri Policy

INTRODUCTION

India's agricultural sector, despite employing more than half the workforce, has suffered from inadequate post-harvest infrastructure. To address this gap, the Ministry of Agriculture and Farmers' Welfare launched the Agri Infrastructure Fund Policy in July 2020. This scheme is a medium-to-long-term debt financing facility aimed at mobilizing investments in agricultural infrastructure to transform rural economies and support the vision of doubling farmers' income.

Agriculture is the backbone of India's economy, contributing approximately 18% to the nation's Gross Domestic Product (GDP) and it employs nearly 58% of the nation's population. Despite being such a critical sector for India, it faces significant challenges like inadequate infrastructure, high post-harvest losses, and limitations in value addition. All of these issues lead to economic inefficiencies and agrarian distress.

RESEARCH METHODOLOGY

1. Research Type:

Descriptive and Analytical Research: The study describes the AIF policy in detail, analysing its objectives, structure, implementation, challenges, and impacts on the rural economy.

2. Data Collection Method:

Secondary Data Analysis: The study relies on information and data collected from official government sources, reports by NABARD, NCDC, Press Information Bureau releases, and updates from the Agri Infra Fund portal. Articles and insights from reputed institutional and financial bodies like MANAGE and Jus Scriptum Blog have been referenced.

3. Sources of Data:

Government Reports and Schemes: Agriculture Infrastructure Fund official documents, NABARD publications and Ministry of Agriculture press releases.

Web-based Resources: Agri Infra Fund Portal (for real-time data and project progress) and News articles and analytical blogs relevant to Indian agricultural policy.

4. Research Tools:

Policy Review Framework: Evaluation of key features, beneficiaries, financing mechanisms, and implementation strategies.

Impact Assessment Approach: Socio-economic and environmental impact analysis, including benefits and challenges observed in implementation.

Comparative Assessment: Regional comparison of policy effectiveness (e.g., Maharashtra vs. tribal/northeastern areas).

5. Geographical Scope:

Pan-India with State-level Observations: Emphasis on states with active FPO networks and successful project implementation (Maharashtra, Uttar Pradesh, Madhya Pradesh, Tamil Nadu). Includes discussion of lag in tribal and remote areas.

6. Target Population:

Farmers, FPOs, PACS, Agri-entrepreneurs, and state agencies engaged in agriculture infrastructure.

7. Limitations:

Reliance on secondary data may restrict real-time field insights. No primary data or on-ground survey is used. Limited analysis on the gendered or tribal impact beyond policy mentions.

Overview of the Agri-Infrastructure Fund Policy

The AIF is a Central Sector Scheme providing interest subvention and credit guarantee for loans used to build infrastructure like warehouses, cold storage, grading units, and primary processing centres. It promotes investment in rural farm assets to improve value chains and reduce wastage. The Agri-Infrastructure Fund (AIF), which was launched in July 2020 by the Government of India (GOI) as part of Aatmanirbhar Bharat Abhiyan was launched by PM Narendra Modi. The policy is meant to fill critical gaps in agriculture infrastructure capacity to fund post-harvest facility development and community farming assets. This fund aims to reach out to a broad group of stakeholders such as farmers, FPOs, agri-entrepreneurs, and state agencies to create a modernizing rural economy.

Objectives of the AIF Policy

- Facilitate medium to long-term financing for the development of postharvest management infrastructure including warehouses, grading facilities, and cold storage debt for this machinery is accommodated within a general program as part of the supply for the equipment of agriculture cooperatives.
- To enable farmers to access improved storage and processing facilities.
- Reduction of post-harvest losses and increases in value addition through food processing and utilization, improvement in the market access for farmers.
- It can create employment opportunities in rural areas by creating demand for skilled and unskilled labour.
- To promote agri-entrepreneurship and private investment in rural infrastructure.
- Promote investment in the critical infrastructure that adds value to the overall agriculture value chain.

Key Features of the Policy

Fund Size and Allocation

It has also set aside a corpus of Rs 1 lakh crore for infrastructure development, spread over 10 years from (2020-2030). For large-scale localized infrastructure projects, we focus on the fund.

• *Financing Mechanism*

Loans under the AIF are provided by banks and financial institutions to eligible beneficiaries at subsidized interest rates. The government provides an interest subvention and credit guarantee to de-risk lending. Farmers, FPOs, and agri-entrepreneurs who are eligible beneficiaries will be able to avail of loans under the scheme. Such loans also have very attractive features like interest subvention of up to 3 percent per annum and credit guarantee in the range of Rs 2 crore. Such provision makes the burden light on the pockets and facilitates investments.

• *Target Beneficiaries*

The policies beneficiaries include:

1. Individual farmers, or groups of farmers.
2. Farmer Producer Organisation (FPO) and Primary Agriculture Credit Society (PACS).
3. Agri maybes or startups for small and medium-level agriculture infrastructure.
4. And cooperative societies.
5. Warehouses
6. Cold chains and storage facilities
7. Sorting, grading, and packaging units
8. Primary processing units
9. Ripening chambers
10. Silos

Infrastructural Focus

The fund does not explicitly emphasize the creation of post-harvest infrastructure such as a warehouse, cold storage units, grading and sorting facilities, pack houses, and processing centers, as well as custom hiring centers for farm equipment.

Implementation and Progress

National Bank for Agriculture and Rural Development (NABARD), National Cooperative Development Corporation (NCDC), and commercial banks are key partners in implementing

the AIF. The Agri Infra Fund portal is used for end-to-end application and monitoring.

- *Progress so far*

Since launching, the AIF has been making some positive progress. By 2023 we'll sanction over 10,000 projects across infrastructure needs. Some states, including Maharashtra, UP, and Karnataka, are now big beneficiaries. Success stories such as the setting up of cold storage facilities in Gujarat and pack houses in Madhya Pradesh have greatly reduced post-harvest losses and increased market access for farmers.

- Over ₹35,000 crore sanctioned across 28,000+ projects (as of early 2024).
- Major participation from FPOs and PACS.
- Notable adoption in states like Maharashtra, Madhya Pradesh, Uttar Pradesh, and Tamil Nadu.
- Digital dashboard introduced for transparency and real-time data.

- *Role of Stakeholders*

Since launching the AIF policy involves coordination among multiple stakeholders:

1. Central and State Governments: Serve as the policy direction for policy, and monitor progress to ensure alignment with the regional development goal.
2. Banks and Financial Institutions: Allow to disburse loans and provide you with advisory services.
3. Private Sector: Help through investment, and public-private partnership (PPP) in enhancing infrastructure development.
4. NABARD & NCDC: Nodal agencies for handholding and facilitation.
5. FPOs/PACS: Key grassroots-level players in infrastructure development.

Geographical Reach

The scheme is being implemented pan-India, but adoption is higher in states with active FPO networks and progressive agricultural practices. Remote and tribal regions face challenges in participation due to limited awareness and infrastructure. The policy is supposed to help narrow regional disparities by giving preference to areas

including Northeast India, drought-vulnerable areas, and tribal belts. Measures are undertaken to bring equitable distribution of resources across states and regions.

Potential Impact on Rural Economies

Economic Benefits

1. Agriculture infrastructure improvement cuts post-harvest losses and thus increases the profitability of farming operations.
2. Processing and better facilities and value to our farmers and increase of their income.
3. Logistics, warehousing, and transportation sectors allied to rural economic development, experience a ripple effect of growth.
4. Enhancing local entrepreneurship.
5. Stabilizing prices by reducing seasonal gluts and shortages.

Social Impact

1. Employment opportunities for rural youth are created through the creation of new infrastructure projects, such as situations of under-employment and seasonal unemployment.
2. The better infrastructure makes the small and marginal farmers better off, for they are able to use organized markets and get better prices for their products.
3. Enhancing food security and nutrition levels at the local level.

Environmental Benefits

1. Efficient supply chains cut down on food wastage as well as related carbon emissions.
2. Special storage facilities provide the best possible storage conditions to minimize spoilage and thus demand on natural resources disposed in production.
3. Sustainable resource utilization through modern processing and storage methods.

Challenges and Criticism

Implementation Gaps

1. The process constraints fund disbursements, resulting in delayed project execution.
2. Smaller stakeholders are discouraged from taking benefit of complex application processes.
3. Inadequate support for project planning and feasibility analysis.

Awareness Issues

However small and marginal farmers are not very aware of the scheme. This situation is made worse by a lack of sufficient dissemination of information. Credit constraints are also a problem with the dependence of farmers on banks for financing; usually, they lack bank history and collaterals. Then there is the financial literacy of the beneficiaries, making accessing the funds that much more difficult.

Inequitable Distribution

Though projects are connected mostly in states with better infrastructure and institutional support, neglected regions are left behind. The scheme may be harder for marginalized groups, such as women farmers and tribal communities, to benefit from.

Legal Aspects of the Agri Infrastructure Fund Policy, 2020

1. Statutory and Administrative Framework

The AIF is a Central Sector Scheme notified by the Ministry of Agriculture and Farmers' Welfare under the Government of India.

It is administered with legal backing through:

- Notifications, policy circulars, and guidelines issued under the powers granted to the ministry.
- Coordination with institutions like NABARD and NCDC which operate under their respective statutory mandates (e.g., NABARD Act, 1981).

2. Financial Legal Provisions

- Interest Subvention: Legal provision allows for interest subvention up to 3% per annum, as part of government subsidy schemes.
- Credit Guarantee: Loans under AIF are legally backed with a credit guarantee facility for amounts up to ₹2 crore, encouraging lenders to offer risk-free credit to small stakeholders.

- These financial support measures operate under existing laws regulating public expenditure and fiscal management, and guidelines issued under the Public Finance Management System (PFMS).

3. Eligible Legal Entities

The scheme is open to legally recognized entities:

- Farmer Producer Organizations (FPOs) registered under the Companies Act, 2013 or Cooperative Societies Acts.
- Primary Agriculture Credit Societies (PACS) governed under cooperative society laws.
- Start-ups and Agri-entrepreneurs registered as companies, partnerships, or LLPs.

4. Land and Infrastructure Laws

Infrastructure projects (e.g., warehouses, cold storages) under AIF are subject to:

- Land acquisition laws (e.g., Right to Fair Compensation and Transparency in Land Acquisition Act, 2013).
- Zoning regulations under state and local laws for agricultural land use.
- Environmental clearance laws, especially for projects involving storage, processing, and transportation (as per the Environment Protection Act, 1986).

5. Banking and Lending Regulation

Loans disbursed through AIF are regulated by:

- RBI guidelines on priority sector lending.
- Legal norms under the Banking Regulation Act, 1949 and Negotiable Instruments Act, 1881 in case of defaults.
- Institutions like NABARD and NCDC also follow internal statutory compliance procedures while administering the scheme.

6. PPP and Contractual Laws

Public-Private Partnership (PPP) projects under AIF involve:

- Legal contracts governed by the Indian Contract Act, 1872.

- Model concession agreements and tendering processes under central procurement rules.
- Implementation of MoUs and joint ventures between government agencies and private entities.

7. Dispute Resolution and Grievance Redressal

Grievances regarding fund allocation, misuse, or corruption can be addressed through:

- Administrative review by nodal agencies.
- Legal remedies under the Right to Information Act, 2005 and Administrative Tribunals.
- Judicial review under Articles 226/32 of the Constitution in High Courts/Supreme Court.

8. Policy Monitoring and Legal Accountability

- The digital dashboard system provides transparency and audit trails—a legally enforceable mechanism for accountability under the Information Technology Act, 2000.
- Funds must comply with statutory audit mechanisms (e.g., CAG audits) and General Financial Rules (GFRs).

Policy Recommendations

To ensure the success of the AIF Policy, the following measures are recommended:

1. Simplify Processes by reducing application and approval as they become more user-friendly. Digital platforms for application submission, and real-time tracking.
2. Enhance awareness through outreach programs through local government bodies and NGOs are done accordingly. Making efforts to increase awareness of farmers using the mass media and digital campaigns.
3. Promote private sector participation by creating space for public-private partnerships to bring investments and private sector expertise to bear. Provide financial rewards to private players who invest in rural infrastructure.
4. Leverage technology by engaging in technology to monitor projects, and be transparent and accountable. Developing mobile applications that feed project impact and fund utilization information.

5. Expand inclusivity by providing design special provisions for small-scale farmers, women, and tribal communities for equitable benefit. Assisting marginalized groups in building capacity and financial literacy.

Future Direction and Updates

The policy leading to the creation of the Agri-Infrastructure Fund (AIF) must change with the changing needs of the agriculture sector and rural economies in the long term for the continuation of the success of the AIF. Amongst future directions, prioritizing climate-resilient infrastructure for change for mitigation of the impacts of climate change on agriculture- is proposed. Investments in cold storage systems will keep the water, as per the aquifers that the ancient people found, rather than actually using conventional forms of energy sources.

Digital agriculture technologies integration, such as IoT-based monitoring systems and AI data analytics can improve the efficiency of infrastructure projects. For the implementation of activities gapped and innovative practices, periodic policy reviews should be taken. Additionally, the policy could be widened in scope and impact by forming partnerships with international organizations and using the best practices from around the world.

Inclusivity should also be a focus in a specific way. The policy can cater to inequities and benefit many if we can design schemes that are relevant for small-scale farmers, women, and tribal communities. Participation from all sections of society should be encouraged and simplified procedures as well as robust grievance redressal mechanisms should be followed. The third improvement is the creation of an integrated dashboard that tracks progress and outcomes in real-time in order to enhance transparency and accountability to ensure the continued role of the AIF as central to rural development and agrarian transformation in India.

CONCLUSION

The Agri Infrastructure Fund Policy, 2020 represents a forward-looking step in transforming Indian agriculture from subsistence to surplus. While the scheme has made significant inroads, especially among FPOs and PACS, concerted efforts are required to address awareness, equity, and implementation challenges. With adaptive reforms and stakeholder cooperation, the AIF can play a

pivotal role in building a resilient, efficient, and inclusive agri-infrastructure ecosystem in India.

Yet, these goals will only be achieved if problems including bureaucratic inefficiencies, credit constraints, and inequitable benefits distribution are addressed. The AIF policy can become a stepping stone to the objective of rural development and food security in India with more targeted interventions and collaborative efforts between stakeholders. Its full potential will be unlocked through a forward-looking approach to inclusivity, innovation, and sustainability.

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