

**Minutes of the meeting of Steering Sub-Committee of J&K SLBC
to monitor IT-enabled Financial Inclusion, FLCCs & Credit Plus Activities
held on 12th January, 2016 at Reserve Bank of India, R.O. Jammu.**

A meeting of the “Steering Sub-Committee of J&K SLBC to monitor IT-enabled Financial Inclusion, FLCCs & Credit Plus Activities” was held on 12th January, 2016 in the Conference Hall, Reserve Bank of India, Regional Office, Railhead Complex, Jammu. The meeting was Chaired by Mr. D. Sethy, Regional Director, Reserve Bank of India and Co-chaired by Mr. S. S. Sehgal, Executive President (LBD/SLBC), J&K Bank. The meeting was among others attended by Mr. Vagish Chander Sharma, Executive President (T&ISD), J&K Bank, Mr. Ramesh Chand, General Manager (FIDD), RBI, Mr. M. S. Sheikh, Special Secretary Finance Department, J&K Govt., Mr. Ghulam Rasool, Deputy Secretary, Revenue Department, J&K Govt., Mr. R. K. Srivastava, DGM, NABARD, besides representatives of some other major Public Sector, Private Sector Banks and RRBs operating in the State. The detailed list of participants is given in **Annexure-A**.

At the outset Mr. S.S.Sehgal, Executive President (LBD/SLBC), J&K Bank welcomed all the participants of the meeting and briefed them about the objective of convening the meeting. He expressed the hope that with the level of participation the deliberations in the meeting would be meaningful and result-oriented. Thereafter, he requested the Regional Director, RBI Mr. D. Sethy to steer the proceedings of the meeting.

Regional Director, RBI before starting the proceedings of the meeting expressed displeasure that despite his clear directions in the previous meeting that the members of the forum should ensure to participate in the meetings in person only but junior level officers from State Bank of India, ED Bank, HDFC Bank, ICICI Bank, Canara Bank and Central Bank of India have come to participate in the meeting and advised SLBC that concern of the forum should be conveyed to the Controlling Heads of respective banks. The Regional Director, RBI also expressed his displeasure over non-participation of the representative of Secretary, Rural Development Department, J&K Government.

(Action: Convenor J&K SLBC)

Thereafter, agenda of the meeting was taken up for discussion as under:

AGENDA ITEM NO: 01

FINANCIAL INCLUSION PLAN (FIP) OF J&K STATE:

- (I) Provision of banking services to villages with population below 2000**
- (II) Re-allocation of villages pertaining to two RRBs to other banks for opening brick & mortar outlets;**
- (III) Fresh RBI directive for providing banking services through Brick & Mortar branches in villages having population more than 5000;**

The forum placed on record that the concerned FIP participating banks have already provided coverage to all the 5,582 villages in the population segment of below 2000 that were allocated by J&K SLBC to them under Financial Inclusion Programme Phase-II. However, Regional Director, RBI observed that in terms of RBI guidelines the concerned banks were required to ensure coverage of 279 villages through brick & mortar branches (being 5% of the total allocated villages), against which the concerned banks have covered only 166 villages through brick & mortar branches, which include 119 by J&K Bank, 2 by PNB, 41 by J&K Grameen Bank and 6 by Ellaquai Dehati Bank, leaving a shortfall of 111.

Regional Director, RBI pointed out that BC model is not properly functional in J&K State. He made it clear that BCs are only the touch points and it is imperative that there must be a brick & mortar branch available within a radius of 3-4 kilometers as mentioned in the “Nacheket More Committee” recommendations, so that BC can replenish cash and do other business smoothly. It is in this background that RBI had previously issued guidelines for coverage of 5% of villages through brick & mortar mode.

He stated that coverage of 5% of allocated villages in the population segment of <2000 through brick & mortar has now assumed secondary position. Elaborating his views he stated that Reserve Bank of India, Central Office, Mumbai, vide Circular No. RBI/2015-16/277 dated December 31, 2015 has observed that coverage of banking services in unbanked villages is skewed towards the BC model and the ratio of branches to BC is very low. For increasing banking penetration and financial inclusion, brick and mortar branches are an integral component. Therefore, RBI has advised SLBC Convenor Banks to identify villages with population above 5000 without a bank-branch of Scheduled Commercial Banks. The identified villages are to be allotted among scheduled

commercial banks (including RRBs) for opening of branches. He advised that the programme has to be implemented on priority basis. A Roadmap has to be drawn by J&K SLBC and submitted to RBI by 31st January 2016 and opening of bank branches under the said Roadmap has to be completed by March, 2017. Progress on the Roadmap shall be reviewed on quarterly basis beginning from quarter ended March 2016,he stated.

The Vice President (LBD/SLBC) informed the forum that in pursuance of the said RBI guidelines J&K SLBC Secretariat has already identified 235 villages in the population segment of >5000 in J&K State out of which 104 villages are without any bank branch of Scheduled Commercial Banks.

Accordingly, Regional Director, RBI emphasized that this should be implemented as a priority programme and gave the following directions:

- **Convenor, J&K SLBC shall immediately start necessary homework in this regard and make tentative allocation of the said identified 104 villages (having population >5000) among the following 7-8 major Public / Private Sector banks operating in the State as per business and network of the said banks for opening brick & mortar branches:**
 - J&K Bank;
 - State Bank of India;
 - Punjab National Bank;
 - HDFC Bank;
 - ICICI Bank;
 - Canara Bank;
 - UCO Bank and
 - Central Bank of India
- **No villages should be allocated to the two RRBs operating in the State, viz. J&K Grameen Bank and Ellaquai Dehati Bank, as they are not in a position to open branches due to their weak financial position;**
- **For ensuring its smooth implementation the said Roadmap shall be finalized by Convenor, J&K SLBC in consultation with Reserve Bank of India and the concerned participating banks, for which Convenor, J&K SLBC shall convene a meeting of the select banks within 10 days;**
- **Allocation of the said villages has to be integrated with the Branch Expansion Plan of banks;**

(Action: J&K SLBC Secretariat, FI Participating Banks, RBI)

Coverage of villages by PNB and EDB through “Other Mode”:

Mr. Ramesh Chand, General Manager (FIDD), Reserve Bank of India pointed out that under FIP-II Punjab National Bank has provided coverage of 50 villages through “Other

Mode”, while as EDB has provided coverage through “Other Mode” to 220 villages. He asked both the banks to elaborate on the coverage through “other mode”, so that the forum can decide whether the same comes within the permissible modes of coverage and also whether the said model is adequate enough to cater to the banking needs of the people of the respective villages. He also pointed out that in the previous meeting EDB had made a commitment to switch over to BC mode soon, for which 56 locations had reportedly been identified by them, but the data presented in the agenda indicates that only 12 villages stand covered through BC mode so far.

The Circle Head, Punjab National Bank (Mr. B. S. Raina) clarified that the coverage of 50 villages through “other mode” has been dispensed with and now all the allocated villages have been covered through the BC mode only.

Mr. Parvez Ahmad, General Manager, EDB describing the modus operandi of coverage of the 220 allocated villages through “Others mode” informed that staff from nearest branches of the bank are deputed to these villages on weekly basis for opening of accounts and providing other banking services. In reply to the query raised by the Regional Director, RBI regarding non-participation of Chairman, EDB in the meeting, the General Manager, EDB informed that Chairman, EDB could not attend the meeting owing to Management Audit taking place in EDB.

However, expressing his dissatisfaction with the view of GM, EDB, Regional Director, RBI pointed out that branches of EDB generally are manned by hardly 1-3 personnel and it is not possible for them to keep their own branches open and simultaneously depute staff to 220 allocated villages for providing banking services on weekly basis for which they will have to close down their own branches on such days. The Regional Director, RBI also advised State Bank of India (Sponsoring bank of EDB) to enquire why Chairman, EDB is not attending meetings of this forum himself. He advised that henceforth Chairman, EDB shall ensure to attend the meetings in person, failing which Reserve Bank of India will have to summon him for attending the meetings.

Regional Director, RBI pointed out that in the previous meeting of the forum held on 6th August, 2015 PNB was directed to submit comprehensive business plan for opening of branches to their Head Office and expressed that there has been no progress in the matter although this was made amply clear in the minutes of the said meeting which

have since been circulated to all the members for compliance. DGM, PNB informed that they have already taken up the matter with their Head Office and they are likely to open two branches by the end of March, 2016. The Regional Director, RBI advised PNB to ensure to open said two branches in the villages having >5000 population only for which J&K SLBC shall be making allocation soon.

(Action: SBI, PNB, EDB)

Functioning of BCs:

The General Manager, RBI pointed out that BC model is not properly operational in J&K State and adequate services are not being provided to the people of the unbanked villages by these BCs, as the records reveal that little transactions are taking place through the BCs. He pointed out that even 16 villages selected by RBI are not being monitored properly. One of the RBI selected villages namely “Surara” was visited by Governor, RBI and the problem stands solved with opening of a branch by J&K Bank there, but in other villages where ICT-enabled financial inclusion is being done through BCs the position is not encouraging. He also stated that even the reporting by the banks to RBI is not being done correctly.

The Vice President (FI), J&K Bank clarified that previously the transactions in J&K Bank BCs were taking place in the off-line mode, which was not reflecting in the reports, but now J&K Bank is switching over to on-line mode for which 400 machines are being distributed to the BCs within next few days, with which the transactions done by the BCs will be duly reflected in the reports and henceforth there will be a substantial leap in the number of transactions done through BCs. He informed the forum that two camps shall be organized by J&K Bank shortly one each at Srinagar and Jammu, wherein these 400 machines will be distributed to the BCs.

The General Manager, RBI (Mr. Ramesh Chand) further pointed out that the BC model is not sustaining in the State for which one of the factors is that BCs do not get adequate fixed remuneration from their sponsoring banks. He enquired from all the FIP participating banks the rates of remuneration being provided to the BCs. Vice President (FI) J&K Bank stated that BCs engaged by J&K Bank are being provided a monthly fixed remuneration of Rs.1200/- besides the BCs are having an overall earning of more than Rs.7000/- Per month. Representative of SBI stated that SBI is not paying any fixed remuneration to its BCs. Representative of PNB however, stated that since

September,2015 PNB has been paying fixed remuneration component of Rs.5000/- to the BCs prior to that only Rs.3000/- was being paid.

Regional Director, RBI while commenting on the remuneration being paid to the BCs, expressed displeasure that no fixed remuneration is being paid by SBI to its BCs although in other States of the country SBI has been paying adequate remuneration to the BCs and they are earning Rs.7000-10000/- per month. He also stated that the fixed remuneration component of Rs.1200/- being paid by J&K Bank was not adequate to cater to the needs of the BCs and needs to be enhanced to Rs.5000/- per month.

Regional Director also pointed out that previously in one of the SLBC meetings the Commissioner/ Secretary,Agriculture Production Department, J&K Government had forcefully raised the issue that no banking services are being provided by the BCs inJ&K State to the people of respective villages - the existence of these BCs is of nominal nature and people of those areas are quite unaware of the banking services available from said mode. He further stated that RBI had accordingly conducted a study and it was observed that BCs are not operating in J&K State properly and adequate services are not being rendered by them. He made it amply clear that Financial Inclusion Programme is a business model, which should be done with sincerity and seriousness and concerned banks were advised to take necessary measures for streamlining the BC model and ensure that the staff deployed for the purpose have the aptitude to do the job.

(Action:JKB,SBI,PNB,JKGB & EDB)

IV) Funding of Solar Powered VSAT connectivity in unbanked Sub-Service Areas (SSAs) through Financial Inclusion Fund (FIF):

Mr. R. K. Srivastav, DGM, NABARD informed that DFS, MoF, Government of India vide communication bearing F.No. 6/19/2012-FI (C-54072) dated: 23rd November 2015 have conveyed that Gol has merged the erstwhile Financial Inclusion Fund and Financial Inclusion Technology Fund to form a single Financial Inclusion Fund (FIF) with new scope of activities and the draft guidelines proposed by Reserve Bank of India. It has been decided to consider for solar powered VSAT connections from Financial Inclusion Fund, business correspondents located in the allotted SSAs. Department of Financial Services, Ministry of Finance, Gol has identified 894 such SSAs across the country, which includes 15 SSAs of SBI in J&K State.

The General Manager, RBI enquired about the number of centres that have been identified as difficult areas having connectivity problems apart from the 15 centres of SBI already identified by DFS.

Mr. GulzarAhmad, AVP(J&K SLBC) informed that SLBC Secretariat has sofar received a list of 55 centres from SBI and 12 from EDB, but J&K Bank is still working on this and their list is awaited.

DGM, NABARD stated that the major issue faced is in case of the SSAs, which are without connectivity but are not a part of the list given by DFS. J&K SLBC shall have to certify that these SSAs have no connectivity and only then the concerned banks can approach NABARD for release of funds from the Financial Inclusion Fund (FIF).

Mr.S.S.Sehgal, Executive President (J&K SLBC) desired to know how J&K SLBC can identify that such centres have any connectivity problems. He proposed that one of the options to ascertain these facts is to approach the major Telecom Operators of the State, viz. BSNL, Airtel and AirCell.

Regional Director, RBI proposed that J&K SLBC could ascertain the connectivity issues of these SSAs through Lead District Managers of respective districts.

Circle Head PNB suggested that in Punjab the Telecom Operators are called in the SLBC meetings where such issues are sorted out during mutual interactions between the Telecom operators and the banks, which could be replicated in J&K also.

Mr. Gulzar Ahmad,AVP (J&K SLBC) stated that CGM, BSNL is already on the invitation list of J&K SLBC meetings, but he has not been attending the said meetings regularly.

After thorough deliberations, it was decided as under:

- **J&K SLBC will extend invitation to CGM, BSNL for the next meeting of J&KSLBC. He should be personally informed about the issue and requested to attend the meeting positively.**
- **IT head of J&K Bank will designate some IT official from his staff to interact with the major Telecom Service Providers regarding the areas which are not covered under communication network or have poor connectivity.**

- The issue shall also be taken up with the Lead District Managers, who will be properly sensitized regarding the issue and ensure feedback on connectivity in identified SSAs.

(Action: JKB, SBI, PNB,JKGB, EDB, HDFC Bank, ICICI Bank, CBI, Canara Bank)

(V) Pradhan Mantri Jan Dhan Yojana (PMJDY)

Performance of banks under PMJDY as at the end of December,2015 was placed on record.

Mr.M.S.Sheikh, Special Secretary (Finance) informed the forum that Finance Department has already designated Mr.Bashir Ahmad Bhat (IAS),Director Resources & Institutionanl Finance,J&K Government as the Mission Director for implementation Committee on PMJDY.

(Action: J&K SLBC)

AGENDA ITEM NO: 02

Financial Literacy initiatives in J&K State:

The performance of FLCCs established in J&K State was placed on record.

The DGM, NABARD informed the forum that under Financial Literacy Awareness Programme NABARD shall be ready to provide Rs.15000/- per day per Financial Literacy camp organized by the Rural Branches of banks. He stated that J&K Bank has already taken a lead in this regard by submitting proposal to NABARD. He desired that all the banks should come forward and submit the proposals to NABARD if not already submitted.

(Action: All member Banks of J&KSLBC)

Agenda Item No: 03

Rural Self-Employment Training Institutes (RSETIs) in J&K State – Performance at the end of Q3 of CFY - Allotment of land by State Govt. for permanent infrastructure for RSETIs:

Performance of RSETIs operating in J&K State during the first three quarters of CFY was placed on record.

Deputy Secretary, Revenue, J&K Government stated that Revenue Department has already transferred the land in respect of 3 RSETIs in the State to Rural Development Department and proposal in respect of 8 more RSETIs is under consideration of the

Government, which shall be transferred soon. He clarified that transfer of land to the RSETIs falls within the domain of Rural Development Department, J&K Government.

But representatives of both J&K Bank as well as SBI clarified that none of the RSETIs operating in the State has been allotted land by the State Government, so far.

Commenting on the contention of Dy. Secretary, Revenue, J&K Government, Mr. S. S. Sehgal, Executive President, J&K Bank observed that the Government must have done the transfer of land for RSETIs at the inter-departmental level only, RSETIs are not aware about that.

Regional Director, RBI expressed concern that despite lapse of a long time, the State Government has not provided land to the RSETIs in the State, with the result all the RSETIs are operating from the rented premises. He pointed out that both the banks, viz. J&K Bank and State Bank of India are running the RSETIs of their own but their profit is getting eroded due to huge expenditure on payment of rentals and other infrastructural expenses, besides bearing the recurring cost on running of these RSETIs. He made it clear that in case the State Government does not allot land to the RSETIs, these RSETIs will be deprived of the Grant Assistance from the Ministry of Rural Development, Govt. Commenting on the performance of the RSETIs, Regional Director stated that these RSETIs are award winning institutes and are doing a commendable job by imparting skill development and professional training to the unemployed youth of the State, thus supplementing efforts of the Government in creating employment opportunities for the youth. Stressing upon the Government to come forward whole-heartedly for creating enabling environment for the RSETIs to function smoothly, Regional Director advised that Rural Development Department, J&K Government should expedite allotment of land to the RSETIs more passionately. He stated that in the last meeting he had desired that Secretary, Rural Development Department should be present in the meeting, but despite timely invitation, he did not attend this meeting, which should be brought to the notice of the Chief Secretary.

(Action: JKB, SBI, Rural Dev. Deptt., J&K Govt., JKSLBC)

AGENDA ITEM NO: 04

- a) **Implementation of Electronic Benefit Transfer (EBT) Scheme in J&K State:**
- b) **Progress achieved in issuance of AADHAAR Cards in J&K State as on 31.12.2015**
- c) **Seeding of Aadhaar numbers to the Bank Accounts:**

The forum observed that performance of the concerned stakeholders regarding implementation of EBT Scheme in J&K State has not remained satisfactory. The Scheme is still operational in only 6 districts of the State.

Mr. Vagish Chander Sharma, Executive President, J&K Bank pointed out that the concerned Government Department has not been providing further files to J&K Bank (Leader Bank) and only 1,02,000 accounts of EBT beneficiaries have been validated so far. The Regional Director, RBI advised that it should be taken as a challenge to ensure that EBT Scheme is implemented in all the districts of the State as soon as possible.

Regarding the seeding of Aadhaar into Bank accounts, Regional Director, RBI stated that performance of banks is not satisfactory. On the issue, Mr. Vagish Chander Sharma, Executive President, J&K Bank stated that J&K Bank is going to use its ATM network to facilitate the accounts holders to seed their Aadhaar numbers into their bank accounts. He, however, stated that the software in this regard is under testing and is likely to take 3-4 weeks more to be operational in the State.

The representative of HDFC Bank stated that they have initiated SMS service for the purpose of seeding of Aadhaar numbers into bank accounts. Under this initiative the customer would be able to update his Aadhaar details into his account through the SMS mode from his Mobile Phone Number registered with the bank. The Regional Director advised that this issue shall be reviewed thoroughly in the next meeting of the forum.

(Action: J&K Bank, Social Welfare Deptt., All member banks of J&K SLBC)

The meeting ended with a vote of thanks, by Mr. S. S. Sehgal, Executive President, J&K SLBC.

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Annexure "A"

List of Participants of the Steering Sub-Committee of SLBC to monitor IT-enabled Financial Inclusion, FLCs & Credit Plus Activities, held on 12th January 2016

<u>S. No.</u>	<u>Name of Participant</u>	<u>...</u>	<u>Designation/ Organization</u>
<u>Reserve Bank of India</u>			
1)	Mr. D. Shetty	...	Regional Director(for J&K State)
2)	Mr. Ramesh Chand	...	General Manager
<u>Convenor Bank</u>			
3)	Mr.S.S.Sehgal	...	Executive President
4)	Mr.Narjay Gupta	...	Vice President(LBD/SLBC)
5)	Mr. Gulzar Ahmad	...	Asstt. Vice President (LBD/SLBC)
6)	Mr. Riyaz Ahmad	...	Executive (LBD/SLBC)
<u>NABARD</u>			
7)	Mr. R.K.Srivastava	...	Dy. General Manager
<u>J&K Government</u>			
8)	Mr. Ghulam Rasool	...	Dy. Secretary to Govt. Revenue Deptt.
9)	Mr. M. S. Sheikh	...	Special Secretary, Finance
<u>J&K Bank</u>			
10)	Mr. Vagesh Chander Sharma	...	Executive President
11)	Mr. M. I. Wani	...	Vice President
<u>State Bank of India</u>			
12)	Mr. M. K. Bhat	Chief Manager, Lead Bank, Z.O., Jammu
<u>Punjab National Bank</u>			
13)	Mr. B.S.Raina	...	Circle Head
<u>J&K Grameen Bank</u>			
14)	Mr. R. K. Chhibber	...	Chairman
<u>Ellaquai Dehati Bank</u>			
15)	Mr. Parveez Ahmad	General Manager.
<u>Other Banks</u>			
16)	Mr. S. K. Bhanu	Div. Manager, Canara Bank
17)	Mr. Amit Malhotra	...	AVP,HDFC Bank
18)	Mr. Vivek Gupta	...	Cluster/Branch Manager, ICICI Bank
19)	Mr. Sandeep Kumar	...	Incharge, RD/FI, Central Bank of India
