

## EXECUTIVE SUMMARY

### INTRODUCTION

The State Focus Paper (SFP) 2015-16 presents a comprehensive picture of the credit potential estimated in various sectors of the rural economy as reflected in the Potential Linked Credit Plans (PLPs) prepared by NABARD for all the districts in the state of Odisha. The document also highlights the constraints and issues pertaining to the different sectors, suggestions for improvement in credit flow, critical gaps in infrastructure identified in the district-wise PLPs, etc., thereby presenting a comprehensive perspective for planned development for the state with credit being the major driving force.

The theme of the State Focus Paper 2015-16 is '**Accelerating the pace of capital formation in agriculture and allied sector**'.

### 2. AGRICULTURE IN ODISHA & THE CHALLENGES

**2.1** Agriculture sector provides employment and sustenance, directly or indirectly, to more than 60 percent of the population of the state and continues to be the mainstay of the state's economy. It is also important for ensuring food security as well as nutritional security to the rural populace. The growth of both secondary sector and tertiary sector can only be sustained when agriculture sector continues to create demand for goods and services along with market for the farm produce. Although the state economy has been diversifying and service sector grew substantially over the years, agriculture and allied sector continues to be the high priority sector for the government with huge growth potential.

**2.2** The Government of Odisha has taken a very important initiative of bringing out a state Agricultural policy during 2013-14. A number of schemes are also being implemented in the state such as National Food Security Mission (NFSM), Rashtriya Krishi Vikas Yojana (RKVY), Integrated Cereal Development Programme-Rice (ICDP-Rice), Integrated Coarse Cereal Development Programme-Coarse cereals (Ragi), Integrated schemes for oilseeds, pulses, oil palm & maize (ISOPOM), Technology Mission on cotton, Technology Mission on sugarcane, National project on management of soil health & fertility, e-pest surveillance, National Horticulture Mission, Bringing green Revolution in Eastern India (BGREI), etc., to make farming sustainable and economically viable.

**2.3** The net sown area in the state has witnessed a marginal increase to 53.31 lakh ha in 2012-13, up from 52.92 lakh ha in 2011-12. The year also recorded a minor increase in cropping intensity from 166% in 2011-12 to 167%. The area under food grains increased by 6% to 50.30 lakh hectares during 2012-13 from 47.44 lakh hectares during 2011-12.

**2.4** The total food grain production in the state at 102.10 lakh MT in 2012-13, was a record achievement as compared to the production of 63.16 lakh MT in 2011-12 and 76.19 lakh MT in 2010-11. The productivity in respect of all food grains during 2012-13 was recorded at 2030 kg/ha, an increase of 56% over the productivity levels of 2011-12. The production of HYV paddy increased during 2012-13 with a high yield rate of 37.83 quintals /ha against 23.35 quintals /ha in 2011-12 and 26.89 quintals /ha in 2010-11. To rationalize irrigation development in the state, the state government has decided to provide irrigation facilities to 35% of the cultivable land in each block. State government has adopted an appreciable scheme of subsidising farm-mechanisation.

**2.5** The state government has been taking a number of proactive steps for improving the agriculture production and productivity issues. However, some of the challenges confronting the state and affecting its growth, are presented below in brief:

- The incidence of poverty in Odisha is high at 32.59% (2011-12) despite plenty of natural resources in the state. The all India average is 21.92% for the corresponding period.
- State per capita income is Rs 25891 as against national average of Rs 39961 during 2013-14.
- Human Development index at 0.30 vs 0.55 at national level in 2011 - greater attention is needed to improve quality of education, healthcare, food security, nutrition, safe drinking water, sanitation and gender issues.
- Need for creating more livelihood and employment opportunities.
- Lack of focus on critical and last mile infrastructure requirements - quality roads, ports, rail network, irrigation and market and storage infrastructure for agriculture produce.
- SC / ST population constitutes 39.9% of the total population and majority belongs to economically weaker section.

- 19 districts out of 30 are affected by Left Wing Extremism making it difficult for infrastructure and other developments.
- Frequent natural calamities like floods and cyclones.

**2.6.** A higher growth in agriculture will make a positive impact on the lives of majority of the population. Such growth in agriculture is possible if substantial investment by way of capital formation is made in agriculture and allied activities. Keeping in view the factors influencing investment and potential for credit absorption, the sector wise projections made in the state Focus Paper for 2015-16 and the major action points for realisation of the identified potentials, are presented in the following paragraphs :

### **3. STATE FOCUS PAPER 2015-16 –**

#### **SECTOR SPECIFIC PROJECTIONS AND SUGGESTED ACTION POINTS**

##### **3.1. Projection for 2015-16**

A total projection of Rs.47756.43 crore has been made under priority sector lending for the year 2015-16. Of this, the Broad Sector wise projection works out to Rs.19056.80 crore for Crop Loan, Rs.7169.68 crore for Agri Term loan, Rs.6213.62 crore for MSE and Rs.15316.33 crore for Other Priority Sector.

##### **3.1.1. CROP LOAN**

The projection for 2015-16 towards credit flow for crop loan has been estimated at Rs.19056.80 crore.

##### **Suggestions**

- According to the revised KCC guidelines, ATM enabled Rupay KCC cards should be made available to farmers. All the banks in Odisha are on CBS platform and they have to put in place necessary infrastructure for issuing Rupay KCC to the existing and new KCC holders.
- Post-harvest infrastructure such as scientific storage facility is required at strategic locations to ensure remunerative price to the farmers for their produce and avoid distress sale. Besides, promotion of Kisan Bazaars in rural and urban centers is

required for improving marketing access to the farmers.

### **Action Points**

- Banks may educate KCC holders about need-based multiple operations on sanctioned credit limits to prevent misuse of loans issued for agriculture operations.
- Those banks which are on CBS platform may put in place enabling infrastructure for issue of Rupay KCC.
- Banks may sanction Agriculture Term Loans also under KCC while maintaining separate loan ledger accounts for short term and long term components of agricultural credit.
- It has been envisaged by Gol that at least 90% of the small and marginal farmers in BGREI states are to be provided crop loan through JLG mode. The bankers, particularly commercial banks, are required to step up efforts in this regard.
- Banks may monitor utilisation of agricultural credit.
- Banks may ensure prompt settlement of insurance claims.
- SLBC Convenor, UCO Bank may fix district-wise targets for Weavers Credit Card.
- To improve Seed Replacement Rate (SRR) for Paddy, the state government may establish Seed Processing Plants at district level, enhance production of quality / certified seeds through Seed Village Programmes, ensure participation of private seed entrepreneurs, etc.
- State government may promote PACS as multi service centers and equip them with farm equipments for hiring. Besides, it may promote Agro Service Centers at Block / GP level.
- The JLG financing is yet to pick up in the state. The state government may bring in legislation at par with the one in A.P. for ensuring adequate credit for Tenant Farmers/ Share Croppers/ Oral Lessees without insistence of land title deeds.
- Online registration or mortgage and computerised generation of land particulars may be completed early

### **3.1.2. WATER RESOURCES**

The potential for credit flow under Minor Irrigation for the state for the year 2015-16 is estimated at Rs 675.45 crore. This is in addition to the irrigation potential created under the state government schemes for minor and medium irrigation as also lift irrigation and deep/shallow tube-wells supported under Rural Infrastructure Development Fund.

#### **Suggestions**

The following need to be created/provided

- Water conservation and water harvesting through digging of percolation tanks, ponds and small check dams.
- Renovation and desilting of water bodies such as tanks, ponds, old canals, open wells, etc.
- Repair and service outlets for micro irrigation equipments.
- Promotion of energy efficient pumps as well as solar pumps.

#### **Action Points**

- The energy department in consultation with GRIDCO should provide concessional facility for agricultural connections and uniform tariff for operational charges. Timely energisation is important for economic exploitation of groundwater.
- Suitable demonstrations and popularization of water saving devices are to be done by the Agriculture/ Horticulture Department. Horticulture Department may prepare a district-wise list of farmers, who have successfully used these devices, so that exposure visits can be organized for other farmers.
- Priority for completion of the distribution system for completed and on-going minor irrigation projects
- Ensuring availability of drilling machines in district / block head quarters.
- Interdepartmental collaboration and convergence with other schemes such as MGNREGA.

### 3.1.3. LAND DEVELOPMENT

The credit potential for the state under this sector for 2015-16 is estimated at Rs 225.98 crore.

#### Suggestions

- There is an urgent need for development of infrastructure for commercial production of organic inputs like bio fertilisers, vermi-compost, vermin- hatcheries and compost from vegetables and fruits, etc.
- Soil testing facilities may be created at block level and all the farmers be issued with a “Soil Health Card”.

#### Action Points

- Soil conservation department will have to take measures to rigorously implement Integrated Watershed Management Programme (IWMP) and Jeebika Programme.
- Promotion of green manuring, natueco farming, use of bio-fertilizers and use of paper mill sludge in a bigger way and restoration of soil health by amelioration of soil acidity.
- Cooperation Department is going for construction of PACS godowns which can also act as muti-service centre with all soil testing facilities at PACS/Block level involving NGO/Corporate/Government department.
- Inter departmental collaboration and Convergences with other schemes like MGNREGA.

### 3.1.4. FARM MECHANISATION

Odisha has about 64.09 lakh Ha of cultivable area out of total geographical area of 155.71 lakh Ha, accounting for 41.16 percent. Total cultivated area is about **61.50 lakh Ha**. In Odisha, against the gross cropped area of 87.99 lakh Ha, 45.93 lakh Ha is under assured source of irrigation. Farm mechanization in Odisha is on the rise as the number of tractors sold to the farmers increased from less than 200 in 1999-2000 to more than 5000 in 2011-12. However, considering a total sales figure of approximately 5.00 lakh tractors every year in the entire country, the figure is very modest for Odisha. Of late, Odisha became the largest consumer of power tillers. The credit potential for the state under this sector for 2015-16, is estimated at Rs.2164.02 crore.

#### Suggestions:

- Infrastructure for demonstration of latest equipment

- Establishment of “Farm Machinery Bank” at selected PACS level for facilitating custom hiring of cost intensive and power operated farm machinery such as tractor, power tiller, rotavators, transplanter, fertilizer-cum-seed drills, reapers, harvesters, laser levellers, etc.

#### **Action points**

- At least one implement factory may be established in each district keeping in view the requirement of local areas.
- Promotion of use of small tractors (15 HP), power tillers and paddy reapers and other equipment through farmers' clubs.

### **3.1.5. PLANTATION AND HORTICULTURE**

The potential under this sector for 2015-16 is estimated at Rs 661.28 crore.

#### **Suggestions**

- Infrastructure like setting of Tissue Culture (TC) labs, Seed processing units, bio control labs, spawn production units, cold storage, ripening chamber should be developed adequately.
- Creation of small cold storage of 100 MT capacity or pusa zero energy cool chamber in rural areas for storing perishable fruits and vegetables is needed.

#### **Action points**

- **Dry land horticulture** need to be promoted as a supplementary source of income to the farmers particularly in the TSP areas or rainfed areas of the state, and pond based mixed farming systems in medium / low land ecosystems (banana, papaya, coconut, etc., on the farm bunds)
- **Area Expansion efforts** – Thrust on increasing productivity of existing orchards through technology infusion and capital investments on fertigation, input management, plant protection, FM, etc., need to be given.
- **Floriculture** – This sector is still in nascent stage in Odisha. Skill development programmes on new technology and scientific package and practices, adequate transport facilities will create interest amongst farmers to take up the activities.

- **Coconut** – 5th largest state in India for coconut production. A definite time bound programme should be taken up to replace old and senile plants with HYV plants.
- APEDA to develop **AEZs for horticulture crops** in different potential areas
- An **integrated procurement and marketing system** can be developed where every district or block will be facilitated by a centralized online selling of horticulture produce (concept of fruits and vegetable at door steps) supported by number of collection centre, packaging, grading and storing units and facilities of inter-district transportation systems.
- Strengthen **extension services** and regular field demonstrations by engaging private organizations are needed.
- Large scale promotion of **high value vegetables** like coloured capsicums, cherry tomato, cucumber; flowers like gerbera, orchids, anthurium, carnations, roses, etc., under protected cultivation need to be done.
- Promotion of **contract farming systems** linked to mega food parks being promoted in the state is the need of the hour.
- **Promotion of marketing**, especially of vegetables, around major consumption centres on the lines of “Udyan Fresh” may be encouraged.
- To regulate the **quality of seeds and planting materials** of horticulture and plantations crops, accreditation and rating of nurseries with clearly defined protocols need to be done.
- **Development of database** on horticulture status by taking up one time horticultural census and setting of extensive network of Horticulture Information System need to be done.
- Identification of compact areas/blocks for promotion of specific crops is required.

### **3.1.6 FORESTRY AND WASTELAND DEVELOPMENT**

The potential under this sector for 2015-16 is estimated at Rs 148.47 crore.

#### **Suggestions**

- Promotion of NTFP collection, storage, and value addition / processing centres to be done
- Establishment of Hi-tech Central Nursery is needed.
- Establishment of gene bank/ germ plasm conservation centre is needed.

#### **Action Points**

- Bank credit may be channelled to SHGs/user groups for taking up collection, processing and trading of various forest products.
- Financing individual or groups for promotion of eco-tourism.
- Financing individual and groups (JLGs) for fruit orchards or medicinal plants in the fallow land after jhum cultivation
- Financing of captive plantations in association with the user industries.

### **3.1.7 ANIMAL HUSBANDRY**

The potential under this sector for 2015-16 is estimated at Rs 1766.41 crore.

#### **(i) Dairy Development**

The potential under this sector for 2015-16 is estimated at Rs 870.36 crore.

#### **Suggestions**

- The existing semen stations should be strengthened and upgraded to category 'A', and /or new semen stations established to ensure availability of minimum 150 million doses of quality semen to cover 40% breedable cows and buffaloes and 70% AI delivery at farmers' doorstep.
- Odisha is well endowed with buffalo breeds like Sambalpuri, Kalahandi, Jirangi and Paralakhemundi & cattle breeds like Binjarpuri, Ghumusuri, Motu and Khariar. .In view of climate changing scenario, improvement of indigenous breeds that have potential to contribute and be part of future production system should be identified, evaluated and

improvement programs for them initiated/ strengthened on priority. There must be at least one farm for each breed in its native tract.

## **(ii) Poultry Development**

The potential under this sector for 2015-16 is estimated at Rs 438.59 crore.

### **Suggestions**

- It is recommended to replicate the successfully implemented Poultry Estate Scheme of GoI with a view to promote commercial poultry production
- Augmentation and modernization of infrastructure and establishment of hi-tech laboratories in the area of disease diagnostics & forecasting, feed/food microbiology, feed and poultry processing

## **(iii) Sheep, Goat and Piggery Development**

The potential under this sector for 2015-16 is estimated at Rs 457.46 crore.

### **Suggestions**

- Modernization of existing municipal slaughter houses need to be done. The new regulations notified in May, 2011 under Food Safety and Standards Act calls for complete modernization of the industry to produce quality and safe meat.
- There is need to develop export-oriented modern abattoirs and meat processing plants registered with Agricultural and Processed Food Products Export Development Authority exporting raw meat (chilled and frozen).

## **3.1.8 FISHERIES**

The potential under this sector for 2015-16 is estimated at Rs 668.29 crore.

### **Constraints and Suggested Action Points**

#### **a) Fish Seed**

Good quality fish seed is the critical input for success of commercial aquaculture. The fish seed production by the public and private sector hatcheries in the state is very much inadequate.

### **Fish Seed Banks**

For commercial fish culture on the lines of practices followed in other states, there is need to promote the concept of multiple stocking of advanced fingerlings or stunted yearlings of 200 to 250 g size for culture ponds.

### **Soil and Water Testing Centres**

The soil and water testing facility cum technical advice centers may be established in potential blocks or panchayat headquarters of the district by the Fisheries Dept. The facility may be developed by availing assistance under RIDF.

#### **b) Renovation of GP Tanks & updation of land records**

Renovation of water bodies under the control of GP.

### **Use of Pellet feed**

One of the major impediments towards commercial aquaculture in the state is the high cost of formulated pelleted feeds procured from outside the state i.e. Andhra Pradesh, Chhattisgarh, etc. The pelleted feed units for fish may be developed with credit support from banks and assistance from the Fisheries Dept., CIFA in PPP mode.

#### **c) Shortage of Field Staff**

The Fisheries Dept. is having shortage of skilled field staff in almost all the districts of the state. There is need to strengthen Fisheries Dept. by posting adequate trained staff so as to provide required technical and extension services to fish farmers and fishermen.

#### **d) Training and Capacity Building of Fish Farmers**

Most of the fish farmers in the state are not following the scientific method of farming practices, resulting in poor fish productivity. Scientific fish farming should be ensured through suitable training & exposure visits to Andhra Pradesh and West Bengal. The fisheries department may prepare a list of successful fish farm which can act as demonstration ponds.

#### **e) Focus on Investment Credit for Aquaculture**

All the aquaculture based activities are highly viable and bankable. However, the flow of institutional credit to the sector is tardy. There is no special thrust/initiatives by the banks in the state for financing fisheries schemes. The resources allocated by the state government for long term and short term interest subvention in respect of credit given by banks remain grossly unutilized.

### **3.1.9. STORAGE GODOWN AND MARKET YARDS**

The potential under this sector for 2015-16 is estimated at Rs 725.28 crore.

#### **Suggestions and Action Points**

- Awareness campaign and other promotional initiatives by GoO may provide the desired enthusiasm for the farmers/individuals for setting-up of small godowns in the rural areas.
- The scheme of setting up cold storage units under National Horticulture Mission needs to be popularised by GoI and related departments
- The state government may arrange for accreditation of more agricultural warehouses so that the farmers could get advantage of pledge loans against warehousing receipts at the terms at par with the crop loan and the same will prevent distress sale.

### **3.1.10. RENEWABLE SOURCES OF ENERGY & WASTE MANAGEMENT**

The potential under this sector for 2015-16 is estimated at Rs 27.35 crore.

#### **Suggestions**

- Establishment of solar light repair and mobile charge centers in remote locations.
- Support service infrastructure for solar light and water heating system.

#### **Action Points**

- The solar home lights are reported to be popular. In order to further encourage its use, the earlier subsidy scheme may be restored.
- Demonstration units may be set up by OREDA for extraction of bio-diesel so as to create better awareness on its potential.
- In order to ensure availability of servicing facilities as and when needed, the beneficiaries may be imparted basic training at the time of installation.

#### **4. MICRO & SMALL ENTERPRISES (MSE)**

The potential under this sector for 2015-16 is estimated at Rs 6213.62 crore.

##### **Suggestions**

- Development of common facility centre for cashew processing units for providing facilities to small units for sorting, grading, flavouring and vacuum packing of the cashew kernels
- Establishment of industrial estates/growth centres in rural areas
- Credit Facilitation Centres for small and micro units may be established at DIC.

##### **Action Points**

- Obsolete technology in most of the MSME units has rendered them non-viable. The system of technology upgradation may be taken up.
- Due to economic backwardness, the potential first generation entrepreneurs are not in a position to meet the margin money and collateral requirement of banks. There is a need for introduction of Venture capital assistance from state government to enable the banks to finance the new units in MSME sector.
- The farm produce of the state, especially from tribal pockets are generally sold in primary form. These produces offer tremendous scope for value addition and increased price realization. Hence the supportive mechanism for development of agro processing activities should be undertaken.
- More specialised MSE bank branches to cater to the needs of new entrepreneurs.

#### **5. FINANCIAL INCLUSION IN ODISHA**

There are 45,888 villages having population of below 2000 in the state as per 2001 Census. Out of these villages, 335 villages are having Brick and Mortar branches of Scheduled Commercial Banks and 2536 villages are covered through Business Correspondents and other modes leaving 20197 villages to be covered.

In the state of Odisha through a special initiative of the state government and banks, a five year action plan has been initiated under which banks will open brick and mortar branches in 4597 uncovered GP of the state.

The unbanked GPs have been allotted to different banks and banks have been advised to open branches as per the allotment made. The state government has also agreed to provide physical infrastructure wherever available for opening of branches.

## **6. Micro Credit - Status in Odisha**

The SHG-Bank linkage programme launched by NABARD IN 1992, has since become the largest micro-finance programme in the world in terms of its outreach. As on 31st March 2014, about 74.29 lakh SHGs were bank linked with savings amount of Rs. 9897.41 crore and 41.97 lakh SHGs were credit linked with loan outstanding of Rs. 42927.52 crore. Thus, about 9.5 crore rural households have been covered under the programme in our country.

In the state of Odisha 6.20 lakh SHGs have been savings linked with total deposit amount of Rs. 483.77 crore out of which 2.56 lakh groups have loan outstanding of Rs. 1532.40 crore as on 31.03.2014.

## **7. NATIONAL RURAL LIVELIHOOD MISSION (NRLM)**

As part of National Rural Livelihood Mission (replacing the earlier SGSY scheme), the state government has launched Odisha Livelihood Mission (OLM) for providing livelihood support to poor rural women through SHG mode. Under this programme, select blocks in all the districts have been identified during 2012-13 and the coverage is expected to scale up to cover all the blocks in a phased manner. Under the mission, the state government, has planned to promote new groups, nurture old and new groups, federate them at cluster and block levels and guide/ train them in income generating activities and hand hold for credit linkage and setting up of enterprises. All the activities of the state government under TRIPTI / Mission Shakti will merge with the OLM project. Various initiatives taken/to be taken by the state government for effective implementation of the programme, are as under:

- At the instance of the Panchayati Raj Department, the SLBC has formed a sub-committee to discuss issues and draw strategy to give a boost to this programme.
- Convergence workshops with anchor NGOs in LWE districts are being planned to sort out field level issues.
- Bank Mitras have been identified to provide cost free support to the banks for linkage of groups.

- Efforts are on to create comprehensive data base in respect of groups on the lines of the SERP model of Andhra Pradesh.

NABARD is coordinating with the Panchayati Raj Department, Government of Odisha, to ensure joint efforts for effective implementation of the programme

## **8. INFRASTRUCTURE**

The infrastructure facilities required in the rural areas need to be properly addressed through detailed technical survey & investigation and long term plan. Prioritisation of projects should aim for geographic equity in distribution of projects with thrust on backward districts/regions of the state. Such prioritisation and subsequent efficient execution would help in addressing the infrastructure deficit in some areas, remove economic backwardness and help address regional imbalance thereby achieving inclusive and sustainable growth. The predominant perspective of 12<sup>th</sup> Five Year Plan is to improve the infrastructure as well as Human Development Index of the state. It stresses the importance of infrastructure development and removal of bottlenecks for higher growth and inclusiveness.

Apart from the traditional infrastructure projects, there is a need to identify critical infrastructure gap in different sectors/ sub-sectors. Possibility of filling the void in the infrastructure and integrating with other potential sectors may be explored to reap the maximum benefits.

Apart from considerable requirement to improve connectivity in rural areas, there is infrastructure gap in social sectors like schools, vocational education centres, drinking water, sanitation and health. Moreover, the supporting infrastructure for agriculture like storage structure, grading and sorting centres, terminal markets and food parks, IT infrastructure to rural areas for digital connectivity and promotion of solar and wind energy can be new and innovative means for infrastructure promotions.

## **9. CREDIT FLOW IN RIDF PROJECT AREAS**

Development of Rural infrastructure assumes critical importance in the context of accelerating overall growth rate of the economy. There is therefore, a need to explore scope for bank funding for financing and enhancing the credit flow for potential sectors in the areas of completed RIDF projects. Co-ordinated action is required on the part of SLBC and banks to supplement downstream investment in project areas keeping pace with potential / benefits created. Increased credit flow will facilitate income generation and employment creation for people in adjoining / connected villages around RIDF project areas so as to ensure overall

development of the area in the post- RIDF stage on a sustained basis.

## **10. AREA BASED SCHEMES**

In order to boost capital formation in agriculture with institutional credit flow, NABARD has been emphasizing on formulation of Area Development Scheme (ADS) with sector specific investment models, based on local conditions, support service available and suitable techno-economic parameters. The Schemes are intended to incorporate activity wise banking plan at block level, which will be helpful for enhancing Priority Sector lending by banks, particularly under Agricultural Term Loan (ATL).

Towards this effort, NABARD has prepared ADS on Fresh Water Fish Farming, Dairy farming and Farm Mechanisation covering 7 districts of the state, involving a total bank loan of Rs.100 crore.

Similarly, as a part of Potential Linked Credit Plans (PLP), for 2015-16, Area Based Schemes on various activities have been formulated with total estimated investment of Rs. 384.79 crore across the districts of the state.