

Special State Level Bankers' Committee

Government Sponsored
Schemes:
Issues & Remedies



Structure of Presentation:

- ❖ Socioeconomic Indicators of J&K
- ❖ Credit Plan Performance:
 - ❖ Aggregate Analysis
 - ❖ Disaggregated Analysis by:
 - ❖ Sectors
 - ❖ Spaces
 - ❖ Service providers
 - ❖ Sponsored schemes
- ❖ Government Sponsored Schemes: Issues in Credit Delivery
- ❖ Restructuring Proposal



Socio-economic Indicators



J&K Economy : Basic Indicators

Total Population	1.01 crore
Area	1,01,387 sq kms
Density	100 per sq km (325)
Per capita Income	Rs 16,190 (Rs 23,222)
Population BPL	3.48% (26.10%)
Literacy	55.52% (64.84%)
Unemployment rate :	4.21 (3.09)

Economic Infrastructure

Road Length (Kms/100SqKm)	35.71	(104.64)
Telephones/100 of population	7.76	(13.57)
Post offices/Lakh of Population	15	(14)
Bank offices per 100 SqKm	0.85	(2.18)
Average population per bank office	13000	(16000)
Hospital Beds per lakh	111	
Doctors per lakh	48	

Structural Indicators

- Average land holding : 0.66 hectares (1.41)
- Cultivators /Total workers : 42.40% (31.65)
- Agri Labourers/TW : 6.56% (26.55)
- HH workers : 6.25% (4.21%)
- Gross Area irrigated : 41% (40)

Inter regional variations

- **Bank Branches/Area**
 - Leh : 1 branch per 3000 sq km
 - Jammu : 1 branch per 15 kms
- **Bank branches /Population**
 - Kupwara : 20,000 people per branch
 - Leh : 1000 people per branch
- **CD Ratio**
 - Kargil : 11.41%
 - Srinagar : 81.99%
- **Per Capita Income**
 - Srinagar : Rs 17896
 - Kupwara : Rs 9999



Credit gap

- J&K accounts for 0.70 per cent of national GDP
 - Yet, it absorbs only 0.30 per cent of total national credit
- Productive sectors of the economy account for less than 5 per cent of the credit disbursed in J&K
 - Comparable national average is 30 per cent
- J&K accounts for 1 per cent of India's population
 - Yet it accounts for only less than 0.2 per cent of personal credit disbursed in India



Credit Demand & Supply: Mismatch

- Mismatch between sources of growth and credit supply
- High growth and yield areas, e.g commodity financing, under serviced in terms of credit
 - Horticulture continues to be financed informally
 - Artisan economy not financed
- Size of horticulture business – Rs.12 to 15 Bn
 - Current exposure is Rs.1.5 Bn
- Size of Artisan business – Rs. 4 to 6 Bn.
 - Current exposure is Rs. 0.6 Bn

Credit Plan Performance:

Aggregative Analysis :

Rs in crores

	FY07	FY08	FY09	Q1F10
Total Credit off take	2099	4356	3573	817
Non Priority	732	2356	1635	258
Priority	1367	2000	1938	559

Credit to Priority Sector: Off-take

	FY07	FY08	FY09	Q1F10
SME	352	580	511	124
Micro Credit		261	144	52
Agriculture	225	370	392	130
Retail Trade	653*	582	557	111
Education		58	52	15
Housing		149	282	127
Total	1367	2000	1938	559

* Constitutes credit disbursed to total services sector

Rs in Crores



Annual Action Plans for Priority Sector Lending:

Performance Review

	FY07	FY08	FY09	Q1F10
FINANCIAL TERMS				
Target	1445	1624	1911	2305
Achievement {%}	1368 {95%}	2000 (123%)	1938 (101%)	559 {24%}
PHYSICAL TERMS				
Target	1,79,932	\$1,62,112	1,73,428	1,82,958
Achievement {%}	76,907 {43%}	91,111 (56%)	1,00,934 (58%)	45737 {25%}
				Rs in Crores

Credit by Sector : Achievements

Rs in Crores

Sector	FY07	FY08	FY09	Q1F10
Agriculture	226	370	392	Rs.130
S. Enterprise	352	580	511	Rs.124
Micro credit		261	144	Rs.52
Retail Trade		581	557	Rs.111
Education	790	58	52	Rs. 15
Housing		159	282	Rs. 127

Credit by Sector : Achievement %

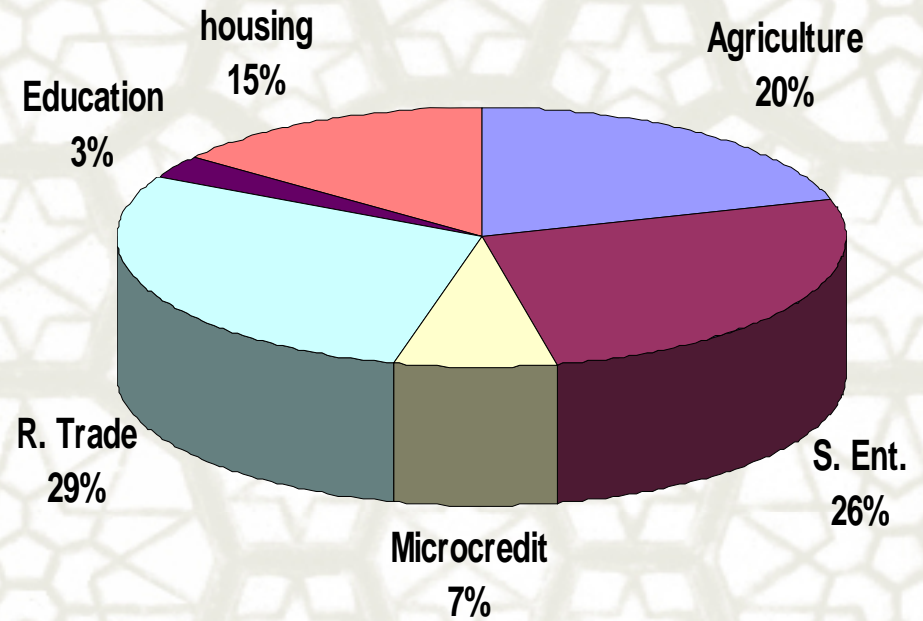
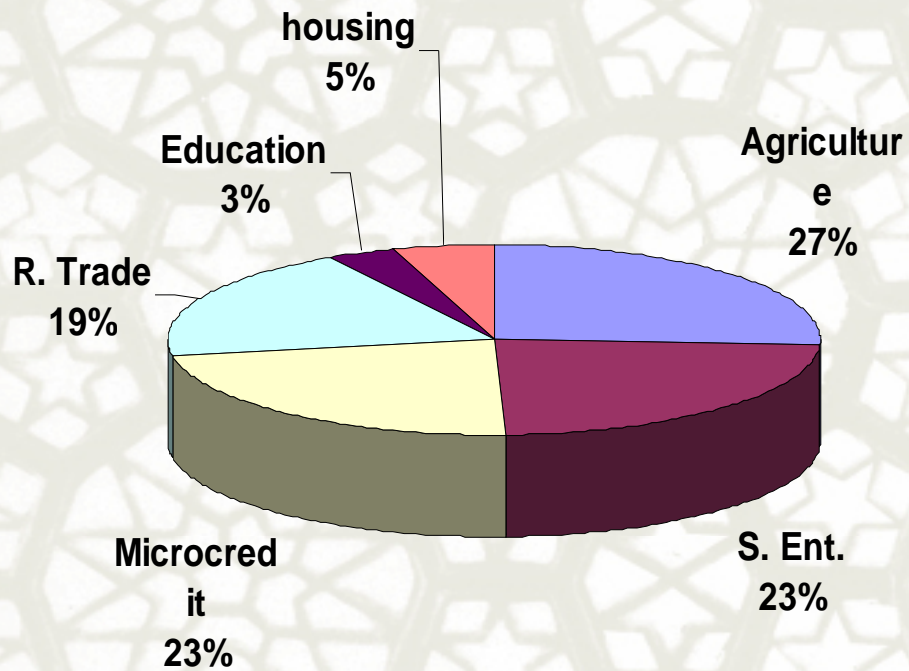
Sector	FY07	FY08	FY09	Q1F10
Agriculture	49	78	79	24
S. Enterprise	105	110	114	16
Micro credit		485	33	15
Retail Trade		134	151	24
Education	121	124	80	23
Housing		166	294	113

Credit Composition: Intentions Vs Reality

FY09

Targets

•Achievement



Average Ticket Size: Intentions Vs Reality

	FY08		FY09		Q1F10	
	Targets	Actuals	Targets	Actuals	Targets	Actuals
Agriculture	Rs.44580	Rs.99670	Rs.46,000	Rs 98,500	Rs.49,000	Rs 54,000
S. Enterprises	Rs.294500	Rs. 450000	Rs.2,91,400	Rs 3,64,000	Rs.4,09,000	Rs 2,67,000
Microcredit	Rs.80885	Rs.332000	Rs.2,27,200	Rs 1,23,000	Rs.1,72,000	Rs 1,25,000
R. Trade	Rs.161500	Rs.223000	Rs.1,41,000	Rs. 2,95,000	Rs.1,77,000	Rs. 2,00,000
Education	Rs.275000	Rs.218000	Rs.2,35,000	Rs. 1,98,000	Rs.2,31,000	Rs. 1,63,000
Housing	Rs. 303000	Rs.336000	Rs. 2,90,000	Rs 2,03,000	Rs. 3,11,000	Rs 2,00,000

Credit By Region

Priority Sector Absolutes and target achievement(%)

•Rs in Crores

Region	FY07	FY08	FY09	QF10
Kashmir	637 (87%)	794.75 (96%)	796 (85%)	289 (28%)
Jammu	712 (104%)	1161.46 (152%)	1107 (118%)	259 (21%)
Ladakh	19 (72%)	44.56 (167%)	35 (99%)	11 (20%)



Credit By Region

Non Priority Sector Credit Disbursals

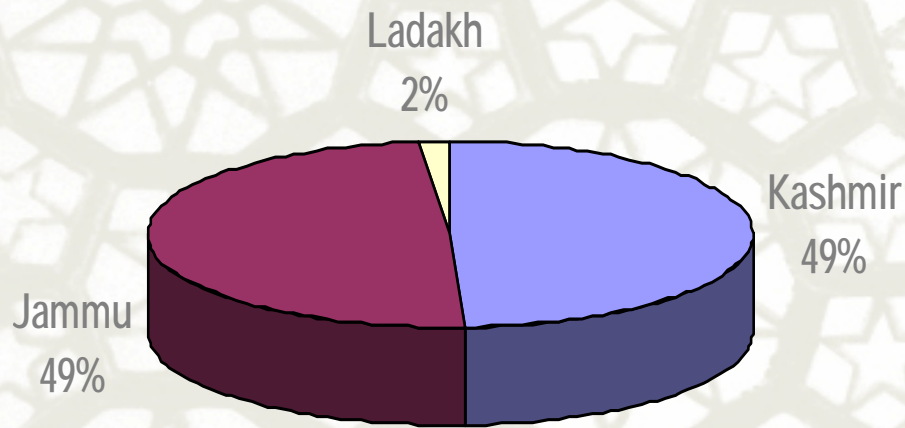
•Rs in Crores

Region	FY07	FY08	FY09	QF10
Kashmir	660	1426.02	800	109
Jammu	684	885.88	805	142
Ladakh	4	43.74	30	7

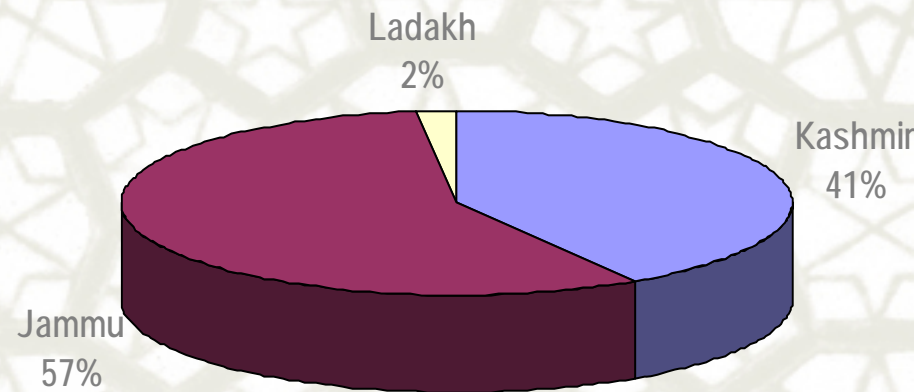


Priority Sector Credit By Region (FY09) : Targeted off-take Vs Actuals

Target



Actual



Sector-Space Matrix : FY09

Rs in crores

	Agriculture	Small Enterprises	Micro credit	Retail Trade	Education	Housing
Kashmir	214	176	68	216	23	100
Jammu	177	325	71	325	29	179
Ladakh	1	10	4.5	17	0.18	2
Total	392	511	144	557	52	281

Achievement Matrix %: FY09

	Agriculture	Small Enterprises	Micro credit	Retail Trade	Education	Housing	Total
Kashmir	71	77	74	92	60	241	85
Jammu	95	156	21	257	118	355	118
Ladakh	22	91	84	207	8	52	99
Total	79	114	33	151	80	294	101

Credit by Institution:FY09

Rs in Crores

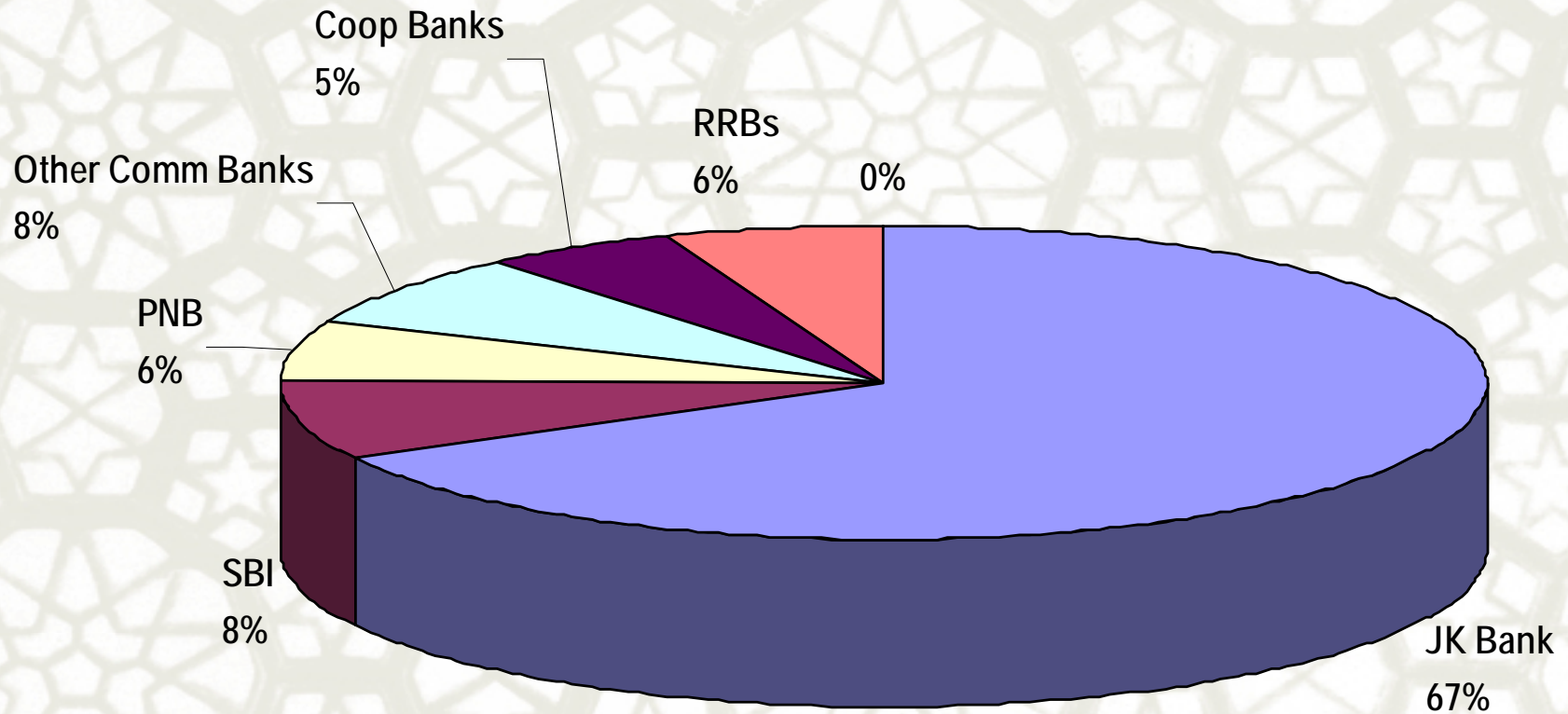
Institution/s	Disbursals (Pri. Sector)	Target Achievement%	Disbursals (Non Pri. Sector)	Total
J&K Bank	1198	143	1191	2389
SBI	223	81	70	293
PNB	140	80	84	224
Other Comm. Banks	124	76	146	270
Coop. Banks	128	57	57	185
RRBs	120	52	87	207
Other FIs	2.7	45	0	2.7

Credit by Institution :Q1F10

Rs in Crores

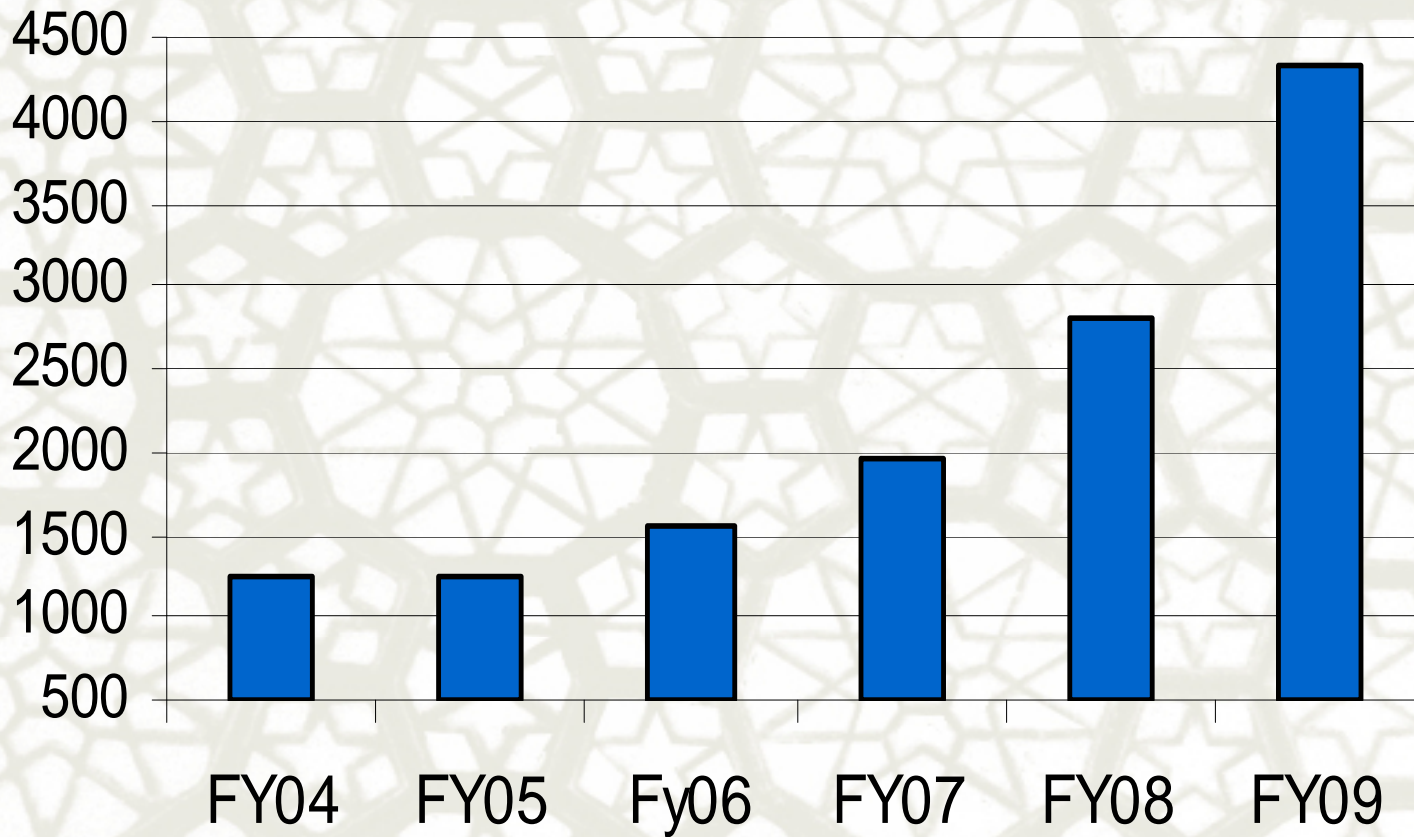
Institution/s	Disbursals (Pri. Sector)	Target Achievement%	Disbursals (Non Pri. Sector)	Total
J&K Bank	351	39	142	493
SBI	55	18	21	76
PNB	30	15	22	52
Other Comm. Banks	38	10	40	78
Coop. Banks	45	17	15	60
RRBs	40	15	18	58
Other FIs	0.19	5	0	0.19

Credit By Institution (%): FY09

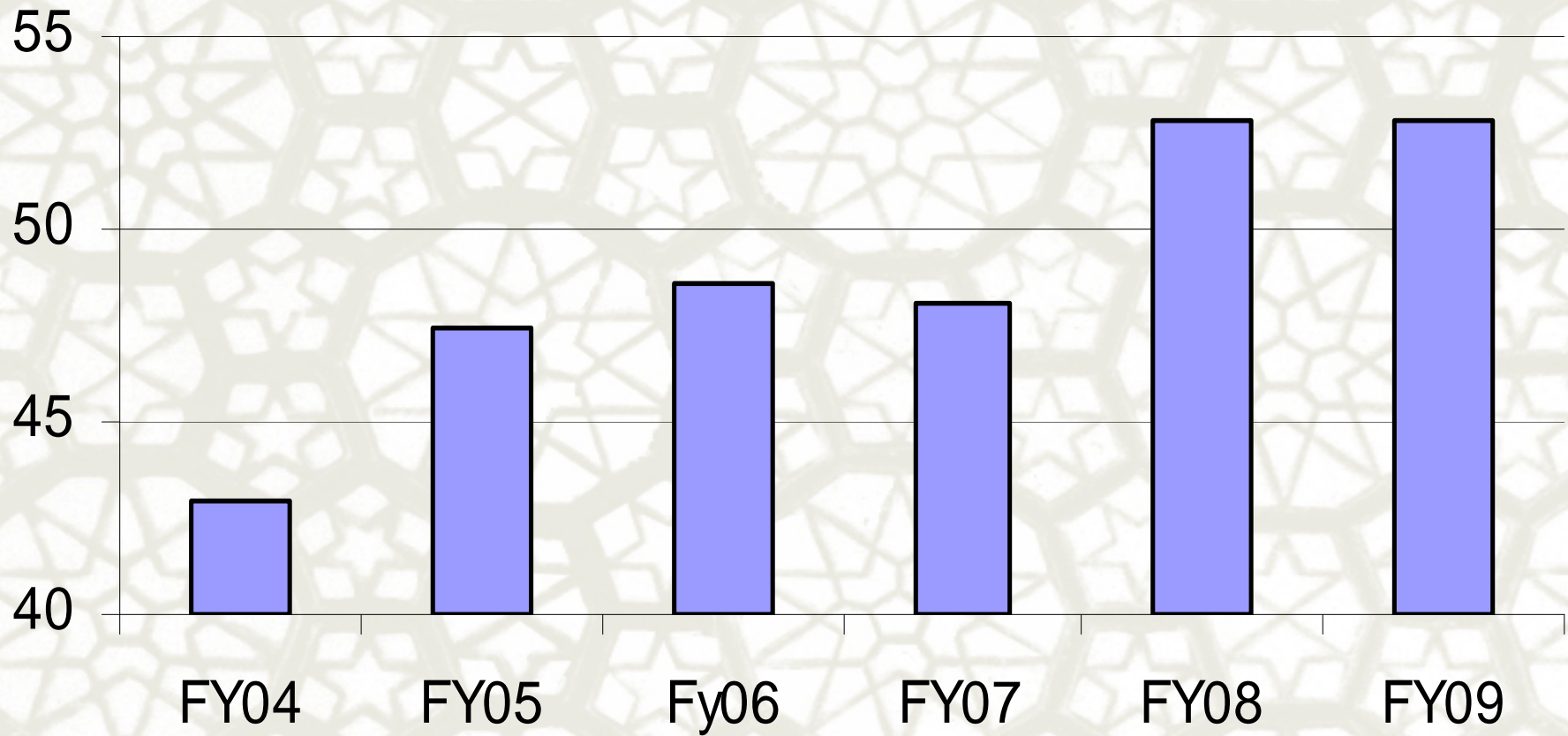


JKB: Agriculture Credit in J&K

{Rs in crores}



JKB: CD Ratio in J&K



Specific products

- JK Bank Apple Finance
- JK Bank Saffron Finance
- JK Bank Giri Finance
- JK Bank All-Purpose Agri Term Loan
- JK Bank Dastakar Finance
- JK Bank Craft Development loan
- JK Bank Khatamband Finance



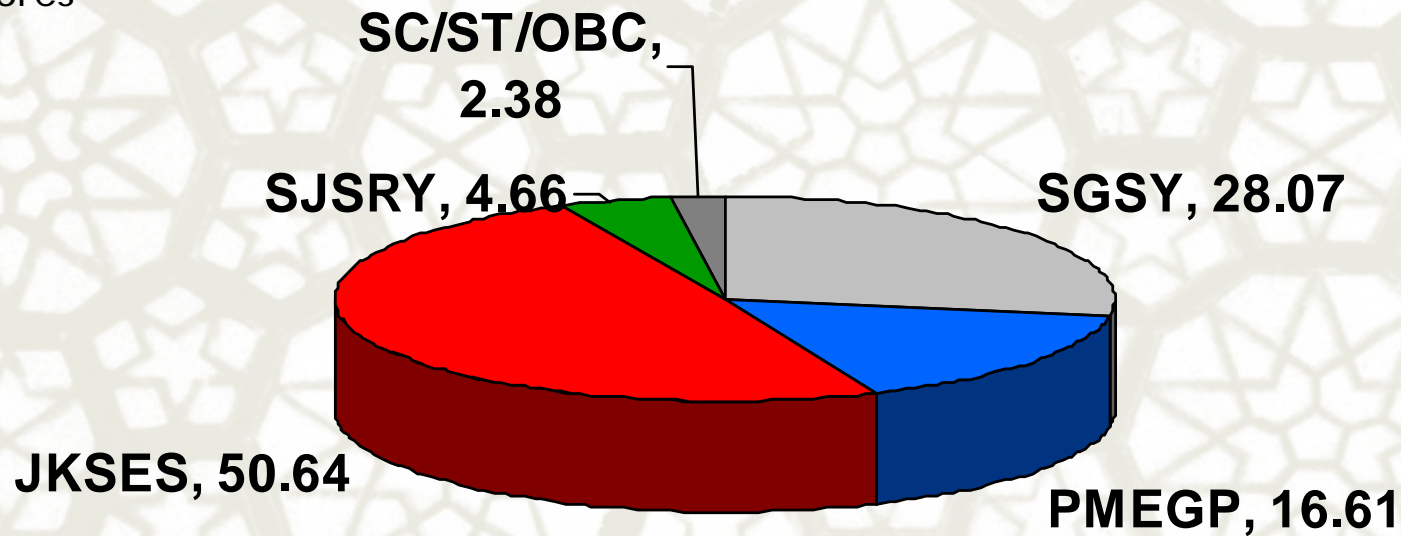
Sponsored Schemes:



Sponsored Schemes

Credit disbursement through Six Major schemes

•Rs In Crores



•FY09

Six Major Sponsored Schemes

Achievement of targets

	FY07	FY08	FY09	Q1F10
SGSY	31%	57%	50%	9%
PMEGP	38%	78%	19%	11%
JKSES	32%	57%	48%	7%
SJSRY	12%	37%	32%	8%
SC/ST	34%	64%	26%	5%
Total	18%	27%	44%	9%



Sponsored schemes : Poor track record

Scheme	Balance Outstanding	NPA	NPA %
SGSY	21.93	4.70	21.41
PMRY	35.43	11.54	32.58
JKSES	49.62	10.25	20.65
SJSRY	9.91	4.15	41.89
SC/ST	2.76	1.14	41.41
KVIB	10.21	0.54	5.32
OTHERS	19.71	4.08	20.70
TOTAL	149.57	36.41	24.43

The Bank as a whole has NPAs equaling **2.44% Only**



Sponsored Schemes:

Reasons for poor off
take and large NPAs

Scheme Formulation / Design

- Top-down Approach
- In-flexible
- No consideration for regional and geographical differences
- Too many Schemes – Overlapping target group & Objectives, wastage of resources, impossible monitoring
- Unweildy and outdated Nomenclature

Beneficiary Identification

- Casual / Partisan
- No horizontal linkages among the sponsoring agencies.
- Double / Multiple sponsoring (same beneficiary)



Bank Finance / Appraisal / Recovery

- Cumbersome Appraisal & Documentation processes
- Delayed sanctions
- Under-financing – only subsidy portion released
- No subsequent financing
- Repayment not based on cash flows.
- Seeking of collaterals



Marketing Support

- No access to / control over markets
- No institutional support available
- Lack of value addition
- Exploitation by middlemen



Monitoring / Follow up

- No database
- Emphasis on expenditure – no post-disbursement followup reports
- Only Fiscal accountability
- No analysis being done

- Restructuring proposal: The Way Ahead...



Why Restructuring...

- J&K doesn't compare well with other states in financial infrastructure and intermediation.
- Role of SLBC even more critical
- Let us resurrect, revive, and reform the SLBC
- Try and be a model SLBC for other states



Structural Problems

- SLBC lacks :
 - stakeholder ownership
 - enforceability
- SLBC design:
 - too large and unwieldy
 - Too dispersed
- SLBC mandate:
 - Pre-reform
 - Too peripheral



THE CHANGE SPECTRUM

- STRUCTURAL CHANGES
- ORGANISATIONAL CHANGES
- CHANGES IN ITS APPROACH
- CHANGES IN METHODOLOGY

Vision

- To be the banker's conscience keeper in the region



Mission

- To be the forum for devising, designing, and delivering the concept of financial inclusion in J&K



Possible Changes

- In format :
 - Thematic SLBC
 - Background researched papers
 - Collaborative workshops
- In organisation
 - Break up into smaller groups and sub-groups
 - One group, one focus
 - Terminal responsibility



J&K Bank

Cascading committee concept

- Top level Apex Committee
- This committee works on agenda and issues raised and filtered by:
 - Credit Committee
 - Monitoring and Implementing Committee
 - Administrative and regulatory Committee

APEX COMMITTEE

- Representatives of:
 - Convenor bank (1)
 - Public sector bank (2)
 - Private sector Banks (1)
 - RRBs (1)
 - Institutions (2)
 - Cooperative Banks (1)
 - Regulator (1)
 - Government (1)



Role of Apex committee

- To work out a comprehensive three year program for financial inclusion with annual and half yearly benchmarks
- To review and ratify the targets set by CC
- To assess the performance
- To escalate non-compliance
- To integrate all programs



Credit Committee

- Focus on priority sector credit
- To have six sub-committees, each responsible for detailing one sector
- Lay down sectoral targets
- Lay down bank-wise targets
- Lay down regional targets



Composition

- Convener bank
- Pub sector banks (3)
- Private Sector Banks (1)
- RRB (2)
- Cooperative banks (3)
- Institutions (4)
- Government (3)



J&K Bank

Monitoring & Implementation committee

- Convenor bank
- Top 5 banks in terms of share of business
- Government



Administrative & Regulatory Committee

- Regulator (3)
- Convenor (3)
- Government (4)

Meetings

- SLBC Convention of all stakeholders in January. r
- APEX Committee meets half yearly to take stock and suggest course correction
- Credit Committee meets every Quarter
- Administrative Committee meets every Quarter
- Monitoring Committee meets every month
- SLBC summer workshops in Srinagar and Winter workshops in Jammu to work on special focus areas and decide on theme.

Issues for Discussion

- Setting of Targets: Physical & Financial
- Sponsored Schemes: Way Ahead
- SLBC Restructuring

Thank You

