

***MINUTES OF 78TH MEETING OF SLBC (J&K)
HELD ON 11TH JANUARY 2010 AT JAMMU***

The 78th meeting of J&K State Level Bankers' Committee (SLBC) to review the performance of banks operating in J&K State for the half year ended September 2009 under ACP 2009-10 was held on 11th January 2010 at Jammu. The Hon'ble Finance Minister, J&K State, Jenab Abdul Rahim Rather, was the Chief Guest and presided over the said meeting. Dr. Haseeb A. Drabu, Chairman & CEO of J&K Bank (Convenors of J&K SLBC) steered the proceedings. Top functionaries of the Government administration and banks including Chief Secretary, Mr. S. S. Kapur, Principal Secretary (Industries & Commerce), Commissioner/ Secretary (Finance), Commissioner/ Secretary (Labour & Employment), Commissioner/ Secretary (Rural Development), Regional Director (J&K), Reserve Bank of India, Executive Directors of J&K Bank, senior officials of Reserve Bank of India, NABARD, various line departments and concerned development agencies and also senior level representatives of major member banks/ financial institutions operating in the State attended the meeting. The nodal officer of Government of India, Ministry of Finance and the representative of Reserve Bank of India, Central Office could not attend despite intimation on time due to their preoccupation. List of participants is enclosed as Annexure-A.

Dr. Haseeb A. Drabu alongwith the team of his senior colleagues received the Hon'ble Finance Minister and other dignitaries at the venue. Commencing the proceedings and at the outset Dr. Drabu extended a warm welcome to the distinguished Chief Guest, the Chief Secretary, invitees and other participants. He expressed immense pleasure to have the presence of Hon'ble Finance Minister to chair the SLBC meeting, which signifies his involvement and commitment to the development of the State and would immensely contribute for enhancing the efficacy of the forum for accelerating the pace of development. Thereafter, he gave a visual presentation before the house demonstrating a comprehensive and analytical overview of credit scenario of the State and highlighted the performance of banks under Annual Credit Plan 2009-10 during the H1 of CFY, based on the data furnished and analysis provided under agenda items 78.01 to 78.04, for reviewing the position. The glimpses of the presentation are captured as under:

Aggregative analysis:

Dr. Drabu stated that the total credit off-take in the State during H1 of CFY has been of the order of Rs.1, 674 Crore of which non-priority sector has received about Rs.526 Crore and almost double of that i.e. Rs.1148 Crore has gone to priority sector. Banks operating in the State have recorded aggregate credit flow of Rs.1148 Crore to priority sector during the H1 of CFY against the annual ACP target of Rs.2300 Crore for CFY for the State, which accounts for an achievement of about 50% in financial terms, which is better than the achievement of 44% during the corresponding period of the last year though in physical terms the achievement has been recorded at 38% only, which he said has been the persisting cause of concern.

Credit by sectors:

Comparing the performance of credit flow to priority sector on year-on-year basis (H1-09 and H1-10) Dr. Drabu highlighted that credit disbursement to agriculture sector has gone up from Rs.175 Crore to Rs.255 Crore, Credit to SMEs has slashed down from Rs.270 Crore to Rs.234 Crore, Micro Credit has gone up from Rs.71 Crore to Rs.96 Crore, Retail Trade has remained almost stagnant at Rs.211 Crore, Credit to Education sector gone up from Rs.22 Crore to Rs.31 Crore, but most noticeable was a major jump in Housing sector from Rs.77 Crore last year to Rs.321 Crore. He commented that the major

point emerging from this is that the SMEs sector has not performed well during the period under review, which he attributed mainly to the impact of global recession.

Giving the sector-wise performance of banks in credit to priority sector under ACP 2009-10 he stated that Agriculture sector has received Rs.255 Crore against the annual target of Rs.542 Crore, thereby recording an achievement of 47%. Under SMEs sector the achievement has been of the order of Rs.234 Crore against the annual target of Rs.759 Crore, thereby achieving 31%. Under Micro Credit sector banks have disbursed an amount of Rs.96 Crore against the annual target of Rs.351 Crore, thereby achieving just 27%. Retail Trade sector has recorded an achievement of 45% of annual target with a disbursement of Rs.211 Crore against ACP target of Rs.467 Crore. Under Education sector the achievement has been recorded at 46% with a disbursement of Rs.31 Crore against the ACP target of Rs.68 Crore. But the Housing sector with disbursement of Rs.321 Crore during the half-year has recorded an abrupt increase against the annual target of Rs.113 Crore thereby achieving 286%.

Intension versus reality of credit composition:

Commenting on what the intention was as per the targets and how the actual achievements have turned out during the period under review, Dr. Drabu stated that SMEs sector was intended to get 33% of credit but it has received 20% only, which indicates a problem under this sector. Retail Trade was supposed to get 15% of credit, whereas it has got 18%, which is satisfactory. He stated that slack under SMEs sector seems to have been picked up by housing sector, which was supposed to get 5% of credit, but has got almost 20% of credit during the H1 of CFY.

Ticket-size:

Dr. Drabu highlighted that the targeted ticket size target for Agriculture Sector was Rs.49000 per loan, but we actually disbursed Rs.94000 i.e. twice of the target. Small enterprises sector was having a ticket size target of Rs.4,12,000 but we have disbursed Rs.3,19,000, Micro credit sector was having ticket size target of Rs.1,70,000 whereas banks have disbursed Rs.1,45,000, Under Retail Trade sector against the ticket-size target of Rs.1,79,000 banks have disbursed Rs.2,02,000, under Education sector against the ticket size target of Rs.2,31,000, banks have disbursed about Rs.1,74,000 and under housing sector against a ticket size target of Rs.3,11000 banks have disbursed about Rs.2,08,000. This brings to the fore the real problem arising only in SMEs and Micro Credit sectors with glaring mismatch in ticket-size.

Credit by regions:

Dr. Drabu stated that during H1 of CFY under review Kashmir region has recorded an achievement of 57% of the priority sector target, which is above average whereas in Jammu region the performance has been lower at 44% which he attributed to the problems emerging under SMEs sector and Ladakh region has recorded an achievement of 43% of targets.

Highlighting region-wise/ sector-wise achievements, Dr. Drabu stated that in Kashmir region Agriculture sector has got Rs.160 Crore against Rs.94 Crore received by Agriculture in Jammu. Small Enterprises sector in Kashmir has received Rs.93 Crore against Rs.135 Crore by Jammu region and Ladakh region has received Rs.6.62 Crore. He stated that the main problem emerging is that SMEs in Jammu region has performed poorly during the period under review. He stated that in Kashmir region 50% of target in Agriculture sector has been achieved, in SMEs sector 34%, Micro credit 31%, Retail Trade 41% and Housing 412%. Whereas in Jammu only 44% of target has been achieved in Agriculture, 29% in SMEs, Micro Credit is much worse at 19%, Retail Trade is alright at 49%, 43% in Education and 230% in Housing sector. In Ladakh region achievement under Agriculture has been at

7%, Small enterprises 48%, Micro Credit at 87%, which is the best achievement, Retail Trade 54%, Education 7% and Housing 16%. He stated that performance under Agriculture sector in Ladakh region is the cause of concern.

Credit by institutions:

Presenting institution-wise analysis, Dr. Drabu stated that out of the total disbursements of credit in the State during H1-10 under review J&K Bank alone has disbursed Rs.775 Crore, thereby achieving 86% of the annual ACP target of Rs.902.38 Crore, which means J&K Bank is way above the target given to it for the full year. SBI has achieved 34% of the ACP target, PNB has achieved 26% of the ACP target, Other commercial banks together have achieved 17% of their annual target, Cooperative banks 32% of the target, RRBs 27% of the target and other FIs have achieved only 10% of the target. He highlighted that J&K Bank has disbursed Rs.775 Crore, the SBI Rs.103 Crore, and PNB Rs.51 Crore therefore, the gap between the J&K Bank and other major banks operating in the State is very obvious. Commenting on the credit sharing in the State, Dr. Drabu stated that 67% of the credit has been disbursed by J&K Bank alone, 8% by SBI, 4% by PNB, 7% by other commercial banks and 7% each by Cooperatives and RRBs as at the end of H1-10 under review.

Performance under Government Sponsored Schemes:

While commenting on the disbursement of credit under major sponsored schemes during H1 of CFY Dr. Drabu stated that SGSY has got Rs.12.46 Crore (achieving 21% of the target), PMEGP has got Rs.21.42 Crore (achieving 18% of target), JKSES Rs.14.21 Crore (achieving 14% of target), SJSRY Rs.1.35 Crore (achieving 13% of target) and SC/ST/OBC Rs.0.88 Crore (achieving 7% of target). He expressed his displeasure that the target achievement under sponsored schemes continues to be dismal and stressed the need to re-look the entire way the sponsored schemes are run in the State.

Dominating role of J&K Bank in credit to Priority Sector in J&K (glimpses of 2001 to 2009):

Presenting a comparative position of the credit scenario of J&K State, Dr. Drabu stated that remarkable progress is noticeable from 2001 to 2009 both in terms of volume of outstanding credit and the dominating contribution of J&K Bank. He highlighted that in 2001 the total outstanding bank credit under priority sector stood at Rs.1360 Crore out of which the share of J&K Bank alone was Rs.595 Crore (44%). In 2005 out of the total outstanding credit to priority sector of Rs.2657 Crore, the share of J&K Bank was Rs.1235 Crore (46%). In 2009 the total outstanding credit to priority sector rose to Rs.7298 Crore, out of which the share of J&K Bank stood at Rs.4345 Crore (60%). Dr. Drabu further stated that in the FY 2007-08 the outstanding credit to priority sector of J&K Bank stood at Rs.2,820 Crore thereby recording a growth of 43% in a single year and the pace has been continued in 2008-09 recording a growth of 54% by having increased the portfolio to Rs.4,345 Crore in the State.

The outstanding credit to agriculture sector of J&K Bank stood at Rs.493 Crore at the end of during 2007-08 recording a growth of 39% during one year, whereas during FY 2008-09 the outstanding credit under Agriculture of the bank rose to Rs.1131 Crore thereby recording an all time high growth rate of 129.5%. In other priority sector segments, the total advances of J&K Bank at the end of FY 2008-09 stood as; SMEs Rs.1255.26 Crore (growth 9.37%), Retail Trade Rs.1061.91 Crore (growth of 20.21%), Education sector Rs.69 Crore (growth 102.89%), Housing sector Rs.827.15 Crore (growth of 216.23%) and advances to weaker sections of the society Rs.1266.82 Crore (growth of 104%).

This makes the whole story very clear that the contribution of J&K Bank as the major player in J&K State is very visible and if excluded all other banks together fall short of the achievements of J&K Bank taken alone.

Credit Deposit Ratio (2001-2009):

Dr. Drabu giving the historical perspective of Credit Deposit Ratio in J&K State stated that in 2001 the total bank deposits in the State were at Rs.11,682 Crore, in 2004 it stood at Rs.16,903 Crore and in 2009 it has gone up to Rs.32,678 Crore. The total Advances in J&K State in 2001 stood at Rs.3,527 Crore, in 2004 Rs.5,908 Crore and in 2009 it has gone upto Rs.14,983 Crore, indicating a four-fold increase in 8 years. The overall CD Ratio in 2001 stood at 30%, in 2004 it was 34% and in 2009 it has gone up to 46%, which he said is a very healthy CD Ratio for any State.

As regards J&K Bank, the CD Ratio in 2001 stood at 35%, which has gone upto 53.% in 2009 with its advances going up from Rs.2295 Crore in 2001 to Rs.10256 Crore in 2009 and deposits having moved from Rs.6472 Crore in 2001 to Rs.19420 Crore in 2009.

Dr. Drabu highlighted that taking J&K Bank out of the picture the total deposits of the State (excluding J&K Bank) stood at Rs.5,210 Crore in 2001, Rs.7,589 Crore in 2004 and Rs.13,257 Crore in 2009 and the total advances stood at Rs.1,232 Crore in 2001, Rs.1,910 Crore in 2004 and Rs.4,726 Crore in 2009 thereby impacting the CD Ratio in the J&K State to slide down to 35.31% in 2009, which indicates the overwhelming presence of J&K Bank.

The C.D.Ratio of State Bank of India stood at 33.71% in 2008, which has slashed down to 29.75% in 2009. In case of Punjab National Bank CD Ratio in 2008 stood at 42.09%, which has slashed down to 35.63% in 2009. C.D.Ratio of RRBs stood at 32.77% and that of Cooperative Banks 39% in 2009.

Major observations:

Concluding the visual presentation Dr. Drabu made the observations as under:

- Credit Deposit Ratio at Rs.46.70% needs further improvement
- Credit to Agricultural sector which stood at 11.52% against the benchmark of 18% was poor;
- Credit under DRI at Rs.0.01% was poor;
- Advances to women at 2.86% was unsatisfactory as against the benchmark of 5%.

(Action: All member banks/ financial institutions)

Speech by the Hon'ble Finance Minister, Jenab Abdul Rahim Rather:

The Hon'ble Finance Minister, Jenab Abdul Rahim Rather, while addressing the house expressed pleasure to be in the SLBC meeting with the banking fraternity for the second time during the current financial year to review the working of the banks. He stated that although the banks are trying their best to contribute their might towards the economic development of J&K State but there is scope for lot of improvement. He observed that a study of the agenda papers has revealed that there are certain gray areas, which he would like to deliberate in the house in detail, and expressed the hope that the decisions emerging thereafter from this meeting would be implemented in letter and spirit.

Recalling the comments of Dr. Drabu during deliberations in the last Special SLBC meeting on the theme of Government Sponsored Schemes held on 20th October 2009 at SKICC Srinagar, that "the State accounted for 0.70% of country's GDP yet it was absorbing only 0.30% of the total national bank credit", the Hon'ble Finance Minister pointed out that there is huge scope for banks to enhance their credit disbursement in the State.

Referring to the agenda papers of the 78th SLBC meeting, the Hon'ble Finance Minister stated that while in Agriculture 47% of the targets have been met in first six months of the CFY, in Crop loan and Micro Credit sectors the achievements are just 28% and 27% respectively. He stated that advances

under agriculture sector included crop loans only to the extent of 28% in financial terms, which was quite disturbing. He also pointed out that some of the districts that are predominantly agriculture based have received lesser credit as compared to the districts that are more urbanized. He stated that Priority Sector lending has recorded an achievement of 50%, but pointed out that this has been due to the huge loaning made by the banks under housing sector where banks have exceeded their targets in almost all the districts except Kulgam and Kupwara. He stated that out of 15,438 accounts serviced 5,415 accounts are from Srinagar district, which works out to 35.24% of the total lending in housing sector. It is not clear whether the targets for Housing Sector were set thoughtfully. This aspect of the matter needs to be dispassionately gone into because Housing cannot be prioritized further within the priority sector except of course to the extent which meets the genuine needs of the urban poor particularly under approved Government schemes like I.S.H.U.P. He advised the banks with emphasis to ensure that the lending to this sector should not encourage violation of the master plan.

The Hon'ble Finance Minister stated that credit disbursement under the various Government sponsored schemes is a matter of major concern. Unless banks show the desired level of inclination for liberal funding, we would continue to elude the poor and the needy. He desired that 78th SLBC should devote enough time to work out a strategy for making these schemes popular and successful.

The Hon'ble Finance Minister expressed concern that in the first six months of the CFY credit deposit ratio of the State has come down from 49.84% as on Sept.2008 to 46.70% as on Sept. 2009, which he said is quite disturbing in view that the period under review has been peaceful in the State compared to 2008 and banks should have shown substantial improvement in their advances to obtain improved CD Ratio. This needs to be pondered over. While the J&K Bank has continued to maintain lead however, its CD Ratio too has shown decline from 59% to 56%.

The Hon'ble Finance Minister pointed out that J&K Bank accounts for about 70% of aggregate credit in the State, which indicates that other banks operating in the State have not been able to utilize the available space for credit expansion. He stressed the need that all the banks should concentrate on agriculture lending to lift the present level of aggregate credit from 11.52% to the national benchmark of 18%. Commenting on the strategies worked out by NABARD and J&K Grameen Bank for improving performance by banks under KCC Scheme, the Hon'ble Finance Minister stated that these strategies be implemented in letter and spirit. Regarding the suggestion that all crop loans disbursed by banks be covered under KCC Scheme, he stated that this would help the banks to use their outreach to cover 37.53 lakh workers under the scheme by launching a time-bound special campaign involving banks, State Government machinery, Panchayat Raj institutions, and the civil society. He stressed that Agriculture Department needs to work in close liaison with the banks to make fertilizers, seeds and pesticides available in time, so that farmers are able to avail these loans through KCCs.

Regarding flow of credit to Micro, Small and Medium Enterprises, and the implementation of the IBA package in J&K State, the Hon'ble Finance Minister stated that the position also needs to be monitored in the Government on regular basis through the Directors of Industries and Commerce, so that the Government remains assured that the flow of funds makes MSMEs a vibrant sector.

He stressed the need that RBI directions to Lead Districts Managers for constituting Sub-Committees of District Level Review Committees to draw up a road map by March 2010 for providing banking services in each village with a population of over 2000 with the direction for putting in place a monitoring mechanism indicated in RBI guidelines need to be implemented in letter and spirit.

Concluding his address, the Hon'ble Finance Minister stated that the Agriculture offers a tangible opportunity for financial inclusion. SLBC offers a forum to discuss ways and means to help make State's economy strong and vibrant. There is no doubt that banks alone cannot achieve any milestone without the coordination and support of the States Government machinery. Therefore, he impressed upon the Government functionaries attending the meeting and the departments and agencies represented in the forum to coordinate with the banks in their efforts aimed at development of the State. He concluded with the remarks that despite some inadequacies, banks in the State have remained steadfast in their endeavour to make a strong and vibrant J&K State.

Thereafter, Dr. Drabu piloted itemized discussions on the agenda as under:

Confirmation of the minutes of 77th meeting of J&K SLBC held on 20th October 2010 at Srinagar:

As no amendments were received from any members to the minutes of the 77th SLBC meeting held on 20.10.2009, circulated vide Ref. No. LBD/SLBC-77/2009-235 dated 16.11.2009 and also webcast on www.jkslbc.com were confirmed by the house.

**Follow-up on the decisions taken in the earlier SLBC meetings (outstanding issues):
Registration of Equitable Mortgage:**

Dr. Drabu sought progress on the issue from the Government. Reacting to this, the Secretary Law, J&K Government, stated that the issue has been taken up with the Revenue Department who were required to issue the notification under Section 9.

The Hon'ble Finance Minister stated that there is no representative from the Revenue Department available in the meeting and enquired whether they have been invited to the meeting. Dr. Drabu replied that invitation has been duly sent to all the members including the Secretary Revenue Department but he has not attended.

The Hon'ble Finance Minister advised that it should be ascertained that why the representative of Revenue Department has not attended the meeting despite timely invitation. The Revenue department should also be advised to report progress in the matter.

(Action: J&K Government, Revenue Department)

Setting up of Rural Self Employment Training Institutes (RSETIs) in J&K:

Dr. Drabu informed that J&K Bank has established and secured registration of the Society under the name of "J&K Bank Rural Self Employment Training Institutes Society (JKBRSETIs Society) to own, establish and run the JKBRSETIs in J&K State. As per its commitment to SLBC, J&K Bank has already initiated action for making the arrangements to open 5 JKBRSETIs in the leased premises for the time being at the centers assigned to it. The J&K Government has been requested to allot land for construction of buildings for the said JKBRSETIs in the 12 lead districts of J&K Bank and also the Ministry of Rural Development, GoI have been approached for release of one-time grant assistance of Rs.1.00 Crore each for all the JKBRSETIs. He sought progress from the Government on the issue of allotment of land for the purpose.

State Bank of India representative stated that arrangements are under way for activating two RSETIs in Samba and Udhampur very soon.

The Chief Secretary, J&K, Mr. S. S. Kapoor, informed that State Bank of India had also approached him for allotment of land for their two proposed RSETIs at Udhampur and Samba. He stated that in

order to fast track the setting up of RSETIs in J&K State he has fixed a meeting on 18th January 2010 at Civil Secretariat to personally monitor the progress and obtain the status report from the Rural Development Department and the concerned banks and expressed the hope that some concrete, positive and forward looking decisions will be taken in the said meeting.

(Action: J&K Government-Chief Secretary/J&K Bank/SBI)

PM's new 15 point programme for the welfare of minorities- Earmarking of targets for 2009-10 under schemes of various ministries / departments.

Dr. Drabu stated that the issue was raised in the last SLBC meeting that whatever banks lend in Kashmir that should have been considered as lending to minorities in the national perspective, but it is not being considered so in view that Muslims being a majority in J&K State are not treated as a minority. Similarly bank lending in Jammu too is not being considered as lending to minority in view of the fact that Hindus being a national majority. Hence, only Ladakhis practically count as minorities in the J&K State and as such Reserve Bank of India was requested to clarify the position.

Reacting to this the Regional Director, Reserve Bank of India clarified that RBI has already issued a circular in this regard wherein it has been amply made clear that “in the states of J&K, Punjab, Sikkim, Mizoram, Nagaland and Lakshadweep where one of the minority communities notified is in majority, the lending to minorities will cover only the other notified minorities and accordingly in J&K State both Muslim and Hindu communities shall not be considered as minorities for the purpose and only the other notified minorities like Christians, Budhists, Sikhs and Zorastrians shall be considered as minorities which he stated should be taken as a guideline for lending to minorities. Responding to a query of Dr.Drabu regarding possibility of any relaxation in these norms for J&K, the Regional Director stated that no such relaxations are available for J&K State.

Hon’ble Finance Minister enquired whether the Reserve Bank of India has considered this issue, to which the Regional Director, RBI replied that RBI has issued these guidelines through the circular which has no scope for any re-consideration.

Report on the matters referred to various sub-committees of J&K SLBC:

Legislation on SARFAESI Act:

Dr. Drabu stated that there are a number of matters that had been referred to various sub-committees of SLBC for being sorted out and resolved. One of the most important matters that has been engaging the attention of the SLBC is the applicability of SARFAESI Act in J&K State. He pointed out that five SLBCs have passed but there has been no positive action from the State Government. The issue was referred to Law Department for examination, then to the finance department, and subsequently J&K Bank was asked to prepare a draft legislation, which we did, but nothing has happened.

Reacting to it, the Chief Secretary stated that he discussed the matter in a meeting and it was observed that there is a difficulty so far as the applicability of this act to J&K is concerned. In fact there is a writ petition pending in the Hon’ble High Court of J&K where the J&K Government has been asked to take its position viz-a-viz that law. It has been observed that this act transgresses certain constitutional and other provisions of law as it was involving affairs relating to land management in J&K. He stated that certain provisions of that Act, which are objectionable from that perspective, have been identified and subsequently the Cabinet has taken a stand for the State Government. Two arguments were given, one was to challenge the law itself in the court of law and the second was to make certain amendments in the law consistent with the legal and constitutional status of Jammu and Kashmir. He informed that

in the meeting chaired by the Hon'ble Law Minister, in which the Finance Department also participated at the level of the Additional Secretary a proposition was given to take up the matter with the Government of India to persuade them to bring the law consistent with the constitution of J&K.

The Senior President, J&K Bank, Mr. Ajit Singh informed that the case is fixed for hearing in the Hon'ble High Court on 8th of February 2010.

Dr. Drabu stated that while Government can take its view on constitutional matters, the fact remains that banks are stuck up with impaired assets, which is a concern for all banks operating in the State, so it had been suggested that till such time the Government of India will change the law, why doesn't the State Government come up with its own legislation along the lines of SARFAESI Act.

The Chief Secretary while agreeing in full with the contention of Dr. Drabu, stated that from bankers' perspective the issue is that absence of this act gives rise to non-performing assets thereby sending a bad signal so far as bankers' ability to lend is concerned. Stressing that law department needs to prepare legislation, the Chief Secretary requested Hon'ble Finance Minister to take a view in this regard in the budget session to address the concern of the banks. The Hon'ble Finance Minister agreed that the issue is long overdue now and assured to decide upon it in the budget session.

(Action: J&K Government, Finance Department)

Chalking out the modalities for speedy disposal of the cases of small artisans and weavers:

On being asked by Dr. Drabu to report progress in the matter the President (A&AP), J&K Bank, Mr Parvez Ahmad who was heading the Sub-group formed in the 77th SLBC meeting to workout modalities for speedy disposal of the cases of small artisans and weavers, informed that recommendations have been submitted to the SLBC for consideration, which are as under:

- 1) **Revisit & reviewing the loaning scheme to small artisans/ weavers including Rate of Interest charged**
 - The State Government may consider certain modifications in the Scheme in parity with other Government sponsored schemes and consider providing capital subsidy and margin money to this Scheme also to make it attractive.
 - The State Government may consider simplification of the Scheme so as to parameterize it for Artisans Credit Card (ACC). The integration of the two schemes in this manner into one will render it easily accessible for utilization by the Artisans/ weavers community and will facilitate flow of credit and coverage.
 - Banks should ensure that all fresh loan cases of artisans/ weavers are covered under Credit Guarantee Fund Trust for MSEs and should not ask for any collaterals or guarantees from the beneficiaries. The premium money provided by Ministry of Textiles, Government of India in advance to CGFT for MSEs for coverage of such loans be utilized by MLIs/ banks as per the eligibility under the Scheme so as to secure such loans while providing hassle free financial assistance to the artisans/ weavers community without obtaining any collaterals/guarantees.
 - The procedures and formalities for extending credit facilities to the artisans/ weavers should be simplified by banks and rendered easy for being completed by the beneficiaries.
 - The loan facilities of very small artisans/ weavers fulfilling the eligibility criteria should be covered under Differential Rate of Interest (DRI) Scheme attracting concessional interest rate of 4% and should be sponsored accordingly by the concerned sponsoring departments mentioning such eligibility.
 - As far as possible banks should consider lowest and uniform interest rates to be levied on the loans cases of artisans/ weavers.

- Banks should extend finance under the Scheme for inventory holding or bills discounting as well so as to relieve the artisans/ weavers community from the pressures on demand under the prevailing economic slow down.

2) **Artisans Credit Card**

- Registration process involved in issuance of Artisans Credit Card (ACC) should be liberalized and simplified by Govt. Handicrafts Department/ Sponsoring agencies.
- The ACC Scheme should be modified to include the features of Kissan Credit Card (KCC) and General Purpose Credit Card (GCC) to make it more attractive.
- The benefits of stock insurance as well as health insurance should be extended to the beneficiaries of ACC at lowest possible expenses.
- All the concerned agencies like J&K Handicrafts Department, NABARD, Development Commissioner, Handicrafts (GoI) as well as banks need to take all requisite initiatives to popularize the ACC Scheme among the artisans/ weavers both jointly and severally and coordinate with one another in this regard.
- Financial Inclusion programme should also focus on and promote the Artisans Credit Card Scheme since ACC is also aimed at reaching out and inclusion of the artisans/ weavers community.
- The Artisans Credit Card (ACC) Scheme should be considered to be parameterized and operated through a Technology Debit/ Bio-metric Card and the banks should study and evaluate the viability of introducing the benefits of technology for the said purpose.

3) **Speedy disposal of cases:**

- To improve the performance of banks in extending credit to artisans/ weavers' schemes the quality of identification of the beneficiaries should be improved and the process of sponsorship should be regulated efficiently and expedited. The sponsorship of cases should be in line with the targets fixed under ACP.
- Flow of sponsorship of cases should be gradual and evenly distributed throughout the year leaving enough scope for the banks to process these cases.
- The specific time frame fixed for sponsorship of the cases to the banks as well as for disposal of these cases by the banks should be strictly adhered to. There should be proper accountability for inordinate delays to enforce discipline in the system and ensure time-bound achievements.
- Banks while simplifying the procedure should not insist on the formalities of asking for bills for the release of loan components upto Rs.25000/- and such small loan components should be directly credited to the accounts of the beneficiaries for onward procurement and utilization certificate (U.C.) to support the same be provided by Handicrafts department/ sponsoring agency on verification.
- Banks should consider with an open mind the requests for restructuring / re-schedulement of the existing loans of the artisans/ weavers in deserving cases impacted by recession and other genuine factors beyond their control in keeping with the spirit of the guidelines issued by Reserve Bank of India and provide justified concessions.
- The Development Commissioner (Handicrafts), GoI be associated and involved to play a meaningful role in promoting the sector and extending centralized schemes for coverage of Artisans/ Weavers community in the State.

During the discussions it was observed that CGFTSMEs scheme was not attractive for banks and needs review and modifications for simplification of claims procedure and waiver of the condition of filing of suit against the defaulter borrower before lodging the claims. Thereafter, the President (A&AP) J&K Bank requested the house to set up a group for ensuring implementation of these

recommendations, which shall have to report progress on implementation of these recommendations regularly to SLBC.

Dr. Drabu sought views of other members of the Sub-group on these recommendations:

Reacting to this, the DGM, PNB Mr. R.C.Koul stated that though just one meeting of the group was held without sufficient prior notice but very fruitful recommendations have been made.

DGM, SBI, Mr. K. K. Iyer as well as the DGM NABARD stated that the issue was discussed at length in the meetings of the Sub-group and the recommendations were made after due consideration. The Director, Handicrafts Department also expressed his agreement with the recommendations of the Sub-group and stated that he had sent his two senior officers for participation in the meetings of the group as he was busy with the India International Trade fair.

It was thought expedient to set up a small group, which will work for implementation of these recommendations. Dr. Drabu advised that the group will take the business very seriously to serve the intended purpose. The Chief Secretary suggested that since the issue pertains to the weavers/ artisans, it would be feasible to associate Directors of Handicrafts and Handlooms with the said group in order to make it more effective.

The Hon'ble Finance Minister, J&K State also expressed his agreement with the views of the Chief Secretary and desired to include the Directors of Handicrafts and Handlooms in the group so that there is no communication gap. He advised that meeting of the group should be held urgently to discuss all the related issues.

Mr. Wani, Vice President, J&K Bank/ SLBC stressed the need that participation of the members in the meetings of the said group should be at a senior level in order to ensure fruitful and result oriented deliberations.

The Hon'ble Finance Minister, advised that whosoever is a member of the group has a duty to attend the meetings personally and take the issue very seriously. The Director Handicrafts assured that he will attend the meetings of the group personally.

Accordingly, the house decided to set up a Sub-group headed by President (A&AP), J&K Bank and comprising of Vice Presidents (Territorial), J&K Bank Zonal Office Kashmir (Central) and Zonal Office Kashmir (South), Director Handicrafts, J&K Govt., and Director Handlooms, J&K Govt. to oversee and monitor implementation of the aforesaid recommendations and report progress to SLBC regularly on quarterly basis.

SIDBI may consider a review and modification of CGFTSMEs as suggested.

(Action: SIDBI/ Lead Bank Deptt., J&K Bank / other members)

Agenda Items No: 78.01 – 78.04:

Dr. Drabu said that although almost all the data part has been already covered under the Power Point Presentation placed before the house, yet he sought views of the members regarding performance of banks during the H1 of CFY.

The DGM, PNB was doubted the data submitted by his office and included in the agenda papers. He was advised to set his own house in order for data reporting to SLBC rather than blaming the SLBC Secretariat.

Dr. Drabu reiterated that the member banks should ensure to upload their respective data on the SLBC website themselves after proper scrutiny in order to avoid such doubts.

Agenda Item No.78.02

Credit under Government Sponsored Schemes:

Dr. Drabu expressed concern that performance under Government Sponsored Schemes has been as usual very dismal. He attributed this position to the fact that banks feel difficulties in lending to this segment because of the growing tendency of NPA under the sponsored schemes. The Chief Secretary recalling the deliberations of the Special SLBC meeting on Government Sponsored Schemes held on 20.10.2009 at SKICC Srinagar chaired by the Hon'ble Chief Minister stated that having observed that the quality of sponsorship has not been good as such a decision was taken that banks would be empowered to select/ identify the beneficiaries under various Government sponsored schemes and the district level Task Forces would be having no objection to it. Thereafter, Dr. Drabu read out the text of the recommendation that was made on the issue in the Special SLBC meeting on Government Sponsored Schemes that **“Banks will be given greater role in the process of selection of candidates for taking up Self Employment Ventures and accordingly the major banks operating in the districts shall be included as members of the Selection Committees, which should be of a fairly senior level to improve quality of beneficiaries and ensure sponsoring of bankable and viable cases”**.

The Chief Secretary advised SLBC to follow-up the issue for implementation and report progress in the next meeting so that the decision once taken is implemented.

(Action: SLBC/ LDMs)

Agenda Item No.78.04

Credit sharing of major players in J&K State:

Dr. Drabu pointed out that SBI has mobilized deposits of Rs.5,000 Crore in J&K but their performance in lending in the State by having advanced at Rs.1400 Crore is very dismal. Similarly Punjab National Bank has deposits of Rs.2,300 Crore in the State but their advances figure was as low as Rs.700 Crore. He remarked that 69% of the lending in J&K State has been done by the J&K Bank alone. He desired to know the reasons for low credit off-take by SBI, PNB and other banks operating in the State.

Reacting to this, the DGM, SBI confirmed that of course their credit off-take is very low in the State and said that they have taken cognizance of this situation that areas like agriculture and retail trade have not been doing very well. Hence they have called a specialist team from the Rural Development Institute, which will study all the Agriculture Development branches of the bank in the State and analyze the causes for low credit off-take in J&K State and suggest measures to restructure the credit dispensation to improve performance.

The Hon'ble Finance Minister pointed out that the Credit Deposit Ratio of all other banks performing here has been quite disturbing. Expressing his grave concern that banks are mobilizing deposits in J&K State and invest these funds elsewhere, he stated that it was not fair. Under these circumstances he wondered what would be the fate of State's economy in case the people of the State had to rely on just one single bank, i.e. J&K Bank. He impressed upon the banks operating in the State to come forward and divulge the difficulties they are facing in lending in J&K State, so that in case they have really any specific problems, these could be resolved through the Government intervention. Stating that the Government of India is very concerned about the problems in J&K State, the Hon'ble Finance Minister strictly advised all the banks operating in the State to increase their lending in the State and

said that in the next SLBC meeting there should be significant progress by all the banks operating here otherwise there is no use of having all these banks operating here.

Dr. Drabu stated that in most of J&K Bank branches the Credit Deposit Ratio is above 68% and somewhere above 100%, whereas under the RBI regulations, J&K Bank cannot go beyond 60% to 65% of CD Ratio. He stressed that some amount of active lending by other banks would be needed. For this purpose he offered to go for consortium lending in case some other banks were ready for it with J&K Bank.

Agenda Item No: 78.05

Kissan Credit Card Scheme:

DGM, PNB pointed out that Agriculture Department has not been sponsoring any cases under KCC and stated that what ever PNB has done, it has been done of their own.

Reacting to this, the Director Agriculture clarified that KCC is not a Government Sponsored scheme. He pointed out that till date 7000 cases have been sponsored by Agriculture Department which are pending with different bank branches and KCCs are yet to be issued by the banks. He informed that Agriculture Department has issued a pamphlet mentioning therein each and every aspect of the KCC Scheme for the benefit of farmers.

Dr. Drabu stated that it has been made amply clear already that KCC is not a Government-sponsored scheme.

On being asked by the Commissioner/ Secretary Finance, to give details of the initiative of NABARD on KCC Scheme, the DGM, NABARD stated that NABARD has held workshop on 30.10.2010 wherein a number of measures were suggested in order to increase the coverage and enhance performance of the banks on implementation of the KCC Scheme. It has been clarified in the workshop that KCC is not a Government Sponsored programme and there is no need for any sponsorship under this scheme. He stated that the details of the suggested measures on the issue provided by NABARD to the SLBC office have been included in the agenda for consideration.

Responding to the query of Dr. Drabu regarding conditions under KCC Scheme, Mr. Wani, Vice President, J&K Bank/ SLBC reminded the deliberations of last SLBC meeting wherein the whole issue was amply clarified that there should be no insistence on producing land records for issuance of the KCC to the farmers in terms of relaxations in the revised guidelines which contemplate extending coverage even of the marginal farmers and sharecroppers under the KCC Scheme. Mr. Wani pointed out that the farmers are reportedly facing serious problems in obtaining the Panchayat Certificate or any documentary proof to be provided to banks to ascertain their identity and requested the Government to address the issue by strengthening the Panchayat System in J&K State.

The Chief Secretary refuted that proof of identification was any serious issue by responding that about 13 lakh Voter Identity Cards have been issued to the people in J&K State and there is no complaint on that account. He stated that the KCC Scheme has not picked up in J&K State for various other reasons and stressed the need for devising a concrete action plan for ensuring better performance on KCC Scheme in the State, which he said could be assigned to a NABARD led group. He desired that a meeting of the group should be arranged for specifically addressing the issue of KCC Scheme so as to devise a concrete action plan for implementation in the State with a view to increase performance under the scheme.

After threadbare deliberations it was decided that Convenor Bank shall take measures for convening a theme based SLBC specifically to discuss the KCC issue, so as to ensure that the scheme is successfully implemented in the State and substantial progress achieved.

(Action: Convenor Bank)

Agenda Item No: 78.06

Self Help Group Scheme:

Initiating deliberations on the issue Dr. Drabu expressed concern that the performance under SHG Scheme has not been upto the desired level. He stated that previously PNB used to top the list of performing banks under SHG Scheme and we used to talk about learning from PNB but as of now both PNB and SBI are lagging behind so far as the performance under SHGs is concerned. He desired to know the reasons for the same.

Reacting to this the DGM, PNB stated that they have formed some SHGs but it takes 5-6 months for the group to be able for credit linkage, that is why the progress as of now is not substantial.

DGM, SBI stated that a very large number of SHGs loans had gone bad and after the last SLBC we have restarted formation of SHGs and have started linking them.

Joining deliberations on the issue, the Chief Secretary, J&K Govt. stated that the feedback from J&K State has been contrary to the national experience. He advised that banks need to improve performance under SHG Scheme in J&K and in case they face any difficulties and require any help from the State administration, they should inform the Government in this regard and assured that the Government will be more than happy to extend that help.

(Action: Member banks)

Agenda Item No: 78.07

Review of position as per key indicators for monitoring flow of credit in J&K State:

Observing that the performance of banks in lending to agriculture sector in J&K State was dismal, the Hon'ble Finance Minister remarked that if the performance continues to be less than the national benchmark it would surely be disastrous for the State. He stressed that banks need to focus on agricultural lending in order to serve their own interests of profitability by reducing the deficit of contributing to RIDF as well as to improve the economic condition of the State.

Dr. Drabu clarified that J&K Bank had substantially improved lending to agriculture as the outstanding credit has gone up from Rs.492 Crore in March 2008 to Rs.1264 Crore in Sept 2009 thereby registering a growth of 157%. He said that as against the RBI directive of 18% benchmark, the banks in J&K State were at mere 8% earlier but now they are closing in by having raised it to 12%. He however, pointed out that major part of this lending is absorbed by Horticulture sector in which there are usually no term loans, but only cash credit type facilities, which tend to get adjusted with realization of sale proceeds of fruit upto March. He, therefore, stressed the need for diversification of the agricultural lending in the State from the State Government's policy perspective. He stated that the problem is that there is no absorption capacities under agricultural lending and to address these aspects there is need to set up a group to look into the whole issue and ascertain what are the options to lend under agriculture so as to ensure achievement of the national benchmark of 18% in J&K State.

The Hon'ble Finance Minister remarked that given the fact that last year JK Bank's agriculture lending was just Rs.492 Crore which has been raised to Rs.1264 Crore this year makes it manifest that there is a lot of scope for lending under agriculture sector in the state. He advised the banks to improve the lending to agriculture.

Mr. Wani, Vice President, SLBC stated that almost six districts of the J&K State are having low potential for cultivation of crops thereby providing least scope for up scaling credit to agriculture.

Dr. Drabu stated that Kashmir Central Zone of J&K Bank had more than Rs.380 Crore of sanctioned limits, which are not being availed. So there is a genuine problem, which is happening this year resulting that the credit off-take is very low. He further stated that in Kupwara and Bandipora districts no agricultural activity is taking place and even in Rajouri district there is nothing except some trading activities going on. Referring to the observations of the Hon'ble Finance Minister made earlier regarding huge lending of banks under Housing Sector, Dr. Drabu stated that Housing Sector lending does not mean that banks are financing large buildings, but it is the usual financing under housing sector as classified by the RBI.

Summing up deliberations on the issue, the Hon'ble Finance Minister emphasized the need that banks should focus on achieving both the financial as well as the physical targets under agriculture sector so as to ensure better performance in lending under agricultural sector and simultaneously ensuring coverage of maximum number of farmers.

(Action: All Member Banks/Financial Institutions)

Agenda Item No: 78.08

Credit delivery to Micro, Small and Medium Enterprises (MSMEs):

Holding of monthly special meetings of J&K SLBC to review the position:

Dr. Drabu informed the house that in compliance with the Government of India/ RBI guidelines the special monthly meeting of J&KSLBC on MSMEs to monitor and review flow of credit to MSMEs sector and to oversee the resolution of credit issues are being held regularly as per the prescribed schedule. He stated that the last such meeting was held on 20th of October 2009 and the minutes thereof have been circulated to all the members of the SLBC for information and desired action.

Progress / status of implementation of IBA package on MSMEs sector as on 31.10.2009:

Dr. Drabu informed that in terms of RBI liberalized guidelines on restructuring, the banks operating in J&K State have up to ending October, 2009 restructured 4,431 accounts of MSMEs, involving an amount of Rs.235.96 Crore, most of which having been done by the J&K Bank. He sought views of other banks on the status of the accounts, which have been restructured so far, whether these accounts are performing or slipping to non-performing assets.

Responding to this, the DGM, PNB informed that all the accounts that have been restructured by the bank are doing well. However, the DGM, SBI stated that their experience is contrary to it.

The President (A&AP) of J&K Bank stated that almost all the accounts that have been restructured by J&K Bank as per this package have been doing well barring a few cases, where there is a real trouble, which is being looked into.

Dr. Drabu stated that SMEs sector has been registering a negative growth although previously this sector was considered as a growing sector. We have seen a large number of SMEs having shut down their business. He pointed out that the K.C. Chakraborty Working Group constituted by RBI had among other things recommended that State Governments must be encouraged to provide land for setting up MSMEs on a concessional rate of 50% but contrary to it the State Government has increased the premium rates, so the Government's own policies are coming in the way.

Mr. M. S. Wani, Vice-President, J&K Bank/ SLBC joining deliberations on the issue invited the attention to the discrepancy that a uniform rate of land has been fixed across all geographies and the

Chakraborty Working Group gives a relief of 50% in the rates on allotment of land to the SMEs entrepreneurs. In view of this the representative organizations of SME's have been demanding the relief stating that in case of Lassipora Pulwama the Government rates are actually twice more than the actual market rate there. He therefore, requested that the same needs to be rationalized by the Government.

The Principal Secretary, Industries & Commerce Department, J&K Government stated that the cost of land had been raised by the Government from Rs.1.00 lakh to Rs.2.00 lakh in cases of the land upto 4 kanals and Rs.3.00 lakh in case of the land above 4 kanals. He stated that since the decision to this effect had been taken by the Industries and Commerce Department without consulting Finance Department so the said decision is being revisited and the matter will be sorted out in consultation with the Finance Department.

(Action: J&K Govt. Industries & Commerce Dept.)

Hon'ble Finance Minister desired to know whether the negative growth under SMEs sector has been due to the increase in the land costs by the state Government. The Principal Secretary, Industries and Commerce replied that the increase in the cost of land was not that much as would have been unaffordable by the SMEs entrepreneurs or would impact the growth in any significant manner.

The Director, MSMEs Development Institute joining deliberations on the issue emphasized the need for generating adequate awareness regarding all schemes relating to MSMEs, whether it is the coverage of the loan cases under Credit Guarantee Trust Fund Scheme or the Credit Card facility or any other scheme. He requested that whenever any scheme is launched, a system should be put in place for generating the awareness about the same so as to ensure that the scheme becomes successful.

Expressing agreement with the same, the Regional Director, RBI stated that it was very essential to generate such awareness about the scheme by holding awareness camps on regular basis.

(Action: Government I&C Dept/ RBI/ SIDBI/ NABARD)

Agenda Item No: 78.09

Coverage of un-banked/ under-banked areas of J&K State:

Dr. Drabu stated that five blocks of the State have been identified as completely un-banked, viz. Pehloo, Nangsani, Wadwan, Duggan and Gundana. J&K Bank is doing three of them, J&K Grameen Bank is doing Duggan and the other block of Gundana has been allocated to EDB. He sought the status on the decisions taken in the last meeting regarding coverage of un-banked blocks of J&K State.

Mr. Wani, Vice President, J&K Bank/ SLBC, giving status on the issue stated that although the licenses for these un-banked blocks were assured to be considered outside the expansion plan yet J&K Bank has been excluded for the relaxation under the new RBI licensing policy liberalizing the whole licensing regime on certain parameters. He further stated that although J&K Bank has since applied to RBI for these licenses but the same have not been issued and we are asked to first comply with certain conditions. Hence, J&K Bank is facing difficulties as far as obtaining these licenses is concerned which is withholding to proceed for coverage of the unbanked blocks. Regarding Block Duggan allocated to J&K Grameen Bank, Mr. Wani informed that J&K Grameen Bank has already submitted the application to RBI for license through NABARD and the same has been also cleared by the Empowered Committee on RRBs so he expressed the hope that the license for opening of a branch in Block Duggan will be issued soon.

Chairman, EDB giving status on the issue stated that EDB has already submitted the application for license for the branch in Gundana Block. He, however, pointed out that they have surveyed Gundana

area for the purpose and found that opening a branch at Gundana Headquarter will not be viable. He further stated that EDB is soon submitting the case for opening a branch in a village near village Jodhpur falling in Gundana Block.

The Regional Director, RBI stated that RRBs have to forward their applications for obtaining branch licenses through NABARD. If they have already done so, NABARD will forward the same to RBI and the same will be cleared thereafter.

Responding to the question of the Hon'ble Finance Minister regarding the fate of licenses in respect of J&K Bank for opening branches in the un-banked blocks, the Regional Director, RBI stated that RBI will have to seek prior permission from the Central Office, Mumbai. He stated that he will be moving to Mumbai shortly and will take up the issue with the Central Office, Mumbai and have it resolved.

(Action: Reserve Bank of India)

The DGM, PNB submitted that they intend to open a couple of branches in J&K State but they have been told that if the population of the concerned areas is 50,000, the branches could be opened without seeking any RBI licenses. He desired to know whether PNB should go ahead with opening these branches.

The Regional Director, RBI clarified that the restriction applied to J&K Bank only and all other banks have no restriction. He clarified that for all Tier-III to Tier-VI cities and for Semi-urban, rural and urban branches in northeast and Sikkim, banks can go ahead without obtaining any license from RBI.

Agenda Item No. 78.10.

Credit Deposit Ratio – implementation of the recommendations of the Expert Group on CD

Ratio:

It was observed that the issue of Credit Deposit Ratio was fully covered earlier in the Power Point Presentation.

Agenda Item No: 78.11

Non-achievement of targets under DRI Scheme:

The Regional Director RBI stated that the experience all over the country is that performance of banks in lending under DRI Scheme is very less and that is why it has been desired that the issue be discussed in all SLBCs in order to improve performance of banks under the Scheme.

Mr. M. S. Wani, Vice President, J&K Bank/ SLBC, pointed out that RBI has revised the income limits of the beneficiaries for qualifying to avail finance under DRI Scheme without revising the quantum of loan permissible under this Scheme.

Mr. B. S. Katoch, AGM, Reserve Bank of India clarified that income limits for the scheme have been revised to Rs.15,000 for rural areas and Rs.18,000 for urban areas and simultaneously the advance amount too has been revised from Rs.6,500/- to Rs.15,000/- per beneficiary except in case of housing purposes, where this limit has been revised to Rs.20,000/-. He further stated that the circular in this regard has been since forwarded to all the Commercial Banks for implementation. The circular is available on the RBI website.

DGM, PNB attributed the low performance under DRI Scheme to the difficulties being faced by the beneficiaries in obtaining income certificates which is a pre-requisite for a person to seek finance under DRI Scheme.

The Hon'ble Finance Minister expressed displeasure that despite being such an attractive scheme, banks do not disburse adequate loans under this scheme. He observed that lending under this Scheme has not been picking up probably owing to lack of adequate awareness among the people about the attractive features of this scheme, as well as some reluctance also from the lower levels in the banks. He remarked that DRI Scheme is the only scheme, which helps poorest of the poor. He stated that Rural Development Department already provides small loans to the extent of Rs.35000/- for housing purposes to the poor people in the villages and it would have been quite feasible if those very people are granted further Rs.15000/- under DRI Scheme, which would provide them a great comfort for earning livelihood and simultaneously improve the position of bank lending under this scheme. He remarked that the poor people generally happen to repay the money they borrow from the banks.

The Hon'ble Finance Minister assured that the Government would look into the matter and ensure that the people who deserve finance under DRI scheme do not face any difficulties in obtaining the income proofs. He stressed the need to explore possibilities that banks rely on the BPL lists or alternatively seek affidavits for that purpose instead of asking for the income proofs.

The Commissioner/ Secretary, Rural Development, Mr. Umang Narula, stated that DRI Scheme has come from RBI, which contains provisions regarding taking affidavit from the beneficiaries in place of the income certificate but there is a bottleneck that the Bank Managers generally do not rely on affidavits.

It was decided to set up a small group under Mr. Umang Narula, Commissioner/ Secretary, Rural Development with members representing J&K Bank, SBI, PNB and SLBC to sort out the issue in relation to the integration of the scheme with the other scheme for the housing purposes in the rural areas.

(Action: J&K Govt.C/S RDD)

Agenda Item No. 78.12

SGSY Scheme- Development issues J&K State:

Dr. Drabu stated that the Government of India, Ministry of Rural Development have informed that during the visit of the Cabinet Secretary to Jammu and Kashmir in October 2009, it was observed that banks in the State were insisting for guarantees for providing credit facilities under SGSY Scheme in contravention with the extant instructions of GoI. In this regard Dr. Drabu stated that it has been reiterated for information of all the banks that there is no need for seeking guarantees for lending under SGSY scheme. He strictly advised that in case any bank branch sticks to the practice of asking for guarantees, it should be stopped forthwith.

(Action: All member banks)

The Commissioner/ Secretary, Labour & Employment, Mr. F. A. Peer joining deliberations on the issue stated that banks have been asking for collaterals despite the fact that upto Rs.5.00 lakhs they cannot ask for any collateral and are rejecting the cases for want of such guarantees. He expressed concern that DC Kupwara in a meeting recently informed him that out of the 59 cases sponsored to banks only two cases had been provided finance by the banks in a financial year.

Reacting to this, Dr. Drabu stated that if they have any specific instances, where the cases have been rejected for want of collaterals, these should be shared with the house, so that action is initiated against the persons involved. He assured that if any manager was found doing so, he would be put under suspension.

The Commissioner/ Secretary, Rural Development, joining deliberations on the issue suggested that the bank branches having zero percent or less than 25% lending under SGSY should also be reported to SLBC.

Mr. Katoch, AGM, Reserve Bank of India clarified that the SGSY cases upto an amount of Rs.25000/- as finance have either to be sanctioned within 15 days from the date of sponsorship or have to be returned to the sponsoring agency. He stated that there are clear instructions from the RBI that the banks cannot retain the applications beyond 15 days. However, for cases beyond Rs.25000/- finance there has to be a margin of 4 weeks. He told that the concerned sponsoring agencies should also watch the fate of the cases and if these are not sanctioned or returned within the prescribed time limit, they should see where the cases have gone.

(Action: Sponsoring Agencies/ member banks, Financial Institutions)

Agenda Item No: 78.13

Implementation of 100% financial inclusion in J&K State:

Dr. Drabu remarked that only Pulwama district had earlier reported coverage upto 91% and since then there has been no report from other districts of the State. He desired to know the status of the financial inclusion programme.

Mr. M. S. Wani, Vice President, J&K Bank, stated that as 100% financial inclusion was not being achieved in district Pulwama adopted on pilot basis and delayed financial inclusion of other districts so instructions were issued for financial inclusion of all the 22 districts about a year back. SBI is having lead bank responsibility in ten districts and the J&K Bank in 12 districts of the State and all the LDMs/ LBOs have been already advised to take up the Financial Inclusion programme on war footing basis in view of the target that the entire programme has to be completed by 2011. However, the progress has not been reported in compliance to the instructions. He stated that in case the LDMs/ LBOs were facing any difficulty on this account, they should voice the same over here so that these are resolved.

Chairman, EDB stated that EDB has been identified by the State Level Empowered Committee of RBI on RRBs for taking up Anantnag district for 100% financial inclusion. So the process has been already initiated and a survey form has been devised for the purpose, but the basic roadblock in implementing the scheme is that there is no database available regarding the excluded, which could be targeted for financial inclusion. He stated that mere opening of a bank account is not enough.

But Dr. Drabu intervened and stated that it is imperative that primarily the people are to be brought within the banking fold and other things would follow subsequently.

LDM Samba (SBI), joining deliberations stated that they have been facing difficulties in implementing the financial inclusion programme due to lack of infrastructure in several areas of their district. There is no motorable road available for accessing the excluded or opening of branches..

The Regional Director RBI pointed out that RBI has adopted 8 model villages for financial inclusion through ICT and the basic survey for the purpose had been completed, but no such difficulties have been experienced by RBI who have been associating the lead bank and other officials in the process. He pointed out that LDMs are not supposed to open branches there instead they are supposed to go for ICT type financial inclusion programme.

LDM Udhampur/ Reasi expressing the difficulties faced by him in obtaining the data in the area where branches are located at far off places that cater to 14-16 kilometers of area stated that in case a transparent and credible data is required, there is need to involve some independent credible agency for collecting the data on implementation of financial inclusion. He pointed out that NABARD pays for that under the Financial Inclusion Fund and the job be assigned to some independent agency so that credible and accurate data could be provided.

The Commissioner/ Secretary Finance explained that we already have the facility of Ration Cards available with the people and there are also a number of social benefit schemes like Electronic Benefit Transfer, NREGA, VS Schemes etc. in operation and the people are already getting benefits under one or the other such scheme of the Government, in case the said people are covered for financial inclusion almost 70-80% of the population would be automatically covered for financial inclusion.

The Regional Director, RBI stated that Electronic Benefit Transfer Scheme has been already extended upto June 2010, but the State Government has to also tie up with the banks for the purpose.

Dr. Drabu informed the members that about 200 Common Service Centres (CSCs) have already been established by J&K Bank across the State and assured that within a year about 1100 CSCs would be in place in the State and for every six villages there will be a CSC available as planned by the Government of India. He highlighted that CSC initiative is a unique thing that the J&K Bank is doing for the State Government and offered that these CSCs, which are run by very young and educated people, could be utilized as nodal points for implementing the programme of 100% financial inclusion in J&K State rather than engaging any external agencies.

Vice President, J&K Bank/ SLBC, Mr. M. S. Wani, clarified that there are two funds available with NABARD, i.e. Financial Inclusion Fund and the Financial Inclusion Technology Fund, which he said could be utilized for augmenting this inclusion process and for organizing awareness camps, publicity matter, literature and extending outreach to the excluded people.

Other issues:

The Commissioner Secretary Finance raised the issue of Interest Subvention Scheme on Housing to Urban Poor (ISHUP), which he said has not picked up in J&K so far and stated that the finance ministry has advised that henceforth this should be included in the agenda of the SLBC meetings for regular deliberations and review.

Presidential address by the Hon'ble Finance Minister:

While concluding the proceedings, the Hon'ble Finance Minister in his presidential speech expressed satisfaction that this meeting had been held in a pleasant manner, wherein efforts were made to resolve the issues while reviewing the performance of the banks. He remarked that time could not be devoted for reviewing the performance of each individual bank in depth in this meeting as he was indisposed. However, in the next SLBC meeting he intended to take up the review of each and every individual bank and cautioned that poor performance will attract accountability and unpleasant action. He expressed the hope that whatever decisions have been taken in this meeting and whatever instructions have been given, these be implemented by all the concerned in letter and spirit and compliance be ensured.

The Hon'ble Finance Minister stated that in the previous budget session of the State Legislative Assembly all the members, irrespective of their political affiliations, had expressed their anguish over the dismal performance on CD Ratio, which he as Finance Minister of the State had to face. He remarked that banks operating here seem to be reluctant in extending credit facilities to the people for which people are worried, which is obvious from the fact that people often approach to him with complaints on this account, which is a matter of concern. He impressed upon the banks to put in their efforts to minimize the chances of such complaints.

He also stressed that every State Government Department is supposed to extend cooperation, which they will have to ensure. And in case any Government official is found guilty of dereliction of his duties, he will be proceeded against and stern action will be taken against him.

The Hon'ble Finance Minister expressed his commitment to participate in as many SLBC meetings as possible and personally monitor the progress of compliance on the part of banks operating in the State. Without mixing words he warned the non-performing banks that in case any bank defaults in performance persistently, and does not improve its performance in the state, the Government will not hesitate in taking stern action against them and go to the extent of asking that particular bank to wind up its business in the State. He reiterated that the Government cannot afford to see that the banks collect the deposits from the poor people of J&K State but invest it elsewhere depriving investment opportunities to the most deserving people of the State. He, therefore, expressed the hope that before contemplating any such unpleasant action he would like the banks to take up the responsibilities that devolve on them with seriousness. He stated that it was imperative for the Government to activate the banking sector, create suitable facilities for them in the State and resolve the difficulties being faced by them so that they are able to deliver in order to give a boost to State's economy. He assured that as the Finance Minister of the State he will personally look into the problems faced by the banks and other financial institutions raised here and will try to find solutions for the same as far as possible as it is our duty to do so. But we expect the banks to reciprocate by doing their duty with sincerity and seriousness.

The meeting ended with a vote of thanks to the Chair and the participants were requested to join for lunch hosted by the Convenor Bank.

(M. S. Wani)
Vice President
Lead Bank/ J&K SLBC

Annexure-A
List of Participants of 78th Meeting of SLBC (J&K State)

Chief Guest

Minutes of 78th SLBC (J&K) meeting

Jenab Abdul Rahim Rather ... Hon'ble Finance Minister, J&K State

S No. Name ... **Designation / Department**

Convenors of SLBC

1) Dr. Haseeb A. Drabu ... Chairman / CEO J&K Bank

J&K Government Departments/ agencies

2) S. S. Kapur ... Chief Secretary, J&K Govt.
 3) Anil Goswami ... Principal Secretary, Industries & Commerce
 4) Sudhanshu Pandey ... Commissioner/ Secretary, Finance
 5) B. B. Vyas ... Commissioner/ Secretary, Planning & Dev.
 6) Umang Narula ... Commissioner/ Secretary, Rural Development
 7) Farooq Ahmad Peer ... Secretary, Labour & Employment
 8) G. H. Tantray ... Secretary, Law Department
 9) Raj Kumar Koul ... Addl. Secretary, Law Department
 10) Shafeeq Ahmad Raina ... Special Secretary, Agriculture Dept.
 11) Tanveer Jehan ... Secretary, Tourism & Culture
 12) Kachu Isfandyar Khan ... Director, Industries & Commerce (Kashmir)
 13) B. S. Dua ... Director, Industries & Commerce (Jammu)
 14) Rashim Kashyap ... Director, Resources-Finance Deptt.
 15) Showkat Zargar ... Director, Handicrafts
 16) Chander Gupta ... Director, Handlooms
 17) J. L. Sharma ... Director, Horticulture
 18) Mohmud Rana ... Director, Social Welfare Dept., Jammu
 19) Dr. M. I. Parray ... Director, J&K EDI
 20) S. S. Dhillon ... Director, MSMEs, J&K
 21) K. K. Sharma ... Dy. Director, Agriculture Dept. Jammu
 22) Sukhbeer Kaur ... Dy. Director (Plg.), Social Welfare Department, Jammu
 23) M. Iqbal Zargar ... Deputy Director (P), Rural Dev. Deptt. (Jammu)
 24) Dr. A. Rashid ... Secretary/ CEO J&K KVIB
 25) M. Sadique ... Asstt. Director, KVIC
 26) Desh Pal ... Asstt. Director, KVIC
 27) Dr. Rajesh Kushawaha ... Administrative Officer, Agri. Insurance Corpn. Of India
 28) Asham-ul-Rashid ... Dy. Registrar (Counsel), (rep. Registrar Cooperatives J&K)
 29) A. Ahad Bhat ... MD, J&K Development Finance Corporation
 30) M. A. Raja ... General Manager, SIDCO
 31) G. Q. Khatana ... Div. Manager, SC/ST/OBC Corporation
 32) Pawan Sachar ... Chief Manager, State Financial Corporation

Reserve Bank of India

33) Arnab Roy ... Regional Director (For J&K)
 34) U.C. Lohani ... DGM, RBI
 35) B. S. Katoch ... AGM, RBI

J&K Bank (Convenors of SLBC)

36) A. K. Mehta ... Executive Director/ COO
 37) Abdul Majid Mir ... Executive Director/ CFO
 38) Ajit Singh ... Sr. President
 39) Pervaz Ahmad ... President
 40) M. S. Wani ... Vice President, J&K SLBC & S/C
 41) Abdul Rauf ... Vice President (PS)
 42) Abdul Rashid ... Vice President, Zonal Head, Jammu (North)

- 43) M. A. Khan ... Vice President, Zonal Head, Jammu (West)
 44) Madan Gupta ... Vice President, Zonal Head, Jammu (Central)

NABARD

- 45) V.V.V. Satyanarayana ... General Manager

Banks/ Financial Institutions

- 46) K. K. Iyer ... DGM, SBI
 47) R. C. Koul ... DGM, Punjab National Bank, J&K Circle
 48) K. K. Misra ... General Manager, Canara Bank
 49) R. Mishra ... DGM, Central Bank of India
 50) A. A. Allaqband ... AGM, UCO Bank
 51) G. S. Bali ... AGM, Punjab & Sind Bank
 52) R. P. Karludia ... CM, Bank of India
 53) Ashok K. Koul ... Chief Manager, SBI
 54) Harish Gupta ... Branch Head, IDBI Bank
 55) D. S. Sidhu ... Manager, Oriental Bank of Commerce
 56) Kartar Singh ... Sr. Manager, Oriental Bank of Commerce, Jammu
 57) Sameer Raina ... HDFC Bank

SIDBI

- 58) Neeraj Srivastav ... Branch Incharge, Jammu

Regional Rural Banks

- 59) Raja Abdul Latief ... Chairman, Grameen Bank
 60) A. U. Tak ... Chairman, Ellaquai Dehati Bank

Cooperative Banks

- 61) Rajeev Dogra ... CM, Citizens Cooperative Bank, Jammu
 62) Mohd Yaqoob Bhat ... BM, Anantnag Central Cooperative Bank
 63) F. C. Satia ... Representing Jammu Central Cooperative Bank
 64) Mohammad Ashraf ... M.D, J&K SCB
 65) B. A. Lone ... GM, BCCB

BDSMs/ Lead District Managers

- 66) G. R. Malik ... Zonal Lead Bank Officer, J&K Bank
 67) G. R. Kumar ... Lead Bank Officer, J&K Bank
 68) Tassaduq Mohammad ... Lead Bank Officer, J&K Bank, Zonal Office, Srinagar
 69) A. H. Khan ... ALBO, Srinagar
 70) K. C. Dogra ... Lead Bank Officer, Zonal Office, Rajouri/ Poonch
 71) M. Farooq Jallu ... Associate Lead bank Officer, J&K Bank, Budgam,
 72) Shadi Lal Dhar ... Lead Bank Officer, J&K Bank, Anantnag
 73) I. B. Sharma ... LDM, Jammu, (SBI)
 74) Rohit K. Mehta ... LDM, Samba, (SBI)
 75) A. H. Bhardwaj ... LDM, Leh (SBI)
 76) M. P. Sharma ... LDM, Kathua, (SBI)
 77) S. K. Gadoo ... LDM, Udhampur, SBI
 78) R. L. Waza ... LDM, Doda, SBI
 79) S.L.Dhar ... Chief Manager, Lead Bank, Jammu (SBI)
