

## **Minutes of the meeting of the Steering Sub-Committee of J&K SLBC to monitor IT enabled Financial Inclusion in J&K State held on 31<sup>st</sup> January 2012 at Reserve Bank of India, R.O. Rail Head Complex, Jammu**

A meeting of the Steering Sub-Committee of J&K SLBC to monitor IT enabled Financial Inclusion in J&K State was held on 31<sup>st</sup> January 2012 at Reserve Bank of India, R.O. Rail Head Complex, Jammu. The meeting was chaired by the Regional Director (for J&K), Reserve Bank of India, Mr. K. K. Saraf. Representatives of all members of the Steering Sub-Committee attended the meeting. The list of participants is enclosed.

At the outset Mr. M. S. Wani, Vice President, J&K Bank/ SLBC welcomed all the participants and reiterated that financial inclusion was the highest national priority for extending benefits of economic prosperity to the excluded segments and realizing the objective of inclusive growth. He emphasized that the process of Financial Inclusion in the State has to be accelerated, as the progress made so far has not been encouraging, which was a cause of concern. Briefly stating that Govt/ RBI was closely monitoring the progress at the highest levels, so this meeting has been convened to review the position and have introspection and to impress upon the concerned stakeholders to take up the challenge of meeting the ambitious targets. Thereafter he requested the Chairman to take up the Agenda for deliberation.

The deliberations on the agenda of the meeting proceeded as under:

### **1) Progress on implementation of FIP**

Chairman of the meeting stated that this was the first meeting of the Steering Sub-Committee of J&K SLBC to review and monitor progress in implementation of the Financial Inclusion Plan in respect of the SLBC identified and allocated 795 un-banked villages having population over 2000, which process has to be completed within the stipulated timelines by March 2012. He stated that since the said target date is drawing close and the progress achieved in the State has not been encouraging so far, so there is urgent need to remove the impeding factors and taking effective measures in providing banking services in these villages through various ICT-based banking outlets. He invited the attention to the poor achievement as per figures presented in the agenda and observed that some of the concerned banks are lagging behind their targets. He emphasised that the 5 banks to whom the said 795 villages have been allocated, have to gear up and complete the process of 100% Financial Inclusion by 31<sup>st</sup> March 2012 as there is no other way out. Thereafter, he desired to know from the concerned banks what strategies were being adopted by them to improve the progress with regard to implementation of the Financial Inclusion Plan (FIP).

#### **J&K Bank:**

The President (IT), J&K Bank, Mr. R. K. Shah, informed that out of 535 villages allocated to them for providing ICT-based banking services, 437 villages have been covered upto end of January, 2012. There are only remaining 98 villages that are yet to be covered for the reason that CSCs have not been organized and appointed as BCs so far in these villages.

Mr. M. S. Wani, Vice President J&K Bank/SLBC, stated that non-availability of CSCs was impeding the roll out process, so as and when the CSCs are made available by the concerned, they will be engaged and appointed as BCs for these remaining 98 villages. He was hopeful that by the end of February 2012 J&K Bank shall cover all the SLBC allocated 535 villages.

The Chairman pointed out that tie-up with the BCs was just one step towards 100% financial inclusion process, whereas the concerned participating banks have to ensure that all other facilities like Over-draft, KCC / GCC, remittance and the micro-insurance products are delivered to the people in the identified 795 villages. It was pointed out by DGM (RPCD) RBI that J&K Bank has completed the process of issuing Smart Cards in just 35 villages, which was not enough.

Reacting to this, Mr. R. K. Shah, President, J&K Bank assured that J&K Bank would ensure coverage of all the 535 allocated villages by the end of February 2012 and the process of providing ICT-enabled financial products in these villages is expected by ending March 2012.

Mr. M. S. Wani, VP, J&K Bank / SLBC informed that J&K Bank had already taken necessary measures for providing credit delivery and basic financial services and micro products like OD, KCC, GCC, DRI, RD and Remittances are in advanced stage of being enabled by FINO for roll out. He informed that J&K Bank had firmed up a reworked arrangement with FINO, which is in final stages and simplified standardized application forms for Financial Inclusion have been accordingly designed and printed to roll out the financial services by actively involving the operations levels. However, regarding introduction of the micro-insurance product he stated that J&K Bank had not so far prioritised the micro insurance as the bank was experiencing some difficulty for this 3<sup>rd</sup> party product, which has to be sorted out with both Insurance and Technology partners.

Mr. Wani also expressed satisfaction for the support being extended by Mr. R. K. Shah, as President (IT) of J&K Bank as re-thinking in proper perspective and positive approach for facilitating financial inclusion process has started since he has taken over the technology department.

Emphasizing the need for financial literacy to invoke response of masses to financial inclusion initiatives Mr. Wani pointed out that the Smart Card holders who are included for the first time are not aware of the immense potentiality of financial sector to enhance their opportunities for growth. He stated that these Smart Card holders should be made aware how the financial sector was useful for their prosperity.

#### **State Bank of India:**

The representative of SBI, Mr. P. K. Abrol, AGM, giving status of the implementation of FIP informed that SBI had since covered all the 95 villages allocated to it by the J&K SLBC. However, regarding the process of 100% financial inclusion, he stated that SBI had so far opened around 9000 financial inclusion accounts in the said 95 villages. He expressed the hope that by the end of March 2012 SBI would complete the process of 100% financial inclusion in all these 95 villages. He, however, stated that initially SBI had gone for issuing smart cards to the beneficiaries, but subsequently keeping in view the cost incurred on issuance of the Smart Cards, SBI had decided to open accounts directly and not through the Smart Cards.

Responding to opening of financial inclusion accounts by SBI directly instead of doing so through Smart Card, Mr. R. K. Shah, President J&K Bank and Mr. M.S.Wani, VP, J&K Bank pointed out that the financial inclusion process has necessarily to be ICT-based and Smart Card based.

Mr. Ramesh Chand, DGM (RPCD), RBI pointed out that although SBI had completed coverage of all the 95 allocated villages, but they have so far been able to open just 9000 F.I. accounts in those villages upto the end of December 2011, which worked out to just 19% progress in opening of accounts, which is not at all satisfactory. He stressed that SBI needs to take some concrete steps to ensure coverage of all the households in their allocated 95 villages and start delivery of all the other credit / insurance products to the beneficiaries of F.I. accounts.

#### **Punjab National Bank:**

It was observed that Punjab National Bank was lagging far behind in the process of coverage of its 35 allocated villages as it had covered only 6 villages out of 35 allocated by J&K SLBC. The DGM, Punjab National Bank, Mr. Ashok Gupta, explained that they had overcome the difficulties being faced earlier and recently they have appointed 15 BCs with whom the bank had already worked out the plan and finalized the remuneration issues. He expressed the hope that by the 15<sup>th</sup> of February 2012 about 10 villages would be covered and assured that Punjab National Bank would cover all the 35 SLBC allocated villages soon and completes the process of 100% financial inclusion in these villages as per target by the end of March 2012.

The Chairman expressed pleasure that PNB had moved ahead in the process and advised that besides ensuring coverage of all the 35 allocated villages by 31<sup>st</sup> March 2012, PNB should endeavour to cover all the households in these allocated villages by the stipulated timelines.

#### **J&K Grameen Bank:**

Giving the progress achieved by J&K Grameen Bank in implementation of the FIP, the Chairman, J&K Grameen Bank, Mr. Raja Abdul Latif stated that they have already covered 80 villages out of 95 SLBC allocated villages, whereas in the remaining 15 villages the process of coverage is underway. He also informed that JKGB had already opened more than 30000 Financial Inclusion accounts in these villages.

Mr. Ravinder Kumar, AGM, RBI appreciating the performance of JKGB, stated that JKGB had already completed 100% financial inclusion in all the 80 villages covered by it so far.

#### **Ellaquai Dehati Bank**

The Chairman, EDB, Mr. A.K. Razdan, giving status of the 35 villages allocated by J&K SLBC to EDB, stated that EDB had already covered 28 villages by the end of December, 2011 and assured that the remaining 7 villages too would be covered by the end of March 2012. He, however, stated that EDB has covered all these 28 villages through Mobile Van and not through the ICT-based solutions, as EDB was not in a position to support the ICT-based Financial Inclusion because of its weak financials. As a financial cost of Rs.64 lakh was involved which was not sustainable by EDB, they have applied to NABARD by submitting a proposal for securing financial assistance from Government of India for ICT enabled Financial Inclusion by appointing ZERO MAS or FINO as service provider. However, the requested funding support has not been provided.

The representative of NABARD, Mr. Ramesh Kumar stated that NABARD support would be available but as per the guidelines the concerned banks have to bear the maintenance cost themselves as NABARD does not pay the maintenance cost, which is not agreeable to EDB.

The Special Secretary Finance, GoJK supporting the view point of Chairman, EDB stated that since EDB is a weak bank it was not possible to load financial burden of Rs.64 lakh on this bank on account of financial inclusion. Therefore, some kind of financial support is surely required to be provided to it for enabling to accomplish the task on time. Hence, NABARD may consider the proposal of EDB as a special case.

The Chairman, EDB explained that in many States 100% cost of Financial Inclusion was being borne by Government of India. He requested that EDB should also be considered for similar kind of support.

Mr. M. S. Wani, Vice President, J&K Bank/J&K SLBC stated that for that purpose NABARD will have to give a special recommendation to GoI that EDB is a weak bank and deserves financial support as a special case beyond their entitlement under usual funding schemes.

The Chairman, summing up the discussion on the issue requested NABARD to speedily consider the request of EDB for recommending it for financial support from Government of India. He, however, advised that EDB has to anyhow shift to the ICT-based financial inclusion without any further delay, as there is no other recourse available.

The representative of NABARD agreed to take an early action in the matter.

## 2) **Setting up of Financial Literacy and Credit Counselling (FLCC) Centres in all districts of J&K:**

The Chairman expressed concern that progress in setting up of FLCC Centres in J&K State was very poor as only the State Bank of India had long back set up two FLCC Centres in its two lead district viz. Jammu and Udhampur. There has been no progress in the matter since then. He pointed out that J&K Bank has not set up any FLCC Centre so far in its 12 lead districts.

### **J&K Bank**

Mr. M. S. Wani, Vice President, J&K Bank informed that J&K Bank has taken a number of measures for financial literacy of the masses in J&K State. For this purpose the bank has since long started a Radio Dairy programme and a massive campaign through print media specifically for financial awareness of the people. In addition the LDMs of the Bank had been conducting financial literacy and awareness camps frequently in their respective jurisdictions. Regarding setting up of the FLCC Centres, Mr. Wani stated that the responsibility of setting up the FLCC Centres has been recently assigned to him. Now infrastructure and deployment of resources is under consideration, which is likely to be provided very soon.

Reacting to this the Chairman stated that in the awareness camps conducted by LDMs or the Radio programmes only the awareness part is being done and the counselling does not take place, for which setting up of the FLCC Centres is a must.

DGM (RPCD), RBI pointed out that FLCC Centres require to be set up separately and in terms of the guidelines concerned banks have to maintain arm's length from these centres.

Mr. R.K. Shah, President (IT), J&K Bank assured that the issue is already under consideration of the bank and suitable premises and deployment of staff for the FLCC Centres is being provided soon.

### **State Bank of India**

Mr. P. K. Abrol, AGM, SBI stated that SBI had set up its FLCCs in district Udhampur and District Jammu but could not set up further FLCCs owing to the staff constraints in J&K State. He, however, assured that SBI is going to take all necessary steps for setting up the FLCCs in the remaining 8 lead districts very soon.

The representative of NABARD joining the discussion informed the forum that owing to the disturbed area status of J&K State since long, the capital cost for setting up of the FLCC Centres and its operational cost for 2 years can be made available to the concerned bank from NABARD if the concerned banks make a request for that.

Responding to this the Chairman advised that by the end of this week the request letter should be sent to NABARD for providing the capital cost and the operational cost for setting up of FLCC Centres. The Chairman advised both the banks, i.e. J&K Bank and SBI to take necessary measures immediately so as to ensure that by the end of March 2012 the FLCCs in all the districts are in place.

## **Other issues deliberated in the meeting:**

### **1) Implementation of Electronic Benefit Transfer (EBT) in J&K State:**

Mr. R. K. Shah, President (IT), J&K Bank pointed out that implementation of EBT in J&K State cannot take place unless the State Government comes forward and puts in place the mechanism for transmitting the money to banks in electronic mode only, which formed the first leg of the EBT mechanism. He stated that the 2<sup>nd</sup> part of the EBT devolves on the banks, who are already on CBS and are in the process of issuing Smart Cards to beneficiaries.

Mr. M. S. Wani, VP, SLBC clarified that there has to be a localized arrangement in every district. The State Govt. has to come forward and execute an MOU with the leader bank, a leader bank has to be selected, who has performance abilities for a particular district. One district-multiple banks-one leader bank model has to be followed in the State as per guidelines. He stated that EBT beneficiary can be at any place in any village across the villages whether SLBC or non-SLBC allocated villages, hence the process has to be gradual and has to be completed in carefully worked out phases for roll out. As there are different departments in the State for channelizing the subsidies and other benefits, therefore, State Government has to designate nodal officer who has to coordinate and get the electronic files generated and transmitted from different departments.

Responding to this, Mr. Mushtaq Siddiqi, Special Secretary Finance stated that the issue is already under consideration with the State Government and the Technology Department has already been advised to designate a Nodal Officer to take care of all Government Departments so far as EBT is concerned.

The Chairman advised that this issue needs to be deliberated upon in the next SLBC meeting for focussed discussion, so that the issue is sorted out.

2) Regarding the coverage of 35 SLBC allocated villages the Chairman, EDB pointed out that Village H.Kaithal/ Sempora in district Anantnag stands allocated to EDB but the said village is not traceable. He was advised by Mr. M.S.Wani, Vice President, J&K Bank/ SLBC to sort out the matter with the LDM concerned under intimation to SLBC.

3) Mr. Mushtaq Siddiqi, Special Secretary Finance pointed out that GoI, MoF has desired to organize a Special SLBC meeting for reviewing the implementation of Swabhimaan Scheme in J&K State. He informed that State Government has already taken up the issue with the SLBC Convenor Bank for taking necessary measures. He was informed that the said issue was deliberated in the last SLBC meeting as desired by the Government and now the position has been reviewed in this meeting also as the Scheme encompasses the financial inclusion of the same 795 SLBC allocated villages the progress of which has been already reviewed as per the agenda.

Summing up the discussion the Chairman impressed upon the participating banks to closely monitor the implementation of the Swabhimaan in the State and submit progress as per directives. The position shall be reviewed in the next SLBC also.

The meeting concluded with a vote of thanks to the Chair.

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

### **List of Participants**

<b><u>S. No.</u></b>	<b><u>Name of Participant</u></b>	<b><u>...</u></b>	<b><u>Designation/ Organization</u></b>
<b><u>Reserve Bank of India</u></b>			
1)	Mr. K. K. Saraf (in the Chair)	...	Regional Director, R.O. Jammu
2)	Mr. Ramesh Chand	...	DGM (RPCD), R.O. Jammu
3)	Mr. Ravinder Kumar	...	AGM (RPCD), R.O. Jammu
<b><u>State Government (Finance Deptt.)</u></b>			
4)	Mr. Mushtaq Siddiqi	...	Special Secretary Finance
<b><u>J&amp;K Bank</u></b>			
5)	Mr. R. K. Shah	...	President
6)	Mr. M. S. Wani	...	Vice President (LBD/J&K SLBC)
<b><u>NABARD</u></b>			
7)	Mr. Ramesh Kumar	...	AGM
<b><u>State Bank of India</u></b>			
8)	Mr. P. K. Abrol	...	AGM, Zonal Office, Jammu
9)	Mr. R. C. Sharma	...	Chief Manager, Lead Bank, Zonal Office, Jammu
<b><u>Punjab National Bank</u></b>			
10)	Mr. Ashok Gupta	...	Circle Head, C.O., Jammu
<b><u>J&amp;K Grameen Bank</u></b>			
11)	Raja Abdul Latief	...	Chairman
12)	Mr. R. P. Sharma	...	Sr. Manager
<b><u>Ellaquai Dehati Bank</u></b>			
13)	Mr. A.K. Razdan	...	Chairman

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