

MINUTES OF 5TH SPECIAL MONTHLY MEETING OF
J&K STATE LEVEL BANKERS' COMMITTEE (SLBC) ON MSMEs
HELD ON 30TH JULY 2009

The 5th special monthly meeting of J&K State Level Bankers' Committee (SLBC) on MSMEs was held on July 30, 2009, at S.K.I.C.C., Srinagar to review the progress in implementation of the package of relaxations by the banks in J&K State as at the end of June 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), Regional Director (for J&K), RBI, DGM RPCD, Reserve Bank of India, representatives from various line Departments, senior functionaries of SBI, PNB and other major banks and financial institutions operating in J&K State. President, FCIK and President, KCCI also attended the meeting on behalf of the representative MSMEs organizations. The representatives of JCCI and FCIJ did not participate in the meeting despite prior notice. The list of participants is enclosed as Annexure-A.

At the outset Mr. M. S. Wani, Vice President, J&K SLBC extended a warm welcome to the participants of 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. Thereafter, Mr. Wani requested the Chairman to take-up the proceedings of the meeting.

Extending a formal welcome to all the participants especially to the new Regional Director (for J&K) of RBI, Mr. Arnab Roy, who had taken over the office very recently and was attending the Special monthly meeting on MSMEs for the first time. He expressed gratitude to the outgoing Regional Director, RBI, Mr. O. P. Aggarwal, for his active participation, involvement and guidance for supporting the MSMEs sector and resolving any impeding issues.

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:

Since no comments were received from the members, the minutes of the 4th special monthly meeting of J&K SLBC on MSMEs held on 14.5.2009 were confirmed by house.

Mr. A. K. Mehta, pointed out that the minutes contained certain action points devolving on Government of J&K with regard to K. C. Chakraborty Working Group Recommendations. The said issues were also deliberated upon in the 76th SLBC meeting held today in the morning. Reacting to this Mr. M. R. Garg, DGM, Reserve Bank of India stated that the house in the 76th SLBC meeting was informed that except item No. 1 & 2 of Annexure-II, i.e. the issues of Creation of Central Registry and Identification of Niche Industry, all other action points pertaining to the State Government are under active consideration of the Government. Mr. M.

A. Siddiqi, Additional Secretary, Finance, stated that the action points pertaining to State Government were deliberated upon in the previous meeting wherein it was resolved as under:

➤ Creation of Central Registry

RBI will gather more information about the issue as to whether this recommendation is contravening any of the provisions of law and revert back to SLBC.

Responding to the query, Mr. M. R. Garg, DGM, RBI, informed the house that in the last meeting there was some confusion as to whether this registration should be under Company's Act or any other Act, and clarified that the registration under Company's Act shall continue. He stated that creation of Central registry was just to facilitate a banker to know the creation of charge over a particular asset at one point whether it is proprietorship, Partnership Company or society. He, however, said that in case there was any particular difficulty by the Government, the same could be referred to Reserve Bank of India, who would examine the issue and clarify the same for the State.

➤ Imparting the training to tiny, micro enterprises

Mr. Siddiqi informed that Industries Department has already been asked to work out the modalities in this regard.

➤ Establishing Separate Department of MSMEs in J&K State

Mr. Siddiqi stated that it is the Industries Department who have to make out the necessary proposal to the Government for the purpose.

➤ Providing uninterrupted power supply to the industrial units

Mr. Siddiqi informed that the issue is already covered under the J&K Industrial Policy as the Government has been providing 100% subsidy on the Digital Generator Sets to the industrial units.

Reacting to this Mr. Shakeel Qalander, President, FCIK, stated that the subsidy on D.G.sets is being provided by the Government on reimbursement basis over two years, therefore the unit holders have to invest funds for the purpose and that they have asked for providing separate loans to the entrepreneurs for generator sets. He further stated that they have been pleading with the Government that reimbursement on account of D.G.sets should be made on the total amount including canopies, as the canopies form the important parts of Generator Sets in terms of Pollution Control Board norms, but the case is not being cleared by the Government.

➤ Stamp Duty

The Additional Secretary Finance stated that the same is not applicable to J&K.

➤ Providing land at 50% subsidized rates

Mr. Siddiqi stated that the issue is also covered under Industrial Policy whereunder the lands have been classified in various categories and the subsidy was being already provided.

But Mr. Shakeel Qalander, President, FCIK claimed that there have been certain deviations from the Industrial Policy on the part of the Government by enhancing the premium several time, against which FCIK has already voiced its concern. Quoting an example of Industrial Estate Lassipora, Pulwama, Mr.Qalander stated that cost of one kanal of land in the Industrial Estate was fixed at Rs.2.00 lakhs whereas the land cost around that industrial estate costs only Rs.70,000/- to Rs.80,000/- per kanal. He informed that the review in the case has been taken and is presently with the Finance Department, but the files are not being cleared in the Government. He urged upon the Government to revert back to its original industrial policy and the rates that have been envisaged therein.

Dr. Mubeen Shah, President, KCCI, joining the deliberations on the issue pointed out that initially there was a specified rate as per the Industrial Policy, but one of the Organizations, i.e. SIDCO, arbitrarily revised the rates of premium on land bringing us at par with the Industrial Estate Bari Brahmana, Jammu, which is far more developed industrial estate. Refuting the Government claims that premium on land was being charged on the basis of classification, Dr. Mubeen Shah stated that areas in Kashmir Valley could in no way be treated at par with the Industrial Estate Bari Brahmana. He also pointed out that SIDCO and SICOP have been adding the cost of procurement and cost of development, whereas the K.C.Chakraborty working group recommendation provides for 50% subsidization for both development and procurement of land.

Reacting to the comments of Dr. Mubeen Shah, Mr. S. R. Qadiri, General Manager, SIDCO, clarified that there is no role of SIDCO in fixing premium rates for land, as the same is being done by the Government and SIDCO was only enforcing the instructions of the Government. He pointed out that the rates of premium mentioned in the Industrial Policy have undergone revisions from time to time and in fact presently also it was under revision.

The Joint Director, Industries & Commerce Department, stated that all the organizations looking after the implementation of setting up Industrial base in the State were directed by the Government to charge uniform rates for the land on the basis of classification of land in several zones. He, however, pointed out that on the representation of the industrial fraternity the Government mooted a proposal for revision of the rates, which is presently under the active consideration of the Government. He however, observed that if the costs of land plus its development charges are taken into consideration the rates of land will be more than what the Government has proposed.

Consequent upon the deliberations not leading to any conclusive decision, the concerned quarters in Government were advised to come up with more clarifications in this regard in the next meeting.

(Action: J&K Government)

Agenda Item No: 02

Review of data / position relating to implementation of IBA package on MSMEs, Housing & Auto sectors as at end of June, 2009:

The house took on record that upto the end of June 2009, the banks in the State have so far restructured 4402 MSMEs accounts involving an amount of Rs.235.37 Crore and extended

working capital loans fresh to the extent of Rs.374.78 Crores in favour of 3931 beneficiaries and incremental working capital loans amount to Rs.163.20 Crores in favour of 1244 units. Regarding bank-wise achievements, the Chairman informed the house that J&K Bank alone has restructured 3262 accounts involving an amount of Rs.124.80 Crore, followed by SBI with 769 accounts involving Rs.53.57 Crore and PNB with 202 accounts involving an amount of Rs.53.90 Crore, whereas performance of rest of the banks has been negligible.

Mr. Shakeel Qalander, reiterating that the impact of global recession was bound to be felt within 2 – 4 quarters and a lot of accounts were turning NPAs now, strongly pleaded for extension in the date of application for restructuring of the accounts upto the end of the CFY. Besides, he complained that applications for restructuring of accounts submitted to various banks upto 31.3.2009 have not been fully cleared. Joining the deliberations Dr. Mubeen Shah stated that this was even more serious for the export sector that the accounts are getting NPAs now as the payments due are not coming in time. He pleaded that Banks and RBI should take all necessary steps in this regard immediately lest all the export business would stop.

Reacting to this Mr. M. R. Garg, DGM, RBI stated that in case the forum resolves that the date for applying for restructuring be extended, as a decision of this forum the RBI, R.O. Jammu, can recommend the issue to RBI, Central Office for consideration making a special mention of the particular circumstances prevailing in J&K State.

Mr. M.S.Wani, Vice President Convenor Bank, informed that a reference on the demands made by the representatives of MSMEs organizations in the last meeting had already been made to RBI, R. O. Jammu. The DGM (RBI) confirmed that they have forwarded the same to their Central Office and then onwards to Ministry of MSMEs, GoI for consideration.

Responding to the claims of President, FCIK regarding pendency of the applications for restructuring of accounts, Mr. Parvez Ahmad, President, J&K Bank clarified that no such application was pending with the J&K Bank and that all the applications received had been disposed off and the decision conveyed to the concerned borrowers. He, however, requested Mr. Qalander to specify the cases claimed to be pending with J&K Bank so that the same are redressed. Similarly, the representatives of PNB and SBI also clarified that no applications were pending with them.

The Additional Secretary, Finance, while commenting on the bank-wise performance pointed out that except J&K Bank, SBI and PNB no other banks have recorded any progress and desired that in future the bank-wise data shown in the agenda papers should indicate the %age of increase or decrease viz a viz the previous performance.

President, FCIK expressed concern that most of the nationalized banks had been accumulating the deposits only with dismal performance in credit dispensation in the State. Similarly, Dr. Mubeen Shah, suggested that bank-wise C. D. Ratio be incorporated in the agenda papers in

order to ascertain bank-wise flow of credit. He strongly pleaded that all the banks operating in the State should be impressed upon to maintain the C. D. Ratio as prescribed by RBI.

Mr. M. R. Garg, DGM, RBI clarified that Special SLBC meetings are being held at the instance of GoI to review the performance of banks on the prescribed format. Regarding the additional information on C. D. Ratio, he clarified that J&K SLBC had a website of its own and all such detail was already available on the said website. Reacting to this the Additional Secretary Finance stated that making a reference to SLBC website means openness and insisted that the desired information on C. D. Ratio need not be incorporated in the Agenda papers. Expressing his concern over the dismal performance of some banks regarding credit flow, as the main objective of this forum is to ensure enhanced flow of credit to MSMEs sector.

Mr. M. S. Wani, Vice President, Convenor Bank clarified for information of the members that banks have raised C. D. Ratio from 19% to 47% during the last 5 years, which he said was a significant achievement that cannot be discredited. He pointed out that credit is basically related to a demand and when you demand for more credit and your demand is justified, then the banks will administer a desired need-based doze of credit. So he stressed that there was need to work for building of capacities for generating more avenues of credit absorption. After threadbare deliberations, it was resolved that:

- 1) The demand of the representatives of MSMEs Organizations for grant of extension in the date of receipt of applications for restructuring of MSMEs accounts upto the end of current financial year shall be taken up with the Reserve Bank of India for consideration.

(Action: Convenor Bank)

Agenda Item No. 03

Dishonoring of commitment letter by Punjab National Bank, Lal Chowk, Anantnag branch:

Mr. Mehta, the Chairman, asked for comments of members regarding complaint of M/S Gulab Spices, Khanabal Anantnag, with regard to breach of commitment by PNB to provide working capital facility to the unit engaged in processing and manufacturing spices.

Mr. Shakeel Qalander, President, FCIK pleaded that PNB should compensate the unit concerned for their failure to fulfill the commitment to provide working capital facility, which resulted in severe losses to the unit. Reacting to this the representative of PNB clarified that the account holder concerned M/S Gulab Spices, Khanabal Anantnag, took three years to establish the unit and as a result all the financials of the unit had got changed and the account had become NPA with State Financial Corporation. Pleading that the reasons for delay in establishing the unit are attributed to the account holder himself, he clarified that their commitment was on viability of the Project and said that the bank is not ready to finance a defaulter account holder, hence the question of compensation does not arise.

Mr. M.S.Wani, Vice President, Convenor Bank, stated that the banks have difficulty in taking up NPA accounts and suggested that Punjab National Bank may consider the case after restructuring of the account is done by SFC. He stated that PNB has previously issued the

letter of commitment for the unit, which indicates that the unit will be commercially viable. He stated that SFC is having financial difficulties and is not presently performing, so in case PNB agrees we request them to consider take over of the small term loan side of this unit also so as to make the unit effective and viable under their close monitoring.

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

Vice President
Lead Bank/ J&K SLBC

ANNEXURE-A

LIST OF PARTICIPANTS OF THE 5th SPECIAL MONTHLY MEETING OF J&K SLBC ON MSMEs HELD ON 30th JULY 2009 AT SRINAGAR.

<u>S.No.</u>	<u>Name of Participant</u>	<u>Designation / Department</u>
<u>Chairman</u>		
1.	Mr. A. K. Mehta	Executive Director/COO, J&K Bank (Convenor Bank)
<u>Reserve Bank of India</u>		
2.	Mr. Arnab Roy	Regional Director for J&K
3.	Mr. M. R. Garg	Deputy General Manager
4.	Mr. B. S. Katoch	Assistant General Manager
<u>Government of J&K</u>		
5.	Mr. Mushtaq Siddiqi	Addl. Secretary, Finance Department, J&K Govt.
6.	Mr. Muzaffar Hussain	Joint Director, Industries Kashmir (M&P)
7.	Mr. S. R. Qadri	General Manager, SIDCO
8.	Mr. Gh. Mohammad Wani	Dy. Chief Executive Officer, KVIB
<u>J&K SLBC Convenor Bank (J&K Bank)</u>		
9.	Mr. Ajit Singh	Senior President
10.	Mr. Parvez Ahmad	President
11.	Mr. Abdul Rouf	Vice President, J&K Bank
12.	Mr. M. S. Wani	Vice-President, Lead Bank/J&K SLBC
<u>Other Banks</u>		
13.	Mr. R. C. Koul	DGM, Punjab National Bank
14.	Mr. Md. Latif Mir	AGM, Punjab National Bank
15.	Mr. G. C. Nagar	Regional Manager, Central Bank of India
16.	Mr. R. Mishri	DGM, Central Bank of India
17.	Mr. A. A. Allaqaband	AGM, UCO Bank
18.	Mr. Rohit Mehta	Chief Manager, State Bank of India
19.	Mr. Basant Ram	Chief Manager, State Bank of India
20.	Mr. Vipan	Chief Manager, Oriental Bank of Comm.
21.	Mr. Harish Gupta	IDBI Bank
22.	Mr. S. A. Qureshi	Area Manager, Ellaquai Dehati Bank
23.	Mr. O. P. Sharma	J&K Grameen Bank
24.	Mr. H. S. Chib	J&K Grameen Bank
<u>SIDBI</u>		
25.	Mr. Neeraj Srivastav	Area Manager, SIDBI
<u>Representative Organisations of MSMEs, Trade & Industry</u>		
26.	Mr. Shakeel Qalander	President, FCIK
27.	Dr. Mubeen Shah	President, KCC&I

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