

NABARD State Focus Paper 2014 - 15 Uttarakhand

State Focus Paper 2014-15

Uttarakhand State

Executive Summary

Introduction

Planning plays a vital role in the development process and over the years this exercise has been decentralized. By preparing Potential Linked Credit Plans (PLPs) for each district of the country, during 1988-89 NABARD took the initiative of forging a link between the credit planning mechanism of banks and the development planning process of the government. Potential Linked Credit Plans (PLPs) have since then evolved as the reference document for decentralized credit planning that attempts to map the existing potential for development and evolve an appropriate mechanism through which such potentials could be exploited over a specific time frame. The annual credit planning exercise that NABARD undertakes in preparing the Potential Linked Credit Plans (PLPs) for all the 13 districts of Uttarakhand culminates with the presentation of the State Focus Paper (SFP). Taking into account the resources endowed with the state, infrastructure and extension support available, market trend, skill profile of the people and capacity of the credit delivery system, NABARD has projected a credit potential of ₹ 12726.83 crore for the state during 2014-15. This envisages an increase of 17.35% over the current year projection. It is noteworthy that while making assessment of credit potential in each district for the year 2014-15, necessary adjustments have been made within the sectoral estimates keeping in view the additional resources required to rebuild the lost agri-infrastructure due to floods that struck the state in June 2013.

The SFP seeks to present a comprehensive picture of the potential available for various sectors, the critical gaps that impede the realization of the potential and flow of optimal credit and suggests action plans for all stakeholders. The State Focus Paper (SFP) prepared for 2014-15 is based on the PLPs which provides an indication to the Government and other stakeholders, to the various policy and operational measures necessary for creating conducive climate for sustainable development of the rural sector as well as the exploitable opportunities for development through credit. The State Focus Paper is discussed with the bankers and State Government officials in the State Credit Seminar to facilitate dovetailing of the sectoral potentials in credit planning and budgetary exercise of the State Government respectively.

In keeping with its Corporate Mission, NABARD continues to strive towards making rural economy

of the state vibrant and responsive. As the Apex institution for agriculture and rural development, NABARD works in close association with the State Government, Banks, Promotional Agencies, Technical and Research institutions identified in this document.

The Executive Summary of the SFP is presented in two parts i.e. Part I giving an overview of State Focus paper and Part II indicating sector – wise status, issues and action points

Part I: Overview of State Focus Paper 2014-15

Economic Indicators of the State:

The work force engaged in agricultural activities is 58.39 % of total work force. The share of female work force in total work force is 36.31 %. The occupational distribution (2001 census) indicates that the share of cultivators is predominant in occupational structure. The major crops of the State are Paddy, Wheat, Barley, Sugarcane, Mandua, Maize, Potato and Pulses. The share of food grains in total GCA was 86.56% and non food grains crops was 13.44 % in 2006-07 (provisional). In cereals, the maximum area was under wheat (42.36 %) followed by paddy (29.58 %) and mandua (14.69 %).

Sunrise areas in Agriculture

The sunrise areas in agriculture viz., horticulture, floriculture, organic farming, food processing, agricultural marketing infrastructure, micro irrigation, etc., have huge potential for growth. Knowledge interventions in the field of agriculture will help in improving productivity, nutrition management, soil health, water management, better input and output distribution. NABARD's endeavor has been in realizing this potential through credit delivery and other related services. Development of rural infrastructure, plugging the gaps that are critical to agriculture development, rural extension services, agro processing, etc., are considered absolutely essential in achieving this objective. The amended APMC Act (Uttarakhand Agriculture Production Marketing (Development and Regulation) Act 2011), provides for setting up private mandis, enabling contract farming and constitution of regulatory authority. The Act seeks to regulate the sale and purchase of agriculture produces and envisages establishment of marketing development fund in the hill state.

Banking Network

The formal banking structure available in the state comprises of 24 Public sector commercial banks, 11 Co-operative banks (1 State Coop. Bank and 10 District Central Coop. Banks), 1 Regional Rural Bank and 14 Private/other banks. Presently, the major banks of the State are State Bank of India (which is also the lead bank in nine districts and SLBC convener in the State), Uttarakhand Gramin Bank, Punjab National Bank (lead bank in Dehradun & Haridwar districts), Bank of Baroda (lead bank in Nainital & U.S.Nagar district), Uttarakhand State Cooperative Bank and District Central Cooperative Banks (DCCBs). Besides these major banks, a few urban co-operative banks and some private banks also have their presence. As on 31 March 2013 all banks are operating through 2567 branches, out of which public sector commercial banks constitute 64 % (1068 branches) and private banks only 9% (146 branches) of the total branches. Besides this, 769 PACS are supplementing the formal credit delivery system in the State.

Banking Business

As on 31 March 2013, the outstanding advances was ₹ 36237 crore as against ₹ 27054 crore in the previous financial year thereby recording a growth of 33.94%. Since the formation of State, deposits in banks have increased tremendously - ₹ 53798 crore in 2011-12 to ₹ 62714 crore in 2012-13. As on 31 March 2013, the overall CD ratio was 58 % in the state which varied between 27 % in Almora district to 111 % in US Nagar district.

Trend in Ground level Credit (GLC) Flow

Sector wise GLC flow in the state for last five years is indicated below:

					₹ crore
YEAR	Crop Loan (CL)	Agri. Term Loan (ATL)	Non- Farm sector/MSME	Other Priority Sector (OPS)	Total GLC Flow
2008-09	1050.86	739.31	719.77	1613.90	4123.84
	(25.48)	(17.93)	(17.45)	(39.14)	(100)
2009-10	1319.80	1016.55	1026.19	1822.10	5184.64

	(25.46)	(19.61)	(19.79)	(35.14)	(100)
2010-11	1548.75	1013.80	1134.05	2029.02	5725.62
	(27.00)	(17.70)	(19.80)	(35.50)	(100)
2011-12	1972.53 (31.90)	973.55	1217.37	2013.44	6176.89
		(15.80)	(19.70)	(32.60)	(100)
2012-13	1260.82	2009.63	1353.06	2603.08	7226.58
	(17.44)	(27.81)	(18.72)	(36.02)	(100)

(Figures in parenthesis indicate %age share in total, Source : Lead Bank Data)

Credit Projections – SFP 2014-15

A credit potential of ₹ 12726.83 crore has been estimated in SFP for the year 2014-15 in Uttarakhand under agriculture and other priority sectors. This includes potential of ₹ 4295.55 crore for Crop Loan (short term loans for agriculture), ₹ 1739.23 crore for Long Term investments in agriculture sector including investment for Agriculture, ₹ 2570.10 crore for Non-farm sector including MSME and Food Processing and ₹ 4121.95 crore for Other Priority sector.

Core Banking Solutions (CBS) in Cooperative Banks

As per the Reserve Bank of India (RBI) guidelines all the Cooperatives Banks have to be on the CBS platform by 31st March 2013. One of the major banking institutional initiatives in the State of Uttarakhand during the last year has been the CBS of all Cooperative Banks. All the Cooperative Banks signed the Service Level Agreement (SLA) with WIPRO on 5th September 2013 for implementing the CBS in 246 units of all Cooperative Banks under the guidance of NABARD.

NABARD then initiated the establishment of Computer Lab in Head Office of all 10 DCCBs and Uttarakhand State Cooperative which was set up by Grant support from NABARD out of the Cooperative Development Fund (CDF). The Project Monitoring Unit (PMU) for the whole project was set up in Dehradun. The roll out of all the 246 branches in CBS was completed by July 2013 including Head Office of all units. After this 6 new branches have been opened by DCCBs directly in CBS. As on date total of 251 units of all Cooperatives which includes their Head Offices are on CBS. Now the road ahead for the Cooperatives is the issuance of Debit Cards to all its clients as well as RuPay KCC to all KCC holders.

Strengthening of PACS:

PACS have now started turning themselves into Multi Service Centre in which they are provided financial assistance in form of loan and grant from NABARD for venturing into diversified activities to make themselves more viable and beneficial to the farmers. Till now 100 PACS have been provided assistance for different activities like Rural Godowns, Solar Retail Shops, Power tiller etc.

Kisan Credit Card

As on 31st March 2013, banks as against a target of 200000 cards had issued 135019 Kisan credit cards amounting to credit limit of ₹ 1260.82 crore. The cumulative number of cards issued till March 2013 stands at 811407 as against approx. nine lakh cultivators in the State. GOI has desired that all eligible and willing farmers be covered under KCC. Banks may draw a time bound action plan for covering the remaining eligible farmers. Banks are also extending the benefit of interest subvention scheme, National Agriculture Insurance Scheme (NAIS) and Personal Accident Insurance Scheme (PAIS) to farmers covered by KCCs. However the response of cooperative banks for extending insurance coverage to all its eligible borrowers has not been comprehensive.

Investment credit in agriculture

Increased investments under allied sector have a direct bearing on increased crop loan disbursements. Under investment credit, term loans are covered for minor irrigation, land development, farm mechanization, plantation and horticulture, forestry, dairy development, poultry/sheep/goat development, fishery, storage and market yards etc. In majority of these sectors there are government sponsored schemes that are subsidized either by GoI or by State

Govt. The popular schemes are credit linked subsidy scheme (CLSS) for rural godowns, Dairy Entrepreneurial Development, Construction/renovation/ expansion of rural godowns, Central Sector Scheme for Establishment of Agri. Clinics and Agri. Business Centers [ACABCs] by Agriculture Graduates, Capital Investment Subsidy scheme for commercial production units of organic inputs under National Project on Organic Farming. Area specific schemes would go a long way to augment Bank finances.

Umbrella Programme on Natural Resources Management (UPNRM) - A New Funding Facility for Sustainable Natural Resources Management (NRM)

National Bank for Agriculture and Rural Development (NABARD) has been implementing Natural Resource Management projects (Watershed Development and Wadi Development Programmes) for the past many years. In order to further upscale and integrate NABARD's existing NRM efforts into one streamlined approach of participatory NRM related interventions, NABARD is implementing the Umbrella Programme on Natural Resources Management (UPNRM). The Programme's objective is to improve **rural livelihoods** through **community based and sustainable NRM interventions**. It envisages a shift from grant based to loan based funding support. The UPNRM initiative provides the possibility for NABARD to further develop expertise in NRM issues in the country and become a thematic leader. In light of this, the key policy goal of UPNRM is "Supporting sustainable NRM focused initiatives to improve the livelihoods of the socially marginalized / disadvantaged groups (including poor, women, and tribals)"

NABARD's support for Infrastructure development

Rural Infrastructure Promotion Fund (RIPF)

NABARD has set up a separate fund titled 'Rural Infrastructure Promotion Fund' (RIPF) with a corpus of ₹25 crore. The guiding principle for the operation of RIPF will be to support solely the programmes/ activities that are carried out for promotion of rural infrastructure, which would directly or indirectly, facilitate agriculture and rural development. The eligible institutions for assistance are State Govts., NGOs, CBOs, PRIs, SHGs, SHG Federations and Farmers' Clubs/ FC Federations, Research Institutions, Universities, etc. The support will be only in the form of grant. NABARD may support the projects fully or partially.

Part II: Sector specific and other issues for discussion

1 Production Credit

Potential for credit flow for Production and marketing credit in the state during 2014-15 has been assessed at ₹ 4295.55 crore.

Issues for discussion

- The existing average yield level of major crops is low in the state with the exception of Udham Singh Nagar, Haridwar and some other parts of plain areas of Dehradun district. Non-adoption of improved technologies, dependence on rainfed agriculture and continuation of traditional system of agriculture are the major reasons for low crop yield.
- Lack of Plant Protection Programme with promotion of micro nutrients, gypsum, zinc, green manuring.
- Transfer of Technology.
- Shortage of Soil Testing AGMARK and Quality Control labs.
- Strengthening of Seed stores, other farm inputs stores and farmer training centers.
- Farmers Information and Advisory Centers – need to be strengthened.
- The KCC scheme is being implemented by all banks in the State. The scope of KCC scheme has been expanded to cover oral lessees, tenant farmers, term loans for agriculture and allied activities and also a reasonable component to meet the consumption needs.
- Food security in the State is a major concern as the population of the State has crossed ten million marks (Census 2011). Agriculture growth has not shown any significant improvement during last two years, as the yields have marginally gone up, whereas area under cultivation has reduced for almost all the crops.

Minor Irrigation

Potential under various water resources activities in the state for the year 2014-15 is estimated at ₹26.60 crore

Issues for Discussion

- Promotion of Water Saving Device: Micro Irrigation System offers good potential in the State especially for horticultural crops in drought affected as well as over exploited areas. Use of drip has become imperative. There is a dire need to enhance efforts in this direction especially by the Agriculture & Horticulture departments.

- Banks should encourage water saving devices like drip or sprinkler irrigation system and also ground water recharge schemes. Drip irrigation system can be installed on the new orchards and micro sprinkler in the polyhouses.
- No financing for new tubewell/ dug well should be done in over exploited blocks. Maintenance of old tubewells and canals needs to be given priority.
- There is high potential in river valley areas in hill districts for Lift Irrigation which needs to be further explored.
- KVKs may plan to demonstrate the micro irrigation system (Drip and Sprinklers) in their project areas.
- There is a need to form water user groups, augment their capacity building to take care of the operation and maintenance of the well and the water distribution system, which will improve the culturable command area of Deep Tube wells constructed by the state Government.

Land Development

Potential for land development activities for the year 2014-15 has been estimated at ₹25.01 crore.

Issues for Discussion

- The cultivated land in hilly areas is sloppy and terrace farming and graded terrace farming practices are followed for raising crops. Measures like land leveling and terrace improvements are essential to protect the terrace.
- Land leveling in foothills, bhabbar and terai regions especially along the rivers would restore soil from further degradation. The agricultural lands along the river banks in terai region get eroded in every monsoon. Such eroded land needs leveling and embankments.
- Excess quantity/faulty method of irrigation also adversely affect the soil health. Awareness among the farmers about adoption of modern methods of irrigation like drip and sprinkler and land leveling will reduce the problems of soil degradation.
- Need for creation of Farmers Knowledge Service Centers for timely information on suitable cropping pattern.

Farm Mechanization

The potential under various farm mechanization activities in the state for the year 2014-15 is

estimated at ₹ 306.88 crore.

Issues for Discussion

- In the hill regions, under farm mechanization scope exists particularly for small sized power tillers. Small size power tillers may be used in valley areas of hill districts, where land holdings are comparatively bigger (Srinagar, Gauchar, Someshwar valley, Garampani, Seraghati, Bhilangana, Ganga & Yamuna Valley, Muwani to Thal, Jauljibi to Pantsera, Satpuli, Duggadda, Pauri, Mussorie to Chamba, Lohaghat, Bhaisia Chhina and Gangolihat).
- Banks may consider proposals to finance SHGs/JLGs for power tillers etc.
- Farmer Cubs with the support of KVKs can play a very effective role in educating the farmers about the benefits of mechanization of farm activity to increase productivity and reduce the drudgery of labour.
- Different subsidy components in farm Mechanization under Macro modes may be propagated and for better utilization of the same, the schemes may be necessarily credit linked.

Plantation and Horticulture

Horticulture is one of the critical sectors in the economy of the hilly state of Uttarakhand and is an effective vocation for accelerating development in hill areas due to limited land available for cultivation, availability of cultivable waste lands and necessity of supplementary job and income opportunities. Accordingly the potential under various horticulture activities in the state for the year 2014-15 has been estimated at ₹ 130.68 crore.

Issues for Discussion

- Crop wise mapping of potential pockets.
- Need to have a comprehensive horticulture census to assess the status of horticulture.
- Fruit growers association of apple, litchi, etc. need to orient themselves towards scientific production and post-harvest practices apart from marketing efforts.
- Old and degenerated varieties of fruit crops like Gola Pear, Red Delicious, Shanbury, Fanny varieties of apple, need to be replaced with improved varieties. To improve productivity of apple, high density orcharding and adequate number of pollinizers needs to be emphasized in districts like Uttarkashi where the climatic conditions are still favorable for apple development. New plantations need to be on suitable rootstocks favoring economic production under low chilling conditions.

- After amendment of APMC Act in the State, Agriculture Marketing, Infrastructure, Grading & Standardization Scheme has become operative in the State and the same needs to be popularized by the line departments.
- Flower growers need to diversify to crops having distinct geographical and agro climatic advantage.
- Cluster approach for consistent supply and efficient post-harvest handling may be followed. The existing flower growers in the State may be organized into clusters like polyhouse cluster around Kashipur, gladiolus cluster around Gadarpur in US Nagar and Vikasnagar in Dehradun to avail the benefits of common infrastructure.
- Mukhyamantri Sanrakshit Kheti yojana for promoting Poly houses (100 sq.mt) for small farmers (Outlay- ₹ 1.00 lakh) needs to be encouraged with the subsidy made available by the State Govt.
- Need for setting up of collection centers with facilities for sorting, grading and packaging near major fruit and vegetable growing clusters, which is lacking at present viz. no Red Chilli processing unit Bhatraujkhan and Syalde, blocks in Almora these two places are having high production of Red chilli.

Forestry and Wasteland Development

The potential under various forestry activities in the state for the year 2014-15 is estimated at ₹13.94 crore.

Issues for Discussion

- 🗑 Growing of mixed trees with multiple uses should be encouraged on degraded and wasteland. Trees providing green leaves should be grown more to meet fodder requirement in rural areas.
- 🗑 KVKs should set up demonstrative units of appropriate forestry/ fodder cultivation.
- 🗑 Uttarakhand Forest Corporation can promote eco-tourism in PPP mode which would also open new vistas of financing for the banks under this sector.

Animal Husbandry

The potential under various Animal Husbandry activities in the state for the year 2014-15 is estimated at ₹608.56 crore (Dairy ₹469.82 crore, Poultry ₹ 76.59 crore & Sheep, Goatery, Piggery (SGP) ₹ 62.15 crore).

Issues for Discussion

- Awareness creation about Central subsidy schemes, scientific animal management,

standardization of commercial dairy farm model and reorganization of livestock rearing system in the state and re-organization of livestock rearing system.

- Thrust on up gradation of veterinary services at district level with a view to providing specialized and improved services through opening of veterinary polyclinics and modernization of veterinary Hospitals with latest health care equipments.
- *Lack of Bulls in the district for breeding of cattles, Inadequate Chilling plants and Vaccine storages in the district (Most of the Hill districts)*
- Setting up of Micro enterprises to manufacture indigenous milk products through involvement of women societies/ formation of Self Help groups.

Storage Godowns/ Market Yards/Agro Processing

The potential assessed for Storage Godowns/Market Yards for the year 2014-15 has been at ₹ 316.59 crore.

Issues for Discussion

- Now that the State Govt. has already decided to set up a State Warehousing Corporation in the State, the next logical step would be to step up efforts for creation of new storage and godown facilities and get them accredited by an appropriate agency.
- Banks should encourage progressive and potential farmers and support them through credit to construct small Godowns for their personal use. For this purpose capital subsidy is also available under Rural Godown Scheme of Gol.
- Organizing commodity specific growers' associations at village and Federations at district and state level for integrating their functions.
- Since the no. of farmers growing fruits and off-seasonal vegetables is continuously increasing in the State, transportation and cold chain should also be encouraged along with the rural Godowns and cold storages so that farmers may get appropriate price for their products.
- Village level processing should be encouraged by providing appropriate technology and by organizing the marketing of such processed products.

Agro Processing

- Marketing of processed food/ products to be ensured with tie-up arrangements with marketing agencies.

- Govt. should encourage setting up of common collection, grading and packaging centres for which AMIGS scheme with capital subsidy component has already been introduced by Gol.

Financial Inclusion/Micro Credit Issues for Discussion

- Level of understanding of Financial Inclusion and Information Communication and Technology (ICT) model at the Bank branches level Sustainability of Business Correspondents (BCs).
- BCs should be made viable.
- Weak connectivity (telecommunication) in rural areas/ hilly terrains needs to be improved.
- Smart cards under KCC should be issued to all KCC holders.