

Executive Summary

Introduction

NABARD undertakes preparation of Potential Linked Credit Plans (PLPs) in consultation with various field level line departments and banks for all the 13 districts of Uttarakhand every year which culminates in the preparation and presentation of the State Focus Paper (SFP). The SFP, inter-alia, acts as the basis for preparation of the State Credit Plan. Taking into account the resources endowed with the state, infrastructure and extension support available, market trend, skill profile of the people, latest budget announcements, policy initiative & priorities of government and capacity of the credit delivery system, NABARD has projected a credit potential of ₹ 14744.00 crore for the state during 2015-16. This envisages an increase of 15.84% over the current year projection.

The SFP seeks to present a comprehensive picture of the potential available for various sectors, the critical gaps that impede the realization of the potential and flow of optimal credit and suggests action plans for all stakeholders. It also provides an indication regarding various policy and operational measures that may have to be taken. The theme / emphasis of the State Focus Paper for the year 2015-16 is "Accelerating the pace of capital formation in agriculture and allied sector"

The Executive Summary of the SFP is presented in two parts i.e. Part I giving an overview of the State Focus Paper and Part II indicating sector – wise status, issues and action points.

Part I: Overview of State Focus Paper 2015-16

State Profile

The Himalayan State of Uttarakhand with a population of 100.86 lakh is spread over an area of 53483 sq. km which is divided into two regions, the western region called as Garhwal Mandal and the eastern region known as the Kumaon Mandal. The state comprises of 13 districts consisting 95 blocks and 15761 inhabited villages (Total villages – 16826). Rural to urban population ratio is about 70:30. The state sex ratio of 963 & overall literacy rate of 79.63% is higher than national average.

The total geographical area of Uttarakhand is divided into four main Physiographic zones namely Tropical zone (Zone A upto 1000m - Plains, Tarai, Shivalik hills, valleys); Subtropical Zone (Zone B 1000-1500 mtrs - largely non irrigated area); Cool Temperate Zone (Zone C -1500 to 2400mtrs - mid Himalayas) and Sub-Alpine and Alpine Zone (Zone D more than 2400 mtrs - mostly covered with snow). While Paddy, Wheat, Sugarcane, Maize, Mango, Litchi, Pulses, Oilseeds, Soybean

etc. are grown in Zone A, Paddy, Wheat, Mandua, Pulses grow in areas falling under Zone B. Kharif crops, Horticulture, Floriculture, Medicinal and aromatic plants are some of the important crops grown in Zone C area. Little agriculture activities are carried out in the geographical area falling under Zone D. Pastures, alpine meadows rare herbs etc. grow in wild in these areas.

Economic Indicators of the State

Uttarakhand has been one of the fastest growing economies in India with a CAGR of 12.75% during 2004-05 to 2013-14 whereas Indian economy as a whole grew at CAGR of 7.59% during corresponding period and the GSDP of similar state - Himachal Pradesh, grew at CAGR of 7.78% during the same period.

Though share of primary sector in overall GSDP has declined from 22.27% in 2004-05 to just 9.59% in 2013-14, agriculture still holds very important place in the state economy looking at the fact that still about 45% of the main workers in the state are dependent on agriculture for their livelihood. Share of secondary sector is continuously rising with a marginal increase in the share of tertiary sector.

Status of Agriculture

After accounting for forests and wastelands, only 7.23 lakh ha constituting 13% of total reported area is available for cultivation. Small and marginal land holdings constitute 91% of land holdings. The hill regions having steep slopes are susceptible to frequent soil erosions, making the soil less fertile. There is no economy of scale & productivity of major crops is very low. Wheat and paddy are the main crops, constituting 31.65 and 23.16 per cent respectively of the Gross Cropped Area. The other important crops are sugarcane, maize, pulses and oilseeds. Major fruits are mango, litchi, guava, apricot, while major vegetables are potato, tomato, green pea, cauliflower and capsicum. The sunrise areas viz., horticulture, Medicinal & Aromatic Plants (MAP), floriculture, organic farming, food processing, agricultural marketing infrastructure, micro irrigation, etc., have huge potential for growth.

Banking Network

The formal banking structure available in the state comprises of 24 Public sector commercial banks, 11 Co-operative banks (1 State Coop. Bank and 10 District Central Coop. Banks), 1 Regional Rural Bank (i.e. UGB) and 13 Private/other banks. Presently, the major banks of the State are State Bank of India (which is also the lead bank in nine districts and SLBC convener in

the State), Uttarakhand Gramin Bank, Punjab National Bank (lead bank in Dehradun & Haridwar districts), Bank of Baroda (lead bank in Nainital & U.S.Nagar district), Uttarakhand State Cooperative Bank and District Central Cooperative Banks (DCCBs). Besides these major banks, a few urban co-operative banks and some private banks also have their presence. As on 31 March 2014 all the banks taken together were operating through 1798 branches, out of which public sector commercial banks constitute 65.35% (1175 branches) and private banks 7.5% (135 branches). Besides this, 769 Primary Agriculture Cooperative Societies (PACS) are supplementing the formal credit delivery system in the State.

Banking Business & CD (Credit-Deposit) Ratio

Outstanding advances of all the banks as on 31 March 2014 registered a growth of 25% over previous year whereas growth in deposits was to the tune of 21%. As on 31 March 2014 the overall CD ratio was 63.29% in the State which varied between 26.78% in Almora District to 108.82% in US Nagar District. The lower CD ratio particularly in hilly districts is a matter of concern and there is a need to improve the CD ratio in all hill districts.

Trends in Ground level Credit (GLC) Flow

Sector wise GLC flow in the state for last six years :

₹ crore

Year	Crop Loan (CL)	Agri. Term Loan (ATL)	Non- Farm sector/MSME	Other Priority Sector (OPS)	Total GLC Flow
2008-09	1050.86 (25.48)	739.31 (17.93)	719.77 (17.45)	1613.90 (39.14)	4123.84 (100)
2009-10	1319.80 (25.46)	1016.55 (19.61)	1026.19 (19.79)	1822.10 (35.14)	5184.64 (100)
2010-11	1548.75 (27.00)	1013.80 (17.70)	1134.05 (19.80)	2029.02 (35.50)	5725.62 (100)
2011-12	1972.53 (31.90)	973.55 (15.80)	1217.37 (19.70)	2013.44 (32.60)	6176.89 (100)
2012-13	1260.82 (17.44)	2009.63 (27.81)	1353.06 (18.72)	2603.08 (36.02)	7226.58 (100)
2013-14	2553.19 (25.71)	1634.12 (16.25)	2543.60 (24.93)	4074.66 (33.11)	9932.22 (100)
CAGR					19.22%

[Figures in parenthesis indicate %age share in total; Source: SLBC (but 2013-14 GLC has been compiled as per the figures collected by NABARD from LDMS directly)]

Credit Projections – SFP 2015-16

A credit potential of ₹ 14744.00 crore has been estimated in SFP for the year 2015-16 in Uttarakhand under priority sectors. This includes potential of ₹ 5112.13 crore for Crop Loan (short term loans for agriculture), ₹ 1995.13 crore for Long Term investments in agriculture sector, ₹ 3084.60 crore for Non-farm sector including MSME and Food Processing and ₹ 4551.64 crore for Other Priority sector.

Investment credit in agriculture

Capital formation in hills is very low. Area specific schemes would go a long way to augment Bank finances for investment in agriculture. Further, as stated earlier, small and marginal land holdings constitute 91% of land holdings which is disincentive for investment. State govt may take initiative in having tie-up with corporates who may encourage aggregation approach as well as promoting POs using CSR intervention. State govt may consider promoting POs producing milk, spices, vegetables etc. Govt may also take initiative in creation of micro infrastructure which may include input supply, grading & processing, storage & marketing infrastructure etc.

Part II: Sector specific and other issues for discussion

Production Credit

Potential for credit flow for Production and marketing credit in the state during 2015-16 has been assessed at ₹ 5112.13 crore. The existing average yield level of important crops is low in hills. Non-adoption of improved technologies, dependence on rainfed agriculture, less soil fertility, low seed replacement, continuation of traditional system of agriculture, small size of land holdings and low farm mechanisation are the major reasons for low crop yield.

Issues for discussion

- Seed Production Programme, Strengthening of Seed stores, other farm inputs stores and farmer training centers, plant protection programme with promotion of micro nutrients, gypsum, zinc, green manure, transfer of technology, consolidation of land holdings, etc. require focused attention.
- By bringing culturable wasteland & fallow land (other than current fallow), which is about 4 lakh ha, under cultivation through proper planning, net sown area can be increased upto more than 50% which will lead to increase in production.

- Farmers Information and Advisory Centers need to be strengthened.
- Conducting DLTC meeting in time for revision in Scales of Finance.
- Banks may adhere to new KCC guidelines, which includes extending loan amount 30% over and above the amount calculated on the basis SoF to eligible farmers for meeting out the post harvest/ household consumption requirements.
- All Oral lessees/share croppers may be issued appropriate certificate by govt. agency so that they can be linked to the formal credit institutions.

Minor Irrigation

Potential for Minor Irrigation in the state for the year 2015-16 is estimated at ₹ 29.95 crore.

Issues for Discussion

- Credit flow for water saving devices such as drip and sprinkler systems, rain water harvesting structures may be encouraged by the banking system.
- There is huge potential in river valley areas in hill districts for Lift Irrigation which needs to be exploited.
- There is a need to form water user groups and augment their capacity to take care of the operation and maintenance of the tubewells, canals, gules, hydrams constructed by the state Government.

Land Development

Potential for land development activities for the year 2015-16 has been estimated at ₹ 28.22 crore.

Issues for Discussion

- As soil conservation & soil health is a major concern for the state, various soil and water conservation measures including construction of water harvesting structures, activities for prevention of soil erosion, following a watershed approach, should be taken up in the state. To control soil degradation, adequate green cover may be created.
- Measures like land leveling and terrace improvements are essential to protect the terrace farming practices in hilly areas.
- Soil testing labs for micro nutrients may be established in every district whereas soil testing labs for major nutrients may be established at block level.

Farm Mechanization

The potential under various farm mechanization activities in the state for the year 2015-16 is estimated at ₹ 361.17 crore.

Issues for Discussion

- There is need to promote small size gender friendly tools in the hilly regions in view of the fact that agriculture in upper hills is looked after by women due to large out migration of males.
- PACS may provide custom hiring services of power tillers to the Small & Marginal farmers.
- Efforts need to be made for development of mechanized tools for small farmers which may be operated by alternative energy sources like wind, solar etc.

Plantation and Horticulture

The potential under various horticulture activities in the state for the year 2015-16 has been estimated at ₹ 151.86 crore.

Issues for Discussion

- Certified planting material may be made available to the farmers in the state. Nurseries may be established for supply of quality planting material of medicinal and aromatic plants.
- Establishing fruit preservation centres & agro-processing facilities close to the points of production in rural areas and developing cold chain facilities will help in reducing post-harvest losses as also in maintaining quality and freshness of the fruits. Shared cold chains may be set up on public private partnership (PPP) model.
- Some initiatives taken by the state government like setting up of gravitational ropeways to provide road head access to high value and perishable fruits like apple and pear need to be taken at a larger scale.
- Organic farming may be popularized for crops like ginger, chilly, litchi etc.
- Govt may consider setting up medicinal and aromatic plants clusters in both Garhwal and Kumaun regions.

- As of now, banks are not providing finance for maintenance of Horticulture crops. Scales of Finance may also be fixed by DLTC for maintenance of Horticulture crops.
- Since there is huge demand for poly houses in the state, government and banks may support the establishment of poly houses.

Forestry and Wasteland Development

The potential under various forestry activities in the state for the year 2015-16 is estimated at ₹ 16.19 crore.

Issues for Discussion

- Growing of mixed trees with multiple uses should be encouraged on degraded and wasteland. Trees providing green leaves should be grown to meet fodder requirement in rural areas.
- KVKs should set up demonstration units of appropriate forestry/ fodder cultivation.
- Uttarakhand Forest Corporation can promote eco-tourism in PPP mode which would also open new vistas of financing for the banks under this sector.

Animal Husbandry

The potential under various Animal Husbandry activities in the state for the year 2015-16 is estimated at ₹ 728.41 crore (Dairy ₹ 571.82 crore, Poultry ₹ 82.45 crore & Sheep, Goater, Piggery (SGP) ₹ 74.14 crore). The animal husbandry sector in the state is characterized by very high population of animals but very low productivity.

Issues for Discussion

- A 5 year plan needs to be prepared & implemented for doubling average milk yield in the state. To increase the milk production in the state, indigenous cattle may be upgraded through establishment of Artificial Insemination Centres and bull mother farms in select pockets of the state.
- Thrust on upgradation of veterinary services at district level with a view to providing specialized and improved services through opening of veterinary polyclinics and modernization of Veterinary Hospitals with latest health care equipment.
- Fodder cultivation may be increased through pasture development programmes and scale of finance may be fixed for this purpose.

- There is inadequate availability of Day Old Chicks and poultry feed in many districts of the state. New hatchery units may be established or capacity enhancement of existing units may be undertaken in these districts.
- There is resistance on the part of insurance Company to provide insurance for poultry. State govt should intervene & persuade insurance companies to mandatorily provide insurance facility for this purpose to all eligible farmers.

Storage Godowns/ Market Yards/Agro Processing

The potential for Storage Godowns/Market Yards for the year 2015-16 has been assessed at ₹ 336.99 crore.

Issues for Discussion

- Banks should encourage progressive and potential farmers and support them through credit to construct small Godowns for their personal use. For this purpose capital subsidy is also available under Rural Godown Scheme of Gol.
- Government should undertake identification of land for construction of godowns & resolve land issues at an early date wherever godowns are already planned.

Financial Inclusion/Micro Credit

Issues for Discussion

- To make the BC model viable & sustainable banks may route range of services through BCs.
- Weak connectivity (telecommunication) issue in rural areas/ hilly terrains needs to be resolved to make BC model work.
- Operationalisation of accounts opened through BCs is required. For the purpose, focused financial literacy activities to ensure 2-3 transactions per account per month may be undertaken & same may be reviewed in DLRC meetings.
- There is need to intensify SHG movement by promotion of model SHGs in various districts.