

A 'sure' way to fund agri start-ups

By Shaji KV : 4-5 minutes : 9/1/2024

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AgriSURE, with a corpus of ₹750 crore, aims to invest in early-stage start-ups focused on agriculture and rural development



Agriculture: Start-up opportunities | Photo Credit: simazoran

Agriculture and allied sector constitutes a vital pillar of India's economy. The sector provides livelihood to over 54 per cent of the country's workforce and contributes significantly to India's Gross Value Added (GVA), averaging 18 per cent.

Proactive government initiatives and efforts by India's farmers have ensured food security and positioned the country as a major player in global agricultural exports.

Fragmented holdings

However, the sector faces challenges such as small and fragmented landholdings, low yield, soil degradation and threat of climate change. The solution to many of these challenges lies in technology driven innovative solutions like Artificial Intelligence, Machine Learning, Internet of Things (IoT), blockchain and

automation. This opens a huge opportunity for start-ups in agriculture and allied activities, particularly for the rural sector. Many start-ups have successfully come up with technology solutions to benefit the agriculture sector. These advancements hold immense promise for empowering farmers with data-driven decision making to improve yields and resource management.

Estimates suggest that the Indian agri-tech industry has the potential to reach \$24 billion by 2025. Catalysed by rising farmer awareness, increased internet penetration in rural areas, and various initiatives by the government, the Agri-tech landscape has grown substantially, from under 50 start-ups in 2013 to about 2,800 in 2023.

In the last five years, the country has witnessed a remarkable surge in this domain. Overcoming COVID times, India's Agri-tech sector has seen a surge in investment in this period.

Capital infusion

The Finance Minister, in the Budget speech of 2022-23, had announced that, "NABARD will facilitate a fund with blended capital, raised under the co-investment model. This will serve to finance start-ups for agriculture and rural enterprise, relevant for farm produce value chain."

Accordingly, a fund to support innovative, technology driven, high-risk and high-impact activities in agriculture and allied areas is going to be established soon. The fund named AgriSURE – 'Agri Fund for Start Ups & Rural Enterprises' will have the Ministry of Agriculture & Farmers' Welfare, Government of India, and NABARD, as sponsoring agencies.

The Fund will be a SEBI registered Category II AIF with a corpus of ₹750 Crore. GoI and NABARD both will be contributing ₹250 crore each and remaining ₹250 crore will be mobilised from banks, insurance companies and private investors.

The fund is being set up with a view to accelerating the growth of start-ups in the Agri ecosystem.

The fund will not only support start-ups in the Agri-tech sector but will also motivate other AIFs in the industry to invest in this sector.

The fund will have two schemes, viz., 'Direct Scheme to support Agri Start ups' and a 'Fund of Fund' scheme to support AIFs.

The direct scheme under AgriSURE, with a corpus of ₹300 crore, aims to invest in early-stage start-ups focused on agriculture and rural development opportunities. The 'Fund of Fund' scheme will have a corpus of Rs.450 crore and shall invest in SEBI-registered sector-agnostic and/or sector-specific equity and debt AIFs. The fund's overall aim would be to provide liquidity to existing Agri & Agri-tech start-ups that are unable to upscale their

business due to dearth of access to various kinds of financing like equity, debt instruments, etc.

The fund will be launched shortly.

The writer is Chairman, NABARD. Views are personal