

MINUTES OF 4TH SPECIAL MONTHLY MEETING OF J&K STATE LEVEL BANKERS' COMMITTEE (SLBC) ON MSMEs TO REVIEW THE POSITION FOR THE MONTH OF APRIL 2009 HELD ON 14 MAY 2009

The 4th special monthly meeting of J&K State Level Bankers' Committee (SLBC) on MSMEs was held on May 14, 2009, at J & K Bank Corporate Headquarters Srinagar to review the progress in implementation of the package of relaxations by the banks in J&K State as at the end of April 2009 and for resolving any impeding issues. The meeting was chaired by Mr. A. K. Mehta, Executive Director/ COO of the J&K Bank (Convenor Bank) and was attended by Senior President, J&K Bank, Addl. Secretary (J&K Government Finance Department), DGM RPCD, Reserve Bank of India, representatives from various concerned Government Departments, senior functionaries of SBI, PNB and other major banks and institutions operating in J&K State. Chairman, FCIK and President, KCCI also attended the meeting on behalf of the representative MSMEs organizations. 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 the participants to the meeting. He appreciated the involvement of Mr. A. K. Mehta, Executive Director/COO and senior functionaries of J&K Government, Reserve Bank of India and 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 and result oriented deliberations for resolving the difficulties confronted by the MSMEs sector in the State. Thereafter, Mr. Wani requested the Chairman to take-up the agenda for deliberations.

The Chairman, Mr. A. K. Mehta (Executive Director/ COO of J&K Bank) welcomed the participants and initiated the proceedings by expressing hope that the forum would find solutions for the problems and remove 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 envisaged under the directions of GoI and RBI. He reiterated that the measures suggested in the guidelines issued by GoI and RBI including restructuring of accounts etc. have been taken care by all the banks operating in the State.

Thereafter the agenda items were taken up for discussion as under:

Agenda Item No: 01

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

Comments were invited from the participants regarding the minutes of the 3rd Special Monthly meeting of J&K SLBC on MSMEs held on 22nd April 2009 at Jammu issued vide SLBC Secretariat reference No. SP/M/SLBC-3/2009-64 dated 11.5.2009 for desired action by the concerned quarters.

Dr. Mubeen Shah, President, Kashmir Chamber of Commerce and Industry, responded that the circulated minutes do not mention the observations made by him in the previous meeting that the banks operating in J&K State do not generally fulfill the criteria of lending to priority sector and instead they prefer to default and park the amount with NABARD under RIDF on a very low rate of interest. He desired that banks should be impressed upon to increase lending to MSMEs sector so as to cover the prescribed priority sector target. The enhanced flow of credit to priority sector would certainly promote investment in MSMEs sector.

Reacting to this the DGM, RPCD, RBI, Mr. M. R. Garg clarified that obligation of meeting the priority sector lending targets are dealt with at corporate level of the banks and not at State level. He further stated that all over India almost all the banks have fulfilled their priority sector lending obligations and no huge shortfall is noticed. However, the DGM RBI stressed the need to step up lending under MSMEs sector particularly in the prevailing slow down in the economy.

The Vice President, Lead Bank/ J&K SLBC, Mr. M. S. Wani clarified that the representatives of MSMEs organizations are asking for fixing of MSMEs specific sub-target for bank credit within the overall target prescribed for priority sector just on the analogy of Agriculture sector, which has national implications and cannot be decided by the State forum.

The Chairman, FCIK, Mr. Shakeel Qalander, reiterating his demand for some special dispensation for J&K State in order to remove the disparity of J&K State with other States of the country in so far as industrial growth is concerned, pointed out that in the previous special monthly meeting of J&K SLBC held on 22.4.2009 it had been decided that the house would make a recommendation to the Government for granting a special dispensation to MSMEs sector in J&K State and for increasing the targets for credit flow to MSMEs sector. He pleaded for specifying certain percentage for banks for lending under MSMEs sub-sector for upliftment of this sector in the State as the industrial environment here has been disturbed due to state specific peculiar hostile conditions.

Clarifying the issue, the DGM, RPCD, Reserve Bank of India informed that under Government of India directives the overall percentage of lending to priority sector has been fixed at 40%, out of which 18% has to be under Agriculture, 10% to Weaker sections and 1% under Differential Rate of Interest Scheme. He, however, clarified that for MSMEs sector there is no specified target for domestic public sector banks, whereas only foreign banks are under obligation to allocate 10% of their lending to MSMEs sector, but that was immaterial for J&K State as no foreign banks are operating here.

After thorough discussions on the issue, **the house resolved that SLBC should make a suitable recommendation in the matter to the concerned quarters through RBI.**

Agenda Item No: 02

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

Taking review of the data received from the banks, the Executive Director/ COO, J&K Bank (Convenor Bank) informed the house that upto the end of April 2009; banks in the State have restructured 4268 MSMEs accounts involving an amount of Rs.226.61 Crore. He informed that banks have sanctioned working capital loans (new) to the extent of Rs.293.17 Crore in favour of 2828 beneficiaries and incremental working capital loans to 972 existing units amounting to Rs.137.66 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.

Giving the description of bank-wise achievements, he informed the house that J&K Bank has restructured 3217 accounts involving an amount of Rs.123.56 Crore, followed by State Bank of India with 766 accounts involving Rs.46.12 Crore, Punjab National Bank with 202 accounts involving an amount of Rs.53.90 Crore. Hailing the achievements of J&K Bank, SBI and PNB, the Executive Director observed that their efforts are appreciable.

Joining deliberations on the issue, Mr. Mushtaq Siddiqi, Additional Secretary, Finance Department, J&K Government, representing the J&K State Government, pointed out that the figures indicate only 3 banks, viz. J&K Bank, SBI and PNB have performed, whereas other banks have either shown no progress or have reported very negligible performance viz-a-viz implementation of the IBA/ RBI packages for MSMEs. He desired to know if there were any cogent reasons for such a dismal performance on the part of other banks.

The representative of Ellaquai Dehati Bank (an RRB operating in the State) informed the house that they have not done any restructuring but the performance of bank under other areas viz. sanctioning of loans to various sectors has not been bad. Elaborating this point he informed that EDB has sanctioned Working Capital Loans (new) to 626 beneficiaries involving an amount of Rs.9.53 Crores and incremental working capital of Rs.1.83 Crores in favour of 79 existing units upto the end of April, 2009, besides, sanctioning Auto loans to the extent of Rs.6.48 Crores in favour of 494 beneficiaries and Housing loans of Rs.0.86 Crores in favour of 35 beneficiaries.

The representative of Central Bank of India informed that they have restructured 86 accounts upto the end of March 2009 amounting to Rs.7.21 Crores.

Reacting to the statement made by the representative of Central Bank of India, Mr. M. S. Wani, Vice President, Lead Bank/ J&K SLBC pointed out that they have not communicated the figures to SLBC despite repeated reminders. **He clarified that out of the total fraternity of 36 member banks operating in the State only 21 banks have reported data on implementation of the IBA package to SLBC** and out of these 21 reporting banks only a few banks are having some stakes in MSMEs sector. Most of the other banks have very negligible figures. **He reiterated to impress upon the member banks that whatever progress they would achieve in a month in this regard be positively reported to the Convenor Bank by first week of the next month to enable the Convenor Bank to review the consolidated position of the State and report it on time to Government of India in compliance with the Gol directive.**

Agenda Item No: 03

Credit delivery to the Micro and Small Enterprises Sector - RBI Circular:

The DGM, RPCD, RBI, Mr. M.R.Garg informed the house that Reserve Bank of India, Central Office Mumbai have issued a Circular under No. RBI/2008-09/467 dated 4th May, 2009 addressed to all Scheduled Commercial Banks conveying therein that in recognition of the problems being faced by the Micro and Small Enterprises sector, particularly with respect to rehabilitation of potentially viable sick units, a working group was appointed by RBI under the Chairmanship of Dr.K.C.Chakrabarty, which has made certain recommendations relating to Government of India, SIDBI and Commercial Banks, which have been accepted by the Reserve Bank and forwarded to the concerned for implementation. Action points relating to the Public Sector Banks have been forwarded for advising them to initiate action.

As for as Government of India is concerned there are 6 points concerning them. Most of the points relate to creation of certain separate funds, which can support the SMEs sector. Reading out some of the action points for information of the participants, Mr. Garg stated that rehabilitation of sick SMEs could not be taken up due to non availability of promoters contribution in a large number of cases so the group has recommended that the Government may create the various funds to facilitate this sector, like Rehabilitation Fund for sick MSMEs, Fund for contributing to the margin required to be brought in by the promoters in the form of a soft loan, Marketing Development Fund to encourage MSME units to market their products, which could also be utilized for providing financial assistance in setting up distribution and marketing infrastructure / outlets, and restarting of National Equity fund Scheme.

Regarding creation of an independent Rehabilitation Fund for rehabilitation of sick micro, small and medium enterprises, Mr. Garg stated that the fund may have a corpus of Rs.1000 Crores, while 75% of the corpus could be earmarked for assisting micro and small enterprises, the balance 25% could be utilized for medium enterprises. The fund could go a long way in rehabilitation of sick micro and small enterprises. This fund may be utilized for providing soft loan at a concessional rate of interest.

In reply to a query from the Chairman, FCIK, Mr. Shakeel Qalander to know whether these corpuses had been already created, Mr. Garg informed that these are the recommendations of the Chakraborty working group which have been accepted by the RBI and Government of India has been requested to consider these recommendations. He made it clear that the fund will be predominantly utilized for micro and small enterprises.

President KCCI, Dr. Mubeen Shah reacting to the point pleaded that the SMEs of J&K State should not be left out of Government of India Corpus of Rs.1000 Crores because the reason of sick of SMEs here is peculiar. The J&K specific problem and the political problems prevailing here since 1990 justify special consideration. He suggested that the forum should recommend to the Government of India that a special sum out of the said corpus should be specified and earmarked for J&K to mitigate the State specific problems, which obviously are different from those prevailing in other states of the country.

Responding to the suggestions of Chairman, FCIK and President, KCCI for removing of disparity in J&K State with other States in so far as industrial growth is concerned and specifying a special fund for J&K for revival of the sick units, the Vice President of the Convenor Bank stated that whatever suggestions and feedback Convenor Bank has been receiving is being forwarded to concerned quarters for desired action. He however, clarified that this forum has special terms of reference to seek implementation and review the special package of relaxations for enhancing credit delivery in view of the impact of global economic melt down i.e., there should be a sustained credit flow to MSMEs to provide protection to this employment generating and productive sector. Hence, whatever are the RBI/ GoI instructions for providing relief to MSMEs sector have to be got implemented in letter and spirit without any deviation by all the member banks and whatever funds have to be created for this purpose through the medium of SIDBI or any other agency, those need to be properly utilized and it is to be ensured that the benefit percolates down to the actual beneficiaries to mitigate their sufferings and hardships. He requested the members not to stretch the discussions beyond the terms of reference of the forum.

Mr. Garg, DGM, RBI expressing his agreement with the remarks of Mr. Wani observed that the suggestions of Dr. Mubeen are well taken and it would be better if the State Government can approach Central Government for consideration of these suggestions in view of the peculiar state specific problems.

Mr. Garg informed the house that the action points pertaining to the State Government/ SLBC Convenor Bank included the following main items:

- Creation of a Central Registry by the State Governments for registration of charges of all banks and other lending institutions in respect of all moveable and immovable properties of borrowers incorporated as proprietorship, partnership, cooperative society, trust, company etc.
- Stamp duty is payable on assignment of actionable claims. Modification in these provisions for factors by way of exemption or prescribing a ceiling on the stamp duty would give impetus to the activity.
- A Scheme for utilizing specified NGOs to provide training services to tiny micro enterprises may be considered.
- State Government should provide preferential treatment to MSMEs in providing uninterrupted power supply. In case the same is not possible, the State Government may provide back-ended subsidy on loans taken for purchase of DG sets.

- The State Governments may be encouraged to provide land at 50% of the normal rate for setting up Industrial Estates exclusively for MSMEs. Further, 50% subsidy may be provided on the capital cost of common facilities like effluent treatment plant, power plant etc.
- The need for obtaining any clearance except registration with DIC for individual SME units set up in industrial Estates developed by the State Industrial Development Corporations or DICs or approved industrial Estates developed by private entrepreneurs for SMEs may not be considered necessary as they are developed as per the approved layouts. Further defund Industrial Estates may be made active once again by putting in place the complete infrastructure putting national resources to good use.

Commenting on the action points emerging in the Working Group recommendations, Dr. Mubeen Shah, President, KCCI pleaded that the recommendations should be prioritized so that in the next meeting the progress could be ascertained. Highlighting the priority areas, Dr. Mubeen stated that there are three important action points relating to GoI, which are very important for the MSMEs, i.e.

- Setting up of the Independent Rehabilitation Fund for rehabilitation of sick micro, small and medium enterprises - Action Point No.1 (i);
- Creation of the fund for contributing to the margin required to be brought in by the promoters of units taking up technological up-gradation - Action Point No. 1 (ii); and
- Desirability of setting up of the marketing development fund in order to encourage MSME units to market their products - Action Point No. 1 (iii)

As for as the action points relating to State Government are concerned, Dr. Mubeen highlighted 3 more points as being very important for the MSMEs, i.e.

- State Governments should provide preferential treatment for MSMEs in providing uninterrupted power supply - Action point No. 5;
- The State Governments to be encouraged to provide land @ 50% of the normal rate for setting up industrial estates exclusively for MSMEs - Action point No. 6; and
- Identification of the niche industry or the activities having good concentration in the area, where the model cost of project for different sizes of commonly prevailing industry and overall viability of the activity may be assessed by a Committee comprising of 2-3 major banks of the district under their aegis of Lead Bank so as to obviate the need of any expert/ professional to prepare technical employment viabilities study in individual cases - Action point No. 8.

As regards the action points pertaining to banks Dr. Mubeen requested the forum that all these action points are very important and need to be prioritized.

Reacting to this the DGM, RPCD, RBI stated that this is a package type thing and all points have to be taken up simultaneously by the Government of India, State Government and Banks and said that these points cannot be segregated. He, however, desired that the house should monitor the implementation of the working group recommendations by all the concerned, viz. Government of India, Government of J&K and banks.

It was resolved that the implementation of the recommendations of the action points emerged from the Chakrabarty Working Group recommendations shall be monitored in the next special monthly meeting of the J&K SLBC on MSMEs.

Regarding the action point No.1 of the points relating to State Governments/ SLBC convenor Banks, viz. **“Creation of a Central Registry by the State Governments for registration of charges of all banks and other lending institutions in respect of all moveable and immovable properties of borrowers incorporated as proprietorship, partnership, cooperative society, trust, company or any other form”**, Mr.Mushtaq Sidiqi, Additional Secretary Finance, J&K Government pointed out that charges have to be registered with the Registrar of Companies. He desired a clarification as to whether this action point is in addition to the existing criteria.

Replying to this, Mr. Ajit Singh, Sr. President, J&K Bank (Convenor Bank) clarified that this is in addition to that and whenever any loaning is made by any bank/ financial institute, there should be a separate office where the charges are registered so that we come to know about all these details.

Putting his view point Mr. M.S.Wani, Vice President, J&K Bank (Convenor Bank) informed the house that perhaps this model has been prepared where security registration is conducted online and there is a Central Registry for recording all details of the registration, so that there is no possibility of duplicity and creation of multiple charge.

Commenting on Action Point No. 7 relating to banks, viz. **“introduction of Centralized Credit Processing Cells to be utilized for single point appraisal, sanction, documentation, renewal and enhancement”**, Mr.Shakeel Qalander, Chairman FCIK, stated that he has been persuading the J&K Bank and other banks to have a Central Processing Cell for MSMEs where the applications for loan could be submitted and we should know the fate of such applications then and there. He stressed the need that banks should be impressed upon to implement all these recommendations. Pleading that J&K State is a conflict zone, Mr.Qalander pointed out that many entrepreneurs are not aware of the formalities of the documentation required on loan cases and requested that it should be made obligatory on the part of the bankers to educate the entrepreneurs and in the event of any deficiencies in the documents the branch Managers of banks should extend all cooperation and help to the entrepreneurs in fulfilling these formalities. He desired that all the fresh entrepreneurs should be rated as No.1 till they complete their documentations.

Reacting to this, the Chairman, Mr. A. K. Mehta requested all the member banks to extend all possible help and cooperation to the MSMEs in fulfilling all the requisite formalities, so that the entrepreneurs do not face any hassles in availing bank finances.

Mr. Qalander further pointing out that some banks have not updated the Credit Guarantee Fund Scheme and stated that in some previous meeting it had been decided that SIDBI will organize a mega awareness workshop for highlighting the Credit Guarantee Fund Scheme in the State, which has not been held so far. Reacting to this the representative of SIDBI, Mr. Neeraj Srivastav, confirmed that the Awareness Workshop on Credit Guarantee Fund Scheme would be held soon in the valley on the similar lines as was done in Jammu recently.

Mr. Qalander that there are many instances where Bank Managers have refused the applications for restructuring of MSMEs accounts and again pleaded for further extension of the cut of date for restructuring of the MSMEs accounts to ensure accommodation of all the deserving accounts under the Scheme. Regarding the PMEGP Scheme, the Chairman, FCIK observed that many bank branches have been declining the projects of entrepreneurs under PMEGP Scheme and requested that suitable instructions be issued to the Branch Managers in this regard, so that these projects under PMEGP Scheme are entertained.

Commenting on the prevailing criteria of banks to levy interest rate on the basis of ratings of the borrower, Mr.Qalander pleaded that the disparity in charging the customers on the basis of ratings should be removed and all fresh entrepreneurs should be rated No.1 till they complete their documentations.

Mr. Wani, Vice President, Convenor Bank, maintaining that the rating mechanism should be made transparent, impressed upon the bankers to make the customers known about the criteria for rating so that all doubts are removed. He however, made it clear that all the banks have their credit processing procedures and parameters so it was not possible to suggest a particular model to them.

Mr. M. R. Garg, DGM, RPCD, RBI informed the house that in keeping with the commitment made by Regional Director, RBI in the previous special monthly meeting of J&K SLBC, Reserve Bank of India has so far held three sessions involving 25 Bank Managers and sensitized them about the package on MSMEs and restructuring of accounts.

In the conclusion Mr. Shakeel Qalander, Chairman, FCIK expressed gratitude to the J&K Bank for having come out with some products for artisans and for having brought down the interest rates on loans to MSMEs and other sectors and pleaded that similar packages be offered to this sector by other banks for enabling the sector to sustain under prevailing economic meltdown.

Concluding the deliberations, the Chairperson thanked the participants for attending the meeting and assured that all necessary measures will be taken to help the industries sector in the State.

(M. S. Wani)
Vice President

ANNEXURE-A

LIST OF PARTICIPANTS OF THE SPECIAL MONTHLY MEETING OF J&K SLBC ON MSMEs HELD ON 14th May, 2009 AT SRINAGAR.

S.No.	Name of Participant	...	Designation / Department
Chairman			
1.	Mr. A. K. Mehta	...	Executive Director/COO, J&K Bank (Convenor)
Reserve Bank of India			
2.	Mr. M. R. Garg	...	DGM, Reserve Bank of India, R. O. Jammu
Government of J&K			
3.	Mr. Mushtaq Siddiqi	...	Addl. Secretary, Finance Department, J&K Govt.
4.	Mr. Nazir Ahmad	...	Joint Director, Industries Kashmir (M&P)
5.	Mr. Mazhar Hussain Khan	...	FA/CAO, Industries & Commerce, Kashmir
6.	Mr. S. R. Qadri	...	General Manager, SIDCO
J&K SLBC Convenor Bank (J&K Bank)			
7.	Mr. Ajit Singh	...	Senior President, J&K Bank
8.	Mr. R. K. Shah	...	Vice-President, A&AP,
9.	Mr. M. S. Wani	...	Vice-President, Lead Bank/J&K SLBC
Other Banks			
10.	Mr. Narinder Singh	...	Chief Manager, State Bank of India, Z. O. Jammu
11.	Mr. Md. Latif Mir	...	AGM, Punjab National Bank, Circle Office (Jmu)
12.	Mr. G. C. Nagar	...	Regional Manager, Central Bank of India
13.	Mr. Rachpal Singh	...	Chief Manager, UCO Bank
14.	Mr. Rajesh Soni	...	Chief Manager, Oriental Bank of Comm.
15.	Mr. S. A. Qureshi	...	Area Manager, Ellaquai Dehati Bank
SIDBI			
16.	Mr. Neeraj Srivastav	...	Area Manager, SIDBI
Representative Organisations of MSMEs, Trade & Industry			
17.	Mr. Shakeel Qalander	...	President, FCIK
18.	Dr. Mubeen Shah	...	President, KCC&I
19.	Mr. Om Parkash Gupta	...	Sr. Vice President, JCCI
20.	Mr. Afaq Qadri	...	Secretary General, FCIK

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