

Minutes of 71st meeting of J&K State Level Bankers' Committee (SLBC) held on 25th July 2007 at Srinagar

The 71st meeting of the State Level Bankers' Committee (J&K) was held on 25th of July 2007 at 10.00 A.M. at S.K.I.C.C., Srinagar. The meeting was presided over by Dr. Haseeb A. Drabu, Chairman & CEO of J&K Bank Limited (Convener Bank of J&K SLBC). The high level functionaries of J&K Government who attended and participated in the proceedings included Financial Commissioner Planning & Development, Financial Commissioner Agriculture Production, Principal Secretary Labour and Employment, Commissioner/ Secretary Finance, Commissioner/ Secretary Industries, heads of various Government Departments and senior officials from civil administration. Regional Director (J&K) RBI, senior officials from RBI, NABARD, SIDBI, IDBI and senior level representatives of banks, financial Institutions operating in the State and other members of SLBC also participated in the proceedings. The list of participants is enclosed as [Annexure-A](#).

The Chairman & CEO of J&K Bank extended a warm welcome to the senior functionaries of the Government, senior officials of RBI, banks and institutions and other participants to the meeting and thereafter delivered a scintillating inaugural address and made an impressive power-point presentation before the house. Taking a critical look he precisely pointed out the deficiencies and shortcomings in overall functioning of the SLBC thereby reflecting on the achievements in supporting the Priority Sector. He reiterated that mere upping the target was useless in the absence of a robust and clear roadmap for their achievements. He suggested drastic changes in the basic framework and complete restructuring of SLBC by systemic revamping and reform in terms of organization, approach and methodology on the basis of changing landscape, experience gained and performance achieved so as to revitalize and empower this forum to play a meaningful and more relevant role in enhancing growth, promoting development and generating employment.

Suggestions for Restructuring of SLBC:

The Chairman of the Convener Bank stated that he was going to take a slightly different route to start the meeting. Before this meeting he had

attended four previous SLBC meetings and has been keenly observing the progress. So he remarked that it was time to essentially relook at what we were doing in the SLBC. Resuming from where the Deputy Governor RBI, Mrs. Usha Thorat, had left at the last SLBC meeting, if the performance of functioning of the banks in the State is looked at, no new problems have emerged and the same issues reoccur that financial targets were met, physical targets not met, agricultural still remained under serviced, services sector has over performed, some banks did very well in some segments because of one or two large exposures, the letter of the target might be met by some banks in some regions but the spirit of entire thing was missing. So instead of focusing on what we tend to do in a very routine manner he moved away and suggested to revisit the entire notion of why and what for we were assembling. SLBC based on Lead Bank Scheme started in 1969 with the recommendation of the Gadgil Study Group, nothing has changed since then in terms of entire design of the SLBC or Lead Bank Scheme. While from 1969 to 2005 the entire fundamentals of financial services sector has moved in a different way not only in terms of the policies, scope, reach, instrumentalities, controls but in reality everything has changed. Indeed the regulator's own role is being revisited and the way we are defining our problems is now different. So in light of the fact that the financial services sector and the process of intermediation at the financial level has undergone such phenomenal changes it was time, not just for J&K alone but to the entire country, to revisit the SLBC. This was even hinted at by the Deputy Governor RBI when she presided over the last SLBC. Looking at the growth of business the entire notion of the district, which is an administrative boundary, has least relevance as a business division. So when we define annual credit plans at district level there are least synergies, it doesn't operate within the district, it doesn't accommodate the externalities of investment in one district on the other and so on and so forth. It obviously has far more administrative orientation rather than relevance for business. So we need to have introspection as to what we are doing and how seriously we are taking ourselves.

This SLBC is delayed by four months, although we understand our responsibility as Convenor Bank to organize these meetings on time, but we find enormous problems compelling to remain behind the schedule. The State Government at many levels sheds these meetings because this is not within the normal functioning of the State and because of other priorities and preoccupations. Out of 35 member banks, 15 banks have not submitted information. Out of 21 districts, 6 districts have not submitted the ACP 2007-08, for all these six districts the Lead Bank responsibilities lie with SBI which is the largest bank of the country and perhaps most effective nationally. In the 68th SLBC meeting it was

decided unanimously that the banks should contribute towards the J&K EDI but 11 out of 35 banks didn't comply. 70th SLBC forms a group on bundling of subsidies but no meeting was conducted. Sub- group on credit for handicrafts was constituted but no progress was made. Agriculture credit target of Rs.320.84 Crore was set in 63rd SLBC following the directions in FM's speech that the credit to agriculture should get doubled in three years period i.e. upto the end of the financial year 2006-07 but actual achievement was just Rs.225.72 Crore i.e. 60% shortfall. No course correction, no calibrations, quarterly meetings happen we all meet and then disburse and forget about it. SLBC set a target of 66,799 for KCC and only 4,599 have been sanctioned i.e achievement of 6.88%. These facts speak enormously about the non-serious response to render the group as a mere ritual.

There are basic problems to be highlighted which need to be deliberated upon before proceeding further.

- The SLBC is not able to deliver as it lacks stakeholder ownership in real sense. There are three stakeholders in the system; Government, Banks and Regulator. Neither of them owns SLBC in ownership sense. The Govt. constantly holds the view that it is a banker's problem, the bankers have an issue that Government sponsored schemes do not function. The regulator doesn't see it in the same way in which it sees other issues and with the same kind of stringency. So an appropriate stakeholder ownership needs to be worked out.
- It lacks enforceability, it has no powers. Its decisions are not mandatory for implementation.
- SLBC design is too large and too unwieldy to have an impact. 135 people participating for three hours and a person cannot get even two minutes to speak and express his views. The Convenor Bank and some of the senior government officials monopolize the proceedings. There is least scope for ground level views coming in about the problems faced by the member banks for focused discussion.
- It is too dispersed. People who are member banks have same status irrespective of their exposure instead of having to graduate to different levels through exposures and getting a status depending upon the performance and having linkage to stakes. There are members in banking system in J&K with exposures of Rs.1000 Crore who are given the same role and responsibility as other member banks with an exposure of mere Rs.1 Crore. Similarly banks with 180 branches sit with same authority with those banks who have presence of only a single branch. There has to be some differentiation and filtration and members need to be categorized into groups. This whole affair has to be

reworked so that if one has a larger stake then he has a larger role.

- The SLBC derives its mandate from a pre-reform period; it doesn't fit in for what is happening after reforms. The post reforms agenda has been set and the concerns are too peripheral.
- Priority Sector Credit across sectors at Rs.2.50 Crore and only two exposures but achievement is 105%, which is ridiculous. But same thing repeated for many years.
- Credit is not picking up but no reasons ascertained why banks are not lending to priority sector in J&K and no measures are suggested. Perhaps the products that are required in J&K are not being delivered by banks. Banks are inclined and prepared to do corporate lending so their products are designed towards corporate borrowers viz. a term loan, a working capital limit, etc. and this is not what a farmer requires. So it is needed to work out different suitable products based on the requirement of a particular business, a sector, a size and an industry. This renders R&D essential to be done collectively based on which strategies be formulated and workshops be conducted for sharing experiences, best practices and exposure. The biggest banks of the country like SBI, PNB, etc. have their presence in the State and they are doing exceptionally well elsewhere, so we can learn and benefit from their best practices and expertise.

These are the basic problems that need to be addressed. In short while looking at it from a different angle we find that it is time to change. He elucidated that the change process falls into following four sets:

- Structural changes
- Organizational changes
- Changes in approach, and
- Change in the methodology of functioning.

This change process shall start from the way we set our targets; to the manner in which we monitor them; then to the manner in which we deliver them and thereafter in which manner we review them. This entire change in the approach and methodology will have to be complemented by a change in the organizational structure of the SLBC and the way we run or conduct this function.

The vision of SLBC should be the banker's conscience keeper in the region. We must as groups keep the conscience of our profession. This concept can be replicated elsewhere.

The mission of the SLBC would be the forum for devising, designing, and delivering the concept of financial inclusion in J&K and not just credit alone.

The empowerment that is being sought and the fact that there must be greater flow of credit to agriculture can't be accomplished on the basis

of credit alone but it must work towards much more holistic concept of Financial Inclusion, deriving from what the Governor has been saying for last two and a half years, and our mission should be to deliver that objective with proper targeting, etc. The banks should therefore, get together and see how they could devise, design and deliver this concept. The possible changes which could be put forward for discussions in this and perhaps even for the next SLBC is in the format. Let there be thematic SLBCs, let one SLBC handle one issue, with a consensus among participants, in a whole series of themes to be tackled in addition to our normal monitoring. After all four meetings in a year have to be held for quarterly periodicity of reviews by SLBC. So four themes is not a very large agenda for some depth in deliberations. It could start with KYC compliance; KCC could be another and more themes likewise can be selected for meaningful discussions. In addition to the collated stuff that the Convenor bank presents with routine inputs let us look at some background research papers for every theme. RBI has an outstanding team at the Central Office, which does research, they produce very useful occasional papers. Banks should collaborate with RBI and form a small team to work out saving behaviours and propensities, consumption intensities, patterns of disbursements, etc. and put these for discussions for devising their policies instead of doing so in an extremely adhoc manner on very meagre inputs. Beyond research he suggested holding of co-operative and collaborative workshops on issues like handicraft credit, etc. with a couple of people outside SLBC who are in the Industry and do some grilling there. And then on that basis get a product. Organizationally it is obviously far too unwieldy. We need to work on the basis of smaller groups and sub-groups. One group, one focus point. One group doing one thing rather than doing entire thing itself. And then terminal responsibility be entrusted to that group for delivering that particular thing. He suggested the concept of the Cascading Committee; a top level Apex Committee which will work on the agenda and issues raised and filtered by a Credit Committee, a Monitoring and Implementing Committee and an Administrative and Regulatory Committee. So there will be one Apex Committee of SLBC with three sub-committees; one handling credit, another doing monitoring and implementation and the third one doing administrative and regulatory function. The Apex level committee could represent Convenor Bank, Public Sector Bank (say two of the larger ones) Private Sector bank, RRBs, Institutions, Cooperative banks and representative of Government and Regulator. This Apex body will not therefore, have more than 10 to 12 members representing different interest groups and coming from different sectors. It will be a smaller and much more focused group. The agenda for Apex Committee to function will be to integrate all programmes. Its role would be to work

out a comprehensive three-year programme for Financial Inclusion with annual and half yearly benchmarks. It could review and ratify the targets set by Credit Committee on half yearly basis. It will assess the performance of individual banks and then escalate non-compliance and other issues to the concerned quarters like the regulator or the Ministry or any other relevant authority that has jurisdictional role. In Credit Committee, there can be dominance of bankers, in M&I Committee there can be a mix of Government and bankers and in A&R Committee there can be a dominance of the regulators (RBI/NABARD) and the bankers. So depending on the Stakeholders who can exercise influence, responsibilities can be entrusted and a participative set of initiatives ensues rather than everything being done by Convenor Bank, who is normally supposed to collate rather than to do all this. Since it will operate with some kind of rationale in this way it will have certain amount of creditability. The Credit Committee would focus on priority Sector credit. It can have six sub-Committees each focusing on one Sector as now RBI has decided six elements under priority sector. These subgroups will lay down sectoral targets, bank-wise targets, regional targets, etc. These six subgroups would send one member representative each in the main Credit Committee; who in turn sends representatives and pass on its staff to the Apex Committee to have a diverse composition and then decisions are taken and thereafter implementation is monitored. The Regulator really doesn't have to play a role in the Credit Committee for target setting and there can be guidelines therefore from them. The Credit Committee will essentially derive its composition from the institutions, banks and Government in so far it has a certain role to play in the district level credit plans. Where as in the Monitoring & Implementation Committee there should be the Convenor bank plus the dominance of Government to look at the implementation from their perspective and seen how it is progressing and can be monitored significantly because the Administrative control of the district rests with the Government. In Administrative & Regulatory Committee we have regulator, Convenor and the Government. The suggested composition can be changed and improved for efficient functioning depending on the consensus. The SLBC convention of all stakeholders can be held once in a year in January for two days to focus broad things. The Apex Committee meets half yearly to take stock and suggest course correction. The Credit Committee meets every quarter so does the A&R Committee. The M&I Committee meets every month so that there is better monitoring and sends its reports what is happening. In addition he strongly advocated holding of SLBC workshops where the regulator will participate actively and aggressively. Then there can be summer workshop for duration of 2

days, 3 days, or 5 days on special focus areas and themes like employment, SME, Micro-credit, etc.

While concluding the Chairman stated the core issue was that the State was not really comparing well with other States in terms of either financial architecture or in terms of financial infrastructure and intermediation which makes the role of SLBC more critical. It is therefore, time to resurrect, revive and reform the SLBC and try a model SLBC for the State where all the member banks are morally bound to show their commitment in letter and spirit towards the empowerment of the people by generating economic activities, brightening the employment opportunities, and enhancing the prospects of development.

He informed the house that he has held some discussions with the Hon'ble Union Financial Minister in Delhi who was keen to come here. So he can be invited for the next SLBC or holding a special SLBC session where purposeful deliberations can be held and these issues can be escalated at the national level. Moreover, participation from RBI at the top level can also be expected so that perhaps the change process could be initiated in J&K for SLBC to be a model for other states.

The banks that are not serious in submitting the SLBC data to the Convenor Bank and have defaulted in the same were advised to exercise punctuality in submitting the said data in future.

FC Planning, Mr. S.S.Kapoor appreciated the idea of restructuring delivered by Mr. Drabu and reacted to the suggestions by stating that there should be proper agenda based discussion on the issue of restructuring of SLBC. He recommended that a copy of the speech delivered by the Chairman be circulated as it could form the basis for invoking discussions and then some time be given to people for coming prepared with their responses and contribute ideas for deliberations in the next meeting. He endorsed the views that SLBC lacks stakeholder ownership and this matter needs a serious thought so as to make it more result oriented.

Regional Director RBI, Mr. O.P.Aggarwal reacted to the suggested restructuring and overhauling of SLBC by endorsing the views of FC Planning that some time should be given for giving a thought to the idea so that members come with proper preparations in this regard for giving a final shape to it. He also stated that SLBC is a national concept, it doesn't pertain to one state only, perhaps there could be some other issues to be sorted out at national level and hence, a hasty decision in isolation was not advisable. He stated that he would make a reference of these good suggestions offered by J&K SLBC to RBI Head Office for being examined by the apex regulator for implementation on all India basis. NABARD could also give a thought and thereafter we can again

meet to give it a final shape. He however, remarked that it was already envisaged that SLBC was free to form any number of Sub-Committees, designing and assigning the role to these Sub- committees and to restructure its own operational areas. So we can identify the specific areas and assign work to Sub-committees, on these themes. He also pointed out that there are abrasions in planning that need to be removed and a realistic approach needs to be adopted at the base levels viz; in blocks and districts in identifying the specific areas and themes. Thereafter realistic scalable targets should be envisaged and fixed for achievement through a bottom up approach for leading to meaningful deliberations in SLBC forum for serving the basic purpose.

FC Agriculture Production, Mr.S.S.Sahni congratulated the Chairman J&K Bank for very incisive and very introspective inaugural address. He appreciated the whole idea of reforming and restructuring the SLBC for effective role playing for which the practical road map of the possible changes has been lucidly drawn by Dr. Drabu. He hoped that it will ensue some amount of introspection in the Government because a proper thinking process would guide how to go towards Financial Inclusion which was really the crux of the whole issue. So he expected the discussions, perhaps in a special session to be convened for the purpose, after the draft of the suggested measures was circulated when the concerned people should come back with ideas and put them across.

ED J&K Bank, Mr. A. R. Fazili also supported the idea of change stating that it will break the monotony and repetitive process of fixing targets and then holding routine reviews without achieving much in true sense.

PS Employment and Labour, Mr. B. L. Nimesh pointed out certain deficiencies in credit delivery system which resulted in difficulties being faced by the customers at the grass-root level like forcing the customers to move from pillar to post to get their loans sanctioned and rejection of cases at the branch level to discourage them. He pleaded that banks operating in the State must attend to the cases sponsored by the Task Force and extend cooperation for eradicating unemployment.

Commissioner/Secretay Finance, Mr. B. B. Vyas stated that the only thing he wanted to add pending debate on restructuring general framework of SLBC was his strong recommendations for early implementation of some of the components of change like constituting some committees which do not interfere with the national framework in any way should go ahead in right earnest in compliance with certain decisions taken during the interactions with the Union Secretary Banking (in respect of which minutes have been issued in matrix form and are

listed as agenda item No.71.14 for deliberations in this SLBC) which are marked as the responsibility area of the SLBC needing committees to be constituted for desired action.

AGENDA BASED DELIBERATIONS:

The Chairman Convenor Bank took up the formal agenda items for deliberations ad seriatim.

Confirmation of the Minutes of 70th SLBC meeting held on 26.02.2007- As no amendments of the Minutes of the Previous SLBC had been received from any of the members the same were unanimously confirmed by the house. Regional Director RBI stated that the house appreciates that the Minutes were nicely drafted.

Follow-up action on the decisions taken in the earlier SLBC meetings-

- 1) CONTRIBUTION TOWARDS J&K EDI: 11 member banks including SBI have not contributed. SBI was asked why they have not contributed towards the fund. Responding to this the Regional Director, RBI stated that SBI had written to them that have been setting up their own training establishments and will not, therefore, contribute. The representative of SBI reacted by confirming the same point of view and stated that they were setting up RUDISETS for assistance in all the Lead Districts and had started the job in Jammu. So their bank feels that there is no need for a duplicate set up for this purpose. The Chairman, Convenor Bank reacted that when anything is unanimously decided in SLBC then member banks should stand by it. Defying the decisions, finding excuses and moving in a different direction calls into question the entire credibility of the SLBC. Particularly, it is not expected of the largest bank in the country for which the contribution of Rs. 22.75 lacs is not significant by any standard. Financial Commissioner, Planning, commented on the issue that there was no need to enter into arguments as the decision was taken in the context that lack of entrepreneurship in J&K State was a serious problem and J&K EDI was doing a good job in training and promoting entrepreneurs. Since this EDI has been set up as joint collaboration of Ministry of Development of Industry, Promotion and Policy (DIPP) in Govt. of India and Government of J&K State it was not having funds rendering it necessary that all banks should contribute with a view to help in establishing it and delivering better results. So he again requested all the banks that they should look on this issue in this context and contribute the allocated share. Thereafter the house expressed displeasure for the country's largest bank

- having behaved so. The representative of OBC stated that the matter is under their consideration and he was hopeful that the amount will be sent very shortly.
- 2) DOUBLING OF AGRICULTURE CREDIT BY AUGMENTING FLOW OF CREDIT: As is evident from the comparative figures there has been a huge short fall of 60% in achieving the target of doubling the agriculture credit in relevant 3 years beginning from 2004-05 and no specific reasons could be given. Perhaps there has been no strategy, no basis laid down, no road map for banks how they could do it. Just upping the target doesn't mean that target can be achieved, particularly in view of the fact that SLBC has no powers to penalize the shortfalls so happening. Consequently it is too farfetched to expect the performance and results to so happen. This is the most essential part of the whole issue of priority sector credit. Commissioner/Secretary Finance responded by suggesting that the larger question of the priority Sector advances should be rather addressed.
 - 3) The house in the 70th SLBC had decided to form a group comprising of representatives from RBI, NABARD, J&K Government Agriculture Department, JKBL and PNB to look into the matter of bundling of subsidies. No meeting of the group has been convened. FC Agriculture Production assured that this group would meet very soon to quickly resolve how it can be done.
 - 4) The house in 70th SLBC had decided to form a group to be headed by Secretary Industries, J&K Government for fixing the bank-wise and region-wise targets under Handicrafts sector for the current year. No progress could be reported in this regard. The Commissioner/Secretary Industries regretted that it had escaped their attention and assured to do the needful very soon.
 - 5) No progress was reported to the house regarding the route of Equitable Mortgage for facilitating securitization of loans.

Report on the matters referred to and handled by various sub-committees-

The sub-committee formed in 68th SLBC for deciding and allocation of contributions by member banks has served its specific purpose and stands therefore, dissolved.

The Sub-Committee constituted in 63rd SLBC on doubling of Agriculture Credit in 3 years has done its one time job and stands therefore, dissolved. Any further monitoring shall stand merged into the functions of new Committees that are being formed.

The Minutes of the meeting of sub-committee on relaxations to trade and industry were taken on record. It has done its job as the period of concessions has been extended and notified.

Thereafter the Chairman gave an overview of the achievements by the banks in the State as on 31st March 2007.

PERFORMANCE REVIEW : COMMENTS/ ACTION POINTS

The Chairman said that henceforth there are six areas in priority sector so a principal decision has to be taken to have six related sub-groups for effective result oriented interventions.

Agenda Item No.71.04 (Aggregative Bank Credit)-

Coming to the principal part of performance review on credit to priority sector the Chairman remarked that for the first time in this SLBC cumulative position of outstanding credit shared by banks has been highlighted in addition to the incremental credit disbursement. While looking at various shares it is manifest that out of total outstanding credit of Rs.10420 Crores in J&K State about Rs.2521 Crores are from all Public Sector banks, Rs.7010 Crores from Private Sector banks, Rs.334 Crores from Rural banks and about Rs.554 Crore from Cooperative Banks. This credit sharing pattern reconfirms the point that the banks who have negligible presence and lowest participation in business are sitting with equal right, authority and expectations with the people of very high responsibilities and role which is not justified.

The credit-wise analysis shows that the Convenor Bank is standing out with total credit of Rs.6828 Crores (for 354 branches) as against all banks put together (having 704 branches) with residual credit of Rs.3592 Crores with a markedly low CD ratio thereby reflecting a peculiar behaviour which is a cause of concern. Besides, this hugely skewed distribution of advances it is further compounded in the priority sector where incremental growth is marked by low performance in agriculture and industry but services target is over achieved to dominate other sectors. Then the second part being repeated is tendency of meeting the financial targets but lagging far behind as usual in physical targets and blaming ticket size of loans for this unrealistic situation but enforcing no changes.

Agenda Item No.71.01 (Credit to Priority Sector)-

Looking at the bank-wise performance in providing credit to priority sector in terms of percentages for 2006-07, JKBL has achieved 96%, SBI 93%, PNB 130%, OCBs 141%, Cooperative banks 70%, RRBs 59% and other FIs 22%. But the interesting thing is that over 140% achievement is not a true reflective because the targets being very small. Similarly

overall achievement may seem satisfactory at 95% but it is not meeting the spirit of the entire thing.

Sector-wise analysis reflects Agriculture and Industries are suffering but services is doing better. Perhaps things are not moving in right direction needing attention.

The differential picture emerging out of the regional disparities have become stronger within Kashmir and Jammu. So broadly the issues really remain the same and there is no change and no move forward.

Regional Director (J&K) of RBI intervened to clarify that this statistics it not something particular to J&K but all India reviews also has the same pattern of segment-wise figures. Moreover, the figures show that 3 years before Industry sector was lagging behind but now that stage has been crossed which means that something has been done in that area. Similarly 100% of plan was never achieved in services before but more than that has been done. So the area which needs the attention is low achievement of only 49% in agriculture for which either targeting is the problem or perhaps the seriousness is not there. During last 2 years attention was focused on Industry as a result of that around 105% of the target has been achieved. Same concentration is required for agriculture by addressing the underlying issues.

Chairman JKBL did not endorse the views of RD (J&K) of RBI by arguing that industry sector growth has been driven by Rs.5000 Crore of investment coming to the State, funding at various levels particularly after the Prime Minister's reconstruction plan plus Industrial Policy of J&K and other things like conducive market grooming and not because banks have forced it. Services sector is also very much market oriented. Agriculture is weak because of low public investment. He also stressed for a fair flow of information to help dispel doubts about government policy for promoting agriculture and playing a critical role.

Zonal Manager (Jammu) of SBI explained that the core issue was in fact where to lend for which some potential has to be generated and the formation of the groups will help in creating such avenues for investment.

C/S Industries & Commerce suggested the involvement of Director Industries, Director Handicrafts, Director Handlooms, CEO KVIB/C, MD SIDCO and MD SICOP in the committees with the banks and the district administration for playing an effective role.

NABARD was told to extend help in the formation of SHGs for micro credit delivery and promotion of micro enterprises for augmenting flow of credit to agriculture.

Agenda Item No. 2 (Credit under GSS)-

The Chairman stated that the low achievement under Government sponsored schemes is again the cause of concern and the forum needs

to find out the reasons why these schemes are not picking up in the State of J&K. While analyzing the scheme-wise achievements he observed that poor achievement in SJSRY and SC/ST/OBC at 25% and 26% respectively is distressing and disturbing. The achievement under other Schemes i.e SGSY 54%, PMRY 57%, JKSES 49% and KVIB/C 55% is also not encouraging. He said this is the area where we require more efforts but least has been done. Also the rate of rejection level of the cases without proper scrutinization is a serious thing.

Hence, no new pattern was emerging and the same story of under performances, poor achievement and the rejection level being comparatively higher under GSS was discouraging for what major steps are required to be taken to improve the position.

Principal Secretary Labour & Employment observed that although Government is the biggest employer but it cannot provide employment to all the unemployed persons so self-employment schemes have been launched, especially for the educated youth, which need to be encouraged with a sense of dedication. He insisted that coordinated efforts be put in because the situation in J&K is not normal like in other States and the problem of unemployment has got its ramification which is understandable so helping the young persons by providing them source of sustenance will be saving many families from getting eroded. On quoting figures about poor performance he stated that it was giving a very dismal picture so he made an appeal to the house to realize the situation and extend cooperation in this regard.

President (A&AP) of JKBL explained that sponsorship of the cases is found generally improper leading to high proportion of rejections. The cases received from the sponsoring agencies even include those who are already defaulters with the other banks under some or the other schemes.

The representative of SBI stated that high incidence of NPAs is experienced by all the banks so he pointed out that the Government should come forward because package for Tourism Industry came into force at the behest of the Government when PM announced it and huge number of loans under the scheme, almost 75% to 80%, have gone bad and Government was not paying even subsidy claims.

Principal Secretary Labour & Employment clarified that Government would never defend or support any type of NPA but conveyed that NPA is not on account of small loans extended under GSS but are arising due to default of the larger loans. Moreover, careful and proper scrutiny for selection of cases has sanctity when done in the Task Force Committee meeting before approval is accorded so that rejection level is minimal and loans are saved from getting diverted to NPAs. The beneficiaries also need to be properly guided so that they do not turn defaulters.

The representative of PNB pleaded that bank managers desist from financing GSS even when they are present in the Task Force for lack confidence because environmentally, experimentally and practice-wise they know that a high proportion of such accounts is turning bad. Moreover, the Sponsoring agencies are under the pressure to sponsor the cases to the desired level and whosoever comes to them they sponsor it and pass it on without seeing its credentials, etc. In addition despite social banking from a considerable time the environment has not changed and even a penny of bank finance is given with an intent to recover it 100% whether it is Government sponsored cases or poverty alleviation or employment generation or Financial Inclusion or industrial finance.

The Chairman asked the bankers to suggest an alternative route in place of the Government constructed mechanism for doing such financing whereby selection process is different, it is not Government oriented that Deputy Collector is deciding the things, etc. It tends to be a theme for a debate in next SLBC that how to finance Government Sponsored Schemes in a more innovatively and banker friendly manner. He strongly recommended that the core group comprising of RBI, SBI, PNB and JKBL may sit together with Government and do some research within a month, learn from the experience and past practices and come with a report to next SLBC recommending a new system.

Commissioner/ Secretary Finance intervened to state that during the interactions with Union Secretary (Financial Sector) three decisions were taken regarding the Government Sponsored schemes. First the reasons of poor credit off take have to be identified and appropriately addressed in the SLBC so a committee has been constituted. Let a formal order be issued. Secondly, there is need to introduce certain amount of accountability within the Government system so as to ensure that the field agencies sponsor cases of proper nature. Thirdly, the accountability should also be built within the banking system to ensure prompt disposal of sponsored cases because once the cases are sponsored and approved then the gap between the sanction and the disbursement should disappear.

The recommendation was unanimously accepted by all the members. PS Labour and Employment may act as Convenor of the group issue formal orders and take initiative for coordination and desired action.

Agenda Item No.71.03 (Performance under Handicrafts/Handlooms, etc.)-

The performance was rated below expectations considering that the sector was offering huge employment potential which was not being fully harnessed. Director Handicrafts stated that Union Secretary Banking during the interactions has given a target of around 1000 artisans to be

covered this year pursuant to which a meeting was held with ED JKBL for proceeding ahead. Consequent to the initiative visible progress has been made in cluster financing of artisans in Srinagar district but there has been some deviation from the normal procedure of referring the cases through the Deputy Commissioners. JKBL does the documentation and disbursement of credit on spot and so do their officials register the Craftsmen under the Artisans' Credit Card. Hence, the artisan has not to come to the bank and instead the banker is now going to the artisan. In this way the scheme is better as compared to the normal sponsorship programme. He congratulated the JKBL for this liberal gesture. The Director Handicrafts assured to submit the report within a month. The Commissioner/Secretary Finance intervened to say that group should consider all the four points of reference made in the interactions with the Union Secretary (Financial Sector) for stepping up credit flow to Handicrafts/Handlooms sector as listed under agenda item No.71.14(5) and submit its report. The Financial Commissioner Planning said that this doesn't detract from the need of separate Committee under the Secretary Industries who has to sit with bankers and fix bank-wise targets as better possibilities can be explored through discussions. For example PNB is using SHGs and J&K Bank is going to the artisans directly and these experiences can be shared for benefit of one another. Moreover, each bank must have a stakeholder ownership in supporting this sector as we have much more ambitious programmes of facilitating and supporting the artisans to make them self-sustaining.

Agenda Item No.71.05 (Achievement under KCC Scheme)-

The Chairman Convenor Bank expressed his anguish that achievement of 7% under Kissan Credit Card scheme was dismal and a cause of concern because no movement was visible despite extending concessions in the last SLBC for accepting verifications of Panchayat Sarpanch instead of formal documents certified by revenue officials. The FC Agriculture Production reiterated that the main constraint was linkage of KCC to the Land Revenue records. He also highlighted the need for a study to properly search and design an acceptable alternative instrument as the conventional instrument was not perhaps working. The Regional Director (J&K) of RBI said the main reason remain that agriculture financing itself was poor so KCC naturally suffered Hence, for removing the complicacy it was resolved that banks should promote more easy and simple route of offering GCC which had no such preventing formalities like for KCC to make bank credit easily accessible to farmers.

Agenda Item No.71.06 (Achievement under Self Help Group)-

The Chairman reminded that last time also in 70th SLBC views of PNB were sought to learn as to how they were doing better in terms of mobilizing SHGs. But nothing has come formally from them in terms of what they were doing and which regions they were looking at and was their activity entirely Jammu centric or directed across the State. Representative of PNB clarified that they were able to do better because it was pressure free and monitoring free activity for them on the pattern of NABARD scheme as per which a cluster of 10 people of homogenous nature was formed (may be a ladies group) and the manager, motivator or facilitator would approach and motivate them. PNB may formally share the experience for the benefit of member banks to facilitate promotion of the scheme.

Agenda Item No.71.07 (Relaxations to KVIB/C under RBI guidelines)-

Secretary KVIB/C mentioned that they have generated 45000 employment avenues covering 5200 villages up to last year and were trying to cover another 1000 villages during the current year. He informed that they were targeting the social categories, traditional Industries, women, ex-servicemen, etc. which can be made possible only when the banks extend collateral free loans upto Rs.5 lacs under RBI guidelines and also cover loans beyond Rs.5 lacs upto Rs.25 lacs under Credit Guarantee Fund Trust Scheme (CGTSI) under SIDBI. He pleaded that the artisans were paying higher interest rates 10.5% to 13% although their cases fall under REGP which is primarily meant for processing of and value addition to agro based activities so the rate of interest charged for loan extended to them should be at par with agriculture loans i.e. 7%. The RD (J&K) of RBI stated that banks have no problems in extending relaxations under RBI guidelines and loans were more secured under the CGTSI but clarified that the activity does not fall under agriculture (direct or indirect) as per the classification and the loans are not therefore, eligible for the concession in rate of interest. However, he advised the concerned to make a specific request to RBI for being examined as the issue had implications on all India basis and cannot be decided by SLBC.

Agenda Item No.71.08 (Deepening of financial inclusion in rural areas)-

The measures for initiating developmental activities in rural areas for deepening financial inclusion forwarded by Indian Banks' Association were taken note of.

Agenda Item No.71.09 (Permission to SME branches to accept Govt. dues)-

The RD (J&K) of RBI stated that there was no problem for specialized SME bank branches for accepting Government revenue but the only requirement is that every such branch through their controlling offices has to approach RBI for seeking the permission which is being granted gladly by DGBA Department of RBI at Central Office. Unless RBI is approached and permission sought banks cannot do so at their own.

Agenda Item No.71.10 (Implementation of NAIS)-

The Chairman stated that once again AIC of India has requested the SLBC to advise all banks operating in the State to insure all eligible crop loans with AIC under NAIS so that the farmers would not be deprived of their legitimate claims under the scheme. FC Agriculture Production said that in a meeting of the State Level Steering Committee on NAIS earlier this month some limitations of the scheme were discussed like bringing it down from the previous practice of notified district to the notified Tehsil level and then the problem of Revenue Agency to fulfill the mandate of doing and providing crop cultivation details. Moreover, the information about the scheme is not disseminated in an appropriate manner and hence, there is scope for launching a campaign by Government, banks and AIC for educating the farmers' community like it has been started in Kathua and Jammu area. It is also in the interest of the banks for generating good business to make it a mandatory requirement that all loans be backed by NAIS.

Agenda Item No.71.11 (Drive for financial inclusion in SC/ST/minority districts)-

The RD (J&K) of RBI explained that 103 districts in the country have been identified where there is minority concentration. In J&K there is no district identified as such so far but there are SCs and STs in the State. Hence, he suggested that on the pattern of district Pulwama which has been already identified for Financial Inclusion another district with SC/ST concentration may be identified in Jammu Division. This shall be also in tune with the policy needing banks to gradually cover more districts. So SBI who is the lead bank in Jammu area was asked to identify one district where there is more presence of the SC/ST population and all the banks present in that district will participate. This ensued further deliberations on the issue where after district Samba falling in Jammu Division was unanimously decided as the target district for Financial Inclusion.

Agenda Item No.71.12 (Setting up of credit counseling centres)-

The RD (J&K) of RBI emphasized that financial education is a very important area identified by RBI and GOI which was almost lagging particularly in rural and semi-urban areas. This issue has emerged basically when farmers' deaths took place in Maharashtra area. So basic origin of this idea is to educate the farmers that the banker's role is not just to give the loan and recover it but in case of need and difficulty they have to support, guide and help them also. Secondly, awareness about the banking schemes and the rights of the borrower also need to be included in these counseling centers. In this regard RBI has already taken a lot of initiatives and dissemination of information through literature in the shape of small booklets and some video presentation has also been started which will soon be distributed in J&K State. After deliberations on the issue the Chairman assured to set up 'Financial Literacy cum Credit Counseling Centres' on pilot basis in two districts, one in Jammu and one in Kashmir. Lead banks (SBI/JKBL) were told to do it quickly in the area appurtenant to them.

Agenda Item No.71.13 (Setting up of credit counseling centres)-

The creation of an Advisory Group as recommended by the Kashmir Chamber of Commerce & Industry did not find a favour as SLBC has its own groups for the purpose of such interactions and formation of multiple bodies would not serve any useful purpose.

Agenda Item No.71.14(Decisions of interactions with Union Secretary F/S)-

The Commissioner/Secretary Finance said the listed issues and decisions categorically mention low CD ratio at 45% in the State as against all India average of 72% needs to be escalated at least to 60%. Similarly institutional arrangements have to be strengthened, credit delivery to priority sector has to be enhanced and lending under Government Sponsored schemes has to be boosted. The recorded note of these decisions are therefore, circulate to all member banks for quick necessary action. The issue of scale of finance and the design of schemes needs urgent attention so the recommendation to constitute the credit group with the mandate for these tasks is endorsed and the same be formed to start work. Also there was discussion for building awareness and strengthening marketing efforts particularly at the district level with the idea of having the district based approach so the same group can be mandated with this task as well. The reporting of CD ratio as per the recommendations of the Thorat group would give the realistic assessment. About the employment and Venture capital Fund initiative while there is some work to be done in the Government and the NABARD consultancy people also came and gave some ideas but to move forward on this he strongly recommend that a small little think

tank from SLBC consisting of 2-3 knowledgeable people be formed. If that group can be constituted they can prepare a paper and throw some ideas on this. The Chairman reminded that in a meeting with the Chief Minister some banks like SBI, PNB participated and said that they will come back with the ideas on the Venture Capital Funding for employment but nothing has happened. S o he advised that follow up action on that be taken.

Agenda Item No:71.15 (State ACP 2007-08)-

While deliberating on this agenda item the Chairman Convenor bank asked the representative of State Bank of India for his comments on the non-submission of DCP 2007-08 in respect of the Jammu, Samba, Doda, Ramban, Kishtwar and Kargil which are the districts where SBI has Lead Bank responsibility. Reacting to this the representative of SBI attributed the non-submission of the DCPs to the recent creation of the new districts without issuing relative notification for demarcation by the State Government. However, he assured the house that the same would be submitted within a fortnight. Thereafter the tentative Annual Credit Plan 2007-08 was taken on record.

While concluding the Chairman thanked the participants for their active participation and expressed the hope that they would take the desired action and sincerely contribute for actualizing the decisions to promote economic development and generate brighter employment opportunities. Thereafter he invited the participants to join for the working lunch hosted by the Convenor Bank.

SLBC)
DEPARTMENT

(M. S. Wani)
SENIOR EXECUTIVE MANAGER
J & K BANK LIMITED
(CONVENOR J & K
LEAD BANK

Corporate Headquarters
M. A. Road, Srinagar, Kashmir

List of Participants of 71st Meeting of J&K SLBC

<u>S.No.</u>	<u>Name</u>	<u>... Designation / Department....</u>
<u>Chairman</u>		
1.	Dr. Haseeb A. Drabu J&K Bank	... Chairman/ CEO
<u>Reserve Bank of India</u>		
2.	O. P. Aggarwal Director	... Regional
3.	M. L. Mahajan	... Deputy General Manager
4.	B. S. Katoes	... Assistant General Manager
5.	Anand Swaroop	... Research Officer
<u>NABARD</u>		
6.	P. N. Sarangal	... Deputy General Manager
<u>J& K Government/ Departments</u>		
7.	S. S. Kapoor. Planning & Development	... Financial Commissioner
8.	S.S. Sahni Commissioner Agriculture.	... Financial
9.	B. L. Nimesh Employment.	... Principal Secretary, Labour and
10.		B. B. Vyas Commissioner Secretary Finance
11.	Lokesh Jha Secretary I & C	... Commissioner
12.	M.S.Khan Rural Development Department	... Secretary

13. M. A. Bukhari ... Director, Rural Dev.
Deptt. (Kashmir)
14. Saleem Mohd ... D.C. Central o/o FC
Revenue Department
15. Mohammad Saleem Shisghar
... Additional Secretary Finance.
16. M.A.Wani ... Additional
Secretary Law Department..
17. Rashmi Kashyap
... Additional Secretary tourism.
18. Dr. G.N. Qasba ... Registrar Co-
operatives, J&K
19. M.Y.Dar
... Director Finance.
20. R.A.Qadri. ... Director Handicrafts.
J&K
21. V.C.Sharma ... Managing
Director, J&K, SC/ST/OBC
22. Gh. Hyder But
... Director, Agriculture, Kashmir
23. Vinod Bala Shama ... Director,
Agriculture, Jammu
24. Nirmal Sharma ... Director
Handlooms J&K
25. Dr. M.I.Parry ... Director, J&K EDI
26. Ab.Rashid Kuckiloo ... Joint Director
Industries.
27. A.K.Gupta ... Joint Director,
Industries & Commerce Deptt.
28. Basharat Ali ...
Dy. Director, Sericulture
29. R.C.Sharma ... Secretary & CEO,
J&K KVIB
30. A.D.Sheikh ... Dy. CEO, KVIB
31. Zaffar Ullah ... Project Officer,
DRDA, Baramulla
32. Rakesh Kumar Srangal ... Assistant Director,
Employment
33. M.M.Rafiqi ... Assistant Director,
KVIC
34. A.M.Zargar ... Assistant
Development Officer, KVIC
35. Akhtar Hussain
... Deptt. of Horticulture

36. Arshad Majid Butt
... Divisional Manager SC/ST/BC Dev. deptt.
37. F.A.Wani
... Manager J&K SIDCO

District Development Commissioners

38. G.N. Boda ... Distt.
Development Commissioner, Ganderbal
39. Ejaz Iqbal ... Distt.
Development Commissioner, Srinagar
40. M.A.Kakroo ... Distt.
Development Commissioner, Pulwama
41. Bashir Ahmad Bhat ... Additional
Deputy Commissioner Bandipora
42. Showkat Ahmed Beigh
... Additional Deputy Commissioner Kulgam

Convenor Bank (J&K Bank)

43. A. R. Fazali
... Executive Director,
44. N. A. Koul ... President
45. Ajit Singh ... President
46. M.A.Pandow
... Vice President
47. M.S.Wani ... Sr. Executive
Manager

Public Sector Banks

48. Surender Kumar ... ED NHB
49. L.S.Srivastava ... Dy. GM, Agri SBI LHO
Chandigrah
50. Ravi Gupta ... Assistant General
Manager SBI, Region 1 Sgr.
51. R. K. Koul ... Chief Manager,
Lead Bank, SBI, Z.O.Jammu
52. Mir Mushtaq ... Regional Manager
PNB Srinagar.
53. Vevik Arya ... Zonal Manager
PNB Srinagar
54. S.N.Chopra ... DGM OBC R O Asr
55. A.K.Nayar ... DGM, Canara
Bank
56. Tilak Raj ... Sr. Manager ,Allahabad
Bank

57. Ashish Pandotra ... Br.Manager ICICI
Bank
58. Rashpal Chander ... Manager UBI
Jammu
59. S.Krishnan ... Dy. Regional
Manager Dena Bank Delhi
60. Balraj Gupta ... AGM CBI Zonal
Office Chandigrah
61. Suresh Pal
... Br. Manager Vijaya Bank.
62. I. A. Dhar ... AVP.Br.Manager
UTI Bank Jammu.
63. J.P.Chander ... UBI Sgr.
64. K.K.Bharti. ...
Senior Manager, Union Bank of India
65. S. S. Shinde ... Sr. Manager, IOB
66. Parminder Singh ... Sr. Manager, P&S
Bank
67. D. K. Handoo
... Branch Manager, BOB
68. N. P. Singh ... Branch Manager,
BOI
69. R. K. Chanday ... Chief
Manager, BOI
70. Mr. Kushwaha ... Chief
Manager, Lead Bank, SBI, LHO Chandigarh

Regional Rural Banks

71. K. N. Sher ... Chairman, Jammu Rural
Bank
72. B.A.Lone ... Chairman, Kamraz
Rural Bank
73. Ahmad Ullah Tak ... Chairman, Ellaquai
Dehati Bank

Cooperative Banks

74. Chhattor Singh ... General Manager J. C.
C. Bank
75. Atta Mohd Nath ... General Manager
A. C. C. Bank
76. Manzoor Wani ... Manager Adv. B. M. C.
Bank
77. Mohd Farooq Thoker ...
General Manager, J&K SFC

78. F.A. Khan
J&KSCB

... General Manager

79 B.A.Lone

... DGM BCC Bank Ltd

SIDBI

80. R. C. Raina ...
AGM, SIDBI

IDBI

81. Aloke Sengupta ...
GM IDBI Ltd New Delhi.

Lead District Managers

82. T. K. Kokiloo ... Lead District Manager,
Rajouri & Poonch

83. N. A.. Kanth ... BDSM, Budgam

84. M. M. Fayaz ... BDSM, Pulwama

85. M. S. Wani ... BDSM, Baramulla

86. M. I. Wani ... BDSM, Anantnag

87. Mehraj-ud-din ...
BDSM, Kupwara

88. J. M. Rafique ... BDSM, Srinagar

89. A. H. Khan ... Asstt. Lead Bank
Officer, Srinagar

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