

# स्टेट फोकस पेपर

## STATE FOCUS PAPER FOR 2015-16

(Accelerating the pace of capital formation in agriculture and allied sector)

### पश्चिम बंगाल WEST BENGAL



राष्ट्रीय कृषि और ग्रामीण विकास बैंक, पश्चिम बंगाल क्षेत्रीय कार्यालय, कोलकाता

**National Bank for Agriculture and Rural Development**

**West Bengal Regional Office, 6, Royd Street, Kolkata -700016**

## CORPORATE MISSION

“PROMOTE SUSTAINABLE AND EQUITABLE AGRICULTURE AND RURAL PROSPERITY THROUGH EFFECTIVE CREDIT SUPPORT, RELATED SERVICES, INSTITUTION DEVELOPMENT AND OTHER INNOVATIVE INITIATIVES”

সংস্থার কার্য লক্ষ্য

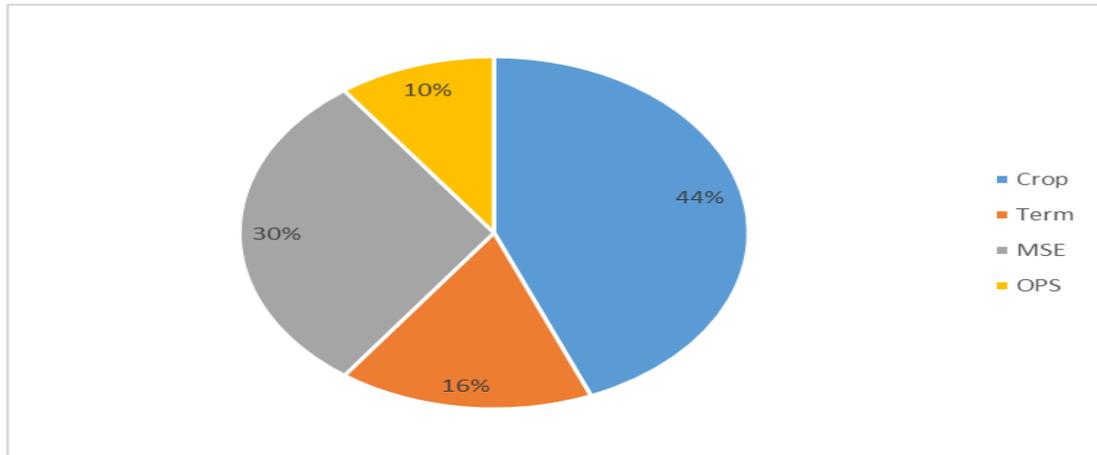
‘কার্যকরী ঋণ সহায়তা, আনুষঙ্গিক পরিষেবা, সংস্থাগত বিকাশ সাধন এবং অন্যান্য অভিনব প্রচেষ্টার দ্বারা স্থায়ী এবং সাম্যভিত্তিক কৃষি এবং গ্রামীণ উন্নতির সমন্বয় সাধন’

## Broad Sector-wise credit Projections for 2012-13 to 2016-17

(₹ Lakh)

State West Bengal						
Sr no	Broad Sector	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Crop Production & Marketing	2433231.69	2827423.32	3029048.91	3177065.86	3783295.11
2.	Agriculture Term Loans	1000784.85	882641.51	911573.83	1176572.76	1054748.76
3.	<b>Total Agriculture (1+2)</b>	<b>3434016.54</b>	<b>3710064.83</b>	<b>3940622.74</b>	<b>4353638.62</b>	<b>4838043.87</b>
4.	Micro & Small Enterprises	836762.55	1563476.39	1632300.86	2176192.03	1923054.48
5.	Other Priority Sectors	900318.88	529890.87	537140.58	727012.72	678933.05
	<b>Grand Total(3+4+5)</b>	<b>517109.97</b>	<b>5803432.09</b>	<b>6110064.18</b>	<b>7256843.37</b>	<b>7440031.40</b>

### Credit Projections for 2015-16 – Share of Different Sectors



## Credit Projections for the year 2015-16

(₹ lakh)

<b>STATE : WEST BENGAL</b>		
<b>Sr. No.</b>	<b>Sector / Activity</b>	<b>Amount</b>
<b>I</b>	<b>Crop Production, Maintenance &amp; Marketing</b>	<b>3177065.86</b>
<b>II</b>	<b>Agriculture Term Loans</b>	
1	Water Resources	44677.50
2	Land Development	16895.68
3	Farm Mechanisation	203671.83
4	Plantation and Horticulture	145421.64
5	Forestry and Waste Land Development	16077.18
6	Animal Husbandry - Dairy Development	133511.17
7	Animal Husbandry - Poultry Development	196878.47
8	Animal Husbandry- Sheep, Goat and Piggery Development	63709.05
9	Fisheries Development	76498.44
10	Storage, Godown/Market Yard	210856.13
11	Renewable Sources of Energy and Waste Management	8517.90
12	Other Activities	59857.77
	<b>Sub Total II</b>	<b>1176572.76</b>
<b>III</b>	<b>Total Agriculture (I + II)</b>	<b>4353638.62</b>
<b>IV</b>	<b>MSE</b>	<b>2176192.03</b>
	Of which Food and Agro Processing	<b>182941.13</b>
<b>V</b>	<b>Other Priority Sector</b>	<b>727012.72</b>
	(Of which Micro Credit)	312262.54
	<b>Grand Total (III + IV + V)</b>	<b>7256843.37</b>

## EXECUTIVE SUMMARY

The critical role played by Planning in the development process by harnessing and allocating scarce and precious resources to vital sectors of the economy needs no special emphasis. Keeping these essential principles of planning in mind, NABARD prepares the State Focus Paper every year by aggregating the credit potentials worked out under the PLPs under various sectors of the rural economy. The Paper is launched and discussed in the Annual State Credit Seminar and the important action points are flagged after debate and discussion by senior functionaries of the line departments. The estimates given in the paper on the sectoral potentials are an aggregation of the credit potentials documented in the Potential Linked Credit Plans prepared for every district in the state based on the existing resource base, infrastructure available and planned, critical infrastructure gaps, macro level changes taking place in the economy in the state and at the national level, developmental activities already underway, and the existing policy framework. The paper thus forms the base for credit planning by banks and other line departments. The major emphasis given in this year's State Focus Paper is given to investment credit in agriculture and allied sectors to facilitate higher capital formation in agriculture with the ultimate objective of making agriculture a profitable proposition.

The State Focus Paper for 2015-16 estimates a total credit potential of ₹72568.43 crore as against a projection of ₹61100.64 crore for the year 2014-15 posting an increase of 18.77%. Under the base PLP the potential assessed was ₹67973.25 crore. Thus the percentage increase over the base PLP works out to 6.76%. This has been done with a conscious effort to harness the untapped credit potential available in the rural areas, as pointed out repeatedly by the Hon'ble Finance Minister, Government of West Bengal and also taking on board the concerns expressed by Governor of Reserve Bank of India for raising the CD Ratio to at least 75%. This will also address our concern of low CD ratio of rural West Bengal. While working out the potentials we have factored in the desired growth of at least 4% in agriculture, accordingly the share of agriculture term loan to total agriculture works out to 27%. This is likely give a boost to capital formation which in turn will increase production and productivity ultimately giving a fillip to growth in agriculture.

### I. West Bengal – State Profile

West Bengal is one of the most densely populated states with population density of 1029 per sq. km. It accounts for 2.7% of the area of the country and 7.2% of its population, of which, 68.11% live in rural areas. More than 60% of the total land area is being used in agriculture. Apparently, there is an excessive demographic pressure on land. In the State, the share of agricultural laborers to the total rural workforce has increased reflecting marginalisation of farmers. Any developmental strategy for the State, therefore, must focus on livelihoods of these landless laborers and marginal farmers.

The growth rate of GSDP at constant prices for West Bengal rose from 5.78% in 2010-11 to 6.13% in 2011-12. And is estimated at 7.27% for 2012-13 (Quick Estimates) and the advanced estimates for 2013-14 has risen to 7.71%. The economy of the state performed remarkably well as compared to the economy of the country. The growth rate of GDP at constant prices for India registered a gradual decline during the period.

West Bengal is one of the major agricultural States in the country contributing about 6% of the total food grain output of country. Agricultural growth in West Bengal picked up in the early 1980s with the adoption of HYV seeds and use of chemical fertilisers. This growth was also facilitated by agrarian reforms in the State. Agricultural growth was the main contributor to overall economic growth of the State since the 1980s. The Industry Sector, which accounted 21.66 % share in GSDP of the State in 2004 -05 has

shown a marginal decline to 19.12% in 2013-14 (A). Share of manufacturing sector in the total industrial sector is 45.08%.

## **II.Sectoral Trends**

During the year 2010-11 to 2013-14, the ground level Credit flow under the priority sector has almost doubled from ₹25000 crores to ₹49800 crores. This reflects the outreach of the banking sector and also the credit absorption capacity of the State. During the same period, the term loan achievement has increased from 70% of targets to 81.70%. However, for agriculture as a whole this has come down from 72% achievement of target to 54% during the same period which is primarily on account of low percentage achievement of targets under crop loan. As per available data, the average amount of disbursement per KCC as on 31 March 2014 was ₹54,558/- as against ₹57,379/- as on 31 March 2013 and ₹38,221 as on 31 March 2012. Considering that the cost of cultivation has gone up and the revised guidelines of KCC warrants inclusion of consumption loan and amount spent towards repairs and maintenance to be embedded in the KCC limit, the average loan per KCC needs to be stepped up. The number of KCCs issued has also gone down from 10 lakh in 2012-13 to 8.7 lakh in 2013-14. The silver lining however, is that under agriculture finance, the percentage of term loan agriculture to total agriculture is 40%. Keeping in view the credit requirement of 90 lakh cultivators and agricultural laborers in the State, the projections have been suitably pegged at ₹ 31770.65 crore.

The cardinal principle of the increasing the growth rate in the agriculture sector stems from the fact that sectors which fuel capital formation have a profound bearing on the growth. Accordingly, the agriculture term loan has been kept at 27% of the total credit potential under agriculture sector which is ₹11765.72 crore of total agriculture at ₹43536.38 crore. Considering that there is substantial surplus in foodgrain, fruit and vegetable production, the strategy warrants creation of storage capacity. Accordingly, the credit projections under Storage Godown and market yard has taken the lion's share of 18% of total term loan projection and has been worked out at ₹2108.56 crore. The projection under poultry has been kept at ₹1968.78 crore followed by Plantation & Horticulture and Dairy at ₹1454.25 crore and ₹1335.11 crore respectively. The total potential for the agriculture sector comes to ₹43536.38 crore which forms 60% of the plan size.

The financing under MSE has substantially gone up both in terms of percentage achievement and real terms, viz., 90% to 135% or ₹7200 to ₹22000 for the period 2010-11 to 2013-14. Similar is the position for Other Priority Sector wherein, the achievement in terms of percentage and real terms for the period under reference has gone up from ₹7000 crore to ₹7300 crore and percentage achievement of 89% and 143% for the period under reference This is corroborated by the fact that the CD ratio for the metropolitan branches is more than 100%.The overall achievement thus is sustained at 81% through 83% during the period under reference. Accordingly, the combined potential under MSME and Other Priority Sector is worked out at ₹ 29032.05 crore which approximately forms 40% of the total plan size.

## **III Area Based Scheme – Banking Plan**

It augurs well for a State that is blessed with abundant fertile land and vibrant ground water status with 70% of the population depend on agriculture, to have a focussed direction to exploit and harness the available potentials. As part of a concerted and focused strategy to improve the share of investment credit in total agriculture, we have prepared model scheme which can be taken up as Area based schemes for all the 18 districts of the State. Some of the activities covered are Goatery, Vermicompost, Machan based Innovative vegetable cultivation, Integrated Dairy, Integrated Large

Cardamom, Betelvine, seed production, fish farming etc. This should give a fillip to term loan credit sanction by bankers.

#### IV. Financial Inclusion

NABARD continued supporting SHG bank Linkage programme in the State through Self Help Promoting Institutions (SHPIs) and Banks acting as SHPIs, through adequate grant support. There are 5.91 lakh SHGs of which 4.73 lakh are credit linked. The average amount of loans outstanding against SHGs decreased from ₹0.49 lakh as on 31 March 2013 to ₹0.35 lakh as on 31 March 2014 due to various reasons including on account of the fact that the SHGs were not being sanctioned livelihood activities by the banks.

NABARD's aim is total Financial Inclusion in the State of West Bengal through Financial literacy, Financial awareness programmes, coverage of every farmer through Ru-Pay KCC card. NABARD has supported 80 FLCCs in the State.

NABARD will be extending financial support to Cooperative banks and RRBs for issue of RuPay KCC as also for RuPay Debit Cards under Financial Inclusion Technology Fund (FITF). Financial support has also been extended for demonstration of banking technology using mobile vans, under Financial Inclusion Fund (FIF).

#### V. NRLM

The interest subvention scheme for WSHGs under NRLM as finalized by Ministry of Rural Development, Gol is under implementation in the state. It provides interest subvention to WSHGs who avail loan up to ₹3.00 lakh at 7% p.a. Further an additional subvention of 3% is also available to the prompt repaying WSHGs.

#### VI Critical Infrastructure bearing on credit potential of the State

Infrastructure is a key indicator of development. Rural infrastructure assumes crucial importance in India because of the country's large tracts covering rural area. Better rural infrastructure has twin effects of strengthening the foundation of agriculture, the pace setter for promotion of economic growth and better health and physical conditions of the rural population. Empirical and econometric studies illustrate a strong relationship between infrastructure and economic growth.

For the year 2015-16 certain critical infrastructure projects have been identified / assessed in different districts across sectors, which also includes last mile projects. Potential investment in creation of such infrastructure across sectors has been estimated at ₹1133.20 crore.

(₹ crore)

Category of Activity	Estimated amt of investment required	Category of Activity	Estimated amt of investment required
Infrastructure requirements in Agriculture and allied sector	295.09	Project which would positively improve the growth of the sector	180.55
Infrastructure requirements in Sectors (other than Agri and allied sectors) Rural Connectivity sector	256.93	Post-Harvest Management/ Value Addition	400.63
<b>Total</b>			<b>1133.20</b>