

Minutes of the Special (67<sup>th</sup>) meeting of the State Level Bankers' Committee (J&K) held on 15<sup>th</sup> October 2005 at J&K Bank Limited, Corporate Headquarters, M. A. Road, Srinagar.

At the instance of Reserve Bank of India, a Special (67<sup>th</sup>) meeting of the State Level Bankers' Committee (J&K) was held on **15<sup>th</sup> October 2005 at 2.00 P.M. at the J&K Bank Limited, Corporate Headquarters, M. A. Road, Srinagar**, in the backdrop of the recent earthquake that hit some parts of the Jammu & Kashmir State causing large scale devastation to the life and property. The meeting was convened to discuss the situation and to consider and recommend any special measures that might be required in the affected areas in addition to the Reserve Bank's relief package. The meeting among others was attended by senior officials from the Government, RBI, NABARD, SIDBI, and from Public & Private Sector Banks as well as the Cooperative Banks. The detailed list of participants is enclosed as **Annexure-A**.

Welcoming the participants to the meeting, the Chairman, J&K Bank, briefed the house about the objective of this special SLBC meeting. He said that the Central Government on its part is playing a certain role in terms of relief and rehabilitation, under the **National Calamity Relief Fund** and certainly the State Government is fighting the calamity and helping the disaster stricken people. He observed that it was a serious responsibility of the institutions operating in the State particularly in the finance sector to workout some sort of a package for relief of the affected people quite apart from the routine normal packages that are included in the master circular of the Reserve Bank of India. He stressed

that the house needs to look at the instant situation a little more innovatively and generously.

The Chairman, J&K Bank pointed out that we always seem to think about the relief and rehabilitation steps when the tragedy strikes us, as has happened in the event of snowstorm, the floods and now in the case of earthquake. Lamenting the absence of a proactive approach to handle such disasters, the Chairman, J&K Bank put forward the idea of creating a corpus of a certain amount by financial institutions and commercial banks for tackling such calamities. He argued that this Corpus could be called “the **Financial Institutions Corpus for Calamity Relief**” and the drawdowns, whenever necessary, would be met from the earnings of the said fund and the principal amount of the corpus would not be affected.

He suggested that this corpus could be placed with the Convenor Bank or under the joint custody of a few Banks and would be invested judiciously over the years in such a way that the fund keeps growing and in the event of an eventuality we could be more prepared than what we are. He said that this task could be worked out in 6 months, as the restoration of normal activities in the affected areas is going to take far more time than what we expect, as there are still so many areas, which have not been accessed so far. He observed that the rehabilitation of the affected people would be far more finance-intensive task than it seems. He said that the issue of creating a corpus for the State, which could be replicated in other States, could help us build certain immunity in terms of finance for such eventualities and help us react with much greater speed.

The Financial Commissioner, Finance, J&K Govt., joining the deliberations on the issue, informed the house that the Union Minister for urban Development, GOI, with a team of officers from HUDCO, National Building Corporation and HOD for the Earthquakes from the Rurki Institute of Technology, are here looking at providing a kind of structure that is seismically feasible and do not get damaged in Earthquake. He said that they are trying to build 2 or 3 kinds of structures in each locality, which would serve as models for guidance of the people. He informed the house that this is the kind of structure, which is required to be put in place. He said that providing about Rs.1.00 lacs to each house for reconstruction might take care of immediate requirement, but the idea is that the Government wouldn't like to construct the houses as colonies for them but let the people do it themselves for which the material has to be provided and the carpenters and masons have to be made available.

The Financial Commissioner, Finance, informed the house that a lot of assistance in the form of blankets, food grains, tarpaulin, medicines etc. from the private sector had also started pouring in by road. He informed the house that for the purpose of the rehabilitation work an amount of about Rs.85 Crore are available with the State Government comprising of 70% of GOI, i.e. Rs.64 Crore from the Contingency Calamity Fund and 30%, i.e. Rs.21 Crore from the State Government, out of which about Rs.30 Crore had already been released to various departments for providing very immediate requirements like medicines, food grains, restoration of power supply, wherever possible, etc. He also informed the house that the Secretary, Water Management, Ministry of Home Affairs has mentioned that some of the Industrialists have come forward to adopt some of the affected villages on the pattern of what they did in some other parts of the country affected by such calamities.

Pointing out that although on paper the State has already got a good “**Crisis Management Group**”, but there are no required funds available to meet such an eventualities. The Financial Commissioner, Finance complimented the suggestion of Chairman, J&K Bank, for creating a corpus, which, he said, would be really good for the State. He impressed upon all the Public and Private Sector Banks to contribute a substantial amount for this Corpus. Thereafter, the Financial Commissioner, Finance desired to know the comments of Reserve Bank of India.

The Regional Director, RBI, commenting on the issue assured all possible help to bring back the life to normalcy in the quake-affected areas. He informed the house that RBI has already taken stock of the currency chests operating in the affected areas and found that all the chests are safe. He said that sufficient cash has been airlifted and stocked at the chests to meet the requirements. He said that this meeting has been convened at the behest of RBI to discuss three important issues, i.e. (1) Extent of damage caused by the earthquake; (2) Relief measures already announced by RBI on October 9, 2005, and (3) further relief measures, if any, to be proposed by the house.

Highlighting the relief measures already announced by RBI, the Regional Director RBI informed the house that these include (1) grant of fresh loans to meet working capital and term loan requirements; (2) to meet agricultural loan requirements; (3) grant of loans for repairs/ construction of houses; (4) Consumption loans to be given to the effected people. The Regional Director, RBI, said that in addition to the above, measures like Conversion, rescheduling, restructuring of existing loans, waiver of penal interest and security requirements need to be taken for benefit of the affected people and requested the bankers to be sympathetic to their needs.

The Regional Director, RBI informed the house that National Housing Bank (NHB) has already devised a Special Package for providing Housing loans to the effected people at an interest of 6.5% against which NHB will be giving refinance to banks at 5.5% rate of interest. He said that the Scheme is quite concessional and if supplemented with the Government support, can take care of the housing requirements of the affected people. He requested the banks to expedite implementation of these relief measures and desired that the government should advise the operating staff at field levels to identify the affected people and their financial requirements and send their list to the banks operating in the affected areas. **He requested the forum to recommend any further relief measures to be given by the banks, which, he said, would be conceded by the RBI sympathetically.**

Commenting on the relief measures announced by RBI like dropping down the interest rates and simplifying the procedures etc., the Chairman, J&K Bank observed that these are fairly restrictive in scope and would provide enough footing once the stage of providing immediate relief is over. He emphasized the need to reduce procedural hassles and minimize the paper work, as nobody would be expected to fulfill the normal requirements at this juncture. He said that keeping the nature of catastrophe and the approaching winter season in view the immediate need is to provide them some relief in the shape of temporary shelters, medicines etc. He pointed out that there are still a large number of people who still have no access to the resources.

Hailing the efforts of RBI for the steps taken in terms of cash management, the Chairman, J&K Bank observed that the banks are also trying their best to work out the daily banking needs of the people. He said that J&K Bank has already pressed into service the mobile van in Uri for providing banking facilities to the people.

The representative of SIDBI informed the house that they have not yet devised any concessional package for the areas affected by the calamity. He, however, informed that the meeting in this regard is to be held on 17<sup>th</sup> October 2005.

The Principal Secretary, Industries & Commerce, joining deliberations on the issue pointed out that a number of Industrial sheds in Kupwara and Baramulla have been damaged by the earthquake, which need to be reconstructed. He said that so far as the public infrastructure is concerned, resources have to be found from the Government side, but as far as private infrastructure is concerned SIDBI needs to provide some dispensation on the lines of what NHB has done. He observed that the **idea of creating the corpus is very good which needs to be considered by the banks, and necessary correspondence needs to be made by the Convenor with the CMDs of banks.** He also suggested that banks could even look at the option of adoption of villages as the corporate houses are doing, which would be a very comprehensive and systematic way of approaching this issue.

The Chairman, J&K Bank said that the J&K Bank had already been authorized by the Board to spend at least 1% of its net profits every year for developmental activities and expressed his belief that other banks would also be having similar board decisions. He reiterated his suggestion that independent of this event the banks should have a corpus, which would be invested to generate income over the years and could be utilized at a later stage. He suggested that the banks could approach their respective Boards and come up with a decision in this regard.

Upholding the contention of Chairman, J&K Bank, the Financial Commissioner Finance, desired to know from Reserve Bank of India how the banks had been able to provide lot of assistance during some of the recent natural disasters that had hit various parts of the country, like Tsunami, Cyclone in Orrisa, earthquakes in Buj district of Gujrat and Latur -etc.

Reacting to this, Regional Director, RBI informed that the said assistance was not because of the regulator. He clarified that banks can keep almost 1% of their profits separately and can utilize the same for various social causes including natural disasters.

The Principal Secretary, Industries & Commerce, commenting on the NHB Scheme, suggested the SLBC to recommend that moratorium period be extended for 3-5 years or 4-6 years and the rate of interest on NHB re-finance should also be further brought down from 5.5% enabling the banks to pass on the benefit to the borrowers, which could give a succor to the affected people.

After thorough deliberations on the issue, the house unanimously resolved that:

1. All the banks will contribute to a corpus to be created for tackling natural calamities, which shall not be linked to the loaning procedures.
2. Besides instead of giving loans all banks should be approached for contributing to a relief fund for providing immediate relief to the affected people.

3. As far as bank finances are concerned, the National Housing Bank Scheme will be operationalised by all the banks, with a moratorium of 4 - 5 years. The NHB will increase the moratorium period accordingly.

4. The Banks will integrate with the State Government's relief efforts. Wherever the Government provides any amount of relief that is enough due diligence for the banks to give subsequent loans.

The meeting ended with a vote of thanks to the chair,

Chief Manager,  
Lead Bank Department.

#### Annexure-A

<u>S.No.</u>	<u>Name of Participant</u>	...	<u>Designation/ Department.</u>
<b><u>Chairman.</u></b>			
1.	Dr. Haseeb A. Drabu	...	Chairman/CEO, J&K Bank Ltd.
<b><u>Reserve Bank of India.</u></b>			
2.	O. P. Aggarwal	...	Regional Director, Reserve Bank of India.
3.	M. L. Mahajan	...	DGM, RPCD, Reserve Bank of India, Jammu.
<b><u>NABARD.</u></b>			
4.	S. Mahadevan	...	Dy. General Manager, NABARD.
<b><u>National Housing Bank.</u></b>			
5.	R. Rajgopalan	...	General Manager.
<b><u>Government Departments.</u></b>			
6.	B. R. Kundal	...	Financial Commissioner (Finance), J&K;



7.	J&K	S. S. Kapoor	...	Principal Secretary, Ind. & Commerce,
8.	Deptt. J&K	K. A. Ganai	...	Commissioner/Secretary, Agri. Prod.
9.	J&K.	Mehboob Iqbal	...	Secretary, Rural Development,
10.		Dr. G. N. Qasba	...	Registrar, Co-operatives, J&K
11.	(Kashmir)	B. A. Dar.	...	Joint Director, Agriculture Deptt.
12.		Dr. G. S. Naqash	...	Director Horticulture, Kashmir
13.		V. K. Bakshi	...	Director Horticulture (P&M).
14.	J&K,	Pawan Kotwal,	...	Director, Industries & Commerce,
15.	Jammu.	G. R. Bhagat	...	Director, Rural Development,
16.		G. A. Peer	...	Director, Rural Development, Kashmir.

**Convenor Bank (The J&K Bank Ltd.)**

17.		A. R. Fazali	...	Executive Director,
18.		Mushtaq Ahmad	...	Executive President,
19.		Ab. Majid Mir	...	Joint General Manager (C&F);
20.	(Kashmir);	N. D. Samanani	...	Deputy General Manager, Terr.
21.		Mohammad Amin	...	Private Secretary to Chairman.
22.	Department	Mohammad Amin	...	Chief Manager, Lead Bank

**Public Sector Banks**

23.		H. J. Singh	...	Sr. Manager, Central Bank of India, Sgr.
24.	Commerce.	V. S. Pawar	...	Chief Manager, Oriental Bank of
25.	R.O.Jallundhar.	A. K. Nayyar	...	AGM, Canara Bank,
26.		Ripan Murgai	...	DGM, UCO Bank, R.O.New Delhi.
27.	National Bank, Jammu.	C. R. Khajuria	...	Sr.Regional Manager, Punjab
28.	Srinagar.	I. R. Raina	...	AGM, State Bank of India, R. O.
29.	Canara Bank.	K. R. N. Kutty	...	Sr. Manager/ Distt. Coordinator,
30.		A. A. Allaqaband	...	Chief Manager, UCO Bank.

**Regional Rural Banks.**

31. M. A. Hamdani. ... Chairman, Kamraz Rural Bank.  
32. K. N. Sher ... Chairman, Jammu Rural Bank.  
33. A. U. Tak. ... Chairman, Ellaquai Dehati Bank.

**Cooperative Banks.**

34. Mohammad Ashraf Bhat ... MD, J&K State Cooperative Bank,  
35. Mohammad Amin ... GM, Baramulla Central Coop.  
Bank.  
36. F. A. Khan. ... GM, Anantnag Central Coop. Bank.

**SIDBI**

37. Manohar Krishen ... Asstt. General Manager, SIDBI

**Lead District Managers.**

38. Abdul Rashid Dar. ... LDM, Kupwara.  
39. Riyaz Ahmad Mir. ... LDM, Baramulla.

\*\*\*\*\*

\*\*\*\*\*

\*\*\*

The Regional Director, RBI, reacting to the issue of creating a corpus by the banks, said that though the suggestion is quite good on humanitarian grounds, but banks ultimately possess somebody else's money and perhaps giving any grants or agreeing to it at this level would be very difficult. He pointed out that this would be a corporate issue and had to be decided by each bank. He said that since the Government has already decided to grant Rs.1.00 lac for reconstruction of dwelling units by the affected people, which would form a basis for the banks to consider further financing. But keeping in view that repayment is not likely to come immediately, the banks shall have to consider increasing the moratorium period to at least a minimum of 3 years.

The Commissioner Secretary, Agriculture Production Department commenting on the proposed Corpus as suggested by the Chairman, J&K Bank stated that as and when this corpus gets built up, it could be used to further subsidize the interest liability of the affected people because after 3-4 years moratorium period the borrowers would be required to repay the principal amount as well as the interest, so by that time the size of the said corpus would be more and can be utilized for subsidizing the said interest liability.