

MINUTES OF THE SPECIAL MONTHLY MEETING OF J&K STATE LEVEL BANKERS' COMMITTEE (SLBC) ON MSMEs TO REVIEW THE POSITION FOR THE MONTH OF MARCH 2009 HELD ON 22nd April 2009 AT JAMMU

The 3rd special monthly meeting of J&K State Level Bankers' Committee (SLBC) on MSMEs was held on 22nd April 2009, at Jammu to review the progress in implementation of the IBA package by the banks in J&K State as at the end of March 2009 and for resolving any impeding issues. The meeting of the core group was chaired by Mr. Abdul Majid Mir, Executive Director/ CFO of the J&K Bank (Convenor Bank) and was attended by Regional Director (for J&K), Reserve Bank of India, Senior President, J&K Bank, Addl. Secretary (J&K Government Finance Department) representatives from various concerned Government Departments, senior functionaries of SBI, PNB and other major banks and institutions operating in J&K State. Top brass of various representative organizations of MSMEs, Trade & Industry of the State also participated in the meeting. The list of participants is enclosed as **Annexure-A**.

At the outset Mr. M. S. Wani, Senior Executive Manager, J&K SLBC extended a warm welcome to all the participants to the meeting and briefed the house about the objective of holding these special monthly SLBC meetings. He hailed the keen interest taken by Mr. O. P. Aggarwal, Regional Director (for J&K) RBI for ensuring sustained credit flow and restructuring of loan accounts of MSMEs. He also appreciated the involvement of Mr. Abdul Majid Mir, Executive Director/CFO and the leadership team of J&K Bank, high level functionaries of J&K Government and senior representatives of other banks to the cause of development of the State and for proactively addressing the problems of productive sector of the economy. He expressed hope that their presence and participation in the meeting will ensue purposeful deliberations for resolving the difficulties confronted by the MSMEs sector in the State. Thereafter, Mr. Wani requested the chairperson, Mr. Abdul Majid Mir (Executive Director/ CFO of J&K Bank) to take-up the agenda for deliberations.

The chairperson, Mr. Abdul Majid Mir (Executive Director/ CFO of J&K Bank) after extending a formal welcome to the participants to the meeting initiated the proceedings by expressing the hope that in view of the prevailing global melt down and also the J&K specific conditions the forum would find solutions for the problems and bottlenecks coming in the way of regulating flow of credit for ensuring development, growth and sustainability of MSMEs in conformity with the package and as intended in the directions of Government of India and Reserve Bank of India. He stated that continued interactions are the best recourse to sort out the difficulties. He reiterated that the measures suggested in the guidelines issued by Gol and Reserve Bank of India including restructuring of accounts etc. have been taken care by all the banks operating in the State. Speaking on behalf of J&K Bank (Convenor Bank), he asserted that J&K Bank has taken all measures to implement the Gol guidelines and RBI directives from time to time and every request of the customers have been addressed satisfactorily and all the accounts needing restructuring have been restructured within the specified time frame. He further stated that the approach of the Bank has been to ensure that credit is made available to trade and industry in the State at competitive and reasonable rates and various new schemes have been devised for the export oriented segments like handicrafts and handloom. Before taking the agenda items for deliberations, he requested Mr.O.P.Aggarwal, Regional Director (for J&K), Reserve Bank of India to express his views.

The Regional Director (for J&K) Reserve Bank of India, Mr. O. P. Aggarwal reiterated that these meetings are being held every month to take a review of the measures to enhance credit delivery to MSMEs sector and to resolve any difficulties coming in the way in the best possible way. Briefing the house with the RBI policy statement announced recently, the Regional Director stated that the following major initiatives have been taken:

- RBI policy statement indicates that the overall growth rate may not be achieved as expected and it may be just around 6%.
- The repo rate has been reduced to 3.5% thereby indicating that there is plenty of scope for reduction of interest rates, though proportionate decrease in the interest rate from the commercial banks has not come. The Regional Director, RBI stated that RBI has requested all the banks to consider suitable reduction in their lending rates.
- Henceforth the requirement of RBI licence for the offsite ATM has been dispensed with and now banks can have their ATMs on-site or of-site at their choice without awaiting RBI approval, as a result more ATMs will be available now in the market for benefit and ease of the people.
- Interest on Savings Bank accounts, which was earlier calculated on the minimum of the balance between 10th and 30th of the month, shall now be worked out on daily product basis, but this will be effective from 2010, till then computerization/ automation of all the banks will be taken care of as the computerization only can help the banks in working out such large calculations product-wise.
- A group has been constituted to re-look into the aspect of Prime Lending Rate (PLR) criteria taking into consideration the present circumstances and bring in some refinement in fixing of the banks PLR as the present criteria is either not in tune with the prevailing circumstances or the bank lending is not in accordance with the same. The Regional Director stated that some banks have high PLR, some have medium and some banks even lend below PLR although PLR concept had been introduced on the recommendations of the IBA and the IBA group had recommended that there should be some benchmark rate.

Thereafter the Agenda items were taken up for deliberation as under:

ATR on action points of previous Special Monthly SLBC meeting on MSMEs:

It was noted that all the action points of the previous Special Monthly SLBC meeting held on 6.3.2009 stand already adhered to by the concerned. However, it was noted with displeasure that despite several reminders, only 16 banks had submitted the requisite data to the Convenor Bank whereas other banks have failed to report any progress on the matter to SLBC. **The member banks were again impressed upon to ensure submission of the requisite data to SLBC office as per the prescribed time frame for for enabling to review the position in these monthly special meetings.**

Agenda Item No: 01

Confirmation of Minutes of the previous Special meeting of J&K SLBC on SMEs:

As no amendments were received to minutes of the previous Special Meeting of J&K SLBC on MSMEs held on 6th March 2009 at Jammu, web cast on www.jkslbc.com and also circulated among all the members vide this office No. LBD/SLBC-74/2009-614 dated 19.03.2009 for desired action, the forum confirmed the same.

Agenda Item No: 02

Establishment of Credit Monitoring Cell in the office of Development Commissioner, MSMEs:

The house was informed that in pursuance of the stimulus package announced by the Government of India on 2nd January 2009, the MSMEs Credit Monitoring Cell (CMC) has been set up in the office of the Development Commissioner (MSME), Ministry of MSMEs and therefore, the matters of MSMEs deliberated in the SLBC meetings and the matters remaining unresolved with the banks- SME Help line for more than a fortnight, be brought to the notice of this Cell, so that the same can be taken up suitably in consultation with the Department of Financial Services, Gol. The complete details of the CMC have been posted on the website of Development Commissioner (MSMEs) www.dcmmsme.gov.in.

Agenda Item No: 03

Review of Restructuring of MSMEs Accounts at District Level:

The house was informed that in terms of the Reserve Bank of India (RPCD), Regional Office, Jammu, directive issued vide No.1103/03.01.24/2008-09 dated 24.02.2009 and Government of India directives issued vide No. 21/5/2009-Dev dated 4th March, 2009 the ground level response to the initiatives taken by Government of India and Reserve Bank of India with regard to re-scheduling/ restructuring of advances to MSMEs which have been affected by the global slowdown is required to be reviewed in DCC/ DLRC meetings and in this direction the Lead District Managers have been advised to obtain necessary data on monthly basis from the banks operating within their respective jurisdictions and submit the same to J&K SLBC for onward submission to Government of India by 30th of every month.

The Lead District Managers / BDSMs of all lead districts were impressed upon to ensure that the requisite data in the prescribed format (already circulated) be obtained from the banks operating within their respective jurisdictions and forward the same to Convenor bank within the prescribed time-frame for onward submission to RBI and Gol on time. It was also emphasized that Lead District Managers should strictly adhere to the RBI/ Gol directives and ensure review of the restructuring of MSMEs accounts in all the DCC/DLRC meetings, the report whereof be also submitted to the Convenor Bank regularly.

Agenda Item No: 04

Review of data/ position relating to implementation of IBA package on MSMEs, Housing and Auto Sectors as at the end of March, 2009:

Taking review of the data received from the banks, the Regional Director, RBI informed the house that upto the end of March 2009; banks in the State have restructured 3,683 MSMEs accounts involving an amount of Rs.186.97 Crore, whereas 3314 accounts involving an amount of Rs.105.04 Crore have been restructured during the month of March 2009 alone. He informed that banks have sanctioned working capital loans (new) to the extent of Rs.242.31 Crore in favour of 2604 beneficiaries and incremental working capital loans to 933 existing units amounting to Rs.122.36 Crore. He expressed satisfaction that the banks are implementing the IBA package on MSMEs seriously and a good number of MSMEs accounts, which were under stress due to the global melt down, have been restructured across the State.

President, FCIK, Mr. Shakeel Qalander desired that in order to have a clear picture bank-wise details of the MSMEs accounts so far restructured by the banks operating in the State be provided.

Reacting to this the Chairman informed the house that J&K Bank alone has restructured 3217 MSMEs accounts involving an amount of Rs.123.56 Crore, whereas PNB, State Bank of India and Central Bank of India have restructured 202, 187 and 56 MSMEs accounts upto March 2009 involving an amount of Rs.53.90 Crore, Rs.6.55 Crore and Rs.0.79 Crore respectively. Copies of the statement containing bank-wise details of the data relating to implementation of IBA package on MSMEs, Housing & Auto Sectors were circulated for information of the members.

Sharing the contents of the RBI communication dated 17.04.2009 with the house, the Chairman pointed out that as per the earlier guidelines all the accounts that were standard as on September and where restructuring is done by the banks upto the 31st of March, 2009, would continue to be standard without any change in its status. But now the RBI has come up with fresh guidelines that the accounts which had turned NPA after September and where restructuring is not completed upto 31st March, 2009, will slip to NPAs category, which is likely to cause problems for banks.

Clarifying the RBI communication dated 17.04.2009 the Regional Director, RBI informed the house that the guidelines have nothing to do with the borrower and is merely a technical issue between RBI and the banks. He stated that any MSMEs Account, which is standard as on 30th September 2008, be taken up for restructuring but not completed upto 31st March 2009, those cases will not be considered by the auditors as 'restructured' and in the balance sheet that shall be treated as NPA. However, as soon as the said account/s are restructured, you will reverse the relative provisioning and treated it as a Standard account but without changing the balance sheet.

On the request of members of the Trade Organizations, the Regional Director, RBI also clarified that the "Accounts under Stress" is an account, which is not complying with the terms of agreement, i.e. does not repay its instalments on the due date or is paying less than the specified instalment. He further clarified that even if an account is not presently under stress but the bankers themselves feel that any account is likely to be under stress in the coming 2-3 months, they can consider these accounts for restructuring of their own. He stated that though every borrower have the liberty to approach the bank for restructuring of his account if they feel their accounts are under stress, but the final decision in the matter will of the banker.

Responding to the complaint from the Mr. Ram Sahai, Chairman, JCCI, that some bank managers do not take the applications of MSMEs borrowers for restructuring seriously and often avoid such applications, which necessitates imparting necessary training to the Bank Managers, the Regional Director, RBI appreciated that familiarizing the Bank Managers with the whole package was of utmost importance. He offered to convene separate meetings with the Managers of bank branches and other concerned functionaries for the purpose and said that in case any banks want to hold their own meetings, they are welcome to invite him also for sensitizing the officials in the matter.

Mr. Shakeel Qalander, President, FCIK, complained that the RBI/ Gol directive on restructuring and 20% enhancement in limit of MSMEs accounts has not percolated down smoothly to the branch level. He stated that banks have restructured only those accounts, which were slipping to NPA category, which has been just suiting to their own convenience.

Dr. Mubeen Shah, President, KCCI pointed out that IBA package on MSMEs has not been implemented fully. He expressed apprehension that since the restructuring has not been done properly, in the next 6 months period a lot of MSMEs accounts will slip into NPA category.

Reacting to this, the Chairman appreciated that RBI guidelines envisage no change in the status of the account and even the 2nd restructuring has provided a lot of comfort to the bankers. He informed that J&K Bank has endeavoured to implement the IBA package/ RBI directives in letter and spirit, which is evident from the figures that 3201 accounts of MSMEs have been restructured by J&K Bank alone by the end of March 2009.

Commenting on lack of awareness among the borrowers, Mr. Parvez Ahmad, President, A&AP, J&K Bank informed that J&K Bank has engaged services of a consultant involved in restructuring of accounts, who camped in his Zone for few days, and so far 638 accounts were identified by the bank of its own qualifying for restructuring involving an amount of around Rs.33 Crore, which stand already sanctioned. He said that the bank managers contacted most of these account holders by visiting their residences for obtaining their consent letters for restructuring.

Dr. Mubeen Shah, Chairman, KCCI requested that the interest rates charged by the banks on finance to trade and industry and transport should be reduced to single digit and then they can approach the State Government for interest subsidy. Elaborating his contention, he pointed out that under the higher interest rate of 14% the interest subsidy does not work.

Mr. Shakeel Qalander, Chairman, FCIK, also requested for bringing down the interest rates to around 9% in view of the fact that J&K State has got obvious disparity so far as industrialization is concerned and deserved special concessions to make the industrial environment conducive. He requested the forum to come out with specific recommendation that a special treatment should be afforded to J&K State.

Reacting to this, the Regional Director, RBI reiterated that State specific problems involving government should be routed through the State Government for consideration by Reserve Bank of India/ Gol.

Concluding the deliberations, the Chairman expressed his satisfaction over the fruitful interactions held in these meetings to resolve the difficulties faced by the MSMEs sector in the State. He assured the members that necessary measures will be taken to help the industries sector in the State and in case any more problems persist, the same will be sorted out with commitment. He thanked the participants for attending the meeting.

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

ANNEXURE-A

LIST OF PARTICIPANTS OF THE SPECIAL MONTHLY MEETING OF J&K SLBC ON MSMEs HELD ON 22nd April, 2009 AT JAMMU

<u>S.No.</u>	<u>Name of Participant</u>	<u>...</u>	<u>Designation / Department</u>
<u>Chairman</u>			
1.	Mr. Abdul Majid Mir	...	Executive Director/CFO, J&K Bank (Convenor)
<u>Reserve Bank of India</u>			
2.	Mr. O. P. Aggarwal	...	Regional Director (for J&K), R. O. Jammu
3.	Mr. M. R. Garg	...	DGM, Reserve Bank of India, R. O. Jammu
4.	Mr. B. S. Katoch	...	AGM, Reserve Bank of India, R. O. Jammu
<u>Government of J&K</u>			
5.	Mr. Mushtaq Siddiqi	...	Addl. Secretary, Finance Department, J&K Govt.
6.	Ms. Rena Gupta	...	Joint Director Industries, Jammu
7.	Mr. Nazir Ahmad	...	Joint Director, Industries Kashmir (M&P)
8.	Mr. Mazhar Hussain Khan	...	FA/CAO, Industries & Commerce, Kashmir
9.	Mr. S. R. Qadri	...	General Manager, SIDCO
<u>J&K SLBC Convenor Bank (J&K Bank)</u>			
10.	Mr. Ajit Singh	...	Senior President, J&K Bank
11.	Mr. Parvez Ahmad	...	President, A&AP,
12.	Mr. Madan Gupta	...	Vice President (Terr.) J&K Bank, Z.O.J (Central)
13.	Mr. M. S. Wani	...	Sr. Executive Manager, J&K Bank
<u>Other Banks</u>			
14.	Mr. Ashok Kumar Koul	...	Chief Manager, State Bank of India, Z. O. Jammu
15.	Mr. R. C. Koul	...	DGM, Punjab National Bank, Circle Office (Jmu)
16.	Mr. G. C. Nagar	...	Regional Manager, Central Bank of India
17.	Mr. Rashpal Singh	...	Sr. Manager, UCO Bank
18.	Mr. Rajinder Mujoo	...	Chief Manager, Oriental Bank of Comm.
19.	Mr. B. A. Lone	...	Chairman, Kamraz Rural Bank
20.	Mr. K. J. Koul	...	Area Manager, Ellaquai Dehati Bank
21.	Harish Gupta	...	BH, IDBI, Jammu
<u>SIDBI</u>			
22.	Mr. Neeraj Srivastav	...	Area Manager, SIDBI
<u>Representative Organisations of MSMEs, Trade & Industry</u>			
23.	Mr. Shakeel Qalander	...	President, FCIK
24.	Dr. Mubeen Shah	...	President, KCC&I
25.	Mr. T. S. Reen	...	Chairman, Fol, Jammu
26.	Mr. Ram Sahai	...	President, JCCI

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