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NEGOTIABLE WAREHOUSE RECEIPT: AN EFFECTIVE INSTRUMENT FOR AGRI PLEDGE-FINANCING

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ABSTRACT----------
Agricultural sector is one of the highest contributing sectors for the Gross domestic product (GDA) of India. When an agriculture contributes to the development of the economy, then agriculture needs a proper credit system. Negotiable warehouse receipt (NWR) plays a pivotal role in the agricultural pledge financing for the both farmers and traders. Basically, NWR serves as a collateral security for the loans against the agricultural produce and also, which will create an opportunity for farmers to get penetrative prices for their produce by storing commodities in warehouses'. Initially it was started with godown bills and physical ware house receipt authenticated by collateral managers. Later on, it has transformed to electronic form (Electronic Negotiable Warehouse Receipt- e-NWR) which will ensure the transparency and prevent from various frauds. According to National Electronic Limited (NERL), the actual warehouse receipt financing has amounted Rs.35,000 crores in the year 2023. And it also reveals that a large number of customers of NWR finance and users are traders than farmers. NWR exhibits the various advantages like collateral for the banks, creation of liquidity among farmers and creation of opportunities for getting remunerative price etc. The study is empirical in nature and considered the study period from 2011-12 to 2023-24 and focuses on various factors of NWR viz, salient features of NWR, present status of NWR among the stakeholders and challenges associated with the negotiable warehouse receipt. It found that NWR has a significant potential to enhance the agricultural ecosystem by strengthening the finance factor of the sector but it is facing some issues to reach the population.

KEYWORDS: *e-NWR, Collateral security, WDRA, Collateral managers, Pledge-Financing----------*

INTRODUCTION

Agricultural sector is one of the highest contributing sectors for the Gross domestic product (GDA) of India. When an agriculture contributes to the development of the economy, then agriculture needs a proper credit system. Post-harvest credit in the form of warehouse receipt finance has proved to be a critical component for agriculture sector growth in emerging economies. While understanding the significance of agriculture Government of India have taken various initiatives to improve the agricultural sector of the nation. Likewise, Negotiable Warehouse Receipts also the initiative which is aimed at strengthening the financial factor of the agriculture by creating an opportunity to avail loan from various financial institution. Basically, warehouses help farmers and traders to store their produce safe and helps to minimise the post-harvest losses. NWR meet the financial requirements of the farmers for stored produces as bank provide loan upto 75% to 80% of the overall value of the stored produces. By the Warehousing act, 2007, the Government of India have implemented NWR through Warehouse Development and Regulation Authority (WDRA). The main aim of WDRA is to implement the NWR system in India for encouraging farmers not to sell their produces immediately after harvesting without remunerative prices instead by storing produces at warehouses farmers can avail a loan from the various banks. But the progress of NWR against loan are not at par because of various constraints such as more paper work, losses due to price falls, losses due to theft and pilfering as well as lack of accuracy etc., therefore the WDRA have launched the e-NWR (Electronic- Negotiable Warehouse Receipt) in the year 2017 but from August 2019, it was notified that registered warehouses mandatorily issue only e-NWR and no one should issue NWR.

E-NWR is an electronic receipt issued by WRDA through repositories viz., National Electronic Limited (NERL), Central Depository Services Limited (CDSL), Commodities Repository Limited (CCRL). Receipts time of validity is dependent on shelf life of that commodity, trade, transferable and can be auctioned under certain conditions like non-repayment of loan. There has been a decline in the growth of e-NWR issued from 2019 to

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2023 as it faces the problems like poor awareness and complicated procedures. So, it is an indeed time to strengthen the e-NWR mechanism. With this status, the study aims to assess the performance of Agri Pledge Financing in India.

OBJECTIVES

The followings are the broad objectives of the study;

1. To understand the agricultural pledge financing ecosystem in India (NWR).
2. To assess the growth trend of NWR in the recent past.
3. To evaluate the performance of existing pledge financing system of agricultural produces.

METHODOLOGY

The study is empirical in nature and secondary data have been considered for analysis. It has the various published reports of Central Warehouse Corporation, State Warehouse Corporation and WDRA etc. The percentage analysis has been carried out using simple statistical tools.

Warehouse Receipt as an Instrument for Financing Agriculture

Negotiable warehouse receipts are considered as an instrument for pledge finance because these receipts work as negotiable instruments backed by the underlying commodities and these are the integral part of marketing and financial systems for most of the industrial nations. The following benefits will be reasons for the statement:

1. NWR is an instrument which allow farmers to extend the sale period.
2. NWR will be a secured collateral for the banks
3. It contributes the creation of cash and forward market and thus enhance competition.
4. It provides ways to reduce the need of government agencies in procurement of agricultural commodities.
5. It increases liquidity in the rural areas of the nation.
6. Encouragement of scientific storage of goods and thereby reducing post-harvest losses.

The Growth of Warehouses in India

Table 1: Year wise details of registered warehouses with WDRA (2011-2023)

Sl no	Year	No. of Registered Warehouses	Growth in percentage
1.	2011-12	240	Base
2.	2012-13	92	38.33%
3.	2013-14	68	28.33%
4.	2014-15	234	99.16%
5.	2015-16	588	245%
6.	2016-17	214	89.16%
7.	2017-18	261	108.75%
8.	2018-19	607	252.91%
9.	2019-20	1005	418.75%
10.	2020-21	337	140.41%
11	2021-22	610	254.16%
12	2022-23	1522	634.16%
13	2023-24	803	334.58%

Source: https://dfpd.gov.in (compiled by author)

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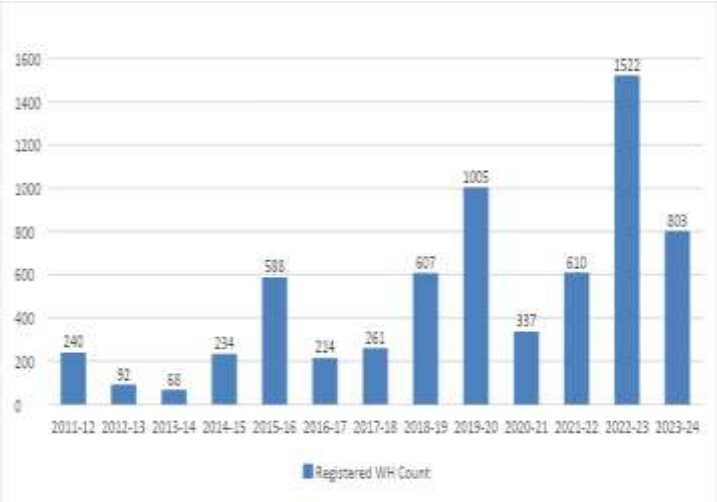
No. Of Warehouses Registered (Year Wise)

From the table and chart, it found that in the year 2022-23 the greater number of 1522(634.16%) warehouses are registered under WDRA and the least was in the 2013-14 with the 68(28%) warehouses. As it shows, in the past 3 years the numbers are drastically changing, which are more than 500 warehouses are consistently registering with WRDA. From the year 2018-19 the registrations are growing but it has broken in the 2020-21 by 337 warehouses only due to COVID-19. But notably the sector is booming from the virus affect as it shows the growth trend in the registered warehouses.



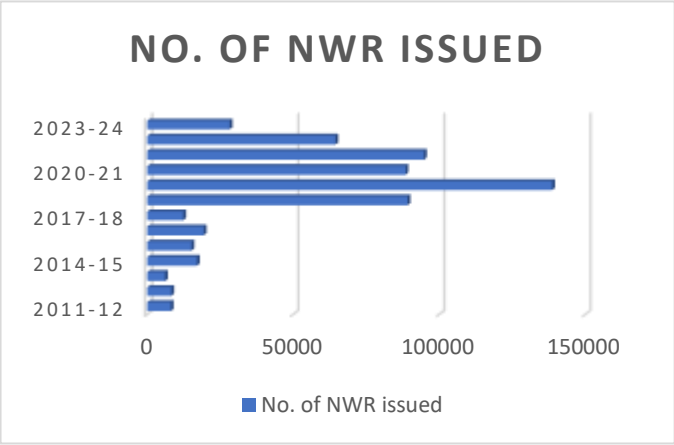
Growth of Negotiable Warehouse Receipts:

Table 2: Year wise negotiable warehouse receipts issued in India (2011-2023)

SI no	Year	No. of NWR/e-NWR issued	Growth in percentage
1.	2011-12	**8056**	Base
2.	2012-13	**8242**	102.30%
3.	2013-14	**6121**	75.98%
4.	2014-15	**16993**	210.93%
5.	2015-16	**15178**	188.40%
6.	2016-17	**19350**	240.19%
7.	2017-18	**12313**	152.84%
8.	2018-19	**89114**	1106.18%
9.	2019-20	**138637**	1720.91%
10.	2020-21	**88480**	1098.31%
11	2021-22	**94736**	1175.96%
12	2022-23	**64462**	800.17%
13	2023-24	**28231**	350.43%

Source: https://dfpd.gov.in (compiled by author)

From the table and chart, in the year 2013-14 the issued number of NWR are less (75.98%). It is evident that the 1720.91% of negotiable warehouse receipts are issued in the year 2019-20 and as it shows the increasing trend from the beginning to the year 2019-20 but after that it is decreasing over the years. So, this is the concerned factor which needs support from the Government.



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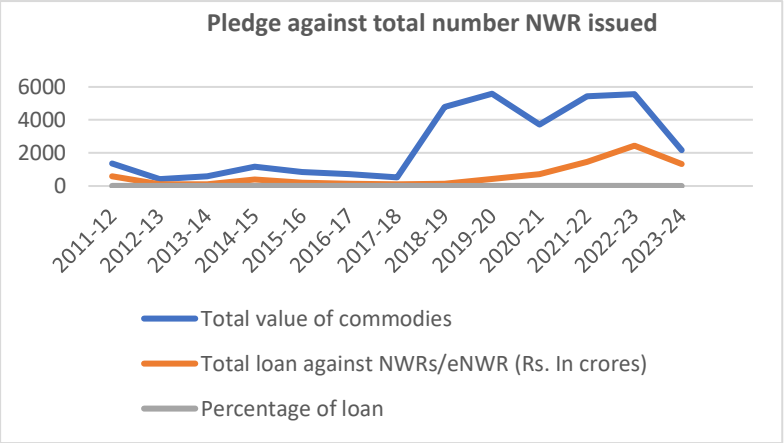
Growth of loan taken against NWR issued

Table 3: Pledge against total number NWR issued (2011-2023)

SI No.	Year	Total value of commodities deposited against NWRs/e-NWR (Rs. In crores)	Total loan against NWRs/eNWR (Rs. In crores)	Percentage of loan out of total value of commodities of NWR/ e-NWR.
1.	2011-12	**1356.32**	**591.00**	43.58%
2.	2012-13	**416.26**	**105.65**	25.38%
3.	2013-14	**583.02**	**108.02**	18.52%
4.	2014-15	**1160.66**	**388.42**	33.46%
5.	2015-16	**845.05**	**203.47**	24.07%
6.	2016-17	**719.93**	**148.40**	20.61%
7.	2017-18	**510.2**	**118.51**	23.12%
8.	2018-19	**4790.51**	**135.5974**	2.83%
9.	2019-20	**5588.6115**	**437.9965**	7.83%
10.	2020-21	**3728.6629**	**731.7982**	19.62%
11	2021-22	**5427.92035**	**1467.928**	27.04%
12	2022-23	**5559.1994**	**2442.16**	43.93%
13	2023-24	**2184.81**	**1328.07**	60.78%
	Total	**32871.15715**	**8207.0201**	

Source: https://dfpd.gov.in (compiled by author)

The table and chart show the total amount of loan and percentage of loan taken against the total value of the commodities deposited against NWR. The least percentage of loan availed from the banks are in the year 2018-19 which is only 2.83%. but the highest was in the year 60.78%. It is observed that the loan taken against the value of NWR are not even crossed 61% from the beginning. So, it is inferred that the awareness and rigid process of availing loan through pledge financing of NWRs.



RESULTS AND DISCUSSION OF THE STUDY

- Warehouse receipt financing is a proven instrument for allowing farmers, traders, processors and exporters to obtain secured finance by goods deposited in a warehouse.
- The study has revealed the current status of the existing warehouses in India, it found that the covid has affected the growth of the warehouses and after highest registration it shows the negative trend.
- From the empirical evidence and analysis, it found that the amount of loan taken against the value of commodities under NWR are very less. The loan percentage have not crossed the 61% of the total value of commodities under NWR
- It is evident that the awareness of the negotiable warehouse receipts among the farmers is very low. According to NERL report 2022, a large number of customers of negotiable warehouse receipts are traders than the farmers.
- The less loan taken against NWR assumes that the banking complicated procedures might have affected negatively. So, banker should also make a user-friendly requirement by easing of procedures.
- Implementation of electronic-NWRs (e-NWR) is a positive move for the upgradation of the existing pledge financing system.
- The NWR ecosystem relies on other players such as warehouses, collateral managers, and quality checking agencies. A robust ecosystem with all of these services is required before lenders can be assured of their returns on investment.

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CONCLUDING REMARKS

In order to make Agri-warehousing system integrated, efficient and be utilised as a tool to improve liquidity in rural areas, the Government has taken various initiatives like implementation of warehouse(R&D) act 2007 and introduction e-NWR as well as mandatory of issuing e-NWR instead of NWR. Though, there is need to come up product specific to the requirement of farmers and create awareness to help farmers mainly smallholders to optimally utilise the benefits made available through these provisions and programs. There is a need to strengthen the e-NWR mechanism with some measures like registration of warehouses under WDRA, modification of norms for registration of smaller warehouses, warehouses near production centres will reduce transportation costs and popularizing the pledge finance by publicity campaign to increase the participation of farmers in e-NWR. A deliberate intervention from the government is indeed for strengthening the capacity of e-NWR & reducing the cost of transportation and warehouse rent by linking the roads of remote villages and warehouses, proper guidance to banks through warehouses by WDRA and availability of RP near every registered warehouse will help the farmers to get the maximum benefit out of e-NWR.

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