

MINUTES OF MEETING OF THE SUB-COMMITTEE OF J&K SLBC ON RELAXATION TO TRADE & INDUSTRY IN J&K STATE

A meeting of the Sub-Committee of J&K SLBC on Relaxations/ Concessions to Trade and Industry in J&K State was held on 19th March, 2016 at Meeting Room (level-4) J&K Bank, Corporate Headquarters, Srinagar. The meeting was chaired by Mr. S. S. Sehgal, Executive President, J&K Bank (Convenor Bank). The agenda of the meeting was to review the position and to consider further extension or otherwise in the period of the special package of Concessions/ Relaxations extended by RBI to Trade and Industry in J&K State, which expired on 31st March, 2016. The meeting was among others attended by Director Finance Department, J&K Govt., representatives of Director, Industries & Commerce Department, J&K Govt., Reserve Bank of India, major banks operating in the State, FCIK and KCCI representative bodies of Trade & Industry participated in the meeting. The representatives of Jammu Chamber of Commerce and Federation of Industries, Jammu, did not attend the meeting despite timely invitation. **The detailed list of participants is enclosed as Annexure-A.**

At the outset Vice President (LBD/SLBC), J&K Bank, Mr. Narjay Gupta welcomed all the participants of the meeting and briefed them about the background, the factors and circumstances, which led Reserve Bank of India to extend these concessions to Trade & Industry in J&K State during the nineties. Thereafter, he requested Mr. S. S. Sehgal, Executive President (J&K SLBC), Chairman of the meeting to steer the proceedings.

Mr. S. S. Sehgal, Executive President (J&K SLBC), extending a warm welcome to all the participants, highlighted the problems faced by the business community due to the disturbed conditions in J&K State for the last two decades and stated that Reserve Bank of India appreciating these difficulties had come up with some concessions/ credit relaxations in the year 1992 to ensure larger flow of credit to Trade & Industry in the State so that economic/ trading activities are carried on in the State smoothly. He stated that these concessions/ relaxations were being rolled out in the State year-on-year basis and in March, 2004 RBI issued a comprehensive circular encompassing the detailed concessions / credit relaxations to be extended to Trade & Industry in the State, which since then are being extended on its expiry on yearly basis on the recommendation of this Sub-Committee. He stated that the last such extension was granted by RBI in 2014 for a period of two years, which has now expired on 31st March, 2016. He urged the forum to analyze the situation prevailing in the State and discuss whether any further extension in these concessions/ relaxations is warranted or not, so that the forum makes necessary recommendations to Reserve Bank of India accordingly.

Presenting an overview of the credit scenario of the State, Mr. Sehgal stated that in the year 2013 Governor, Reserve Bank of India (Dr. D. Subbarao) visited the State and upon understanding that the Credit Deposit Ratio of J&K State was not at par with the national level, had prescribed the CD Ratio of 40% for the State to be achieved by March, 2014,

which was successfully achieved by the banks operating in the State. Mr. Sehgal further stated that consequent upon the visit of Dr. Raghuram Rajan, Governor, RBI to Srinagar in September, 2015 Reserve Bank of India has desired further improvement in the CD Ratio of the State and have prescribed CD Ratio of 50%, 55% and 60% to be achieved by March 2016, March 2017 and March 2018, respectively. He expressed pleasure that CD Ratio of the State has already touched 50% as per the expectations of the Governor, RBI and expressed optimism that all the banks operating in the State will make concerted efforts to achieve the desired CD Ratio of 55% by March, 2017 and 60% by March, 2018.

He further stated that Trade & Industry in the State deserve continued concessions/ relaxations in respect of various credit facilities as well as in the service charges to ensure free flow of credit to this employment generating sector. He highlighted that owing to high percentage of non-performing assets some bankers happened to be a little apprehensive in lending but expressed optimism that enactment of SARFAESI Act and digitization of land records by the State Government would become enabling factors for the banks to enhance flow of credit in the State. He also impressed upon the representatives of the Trade and Industry to educate and sensitize the business community for keeping the health of their accounts standard rather than letting the accounts slip into NPAs.

The concessions/ credit relaxations extended by Reserve Bank of India vide Circular No. RBI/2004/108 dated April 21, 2004, were taken up one by one for deliberation for ascertaining efficacy and relevance of the individual concessions and thorough deliberations were held in the meeting.

Mr. Mohammad Ashraf Mir President, Federation Chamber of Industries, Kashmir (FCIK), expressing dissatisfaction with the existing package of Concessions on the grounds that some of the concessions included in the package have become obsolete and irrelevant with the introduction of CBS in the banking operations and pointed out that the business community is mostly in need of the credit relaxations granted by RBI so as to ensure free flow of credit to trade and industry. He also pointed out that the role of the Public Sector Banks in lending to the industrial sector in the State has not been satisfactory. Disagreeing with the contention that Public Sector Banks were reluctant to lend owing to mounting NPAs, President FCIK pleaded that all the banks including the public sector banks operating in the State should lay extra focus on enhancing lending to the MSMEs sector in the State. He also strongly pleaded that the RBI regulations for providing collateral-free lending up to Rs.10.00 lakh should be implemented in the State in letter and spirit.

Strongly pleading continuance of the package of concessions/ credit relaxations to Trade & Industry in the State, the President FCIK stated that the Trade & Industry in the State has been continuously suffering due to the peculiar conditions persisting in the State, as such, there is urgent need to have a relook at these concessions/ relaxations and work out fresh package with larger scope to address the genuine needs of the business community in J&K State.

Mr. Mushtaq Ahmad Wani, President, Kashmir Chamber of Commerce & Industries, (KCCI) stated that the package of concessions/ relaxations extended by RBI to all the banks operating in the State should be continued in the State and emphasized upon the banking sector to ensure that the credit relaxations extended by RBI are provided to the Trade & Industry in letter and spirit and it should be consistently monitored whether the benefits provided under this package are being passed on by the banks. For this purpose he desired that J&K SLBC should workout and devise a format for obtaining data from all the banks regarding implementation of the package of concessions/ relaxations. He also pleaded that all the banks operating in the State should take necessary measures to ensure that flow of credit to the industrial sector is substantially increased.

The representatives of banks while recommending extension in the special package of concessions and relaxations to Trade & Industry in the State expressed that extending credit to the good customers has always remained their endeavor.

The representative of UCO Bank stated that most of the Public Sector Banks are facing scarcity of staff in their branches, which happens to be one of impediments in providing satisfactory services to the people.

Mr. S. S. Sehgal, Executive President (J&K SLBC), stated that reportedly staff constraint is the problem generally faced by almost all the Public Sector Banks operating in the State, which becomes an impediment in delivering good customer services by these banks. He emphasized upon all these banks to initiate necessary measures for making local recruitment immediately to address the problem of staff scarcity as already referred to in the high level Committee constituted under directions of Governor, RBI.

Mr. M. Saleem Sheshgar, Director, Finance Department, J&K Government, observed that banking sector is an important part of our society and its role is of significant nature so far as the economic development of the State is concerned. He impressed upon all the banks to be a little flexible in their approach towards the MSMEs customers. He also desired that banks should meticulously extend all the concessions/ credit relaxations as provided for by the Reserve Bank of India and also stressed the need for putting in place a strong monitoring mechanism to see whether these concessions/ credit relaxations are being provided to the trade and industry in the State. The Director Finance also proposed that banks should arrange for orientation meetings to properly sensitize their field staff, so as to ensure improvement in the banker-customer relations.

Commenting on absence of representatives from Trade & Industry, Jammu, the Director Finance, J&K Govt. desired that J&K SLBC should explore the possibility of switching over to the video-conferencing mode of conducting these meetings, which will prove time-saving as well as convenient for all the members of the Committee to participate in the deliberations.

Mr. M. A. Bhat, Joint Director, Handicrafts Department and Mr. Mushtaq Ahmad Shah, Assistant Director, Handicrafts Department, who also participated in the meeting on behalf of the State Government, raised the following issues in the meeting for consideration:

- 1) Banks operating in J&K State have stopped lending under the Artisans Credit Card (ACC) Scheme probably under directives from J&K SLBC and pleaded that lending under the ACC Scheme should be restored forthwith keeping in view that a large section of the society is associated with this sector, who are in dire need of funds and have been facing enormous difficulties due to non-availability of bank credit.
- 2) Till 2014 Interest Subvention was available to the Handicrafts Exporters, which was sometime back abolished but is being reconsidered @ 1.5% to 2%, whereas the Exporters have been demanding that this should be raised to 3-5%. He requested the forum to consider making recommendation to the State Government in the matter.
- 3) Under Section 80-C of the Income Tax Act the Handicrafts Exporters were earlier exempt from Income Tax on the Export Earnings, which has been discontinued. He pleaded that the said provision should be re-introduced.
- 4) There were guidelines that women artisans should be charged 0.5% less interest on the loan facilities granted by banks, which is not being followed at present and all the artisans, irrespective of gender are being charged interest rates at par.

Responding to this Mr. M. Saleem Sheshgar, Director, Finance Department, J&K Government stated that although this will form part of the minutes of this meeting, however, he stated that Finance Department, J&K Government will also look into the issues at the Secretariat level, for which the Joint Director, Handicrafts would be welcome to meet him at his office. Regarding the issues of interest subvention and exemption from income tax, he stated that the Budget Session of the State Legislative Assembly is likely to take place soon and advised the Joint Director, Handicrafts to meet the Finance Minister to present his view point

Responding to the issue regarding stoppage of lending to Artisans, Mr. Gulzar Ahmad, Assistant Vice President (LBD/SLBC) clarified that J&K SLBC has not issued any such instructions to the banks, rather it was the Commissioner/ Secretary, Industries & Commerce, J&K Government who in the 99th SLBC meeting (held on 16.11.2015 at Jammu) informed that there is a huge amount of interest subsidy outstanding against the State Government and until that outstanding is cleared by the State Government banks should not sanction any new cases under the scheme at least this year.

Consequent upon threadbare deliberations the Sub-Committee unanimously decided to recommend to Reserve Bank of India that the special package of concessions and credit relaxations to Trade & Industry in the State, which expired on 31st March 2016, **be extended for a further period of two years i.e., up to 31st March 2018** and the package of concessions/ relaxations be properly monitored and strictly enforced by Reserve Bank of India.

Besides making recommendations to RBI the forum also resolved as under:

- Individual Banks should make wide publicity among the traders fraternity about the concessions/ relaxations they are providing in respect of various credit facilities and also in service charges.
- In order to improve the customer service and develop a better banker-customer relationship, all the banks operating in the State shall take measures for conducting orientation meetings for sensitizing their staff at operative levels.
- The mechanism of holding banker-customer meetings should be strengthened in the State and top district-level Government officials should also be invited to participate in such meetings.
- Convenor Bank will examine whether the Special Cells for monitoring implementation of the package of concessions/ relaxations are already in place, which should be energized and made functional. In case these Committees are not in place, measures be initiated to constitute the same at District as well as State Level, strictly as per the RBI directives, with representatives from banks as well as Trade & Industries, so as to ensure that the package of concessions/ relaxations extended to Trade and Industry in J&K State is being implemented in letter and spirit.
- All Public Sector Banks should ensure to take necessary measures immediately for making local recruitment to address the problem of acute staff scarcity in their branches in the State, to ensure substantial improvement in their delivery of banking services.

The Vice President, (J&K LBD/ SLBC) thanked the members for their participation, involvement and concern for trade and industry in the State and assured that recommendations made by the Sub-Committee during the course of deliberations in the meeting shall be conveyed to concerned quarters for consideration.

**Assistant Vice President
Lead Bank/J&K SLBC**

Annexure-A

**List of participants of meeting of Sub-Committee of J&K SLBC on
Relaxation to Trade and Industry in J&K State– held on 05.04.2016 at Srinagar**

<u>S. No.</u>	<u>Name of Participant</u>	...	<u>Designation / Department.</u>
<u>Chairman</u>			
1.	Mr. S. S. Sehgal	...	Executive President, Convenor Bank
<u>J&K Bank</u>			
2.	Mr. Narjay Gupta	...	Vice President (LDB/SLBC)
3.	Mr. Gulzar Ahmad	...	Asstt. Vice President (LBD/J&K SLBC)
<u>Reserve Bank of India</u>			
4.	Mr. A. K. Reshi	...	Manager, RBI Office, Srinagar
<u>J&K Government</u>			
5.	Mr. M. Saleem Sheshgar	...	Special Secretary Finance / Director, Finance Department
6.	Mr. Khurshid Khalil	...	Representative of Industries & Commerce Department
7.	Mr. M. A. Bhat	...	Joint Director, Handicrafts Department
8.	Mr. Mushtaq Ahmad Shah	...	Assistant Director, Handicrafts (E.P.)
<u>Member Banks</u>			
9.	Mr. Arun Gandotra	...	Vice President (A&AP);
10.	Mr. Mohinder Basson	...	Regional Manager, State Bank of India
11.	Mr. Bilal Ahmad Mistry	...	District Coordinator, State Bank of India
12.	Mr. Shahbaz Rigzine	...	Chief Manager, Punjab National Bank
13.	Mr. Z. A. Pampori	...	Sr. Manager, UCO Bank
14.	Mr. Aamir Jalali	...	Manager, IDBI Bank
<u>Trade Associations</u>			
15.	Mr. Mohammad Ashraf Mir	...	President, FCIK
16.	Mr. Mushtaq Ahmad Wani	...	President, KCC&I

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