

Report of the Working Group  
on Improvement of  
Banking Services in Himachal Pradesh



**RESERVE BANK OF INDIA  
CHANDIGARH  
SEPTEMBER 2007**

## District Map of Himachal Pradesh



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## LETTER OF TRANSMITTAL



Chandigarh  
September 26, 2007

**Dr. Y. V. Reddy**  
**Governor**  
**Reserve Bank of India**  
**Mumbai**

Dear Sir,

### **Working Group on Improvement of Banking Services in Himachal Pradesh**

We have pleasure in submitting the 'Report of the Working Group on Improvement of Banking Services in Himachal Pradesh'.

The Group has attempted to address all the specific issues with regard to the Terms of Reference. We hope that the recommendations would help in improving the quality of banking services and also to provide impetus to the economic development of the State. We thank you for entrusting us with the task.

With respectful regard,

Yours sincerely

(Dr. J. Sadakkadulla)  
Chairman

(Avay Shukla, IAS)  
Member

(J. P. Negi, IAS)  
Member

(Dr. P. C. Kapoor, IAS)  
Member

(Arvind Mehta, IAS)  
Member

(Anil Khachi, IAS)  
Member

(T. D. Negi, IAS)  
Member

(S. T. Raghuraman)  
Member

(Namgial)  
Member

(M. L. Bansal)  
Member

(A. K. Bhandari)  
Member

(R. K. Tandon)  
Member Secretary

## **Acknowledgements**

The Working Group profusely conveys its gratitude and sincere thanks to the Hon'ble Chief Minister of Himachal Pradesh, Shri Virbhadra Singh for the encouragement and valuable inputs on the issues concerning the State. Working Group is also thankful to Hon'ble Governor, Reserve Bank of India, Dr. Y.V. Reddy, for posing faith by assigning such an important task of suggesting measures to extend banking outreach in the State with a monitorable action plan to supplement the initiatives of the Government to give further boost to the economy. The Group is grateful to Smt. Usha Thorat, Deputy Governor and Shri V. S. Das, Executive Director, Reserve Bank of India for their valuable guidance. Shri Ravi Dhingra, IAS, Chief Secretary, Government of Himachal Pradesh provided useful inputs and vision of the State on policy issues.

The Group also received valuable inputs from Smt. Parminder Hira Mathur, IAS, Additional Chief Secretary (Industries), Dr. R. N. Batta, HAS, Special Secretary (Tourism), Smt. Anita Tegta, IAS, Managing Director, Himachal Pradesh State Cooperative Bank Ltd., Shri Raj Kunwar, Deputy General Manager, State Bank of India, Zonal Office, Shimla, Shri B.P.Chopra, General Manager, Punjab National Bank, Chandigarh, Shri Ripan Murgai, General Manager, UCO Bank Shimla, Prof. N.S.Bisht, Department of Economics, HP University, Shri Nirmal Singh, Director Postal Services, H.P., Col. (Retd.) Dr. P.K. Vasudeva, Senior Professor, ICFAI Business School, Chandigarh, Dr. Kshama Meitre, Director CORD, Dharmshala and Shri Bhupinder Singh from Zila Saksharta Samiti, Mandi. The Group places sincere thanks to the other stakeholders viz. Shri M.K.Seth, President Shimla Hotel and Restaurant Association, Shri Lekh Raj Chauhan, President HP Fruit and Vegetable Growers Association and Shri Kamaljit Singh, President Veopar Mandal, Shimla for their valuable suggestions.

Shri C. S. Murthy, Chief General Manager-in-Charge and Shri G. Srinivasan, Chief General Manager, Rural Planning and Credit Department, Central Office, Reserve Bank of India, Mumbai had provided their analytical perspectives on the Terms of Reference. The Group acknowledges a very useful presentation on Biometric Smart Card Technology made by Shri Kaza Sudhakar, Chief General Manager, Customer Services Department, Central Office, Reserve Bank of India. The Group places on record the contributions of the drafting team comprising of S/Shri S.S. Gupta, AGM, Sunil Kumar, Assistant Advisor, Ms Abha Gupta, Assistant Manager, RBI, Chandigarh. Working Group also appreciates the liaison with the Government of Himachal Pradesh by Shri S.K. Bal, General Manager and Shri Ram Gopal, Manager, Reserve Bank of India, Shimla.

## **Executive Summary**

Economic development is a dynamic process in which Government policy initiatives in the direction of income, output and employment generation are fructified through the financial support provided by the banks and Financial Institutions. The outreach of the banking sector in terms of branch network and population per branch is commendable as reflected in achievement of cent per cent financial inclusion by the State, the first in the country. However, it still leaves scope for further improvement as gaps exist on the credit front. With a view to improving the outreach of banking services, promoting inclusive growth and supporting the developmental plans of the State, this Working Group has been constituted to draw up an action plan.

The Working Group before arriving at conclusions on its terms of reference have taken into consideration the ground realities prevalent in Himachal Pradesh regarding its topography, hostile climatic conditions, sparse population and inadequate infrastructure. However, the higher Human Development Index, conducive environment for tourism and favourable climate for horticulture with the support of policy packages of Union Government, development plans and policy initiatives of the State coupled with policy initiatives taken by Reserve Bank of India, NABARD, Small Industries Development Bank of India and other players of the financial system have led to all-round development in the State. Beginning with the second half of 1990s, the average growth rates of State Gross Domestic Product and State Net Domestic Product, both at 6.7 per cent have surpassed the national average growth rate of 6.4 per cent and 6.6 per cent in Gross Domestic Product and Net Domestic Product respectively at 1993-94 factor cost. Of late, growth rates have accelerated further, beyond 8.0 per cent.

Banks have achieved its first stage of 100 per cent financial inclusion in the entire State by opening 'no-frills accounts' covering all households. These newly bank linked households need to be credit linked, which is a gigantic task. Banks operating in the State have to extend their outreach particularly in hinterland by credit expansion through General Credit Cards (GCC), Kissan Credit Cards (KCC), etc. by involving post offices, Self Help Groups and unemployed rural youth as business facilitators. The dream of taking banking to the doorsteps of customers in remote areas can be realised by adopting Information Technology enabled solutions such as biometric access smart card technology.

The co-operative institutions are equally important players in dispensing rural credit and the State Government may play a pro-active role in revamping the co-operative sector by taking early decision on the report of Task Force on Co-operative Structure (Vaidyanathan Committee) and expedite the signing of Memorandum of Understanding with Reserve Bank of India on Urban Co-operative Banks.

Regional Rural Banks also need to explore new business avenues, financing Small and Medium Enterprises sector including consortium lending, spreading branch network in unbanked areas, adopting Information Technology enabled financial inclusion and expanding credit through Self Help Groups. The Sponsor banks need to lend support in IT related initiatives of their Regional Rural Banks and setting up of Currency Chest, etc.

Agriculture is the backbone of the State's economy contributing around 24 per cent in the State Gross Domestic Product. Small and marginal land holdings constitute about 85 per cent of the total cultivable land holdings in the State. The Group felt that there is an urgent need to increase productivity of food grains, vegetables and fruits, rejuvenation of apple plantation, setting up of commodity based market, revamping/expanding cold storage facility of HPMC, setting up of agro based processing units and creation of post harvest management system for horticulture/commercial floriculture.

The agriculture sector needs support from the State through augmented assured irrigation, provision of quality inputs and selective exemption of stamp duty on mortgage of agricultural land. Strengthening of extension services including dissemination of technology to women cultivators, purveying more credit through co-operatives, marketing tie-ups through multinationals/big domestic players are especially important. The banking sector can extend their helping hand through various special schemes like KCC, GCC, Debt Swap Scheme for farmers in distress, implementation of collateral norms for small agricultural advances, setting up of credit counselling centres, etc. Close co-ordination is also needed between Regional Rural Banks and co-operative banks in their branch expansion programme.

The process of industrialisation has picked up especially after the package of concessions provided by the Central Government in 2003 which has been supplemented by State Government through its new industrial policy. However, the State needs to build proper infrastructure for industrial units to facilitate sustainable industrial growth apart from promoting more industrial clusters. Banks are also required to provide sufficient credit not only to large industries but also to small and medium enterprises, adventure tourism activities, etc. The banks can also extend financial support to entrepreneurs undertaking hydel projects especially the small projects upto five Mega Watts.

Tourism sector in the State contributes about 8 per cent of the State Gross Domestic Product and is also a major employment provider. Tourism Policy, 2005 of the State Government aims to accelerate the share of tourism to 15 per cent of the State's Gross Domestic Product by 2020. The Government initiatives in relaxing NOC for hotel projects through single window concept, provision of rural roads, adequate security, popularising Home Stay Scheme, developing more rural tourism destinations and enforcing discipline on hotels regarding overcharging, etc. can stimulate the tourism activity in the State. With active support of banks, creation of new activities like Amusement Parks, Artificial Lakes, Rope Ways, etc. will attract more tourists and also make the air services viable to such destinations.

State Level Bankers' Committee Convenor has projected that Credit Deposit ratio in the State will reach the national benchmark of 60 per cent by 2013. It is hoped that by implementing the recommendations of this Working Group the process can be accelerated and the national benchmark of Credit Deposit ratio can be achieved much earlier.



## CHAPTER 1.

### INTRODUCTION

#### **I. General**

With the merger of thirty princely States, Himachal Pradesh came into existence on April 15, 1948 as a Union Territory. With the reorganization of Punjab on November 1, 1966, certain areas were included in Himachal Pradesh. On January 25, 1971, Himachal Pradesh was accorded the status of a full-fledged state. The State is bordered on the north by Jammu and Kashmir, Punjab on West and South-West, Haryana on South, Uttarakhand on South-East and China on the East. It is a small mountainous State in the western Himalayas. The geographical area of the State is 55,673 sq. km with an altitude ranging from 350 metres to 6975 metres above the mean sea level. Nature has bestowed Himachal Pradesh with unique beauty and splendor with its lush green valley, snow clad Himalayan ranges, a serene, peaceful, hospitable and comfortable environment. The State has rich cultural heritage.

2. The economy of Himachal Pradesh is predominantly agrarian in nature wherein horticulture dominates. The terrain of the State being hilly, tourism also plays a significant role in its economy. The climate of the State is very conducive for growing high value fruits and vegetables. The State has a potential of about 20,000 MW hydroelectric power out of which only 6353 MW has been harnessed so far.

3. Himachal Pradesh, despite having unique topography and associated constraints has been an equal partner in the growth process at the national level. Since the second half of 1990s, average growth rate in both State Gross Domestic Product and State Net Domestic Product at 6.7 per cent have surpassed the national average growth rate of 6.4 per cent and 6.6 per cent respectively in Gross Domestic Product and Net National Product at 1993-94 factor cost. Growth rates have of late accelerated further. Though the agriculture and allied activities continues to have a significant share in the State's economy, the industrial activities have now accelerated significantly after the announcement of a package of concessions to the industries by Government of India in the year 2003 supplemented by State incentive schemes.

## **II. Visit of Governor and Constitution of the Working Group**

Governor and other senior executives of Reserve Bank of India visited Shimla, the State capital of Himachal Pradesh in connection with Reserve Bank's Central Board Meeting held on May 10, 2007. The RBI Governor held meetings with Chief Minister Shri Virbhadra Singh and other senior officials of the State Government on May 9, 2007 and with bankers of the region on May 10, 2007 to get first hand feedback about the status of banking sector in the State. The issues/problems faced by the Government, banks and entrepreneurs in speedier credit delivery process were the concerns expressed during the meetings. After the discussion Governor felt that there is need to give impetus to some of the under performed areas through extended outreach of banking particularly in the hinterland of the State. He expressed happiness that Himachal Pradesh had become the first State in the country to achieve 100 per cent financial inclusion. However, providing banking facilities closer to the customer, especially in remote and un-banked areas, while keeping transaction costs low, remains a challenge. In order to accelerate the development process, the Hon'ble Governor made the announcement for setting up of a sub-office of the Reserve Bank of India in the State at Shimla. This was accomplished in record time and the same was inaugurated by the Hon'ble Chief Minister of Himachal Pradesh on July 01, 2007. The office became operational from July 02, 2007.

2. After achieving 100 per cent Financial Inclusion, Information Technology (IT) enabled Financial Inclusion and Financial Literacy are the logical steps ahead. Pursuant to the discussion Governor had with the government of Himachal Pradesh and the bankers in the State, Reserve Bank of India has constituted a Working Group under the chairmanship of the Regional Director, Reserve Bank of India, Chandigarh to examine the issues relating to improvement of banking services in the State for its economic development.

3. The Working Group mentioned above, comprising the following members was notified by the Reserve Bank of India vide its letter RPCD.CO. LBS.No.753/02. 18.04/2007-08 dated July 20, 2007:

1.	Dr. J. Sadakkadulla	Regional Director, Reserve Bank of India, Chandigarh	Chairman
2.	Shri Avay Shukla, IAS	Additional Chief Secretary (Tourism), Government of Himachal Pradesh	Member
3.	Shri J. P. Negi, IAS	Additional Chief Secretary (Power), Government of Himachal Pradesh	Member
4.	Dr. P. C. Kapoor, IAS	Principal Secretary (Agriculture), Government of Himachal Pradesh	Member
5.	Shri Arvind Mehta, IAS	Secretary (Finance), Government of Himachal Pradesh	Member
6.	Shri Anil Khachi, IAS	Director of Industries, Government of Himachal Pradesh	Member
7.	Shri T. D. Negi, IAS	Registrar Co-operative Societies, Government of Himachal Pradesh	Member
8.	Shri S. T. Raghuraman	Chief General Manager, Zonal Head, NABARD, Himachal Pradesh	Member
9.	Shri Namgial	General Manager, SIDBI, Chandigarh	Member
10.	Shri M. L. Bansal	Deputy General Manager, UCO Bank (SLBC Convenor Bank), Shimla	Member
11.	Shri A. K. Bhandari	Deputy General Manager, Reserve Bank of India, Central Office, Mumbai	Member
12.	Shri R. K. Tandon	General Manager, Reserve Bank of India, Chandigarh	Member Secretary

### **III. Terms of Reference**

- (a) To review the role of banks and financial institutions in supporting the initiatives being taken by the State Government for promoting economic development of Himachal Pradesh and making specific recommendations for enhancing their role in this regard.
- (b) To recommend measures for enhancing greater outreach/penetration of the banking system in the State and identifying constraints, if any, in this regard that need to be addressed; and
- (c) Any other aspect considered important.

### **IV. Structure of the Report**

The Report contains seven chapters. Chapter 1 covers the brief history of Himachal Pradesh and background to the constitution of the Working Group. Chapter 2 is a brief account of geographical, demographic and economic profile of the State. The banking profile of the State has been incorporated in Chapter 3, while role of banks and other financial institutions in supporting the various policy initiatives of the government have been covered in Chapter 4. Chapter 5 presents the measures for extending outreach/penetration of the banking system in H.P. and Chapter 6 reviews the State specific issues viz. tourism, hydel power, etc. Chapter 7 contains summary of recommendations and suggested action plan.

### **V. Meetings of Working Group**

The Working Group held four meetings. The first meeting was held at Shimla on August 3, 2007 in which the methodology to be adopted and broad coverage of the Report were discussed. The second meeting was held at Chandigarh on August 22, 2007 to seek the suggestions from members and special invitees on the issues referred to the Group. The third meeting was held at Shimla on September 7, 2007 to consider the conclusions drawn on the issues of terms of reference on the basis of discussion with various banking groups and others. The report of the Group was finalized by the members of the Group in its last meeting held at Chandigarh on September 26, 2007.

## CHAPTER 2

### ECONOMIC PROFILE OF THE STATE

#### **2.1. Geographical Features**

Himachal Pradesh is a small mountainous State in the western Himalayas. The geographical area of the State is 55,673 sq. km with an altitude ranging from 350 metres to 6975 metres above the mean sea level. Around one-tenth of the total geographical area of the State is available for cultivation, out of which only 20 per cent is irrigated. The small and marginal land holdings (less than 2 hectares), account for about 86.4 per cent of the total landholdings with an average size of 1.16 hectares.

Administratively the State has been divided into 12 districts. Hamirpur is the smallest and Lahaul-Spiti is the largest district. The State is divided into four zones, namely, Sub-mountain Low Hills Zone (Zone-I) below 650 meters above the mean sea level, Mid-hills High Humid Zone (Zone-II) between 650-1800 metres, High Hills Temperate Wet Zone (Zone-III) between 1800-2200 metres and High Hills Temperate Dry Zone (Zone-IV) above 2200 metres above the mean sea level. The State has its capital at Shimla. There are 52 sub-divisions, 109 tehsils and sub-tehsils in the State. Himachal Pradesh is divided into 75 development blocks. The smallest unit for development-cum-administration is Panchayat. There are 3037 Panchayats and 18895 villages in the State.

#### **2.2. Human Development Indicators**

Himachal Pradesh accounts for 1.7 per cent of the total geographical area of the country and about 0.6 per cent of the national population. Population density of Himachal Pradesh at 109 is much less than the national average of 324. Per capita income of Himachal Pradesh at Rs.27,162 is significantly higher than that of the national per capita income of Rs.21,005 during 2005-06.

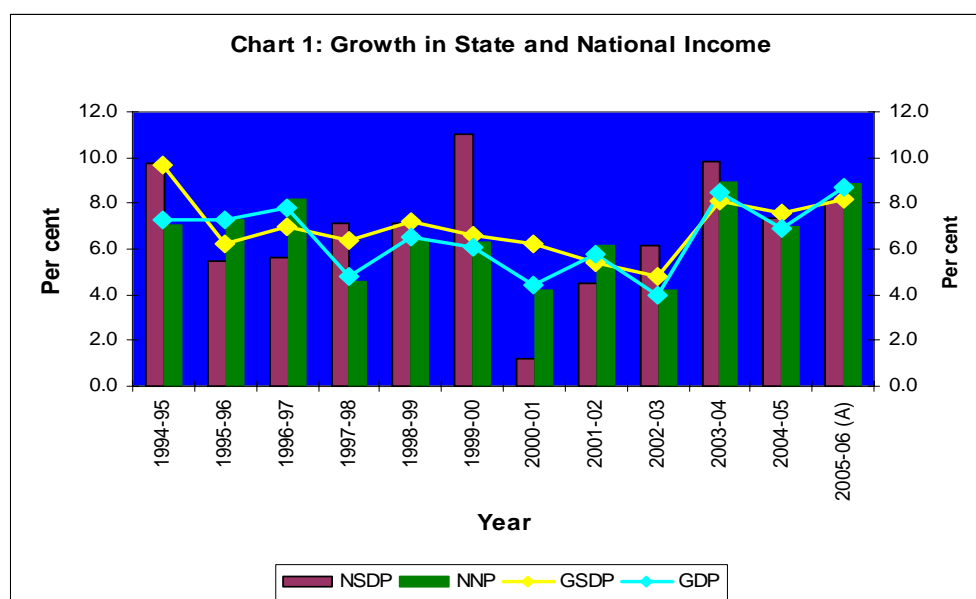
**Table 2.1: Human Development Indicators 2001**

Item	Unit	Himachal Pradesh	All-India
Population	Lakh	60.70	10,270.15
Of which			
Rural	Lakh	5.95	7417.10
Urban	Lakh	54.75	2853.05
Density of Population	Per Sq. Km.	109	324
Decennial Growth Rate of Population (1991-2000)	Per cent	17.39	21.34
Sex Ratio	Females Per thousand of males	970	933
Literacy Rate	Per cent	77.10	65.38
Of which			
Males	Per cent	86.02	75.85
Females	Per cent	68.68	54.16
Per Capita Income (2005-06)	Rupees	27,162	21,005
Poverty Ratio	Per cent	10.0	28.3
Rural	Per cent	10.7	25.7
Urban	Per cent	3.4	27.5

*Source: Economic Survey, GOI 2005-2006 and State Economic Survey*

### 2.3. Macroeconomic Scenario

Beginning with the second half of 1990s, the average growth rate of State Gross Domestic Product (SGDP) and State Net Domestic Product (SNDP), both at 6.7 per cent have surpassed the national average growth rate of 6.4 per cent and 6.6 per cent in Gross Domestic Product (GDP) and Net Domestic Product (NDP) at 1993-94 factor cost.



Of late, it has accelerated further as observed from the latest figures, viz. during 2005-06, Himachal Pradesh's SGDP and SNDP at constant 1993-94 prices was 8.2 per cent and 8.1 per cent, respectively as compared to a growth of 7.6 per cent and 7.3 per cent, respectively recorded in the preceding year. The sectoral composition of State's income has undergone a shift in the recent past with a significant decline in the share of primary sector and corresponding increase in secondary sector, as observed from Table 2.2.

**Table 2.2: Sectoral Composition of SGDP**

Sector	Percentage share	
	2004-05	2005-06
Primary	26	24
Secondary	36	38
Tertiary	38	38
Total GSDP	100	100

Sources: 1. Economic Survey of GOI, 2005-2006.

#### **2.4. Agriculture**

Agriculture contributes around 24 per cent of the State Gross Domestic Product and the share is continuously declining. About 69 per cent of the State's population is directly dependent on agriculture. These land holdings are operated largely by small and marginal farmers as the operational land holdings upto 2 hectare. size formed about 86.4 per cent of the total land holdings. The average size of holding was 1.16 ha. The major crops grown in the State are wheat, maize, vegetables, paddy, barley and pulses. Other crops grown in the State include ragi, millets, gram, oilseeds, potato and ginger. The salient features of agriculture in the State are as under:

- Agriculture in Himachal Pradesh is primarily rain fed. Only about one fifth of the area is irrigated (20.79 per cent).
- The gross cropped area has been varying year after year depending on the monsoon. The gross cropped area has been hovering around 9.5 lakh hectares. The area under high yielding varieties is primarily cornered by maize, wheat and paddy.
- Khuls are the main source of irrigation accounting for around 85 per cent of the irrigated area. The wells and tube wells are other sources of irrigation catering to about 13 per cent of the irrigated area.
- Soil erosion is the biggest challenge for State's agriculture.

- Non-availability of local skilled and unskilled manpower leads to dependence on migrant labour from eastern India (for tea plantation) and Nepal (for Apple).
- Further squeezing of cultivable land is happening due to diversion for non-agricultural purposes

#### 2.4.1. Agricultural Production

Area under foodgrains was 7.95 lakh hectares and its production amounted to around 14.53 lakh tones during 2005-2006. Among the foodgrains, cereals are the major component contributing to 12.53 lakh tones (98 per cent of total foodgrains) in 2005-06. Among cereals, wheat occupies highest share followed by rice and barley.

**Table 2.3: Production of Principal Crops**

(,000 tones)

<b>Crops</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
<b>A. Cereals</b>	1102	1387	1477	1253
<b>Rice</b>	86	121	110	112
<b>Wheat</b>	496	497	687	550
<b>Barley</b>	31	28	34	38
<b>B. Pulses</b>	9	11	11	20
<b>C. Total Foodgrains</b>	1111	1398	1488	1273

*Source: Various Issues of Economic Survey of Himachal Pradesh.*

There is a limited scope for increasing agriculture production through expansion of area under cultivation. Hence the emphasis is on increasing productivity levels and diversification in favour of high value crops in the State.

Potato is an important crop of the State. The production and productivity of potato has increased over the years (Table 2.4). Centre for Potato Research Institute located at Kufri in Himachal Pradesh is an important contributory factor in this regard. However, average yield in Himachal Pradesh is low as against average yield of 240.1 quintal in Gujrat, 201.7 quintal in Haryana, 216.6 quintal in Punjab, 224.0 quintal in U.P and 237.5 quintal in West Bengal.



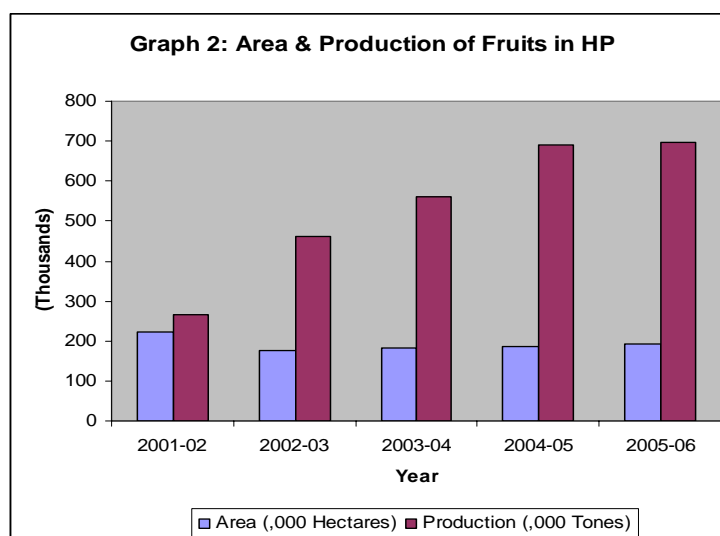
**Table 2.4. Production and area under Potato cultivation**

Year	Area in '000 ha	Production in '000 tones	Yield per ha
1960-61	11.2	27.8	24.8
1970-71	17.7	85.9	48.5
1980-81	15.8	83.2	52.7
1990-91	15.9	105.9	66.6
2000-01	12.8	155.0	121.1
2004-05	13.3	158.8	119.4

Source: Potato Statistics : India and World by Shri N. K. Pandey and others of CPRI.

## 2.5. Horticulture

The rich diversity of agro-climatic environment, topographical and altitudinal variations coupled with fertile, deep and well drained soils provide ideal conditions for horticulture in Himachal Pradesh. These favourable conditions resulted into crop diversification in the State from foodgrains to fruits and other horticulture crops over the last few decades. The area under fruit cultivation increased phenomenally from 792 hectares in 1950-51 to 2.23 lakhs hectares in 2001-02, though thereafter, there has been some decline, due to competition from other crops. The production of fruits which was 1200 tones in 1950-51 has increased steadily and stood at 6.9 lakh tones in 2005-06. (Graph 2)



Among the fruits, apple is the most prominent fruit cultivated in about 40 per cent of the total area under fruits and contributing around 76 per cent of the total fruits production. Area under apple cultivation has increased from 400 hectares in 1950-51 to 88,560 hectares during 2005-06. Despite the decline in the area by more than 4000 hectares, the apple production has recorded a 300 per cent increase over the last 5 years, which could be attributed to fresh plantation of high quality germplasm and good agronomic practices. Himachal Pradesh Government has introduced a Market Intervention Scheme (MIS) to procure fruits from farmers at remunerative prices. H.P. Horticultural Produce Marketing and Processing Corporation Ltd. (HPMC), a State Government corporation, is the nodal agency to implement this scheme. The ageing of apple plants is a cause of concern for which State Horticulture Department has already initiated a movement. They are not only developing new plants of various fruits in their nurseries but also importing clonal root stocks for distribution among farmers.

### **2.5.1. Horticulture Technology Mission**

Horticulture Technology Mission was launched in the State by Government of India with a financial assistance of Rs.80 crore to establish convergence and synergy among numerous ongoing government programme in the field of horticulture development. The Government of India approved an action plan of Rs.13 crore, Rs.11 crore and Rs.40 crore for the year 2004-05, 2005-06, and 2006-07 respectively. The mission aims to achieve both horizontal and vertical integration as follows:

- To ensure adequate, appropriate, timely and concurrent attention to all the links in the production, post harvest management and marketing chain,
- To maximize economic, ecological and social benefits from the existing investment infrastructure,
- To promote ecological sustainable intensification, economically desirable diversification and skilled employment to generate value addition,
- To promote tree plantation and dissemination of eco technologies based on the blending of the traditional wisdom and technology with frontier knowledge such as bio-technology and space technology, and
- To provide the missing links in ongoing horticulture development projects.

## **2.6. Commercial Floriculture**

Commercial Floriculture activity in the State was initially confined to Solan and Kangra districts where individual growers undertook cultivation of Gladiolus, Coronation and few other traditional flowers. Thereafter exotic and new flowers i.e. Liliun, Tulip, Iris, Liatris, Chrysanthemum, Calla lily, etc. were introduced in the State from countries advanced in floriculture. The Department of Horticulture has established seven Floriculture Nurseries in various districts, viz Shimla, Solan, Kullu and Kangra districts.

In order to boost the commercial floriculture in the State, the Government of India sanctioned a “Model Floriculture Centre” for Himachal Pradesh:

- to act as nucleus for the proliferation of commercial floriculture,
- to collect and multiply and distribute improved floriculture germplasm to the commercial flower growers and nurseries,
- to provide training/demonstration regarding new technologies
- to create scientific facilities for the post harvest management of the floriculture produce.

## **2.7. Agriculture Marketing**

There are 41 regulated markets in the State in the service of farmers. The Agriculture Produce Marketing Committee (APMC) Act, 1969 has been replaced by Himachal Pradesh Agriculture and Horticulture (Development and Regulation) Act, 2005 to permit setting up of agricultural markets in private and cooperative sectors and allow direct marketing and contract farming.

## **2.8. Animal Husbandry**

The production of poultry and dairy products in the State was negligible and it depends heavily on imports from the neighbouring States. The contribution of major livestock products during 2004-05 was 8.69 lakh tonnes of milk, 1600 tonnes of wool, 81 million eggs and 2915 tonnes of meat, which was likely to increase to 8.70 lakh tonnes of milk (per capita availability: 395 gms/day), 1610 tonnes of wool, 84 million eggs and 3000 tonnes of meat during 2006-07.

## **2.9. Industrial Scenario in the State**

Since 1990-91, the contribution of industrial sector in the economy of Himachal Pradesh has witnessed an upward trend. Its contribution increased from around 27 per cent in 1993-94 to around 38 per cent in 2005-2006. The pace of industrialization has picked up in the State after the announcement of special package of incentives for the State by Government of India in 2003. The package of concessions to the industries in the State mainly included the following:

- 100 per cent outright excise duty exemption for a period of 10 years from date of commencement of industrial production,
- 100 per cent income tax exemption for initial period of 5 years, and
- capital investment subsidy at the rate of 15 per cent of the investment in plant and machinery subject to a ceiling of Rs.30 lakh to all new industries in the notified locations.

As on March 31, 2007, 33,618 small-scale units with a total investment of about Rs.1410.67 crore were operational in the State. These units provided employment to 1.57 lakh persons. Number of units set up under medium and large scale sector increased from 196 units during 2002-03 to 356 units as on March 31, 2007. Total investment in these units amounted to Rs.3832.72 crore as on March 31, 2007 and these units have provided employment to 43,232 persons.

## **2.10. Power**

Himachal Pradesh has a vast hydel potential and through preliminary hydrological, topographical and geological investigations it has been estimated that about 20,815 Mega Watt of hydel power can be generated in the State by constructing various major, medium, small and mini/micro hydel projects on the five river basins. In addition, a large number of unidentified areas have still been left in the river basins, which can contribute substantially to the power potential of Himachal Pradesh. Out of total hydel potential only 6353 MW has been harnessed so far and only 455 MW by the State.

**Table 2.5: Power Situation in Himachal Pradesh**

(In million units)

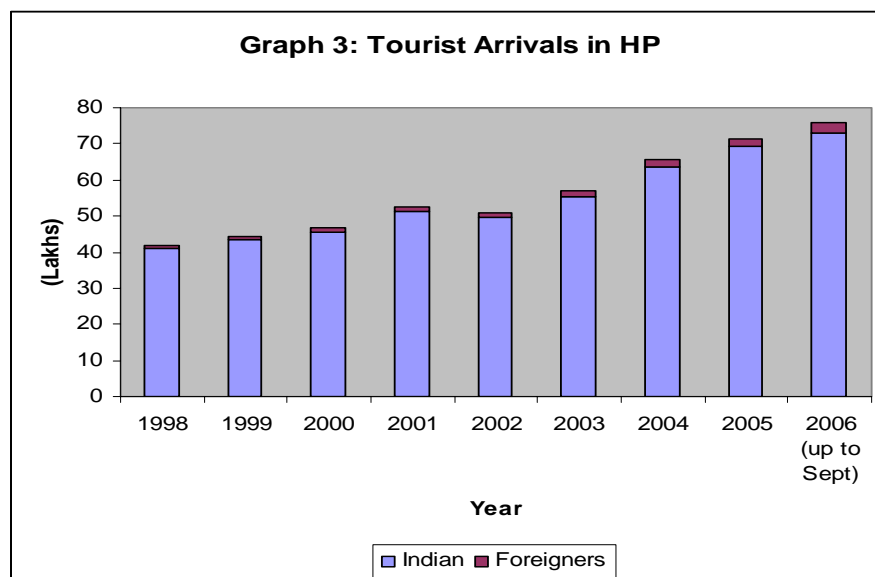
Item	2001-02	2002-03	2003-04	2004-05	2005-06
<b>Power Generated</b>	1150	1277	1357	1295	1332
<b>Power Purchased</b>	2652	2867	3925	4297	4919
<b>Power Consumed</b>	2332	2517	2726	2954	3569
<b>Power Sold</b>	549	688	1693	1659	1723

Source: Economic Survey of Himachal Pradesh.

During 2005-2006, 1332 Million Units power was generated and 4919 Million Units was purchased from Bhakhra Beas Management Board and other states. The State consumed 3569 MU of power and sold 1723 MU during 2005-2006.

### 2.11. Tourism

The Government has accorded top priority to tourism industry, which has emerged as a major activity in the development of economy of the State. The State Government has embarked upon development of appropriate infrastructure for growth of tourism involving activities which require heavy investment and pioneering commercial projects in new areas where private sector may be reluctant to undertake such activities initially.



As a result of media thrust, a significant rise has been noticed in the tourist influx during last few years. It is interesting to note that State has received more tourists than its total population during the last 3 years and the trend is likely to continue. However, the share of foreign tourists is low. During 2006-07, an amount of Rs.704 lakhs was earmarked for development of tourism in the State. There were 1,848 hotels in the State having bed capacity of 41,343 registered with Tourism Department upto November 2006.

## **2.12. Information Technology**

Information technology is an employment and revenue intensive activity. Himachal Pradesh Government in this context has prepared an Information Technology Vision 2010 document with the assistance of NASSCOM. The Government has declared that all information technology related units including software and service units as well as training institutions would be deemed as an industry for purpose of incentives, concessions and facilities available to industrial units in the State. The State Government has also signed a Memorandum of Understanding (MOU) with Union Government to set up a Software Technology Park and high speed data connectivity facility in Shimla and the activities have already been started. The State Government also intends to set up an information technology park in the private sector for which an expression of interest is being invited for a location near Waknaghat.

## CHAPTER 3

### BANKING PROFILE

#### Banking Profile of Himachal Pradesh

The State has a good network of Commercial, Co-operative and Regional Rural Banks. As on March 31, 2007, the State had a network of 1244 bank branches as per details given in Table 3.1.

**Table.3.1: Network of Bank Branch**

Type of Bank	No. of Banks	No. of branches
Public Sector Banks	19	690
Cooperative Banks	4	389
Regional Rural Banks	2	140
Private Sector Banks	8	25
		1244

Source: State Level Bankers Committee (SLBC).

UCO Bank is the convenor of State Level Bankers' Committee (SLBC) and has lead bank responsibility in four districts, while Punjab National Bank and State Bank of India, the other major banks of the State have lead bank responsibilities in six and two districts respectively.

#### 3.1. Scheduled Commercial Banks

The detailed banking network including clearing houses and currency chests is given in Table 3.2.

**Table 3.2: Financial Infrastructure in the State**

(As at end-March 2006)

Sr. No.	Item	Himachal	All India
1	No. of commercial banks	27	85
2	No. of branches of scheduled commercial banks	820	71,177
3	Population per branch	9317	15,931
4	Deposit per branch (Rs. Lakh)	1734	3047
5	Area per branch (Sq. Km.)	68	46
6	Per capita deposit (Rupees)	18,607	19,130
7	Credit per branch (Rs. Lakh)	701	2209
8	Per capita credit (Rupees)	7529	13,869
9	No. of clearing houses	18	1044
10	No. of branches with RTGS	229	27,905
11	No. of currency chests	50	4428
12	No. of branches per currency chest	16	16
13	Population per currency chest	1,21,400	2,31,936

Source: 1. Statistical Tables Relating to Banks in India.

2. Reserve Bank's Annual Report.

As could be observed from the Table 3.2 the total number of branches of scheduled commercial banks (including RRBs) stood at 820 with rural branches accounting for the major share (84.0 per cent), which is much higher than 43.0 per cent at the national level.

**Table 3.3: Branch Network and Population Coverage in the State**

(As on end-March 2006)

Population Group	No. of Branches		Population per branch	
	HP	All India	H.P.	All India
Rural	692 (84.0)	30,610 (43.0)	7912	24,229
Urban	128 (16.0)	40,166 (57.0)	4710	7104
Total	820 (100.0)	70,776 (100.0)	7412	14,533

Source: Banking Statistical Returns of Scheduled Commercial Banks in India, 2006.

Figures in brackets indicate percentage.

Further from Table 3.3. it could be observed that the average population served per branch in Himachal Pradesh at 7,412 persons compared very well to the national level of 14,533 persons thereby indicating well spread out branch network in the State.

### 3.2. Scheduled Commercial Banks (Excluding RRBs)

The Credit Deposit ratio of the State compared to All India figures for the Scheduled Commercial Banks excluding Regional Rural Banks alone is given in Table 3.4.

**Table 3.4: Deposits, Credit & Credit Deposit ratio of SCBs (Excluding RRBs)**

(As at end-March 2007)

(Amount in Rs. crore and Credit Deposit ratio in per cent)

Population Groups	Himachal Pradesh			All India		
	Deposits	Credit	CD Ratio	Deposits	Credit	CD Ratio
1	2	3	4	5	6	7
Rural	8,232 (51.0)	2,997 (44.5)	36.4	2,07,215 (8.2)	1,22,685 (6.5)	59.2
Semi-Urban	3,340 (20.7)	1,432 (21.3)	42.9	3,35,284 (13.3)	1,77,680 (9.3)	53.0
Urban*	4,578 (28.3)	2,302 (34.2)	50.3	19,74,266 (78.4)	16,01,035 (84.2)	81.1
Total	16,150	6,731	41.7	25,16,765	19,01,400	75.5

Note: Figures in brackets are percentages to total.

Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Bank.

As it could be observed from the above, there is a need for improvement in respect of Credit Deposit ratio of the State compared to All India figures.



### 3.3. Regional Rural Banks (RRBs)

There are two Regional Rural Banks in the State viz. Himachal Gramin Bank sponsored by Punjab National Bank and Parvatiya Gramin Bank sponsored by State Bank of India and in terms of performance both the Regional Rural Banks are doing well. At the end of March 2007, total deposits mobilised by RRBs was broadly in alignment with the All-India growth. Outstanding advances of RRBs in Himachal Pradesh during 2006-07 rose by 33 per cent over the preceding year which was higher than the All-India growth rate of 22 per cent. However, the Credit Deposit ratio of RRBs in Himachal Pradesh was lower than the all-India level (Table 3.5.).

**Table 3.5: Regional Rural Banks (RRBs) in Himachal Pradesh**

*(Amount in Rs. crore and Credit Deposit ratio in per cent)*

State	March 2006			March 2007		
	Deposit	Credit	CD Ratio	Deposit	Credit	CD Ratio
1	2	3	4	5	6	7
HP	723 (1.1)	246 (0.7)	34.0	850 (1.0)	327 (0.7)	38.5
All India	70,625	39,447	55.9	82,058	48,167	58.7

*Note: Figures in brackets indicate proportion to All-India basis.*

*Source: Quarterly Statistics on Deposits and Credits of Scheduled Commercial Bank*

Priority sector advances constituted 83 per cent of total advances of RRBs in Himachal Pradesh. Under priority sector, RRBs disbursed highest (58 per cent) to services sector followed by agriculture and SSI with 20 per cent and 9 per cent share, respectively as on March 31, 2007.

### 3.4. Urban Co-operative Banks

There are five Urban Co-operative Banks operating in Himachal Pradesh. There is no scheduled urban co-operative bank in the State. Deposits of all Urban Co-operative Banks in the State increased from Rs.100 crore as the end-March 2003 to Rs.146 crore as the end-March 2006. Similarly, loans and advances of all Urban Co-operative Banks in the State rose to Rs.95 crore at March-end 2006 from Rs.65 crore at March-end 2003. The Credit Deposit ratio of Urban Co-operative Banks at 65 per cent as at end-March 2006 was much higher as compared to commercial banks and Regional Rural Banks in the State.

**Table 3.6: Urban Co-operative Banks in Himachal Pradesh**

(As on 31st March) (Rs. Crore)

Item	2003	2004	2005	2006
No. of Banks	5	5	5	5
Share Capital	3	3	4	4
Reserve Funds	4	3	12	14
Deposits	100	120	128	146
Investments	14	14	48	53
Loans and Advances	65	65	86	95
Other Assets	6	6	5	6
Total Assets	124	124	156	174
Net Profit/ Loss		1.6	0.4	1.3
CD Ratio	65	52	67	65

Source: Statistical Tables Relating to Banks in India

Total assets of Urban Co-operative Banks increased from Rs.124 crore as one end-March 2003 to Rs.174 crore. The investments of Urban Co-operative Banks registered a steep rise from Rs.14 crore as on end-March 2003 to Rs.53 crore as on end-March 2006. Gross NPAs and Net NPAs of Urban Co-operative Banks in the State were 11.1 per cent and around 5 per cent respectively of total assets as at the end of March 2006.

### 3.5. Rural Co-operative Credit Institutions

Himachal Pradesh State Co-operative Bank (HPSCB), apex cooperative bank of the State, with 154 branches was operating in 6 districts. In addition there are two District Central Co-operative Banks (DCCBs) in the State. The Jogindra Central Co-operative Bank Ltd. was meeting credit needs of Solan district through its 20 branches. The Kangra Central co-operative Bank Ltd. is having branch network of 159 branches spread over in 5 districts. The village level short term credit needs are being met through a network of 2137 Primary Agriculture Credit Societies.

### 3.6 Banking Outreach of Scheduled Commercial Banks (including RRBs)

The district-wise data relating to deposit and advances of Scheduled Commercial Banks (including RRBs) is given in Annexure III. As it could be observed there-from, the average population per branch was 7412.

District-wise average population per branch in the State, is much better as compared to National average. However, within the State there are variations as in few districts viz., Chamba, Kangra, Mandi, Sirmour the average population per branch is higher than the State level average and in certain districts such as Lahaul-Spiti, Kinnaur and Shimla it was lower than the State average (Annexure III).

The per capita deposit in all districts except Shimla, Solan, and Sirmour districts was lower than the State Level average while in case of per capita credit only Shimla and Solan districts were above the per capita credit in the State.

In terms of deposit accounts per 1,000 persons, Sirmour, Chamba and Kullu districts were below the State Level average while Hamirpur had highest deposit accounts per 1,000 persons followed by Una and Shimla. Banking outreach in terms of accounts per branch was lowest in Kinnaur with 2353 accounts followed by Lahaul-Spiti and Sirmour (Annexure IV).

Regarding outreach in terms of advances, Chamba and Sirmour had lowest outreach followed by Una and Lahaul-Spiti while Shimla had highest loan accounts. Average loan accounts per branch were just 241 and 320 in Lahaul-Spiti and Kinnaur, respectively as compared to 538 at the State level which is indicative of sparse population. Hence, there is need to improve the banking outreach in terms of credit in the State with more focus on Lahaul-Spiti, Sirmour, and Chamba districts (Annexure V).

### **3.7 Banking Outreach (All banks including Co-operative Banks)**

All the segments of banking sector taken together, the average population per branch was 4886 and each branch in the State was serving average number of 13.7 villages, which varied between 2.4 villages per branch in Kullu district to 27.2 villages per branch in Lahaul and Spiti district. While Kinnaur and Una districts have average seven villages per branch, Bilaspur, Shimla and Sirmour districts serve average 12 villages per branch whereas Chamba and Kangra districts have at an average 15 villages per branch and Hamirpur has 17 villages per branch. The Solan district has 19 villages per branch.

### 3.8 Comparison of Commercial Banks Outreach with Neighbouring States

To get an idea, of the extent of outreach of Commercial Banks in the State viz-a-viz neighbouring states, data was collected and presented in Table 3.7 (deposits) and Table 3.8 (advances). As it could be observed there-from the deposit accounts per 1000 persons in Himachal Pradesh as on end-March 2006 were much higher than the average at all India level. However, the coverage of population by this yardstick was comparable to average of northern region. As on March 31, 2006, deposit accounts and average deposits outstanding per branch in Himachal Pradesh are significantly on the lower side as compared to the neighbouring States, northern region and at All India level. Similarly, average balance per account in the State was also substantially lower than in the northern region and at all India level. The trend indicates that though branch network is well spread the performance of branches pertaining to banking services would improve with pick-up in economic activities, especially the services sector in the State.

**Table 3.7: SCBs Deposits :H.P. vs Neighbouring States**

(As on end-March 2006)

State/ Region	Accounts per ,000 Persons	Accounts per branch	Amount per branch*	Amount per account**
Himachal Pradesh	468	3470	670	19
Haryana	465	5578	1516	27
Punjab	657	5670	1273	22
Chandigarh	1438	5309	2930	55
Delhi	1041	8085	4571	57
Northern Region	477	5365	1627	30
All India	353	5134	1194	23

Source: Banking Statistical Returns of Scheduled Commercial Banks in India.

\*: Amount per branch is in Rs. Lakhs. \*\*: Amount per account is in Rs.,000.

Regarding outreach in terms of advances, Chamba and Sirmour had lowest outreach followed by Una and Lahaul-Spiti while Shimla had highest loan accounts. Average loan accounts per branch were just 241 and 320 in Lahaul-Spiti and Kinnaur respectively as compared to 538 at the State level which is indicative of sparse population. Hence, there is a need to improve the banking outreach in terms of advances in the entire State with more focus on Lahaul Spiti, Sirmour and Chamba districts.

**Table 3.8: SCBs Advances :H.P. vs Neighbouring States**

(As on end-March 2006)

State/ Region	Accounts per ,000 persons	Accounts per branch	Amount per branch*	Amount per account**
Himachal Pradesh	72	535	703	131
Haryana	68	813	1606	198
Punjab	74	639	1463	229
Chandigarh	182	672	5813	865
Delhi	146	1136	10,193	897
Northern Region	70	782	2693	344
All India	83	1207	2139	177

Source: Banking Statistical Returns of Scheduled Commercial Banks in India.

\*: Amount per branch is in Rs. Lakhs. \*\*: Amount per account is in Rs,000.

### 3.9. Forex Facilities in Himachal Pradesh

Five full fledged money changers and 24 of their branches (franchisees) are operating / rendering foreign exchange facilities in the state of Himachal Pradesh. Majority of the franchisees have been operating from cities and places of tourist interest. The Reserve Bank of India is promptly issuing FFMC licenses to the applicants who desire to conduct the business of foreign exchange. All the places of tourist interest have been covered by the full fledged money changers/franchisees and there has been no complaint regarding inadequacy of forex services.( Annexure VII )

### 3.10. Automated Teller Machines

There are 41 off-site ATMs operational in the State. The district-wise distribution of off-site ATMs is given in Annexure VIII.

## CHAPTER 4

### **ROLE OF BANKS AND FINANCIAL INSTITUTIONS IN SUPPORTING THE INITIATIVES TAKEN BY THE STATE GOVERNMENT**

4.1. The financial system as an intermediary has vital role to supplement the developmental plans of the State. The system pools the savings of the households for the basic purpose of providing credit to various segments of the economy. In the process of allocation of resources by the financial system, balanced growth of all sectors of economy and all regions of the country may or may not happen. Keeping the objective of removing the regional disparities in economic growth and to arrive at accelerated economic development of the all regions/States, credit-planning process was initiated under the Lead Bank Scheme in 1969. The banks were advised to extend assured credit to some segments of the economy in the form of directed lending. These preferred sectors of the economy were termed as priority sectors. Under these schemes credit plans are being prepared taking block as a unit which are merged in district credit plans. These plans are prepared on the basis of potential available in the blocks/districts which is identified through Potential Linked Plans (PLPs). The PLPs are prepared by the NABARD.

#### **4.2 Performance of Banks in the State**

##### **4.2.1. Credit Deposit (CD) Ratio**

The comparative figures of deposits, advances and corresponding Credit Deposit ratio for all banks for the last three were as under:

**Table 4.1: Deposit, Advances and Credit Deposit Ratio of SCBs**

(Amount in Crores)

Year	Deposit	Advances	Credit Deposit Ratio
March 31, 2005	16026.26	6679.11	41.68%
March 31, 2006	18437.16	8396.62	45.54%
March 31, 2007	21475.04	10632.50	49.51%

Source: State Level Bankers Committee (SLBC).

The district-wise break up of Credit Deposit ratio is given in Annexure I. As it could be observed there-from, the district-wise Credit Deposit ratio varied from a low of 17 per cent in Lahaul-Spiti to a high of 76.2 per cent in Sirmour district as on March 31, 2007. The Government of India had appointed an Expert Group under the Chairmanship of Shri Y. S. P. Thorat, the then Managing Director, NABARD to go into the nature and magnitude of the problem of low CD Ratio across States/regions and to suggest steps to overcome the problem. The Expert Group examined the problem and causes of low CD Ratio and based on recommendations of the Group, RBI had advised all Scheduled Commercial Banks on November 9, 2005 that the CD Ratio of banks should be monitored at different levels. Also as recommended by the above Expert Group, Special Sub Committees (SSCs) of District Level Coordination Committee have been formed in all the districts of the State having CD Ratio below 40 per cent and the proceedings of the Sub Committees are being discussed in the State Level Bankers' Committee meeting at the State Level. As per the new definition, the Credit Deposit ratio of banks should be monitored at different levels on the basis of the following parameters.

Institution/Level	Indicator
Individual Banks at HO	Cu + RIDF
State Level (SLBC)	Cu + RIDF
District level	Cs

Note: Cu = Credit as per place of Utilization.

Cs = Credit as per place of sanction.

RIDF = Total Resource Support provided to states under RIDF.

Accordingly, the CD Ratio for all scheduled commercial banks (including RRBs) in the state works out to 51.66 per cent as on March, 31, 2007 (49.5 per cent as per old formula). The credit plus investment to deposit ratio had also increased from 51.9 per cent as on March 31, 2005 to 53.4 per cent as on March 31, 2007. Presuming the deposit growth of 15 per cent and credit growth of 20 per cent over the years, the State Level Bankers' Committee (SLBC) Convenor has projected that the State will achieve the target of 60 per cent of Credit Deposit ratio in the year 2012-13 (Annexure Table II). With the projected credit growth of 25 per cent and deposits growing at 15 per cent the target can be achieved still earlier by the year 2009-10 itself.

## 4.2.2 Annual Credit Plans

Targets under Annual Credit Plans (ACP) were achieved under the agriculture and services sectors during the last three years. During last 2 years, targets under various sub heads under priority sector were surpassed except minor slippage under SSI in 2005-06. Thus, more than 100 per cent achievement under priority sector in the State is commendable; however, this reflects that potential under priority sector was much more than projected. In view of above, efforts may be put in to prepare the Annual District Credit Plans with closer alignment to Potential Linked Plans and with proactive participation of line departments so that the priority sector does not suffer for want of credit.

**Table 4.2: Performance of Banks under Annual Credit Plan in Himachal Pradesh**

Sector	2005-06			2006-07			2007-08
	Target	Achievement		Target	Achievement		Target
	Rs. Crore	Rs. Crore	Per cent	Rs. Crore	Rs. Crore	Per cent	Rs. Crore
<b>Agriculture</b>	686.1	801.5	117	909.07	977.09	107	1021.8
<b>SSI</b>	220.2	216.3	98	345.61	396.65	116	360.9
<b>Services and Trade</b>	901.5	1169.3	130	1247.24	1314.5	105	1571.3
<b>Total PS</b>	1807.7	2187.1	121	2501.92	2688.3	107	2953.9

Source: State Level Bankers Committee (SLBC), Himachal Pradesh.

## 4.3. Agriculture Sector

### 4.3.1 Flow of Credit to Agriculture

The flow of adequate credit to agriculture has always been the concern of the successive Governments. In this direction, after the announcement made by Union Finance Minister on June 18, 2004 a targeted and time bound approach was adopted for doubling the flow of credit to agriculture sector within a period of three years starting from 2004-05. In Himachal Pradesh, this target was achieved in two years. The credit disbursement increased from Rs.385 crore during 2003-04 through Rs.801 crore in 2005-06 to Rs.977 crore during 2006-07. The growth in production credit during the period at 208 per cent was substantially higher than growth in investment credit at 124 per cent. As the high growth in production credit can not be sustained without adequate investment credit, the banks should try to integrate the investment and production credit needs of the farmers. The agriculture production in the State can be increased by extending more investment credit to agriculture sector with special emphasis on minor and medium irrigation projects. The available potential in minor and medium irrigation be harnessed through Annual



Credit Plans for which extension services by the Agriculture Department may help the farmers by creating awareness among them.

#### **4.3.2. Kisan Credit Cards (KCC)**

On cumulative basis 3,01,575 KCCs were issued by various banks as on March 31, 2007 as against 8,62,897 cultivators having landholdings in the State. The total loan outstanding against KCCs was Rs.689.41 crore and the average limit per KCC in the State was estimated at Rs.22,860. While the per capita credit provided by the Public Sector Banks was Rs.22,019, the same by Cooperative Banks and RRBs was Rs.21,333 and Rs.34,163 respectively. There is a huge gap between the number of KCCs issued and total number of cultivators. The feedback reveals that banks were reluctant in issuing KCCs to remaining farmers because they find it unremunerative due to their small land holdings and in some cases because the land was cultivated by person other than the owner. As already advised by RBI on April 30, 2007, the banks should accept the certificate issued by local administration regarding cultivation of land by landless labourers, oral lessees, sharecroppers, etc. to extend credit facilities in such cases. In order to expand the coverage under the scheme, the credit by banks for agriculture and allied activities up to Rs.50,000 may be extended through KCC. The Controller of banks should ensure that their branches issue KCCs to all the remaining eligible farmers/cultivators of land falling within their jurisdiction as per the extant instructions of RBI. The progress need to be monitored by Controllers and SLBC Convenor.

#### **4.3.3. Suggestions**

- Small farmers who are credit shy due to hesitation to mortgage their land should be educated by banks and other extension services regarding the extant RBI guidelines that no collateral is necessary for agriculture loans upto Rs.50,000. The farmers should also be made aware about other benefits available under the KCC scheme.
- The average loan amount under KCC in the State being on the lower side, all banks operating should revise their scales of finance considering escalation in prices of inputs, labour, etc at regular intervals.

- In view of large number of small and fragmented land holdings, there is a need to adopt cluster approach in financing of agricultural activities. Subsequently, sub-clusters could be developed around the main cluster. The concerned department/agencies of State Government should take steps to develop such clusters to facilitate easy access to required inputs, extension services and marketing facilities to farmers. The State Government should establish commodity specific market yards for major crops like apple, potato, off-season vegetables, etc.
- The agricultural extension services are essential to carry the findings of research from the laboratory to the farmers to increase the yields and income. It was observed that the extension services available in the State were far from adequate. Hence, the Group suggests that the research-extension linkages should be strengthened. Considering the more involvement of women in agriculture and allied activities in the State, special efforts should be made to reach technology to them keeping in view their constraints relating to time and mobility. The existing farmers' club should be strengthened and more and more such clubs with target of one club one panchayat be formed. The extension services be provided through participation in the meetings of such clubs. The representatives of the clubs can be taken for visit to farm/orchard/greenhouse of successful progressive farmers to make them aware about the new farm techniques.

#### **4.4 Credit flow to Small Scale Industries**

**4.4.1** Himachal Pradesh has in general limited employment generating economic opportunities. Small Scale Industries (SSI) being employment intensive can play an important role in generating rural employment and to increase the industrial production in the State. In this regard the fiscal package of the Union and State Governments has given boost to the industrial activity, there is an urgent need to promote small and micro industrial units in the State by providing need based finance and other logistic supports.

**4.4.2** The credit disbursement to SSI by banks operating in the State is continuously on the increase particularly with the advent of the fiscal package. The loans disbursement during the current year has shown an increase of 83 per cent over the disbursement made in the previous year 2005-06.

**4.4.3** The main constraints hampering the growth of industries in the State are summarized below:

- a. Non-availability of raw materials locally;

- b. Geographical and environmental constraints in hill regions;
- c. Lack of availability of infrastructure particularly poor road conditions in Baddi-Barotiwala- Nalagarh industrial areas;
- d. Poor social infrastructure in upcoming industrial areas such as housing, schools, hospitals, markets, etc.;
- e. Lack of marketing opportunities for manufactured goods ;
- f. Non-availability of local skilled labour;
- g. Lack of transportation facilities and high transport costs;
- h. Lack of local entrepreneurship.
- i. Lack of rail-links.

With a view to encouraging banks to lend efficiently to the SME sector for the overall economic development of the State, the State Government should focus on provision of necessary infrastructure including social infrastructure, training institute for labour and facilitate marketing opportunities. Given the inadequate railway network and the growth of big industries particularly the cement industry the banks can explore the avenues of financing more trucks also.

#### **4.5. Policy Initiatives by RBI**

It has been the endeavour of the Reserve Bank to improve the credit delivery mechanism and make available basic banking services to the wider sections of society and to ensure development of the rural-agrarian economy. Initiatives taken have been wide-ranging in improving credit flow to agriculture and other segments of priority sector, strengthening of the rural financial infrastructure and promoting financial inclusion, financial literacy and credit counselling. In this regard, various measures taken through the recent Annual Monetary and Credit Policies are given below.

- i) In order to facilitate faster decision making RRBs were permitted to open or shift offices after obtaining clearance from the Empowered Committees (ECs) constituted at the State level.
- ii) To extend relief measures immediately in case of natural calamities, the relief including conversion/restructuring of agricultural loans as per the extant guidelines could be extended to the farmers without declaring Annewari, if District Consultative Committee (DCC) is satisfied that there has been extensive crop loss on account of natural calamities.

- iii) Banks have been permitted to use the services of Non Governmental Organisations/Self Help Groups (NGOs/SHGs), Micro Finance Institutions (MFIs) and other Civil Society Organisations (CSOs) and Post Offices as intermediaries in providing financial and banking services through the use of Business facilitator and Correspondent models.
- iv) Limit of loan under Differential Rate of Interest scheme providing finance at a rate of 4 per cent to weaker sections of the community engaged in gainful occupations has been raised from Rs.6500 to Rs.15,000 and limit of housing loan was raised from Rs.5000 to Rs.20,000 per beneficiary.
- v) National Housing Bank introduced 'reverse mortgage' under which a senior citizen who is owner of a house can avail of a monthly stream of income against mortgage of his/her house, while remaining the owner and occupying the house throughout his/her lifetime, without repayment or servicing of the loan; regulations were put in place to allow creation of mortgage guarantee companies.

#### **4.6. Initiatives of National Bank for Agriculture and Rural Development (NABARD)**

Regional Office of NABARD at Shimla has been playing a proactive role in development of agri-rural sector through credit. The role can be broadly grouped into Operational Initiative and Developmental Initiatives.

##### **4.6.1. Credit flow to Agriculture**

###### **a) Production Credit**

The primary focus of NABARD has been on increasing the flow of credit to the agriculture sector and ensuring balanced growth among various sub-sectors of agriculture. The trend in direct lending to agriculture by commercial banks and the amount of loan outstanding to them in the State since 1996 has been quite encouraging which indicates that credit to agriculture increased by more than six times from Rs.112.2 crore in 1996 to Rs.687.61 crore in 2007 registering a compound growth rate of 19.95 per cent per annum. Apart from providing refinance facilities to Regional Rural Banks and State Co-operative Banks with a view to operationalizing Government of India's decision to provide short term credit to farmers at the interest rate of 7 per cent per annum, these banks are also given 2 per cent interest sub-vention on the disbursement of short term credit for loans upto Rs.3 lakh per borrower.

## **b) Investment Credit**

Investment credit (long-term refinance) is being provided for a variety of purposes. NABARD has given thrust to provide credit for minor irrigation, farm mechanisation, horticulture, animal husbandry and non-farm sector activities to increase the productivity and efficiency of various crops and to provide alternative sources of income to the farmers. In the State, the refinance from NABARD for these purposes has increased from Rs.3.45 crores in 1983-84 to Rs.146.18 crores in 2006-07 recording an annual compound growth rate of 17.69 per cent. There is a need for more focussed growth of investment credit in agriculture sector as it will give impetus to the production credit in the years ahead.

### **4.6.2. Developmental Initiatives**

#### **a) Micro Credit Interventions**

The SHG movement started in the year 1996 in Kangra district has now spread to the whole State. As on 31 March 2007, there are more than 40,000 SHGs in the State of which more than 37,000 SHGs have availed of banking facilities. The banks have provided loans amounting to Rs.165.45 crore. In H.P., the outreach of the programme has attained a critical stage in terms of existence of more than two to three groups in a village, though there are some villages where no group have been formed as yet. Therefore, the Group suggests that at least one SHG in each village of the State be formed, especially in backward and tribal regions. The uncovered villages may be identified and allocated to Social Welfare Department, NGOs, farmers' club, etc. to cover such village under SHG programme in a time bound manner.

#### **b) Farmers' Clubs**

NABARD has been encouraging banks to promote Farmers' Clubs in rural areas under the Farmers' Club Programme with the objective of promoting development through credit, inculcating repayment ethics, adoption of scientific methods of cultivation, etc. As on March 31, 2007, there are 154 functional clubs covering 485 villages. These clubs have also promoted 311 SHGs.

### **c) Non Farm Sector**

In Himachal Pradesh, NABARD was supporting rural non-farm sector also. In this direction, 57 Rural Employment Development Programme were implemented in the State up to end-March 2007. Under Swarojgar Credit Card (SCC) Scheme, Banks in the State have issued 13,208 cards to the borrowers to make them avail hassle free credit. One cluster on Bamboo works has been identified under National Programme for Rural Industrialisation in Kathog in Kangra district. Further NABARD has recently launched a Rural Tourism based cluster to tap the potential available in the State.

NABARD has also launched District Rural Industries Project (DRIP) which envisages creation of sustainable employment opportunities in the rural areas by setting up of NFS Enterprises through enhanced credit flow and other related promotional support. The project was launched in four districts viz; Solan, Mandi, Kangra and Hamirpur. During last five years 53,376 units were established with aggregate credit flow of Rs.1048.96 crore which have generated employment of 1,37,981 persons in these districts.

### **d) Village Development Plan (VDP)**

The objective of the scheme is to develop the selected villages in an integrated manner, with financial services as the focus and dovetailing socioeconomic, infrastructure and human aspects of development. So far one village each in ten districts (Kangra, Kullu, Una, Hamirpur, Bilaspur, Solan, Chamba, Sirmaur, Kinnaur and Mandi) have already been identified for the purpose.

### **e) Gramin Tatkal Scheme**

NABARD has introduced Gramin Tatkal Scheme as a pilot project in 8 districts in the country. The scheme aims at adopting 'a family centric approach' for extending credit. The spouse and the major children of the borrower would be co-obligants and the loan liability will be joint and several. As the credit needs and repaying capacity of the entire family is to be assessed, the possibility of over indebtedness is minimal. Emphasis of the scheme will be on credit worthiness of the borrowers and their repayment capacity. From the banks point of view the recovery of credit dispensed under the scheme is likely to improve as the family members would be jointly and severally liable. The coverage under the scheme is exhaustive as the objective is to cover all the rural families.

Under the scheme multi-purpose flexible card will be issued to all rural households. The scheme envisage composite loan covering working capital, investment capital, consumption, etc needs based on the cash flow of the family from all sources. This will also obviate the possibility of diversion of funds because entire family budget including consumption expenditure will be taken into account while determining the credit requirements of the family. The collateral requirement and rate of interest under the scheme would be as per RBI guidelines and co-operative banks and RRBs can get refinance from NABARD. The scheme eventually aims at merger of all the existing schemes in the rural areas such as Kishan Credit Cards, General Credit Cards, Swarozgar Credit Cards, etc. and thereby converge multiple cards into one.

#### **4.7. Initiatives by Small Industries Development Bank of India (SIDBI)**

##### **4.7.1. Finance Schemes**

###### **a) Direct Finance**

SIDBI operates various schemes and they have financed 40 cases with outstanding loans of Rs.5174.10 lakh as on March 31, 2007 in the State of Himachal Pradesh.

###### **b) Refinance**

The refinance and resource support is granted to State Level Financial Corporation and banks. The main objective of such schemes is to facilitate flow of credit in an increasing manner to SSI units. SIDBI provides refinance to Prime Lending Institutions (PLIs) against the term loans granted by them for setting up new small scale units or expansion of such units. As on March 31, 2007 SIDBI has an outstanding of Rs.8361.59 lakh under refinance and Rs.758.97 lakh under various equity schemes in the State.

##### **4.7.2. Promotional and Development Initiatives**

SIDBI has sponsored various Entrepreneurship Development Programmes (EDP), Rural Industries Programmes (RIP), Vendor Development Programme (VDP) and Skill-cum-Technology Upgradation Programmes aimed at generating employment opportunities, especially targeting less privileged segments of the society, enterprise promotion in rural and semi-urban areas and to improve performance of existing SME units by strengthening managerial skills and technical competence of the entrepreneurs and senior executives of small enterprises.

#### **4.8. Initiatives by banks**

Considering the special requirements of the State, banks themselves have formulated following State specific schemes:

##### **a) Financing Apple Orchard Owners**

Under the scheme, the credit requirements of the apple orchard owners for infrastructural support such as water storage tanks, drip system, storage/grading/packaging houses, farm equipments, wire-fencing and marketing infrastructure like plastic crates, transport, etc. are being met. The scheme is applicable to existing apple orchards in fruit bearing stage with minimum age of 10 years and minimum orchard area of one acre and the farmers should possess adequate land for construction of necessary infrastructure.

##### **b) Financing Lessee Farmers**

Himachal Pradesh and Jammu and Kashmir States are known for apple production. While most of the farmers are able to manage their orchards of their own, some of the farmers find it difficult to manage/market their orchards/produce due to their engagements elsewhere. As a result there are farmers, who in addition to their own orchards, take the orchards of other farmers on lease on the onset of flowering season. For this purpose they enter into an agreement with the lessor and this document is duly registered with the Notary Public. All the operations like irrigation, manuring, spraying, plucking, packaging and marketing of apples are undertaken by the lessee and in lieu of this he pays to the lessor pre agreed amount. Under this scheme lessee farmers are provided bank finance for working capital and total credit needs of the lessee farmers are assessed as per scale of finance fixed by the bank for lessee's own orchard areas and the orchard taken on lease.

##### **c) Financing Rejuvenation of old Apple Orchards**

Most of the apple orchards in H.P. were planted in later half of the 20<sup>th</sup> century which have outlived their fruit bearing life and need to be rejuvenated. Farmers continued postponing replacement of plants to save whatever little crop they were getting from these old plants with the fear of being out of funds if new orchard with longer gestation period is put in place. Realising the need for replacement of these plants banks have come out with a scheme wherein the entire loan is to be repaid along with interest within a period of 12 years beginning with 5th year. However, as enough cash is generated during 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> year also, the farmers are advised to repay the interest portion during these years.



## **4.9. Policy Initiatives of Government**

Himachal Pradesh Government has been striving to harness and enhance the existing potential in the State through various policy decisions. Some of these policy initiatives undertaken by the State over the last few years are furnished below.

### **4.9.1. Industrial Policy, 2004**

Himachal Pradesh has been traditionally an industrially backward State mainly due to topographical constraints. After the announcement of a package of concessions by the Union Government in 2003, there has been upsurge in industrial activities in the State. In order to accelerate the momentum in industrial activities, Himachal Pradesh Government announced its Industrial Policy in 2004 which mainly comprises of following:

#### **a) Incentives, Concessions and Facilities**

Supplementing the Union Government the State Government has given fiscal incentives to units set up and having their registered office in the State for patenting their inventions and its commercialization.

- To facilitate entrepreneurs in setting up of units and to help them comply with applicable rules and regulations, the Govt. has considerably simplified its Rules and Procedures.
- The State Govt. has set up a State Level Single Window Clearance and Monitoring Authority under the chairmanship of the Chief Minister to consider and give Government approvals in principle to medium and large scale industries.
- The State Government tries to actively encourage development of the State of the art industrial area through its agencies like the Industries Department, Himachal Pradesh State Industrial Development Corporation, Himachal Pradesh Housing and Urban Development Agency, etc.
- The State Environment and Pollution Control Board specifically streamlined its procedures for grant of No Objection Certificate (NOC) required prior to the setting up of the project and clearance required after the project has been set up.
- A scheme of self certification for industrial units has started.
- A special Escort Services is provided by the HPSIDC on payment basis to escort prospective entrepreneurs and help them obtain necessary approvals and clearances.
- The State Government actively supports Research and Development and modernisation of existing units.
- Agriculture especially Horticulture the backbone of State's economy is on the Govt's priority list.

- Export is treated as special activity and therefore given priority.

#### **b) Development of Clusters**

The cluster approach for industrial growth has been recommended to avail economies of scale identified with the development of clusters. Micro Small and Medium Enterprises Development Institute (MSMEDI), Solan has identified 18 clusters in the State. The Light Engineering Industrial cluster at Baddi and Parwanoo has been implemented and diagnostic study for Packaging Material Cluster at Nalagarh has been completed. The development of other clusters will facilitate further growth of industries in the State. The Group therefore suggests that District Industries Centre may take steps for speedy development of remaining clusters.

#### **4.9.2. Forest Policy, 2005**

The forests and other natural ecosystems of Himachal Pradesh which constitute two-third of the geographical area of the State, are crucial for its environmental, ecological and economic well-being of Indo-Gangetic plains. Realising the importance of the forests in the State's economy, the State Government announced "Forest Sector Policy" in 2005. The salient features of the same are given below.

- The Government is committed to bring more area under forests and tree cover in the State. The target is to bring 35.5 per cent of the total geographical area of the State under forest cover.
- The need for land use planning becomes imperative to balance the competing demands of the different sectors in order to promote balanced land use. The State Land Use Board will undertake this task on priority.
- The Government will give incentives to encourage wood based enterprise to procure raw material from sources other than government forests.
- A hill based strategy will be formulated to reduce direct dependence on forests while preserving the mountain ecology. Such a strategy will encourage a balanced regional development of agriculture sector with emphasis on cash economy through diversification of high value crops rather than subsistence agriculture.
- The implementation of Forest Sector Policy and Strategy will require significant financial and human resources. The State Government will develop a long-term investment programme for forest sector funding commensurate with the contribution of forests to State GDP, through public sector participation and need-based international funding.

### **4.9.3. Information Technology Policy**

The Himachal Pradesh Government has introduced Information Technology Policy to facilitate the growth of IT in the State. The salient features of the IT Policy are as under:

- All promotional and liberalized policy instruments are also made available to the IT Enabled Services including the Information Content Industry.
- All IT software and service industries including Services and Training Institutions in IT are conferred "Industry" status. Such units are eligible for all concessions and incentives applicable to Industries.
- Interest subsidy scheme available to other industries is applicable to both computer hardware and software sectors.
- IT Software and Services industry is treated as industrial consumers. Industrial power tariff and all other admissible incentives and concessions applicable to industries in respect of power shall be applicable to the IT industry.
- The State Government encourages flow of investments including FDI and provides full support wherever required. The State Government can offer customised package of incentives for prestigious investment proposals i.e. projects where total investments are more than Rs.10 Crore or a Fortune 500 company is implementing the project.
- IT Software units are permitted to be set up in residential areas subject to load restrictions.
- Software Technology Park and Earth Station: A modern Software Technology Park (STP) and an Earth Station has been established in Shimla under the Software Technology Parks of India (STPI) Scheme of Ministry of Information Technology. The Earth Station meets the high-speed telecommunication needs of the IT sector and provides international bandwidth for Internet.
- The State Government has identified locations for hi-tech habitats at Shimla, Solan, Hamirpur, Baddi, Parwanoo, Kullu, Mandi and Dharamshala.

#### **4.9.4. Tourism Policy**

Himachal Pradesh Government devised "Tourism Policy 2005" to harness the potential for development of tourism, which in turn can be prime engine for economic growth of the State. The salient features of the policy are as under:

- i) Tourism Information Centres to be set up at the district level and important tourist centres to disseminate information pertaining to places of tourist attraction, facilities available at tourist places including accommodation available, etc.
- ii) New avenues for tourism such as rural tourism, pilgrimage tourism, health tourism, heritage tourism, adventure tourism, eco-tourism, etc. are identified as thrust areas for promoting tourism in the State.
- iii) Lesser known tourism destinations are identified as hidden potential for development of tourism district-wise and conscious State policy is being framed to develop these tourist places.

#### **a) Central Capital Investment Subsidy Scheme, 2003**

Under the policy all new industries would be eligible for capital investment subsidy to the extent of 15 per cent of the investment in Plant and Machinery; subject to a ceiling of Rs.30 lakh. The Tourism sector has been included under the category of Thrust Sector Industries eligible for concessions under the policy irrespective of location. The subsidy shall be applicable to all new industrial units which have commenced their commercial production on or after January 7, 2003 and units existing before, but which have undertaken substantial expansion by way of increase of installed capacity by not less than twenty five per cent, on or after January 7, 2003.

#### **b) Other Initiatives**

- i) Eco-tourism units have also been included in the list of Thrust Industries as a tool of prosperity of the State, besides effectively addressing the problem of unemployment and poverty.
- ii) Tourism currently contributes about 8 per cent of the GDP, the policy proposes to increase it to 15 per cent by the year 2020
- iii) To promote tourism in the countryside and lesser-known areas, appropriate infrastructure will be developed within available resources.
- iv) The policy aims at breaking the seasonality factor and tourism activities have been diversified to attract the tourists in all the seasons.

- v) Policy objectives aim at encouraging a strong and sustainable private sector participation in creation of tourism infrastructure, promote environmentally compatible tourism, to safeguard the State's natural and manmade heritage and to position HP as a one-stop destination for adventure tourism.

#### **4.9.5. Hydro Power Development Policy**

Policy for allotment of hydro electric projects has been put in place by the State Government. This policy contains following guidelines to be followed up:

- Power Royalty at the rate of 12 per cent up to 12 years, 18 per cent up to 30 years and 30 per cent beyond 30 years to be taken from the developers.
- All the power producers have also to provide 1.5 per cent of the project cost for the local development.
- To protect the rights of local inhabitants for irrigation and drinking water requirements and ensuring sustainability of existing infrastructure as also sustaining the flora and fauna in the downstream of a project, mandatory provisions of ensuring a minimum flow of 15 per cent of water immediately downstream of the dam.
- A detailed study of the snow and glacier retreat phenomena; a comprehensive database on snow and glaciers by using space technology and provide regular information for use by hydro power developers both in the government and private sectors.
- To increase the life span of new hydroelectric projects an outlay of Rs.20 crore earmarked for Catchment Area Treatment Plans of these projects.

#### **4.9.6. Infrastructure Development**

For the purpose the steps planned are as follows:

- Road connectivity to be provided to about 480 unconnected habitations of more than 500 population involving a length of about 2800 kilometres and requiring an investment of about Rs.628 crore under Prime Minister Gramin Sadak Yojna and Bharat Nirman Programme; sanction of GOI to be obtained for connecting all these villages to complete them by 2008.

- Road links also to be provided to unconnected Panchayats. For this purpose, resources to be pooled from the proposed World Bank State Road project, Bharat Nirman, Finance Commission award, State budgetary provisions etc. to carry out block topping of about 10,000 kilometres road length during the next 2 years against present level of about 1000 kilometres annually.
- Keeping in view the capacity constraints for formulation of the DPRs, State Government for the first time decided to outsource the formulation of DPRs towards accelerating the pace for availing institutional finance and other resources for construction of roads and bridges.

#### **4.9.7 Watershed Development**

A sum of Rs.365 crore for Integrated Watershed Development Project for the Mid Himalayas for regenerating the forest and water resources in the project area has been earmarked with World Bank's loan assistance. Special projects will also be implemented in every district on the lines of the pilot project implemented in Hamirpur district for construction of check dams and retention structures with active involvement of people for retaining precipitation and improving the water and soil regime.

#### **4.9.8 Horticulture**

For getting the best planting material from different parts of the world, the practice of importing root stock and improved varieties of plants to expedite the replanting needs of the fruit growers is to be continued. State Government has also to aggressively promote investment in Post Harvest Management of Agriculture and Horticulture produce of the State.

#### **4.9.9 Bio Fuel**

A bio-fuel Mission has been implemented at a cost of Rs.33.60 crore for Jatropha cultivation on government waste and degraded lands and a total of 9600 hectares are targeted to be brought under this plantation.

#### **4.9.10 Bio Technology**

The State government has recently initiated efforts in promoting a good network of tiny and small enterprises through the newly created Department of Environment and Scientific Technologies. More specifically intervention through biotechnology is planned for the following activities:

- Introduction and multiplication of quality exotic apple germ plasm through tissue culture / micro propagation techniques.
- Commercial exploitation of indigenous wild genetic resources of organic origin.
- Promotion of herbal bio-business through production and processing of aromatic and medicinal plants.
- Improve the value chain process of honey production, processing and marketing.
- Promotion of trout fish farming at household level.
- Biotechnology based cottage cheese processing.
- Mushroom cultivation.
- Industrial Bio-tech ventures.

Banking sector has to come forward to undertake some pilot projects for exploiting the above potential in the State.

#### **4.9.11 Other Suggestions:**

- National Rural Employment Guarantee Scheme presently under implementation in Chamba and Sirmour districts to be extended to the remaining districts in a phased manner.
- For new investment in industry, power or tourism projects in excess of Rs.100 crore, the investors to integrate the skill build up programme as a part of the project to enable the local youths' training and their availability for employment for such institutions before the unit starts production
- MOU entered with the Government of Uttaranchal to pool the knowledge and resources for enhancing the economic well being of the two States; Jammu and Kashmir also requested to join hands in this collaborative effort to project a common strategy for development of the North–Western Himalayas
- Provision of computerised revenue records not only across the counter but also online
- Market fees on agriculture produce to be reduced from 2 per cent to 1 per cent by making necessary amendments in the H.P. Agricultural and Horticulture produce Marketing Act

- For encouraging crop diversification and commercialisation, a project with financial outlay of Rs.14 crore for the commercial cultivation and marketing of medicinal and aromatic plants to be implemented .
- To further promote agriculture, the State has taken initiatives to supply inputs, dissemination of improved farm technology, seed replacement, promoting pest management, bringing more area under efficient use of water management.
- Steps are taken by State Government for public-private partnership in areas of higher education. Increasing cost of higher education was also a matter of concern. In respect of both these areas, banks have potential to draw schemes for extending credit to these areas.
- Help of the local Agricultural University may be taken to improve the quality of inputs and increase productivity. Since almost 47 per cent of area falls under subsistence farming, State Government may consider providing technical input support through agricultural extension agencies to small and marginal farmers at cost or at subsidized cost, so as to make it affordable.
- Tie up arrangements with multinational/local majors engaged in business of marketing agriculture produce, vegetables and fruits, etc. may be explored which may be beneficial to both the producer and purchaser.
- The subsidy schemes of Horticulture Technology Mission should be made credit linked. It will ensure credit discipline, asset creation and minimize possible misuse of subsidy apart from boosting Credit Deposit ratio of banks.
- The Group observed that Stamp Duty is levied on mortgage of agriculture land by farmers in favour of lending financial institutions for availing bank loans beyond Rs.60,000 for production credit and beyond Rs.1 lakh for investment credit. The levy of Stamp Duty is hampering growth of availing of credits. The Group recommends that State Government should review the issue and suitably enhance the ceiling fixed for levying Stamp Duty.
- The Group observed that adequate extension services for agriculture are not available in most of the districts. In the absence of proper extension services farmers were not getting guidance on inputs, crop diversification, marketing of crops, etc. The Group suggests that each branch of bank should adopt one farmers' club which apart from helping the farmers in their economic activities and financial decisions will boost the business of banks also. The issue be raised in Steering Committee of SLBC and Controllers of banks should fix targets for their branches in this regard and monitor the progress through internal control mechanism. The bank wise progress can be reviewed in SLBC meetings.



## CHAPTER 5

### **MEASURES FOR ENHANCING OUTREACH OF THE BANKING SYSTEM IN HIMACHAL PRADESH**

The States are aiming at reducing poverty in all its forms through Millennium Development Goals (MDGs). The role of the States is primarily to increase investment in economic and social capital to achieve MDGs through fiscal measures. The financial system can play a role in reinforcing many of the objectives of the MDGs involving savings, livelihood and economic infrastructure apart from providing an efficient payment system. Thus the State and financial system perform distinct but mutually reinforcing roles that can have tremendous synergies. It has now come to the fore that even after decades of emphasis for provision of banking services to common man there are large segments of the society outside the financial system. The financial system through 'Financial Inclusion' can play significant role in the direction of achievement of 'Inclusive Growth' envisaged by Hon'ble Prime Minister and Finance Minister of Government of India. By 'Financial Inclusion' it is meant provision of financial services viz. access to payments and remittance facilities, savings, loans and insurance services by the formal financial system at affordable cost to those segments of underprivileged who are so far excluded from formal financial services.

#### **5.1. RBI Initiatives**

The efforts are consistently being made by Reserve Bank of India (RBI) to strengthen credit delivery, improve customer service and encourage banks to provide banking services to all segments of the population. Expanding the outreach of banking services is a major concern that is engaging the attention of Government of India and the Reserve Bank through "Financial Inclusion". The target group under the new thrust of financial inclusion is the vast sections of the disadvantaged and low-income groups of the society comprising landless labourers, small/marginal farmers, migrant labourers, tiny traders, etc. Some of the recent initiatives taken by RBI to promote financial inclusion are as follows:

- i) As a proactive measure, the RBI in its Annual Policy Statement for the year 2005-06, urged banks to review their existing practices to align them with the objective of financial inclusion, to make available a basic banking 'no frills' account either with nil or very low balances as well as charges that would make such accounts accessible to so far excluded segments of the society at affordable costs. The broad objective was to bring the common man into formal banking fold which was termed as 'Financial Inclusion'.
- ii) The Convenors, SLBC, were advised to select at least one district in the each State to be covered under financial inclusion by March 31, 2007.

- iii) In order to ensure that persons belonging to low income group both in urban and rural areas do not face difficulty in opening the bank accounts due to the procedural hassles, the Know Your Customer (KYC) norms for opening accounts has been simplified.
- iv) Banks have been specifically advised to allow limited overdraft facilities in 'no frills accounts' without any collateral or linkage to any purpose.
- v) For all non-performing small loans with an outstanding balance of less than Rs.25,000, banks have been advised to offer to the borrowers a One Time Settlement scheme (OTS) and also treat them eligible for fresh loans. Such an OTS is expected to restore borrowing relationship of the poor with the formal financial system and thereby obviate the need to go back to the informal system.
- vi) All scheduled commercial banks were advised to frame transparent OTS policies to assist distressed farmers whose accounts have earlier been rescheduled/restructured on account of natural calamities as also of farmers defaulting on their loans due to circumstances beyond their control.
- vii) As a relief measure to small borrowers scheduled commercial banks were advised to dispense with the requirement of "No Due" certificate for small loans up to Rs.50, 000 to small and marginal farmers, share croppers and the like and instead obtain self declaration from the borrowers.
- viii) One of the landmark recommendation of Working Group to examine Procedures and Processes of Agriculture Loans (Chairman Shri C.P. Swarnkar) pertaining to credit linkage of landless labourers, sharecroppers and oral lessees has been implemented. In the absence of any documentary evidence pertaining to their identity, status and cultivation of land, dispensation of institutional credit to this segment of rural underprivileged was minimal. For credit linkage of these 'have nots', banks have been advised to accept certificate provided by local administration/Panchayat Raj institutions regarding cultivation of crops.
- ix) Banks have been advised by RBI to provide collateral-free General Credit Card (GCC) facility at their rural and semi urban branches up to an amount of Rs.25,000 depending upon the expected cash flow of the borrower concerned. The credit facility extended under the Scheme will be in the nature of revolving credit. Fifty per cent of the credit under the GCC scheme is treated as priority sector lending under indirect agriculture.
- x) Banks have been advised to enhance their outreach by utilizing the services of Civil Society Organizations, Farmers' Clubs, NGOs, Post Offices, etc. as business facilitators and business correspondents.

- xi) In order to rejuvenate the RRBs which are meant to be the main vehicles of financial system, a series of measures were announced, such as permitting RRBs to avail lines of credit from their sponsor banks, participating in inter-bank call money market, opening of currency chests, undertaking non-trade related current account forex transactions, conduct of State Government Business, entry into insurance agency business as 'composite corporate agent', etc.
- xii) RRBs have been advised to undertake an aggressive branch expansion programme and in 2007-08, open at least one branch in all the 80 uncovered districts of the country. Two RRBs operating in the State now cover all the 12 districts.
- xiii) As a measure of fair practices code for lenders the banks have been advised that in case of all categories of loans irrespective of any threshold limits, including credit card applications, they should convey in writing the main reason/reasons which, in their opinion have led to rejection of the loan applications.
- xiv) Definition of 'weaker sections' has been broadened to include advances to minority community.

## **5.2. Measures Undertaken for Financial Inclusion**

In pursuance of observations in Annual Policy Statement 2005-06 of Reserve Bank of India that vast sections of society particularly at lower income levels were still excluded from the formal financial system, all the State Level Bankers' Committees were advised to select at least one district from each State for 'Financial Inclusion' by March 31, 2007. The objective was to bring the excluded households into banking fold by opening 'No Frills Account' and or issuing General Credit Cards (GCC). Two districts viz. Chamba and Sirmour were selected for coverage under the scheme up-to March 31, 2007. The State Minister for Finance, Government of India while addressing the SLBC meeting of the State on September 18, 2006 expressed his desire that few more districts should be covered under 100 per cent 'Financial Inclusion' by March 31, 2007. Inspiration from the Minister got translated into aspiration of the State Government and the banking fraternity which resulted into a resolve that the whole State be included under 'Financial Inclusion' by March 31, 2007. Accordingly by adopting a coordinated step by step strategies this was made possible despite the topographical constraints, i.e. the State has difficult inaccessible hilly terrains and the topography of the State impedes outreach of existing branch network to farmers, artisans and other rural masses.

**5.2.1** Committees were constituted in all the districts for chalking out strategy for achieving 100 per cent financial inclusion and villages were allocated to various banks' branches for opening of 'zero balance accounts' (called no frills accounts) and/or issuance of General Credit Cards. The villages were allocated in such a way that banking services are made available to public at shortest possible distance from their place of residence.

**5.2.2.** These Committees identified the factors which were causing financial exclusion of masses from the formal banking system and took effective steps to remove the bottlenecks in this regard. While lack of literacy in general and financial literacy in particular apart from remote location hampered banking from demand side they identified the reasons on the supply side as follows:

- i) High transaction costs;
- ii) Cumbersome documentation and procedural requirement in banking transactions;
- iii) Very small volume/size of transactions
- iv) Uneven distribution of bank branches in the State;
- v) Human resources related constraints both in terms of inadequacy of man power and lack of proper orientation/expertise.

**5.2.3.** To achieve the objective that every household of the State should have at least one bank account, the so far financially excluded households were identified through door to door survey by the bank branches. The excluded households were educated about the need/benefits of their linkage with banks by organizing camp/melas, etc. It is a known fact the District Administration is the most familiar and identifiable face with people in villages and people are more responsive to the Government initiatives rather than to persuasion by banks. As such the Administration proved an effective agency to impress upon the rural populace about the need/benefits of financial inclusion. They played a catalytic role in supporting the initiatives of banks and proved instrumental in identification of customers and helped banks in adherence to Know Your Customer (KYC) norms. By synchronizing the initiative taken by the Administration and banks, so far financially excluded 1,50,636 households were brought into banking fold by opening no frills account and/or issuing General Credit Cards. The average number of new accounts opened per branch works out to be 121. Thus every household was covered under 'Financial Inclusion' and the State was declared as the first 100 per cent financially included State of the country on January 31, 2007.

**5.2.4.** A significant portion of the population of the State, particularly those in the difficult hilly terrains, in the interior villages and having low income still cannot have easy access to the mainstream financial products particularly low cost credit of banks. The logistics in the State including difficult topography and hostile weather conditions is proving deterrent for further extending the outreach and were imposing real costs on the most vulnerable people in these areas.

The commercial banks, cooperative banks and Regional Rural Banks are the main providers of credit in the State under the multi agency approach. The opening of more branches particularly in rural areas is unviable due to low density of population and lower clientele per branch. As such opening of new branches by banks is neither feasible nor a practical solution.

Nevertheless, the average population per bank branch in the State was 4879 as on March 31, 2007, as against national average of 15,931 per branch. It varied between 2,364 in Kinnaur district to 6315 in Chamba district. On an average each branch was serving 15.2 villages, varying between 2.4 villages in Kullu district to 21.8 villages in Chamba district. The villages situated in plains and mid hill districts have better access to the bank branches in comparison to villages situated in hilly areas.

### **5.3. Measures Required**

Though the banks in the State have achieved the target of 100 per cent financial inclusion but sustained monitoring is required to maintain the same. The Group observed that during the above process stress on banks was to provide banking services to excluded people through opening of deposits accounts, most of which may turn inoperative in due course of time due to physical constraints. The bank linkage for financial inclusion is just a beginning to cultivate banking habit amongst the people. There is lot more to be done to ensure their participation/inclusion in growth. The areas of concern that need to be addressed can be outlined as under:

#### **5.3.1. Deposits and Credit Accounts for Weaker Sections:**

(i) By extending their reach to the vast number of untapped small customers in the rural areas at the bottom of the pyramid, banks can increase their business, enhance their profit and also spread the risk. The lack of remittance facilities by formal banking system was driving the people to continue to depend on informal sector and at the same time depriving the banking system the benefits of their income. The banks operating in the State may continue their efforts to tap the small and marginal clients and educate them to avail basic banking facilities.

(ii) Currently each bank branch in the State on an average services 538 loan accounts as against average 976 households per branch. (Table 5.1)

**Table 5.1: Accounts per Branch (in H.P. vs All India)**

	Deposit Accounts per '000	Credit Accounts per '000	Deposit accounts per branch	Credit accounts per branch
All India	471	72	5230	1207
HP	705	83	6853	538

Source: BSR 2006

Presuming that no household maintains more than one loan account which is a too conservative presumption, to cover all households through bank credit would imply almost doubling of credit flow at bank branches. This might require redeployment and some increase in staff, especially field staff, which would be more than worth the effort considering the increase in business and profitability that it would result in for banks. The Group suggests that banks operating in the State may carry out survey in their area of operation to find out the households so far excluded from bank credit. Thereafter covering the remaining minimum 438 households per branch within a period of 3 years needs to be fixed. The annual new credit account per branch works out to 146. The Group suggests that the targets fixed for branches should be monitored by Controllers of banks periodically.

iii) The per capita income for 2006-07 for the State is 26 per cent higher than the national level. The continuous increasing income level is creating some surplus cash even with people of lower income groups making them bankable lot. The household savings of such people can also be tapped by identifying them through extended arms of banks like farmers' club, customers, employees, etc. and brought into banking fold

### **5.3.2. Overdraft in 'No Frills' Accounts**

Overdraft facility with smaller limits in 'no frills accounts' can extend outreach of bank credit to people of lower income groups. A beginning has already been made by Himachal Gramin Bank by extending an overdraft limit of Rs.500 in about 1100 'no frills accounts'. The bank had network of 116 branches in the State and had opened 16205 'no frills accounts' by July 31, 2007. The efforts though, are praiseworthy it is just a tip of the iceberg. There are no instructions for other scheduled commercial banks for providing overdraft facility in such accounts.

### **5.3.3. General Credit Cards**

(i) The banks have reported that 1,50,636 financially excluded households were covered by opening no frills account during the year 2006-07. Banks may consider issuing General Credit Cards for credit linkage of no frills account opened under 100 per cent financial inclusion.

(ii) Besides under the Tourist Policy 2005, the State Government proposes to classify the wayside dhabas situated on the National and State Highway on the basis of facilities provided, hygienic conditions, quality of food, availability of toilets, parking facility, etc. These dhaba owners have limited means of their own and virtually have no access to bank credit as such they may find it difficult to adhere to the stipulation in tourism policy. Perhaps such people may be issued GCCs.

(iii) The small traders/businessmen are catering to the daily needs of small villages with 2-10 households or scattered houses in semi-urban areas. These traders are working with a meagre capital of Rs.5000/- to 25,000/- and have little access to bank credit. The so far excluded segment of under privileged can be issued General Credit Cards under the extant RBI instructions.

### **5.3.4. Formation of Federation of Self Help Groups**

i) A federation of SHGs as an autonomous body having no political affiliation should be formed at district level and SHGs operating there should be encouraged to engage themselves in area specific economic activities. The District Federation should help the SHGs in imparting basic training required to take-up economic activity, in procuring raw material and also in marketing the finished goods of SHGs. The step, if taken will result in economies of scale and viability of the economic activities undertaken which can create demand for bulk bank credit. Group recommends that Social Welfare Department of the State should take a lead in formation of such federations on pilot basis in districts having concentration of SHGs viz. Sirmour, Mandi, Kullu, Chamba, etc.

## **ii) Agricultural Credit to Self Help Groups (SHGs)**

The Credit provided to SHGs for agricultural activities are classified as direct agriculture credit as per extant norms. However, interest in such loan accounts is compounded at monthly intervals by some of the banks. The practice apart from putting the poor SHGs to loss also prove deterrent for banking outreach to them who otherwise also are credit shy. The Group recommends that the controllers of banks should reiterate the instructions in this regard and ensure compliance at branch level.

## **iii) Savings Bank Accounts of Self Help Groups (SHGs)**

Charges are levied by some banks in savings bank accounts of SHGs if minimum balance is not maintained in such accounts. The practice followed by banks put poor SHGs to financial loss and also adversely affects their linkage with banks. In order to encourage SHGs for more and more bank linkage, the Group suggests that the accounts of SHGs be classified under no frills account category to avoid levying of charges for not maintaining minimum balance.

### **5.3.5. Credit Counselling**

It has been observed over the years that the corporate and high net worth individuals generally possess in-house knowledge of financial management and can afford to avail services of experts in the field in regard to their investment decision and management of distressed loans. The banks and development financial institutions in the form of Corporate Debt Restructuring Mechanism (CDR) have provided operational mechanism to restructure loans of large industries and also to small and medium enterprises. However, only broad guidelines have been issued to banks on parameters for restructuring agricultural loans and loans to other small borrowers. These individuals are not well equipped in managing their delinquent accounts and also are not in a position to articulate their financial situation to banks inter alia depriving them of full advantage of the guidelines issued to banks in this regard. Therefore, credit counseling of such individuals by banks can provide a platform to help them to manage their financial matters. In pursuance of Annual Policy Statement 2007-08, all the SLBC Convenors were advised by Reserve Bank of India to set up a "financial literacy-cum-credit counseling centre" in any one district of each State on pilot basis. The objective of establishing such centres is to make farmers aware about their rights and responsibilities to a great extent and also to provide facility of on-line submission of applications, which may be forwarded to branches. A beginning in this regard has already been made by UCO Bank which has established one such centre at Shimla. The Group feels that appropriate credit counseling centres will be helpful to banks also in extending their business particularly to improve their loan portfolio.



Since this will facilitate borrowers in utilizing the loans more prudently, the Group suggests that the banks should have such centres in other districts of the State. These centres can be opened either individually by banks or with pooled resources.

#### **5.3.6. Financial Literacy Campaign**

Though the State has been covered under 100 per cent financial inclusion by opening "no frills account" of every household, its benefits in the real sense are not widespread in the entire State, mainly because of lack of awareness of banking facilities among people living in the far-flung rural and hilly areas. The Group feels that an awareness campaign through media, newspapers, road shows, street plays, etc. will help in inducing people to avail banking services. As being suggested always at various fora, the Group recommends that the State Level Bankers' Committee (SLBC) Convenor Bank of the State with the help of other major public sector banks and State Government may conduct an awareness campaign of the various financial products and recovery of banks' dues through local newspapers, media (television and radio) and also through audio-visuals during the major festivals in the State. The issue may be discussed in the SLBC meeting to work out the modalities and cost sharing formula of the campaign.

#### **5.3.7. Payment and Settlement System**

The people in rural areas of the State have migrated to urban areas of the State as well as neighbouring States due to limited employment opportunity available locally. The migration of labour requires transfer of funds to their native place more frequently. There is a need to put in place an efficient remittance system that takes reasonable time at affordable cost. The Payments through cheques, cards and other electronic modes like Electronic Funds Transfer (EFT), Electronic Clearing Service (ECS) and Real Time Gross Settlement (RTGS) are minimal in the State. Shimla is the only clearing house which has been so far computerized through the Magnetic Media Based Clearing System (MMBCS) package. ECS has been launched in Shimla to bring the Government departments under the purview of payment and settlement system. There is virtual absence of EFT system in the State. This is attributable to transport and connectivity constraints, etc. The payment and settlement system of the State is managed by 18 clearing houses. All district headquarters except, Rekong Peo and Keylong, have clearing houses. These places are remote and sparsely populated and are cut off from the region as these are covered with snow most part of the year. The computerization of clearing houses and increase in number of clearing houses will help to reduce the time taken for transfer of funds. The Group, therefore, suggests that steps may be initiated by Lead Bank to set up clearing houses at Amb and Mehatpur towns of Una district which are having branches of five banks including of Lead Bank, after taking into consideration the volume of cheques handled.

### **5.3.8. Information Technology based Financial Inclusion**

The use of Information Technology based solutions for providing banking services at doorstep of people holds the potential for outreach of the financial inclusion initiatives. Pilot projects have been initiated using smart cards for operating bank accounts with biometric identification. Link to mobile or hand held connectivity devices ensure that the transactions are recorded in the bank's books on real time basis. The measures so taken can help in many ways such as:

- Social security payments as also payments under the National Rural Employment Guarantee Scheme can be routed through such smart cards.
- The delivery channel can be used to provide other financial services like small value remittances and insurance.
- The use of IT will also enable banks to handle the enormous increase in the volume of transactions for millions of households for processing, credit scoring, credit record and follow up.

The spread of card culture in banking transactions both deposit and a credit account is required in State after achieving 100 per cent financial inclusion. The mobile banking can improve customer service and reduce transaction cost.

#### **(a) Options Available**

Though ATMs are efficient transaction handlers and possibly can be carrier of a broader range of financial products these have proved unviable due to low volume per ATM. The ATMs in the State are successful only at some prominent locations and few tourist destinations. Major Commercial Banks operating in the State may consider the feasibility of installing shared ATMs instead of bank specific to overcome the problem of no-availability of ATMs. Multi Application Smart Card programme is an initiative that leverages technology and takes mainstream banking and financial services along with other non-financial services to the customer in a cost effective manner. Biometric or PIN enabled smart cards may contain all the techno-graphic information, health details and net worth details of the customer for provision of various products and services.

### **(b) Initiatives by Banks**

Financial Information Network and Operations (FINO) is a technology company for providing facilities akin to banking to the grass root financial entities such as NGOs serving people who do not have access to banking facilities. FINO provides a shared platform for end-to-end delivery of entire range of financial services with economies of scale and lowering of interest cost for microfinance borrowers. It will provide on-line hand held equipment to agents of banks, data from which would then be transferred through FINO's core banking solution platform to the concerned banks. The borrowers will be given a biometric card, which provides a unique identification for the banks' customers. The FINO solution is recommended for careful consideration for greater outreach of the banking services in the remote areas of the State. In pursuance to the decision taken by SLBC, major commercial banks operating in the State have already selected four districts (Sirmour, Shimla, Solan and Kullu) for coverage under 100 per cent information technology (IT) based financial inclusion. The suggested model is on stand alone basis and inter connectivity of branches of banks (Core Banking Solutions) is not the precondition for adopting the model. The Group suggests that Kangra Central Co-operative Bank Ltd., Himachal Pradesh State Co-operative Bank Ltd. and Himachal Gramin Bank who have significant presence in the State may also take up at least one district each on pilot basis for such financial inclusion like commercial banks

### **(c) Role of State Government**

In H.P., all districts may be covered by the commercial banks, RRBs and Cooperative banks for implementing IT Based Financial Inclusion through Banking Correspondent Model. State Governments can play a pro-active role by being instrumental in:

- Issuing official identity documents for opening of accounts
- Creating awareness among masses by involving district and block level functionaries in the entire process
- Bearing initial cost of smart cards and other devices for pilot projects

#### **(d) Pilot Projects**

The monthly pension (old age pension, pension to widows and disabled) of Rs.200 per month is being disbursed to approximately 2,30,000 pensioners through post offices costing Rs.2.75 crore to exchequer apart from causing delay. Since most of the pensioners are staying at remote areas at a distance of 10 to 20 Kilometers from the bank branches as such disbursement through Electronic Clearing System is not found feasible. The disbursement of pension through post man acting as a business correspondent for the banks can be viable. The post man can disburse the pension through bio-metric access smart card to be operated through a "Hand Held Device". The system involves initial cost of smart cards and capital investment on devices. The involvement of all major banks together is required to disburse the pensions in the entire State. The Group suggests that major banks operating in the State may workout the feasibility of the scheme and Government may consider the proposal of sharing the initial cost to be incurred by these banks. The feasibility of covering National Rural Employment Guarantee Scheme under the above project can also be explored.

#### **(e) Business Facilitators/Business Correspondents**

The State has favourable ratio of population per branch as compared to the national level, however, the topography of the State is such that a large number of small borrowers are spread over an extensive geographical area. The volume being huge and amounts involved small, the processing, documentation, disbursement as well as post disbursement follow-up of credit is always a cost intensive proposition for banks. The factors enumerated above are discouraging banks to extend credit to small borrowers. Apart from banks it is cost as well as time intensive for borrowers also to reach a bank branch, especially in remote areas.

With a view to ensuring greater financial inclusion and increasing the outreach of the banking sector, the Reserve Bank has advised all scheduled commercial banks on January 25, 2006 to use the services of intermediaries, such as, NGOs/Farmers' Clubs, cooperatives, community based organizations, IT enabled rural outlets of corporate entities, post offices, insurance agents, well functioning Panchayats, Agri Clinics/Agri Business Centers, Krishi Vigyan Kendras and KVIC/ KVIB units, depending on the comfort level of the bank, for providing facilitation services.

### **(i) Unemployed Youth**

Since the conditions prevailing in the State are such that both the banks and the small borrowers are hesitant to approach each other due to financial and physical constraints explained earlier as such use of Business Facilitator model by banks can be cost effective measure for increasing their outreach. Towards this end they can consider rural unemployed youth also in addition to those suggested by Reserve Bank of India to act as their Business Facilitator. Services that can be rendered by the unemployed youths are:

- Creating awareness about savings and other products and education/advice on managing money and credit counselling;
- Identification of borrowers;
- Collection and preliminary processing of loan applications including verification of primary information/data;
- Processing and submission of applications to banks;
- Promotion and nurturing of Self Help Groups/ Joint Liability Groups;
- Post-sanction monitoring;

The Group suggests that banks in the State may consider appointment of Business Facilitators on pilot basis at-least in one district each by all major banks.

### **(ii) Post Offices**

As the post offices are already extending deposits linked banking services, acting as a Business Correspondent of banks may result in overlapping of the business rendered by them. In addition there are apprehensions about the fidelity problem of staff of post offices, risk of cash in transit, physical security of post man carrying cash, limitations of not to accept cash other than for delivery of Value Paid Parcel (VPP), for disbursement of money orders some limit has been fixed and other cash management related issues, some of which can certainly be resolved through mutual discussion. To address the apprehensions the Working Group suggests two alternative models:

i) Under the first model the post offices may continue to extend their own restricted banking services through a network of 2299 Extra Departmental Branch Offices and 14 rural Extra Departmental Sub-Offices adopting IT enabled financial inclusion. Implementation of this model pre-supposes existence of fully computerized post office branches. Then the outreach restricted banking services can be extended by utilising smart cards/mobile technology. However, the post offices have to select their own IT solution and vendor. Cost of composite 'handheld devices' and programmed mobiles would be exclusively borne by the post offices though cost of the 'smart card' could be partially met by the State Government. The model can also be tested for disbursement of 'Social Security Pensions' and National Rural Employment Guarantee Scheme benefits in far flung rural areas. However, the pitfall is that only limited financial inclusion to the extent of opening and operating of deposit accounts is possible under the model as post offices are not permitted to extend credit.

ii) Under the Second Model, which is tested one and more suitable for extending the outreach of banking services, a postman can act as 'business correspondent/agent' of the banks for providing banking services, educating the rural people about the banking facilities available to them and may also help them in completion of various formalities for obtention of credit facilities. The Group, therefore, recommends that the three major banks viz. Punjab National Bank, State Bank of India and UCO Bank operating in the State should consider the feasibility of using post offices as 'Business Correspondent' for extending the outreach of banking services by adopting suitable IT enabled model.

The post offices as "Business Correspondents" would provide value added services such as disbursement of small value credit, recovery of principal/collection of interest and sale of micro insurance/mutual fund products/pension products. Despite the existence of rural branches of commercial banks, RRBs and cooperative banks, a significant proportion of the rural population still does not have access to formal institutional credit. At the same time, there exists wide net-work of 2779 post offices (which include 2299 extra departmental branch offices) in Himachal Pradesh, catering to each and every household of rural population, with unique local feel and familiarization. In case the network of post offices is used by banks, the banking outlets will treble overnight.

The continuous declining use of postal services by public has forced post offices also to look for other avenues to support their huge base of workforce. The opening of avenues for use of post offices for banking will synergize the activities of both banks and post offices and will prove cost effective also. NABARD has launched a pilot project in consultation with Department of Post, Tamil Nadu Circle for purveying micro credit to Self Help Groups (SHGs) through post offices. Some of the leading banks have also entered into MOUs with Postal Department for extending credit in association with the post offices in rural areas of Tamil Nadu, Maharashtra and Gujrat.

### **(iii) Self Help Groups**

SHGs have strong presence in the State. Out of 40,972 SHGs in the State 37,785 SHGs with more than two lakh membership were bank linked upto 31 March 2007. In view of limited opportunity of economic activities for them their services can be tapped for working as business facilitators/business correspondents of banks. The representatives of SHGs have a good understanding of the region and its peculiarities and generally are socially acceptable. Thus they can be another viable alternative for appointment as 'business facilitators' by the banks.

### **5.3.9. Suggestions/Recommendations.**

i) The Group is of the view that having regard to the topography, lower business per branch and transport bottlenecks, branch banking may not be the most viable way to increase outreach in the difficult hilly terrain. Hence, in order to achieve the objective of financial inclusion recourse will have to be taken to SHG-Bank linkage programme, business correspondent/business facilitator model, as also extensive use of IT based solutions which facilitate remote banking, as suggested earlier. Nevertheless, taking the minimum branch needs into account, the position for branch expansion may be reviewed in SLBC meetings.

ii) The capacity building of SHGs will be essential for expanding the geographical coverage of financial services. The Group feels that suitable training programme can be designed by College of Agricultural Banking, Pune, the Bankers' Institute of Rural Development (BIRD), Lucknow and State Bank Institute of Rural Development (SBIRD), Hyderabad as part of capacity building of SHGs to be used as business facilitator/correspondents of banks.

iii) The banks' staff are not aware about the different schemes of the line departments of the State Government as such they are not in a position to educate their potential borrowers about the credit facilities available to them. The lack of knowledge on the part of bank staff not only affects the credit growth of the banks it also leads to poor take-off of the schemes. The Group suggests that banks should design some State specific awareness programme on State Government schemes in operation to educate and sensitize their staff. The line departments viz. Agriculture Department, Horticulture Department, Fisheries Department, etc. may prepare brief compendium of their schemes copy of which may be given to banks and such schemes can also be put on their website for information of banks and beneficiaries.

iv) Most of the poor are not getting hassle free credit from banks, the customer service rendered to them requires significant improvement and they also face the problem of non-availability of collateral or third party guarantee. All these problems are inter-related because they being poor can not offer any collateral or third part guarantee and banks treat them not bankable which lead to poor customer service. The banks may consider covering small credit requirements of people upto Rs.25,000 under Swarozgar Credit Cards (SCC) or General Credit Cards (GCC).

v) C.P Swarnkar Working Group report "To examine Procedures and Processes of Agriculture loans" observed that in few bank branches land documents were obtained and retained even for loans upto Rs.50,000/-though no legal charge have been created. In Himachal Pradesh small borrowers have emotional attachment with land and as such they hesitate to submit land documents to the banks for obtention of credit facilities. In the event of non-adherence of prescribed collateral norms by banks in case of agriculture loans upto Rs.50,000/- as observed in the above report, this segment of the population is likely to be deprived of credit facilities. The compliance of extant instructions in this regard may be ensured by banks.

vi) In general scheduled commercial banks have been given operational autonomy for fixation of lending rates except loans upto Rs.2.00 lakh, export credit, education loan and DRI advances. Further, for short term agriculture advances granted to small and marginal farmers all commercial banks were advised that total interest debited to an account should not exceed the principal amount. Compliance of extant instructions in this regard may be ensured by banks.



vii) In order to mitigate the acute distress that the farmers might be facing due to heavy burden of debt from non-institutional lenders (i.e. money lenders) and to provide them relief from such indebtedness, all scheduled commercial banks were advised to formulate guidelines with the approval of their Board and communicate the same to their Controlling Offices for implementation. Despite formulating guidelines by banks for providing credit to farmers who are indebted to money lenders, the progress under the scheme in the State is not satisfactory. Working Group recommends that the SLBC may create a data base in this regard.

#### **5.4. Regional Rural Banks**

**5.4.1.** Regional Rural Banks (RRBs) were established under the Regional Rural Banks Act, 1976. These banks are authorized to do banking business as defined under section 6 of Banking Regulation Act, 1949 and have been included in second schedule of Reserve Bank of India Act, 1934. These banks were primarily established to supplement the Cooperative Credit Structure prevailing in rural areas with the aim to provide an alternative credit delivery mechanism to reduce dependence on unorganized financial system. The target groups of these banks were mainly labourers, small/marginal farmers, rural artisans and small entrepreneurs and objective was to give boost to agriculture, trade, commerce and other economic activities to augment rural employment. With the advent of financial sector reforms in early 1990's, RRBs were permitted to finance the non-farm sector and, later, non-target group borrowers so as to enhance the profitability and viability of these institutions. Non-priority sector lending was also permitted to a limited extent. To provide them with profitable avenues of investment of their surplus funds, RRBs have been permitted non-SLR investments almost at par with their sponsor banks. In order to strengthen and consolidate this sector in the wake of deterioration in the financial health of certain RRBs, restructuring of the sector through mergers and amalgamations among RRBs is underway. As a result of this, the number of RRBs as on June 30, 2007 stands at 96 as against the original 196.

#### **5.4.2. Status of RRBs**

There are two RRBs in Himachal Pradesh which are catering to the needs of rural economy of the State and other excluded segments of the population. There are 144 branches of RRBs out of which 138 are located in rural areas. The Group feels that further growth of RRB branches in the State would help in extending outreach of banking services to disadvantaged and so for excluded people in rural areas.

The Government of India is laying more thrust on strengthening of RRBs with a view to spread the banking outreach in rural areas. The RRBs were not having their presence in five districts in the State (Shimla, Solan, Sirmour, Kinnaur and Lahaul and Spiti). The area of operation of Himachal Gramin Bank (HGB) was extended to cover these districts and with a view to have at least one branch of RRB in each district, licenses for opening of branches in such districts were given. Now Regional Rural Banks have presence in all the districts of the State.

#### **5.4.3. Business Growth**

i) RRBs in the State have been role models in developing the relationship with the rural poor through mobilisation of their small savings. The aggregate deposits of RRBs, have increased from Rs.649.48 crore as on March 31, 2003 to Rs.849.91 crore as on March 31, 2007. The deposits mobilised by each of the RRBs has also shown an increasing trend during the above period. However, the continuous declining share of RRBs from 4.07 per cent as on March 31, 2003 to 3.95 per cent as on March 31, 2007 indicates that growth of deposits of these banks have not kept pace with the banking industry in the State.

#### **ii) Loans and Advances**

The aggregate outstanding advances of RRBs in the State were Rs.159.15 crore as on March 31, 2003. Advances grew from Rs.175.22 crore as on March 31, 2004 to Rs.216.36 crore as on March 31, 2005, showing an increase of 23.50 per cent. The advances increased by 18.17 per cent during 2005-06 and stood at Rs.265.58 crore as on March 31, 2006 and further rose to Rs.326.72 crore (23.77 per cent) as on March 31, 2007. The gross loans issued by the individual RRBs have also shown an increasing trend during the last four years. The share of RRBs in total agricultural credit as on March 31, 2007 constituted 4.70 per cent of the total agricultural credit outstanding of all scheduled commercial banks in the State. The priority sector advances of RRBs in Himachal Pradesh increased from Rs.153 crore in March 2004 to Rs.258 crore in March 2007 showing a growth rate of 22.88 per cent per annum. These banks are meeting their obligations of purveying credit to priority sectors of the economy in the State by achieving targets fixed over the years under Annual Credit Plans.

#### **5.4.4. Major Factors Affecting Growth**

Although financials of both the RRBs in the State are quite strong, the growth of RRBs is affected by a host of factors, both internal and external. Some of the major factors are:

i) The main hub of industrial activity in the State revolves around three districts viz. Solan, Sirmour and Shimla districts. These districts earlier were not in the area of operation of RRBs which adversely affected the business growth of RRBs.

ii) Limited exposure and lack of appropriate training has resulted in RRBs staff lacking the necessary skills and capacity to cater to the changing requirements of the rural sector.

iii) The ban on recruitment has also hampered operational efficiency of these banks.

iv) Poor industrial relations and innumerable litigations.

v) The RRBs operating in the State are competing with banks having inter-connectivity with their branches facilitating easy and cost effective transfer of funds by customers. The branches of RRBs are not inter-connected which affects faster transfer of funds.

vi) It is also observed that RRBs and Co-operative banks which were required to play a complementary role in rural Himachal, are playing a competitive role. Out of 115 branches of HGB, which has area of operation in 11 out of 12 districts in the State, a branch of a co-operative bank is located within a radius of 2 Km of their 64 branches. Regional Rural Banks are getting competition from co-operative banks in rural areas and at semi-urban centres they are getting stiff competition from Commercial Banks including their sponsor bank. Though opening of branches by RRBs is under the regulatory control of RBI, there is no such control for branch expansion by co-operative banks. There is a need for proper co-ordination between RRBs and co-operative banks for further branch expansion in the State so that both the institutions catering to the banking needs of rural Himachal play a complementary rather than a competitive role.

#### **5.4.5. Enhancing Resource Base**

Reserve Bank has issued guidelines whereby the RRBs can enhance their resource base by availing lines of credit from their sponsor banks at reasonable rate of interest, access to inter RRB term money borrowings, CBLO markets, etc. Further to broaden the activities of RRBs they have been permitted to issue credit/debit cards, set up ATMs, open currency chests and engage in Forex business and undertake pension/Government business through agency arrangements as a sub-agent. RRBs have been permitted by RBI on May 3, 2007 to undertake Corporate Agency business without risk participation for distribution of all types of insurance products. The RRBs have started availing refinance from NABARD and sponsor banks in a limited way and one of the RRBs have undertaken insurance business on agency basis.

It has been observed that RRBs in the State are reluctant to explore the new business avenues made available to them to bring them at par with commercial banks. RRBs need to shed their earlier image of 'narrow banking' and enter into new vistas.

**5.4.6.** The economy of the State is predominantly rural because more than 90 per cent of its population resides in rural areas. The cooperative credit structure in the State alone cannot meet the objectives/requirement of credit of rural areas, the RRB network will have to be leveraged for benefiting the rural areas. In the backdrop of the role played by RRBs in the first stage of 100 per cent financial inclusion, RRBs are expected to play a significant role in the second stage of financial inclusion i.e. credit linkage of disadvantaged sections of the society, particularly in rural and far-flung hill districts. The group, therefore, recommends the following measures for RRBs:

##### **(i) Governance and Management**

Various issues pertaining to governance, business development, human relation development and other aspects were examined. The following measures may be considered for addressing these issues:

a) It has been observed that persons familiar with technical and operational aspects of banking and finance were not on the Boards of RRBs. As RRBs and sponsor bank function in the same business and product market, sponsor banks are perceived as competitors and as such there could be several areas of conflicts of interest. The Boards of RRBs may be strengthened by making the Board broad-based by inducting professionals such as agricultural experts, bankers, management experts, chartered accountants, etc. The Task Force on 'Empowering Board for Operational Efficiency' has

submitted its report recently and had inter-alia thoroughly examined this issue. Hence the Working Group did not deem it necessary to further deliberate the issue.

b) As per Aggarwal Working Group recommendations staffing norms for RRBs were decided in July 2001 and maximum permissible staff strength of a RRB was worked out taking 4 persons per unit. Although the Government of India has given freedom to the sponsor banks for recruitment of staff in their RRBs, however, both the RRBs in the State are still facing problem of shortage of staff. Himachal Gramin Bank has recently been allocated 5 remaining uncovered districts of the State in its area of operation. It will not be possible for the HGB to spread its business in the new districts with the existing staff strength. Further, the average age of the staff of RRBs is quite high due to embargo on recruitment in the recent past and limited avenues for promotion which necessitate the need for recruitment of staff urgently. In addition with the expansion of the network the feasibility of recruitment of specialized staff viz. in the field of agriculture, information technology, finance, etc. also need to be considered. The Group recommends that Sponsor banks may consider allowing the Board of RRBs, to outsource some of the functions of like commercial banks.

#### **(ii) Improving Profitability**

a) As advised by RBI, sponsor banks with a view to increasing the avenues for credit deployment, encourage their RRBs to participate in consortium lending within their area of operation. Since the RRBs would be deploying 60 per cent of their funds in the priority sector, as is applicable now, Group feels that the income tax exemption to RRBs may be restored or alternatively they may be taxed at lower tax bracket of 10 per cent. The State Government may treat RRBs at par with the public sector banks for the purpose of acceptance of guarantees and security deposits/earnest money of Government departments operating in rural areas.

b) The Group recommends that they should strengthen their manpower, engage in capacity building and make optimal use of IT. In this regard sponsor bank of Parvatiya Gramin Bank should prepare a road map for computerization of the branches of the RRB in the first stage on stand alone basis and then on network basis. The sponsor bank of HGB may prepare a road map for computerization on network basis. The software/technology adopted by RRBs for computerization of their operations in the State is not yet stabilized. Sponsor banks of both RRBs may consider allowing use of their software in consultation with their vendors.

c) RRBs in the State had played predominant role in promoting micro finance through formation and linkage of Self Help Groups particularly in Mandi and Chamba districts. HGB may spread their credit linkage in other districts as well.

**(iii) Measures for Strengthening of RRBs**

a) Keeping in view the introduction of IT enabled financial inclusion in the State for which Mandi district has been selected by HGB to cover it on pilot basis. The RRBs may introduce services like smart cards, touch-screen services, etc., at least on selective basis in other district also.

b) With the advent of various new financial products and services in RRBs, training and development of staff at all levels is required. RRBs may work out their training needs for which the facilities available at Bankers' Institute of Rural Development (BIRD), Lucknow and College of Agricultural Banking (CAB), Pune can be utilized.

c) HGB may draw a road map to spread its branch net work in newly allocated 5 districts. The RRB while selecting locations should prefer unbanked areas of these districts.

d) HGB which is covering most of the industrial towns of the State under its branch network as such it should explore financing of micro enterprises.

e) RRBs should take the help of farmers' clubs particularly in Solan, Mandi, Bilaspur and Chamba districts to educate/encourage farmers to replicate floriculture and off-season vegetables in other parts of these districts having similar geographical/climatic conditions. The visits of farmers from one district to other can be arranged to have experience of cost effective poly/green-houses.

f) All the existing 'no frill account' holders should be issued GCCs/over draft facility with suitable limits to encourage the customer's to operate such accounts.

g) It has been reported that certain Foreign Embassies do not recognize the deposits (FDRs) held/education loan sanctioned by RRBs to students studying abroad which affects the business as well their acceptability to general public. The issue needs to be taken-up by sponsor banks with the GOI so that Foreign Embassies treat RRBs at par with commercial banks.

## 5.5. Cooperative Credit Institutions

The Cooperative Credit Institutions in Himachal Pradesh are playing significant role in the development of rural economy. As co-operative banks have a deep and wide presence in Himachal Pradesh, they are considered engines of growth in rural areas and had a vital role to play for inclusive growth and extending outreach of banking services nearer to the doorstep. The Cooperative Credit Structure in the State consists of Short Term Cooperative Credit Structure and Long Term Cooperative Credit Structure. The Short Term Cooperative Credit Structure includes the Himachal Pradesh State Cooperative Bank Ltd., as Apex institution, Kangra Central Cooperative Bank and Jogindra Central Cooperative Bank as District Central Cooperative Banks and there are about 2137 Primary Agriculture Cooperative Societies which are catering to short term and medium term needs of the people in the State. Apart from this, 5 Urban Cooperative Banks are providing credit facilities in urban areas. The Long Term Cooperative Credit Structure consists of the Himachal Pradesh State Agriculture and Rural Development Bank at Apex level and the Kangra Primary Agricultural and Rural Development Bank at district level. There are 154 branches of Himachal Pradesh State Cooperative Bank in six districts, Kangra Central Cooperative Bank has 159 branches in 5 districts and the JCCB is operating in one district through its 20 branches. At village level 2137 PACS are functioning as short term Cooperative Credit Institutions in the State.

### 5.5.1. Role in Agricultural Credit

The Cooperative Banks have 389 branches out of 1244 bank branches operating in the State. The area of concern is the declining share in dispensation of credit which is evident from the following table:

**Table.1 Share of Co-operative Banks in Agriculture Credit**

Year ended	%age share in agriculture credit	%age share in total credit
31.3.2006	25.97	29
31.3.2007	23.95	26

*Source: State Level Bankers Committee (SLBC), Himachal Pradesh.*

As these banks were specifically carved out for catering to the needs of rural sector especially agriculture, in view of their declining share in rural credit, there is a need that the cooperative banks in the State should increase their lending in rural areas especially to agriculture and allied activities.

### **5.5.2. Constraints/Problems:**

There is lack of autonomy in functioning of cooperatives in Himachal Pradesh. The Registrar of Cooperative Societies (RCS) has a tight control over cooperative credit structure in the State, which gives the cooperatives little headroom for independent decision-making. Some of the instances related to lack of autonomy are given below.

- Interest rates to be charged by DCCBs from PACS and by PACS from their members, interest payable on the mini bank deposits of PACS with DCCBs are being fixed by RCS;
- Interference in sanction of individual loan limits, etc.
- Even computerization of bank operations, which is a pre-requisite for competitive banking, requires approval from the Registrar of Co-operative Societies.
- The co-operative banks are required to obtain collateral equivalent to 150 per cent value of the loan amount if credit falls outside the co-operative fold. The position should be reviewed to frame guidelines in alignment with prevailing conditions for such loans in other banks.

### **5.5.3. Revamping of Primary Agriculture Credit Societies (PACS)**

The Group observed that 169 PACS are delinquent/dormant hampering growth of purveying of credit in rural areas particularly the agriculture credit. The cooperative banks in the State are not exercising desired control and supervision over their affiliated PACS. This has resulted in increase of overdues of banks at PACS level. The banks are neither collecting data from PACS for updation of information on imbalances nor they are making any efforts for coordination between banks and PACS for recovery of overdues. The PACS if revamped can help in extending credit particularly agriculture credit in rural areas. The peculiar geographical conditions of the State coupled with difficult terrain, widespread poverty and sparse population in the remote areas where PACS are operating, require financial support to strengthen their working capital and resource base. The Group is of the opinion that further branch expansion of co-operative banks may not be viable. However, in view of rural penetration of PACS in interior of HP, they have the potential to provide banking services nearer to the doorsteps of rural underprivileged. Registrar of Co-operative Societies may:



- i) Study the dormant/in-operative societies and take steps for revival of viable societies.
- ii) Put in place a policy for early identification of signals of sickness of PACS at the incipient stage and measures to be taken for revival.
- iii) PACS can act as intermediary between the banks and beneficiaries for mobilizing of deposits payable on demand and for dispensation of credit to nonmembers. Besides increasing the avenues for income, this will also ensure some fine tuning of lending rates of co-operative banks in rural area. The added advantage would be learning the business strategies of commercial banks.

#### **5.5.4. Recommendations of Vaidyanathan Committee**

The State Government has not accepted the recommendations of Task Force on Revival of Rural Co-operative Credit Institutions in view of the fact that all the co-operative banks are profit earning and do not fall under the eligibility criteria fixed by Task Force. The majority of the PACS will also not be covered. Since the Task Force not only provides for the financial benefits but also takes care of the capacity building and computerization needs of the cooperatives, the State Government may review its stand in regard to the acceptance of the Vaidyanathan Committee in the larger interests of the revitalization of the entire Co-operative Credit Structure in the State. As is well known like all other States, the HRD and modernization have been causality in cooperatives in H.P. also. Hence, the cooperatives in H.P. will become eligible for assistance under the Task Force the Group, therefore, suggests that the State Government should take early decision on recommendations of the Task Force.

#### **5.5.5. Other Suggestions**

##### **a) Training and Skill Upgradation of Staff**

In the prevailing competitive environment, it is the recognized fact that success of co-operative organizations would depend upon knowledge and skill base of its work force. The co-operative banks in the State are not paying adequate attention for development of human resources, do not have well defined training policy and infrastructure for training. The Group feels that cooperatives banks have to lay great emphasis on promoting the process of professionalism and improved Human Resource Development (HRD) systems and procedures to face the challenges of competition from the banks having technological

advantage. Therefore, the banks may identify the training needs of their staff and establish their own training center for achieving self-sufficiency. Other banks operating in the State can extend faculty support at the initial stages. The training needs of these banks may however, be continued to be supplemented by College of Agricultural Banking, Pune and Banking Institute of Rural Development, Lucknow which needs to be utilized judiciously and upto the optimum level

#### **b) Corporate Governance**

Cooperative sector today is beset with poor governance and lack of professionalism hindering their growth and expansion in the present economic scenario. The cooperatives need to examine the skill to make their operations cost effective. The issue of merger and amalgamations of weak cooperatives with strong cooperative entities also need a careful examination with support of the respective governments and other agencies like NABARD and RBI, etc. The Group suggests that RCS may make the viability study of the weak Urban Co-operative Banks in the State to chalk out a comprehensive plan for merger/amalgamation of such entities.

#### **c) Financial/Administrative Reforms**

The State Government has a vital developmental role to play, not merely because agriculture is a State subject, but because most strategies for new developments and corrective measures have to be location-specific. A large part of the credit delivery system, the co-operative structure, is in the purview of State Government. They must act effectively to give it the required strength and direction. Cooperatives can only be revived if they become democratic, self-governing, self-reliant organizations for mutual thrift and credit. The State administration may minimize their interference in the operational matters of the cooperative banks in the State.

#### **d) Legislative Reforms**

State Government is committed to provide conducive legal framework for promotion of self sustaining autonomous cooperatives. State can amend or replace their existing enactments with unified State Cooperative Act, which aims at removing various restrictive provisions and ensures promotion of autonomy, democratic and professional functioning of cooperatives.

## **5.6. Urban Cooperative Banks**

The State Government of Himachal Pradesh has yet to sign the Memorandum of Understanding with Reserve Bank relating to Urban Cooperative Banks. This will try to address all the relevant issues relating to revival/strengthening of weak urban cooperative banks. The Group suggests that State Government may consider signing the MOU early.

## CHAPTER 6.

### STATE SPECIFIC ISSUES

The topography, hostile climatic conditions and sparse population in the State has caused physical constraints affecting its economic and infrastructural development. The issues involved in the development, especially impediments to development and the measures required to overcome the same needs State specific orientation. The State specific issues requiring immediate attention for development of the State are as under:

#### **6.1. Tourism**

Nature had bestowed Himachal Pradesh with unique beauty and splendor with lush green valley, snow covered Himalayan ranges, a serene, peaceful, comfortable environment and rich cultural heritage. The paradise of natural beauty and the celestial grace attracts the tourists from all parts of the country and world. The tourism in H.P. received recognition only in 19<sup>th</sup> century, when the British established the chain of hill stations. A fillip to tourism happened, when British declared Shimla as summer capital of India in 1864. After its upgradation as a full fledged State in the year 1971, conscious efforts for development of infrastructure led to opening of the State for tourism.

##### **6.1.1. Opportunities and Potentials**

###### **(i) Pilgrimage**

Prominent religious shrines dot the Kangra Valley landscape and many pilgrims seeking a divine experience visit the monasteries, churches and temples at different parts of the State. Among these are Chintpurni, Jawalamukhi, Brijeshwari Devi, Chamunda Devi, Deotsidh, Bhagsunath, Kali Bari Temple, Jakhoo Hill, The Sankat Mochan Temple, Mani Mahesh, Tara Devi Temple besides Dharamsala-McLeadganj where the Dalai Lama resides.

## **(ii) Adventure Tourism**

Himachal Pradesh due to geographical diversity and variety of nature opens immense possibilities for wide range of outdoor activities, sports and adventure. The mountaineering activities around Manali, trekking/heli-skiing, ice-skating, paragliding, river rafting, mountain cycling, etc. make Himachal Pradesh one of the most attractive destinations for adventure sports.

## **(iii) Wildlife Tourism**

Wildlife tourism has huge potential in Himachal Pradesh due to its varied topography, climate and forest cover with vast variety of flora and fauna. There are 32 sanctuaries, 2 national parks and 3 game reserves. The national parks are Pin Valley National Park, Spiti and the Great Himalayan National Park, Kullu and nature parks are at Kufri, Manali and Gopalgpur (Kangra) with several other breathtaking destinations for Wildlife Tourism.

## **(iv) Eco Tourism**

The State committed for providing better opportunities to the visitors to enjoy its natural beauty and cultural heritage, now aims to allow the use of its infrastructure for the benefit of the tourists. The State Forest Department manages more than 400 forest bungalows located at vantage-points across the length and breadth of the State. It also manages a 5000 kilometers long network of bridle paths and inspection trails criss-crossing through the most beautiful forests of the State. This gives opportunities to visitors to track across mountain passes, to remote temples, crystal clear lakes and traditional villages. To assist the tourists, the State Forest Department is actively engaged in identification and development of eco-tracks along these bridle paths.

## **(v) Business Tourism**

The surge of industrial activity in the State has opened the window of business tourism in the shape of visits of executives in connection with the business. The banks operating in the State should take it as an emerging bankable proposition and tap their potential entrepreneurs.

### **6.1.2. Constraints**

The tourism policy has identified the following weaknesses for promotion of tourism in the State:

- i) Negligible air and rail link in the State;
- ii) Inadequate flow of foreign tourists;
- iii) Non disbursal of the tourists round the year, putting severe strains on the civic infrastructure during the peak season;
- iv) Lack of trained tourist guides at important tourist/historical tourist sites;
- v) Saturation at the established tourist destinations;
- vi) Lack of adequate parking space at important tourist places;
- vii) Problem of land acquisition;
- viii) Problem of conversion of forest land;
- ix) Besides the policy stipulates the following are threats for growth of tourism.
  - a) Tremendous strain leading to collapse, at times, of civic amenities at the leading tourist centers;
  - b) Haphazard growth and construction threatening the environment at leading tourist destinations;
  - c) Unscrupulous commercialization of tourism could erode the social and cultural values;
  - d) Lack of coordinated strategy by the different Government Departments and poor garbage/waste disposal posing threat to the environment.

### **6.1.3. Suggestions**

Tourism is one of the major employment intensive industry of the State and spread of tourism will benefit all sections of the people especially the common people engaged in providing small services to the tourists. The Group suggests that following conscious decisions/steps for promotion of tourism in the State are called for:

- i) The entrepreneurs inclined to set-up hotel in the State require No Objection Certificate (NOC) from various agencies of State Government viz. Pollution Control Board, Public Works Department, Town and Country Planning, etc. They are also required to obtain specific approval of the State Government before acquisition of land. The stipulation is also applicable to natives of the State if they do not own agriculture land. The process involved is time consuming causing delays in the projects. In order to mitigate the hardships of the entrepreneurs State Government can introduce single window concept for all such clearances to facilitate issuance of NOC in minimum possible time.

**ii)** The rural tourism and orchard tourism has great potential in the State. The roads leading to such destinations and security are the major concern for exploiting the potential. The Tourism Department may review the conditions/availability of roads in such rural areas and draw a comprehensive plan for construction/repair of these roads. The roads can also be constructed under RIDF projects. The law enforcing agencies of the State may review the level of security available at potential rural tourism destinations and publicize the arrangements made for the security of the tourists.

**iii)** The dissemination of information about rural tourism destinations can help the activity. The Ecotourism Society of Himachal Pradesh under the aegis of Forest Department should prepare detailed information on availability of such destinations, the designated route, facilities available, etc. and place it on their website for guidance of the tourists.

**iv)** The Home Stay Scheme on the existing pattern of Paying Guest Accommodation Policy of Tourism Department can provide opportunities of budget hotel stay in hinter land near main tourist destinations. The facilities can also induce high spending tourists because of its local cultural and personal touch as well as environment and local food which is generally lacking in big hotels. The venture with dissemination of information can boost additional income source for local population.

**v)** Although the State has three existing airport at Jubbar Hatti, Bhuntar and Gagal, these do not provide regular air services to the tourists. To attract foreign tourist and tourists from far off places within the country this facility need to be provided on a regular basis and also extended to other important tourist destinations. The State Government may initiate steps with Airport Authority of India to provide regular air links at tourist destinations of the State.

## **6.2. POWER**

**6.2.1.** Power is one of the most important inputs for economic development. In addition to its recognised role as a catalyst to economic activity in different sectors of economy, the power sector in the State makes a direct and significant contribution to economy in terms of revenue generation, employment opportunities and enhancing the quality of life.

**6.2.2.** Himachal Pradesh has been blessed with vast hydroelectric potential in its five river basins, namely Yamuna, Satluj, Beas, Ravi and Chenab. The State has adopted multi pronged strategy for power development through State Sector, Central Sector, Joint Venture and Independent Power Producers.

**6.2.3. Policy Initiatives:**

The State Govt. has announced new power policy and some of the main policy initiatives are as under:

i) Projects upto two Mega Watts capacities have been earmarked for the residents of Himachal Pradesh and for projects upto five mega Watts, first preference shall be given to residents of the State.

ii) Projects above five Mega Watts and up to 100 Mega Watts shall be allotted to Independent Power Producers through MOU route by giving wide publicity for attracting the bidders and above 100 Mega Watts through the International Competitive Bidding. State Government will have the right for equity participation in Private Sector Projects above 100 Mega Watts upto a maximum limit of 49 per cent.

iii) In order to ensure that projects do not adversely affect the environment, release of 15 per cent of minimum water discharge down stream of the dam/diversion structure during the lean season shall be ensured, which will help in protecting the rights of the local inhabitants for irrigation, drinking water, fishing and water for wild life etc.

iv) In order to ensure employment to the residents of State minimum 70 per cent of total staff are to be engaged from the State, by the Companies putting-up such power projects.

v) The concept of involving local people in the development of the "Project Affected Area" has been specially evolved wherein Local Area Development Committee (LADC) have already been formed and 1.5 per cent of the project cost will be earmarked by the developers for development of local area through such LADs.

vi) Efforts are afoot to match the increasing activities on construction of hydel projects, strengthening on adequate transmission and distribution network facilitating transmission of power from these projects and its distribution for utilisation within the State.



#### **6.2.4. Suggestions and Recommendations**

Gap exists between potential available in hydel power and harnessed so far. It has been estimated that about 20,815 Mega Watts of hydel potential can be harnessed in the State by constructing various major, medium, small and mini/micro hydel projects out of which only 6353 Mega Watts has been harnessed so far. The projects are capital intensive requiring substantial credit outlay from the financial system. The projects upto 5 MW with total 855.73 Mega Watts capacity are already approved or are in the pipeline of approval requiring estimated funds of Rs.5134.78 crores. Taking 70 per cent as term loan component funding to the tune of Rs.3594.90 is required from the financial system in the next seven years. The State may provide the details of projects approved and request received for approval to the banks to enable them to contact entrepreneurs for funding their projects.

#### **6.3. Commercial Floriculture**

Commercial Floriculture activity in the State was initially confined to Solan and Kangra districts where individual growers undertook cultivation of Gladiolus, Carnation and few traditional flowers. Thereafter exotic and new flowers i.e. Liliun, Tulip, Iris, Liatris, Chrysanthemum, Calla lily, etc. were introduced in the State from countries advanced in floriculture.

**6.3.1.** Floriculture in Himachal Pradesh is being undertaken by individual growers on small scale primarily because of the high cost of inputs particularly of imported planting material as well as small and fragmented land holdings. The flower produce from the State is being sold in the domestic markets, the major consumption centers being Delhi, Chandigarh, Lucknow and Amritsar. The Federations of the flower growers, formed particularly in the districts of Kangra, Mandi and Bilaspur has increased economies of scale and setting up of basic post-harvest infrastructure like Collection Centres, Grading and Packaging Houses, Cold Storages for planting material and refrigerated vans. The example set by these Grower Co-operatives proves that co-operative marketing is a solution to the marketing problems of the growers. The Group therefore, suggests that State Horticulture Department should play a catalytic role to form similar associations of growers in other districts also where floriculture has been started.

**6.3.2.** The share of India in the flourishing international floriculture trade (estimated at over USD 40 billion per annum) is negligible at 0.4 per cent. The global demand for cut flowers is steadily increasing at around 10 per cent annum. The Agro climatic conditions prevailing in the State offer excellent opportunities for the development of floriculture both to serve the domestic off-season market and also for exports in the later stages. In addition, floriculture industry provides the following benefits:

- Floriculture is environment friendly with zero pollution and acts as impetus for the fast developing tourism industry of the State.
- Floriculture generates self-employment opportunities for unskilled rural labour
- On account of regular employment for the villagers, floriculture activity helps in the development of the local economy and improving the standard of living.
- Floriculture has the potential to generate foreign exchange from the export of cut flowers and other floricultural produce.

### **6.3.3. Nurseries:**

The Department of Horticulture has established seven Floriculture Nurseries in various districts, viz., Solan, Kullu and Kangra. As such nurseries can extend valuable service to floriculturists, the Group suggests that these should be set up by Department of Horticulture in Chamba, Mandi and Bilaspur districts also where the activity has already been adopted in few pockets by large number of farmers.

### **6.3.4. Post Harvest Infrastructure**

Collection, Grading and Packaging House and Cold Storage facilities have been established by the District Rural Development Agency (DRDA) for post-harvest management of floriculture produce in the districts of Bilaspur, Mandi and Kangra. Provision of such facilities will certainly help the floriculturists. Therefore the Group suggests that these should be set up by DRDA in other districts like Shimla, Kullu and Chamba where there is scope.

### **6.3.5. Financial Incentives:**

The financial incentives are being provided by Horticulture Technology Mission and National Horticulture Board for expansion of area, creation of water sources, on farm water management, producing planting material, transfer of technology, etc. It was observed that small farmers of the areas where floriculture can be replicated are not aware about the facilities and financial incentives available for the activity. The Group therefore suggests that Horticulture Technology Mission should educate such farmers through electronic media, seminars, Kisan Clubs, Melas, etc.

### **6.3.6. Recommendations**

i) The Group observed that wide gaps exist in the application of advanced floriculture technologies necessary for improving quality and productivity. The dissemination of technology was not being done due to difficult terrain, poor communication facilities and sparsely located population. There was huge post harvest loss due to lack of modern post harvest management system, wide variations in temperature at the point of producing and the sale point, perishable nature of the produce and transportation time. Considering the magnitude of the problem the Group is of the view that the Department of Horticulture should organize training programme for the farmers about the new technology and arrange their study tours to the developed flower growing areas and markets to create awareness amongst them. They should disseminate information through handouts containing technical information pertaining to cultivation of floriculture, organize flower shows to create awareness on the usage of floriculture produce and also seek assistance from other organizations like National Horticulture Board, APEDA and NABARD to obtain information for the establishment of post harvest management facilities for the benefit of growers.

ii) The problem of post harvest loss due to variation in temperature and time involved in transportation of flowers to far off places can be solved through transportation of flowers in refrigerated vans. Growers Associations need to be educated by Department of Horticulture that such vans can be procured by them through bank loans for which capital subsidy to the extent of 33.33 per cent up-to maximum of Rs.60 lakh is also available.

### **6.4. Food Processing and Cold Storage**

Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (HPMC) is the nodal agency providing storage and processing facilities for horticulture produce in the State. It has 7 cold storages with installed capacity of 16,500 MT inside and outside the State under its control. However, the State has no organised cold chain facilities. Recently, Adani Group has entered into this field in the State and many more groups such as ITC, Reliance, and Bharti are interested to foray into this sector in Himachal Pradesh. HPMC owns a chain of eleven packing/grading houses covering entire apple producing area of the State with a total installed capacity of 39,000 Metric Tonnes (MTs). Other than HPMC, Adani Group has set up a Controlled Atmosphere (CA) Storage of 2000 MTs capacity and is planning to set up one more such storage in the near future in the State.

Apart from inadequate cold storage facility the technology of all the packaging/grading houses and cold storages of HPMC has become obsolete. In fact, all cold storages of HPMC need to be upgraded to Controlled Atmosphere (CA) storages to enable HPMC for optimum utilisation of these facilities. In CA Storage apple quality does not deteriorate for a longer period and apple is transported in refrigerated vans directly from the orchards without packing and grading. From CA Storage, apple is taken out, packed and graded and processed as per the requirement. The facility can help in getting remunerative prices for the farmers, the Group therefore suggests that HPMC may chalk out strategic plan for upgradation of the technology of the existing facilities in consultation with banks willing to fund the project.

#### **6.4.1. Suggestions**

##### **a) Increasing Storage Facilities**

Presently, very few big orchardists store their apple crops in cold storages to fetch remunerative prices when market conditions turn favourable. Small and marginal orchardists can not store their produce as they are not in a position to hold due to financial constraints. In fact, majority of small and marginal orchardists depends on local shopkeepers for their day to day financial requirements hence they take their produce to them to pay off their debts. Though there exists huge potential for storage and processing at the micro level as such there is a need to revamp the whole system at the ground level. In this regard following steps may be taken.

- Banking finance shall be made available to meet the working capital requirement as well as household expenses of small orchard owners.
- Some times there is crop failure continuously for 2-3 years and small and marginal orchardists have to depend upon local shopkeepers for households expenses as bank finance is linked to the value of the crop. In this regard, there is need to implement a crop insurance scheme for all orchardists by State Government insuring the orchardists from the crop failures.
- Small and marginal orchardists can make use of walk-in coolers, small packaging/grading lines and micro and small processing plants. These facilities may be procured by a group of small and marginal orchardists. Banks shall provide financing for these facilities and State Government shall provide technical support for promotion of these facilities at the micro level.

## **b) Food Processing Industries**

The post harvest loss of vegetables and fruits is higher in the State due to time required in transportation to other destinations, less local demand and absence of agro based processing units. The post harvest loss of fruits of perishable nature like kiwi, straw berry, apple, etc. force the farmers to sell their crops at unremunerative prices immediately on harvest. In addition due to financial constraints and in the event of over production of the crops the farmers sometimes have to sell the produce at much lower price. The problem of unremunerative prices can be addressed by making provision of proper post harvest management including transportation through refrigerated vans and processing of the fruits and vegetables. Also in the absence of agro-based industries such as those for production of simple products like Chips and French fries, etc., the price of potato, which is a major crop falls making the cultivation unviable. For sustenance of potato cultivation, agro-based industries are must. The larger processing units may not prove viable due to fluctuating trend in production of fruit crops which sometimes renders the units unviable because of non-availability of raw material. The feasible solution could be setting up of small and area specific agro processing units in co-operative sector. The apple processing units in Shimla/Kinnaur district, potatoes processing near Shimla and Lahaul and Spiti and Kiwi processing in Mandi districts can be ventured on pilot basis where raw material is locally available.

### **6.5. Other Issues**

#### **6.5.1. Conversion of Non-banking Treasuries to Banking Treasuries**

Deliberations with the State functionaries revealed that they were satisfied with the branch net-work and also regarding the conduct of Government business by the accredited banks. Three major banks viz. UCO Bank, State Bank of India and Punjab National Bank are transacting Government business. The issue of concern for the Finance Department of the State is conversion of remaining non-banking treasuries/sub treasuries into banking treasuries in remote areas of the State. The details of such treasuries/sub-treasuries are appended:

Name of the Bank	Yet to be converted into banking treasuries	Reasons for delay
SBI	4	Infrastructure problem
UCO Bank	8	Referred to HO

The banks in the past had consented to convert the above non-banking treasuries/sub treasuries into banking treasuries when the State Government agreed to some conditions like adequate notice for withdrawing heavy cash, provision of police escort for movement of treasure free of cost, use of communication facilities of State Government for reporting the transaction in case of need, collection of statements from the banks by personnel of the concerned treasury, imposition of penal interest in a flexible manner, etc. The Government of Himachal Pradesh has accepted the above conditions.

When the State has achieved 100 per cent financial inclusion there cannot be any plausible justification for non-linkage of some Government Treasuries/sub treasuries with the banks particularly when the State Government had consented to comply with the conditions of the banks. Working Group therefore, recommends that SBI and UCO Bank may convert these non-banking treasuries with immediate effect.

### **6.5.2. Tele Connectivity**

The effective network is the key to achieve IT enabled financial inclusion. The network of mobiles in the State is wide spread and density is quite high which is likely to touch 50 per cent in next 5 years. The affordability of mobile is no more an issue in the State. The available network and its future potential if tapped by banks can extend their reach to rural areas. The mobile banking can improve the customer service and reduce transaction costs. It can also help to obtain financial information and manage financial transactions.

### **6.5.3. Small Transport Operators**

A NABARD study found that there is ample scope for financing small transport vehicles under the Government of India's Scheme for Development/Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization. Under the scheme the subsidy is also available to the extent of 33.33 per cent of the project cost including transport vehicles with a maximum ceiling of Rs.60 lakh in hilly areas. The procurement of refrigerated vehicles under the scheme will be of great help in transportation of horticultural produce to distant markets. The extension agencies may create awareness among the entrepreneurs about the scheme. The upsurge in industrial activities has increased the potential of transportation of raw material and finished goods of heavy industries like cement. In absence of adequate rail link the goods are required to be transported by trucks. The banks operating in the State can grab the opportunity and tap the potential transport operators.

#### **6.5.4. Air Service Providers**

As explained earlier in this chapter tourism in the State is not gaining further momentum due to non availability of air links between tourist destinations and other major cities of the country. Although the State has three existing airports at Jubbar Hatti, Bhuntar and Gagal they do not provide regular air services to the tourists affecting their inflow of high spending domestic and foreign tourists. The tourists inflow has already saturated at major destinations leaving little scope for regular air services by air service providers. As suggested earlier creation of Amusement Parks, Artificial Lakes, Rope Ways and other adventure tourism linked activities is required to tempt the tourists to extend their stay. The extended stay of tourists as well new tourists will not only make viable the additional infrastructure but also enhance viability of provision of air service to such destinations.

#### **6.5.5. Irrigation Facilities**

The productivity of agricultural as well as horticultural crops can be increased in the State by using new farm technology and augmentation of irrigation facilities. Out of total cultivatable land only 20 per cent land is presently covered under assured irrigation. The State needs a strategic comprehensive plan to boost irrigation facilities in a time bound manner. Agriculture Department may carry out district-wise survey of existing irrigation facilities. The department may take the help of local people in preparation of area specific and cost effective plans and suggest a road map to achieve a target of 50 per cent of land under assured irrigation. The outlines of sources of funds required to finance the plan including budgetary support, RIDF and community participation should also be prepared. After augmentation of minor irrigation projects for assured irrigation, production credit is also likely to achieve a quantum jump. Besides developing irrigation facilities emphasis may be laid on 'On Farm Water Conservation and Management' which includes rain water harvesting. Hence, construction of farm ponds needs more attention. The use of plastic for on farm management of water has gained significant importance in recent years. The plasticulture application include water distribution network through plastic pipes, plastic sprinlers, micro irrigation, etc. The State Agriculture Department may create awareness among farmers about the plasticulture application of water management to promote judicious utilization of scarce surface and ground water resources.

### **6.5.6. Contract Farming**

Contract Farming is an agreement between the farmers and sponsors who may be Government Bodies/Corporate/Processors/Individual Entrepreneurs to co-ordinate and promote production and marketing of agricultural produce. The farmers produce quantity and quality as per the requirement of the sponsor/s. The sponsor/s on the other hand provide support in terms of agri-inputs, credit, improved farm practices, markets and fixed price procurement and marketing of produce. Contract farming is essentially a demand /market driven phenomenon as against the traditional farming which is basically a supply driven situation where the farmer first produces the crop and subsequently looks for the market.

#### **a) Process**

The success of contract farming and its sustainability depend on producer of agriculture crop as well as user of produce. Producer is already in existence as such the users of agricultural produce has to be created, who is willing to purchase the produce when it comes to market at a pre-determined minimum price so as to cover the costs and margins of the farmer. A processor will ultimately sell the crop to the trader. Therefore the processor of the agriculture crop is the main player between the farmer and the consumer to take the agricultural produce to the ultimate consumer in the consumable stage and according to the consumption patterns.

#### **b) Scope**

The accelerated growth in agriculture can be achieved with a holistic approach and strengthening the production, processing and marketing links. Opportunities for assured and remunerative marketing of farm produce are essential for stimulating and sustaining farmer's interest in producing more. There is thus a need for greater efforts in spreading quality and technological skills in fields such as farming system's intensification, diversification and value addition to primary products.

The average size of farm holding is very small in H.P. and about 86.4 per cent of the farmers are small and marginal who have to produce under conditions of diminishing per capita arable land and irrigation availability. The small farmer suffers many handicaps arising from cost, risk and return structure of farming. These disadvantages can be moderated under the concept of contract farming. Further progress in contract farming can only be achieved by strengthening the links with post harvest technologies, processing and marketing. As of now this link is very weak in the State resulting in poor value realisation by farmers.



Total vegetable production (excluding potato) in the State during 2005-06 was 929976 metric tonnes from an area of 49858 ha. This provides vast potential to 'food processing industry' to devise its strategy to exploit the potential available in the State. In addition, farmers may be motivated to adopt contract farming for production of specialised crops as they have good experience in cultivation of vegetables. Himachal Pradesh has emerged as a key area for production of off-season vegetables which can be exploited to ensure year round availability of certain vegetables required in the processing industry.

### **c) Merits**

Contract farming is beneficial to all the stake holders, farmers and user/processors of agriculture produce. For farmers it provides better and reliable earning opportunity, higher farm surpluses, acquiring new skills in farming, marketing and management and enlarging the business horizons. For bankers it involves, lower cost of loan supervision, risk reduction, increased flow of credit viz. production credit for crop farming, investment credit for Processing Units, Exporters and Procurement Agencies

### **d) Private Initiatives**

A few corporates like Adani Agri Fresh Ltd., ITC Ltd., Reliance Industries Ltd., etc. have shown interest in contract farming for horticultural crops especially vegetables for their retail outlets and export. Another corporate Champagne Indage has started contract farming for cultivation of wine varieties of grapes in Kullu and Mandi districts for their winery established in Mandi district. The State Bank of India has financed the farmers for cultivation of grapes. Stevia, a promising medicinal plant for the State, is being grown under contract farming in Hamirpur and Una districts with buy back arrangements with a Pune based firm.

### **e) Policy Initiatives**

The State Government has amended the APMC Act by enacting 'The Himachal Pradesh Agricultural and Horticulture Produce Marketing (Development and Regulation) Act, 2005' to allow establishment of private market yards and contract farming of agricultural and horticultural produce.

The State Government can give further impetus to contract farming as follows:

- i) Under Section 40 of the Himachal Pradesh Agricultural and Horticulture Produce Marketing (Development and Regulation) Act, 2005 no person shall undertake contract farming unless registered and shall have to enter into an agreement with contract farming producer in such form and in such manner as may be prescribed. The State Government has yet to frame regulations under the Act. They may make regulations to ensure implementation of legal provisions.
- ii) A State level dialogue with corporates entering the retail chain/super markets, businessmen, bankers and line departments in the State to publicize the concept of contract farming and flow of institutional credit.
- iii) The Agro Processing Industry can not be treated at par with other sectors of industry. As a matter of fact the entire processing and marketing for each crop needs to be assessed separately. Therefore, the funding requirement of Agro Processing Industries should be assessed as a composite unit including cultivation, storage, processing and marketing link and the complete chain partners must be supported.
- iv) Storage of agriculture produce and finished products of Agro Industry is one of the major pre-requisite for contract farming. To tackle the problem of storage there is need to encourage private warehousing companies. The State and central warehousing corporations should make available space to the private enterprises on the same pattern as being provided to FCI and other procurement Government agencies.
- v) There is need to strengthen the post harvest management of crops for which a direct link between farmers and industry has to be established and cultivation of crops in close clusters is required to make the development of infrastructure viable. Cluster approach for agriculture produce would generate internal and external economies of scale.

#### **6.5.7. Differential Rate of Interest Scheme**

The scheme was formulated by Government of India in 1972. Under the scheme the banks are extending credit facility at a concessional rate of interest of 4 per cent p.a. The scheme covers poor borrowers having annual income of not more than Rs.6400 in rural areas and Rs.7200 in other areas and not having more than 2.5 acre of un-irrigated land or one acre of irrigated land. The land holding criteria does not apply to SC/ST borrowers. The banks are required to identify the prospective borrowers themselves for dispensation of credit.

In his budget speech for 2007-08 the Hon'ble Finance Minister has proposed to raise the limit of loan under DRI scheme from Rs.6500/- to Rs.15,000/- and limit of the Housing loan from Rs.5000/- Rs.20,000/- per beneficiary. The performance of the banks under the scheme is unsatisfactory. As against a target of lending under the Scheme to the extent of at-least one per cent of aggregate advances of the previous year, the credit dispensed by the banks in Himachal Pradesh since many years is around 0.01 per cent of aggregate advances of previous year.

The focus of the scheme is to ameliorate the lot of the poorest segment of the society as such it has the potential for credit linkage of lowest strata of the society for their productive endeavour. The Controlling Offices of the banks in Himachal Pradesh should ensure that their branches dispense credit of one per cent of the previous year's total advances under the scheme. The Group also feels that State Government may consider introducing State Specific Schemes by extending credit on concessional rate of interest.

#### **6.5.8. Tribal Development**

Tribal areas of Himachal Pradesh account for about 42 per cent of geographical area but only 3.13 per cent of its total population. The tribals of Himachal Pradesh live in different areas in mountains, jungles and other inaccessible places. Presently the tribals are mostly in Chamba, Kinnaur, Lahaul and Spiti, Kangra, Mandi, Bilaspur and Sirmour. The largest population of tribals resides in Chamba, Kinnaur and Lahaul and Spiti. In Chamba district Gujjars, Gaddi and Pangwalas live in great number. Kinnaur is inhabited by Kinner tribes and Lahaul and Spiti by Lahaula Tribe. Officially there are five main tribes Gaddi, Gujjar, Kinneror Kinnaura, Lahula and Pagwala. Due to geographical conditions, they are cut-off from the outside world, having different cultural heritage, specific traditional occupations, etc.

#### **Measures to Boost Tribal Economy.**

i) Comparative advantage theory, though have some limitations, is still applicable for development of inaccessible tough terrains. Their product though traditional can be manufactured by technological upgradation. Modernisation of existing traditional and local skill-based industries, building of centralized modern network of infrastructure, and developing marketing facilities are considered appropriate for development of these areas. Micro-enterprise specific clusters should be set up around thrust areas based on local skills and resources. In order to ensure sustainability of these clusters, local educated youth should be trained for each activity with great emphasis on new designs, testing, production and marketing techniques. There is big market potential for their products

provided the marketing strategies are rationally worked out with the involvement of the village artisans' organisations.

ii) The time tested traditional vocations of tribals cannot be shed away overnight. There shall have to be inclusion of scientific knowledge and up-gradation of local skills so that the existing occupations could yield returns. A gradual shift in the cropping pattern, up-gradation of the handloom and handicraft industries, making animal husbandry more productive, scientific extraction of forest produce, etc. are the areas which need a thorough rethinking and redesigning of the developmental initiatives. However, the strategy must be appropriate to ensure sustainable development in this ecologically sensitive region.

iii) Although organized industrial activity is absent in the tribal area, they themselves have traditionally acquired unparalleled skills and artistic expertise in many handicraft and handloom activities. There is a need to strengthen these vocations by up-gradation of their skills on scientific lines and find market for their products.

iv) There is a dire need to initiate actions like improving the hygiene, preservation and use of clean water and scientific scrutiny of many tribal practices that impinge upon the quality of life. Involvement of local communities, community-based organizations and non-governmental organizations particularly working among women and children should be encouraged to undertake projects of social engineering based on the principle of 'respect for tribal people and their culture'.

v) It is, therefore, imperative to strengthen and not to weaken their existing pattern of livelihood. The interventions in this regard should be to give a scientific support in the form of upgradation of skills and designs of their products so that they are able to adjust themselves to the changing world. This has to be further supplemented with linking them to the expanding markets outside their own domain and to the demand generated by tourists.

vi) The tribal area is full of aromatic, herbal and medicinal plants and other forest produce that the people have traditionally harnessed to their good advantage. There is a need to exploit these resources scientifically and to create a niche market for products based on them and also to replenish these resources so that these products play a greater role in the economic life of the tribals.

vii) Animal husbandry has traditionally been an integral part of the life of the tribals. It is not possible to keep this occupation at the subsistence level. Whole-hearted efforts are required to make it a vibrant industry that can have widest linkages with the economic life of the tribals. The IT based Financial Inclusion is the solution for it.

#### **6.5.9. Financial Inclusion of Migrant labour**

The State has achieved 100 per cent financial inclusion which has been confirmed by SLBC Convenor bank of the State. It was observed that during the process of 100 per cent financial inclusion, the base data of the Statistical Department was used to conduct survey and identify the financially excluded household to bring them in banking fold. The migrant labourers who are in significant number were left uncovered because no record pertaining to them was available with Statistical Department. Most of the migrant and regular labourers as well are financially excluded. Such labour can now be brought in banking fold by opening their no frill account on the basis of identification of their landlords or employers. The banks operating in industrial pockets and in apple belt can conduct a survey which will help them to identify such labour.

#### **6.5.10. Rural Housing**

NABARD has conducted an Investment Specific study in Kangra and Hamirpur districts of himachal Pradesh. Based on the observations and recommendations of the study the Group suggests that since the State has rural dominance ((90 per cent) the banks should prepare State specific rural housing schemes and remove the impediments in rural housing including coversion of land use. The Finance Department of State Government may consider exemtion/reducing the stamp duty on mortgage of rural houses.

## CHAPTER 7

### SUMMARY OF RECOMMENDATIONS

The recommendations made in this report are summarized hereunder:

## CHAPTER 4

### Role of Banks and Financial Institutions in Supporting the Initiatives taken by the State Government

1. Small farmers are hesitant to avail bank credit fearing mortgage of their land. They should be educated that no collateral is required for availing agriculture loans upto Rs.50000.

**[Para 4.3.3] Action: State (Agriculture Department)**

2. Extension services need to be strengthened in the State to make the farmers aware of the availability of quality inputs.

**[Para 4.3.3] Action: State (Agriculture/Horticulture Department)**

3. In view of the larger involvement of women in agriculture and allied activities and the constraints relating to their time, mobility, etc. special efforts should be made to reach farm technology to them.

**[Para 4.3.3] Action: State (Agriculture/Horticulture Department)**

4. The State Government should establish commodity specific market yards for major crops like apple, potato, off-season vegetables, etc.

**[Para 4.3.3] Action: State (Agriculture/Horticulture Department)**

5. The villages which are not having any SHG may be identified and allocated to Social Welfare Department, NGOs, farmers' clubs, etc. to cover such villages under SHG programme in a time bound manner.

**[Para: 4.6.2. (a)] Action: State (Social Welfare Department) and NABARD**

6. Micro, Small and Medium Enterprises Development Institute (MSMEDl), Solan has identified 18 clusters for development in the State. The Light Engineering Industrial clusters have been implemented and diagnostic study for Packing Material Cluster has been completed. Government may take steps for speedy development of remaining clusters.

**[Para: 4.9.1 (b.)] Action: State (Industries Department)**

7. Banks may initiate some pilot projects for exploiting biotechnology potential in the State, for which State Government has taken recent initiatives.

**[Para: 4.9.10] Action: Banks**

8. The multinationals and big domestic players require assured supply of the agriculture/horticulture produce in large quantities. The State Government agencies may explore the possibility of tie up arrangements with such players for benefit of the small and marginal farmers.

**[Para: 4.9.11.] Action: State (Horticulture/Agriculture Department)**

9. The subsidy under the schemes of Horticulture Technology Mission may be credit linked. This will create credit discipline, ensure asset creation and minimize possibility of misusing subsidy.

**[Para: 4.9.11.)] Action: State (Horticulture Department)**

10. The farmers have to pay stamp duty on mortgage of their land to avail production credit of more than Rs.60,000 and investment credit of more than Rs.1,00,000. The State Government may consider exemption of stamp duty on mortgage for agricultural loans upto Rs.10 lakh.

**[Para: 4.9.11.)] Action: State (Finance Department)**

11. Each bank branch should adopt one farmers' club to help the farmers in their economic activities and financial decisions. The issue may be included in Steering Committee Agenda and Controllers of banks should fix targets for their branches.

**[Para 4.9.11.)] Action: NABARD/Banks**

## CHAPTER 5

### Measures for Enhancing Outreach of the Banking System

12. The banks may carry out survey to identify eligible households who have not yet availed bank credit and should target covering such households within a period of 3 years. The targets should be monitored by Controllers of banks periodically.

**[Para: 5.3.1.(ii)] Action: Banks**

13. A federation, an autonomous body of SHGs should be formed at district level to encourage SHGs to take-up area specific economic activities. The Social Welfare Department may form such federations on pilot basis in districts having concentration of SHGs.

**[Para: 5.3.4.(i)] Action: State (Social Welfare Department)**

14. The interest in loan accounts of SHGs for agriculture activities is compounded by some banks at monthly intervals. The controllers of banks should reiterate the instructions in this regard and ensure compliance at branch level.

**[Para: 5.3.4.(ii)] Action: SLBC**

15. Charges are levied by some banks in savings bank accounts of SHGs in case minimum balance is not maintained. Hence the savings bank accounts of SHGs be classified under "no frills accounts" category to avoid the same.

**[Para: 5.3.4.(iii)] Action: SLBC]**

16. The Credit Counselling Centre has been setup by UCO Bank at Shimla to make farmers aware about their financial rights and responsibilities. The major banks should open such centres in other districts of the State either individually or with pooled resources.

**[Para: 5.3.5] Action: Banks]**

17. The State Level Bankers' Committee (SLBC) Convenor bank of the State with the help of other major public sector banks and State Government may conduct an awareness campaign of the various financial products and recovery of banks' dues.

**[Para: 5.3.6] Action: SLBC]**



18. There is no clearing house facility available at Amb and Mehatpur towns of Una district, though branches of 5 banks are functioning. Steps may be initiated by Lead Bank to set up clearing houses at these places after taking into consideration the volume of cheques handled.

**[Para: 5.3.7] Action: Lead Bank/RBI]**

19. The Kangra Central Co-operative Bank Ltd., Himachal Pradesh State Co-operative Bank Ltd. and Himachal Gramin Bank may also take up at least one district each on pilot basis for IT based financial inclusion like the commercial banks.

**[Para: 5.3.8.(b)] Action: Banks**

20. Monthly pensions and other Government payments can be disbursed through business correspondents (like post offices/NGOs/SHGs/unemployed youth) by using bio-metric access smart card operated through a "Hand Held Device" which involves cost of smart cards and capital investment on devices. The major banks operating in the districts may work out the feasibility of the scheme and Government may consider bearing the initial cost.

**[Para: 5.3.8.(d)] Action: State (Finance Department) and Banks**

21. Suitable training programme should be designed as part of capacity building of SHGs to be used as business facilitator/correspondents of banks.

**[Para: 5.3.9(ii)] Action: Banks**

22. Further State specific training programme on State Government schemes may be designed to sensitize banks' staff.

**[Para: 5.3.9 (iii)] Action: Banks**

23. The line departments of State Government may prepare brief compendium of their schemes, the copies of which may be sent to banks. They may also put the schemes on their websites for the information of all concerned.

**[Para: 5.3.9 (iii)] Action: State (All Line Departments) and Banks**

24. Database regarding Debt Swap Scheme may be created by banks.

**[Para: 5.3.9.(vii)] Action: Banks and SLBC**

25. The Sponsor banks may consider allowing the Board of RRBs to outsource some of the functions like commercial banks.

**[Para: 5.4.6.(i).b] Action: Banks**

26. The income tax exemption to RRBs may be restored or else they may be taxed at lower tax bracket of 10 per cent as RRBs are deploying their major portion of advances to priority sector.

**[Para: 5.4.6.(ii).a] Action: GOI**

27. The State Government may treat RRBs at par with the public sector banks for the purpose of acceptance of guarantees and security deposits/earnest money.

**[Para: 5.4.6.(ii).a] Action: State (Finance Department)**

28. Both the RRBs in the State should computerize their operations with the help of their Sponsor banks.

**[Para: 5.4.6.(ii) b] Action: Sponsor banks of RRBs**

29. HGB has been allocated 11 districts out of 12 districts of the State covering most of the industrial towns. They should expedite financing of micro enterprises.

**[Para: 5.4.6.(iii) d] Action: HGB**

30. RRBs should take the help of farmers' clubs to educate/encourage farmers' to replicate floriculture and off-season vegetables in other parts of the State having similar geographical/climatic conditions.

**[Para: 5.4.6.(iii).e] Action: RRBs**

31. The Sponsor banks should take-up the matter with Government of India so that Foreign Embassies should treat RRBs at par with Public Sector Banks regarding deposits and loans sanctioned by them.

**[Para: 5.4.6.(iii).g] Action: Sponsor banks of RRBs**

32. The co-operative banks are required to obtain collateral equivalent to 150 per cent value of the loan amount if credit falls outside the co-operative fold. The position should be reviewed to frame guidelines in alignment with prevailing conditions for such loans in other banks.

**[Para: 5.5.2.] Action: RCS**

33. Registrar of Co-operative Societies (RCS) may study the dormant/in-operative societies and take steps for their revival. They should put in place a system to identify sickness of PACS at the incipient stage to take measures for their revival.

**[Para: 5.5.3.] Action: RCS**

34. The State Government may take early decision on the recommendations of the Task Force on Co-operative Sector (Vaidyanathan Committee) that would help in extension of financial support, capacity building and modernization of the cooperatives.

**[Para: 5.5.4.] Action: RCS**

35. RCS may undertake the viability study of the weak Urban Co-operative Banks in the State and chalk out a comprehensive plan for merger/amalgamation of such entities.

**[Para: 5.5.5.(b)] Action: RCS**

36. The State Government may amend or replace their existing enactments with unified State Cooperative Act, which aims at removing various restrictive provisions and ensure promotion of autonomy, democratic and professional functioning of cooperatives.

**[Para: 5.5.5.(d)] Action: RCS**

37. The State Government may consider signing the MOU with Reserve Bank regarding Urban Co-operative Banks early which will address all the relevant issues relating to revival/strengthening of weak urban cooperative banks.

**[Para: 5.6.] Action: RCS**

## CHAPTER 6

### State Specific Issues

38. The State Government may introduce single window to facilitate issuance of NOC in minimum possible time to entrepreneurs intending to set up a hotel which would facilitate timely financing by banks.

**[Para: 6.1.3.(i)] Action: State (Tourism Department)**

39. The Tourism Department may review the conditions/availability of roads in rural areas and draw a comprehensive plan for construction/repair of the roads. The law enforcing agencies of the State may review the level of security available at potential rural tourism destinations and publicize the arrangements made for the security of the tourists.

**[Para: 6.1.3(ii)] Action: State (Tourism/Home Department)**

40. The Eco Tourism Society under the aegis of State Forest Department should prepare detailed information on availability of destinations, the designated route, facilities available, etc. for eco tourism and place it on their website for the guidance of the tourists.

**[Para: 6.1.3.(iii)] Action: State (Forest Department)**

41. The Tourism Department should give wide publicity of 'Home Stay Scheme'.

**[Para: 6.1.3.(iv)] Action: State (Tourism Department)**

42. The State Government may initiate steps with Airport Authority of India to provide air links to more tourist destinations of the State. Regular air line services may be ensured to the tourist destinations.

**[Para: 6.1.3.(v)] Action: State (Tourism Department)**

43. The State may provide the details of hydel projects approved (and request received for approval) to the banks to enable them to contact entrepreneurs for funding their projects.

**[Para: 6.2.4.] Action: State (Department of Power)**

44. The Federations of floriculturists formed in Kangra, Mandi and Bilaspur districts has helped in setting up of post-harvest infrastructure. Such Federations should also be formed in other districts where floriculture has already been adopted by sizeable farmers.

**[Para 6.3.1] Action: State (Horticulture Department)**

45. The Department of Horticulture has established Floriculture Nurseries in Solan, Kullu and Kangra districts. Such nurseries may be set up in other districts also where the activity has already been adopted.

**[Para 6.3.3] Action: State (Horticulture Department)**

46. Collection, Grading and Packaging House and Cold Storage facilities have been established by the District Rural Development Agency (DRDA) in Bilaspur, Mandi and Kangra districts. As provision of such facilities would help the floriculturists, these should be set up in other districts also.

**[Para 6.3.4] Action: State (DRDA)**

47. The financial incentives are being provided by Horticulture Technology Mission and National Horticulture Board for development of commercial floriculture. The small farmers of areas where floriculture can be replicated should be made aware about the incentives through electronic media, seminars, Kisan Clubs, Melas, etc.

**[Para 6.3.5] Action: State (Horticulture Department)**

48. Department of Horticulture should organize training Programme for the farmers on new technology and post harvest management system and arrange their visits to the developed flower growing areas and markets to create awareness amongst them.

**[Para 6.3.6.(i)] Action: State (Department of Horticulture)**

49. Growers Associations need to be educated about prevention of post harvest loss in floriculture through use of refrigerated vans.

**[Para 6.3.6.(ii)] Action: State (Department of Horticulture)**

50. Presently farmers do not have adequate Controlled Atmosphere cold storage facility for apple which can help them in storing their produce and getting remunerative prices. The HPMC may go in for upgradation of their existing storage facilities.

**[Para 6.4] Action: State (HPMC)**

51. Agro-based industries, for making simple products like Chips, French fries, etc. is a must as in their absence prices falls so low to make the cultivation of potatoes unviable.

**[Para 6.4.1. (b)] Action: State (Agriculture Department)**

52. State Bank of India and UCO Bank may convert the remaining non-banking treasuries into banking treasuries allocated to them early for integration with Payment and Settlement System.

**[Para: 6.5.1] Action: SBI/UCO Bank.**

53. As rapid industrial growth will require additional transport facilities, the banks may explore the avenues of financing trucks required to transport goods from such industries.

**[Para: 6.5.3] Action: All banks**

54. The Tourism Department may study the economic and ecological viability of creation of Amusement Parks, Artificial Lakes, Rope Ways and other adventure tourism linked activities required to tempt more tourists which may make air service viable.

**[Para: 6.5.4] Action: State (Tourism Department)**

55. The Agriculture Department of the State may assess the district-wise gaps in irrigation facilities available and prepare area specific/district-wise cost effective comprehensive plans. A road map to cover 50 per cent of the land under assured irrigation facilities may be prepared.

**[Para: 6.5.5.] Action: State (Agriculture Department)**

56. The State Agriculture Department may create awareness among farmers about 'On Farm Water Conservation and Management' which includes rain water harvesting and plasticulture application of water management to promote judicious utilization of scarce surface and ground water resources.

**[Para: 6.5.5.] Action: State (Agriculture Department)**

57. State Government may consider introducing State specific schemes by extending credit on concessional rate of interest.

**[Para:6.5.7 ] Action: State (Finance Department)**

58. The banks may conduct a survey to ensure that migrant labourers are also brought to banking fold by opening 'no frills' accounts on the basis of identification of their landlords or employers.

**[Para: 6.5.9.] Action: Banks**

59. The banks should prepare State specific rural housing schemes and remove the impediments in financing rural housing.

**[Para: 6.5.10.] Action: Bank**

60. The State Government may consider exempting/reducing the stamp duty on mortgage of rural houses.

**[Para: 6.5.10.] Action: State (Finance Department)**

## Annexure I

### District-wise Credit Deposit Ratio in Himachal Pradesh

(Per cent)

District	March 31, 2006	March 31, 2007
Bilaspur	37.0	39.0
Chamba	30.0	31.9
Hamirpur	24.0	25.0
Kangra	35.0	38.0
Kinnaur	39.0	43.4
Kullu	47.6	52.4
Lahaul and Spiti	17.2	17.0
Mandi	39.0	40.0
Shimla	48.5	47.4
Sirmour	69.9	76.2
Solan	51.8	59.0
Una	27.6	29.9
STATE	45.54	49.51

Source: State Level Bankers Committee (SLBC)

## Annexure II

### Projected CD Ratio and Bank Credit Gap in Himachal Pradesh

(Amt. in Rs. Crores and Ratio in Per cent)

Year	Projected Deposits	Projected Advance	Projected CD Ratio	Projected Credit at 60 Per cent CD Ratio	Projected Credit Gap
2007-08	24,383	12,092	50	14,630	2538
2008-09	28,040	14,510	52	16,824	2314
2009-10	32,246	17,412	54	19,348	1936
2010-11	37,083	20,894	56	22,250	1356
2011-12	42,646	25,073	59	25,588	514
2012-13	49,043	30,088	61	29,426	-662

*Note: Annual growth rate of deposits and credit has been projected at 15 per cent and 20 per cent, respectively.*



### Annexure III

#### District-wise Deposits and Advances of Scheduled Commercial Banks

(Position as at end-March 2006)

District	No. of Offices	Population Per Branch	Total Deposits (Rs. Crore)	Per Capita Deposit (Rupees)	Total Credit (Rs. Crore)	Per Capita Credit (Rupees)
<b>BILASPUR</b>	46	7407	567	25,973	180	5291
<b>CHAMBA</b>	53	8689	542	25,139	175	3804
<b>HAMIRPUR</b>	58	7104	1015	23,975	235	5711
<b>KANGRA</b>	155	8636	2988	27,998	764	5705
<b>KINNAUR</b>	19	4418	148	33,050	50	5898
<b>KULU</b>	51	7448	662	28,076	342	9014
<b>LAHUL and SPITI</b>	9	3692	71	30,234	12	3639
<b>MANDI</b>	103	8747	1291	23,995	478	5302
<b>SIMLA</b>	138	5230	4068	70,356	2173	30,104
<b>SIRMOUR</b>	49	9354	467	25,484	360	7848
<b>SOLAN</b>	83	6017	1320	34,519	704	14100
<b>UNA</b>	56	7999	910	24,079	292	6529
<b>STATE</b>	820	7412	14,050	32,760	5765	9,486

Source: Banking Statistical Returns of Scheduled Commercial Banks in India, 2006.

## Annexure IV

### District-wise Banking Outreach (per branch) in terms of Aggregate Deposits (Scheduled Commercial Banks)

(As at end-March 2006)

District	Accounts per ,000 persons	Accounts per branch	Amount per branch*	Amount per account**
<b>BILASPUR</b>	641	4748	1233	26
<b>CHAMBA</b>	468	4069	1023	25
<b>HAMIRPUR</b>	1028	7300	1750	24
<b>KANGRA</b>	797	6886	1928	28
<b>KINNAUR</b>	533	2353	778	33
<b>KULLU</b>	621	4622	1298	28
<b>LAHUL and SPITI</b>	708	2613	790	30
<b>MANDI</b>	597	5225	1254	24
<b>SHIMLA</b>	801	4190	2948	70
<b>SIRMOUR</b>	400	3741	953	25
<b>SOLAN</b>	766	4608	1591	35
<b>UNA</b>	844	6748	1625	24
<b>STATE</b>	706	5230	1713	33

*Source: Banking Statistical Returns of Scheduled Commercial Banks in India, 2006.*

*\*: Amount per branch is in Rs. Lakhs. \*\*: Amount per account is in Rs. ,000.*

## Annexure V

### District-wise Banking Outreach (per branch) in terms of Outstanding Advances (Scheduled Commercial Banks)

(As at end-March 2006)

District	Accounts per ,000 persons	Accounts per branch	Amount per branch*	Amount per account**
<b>BILASPUR</b>	70	515	392	76
<b>CHAMBA</b>	58	505	330	65
<b>HAMIRPUR</b>	80	568	406	71
<b>KANGRA</b>	69	592	493	83
<b>KINNAUR</b>	72	320	261	82
<b>KULLU</b>	81	605	671	111
<b>LAHUL and SPITI</b>	65	241	134	56
<b>MANDI</b>	70	615	464	75
<b>SHIMLA</b>	90	470	1574	335
<b>SIRMOUR</b>	58	545	734	135
<b>SOLAN</b>	87	523	848	162
<b>UNA</b>	65	518	522	101
<b>STATE</b>	73	538	703	131

Source: Banking Statistical Returns of Scheduled Commercial Banks in India, 2006.

\*: Amount per branch is in Rs. Lakhs. \*\*: Amount per account is in Rs. ,000.

## Annexure VI

### District-wise Potential of Non Farm Sector Activities in Himachal Pradesh

1	Bilaspur	Mineral/clay based, Pottery, Wood carving, Handloom, Fish Powder, Sericulture, auto repair, herbal based and aromatic plants and agro based industris.
2	Chamba	Wood carving, handloom, Pottery, Bee keeping, pickle Jam, Tourism. herbal based and aromatic plants and agro based industris.
3	Hamirpur	Furniture and wood craft, Medicinal Herbs, Bee keeping herbal based and aromatic plants and agro based industris.
4	Kangra	Bamboo and wood crafts, medicinal herbs, dhoop and agarbatti, Tanning and Shoe making, pottery, Dolls and Toys, handloom. engineering industries / agrl.imple herbal based and aromatic plants and agro based industris.
5	Kullu	Handloom, wood and metal crafts, Pula(shoe) Tourism., Bamboo craft herbal based and aromatic plants and agro based industris.
6	Kinnaur	Tourism, Handloom (carpets) Wood carving., metal fabrication. herbal based and aromatic plants and agro based industris.
7	Lahaul and Spiti	Handloom (carpets, shawls, socks), processing of spices, wood carving. herbal based and aromatic plants and agro based industris.
8	Mandi	Rock salt based, sauce and pickle, flour mill, automobile, wooden/steel furniture herbal based and aromatic plants and agro based industris.
9	Shimla	Wood carving, sauce and pickles, handloom, dolls and toys, medicinal herbs. herbal based and aromatic plants and agro based industris.
10	Sirmour	Pottery, bee keeping, auto repair, fruit processing, weaving. herbal based and aromatic plants and agro based industris.
11	Solan	Handloom, bee keeping, dairy products, mushroom herbal based and aromatic plants.
12	Una	Forest Produce, resin, repair, workshops, cattle feed, ceramics tiles, bakery. herbal based and aromatic plants.

## Annexure VII

### LIST OF BRANCHES / FRANCHISEES OF FULL FLEDGED MONEY

#### CHANGERS IN HIMACHAL PRADESH

Sr. No.	Name of FFMC	NAME AND ADDRESS OF FRANCHISEE/BRANCH
1.	The Ambay Forex Pvt. Ltd. – Franchisees	<ol style="list-style-type: none"> <li>1. M/s Kiran Communications Opp. Girl School, Mall Road, Solan</li> <li>2. M/s Aggarwal Tours &amp; Travels Temple Road, Main Bazar Dharamshala</li> </ol>
2.	Swagtam - A - Dream Tourism Pvt. Ltd. – Franchisees	<ol style="list-style-type: none"> <li>1. Hare Rama Travel Agency New Kasol, Manikaran</li> <li>2. Hare Rama Travel Agency Old Kasol, Manikaran</li> <li>3. Hare Rama Travel Agency Near SBI Building, Manali</li> <li>4. Hare Rama Travel Agenc Hotel Ibez, The Mall, Manali</li> <li>5. Escort Forex New Kasol, Manikaran</li> </ol>
3.	Post Office ( BRANCHES )	<ol style="list-style-type: none"> <li>1. Shimla Head Post Office</li> <li>2. Dharamshala Head Post Office</li> <li>3. Dalhousie Post Office</li> <li>4. Mandi Head Post Office</li> <li>5. Kullu Post Office</li> <li>6. Manali Post Office</li> <li>7. Kasauli Post Office</li> <li>8. Nalagarh Post Office</li> <li>9. Kangra Post Office</li> </ol>
4.	Mehra Forex Pvt. Ltd. ( BRANCH )	Mehra Forex Pvt. Ltd. Shop No.1, Narrowjee Road, Near Bus Stand McLeodganj Tehsil Dharamshala Distt. Kangra



## Annexure VIII

### **District-wise Branch Network, ATMs, Deposits and Advances (All Banks)**

(As on end-June 2007)

Sr. No.	District	ATMS	Branches			Deposits (Rs. Crore)			Advances (Rs. Crore)		
			Comm. Banks	RRBs	Coop Banks	Comm. Banks	RRBs	Coop. Banks	Comm. Banks	RRBs	Coop. Banks
1	BILASPUR	1	45	3	28	614	17	259	200	7	149
2	CHAMBA	1	26	27	19	481	132	150	136	68	39
3	HAMIRPUR	3	58	2	33	1154	6	437	276	3	124
4	KANGRA	5	122	42	93	3210	281	1390	841	84	984
5	KINNAUR	-	19	0	14	171	0	115	74	0	61
6	KULLU	2	38	14	22	692	40	185	340	44	65
7	LAHUL & SPITI	-	9	0	5	79	0	48	15	0	8
8	MANDI	1	58	48	42	5619	322	384	507	111	189
9	SHIMLA	16	137	0	63	1263	0	1370	2678	0	616
10	SIRMOUR	3	52	0	23	575	0	176	472	0	130
11	SOLAN	8	103	0	24	1652	0	245	1310	0	144
12	UNA	1	54	3	26	1057	14	446	331	6	114
13	STATE	41	721	139	392	16567	863	5206	7241	322	2623

Source: State Level Bankers Committee (SLBC), HP.