ADVANCE MODULE-06

FPOs are growth engine of Indian Agriculture

BIRD

BANKERS INSTITUTE OF RURAL DEVELOPMENT, LUCKNOW

(Designated Nodal Training Institution at Central Level by GoI under CSS on Formation and Promotion of 10000 FPOs)

Training Program Design

Financing of FPO

under

Central Sector Scheme on Formation & Promotion of 10000 FPOs

NABARD

german cooperation
DEUTSCHE ZUSAMMENARBEIT

Implemented by

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Master Training Program Design

Advanced Module on Financing of FPOs

UNDER

Central Sector Scheme on Formation & Promotion of 10000 FPOs

Objective

To develop understanding on aggregation model for small holder farming, policies on FPOs, assessing the financing needs of FPOs as business enterprises and understanding their business strategies, credit appraisal, loan management techniques and credit potential for lending to FPOs

Programme Duration

3 days

Programme Mode

Offline / Online

Broad Coverage of the Programme

- **FPOs as business Enterprises**
- **Understanding aggregate model for small holder farming**
- **Assessment of Credit potential of FPOs, Assessment of requirement of Term loan and Working Capital limits Credit Appraisal and Loan Management Techniques for FPO, Grading tool for FPO**
- **Operational Guidelines of CSS on Formationa and Promotion of 10000 FPOs**
- **Risk Mitigation - Equity Grant, Credit Guarantee Fund and convergence with various Central and State sponsored schemes**

Program on Financing of FPOs	
Objective	To develop FPOs as business enterprises and understanding their business strategies, aggregation model for small landholder farming, policy on FPOs, credit appraisal and loan arrangement techniques and credit potential for lending to FPOs
Duration	03 Days
Course Contents	▪ Overview on FPOs (need, concept, formation, registration, governance & management system); operational guidelines of CSS on formation & promotion of 10000 FPOs and financing opportunities ▪ Business Models of FPOs & Capital budgeting ▪ Appraisal methodology ▪ Grading tool for FPO ▪ Risk Mitigation - Credit Guarantee Fund and convergence with various Central and State sponsored schemes ▪ FPO Financing: Expectations of FPOs and Banks
Target Participants	Officials of Banks, Financial Institutions, etc. and their Training Institutes

Day to Day Schedule at a Glance		
Day	**Session**	**Topic**
I	I	Overview on FPOs (need, concept, formation, registration, governance & management system); Operational guidelines of CSS on formation & promotion of 10000 FPOs and financing opportunities
	II	Business Models of FPOs – credit requirement (working capital and term loan) – Challenges faced by FPOs in accessing institutional credit
	III & IV	Eligibility criteria, credit rating methodology, Appraisal methodology, etc. to be adopted for financing of FPOs
II	V to VIII	Field Visit to a Successful FPO and financing bank
III	IX	Discussions from learnings from field visit and key issues in appraisal and financing of FPOs
	X	Important tips for financing of FPOs- experiences of various lending agencies
	XI	Incentives available under SFAC's Schemes for FPOs (Credit Guarantee Scheme, Equity Grant Scheme) and various other Central and NABARD sponsored schemes
	XII	Action Plan, Feedback and Valediction

Inaugural Session: Formal Inauguration, Overview of the Objectives and Schedule of the Programme, Introduction of Participants and Facilitators

Objective: At the end of the session

1. A formal inauguration has been conducted
2. The objectives of the training programme, its schedule has been presented
3. the participants and facilitators have mutually introduced themselves
4. Participants have expressed their expectations for the programme and the expectations have been levelled by the facilitators
5. the participants have agreed on norms for the training programme.

Duration: 90 Minutes

Session Outline				
S.No.	**Session Plan**	**Objective**	**Duration minutes**	**Methodology**
i	Formal Inauguration	To have overview of FPOs and their functioning	20	Formal
ii	Overview of the Programme	Objectives, Schedule	15	Presentation and Discussions
iii	Unfreezing and introductions	To mutually introduce participants and facilitators	25	Game
iv	Participants' expectations	To gather participants' expectations from the programme and level them	20	Game, discussions
v	Norms for the Programme	To collectively decide on the norms – such as timings, mobile phone use, etc.	10	Discussions
Relevant pages: Use material from the initial pages of this document				

Note: The facilitator may choose any appropriate unfreezing and introduction methodology that will energise the group.

Sessions – I: Overview on FPOs (need, concept, formation, registration, governance & management system); Operational Guidelines of CSS on Formation & Promotion of 10000 FPOs

Objective: At the end of the session, the participants will be able to:

1. Describe the structure and objectives of FPOs,
2. List the different laws under which they are registered
3. Briefly describe the features of the CSS 'Formation and Promotion of 10,000 FPOs' - including its structure and the roles of various actors in the structure.
4. Briefly describe the different funding options available to FPOs under various schemes and the key eligibility criteria for FPOs

Duration: 90 Minutes

Session Outline				
S.No.	**Session Plan**	**Objective**	**Duration minutes**	**Methodology**
i	Need for FPO, concept of FPO	To have overview of FPOs and their functioning	15	Presentations and Discussions
ii	Formation & Registration of FPO	To understand the statutory requirements for registration of FPO	15	
iii	Various Acts & Laws governing FPOs	To understand, the legalities of FPO as an entity	10	
iv	Governance and management structure of a FPO	To understand roles of office bearers of FPO	10	
v	Operational guidelines of CSS on formation & promotion of 10000 FPOs and financing opportunities	To understand key features of the scheme, Operational modalities, monitoring framework and advantages & disadvantages in promotion of FPO under the scheme	30	
vi	Discussion & Feedback		10	
Relevant pages in Reading Material: SESSION 1: OVERVIEW ON FPOs				

Session - II: Business Models of FPOs –Credit assessment (working capital and term loan) – Challenges faced by FPOs in accessing Institutional Credit

Objectives: At the end of the session, the participants will be able to:

1. Describe the financial needs of FPOs at different stages of growth and the challenges they face in accessing finance
2. Briefly describe the various funding options available to FPOs
3. Calculate and assess working capital requirements of FPOs using data from teaching caselets using at least two methods (cash flow and projected annual turnover methods)
4. Review the details of Business Plan Proposals that FPOs must submit for accessing finance
5. Review the details of Business Plan Proposals that FPOs must submit for accessing finance

Duration: 90 Minutes

Session Outline				
S.No.	**Session Plan**	**Objective**	**Duration**	**Methodology**
i	Different Business models associated with FPOs	Understanding the scope of financing FPOs based on the different business models	30	Presentation & discussion
ii	Credit Assessment - fixed capital, Term Loan and working Capital requirement for the FPO	assessment of credit needs of FPO	30	
iii	challenges faced by FPOs in accessing Institutional credit - Opportunities in financing FPOs	Understanding difficulties faced by FPOs in getting institutional credit and opportunities in financing of FPO	20	
iv	Discussion & Feedback		10	
Relevant pages in Reading Material: SESSION 2: BUSINESS MODELS OF FPOS				

Session III & IV: Eligibility criteria, Rating methodology, Appraisal methodology, etc. to be adopted for financing of FPOs

Objective: At the end of the session, the participants will be able to:

1. practically demonstrate applying FPO loan assessment criteria.
2. practically rate an FPO using the given rating format.
3. review the standard documentation involved in a loan appraisal process

Duration: 180 Minutes

Session Outline				
S.No.	**Session plan**	**Objective**	**Time minutes**	**Methodology**
i	Key product features while lending to FPOs	Understanding key features of the FPO for lending	40	Presentation, Discussion, Interaction & Case exercise
ii	Rating indicators/tools for financing FPO	Understanding the rating norms for being able to assess the FPOs for financing	40	
iii	Security, margin, etc for financing FPO	Understanding appraisal methodology of FPOs and the various issues related to financing of FPOs	20	
iv	Cash Flow analysis for FPO		30	
v	FPO financing – Issues to note during pre sanction visit to FPO	To understand the various aspects before sanction of credit to FPO	30	
vi	Feedback & discussion		10	
Relevant pages in Reading Material: SESSION 3-4: MODALITIES FOR FINANCING FPOS				

Sessions V to VIII: Field Visit to a Successful FPO and financing bank

Objective: At the end of the field visit, the participants will be able to:

1. describe the entire loan processing cycle for an FPO
2. review and verify first hand the information presented by the FPO in their loan application and supplementary documents.
3. shadow the host banker and participate in banking operations involving screening loan applications of FPOs.

Duration: Full day

Session Outline				
S. No.	**Session plan**	**Objective**	**Time minutes**	**Methodology**
0	Discuss regarding structure of the field visit – sharing basic details about the places to be visited, dividing the participants into 3-5 groups, assigning them specific duties regarding functioning of FPO and loan sanction by bank	To orient participants on the objectives and field visit logistics	30	Interaction/ presentation
i and ii	Visit to a FPO which has availed bank finance, discussion with its BoDs, CEO and members.	Gaining practical knowledge with respect to financing of a FPO; understanding business model of FPO, challenges faced by it and future plans; getting financing bank's perspective about bankability of FPO.	Full day	Field visit/ interaction
iii and iv	Visit to its financing bank branch and discussion with the branch manager about the appraisal by bank, type of loan availed by the FPO, repayment, etc			
Relevant pages in Reading Material: SESSION 5-8: FIELD VISIT TO A SUCCESSFUL FPO AND A FINANCING BANK				

Session IX : Discussions from learnings from field visit and key issues in appraisal and financing of FPOs

Objective: By the end of this session, the participants will be able to:

1. present their learnings from field visits to the FPO and the lending institutions.
2. summarise their learning on how to accurately profile an FPO, appraise the FPO, and arrive at financing decisions.

Duration: 90 Minutes

Session Outline				
S. No.	**Session plan**	**Objective**	**Time minutes**	**Methodology**
i	Recap of sessions of Day I	To have clarity on the topics discussed so far	15	Presentation/ Discussion/ interaction
ii	Presentations by various groups on the field visit	Idea generation from field observation	45	
iii	Field visit observations, clarifications & Take aways	Idea generation from field observation	30	
Relevant pages in Reading Material: SESSION 9: DEBRIEFING OF FIELD VISIT				

Session X: Important tips for financing of FPOs- experiences of various lending agencies

Objective: After completing the session, the participants will be able to:

1. summarise the experiences of FPO lenders (guest speaker) - NABKISAN or Samunnati, about the different dimensions of lending to FPOs and mention some good practices in financing FPOs.

Duration: 90 Minutes

Session Outline				
S.No.	**Session plan**	**Objective**	**Time minutes**	**Methodology**
i	Financing of FPOs- Experience sharing – Lessons from the field: session by Nabkisan/ Samunnati	Understanding the practical aspects as regards financing of FPOs	90	Presentation, Discussion & Interaction
Relevant pages in Reading Material: SESSION 10: TIPS FOR FINANCING OF FPOs - EXPERIENCES OF VARIOUS LENDING AGENCIES				

Session XI : Incentives available under SFAC's Schemes for FPOs (Credit Guarantee Scheme, Equity Grant Scheme) and various other Central and NABARD sponsored schemes

Objective: After completing the session, the participants would be able to

1. recall the salient features of SFAC schemes, Central Government schemes, and NABARD schemes that support the FPOs with financing.
2. correctly match different schemes with specific needs of FPO

Duration: 90 Minutes

Session Outline				
S.No.	**Session plan**	**Objective**	**Time minutes**	**Methodology**
i	Equity Grant Scheme of SFAC	To understand the different funds available for FPOs from various agencies (GoI, SFAC, NABARD, like AIF, PM-FME, AMIF, etc) and the criteria for availing the benefit under various schemes and programmes	20	Presentation & Discussion
ii	Credit Guarantee Fund Scheme of SFAC		20	
iii	Various Central sponsored schemes & NABARD Schemes		40	
iv	Discussion & Feedback		10	Discussion
Relevant pages in Reading Material: SESSION 11: SPECIALISED FINANCING FOR FPOS				

Session XII: Action Plan, Feedback and Valediction

Objective: Upon completing the session, participants would have

1. written their feedback for the programme in the format provided
2. given oral feedback
3. received their participation certificates

Duration: 90 Minutes

Session Outline				
S.No.	**Session plan**	**Objective**	**Time minutes**	**Methodology**
i	Preparation of Action Plan for financing of FPOs	To prepare an agency-wise plan for financing of FPOs	50	Sub Group activity and presentation
ii	Feedback on the programme	To collect written feedback for the training organisations use and oral feedback from all participants	20	Written feedback in given format, oral feedback in plenary
iii	Valediction	Formal event	20	Formal event
Relevant pages in Reading Material: SESSION 12: ACTION PLAN, FEEDBACK, AND VALEDICTION				

Note: Use the Organisation's standard format for collecting feedback.

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Clients

All Banks, Government agencies, MFIs, NBFCs, Financial Sector, NGOS and Civil Societies.

Coverage (Training, Consultancy, Research)

Project Lending-Agriculture and MSME, Climate Finance, Rural Banking, Farmer Producer Organization, Micro Finance, Human Resource, Financial Inclusion, Training of Trainers, Executive Development, Management Development Programme, IT based Banking, Green Finance, Responsible CSR, Group approach to Development, Women Empowerment, Organizational Development, Investment & Treasury Management, Risk Management.

Faculty

Faculty are drawn from NABARD, banks and scholars of respective fields and have pan-India level field experience. The faculty have specialization in Banking Finance, Financial Inclusion, Agriculture & Allied sector, Fisheries, Forestry and Human Resources, etc.

Infrastructure

43 acre green campus has world class infrastructure in terms of class rooms, simulation and AV Rooms, Board Room, Conference Hall, Auditorium, Library, Gym, Air-conditioned Hostel Rooms, Local and International cuisine.