

**REPORT OF THE  
WORKING GROUP ON IMPROVEMENT  
OF BANKING SERVICES IN THE  
UNION TERRITORY OF  
LAKSHADWEEP**

**RESERVE BANK OF INDIA**

## **EXECUTIVE SUMMARY**

1. Lakshadweep, an archipelago of 36 small and tiny islands, located at 220 to 440 kms. away from the mainland in south western India, is the tiniest Union Territory of India with just 32 square kilometers in area and a population of 60,650 (2001 census) which is estimated to grow to 70,322 by 2011. Of the 36 islands, only 11 islands are inhabited. Nine islands (Androth, Amini, Agatti, Chetlat, Kadmat, Kalpeni, Kavaratti, Kiltan and Minicoy) are significantly populated and two others (Bitra and Bangaram) have very tiny or floating population. About 95% of the population follow Islam and have been classified as Scheduled Tribes. The Union Territory of Lakshadweep (UTL) is high in population density (2255 as against All India Average of 324), literacy (87.52% - as per 2001 census) and has relatively good health indicators. Outward migration is extremely limited. Poverty and economic inequality are low in Lakshadweep and most of the households are in the lower middle income group.

2. Even though the land area is very small, it is surrounded by lagoons, measuring 4,200 sq. kms. and the territorial waters, measuring about 20,000 sq. kms. Further, it has access to 4 lakh sq. kms. of Exclusive Economic Zone (EEZ). These features make the islands, though very small in land area, a rather large overall territory. These islands are strategically very important to the country for security reasons. They are also ecologically fragile. At the same time abundant potential exists for development of the fisheries, agriculture (coconut and coir) and tourism sectors. There is immense scope for value addition in these areas while simultaneously preserving the ecology of the islands and keeping in view their strategic importance. A basic requirement for the economic activities to take off would be the development of transport and communication facilities, thereby bridging the 'distance gap' between the islands and the mainland. Once the economic activities take off, there would be enough scope for expansion of banking services in the islands and the banking sector would be able to significantly contribute to the healthy economic development of the area, mainly through value addition and realization of the economic potential of the islands to a much greater extent.

3. The islands experience tropical climate and the weather is warm and humid around the year. The region experiences heavy rainfall (average rainfall is 1600 mm per annum) with most of the rain usually falling from May to August. Coconut is the main crop of the islands. Tuna fish is abundant in the territorial waters of islands but hardly 10% of the potential is exploited. Increase in production and expansion of export market for Tuna, enhanced production of coconut and coir based products and active encouragement of visit of tourists to the islands hold great opportunities for expansion of banking facilities both for outreach and penetration.

4. The single airport in Lakshadweep is at Agatti and at present flights to Agatti are operated by Kingfisher Airlines and Indian Airlines on alternate days. Other islands are not connected by Airways. Limited helicopter service, mainly as ambulance evacuating patients between Kavaratti, other islands and mainland, is in operation. The UTL is connected to the mainland by passenger ships and cargo barges. Limited boat services between the islands is also in operation. Entry for the non-islanders into the islands and their stay are regulated. Foreigners are allowed only in three islands, viz., Agatti, Kadmat and Bangaram. Non-islanders including Indian nationals are not allowed to purchase or own property or immovable assets in the islands.

5. Even with the rapid advances in transport and communication facilities, the phenomenon of 'death of distance' has not happened in the case of Lakshadweep, as has happened in the case of other parts of the world. Lakshadweep continues to suffer from the problem of distance in several ways. The distance from the mainland and limited transportation/communication facilities affects (a) mobility of people (for education, employment, medical treatment etc.), (b) increase in the time and cost of travel, (c) access to communication (especially newspapers, periodicals etc.), (d) supply and cost of goods and services. It also affects the psychological process of the people and causes delays in deriving benefits for technological and economic development.

6. The island economy is revolving around coconut cultivation, fishing and tourism. Substantial subsidy is given by the Government of India to the islands in all spheres and the Government is the dominant sector in the islands for almost all economic activities. Private entrepreneurship is very much limited in the islands. Bangaram island has been developed as a tourist resort. The UTL administration has proposed to open more islands for tourists.

7. Agriculture is the mainstay of the economy of Lakshadweep. More than 90% of the population depends upon agriculture. It is a Coconut Mono Crop Territory. The entire island has become an Organic Farming Region as the islanders use bio-fertilisers, organic manure and micro nutrients only. Chemical fertilizers are not allowed to be used. Fisheries is the second most important economic activity of the Union Territory. The estimated potential resources of the sea around Lakshadweep is about 1 lakh tonnes of tuna and equal quantity of shark. In 2006, the tuna catch was 11751 tonnes. The present tuna catch is estimated to be just 10% of the available potential.

8. The UTL has been declared as a “**No Industry District**” of the country in view of the fragile ecology of the islands. An Industries Department, however, exists in Lakshadweep which aims to develop small industries and entrepreneurship among the local population. Industries which do not require much land, large quantity of water, power and which do not pollute the lagoons and soil, can only be considered in these tiny islands.

9. The entire group of islands is considered as one district for Lead Bank purposes. Syndicate Bank is the Lead Bank and Convenor of the Union Territory of Lakshadweep Bankers Committee (UTLBC). Presently there are 10 bank branches in the islands viz. nine branches of Syndicate Bank and one branch of State Bank of India (SBI). SBI opened its first branch in April 2005 at Kavaratti. The branch of Syndicate Bank as well as that of and SBI at Kavaratti are Core Banking Branches with ATM facilities. Syndicate Bank had opened its first branch at Kavaratti in 1971 and is operating throughout the UTL with nine branches in the nine major islands.

There are no Regional Rural Banks, State / District Central Cooperative Banks, or Urban Cooperative Banks functioning in Lakshadweep. NABARD and SIDBI do not have any office in these islands.

10. The bank deposits grew from Rs.67.91 crore in 2001-02 to Rs.205.06 crore in 2006-07 of which Rs.126.88 crore comprised Government deposits. During the same period, bank advances went up from Rs.5.47 crore to Rs.20.90 crore. CD Ratio which was 8.50% in 2001-02 was 10.19% in 2006-07. Advances to priority sector increased from Rs.2.11 crore to Rs.8.15 crore and to agriculture from Rs.0.65 to Rs.1.86 crore. Thus, performance of the banks under lending to priority sector is about 39% of the total advances and the credit under agriculture sector is below the target of 18%. Disbursement of credit to SHG is very meagre and micro credit had virtually not taken off in the islands. Similar is the case with DRI, KCC, PMRY and SGSY.

The Major recommendations / suggestions of the Working Group are –

**Recommendations for Improving Banking Facilities in Lakshadweep**

1. The banks and the UTL administration have to jointly make earnest efforts on improving the CD Ratio through greater exploitation of the potential in the fishing, agriculture and tourism sectors, going up the value chain and improving the entrepreneurial technique and management skills of the island population.
2. Union Territory Level Bankers' Committee (UTLBC) meetings as also other developmental meetings involving the bankers, developmental institutions and the UTL administration line departments should be convened at regular periodic intervals.
3. Taking into account the island-wise per branch population and also the fact that there is limited island movement of people for transacting banking business in view of poor inter-island transport facilities, opening an additional bank branch each in the islands of Androth (population 10727), Minicoy (9495), Agatti (7009) and Amini (7353) could be considered.

4. The new branches in the above islands may preferably be opened by another bank (other than Syndicate Bank which already has the predominant presence) which would help bring greater variety in banking services to the island population and also generate an element of competition between the banks thereby benefiting the customers.

The member of the Working Group from Syndicate Bank (UTLBC Convenor) was not in favour of opening of additional bank branches which he felt would only lead to unhealthy competition. The views expressed by him are as under:

"In my considered opinion, taking into account, the low level of population in the islands and the recent financial inclusion exercise conducted by the banks and the best per population per bank branch figures of the islands, there is no need for another bank branch in any of the islands. One branch of a nationalized bank has been serving the population for decades and no banking services are denied to any section of the islanders. Except for few households which have not opened an account due to religious and economic reasons, 100% financial inclusion has been completed in all the islands. The scope for business both for deposits and credit is limited and one bank branch is sufficient to cater to the needs. "

5 .In the absence of a cooperative structure, refinance support from NABARD at concessional rate of interest is not availed. The Working Group felt that a co-operative structure with State Co-operative Bank at the apex level and PACS at the base level may not be viable for the present given the peculiar features of the UTL. However, the proposal could perhaps be moved forward after comprehensively considering the business potential, viability and profitability of such a structure once the economic development of the UTL moves substantially forward. Pending setting up of such a structure, the PACSs in the islands may be linked to the branches of the commercial banks for ensuring flow of concessional credit support from NABARD.

6. The Lead Bank has reported completion of first phase of 100% financial inclusion in the islands in terms of linking all willing households to the bank braches. A preliminary evaluation of the achievement based on the household and account information furnished by the bank reveals that there are some gaps, presumably on account of reluctance on the part of some of households to open bank accounts. Taking into account the overall ground realities in the islands, systematic and concerted efforts may be made to persuade the uncovered households to come into the banking fold through a campaign of education and counselling.

Financial education can play a meaningful role for the people of the islands by making them aware of the benefits of linkage with the banking system, and of economic development and progress.

7. Given the constraints in transport of cash and coins, air lifting of currency and coins may be considered once all the islands are connected through helicopter services.

8. Since the facility of ECS cannot be extended to the islands on account of there being no clearing house, all the networked branches in the islands should be made RTGS and NEFT-enabled (both for receiving and sending) to bring the benefits of electronic payment and settlement system to the islanders.

9. Till such time when all the branches are brought under Core Banking Solution (CBS), taking into account the volume of instruments, Syndicate Bank may introduce a system of weekly or, if required, more frequent settlement of their intra-bank instruments drawn on the branches in different islands at Kavaratti by bringing here cheques from all the islands.

10. For promoting formation of SHGs and Micro Credit, banks and the Government departments may take initiatives to promote more SHGs by making use of the services of NGOs as business facilitators and link them to the banks for their credit requirement.

11. Banks and NABARD can contribute in the areas of capacity building by organising training programmes and setting up of RUDSETI model of training institutes for promoting self employment opportunities. Syndicate Bank, having larger presence in the islands, should take necessary initiative in this regard.

12. Banks and Department of Industries have to take initiatives to organize awareness programme on PMRY / SGSY / Micro Credit / DRI which will encourage unemployed youth/women to start new business enterprises.

13. Though majority of the population is engaged in agricultural activity all the eligible farmers are not covered under KCCs. Department of Agriculture has to identify all the eligible farmers as well as the farmers who have not been issued KCCs and furnish the list of such farmers to banks so as to cover all eligible farmers under KCCs.

14. Bankers may initiate proactive steps for providing adequate working capital for the traditional fishermen engaged in the *Skipjack-Masmin* sector to free them from dependence of middlemen.

15. NABARD could adopt a more focussed approach for the development of infrastructure in the islands especially under RIDF schemes.

16. SIDBI, whose regional office is in Kochi, may explore the feasibility of adopting a focussed approach for expanding the outreach and penetration of credit services for development of environment friendly industries.

### **Recommendations for overall development of Lakshadweep**

1. A comprehensive policy for development of fisheries, tourism and establishment of eco-friendly industries may be evolved for a systematic development of these sectors.

2. The feasibility of utilizing the available vacant lands for constructing cold storages for fish processing, cottages for tourists, sheds for promoting eco-friendly industrial clusters for producing value added products relating to coconut and fish, installing Wind Mills may be explored.

3. Active promotion of high value agriculture, vegetable cultivation, product diversification and value added products of coconut and tuna fish with proper market linkages both for mainland and export markets is required.

4. To harness the full potential of coir in the islands, establishment of Integrated coir units in Chetlath, Androth and in other islands may be considered. A Special Purpose Vehicle (SPV) may be constituted under Public Private Partnership (PPP) model for establishing Integrated coir industry in the Islands with tie-up with a chain of departmental stores in main land for marketing. The "Sivaganga Model of Tamilnadu" which has become a great success story of coir industry, could be experimented in the UTL also.

5. Modern techniques for increasing tuna fish catch like, deep sea fishing, mother and collector vessels, mechanised boats etc., may be implemented.

6. Under PPP model, an Export Oriented Unit (EOU) for tuna fish may be set up in the mainland for fish processing, product diversification and export to foreign countries with the help of Marine Products Export Development Authority (MPEDA) and Central Institute of Fisheries Technology (CIFT).

7. An Ocean Development Authority on the lines of the Island Development Authority may be set up to give focussed attention to the task of efficient exploitation of the economic wealth lying within the territorial waters and the Exclusive Economic Zone of the islands.



8. All the islands and mainland (Kochi) may be connected better for tourist travel. Easy mobility from mainland and among the islands will act as a facilitator for several developmental efforts and initiatives.

9. A comprehensive Tourism Policy may be evolved considering the following:

(i) More number of ships may be introduced between the mainland and the islands.

(ii) More number of motor boats for travel between the islands may be introduced.

(iii) More uninhabited islands may be opened up for tourism and infrastructure may be created, particularly with regard to lodging, boarding and recreational facilities.

(iv) Facilities for Coral View from glass bottom boats, SCUBA diving, "Sea walking" in the selected areas of the lagoons may be systematically encouraged.

(v) Unique souvenir items pertaining to the islands with local craftsmanship should be encouraged to be produced in adequate scale to meet the demands of the tourists. This can be done without disturbing the 'no industry' character/status of the islands. Since waste disposal is a problem in the islands because of its fragile eco system, waste recyclable items can be used as raw materials for locally crafted souvenir items for the tourists.

(vi) Development of aqua sports facilities in Kadamat and Minicoy, development of beach resorts in Bangaram and Androit, promotion of fun and entertainment devices in Cheriya on the lines of Sentosa islands of Singapore are some of the suggestions for promoting tourism. Bangaram is a place which can be developed on the lines of the Boracai islands of Philippines. The concept of "back to nature" should be the theme of developing tourism to attract people from outside.

(vii) Keeping in view the fragile ecosystem of the islands, cruise-based tourism, where the people spend the day in the island and retire to the ship in the night, may also be considered as an appropriate model for all the islands.

(viii) For the benefit of the tourists arriving in the islands, foreign exchange facilities may be made available at Agatti airport by opening a money changing counter.

(ix) Tourist transport system may be developed and strengthened by acquiring exclusive luxury cruise ships.

## Chapter 1

### INTRODUCTION

#### The Union Territory of Lakshadweep

1.1 Lakshadweep, an archipelago of 36 small and tiny islands, located at 220 to 440 kms. away from the mainland in South Western India, is the tiniest Union Territory of India with just 32 square kilometers in area and a population of 60,650 (2001 census). It is spread largely over 10 inhabited islands (11, including Bangaram), 16 uninhabited islands, 3 reefs and 6 submerged sand banks. Even though the land area is very small, it is surrounded by lagoons, measuring 4,200 sq. kms. and the territorial waters, measuring about 20,000 sq. kms. Further, it has access to 4 lakh sq. kms. of Exclusive Economic Zone (EEZ). These features make the islands, though very small in land area, a rather large overall territory. These islands are strategically very important to the country for security reasons. They are also ecologically fragile. At the same time abundant potential exists for development of the fisheries, agriculture (coconut) non-farm sector activities such as coir and tourism sectors. There is immense scope for value addition in these areas while simultaneously preserving the ecology of the islands and keeping in view their strategic importance. A basic requirement for the economic activities to take off would be the development of transport and communication facilities, thereby bridging the 'distance gap' between the islands and the mainland. Once the economic activities take off, there would be enough scope for expansion of banking services in the islands and the banking sector would be able to significantly contribute to the healthy economic development of the area, mainly through value addition and realization of the economic potential of the islands to a much greater extent.

**Constitution of the Working Group**

1.2 With a view to improving the outreach of banks and banking services, Reserve Bank of India (RBI) decided to set up a Working Group for the Union Territory of Lakshadweep (UTL) to undertake a developmental study of the UTL. Accordingly, a Working Group under the Chairmanship of Shri S. Ramaswamy, Regional Director, Kerala and Union Territory of Lakshadweep (UTL), RBI was constituted, with the following members :

1. Shri Bhawar Puri, Chief General Manager, NABARD, Thiruvananthapuram.
2. Shri R. Venkateswaran, Deputy General Manager, Syndicate Bank, Convenor, UTLBC, Kochi.
3. Shri A.R.Muralidharan, General Manager, SIDBI, Kochi.
4. Shri B. Abdul Shukoor, Director, Planning & Statistics Department, UTL, Kavaratti.
5. Shri R.N. Panigrahi, Deputy General Manager, Rural Planning & Credit Department, RBI, Thiruvananthapuram  
– Member Secretary.

1.3 The terms of reference of the Working Group were as under :

(i) To review the role of banks and financial institutions in supporting the initiatives being taken by the government for promoting economic development of Lakshadweep and making specific recommendations for enhancing their role in this regard.

(ii) To recommend measures for enhancing greater outreach/penetration of banking system in the UTL and identifying constraints, if any, in this regard that need to be addressed and

(iii) Any other aspect considered important

### **Approach of the Working Group**

1.4 The Working Group visited the islands and adopted a field visit approach to have a feel of the unique nature of the islands. The field visits were coupled with wider consultations with Government functionaries and bank officials in the islands. These consultations were further supplemented by interactions with the local populace, Self-Help Groups and others to get a feel of the ground realities prevailing in the islands. The Working Group held three meetings - two meetings at Kochi and one meeting at Kavaratti, the capital of the UTL. The first meeting held at Kochi discussed broad aspects relating to the approach to be adopted by the Group in view of the special nature of the islands. The second meeting, held in Lakshadweep at Kavaratti, focussed primarily on indepth discussions with the heads of various line Government departments. In the third meeting of the Group at Kochi, the observations from the visit to the islands were discussed at length to structure the report suitably from a developmental perspective. The Group also invited experts from Marine Products Exports Development Authority (MPEDA), Kochi, Coconut Development Board & Coir Board from Kochi to make presentations on the developmental potential with special emphasis on value addition of the fisheries and coconut & coir sectors in the UTL.

### **Structure of the Report**

1.5 The report has been structured as follows :

After this introductory chapter, a broad profile of the Union Territory is given in Chapter 2. Chapter 3 reviews the status of banking outreach and financial inclusion including currency management and Payment & Settlement System aspects in the islands and makes several recommendations in this area. Chapters 4 to 6 cover the development of the three major sectors viz. fisheries, agriculture and tourism, which can significantly contribute to the economic development of the islands. The final chapter, Chapter 7 seeks to put together all the observations and recommendations of the Working Group and provides a broad blueprint for the economic growth of the islands and the contribution the banking system can make towards this goal.

## Chapter 2

### A PROFILE OF THE UNION TERRITORY OF LAKSHADWEEP

#### Geographical and Demographic Profile

2.1 The area now comprising the Union Territory of Lakshadweep (UTL) was declared as a Union Territory on November 1, 1956 under the States Reorganisation Act, 1956 by the Government of India. Initially known as Laccadive, Minicoy and Admindivi islands, the Union Territory was officially renamed as Lakshadweep on November 1, 1973. The UTL consists of 36 small and tiny islands covering a total land area of 32 sq. kms. The islands are located between 8° and 12° 30' North latitude and 71° and 74° East longitude. Lakshadweep, the tiniest Union Territory of India has the distinction of being the only coral island in the country. These islands which lie scattered in the Arabian Sea are about 220 to 440 kms. west of the South Western coast of India. The coral reef of the islands is like a wall, which protects the lagoons and the islands from the sea.

2.2 Of the 36 islands, only nine islands (Androth, Amini, Agatti, Chetlat, Kadmat, Kalpeni, Kavaratti, Kiltan and Minicoy) are significantly populated while two others (Bitra and Bangaram) have very tiny or floating population. The total population of the islands as per 2001 census was 60,650. (Island-wise population figures and details are furnished in Table 2.1). About 95% of the population follow Islam and have been classified as Scheduled Tribes. Malayalam is the principal language in all the islands except Minicoy where the people speak Mahal. Kavaratti is the capital of the UTL.

Table – 2.1

Island-wise Area and Population

Island	Land use area	Male	Female	Population
	(sq.km.)			(Nos.)
Minicoy	4.37	4617	4878	9495
Kalpeni	2.28	2278	2043	4321
Andrott	4.84	5357	5370	10727
Agatti/	2.71	3633	3376	7009
Bangaram	0.58	56	9	65
Kavaratti	3.63	5586	4533	10119
Amini	2.59	3737	3616	7353
Kadmat	3.12	2691	2643	5334
Kiltan	1.63	1844	1825	3669
Chetlat	1.04	1173	1118	2291
Bitra	0.1	159	108	267
<b>Total</b>	<b>26.89</b>	<b>31131</b>	<b>29519</b>	<b>60650</b>

2.3 Despite the small population, population density due to the very small land area is very high at 2,255 (2001 census figures) which is far higher than the All India average of 324. (The trends in growth in population are furnished in Table 2.2). In terms of major health indicators such as crude birth and death rates, infant mortality rates and life expectancy rates, Lakshadweep stands ahead of the All India average. The literacy rate at nearly 90% is one among the highest in the country. Though there are schools, there are no institutions for higher / professional studies for which seats have been reserved in institutions in the mainland, mainly in Kerala. The Lakshadweep Government bears almost all the expenditure involved in studies in the mainland. Most of the islanders return to the islands after completion of their studies. Thus, outward migration is extremely limited. Poverty and economic inequality are low in Lakshadweep and most of the households are in the lower middle income group. Medical facilities in the islands are very limited and for more advanced treatments the patients have to go to the mainland.

<b>TABLE-2.2</b>			
<b>DECENNIAL GROWTH RATE 1991-2001</b>			
<b>Island</b>	<b>Population census</b>		<b>Percentage</b>
	<b>1991</b>	<b>2001</b>	<b>decennial growth rate</b>
Minicoy	8320	9495	14.12
Kalpeni	4084	4321	5.80
Androth	9122	10727	17.59
Agatti /	5670	7009	23.62
Bangaram	61	65	6.56
Kavaratti.	8677	10119	16.62
Amini	6447	7353	14.05
Kadmth	3985	5334	33.85
Kiltan	3065	3669	19.71
Chetlat	2051	2291	11.70
Bitra	225	267	18.67
Total	51707	60650	17.30

2.4 The islands experience tropical climate and the weather is warm and humid around the year. The region experiences heavy rainfall (average rainfall is 1600 mm per annum) with most of the rain usually occurring from May to August. Coconut is the commercial and agriculture crop in Lakshadweep. The marine life is quite elaborate, with tuna being the most common variety of fish.

### **Transport and Communication**

2.5 The UTL is connected to the mainland by passenger ships, cargo barges and motorized private vessels. Entry for non-islanders into the islands and their stay are regulated, considering the strategic importance of the islands, over crowding and protect environmental degradation, this being the only coral group of islands with fragile ecology. There is air connectivity, though limited, by passenger airlines. Limited helicopter service between Kavaratti and other islands is in operation. Limited boat services between the islands is also in operation.

2.6 Even with the rapid advances in transport and communication facilities, the phenomenon of 'death of distance' has not happened in the case of Lakshadweep, as has happened in the case of other parts of the world. Lakshadweep continues to suffer from the problem of distance in several ways. The distance from the mainland and limited transportation/communication facilities affect (a) mobility of people (for education, employment, medical treatment etc.), (b) increase in the time and cost of travel, (c) access to communication (especially newspapers, periodicals etc.), (d) supply and cost of goods and services. It also affects the psychological process of the people and causes delays in deriving benefits for technological and economic development.

### **Entry into the islands for non-islanders**

2.7 Entry for the non-islanders into the islands and their stay are regulated through "Entry Permit" by the Administration of Union Territory of Lakshadweep under the "Laccadive Minicoy & Amindivi Islands (Restrictions on Entry and Residence) Rules, 1967. While Indian nationals are permitted to visit all the islands, foreigners are allowed only in three islands, viz., Agatti, Kadmat and Bangaram. Non-islanders including Indian nationals are not allowed to purchase or own property or immovable assets in the islands.

### **Administration**

2.8 The entire group of islands is considered as one district for administrative purposes and headed by an official from the IAS titled 'Administrator'. The Administration is supported at the senior level by two other IAS officers – the District Collector and Development Commissioner and Managing Director of Lakshadweep Development Corporation. These two senior officers are declared as ex-officio Secretaries of different departments to assist the Administrator on day-to-day functioning. In the year 1983, these islands were sub-divided into 4 thehsils or major sub-divisions and 5 minor sub-divisions. Over the years all these islands have grown and developed and by and large stand almost at par in terms of their complexities of revenue, civic and general administration. Therefore, as part of reforms, the Union Territory has recently been sub-divided into 9 sub-divisions headed by Sub Divisional Officers. Two of the more specialized sub-divisions, Minicoy and Agatti are headed by Deputy Collectors. The head quarters of the Union Territory Administration is Kavaratti. Various



Government departments functioning in the administration take care of the developmental needs of different sectors of the economy. Matters relating to administration, law and order and developmental programmes in general are under the purview of the Collector-cum-Development Commissioner who is also the District Magistrate and functions under the administrative control of the Administrator.

### **Parliamentary and Local Self Government**

2.9 The entire Union Territory constitutes one constituency for electing an M.P. to the Lok Sabha. A two Tier Panchayati Raj (PR) System is in operation consisting of one District Panchayat and Ten Dweep (Village) Panchayats consisting of 85 members who are elected by the people once in five years.

### **The Economy**

2.10 As per the latest available information, Gross State Domestic Product (GSDP) which was at Rs.42.52 crore in 1996-97 has increased to Rs.151.38 crore in 2006-07 at current prices and from Rs.32.01 crore to Rs.121.73 crore at constant prices. Similarly, Net State Domestic Product (NSDP) which was at Rs.37.78 crore in 1996-97 has increased to Rs.132.18 crore in 2006-07 at current prices and from Rs.28.50 crore to Rs.105.74 crore at constant prices.

### **Agriculture**

2.11 Agriculture is the mainstay of the economy of Lakshadweep. More than 90% of the population depends upon agriculture. It is a Coconut Mono Crop Territory. The entire cultivable land is used for coconut cultivation. Generally no major pests and diseases are noticed in the islands, but 'mandari' Eriophyid mite in coconut was reported few years back. Out of the total area of 3200 hectares, the cropped area is 2570 hectares and the Net Sown Area is also the same. Despite the fact that scientific cultivation practices are not followed, productivity of coconut is very high in Lakshadweep at 22575 nuts per hectare, as against 6,349 in Kerala and 6,422 at all-India level. The entire island has become an Organic Farming Region as the islanders use bio-fertilisers, organic manure and micro nutrients only. Chemical fertilizers are not allowed to be used.

**Fisheries**

2.12 Fisheries is the second most important economic activity of the Union Territory. The estimated potential resources of the sea around Lakshadweep is about 1 lakh tonnes of tuna and other fishes like shark. The total number of fishermen engaged in fishing activities has steadily gone up from 6100 in 1997-98 to 8140 in 2006-07. At present, 918 Country Crafts and 510 mechanised boats are used for fishing in the island.

2.13 Due to the concerted efforts made by the Department of Fisheries, the annual fish catch which was at 500 tonnes in 1960's went up to 14626 tonnes in 1998, the highest ever. In 2006, it was 11751 tonnes and the value was Rs.2,350 lakh. In terms of value, the highest was in 2001 at Rs.2,560 lakh. The present tuna catch is estimated to be just 10% of the available potential. At present, the typical method of fishing using live bait fish is existing. The Fisheries Department can actively encourage deep sea fishing through bigger fishing vessels / mechanized boats to tap the higher potential and create more infrastructure for cold storage / better fish processing of international standards and transport. Banks can also finance these increased activities viz. purchase of new fishing boats, establishment of cold storages / ice plants and transporting boats, as well as setting up modern fish processing plants.

**Animal Husbandry**

2.14 The animal husbandry programmes in UTL mainly consist of Integrated Poultry Development and Goat / Cattle Development. As per the latest livestock census (2002), the total livestock was, 55545, total poultry was 130651. The total egg production was 127.36 lakh units, of which, private sector's share was 97.70%. The islands have got different veterinary facilities ranging from hatcheries to Veterinary Dispensaries.

**Dairy Development**

2.15 The milk production in 2006-07 was 18.48 lakh litres, most of it from the private sector. The scope for dairy development is very limited in the islands primarily because adequate grazing lands and fodder are not available.

### **Land Utilisation Pattern**

2.16 The islands are fully surrounded by Arabian Sea from all sides. The total land area is 3200 Hectares. The cropped area is 2570 hectares and the net sown area is also the same. Thus the share of net sown area is very high at more than 80%, as against the national average of about 43%. Hence, land available for any new development works / projects is very limited.

### **Industries**

2.17 The UTL has been declared as a “No Industry District” of the country in view of the fragile ecology of the islands. An Industries Department, however, exists in Lakshadweep which aims to develop small industries and entrepreneurship among the local population. Industries which do not require much land, large quantity of water, power and which do not pollute the lagoons and soil, can only be considered in these tiny islands.

### **Tourism**

2.18 Tourism has the potential to become a major sector in Lakshadweep. Till 1962, there was no ship or any mechanized vessel operating between the islands and mainland to carry even local passengers. The first passenger ship with 12 seats was introduced in 1962. At present, two all-weather ships are operated, besides 3 fair weather ships. Additional ships and speed boats are added to the fleet recently. The total passenger carrying capacity of all these ships is only 1488. At present, Indian Airlines (16 seater aircraft) and King Fisher Airlines (66 seater aircraft) are operating flights between Kochi and Agatti on alternate days. The tourist season in the islands mainly runs from October to April i.e. outside the monsoon months. The tourist accommodation available is extremely limited and largely in the Government sector with very limited private accommodation. Bangaram island has been developed as a tourist resort and operated by a hotel group from the mainland.

**Cooperatives**

2.19 There has been a cooperative movement since the late 1960s in the islands. As on date, 57 co-operative societies of various types with a total membership of 68,820 are reported to be functioning in the islands. These cooperatives are regulated by the Registrar of Cooperatives (RCS). The Lakshadweep Co-operative Marketing Federation is the approved wholesaler and Primary Cooperative Supply and Marketing Societies are the approved retailers for the distribution of essential commodities under the Public Distribution System.

State / District Co-operative Banks are not functioning in the islands. Starting a Lakshadweep State Co-operative Bank is seriously considered by the Administration.

**IT & Communication**

2.20 The usage of IT and modern communication facilities are increasing in the islands. Recently, under “e-Governance”, Video Conferencing Facilities have been installed in all the islands connecting all the Dweep Panchayats with Head Quarters at Kavaratti. At present, five different Development Programmes for IT have been undertaken by the UTL administration viz. Enhancement of Data Communication Facilities, Office Automation & Software Development, Introduction of Electronic Citizen Identity / Ration Cards, Management of Administration Portals and Centralised AMC for ICT Tools.

Other IT applications have been On-line Permit System for Tourism, On-line Lakshadweep Times (an Inter Island Newspaper), and On-line Ship Ticket Counter from Kochi. HAM Radio Services have been set up for communication during disaster. The employment exchange has been recently digitized.

### **Banking Profile**

2.21 The entire group of islands is considered as one district for Lead Bank purposes. Syndicate Bank is the Lead Bank and Convenor of the Union Territory of Lakshadweep Bankers Committee (UTLBC). Presently there are 10 bank branches in the islands viz. nine branches of Syndicate Bank and one branch of State Bank of India (SBI). SBI opened its first branch in April 2005 at Kavaratti. The branches of Syndicate Bank at Kavaratti, Agatti and Minicoy and SBI branch at Kavaratti are Core Banking Branches. ATM facilities are available at Kavaratti. Syndicate Bank had opened its first branch at Kavaratti in 1971 and is operating throughout the UTL with nine branches in the nine major islands.

There are no Regional Rural Banks, District Central Cooperative Banks, State Cooperative Banks or Urban Cooperative Banks functioning in Lakshadweep.

### **Some interesting facts about the islands**

2.22 The total area of land available in the islands is very small at 32 sq. km. The availability of vacant land is limited to 650 hectares, around one fifth of the total land area. Hence, any land based development plans are automatically restricted due to acute shortage of land area.

2.23 Presently power is mostly generated through diesel engines. Attempts for solar energy generation have been made in a small way. Plans to tap the wind energy in a big way are proposed.

2.24 Availability of potable water is very much limited. One Low Thermal Temperature Desalination Plant of 1 lakh liter capacity per day using sea water is established by NIOT successfully functioning at Kavaratti and is being replicated to other islands.

2.25 Transport to the Mainland is only through air and sea (ships, boats, barges). The air connectivity to tourists / visiting officials is restricted to Agatti only. The schedule of ship travel is announced by the UTL administration and is not available on all days and seasons. Besides, entry into islands is regulated by permits issued by the administration. Travel is severely restricted during the monsoon months from May to August/September.

2.26 Nothing is grown in the Islands except coconut and some vegetables, banana, papaya, etc.

- 2.27 Dependence on the mainland for all necessities is too high. Food grains, pulses, oil, fruits and vegetables, medicines, petrol and diesel, construction materials, household items etc. are supplied from the main land.
- 2.28 The total population (2001 Census) is 60650 only.
- 2.29 Even though productivity of coconut is three times higher than that in the rest of the country, the abundant availability of coconuts has not been commercially exploited due to transport constraints.
- 2.30 Although, tuna fish catching has got vast potential in the territorial waters, only 10% of the estimated potential is tapped. Sophisticated processing of tuna fish at par with international quality and producing value added items for export market needs to be done.
- 2.31 Although coir industry has got abundant raw materials and good prospects, the same could not be exploited in large scale due to limited availability of sweet water and transport problems in taking the end products to the mainland in a cost effective manner.
- 2.32 Tourism is very limited. Entry restrictions due to ecological, infrastructural and other constraints result in tourist traffic being far below potential.
- 2.33 Non-islanders including Indian nationals cannot purchase property/immovable assets in the islands.
- 2.34 Lack of registered title deeds come to certain extent in the way of banks' financing of borrowers, schemes and projects.
- 2.35 Despite high unemployment, the islands experience shortage of manual labourers, construction workers, carpenters, mason workers, electrician, plumbers etc. Since they are sourced from the mainland, wage rates are generally higher in the island as compared to the mainland.
- 2.36 Despite high level of literacy, people are inward looking. After acquiring professional qualification in the mainland many people return to island to work at clerical levels in Government departments.
- 2.37 Despite high unemployment, it is reported that borrowers are not available for financing under PMRY / SGSY Schemes as a result of which performance in the Government Sponsored Schemes is low.

2.38 Lakshadweep is a crime free zone.

2.39 The islanders are provided with substantial subsidies from the Central Government. All the items are heavily subsidised including essentials, transport, water, electricity, education etc. However, the price of essential goods and consumables are comparatively high as it adds by heavy transportation cost.

### Chapter 3

#### **BANKING NETWORK, FINANCIAL INCLUSION AND ROLE OF BANKING SYSTEM IN SUPPORTING ECONOMIC DEVELOPMENT OF LAKSHADWEEP**

3.1 The islands in the UTL are considered as one district for the purpose of banking development under the Lead Bank Scheme. Syndicate Bank is the main bank in the UTL with nine branches in nine islands viz. Agatti, Androth, Amini, Chetlat, Kadmat, Kalpeni, Kavaratti, Kiltan and Minicoy. Thus, there is one branch each of Syndicate Bank in each of the nine islands with significant population figures. Bitra has a population of only 267 and Bangaram being a tourist island has floating population. The population of Bitra is serviced by Chetlat branch. The average population per branch is 6060 as against the all India average of about 16,000. In terms of overall coverage the banking network extends to whole of the UTL.

As the major bank in the islands, Syndicate Bank is the Convenor of Union Territory of Lakshadweep Bankers' Committee (UTLBC). In 2005 State Bank of India opened a branch at Kavaratti, the capital of the UTL. There are presently no RRBs or State / District Central Co-operative Bank in the islands.

#### **Performance of Banks**

3.2 The performance of banks in areas of deposit mobilisation and credit dispensation in the UTL during the last 6 years together with the latest position as on September 30, 2007 is as under:

**Table 3.1**

(Rs. in Crore)

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	30.9.2007
Total Deposits	67.91	110.77	95.25	94.38	130.30	205.06	236.25
Total Advances	5.47	5.67	7.19	9.12	11.46	20.90	23.08
CD Ratio %	8.5	5.11	7.60	9.66	11.25	10.19	9.80
Priority Sector Advances	2.11	2.20	2.59	3.40	5.73	8.15	9.25
Agricultural Advances	0.65	0.52	0.76	0.98	1.68	1.86	2.12

It would be observed from the above that the deposits grew from Rs.67.91 crore in 2001-02 to Rs.205.06 crore in 2006-07 of which Rs.126.88 crore represents Government deposits. There was a quantum jump in the



growth of deposits in the two years subsequent to 2004-05 to reach Rs.262.55 crore as on 30.11.2007, of which Rs.181.40 crore represents Government deposits. Although there has been corresponding growth in credit in percentage terms during this period credit off take in absolute terms is very low. The perceived factors underlying this phenomenon are listed in the following paragraph in the discussion on Credit-Deposit Ratio. The position of deposits and sector-wise position of advances as on 31.3.2007 was as under :

Table - 3.2

<b>Position of deposits and advances as on 31-03-2007</b>			
		Amount in 000's	
Sl.No.	Particulars	No.	Amount
1.	Total Deposits	25355	2050611
2.	Total Advances	3524	208998
3.	CD Ratio		10.19%
4.	a) Agri. & Allied Activities	<b>648</b>	<b>18585</b>
	1. Direct finance	647	18440
	2. Indirect finance	1	145
	b) Small scale Industries	42	3547
	c) Setting up of Industrial Estates for SSI	--	--
	d) Small Road & Water Transport operators	9	303
	e) Retail Traders	256	19627
	f) Small Business	100	4375
	g) Prof. & Self employed	94	6313
	h) Education	6	1156
	i) Housing loan to weaker Sections	92	26905
	j) Consumption	20	648
	k) Self Help Groups	0	0
	Total Priority Sector Advances	<b>1267</b>	<b>81459</b>
5.	Advances to weaker Sections of which	<b>3154</b>	<b>185956</b>
	a) IRDP/SGSY	75	1595
	b) DRI	2	8
	c) Small & Marginal Farmers	569	16339
	d) Artisans, Cottage & Village Industries	4	285
	e) SC/ST	3154	185956
6.	Advances under 20 Point Programme	2779	161641
7.	PMRY	39	1025
8.	Kissan Credit Card	266	8628
<b>9. Minority Communities:</b>			
	Christians	17	3594
	Muslims	3353	193340
	Sikhs	0	0
	TOTAL	<b>3370</b>	<b>196934</b>

### **Credit Deposit Ratio**

3.3 As may be observed from Table 3.1, there has been no steady growth in the Credit-Deposit Ratio (CD Ratio). It increased from 8.5% in 2001-2002 to 11.25% in 2005-06, i.e. an increase of 2.75% in five years, subsequently fell to 10.19% in 2006-07. If the C.D. ratio is worked out excluding Government deposits, the same would be around 31%. Growth in credit has substantially lagged the growth in deposits in terms of absolute numbers. The major reasons for low CD ratio appear to be the following :

- (i) Major portion of the deposits represents Government deposits.
- (ii) low credit absorption capacity on account of various locational and infrastructural constraints resulting in few credit proposals coming to the banking system;
- (iii) absence of sufficient awareness/financial literacy among most of the population regarding credit facilities/schemes available from the banks;
- (iv) social/religious factors inhibiting the population from availing credit facilities from banks;
- (v) a certain lack of entrepreneurship and motivation to take up enhanced economic activities, in part due to a feeling of contentment with 'things as they are';
- (vi) lack of competition in the banking system since nine out of ten branches are with one bank - Syndicate Bank; greater innovations and creativity in designing banking products and services that may be better suited to the needs and customs of the islanders and marketing efforts might be higher with more competition;
- (vii) perceived delay and procedural cumbersomeness in dealing with banks for obtaining credit in the minds of the people.

The banks and the UTL administration have to jointly make earnest efforts on improving the CD Ratio through greater exploitation of the potential in the fishing, agriculture and tourism sectors, going up the value chain and improving the entrepreneurial technique and management skills of the island population. The Expert Group on CD ratio headed by Dr. Y.S.P. Thorat had advised banks to closely monitor the districts where CD ratio is less than 40 percent. It is observed that the performance of the banks under lending to priority sector is marginally below the required level of 40% and the credit under agriculture sector is below the required target of 18%.

The island-wise position of banking development indicators are as under:-

Table – 3.3

(Rs. in lakhs)

Island/Branch	Popula-tion	Deposits	Advances	CD Ratio	Depo-sit No. of A/C/ 100 peo-ple	Advan-ces No.of A/c/ 100 peo-ple	Per capita depo-sit	Per Capi-ta advances
Kavaratti	10119	1254.00	761.00	6.1%	79	12	1.23	0.08
Minicoy	9495	2356.00	357.00	15.5%	84	5	0.25	0.04
Androth	10727	849.00	294.00	34.63%	40	5	0.08	0.03
Amini	7353	999.00	178.00	17.82%	54	5	0.14	0.02
Agatti	7009	705.00	99.00	14.04%	43	3	0.10	0.01
Kalpeni	4321	890.00	161.00	18.09%	56	6	0.21	0.04
Kiltan	3669	346.00	63.00	18.21%	53	3	0.09	0.02
Kada-math	5334	521.00	135.00	26.00%	56	7	0.10	0.03
Chetlat	2291	357.00	29.00	8.00%	47	3	0.16	0.01

As per the feed back received from some members of the public, there is a felt need for having more bank branches in the bigger islands viz. Androth (population 10727), Minicoy (9495), Agatti (7009) and Amini (7353). It would be observed from the above table that except the islands of Kavaratti and Minicoy where 79 and 84 per 100 people respectively have deposit accounts, other islands have lesser coverage in deposits. Similarly, advances per 100 people varies from 3 per hundred to 12 per hundred which is very low. The highest per capita deposit is Rs.1.23 lakhs in Kavaratti and the lowest is in Androth with only Rs.8,000.

Taking into account the island-wise per branch population and also the fact that there is limited inter Island movement of people for transacting banking business in view of poor inter-island transport facilities, the Group felt that opening an additional bank branch each in the islands of Androth (population 10727), Minicoy (9495), Agatti (7009) and Amini (7353) could be considered.

Opening of additional bank branch (by other than the existing bank, viz. Syndicate Bank) in the above islands could help bring greater variety in banking services to the island population and also generate an element of competition between the banks thereby benefiting the customers. It is understood that SBI has

proposed opening their second branch in the UTL, at Minicoy island. The island of Bitra with a tiny population of 267 is reported to be serviced by the branch of Syndicate Bank at Chetlat.

The member of the Working Group from Syndicate Bank (UTLBC Convenor) was not in favour of opening of additional bank branches which he felt would only lead to unhealthy competition. The views expressed by him are as under:

*"In my considered opinion, taking into account, the low level of population in the islands and the recent financial inclusion exercise conducted by the banks and the best per population per bank branch figures of the islands, there is no need for another bank branch in any of the islands. One branch of a nationalized bank has been serving the population for decades and no banking services are denied to any section of the islanders. Except for few households which have not opened an account due to religious and economic reasons, 100% financial inclusion has been completed in all the islands. The scope for business both for deposits and credit is limited and one bank branch is sufficient to cater to the needs. "*

### **Regional Rural Banks**

3.4 The UTL does not have the presence of any Regional Rural Bank (RRB). The Group deliberated at length about the feasibility of opening of RRB branches in the islands by one of the two RRBs in Kerala State - North Malabar Gramin Bank (NMGB) sponsored by Syndicate Bank or South Malabar Gramin Bank (SMGB) sponsored by Canara Bank. Ultimately, it was decided not to recommend opening of RRB branches for the present. Entrusting the RRBs with opening branches may, in fact, erode the existing financial position of the RRBs without any positive benefits accruing to the islands. Also, as regards NMGB, the islands are already having the feel and service of Syndicate Bank all around and opening branches of NMGB, which is sponsored by Syndicate Bank, may not add variety to the banking service in the island. As regards SMGB, it is sponsored by Canara Bank, which has no banking presence in the UTL. In view of these factors, the Group does not suggest the opening of branches of the two RRBs operating in Kerala State for the present.

### **Co-operative Structure**

3.5 UTL is having Lakshadweep, Minicoy & Amindiv Islands Co-operative Societies Regulation 1960 and Rules 1961 approved by the Government of India. Reportedly, UTL has 57 co-operative societies with 68,820 members by the end of March 2007. There are a few primary agricultural credit societies in the island which are in a moribund state. The islands do not have any district Co-operative bank or a State Co-operative bank. The island administration had proposed to start a State Co-operative Bank in the last UTLBC meeting held in April 2007. In the absence of a co-operative structure, refinance support from NABARD at concessional rate of interest is not availed. The Working Group felt that a co-operative structure with State Co-operative Bank at the apex level and PACS at the base level may not be viable for the present given the peculiar features of the UTL. However, the proposal could perhaps be moved forward after comprehensively considering the business potential, viability and profitability of such a structure once the economic development of the UTL moves substantially forward. Pending setting up of such a structure, the PACSs in the islands may be linked to the branches of the commercial banks for ensuring flow of concessional credit support from NABARD.

### **Financial Inclusion**

3.6 In early 2006 when RBI advised the Convenors of SLBC to adopt at least one district in their respective States for the purpose of achieving 100% Financial Inclusion, Syndicate Bank, the Convenor of UTLBC identified the island of Kalpeni for achieving 100% financial inclusion. In the UTLBC meeting held on April 25, 2007, Syndicate Bank reported having achieved first phase of financial inclusion in this island by opening at least one bank account in each household. Thus, a beginning was made by completing the first phase of financial inclusion in one island in the UTL. Subsequently, other islands were taken for achieving first phase of 100% financial inclusion. Household surveys for the purpose were conducted by the bank staff. Since certain inhibitions were observed in some people for opening interest-bearing savings bank account, on account of religious reasons, the bank decided to allow opening of current accounts by individuals, which do not earn any interest. Syndicate Bank has since reported having completed 100% financial inclusion in all the nine islands after opening about 2300 no-frill accounts and issuing about 90 GCCs. The Group has been informed that a formal function to mark this achievement would be held by Syndicate Bank shortly.

Having achieved the first phase of financial inclusion by linking households to the banking system, the process may be taken further ahead by the bank to make it more sustainable over the long term, through financial literacy/education campaigns, credit counselling camps etc. in all the islands. Booklets in Malayalam and Mehal languages may be brought out by the bank in association with the administration. A holistic approach may be adopted by involving Government departments, people's representatives etc. Evaluation of the achievement may be done by RBI by engaging outside agencies to draw lessons for implementation elsewhere in the country.

A preliminary evaluation of the achievement based on the household and account information furnished by the bank reveals that there are a few gaps, reportedly on account of reluctance on the part of some of households to open bank accounts.

Taking into account the overall ground realities in the islands, the Group feels that systematic and concerted efforts may be made to persuade the uncovered households to come into the banking fold through a campaign of education and counselling. Financial education can play a meaningful role for the people of the islands by making them aware of the benefits of linkage with the banking system and of economic development and progress.

### **Currency Management**

3.7 There are nine 'C' class currency chests maintained with Syndicate Bank in the UTL, one chest in each of the nine islands, viz., Agatti, Amini, Androth, Chetlat, Kadmat, Kalpeni, Kavaratti, Kiltan and Minicoy. The remittances of fresh notes and coins to the islands and removal of soiled notes are carried out by RBI through the currency chest of Syndicate Bank at Kaloor, Kochi. Remittances are dependent on ship schedules announced by the island administration. The practice followed is that diversion orders are executed from Syndicate Bank, Kochi chest to the concerned island chest, based on the availability of ships. Syndicate Bank keeps track of the ship schedules and diversion orders are issued by RBI at the request of Syndicate Bank for sending fresh note remittances to the islands by ships. The details of diversion orders issued by RBI and effected by Syndicate Bank for sending remittances to various islands in the UTL during the last two years are given in Table 3.

Table 3.4

(Rs. in crore)

Names of the chests	2005-06	2006-07
Agatti	10	10
Amini	10	10
Androth	10	10
Chetlat	-	4
Kadamat	8	8
Kalpeni	5	5
Kavaratti	20	22
Kiltan	4	5
Minicoy	10	20

The details reveal that fresh note remittances are sent to each island almost once in a year and the total value of remittances to the islands was Rs.77 crore in 2005-06 and Rs.94 crore in 2006-07. The figures reveal that operations in the currency chests are meagre. The reporting of daily transactions is done through the link office of Syndicate Bank. The quality of notes in circulation in the UTL is satisfactory and there are hardly any instances of forged notes detected from the islands. At present there are two ATMs in the UTL. Once ATMs are installed in all the islands, the demand for fresh currency may go up. If all the islands are connected through helicopter services for regular travel/transport, it will facilitate air lifting of currency and coins.

### **Payment and Settlement System**

3.8 The Payment and Settlement System in vogue in the islands is of conventional type. Remittance of funds is done through demand drafts, mail transfer and telegraphic transfer. Concept of 'Clearing House' is not applicable as all the islands have only single branch each except Kavaratti which has two branches. The Syndicate Bank branches at Kavaratti, Agatti, Minicoy and the State Bank of India branch at Kavaratti are under Core Banking Solution (CBS) and are connected to their respective Data Centres. Syndicate Bank

proposes to bring their branch at Androth under CBS shortly and other branches in a phased manner. The purpose of launching CBS is to extend high quality service to the customers through multiple delivery channels like ATM, telebanking and Internet Banking. These CBS branches have the facility of 'Multiple-City Accounts' and the customers can withdraw cash from other CBS centres up to a certain limit, free of charge. They can also lodge cheques or remit cash to the home branch account from other CBS branches / centres.

Since the facility of ECS cannot be extended to the islands on account of there being no clearing house, all the networked branches in the islands should be made RTGS and NEFT-enabled (both for receiving and sending) to bring the benefits of electronic payment and settlement system to the islanders.

With increase in economic activity in the islands the number of physical instruments may increase which may call for a faster mechanism for realization of those instruments. Since branches of Syndicate Bank only are functioning in each island, cheques drawn on different branches of Syndicate Bank may be more in number for the purpose of collection/realization. When CBS is extended to all the branches there will not be any delay in payment of such intra-bank instruments. Till such time when all the branches are brought under CBS, taking into account the volume of instruments, Syndicate Bank may introduce a system of weekly or, if required, more frequent settlement of their intra-bank instruments drawn on the branches in different islands at Kavaratti by bringing here cheques from all the islands.

### **Self Help Groups**

3.9 The SHG bank linkage programme has not taken off in the islands as far as availment of credit is concerned mainly on account of lack of necessary awareness as also reluctance on the part of the potential beneficiaries. As per information available, there are 194 SHGs in the islands which have opened savings bank account with banks. However, reportedly only two of them have availed credit facilities from the banking system. The rest have been utilizing their own savings for the purpose of lending to their members.



The Working Group met members of a few groups and interacted with them. As per the feed back, the main reasons in not availing the bank credit are lack of awareness, non-availability of proper training and capacity building. Availability of institutions for proper training is lacking in the islands. Since coconut and fish are the main two products in the islands, very good potential exists to give value addition by forming a large number of SHGs. The Group, therefore, suggests that banks and the Government departments may take initiatives to promote more SHGs by making use of the services of NGOs as business facilitators and link them to the bank for their credit requirement. UTL Administration has opened an Administrative Training Institute (ATI). Various training programmes of SHGs etc can be considered through ATI.

It is gathered that there are no moneylenders in the islands.

Banks and NABARD can contribute in the areas of capacity building by organising training programmes and setting up of RUDSETI model of training institutes for promoting self employment opportunities. The RUDSETI model can be extended to the islands to facilitate self-employment, to nurture self-confidence in the youth and to build capacity through better resource utilization and transfer of appropriate technology. Syndicate Bank, having larger presence in the islands, should take necessary initiative in this regard.

### **Lead Bank Scheme and Priority Sector Credit**

3.10 Syndicate Bank is the lead bank in the UTL. However, BLBC meetings as envisaged under the Service Area Approach for preparing credit plans based on ground level information are not conducted and the Lead Bank itself prepares the Annual Credit Plan (ACP) setting the credit targets and places it in DLRC / DCC meeting for approval.

As on March 31, 2007, the Priority Sector Advances constituted 38.98% of the total advances which is below the mandatory norm of 40%. The Agri & allied activities formed 8.90% of the total advances falling below the mandatory norm of 18%. Advances to SMEs were meagre at Rs.35.47 lakh. Advances to weaker sections and minority community constituted 88.98% and 94.23% respectively of the total advances. As almost all the Islanders are considered as STs (95%), the entire advances can be classified as credit to STs. The performance of the banks in Priority Sector lending under the ACP during the past three years was as under:

Table 3.5

(Rs. in lakhs)

Sector	2003-04		2004-05		2005-06	
	Target	Achievement	Target	Achievement	Target	Achievement
Agri & Allied	103.10	82.54	123.95	125.98	177.00	118.29
Industries	10.05	12.32	20.20	5.58	20.50	15.67
Services (OPS)	90.95	122.73	111.35	136.84	139.50	284.85
Total Priority Sector	204.00	217.59	255.50	268.40	337.00	418.81

### **Government Sponsored Schemes**

3.11 The Government Sponsored Schemes have got very low take-off mainly due to non-availability of borrowers / applications and lack of awareness. As on March 31, 2007, the total exposure since inception was Rs.10.25 lakh under PMRY (39 cases) as against annual targets of 50 cases each year and Rs.15.95 lakh under SGSY (75 cases). No application was received from a few Islands.

The DRI advances are just Rs.8,000. Banks and Industries Department have to take initiatives to organize awareness programme on PMRY which will encourage unemployed youth/women to start new business entrepreneurs.

### **Kissan Credit Card**

3.12 Though majority of the population is engaged in agricultural activity all the eligible farmers are not covered under KCCs.

As on March 31, 2007 the total credit under KCC was at Rs.0.86 crore and formed 4.13% of the total advances. As on September 30,2007 around 600 KCCs for a total amount of Rs.2.15 crores have been issued of which around 500 KCC holders have been brought under Personal Accident Insurance. It is, therefore, suggested that Department of Agriculture has to identify all the eligible farmers as well the farmers who have not been issued KCCs and furnish the list of such farmers to banks so as to cover all eligible farmers under KCCs.

### **Role of NABARD**

3.13 At present, NABARD does not have any office in UTL. The District Development Manager of Kochi attached to Kerala Regional Office is looking after the UTL and the Potential Linked Credit Plan (PLP) is prepared by him. As per the PLP for 2007-08 the target for priority sector credit is Rs.8.96 crore which is 10% higher than the previous year's achievement.

Since a lot of development is required to be done in the infrastructure area in the islands, the administration should initiate plans for availing of the funds available with NABARD under RIDF Scheme. Awareness about the scheme is required to be created for the knowledge of the administration's officials. NABARD could adopt a more focussed approach for the development of infrastructure in the islands after developmental activities pick up sufficiently.

### **Conduct of UTLBC Meetings**

3.14 The UTLBC meetings in UTL are not conducted at regular intervals. The prime reason cited is the relative inaccessibility of the islands and non-availability of regular transport. Although travel to the islands has improved somewhat after introduction of Kingfisher airlines to Agatti 3 days in a week, easy connectivity to/among islands on a regular basis on all days is still unrealized. The ships / boats are not operated on all days to all the islands. The following are some of the important observations relating to periodicity / conduct of UTLBC and other lead bank meetings.

(i) The lead bank meetings have not been conducted by the Lead Bank, viz., Syndicate Bank as per regular periodicity. In the last five years, i.e. since 2002, only seven UTLBC meetings had been conducted. In the year 2006, no meeting was conducted at all. The last meeting was conducted in April 2007.

(ii) Standing Committee Meetings on SGSY, PMRY etc., have never been convened. This may be one of the reasons for non-achievement of targets under PMRY, SGSY etc. as the position is not reviewed any time during a year for initiating corrective action.

(iii) Although the lead bank advised RBI about setting up of a Sub-committee for increasing the CD Ratio of UTL, no meeting has been held so far.

The lead bank may ensure that the meetings, especially the UTLBC meetings, are held at regular intervals, at least at half-yearly intervals, say March and September every year. It may also be ensured that all the agenda items are discussed in detail as per the standard instructions on the conduct of UTLBC meetings.

### **Small Industries Development Bank of India (SIDBI)**

3.15 SIDBI does not have any branch office in the islands. It may explore the feasibility of adopting a focussed approach for expanding the outreach and penetration of credit services for the development of environment friendly industries in fisheries, coir, tourism, value added coconut products etc.

## Chapter 4

### **DEVELOPMENT OF AGRICULTURE & ALLIED ACTIVITIES**

4.1 Agriculture is a mainstay of the economy of Lakshadweep. A large part of the population depends upon agriculture. The entire cultivable land is used for coconut cultivation. Out of the total area of 3200 hectares, the cropped area is 2570 hectares and the net sown area is also the same. Despite the fact that scientific cultivation practices are not followed, productivity of coconut is very high in Lakshadweep at 22575 nuts per hectare. The entire island has become an organic farming region as the islanders use bio-fertilisers, organic manure and micro nutrients only. Chemical fertilizers and pesticides are banned. Major by-products of coconut are, dondi (dweep halwa), coconut jaggery, vinegar made out of coconut water. Although there is good demand for dweep halwa especially from tourists and the main land, the same could not be met due to lack of supply or production. Thus the demand for such islands products have not been commercially exploited.

At present the farmers make copra only during summer and entire copra produced is sold in the main land markets, especially at Mangalore, Kozhikode and Kannur.

The earliest history of Lakshadweep shows that farmers in the islands cultivated rice and other cereals like, jowar, sorgum, ragi, sweet potato, banana, wild colacasia, and cowpea. The low-lying water logged lands in Androth, Kalpeni, Amini, Kavaratti and Agatti were used for cultivating these crops. These low-lying areas were called “**Thottams**”. Although crop cultivation was successful, due to ecological and geological limitations it was discontinued. At present, in the entire island only coconut is cultivated.

#### **Rainfall, Climate and Soil Quality**

4.2 At present, agriculture in the islands is only rain fed. The average annual rainfall is 1600 mm and the temperature ranges between 25° Celsius to 35° Celsius and the relative humidity is in the range of 70 to 80%. The soil type is coral sandy loam from coral sand and sedimentary rocks with the PH range of about 7. The soil is rich in calcium and phosphorus but highly deficient in nitrogen and potash.

### Land Holding Pattern

4.3 All the land holders are treated as “farmers” by the department of Agriculture. The latest Agri Census available is of 2000-01 (Table 4.1). With the growth of population, the total number of operational holdings increased from 6216 in 1990-91 to 10231 in 2000-01. It means more fragmentation of land, very small land holdings and no concentration of land. Operational land holdings of below 0.5% hectare constituted 87.38% of the total land holdings constituting 45.66% of total area. Farmers with less than 2.0 hectares constituted 80.37% of the total area, with 2.0 to 5.0 hectares at 12.05%, 5-10 hectares at 2.80% and 10.0 hectares and above at 4.78%. Thus, the land holding share of small and marginal farmers to the total holdings is high at 92.42%. The average size of land holding in the UTL is 0.27 hectare as against the National Average of 1.57 hectares. The entire area is wholly owned and self-operated and other types of tenancy like, partly or wholly rented are not prevailing. The land holding pattern of various categories of farmers in the State is depicted in the table.

Table : 4.1

7th Agri-Census 2000-01										
Operational holdings (Nos)						Area of operational Holdings (in Ha)				
Size Classes	Individual holdings	Joint holdings	Institutional holdings	Total	Percentage of Total	Size Classes	Individual holdings	Joint holdings	Institutional holdings	Total
Below 0.5 Hect	7241	1169	530	8940	87.38	1062	168.49	49	1279.49	45.66
0.5 to 1.0 Hect.	743	65	25	833	8.14	502	41.98	17.97	561.95	20.05
1.0 to 2.0 hect.	287	24	12	323	3.16	366	29	16	411	14.66
2.0 to 3.0 hect.	51	11	9	71	0.69	112.99	23	21	156.99	5.6
3.0 to 4.0 hect.	22	2	4	28	0.27	74.97	7	13.99	95.96	3.42
4.0 to 5.0 hect.	14	1	4	19	0.19	62.98	4	17.99	84.97	3.03
5.0 to 10.0 hect.	7	0	4	11	0.11	47	0	31.5	78.5	2.8
10.0 & above	2	0	4	6	0.06	21	0	113	134	4.78
<b>Total</b>	<b>8367</b>	<b>1272</b>	<b>592</b>	<b>10231</b>	<b>100</b>	<b>2248.94</b>	<b>273.47</b>	<b>280.45</b>	<b>2802.86</b>	<b>100</b>

Source : Basic statistics of Department of Planning & Statistics, UTL.

### **Land Utilisation Pattern**

4.4 The islands are fully surrounded by the Arabian Sea from all sides. Out of the total land area of 3200 hectares, leaving aside the cropped area of 2570 hectares, the balance 630 hectares (19.69%) is not available for cultivation as buildings, roads, play grounds etc are occupied in these areas. Hence, land available for any development work / project is limited to 20% of the total available area. The administration of the UTL can explore the feasibility of utilizing these lands for constructing cold storages for fish processing, cottages for tourists, sheds for promoting eco-friendly industrial clusters for producing value added products relating to coconut and fish, installing Wind Energy Generators.

### **Irrigation scenario**

4.5 There is no scope for major irrigation works as there are no rivers or canals. The islands are blessed with copious rainfall. Many crops like tuber crops, vegetables etc. can be grown successfully in the coconut gardens as intercrop without irrigation during the south west monsoon period which also help to increase the coconut yield. Water supply in all the islands is from small wells which do not go very far below the coral substratum. Fresh water is available in these wells throughout the year. For growing vegetables and fruits, small pumps were earlier used for irrigation. Agricultural farms maintained by the Government were irrigated from the wells with pump sets but the same was discontinued later. The increasing population and pressure for land and water forced the UTL to ban the use of pump sets in the island.

### **Developmental role of Department of Agriculture**

4.6 The Department of Agriculture, UTL is implementing various developmental programmes, viz., Coconut Development Programme, Extensive Inter Crop Management, Land Development & Water Conservation Management, Macro Management Mode, HRD in Agriculture, Manure & Fertilizers, Integrated Pest & Disease Management, Agricultural Engineering Services, Research & Development. It is also implementing “**High Value Agriculture**” (HVA) which basically aims at product diversification and value addition. The Coconut Development Board (CDB), has so far released Rs.1.17 crore for the HVA. Here, the banks have good credit potential for increasing their lending activities and improving their CD Ratio. Under the scheme, ten value

added items are produced, viz., vinegar, jaggery, dessicated coconut powder, snowball tender coconut, ball copra, coconut milk, coconut fibre products, coconut oil extraction including virgin oil, coconut based handicrafts and converting coconut pith into usable manure and bricks.

The Indian Council of Agricultural Research (ICAR) has started a Krishi Vigyan Kendra in 1998 with its Head Quarters at Kiltan. Its thrust areas are, Horticulture, Fish Product Development, Soil Conservation, Rain Water Harvesting / Conservation.

### **Development of Horticulture – Potentials and Government Initiatives**

4.7 Other crops such as banana, papaya, sapota, guava, lime, bread fruit, sweet potato, curry leaf, betel vine, etc., are also grown either in a limited scale or in demonstration plots by the Agriculture Department and KVK. Vegetables are grown in isolated pockets during monsoon and summer seasons, though there is scope for cultivation in larger area, as intercrops in coconut gardens. As there is no scope for further expansion of land area, all these crops are grown as intercrop under coconut.

### **Constraints in Agriculture**

4.8 Major constraints in the development of agriculture are as under :

- (a) There is very limited scope for irrigation in the islands on account of limited fresh water aquifers and salt water incursion. However, there is scope for rain water harvesting and rainfed cultivation of short term crops (vegetables, medicinal plants).
- (b) No industry concept in the Islands.
- (c) Shortage of coconut tree climbers.
- (d) Non-fixation of support price for coconut is a long pending issue as it would benefit the farmers.
- (e) Coconut based industries have become defunct.
- (f) Absence of capacity building on value addition and project formulation/ appraisal which can be solved with the support from NABARD.



(g) Copra making is traditional and not possible during monsoon season. Extraction of quality oil is also not possible due to lack of infrastructure. The charcoal fed copra drier was introduced but was not very successful.

(h) Cold storages are not available at both the ends (islands and main land).

(i) Exorbitant cost of transport to reach the market (main land)

(j) Although value addition is suggested to offset the high cost of transport and increase profit to coconut farmers, lack of infrastructure acts as a deterrent.

(k) Lack of facilities/know how for safe disposal of coconut pith poses a problem in the island.

### **Government Initiatives in Development of Agriculture**

4.9 As per the plan document of UTL, the mandates of the Agriculture Department are promotion of organic farming, productivity enhancement, processing and product diversification, market development and capacity building & technology upgradation. To achieve these objectives, the Government proposed to launch schemes for coconut development, promotion of organic farming, livelihood support services, horticulture development programme, natural resources management, integrated pest management, human resource management, information technology, etc. with a total outlay of Rs.55.40 crore during the XI Five Year Plan period (2007-12).

The financial outlays under various sub-sectors are given below:

Table 4.2

Name of the Scheme	Out lay (Rs. Lakh)					Total
	2007-08	2008-09	2009-10	2010-11	2011-12	
<b>Coconut Development</b>	50.92	70.92	115.17	139.42	149.42	525.85
<b>Organic Farming</b>	36.02	36.02	43.02	50.02	50.02	215.10
<b>Livelihood support service</b>	63.82	223.07	538.42	405.02	526.32	1756.65
<b>Horticulture Development</b>	100.41	99.16	143.42	187.07	182.49	712.55
<b>Natural Resources Management</b>	48.52	53.52	159.02	260.52	263.52	785.10
<b>Integrated Pest Management</b>	140.27	140.27	185.27	230.27	230.27	926.35
<b>Human Resource Development</b>	19.02	22.02	29.02	36.02	39.02	145.10
<b>Information Communication Technology</b>	11.02	20.02	34.02	47.02	51.02	163.10
<b>Civil works</b>	30.00	35.00	63.00	91.00	91.00	310.00
<b>Total</b>	<b>500.00</b>	<b>700.00</b>	<b>1310.00</b>	<b>1446.36</b>	<b>1583.08</b>	<b>5539.80</b>

Source : Basic statistics of Department of Planning & Statistics, UTL.

### Coconut Development Programme

4.10 The Coconut Development Board (CDB) has been implementing Coconut Development programme which includes removal of old, senile and diseased palms, introduction of elite nursery, crop insurance, neera tapping, establishment of coconut processing complexes, etc. So far, the CDB has released Rs.1.41 crore to the UTL under various schemes. Under organic farming programme, it is proposed to establish model farms, farmers' cooperatives, conduct organic survey and undertake accreditation. Under livelihood support services, it is proposed to cover activities such as demonstration plot, neera tapping & processing, husk retting, coir composting, virgin coconut oil extraction, etc. Other important activities proposed to be covered are coconut

wood crafts, mushroom cultivation, rain water harvesting structures, rodent control, IT to facilitate dissemination of information, greenhouse cultivation, etc.

The CDB has formulated two projects for establishment of Integrated Coconut Processing Complexes in Kavaratti for manufacturing and marketing of coconut based products and also one project for setting up of modern copra drier unit as demonstration unit by Al-jazeerath industries and Training Company in the Androth Island.

### **Weaknesses in coconut development**

4.11 UTL which is a mono crop territory for coconut possess many strengths. However, it also has the following inherent weaknesses which have to be addressed in the project proposals.

- (i) Lack of local market and high logistics cost.
- (ii) Lack of all weather cargo shipping facility.
- (iii) Lack of entrepreneurial skills among populace and inability to take risk.
- (iv) Limited management expertise in running business.
- (v) Lack of financial resources for investment.
- (vi) Zero-industry zone and regulatory instructions.
- (vii) Absence of for co-ordination between several agencies.

### **Coir Industry**

4.12 The basic raw material for coir industry, viz., the coconut husk is available in plenty in the islands. Hence, there is immense scope for manufacturing coconut fibre products like curled coir fibre, coir rope, coir yarn, coir mats and fibre brush etc., At present, ten coir production centres are operating in various islands. The mechanized decorticating units at Androth, Kadmat and Kavaratti, extract brown fibre from dry coconut husk. The Handicraft Training Centre at Kavaratti is imparting training to the inhabitant of islands in coconut shell craft, coir craft etc., However, there are so many constraints which limit the growth of coir industry, viz., availability of sweet water, entrepreneurial skills, non-existence of private sector investment, absence of local market, lack of marketing arrangement in the mainland, transport problems etc. The problem of sweet water can be overcome through technology innovations like, defibering or decorticator process with which fibre can

be extracted from dry husk itself with a little spraying of water. All the problems mentioned above could be overcome with proper policy formulation and suitable action plan. At present, the islands do not have an industry policy.

To harness the full potential of coir in the islands, Coir Board have suggested for establishment of Integrated Coir Units in Chetlath and in other islands. Director of Industries, UTL have been advised to sign MOU with Coir Board for implementation of SFURTI Cluster in Androth.

It is also suggested that a **Special Purpose Vehicle (SPV) may be constituted under Public Private Partnership (PPP) Model** for establishing Integrated Coir Industry in the Islands with tie-up with a chain of departmental stores in main land for marketing. The “**Sivaganga Model of Tamilnadu**” which has become a great success story of coir industry, could be experimented in the UTL also.

#### **Animal Husbandry and Poultry Development**

4.13 The Animal Husbandry programmes in UTL mainly consists of Integrated Poultry Development, Goat / Cattle Development and Disease Control.

Animal Husbandry is one of the major sectors in which wide private sector participation has been encouraged by the Administration especially in dairy development.

As per the latest Livestock Census (2002), the total livestock was 55545, total poultry was 130651. The total Egg Production was 127.36 lakh units, of which, private sector's share was at 97.70%. The islands have different veterinary facilities ranging from Hatcheries to Veterinary Dispensaries.

#### **Dairy Development**

4.14 Milk production in 2006-07 was 18.48 lakh litres, of which, private sector's share was at 98.50% and the remaining being under Government farms. However, the scope for dairy development is very limited in the islands primarily because adequate grazing lands and fodder are not available.

### **Suggestions to improve Agriculture Development**

4.15 (i) Diversification of agriculture is essential as any fall in market price of coconut oil or outbreak of any pest and disease may have devastating effect on agriculture sector.

(ii) Initiatives may be taken for removal of unproductive coconut farms and downsizing over crowded coconut palms by maintaining 175 to 200 palms per ha. Model Farms on the basis of scientific recommendations by Coconut Development Board / Central Plantation Crops Research Institute and KVK may be established.

(iii) Steps may be taken to popularize intercropping in coconut gardens, especially with short duration, drought and salinity tolerant vegetable crops during rainy seasons. The department may undertake survey and identify location specific crops for various Islands.

(iv) Banks may introduce flexi credit for "Homestead Farms" on the lines of scheme under implementation in Kerala. A model scheme may be prepared to guide the banks.

(v) A survey may be conducted to construct rain water harvesting structures, similar to ferro cement / silpulin.

(vi) Scope for compost making from coir pith. This will not only generate additional income but also pave the way for safe and quick disposal of coconut pith. Using geo textiles to prevent sea erosion, producing coir based products, etc may be examined.

(vii) There is a felt need for conducting sensitization programme for senior government staff and training programmes for the implementing staff on project preparation and appraisal.

(viii) A study may be conducted to reintroduce copra drier, may be "Community Owned" driers. One or two driers per island may be established. Further, it may also look into fabrication of dual purpose drier both for copra and tuna fish.

(ix) The entire Union Territory can be considered as an organic farm as no chemical fertilizer is allowed to be used in the islands in view of its fragile ecosystem.

(x) The organic farming character of the agricultural products of the islands should be leveraged to develop a unique brand with appropriate positioning in the national and international markets.

(xi) In view of the growing demands for organic products, agricultural products from the islands are definitely going to be successful bringing good profits to the islanders.

(xii) The banking system in close association with the Government can leverage the hitherto unutilized economic potential in agriculture by providing value addition and support for making up the value chain. The gaps in funding can be made up by the banks and this will also give the banks a good opportunity to enhance the credit flow in the islands and contribute effectively to the greater economic development.

## Chapter 5

### DEVELOPMENT OF FISHERIES

5.1 (i) Marine fisheries constitutes one of the core economic activities in Lakshadweep. Fishing, particularly tuna fishing, caught one by one using pole and line method, is one of the most important vocation of many of the islanders. Tuna fish, which is used for domestic consumption as well as for exports, is abundantly available in the Lakshadweep waters. Actual exploitation of the fisheries wealth of the islands is only about 10 percent of the potential. There is thus immense potential for development of the fisheries sector of the UTL.

(ii) The fisheries resources of the UTL can be distributed into three distinctly different environments viz: Territorial waters (20,000 km<sup>2</sup>), Oceanic waters of the Indian Exclusive Economic Zone (EEZ) bordering the territorial waters of each of the UTL islands (4,00,000 km<sup>2</sup>) and Lagoons (4200 km<sup>2</sup>). The fisheries resources of the UTL can be broadly divided into tuna fishery, non-tuna fishery (comprising sharks, seer fishes, rays, perches) and marine ornamental fishes. It is estimated that the sustainable fishery potential of UTL is around 1,00,000 Tons per annum. However, the present fish landings of the UTL is only in the range of 10-12 thousand Tons per annum. The fish landings of the UTL over the last four years is given in the Table No. 5.1.

Table 5.1

(Tons)

Year	Tuna	Shark	Perches	Seerfish	Others	Total
2003	8149	777	150	202	752	<b>10030</b>
2004	8232	213	166	186	1715	<b>10512</b>
2005	8828	221	177	205	1604	<b>11035</b>
2006	8660	80	205	120	2686	<b>11751</b>

The Island-wise Tuna landings during the last four years is given in the Table 5.2.

Table 5.2

(Tons)

<b>Island</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Agati	1790	1873	1936	1949
Amini	166	156	187	181
Androth	745	748	873	846
Bitra	228	296	339	300
Chetlat	206	217	213	209
Kadmat	147	137	152	158
Kalpeni	486	570	604	526
Kavaratti	755	727	731	734
Kiltan	575	610	553	509
Minicoy	2160	2027	2096	<b>2032</b>
Suheli	891	871	1144	1216
<b>Total</b>	<b>8149</b>	<b>8232</b>	<b>8828</b>	<b>8660</b>

### **Present Status of the Fisheries Infrastructure of UTL**

#### **Pole & Line Fishing for Skipjack Tuna**

5.2 Pole & Line fishing for Skipjack Tuna, at present, fetches 70% of the total fish production in UTL. Around 300 motorised boats of 25-36' length and engines with horse power ranging from 10-40BHP, are engaged in this fishing. These vessels can operate only in the territorial waters and have limitation with regard to the size of fish hold and other parameters on fishing duration. However at present, operation of Pole & Line crafts is the most important economic activity in the UTL.

#### **Gillnet & Long line Fishing for Sharks & Perches**

5.3 High value fishes like Sharks, Perches, Seer Fishes constitute about 10% of the present UTL fisheries. Fishing crafts operating Gill Nets and Longlines are engaged in this operation and it is estimated that around 200 small and medium sized crafts are engaged in this fishery.



### **Bait Fish fishery**

5.4 The Pole & Line fishing of Skipjack Tuna depends on *baitfish* fishery from the lagoons. The bait fishes collected from the lagoons are stored in a bait tank of size 1.6 X 0.8 m, in front of engine room of each boat, with facility for water circulation. On reaching the Tuna fishing site, the bait-fishes are thrown at the Tuna shoals to keep them aggregated near the boat. Sustainable live bait fishery from the lagoons, is therefore very essential to sustain the Pole & Line fishery of Skipjack Tuna. At present, about 21 species of bait fishes are harvested from the lagoon.

### **Fish Aggregating Devices**

5.5 Establishment of Fish Aggregating Devices (FAD) is a proven way to enhance the quantum of fishing from the oceanic waters. Recently, with technical collaboration of NIOT, Chennai, one Fish Aggregating Device (FAD) each was established in the major fishing ground of all islands. It is expected that there will be an increase of fish landings to the tune of 25-30% over the next 2 - 3 years due to the positive impact of these FADs.

### **Fish Processing and Marketing**

5.6 At present, almost 95% of the Tuna landings are processed and marketed as Masmin, a cooked, smoked and dried delicacy developed by the people of UTL.

The processing of Tuna in to **Masmin** is undertaken by the fishermen themselves. Each Tuna is cut into four fillet like pieces without bones. These pieces are boiled in a sea water - fresh water mixture for about 6-7 hours. The cooked pieces are smoked on indigenous kilns for 2 days. The cooked and smoked pieces are sun dried for 8-10 days until they acquire hard, wood like consistency. The Masmin are packed in plastic bags and sent to mainland via Kozhikode port. It is then exported mainly to Sri Lanka through Tuticorin port.

At present, the Masmin trade fetches almost 95% of the total income to the fishermen. For producing 1 kg. of Masmin, 5 Kgs of whole fish is required and the fishermen get Rs. 110/Kg of Masmin. In other words they get about Rs.20/- per kg of Skipjack Tuna without considering the cost of their labour for processing. Further, Further, the masmin trade is through a traditional channel involving 3-5 middlemen and the fishermen get the payment only after 3-4 months. The commodity is also subject to frequent price fluctuations. The relationship between Skipjack landings and export of masmin is illustrated in the table below:-

Table 5.3

Years	2003	2004	2005	2006
<b>Total Tuna Landings (MT)</b>	<b>8149</b>	<b>8232</b>	<b>8828</b>	<b>8660</b>
<b>Masmin Exports (MT)</b>	<b>1304</b>	<b>1317</b>	<b>1412</b>	<b>1386</b>

About 2% of the total Tuna catches is processed as canned product by the canning plant at Minicoy. The cannery established in Minicoy has already outlived its life. However, this public sector enterprise is helping the fishermen to get a stable price for their catches. The cannery has the infrastructure to produce 1500 cans of (185g) Tuna in vegetable oil per day and to store about 50 Tonnes of fish at -40° C.

The remaining portion of UTL fishing comprises Sharks, Perches and Seers which are sold at present as iced fish to the mainland in smaller boats or the fish hold of passenger vessels between the UTL and mainland.

### **Financing Fisheries Development**

#### **Credit for UTL Fishermen**

5.7 The ground level credit flow for Fisheries from the banking institutions during the past four years is given below:-

Table 5.4

(Rs. Lakh)

Investments	2002-03		2003-04		2004-05		2005-06	
	No.	Amt	No.	Amt	No.	Amt	No.	Amt
Country Crafts	3	0.85	4	1.15	2	0.80	1	0.50
Motorised Boats	-	-	-	-	2	0.90	2	1.50
Nets & Accessories	28	5.35	29	8.45	38	9.58	88	29.40
Total	31	6.20	33	9.60	42	11.28	91	31.40

Source : NABARD PLP 2006-07

As illustrated in the above table, the involvement of institutional credit from the banks is insignificant. One of the major reasons for the low off take of bank credit by the sector is the availability of hire purchase facility for crafts and gears from the Government of UTL. For instance, hire purchase facility for a Pablo boat used in Pole & Line fishing of Tuna is available from the UTL administration at the cost of Rs. 5.5 lakh and a fisherman needs to repay the same in 80 instalments within 9 years with a repayment holiday of 3 months each every year. The repayment pattern of this soft loan is now at an excellent level of 98%, thanks to the good Tuna landings and repayment ethics prevailing in the UTL.

### **Estimated Fisheries Potential of UTL**

5.8 The fisheries resources of the UTL are spread in three distinct oceanographic realms viz. Territorial waters, Indian EEZ bordering UTL islands and the Lagoons.

The present level of production and the sustainable potential from the Territorial waters and the Indian EEZ bordering UTL islands are furnished in the table below:-

Table 5.5

Fishery Resources	Average annual production	Sustainable potential/ year
Tuna	8700	50000
Sharks	400	13000
Perches	250	10000
Seerfish	300	3000
Others***	1800	24000
<b>Total</b>	<b>11450</b>	<b>100000</b>

\*\*\* Commercially valuable fishes like Barracudas, Mullets, Carangids, Hemiramphs, Cephalopods, Lobsters etc.

Source : The ICAR Report

It may be seen that the current level of utilisation is just 11% of the sustainable potential. The case of Yellowfin Tuna is particularly relevant in this regard. Planned exploitation of these resources will help increasing the fish production, export earnings and employment. Other wise these “trans-national migratory fishes will be caught elsewhere or die of old age.” Similarly, it is estimated that around 300 species of fishes of the UTL lagoons have the ornamental value and are potential candidates for international and domestic

trade with an annual size of US \$2.25 billion. However, striking a balance between conservation of the lagoon resources and its sustainable use need careful planning and community participation.

### **Developmental Issues of the UTL Fisheries**

#### **Skipjack Fishery**

5.9 The pole & line fishery for Skipjack Tuna (*Katsuwonus pelamis*) will continue to be the major economic activity of the UTL considering the traditional linkages and the number of people involved in this sector. In order to maximise the profitability of this fishery, the upgradation of craft and gear is an immediate priority. The introduction of Maldivian type pole & line boats with higher operational efficiency will speed up the development of the Skipjack fishery. Establishment of more FADs, facilities for availability of satellite based information on the Skipjack shoal movements in each island need to be ensured. A community based lagoon management system is required to sustain the stocks of bait-fishes at safe levels. Similarly, non-availability of working capital is said to be a major reason for the skipjack fishermen to depend on traders / middlemen from mainland resulting in low price realisation. Satellite based information on potential fishing zone (PFZ) around the islands being supplied by Indian National Centre for Ocean Information Services (INCOIS), Hyderabad is made available to the fishermen in all islands on regular basis.

#### **Oceanic Fishery**

5.10 Yellowfin Tunas, Sharks, Perches, Seer Fishes, deep sea Lobsters and Cephalopods are some of the most important and valuable resources of the Lakshadweep sea which can change the UTL economy. Modern vessels with all facilities for Long lining are required for harvesting Yellowfin Tunas which are fast swimmers and transcontinental migrators. Specialised vessels with facilities to operate Large mesh Drifting Gill nets, Troll lines are required for fishing Sharks, Seers, Baraccudas. Valuable Perches and Cephalopods can be caught with vessels capable of setting Traps and Jigs in oceanic waters. For successful operation of these specialised crafts shore based supporting infrastructure need to be developed.

### **Processing and Marketing of Tuna**

5.11 The latest information on international Tuna trade indicate that there is a global supply shortage for all high value Tuna products like Sashimi, Frozen Tuna loins, *Katsuobushi* and even the raw material for canned Tuna and the UTL is exploiting just 16% of its Tuna resources that too based on a single commodity. The present system of single-product-single-market (*ie* Masmin to Srilanka) may not be sustainable in the long run. The beach based processing needs significant quality improvement for sustaining the trade of this export commodity.

The Yellowfin Tuna with a body weight of 30 Kg and more can be processed as Sashmi Grade Tuna and can be traded globally. Sashmi grade products are for raw consumption and the raw material should undergo specialized handling and freezing onboard followed by air lifting. Such high value products will help the fishermen to realise upto Rs. 200 per kg against the present level of Rs. 20-25 per kg. The enormous potential available under this sector is totally untouched.

### **Canneries & Cold Chain**

5.12 The present canning plant at Minicoy has outlived its life. The existence of cannery facilities will help to prevent fluctuations in the basic price of this perishable commodity. Considering the distance of each island from the prospective fishing grounds, modern canneries are required to be established in Minicoy and Agati. In order to tap the potential of the emerging markets for Tuna loins, blast freezers with cold storage facilities are required in strategic locations in the UTL. Appropriate infrastructure developments are also required at the Agati air strip to handle frozen cargo.

### **Mother Vessel & Collector Vessels**

5.13 Mother vessel type fishing is an ideal concept in a region like UTL which has geographical disadvantages of scattered islands and which are distant from each other and also from the mainland . In order to effectively help the fishermen in increasing the productivity of their vessels, a new model of mother vessel and collector vessel approach is to be introduced. The mother vessel will take a group of smaller fishing vessels to the distant water fishing grounds. The mother vessel will have all the facilities for frozen storage of catches and also adequate capacity to store fuel and provisions for the entire boats and the men in the group, which will eventually increase the endurance of smaller fishing vessels in the range of 15 to 20 days. The system will also help to preserve catches immediately.

Mother vessels with all the facilities for processing fresh Tuna, packaging the finished product and final export of the same through other marine liners can also be worked out. The mother vessels can be acquired by the UTL administration or it can be acquired by the administration in collaboration with private entities under PPP model. The island fishermen would be supplying their Tuna catch to the mother vessel and be assured of a better price for their catch, than what they are getting now from the middle men.

### **Marine Ornamental Fisheries & Mariculture**

5.14 A comprehensive planning incorporating community participation and ensuring conservation measures need to be chalked out for the development of Marine Ornamental Fisheries considering the fact that the very sustenance of the coral reef ecosystem of the lagoons will decide the fate of Pole & Line fishery and geomorphologic features of the island itself. Therefore, before undertaking any type of investments, there should be a management plan for resource harvesting and lagoon restoration; stock assessment of important species; community consultation for ensuring people's participation; creation of institutional framework for trade; Capacity building of selected people; establishment of infrastructure for marketing etc.

UTL deserves perpetual focus and attention on its developmental issues due to the strategic location of the islands. Fisheries sector provides livelihood to much of the population of the UTL. The geographical spread of the UTL has helped the country in possessing a wider Exclusive Economic Zone after the implementation of the UN charter on Law of the Seas in 1977. But at the same time, proper use of our

national resources from the EEZ off the islands of UTL, without affecting the livelihood security of the people of the islands, needs to be addressed. The case of Yellowfin Tuna is particularly relevant in this regard. Planned exploitation of these resources will help increasing our fish production, export earnings and employment. The global resurgence visible in the market of various Tuna products like Canned Tuna, *Sashmi* Tuna, *Katsuobushi* etc should be encashed for the benefit of UTL.

As will be seen, the principal focus has to be on value-addition so that the rich fisheries resources in the islands can be exploited effectively for the economic development of the islands. Moving up the value chain would yield a considerable amount of positive employment generation and enable the islanders to get much greater economic return for the marine wealth around them. A judicious mix of government, private sector and public sector intervention including investment from the mainland would yield better return and the banks would also be entitled to find suitable opportunities for credit deployment, fill up the funding gaps and contribute to the economic development of the islands to a greater extent.

### **Suggestions for fisheries development**

5.15 (i) Drive may be launched for the quality upgradation and product diversification for Masmin with the help of MPEDA, CIFT and if required with collaborators from abroad to develop high value Skipjack products like *Katsuobushi*.

(ii) Initiatives may be commenced for the introduction of Maldivian type pole & line boats with higher operational efficiency to achieve faster development of the Skipjack fishery.

(iii) Bankers may initiate proactive steps for providing adequate working capital for the traditional fishermen engaged in the *Skipjack-Masmin* sector to free them from dependence of middlemen.

(iv) Modern canneries may be established in all the islands.

(v) Blast freezers and cold storages of adequate capacities may be established at Minicoy and Agati to handle the fish landings effectively.

(vi) All passenger ships of UTL should be fitted with reefer holds of adequate capacity for transport of fish from islands to mainland.

(vii) There is a need to initiate inter state/ inter agency discussions to chart out a road map for the development of the untouched Yellowfin Tuna sector for *Shasmi* market. The sector require heavy investment for infrastructure and fishing vessels.

(viii) In sectors such as Yellowfin Tuna fishery requiring heavy investment and where the UTL fishermen lack expertise, investment from the mainland may be allowed.

- (ix) The mother vessel- collector vessel model may be implemented. Sophisticated vessels with cold storage facility, processing and packaging facilities for direct export can be worked out.
- (x) Awareness drives on the opportunities available in the fisheries sector may be taken in all inhabited islands.
- (xi) Technology based REDPs may be organised with the collaboration of Central Institute of Fisheries Technology. NABARD may partner in these programmes through its NFS promotional programs. The SHG based approach for promoting Tuna Pickle units can be an immediate priority.
- (xii) There is an urgent need to establish a lagoon management plan based on scientific research and active community participation. Capacity building programmes for the people of the islands may be undertaken.
- (xiii) Hatcheries and culture units may be set up for the mass production and export of marine ornamental fishes, promotion of pearl culture.
- (xiv) The development of the export oriented sector of marine ornamental fishes should be through an environmentally responsible manner. There is need to create an institutional framework for trade, capacity building of selected youth to undertake the activity and to establish suitable infrastructure along with effective links for transport and market.
- (xv) An Ocean Development Authority on the lines of the Island Development Authority may be set up to give focussed attention to the task of efficient exploitation of the economic wealth lying within the territorial waters and the Exclusive Economic Zone of the islands.
- (xvi) Under PPP model, an Export Oriented Unit (EOU) for tuna fish may be set up in the mainland for fish processing, product diversification and export to foreign countries with the help of MPEDA and CIFT.



## Chapter 6

### **TOURISM DEVELOPMENT**

6.1 Tourism is an emerging industry in the Laskhadweep with a lot of potential. The richness and uniqueness of the flora and fauna of the islands offer a great deal of scope for attracting tourists. However, limits have been placed on the number of tourists in order to prevent environmental damage and to preserve the ecology of the islands. Entry into the islands is regulated through “Entry Permit” by the UTL administration under the “Laccadive Minicoy & Amindivi Islands (Restrictions on Entry and Residence Rules, 1967). While Indian nationals are permitted to visit all the islands, foreigners are allowed only in three islands, viz., Agatti, Kadmat and Bangaram. The restrictions imposed on the entry of visitors, the distance from the mainland, very limited means of transport to the islands and among the islands as also very limited tourist accommodation facilities in the islands which substantially raises the cost and alternatives available to the intending tourist, results in a very modest level of tourism related activities and in under utilization of the tourism capacity. The carrying capacity of ships / flights / helicopters and barges is given in the Table 6.1.

Table 6.1

SHIPPING AND TRANSPORT					
SHIP/FERRY VESSEL PLYING BETWEEN MAINLAND AND ISLAND AS ON 31.03.2007					
Name of ship/ferry vessel	Year of construction	Cabin	Passenger Deck	Pullman Seat	Cargo capacity
<b>Passenger cum cargo ships</b>					
M.V. Bharat Seema Cargo Cum Passenger	1973	40	340		160 MT
M.V. Tippusultan ( passenger)	1982	134	400	124	
Ferry vessels (M.V.H.Bee, M.V.K.Beevi) (Service commence on 21.11.92)	1991		100		
M.V.Dweepu Satu	1985		150		25 MT
M.V.Amindivi	2001			150	25 MT
M.V.Minicoy	2001			150	25 MT
Ubaidulla (Cargo Barge)	19.4.93				600 MT
Thinnakara (Cargo Barge)	5.10.93				600 MT
Laccadives (Cargo Barge)	10.3.95				600 MT
M.V. Cheriya (Cargo Barge)	24.7.97				600 MT
M.V. Suheli ( Oil Barge)					60 MT

	Date of commencement				
Helicopter (Dauphin – N)	30.01.1987			9	
Helicopter (Dauphin – N3)	01.09.2006			11	
NEPC	30.03.1994				
Indian Air Lines	04.07.1997			15	
King Fisher Airlines (ATR 72)	30.03.2007			66	1672 KG

Source : Basic statistics of Department of Planning & Statistics, UTL

A nodal agency, namely, Society for Promotion of Nature Tourism and Sports (SPORTS) has been set up to promote tourism in Lakshadweep.

While the tourist arrivals were almost stagnant till 2004-05, the number of tourists and revenue generated has gone up in the last two years. At present, Indian Airlines with 14 seat dornier aircraft and Kingfisher Airlines with 66 seat aircraft are operating between Kochi and Agatti on four and three days a week, respectively. Five ships with a combined capacity of around 1500 persons operate between the mainland and the islands. Inter-island movement is through motor boats for tourists. There is also a helicopter under the control of the administration but it is generally not made available for tourists to move between the islands.

Table 6.2

<b>Tourist Arrivals in Lakshadweep &amp; Revenue from Tourism (Rs. In Crores)</b>				
<b>Year</b>	<b>No. of Tourists</b>			<b>Revenue</b>
	<b>Indian</b>	<b>Foreign</b>	<b>Total</b>	
1997-98	2900	1223	4123	2.79
1998-99	1999	736	2735	2.16
1999-2000	1379	741	2120	1.27
2000-2001	2992	871	3863	2.98
2001-2002	3259	539	3798	3.41
2002-2003	4151	580	4731	3.75
2003-2004	4045	656	4701	2.61
2004-2005	2430	158	2588	2.13
2005-2006	12875	1418	14293	6.10
2006-2007	22941	2142	25083	7.30

Source : Basic statistics of Department of Planning & Statistics, UTL

### **Suggestions for Tourism Development**

- 6.2 (i) The islands and mainland (Kochi) must be connected better for tourist travel. Easy mobility from mainland and among the islands will act as a facilitator for several developmental efforts and initiatives.
- (ii) More number of ships may be introduced between the mainland and the islands.
- (iii) More number of motor boats for travel between the islands may be introduced.
- (iv) More uninhabited islands may be opened up for tourism and infrastructure may be created, particularly with regard to lodging, boarding and recreational facilities.
- (v) Facilities like Coral View from glass bottom boats, SCUBA diving, "Sea walking" in the selected areas of the lagoons may be systematically encouraged.
- (vi) Unique souvenir items pertaining to the islands with local craftsmanship should be encouraged to be produced in adequate scale to meet the demands of the tourists. This can be done without disturbing the 'no industry' character/status of the islands. Since waste disposal is a problem in the islands because of its fragile eco system, waste recyclable items can be used as raw materials for locally crafted souvenir items for the tourists.

(vii) Development of aqua sports facilities in Kadmat and Minicoy, development of beach resorts in Bangaram and Androth, promotion of fun and entertainment devices in Cheriyam on the lines of Sentosa island of Singapore are some of the suggestions for promoting tourism. Bangaram is a place which can be developed on the lines of the Boracay island of Philippines. The concept of "back to nature" should be the theme of developing tourism to attract people from outside.

(viii) Keeping in view the fragile ecosystem of the islands, cruise-based tourism, where the people spend the day in the island and retire to the ship in the night, may also be considered as an appropriate modal for some small islands.

(ix) For the benefit of the tourists arriving in the islands, foreign exchange facilities may be made available at Agatti airport by opening an Exchange Bureau.

(x) Tourist transport system may be strengthened by acquiring cruise ships.

6.3 The above are some of the measures which can give a major boost to tourism which will have several benefits to the islands in terms of economic development, employment generation, development of entrepreneurial skills etc. A comprehensive tourist policy drawing upon the experience of tourism promotion efforts in Australia, Mauritius and Maldives can be taken as a role model for Lakshadweep. In these countries, tourism based on coral reefs is very popular for that is done without affecting the growth of coral. The development of tourism needs to be done through a pragmatic approach which, while leveraging the natural beauty of the islands takes care of the ecological and environmental aspects. Towards this end a detailed Code of Conduct for tourists, backed by effective enforcement, needs to be an integral part of the tourism policy. For the creation of the facilities and infrastructure required for this, there has to be private participation from the mainland with adequate safeguards in place. A pragmatic combination of public sector, private sector and joint sector projects have to be put into place for proper growth of the tourism sector in the islands. Much of the funding for these projects can come from the banking system in the islands and it will give enough opportunities to the banks to expand their credit portfolio and fill up the funding gaps.

**Chapter 7****SUMMARY OF SUGGESTIONS****Suggestions to improve Banking and Financial network**

1. The islands do not have any district Co-operative bank or a State Co-operative bank. The island administration had proposed to start a State Co-operative Bank in the last UTLBC meeting held in April 2007. In the absence of a cooperative structure, refinance support from NABARD at concessional rate of interest is not availed. The Working Group felt that a co-operative structure with State Co-operative Bank at the apex level and PACS at the base level may not be viable for the present given the peculiar features of the UTL. However, the proposal could perhaps be moved forward after comprehensively considering the business potential, viability and profitability of such a structure once the economic development of the UTL moves substantially forward. Pending setting up of such a structure, the PACSs in the islands may be linked to the branches of the commercial banks for ensuring flow of concessional credit support from NABARD.

2. While 100% financial inclusion in the first phase has been substantially achieved in the islands, a preliminary evaluation of the achievement on financial inclusion based on the household and account information furnished by the bank reveals that there are a few gaps, reportedly on account of reluctance on the part of some of households to open bank accounts. Taking into account the overall ground realities in the islands, the Group feels that systematic and concerted efforts may be made to persuade the remaining households to come into the banking fold through a campaign of education and counselling. Financial education can play a meaningful role for the people of the islands by making them aware of the benefits of linkage with the banking system and of economic development and progress.

3. Taking into account the island-wise per branch population and also the fact that there is limited island movement of people for transacting banking business in view of poor inter-island transport facilities, opening an additional bank branch each in the islands of Androth (population 10727), Minicoy (9495), Agatti (7009) and Amini (7353) could be considered.

4. The new branches in the above islands may preferably be opened by another bank (other than Syndicate Bank which already has the predominant presence) which would help bring greater variety in banking services to the island population and also generate an element of competition between the banks thereby benefiting the customers.

The member of the Working Group from Syndicate Bank (UTLBC Convenor) was not in favour of opening of additional bank branches which he felt would only lead to unhealthy competition. The views expressed by him are as under:

*"In my considered opinion, taking into account, the low level of population in the islands and the recent financial inclusion exercise conducted by the banks and the best per population per bank branch figures of the islands, there is no need for another bank branch in any of the islands. One branch of a nationalized bank has been serving the population for decades and no banking services are denied to any section of the islanders. Except for few households which have not opened an account due to religious and economic reasons, 100% financial inclusion has been completed in all the islands. The scope for business both for deposits and credit is limited and one bank branch is sufficient to cater to the needs. "*

5. Since the facility of ECS cannot be extended to the islands on account of there being no clearing house, all the networked branches in the islands may be made RTGS and NEFT-enabled (both for receiving and sending) to bring the benefits of electronic payment and settlement system to the islanders.

6. With increase in economic activity in the islands the number of physical instruments may increase which may call for a faster mechanism for realization of those instruments. Since branches of Syndicate Bank only are functioning in each island, cheques drawn on different branches of Syndicate Bank may be more in number for the purpose of collection/realization. When CBS is extended to all the branches there will not be any delay in payment of such intra-bank instruments. Till such time when all the branches are brought under CBS, taking into account the volume of instruments, Syndicate Bank may introduce a system of weekly or, if required, more frequent settlement of their intra-bank instruments drawn on the branches in different islands at Kavaratti by bringing here cheques from all the islands.

7. Banks and the Government departments may take initiatives to promote more SHGs by making use of the services of NGOs as business facilitators and link them to the bank for their credit requirement.

8. Banks and NABARD can contribute in the areas of capacity building by organising training programmes and setting up of RUDSETI model of training institutes for promoting self employment opportunities. The RUDSETI model can be extended to the islands to facilitate self-employment, to nurture self-confidence in the youth and to build capacity through better resource utilization and transfer of appropriate technology. Syndicate Bank, having larger presence in the islands, should take necessary initiative in this regard.

9. The DRI advances are just Rs.8,000. Banks and Industries Department have to take initiatives to organize awareness programme on PMRY which will encourage unemployed youth/women to start new business enterprises.

10. Department of Agriculture has to identify all the eligible farmers as well as the farmers who have not been issued KCCs and furnish the list of such farmers to banks so as to cover all eligible farmers under KCCs.

11. Since a lot of development is required to be done in the infrastructure area in the islands, the administration may initiate plans for availing of the funds available with NABARD under RIDF Scheme. Awareness about the scheme is required to be created for the knowledge of the administration's officials. NABARD could adopt a more focussed approach for the development of infrastructure in the islands.

12. Bankers may initiate proactive steps for providing adequate working capital for the traditional fishermen engaged in the *Skipjack-Masmin* sector to free them from dependence of middlemen.

13. The lead bank may ensure that the UTLBC meetings and other developmental meetings are held at regular intervals, i.e. at least half-yearly intervals. It may also be ensured that all the agenda items are discussed in detail as per the standard instructions on the conduct of UTLBC meetings.

14. The banks and the UTL administration have to jointly make earnest efforts on improving the CD Ratio through greater exploitation of the potential in the fishing, agriculture and tourism sectors, going up the value chain and improving the entrepreneurial technique and management skills of the island population.

15. Given the constraints in transport of cash and coins, air lifting of currency and coins may be considered once all the islands are connected through helicopter services.

16. SIDBI, whose regional office is in Kochi, may explore the feasibility of adopting a focussed approach for expanding the outreach and penetration of credit services for development of environment friendly industries.

**Suggestions to improve agricultural development**

1. The banking system in close association with the Government can leverage the hitherto unutilized economic potential in agriculture by providing value addition and support for making up the value chain. The gaps in funding can be made up by the banks and this will also give the banks a good opportunity to enhance the credit flow in the islands and contribute effectively to greater economic development.
2. The entire Union Territory can be considered as an organic farm as no chemical fertilizer is allowed to be used in the islands in view of its fragile ecosystem. This characteristic of the agricultural products of the islands should be leveraged to develop a unique brand with appropriate positioning in the national and international markets.
3. There is a felt need for conducting sensitization programme for senior government staff and training programmes for the implementing staff on project preparation and appraisal.
4. Steps may be taken to popularize intercropping in coconut gardens, especially with short duration, drought and salinity tolerant vegetable crops during rainy seasons. The department may undertake survey and identify location specific crops for various Islands.
5. Active promotion of high value agriculture, vegetable cultivation, product diversification and value added products of coconut and tuna fish with proper market linkages both for mainland and export markets is required.
6. To harness the full potential of coir in the islands, establishment of Integrated coir units in Chetlath, Androth and in other islands may be considered. A Special Purpose Vehicle (SPV) may be constituted under Public Private Partnership (PPP) model for establishing Integrated coir industry in the Islands with tie-up with a chain of departmental stores in main land for marketing. The "Sivaganga Model of Tamilnadu" which has become a great success story of coir industry, could be experimented in the UTL also.



### **Suggestions for fisheries development**

1. Drive may be launched for the quality upgradation and product diversification for Masmin with the help of MPEDA, CIFT and if required with collaborators from abroad to develop high value Skipjack products like *Katsuobushi*.
2. Initiatives may be commenced for the introduction of Malddevian type pole & line boats with higher operational efficiency to achieve faster development of the Skipjack fishery.
3. Modern canneries may be established in all the islands.
4. Blast freezers and cold storages of adequate capacities may be established at Minicoy and Agati to handle the fish landings effectively.
5. All passenger ships of UTL should be fitted with reefer holds of adequate capacity for transport of fish from islands to mainland.
6. There is a need to initiate inter state/ inter agency discussions to chart out a road map for the development of the untouched Yellowfin Tuna sector for *Shasmi* market. The sector requires heavy investment for infrastructure and fishing vessels.
7. In sectors such as Yellowfin Tuna fishery requiring heavy investment and where the UTL fishermen lack expertise, investment from the mainland may be allowed.
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11. There is an urgent need to establish a lagoon management plan based on scientific research and active community participation. Capacity building programmes for the people of the islands may be undertaken.
12. Hatcheries and culture units may be set up for the mass production and export of marine ornamental fishes, promotion of pearl culture.
13. The development of export oriented sector of marine ornamental fishes should be through an environmentally responsible manner. There is need to create an institutional framework for trade, capacity building of selected youth to undertake the activity and to establish suitable infrastructure along with effective links for transport and market.
14. An Ocean Development Authority on the lines of the Island Development Authority may be set up to give focussed attention to the task of efficient exploitation of the economic wealth lying within the territorial waters and the Exclusive Economic Zone of the islands.
15. A comprehensive policy for development of fisheries, tourism and establishment of eco-friendly industries may be evolved for a systematic development of these sectors.
16. The feasibility of utilizing the available vacant lands for constructing cold storages for fish processing, cottages for tourists, sheds for promoting eco-friendly industrial clusters for producing value added products relating to coconut and fish, installing Wind Mills may be explored.
17. Modern techniques for increasing tuna fish catch like, deep sea fishing, mother and collector vessels, mechanised boats etc., may be implemented.
18. Under PPP model, an Export Oriented Unit (EOU) for tuna fish may be set up in the mainland for fish processing, product diversification and export to foreign countries with the help of MPEDA and CIFT.

### **Suggestions for Tourism Development**

1. The islands and mainland (Kochi) may be connected better for tourist travel. Easy mobility from mainland and among the islands will act as a facilitator for several developmental efforts and initiatives.
2. More number of ships may be introduced between the mainland and the islands.
3. More number of motor boats for travel between the islands may be introduced.

4. More uninhabited islands may be opened up for tourism and infrastructure may be created, particularly with regard to lodging, boarding and recreational facilities.
5. Facilities like Coral View from glass bottom boats, SCUBA diving, "Sea walking" in the selected areas of the lagoons may be systematically encouraged.
6. Unique souvenir items pertaining to the islands with local craftsmanship should be encouraged to be produced in adequate scale to meet the demands of the tourists. This can be done without disturbing the 'no industry' character/status of the islands. Since waste disposal is a problem in the islands because of its fragile eco system, waste recyclable items can be used as raw materials for locally crafted souvenir items for the tourists.
7. Development of aqua sports facilities in Kadmat and Minicoy, development of beach resorts in Bangaram and Androth, promotion of fun and entertainment devices in Cheriyam on the lines of Sentosa island of Singapore are some of the suggestions for promoting tourism. Bangaram is a place which can be developed on the lines of the Boracay island of Philippines. The concept of "back to nature" should be the theme of developing tourism to attract people from outside.
8. Keeping in view the fragile ecosystem of the islands, cruise-based tourism, where the people spend the day in the island and retire to the ship in the night, may also be considered as an appropriate model for some small islands.
9. For the benefit of the tourists arriving in the islands, foreign exchange facilities may be made available at Agatti airport by opening an Exchange Bureau.
10. Tourist transport system may be strengthened by acquiring cruise ships.