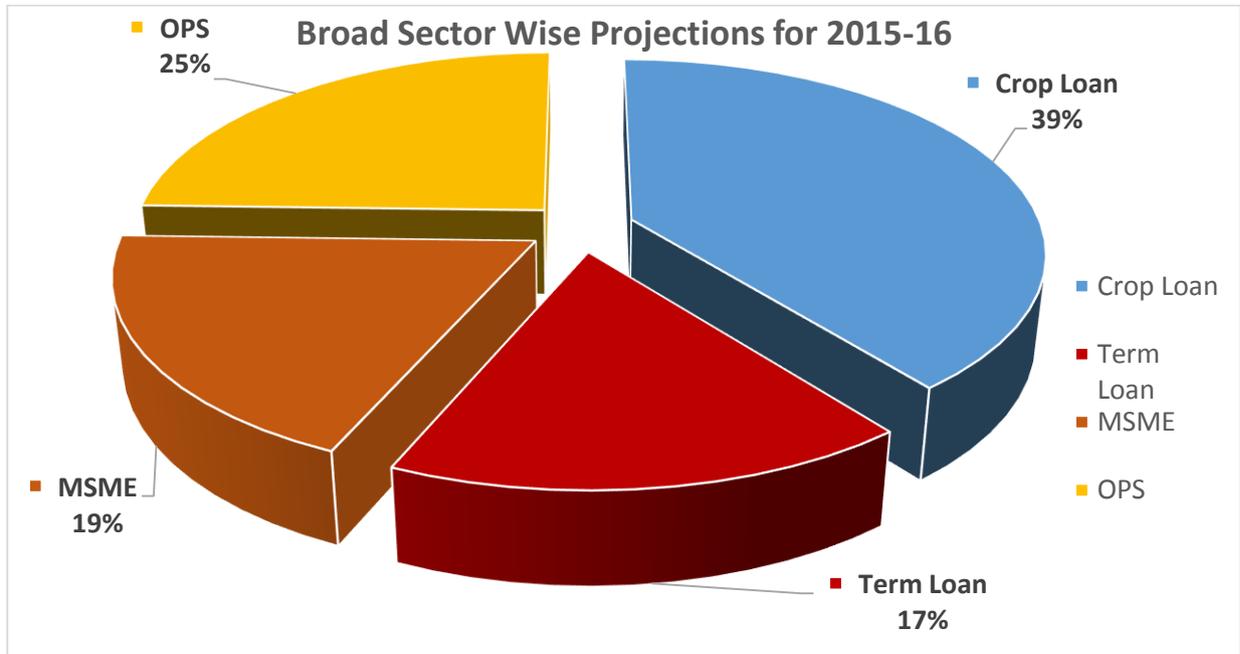


BROAD SECTOR-WISE FINANCIAL PROJECTIONS FOR 2015-16

(₹ Crore)

Sr. No.	Sector	Financial Projections 2015-16
1	Short Term Credit for Production & Marketing (Crop Loan)	8174.04
2	Investment Credit for Agriculture & Allied Activities (Term Loan)	3546.83
3	Total Credit for Agriculture Sector (1+2) (Crop Loan and Term Loan)	11720.87
4	MSME (including working capital)	3927.68
5	Other Priority Sector (including SHGs)	5097.80
6	Total Priority Sector (3+4+5)	20746.35

PIE-DIAGRAM

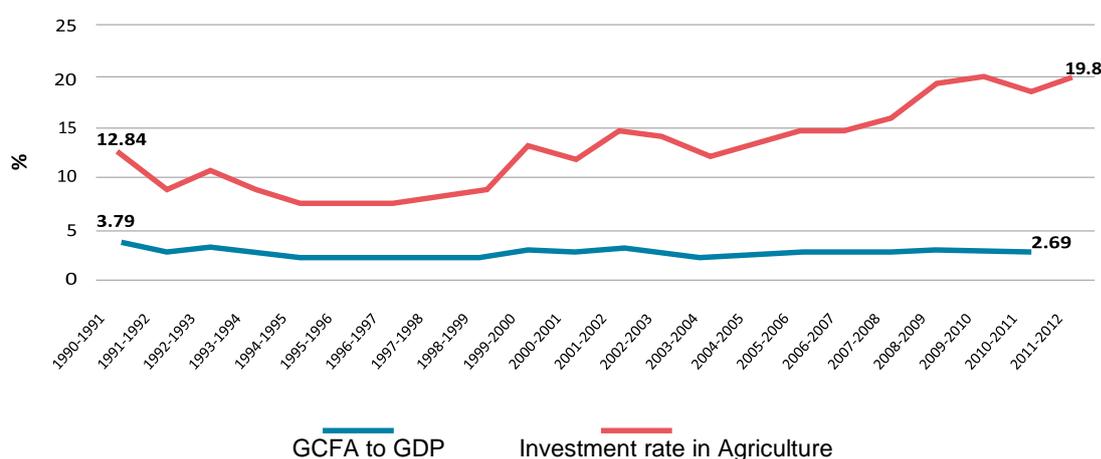


EXECUTIVE SUMMARY

The theme for this year's State Focus Paper is "Accelerating the pace of capital formation in agriculture and allied sector" so as to make it a sustainable and profitable enterprise for the farmers. Capital formation in agriculture through public sector or private corporate sector contribute immensely to the agriculture production process. However, when compared with the overall capital formation in the economy (about 40% of GDP), capital formation in Agriculture sector is much lower. The ratio of capital formation in agriculture (GCFA) to overall GDP has stagnated at a level below 3 percent.

Capital formation is very vital in all production activities including agriculture & consists of net accretion (addition less disposal) to fixed assets & inventories. Agriculture development cannot be confined to production activity alone and encompasses all activities that promote it. Every factor for increasing production of agriculture viz., judicious use of natural resources for sustainable agricultural production, adoption of advanced technology, development of infrastructure for facilitation & making agriculture a profitable commercial activity at par with other sectors & all related issues is to be tackled with a strong capital base. Capital formation in agriculture whether under public sector (For example- development in irrigation facility, horticulture, creating state farm, etc.) or private corporate sector (through plantation for example) or household sector (For example- digging of wells/tube wells, construction of farm bunds, etc.) contribute immensely to the production process.

Chart 1: Trends in Capital Formation in Agriculture (at 2004-05 prices)



Source: CSO Data. GOI

As may be seen in the above graph the investment rate in agriculture after a period of decline upto 1999 and fluctuations upto 2005 has been constantly on rise due to doubling of agriculture credit(2004-05 to 2007-08), provision of crop loan at 7%(since 2006-07) and implementation of ADWDR(2008-09).

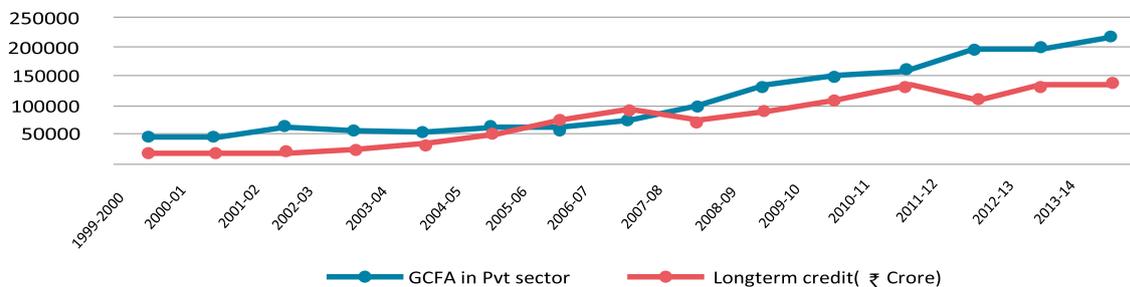
During the eighties the public sector's share was about 42 per cent indicating the critical role played by them post green revolution in boosting capital formation in agriculture. However, thereafter there has been a decline in the share of the public sector over the decades.

Table 1: Share of public and private sector in total capital formation in Agriculture and allied activities

Sector	1970s	1980s	1990s	2000s	2011-12
Private	66.5	58.3	76.1	81.1	84.9
Public	33.5	41.7	23.9	18.9	15.1

Source: National Accounts Statistics (Quoted in Credit and Capital Formation in Agriculture: A growing disconnect, Pallavi Chavan, Review of Agrarian Studies, 2014)

Chart 2: Long term credit (disbursements) and Private sector Gross Capital formation in Agriculture (₹ crore)



The share of investment credit which is a major driver of capital formation has declined from 37% of total agriculture credit in 1999-2000 to 22% in 2012-13. The same need to be reversed. While better infrastructure helps in lowering cost of production, greater share of long term credit in total agriculture credit will give sustainability to farmers' income. Keeping the theme in view, credit potential of ₹20746.35 crore under Priority Sector for the year 2015-16 has been projected for the state.

Chhattisgarh has made remarkable progress in food grains production and has been conferred with "Krishi Karman Award" successively three times under "Rice Category". The State currently produces Paddy in the range of 100-120 lakh MT and contributes substantially to the Central pool thereby ensuring food security of the nation. However, the state lags behind in production of horticulture and animal products which has not only hampered farmers' income security but also resulted in hidden hunger. Thus, there is a need for exploitation of horticultural through mass multiplication of elite varieties of fruit crops by adopting efficient protocols, conservation and continued improvement of indigenous genetic animal resources, composite fish culture of compatible indigenous and exotic carps for impacting production in allied sectors for beating poverty and malnutrition. For this to happen, there needs to be acceleration in growth of net fixed capital stock at par with the GDP growth in addition to production incentives.

Chhattisgarh is India's tenth largest state accounting for 4.19% of geographical area with a population of 2.55 crore (2011 Census) which constitutes 2.15% of the population of India.

The State has 27 districts covering 146 Blocks, of which 85 blocks are predominantly tribal inhabited.

Out of 31.30% contribution to GSDP by Primary sector, Agriculture and allied sector contributed **22.20%** of Gross State's Domestic Product (during 2012-13 at current price) compared to less than 14% at national level whereas Secondary and Tertiary sectors contributed **28.20% and 40.50%** respectively to Gross State Domestic Product. The agriculture sector has particularly performed well by achieving a growth of 7.6% during the 11th Plan period (highest in the country along with MP). (Source: Economic Survey of Chhattisgarh, 2013-14)

The state produces 100% of tin, 15% of steel, 15% of cement, 30% of aluminium and 27% of sponge iron produced in the country and is a power surplus state.

Chhattisgarh has varied topography - high mountains, plateaus, hills and plains. It has about 44% forest coverage which provides forest based livelihood support to the tribal populace. The State has 3 Agro-climatic Zones, viz. Bastar Plateau (7 districts), Chhattisgarh Plains (15 districts) and Northern Hilly Region (5 districts).

Agriculture continues to be the mainstay of livelihood of about 80% of state's population. Agricultural sector in Chhattisgarh is marked by rain-fed farming, low value, low yield dominant cropping pattern and a large share of dependent population. In 12 districts of Bastar Plateau region and Northern Hills, which covered 31% of total Net Sown Area, there is scanty irrigation facility and mostly dryland agriculture is practised. While the area under irrigation in 7 districts of Bastar plateau is only 5%, the same is only 11% in 5 Northern Hills districts.

Paddy and Maize are major cereal kharif crops and Arhar and Soyabean are major Kharif pulse and oilseed crops respectively. Similarly Rabi paddy and Wheat are major Rabi cereal crops whereas Gram and Tiwra are major Rabi pulse crops and mustard is major Rabi oilseed crop.

Low productivity of major crops is a major concern.

- Per ha. yield of paddy in the State during 2012-13 was estimated at 1970 kg/ha. (N: 2372 kg) and that of wheat was 1401 kg/ha (N: 3140 kg). Similarly per ha. Yield of Maize and Soyabean was 1927 kg and 944 kg/per ha compared to average national yield of 2476 kg and 1207 kg respectively.
- Horticulture crops occupy 7.25 lakh Ha. (2013-14) with a production of 81.09 lakh metric tonnes.
- The State has the distinction of producing 3 varieties of silk, viz. Tassar, Eri and Mulberry, Tassar being the major variety. Approximately 52000 weavers are engaged in handloom sector directly or indirectly and there are approximately 17100 handlooms and 175 Handloom Weaver Cooperative societies in the State.

Some critical issues pertaining to Chhattisgarh:

Besides **skewed development of irrigation facility** in 12 Northern Hills Region and Bastar plateau districts and **low productivity of major crops**, a few critical issues which need attention for faster growth are as under:-

- Fragmentation of land holdings is a very challenging issue as evidenced by the increasing number of small land holdings in the State. This restricts farm mechanization and affects production and productivity.
- The area under food grains has remained constant or declined in the past few years.
- Post-harvest management needs more attention to reduce post-harvest losses.
- There is tremendous **potential for Animal Husbandry** as provider of livelihood opportunity to unemployed youth and women besides ensuring nutritional diet in view of huge market demand inside and outside the state which needs to be tapped.
- Increasing **per ha credit to farmers** for crop production which is very low at ₹10604 compared to ₹ 36348 at all India level and ₹ 15000-28000 in other Eastern Region states is a major challenge. Similarly increasing demand to MSME sector and Small Business and Other priority Sector has to be met through a proper strategy.
- Chhattisgarh ranks seventeenth in the **infrastructure development** index and 23rd in Road Development Index. Critical rural infrastructure needs of the State with suggested prioritization have been assessed in Chapter IV, which could also be used as a pointer in the process of improving infrastructure.

Competitive Advantages of Chhattisgarh:

- The State has set up a **robust paddy procurement mechanism** to provide remunerative prices to farmers and avoid distress selling of paddy. Presently paddy is procured by Chhattisgarh State Cooperative Marketing Federation through 1971 paddy procurement centers by 1333 Primary Agricultural Credit Societies.
- Chhattisgarh is pioneer in providing **food security** and enacted Food Security Act 2012 to provide food security to weaker section. 8.83 lakh antyodaya families are being provided 35 kgs of food grains per month at ₹ 1/- per kg under Antyodaya Anna Yojana.
- Interest free crop loan by Coop. and RRB will benefit approximately 12 lakh farmer families.
- 100 % Atal Khetihar Mazdoor Insurance scheme for farmers & Implementation of WBCIS during Kharif-14 in all the 27 districts.
- Free electricity upto 7500 units for upto 3HP pump set and 6000 units for 3-5 HP pumpsets, 50% subsidy on digging of wells and 75% subsidy on purchase of pumpset.
- Setting up of 05 new Agriculture colleges in Kanker, Koriya, Raigarh, Bemetara and Rajnandgaon districts and 01 Horticulture college in Jagdalpur.
- Continuance of Organic farming incentives.
- Provision of ₹100 cr for Arpa-Bhaisajhar Large project and ₹110 cr for remodelling and renovation of Mahanadi Complex canal system in 2014-15 budget.
- Encouragement to soyabean based industries by removal of 5% VAT.

Assistance to weavers under National Handloom Package:

Approximately 52000 weavers are engaged in handloom sector directly or indirectly and there are 17100 handlooms and 175 Primary Weavers' Cooperative Societies in the state. For reviving and strengthening the sector under National Handloom Development

Programme 2013-14, NABARD released ₹ 3.63 crore to 94 PWCS, ₹ 51.87 lakh to 194 individual weavers and ₹ 75.48 lakh to Apex Weavers Society as part of GOI package. Further an amount of ₹ 56.40 lakh for computerization of PWCS is under consideration for release.

Banking Profile:

Excluding the PACS there are 2334 of bank branches in the State, with 47.5% of them in rural areas and per branch population stands at 10943.

• **The outstanding deposits registered a growth of 6.22% and outstanding advances of 19.42% as on 31 March 2014 over the previous year. The CD ratio stood at 63.20% (Source:SLBC)**

• The banks in the state registered good achievement under RBI performance benchmarks. The benchmark targets under Priority Sector Lending was achieved but during 2013-14, the Agricultural Lending achievement was only 15.21% against the stipulation of 18%.

• Disbursement under Priority sector increased from ₹ 10187.41 crore in 2012-13 to ₹ 10215.81 crore in 2013-14. The banks registered an achievement of 62.77% of the overall target for Priority Sector credit in 2013-14. However, the achievements under total agricultural credit was at 65.1% and crop loan was at 83.6% fell short of the target.

• MSME sector has registered growth of 12.8% & Other Priority Sector registered decline of 14.7% during 2013-14

• The overall CD ratio in the State was 63.2% as on 31 March 2014, compared to the benchmark of 60% while the national average is 77.97%. CD Ratio in respect of 20 out of 27 districts was below stipulated 60% whereas in 10 districts the same was below 40%, which is a major area of concern.

• Chhattisgarh has been contributing 2.99% (in 2012-13) of the total food grain production in the country. However, share of its farmers in total agriculture credit disbursed in the country is only 0.7%. Moreover, compared to ₹ 23000-28000 per ha. credit for agriculture in other Eastern states, Chhattisgarh farmers get only ₹ 10604 as credit per ha.

• Further, in Chhattisgarh, the share of term loan to agriculture credit is quite low (15.47% in 2013-14). A sharp decline in agriculture Term Credit from 27% during 2012-13 to 15.47% during 2013-14 is a major cause of worry. Low level of investment credit in agriculture is affecting capital formation adversely. Therefore, there is a need to improve investment credit and infrastructure development in agriculture.

• Out of 37.46 lakh farmers approximately 22.53 lakh farmers have been issued KCC as per SLBC data. However, the number of functional KCCs may be still smaller.

Skewed distribution of bank branches: There were 2334 bank branches in Chhattisgarh as on 31 March 2014, of which 1743 branches i.e.(75%) are located in the rural and semi urban areas. Although average number of persons served per branch at 10943 is comparable with that of national average, the region-wise skewed distribution of branches in Chhattisgarh is an area of concern. As on 31 March 2014 only 15 % of the branches were located in 5 districts of Northern Hills and 11 % of branches in 7 Bastar plateau districts, the rest 74% are spread over in 15 districts of Chhattisgarh Plain region. Districts having few number of bank branches are Narayanpur, Dantewada, Bijapur, Kanker, Kabirdham and Mungeli. The number of branches in Narayanpur is just 5 per block, in Bastar 8 per block whereas the same is highest at 34 per block in Raipur.

Merger of ST and LT Cooperative Credit Structures: The scheme for merger of LTCCS with STCCS in Chhattisgarh State was approved by the Cabinet during 2013. RCS, Chhattisgarh has notified the date of merger of LTCCS with STCCS in the State as 07 October 2014 and the process of audit (Pre & Post merger) of LTCCS and STCCS is in progress. It will facilitate better utilization of resources of cooperatives as also increase in agricultural term loan for increased capital formation in agriculture.

CBS in Cooperatives in Chhattisgarh

Chhattisgarh State Cooperative Bank and five DCCBs viz. Durg, Rajnandgaon, Bilaspur, Ambikapur and Jagadalpur are implementing CBS in their banks in NABARD's ASP model through TCS as implementation agency and all 180 branches and HO of these banks have been migrated to CBS. Raipur DCCB with 60 branches and HO has also migrated to CBS through the National Informatics Centre as the implementing agency. Banks under NABARD project have started providing NEFT services to their customers.

Legal Framework for Stamp duty, security & recovery:

Earlier, stamp duty on credit to agriculture was exempted for borrowers belonging to SC/ ST and in case of other borrowers 1% stamp duty was payable for borrowing above ₹ 10 lakh. The State Government vide their notification F10-19/2013/CT (W)/5(26) dated 3 April 2013 has exempted stamp duty for credit provided by banks for agriculture.

- As per Revenue Recovery Act the farmers holding upto 6 ha. of land in scheduled area and upto 4 ha. of land in other areas shall not be subjected to attachment and sale of land holding. In Chhattisgarh, more than 95% borrowers are having less than 4 ha. of land.
- The State government is required to initiate steps for setting up of a Debt Recovery Tribunal which will facilitate early settlement of cases.
- Recording of equitable mortgage in respective registrar's office of the State will safeguard bank's interest against multiple financing.
- In Chhattisgarh banks cannot sell mortgaged land of tribals without permission of DM even under SARFAESI Act. At the request of banks to either amend or alternatively create a credit guarantee trust Fund, a sub-group of SLBC has been formed to make alternate suggestions.

Status of Financial Inclusion

1050 financially excluded villages with population above 2000 were identified for Financial Inclusion programme and they were covered through CSP/BC. However, as per direction of Ministry of Finance, GoI Ultra Small Branches are required to be opened in these villages by 30 June 2014, especially those villages in LWE affected districts. Out of 322 such CSPs in LWE districts 276 have been converted into Ultra Small branches by 31 March 2014. Similarly, out of 18233 financially excluded villages with population between 1000 to 2000, 6151 have been covered through CSP/BC by 31 March 2014. Under PMJDY as on 03.01.2015, out of 61 lakh families, 59 lakh families have been brought under bank account coverage. Out of 27 districts, 22 are having 100% coverage under PMJDY. It is expected that state will attain 100% coverage by January 2015 itself.

SHG-Bank Linkage Programme in Chhattisgarh

The SHG movement has gained momentum in Chhattisgarh. 13391 SHGs were saving linked and 13644 SHGs credit linked during 2013-14, taking the cumulative SHGs saving linked and credit linked in the State to 142852 and 104250 respectively as on 31 March 2014 (Source: SLBC). The average loan per SHG has however remained low at ₹ 31746 per SHG against national average of ₹ 175768. The state also recorded saving linkage of 1000 SHGs per lakh of BPL population. The NPA against SHG loans in the state stood at 12.44% during the year.

MSME Sector:

The potential for development of a sound and sustainable SME sector in Chhattisgarh is immense as it has unique blend of mineral resources, forest resources, energy resources, agricultural resources, human resources.

The continuous operational health of SME sector depends upon easy availability of finance from institutional sources. In Chhattisgarh average loan outstanding from institutional sources was ₹ 8.29 lakh in Micro sector, ₹ 103.01 lakh in Small sector and ₹ 224.63 lakh in Medium sector as per 4th MSME Census. The average loan outstanding from institutional sources to MSME sector was ₹ 20.31 lakh and that from all sources was ₹ 20.87 lakh. Apart from traditional method of credit delivery, SMEs require tailor-made financial products in view of their unique requirement.

Importance of Rural Infrastructure:

- Rural infrastructure in sectors like irrigation and connectivity is essential for increasing productivity of land, capital formation, employment generation, reducing post-harvest losses and improving living standards of the people.
- In terms of infrastructure development index, the state ranks 17th in the country. The infrastructure index of the state, in many important aspects like irrigation, roads, drinking water, telecommunication, school buildings etc. is far behind the national average.
- Chhattisgarh is ranked 23rd out of 28 states in respect of Road Index of IDFC (2010). With a total road length of 93,965 kms (2010-11), road density of the State works out to 69.81 km against the national average of 142.68 km per 100 sq. km.

- In 12 districts of Bastar Plateau region and Northern Hills, covering 31% of total Net Sown Area there is scanty irrigation facility and mostly dryland agriculture is practised. While the area under irrigation in 7 districts of Bastar plateau is only 5%, the same is only 11% in 5 Northern Hills districts.

Impact of RIDF

So far 7393 projects have been sanctioned under RIDF involving assistance of ₹ 3547.06 crore to Chhattisgarh state. RIDF assistance has helped the state in bringing in more than 3.40 lakh Ha of land under irrigation through 433 irrigation projects, creating more than 10145 KM of road length through 5953 road projects, creation of 8.342 lakh tonne storage space through 823 storage projects, besides creation of education and social infrastructure. Thousands of infrastructure projects are under various stages of implementation in the State.

Critical infrastructure:

Critical infrastructure could be defined as that infrastructure, which if created, will support increased credit flow under agriculture and benefit a large number of people. Critical infrastructure therefore covers the following:

- Infrastructure having a large impact on Livelihoods and Income Levels of rural population
- Critical constraints in improving productivity/ production levels of farmers
- Infrastructure that leads to environmentally sustainable development

Based on the above, critical infrastructure gaps in each of the districts in various sectors have been presented in this document so that those gaps could be bridged through RIDF/ NIDA or otherwise. Presently, under RIDF, about 33% of the funds are utilized to finance core sectors like agriculture and irrigation. The way forward is to progressively shift RIDF funding in core sectors to the level of 70%.

Identified critical infrastructure under various sectors:

- Watershed and water management practices as also model agriculture/ horticultural farms/ nurseries.
- Poly houses and green houses, Floriculture auction centers and Sericulture infrastructure.
- Milk and meat processing units and cooling chains are required, particularly in Northern and Southern Chhattisgarh. Infrastructure for fish markets and cold storage are critical for development of fisheries sector in the state.
- Projects for desilting of Reservoirs/ Tanks and Ponds need to be taken up on priority basis. Lift Irrigation Projects need to be encouraged.
- Water Harvesting structures, Check dams, Percolation tanks, etc. need to be created.
- Creation of ware housing facilities, rural godowns, milk cooling chains, food Parks, etc. are very critical for post harvest management of produce.
- Rural roads and bridges are critical for ensuring rural connectivity and hence rural development.

- PHCs, Anganwadi Centres and Primary and Secondary schools are the basic requirements of rural areas to ensure good quality education and health facilities. Infrastructure for provision of safe drinking water is also a felt need for rural areas.

Prioritization of Critical Infrastructure Gaps

For the purpose of identification and prioritization of Critical Infrastructure Gaps, through dialogue and interaction with line departments, a list of critical infrastructure and linkage support required for important sectors in each of the districts has been prepared and is furnished in Annexure III in detail. The **critical infrastructural gaps** presented in Annexure III have been identified as **priority area** for action by the State Government with an option to avail funds under RIDF/ NIDA, as most of the activities are eligible for funding thereunder. These projects are expected to have considerable impact on critical sectors in the State.

A summary of the projects listed in Annexure III, has been furnished in Table below indicating suggested prioritized resource requirements for critical infrastructure in the State:

(₹ in crore)			
S.No	Sector	Activities covered	Amt. of investment (approx.)
1	Last Mile/ Incomplete Projects	i.) Mahadevdand Tank, Bagicha ii.) Mohad Tank, Rajnandgaon iii.) Bhejeepadar D/s, Gariyaband iv.) Batang Distributory, Durg v.) Karun Diversion project, Korba vi.) Malenger Diversion, Sukma	622.28
2	Projects which have not figured in the State Plan	Irrigation projects like Lift Irrigation, Bridge cum barrage, Vented Dams, Feeder Channels, Desilting/ renovation of Reservoirs/ Tanks. Common Facility Centers, Rain water harvesting structures, Projects relating to veterinary health, Feed Mills, etc.	551.55
3	Value Addition / Post Harvest Management	Warehousing, Godowns, Food Parks, AEZ/ SEZ, Floriculture, Cool Chains, Milk and meat processing plants, Dairy Development, Poultry central Grower unit, processing units for medicinal and aromatic plants, fisheries, etc.	353.02
4	Rural Connectivity	Construction of rural roads and bridges	490.23
5	Social Sector Projects	Anganwadi centers, PHCs, Schools, Colleges, Safe Drinking water projects, etc.	11.60
TOTAL			2028.68

The Prioritized Resource Requirement for Critical Infrastructure needs assessed for the State is ₹ **2028.68 crore**, for the State during the XII Plan period.

