

# **STATE FOCUS PAPER 2015-16**

## **EXECUTIVE SUMMARY**

### **STATE: PUNJAB**

*“Accelerating the pace of capital formation in agriculture  
and allied sector”*

**NATIONAL BANK FOR AGRICULTURE AND RURAL  
DEVELOPMENT**

**PUNJAB REGIONAL OFFICE, CHANDIGARH**

## FOREWORD

Punjab is the grain bowl of the country with a contribution of more than 43% of the central pool of wheat and 29% of rice. Agriculture continues to be a major contributor to the economy with about 21% Gross State Domestic Product (GSDP) being contributed by agriculture and allied sector against an all India figure of 14%. Also, a sizeable population of 36% is dependent on agriculture and allied activities for its livelihood. To sustain the contribution of agriculture and allied activities in the State and to achieve the target of 4% growth in Agriculture and allied sector as envisaged in the XII<sup>th</sup> Five Year Plan, accelerating the pace of capital formation in agriculture and allied activities is of paramount importance. Keeping this in view, the theme of this State Focus Paper is **“accelerating the pace of capital formation in agriculture and allied activities”**. The area of concern is that in Punjab, agriculture is facing issues like stagnation in production and productivity, monoculture of wheat and paddy cycle which forms 81% of gross cropped area, declining water table, deteriorating soil health due to excessive use of fertilisers and pesticides, etc. These issues can be addressed with concerted efforts of the Government, Banks, Line Departments, grassroot level functionaries and the farming community. Policies to encourage diversification of crops, checking depletion of ground water, aggregation of farmers as farmers clubs and producer organisation, formation and bank linkage of Self Help Groups mostly of women, formation and credit linkage of Joint Liability Groups which include Bhoomi Heen Kisaan (landless farmers, oral lessees, etc.), implementation of Pradhan Mantri Jan Dhan Yojana to provide financial inclusion, etc., have been framed. These efforts will provide an enabling environment to boost rural economy especially with regard to agriculture and allied sector.

As in the past, NABARD has prepared Potential Linked Credit Plan for 2015-16 for each of the 22 districts of the State after assessing the potential for the major agriculture related activities based on the available infrastructure, achievement during the previous years, backward and forward linkages. The district wise potentials are aggregated to form the State Credit Potential. The aggregate potential for 2015-16 for the State has been assessed at ₹141284.16 crore in Agriculture, MSME and Other Priority Sector. Out of this the potential for investment credit has been assessed at ₹21226.63 crore which is 15% of the potential assessed. This potential mapping is the guiding light for the banking industry to set their goals. The Reserve Bank of India had issued guidelines in 2005-06 to the banks that Potential Linked Plans prepared by NABARD would form the basis of Block and District Credit Plans. I hope the banks will be making use of this document and will set their District Credit Plan and State Credit Plan for 2015-16 exploiting the potential to the maximum. Also I hope, the Government Departments and the line Departments will support this endeavour by framing enabling policies and schemes.

I thank the Hon'ble Chief Minister Sardar Parkash Singh Badal Ji and Shri Sarvesh Kaushal, IAS, Chief Secretary, Govt. of Punjab for their patronage in all our efforts in the field of agriculture and rural development. I also thank other senior Government officials, RBI and bankers for their support in assessment of the credit potentials in the districts. I look forward to their continued support in this effort and accelerate credit flow for agriculture and rural development.

I hope that various stakeholders would find this document useful.

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**NABARD, Punjab Regional Office**  
**Chandigarh**  
**30 January 2015**

**List of Abbreviations**

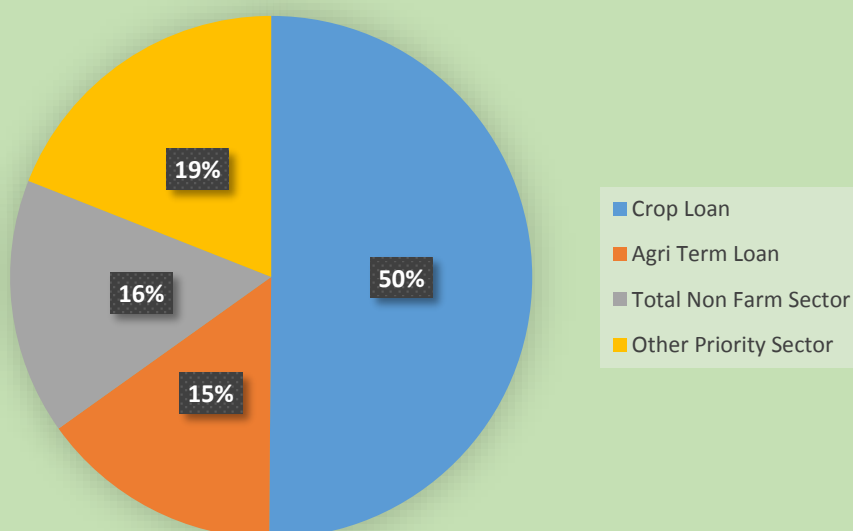
AMI	Agriculture Marketing Infrastructure	MoFPI	Ministry of Food Processing Industries
APBS	Aadhar Payment Bridge System	MoWR	Ministry of Water Resources
APMC	Agricultural Produce Marketing Committee	MoRD	Ministry of Rural Development
BC	Business Correspondent	MSME	Micro, Small and Medium Enterprises
BMMUs	Block Mission Management Units	NEFT	National Electronic Fund Transfer
CAGR	Compounded Annual Growth Rate	NIDA	NABARD Infrastructure Development Assistance
CAS	Common Accounting System	NPA	Non Performing Asset
CBs	Commercial Banks	NRLM	National Rural Livelihood Mission
CBS	Core Banking Solutions	NWR	Negotiable Warehouse Receipt
CD Ratio	Credit Deposit Ratio	PMGSY	Pradhan Mantri Gram Sadak Yojana
CGTMSE	Credit Guarantee Fund Trust for Micro & Small Enterprises	PoS	Point of Sale
CLCSS	Credit Linked Capital Subsidy Scheme	PO	Producer's Organisation
CSPs	Customer Service Providers	PPP	Public Private Partnership
DBT	Direct Benefit Transfer	PSA	Priority Sector Advances
DCBs	District Cooperative Banks	PStCB	Punjab State Cooperative Bank
DCC	District Coordination Committee	RIDF	Rural Infrastructure Development Fund
DEDS	Dairy Entrepreneurs' Development Scheme	RIPF	Rural Infrastructure Promotion Fund
FIP	Financial Inclusion Plan	RNFS	Rural Non Farm Sector
FLCCs	Financial Literacy and Counselling Centres	RRBs	Regional Rural Banks
FLCs	Financial Literacy Centres	R-SETI	Rural Self Employment Training Institute
FYP	Five Year Plan	RTGS	Real Time Gross Settlement
GCA	Gross Cropped Area	SARFAESI	Securitisation And Reconstruction of Financial Assets for Enforcement of Security Interest
GDP	Gross Domestic Product	SGSY	Swarnajayanti Gram Swarajgar Yojana
GIA	Gross Irrigated Area	SHG	Self Help Group
GPs	Gram Panchayats	SHG-BLP	Self Help Group Bank Linkage Programme
GSDP	Gross State Domestic Product	SHPI	Self Help Promoting Institution
ICT	Information and Communication Technology	SLBC	State Level Bankers' Committee
JLGs	Joint Liability Groups	SRLM	State Rural Livelihood Mission
JNNSM	Jawaharlal Nehru National Solar Mission	STCCS	Short Term Cooperative Credit Structure
KCC	Kisan Credit Card	USB	Ultra Small Branches
LTCCS	Long Term Cooperative Credit Structure	WIF	Warehousing Infrastructure Fund
MFI	Micro Finance Institution	WSHGs	Women Self Help Groups
MIS	Management Information System		

**Broad Sector wise PLP Projections - 2012-13 to 2016-17**

(₹ crore)

Sl. No.	Sector/ Activity	2012-13	2013-14	2014-15	2015-16	2015-16 (Revised)	2016-17
1	Crop Production Maintenance and Marketing	40818.50	47808.34	60219.54	58718.12	<b>70810.55</b>	64822.93
2	Term Investment for Agriculture and Allied Activities (Agri. Term Loan)	10859.84	11536.42	13688.62	14568.55	<b>21226.63</b>	16139.14
<b>3</b>	<b>Total Investment under Agriculture and Allied Activities (1+2)</b>	<b>51678.34</b>	<b>59344.76</b>	<b>73908.16</b>	<b>73286.67</b>	<b>92037.18</b>	<b>80962.07</b>
4	MSME	12952.33	16664.31	18186.66	20865.73	<b>22401.92</b>	23069.53
5	Other Priority Sector (OPS)	17393.82	20334.89	24004.87	25267.81	<b>26845.06</b>	28367.99
<b>6</b>	<b>Total Sector Priority</b>	<b>82024.49</b>	<b>96343.96</b>	<b>116099.69</b>	<b>119420.21</b>	<b>141284.16</b>	<b>132399.59</b>

**Broad Sector wise PLP Projections for 2015-16**



## Executive Summary

### 1. State Profile

Punjab, the grain bowl of India is situated in the North West part of the country with a geographical area of 50,362 sq. km, constituting 1.54% of the total geographical area of the country. Punjab State is located between 29°30' N to 32°32' N latitude and between 73°55' E to 76°50' E longitude. The State is endowed with semi humid to semi arid climatic conditions. The State is divided into three agro climatic zones viz., Sub-mountainous Zone or Kandi area, Central Alluvial Zone or Central Plains and Southern Dry Zone. Punjab has more popular regional divisions viz., Majha, Doaba and Malwa regions.

As per the 2011 Census, the population of Punjab is 2.77 crore, constituting 2.29% of the total population of the country. About two third of the State's population lives in rural areas. **The Gross State Domestic Product at constant (2004-05) prices of the State has increased to ₹ 173221 crore in 2013-14 from ₹ 164588 crore in 2012-13 showing a growth of 5.25%. The per capita annual income at current prices was estimated at ₹ 92638 for Punjab in 2013-14 registering an increase of 9.60 % over the previous year.**

### 2. Banking / Financial Sector Profile

The State of Punjab has 6197 bank branches comprising of 5016 branches of Public and Private Sector Commercial Banks, 340 branches of three RRBs, 821 branches of Punjab State Cooperative Bank and 20 District Central Cooperative Banks put together, and 20 branches of one Urban Cooperative Bank. In addition, there are about 89 Primary Cooperative Agricultural Development Banks and 3500 Primary Agricultural Cooperative Societies catering to the credit requirement in rural Punjab. The population per branch (including 89 PADBs and 3500 functional PACS) worked out to 2835 (total 9786 branches for 277.43 lakh persons as per 2011 Census). Out of total network of 9786 branches including PACS, 66.08% of branches are in rural areas while 17.94% are in semi urban areas and 15.96% branches in urban areas.

#### 2.1. Cooperatives

The Cooperative sector includes the Punjab State Cooperative Bank at the apex level and 20 DCCBs, the Punjab State Cooperative Agriculture Development Bank (PSCADB), Primary Agriculture Development Banks (PADBs) and the Urban Cooperative Bank. The PSCADB and PADBs (earlier known as the Land Development Banks) cater to the long term capital requirement of farmers. The DCCBs on the other hand mostly cater to the short term credit requirement of farmers through KCC. The share of Cooperative Banks and PADBs in Ground Level Credit during 2013-14 was 18.46% and 2.31% respectively. The State Cooperative Bank and all the DCCBs have migrated to CBS platform under NABARD facilitation.

#### 2.2. Commercial Banks

There is a network of 23 Public Sector and 9 Private Sector Banks for addressing various credit requirements in the State. The Commercial Banks in Punjab have played a major role in issuing more than half (56%) of the KCCs in the State. The share of Commercial Banks in Ground Level Credit during 2013-14 was 73.59%.

#### 2.3. Regional Rural Banks

In Punjab, three RRBs namely Punjab Gramin Bank, Sutlej Gramin Bank and Malwa Gramin Bank are in operation providing banking services in the rural areas of the State.

The RRBs with 82% of their branches in rural areas and 13% of their branches in semi urban areas cater to the financial requirement of rural Punjab. The share of RRBs in aggregate Ground Level Credit during 2013-14 was 5.64%.

## **2.4 Issues in Banking**

Financial outreach is widely regarded as a critical factor in making financial products and services available to a wider segment of the population. Although the CD ratio of Punjab was quite high at 82.33% as on 31.03.2014, only one district (Nawanshahar) has CD ratio below 40%. Banking in Punjab is fairly mature in terms of supply, product range and reach. However, the outreach of private sector banks in rural Punjab requires a fillip.

## **2.5 Pradhan Mantri Jan Dhan Yojana : Implementation in Punjab**

Pradhan Mantri Jan Dhan Yojana which envisages opening of account, issue of accidental insurance of `1 lakh, Life Insurance cover of ₹30000/-, Issuance of Rupay Debit Card to every account holder, was announced on 15.08.2014 by Hon'ble Prime Minister of India, and launched in the State at a function held on 28.08.2014 which was presided over by the Hon'ble Chief Minister of Punjab. Banks in the State have so far organized 23,412 camps in which 29,45,090 accounts have been opened under Pradhan Mantri Jan Dhan Yojana upto 26.12.2014. The State has been declared financially included.

## **2.6 Computerization of Land Record**

The Department of Revenue, Govt of Punjab has taken up the project of Computerization of Land Records. The project envisages that a Fard Kendra will be opened at each Tehsil and Sub-Tehsil level. Revenue Record like Jamabandi, Mutations, Rapats Roznamchas, etc., of all the villages of that Tehsil/Sub Tehsil will be fed into computer. As on 30.09.2014, out of proposed 167 Fard Kendras, as many as 161 have been operationalized and record of about 12,285 villages has been computerized. The data of live Fard Kendras of all the districts has been put on the web.

## **3. NABARD's perception on the development of the State**

Punjab's economy is predominantly agrarian. In 2013-14, the Agriculture sector contributed 20.83% to the GSDP and as per Census 2011, 36% of total workers depend on it. At present, 82% of the total geographical area of the State is under cultivation and the cropping intensity is around 191% and over 98% of the cultivable area is under assured irrigation. The State is among the highest ranking States in the country in terms of productivity of wheat and rice. The agriculture sector is instrumental in ensuring national food security by consistently contributing a significant percentage of wheat and rice to the Central Pool. Punjab contributed 43.4 percent of wheat and 29.3 percent of rice to Central Pool during the year 2013-14 (P). However, the hitherto vibrant agriculture sector of Punjab is now facing serious challenges posed by deteriorating natural resource base due to wheat-paddy crop rotation, stagnation in yields of principal crops, declining farm incomes and rural indebtedness. Paddy and wheat alone account for a major share (81%) of the gross cropped area putting pressure on land and available ground water resources. A pressing need for changing the land use scenario in farm sector by shifting from paddy to less water consuming profitable crops is an urgent requirement for the State's agriculture. Further, urgent initiatives are required to put the stagnating agricultural economy of the State on fast track. Greater focus on R&D, crop diversification and rural non-farm activities is needed to restore the fast waning glory of this sector.

### **3.1 Capital formation in agriculture and allied sector**

The Union Budget for 2014-15 has emphasised on capital formation in agriculture and allied sector. The State had made a noteworthy performance during the *green revolution* in the country. However, during the past few years (from 2007-08 to 2013-14), the share of Agriculture in GSDP has been declining. In Punjab, where farming is being extensively carried out and farm labour is scarce, investment requirement in areas of farm mechanisation, irrigation infrastructure, storage and warehousing facilities, packaging grading and marketing, food processing, etc., get increased manifold. However, contrary to that, State's Gross Domestic capital formation in agriculture has declined from 9.49% in 2004-05 to 9.09% in 2011-12 (at current prices) and remained below 7% from 2007-08 to 2011-12 (at constant prices 2004-05). Agriculture development cannot be ensured by confining attention to the activities within the boundaries of agricultural fields. It should encompass activities fully or partially meant for agriculture such as production of fertilizers and pesticides, development of agricultural markets, rural roads and communication; augmentation of facilities for agricultural credit for small and marginal farmers, agricultural education, research and development of agricultural technology, which are the main stimuli for increasing production by optimally utilising the natural resources. For sustainable development of agriculture, it is necessary to have adequate capital formation in all these activities.

### 3.1.1 Dairy

As per the data for 2013-14, Punjab is the second highest milk producer in the country at 10.01 million MT per annum (270 lakh litres per day). The total milk production is about 7.5% of the total country's milk production. Sri Guru Angad Dev Veterinary & Animal Sciences University (GADVASU), Ludhiana is engaged in research and development in animal husbandry with respect to animal health care, quality rearing and breeding techniques, food and feeding pattern, augmenting milk yield, etc. The State is targeting to make itself a Dairy State during XII<sup>th</sup> Five Year Plan by establishing a large number of commercial hi-tech dairy farms. On a pilot basis, NABARD in association with Dairy Development Department of the State, has launched Area Development Scheme for dairy activities in two districts of Punjab (Ludhiana, and SBS Nagar).

### 3.1.2 Horticulture

Horticulture is one of the important sub sectors of Agriculture. It offers a lot of scope for crop diversification, value addition, productivity enhancement, export promotion, employment generation, increased farmers income and rural development. In addition, this sector also contributes to the nutritional security of the society and favours development of alternate medical systems. Horticulture sector consists of a large variety of fruits, vegetables, flowers, medicinal and aromatic plants, plantation crops, spices, mushrooms, etc.

The Centrally Sponsored Scheme of *Mission for Integrated Development of Horticulture (MIDH)* has been launched by Ministry of Agriculture, Government of India for the holistic development of horticulture in the country during the XII Plan. The scheme, which has taken take off from 2014-15, integrates the ongoing schemes of National Horticulture Mission, National Bamboo Mission, National Horticulture Board and Coconut Development Board, etc. MIDH covers entire horticulture sector which includes fruits, vegetables, root & tuber crops, mushrooms, spices, flowers, aromatic plants, coconut, cashew, cocoa and bamboo. While Government of India (GOI) contributes 85% of total outlay for developmental programmes in all the States except the States in North East and Himalayas, 15% share is contributed by State Governments. The total area under horticulture crop in Punjab during 2013-14 is 2.96 lakh hectare with a production of 55.16 lakh MT of fruits, vegetables and flowers.

### **3.1.3 Irrigation**

About 73% of the irrigated area of the State is under tube well irrigation causing annual drafting of underground water more than recharge, thus leading to depletion of underground water level. As per Economic Survey, Punjab 2013-14, 103 blocks have been categorized as over-exploited or dark blocks. Further, as per the Central Ground Water Board reports, in 84% of the area of Punjab, the ground water level is going down and in 16% it is too brackish to be useful.

As per the report of the High Level Expert Group on Water Logging in Punjab (Jan. 2013) about 2 lakh hectare of fertile agricultural land is water-logged. The contamination of drinking water in the water logged area with uranium, arsenic and heavy metals is posing threat to the region. Muktsar, Fazilka, Bathinda and Faridkot are among the affected districts according to the report.

The State Government has put a restriction under 'Punjab Prevention of Subsoil Water Act, 2009' on sowing of paddy before 10<sup>th</sup> of June and transplantation of paddy before a notified date, to ensure that the water intensive crop is cultivated during monsoon. There is need for introduction of modes like sprinkler irrigation system, drip irrigation wherever feasible.

The Govt. of Punjab has decided to increase the area under direct sowing of paddy during the next paddy season. Of the 28.50 lakh hectares of area presently under paddy cultivation only 0.50 lakh hectares is under direct sowing. In the remaining 28 lakh hectares, paddy is transplanted from nurseries and the fields are kept submerged so as to avoid growth of weeds. The State Govt. is reportedly considering increasing the existing 50 per cent subsidy on paddy seed planters to 75 percent for incentivising the direct sowing of paddy.

### **3.1.4 Inland Fisheries**

As per data for 2013-14, in Punjab, at present 13039 ha area is under fish culture and there are around 8500 fish farmers. The productivity of fish at 6560 kg/ha is the highest among States against the national average of 3000 kg/ha. The State has a good network of rivers of water bodies with 868 kms of rivers, 14510 kms of canals and 4370 ha reservoirs. Thus there is good potential for fisheries. Further, brackish water fish farming can be propagated in parts of Bathinda, Fazilka Muktsar, Mansa & Faridkot districts where the underground water is brackish and the land is not suitable for traditional agriculture. In order to encourage and promote fish culture, the State Govt. has formulated incentive/subsidy linked programmes. It also provides extension services as well as subsidy to fish farmers.

### **3.1.5 MSME Sector:**

As per data for 2013-14 (Economic Survey Punjab), Punjab has over 1.60 lakhs of MSMEs and about 600 large scale industries. It leads in the manufacture of machine and hand tools, printing and paper cutting machinery, auto parts and electrical switch gear. The State also provides more than 75% of the country's requirement for bicycles, sewing machines, hosiery and sports goods. Punjab has 40 identified MSME clusters. The top clusters in the State are located in districts of Jalandhar (10), Ludhiana (8), Amritsar(4), Sangrur (3) Faridkot (3). The major cluster industries in the State are Rice Milling (4), Atta (3), wooden Furniture and Fixtures (3), Machine and hand tools(2) etc. It is noteworthy that 95% of the woollen knitwear produced in the country are made by the textile clusters, most of which are in Ludhiana.



### **3.1.6 National Mission on Food Processing:**

As per 2013-14 data, Punjab has only 1.5% of the country's area but it produces 18% of total wheat, 11% of total rice, about 7.5% of total milk, 75% of total kinnows and oranges and 10% of the total cotton production. With such significant contribution in the cereals and horticulture crops segment, the food processing sector has a huge potential in Punjab. Presently, there are 2 Food Parks in the State at Sirhind (Fatehgarh Sahib) and Fazilka. The State Govt. has approved the proposal for setting up another Mega Food Park at Ladowal in Ludhiana.

The State Government has set up a new Department for Food Processing to develop the sector in the State by implementing the Scheme of National Mission on Food Processing.

### **3.1.7 Issues in agriculture related growth:**

- Cropping intensity and irrigation potential have been fully exploited and productivity has reached a saturation point.
- Assured marketing for paddy and wheat through public procurement under MSP regime prompts the farmers to cultivate these water intensive crops on a wider scale without giving a serious thought to its impact on the depleting groundwater table. Farmers may perhaps welcome a change for cultivating less water consuming crops if remunerative crops, assured market and value addition are propagated. The State Government has been putting special efforts for crop diversification towards cotton, maize, oilseeds, pulses and vegetables. Short duration crops like pulses and vegetables may be rotated with wheat cultivation under pulses/vegetables and wheat cropping system and oil seeds may be rotated with paddy in a paddy and mustard cropping system.
- Encouraging vegetable cultivation, especially crops like potato, tomato, green peas, etc. can be done in northern and eastern parts of Punjab. Initiatives are being taken in many pockets for upholding organic traditional and exotic vegetable production under clusters development as well as Producer Organizations.
- At constant prices 2004-05, gross capital formation in agriculture and allied sector, as a percentage of Agriculture GSDP, remained below 7% from 2007-08 to 2011-12 (Source : Economic Survey, GoI 2013-14)
- Tubewells (especially submersible pumps) extract huge quantity of underground water for irrigation. In Punjab, tubewells are the main source of irrigation. There are more than 12 lakh tubewells in the State. This has led to severe depletion of ground water.
- The consumption of chemical fertilizers has been increasing steadily leading to depletion of soil quality. Against the recommended NPK ratio of 4:2:1 at national level, the imbalanced use of soil nutrients in Punjab was 61:19:1 during 2012-13, has led to deterioration of soil quality and declining growth in land productivity in the State. (Source : Economic Survey, GoI 2013-14)

### **3.1.8 Factors conducive for growth of agriculture in the State:**

Agriculture in the State has the potential for a take off and witness another green revolution. The following factors are conducive for growth of agriculture in the State:

- Agriculture in Punjab is highly intensive in terms of land, capital, energy, nutrients, agriculture inputs, machinery, irrigation and an enthusiastic farming community. At present 82% of the total geographical area is under cultivation and cropping intensity is 191%.
- As per data for 2010-11, 65.81% of Punjab farmers have a land holding size of more than 5 acres (medium and large farmers) as compared to only 15.03% at

national level, paving the way for intensive farm mechanization. The State's farm economy is highly mechanized with 18% of the country's tractors being in Punjab.

- Punjab has the most fertile land resources with a balanced soil pH level, suitable for cultivating most of the crops.
- Mostly high yielding varieties are used for cultivation of crops.
- The State produces 18% of the country's wheat and 11% of rice contributing significantly to the Central Pool with about 43.4% wheat and 29.30% rice respectively.
- There is huge potential in Agro- industries and services sector.
- In Punjab, marketing and storage facilities are very important components. There were 149 regulated markets in Punjab as on 31 March 2013. The total storage capacity for foodgrains was 234.04 lakh tonnes in 2011-12 (P) which comprises of 120.02 lakh tonnes of covered and 114.02 lakh tonnes of open capacity.

### **3.1.9 Self Help Group- Bank Linkage Programme**

SHG Bank Linkage Programme has enabled saving linkage of 33595 SHGs and credit linkage of 21435 Groups upto 31 March 2014 in Punjab. Target of saving linkage of 10,000 SHGs and credit linkage of 5,000 SHGs for 2014-15 has been fixed for the State. The SHGs which are not yet credit linked need to be linked on priority basis.

### **3.1.10 Joint Liability Group**

In order to augment flow of credit to farmers, especially small, marginal, tenant farmers, oral lessees, share croppers/individuals taking up farm activities and also to Micro entrepreneurs /artisans/individuals in Non Farm Sector activities, a novel concept of Joint Liability Group was introduced by NABARD. In Punjab State, during 2013-14, 5251 JLGs were credit linked taking cumulative position to 7062 JLGs.

### **3.1.11 National Rural Livelihood Mission ( NRLM )**

NRLM is the flagship programme of Gol for poverty reduction. In Punjab, during 2013-14, 360 women SHGs were saving linked and 79 credit linked by the banks.

### **3.1.12 Financial Inclusion**

All the 1576 villages having population more than 2000 in the State have already been covered by various banks through brick and mortar branches, ultra small branches (USB), and Business Correspondent ( BC). There are 10132 villages having population less than 2000, and these villages have been allocated to various banks. As on 30 September 2014, 6689 villages have been covered by commercial banks and RRBs

## **4. Infrastructure Support**

The development of infrastructure and linkage supports like irrigation, agricultural markets, storage facilities (godowns, warehouses, cold storages), roads, bridges, power, drinking water, etc, is crucial for achieving growth in agriculture sector. The State has developed a strong infrastructure base, reflecting in a relatively high infrastructure index. All the villages in the State have all weather connectivity, power supply and potable drinking water supply. For the XII<sup>th</sup> Plan period, infrastructure potential of ₹9343.40 crore has been assessed for the State. Out of this, ₹4291 crore can be supported under RIDF while the others may be developed by private sector and public sector with funds under various programmes. In the irrigation sector, 552 projects involving an estimated project cost of ₹7096 crore need to be developed and for this RIDF support worth of ₹3241 crore (46%) could be provided

during XII<sup>th</sup> Plan period. As far as the financial involvement for development of infrastructure is concerned, agriculture accounts for a lion's share (84.44%) followed by rural connectivity (14.14%) and social sector infrastructure (1.42%).

The critical infrastructure support that is required to be supported during 2015-16 is projected at ₹ 1043 crore in agriculture, ₹ 219 crore under rural connectivity and ₹ 73 crore under social sector. Under agriculture, irrigation sector is the major component with expected potential of ₹ 981.65 crore, animal husbandry and soil and water conservation system are the other areas where support is required during the year 2015-16.

The Govt. of Punjab has drawn a project to clean and develop all the ponds with the involvement of government machinery. The large ponds (more than 5 acre) may be developed for irrigation purposes and the State Govt. may avail RIDF support for this activity.

#### **4.1 Emerging sub-sectors requiring infrastructure support**

##### **4.1.1 Post Harvest Management / Value addition - Food Processing Fund 2014-15**

Government of India (GoI) has accorded top priority for the development of the food processing industry in the country and accordingly a Food Processing Fund (2014-15) with a corpus of ₹ 2000 crore has been established in NABARD to make available affordable credit to the sector. Under this, loans will be provided by NABARD either directly or through consortium arrangements with other financing agencies to State Governments, entities promoted by State/ Central Governments, Joint ventures, Cooperatives, Federation of Cooperatives, SPVs, Farmers' Producers Organizations, Corporates, Companies, Entrepreneurs, etc., at concessional rate of interest for establishing the designated Food Parks and also for setting up of individual food/agro processing units in the designated Food Parks.

##### **4.1.2 Warehouse Storage infrastructure**

While presenting the Budget for the year 2014-15, the Hon'ble Union Finance Minister announced the allocation of ₹ 5000 crore to NABARD for the year 2014 -15 for providing loans to meet the requirements for scientific warehousing infrastructure for agriculture commodities in the country. Under this, NABARD will provide term loan assistance to State/ Central Governments, Joint ventures, Cooperatives, Federation of Cooperatives, SPVs, Farmers' Producers Organizations, Corporates, Companies, Entrepreneurs, etc. Loan will be provided for proposals of projects involving creation of storage infrastructure with a minimum aggregate capacity of 5000 MT for agricultural and allied produce including construction of warehouses, Silos. Assistance is also available for Cold storage, controlled atmosphere (CA) stores, other cold chain infrastructure activities.

##### **4.1.3 Power & Renewal Source of Energy**

Punjab is a deficit State as far as energy production is concerned. There is adequate scope for generation of power using solar, biomass and mini hydel sources. NABARD Infrastructure Development Assistance (NIDA) has been designed to fund directly State owned institutions/corporations of such projects on both on-budget as also off-budget for creation of rural infrastructure outside the ambit of RIDF. Besides this, assistance is also available for funding the rural infrastructure projects in PPP mode.

##### **4.1.4 Nirmal Bharat Abhiyan**

Nirmal Bharat Abhiyan (NBA) previously called Total Sanitation Campaign (TSC) is a Community-led total sanitation programme initiated by Government of India. It is a

demand-driven and people-centered sanitation programme. The key intervention areas have been identified as Individual Household Latrines (IHHL), School Sanitation & Hygiene Education, Community Sanitary Complex and Anganwadi Toilets.

NABARD has sanctioned 3 lakh low cost individual household latrines in all the districts of Punjab with total financial outlay of ₹415 crore under different tranches of Rural Infrastructure Development Fund (RIDF).

#### **4.1.5 Micro Infrastructure**

NABARD is exploring the feasibility of supporting development of micro infrastructure in villages on a pilot basis in Punjab State. Some of the priority items for micro infrastructure identified are :

- Provision for drainage of household as also rain water
- Provision for sewerage disposal;
- Cleaning of village ponds;
- Construction of household toilets
- Management and disposal of household waste;
- Provision for street lights
- Construction of internal roads in the villages
- Construction of warehouses to enable farmers to store their foodgrains.
- Provision for tapped and potable drinking water for every household.
- Setting up of Agro Based Industries on shamlat land of panchayats which will help in creation of employment opportunity as also increasing income of panchayats
- Construction of Community Halls
- Construction of recharging structures for ground water in the villages, keeping in view the rapid depletion of ground water in the State.

### **5. Potential credit outlay**

#### **5.1 Ground Level Credit (GLC) flow under Priority Sector**

Institutional credit has a major role to play for development of both farm and non farm sectors in the State. Total priority sector lending during the year 2013-14 stood at ₹ 99031 crore as compared to ₹ 80554 crore in 2012-13 registering a growth of 22.93 % as against 29.72% recorded in 2012-13.

The ground level credit flow in the State has achieved the National Goals set by Gol and RBI i.e. 40 % of Net Bank Credit for Priority Sector lending and a minimum of 18% towards Agriculture. The GLC flow in the State during last three years has remained above the set norms. The ratio of priority sector advances to Net Bank Credit during 2013-14 in the State stood at 57% and that of agricultural advances stood at 28%.

#### **5.2 Potential Linked Credit Plan (PLP) Projections in Punjab for 2015-16**

For the year 2015-16, aggregate credit potential of ₹ 1,41,284.16 crore has been projected for the State, out of which half (50%) is for crop loan supporting agricultural production and 15% for long term investments in agriculture and allied activities encouraging capital formation. While total agriculture sector accounts for 65% of the PLP projections during 2015-16, the MSME and Other Priority Sector have a share of 16% and 19% respectively. The credit potential has recorded an increase of 21.69% over the projections for the previous year and represent an increase of 18.79% over the priority sector target of ₹118931 crore under ACP for 2014-15. Potential projected under Term loan has increased from ₹13688.52 crore during 2014-15 to ₹21226.63 crore during 2015-16 registering an increase of 55.06%. Under term lending, the activities showing major potential are Dairy Development at ₹3524.73 crore, Farm Mechanisation at ₹2892.09 crore, Poultry Development at ₹799.46 crore, Land Development at ₹1490.28 crore and Storage/ Market Yards at ₹ 1733.39 crore,

Fisheries at ₹144.49 crore, Water Resources at ₹750.81 crore and Plantation and Horticulture at ₹353.50 crore

## **6. Area Based Schemes**

The Working Group of Planning Commission, GOI, had envisaged that during the 12<sup>th</sup> Five Year Plan, 30%- 34% of total loans for agriculture should be for investment purpose so as to attain 4% growth under agriculture in the GDP. NABARD, with this objective, NABARD has identified certain activities under Area Based Schemes for implementation in the State.

### **6.1 Dairy**

It is felt that the State in general and five districts (Ludhiana, SBS Nagar, Jalandhar, Hoshiarpur and Amritsar) in particular offer tremendous potential for improvement of the dairy sector through scientific management and provision of necessary linkages. The objectives of the area based programme (dairy) are as under:

- Enhance production and marketing of clean milk
- Capacity building of farmers for undertaking dairy farming as commercial activity
- Increase income from milk through value addition
- Increase availability of Balanced Ration Feed
- Scientific production and management of milk through backward / forward integration
- Better cost management
- Increase employment opportunities

The proposed intervention envisaged in five districts would enhance milk production by 10.7 LLPD and GLC by ₹ 790.95 crore in three years besides creating direct and indirect employment for 20,000 to 25,000 farmers. It is expected that about 1,59,500 numbers of animals will be financed in addition to various dairy related infrastructure in these districts.

### **6.2 Horticulture (Fruit and Vegetable crops):**

Horticulture has assumed greater importance from XI<sup>th</sup> Five Year Plan onwards. The State Government has given more emphasis on development of horticulture sector. At present horticulture contributes around 10% of GSDP out of total contribution of crop husbandry in State GSDP. To achieve agriculture growth rate of more than 4%, emphasis on horticulture shall continue. For the State of Punjab as a whole the total area under various horticulture crops was 2.52 lakh ha (61500 ha under fruit crops) with a total production of 47.2 million tonnes. Credit potential of ₹353.50 crore has been estimated for the year 2015-16 for Plantation and Horticulture in the State. Kandi area is better suited for dry land horticulture crops like aonla, ber etc., and there is scope for promoting organic farming in these virgin lands. Citrus like Kinnow and Malta have adequate market linkages and can be grown in the State especially in southern districts. Kinnow alone occupies 90% area under citrus fruits i.e., 42,795 ha with an estimated production 9.15 lakh tonne. Building on the strength of Kinnow among the fruit crops in the State, it is proposed to formulate area development schemes for Kinnow in the State. Three major districts viz., Hoshiarpur, Ferozepur and Muktsar have been identified by NABARD for implementation of ADS on Kinnow.

### **6.3 Poly Houses**

In order to increase the income level of the farmers with the decreasing land holdings, alternative cultivation technologies like poly-house are required to be promoted in the State. Loan for vegetable production is covered under short term credit. Term loan for vegetable clusters has been considered for construction of poly-houses for high value and off-season vegetables. Seven districts (viz., Fatehgarh Sahib, Jalandhar, Kapurthala,

Moga, Sangrur, Barnala and SAS Nagar) have been identified for promotion of vegetable clusters. Assuming 50% subsidy from the Government and 10% farmers' contribution, banks may contribute 40% of the project cost. ADS is proposed for 350 ha (aggregate) under poly houses, which envisages a loan of ₹140 crore in the next three years from the banking channel.

#### **Action areas for State Govt.**

- About 73% of the irrigated area of the State is under tube well irrigation causing annual drafting of underground water more than recharge, thus leading to depletion of underground water level. Further, as per the Central Ground Water Board reports, in 84% of the area of Punjab, the ground water level is going down and in another 16% it is too brackish to be useful. This requires construction of water harvesting structures and development of village ponds.
- In order to tackle the problem of water logging, the State Govt. may promote construction of drains as per the contour plan of the area and also promote bio-drainage by way of planting colonial species of eucalyptus and other plants with higher evapo-transpiration rate.
- As the State is rich in production of vegetables and horticulture (especially citrus fruits), the State Govt. may launch special schemes to incentivise the food processing industry. The increasing of shelf-life of horticulture and vegetable products is beneficial both for the farmers and entrepreneurs. There is need for improving the critical infrastructure i.e., water, electricity, transportation.
- Encouraging vegetable cultivation, especially crops like potato, tomato, green peas, etc. can be done in northern and eastern parts of Punjab.
- The State Govt. can promote the formation of Producer's Organisation for Small producers for various products.
- The consumption of chemical fertilizers has been increasing steadily leading to depletion of soil quality. The promotion of organic manure and reducing the dependency on chemical fertilizers can be a boon for long term soil health improvement besides reducing our external debt burden in term of chemical fertilizers import.
- In order to lessen the burden on agriculture, the potential for inland fisheries can be exploited.
- The model of small scale industrial hub can be replicated and clubbed with State Govt.'s plan of providing skill training to one lakh youth annually.
- The potential for dairy and poultry can also be exploited by making the tax structure competitive with neighbouring States relaxing norms for setting up these industries.
- The State Govt. may participate actively in providing an enabling environment for development of Dairy Sector in the identified 5 districts where ADS is under implementation.

#### **Action areas for banks**

- Banks as back bone of credit structure can be instrumental in launching innovative financing schemes to boost agricultural lending (both crop loan and term lending).
- The Mega-food parks is big opportunity for bankers to finance diverse products in such parks.
- The banks should increase the term loan to agriculture related activities to improve capital formation in agriculture and also improve CD ratio.
- Banks may step-up financing of Poly Houses, which holds tremendous potential in the State.
- Banks may adopt Area Development Schemes (ADS) prepared by NABARD for restoring project based lending discipline and suitably prepare banking plans for

each activity district wise and effectively monitor and review in district / State level fora.

- Banks may encourage accreditation of warehouses financed by them and promote warehouse receipt financing.