




madhyamam daily




Backwaters '11
18 - 20 Nov
Powering Our Future



First Prize: Rs. 30000
Second Prize: Rs. 20000

Rural Nirmaan

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EVENT DETAILS

INTRODUCTION

“Rates of growth of agriculture in the last decade have been poor and are a major cause of rural distress. Farming is increasingly becoming an unviable activity.”-Manmohan Singh, Prime Minister of India, 2007

An Indian farmer commits suicide once in every 12 hours with indebtedness and lack of availability of credit for sustenance being the root cause. Rural agricultural credit initiatives though numerous still seem a long way off from achieving their stated objective.

Backwaters'11 brings to you Rural Nirmaan, the theme policy event of in association with NABARD. If farmer suicides and inefficient rural policy formulation and implementation have left you exasperated, Rural Nirmaan gives you the opportunity to be heard by those who matter. Put yourself in the shoes of consultants advising the Government and give yourself a shot at formulating a comprehensive credit policy for rural India.

EVENT FORMAT

ROUND 1: CASE (REFER APPENDIX)

All the teams are required to go through the case and answer the questions given therein. Submissions need to be in power-point format with a maximum of 12 slides excluding the covering slide

ROUND 2: CAMPUS ROUND

The top 6 teams, shortlisted based on their Round 1 submission will be called to IIM Kozhikode during Backwaters '11 to present before a NABARD panel on innovations that can be undertaken in this sector to increase lending. All finalists to this event will be getting NABARD authorized certificates

IMPORTANT DATES

Round No.	Submission Deadline	Result Date (tentative)
Round 1	23:59hrs (IST); 02-Nov-11	05-Nov-11
Round 2	Campus round	

PRIZES UP FOR GRAB!!

1st Prize: Rs 30,000

2nd Prize: Rs. 20,000



SUBMISSION GUIDELINES

- Mail us your entries at ruralnirmaan@iimklive.com in the below mentioned format. The subject line should be <TeamName>_<UserName>_<RoundNo.>

ROUND 1:

- **Power-point File Name:** <TeamName>_<UserName>_Round1(User Name* of any one user)
- **Cover Page:** Team name, member details (Name, Institute, Phone No., Registration-id* & Email id)
- Maximum of 12 slides exclusive of Cover Page
- Add references to any data used as footnote to slide. Organisers reserve the right not to accept entries without appropriate references

**User Name to be input by the user while registering for IIM K Backwaters at www.iimkbackwaters.com*

**Registration Id (any one member) should be the unique code generated during event registration*

RULES AND REGULATIONS

1. Event is open to students from all B-Schools
2. Team size should be a **maximum of 3** members
3. Participants in a team can be from the same or different institutes
4. No participant should be a part of more than one team
5. Each team can submit **only one entry** for the competition
6. After registering for Backwaters'11 at www.iimkbackwaters.com; the participants have to **register** themselves through the online event registration portal on the site. Event registration will start on **23:59hrs IST, 25th Oct'11**
7. There must be strictly no IPR infringements in the submissions. On discovery of such infringements, the respective team(s) will be disqualified with immediate effect
8. The selected participants would be reimbursed the 3rd AC fare up to a maximum of **Rs.3000** (2-way). They would be required to **submit original tickets**. In case of air travel, reimbursement will be provided only on producing original boarding pass and the cap remains the same as above
9. The Terms and Conditions of participation are subject to change at any time without specific notice. The amended Terms and Conditions of entry will be effective immediately upon being posted on the website. It is the sole responsibility of the teams to regularly visit the Website to read any changes
10. The decisions of the organizers of the contest and the panel of judges will be final and binding on all the participants



APPENDIX

India and Agriculture

The agriculture sector is vital for the food and nutritional security of the country. With more than 58% of the population dependent on this sector for their livelihood, issues surrounding this sector have been of great concern to policymakers. The high growth that has been seen in some of the other sectors in India in recent times has failed to replicate itself in agriculture. The contribution to the overall GDP now stands roughly at 14.2% (see table 1 and 2).

Problems

India with only 2.3% share in world's total land area needs to feed its population which comes to around 17.5% of global population. Fragmented land-holdings, manual tilling, traditional methods of farming, poor seed quality, low use of fertilizers and several other problems that plague this sector have led to Indian productivity being among the lowest in the world. To add to it all, India's excessive dependence on the monsoons for agricultural productivity (see table 2 for negative growth rate attained in a year of deficient rainfall) means that the typical rural Indian farmer's subsistence is dependent on environmental vagaries with distress related suicides and life-long indebtedness becoming increasingly common. Inadequate support to this sector and infrastructure bottlenecks have often been blamed for the poor levels of growth in this sector

Schemes and Capital Support

The Government has undertaken various schemes and adopted several policies to promote spending in agriculture and other allied activities. This has led to a steady increase in capital formation in the agricultural space (See Table 3). Some of the flagship schemes include the likes of Rashtriya Krishi Vikas Yojna (RVKY launched in 2007) and Green Revolution in the Eastern States, National Food Security Mission (NFSM) and the National Horticulture Mission.

The high levels of debt (See Exhibits) had engulfed the marginal farmer in a vicious debt cycle being left at the hands of the unorganized money-lender since formal organized lending mechanisms were either unavailable/had been exhausted. In the recent changes, The Government has therefore shifted its focus to delivery mechanisms of credit to the farmer. Several initiatives (outlined later in the document) have been undertaken with the view of providing more timely credit to the small and marginal farmer through organized lending mechanisms in order to enable him to adopt more sophisticated agricultural practices and thus enhance productivity. The debt waiver scheme which was made effective by the Government of the day went a step further to give the farmers a fresh lease of life by encouraging them to start afresh.

NABARD

Formal agricultural credit in India is disbursed through a series of Commercial Banks (CBs), Regional Rural Banks (RRBs) and Co-operatives. With their vast network, Cooperative Credit Institutions are the main institutional mechanism for the dispensation of agricultural credit in the country.

Towards this end, The National Bank for Agriculture and Rural Development (NABARD) has been set up as the apex development bank with a mandate for facilitating credit flow for promotion and development of agriculture among various other mandates involving the development of rural India. In discharging its role as a facilitator for rural prosperity NABARD is entrusted with:

- Providing finance to lending institutions in rural areas
- Bringing about or promoting institutional development
- Evaluating, monitoring and inspecting client bodies

Recent Changes

In order to enhance credit flow to agriculture, a series of measures have been undertaken in collaboration with the various stakeholders concerned. Some of these include policy initiatives to enhance agricultural credit, revival and rehabilitation schemes, innovative products like Kisan Credit Cards, interest rate subventions and agricultural insurance schemes (See Exhibits). These have undoubtedly had an impact on enhancing credit flow with banks regularly exceeding lending targets for this sector and the target credit flow for the next fiscal year being enhanced by a whopping 1 lakh crore representing close to a increase of around 30%.

In the Eleventh Five Year Plan of the Planning Commission of India, a thought was given to special credit packages with varying and flexible repayment periods for the agriculture sector to take care of mismatches of income and expenditure flows of farmers and the seasonal nature of agricultural income. Doorstep banking implemented through designated agents of commercial banks has been facilitated by the recent decision of the Reserve Bank of India (RBI) and provides an opportunity for farmers to interact with banks with timings suitable to the farming community. The banks are currently allowed to extend financial outreach by utilizing the services of civil society organizations, Farmers' clubs, NGOs, post offices, etc., as 'Business Facilitators' or as 'Business Correspondents'.

With the widespread implementation of the UID program, rural bank accounts will be empowered with the facilities of DCT and also micro-payments. In the case of farmers, this would mean that any subsidy that the government provides will now be directly available in the farmer's account. Additionally, for any purchases that the farmer makes the companies will now be able to directly bill his account through the bank leading to better cash management by the farmer, lower defaults for the company and tax incentives for the commercial banks that are now going to be operating in rural areas.

Problem statement

Some recent studies undertaken have led to some very revealing insights around how a significant portion of the agricultural credit was being accounted for by indirect finance to this sector. Indirect finance refers to loans given out to institutions that support agricultural production like equipment manufacturers and input dealers as well as Non Banking Finance Corporations who then lend to this sector. Direct agricultural finance too seems to be benefitting the elite with a significant increase in loans being witnessed since the easing of the upper credit limit. Most worryingly, the share of urban agricultural credit (lending by urban and metropolitan banks) has almost doubled in the last decade at the expense of rural agricultural credit.

With a spate of such and more policy initiatives yet to provide the desired results, NABARD has sought assistance from various teams of consultants to gauge the effectiveness of agricultural credit disbursement in rural areas. Though NABARD is interested in innovations/schemes that would augment the same, as a first step, it would like to gauge the effectiveness of the various measures that have been undertaken over the last five years in this regard. Hence, as a first step it has solicited a comprehensive analysis from the groups comprising the following:

1. The issues surrounding rural credit disbursement
2. The regulatory policies introduced in the sector and the impact of these policies
3. Effectiveness of the recent innovations like Kisan Credit Card, National Agriculture Insurance Scheme and others in making necessary credit available to the farmers with ease
4. Reach and impact of the Non-banking Financial Corporations to make credit available.

Please note that for the first round NABARD is not looking for any innovative suggestions to improve the credit disbursement schemes. NABARD believes that only those teams with the best understanding of the lending, regulatory and legislative changes in the recent past and their utility would be in a position to best recommend innovations so as to enhance agricultural credit to the rural sector. A thorough analysis is expected of the participants to demonstrate their ability to adopt a multidimensional approach



Exhibits

1. GDP of Agriculture and % contribution to total GDP

(Rs. Crore)

Year	2006-07	2007-08	2008-09	2009-10	2010-11
GDP of Agriculture and Allied Sectors	619190	655080	654118	656975	692499
Per cent to total GDP	17.4	16.8	15.7	14.6	14.2

Source: Central Statistical Organization, Ministry of Statistics and Programme Implementation, Govt. of India.

2. Total GDP growth and Growth in GDP of agriculture

Period	Total	Agriculture & Allied Sector
2005-06	9.5	5.1
2006-07	9.6	4.2
2007-08	9.3	5.8
2008-09	6.8	(-) 0.1
2009-10	8.0	0.4
2010-11	8.6	5.4

Source: Central Statistical Organisation

3. Gross Capital Formation in Agriculture

(Rs in Crore)

Year	Gross Capital Formation(GCF) in Agriculture	Agriculture & Allied activities		GCF/GDP in Agriculture & allied activities (in percentage)
		Gross Capital Formation(GCF)	Gross Domestic Product(GDP)	
1	2	3	4	5
2004-05	69148	76096	565426	13.5
2005-06	78794	86611	594487	14.6
2006-07	82099	90710	619190	14.6
2007-08	96030	105034	655080	16.0
2008-09	118949	128659	654118	19.7
2009-10	122995	133377	656975	20.3

Source: Quick Estimates released by Central Statistical Organisation on 31.01.2011



State-wise Distribution of Outstanding Loan Taken by Farmer Households by Source of Loan in India
(January-December 2003)

(Per 1000 Rs.)											
States/UTs	Sources of Loan									Estimated No. of Indebted Households ('00)	Sample No. of Indebted Households
	Govt.	Co-op. Society	Bank	Agri./ Professional Money Lender	Trader	Relatives & Friends	Doctor, Lawyer Etc.	Others	All		
Andhra	20	104	200	534	48	53	9	41	1000	49493	2690
Arunachal	61	6	208	0	159	507	0	65	1000	72	45
Assam	70	27	278	155	120	247	5	99	1000	4536	425
Bihar	22	25	370	328	11	128	12	106	1000	23383	1320
Chhattisgarh	13	206	505	130	42	63	7	35	1000	11092	456
Gujarat	5	418	272	65	44	177	9	10	1000	19644	661
Haryana	11	239	426	241	31	34	15	4	1000	10330	493
Himachal	61	116	476	72	55	170	1	49	1000	3030	398
Jammu & Kashmir	131	2	543	11	155	155	0	2	1000	3003	163
Jharkhand	39	45	557	190	17	136	4	12	1000	5893	298
Karnataka	19	169	501	200	19	68	4	21	1000	24897	1168
Kerala	49	283	491	74	17	66	10	9	1000	14126	1437
Madhya Pradesh	19	169	381	226	90	101	5	8	1000	32110	1234
Maharashtra	12	485	341	68	8	59	3	24	1000	36098	1705
Manipur	15	0	167	329	40	401	0	49	1000	533	257
Meghalaya	60	0	0	128	3	809	0	0	1000	103	31
Mizoram	243	31	499	0	33	193	0	0	1000	184	89
Nagaland	75	77	536	3	153	155	0	0	1000	294	145
Orissa	130	181	437	148	8	84	1	10	1000	20250	923
Punjab	19	176	284	363	82	63	6	7	1000	12069	825
Rajasthan	13	59	270	365	192	69	18	14	1000	27828	1364
Sikkim	348	0	230	73	221	67	0	61	1000	174	183
Tamil Nadu	20	233	281	397	4	52	1	11	1000	28954	2254
Tripura	164	28	605	20	39	119	0	25	1000	1148	457
Uttar Pradesh	24	67	512	191	29	138	19	20	1000	69199	2762
Uttaranchal	315	48	398	59	17	149	0	14	1000	644	43
West Bengal	103	192	285	130	107	154	7	23	1000	34696	1882
UTs	307	147	136	103	61	245	0	1	1000	372	211
India	25	196	356	257	52	85	9	21	1000	434242	23935
Estimated Indebted Hhs. ('00)	14769	114785	117100	125000	53902	77602	7181	14605	434242	-	-

Compiled from the statistics released by : Indebtedness of Farmer Households in India, NSS Report No. 498

Estimated Number of Total and Indebted Farmer Households in Each Size Class of Land Possessed in India (January-December 2003)

Size Class of Land Possessed	Estimated Number of Farmer Households (' 00)	Percentage of Farmer Households	Estimated Number of Indebted Farmer Households (' 00)	Percentage of Indebted Farmer Households	Prevalence Rate of Indebtedness (Percentage)
<0.01	12594	1.4	5708	1.3	45.3
0.01-0.40	292867	32.8	130112	30.0	44.4
0.41-1.00	283610	31.7	129211	29.8	45.6
1.01-2.00	160600	18.0	81920	18.8	51
2.01-4.00	93504	10.5	54409	12.5	58.2
4.01-10.00	42581	4.8	27734	6.4	65.1
10.00+	7748	0.8	5148	1.2	66.4
All Sizes	893504	100.0	434242	100.0	48.6

Percentage Share of Debt of Cultivator Households from Different Source of Credit in India (1951-2002)

Source of Credit	1951	1961	1971	1981	1991	2002
Institutional	7.3	18.7	31.7	63.2	66.3	61.1
Cooperative Societies/Banks, etc.	3.3	2.6	22	29.8	30	30.2
Commercial Banks	0.9	0.6	2.4	28.8	35.2	26.3
Non-Institutional	92.7	81.3	66.3	36.8	30.6	38.9
Money Lenders	69.7	49.2	36.1	16.1	17.5	26.8
Unspecified	-	-	-	-	3.1	-
Total	100	100	100	100	100	100

Source : Lok Sabha Unstarred Question No. 857, dated on 25.02.2011.

State-wise Estimated Number of Rural Households and Indebted Farmer Households in India (May, 2005)

States/UTs	Estimated Number of Rural Households ('00)	Estimated Number of Farmer Households ('00)	Estimated Number of Indebted Farmer Households ('00)	Percentage of Farmer Households Indebted
Andhra Pradesh	142512	60339	49493	82.0
Arunachal Pradesh	15412	1227	72	5.9
Assam	41525	25040	4536	18.1
Bihar	116853	70804	23383	33.0
Chhattisgarh	36316	27598	11092	40.2
Gujarat	36015	37845	19644	51.9
Haryana	31474	19445	10330	53.1
Himachal Pradesh	11928	9061	3030	33.4
Jammu & Kashmir	10418	9432	3003	31.8
Jharkhand	36930	28238	5893	20.9
Karnataka	69908	40413	24897	61.6
Kerala	49942	21946	14126	64.4
Madhya Pradesh	93898	63206	32110	50.8
Maharashtra	118177	65817	36098	54.8
Manipur	2685	2146	533	24.8
Meghalaya	3401	2543	103	4.1
Mizoram	942	780	184	23.6
Nagaland	973	805	294	36.5
Orissa	66199	42341	20250	47.8
Punjab	29847	18442	12069	65.4
Rajasthan	70172	53080	27828	52.4
Sikkim	812	531	174	38.8
Tamil Nadu	110182	38880	28954	74.5
Tripura	5977	2333	1148	49.2
Uttar Pradesh	2214199	171575	69199	40.3
Uttaranchal	11959	8962	644	7.2
West Bengal	121667	69226	34696	50.1
Group of UTs	2325	732	372	50.8
India	1478988	893504	434242	48.6

Compiled from the statistics released by : Lok Unstarred Question No. 1217, dated 01.08.2005.

Flow of Agriculture Credit (Target and Achievement) under Kisan Credit Card (KCC) in India (2007-2008 to 2010-2011)

(Rs. in Crore)		
Year	Target	Achievement
2007-08	225000	254657
2008-09	280000	301908
2009-10	325000	366919
2010-11	375000	-

Source : Lok Sabha Starred Question No. 284, dated on 13.08.2010

