

NABARD State Focus Paper 2014 - 15 West Bengal

EXECUTIVE SUMMARY

The State Focus Paper (SFP) 2006-07 for West Bengal has been prepared by aggregating the credit potentials of all the 18 districts of the State. While assessing the potential the macro level changes taking place in the State as well as national economy and developmental activities already underway have been appropriately factored in. The gaps in infrastructure and constraints identified for realising the full potential available in the State have been detailed in the document.

In order to accelerate growth in agriculture sector and to make it a profitable activity, support through conducive factors like access to adequate and quality institutional credit to even hitherto uncovered farmers have been felt necessary. Accordingly many policy decisions have been taken by the Union Government, including advise to banks to double the credit flow to agriculture sector in three years time and to provide support to the farmers who have suffered from the natural calamities. State Government has announced various initiatives to ameliorate the situations faced by the farming community in general.

In this context the process of overall planning, credit planning has assumed greater significance for ensuring optimal and need based use of the scarce resources for meeting the developmental needs.

Potential and Ground Level Credit flow

- The PLP projection for 2006-07 is estimated at Rs.8273 crore. The Ground Level Credit (GLC) flow during 2004-05 was Rs.4603 crore, against PLP projection of Rs.5440 crore, thus leaving a gap of Rs.837 crore, an unavailed opportunity by bankers.
- All the banks have to achieve the targets for disbursement for direct agriculture credit fixed in the context of doubling of credit by the SLBC for the year 2005-06 at Rs.3573 crore. Achievement formed about 49% of the target as on 30 November 2005. RRBs and cooperatives need to improve their performance significantly.
- CD ratio of commercial banks at 55%, RRBs at 44% and cooperatives at 64% as at the end of March 2004-05 needs to be further increased. Suitable strategies have to be finalised by all the banks for augmenting the CD Ratio.

Sectoral Issues

I. Minor Irrigation

Credit projection of Rs.60.37 crore during 2006-07 has been estimated for supporting the investment in various minor irrigation structures. Following measures would be required to be taken by various agencies including State Government for achieving the estimated projections.

- Out of the total 37910 inhabited mouzas, 5720 mouzas are yet to be electrified. It is estimated that 4000 pumpsets may require energisation during 2006-07.
- “The West Bengal Ground Water Resources, Management, Control, Regulation Bill” has been passed by the West Bengal Legislature and it became “The West Bengal Ground Water Resources (Management, Control and Regulation Act, 2005”. The State Government may

finalise the rules for the implementation of the act and take necessary steps to create awareness among the end users.

- Block-wise groundwater maps indicating the suitable MI structures may be prepared and made available to the bankers facilitating them to finance the minor irrigation schemes.
- State Water Investigation Department (SWID) has to expedite assessment of deeper confined aquifers in the districts of Howrah, East and West Medinipur, 24-Parganas (South) and 24-Parganas (North) where deep tubewells would be the only means of development of groundwater as shallow aquifers being saline and unsuitable for irrigation purpose.
- Water harvesting structure assumes importance in the districts of Purulia, Bankura and parts of Paschim Medinipur and Birbhum districts and also in “critical”, “semi-critical” and “saline” blocks. Due weightage have already been accorded to these areas while preparing banking plan of the Centrally Sponsored Scheme on “Rain Water Harvesting Structures for SC and ST Farmers’ with a total financial outlay of Rs.1160 lakh. In view of the supplementary benefits in the form of artificial recharge and the beneficiary coverage under the scheme, concerted efforts are required for grounding of the scheme in view of its poor performance.
- Steps are to be taken to promote and propagate drip irrigation system as an effective measure of conservation of water in the dry and water scarce tracts of Purulia, parts of Birbhum, Medinipur and Bankura districts, particularly in those tracts where cultivation of vegetables and horticultural crops is common. Micro Irrigation Systems may be installed in the Government Farms for demonstration purpose.
- The solar pumpsets can be financed as a alternative source of energisation in such areas which are yet to be electrified due to remote locations and having favourable site conditions. These pumpsets are available with the approved dealers of Indian Renewable Energy Development Agency (IREDA) on subsidised rates. Measures are required to popularise solar pumpsets. These pumpsets can be successfully operated in Tarai region of West Bengal, surface water bodies and Jhoras in hilly areas.
- Hydrams, a mechanical water lifting device which does not require electricity and operates with the hydraulic head are most suitable in the hilly districts of West Bengal which can be popularised through Farmers Clubs.

II. Land Development

The potential in this sector has been estimated at Rs.20.80 crore. To tap the potential under this sector, the following measures may be taken by the various stakeholders.

- About 25% of the total geographical area in West Bengal is affected by different problems associated with land degradation. The major problems / forms of land degradation in West Bengal are gullies and ravines, waterlogging, saline / saline alkali soils, mining, sea coastal encroachment, land slide / slips, stream bank erosion and sand lading.
- The potential activities under land development sector requiring credit include excavation of farm ponds in coastal saline zone, On-farm development works in canal command areas, reclamation of problematic soils, bench terracing and small water harvesting tanks in hilly areas, vermicompost / bio-fertilizer units, tank silt application, reclamation of sand laden

areas, afforestation / social forestry in wastelands and excavation of water harvesting structures in laterite zone of West Bengal etc. Several bankable model schemes were formulated by NABARD, West Bengal Regional Office. The unit costs of these activities are regularly revised and circulated to banks.

- Different soil and water conservation programmes namely National Watershed Development Project for Rainfed Areas (NWDPA), Drought Prone Area Programme (DPAP), Integrated Wasteland Development Project (IWDP), Employment Assurance Scheme (EAS), presently known as Sampoorna Grameen Rozgar Yojana (SGRY), Rashtriya Sam Vikas Yojana (RSVY) and Watershed Development Fund (WDF) of NABARD etc., are currently in operation. It is estimated that the total coverage of different schemes works out to 8.4 lakh ha leaving 13.746 lakh ha of degraded land requiring treatments.
- Land development investments being capital intensive coupled with lack of awareness among the farming community are the major hindrances for credit uptake in this sector. Moreover, banks and financial institutions do not encourage land development related investments because of longer pay back period.
- Awareness among the farming community needs to be created about the usefulness of soil and water conservation measures on the soil fertility, improvement in soil productivity, possible ground water recharge and availability of soil moisture for the better growth of crops. Banks and financial institutions may also realize the need for financing under this sector for long term sustainability of agriculture.
- Research and development agencies need to intensify their efforts in propagating the new technology / innovations for easy adoption by the farmers through effective extension services.

III. Animal Husbandry

Animal husbandry is a principal allied activity for rural development in West Bengal. Livestock sector contribution to agriculture is 26%. The potential in this sector (including dairy, poultry, sheep and piggery) has been estimated at Rs.260.00 crore. The following measures / actions are required to be taken by various agencies including State Government to exploit the potential in this sector:

- There is need to strengthen the Cooperative Milk Federation.
- Revitalisation of Dairy Cooperative Societies is to be ensured. The Milk Unions may expand milk routes in potential areas and operate it regularly.
- The dairy cooperative societies may be provided with adequate infrastructure facilities such as milk houses, hand / machine operated chaff cutters, milk coolers, milk-o-testers / scanners, automatic milk collection units, fodder block making units. The societies may also be provided with generator sets as there are frequent power cuts in the rural areas.
- The GoI has envisaged coverage of all breedable animals under AI under National Project on Cattle and Buffalo Breeding (NPCBB). For this purpose the agency must get uninterrupted flow of funds in adequate measure either from GoI or GoWB. This is very important as door-step delivery of breeding service has taken up very well under the NPCBB.

- The Paschim Banga Go-Sampad Bikash Sanstha (PBG SBS) may also involve in identification of prospective dairy farmers, supervision and monitoring of loans. These Pranibandhus themselves can also be potential borrowers. Their certain needs such as finance for vehicles (motor-cycle or mopeds) to increase their mobility / efficiency and/or establishment of a small dairy unit for assured and regular source of additional income will go a long way in ensuring their continuance in the activity on a sustainable basis.
- Availability of land for fodder cultivation is very limited. Captive fodder cultivation on the land available with the dairy farmers needs to be encouraged. Besides this, enrichment of cellulosic waste needs to be encouraged. There is also scope for commercial fodder cultivation.
- There is a need to speed up setting up of at least two Artificial Insemination centres (in the form of Pranibandhus) per Gram Panchayat (GP) as envisaged by State Government.
- Encouraging private participation in setting up of feed mixing units.
- Training may be provided to farmers on milking technique, heat detection, pre and post-natal care, care of new born calves, feeding practices etc. Information brochures in Bengali may be widely circulated.
- Although, the Venture Capital Fund Scheme has received very good response from all quarters, crystallisation of the scheme into actual sanction of loans is yet to pick up.

Poultry

- On account of higher feed price, the cost of production of eggs is much higher in West Bengal which has forced the layer farmers to switch over to broiler farming. There is a continuous threat to West Bengal Layer Farmers from Andhra Pradesh Layer Farmers who export sizeable number of eggs to West Bengal.
- Increasing producer's share in consumer rupee - The marketing of the produce of poultry industry, namely eggs and broilers, is controlled by a handful of middlemen / agents. To reduce this monopoly of the traders, integration of the broiler / layer industry is extremely necessary and some market intervention operations are necessary considering the unorganised market for sale of broilers and eggs.
- The State Government may also consider setting up Poultry Resource Centres to provide backward and forward linkages to Satellite Units in their area of operation. The possibility of establishment of such centres by private entrepreneurs may also be explored. The proposals for poultry resource centre can be covered under RIDF.
- Concept of 'processed' or 'fast food' or 'hygienic meat' is gradually developing amongst the urban people. Hence, there is a possibility of exploiting this opportunity by setting up small poultry dressing units in the State covering metropolitan, municipal and town areas. Establishments of such poultry processing plants as also cold storage of eggs etc. would enhance the marketing opportunities for the farmers.
- Operationalisation of eligible activities covered under "Venture Capital Fund for Poultry Sector" like breeding farm for Low Input Technology (LIT) birds. Central grower units for raising and supply of ready-to-lay pullets, processing and marketing of poultry and eggs, feed mixing units, etc.

- The Private entrepreneurs / hatcheries may be motivated to avail bank loan for various components covered under Venture Capital Fund (VCF) for Poultry.

Sheep rearing / Goatery / Piggery

- White Yorkshire Pig breeding farm may be set up in the North Bengal districts.
- Piggery units may be provided to farmers through Rashtriya Sam Vikas Yojana (RSVY) which again envisages providing livelihood to people through cattle and animal farming.

IV. Plantation and Horticulture

The State of West Bengal with six diverse agro-climatic zones is conducive for growing a wide variety of horticultural crops. The state is a major producer of fruits, vegetables, flowers, tea and spices.

- With respect to fruits and vegetables, the state is a surplus production state with a production of 20 lakh tonnes and 109 lakh tonnes respectively. The state has also the distinction of having the highest productivity in potato and pineapple.
- Under Floriculture, with over 7300 ha under flower cultivation, the State has competitive advantage in floriculture due to its diverse agro-climatic conditions.
- Among the plantation crops, tea is the main crop covering about 1.13 lakh ha with a production of about 200 million kg and is mainly concentrated in the three districts i.e. Jalpaiguri, Darjeeling and Uttar Dinajpur.
- The diverse agro-climatic and physiographic conditions in the plains and hilly zone also offer scope for cultivation several high value medicinal and aromatic plants.
- The state being a major producer of fruits and vegetables offer very good scope for processing and value addition.

The estimated credit projection in the Plantation and Horticulture sector is Rs.183.81 crore. The following issues are to be addressed to achieve the target:-

- The manpower available with the Department of Food Processing Industries and Horticulture (DFPI & H) is considered grossly inadequate. It is desirable to have atleast one Horticulture officer with supporting field staff at block / sub division level, for extension support.
- Adequate and timely supply of quality planting material especially for perennial horticultural crops has to be ensured. To address the problem private nurseries could be encouraged.
- To address the issue of long pre bearing period in perennial horticulture crops , mixed cropping/mixed farming with other activities like dairy/broiler poultry, fisheries, etc. may be encouraged.
- With respect to medicinal plants some of the constraints / infrastructure gaps are unorganized production, lack of awareness among farmers and appropriate guidance on the scope for medicinal and aromatic plants, inadequacies in input supply including plant material, technical / extension support and totally unorganized marketing with middlemen and intermediaries deciding the prices for the produce often to their advantage.
- Contract farming offers very good scope for promotion of herbal industry in the districts as it provide assured market for the produce and facilitate the banks to extend finance to the farmers through appropriate tie up.

- Under tea sector, low productivity, quality and higher production cost are resulting in competitive disadvantage in domestic & global markets Improving productivity through systemic replanting of old and low productive sections / gardens, rejuvenation, infilling, drainage and irrigation infrastructure development are required.
- There is a need for modernization of processing facilities of tea to improve quality and adherence to prescribed SPS standards for tea. Value addition and promotion of brand equity, development of technology options and certification process for promoting organic tea cultivation to tap export market potential, etc., need to be given greater attention.

Sericulture

- The major constraints identified in development of sericulture in the State includes non-availability of quality planting materials and indigenous reeling machines. Apart from this, many of the farmers identified are defaulters with the banks. The marketing arrangement / structure is not adequate to ensure proper return to the sericulturist consistently and the extension services particularly because of dearth of trained technical personnel to take care of the production line for quality silk. Disease Free layings, particularly those of Tasar is not available adequately.

V. Fisheries.

The contribution of the fisheries sector is 2.79% to the Gross State Domestic Product (GSDP). A total of Rs.106.05 crore credit potential is estimated under fishery sector in West Bengal for the year 2006-07. Following aspects need attention for development of Fisheries in the State.

- Seed banks may be set up in the state to ensure steady supply of fish / prawn / shrimp seeds and 100% insurance coverage to aquaculture projects.
- Tapping of large water bodies in Khas land for fish culture requires common infrastructure development which could be tapped under RIDF.
- As the banks are not willing to finance fisheries under long term credit against oral lease, alternative mode of financing through SHG could be tried to mitigate the present hardship.
- Diversification of freshwater aquaculture involving high value species such as Magur, Koi, Pabda, Tangra, Pangasius, etc., may be encouraged.
- Formulation of short duration carp culture scheme involving stunted fish fingerling for flood prone zones may be propagated which would be a key measure to avoid the loss to fisheries sector by flood.
- Diversification of brackish water aquaculture involving seas bass, milk fish etc. is required to increase productivity.
- A Cluster of shrimp farming units with common infrastructural facilities within designated plots in CRZ incorporating sustainability dimensions should be developed.
- In brackish water aquaculture farms, the major expenditure is for the water intake and outlet channels. The State Government may explore the possibilities of providing such infrastructure with assistance from RIDF.
- Setting up of Agriclincs may be established in private sector for promotion of shrimp farming to meet quality input and technology transfer needs.

VI. Forestry and wasteland development

The projected credit requirement under forestry and wasteland development, for the year 2006-07, is Rs18.28 crore.

- Government of West Bengal allots wasteland as patta to a group of farmers where no clear demarcation of land to an individual farmer is made. Unless the land is clearly demarcated, no bank is agreeable to advance loans to the beneficiaries. Moreover, those lands can not be sold or mortgaged. The Government needs to take up this issue, as allotment of pattas in individual names would facilitate credit to individual farmers.

VII. Non-farm sector

The projected credit requirement under non-farm sector for the year 2006-07, is Rs.2195.08 crore. The following are the major issues relating to the development of rural non-farm sector in West Bengal:

- Marketing is the biggest challenge before the rural entrepreneur. NGOs have to utilise NABARD schemes of ARWIND / MAHIMA which will provide marketing support to the rural artisans. West Bengal Regional Office has hired an exclusive space in Swabhumi - the Heritage Plaza at Salt Lake, Kolkata, for providing marketing exposure to the rural artisans / entrepreneurs for selling non farm products for a period of one month. The aforesaid Exhibition cum Sale has since started from 19 December 2005 and will continue till 17 January 2006. The exhibition is providing good exposure to the artisans. NABARD may consider supporting such initiatives in future also. DRDCs and Zilla Parishads may consider enhancing their support to marketing initiatives in RNFS.
- Design upgradation is the need of the day. Innovative designs suiting the present market trends should be adopted by the artisans. On a pilot basis, NABARD conducted two REDPs in Birbhum with the technical assistance of NIFT who could provide innovative designs in sholapith and kathastitch.
- Swarojgar Credit Card (SCC) Scheme was introduced during September, 2005 with a view to providing adequate and timely credit, i.e. working capital or block capital or both to small artisans, handloom weavers, service sector personnel, fishermen, self-employed persons, rickshaw owners, other micro entrepreneurs, SHGs, etc., from the banking system in a flexible, hassle free and cost effective manner. However, the progress is slow and banks have to give wider publicity to the scheme.
- The progress in implementation of the Credit linked Capital Intensive scheme is very poor although four banks have consented to act as PLI for implementation of the scheme.

VIII. Micro Finance

- A total number of 3866 bank branches (including 2440 PACS) participate in SHG-Bank Linkage Programme in West Bengal covering 19 cooperative banks (18 DCCBs and WBSCB), 9 RRBs and 20 commercial banks in the state. About 50 NGOs and 258 Farmers' Clubs have received grant assistance from NABARD to promote SHGs. Department of Forest, Government of West Bengal has also received NABARD's grant assistance for SHG promotion.

- As on 30 November 2005 a total number of 1.9 lakh SHGs have been savings linked and 1.1 lakh SHGs have been credit linked in the state. Rs.155.25 crore of bank loan has been provided to 1.1 lakh SHGs averaging to Rs.14293 per group in the state.
- The target for credit linking of SHGs during 2005-06 for cooperative banks, RRBs and commercial banks are 50000, 20000 and 30000 respectively against which the actual number of SHGs credit linked as on 30 November 2005 has been 8698, 5680 and 1329 by cooperative banks, RRBs and commercial banks respectively.
- In exercise of the power conferred by Clause (a) of Sub-Section (1) of Section 9 of the Indian Stamp Act of 1899, the Government of West Bengal has exempted the duties chargeable under the said Act in respect of the documents executed by the SHGs for obtaining loan to the extent of Rs. 25,000/- from banks upto 31 December 2005. Normally, this exemption is being granted on an annual basis. Many a time there is delay in the issue of notification by the Government which causes inconvenience/delay for the SHGs in obtaining loans from the banks. The Government may consider allowing exemption in a block of at least five years so that it reduces the work at the Government level as well as obviates the delay/inconvenience at the SHG level. Further an increase in the exemption limit will also help higher disbursements under SGSY.

Joint Liability Groups

- Joint Liability Groups (JLGs) was initiated for developing effective credit products for mid segment clients, which reduces risk and transaction costs for the bank and also introduces a greater degree of flexibility for the credit user to determine credit needs and priorities. JLG is an assembly of 5-10 member clients (new or existing), informally recognised by the bank as a group. The project is being implemented through eight RRBs and one PCARDB in the country.
- Howrah Gramin Bank is financing for the JLGs in West Bengal.

Farmers' Clubs

- NABARD, as a part of its institutional development function, motivated and encouraged banks and NGOs to launch the grass root level informal forum called Farmers' Club with the objectives of ensuring quality lending by propagating the principles of "Development Through Credit", inculcating repayment ethics and promoting village development by eliciting participation of banks and rural borrowers. The total number of Farmers Clubs operating in the State is 963, of which, nearly 882 clubs are active clubs and steps are being taken to revive the dormant ones.
- Opening more number of Farmers' Clubs in Darjeeling and Purulia districts in West Bengal will be the focus during 2006-07.

IX. Rural Infrastructure Development Fund

- The Nodal Department may advise the concerned implementing departments and the Zilla Parishads to identify and prioritise the projects as soon as announcement on continuation of RIDF is made in the Union Budget. Tentative allocation may also be communicated to the implementing departments as and when Annual Plan for the State is finalised.
- The State Government has given the responsibility of identification and execution of RIDF projects to the Zilla Parishads in addition to the various line departments. However, it may

also consider involving other agencies like Non Government Organisations, SHGs etc., for identifying and executing projects under RIDF in future.

- The Government may also identify and pose projects in various other eligible sectors like inland navigation, citizen information centres, market yards, post harvest management, hydel power projects, micro irrigation projects for plantation and horticulture crops etc., for sanction under RIDF. In view of huge marketable surplus in horticulture, floriculture and fisheries sectors and availability of partial grant from the Central Government, the Government of West Bengal may establish large number of Food Parks in these sectors. The infrastructure facilities required to boost diversification of dairy, poultry, goatery sectors may also be covered under RIDF.
- The State Government may also consider availing assistance from RIDF for meeting the State Government contribution of 25% of the Capital Cost towards implementation of National Projects for Repairs, Renovation and Restoration of Water Bodies directly linked to Agriculture. The Government of India provides 75% of the Capital Cost of this project as grant.
- Projects Completion Reports - There is considerable time lag in furnishing the Project Completion Reports (PCRs). As against completed 4625 projects, as on date, only 2867 PCRs have been furnished to NABARD.

Feedback / Responses from Farmers

- Improvement and strengthening of rural connectivity has been the most required infrastructure by the farmers. Many villages are electrified.. Those connected are not getting continuous supply. Low voltage is a common problem among rural households. There is a need to provide uninterrupted power supply to all villages with adequate voltage.
- Farmers need marketing credit and other marketing support for farm products.
- The expectation of the farmers from the formal credit delivery channel is adequate and timely credit.

Other Issues

- West Bengal being an important potato producing state in the country, additional storage space is required. State Govt. may consider removing potato from rental control so as to enable provision of subsidy to the borrowers in respect of cold storage units.
- In the case of Rural Godowns lack of proper documentation / adherence to provisions of the scheme leads to delays / problems in release of subsidy. The bank should approach NABARD through their controlling offices after the first instalment of the loan is disbursed. Constant monitoring and adherence to the technical specifications may be ensured by the banks. Banks may also provide a copy of their correspondence to Directorate of Marketing Intelligence (DMI), Government of India promptly to avoid delay in release of subsidy.

Timely availability of fertilisers, quality seeds, pesticides, extension services etc are required to enhance productivity of crops in the State. This will also facilitate optimal utilisation of other resources like irrigation, agricultural credit, etc resulting into higher level of agricultural production. The State Govt has an important role to play.