

MINUTES OF THE SPECIAL SLBC MEETING ON THE THEME OF GOVERNMENT SPONSORED SCHEMES HELD ON 20<sup>th</sup> OCTOBER 2009 AT SKICC SRINAGAR

A Special SLBC meeting on the theme of Government Sponsored Schemes was held on 20<sup>th</sup> October 2009 at S.K.I.C.C., Srinagar. Hon'ble Chief Minister J&K State, Mr. Omar Abdullah was the Chief Guest and presided over the meeting. Hon'ble Finance Minister J&K State, Mr. Abdul Rahim Rather, was the Guest of Honour. Dr. Haseeb A. Drabu, Chairman & CE of J&K Bank (Convenor Bank) steered the proceedings. Top functionaries of the Government administration and banks including Chief Secretary, Principal Secretary (Industries & Commerce), Principal Secretary (Law), Commissioner/ Secretary (Finance), Commissioner /Secretary (Labour & Employment), Executive Directors of J&K Bank, senior officials of Reserve Bank of India, NABARD and various line departments and development agencies and also representatives of major member banks/ financial institutions operating in the State attended the meeting. The list of participants is enclosed as **Annexure-A**.

Dr Haseeb A. Drabu, Chairman and Chief Executive of the J&K Bank (Convenor Bank) and his top management team received the Hon'ble Chief Minister and the Hon'ble Finance Minister at the venue. At the outset Dr. Drabu extended a warm welcome to the dignitaries, distinguished guests and participants. He expressed immense pleasure to have the proud presence of Hon'ble Chief Minister and Hon'ble Finance Minister in the SLBC meeting for the first time ever, which reflects their involvement and commitment to the development of the State. Commencing the proceedings he gave a visual presentation demonstrating a comprehensive and analytical overview of the socio-economic and credit scenario of the State with the objective of identifying specific areas for intervention to augment the pace of development. He elucidated the perspective of ineffectiveness of Government Sponsored Schemes and focused on the impending issues while suggesting remedies for efficacy to render these schemes deliver in real terms as intended. The highlights of the presentation are mentioned as under:

Socio Economic indicators:

The Chairman stated that J&K State has population of 1.01 Crore and the area 1013 square kilometers with density of 100 per square K.M. as compared to 325 per square kilometer existing at the national level. The per capital income of the State at Rs.16,190/- was much below the national average of Rs.23,222/-. The State has B.P.L. population at 3.48% compared to 26% nationally. Literate rate of J&K at 55% is again lower than the national average of 64.84% and the most significant is the un-employment rate @ 4.21% which is above the national average of 3.09%.

Economic Infrastructure:

The Chairman stated that Road Length in the State @ 35.71 kilometers per 100 square kilometers was again much below rather 1/3<sup>rd</sup> of the national average of 104.64 kilometers. Telephones per 1000 stood at 7, which is half of the national average. Post Offices per one lakh population were almost equal to the national level. Bank offices per 100 Sq. kilometers stood at 0.85% compared to 2.18% nationally, Average population per bank office stood at 13000 was better in terms of coverage of people as compared to 16000 nationally. Hospital beds per lakh stood at 111 and doctors per lakh of population stood at 48.

Structural Indicators:

The Chairman stated that:

- Average land holding in J&K State stood at 0.66 hectares compared to 1.41 nationally, which indicates that it is a very dispersed kind of agricultural land holding;
- Cultivators to total workers is 42, indicating high incidence of cultivators and correspondingly a very low level of agriculture labourers.
- The total house-hold workers in J&K at 6% is higher than national average indicating that crafts economy absorbs a lot of house-hold workers.
- Gross area irrigated in J&K stood at 41% is almost the same as national average.

Credit Gap:

- The Chairman informed that the prime issue J&K faces is that while J&K accounts for 0.70% of national GDP, yet it absorbs only 0.30% of total national credit, indicating that J&K is a hugely under-serviced economy in terms of credit;
- Productive sectors of the economy account for less than 5% of the credit disbursement. Most of credit goes into housing finance, consumption loans and non-productive segments;
- J&K accounts for 1% of country's population, yet it accounts for less than 0.2% of the personal credit. So the gap between what actually is being disbursed here and nationally is huge. In some ways J&K Bank is following a business model to cover this gap, which is attributed to the mismatch between the existing size of activity and the credit supply. For instance, horticulture continues to be financed internally, size of horticulture business is around Rs.12-15 billion but the current exposure of banks in horticulture sector stands at Rs.1.5 billion only. Similarly the size of artisans business stood at Rs.4-6 billion, but the current exposure of banks is Rs.0.6 billion only.

Annual Action Plans for Priority Sector Lending – Performance Review:

The Chairman informed the house that in FY 2007 the total credit off-take stood at Rs.2099 Crore, in FY 2008 it went to Rs.4356 Crore, but slumped to Rs.3573 Crore in FY 2009. Priority Sector lending has gone from Rs.1367 Crore in 2007 to Rs.1938 Crore in 2009 and the Non-priority sector lending at Rs.732 Crore in 2007 was almost tripled in 2008 to cover Rs.2356 Crore but slumped in 2009 to Rs.1635 Crore.

Giving sector-wise description of credit, the Chairman stated that SMEs sector has gone from Rs.352 Crore in 2007 to Rs.580 Crore in 2008, but slumped a little in 2009 to Rs.511 Crore. Micro Credit sector has slumped from Rs.261 Crore in 2008 to Rs.144 Crore in 2009. Agriculture Sector, which stood at Rs.225 Crore in 2007, has gone up to Rs.370 Crore in 2008 and Rs.392 Crore in 2009.

Stating that there has been a misallocation in some sectors between what the intention was and what the achievement actually on ground has been, the Chairman stated that Housing Sector was targeted at 5% of the total credit allocation, whereas it has got 15%, Micro Credit sector was intended to get 23% of the total credit disbursed, but this sector has got just 7% in actual terms, Retail Trade was supposed to get 19% of total credit, but it has got 29%.

The Chairman pointed out that while banks have been meeting the financial targets, the targets in physical terms have never been accomplished. He attributed this to the fact that ticket-size per target is very small, which is unviable.

Credit by Regions:

Giving region-wise description, the Chairman stated that in Kashmir region banks have met 87% of target in 2007, 96% of target in 2008 and 85% of target in 2009, whereas in Jammu region banks met 104% of target in 2007, 152% of target in 2008 and 118% of target in 2009. In Ladakh region the target achievement stood at 72% in 2007, 167% in 2008 and 99% in 2009.

Targeted off-take Vs Actuals

The Chairman stated that in FY 2009 Kashmir region was intended to get 49%, Jammu region 49% and Ladakh region 2%, but looking at the actual figures, 57% of total credit has flow to Jammu region, 41% to Kashmir region and 2% to Ladakh region.

He stated that under Agriculture sector Kashmir region has got 71% of targets compared to 95% in Jammu region. Under Small Enterprises sector Kashmir region has got 77% of targets compared to 156% by Jammu region. Under Retail Trade sector Kashmir region has got 92% of the target compared to 257% by Jammu region, Under Education Sector Kashmir region has got 60% of the target compared to 118% by Jammu region and similarly under Housing Sector Kashmir region has got 241% of target compared to 355% by Jammu region.

Credit by Institutions:

Giving an analysis of bank-wise achievements under Priority sector lending in the State during FY 2008-09, the Chairman stated that Jammu and Kashmir bank has been the major contributor having achieved 143% of targets under priority, followed by SBI 81%, PNB 80%, other commercial banks together achieving 76%, Cooperative banks 57% and RRBs 52%. The Chairman further stated that during FY 2008-09 67% of total credit has flown through J&K Bank, 8% by SBI, 6% by PNB, 8% by other commercial banks, 5% by Cooperative Banks and 6% by RRBs. He pointed out that Cooperative Banks having the network and size in the State are not doing what they should have been.

He stated that even during Q1 of CFY there has been a huge gap between achievements of J&K Bank and the other banks operating in the State and target achievement has been very poor except J&K Bank.

He highlighted that C. D. Ratio of J&K Bank has gone up to 55%. Credit flow through J&K Bank has increased largely by virtue of a number of tailor-made schemes introduced by the bank like Apple Finance, Safron Finance, Giri Finance, All Purpose Agri-Term Loan etc. He stated that the whole idea is that other banks operating here should emulate doing specific financing for specific products like Khatemband Finance, Craft Development Loan, Dastkar Finance products of J&K Bank to suit the requirements of various segments of the people.

Lending under Government Sponsored Schemes:

The Chairman stated that the during FY 2008-09 the deployment of credit under the major Government Sponsored Schemes stood at SGSY Rs.28 Crore, PMEGP Rs.16 Crore, JKSES Rs.50 Crore, SJSRY Rs.5 Crore, SC/ST/OBC Rs.2.38 Crore.

He stated that even as we show that financial targets have been met for the credit as a whole, but for Government Sponsored Schemes there is a huge problem and the levels of target achievement have been extremely poor. He attributed this ineffectiveness of the GSS to a number of reasons and focused on the following issues needing remedial measures:

- All sponsored Schemes have a very poor track record;
- NPA level under Government Sponsored Schemes has been substantially high viz. 21% in SGSY, 32% in PMRY, 20% in JKSES, SJSRY 41%, SC/ST/OBC 41%, one of the reasons why banks feel scared to lend under Government Sponsored Schemes as they create a lot of bad assets in the process of lending, which needs to be deliberated upon in this Special SLBC meeting.
- There is a top-down approach - no understanding of the gross root level;
- The Schemes are very inflexible. They run for the whole country and do not look for regional or geographic variations;
- There are too many schemes doing the same thing;
- These schemes are unwieldy and have out-dated nomenclature;
- The beneficiary identification has been very casual and turns out to be the single largest thing that needs to be addressed;
- There are no horizontal linkages among sponsoring agencies and often there is double and multiple sponsoring to the same beneficiary, which needs to be addressed at all levels;
- Banks' finance appraisal and recovery processes are very cumbersome;
- There are delayed sanctioning, Under-financing of units/projects;
- Repayment procedures are not based on cash flows;
- Seeking of collateral by banks;
- The beneficiaries have no access to or control over markets. No institutional support is available to the beneficiaries and beneficiaries are often subjected to exploitation by middlemen at various places;
- There is no emphasis on expenditure monitoring/ post disbursement follow-up. Banks feel it is government's job and government feels it is banker's job.
- There is no physical accountability and no analysis is being done of what has happened in the past and how can we judge it.

The Chairman emphasized that SLBC is the actual body to take care of these issues, as it is the only forum where government and the banks sit together and workout policies. He stated that J&K State does not compare well with other States in the financial infrastructure. Emphasizing the need to reform the SLBC in J&K the Chairman desired to have it a model SLBC for other States. Commenting on the deficiencies in SLBC process, the Chairman stated that J&K SLBC lacks ownership; as such it has no enforceability of its decisions. He stated that SLBC mandate given by Government of India pertained to the pre-reform era and it has become only a peripheral institution to the whole banking space.

The Chairman suggested 4 sets of changes to reform the SLBC process, i.e. Structural Changes, Organizational Changes, Change in approach and Change in methodology. The vision is that J&K SLBC should be the bankers' conscience keeper in the region- something that is above all other institutions with the mission to devise, design and deliver the concept of financial inclusion in J&K. He stated that J&K SLBC has to be a theme-based SLBC.

The Chairman suggested that the SLBC needs to be broken up in smaller groups, so that one group can look at NPA, another at Government Sponsored Schemes and the other takes up Agriculture, so on & so forth. Finally we must have some terminal responsibility and there is need of a cascading Committee approach rather than having one large SLBC which meets once a quarter and then disappears. He stated that there should be a top level apex Committee which works on the agenda and raises issues after these filter into it

from 3 subordinate committees, i.e. (1) Credit Committee, (2) Monitoring Committee and (3) the Administrative Committee, so that we actually are able to push through the reforms at various levels. In the apex Committee we should have representatives of Convenor Bank, two Public Sector Banks, one Private Sector Bank and one RRB, two institutions, one Cooperative Bank, One Regulator and One Government representative. What happens at present that we invite every body and the banks that have Rs.2.00 Crore exposure has the same status and the same voice, which a bank having Rs.1400 Crore exposure has, so there is no stake linked rights. Giving instance he said that there are many States in India where J&K Bank participates in SLBC without any lending. He stated that the Apex Committee should be smaller in structure, which can focus more. The role of the Apex Committee should be to workout a 3 year programme not just a quarterly programme and review and ratify the targets fixed by the Credit Committee, so that Credit Committee will set the targets and let the Apex Committee ratify and assess the performance. This is because one of the major issues has been that there is non-compliance and we need to integrate all the programmes that are running. Credit Committee basically should focus on priority sector and will have each Sub-Committee to look after one Sector like Agriculture, Horticulture, SMEs etc. and set sectoral targets, regional targets. The Monitoring Committee should have Convenor Bank, top 5 Banks in terms of Share of Business and of course the Government as the administrative writ runs large. He stated that there is need to have an Administrative / Regulatory Committee to be comprised of Regulator i.e. RBI, NABARD and others, the Convenor and the Government, because that is where the whole regulatory issues will be discussed.

The Chairman asserted that convention of all SLBC members can be held once a year, Apex Committee shall meet half yearly, Credit Committee to meet every quarter, Administrative Committee to meet every quarter and the Monitoring Committee to meet every month. There shall be two SLBC workshops on some focus areas like setting up of targets both physical and financial and identification of beneficiaries, etc., i.e. preferably in summer at Srinagar and in winter at Jammu, wherein help shall be taken from NABARD and other such institutions so as to workout some mechanism.

Thereafter, the Chairman requested the Chief Secretary to take up the Agenda for deliberations.

The Chief Secretary after briefing the house about the background, performance of various Government Sponsored Scheme in the J&K State during the last 7 years and the impact of monitoring progress and reviewing performance in SLBC meetings, took up for deliberation the reasons and issues for unsatisfactory performance under Government Sponsored Schemes as under:

Lack of sincerity to serve with sympathy:

The Chief Secretary expressing his own experience observed that we generally tend to get into a blame game and try to look for faults with others in order not to do as much as we need to do. He further stated that if we really mean to make a success we need sincerity to serve with sympathy, which tends to considerably reduce the size of the problem to deal with.

Faulty identification of Beneficiaries:

The Chief Secretary observed that identification of beneficiaries for various Government Sponsored Schemes has surely been a problem the blame for which lies not only with the sponsoring agencies but also with the banks that participate in the district-level task forces/ selection Committees. For information of the Hon'ble Chief Minister and the Hon'ble Finance Minister, the Chief Secretary stated that for each Government Sponsored Scheme there is a District Level Task Force, which is generally headed by the

concerned Deputy Commissioner and is having representation of the concerned lead bank office. Describing the procedure adopted by the Task forces for identifying the beneficiaries, the Chief Secretary stated that applications are invited for each of the Scheme, each district has a target set under the District Credit Plan. The Task Force interviews the prospective beneficiaries and then sponsorship is done. He stated that at this very level enough care is not being taken and the concerned authorities resort to some casualness.

Observing that there is surely need for improvement in this whole process, the Chief Secretary suggested that it would be feasible if the District-level Task Forces are expanded to include a few more bankers that have significant presence in the concerned district in order to ensure greater ownership.

Beneficiaries lack skill expertise/ training / know-how:

The Chief Secretary agreed that lack of skill expertise/ training has been one of the major reasons for unsatisfactory performance under various Government Sponsored programmes. He invited the attention of members to the RUDSETI initiative taken up by Canara Bank in the country and stated that this concept has been recognized at national level and that the Government of India, Ministry of Rural Development has decided to set up Rural Self Employment Training Institutions (RSETIs) in all the districts of the country with a view to preparing our entrepreneurs to take up different self-employment ventures, for which Govt has been providing Rs.1.00 Crore upfront for creation of related infrastructure including construction of building. The Chief Secretary pointed out that in the last SLBC meeting it was decided that J&K Bank and State Bank of India will set up RSETIs in every district of the State in a phased manner out of which a number of RSETIs would be set up during the current financial year. Desiring to know the progress on the issue, the Chief Secretary stressed that this RSETI initiative should be proactively promoted in J&K State and in a time bound manner as Entrepreneurship Development Institute (EDI) already functioning in the State has been among the success stories in the State. He suggested that EDI experiences and EDI leadership should be taken advantage of even when RSETIs initiative is operationalized.

*(Action: J&K Government, RDD/ Lead Banks)*

Lack of post-disbursement monitoring /supervision of the units:

The Chief Secretary observed that post-disbursement monitoring/ supervision of various units set up by the beneficiaries under Government Sponsored Schemes is an important issue that needs to be addressed. He suggested that the District-level Task Forces should not look at their business just at the stage of sponsoring the cases but must also look at the follow-up action, as the survival of units was most critical to the whole programme with a view to helping for stability of these productive ventures. Referring to the pattern adopted for EDI, the Chief Secretary stated that initially EDI too was set up just for training more people and forgetting the trainees of previous years. Then it was considered expedient that follow-up was very important for successful establishment of Self Employment ventures and accordingly we followed up the failures as well as successes and failures were guided further and made to emulate the success stories of others. The Chief Secretary stated that Monitoring/ Follow-up should be included in the tasks of the District Level Task Forces.

*(Action: J&K Government)*

Diversion of funds by beneficiaries:

The Chief Secretary stated that diversion of funds to other non-productive activities, resorted to by the beneficiaries basically flows from the wrong or faulty identification of beneficiaries, which ultimately results in default in repayment of the bank dues. He stated that if the process of identification of beneficiaries is streamlined, there will be no diversion of funds.

Bunching of applications:

The Chief Secretary observed that there are problems with the district levels also as the District Development Commissioners are often overburdened with other development/ administrative assignments as a result of which they sometimes find it difficult to have the sponsorship done at regular basis and thus they resort to sponsoring the applications to banks in bunches at the fag end of the year, leaving least scope for the banks to process these applications and often tend to be rejected/ returned. Therefore, Chief Secretary strongly emphasized that bunching of applications should come to an end now and instead recommended that applications should be sponsored to banks on quarterly basis giving enough room for banks to process these cases.

*(Action: All Government Sponsoring Agencies)*

Government Sponsored Schemes un-remunerative:

Realizing the banks apprehension of mounting NPAs and poor recovery of dues under Govt. Sponsored Schemes, the Chief Secretary pointed out that this issue has been deliberated in past also and the Government had made an open offer and he is personally committed to it, that wherever banks require any help government will be ready to extend it. He stated that the government had already made some amendments in the law also especially in respect of outstanding dues under J&K Self Employment Schemes, and District Employment officers were empowered to effect recovery of bank dues as arrears of land revenue, which he said could be fine tuned further to ensure better recovery of bank dues for removing banker's apprehensions. He also assured to interact with the top management of different banks to find solutions to this problem.

*(Action: J&K Government)*

Delay in release of subsidy components:

Commenting on the suggestions put forth in the agenda papers that alongwith the sponsorship of cases subsidy money should be released; the Chief Secretary expressed his reservations and said that since sponsorship itself doesn't necessarily result into sanction, therefore, release of subsidy components alongwith sponsorship would lead to the problems of reconciliation. He, however, agreed that the case of timely release of the subsidy is there, which needs to be addressed. He stated that the instances where beneficiaries are subjected to delay and hard persuasion efforts in getting their subsidy amounts released should be brought to his notice to enable the government to take corrective measures. He assured that government will issue instructions to all the implementing agencies to ensure prompt release of the subsidies within a short period of one week or ten days from the date of sanction.

*(Action: J&K Government)*

Restructuring of the Mechanism:

Pointing to the suggestion that the sponsored schemes need a re-look for being restructured for better efficacy, the Chief Secretary stated that except J&KSES, all other Schemes are Government of India sponsored schemes, where the J&K Government has got least flexibility for making any change in the structure or guidelines. Instead the Chief Secretary stressed the need to learn from the good work done in other States and explore the possibilities of replicating the success stories of other States to ensure improvement in performance here. He suggested setting up a small Committee comprising some prominent bankers and some Government officers at a fairly senior level to go and see in some better-performing States how they are doing, so that the same can be discussed for replicating in our State.

*(Action: J&K Government)*

The Chairman, J&K Bank (Convenor Bank) observed that one of the major problems leading to lack of performance under Government Sponsored Schemes in J&K is that there are too many beneficiaries and the financial targets are very small, which makes the units unviable. He suggested that the number of

beneficiaries should be reduced substantially, so as to ensure availability of sufficient funds to the beneficiaries to make the Self Employment ventures financially viable, as it would be better to establish only 5000 cases of good success stories than to spread the butter too thin across a large number of beneficiaries. He also suggested for consideration of the house to workout a mechanism whereby the subsidy amount is provided to the banks or to some institution, where the same is released to the concerned banks as per requirement.

The representative of Punjab National Bank endorsing the views of Chairman, J&K Bank stated that the ticket-size under Government Sponsored Schemes is very small, which makes the units financially unviable leading to poor recovery of bank dues. He pleaded that ticket size should be increased.

Reacting to this, the Commissioner/Secretary Finance, J&K Govt. pointed out that this whole mechanism would hold good only in respect of the State Sponsored Scheme- JKSES whereas in case of other centrally sponsored schemes the targets as well as the funds flow from the Central Government and unless the mechanism is discussed with the Central Government it would not be possible to follow any such model. He, however, agreed that accountability and responsibility should go together and stated that the mechanism should be such that the selection is made in a manner, which is fully owned by the banks who have to take the final credit decisions in the sponsored cases.

The Commissioner/ Secretary, Labour & Employment, J&K Govt. joining deliberations on the issue stated that the targets for the current year have already been reduced. He however, pointed out that over the last 4 - 5 years we carry a backlog of about 2600 cases and instead of fixing this year's target for JKSES at 5700 cases as done conventionally every year, government has decided to first clear the 2600 backlog sanctioned cases and sponsor only 2200 fresh cases, aggregating to 4800 cases for the current year. He also pointed out that rejection level of cases by banks happens to be very high, which gives rise to the apprehension that the annual targets may not be achieved.

The Commissioner/ Secretary, Labour & Employment informed that with a view to improve performance under Government Sponsored Schemes lots of initiatives have already been taken by the Government that also include converting of Employment Exchanges into Employment & Counseling Centres. Stressing the need for proper orientation of the beneficiaries, he stated that rather than simply taking the beneficiaries from the market and giving them money for setting up productive ventures, it would be proper to provide necessary training to the prospective beneficiaries and ensure their skill up-gradation, otherwise, the self-employment ventures are bound to fail and diversion of funds to non-productive activities will continue as the beneficiaries happen to be unaware of what they are doing.

The Commissioner/ Secretary Finance stressed the need for exploring real potential available in the districts rather than holding on to the devising of District Credit Plans in a general way. Pointing to the Power Point Presentation of the Chairman, he stated that the potential in different districts to generate economic activities is very diverse, i.e. a thing doable in one district may not be doable in other districts. Therefore, he suggested that a Task Force be set up by the Convenor Bank to build the District-wise/ Sector-wise Economic Profile of the State, so that we concentrate on the real ventures, which would be economically viable. He expressed his optimism that if this is tried for a specific period like 5 years, we would be able to change the whole complexion. Besides, endorsing the proposal put forth by the Chief Secretary that success stories in other States like Gujarat, Karnataka, etc., which are having a very vibrant private sector, be replicated here, he pointed out that in J&K we are not even able to tap the existing

potential available here. Citing an example he stated that in district Ramban, where Hydro Electric Power Project Baglihar has come up, lot of ancillary activities have been generated but there is nobody to support those economic activities.

Responding to the proposal of restructuring the District Credit Plans the Chairman, Convenor Bank stated that we do not really have a true State Credit Plan available here by keeping in view the diverse kind of economic potential available in different regions. He suggested that this could be addressed by preparing Zone-wise credit plans like for Kashmir (South), Kashmir (North) and Kashmir (Central). Similarly we could devise Credit Plan for Jammu (Central), Jammu (South) and Jammu (North).

The DGM, State Bank of India, presenting his views on the issue stated that one of the major problems faced by the banks that needs to be addressed is the write-offs that the banks are forced to do with regard to the outstanding dues under Government Sponsored Schemes in an attempt to reduce the non-performing assets. He pointed out that in SBI 54% of the amount lent under Government Sponsored Schemes is lying under NPAs and over-dues. He also pointed out that target per branch for various government-sponsored schemes at just 5 or 6 cases per annum is very less. The DGM SBI pleaded that if the bankers are given greater role in making selection of beneficiaries for various government sponsored schemes and the system of monitoring on monthly basis is put in place, the performance under Government Sponsored Schemes can be improved to a large extent.

The DGM, Punjab National Bank stressing the need to improve the quality of beneficiaries for various government sponsored Schemes stated that bankers representatives in the District Level Task Forces/ Selection Committees should be of a fairly senior level.

DGM, Canara Bank, pointed out that Canara Bank has successfully implemented the Government Sponsored Schemes in Karnataka and other States and suggested that the procedure adopted in various other States as mentioned below be replicated in J&K to ensure improvement in the position:

- a) In UP, Bihar and Jharkhand States, the identification of beneficiaries for GSS is being done in addition to the Government Agencies, by the bankers also, so the quality of beneficiaries is improved,
- b) Canara Bank ensures orientation of the beneficiaries through the RUDSETI initiative in order to enable them to know how to take risk, how to get raw material, where to sell the products etc. and imbibe in them all the required skills before financing;
- c) For preventing diversion of funds Canara Bank has been resorting to filing of token FIRs in order to dissuade the beneficiaries from mis-utilizing the funds, which could be adopted here.

Address by the Hon'ble Chief Minister:

The Hon'ble Chief Minister, J&K State, Mr. Omar Abdullah, in his brief address to the house endorsed the suggestion of Dr. Drabu to make the entire SLBC process more vibrant, making its functions more relevant, giving it a broader agenda and making it more participatory. Commenting on the poor performance under Government Sponsored Schemes in J&K State, the Hon'ble Chief Minister observed that banks as well as the Government look at it through different and conflicting points of view, i.e. the banks look at it as a commercial proposition weighing it in terms of money and the government looks at it as a social commitment and weighs it in terms of people being benefited, employment being generated. He stressed the need to bridge this gap.

The Hon'ble Chief Minister further stated that our habit is to spread ourselves thin and rather than finishing one work with Rs.1 Crore, we start 10 such big works with only Rs.10.00 lakh each and then worry about where to get the balance amount of Rs.90 Lacs to complete each of these ten works. He remarked that the same is true the way the Self Employment and other Government sponsored schemes are being implemented. Endorsing the views of Dr. Drabu of not spreading the butter so thin, the Hon'ble Chief Minister suggested that it would be better to take a few number of beneficiaries and provide them enough financial assistance with a view to enable them to stand on their own. He stressed that need for creating models for others to emulate.

Regarding the suggestions for restructuring the Government Sponsored Schemes, Hon'ble Chief Minister stated that the State Government has a very little flexibility available to change the guidelines of the Centrally Sponsored Schemes, as such in view of the scope, there is need to making the State Sponsored Schemes more vibrant and suitable to the local conditions and requirements and take all measures to tailor these schemes for employment facilitation.

The Hon'ble Chief Minister pointed out that national banks by virtue of having their presence in every State are expected to have enough knowledge of how the Government Sponsored Schemes are being implemented in other better-performing States. Therefore, the public sector banks should be able to play greater role in evolving some mechanism to ensure better performance under the Schemes. He stressed the need to replicate the success stories of the like States, like Himachal Pradesh, Utteranchal, Haryana, Punjab and some other north-Indian States that do not have a coastline.

While launching the series of J&K Bank periodical publication titled [Knowledge@jkbank](#) and releasing its inaugural issue on Banking and Financial Services Report-2009 the Hon'ble Chief Minister was immensely pleased for this effort of J&K Bank in providing an information dossier to identify, locate and bring the economic issues of the State to the fore and guide to explore the possibilities of deciding an effective course of action to tackle the issues like inclusive growth for comprehensive development. He desired that J&K Bank should prepare and bring out a study on Cross LoC trade also in the next issue with a view to explore the potential and problems, which was instantly agreed to by Dr Haseeb A. Drabu. While introducing the [Knowledge@jkbank](#) series, Dr Drabu said the series seeks to provide business information that will aid prospective and interested investors in making right decisions.

Endorsing the views of the Hon'ble Chief Minister the Chief Secretary stressed the need to create role models across different areas of the State for others to emulate. Regarding the opinion of parallel exercise of selecting beneficiaries by banks, the Chief Secretary pointed out that this forum does not have the mandate to change the institutional mechanism set up under the Reserve Bank of India guidelines, as such the mechanism has to stay but the process needs to change. He also emphasized that the issue of setting up RSETIs for orientation/ training/ and skill up-gradation of the prospective beneficiaries needs to be resolved now.

The house resolved as under:

- 1) Banks will be given greater role in the process of selection of candidates for taking up Self Employment Ventures and accordingly the major banks operating in the districts shall be included as members of the Selection Committees, which should be of a fairly senior level to improve quality of beneficiaries and ensure sponsoring of bankable and viable cases;

(Action: J&K Government)

- 2) The recent initiative of Government of India to set up Rural Self Employment Training Institutes (RSETIs) for skill building and handholding of the beneficiaries in every district be pursued and supported enthusiastically by the State Government and other concerned agencies. The RSETIs must be suitably equipped to cater to all sorts of training needs for beneficiaries of the district.

(Action: J&K Government/ J&K Bank/ SBI)

The Chairman, strongly pleaded that Government should seriously look at resolving the issue of SARFAESI Act and its applicability in J&K as the matter has been pending for about 3 and a half years now. Commenting on the views of the Commissioner/Secretary Finance that SARFAESI Act was relevant for landed properties only, the Chairman stated that implementing SARFAESI Act was aimed at creating an environment of recovery and that the threat of having this instrument will ensure better NPA management and compliance.

Address of the Hon'ble Finance Minister, J&K Govt.

In his brief address to the house the Hon'ble Finance Minister, Mr. Abdul Rahim Rather, stated that SLBC is a very important forum to address the developmental issues of the State and it assumes greater significance in view of the peculiar issues such as:

- J&K is facing a vast and widespread unemployment problem,
- Entrepreneurship and industrial climate is suffering for one or the other facts resulting in sickness and non-viability.
- Performance under Government Sponsored Schemes together with performance under Agricultural lending in the State is quite dismal and is a very serious cause of concern.
- Benefits of subsidy under the support schemes of Central Government as well as State Government have not been reaching to the people and the target beneficiaries at large scale.

He stated that a glance into deliberations of the last 4 or 5 SLBC meetings reveals a disappointing picture with regard to coverage of target groups under various schemes, setting up of RSETIs, coverage of beneficiaries in physical terms under priority sector lending etc. He stressed the need for a coordinated approach between the banks and the government agencies to ensure better performance under the Government Sponsored Schemes and also create a conducive credit culture in the State.

The Hon'ble Finance Minister hailed the special schemes recently launched by the J&K Bank which among other things are intended to preserve the livelihood associated with it in the current recessionary global phenomena. Regarding the reports that the Sub-Committee of J&K SLBC on Export Promotion having recently finalized and communicated its recommendations in respect of free flow of credit and concessions, the Hon'ble Finance Minister desired to have performance report of each bank and said that this is linked with employment market of the State.

The Hon'ble Finance Minister expressed his displeasure over the dismal performance under priority sector in respect of the Regional Rural Banks and Cooperative Banks operating in the State despite their vast network and presence. He also pointed out that bank-wise analysis of lending to various sectors reveals that performance in Agriculture and Micro Credit sectors has been very poor, which speak of lack of serious efforts and commitment on the part of the financial institutions.

Sharing his own assessment about the poor performance under Government Sponsored Schemes in J&K State, Hon'ble Finance Minister pointed out that there is a notion at ground level that whole lending under sponsored schemes will turn bad and therefore the beneficiaries are tossed from one quarter to another. He stated that under PMEGP which has done commendable headway in other States, only 20% cases have been sanctioned, 21% of cases rejected/ returned and 30% of cases remained pending with the banks, which speaks volumes about the lack of commitment, sincere and sensitive approach meted out to this

popular scheme in J&K. He stated that the performance under Handicrafts and Handloom Schemes and J&K SES was similarly quite dismal. Under Kissan Credit Card Scheme the total achievement of banks stood at just 8%. Presenting his views over the high incidence of NPAs under Government Schemes, the Hon'ble Finance Minister stated that this notion was misleading as the loans under other segments particularly under non-priority sector are comparatively more impaired with a very high NPA ratio. He stressed the need to remove this notion and take all necessary steps to remove the unnecessary and cumbersome processes involved in lending under this segment so as to improve performance under these schemes for which a small working group be set up to look into the whole issue.

The Hon'ble Finance Minister also stressed the need for setting up a special Monitoring Committee under Director Institutional Finance, which shall monitor the flow of credit under Annual Credit Plan with special reference to allocations under Government Sponsored Schemes.

Concluding his address, the Hon'ble Finance Minister expressed the hope that this Special SLBC meeting held in the presence of Hon'ble Chief Minister shall open a new chapter in addressing the different issues and bringing to an end the unnecessary formalities and cumbersome practices and succeed in achieving the intended objectives for ensuring employment opportunities in J&K State.

Regarding the observations of the Hon'ble Finance Minister about the dismal performance under PMEGP in J&K, the Chief Secretary clarified that PMEGP is a combination of two erstwhile GoI Schemes, viz. PMRY and REGP and stated that J&K State has been an outstanding performer under REGP, but last year the targets were laid down very late and only 623 cases were allocated to J&K with margin money allocation of Rs.7.00 Crore and since in the past J&K had performed well and since a large number of cases had been sponsored to the banks by the concerned agencies, the matter was taken up with the GoI who made a special dispensation for J&K by revising the said target, which has now been achieved. He, however, pointed out that this year again KVIC has given a target of 623 cases for J&K and the matter has again been taken up with the Central Government, who have assured that this number will be increased to 2500 with a suitable increase in the margin money allocation.

Responding to the observations that loans other than under Government Sponsored Schemes are more impaired than under Government Sponsored Schemes, the Chairman, J&K Bank stated that this perception was not correct as the NPA of J&K Bank under Government Sponsored Schemes has been 50% whereas under direct lending it has been just around 2%, indicating that NPA under GSS is 25 times more. He further pointed out that such questions are usually deliberated in the normal SLBC meetings and accordingly requested the Hon'ble Finance Minister to Chair the next SLBC meeting likely to be convened in the month of January 2010.

Concluding the proceedings of the Special SLBC meeting, the Chairman formally thanked the Hon'ble Chief Minister and the Hon'ble Finance Minister for sitting through the SLBC proceedings for resolving the issues, like empowering the banks to also form part of the selection criteria, looking at the NPA position and assured the Hon'ble Finance Minister that the performance of banks under Government Sponsored Schemes will see a remarkable improvement in the next 6 months.

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

**Annexure-A****List of Participants of Special SLBC Meeting on the theme of G.S.S.**

<u>S.No.</u>	<u>Name</u>	<u>...</u>	<u>Designation / Department.</u>
<u>S/Shri</u>			
<u>CHAIRMAN</u>			
1.	Dr. Haseeb A. Drabu	...	Chairman/ CEO J&K Bank (Convenor J&K SLBC)
<u>CHIEF GUEST</u>			
2.	Omar Abdullah	...	Hon'ble Chief Minister, J&K State
<u>GUEST OF HONOUR</u>			
3.	Abdul Rahim Rather	...	Hon'ble Finance Minister, J&K State
<u>OTHER GUESTS</u>			
4.	Mubarak Gul	...	Political Advisor to Chief Minister, J&K State.
<u>GOVERNMENT DEPARTMENTS/ AGENCIES</u>			
5.	S. S. Kapur	...	Chief Secretary, J&K State
6.	Anil Goswami	...	Principal/ Secretary, Industries & Commerce Department
7.	A. H. Kochak	...	Principal/ Secretary, Law Department
8.	Sudhanshu Pandey	...	Commissioner/ Secretary, Finance
9.	Raj Kumar Kaul	...	Additional Secretary, Law Department
10.	Mir Altaf Ahmad	...	Additional Secretary, Rural Development Department
11.	Farooq Ahmad Peer	...	Secretary, Labour & Employment Department
12.	Gh. Nabi Sufi	...	Registrar, Co-operatives, J&K
13.	Dr. G. R.Ghani	...	Secretary, Planning & Development Department
14.	Rashim Kashyap	...	Director, Resources-Finance Department
15.	Mtr. Dilshad Khan	...	Director, Rural Development, Kashmir
16.	Farooq Ahmad	...	Director, Industries & Commerce, Kashmir
17.	Showkat Zargar	...	Director, Handicrafts
18.	Dr. M. I. Parry	...	Director, EDI
19.	B. S. Dua	...	Director Industries & Commerce, Jammu & MD, SIDCO
20.	Bashir Ahmad	...	C.E.O., Urban Development Authority, Kashmir
21.	M. Sadique	...	Assistant Director, KVVC, S.O. Jammu
22.	Dr. A. Rashid	...	Secretary/ CEO J&K KVIB
23.	A. M.Zargar	...	I/C, KVVC, Srinagar
24.	M. Iqbal Zargar	...	Deputy Director, Rural Development Department (Jmu.)
25.	Dr. Zahoor Raina	...	Representing Social Welfare Department
<u>RESERVE BANK OF INDIA</u>			
26.	U.C. Loham	...	DGM, RBI, Srinagar
27.	B. S. Katoch	...	AGM, RBI, Jammu
<u>NABARD</u>			
28.	V.V.V. Satyanarayana	...	General Manager, NABARD
29.	P. L. Negi	...	Assistant General Manager, NABARD
<u>CONVENOR BANK (J&amp;K BANK)</u>			
30.	A. K. Mehta	...	Executive Director/ COO
31.	Abdul Majid Mir	...	Executive Director/ CFO
32.	Ajit Singh	...	Sr. President
33.	Pervaz Ahmad	...	President (A&AP)
34.	G. A. Regoo	...	President (S&BD)
35.	Khurshid A. Pandith	...	Vice President (CCD)
36.	M. S. Wani	...	Vice President, J&K SLBC & S/C
37.	Abdul Rauf	...	Vice President (P.S.)
38.	Fazle Mehboob Gani	...	Vice President, Zonal Office Kashmir (Central)
39.	A. H. Bandy	...	Vice President, Zonal Office Kashmir (North)
40.	B. A. Lone	...	Vice President, Zonal Office Kashmir (South)

BANKS/ FINANCIAL INSTITUTIONS

41.	K. K. Iyer	...	DGM, State Bank of India
42.	R. C. Koul	...	DGM, Punjab National Bank, J&K Circle
43.	R. R. Sharma	...	DGM, Canara Bank
44.	M. Latif Mir	...	AGM, PNB
45.	G. C. Nagar	...	Regional Manager, Central Bank of India
46.	Sanjiv Anand	...	Manager, Oriental Bank of Commerce.
47.	Parminder Singh	...	Sr. Manager, Punjab & Sind Bank
48.	A. A. Allaqband	...	AGM, UCO Bank
49.	Zubair Iqbal	...	Deputy Vice President, HDFC Bank
50.	J. S. Bali	...	Sr. Manager, Bank of India,
51.	Mohammad Rafique	...	DGM, State Financial Corporation

REGIONAL RURAL BANKS

52.	Raja Abdul Latief	...	Chairman, J&K Grameen Bank
53.	A. U. Tak	...	Chairman, Ellaquai Dehati Bank

COOPERATIVE BANKS

54.	Mohammad Ashraf	...	Managing Director, J&K State Cooperative Bank
55.	Atta Mohammad Nath	...	General Manager, Anantnag Central Coop. Bank
56.	B. A. Lone	...	General Manager, Baramulla Central Coop. Bank

LEAD DISTRICT MANAGERS /LEAD BANK OFFICERS

57.	Ashok K. Koul	...	Chief Manager, SBI, Lead District Manager, Jammu
58.	Basant Ram	...	LDM, Kargil, SBI
59.	S. K. Gadoo	...	LDM, Udhampur, SBI
60.	R. L. Waza	...	LDM, Doda, SBI
61.	G. R. Malik	...	Zonal Lead Bank Officer, J&K Bank
62.	G.R.Kumar	...	Lead Bank Officer (Pulwama), J&K Bank
63.	K. C. Dogra	...	Lead Bank Officer, Rajouri/ Poonch, J&K Bank
64.	Tassaduq Mohammad	...	Lead Bank Officer, ZOK, (Central), J&K Bank
65.	Shadi Lal Dhar	...	Lead Bank Officer (Anantnag), J&K Bank
66.	A. H. Khan	...	Associate Lead Bank Officer, Srinagar, J&K Bank
67.	Manzoor Hussain	...	Associate Lead Bank Officer (Ganderbal), J&K Bank
68.	M. Farooq Jallu	...	Associate Lead Bank Officer (Budgam), J&K Bank

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