

EXECUTIVE SUMMARY

1. Introduction

The State Focus Paper (SFP) has been prepared by NABARD every year which consolidates and highlights the potential for deployment of credit to priority sector, the constraints and issues pertaining to various sectors as well as the suggestions for improvement in credit flow, the critical gaps in infrastructure identified in district-wise PLPs, etc., thereby presenting the complete perspective for Credit Planning for the State as a whole.

The theme for State Focus Paper 2015-16 is **“Accelerating the pace of capital formation in agriculture and allied sector”**. Private sector constitutes a major portion of capital formation in agriculture. Investment credit has emerged as the major driver thereby emphasizing the role of Banks to boost farm level investments. However, the recent declining trend in investment credit vis-à-vis crop loan has serious implications for sustaining capital formation. The lack of adequate infrastructure gaps, has been identified as a major constraint in capital formation and economic growth. Accordingly, special emphasis has been given on identifying critical infrastructure gaps, constraints relating to infrastructure and other support services that are hindering the flow of ground level credit. Accordingly, an attempt has been made in State Focus Paper to assess the critical infrastructure needed for harnessing the assessed potential for balanced development.

The projections for the Bank Credit and infrastructure funding were prepared and documented in the Potential Linked Credit Plans (PLPs) prepared for all the four districts, which form the basis of District Credit Plans. These PLP Projections of four districts of the state have been aggregated for preparation of State Focus Paper. According to these projections, NABARD has estimated a credit flow potential of ₹ 48686.06lakh under Priority Sector activities in Sikkim state for the year 2015-16, which envisages an increase of 6 % over the previous year's projections of ₹46121.78 lakhs.

The credit projections has been made taking into account, the major concerns of RBI for poor C:D Ratio, announcement by the Hon'ble Minister of Finance, Government of India in the Union Budget 2014-15 to ensure the ground level credit flow of ₹ 8 lakh crore for agriculture at all-India level, direction of Reserve Bank of India for Financial Inclusion to all the banks by providing General Credit Cards (GCC), Kisan Credit Cards (KCC) and other banking facilities to all the financially excluded households. Govt of India's announcement of financing of 5 lakh “Bhoomiheen Kisans” through JLG mode should be taken on a mission mode.

2. State Profile

Sikkim is the second smallest state in the country. Rural Population constitutes 74.85% and density of population in the State is 86 persons/sq.km. The sex ratio is 890 females per 1,000 male population. The per capita income of the State is ₹ 88,137/-. Nestled in the Himalayas, the economy of Sikkim is linked with agriculture that serves as a source of livelihood and economic security of sizeable native population. Due to low production and productivity in Sikkim (which is lower than both the regional and national averages for all the major field crops) and its fragile ecology, the state is capitalizing on its inherent strength that largely supports organic farming.

3. Banking Profile

Sikkim has a network of 29 Commercial banks (22 public sector banks and 6 private sector banks) and one State Co-operative Bank. As on 30 September 2014, total number of branches were 128 comprising 93 rural and 35 semi-urban branches. Besides, there is an exclusive bank namely State Bank of Sikkim which is not governed under BR Act, 1949. The population per bank branch is 4770. The total Deposits stood at ₹ 5509.03 crore as on 31 March 2014 registering a growth of 11.08 % over the previous year. Similarly, advances stood at ₹ 3992.56 crore registering a growth of 7.90 % over the corresponding previous year.

3.1 Deposit

The share of public sector banks and private sector banks in deposits has been 79.64 % and 14.61 % respectively. Although the deposits of cooperative bank has increased by 44.68% in 2013-14, the share has been only 5.73% in the total corpus.

3.2 Advances

The share of public sector banks and private sector banks in advances portfolio was 78.23% and 18.29% respectively during the year 2013-14, whereas the share of cooperative bank has been only 3.47%. The growth in advances of cooperative bank is to the extent of 59.73% over the previous year.

3.3 C:D Ratio

The C:D Ratio of the state, taking into account credit extended by the banks operating in the state for the current year, was poor and stood at 37.10%. Also, C:D Ratio of both the public sector banks and state cooperative bank fared poorly at 26.8% and 43.8% respectively, while the C:D Ratio of private sector banks was better and stood at 90.7 %. After taking into account the 'outside credit', the C:D Ratio as on 31 March 2014 stood at 72.5 % against 74.60 % as on 31.3.2013. The C:D ratio of commercial banks stood at 74.2 % as on 31.3.2014 as against 76.20 % as on 31.3.2013.

3.4 Recovery Position of Banks

The recovery position of the commercial banks (public sector) ranges between 48.47 % and 76.64% for the last 3 years. The recovery of cooperative bank has increased from 58.78 % 2011-12 to 73.30 % in 2012-13 and again dipped in 2013-14 and stood at 62.38 % as on 31 March 2014.

3.5 Ground Level Credit Flow

(₹crore)

Sector/ Banks	As on 31 March 2012			As on 31 March 2013			As on 31 March 2014		
	Target	Achievement	% of achievement	Target	Achievement	% of achievement	Target	Achievement	% of achievement
Agriculture	72.05	33.59	46.60	70.00	21.00	30.00	147.00	31.05	21.13
Industries	11.03	19.55	177.30	11.00	19.71	179.18	12.63	8.01	63.49
Services/ Tertiary	187.00	257.82	137.90	200.00	159.78	79.90	204.00	133.56	65.47
Total	270.28	310.96	115.14	281.00	200.50	71.35	363.63	172.63	47.48

(Source SLBC)

Despite Sikkim being an agrarian state, the performance of banks in Sikkim in agriculture and allied activities has not been to the expected level and the performance has been well below 50% in the last three years. There has been a contradictory picture in case of industrial growth. Though there are limited big and basic industries in Sikkim barring few multinational medicinal units, the disbursement in industrial sector was above 150% of the target in 2011-12 and 2012-13 but declined in 2013-14. The performance in tertiary sector has been steady as rapid growth in housing and transport sector as also in service units have been observed.

4. Importance of Rural Infrastructure

Rural infrastructure primarily refers to the basic facilities, services and installations, both physical and social, needed for the rural community or society. It mainly includes irrigation structures for agriculture, rural roads, bridges, water supply, sanitation, rural energy, education, health and communication systems. Rural infrastructure in sectors like irrigation and connectivity (roads and bridges) is essential for increasing productivity of land, capital formation, employment potential, reducing post harvest losses and improving living standards of the people.

For the purpose of identification and prioritization of Critical Infrastructure Gaps, a list of critical infrastructure and linkage support required for important sectors in each of the districts has been prepared through dialogue and interaction with line departments, 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 with an option to avail funds under RIDF, as most activities are eligible for funding thereunder. Better rural infrastructure has twin effect of strengthening the foundation of agriculture, the pace setter for promotion of economic growth for better health and physical conditions of rural population.

NABARD through its PLPs has made an attempt to identify the district-wise critical infrastructure requirement. An aggregation of the requirement reveals that an investment of ₹ 36.31 crore is required in the sectors viz. Warehousing, water supply, irrigation, flood protection, animal husbandry, post harvest management, social sector related infrastructure, cold storage fisheries etc. This is indicative and made on the basis of assessment made in consultation with line departments at district level.

5. Rural Credit outlay under various sectors

State Focus Paper for the year 2015-16 estimates total credit potential of ₹ 486.86crore. A budget of ₹ 116.75croreis estimated for crop loan which forms 23.98 % of the total plan. For Agriculture

and allied activities which include Water Resources, Land Development, Farm Mechanisation, Plantation & Horticulture, Forest and Wasteland Development, Dairy Development, Poultry Development, Sheep/Goat/Piggery, Fisheries development, Storage Godown/Market Yard, Renewable Sources of Energy and Waste Management, a potential of ₹ 59.63crore has been estimated (the details provided in Annexure I). For MSME Sector, a potential of ₹ 35.85crore including agro processing has been estimated.

6. Area based schemes.

In order to facilitate convergence of multi-agency efforts are being made for development of agriculture & allied sectors so as to trigger a definitive and visible economic impacts in certain identified, high potential geographical pockets, NABARD has come out with a concept of “**Area Based Schemes under Banking Plans**” envisaging an integrated development of identified sector/activity through financial support as term loans from Banks. The implementation of such plans would be a coordinated effort of NABARD, Lead Bank, other banks, line departments and other important stakeholders.

7. Financial Inclusion

The National Agenda in financial inclusion is to provide financial services like savings, credit, remittance, insurance and pension for every Indian household by March 2016. As a first step, banks in Sikkim have extended the above financial services to all households in villages above 2000 population before March 2013 and shall be covering villages below 2000 population by March 2016.

Prime Minister Jan Dhan Yojana (PMJDY) was launched in all four districts of Sikkim State on 28 August 2014. The scheme aims to open bank accounts for unbanked population of all households across the country - both rural and urban. As on 22 January 2015, 32784 accounts have been opened in Sikkim and almost 99% of people of Sikkim have been covered under the scheme. *(Source LDM report)*

To facilitate financial inclusion (FI), while RBI is monitoring the Financial Inclusion Plans (FIP) of Commercial banks, NABARD has been entrusted the role of monitoring the FIPs of Co-operative Banks and RRBs in the country. NABARD extends grant support to RRBs and Cooperative Banks out of FIF/FITF to convert KCC cards into RuPay KCC cards, adoption of technologies for ICT enabled Business Correspondent (BC) model of financial inclusion, purchase of PoS/micro-ATMs, setting up of FLCs and demonstration of technology besides supporting them in spreading financial literacy with NABARD's initiative, all the 14 branches of SISCO Bank have been brought in CBS and the SISCO Bank is going to start their own ATMs.

While the progress in terms of coverage of villages through brick and mortar /USB model and BC model is on expected lines, effective financial inclusion through BC model is yet to deepen due to challenges in retaining BCs. In places where opening of conventional Brick and Mortar branch is not viable, banks have been advised to set up USBs (Ultra Small Branches).

7. Institutional Initiatives – Non-Credit

7.1. SHG-Bank Linkage Programme in Sikkim

As on 31 December 2014, 239 SHGs have been formed 223 savings linked and 111 credit linked under NABARD SHG-BLP programme. In the State 291 SHGs under SGSY and 417 non SGSY SHGs were Savings linked and 16 under SGSY and 46 non SGSY, SHGs credit linked in 2013-14.

7.2 Promotion of Women SHGs in North & East Districts under GOI's WSHG Programme

In order to encourage bankers to credit link SHGs on a sustainable way and also to graduate them to micro enterprises a pilot project viz., Scheme for Promotion of Women SHGs in Left Wing Extremist (LWE) affected and Backward Districts of India is being implemented in North and East Sikkim districts. These districts have been identified by Government of India to bring out a viable & self sustainable model for promotion & financing of women SHGs by involving an anchor NGO. M/s Bandhan Financial Services Pvt. Ltd. and M/s Bhavishya Bharat have been selected as anchor NGOs in North Sikkim district and M/s United Progress Organisation of Sikkim (UPOS) and M/s Tumin Shivalin Club have been selected as anchor NGOs in East Sikkim district. This approach is expected to facilitate sustained financial inclusion through bank loan, promote livelihood development of women and deliver social development programmes for women through SHGs. NABARD has issued operational guidelines on the scheme. As on 31 December 2014, 974 Women SHGs were formed, 605 Savings linked and 58 have been Credit linked in the State.

7.3. Livelihood Programme of Government of India

7.3.1. National Rural Livelihood Mission (NRLM)

Having experienced the flip side of SGSY, Ministry of Rural Development, Government of India has introduced a demand-driven programme for the self help groups from 01 April 2013. The programme is designed to mobilize the poor into functionally effective community owned institutions. It aims with a comprehensive package that includes financial and capital services, production and productivity enhancement services, technology and skill upgradation, market linkage etc. Under NRLM, women self help groups at grass root level will be provided with hand holding support for capacity building for upgrading themselves to be sustainable and have access to the line departments of state government. In Sikkim, East and North districts have been identified for this programme.

7.3.2. North East Rural Livelihood Project (NERLP)

On the lines of National Rural Livelihood Mission, a special programme for livelihood has been earmarked exclusively in 4 North-Eastern states including Sikkim. The programme envisages promotion of 3,000 self help groups with the financial support of World Bank and imparting training and capacity building to the poor people for taking up economic activities. The programme is implemented in South and West districts and 15 Panchayat wards of East district. As on 30 September 2014, a total of 2367 SHGs have been brought under NERLP fold.

SUMMARY OF BROAD SECTOR-WISE PLP PROJECTIONS - 2015-16

(₹lakh)

Sr No	Sector/District	Financial Projection (Bank Loan)				
		East	West	North	South	Total
1	Crop Loan	5826.11	1719.80	558.05	3570.80	11674.76
2	Term investment for Agriculture and Allied Activities	2647.62	1123.78	662.39	1529.41	5963.20
3	Total investment under Agriculture and Allied Activities (1+2)	8473.73	2843.58	1220.44	5100.21	17637.97
4	MSME Sector (including Food & Agro Processing)	2982.45	300.06	83.22	219.87	3585.60
5	Other Priority Sector	19561.50	1500.75	901.24	5499.00	27462.49
Total Priority Sector (3 + 4 + 5)		31017.68	4644.39	2204.90	10819.08	48686.06

Broad Sector-wise Financial Projection 2015-16

