

MINUTES OF 82nd MEETING OF SLBC (J&K) HELD ON 5th SEPTEMBER 2011 AT SRINAGAR

The 82nd meeting of J&K State Level Bankers' Committee (SLBC) to review the performance of banks operating in J&K State for the quarter ended June 2011 under ACP 2011-12 was held on 5th September 2011 at SKICC, Srinagar. The meeting was presided over by the Chairman & CEO of J&K Bank (Convenor of J&K SLBC) Mr. Mushtaq Ahmad. Senior functionaries of the State Government administration and banks attending the meeting included the Commissioner/ Secretary (Industries & Commerce) Mr. Umang Narula, Commissioner/ Secretary (Labour & Employment) Mr. F. A. Peer, Regional Director for J&K Reserve Bank of India, Mr. K. K. Saraf, Chief General Manager NABARD (J&K R.O. Jammu) Mr. M. L. Sukhdeve, officials of Reserve Bank of India, NABARD, various line departments and concerned development agencies and senior level representatives of major member banks/ financial institutions operating in the State. The Chief Secretary J&K State, Mr. Madhav Lal and Commissioner/ Secretary (Finance) Mr. Sudhanshu Pandey could not attend due to unavoidable circumstances. List of participants and invitees who attended the meeting is enclosed as [Annexure-A](#).

Mr. M. S. Wani (Vice President, J&K Bank -SLBC/ Lead Bank) extended a hearty welcome to Mr. K. K. Saraf, who was attending the SLBC meeting of J&K State for the first time after assuming the office as the Regional Director (for J&K), Reserve Bank of India and other participants and invitees. He briefly highlighted the importance of holding the SLBC meetings as per schedule to review the progress and performance of financial sector and other concerned stakeholders involved in pursuing the targets under ACP and implementing other priority developmental initiatives. He emphasized that the concerned functionaries may observe the guidelines and may ensure participation in the high priority SLBC meetings in response to timely notices, as conspicuous absenteeism was a concern. Thereafter, Mr. Wani requested the Chairman, Mr. Mushtaq Ahmad to deliver the keynote address and express his views about the credit dispensation in J & K state during the quarter under review.

The Chairman, Mr. Mushtaq Ahmad extended a warm welcome to all the dignitaries, participants and invitees with a special mention of Mr. K. K. Saraf on his attending J&K SLBC meeting after resuming as Regional Director J&K (RBI). Thereafter, the Chairman delivered the key note address, the glimpses of which are captured as under:

Inaugural address by Chairman, SLBC Convenors:

The Chairman giving a brief account of the achievements made by the banks in J&K State during the first quarter of the CFY 2011-12 stated that the banks in J&K have provided a total credit of Rs.914.73 Crore to priority sector covering 46,273 beneficiaries under Annual Action Plan 2011-12 against the annual target of Rs.3619.69 Crore for 2,37,892 beneficiaries, thus achieving 26% of the annual ACP target in financial terms and 18% in physical terms during the period. Underlining that the Priority Sector remains the focal point for the credit plan he stated that though the overall figures are reflecting encouraging results yet certain areas, where the performance has remained dismally poor, are a matter of concern needing concerted efforts to improve the position. Stating that financial achievement of 26% of target by credit disbursement of Rs.914.73 Crore to Priority Sector is far more encouraging as compared to poor achievement of only 18% in physical terms by reaching out to 46,273 beneficiaries as against targeted coverage of 2,37,892 beneficiaries for the year.

Under Agriculture Sector the banks have provided credit aggregating to Rs.198.29 Crore to 18,546 beneficiaries against a target of Rs.845.90 Crore favouring 1,38,724 beneficiaries, registering an achievement of 23% in financial terms and 13% in physical terms during the quarter under review.

Under Small Enterprises Sector banks have disbursed credit aggregating to Rs.357.42 Crore in favour 12,139 beneficiaries against the annual ACP target of Rs.1,728.39 Crore favouring

59,601 beneficiaries, thus registering an achievement of 21% in financial and 20% in physical terms during the period under review.

He pointed out that Micro Credit sector is very important sector so far as financial inclusion/inclusive growth is concerned and banks are supposed to perform better under this sector, but collectively our performance has not been that good by disbursing Rs.64.45 Crore in favour of 3,546 beneficiaries achieving only 14% of financial as well as physical targets during Q1 of CFY.

Under Education Sector banks have provided a credit of Rs.12.11 Crore in favour of 1,041 beneficiaries against the annual ACP target of Rs.151.00 Crore for 4,673 beneficiaries, registering an achievement of 8% in financial and 22% in physical terms during the quarter under review.

Housing Sector has received a considerable credit disbursement from banks amounting to Rs.282.46 Crore in favour of 11,001 beneficiaries against the annual ACP target of Rs.419.42 Crore for 8,915 beneficiaries, recording a disproportionately very high achievement of 67% in financial terms and 123% in physical terms during the period under review.

Giving bank-wise achievements, the Chairman stated that J&K Bank has disbursed Rs.632 Crore out of the total disbursement of Rs.915 Crore during Q1 of CFY thereby registering 42% of their individual ACP target, which constitutes 67% of the aggregate disbursements made by all banks together in J&K State.

State Bank of India with its total disbursement of Rs.62 Crore against the target of Rs.500 Crore have registered an achievement of 12% of their ACP target during Q1 of CFY, which accounts for just 6.75% of the total priority sector credit disbursed in the State.

Punjab National Bank having disbursed an amount of Rs.35.68 Crore during Q1 of CFY has recorded an achievement of 13% of its ACP target of Rs.283.86 Crore contributing just 4% to the overall credit disbursement in the State.

Other Commercial Banks put together have disbursed an amount of Rs.61.70 Crore during the Q1 of CFY and achieved 15% of their aggregate ACP target, which accounts for 6.86% of the total Priority Sector credit disbursed in the State. Similarly, the Cooperative banks and the two RRBs have contributed 5.11% and 8.39% respectively of total priority sector credit disbursed in the State by having disbursed Rs.46.77 Crore and Rs.76.79 Crore during the period under review, which is very dismal contribution. The Chairman advised all the banks operating in the State to put in extra efforts to improve their performance in providing credit to priority sector.

Commenting on the credit disbursement under the five major Government Sponsored Schemes, viz. SGSY, PMEGP, JKSES, SJSRY and SC/ST/OBC, the Chairman stated that against the annual ACP target of Rs.308.13 Crore for 28,637 beneficiaries, the banks have disbursed an amount of Rs.44.33 Crore in favour of 3,091 beneficiaries in all the three regions of the State by the end of June 2011, thereby registering a performance of 14% & 11% of the target in financial and physical terms respectively. He pointed out that other than J&K Bank no bank has performed well and the role of banks in general towards these sponsored schemes has been dismally poor, which really remains a cause of concern and advised that these banks should go into introspection, change their mindset and formulate strategies for making up the deficiencies.

The Chairman emphasized that these Government sponsored programmes are the most important for poverty alleviation and employment generation in the State, so it is primary social responsibility of banks to extend liberal support for encouraging these schemes and there cannot be any other area where they can contribute in a better way under Corporate Social Responsibility (CSR).

The Chairman stated that banking sector in J&K has also the grievance that recoveries under Government Sponsored Schemes tend to be very poor as compared to the normal banking operations and expressed the hope that serious steps would be taken by the government to improve the recovery scenario in the State. Remarking that the SARFAESI Act has become fairly a complicated issue, the Chairman expressed hope that in near future some via media would be explored by the Government to mitigate the problems of the financial sector.

The Chairman stated that Credit Deposit Ratio of the State has declined from 44% as on 30th June 2010 to just 36% as on 30th June 2011 indicating a decline of 8%. He clarified that one major factor for this decline has been the decision of State Government to switch over to RBI for their ways & means facility. Stating that low C. D. Ratio is a matter of concern, the Chairman underlined the need for banks to enhance flow of credit in the State for improving the C. D. Ratio upto the desired level.

Concluding his inaugural address, the Chairman stressed on the banking community to put in very serious and sincere efforts in right earnest to ensure that performance in flow of credit to the priority sector in particular is substantially improved during the remaining period of the current financial year.

(Action: All Member banks)

The Regional Director, Reserve Bank of India (for J&K State), Mr. K. K. Saraf in his brief address to the house reiterated and re-emphasized the importance of SLBC forum and stated that SLBC came into existence as part of the Lead Bank Scheme (LBS) of the RBI. It was envisaged as a coordination forum where the State Government officials and the banks could get together in a spirit of cooperation, identify the bottlenecks, find solutions to the problems and once decisions are taken implement these at the earliest. He stated that LBS has been in operation for more than 35 years now and there have been several modifications in the Scheme but the basic thrust of the Scheme remains the same that the State Officials and bankers would work hand-in-hand to bring about progress and prosperity in the region.

Based on his experiences gained from his previous tenures in various other States, the Regional Director underlined the need for joining hands to accelerate the process of development of the State as this forum provides the opportunity both to State Officials as well as to bankers to improve the lot of the people. Concluding his brief address, the Regional Director, RBI expressed optimism that the tradition of cooperation and coordination that has existed in J&K State will be maintained henceforth also.

Thereafter, the agenda was taken up for deliberations as under:

Confirmation of the minutes of 81st meeting of J&K SLBC held on 16th May 2011:

As no amendments/ comments were received from any one so the minutes of the 81st SLBC meeting held on 16th May 2011, circulated among the members vide J&K SLBC office letter No. LBD/SLBC-80/2011- dated 26.05.2011 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)**

73. a) Registration of Equitable Mortgage on Nominal Stamp Duty;

The Special Secretary, Finance Department, Mr. Mushtaq Sidiqi informed that the issue has been resolved by the Government by issuing an SRO to this effect on 23.06.2011 as per which the stamp duty applicable shall be 0.5% subject to maximum of Rs.1000/-

Reacting to this the Chairman advised that the banks and other stakeholders should go through the circular issued by the government for further course of action. He requested the Special Secretary Finance to provide a copy of the said Circular to SLBC Secretariat for circulation.

(Action: Commissioner/ Secretary Finance, J&K Govt./ Member banks)

76 (a) Creation of Central Registry in J&K State:

The Special Secretary Finance, J&K Govt., Mr. Mushtaq Sidiqi, stated that last time the Finance Secretary had informed that Central Government contemplates to establish the Central Registry for home loans which will address the concerns of banks on this account. He stated that the Central Registry would cover only those properties against which an individual or an entity has taken a loan. Under the proposed system all banks and Housing Finance Companies will provide data on title deeds of home loan borrowers to the Central Registry. Thus, when a bank processes a loan case it will have an opportunity of verifying from the Central Registry whether the same property is free from any encumbrances or not. Expressing hope that the proposed legislation would meet the requirements of banks and financial institutions in the State Mr. Sidiqi stated that we may have to wait till the Central Govt. notifies the Central Registry. He assured that the government would follow up for notification with the Central Government and as soon as any thing is heard in this regard, the Government would revert to SLBC in the matter.

(Action: Commissioner/ Secretary Finance, J&K Govt.)

2. Legislating SARFAESI Act:

The Special Secretary Finance, Mr. Mushtaq Sidiqi informed that State Government had received a communication on 12th August 2011 from Ministry of Finance, Gol stating therein that the view point of J&K Government had been forwarded to the Law Ministry for further course of action in the matter. He assured that the matter is being followed up with the Central Law Ministry and they are expected to revert shortly on the matter.

Joining deliberations on the issue the Regional Director, RBI pointed out that the issue has been in the realm of discussions for the last more than 3 years and desired that since this was an issue of importance and of concern to the financial sector in the State, a speedy action in the matter is required from the State Government to resolve the issue.

Responding to this, the Special Secretary Finance expressed agreement with the view of Regional Director, RBI and pointed out that there are differing legal stances taken by the State Government and the Central Government on the issue. He stated that State Government has suggested certain amendments in the Act with regard to the special status position of the J&K State. Though the Central Government was of the view that it was already available in the Act itself but the State Law Department did not agree with that view. Mr. Sidiqi further informed that Chief Secretary of the State has written to the Central Government for a meeting but that did not mature. However, the Central Govt. had perhaps appreciated the position of State Government and has now referred the issue to Law Ministry. Appreciating the concerns of the banking fraternity, he stated that SARFAESI Act itself has certain provisions which come in the way of takeover of the properties, which have been minutely gone into and discussed by the Law Department not only with J&K Bank but SBI and PNB too were involved in the process. He assured that Law Ministry will be shortly reverting on the issue as promised by them. He stated that the issue has been elaborately taken up with the Gol and expressed hope that by the time next SLBC takes places, the Government would have resolved it.

Summing up deliberations on the issue, the Chairman stated that SARFAESI Act is operating well in rest of the country and has given a relief and respite to the banks in terms of recoveries. He expressed hope that the State Government would take all possible efforts to expedite resolution of the issue as it is crucial for recoveries so far as the financial sector in the J&K State is concerned.

(Action: Commissioner/ Secretary Finance, J&K Government)

3. Grant of interest subvention on Crop Loans – equating J&K Bank with other Public Sector Banks:

Responding to the remarks of the Chairman that despite the matter having been taken up with Ministry of Finance, Reserve Bank of India and the State Government, any positive indication in the matter is awaited, the Special Secretary Finance informed the house that the issue is listed for discussion by the State Government with the Cabinet Secretary, GoI. He also stated that the issue was hotly taken up in the meeting of Chief Ministers held early this year in Chandigarh and subsequently the issue was also taken up by the Hon'ble Chief Minister with the Union Finance Minister through a D.O. letter and now the issue is prominently listed on the issues of the State Government that are pending with Government of India.

(Action: Commissioner/ Secretary Finance, J&K Government)

4) Workshop to focus on enhancing flow of credit to Agriculture Sector in J&K State:

The Chairman informed the house that in 80th J&KSLBC meeting the Finance Minister, J&K State expressed concern over inadequate flow of credit to agriculture and farm sectors and advised the SLBC to revisit its credit policy so that focus could shift to these sectors to help largest section of people in the State's economy. In this backdrop the Commissioner/ Secretary Finance, J&K Govt., had suggested that at least one seminar/ workshop be organized by the J&K Bank in collaboration with all stakeholders, viz. NABARD, Agriculture Department, Agricultural Universities, Animal and Sheep Husbandry Dept., and recommendations of the workshop to be placed before a special session of SLBC on Agriculture for suitable intervention by all banks and other stakeholders.

Accordingly, a workshop to focus on enhancing flow of credit to agriculture sector in J&K State was organized by J&K Bank on 6th of July 2011 at SKICC, Srinagar, which was inaugurated by the Hon'ble Minister for Agriculture, J&K State in presence of Chairman (J&K Bank- Convenor SLBC) Principal Secretary to GoJK (APD) and Commissioner/ Secretary (Finance GoJK). A good number of officials from banks operating in the State, various concerned line departments of the state government, RBI, NABARD and other related agencies attended the workshop. The record note of the recommendations/ suggestions emerging from the said workshop were placed in the agenda for consideration.

- **After deliberation, the house endorsed the said recommendations for implementation.**

(Action: All concerned)

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

1) Sub-group of SLBC constituted in 79th SLBC meeting to work out a strategy for coverage of the blocks identified by Agriculture Production Department under KCC Scheme:

Initiating deliberations on the issue Mr. Wani pointed out that progress on implementation of 100% coverage under KCC of the identified blocks allocated to different banks was not so impressive. He stated that these are the blocks, which were neglected blocks of the State where credit to farm sector was considered to be very low and the concerned banks were under obligation to cover the entire blocks through KCCs during the previous financial year. He pointed out that little progress has been achieved in certain blocks, viz. Block Shargoul in Kargil district allocated to J&K Bank & Block Ramsoo in district Ramban allocated to SBI. He stated that such dismal level of intervention leaves least chances to address the problems of the farming community in access to credit in the identified blocks. He underlined the need for taking appropriate measures to improve the position on ground and requested all concerned to involve for improving the lot of the farming community in these blocks.

The Director, Agriculture Department commenting on the very poor performance of banks in this initiative pointed out that even the cases sponsored by APD for issuance of KCCs are not being considered by the banks. He stated that out of the cumulative achievement of 10242 KCCs, 5670 KCCs and 1418 KCCs had been issued by the banks in only two districts of Kulgam and Shopian mainly in favour of the horticulturists, whereas the credit flow to general farmers continued to be desperately low, which needs special focus. Stressing that banks need to be liberal so far as issuance of KCCs is concerned for substantially improving the credit delivery to agriculture.

Joint Director, Agriculture Production Department pointed out that concerned banks were under commitment to ensure 100% coverage of the farming community under KCC in their respective allocated blocks but they have failed in that commitment.

Regional Director, RBI stated that bankers need not wait for sponsoring of applications for KCC by the government, instead the banks should of their own issue as many KCCs as possible and if there is help is provided by the State Government, that would be a sort of additional bonus for the banks.

President (A&AP), J&K Bank, Mr. Parvez Ahmad, pointed out that lack of interest subvention facility with J&K Bank was causing major hurdles in promoting KCC & Crop loans to agriculture sector. Highlighting the disabling factor he stated that J&K Bank had identified a couple of officers in Block Marh (District Jammu) having specialization in financial inclusion and KCC operations, who were assigned the responsibility of implementing the 100% coverage of farming community under KCCs in the block. The said officers have done a fairly good exercise there and identified about 500 beneficiaries but when the KCC product was offered to them at a coupon interest pricing of 11% they refused to take the same as SBI branch in the said block was offering the same product at just 7% interest rate by virtue of the interest subvention granted to PSBs.

The Chairman observed that except EDB none of the other banks involved in the assignment has performed well in the matter. He desired to know why the performance of RRBs and Cooperative banks in particular has remained so subdued.

The representative of Cooperative banks explained that interest subvention facility is not available to cooperative banks too.

The Regional Manager (Kashmir) SBI suggested that all loans to farmers be extended only through the medium of KCC.

CGM NABARD joining deliberations on the issue stated that the issue had come up for discussions in the previous SLBC meeting too and stressed that basically KCC is the business of the banks and whatever financing banks do by providing crop loan that should be done under KCC. However, in case the government is supporting sponsoring of the cases, there is no harm in it. He requested the banks to make the instructions clear to their branches to encourage financing of crop loans under KCC scheme.

Summing up the discussions on the issue, the Chairman advised the concerned banks to put in extra efforts to accomplish the assigned job and stated that in the next SLBC meeting the achievements must be visible.

(Action: Concerned banks)

2) Sub-Committee of J&K SLBC on Relaxations to Trade & Industry in J&K State:

The Chairman informed the house that pursuant to the recommendations of the Sub-Committee of J&K SLBC for continuance of the relaxations/ concessions to Trade & Industry in J&K State Reserve Bank of India has already granted extension in the validity period of the package of

relaxations/ concessions upto 31st March 2012. He advised all the banks to issue suitable instructions in the matter to their branches in the State.

(Action: All member banks/ Financial Institutions)

3) Coordination Task Force of SLBC constituted in 80th SLBC meeting to look out for solutions to the day-to-day problems experience in implementation of various Government Sponsored Schemes:

The Vice President (LBD/ SLBC) Mr. M. S. Wani, informed the house that first meeting of the said Coordination Task Force was convened on 22nd March 2011 at Jammu, wherein various issues coming in the way of implementation of GSS in J&K State were discussed. The said group gave its recommendations for bringing out some modifications in the schemes to make these more attractive for the beneficiaries. Consequent to that Labour & Employment Department, J&K Government has reviewed and modified JKSES and prepared guidelines and also obtained concurrence of Planning & Development Department and has now requested SLBC to make recommendations to GoI/ RBI for approval of the said modified scheme guidelines for implementation. He further stated that the same matter was also considered in a meeting recently chaired by the Hon'ble Chief Minister, wherein it was advised that SLBC should pursue approval of GoI/ Reserve Bank of India. Accordingly, the said revised and modified JKSES guidelines have been enclosed with the agenda for being endorsed to GoI/ Reserve Bank of India for approval.

The Commissioner/ Secretary, Labour & Employment, Mr. F. A. Peer clarified that since much of the indiscipline was taking place in the implementation of the scheme which could be attributed to lack of properly codified guidelines that could act as reference point during the course of implementation. Hence, the government has now come up with these revised guidelines, which cover all the aspects of the J&KSES scheme right from selection process to the actual disbursement of loan and then to the establishment of the unit. He stated that item No.4.3 of these guidelines, which deal with the aspects of subsidy into the scheme, are of utmost importance for the bank, as the government was making a paradigm shift so far as grant of subsidy to the entrepreneurs is concerned. Elaborating his view point, Mr. Peer stated further that major hurdle in the scheme has been that the margin money should have been a kind of incentive for establishment of units but it had become a kind of booby trap for the scheme itself where people would try to pinch away the subsidy portion or the margin money and then do not go for establishment of the units. Therefore, the government had decided that instead of giving this margin money and other concessions upfront, we should shift to the system of back-ended subsidy where the entrepreneur will get the subsidy not directly but it will be adjusted towards last instalments of his loan, as is already in vogue in respect of SGSY. Thus, the banks will keep the subsidy of 35% admissible to the entrepreneur in a separate Reserve Fund account entrepreneur-wise, with a lock-in period of 3 years. In view of this, for the purpose of charging interest on the loan the subsidy amount shall be excluded and the repayment scheduled shall be drawn by the bank in such a manner that the subsidy amount kept in the Reserve Fund account would be sufficient for adjustment towards the last few instalments. The bank shall apply no interest on the Subsidy Reserve Fund account, as it will charge interest only on 65% of the loan amount. No subsidy shall be available if the entrepreneur repays the loan before the lock-in period. Besides, the availability of subsidy shall be contingent upon the proper utilization of the loan and its prompt repayment and the bank shall also not charge any equity from the entrepreneur.

The Vice President (LBD/ SLBC), J&K Bank pointed out that under item No.4.3 of the said guidelines the most sensitive matter, which requires a reference to RBI and which has to be considered under Banking Regulations Act, 1949, is the matter of exemption of Subsidy Reserve Fund Account from NDTL for maintenance of SLR and CRR.

The Chairman expressed agreement with the contention of Mr. Wani and stated that the issue needs a reference to Reserve Bank of India that the amount of Subsidy Reserve Fund should not form part of the NDTL for the purpose of SLR and CRR.

The Regional Director, RBI expressing his viewpoint on the issue stated that RBI may not accede to this request as the RBI regulations are uniformly applicable to all the regions of the country and there cannot be any exceptions for one region only.

However, the Vice President (LBD/ SLBC) clarified that this system is already in vogue for the Central Sponsored Schemes like PMEGP and SGSY for which back-ended subsidy amount held in bank accounts is exempted to form a part of NDTL in the scheme guidelines.

Reacting to this, the Regional Director, RBI advised that first these revised guidelines of the scheme should be examined and all other aspects considered as to whether these are acceptable to the banks and subsequently if needed, you could make a reference to Reserve Bank of India for the purpose.

The Chairman expressed the hope that RBI will respond in the matter positively.

After threadbare deliberations the house decided as under:

- **A small Sub-group was constituted comprising only 3 major banks operating in the State, viz. J&K Bank, State Bank of India and Punjab National Bank. The said sub-group should sit under the Convenorship of Commissioner/ Secretary, Labour & Employment, examine the macro issues within the scheme and come up with recommendations and SLBC should pass the resolution after the recommendations of the said sub-group.**
- **Regarding the issue of Subsidy Reserve Fund to be exempted from NDTL, it was decided to make a reference to Reserve Bank of India for consideration.**

(Action: SLBC Secretariat/ Reserve Bank of India)

4) Working Group constituted in 80th SLBC meeting to work out strategies to enhance credit delivery to Agriculture Sector in J&K State:

The recommendations of the Working Group headed by Principal Secretary, Agriculture Production Department, J&K Government, to work out strategies to enhance credit delivery to Agriculture Sector in J&K State constituted in compliance with the decision taken in the 80th SLBC meeting vide Govt. Order No. 192-Agri of 2011 dated 29.06.2011, forwarded vide No. Agri.PC-24/2010-11/32/2011-12 dated 03.08.2011, were approved by the house for implementation in J&K State.

(Action: All concerned)

Agenda Items No: 82.01

CREDIT TO PRIORITY SECTOR

Bank-wise/Sector-wise, Region-wise/Sector-wise achievements in lending to Priority Sector under Annual Credit Plan 2011-12 as at end of June 2011:

Commenting on the achievements made by banks in extending credit facilities, the Chairman reiterated that the J&K Bank alone has disbursed Rs.631.76 Crore against the target of 1,492.44 Crore, thereby recording 42% of its annual ACP target under priority sector lending thus contributing 69.07% of total credit disbursed in the J&K State during FY 2011-12, while as SBI with total disbursement of Rs.61.72 Crore and PNB with disbursement of Rs.35.68 Crore have achieved just 12% and 13% of their respective annual ACP targets during the year and have contributed 6.75% and 3.90% of the total priority sector credit disbursed in the State.

The Chairman observed that it was quite embarrassing to say that except J&K Bank no other bank has been able to achieve the targets. He advised all other banks to make strenuous efforts to ensure that committed targets are achieved in the remaining part of the CFY.

The Special Secretary Finance, J&K Govt. pointed out that the disturbing trend persisting for quite some time is the Housing Sector getting over-prioritized within the priority sector despite measures suggested previously to remove the imbalance. He stated a deeper analysis would indicate that in case achievements under Housing Sector are excluded, the overall achievement of Priority Sector would come down heavily, needing attention.

The Chief General Manager NABARD giving his viewpoint on the issue pointed out that achievement of physical targets was quite low as compared to the financial achievement and stressed the need for focusing attention on achievement of physical targets as well.

Regional Director, RBI remarked that in fact the J&K Bank has singly made up for the lapses of all other banks operating in the State. He, however, cautioned that this kind of the situation cannot be allowed to persist and other banks also shall have to make efforts to improve their performance. He specifically advised SBI and PNB to ensure that they duly accomplish the targets and commitments as per ACP.

(Action: All member banks)

Agenda Item No.82.02

Credit under Government Sponsored Schemes:

The Chairman informed the house that against the Annual ACP target of Rs.308.13 Crore for 28,637 beneficiaries for all banks operating in the State, the achievement of banks at the end of June 2011 under five major Government Sponsored Schemes, viz. SGSY, PMEGP, JKSES, SJSRY and SC/ST/OBC has been of the order of Rs.44.33 Crore spread over 3,091 beneficiaries in all the three regions of the State thereby registering a poor performance of 14% & 11% of the target in financial and physical terms respectively. Taking a strong note of the unsatisfactory performance of banks in disbursement of credit to various Govt. Sponsored Schemes he stressed the need for taking concrete steps for improving the performance under these schemes, which are the main contributors for the economy of the State.

The Vice President (LBD/ SLBC) stated that comparative figures of achievement under GSS have been incorporated in the agenda to highlight lack of performance under the GSS in certain districts. Elaborating further he stated that it is distressing to observe District Kulgam, District Samba, District Reasi, District Kargil, etc. having recorded dismal achievement of just 1% under SGSY. Same thing has taken place under PMEGP in District Kishtwar; while as District Leh has recorded zero performance under almost all the schemes. Stressing that these are the flagship programmes, which need to be taken seriously, he advised the LDMs to closely monitor the position at district level also and provide necessary feedback to SLBC on regular intervals for desired intervention.

The Commissioner/Secretary, Labour & Employment, raised two issues, viz.;

(1) At the district level the targets for various Government Sponsored Schemes are usually fixed on a very higher side, which are not commensurate with the financial allocations made to the different departments.

(2) There has been a general hesitation with the Branch Managers in disbursing loans under various government sponsored schemes citing reasons that NPAs under GSS tend to be more as compared to the normal bank lending. He pointed out that such a perception was based on a myth and needed to be done away with. For this purpose he requested the SLBC to conduct an exercise to ascertain the facts.

Some other stakeholders viz. the Joint Director, Housing & Urban Development Department, dealing with the SJSRY, and Secretary, KVIC, dealing with PMEGP, also complained of similar aberrations in target allocation. The Joint Director, HUDD stated that a target of 384 cases only had been fixed by the government for SJSRY for the State for FY 2010-11, which was repeated for the CFY also, but agenda papers indicated the target for SJSRY at 966 cases. Representative of KVIC stated that for CFY a target of 974 cases was fixed for the State but the agenda indicated a comparatively higher target of 1856 cases.

Responding to the issue the Regional Director, RBI clarified that SLBC has no role in this process as Credit Plans are formulated at the district level usually in consultation with the concerned Government Departments. This demonstrates that representatives of these concerned Government Departments are unable to provide realistic figures at the time of preparation of the ACP and do not justify their presence. Terming it as the lack of coordination at the district level fora, the Regional Director, RBI advised that SLBC should not be used as a forum for fault finding or seeking explanations.

The Commissioner/ Secretary, L&E endorsed the views stating that representatives of the Government Departments do participate in the meetings conducted at Block/ District levels for formulation of the ACP but that has not made any qualitative difference to the fixing of targets. He agreed that fixing of targets at higher side usually takes place and attributed it to the fault of not only the bankers but those government functionaries too who are involved in such exercises at district/ block level. He suggested that in anticipation of actual government allocations, the LDMs should take last year's allocations for the Scheme into the ACP with around 10% enhancement and readjust the targets subsequently at a later date upon receipt of the actual allocations from the Government.

The Chairman also clarified that the target are not fixed by SLBC and the figures indicated in the Agenda Papers are collated by the SLBC Secretariat from the data sourced from LDMs at the district levels, where these figures are arrived in consultation and with the acceptance of the representatives of concerned Government Departments. Hence, at the time of target fixing at DLRC level representatives of the concerned Government Departments/ Sponsoring Agencies should raise such issues and ensure that the targets are dovetailed with the overall budgetary allocations available to them.

The Commissioner/Secretary, Industries & Commerce, presenting his viewpoint on the issue stated that targets tend to change over the year. He stated that in PMEGP government fixes an initial target and depending on the performance, the Gol enhances subsidy allocation for the State. As such, the government does not want to restrain the targets when there is potential for setting up more units.

Mr. M. S. Wani, VP, LBD/ SLBC clarified that upping of targets at the district-level is a normal routine. He stated that LDMs fix these targets usually in the month of February without waiting for the actual government allocations. However, doing mid-course corrections to the Credit Plan upon receipt of government allocations is a usual phenomenon. Citing the examples of PMEGP and SGSY, Mr. Wani informed that the whole system has been rationalized. He, however, asked the LDMs present in the meeting to respond to this issue of aberrations in DCP in targets.

LBO Kulgam responding to the issue stated that since the government allocations usually are made available to the LDMs much later, so while preparing the District Credit Plan targets for GSS are fixed by applying some reasonable increase over the achievements made during the previous FY.

Regional Manager, SBI, Srinagar, Mr. A.U.Tak, reminded that in terms of earlier SLBC decisions, the Sponsoring agencies are supposed to sponsor cases to banks by 25% in excess of targets in order to compensate for the rejection of cases by banks.

It is decided that henceforth;

- **In absence of the government allocations, LDMs should repeat the previous year's targets with 10% enhancement and incorporate the same while finalizing the District Credit Plans. But once actual allocations from the Government are made available, necessary readjustments to that effect should be incorporated in the ACP.**
- **LDMs should hold strong interactions at the DLRC level with the concerned government departments/ agencies in order to ensure that targets for various GSS become accurate and realistic not withstanding the fact that budgetary allocations in respect of GSS are usually made a bit later after the exercise of target fixing has taken place.**

(Action: All LDMs/ SLBC Secretariat)

Regarding the conception that NPAs under GSS are more as compared to the normal bank lending, the Chairman attributed this to the seriousness exhibited and efforts made by the banks for recoveries in respect of normal lending whereas that kind of seriousness is not being shown in case of the lending under Government Sponsored cases. As for as the poor achievement under GSS is concerned, the Chairman remarked that it would not be fair to punish the prospective beneficiaries for the misdeeds people who have taken loans and defaulted to repay. He stressed upon the banks to be more concerned and liberal for extending assistance to the Govt. Sponsored Programmes, which is justified and fair keeping in view that the beneficiaries usually come from the lower strata of the society.

- **The Chairman advised that data on recoveries made and the percentage of NPAs be obtained and included with data for credit flow to Government Sponsored Schemes for review in future.**

(Action: SLBC Secretariat/ LDMs/ Member banks)

AGM, RBI, Mr. Ravinder Kumar reminded the house that last time while deliberating upon the study report of NIRD regarding Government Sponsored Schemes, it was decided by the house that the monitoring of qualitative aspect of these GSS would be assigned to the Task Force but in the agenda papers there is no mention of that action point.

Responding to this the Chairman clarified that in the previous SLBC meeting he had suggested an impact study of the GSS to ascertain the facts whether the basic purpose underlying these programmes was being achieved or not. He wanted that such kind of an impact study could be conducted through a Task Force or a group which would identify some units on sample basis and see whether the units are existing and running or not.

Mr. Wani, VP (LBD/ SLBC) informed that instructions have been since conveyed for monitoring of the qualitative aspects of the loaning under GSS in the district-level fora.

Regional Director, RBI told that in that event SLBC has to ensure that the relative data is placed in all the district-level meetings and the position is monitored and then the consolidation has to be done at the State level.

It was decided to;

- **Form a small team comprising of officers from three major banks, viz. J&K Bank, SBI and PNB, Industries & Commerce Dept. and Labour & Employment Dept. The said team shall visit 50-100 units established under GSS for on spot inspection after availing loans and making an impact study.**

(Action: SLBC Secretariat/ All concerned)

- **Necessary instructions should be reiterated to the district-level committees forthwith to ensure that the district-level qualitative data is obtained, compiled and placed before the next SLBC meeting.**

(Action: SLBC Secretariat)

- **In future the Lead District Managers should participate in the SLBC meetings fully prepared and with updated position in their respective districts so that they are able to immediately respond to anomalies like this.**
(Action: Lead District Managers)
- **As decided earlier, the Sponsoring Agencies should ensure that sponsorship of cases to banks is evenly distributed throughout the year and maximum number of sponsorships should be completed by the 3rd quarter.**
(Action: Government Sponsoring Agencies)

Agenda Item No: 82.03

Performance under Handicrafts / Handloom / Credit-cum-Subsidy Scheme for Rural Housing Schemes as at the end of June 2011:

The Chairman brief the house about the achievements made by banks as at the end of quarter ended June 2011 under Handicrafts, ACC and Handloom schemes. The position was considered as very dismal.

CGM, NABARD pointed out that the people associated with Handicrafts trade are individually scattered. He stressed the need for adopting the group approach for promoting Handicrafts Schemes in J&K State on the pattern of SHG and exploring ways and means to increase credit flow to Handicrafts sector. Regarding Handlooms Schemes, he informed that Revival package is coming now very shortly. He stressed that audit for the year 2009-10 should be completed on priority basis so that requirement under the revival package is assessed and all the Handloom Cooperative Societies can be revived.

The Commissioner/ Secretary, Industries & Commerce, Mr. Umang Narula informed that there are 4-5 lakh artisans in the J&K State, most of whom are concentrated in the Kashmir valley. He pointed out that the Artisans Credit Card (ACC) Scheme is not being promoted in the State in the way the KCC is being promoted. He stressed the need for promotion of the ACC Scheme, which would benefit the artisans of the State. Commenting on the Revival Package for Handloom sector, Mr. Narula stated that no revival package is possible outside the Cooperative Sector.

Mr. M. S. Wani, VP (LBD/ SLBC) clarified that the ACC Scheme is already available and in operation in the State since it was launched. He however, pointed out that this Scheme was not properly incentivized by any Government Agency and is not therefore, popular. Reacting to this, Mr. Narula informed that the government has already moved a proposal to extend the subsidy to Artisans Credit Card holders also. He, however, desired to have information regarding the extent of usage of this facility in the State with various banks, which is required for making some policy decisions.

President (A&AP), J&K Bank, Mr. Parvez Ahmad, joining deliberations on the issue, informed the house that the issue of Artisans Credit Card was discussed previously in the meeting of the Sub-Group on Artisans constituted by J&K SLBC for the purpose and one of the major recommendations of that Sub-group was that ACC needs to be made more popular and promoted on the similar lines as done in case of KCC and that the features built in KCC should be extended to the ACC Scheme also.

Credit-cum-Subsidy Scheme for Rural Housing:

Pointing out that this scheme has not been picking up in the State as there has been zero performance, the Chairman desired to know from the members whether this scheme has got any scope for future or if the scheme needs to be discarded from the review agenda.

The C/S L&E joining the discussion stated that there is a lot of allocation under IAY, which is a very popular scheme and a large number of people get covered in rural areas under that Scheme. He observed that the people in rural areas would not be opting for any kind of loan under the Rural Housing Scheme since they are getting the dwelling units free under IAY.

Vice President (LBD/ SLBC) clarified that Gol announced the Rural Housing Scheme in 1999 for which only five districts of the state were identified. J&K SLBC approved the Scheme for implementation in J&K State in the year 2000. But since then neither any sponsorship has happened under this scheme nor a single case has been reported during the last 12 years. As there are no takers, he requested the house to drop the scheme from the review agenda.

The Regional Director, RBI stated that this Scheme is a Central Government Scheme and in case the State Government does not find any potential for this scheme in the State, they can also tell Gol that the Scheme has no relevance for the State.

(Action: Commissioner /Secretary, Rural Dev. Deptt., J&K Govt.)

Agenda Item No: 81.04

BANK CREDIT AT A GLANCE (OVERVIEW OF CREDIT SCENARIO IN J&K STATE)

Statistical data of various Banks in J&K State at the end of March 2011:

Briefing the house about the comparative figures of Credit Deposit Ratio of banks as on 30th June 2010 and 30th June 2011, the Chairman observed that during the last one year the overall C. D. Ratio had come down from 44% as on 30th June 2010 to just 35.84%% as on 30th June 2011, which he remarked, was a matter of concern for all.

Attributing the decline in C. D. Ratio to disproportionate growth of deposits and advances, the Regional Director, RBI stated that deposits of banks in the State have increased by 21% whereas advances have increased by 0.01% only. He, however, impressed upon the banks to address this problem, particularly to the major banks like J&K Bank, SBI and PNB, which have got a substantial presence in the State in terms of No. of branches.

The Special Secretary Finance, commenting on the sharp dip in the C. D. Ratio, stated that those of the banks who are crossing the threshold of 50% should strive to maintain that level.

The DGM, Punjab National Bank presenting his viewpoint on the issue stated that Credit Deposit Ratio of the State could improve only if the investment environment in J&K State is improved. Commenting on the Credit Absorption Capacity of the State, he stated that it was lesser in the State as compared to other parts of the country, as no new projects are coming up in the State and even if some projects do come up in the State, their financing is usually being done by the banks/ branches operating outside the State.

DGM, SBI attributed the low C. D. Ratio of State to the fact that large chunk of deposits maintained by various defence and other Para-military forces operating in the State. Citing example of two districts of Rajouri and Poonch where C. D. Ratio of SBI hovered round 7% and 9% respectively, the DGM, SBI stated that low C. D. Ratio is also attributed to lack of credit absorption capacity in the State.

Summing up the discussion on the issue, the Chairman stated that considering the grave situation of low Credit Deposit Ratio in J&K State, it become expedient for the member banks to look into their overall operations and take suitable measures to improve the C. D. Ratio. He informed that the State Government at its level has been making very serious efforts in this direction. They have invited CMDs of Public Sector Banks earlier also and there was commitment from entire financial sector that J&K would be the thrust area where everybody would like to boost up credit, but considering the position obtaining as at the Q1 of CFY, the position warranted a focused attention from all member banks.

(Action: All Member banks)

Agenda Item No: 81.05

ACHIEVEMENT UNDER SELF HELP GROUP (SHG):

The position as of 30th June 2011 was taken on record.

Chief General Manager, NABARD expressing concern over lack of any worthwhile progress in formation of the SHGs in J&K State so far suggested that the SHG concept in J&K State needs revitalization. He pointed out that SHG formation usually takes place through NGOs but in J&K State very few NGOs are operating that is why formation of SHGs in J&K State has not been satisfactory. He therefore, emphasized the need for taking necessary measures in J&K State that would boost up the SHG formation in the State. For this purpose CGM NABARD offered that NABARD would extend financial support for forming and nurturing of the SHGs, etc.

Regional Director, RBI sharing his concern on the issue, stated that NABARD should impart some of the lessons emerging from their success stories from southern States of the country for being replicated in this State. He stated that there would be some factors that would have helped the formation of SHGs in those States, in case those factors are taken into account here also, it would surely improve position of SHGs here. He desired that NABARD should take a lead into this programme.

Managing Director, Women's Development Corporation, attributed poor performance under SHGs to lack of awareness among the people regarding the SHG concept and stressed the need for taking up capacity building/ training programmes in the State in order to generate adequate awareness among the people. He suggested that banks should take a lead in this initiative.

Reacting to this, CGM, NABARD stated that NABARD has conducted a project in Reasi District, where DDC has involved Anganwari Workers on experimental basis to form at least one group in their area of operation, thus this way about 300 SHGs are expected to be formed in the district. He informed that NABARD is watching the project. Regarding the suggestion of training/ capacity building, the CGM, NABARD offered to organize these programmes for banks/ government departments, etc. In this regard he pointed out that in Leh district there are some 500 SHGs, which are not linked with banks, which could be used for progressing in this endeavour.

The Regional Manager, SBI, Mr. Tak pointed out that basically the issue is more cultural than an administrative one. Elaborating his point, Mr. Tak stated that every bank is giving training to its staff to sensitize them regarding SHG programme. But in southern States people are culturally tuned to this kind of group behaviour, which is lacking in J&K. He, however, emphasized that NABARD and other agencies need to go for a massive awareness campaign, so that people are made aware of the benefits they can derive from the SHG programme.

Deputy Registrar of Cooperatives, joining the discussion on the issue stated that Cooperative Structure is in place in every district represented by the Dy. Registrar of Cooperatives and offered that banks can be in touch with the concerned functionaries and utilize the Cooperative set up for organizing awareness camps throughout the State.

(Action: NABARD)

Agenda Item No: 81.06

Credit Delivery to MSMEs:

The progress achieved by banks on implementation of IBA package on MSMEs and other productive sectors as at the end of June 2011 was taken on record and considered as satisfactory.

Agenda Item No: 81.07

Achievement under Kissan Credit Card Scheme:

The progress achieved by the banks as at the end of June 2011, was taken on record. Banks/ financial institutions operating in the State were advised to take all necessary steps for promoting the Kissan Credit Card Scheme in the State.

(Action: All Banks/ Financial Institutes)

Agenda Item No: 81.08

Review of position as per key indicators for monitoring flow of credit in J&K State as of 30th June 2011:

The position regarding key indicators of performance of banking sector in J&K State as at the end of June 2011 was taken on record. The Chairman reiterated that sharp decline in the C.D.Ratio of banks was a matter of concern and emphasized on banks/ financial institutions operating in the State to make concerted efforts for improving the position in the remaining part of the CFY.

(Action: All member banks/ Financial Institutes)

Agenda Item No: 81.09

Interest Subsidy Scheme for Housing the Urban Poor (ISHUP):

The Joint Director, Housing & Urban Development Department, J&K Government pointed out that although the government had already sponsored 69 cases under ISHUP to J&K Bank forwarded through J&K Bank Zonal Office Kashmir, Srinagar, which have reportedly been sent to different branches of the bank, yet the Agenda lacked information on that account. He stated that the bank has sanctioned no case so far. He further informed that in Jammu region 320 cases have been identified, which are presently being verified through the Deputy Commissioners of the concerned districts and expressed the hope that those cases would be sponsored to the banks within a month.

The Vice President (LBD/ SLBC) clarified that no feedback had been provided to the SLBC Secretariat regarding this sponsorship. The cases have been directly sponsored to the zonal office of the bank and the concerned LDM, who is the actual data source for the SLBC Secretariat, has not informed any progress with the result no data on this account had been incorporated in the Agenda/ background papers. He requested the Housing & Urban Development to forward a copy of the list of such sponsored cases to the concerned Lead Bank Officer so that monitoring mechanism is put into motion in future.

(Action: Housing & Urban Dev. Deptt. J&K Govt.)

Agenda Item No. 82.10

Flow of credit in Minority Concentrated Districts:

Achievement of banks recorded in disbursement of credit to the only declared Minority Concentrated District of J&K, viz. District Leh, were taken on record.

Agenda Item No. 82.11

Preparation of Annual Credit Plans (ACP):

In terms of the decision taken in the last SLBC meeting to prepare the revised ACP for J&K State after making 10% increase in targets across the board, the revised ACP for the FY 2011-12 for J&K State arrived at Rs.3619.69 Crore, which was taken on record by the house. However, regarding the targets for various Government Sponsored Schemes, the Chairman sought views of the Commissioner/ Secretary, Labour & Employment Department and other concerned departments.

The Commissioner/ Secretary, Labour & Employment stated that under JKSES the average ticket size of loan is around Rs.2.00 lakhs and historically an annual increase of 10% is made.

The Chairman advised that this 10% increase should be related to the budgetary allocations of the government for the respective Scheme. He reiterated that even if the targets are fixed for a particular scheme, but on receipt of actual allocations from the government, necessary readjustments should be made in the overall ACP which exercise could be made in the 2nd Quarter itself.

Besides, there has to be another 15% provision for casualties under the GSS, like rejections, etc. Thus sponsoring agencies should ensure sponsorship of cases under GSS at around 125% of target in compliance to SLBC decision already in vogue, so that banks are able to achieve 100% target during the financial year.

(Action: All LDMS/ Concerned Sponsoring Agencies)

Agenda Item No. 82.12

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

The house was informed that all the five identified un-banked blocks of Pahloo, Wadwan, Nangsani, Duggan and Gundana stood covered by opening of new bank branches by J&K Bank, J&K Grameen Bank and Ellaquai Dehati bank, to whom these un-banked blocks were allocated by SLBC for the purpose and therefore, there was now no un-banked block in the State.

Apart from the above, the Branch- Expansion Plan drawn by the J&K Bank for the year 2011-12 for J&K State in terms of RBI guidelines dated July 1, 2010 and July 15, 2011 envisaging coverage of notified under-banked districts, was also taken on record.

The Special secretary, finance pointed out that in Gundana Block of district Doda, the concerned bank has not been able to open a computerized branch there probably for the reasons of inaccessibility in that area. Stressing early computerization of the branches opened by the banks in the said five identified un-banked blocks, Mr. Sidiqi stated that the issue is listed on the agenda for meeting of the Cabinet Secretary, GoI, where the State Government has to report progress in the matter.

Attributing this to poor communication facilities available in the area, the Chairman, EDB informed the house that the bank has already applied for a leased line there and assured that once the leased-line connection is made available, the bank would be able to go for CBS there.

(Action: Ellaquai Dehati Bank)

Chairman, J&K Grameen informed that 62 branches of the bank have already been taken on CBS, which covers almost 70% of the total business of the bank.

Agenda Item No. 82.13

RBI directive regarding providing banking services in 795 un-banked villages having population of 2000 and above in J&K:

Progress achieved by the concerned banks in implementation of the Financial Inclusion Plan (FIP) in having covered the 507 out of total 795 identified un-banked villages having population over 2000 in J&K State by the end of June 2011, was taken on record.

The Regional Director, RBI made it clear that implementation of the Financial Inclusion Plan (FIP) has necessarily to be completed by the end of March 2012. He desired to know whether the concerned banks were adequately tuned to complete the implementation of the programme by 31st March 2012.

The Vice President (LBD/ SLBC), J&K Bank, who is also heading the Financial Inclusion Department of J&K Bank, informed that the progress in the matter was being monitored on weekly basis. He stated that out of 535 allocated villages, J&K Bank has by the end of June 2011 engaged BCs to provide ICT-based banking outlets in 389 such villages. He further, informed that J&K Bank contemplates to go for inclusion programme in these villages with ICT-based solutions/ smart card and credit linking. In the first phase of the programme, bank has planned to open at least one bank account for every excluded household through BCs, which process would hopefully be completed by the end of March 2012.

DGM, SBI expressed the hope that State Bank of India would be completing the project by the deadline date.

DGM, Punjab National, pointed out that his bank was confronting some problems relating to technology provider for the Smart Cards and ICT-based products in J&K, as FINO, the Technology provided earlier appointed by the bank, was over-burdened. He, however, assured the house that they have taken alternative steps to sort out this problem and assured that the remaining 29 un-banked villages would be covered by the stipulated date, viz. 31st March 2012.

All the banks, to which these 795 villages had been allocated by the SLBC, were advised to take all necessary measures to ensure accomplishing the target by the stipulated date, viz. 31st March 2012 in terms of GoI/ RBI directives.

(Action: J&K Bank, SBI, PNB, J&K Grameen Bank & EDB)

Agenda Item No. 82.14

Operational Guidelines issued by RBI for implementation of EBT and its convergence with providing of banking services in un-banked villages under FIP to resolve the issue of overlap in allocation of villages:

The house was briefed about the operational guidelines issued by RBI vide Circular No. RBI/2011-12/153 dated August 12, 2011, on EBT and its convergence with FIP to resolve the issues of overlap. Concerned banks were advised to go through the said Operational Guidelines and ensure that issues, if any, arising in the matter, be sorted out in the light of the said guidelines.

(Action: Concerned banks)

Agenda Item No. 82.15

Evolving Action Plan for banking outlets in un-banked villages having population more than 1000 but less than 2000 in J&K State for Financial Inclusion:

The Vice President (LBD/ SLBC) J&K Bank, Mr. M. S. Wani initiating deliberations on the issue, stated that soon after the pilot programme of 795 un-banked villages (having population >2000) SLBC has received another instructions through Indian Bank's Association (IBA) on behalf of Government of India to come down to another level of villages with population of >1000 and <2000. He informed that about 1287 villages (with population >1000 but <2000) have been got identified in J&K State, list whereof had been enclosed with the agenda papers. He requested the house to decide the modus operandi for allocation of these villages among different banks for providing banking outlets.

Keeping in view that this huge 2nd phase programme would require lot of investment and infrastructure, Mr. Wani suggested that these 1287 villages may be allocated among the same five banks, viz. J&K Bank, SBI, PNB, J&K Grameen Bank and Ellaquai Dehati Bank, who have been already allocated 795 villages (having population >2000) for providing banking outlets and financial on the same pattern as done earlier, keeping in view that the said five banks have got the necessary arrangements already in place, like tie-ups with BCs in the area and other connected issues. Therefore, he sought approval of the house for the consultation to be held in this regard with the said 5 banks for mutually acceptable allocation.

Mr. Wani also informed the house that thereafter there is likelihood of the 3rd phase for coverage of the remaining villages having population below 1000 to be provided with banking outlets, which programme would have to be rolled out in the similar manner in due course. Hence, the banking sector has to remain prepared for the task.

Dy. Registrar Cooperatives, J&K Government, requested that the Cooperative Banks operating in the State may also be considered for allocation of these villages as these banks have got their presence in many remote areas of the State.

However, the Vice President (LBD/ SLBC) clarified that earlier while rolling out the FIP for identified 795 un-banked villages, some villages had been allocated to these Cooperative Banks, but later on the said allocation had to be withdrawn for reallocation as these Cooperative Banks had pleaded lack of technology, manpower constraints, etc.

Regional Director, RBI stated that financial position of the Cooperative Banks has not been favourable for this kind of programmes and they also have their staff constraints.

DGM, Punjab National Bank suggested that while allocating these villages, geographical contiguity of these villages should also be taken into account.

After threadbare discussions it was decided that the concerned five banks should sit and hold the consultation process on this account and allocate these villages accordingly and in case there are any issues, those too could be addressed mutually.

(Action: J&K Bank, SBI, PNB, J&K Grameen Bank & EDB)

Agenda Item No: 82.16

Implementation of 100% Financial Inclusion in J&K State:

The position of No-frills accounts as at the end of June 2011 was taken on record.

The Representative of Reserve Bank of India pointed out that mere opening of no-frills accounts was not enough and advised that the concerned banks have to ensure that these accounts are operative and have not become dormant subsequently. Besides, the banks have also to ensure that these beneficiaries have access to credit, remittance facilities should be allowed and there should be some insurance or deposit products available. He pleaded that information on these issues should be incorporated in the agenda papers.

The Vice President (LBD/ SLBC), J&K Bank, clarified that the basic guidelines regarding the Financial Inclusion programme are very clear that the financial inclusion programme should have following process:

- (1) Enrolment of all the households, which are so far excluded from banking system. So the LDMs have been advised to identify the households that are yet excluded where the enrolment process has to start. The LDMs have not done so despite repeated reminders. They were advised to submit compliance without any further delay.
- (2) Whatever enrolment account is opened, that should be credit-linked. But so far no bank in the State has come up with credit-linkage through this ICT-solution. J&K Bank has not started the process of and now they have initiated working out modalities for providing delivery of identified basic services through the Smart Card.

He further stated that the banks involved in this process of Financial Inclusion, have to find out the product, which can be enabled through a Smart Card. He stated that there are regulatory prescriptions that this account should be enabled for an Over-draft, but not a single bank has issued the modalities as to how this Overdraft facility has to be granted. He pointed out that the Overdraft facility could not be pushed voluntarily into a persons Saving Bank Account unless that particular account holder makes a specific request for the same because every bank facility has to be request-based. He requested the banks to consider these aspects so that the five

basic services that are required to be delivered as per guidelines for financial inclusion, viz. 1) basic Savings Account with inbuilt OD facility, 2) a deposit product like RD, 3) remittance facility, 4) GCC or KCC or livelihood finance and 5) micro-insurance product should be enabled through the Smart Card & BCs. Then only they could claim that they are implementing the financial inclusion programme in accordance with the guidelines in this regard.

The Regional Director, RBI advised that this process should be undertaken immediately without waiting indefinitely for the same, so that whenever the banks open the no frills accounts, they should start the process of issuing the Smart Cards too with delivery of basic services.

- **It was decided that senior functionaries of three major banks operating in the State, viz. J&K Bank, State Bank of India and Punjab National Bank would meet to hold a meeting during the next week to create common modalities and share each other experiences and workout solutions. The said sub-group would also need to revise the monitoring format for the said programme, so that all the regulatory requirements for service delivery like credit facilities, insurance, deposit & remittances allowed through the Smart Card could be monitored in the SLBC henceforth.**

(Action: All Banks/ Financial Institutions)

Agenda Item No: 82.17

Setting up of Rural Self Employment Training Institutes (RSETIs):

The house appreciated that the process of setting up the RSETIs in J&K State in terms of the GoI guidelines, had already started and about 9 RSETIs had already been set up in the State.

Both the concerned banks were advised to ensure setting up of remaining RSETIs in their respective lead districts as soon as possible.

(Action: J&K Bank/ State Bank of India/ J&K EDI)

Allotment of land by the State Government:

The house was informed that the RSETIs so far set up in the State have come up in rented premises, as the State Government has not so far allotted land for the purpose.

The State Government was requested to take necessary measures immediately for allotment of suitable land for setting up RSETIs in every district of the State.

(Action: J&K Government)

Agenda Item No: 82.18

Small Farmers' Agribusiness Consortium (SFAC) – Venture Capital Assistance Scheme:

The issue could not be discussed, as the representative of SFAC could not make it to the meeting. The Chairman advised that this item be carried forward to next SLBC meeting.

Agenda Item No.82.19

Spreading Awareness of the Codes among Bankers and Public- SLBC meetings:

As organized by SLBC Secretariat, the representative of Banking Codes & Standards Board of India (BCSBI) Mr. R. C. Arora made a Power Point presentation before the house with the objective of making the bankers/ government officials in J&K State aware of the banking codes and standards. Printed brochures containing details of these banking codes and standards were also distributed among the participants.

Agenda Item No.82.20

Aadhaar and Financial Inclusion:

The representative of UIDAI could not make it to SLBC meeting and expressed his inability to attend because of some other urgency. Therefore, this Agenda item could not be deliberated.

Agenda Item No.82.21

Action Point emerging from Cabinet Secretary's visit to Srinagar on 5th- 6th October, 2009:

The Chairman briefed the members regarding one of the actionable points emerging from the meeting of the Cabinet Secretary, Gol, during his visit to Srinagar on 5th & 6th Oct. 2009, regarding some banks asking for guarantor for giving facilities under SGSY Scheme for which Gol provides subsidies.

However, the house was informed that the government had sorted out this issue and now there is no complaint on this account any more from any quarter.

Agenda Item No.82.22

Strengthening of SLBC / Formation of Steering Sub-Committees of SLBC –

Action Plan forwarded by Gol, MoF, DFS regarding lending to Agriculture Sector for Crop Loans:

Consequent to considering the proposal made in the agenda notes, the house accorded approval to formation of various Steering Sub-Committees of SLBC as per the revised Lead Bank Scheme and simultaneously approved dissolution of the previously constituted (defunct and non-operational) Sub-Committees/ Sub-groups as mentioned below:

A) Sub-Committees of SLBC constituted:

I) Steering Sub-Committee of J&K SLBC to monitor flow of credit to Agriculture sector

Composition:

- | | | |
|---|-----|--------------------------------|
| 1. Chairman / Executive President/ Principal Secretary, Agriculture Production Department, J&K Govt. | ... | To Co-chair |
| 2. President, J&K Bank | ... | Member |
| 3. Convenor, J&KSLBC | ... | Member/ Secretarial Service |
| 4. Director Agriculture (Kashmir), J&K Govt. | ... | Member |
| 5. Director, Agriculture (Jammu), J&K Govt. | ... | Member |
| 6. Reserve Bank of India (RPCD), R.O., Jammu | ... | Member |
| 7. NABARD, R.O., Jammu | ... | Member |
| 8. State Bank of India, L.H.O. Chandigarh | ... | Member |
| 9. Punjab National Bank, (Circle Office) | ... | Member |
| 10. Chairman, J&K Grameen Bank | ... | Member |
| 11. Chairman, Ellaquai Dehati Bank | ... | Member |

II) Steering Sub-Committee of J&K SLBC to monitor flow of credit to MSEs Sector, Handicrafts/ Handloom Sector and for addressing issues relating to delivery of microfinance

Composition:

- | | | |
|---|-----|-------------------------------|
| 1. Chairman/ Executive President/ Commissioner/ Secretary, Industries & Commerce Deptt., J&K Govt. | ... | To Co-chair |
| 2. President, J&K Bank | ... | Member |
| 3. Convenor, J&KSLBC | ... | Member/Secretarial Service |
| 4. Director Industries & Commerce (Kashmir), J&K Govt. | ... | Member |
| 5. Director Industries & Commerce (Jammu), J&K Govt. | ... | Member |
| 6. Director Handicrafts Department, J&K Govt. | ... | Member |
| 7. Director Handlooms Department, J&K Govt. | ... | Member |
| 8. Reserve Bank of India (RPCD), R.O., Jammu | ... | Member |
| 9. Director, MSMEs Development Institute, Jammu | ... | Member |
| 10. State Bank of India, L.H.O. Chandigarh | ... | Member |
| 11. Punjab National Bank, (Circle Office) | ... | Member |
| 12. President, Federation of Commerce & Industries Kashmir | ... | Member |
| 13. President, Federation of Industries, Jammu | ... | Member |

III) Steering Sub-Committee of J&K SLBC to monitor IT enabled Financial Inclusion, FLCC and Credit Plus Activities

Composition:

- | | | |
|--|-----|-------------------------------|
| 1. Chairman/ Executive President, J&K Bank/ Commissioner/ Secretary, Finance, J&K Govt. | ... | To Co-chair |
| 2. President (FI/ IT), J&K Bank | ... | Member |
| 3. Convenor J&K SLBC | ... | Member/Secretarial Service |
| 4. Reserve Bank of India (RPCD), R. O. Jammu | ... | Member |
| 5. NABARD, R. O. Jammu | ... | Member |
| 6. State Bank of India, L.H.O. Chandigarh | ... | Member |
| 7. Punjab National Bank, (Circle Office) | ... | Member |
| 8. Chairman, J&K Grameen Bank | ... | Member |
| 9. Chairman, Ellaquai Dehati Bank | ... | Member |

IV) Steering Sub-Committee of J&K SLBC to promote Bank/SHG linkage

Composition:

- | | | |
|--|-----|-------------------------------|
| 1. Chairman/ Executive President/ CGM NABARD | ... | To Co-chair |
| 2. Com./ Secretary, Rural Development Deptt., J&K Govt. | ... | Member |
| 3. Com./ Secretary, Social Welfare Department, J&K Govt. | ... | Member |
| 4. President, J&K Bank | ... | Member |
| 5. Convenor J&K SLBC | ... | Member/Secretarial Service |
| 6. Reserve Bank of India (RPCD), R. O. Jammu | ... | Member |
| 7. State Bank of India, L.H.O. Chandigarh | ... | Member |
| 8. Punjab National Bank, (Circle Office) | ... | Member |
| 9. Chairman, J&K Grameen Bank | ... | Member |
| 10. Chairman, Ellaquai Dehati Bank | ... | Member |
| 11. Chairman, J&K State Cooperative Bank | ... | Member |

B) Sub-committees of SLBC dissolved:

1. Sub-Committee on Doubling of Agriculture Credit
2. Group on Bundling of Subsidies to Agriculture Credit;
3. Group for fixing bank-wise / region-wise targets for Handicrafts sector;
4. Group to suggest reforming of mechanism to finance GSS, (as the Coordination Task Force to look out for solutions to the day-to-day problems being experienced in implementation of GSS is already formed to serve this purpose).
5. Group to rationalize ticket-size of lending;
6. Sub-group of SLBC to workout modalities for speedy disposal of the loan cases of small artisans/ weavers;
7. Sub-Group Of J&K SLBC To oversee and monitor Implementation of the Recommendations for Speedy Disposal of Cases Of Small Artisans And Weavers In J&K;

(Action: SLBC Secretariat)

- **The house also approved the action plan forwarded by Gol, MoF, DFS regarding lending to Agriculture Sector for Crop Loan.**

(Action: All member banks)

Agenda Item No.82.23

Monitoring of credit to Minority Communities:

The house accorded approval to the implementation of the following:

- **Lending to Minorities may be closely monitored/ reviewed in DLRC/ SLBC meetings on regular basis;** (Action: All LDMs/ LBOs/ SLBC Secretariat)
- **PSBs functioning in the State should achieve the stipulated target for lending to Minorities and the overall credit to Minorities in the State should increase at least by 20% over and above the previous year.** (Action: All concerned banks)
- **Progress reports in this regard may be sent to the GoI, MoF on quarterly basis.**

Accordingly, Member banks were advised to report their achievements in lending to Minority Communities in J&K State to SLBC Secretariat regularly on quarterly basis for review alongwith other SLBC data.

(Action: All member banks/ SLBC Secretariat)

Some other issues deliberated in the meeting:

1) Monitoring of Government Sponsored Schemes:

Referring to the monitoring of progress under various Government Sponsored Schemes the Chief General Manager, NABARD briefly described features of some new centrally sponsored Schemes, carrying a back-ended subsidy component of 25% for general categories and 33% for beneficiaries belonging to SC/ST category, viz:

- 1) **Dairy Entrepreneurship Development Scheme, under which some 2000 cases have already been sanctioned by various banks;**
- 2) **Integrated Development of Small Ruminants Scheme to be implemented in 5 identified districts of the State. The NGOs identified for this Scheme have already sponsored cases to banks and banks too have issued necessary instructions to their branches;**
- 3) **Venture Capital Scheme for Poultry, whereunder Broiler as well as Layer have now been included;**

The CGM NABARD requested that all these schemes are more relevant to the J&K State and these can play an important role as regards the increase in flow of credit to Agriculture Sector as well as livelihood of the people. He, therefore, stressed the need for inclusion of these three schemes in the Agenda for the SLBC meetings henceforth, so that progress achieved by banks under these schemes could be also monitored and reviewed.

(Action: SLBC Secretariat)

2) Procedure to be followed on detection of counterfeit note:

The representative of Reserve Bank of India informed that RBI has revised the procedure for detection of counterfeit notes. In conformity with the revised procedure to be followed, the banks on detection of upto 4 counterfeit notes in a single transaction are required to lodge a consolidated FIR at the end of the month, in modification of earlier procedure for lodging individual FIR for every counterfeit note. However, in case there are 5 or more counterfeit notes detected, individual FIRs shall have to be lodged. He informed that for this purpose Nodal Police Stations had been set up in every district of the J&K State. He emphasized that for all the cases of detection of counterfeit notes reporting has to be made to RBI in the prescribed format. Expressing the hope that all the banks are aware of these instructions, the Regional Director, RBI stressed the need to follow the said procedure whenever there is detection of fake notes.

(Action: All Banks/ Financial Institutions)

The meeting ended with a vote of thanks to the Chair, which was presented by the Vice President (LBD/ SLBC), J&K Bank. He requested all the participants to join for a working lunch hosted by the Convenor Bank.

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

Annexure-A

List of Participants of 82nd Meeting of SLBC (J&K State)

| <u>S No.</u> | <u>Name</u> | <u>...</u> | <u>Designation / Department</u> |
|--|-----------------------|-------------------|--|
| <u>Convenors of SLBC</u> | | | |
| 1) | Mushtaq Ahmad | ... | Chairman / CEO J&K Bank |
| <u>J&K Government</u> | | | |
| 2) | Umang Narula | ... | Commissioner/Secretary, Industries & Commerce |
| 3) | F. A. Peer | ... | Commissioner/Secretary, Labour & Employment, |
| 4) | Irshad Ahmad | ... | Special Secretary (Law) |
| 5) | Anal Kumar Gupta | ... | Special Secretary (Tourism) |
| 6) | Mushtaq Siddiqi | ... | Special Secretary (Finance) |
| 7) | Vishal Sharma | ... | Joint Director, Agriculture Production Department |
| 8) | S. Shabir Shafi | ... | Joint Director, Housing & Urban Dev. Department |
| 9) | Rakesh Jamwal | ... | Joint Director (P&S), Rural Development Deptt. |
| 10) | Mohammad Saleem | ... | Addl. Registrar (Cooperative Societies); |
| 11) | Inam-ul-Haq Siddiqui | ... | MD, Women's Development Corporation |
| 12) | M. Muazzam | ... | MD, J&K SIDCO |
| 13) | Dr. G. H. Shah | ... | Director Horticulture, Kashmir |
| 14) | Mehraj-uddin Kenu | ... | Director, Industries & Commerce, Kashmir |
| 15) | B. S. Dua | ... | Director, Industries & Commerce, Jammu |
| 16) | Muzaffar Hussain | ... | Director Handicrafts, |
| 17) | Dr. Abdul Rashid | ... | Director Employment |
| 18) | Ajay Khajuria | ... | Director Agriculture, Jammu |
| 19) | Farooq Ahmad Lone | ... | Director Agriculture, Kashmir |
| 20) | Dr. M. I. Parray | ... | Director, J&K EDI |
| 21) | Arshad Majid Butt | ... | DM, J&K SC/ST/OBC Dev. Corporation |
| 22) | Mohammad Iqbal Zargar | ... | Dy. Director Planning, Rural Dev. Deptt. Jammu |
| 23) | Manzoor Ahmad Bhat | ... | Dy. Director (Adm.) Rural Dev. Deptt. Kashmi |
| 24) | B. L. Koul | ... | Dy. Director (P), Handloom Department |
| 25) | Md. Iftikhar Hussain | ... | DGM, J&K Development Finance Corporation |
| 26) | N. A. Bhat | ... | DGM, J&K SFC |
| 27) | Ravinder Singh | ... | Secretary, KVIB |
| 28) | Anil Sharma | ... | Nodal Officer, KVIC |
| 29) | Purnima Mittal | ... | CEO, UDAK |
| <u>Reserve Bank of India</u> | | | |
| 30) | K. K. Saraf | ... | Regional Director, Reserve Bank of India, R.O. Jammu |
| 31) | Ramesh Chand | ... | DGM, Reserve Bank of India, Jammu |
| 32) | D. P. Sharma | ... | DGM, Reserve Bank of India, Srinagar |
| 33) | Ravinder Kumar | ... | AGM, Reserve Bank of India |
| <u>NABARD</u> | | | |
| 34) | M. L. Sukhdeve | ... | CGM, NABARD, R.O. Jammu |
| <u>Banking Codes & Standards Board of India (BCSBI)</u> | | | |
| 35) | R. C. Arora | ... | Sr.Vice President & Compliance Head BCSBI, Mumbai |
| <u>SIDBI</u> | | | |
| 36) | Neeraj Srivastava | ... | AGM, SIDBI, Jammu |
| <u>Convenor Bank (J&K Bank)</u> | | | |
| 37) | G. M. Sahibzada | ... | President (LBD/FI), J&K Bank |
| 38) | Parvez Ahmad | ... | President (A&AP), J&K Bank |
| 39) | B. A. Lone | ... | President, Zonal Head (Kashmir), J&K Bank |
| 40) | M. S. Wani | ... | vice President (LBD/SLBC/FI), J&K Bank |
| 41) | G. Q. Shah | ... | Vice President, ZOK (North), J&K Bank |
| 42) | I. K. Koul | ... | Vice-President, (S&BD), J&K Bank |
| 43) | S. A. H. Zaidi | ... | Vice President, ZOK (South), J&K Bank |

| | | |
|------------------|-----|--|
| 44) M. A. Ansari | ... | Sr. Executive Manager (A&AP), J&K Bank |
| 45) G. R. Bhat | ... | Sr. Executive Manager (LBD/SLBC), J&K Bank |
| 46) M. Y. Wani | ... | Executive, (A&AP), J&K Bank |
| 47) Shafiq Ahmad | ... | A.E. (A&AP), J&K Bank |

Public Sector Banks

| | | |
|-----------------------|-----|---|
| 48) A. K. Gupta | ... | DGM, State Bank of India |
| 49) Ashok Gupta | ... | DGM, Punjab National Bank, C.O. Jammu |
| 50) B. Akbar Aly | ... | DGM, Central Bank of India, |
| 51) A. U. Tak | ... | Regional Manager, State Bank of India, Srinagar |
| 52) Mir Mushtaq | ... | Area Manager, Punjab National Bank, J&K Circle |
| 53) R. K. Nagpal | ... | AGM, State Bank of India, LHO Chandigarh |
| 54) A. K. Bharti | ... | AGM, Central Bank of India, Amritsar |
| 55) B. Jagarama Reddy | ... | AGM, CO, Chandigarh |
| 56) B. A. Bhat | ... | DCO, State Bank of India, Srinagar |
| 57) Harish Gupta | ... | BH, IDBI Bank, Jammu |
| 58) S. C. Sharma | ... | Rep. of UCO Bank |
| 59) Gh. Nabi Wani | ... | Rep. Of Punjab & Sind Bank |
| 60) S. A. Nehvi | ... | C.H., HDFC Bank |
| 61) J. S. Bali | ... | Senior Manager, Bank of India |
| 62) S. K. Koul | ... | Sr. Manager, Oriental Bank of Commerce |

Regional Rural Banks

| | | |
|----------------------|-----|--------------------------------|
| 63) Raja Abdul Latif | ... | Chairman, J&K Grameen Bank |
| 64) A. K. Razdan | ... | Chairman, Ellaquai Dehati Bank |

Cooperative Bank

| | | |
|--------------------------|-----|----------------------------------|
| 65) Mohammad Yaqoob Bhat | ... | Mgr. Anantnag Central Coop. Bank |
| 66) R. K. Kour | ... | DGM, J&K State Cooperative Bank |
| 67) R. S. Slathia | ... | AGM, Jammu Central Coop. Bank |

Lead District Managers/ Lead Bank Officers:

| | | |
|-----------------------|-----|---|
| 68) Tassaduq Mohammad | ... | LBO, Srinagar / ZOK (Central), Srinagar |
| 69) Mohammad Yaqoob | ... | LBO Budgam |
| 70) S. L. Dhar | ... | LBO, Anantnag |
| 71) G. R. Kumar | ... | LBO, Pulwama |
| 72) Mohd. Shafi Ayaz | ... | LBO, Kulgam |
| 73) A. H. Khan | ... | LBO, Ganderbal |
| 74) Mohammad Saleem | ... | LBO, Shopian |
| 75) Muzaffar Hussain | ... | LBO, Baramulla |
| 76) Gh. Hassan Wani | ... | LBO, Kupwara |
| 77) F. A. Gojwari | ... | LBO, Bandipora |
| 78) Arvind Kapoor | ... | LBO, Rajouri/ Poonch |
| 79) I. B. Sharma | ... | LDM, SBI, Jammu |
| 80) Harcharan Singh | ... | LDM, SBI, Samba |
| 81) R. L. Waza | ... | LDM, SBI, Doda/ Kishtwar |
| 82) V. K. Wali | ... | LDM, SBI, Kathua |
| 83) R. C. Sharma | ... | LDM, SBI, Administrative Office, Jammu |
| 84) R. L. Lochan | ... | LDM, SBI, Reasi |
| 85) Sukhdev Singh | ... | LBO, SBI Leh |

*