

MINUTES OF 7TH SPECIAL MONTHLY MEETING OF J&K SLBC ON MSMEs HELD ON 11TH JANUARY 2010 AT JAMMU

The 7th special monthly meeting of J&K State-Level Bankers' Committee (SLBC) on MSMEs was held on January 11, 2010, at Jammu to review the progress as at the end of December 2009 in implementation of the package of relaxations by the banks in J&K State for augmenting flow of credit and for resolving any impeding issues. The meeting was chaired by Mr. A. K. Mehta, Executive Director/ COO of the J&K Bank (Convenors of J&K SLBC) and was attended by Senior President, J&K Bank, DGM RPCD, RBI Jammu, Director MSMEs Development Institute, representatives from various line Departments, senior functionaries of SBI, PNB and other major banks and financial institutions operating in J&K State. Leaders of representative organizations of industry and trade viz.; President, Federation Chamber of Industries Kashmir (FCIK), Chairman, Federation of Industries Jammu (FIJ), and President, KCC&I and President, JCC&I also attended the meeting. The list of participants is enclosed as Annexure-A.

At the outset Mr. M. S. Wani, Vice President, J&K Bank (LBD/ Convenors of J&K SLBC) extended a warm welcome to the participants of the meeting and in particular to the newly elected leaders of representative organizations of trade and industry from Jammu who were attending for the first time. Giving a brief address 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 for the cause of development of the State, promotion of productive sector, for resolving the credit issues of MSMEs and extending liberal support for augmenting flow of credit to this sector to withstand the recession and for its survival and growth. Thereafter, Mr. Wani requested the Chairman to take-up the proceedings of the meeting as per the agenda.

The Chairman, Mr. A. K. Mehta extended a formal welcome to the participants including the newly elected President of Jammu Chamber of Commerce & Industry (JCC&I) Mr.Y.V. Sharma and Chairman Federation of Industries Jammu (FIJ) Mr. Devinder Mahajan, who were attending the Special Monthly SLBC on MSMEs meeting for the first time after assuming their respective offices. Thereafter the agenda items were taken up for deliberation as under:

Agenda Item No: O1

Confirmation of Minutes of the previous (6th) special monthly meeting of J&K SLBC on SMEs:
The Chairman stated that no amendments/ comments had been received from any of the members regarding the minutes of the 6th special monthly meeting of J&K SLBC on MSMEs held on 20.10.2009 which were web cast on www.jkslbc.com and also circulated vide this office No. LBD/6th Spl. SLBC MSMEs/2009-375 dated 13.11.2009, hence the same may be confirmed by the house.

Reacting to it Mr. Nazir Ahmad Dar, President, KCC&I, stated that in the previous meeting he had requested the SLBC to provide the province-wise/ district-wise information in addition to State-wise and bank-wise data for review in these meetings, which has not been incorporated in the minutes. He requested that whatever observations are made in the meeting should be recorded in the minutes.

Reacting to this, the Vice President, J&K Bank (Convenors of J&K SLBC), Mr. M. S. Wani clarified that basically the monthly Special SLBC meetings are being held in compliance with the guidelines issued by Government of India mandating to review the performance of banks under the IBA package for stepping up flow of credit to

MSMEs, Housing and Auto sectors impacted by recession and resolving any related issues in accordance with the prescribed format. Hence, the said district-wise data, which is not intended to serve the specific objective and which is falling beyond the scope of package and existing data sourcing mechanism, was not being collected by the SLBC and could not be therefore, provided. He stated that soon after the last special monthly SLBC meeting he had also received an email from the President, KCC&I in this regard, which has been already responded clarifying that the data giving district-wise position could not be collected by SLBC. He further stated that pursuant to the request of President, KCC&I instructions were issued to all the member banks as well as all the Lead Bank Officers for submitting the said district-wise data in respect of the IBA package on MSMEs, etc. but till now the desired data has not been made available. Mr. Wani suggested that perhaps Reserve Bank of India (RO Jammu) is collecting the district-wise data directly for review in another forum, i.e. Empowered Committee of RBI on MSMEs, where the representative organizations of MSMEs are duly represented and where the said data could be discussed and hence, RBI may be requested to discuss the same.

The Chairman advised that every observation made by the participants in the meeting should be recorded in the minutes. Thereafter, the house confirmed the minutes of the 6th special monthly meeting of J&K SLBC on MSMEs.

Agenda Item No: 02

Action taken on action points of the previous Monthly Special meeting of J&K SLBC on MSMEs:

The Chairman pointed out that the minutes contained certain action points devolving on Government of J&K with regard to K. C. Chakraborty Working Group recommendations, in respect of which deliberations had remained inconclusive in the previous meetings. He therefore, sought progress from the representative of J&K Government, Industries Department in respect of the following issues:

- 1) Each State Government may also have a separate Ministry for MSMEs. In addition the State Governments may also have long term and short term policy for development/promotion of MSMEs sector; and
- 2) State Government 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:

Before deliberating on these action points of previous meetings, **President, FCIK, Mr. Shakeel Qalander, President, FIJ, Mr. Devinder Mahajan and President, KCC&I, Mr. Nazir Ahmad Dar** in one voice expressed anguish and strongly protested that the **Principal Secretary, Industries and Commerce and Commissioner/Secretary Finance Department**, who they said are the basic stakeholders from Government side and are the most important members of this forum, have not been attending these meetings and involving themselves and have been paying least attention to the woes and worries of industry sector. The lack of interest of these key officials of the State Government despite clear road map laid down by Govt. of India reflects that they are unconcerned about the welfare of the sector. They observed that owing to their non-participation in the meeting for redressal of the problems these meetings have become just customary and ritual and non-result oriented. They insisted that their concern should be recorded and conveyed to the Hon'ble Chief Minister and Chief Secretary of J&K State and to Government of India.

Regarding this action point No.(1) the Director, Industries and Commerce Kashmir, Mr. Kachu Isfandyar Khan, informed that soon after he assumed the office as Director Industries & Commerce (Kashmir) about a year before, he has conveyed in writing to his administrative department regarding this issue and assured that the issue will be followed up with the concerned quarters for early necessary action.

The President, FCIK pleaded that so far as the premium on allotment of land is concerned, the State Government should strictly adhere to their commitment made in the Industrial Policy for the State, which is applicable till 2015 and desired that Government should roll back the revised rates and restore the original rates prescribed in the said Industrial Policy.

Endorsing the contention of President, FCIK, the President, KCC&I pleaded that the Government has given the commitment in the Industrial Policy to provide land at the subsidized rates and desired that government should keep that commitment at least till the Policy is in operation

Regarding the Action Point on 50% concession on premium of land for allotment to MSMEs, the Director Industries & Commerce Kashmir informed the members that the issue was deliberated in the 78th SLBC meeting held in the morning session, wherein after thorough deliberations the Principal Secretary, Industries & Commerce assured that the decision to enhance the rates of premium for allotment of land in the Industrial Estates will be revisited and reviewed soon in consultation with Finance Department.

He further stated that the concern of the representative organizations of Trade and Industry has already been conveyed to the Government, and assured that the government will try to resolve these issues.

(Action: J&K Government Industries & Commerce Dept.)

Mr. Qalander pointed out that MSMEs Act was basically enacted in the year 2006 but it was ratified for J&K State in 2009, i.e. after a gap of about 3 years. He pleaded that what ever comes out from the Government of India, MoMSMEs, it should forthwith percolate down to all the concerned in J&K State too as otherwise the entrepreneurs of this State would loose the competitive edge. H added that during the last 20 years the entrepreneurs of the state have already lost pace with the fellow entrepreneurs of the country. Mr. Qalander also pointed out that this forum is the creation of MSMEs intervention and desired that this forum should benefit the State in terms of promotion of MSMEs entrepreneurship.

Fully endorsing the feelings of the representative organizations of MSMEs, Mr. A. K. Mehta (Chairman) assured that the concern of the members will be taken up with the concerned quarters for being resolved. He also requested the Director Industries & Commerce to take notice of these issues and have these resolved.

(Action: J&K Government Industries & Commerce Dept.)

Agenda Item No: 03

Review of data/ position relating to implementation of IBA package on MSMEs, Housing & Auto sectors:

Mr. M. S. Wani, Vice President, J&K SLBC informed the members that the agenda papers had been circulated with the data for review for the month of November, 2009, but in the meantime the SLBC Office had been updated with the position for the month of December, 2009 also.

Accordingly, the Chairman detailed out progress on implementation of IBA package on MSMEs as of December 2009 and stated that upto 31st December, 2009 the banks operating in the State have restructured

4,431 MSMEs accounts involving an amount of Rs.243.10 Crore and extended fresh working capital loans to the extent of Rs.619.22 Crores in favour of 11,020 beneficiaries and incremental working capital loans amounting to Rs.235.19 Crores in favour of 2,778 units. The house was informed that under the said package banks have provided Soft Loans for purchase of D. G. Sets to the tune of Rs.3.13 Crore in favour of the 76 entrepreneurs. Besides, Housing Loans to the tune of Rs.474.62 Crore in favour of 17,037 beneficiaries and Auto loans to the tune of Rs.288.30 Crore in favour of 9,689 beneficiaries have been sanctioned by the banks during the said period.

Regarding bank-wise achievements, the Chairman stated that J&K Bank alone has restructured 3,291 accounts involving an amount of Rs.125.39 Crore, followed by SBI having restructured 769 MSMEs accounts involving Rs.53.57 Crore and PNB having restructured 202 MSMEs accounts involving an amount of Rs.53.90 Crore, whereas performance of rest of the banks has been negligible.

The position as reviewed was observed to be satisfactory.

Other issues discussed with the permission of the Chair:

Contribution towards Employee's Provident Fund:

Mr. Shakil Qalander pointed out that the whole motive behind holding these special monthly SLBC meetings is to ensure promotion of MSMEs sector in the J&K State but one of the issues that hampers the growth and development of MSMEs sector is the law regarding contribution of employees' provident fund by the entrepreneurs of J&K State. Explaining the point, Mr. Qalander stated that in other parts of the country the manufacturing units employing 10 persons and above are required to contribute towards employees' provident fund, but contrary to that in J&K State law has been enacted under which the norms have been fixed that the units employing only 4 persons and above have to contribute towards employee's provident fund. He stated that till date this anomaly has not been removed and pleaded that since the harsh labour laws and other such anomalies ultimately affects health of the enterprise, therefore this should be kept in tune with the other parts of the country.

(Action: J&K Government Industries & Commerce Dept.)

SBI overtaking J&K Bank in the State for credit flow to MSMEs:

The most glaring tendency noticed during the review was that SBI had significantly overtaken the performance of J&K Bank during the current financial year in credit disbursement to MSMEs sector under the special package in the State. The representative of State Bank of India reconfirmed the accuracy of the figures reported to the SLBC and reviewed in the meeting.

(Action: J&K Bank)

Lending by Punjab National Bank under MSMEs:

During the deliberations on the agenda item, the President FCIK and President, KCCI pointed out that Punjab National Bank, one of the major public sector banks operating in the State, has recorded a growth of 62% in its lending to MSMEs sector in the State, but in case of Kashmir region its lending under MSMEs sector has drastically fallen thereby indicating a negative growth in Kashmir region, which is tantamount to creating imbalance in different regions of the State.

Reacting to this the representative of Punjab National Bank clarified that the increase in lending under MSMEs sector largely represented some big ticket financing done by the bank in Industrial Centre Samba.

(Action: Punjab National Bank)

Prime Ministers' Scheme for development of Tourism in J&K:

The President, KCC&I, Mr. Nazir Ahmad Dar, pointed out that in 2006 under Prime Ministers' initiative a scheme for development of Tourism in J&K was launched in the State, under which 4% component of interest was required to be paid by the State Government. He pleaded that the house should take note of this and should take necessary measures for persuading the government to pass on the said money to the banks.

(Action: J&K Government, Tourism Department)

Extension of Collateral free loans upto Rs.5.00 lakh in J&K State and coverage of loans under Credit Guarantee Trust Fund Scheme:

The President, FCIK expressed concern that the concession regarding grant of collateral free loan to the extent of Rs.5.00 lacs was mandatory on all banks but this was not being implemented with sincerity in J&K. He further stated that regarding coverage of loans under Credit Guarantee Trust Fund Scheme no awareness is being made in the State. He sought response from the representatives of banks present and pleaded that necessary measures should be taken so that the entrepreneurs of J&K State become fully aware about these schemes and banks also adhere to the relative guidelines.

Reacting to this Mr. M. S. Wani, Vice President, J&K Bank (J&K SLBC) stated that Reserve Bank of India has come up with updated guidelines on the issue and J&K Bank has already issued suitable instructions in this regard to its operating levels. Regarding Credit Guarantee Fund Trust for SMEs, Mr. Wani stated that previously J&K Bank was the nodal Bank for premium money provided by Ministry of Textiles, GoI for being utilized by the banks for coverage of loan facilities to SMEs but now that premium money is provided directly in advance to the Credit Guarantee Trust for SMEs the MLIs are entitled to utilize the same.

The DGM, RBI further clarified that under the guidelines there are no conditions for providing collateral free loans upto Rs.5.00 lakhs and that it is mandatory on all the banks. He however, clarified that providing of collateral free loans upto Rs.5.00 lakhs has nothing to do with Credit Guarantee Fund Scheme, which is being executed through SIDBI.

(Action: All member banks)

Corporate Social Responsibilities

Mr. Shakeel Qalander, President, FCIK hailed the Jammu & Kashmir Bank for the initiative of encouraging the contemporary talent and art by having issued its Calendar for the current year on the theme of "Artists of J&K changing colours" which is dedicated to the artists and painters of the State. He pointed out that although Reserve Bank of India has desired that the banks should contribute towards society, but the banks operating in the State in general with the exception of J&K Bank, lack participation towards CSR and no major thing had been done by them in the State so far.

The representative of Punjab National Bank informed that their bank has contributed Rs.25.00 lakhs for creation of Entrepreneurship Development Institute (EDI) building, which was appreciated by the participants.

(Action: All member banks)

Credit Rating Mechanism

Mr. Shakeel Qalander, President, FCIK pointed out that most of the entrepreneurs of the State are unaware about the credit rating mechanism that is being adopted by the banks while sanctioning the loans and are therefore, penalized by higher rate of interest due to lack of awareness. He pleaded that all new

entrepreneurs should be accorded top ranking by banks and should be levied lowest possible interest rates to encourage them in view of no previous history.

Endorsing the plea of Mr. Shakeel Qalander, the President, KCC&I, Mr. Nazir Ahmad Dar pleaded that the entrepreneurs should be encouraged and educated about this credit rating mechanism.

Reacting to this, Mr. M. S. Wani, Vice President, J&K Bank (SLBC) stated that the Credit Rating system is not optional but is a mechanism to be followed by the banks to analyze the financials of the loanees.

The representative of Punjab National Bank offered that bank can do the rating of the entrepreneurs in front of them so that the concerned person also becomes aware about the same.

The President of JCC&I, Mr. Y. V. Sharma pleaded for re-look of the service charges on cheques, bounced cheques, etc. and requested for grant of suitable concessions to the MSMEs entrepreneurs in this regard. He pleaded that banks chequebooks have become very costly these should be provided free of cost.

Reacting to this, Mr. M. S. Wani, Vice President, J&K Bank stated that this forum had no such mandate and requested RBI to take a view in the matter. Reacting to this, the DGM, Reserve Bank of India, stated that the issue of service charges has been left by RBI to be decided by the banks and no further clarification in this regard was required.

The representative organizations of MSMEs also raised some other issues in the forum, like interest rate cut on car loans to MSMEs, creation of tool room in the J&K State etc.

However, Mr. Ajit Singh, Senior President, J&K Bank stated that this forum had a limited scope to deal with these issues. He, however, requested the representative bodies of Trade & Industry to provide a detailed list of such issues to RBI and SLBC office, so that the concerned quarters are requested for considering the matter favourably.

(Action: KCCI, JCCI, FCIK, FIJ)

Mr. S. S. Dhillon, Director, MSMEs Development Institute, Jammu, pointed out that there are various artisans' clusters existing in the J&K State and desired that banks should adopt a cluster development approach for providing financial assistance to these artisans. He stressed the need to look into the bottlenecks faced by the banks strategically and to see how intervention of the government is required to deal with the issues of MSMEs. He stated that without financial assistance no industry could subsist and requested all the concerned to liberally support the sector.

On conclusion of the meeting, Mr. M. S. Wani, Vice-President, J&K Bank (SLBC) thanked the participants for actively participating in the meeting and assured them that the actionable points shall be conveyed to the concerned quarters for their attention and desired action.

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

ANNEXURE-A

LIST OF PARTICIPANTS OF THE 7TH SPECIAL MONTHLY MEETING OF
J&K SLBC ON MSMES HELD ON 11TH JANUARY 2010 AT JAMMU

<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. U. C. Lohani	... Deputy General Manager
3.	Mr. B. S. Katoch	... Assistant General Manager
<u>Government of J&K / other agencies</u>		
4.	Mr. Kachu Isfandyar Khan	... Director, Industries Kashmir (Kashmir),
5.	Ms. Rena Gupta	... Dy. Director, Industries & Commerce (Jammu)
6.	Mr. P. K. Nargotra	... Dy. Chief Executive Officer, KVIB
<u>J&K SLBC Convenor Bank (J&K Bank)</u>		
7.	Mr. Ajit Singh	... Senior President (Lead Bank/ J&K SLBC)
8.	Mr. Parvez Ahmad	... President (A&AP) J&K Bank
9.	Mr. Abdul Rouf	... Vice President (PS & GB), J&K Bank
10.	Mr. M. S. Wani	... Vice-President (Lead Bank/J&K SLBC) J&K Bank
<u>Other Banks/ RRBs</u>		
11.	Mr. Ashok K. Koul	... Chief Manager, Lead Bank, State Bank of India (Jammu)
12.	Mr. I. B. Sharma	... LDM, Jammu, State Bank of India
13.	Mr. G. S. Bali	... AGM, Punjab & Sind Bank,
14.	Mr. A. K. Mota	... Chief Manager, Punjab National Bank, Circle Office (Jammu)
15.	Mr. D.S. Sidhu	... Chief Manager, Oriental Bank of Commerce, R. O. Amritsar
16.	Mr. Kartar Singh	... District Coordinator, Oriental Bank of Commerce, Jammu
17.	Mr. A. A. Allaqaband	... AGM, UCO Bank
18.	Mr. Raja Abdul Latif	... Chairman, J&K Grameen Bank
19.	Mr. A. U. Tak	... Chairman, Ellaquai Dehati Bank
<u>SIDBI</u>		
20.	Mr. Neeraj Srivastav	.. Branch Incharge, SIDBI, Jammu
<u>MSMEs Development Institute, Jammu</u>		
21.	Mr. S. S. Dhillon	... Director
<u>Representative Organisations of MSMEs, Trade & Industry</u>		
22.	Mr. Shakeel Qalander	... President, Federation Chamber of Industries Kashmir
23.	Mr. Devinder Mahajan	... Chairman, Federation of Industries, Jammu
24.	Mr. Nazir Ahmad Dar	... President, Kashmir Chamber of Commerce & Industry
25.	Mr. Y. V. Sharma	... President, Jammu Chamber of Commerce & Industry

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