

MINUTES OF THE MEETING OF SUB-COMMITTEE OF J&K SLBC ON RELAXATION/ CONCESSIONS TO TRADE & INDUSTRY IN J&K STATE

A meeting of the Sub-Committee of J&K State Level Bankers' Committee on Relaxations/ Concessions to Trade and Industry in J&K State was held on 24th March 2011 at J&K Bank, Zonal Office, Rail Head Complex, Jammu. The meeting was chaired by Executive Director/ COO of J&K Bank (Convenor Bank), Mr. A.K.Mehta. The main agenda for the meeting was to review the position and to consider further extension or otherwise in the period of the special package of Concessions/ Relaxations extended by RBI to Trade and Industry in J&K State, which was due to expire on 31st March, 2011. The representatives of the members of the Sub-Committee who attended the meeting included Mr. Ajit Singh (Executive President, J&K Bank), Mr. Tafazul Hussain (President S&BD, J&K Bank), Mr. G. M. Sahibzada (President LBD/FID, J&K Bank), AGM, Reserve Bank of India (Regional Office, Jammu), DGM, SBI (Z.O.J&K), DGM, PNB (C/O J&K), AGM, SIDBI, President, Kashmir Chamber of Commerce & Industry, President, Jammu Chamber of Commerce & Industry, Chairman, Federation of Commerce & Industries Kashmir and Chairman, Federation of Industries, Jammu. Director, Industries & Commerce, Jammu attended to represent Commissioner/ Secretary, Industries & Commerce, J&K Government. The list of participants is enclosed as **Annexure-A**.

At the outset Vice President (LBD/SLBC) of J&K Bank formally welcomed Chairman of the meeting, senior functionaries representing the member banks, concerned J&K Government departments and other institutions and captains of the representative organizations of Trade and Industry in the State. He briefed the forum about the background, factors and circumstances that have impacted the Trade & Industry from the last meeting of the Sub-Committee for enabling to consider a review and make recommendations if the special package of concessions/ credit relaxations to borrowers/ customers in J&K State is deserved to be continued and extended for a further period.

Thereafter, Mr. Ajit Singh, Executive President, J&K Bank briefed the participants that the objective of holding the meeting was to review the position and make recommendations if further continuation of the special package was needed and justified for Trade & Industry in J&K State.

Chairman of the meeting, Mr. A. K. Mehta, elaborately highlighted that the agenda of the meeting was to review and assess the efficacy of the special package of relaxations and concessions to promote and facilitate trade and industry in the State and thereafter make recommendations to RBI for further extension or otherwise of the said package of concessions/ relaxations beyond its validity period expiring on 31st March 2011. He reminded the house that in the previous meeting the Sub-Committee had recommended extension of the package of concessions/ relaxations to Trade and Industry in J&K State for a longer period of 3 years, but RBI had extended it for just one year. In this regard Mr.Mehta invited views of the participants.

Presenting his view point, the President, FCIK, Mr. Afaq Qadiri stated that there has been no improvement in the conditions in J&K State nor is there any hope of its improvement in near future. He pointed out that accounts of entrepreneurs in the State are turning to NPAs and pleaded the house to recommend to RBI for granting extension in the package of concessions/ relaxations for a period of at least 3 years.

The President, KCCI, Mr. Nazir Ahmad Dar strongly pleaded that the package of relaxations/ concessions to Trade & Industry should be further extended for a long period in view of the peculiar conditions persisting in the State. Emphasizing on the need for further extension of the package beyond the current validity considering the J&K specific conditions he also pointed out that the relative guidelines of Reserve

Bank of India have not properly percolated down to the operating levels of banks and stressed that these should be enforced without any laxity.

However, AGM, RBI, Mr. H. M. Panday clarified that the concessions/ relaxations to trade and industry are being properly implemented by the banks operating in the State which is being monitored by RBI regularly.

The Director, Industries and Commerce, Mr. B. S. Dua, presenting his viewpoint stated that there is not much improvement in the prevailing conditions for economic activities for industries and commerce in the State, therefore, the package of concessions/ relaxations be recommended for continuance for further 2 years.

The President, J&K Bank, Mr. Tafazul Hussain, stated that the concessions/ relaxations to Trade & Industry in J&K State are getting extended every year. He, however, pointed out that consequent upon technological up-gradations where whole banking system is coming on CBS platform some of the concessions mentioned in the package have become irrelevant now. Giving example, he stated that the methods of remittances have undergone drastic changes and old system of issuance of Demand Drafts and MTs has diminished rather faded away from the scene. He stated that now there is a completely relaxed service charges regime under operation under the emerged system of Anywhere Banking.

President, KCCI appreciating the views of President, J&K Bank regarding introduction of electronic systems in banks, stated that rural areas of the State still lack such technological facilities. He stated that Trade & industry in the State is suffering, it is imperative for this august house to see what can be done to benefit the industry and the tourism sectors. Expressing his agreement with the views of President, J&K Bank that some of the concessions/ relaxations granted by RBI have become irrelevant now, he demanded that this package should be reviewed and revisited to suit the ground situations. In this context he stated that KCCI has recently sent a representation to Reserve Bank of India for consideration and expressed the hope that RBI will consider that favourably.

However, the Chairman, Mr. Mehta informed the house that J&K Bank has got its presence everywhere in the State and the bank is targeted to provide 100% on-line banking services by 31st March 2011. Regarding the representation of KCCI to RBI, he stated that he has already requested RBI to consider that which the RBI has accepted.

The AGM, RBI, Mr. H.M.Panday, stated that he was aware of the difficulties of the trading community in J&K and based on his visit to the valley last summer, he stated that the situation was pretty bad and suggested that extension in the package of concessions/ relaxations to J&K State should be considered. Regarding the representation submitted by KCCI, Mr. Panday stated that the same is under consideration of Reserve Bank of India. He, however, requested the representative bodies of trade and industry that their demands should be reasonable.

Mr. Panday further informed that RBI is shortly going to undertake a study to ascertain the credit facilities extended to women entrepreneurs and in this regard emails have been sent to all the LDMs.

The Executive President, J&K Bank stated that every time the Sub-Committee resolves that the package be extended for longer periods but every time RBI has been extending it for one year only. He stressed that this time RBI should be requested to consider extension of the package by at least 2 years.

Reacting to this VP (LBD/ SLBC) clarified that this package of concessions/ relaxations has been directly related to the Disturbed Area Act promulgated by the Government in J&K State, which probably comes in the way of extending it for longer periods. He further stated that the decision of extending the package for year-to-year is guided by the optimism that conditions would improve in near future and peace would return to the State.

Regarding the package of concessions/ relaxations, the Vice President (LBD/SLBC) stated that this was initially announced in 1993-94 and now it has become redundant and needs to be reviewed and stated that in case the members feel that the package should be reviewed and revisited, the house can make such recommendations to concerned quarters for consideration.

Reacting to this, the representative bodies of Trade & Industry unanimously strongly pleaded that this package of concessions/ relaxations should be de-linked from the Disturbed Area Act and in the event of withdrawal of Disturbed Area Act by the Government in the State the package of Concessions/ Relaxations should be continued. Regarding reviewing and revisiting the package, the representatives of trade and industry desired that they will mutually discuss this package in separate meetings to be convened by them soon and will come out with suitable recommendations for consideration of SLBC.

The Chairman expressed his willingness for that, however, requested the representatives of trade & industry that whatever they ask for it should be relevant, reasoned and reasonable, so that the same is considered by the concerned quarters. The Chairman, Mr. A.K.Mehta requested the representative organizations of Trade & Industry to hold discussions among themselves and whatever they are looking for from RBI, they should come out properly through the Lead Bank Department/ SLBC Secretariat, so that the same is discussed in the forum and put forward to concerned quarters for consideration.

Consequent upon threadbare deliberations the Sub-Committee **unanimously decided to recommend to Reserve Bank of India that the special package of concessions and relaxations to Trade & Industry in the State be reviewed to render it more comprehensive and be extended by a further period of two years and that the package of concessions/ relaxations should be properly monitored by Reserve Bank of India and strictly enforced.**

Mr. Afaq Qadiri, President, FCIK pointed out that J&K Bank has recently issued its Rehabilitation Policy but its implementation is very poor. He pleaded that this policy should be implemented in letter and spirit and Entrepreneurs should be asked to come up with the revival plans.

However, Mr. Tafazul Hussain, President, J&K Bank clarified that J&K Bank has devised a clear-cut Rehabilitation Policy for the Sick MSMEs units and the same was being implemented in letter and spirit.

The representation organizations of Trade & Industry raised a number of other issues in the meeting as detailed below:

- The concession of 15% on margin in case of LCs and Bank Guarantees as provided under the package is not being implemented by banks in letter and spirit and instead 30% margins are being obtained by banks from the entrepreneur and demanded that wherever more margin money has been obtained from the entrepreneurs in contravention of the RBI guidelines, the concerned banks should be advised to refund the extra margin component to the entrepreneurs.
- The representative organizations emphasized the need of a clear-cut policy from the Government and from banks regarding rehabilitation of potentially viable sick industrial units. They complained that although all the banks have got their individual rehabilitation policies but the implementation of those policies is very poor as a consequence nothing substantial is happening on ground. Given the fact that during the past more than twenty years a large number of industrial units had been occupied by the security agencies, with the result those units turned sick, the representative organizations of trade & industry stressed that the house should see how the existing industrial units can sustain, so that new units are encouraged to come up in the State.
- KCCI being a responsible industrial representative organization is aware of the concerns of banks regarding safety of public money. It has previously referred some cases of viable sick units to J&K Bank during the tenure of Mr. Tafazul Hussain as the Head of Credit Department for

rehabilitation, but despite lapse of a long time those cases are still pending with the bank. They demanded that banks should be advised to consider rehabilitation of older sick cases for revival simultaneously while considering fresh cases of bank finance.

- Regarding implementation of CGTMSE Scheme the representative organizations of trade and industry pointed out that though every bank has issued circulars for respective operating levels to ensure coverage of loan cases upto Rs.1.00 Crore under CGTMSE Scheme, but J&K Bank has issued circular for coverage upto Rs.25.00 lakhs only and for rest of the cases branches have been advised to refer the cases to Corporate Headquarters. They demanded clear-cut circular from J&K Bank also.
- As per RBI guidelines the loans upto 10.00 Lacs be provided without any collateral security and under CGFT for MSMEs upto Rs.100.00 lakhs.
- Interest charged from 2008 upto 31st March 2011 be converted into funded interest as per the RBI guidelines to be repaid in three years without any interest till some interest package from Government is provided.

Regarding the Rehabilitation policy of the State Government, the Director, Industries & Commerce, giving his view point stated that earlier as a one-time concession given by the Government, the margin money on soft loan was given by the Government at 30% or Rs.30.00 lakhs, whichever is less, whereas the State Government is still committed to pay the interest subvention less by one percent on the Soft Loan. He further stated that J&K Bank has introduced a Rehabilitation policy where-under soft loan shall be provided by the Bank and that SIDCO has been asked to refer certain cases, which have been cleared by the State Level Rehabilitation Committee (SLRC) to the J&K Bank and accordingly about 700 cases have been referred to the bank so far. He, however, cautioned that in case J&K Bank takes up cases for rehabilitation without the involvement of SLRC, in that event the government would not be able to pay interest subvention and it is only in the cases cleared by the SLRC that the government is committed to pay the interest subvention.

The Executive President, J&K Bank, Mr. Ajit Singh dispelling the perception of representatives of trade and industry regarding pendency of loan cases at their Corporate Headquarters, stated that J&K Bank has issued clear instructions to all levels that cases received for sanction should be disposed of within 7 days and that no case in the Corporate Office is pending for more than 7 days. He, however, requested the representatives of trade and industry to provide him a list of those cases, which are in their knowledge to be pending with J&K Bank for long, so that the bank takes appropriate action.

The president, FCIK requested the Convenor bank to explore possibilities of holding these meetings in future in the afternoon session around 3.00 p.m. so as to enable all the participants to attend these meetings without any inconvenience, which they are otherwise put to given the restricted air line schedules, which are totally at variance with rest of the country. The Chairman assured to consider this request.

The Vice President (LBD/SLBC) requested the representatives of trade and industry to submit their recommendations well before 31st of March 2011 and stated that Convenor Bank will issue minutes of this meeting only after receipt of necessary recommendations from them. He also pointed out that SIDBI has lot of offerings for Industry and the entrepreneurs should come forward to avail of the facilities from SIDBI.

Reacting to this, the Chairman, FIJ, Mr. Reen requested that the representative of SIDBI should throw light on how much direct financing SIDBI is able to do towards the industry in J&K State.

Thereafter, the VP, LBD/SLBC requested the representative of SIDBI, Mr. Neeraj Srivastav to throw light on the offerings of SIDBI for trade and industry.

Briefly describing the role of SIDBI, Mr. Neeraj Srivastav stated that SIDBI is primarily a refinancing Institution - not mandated to make any direct financing. It has more than 70% of its portfolio under refinancing. He stated that SIDBI can only make direct financing in cases where MSMEs cluster have developed in abundance and the State level credit institutions/ banks find difficulties in providing finance to the entrepreneurs.

Regarding lack of awareness for Credit Guarantee Scheme in J&K State, Mr. Srivastav stated that during the last 2-3 years SIDBI has conducted large number of workshops in the State including two mega workshops one in Srinagar and the other in Jammu, with the cooperation of banks in general and SLBC Convenor Bank in particular, for generating awareness among both the bankers as well as the entrepreneurs regarding the Credit Guarantee Fund Scheme for MSMEs, as a result thereof from 2008 – 2010 the CGT Scheme has substantially picked up in J&K State.

The Vice President, (J&K LBD/ SLBC) thanked the members for their participation, involvement and concern for revival and rehabilitation of trade and industry in the State and assured them that the recommendations made by the Sub-Committee during the course of the deliberations in the meeting shall be conveyed to the concerned quarters for their consideration.

Sr. Executive Manager
Lead Bank/ J&K SLBC

Annexure-A

**List of participants of meeting of Sub-Committee of J&K SLBC on
Relaxation to Trade and Industry in J&K State- held on 24.03.2011 at Jammu**

S.No. Name of Participant ... Designation / Department.

Convenor Bank (J&K Bank)

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|----|----------------------------|-----|-------------------------------|
| 1. | Mr. A. K. Mehta (Chairman) | ... | Executive Director/ COO |
| 2. | Mr. Ajit Singh | ... | Executive President |
| 3. | Mr. G. M. Sahibzada | ... | President (LBD/SLBC) |
| 4. | Mr. Tafazul Hussain | ... | President (S&BD) |
| 5. | Mr. M. S. Wani | ... | Vice President (LBD/J&K SLBC) |

Reserve Bank of India

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| 6. | Mr. H.M. Panday | ... | Assistant General Manager |
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Government of J&K

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| 7. | Mr. B. S. Dua | ... | Director, Industries & Commerce Deptt.
(Representing Commissioner/Secretary, Industries & Commerce, J&K Govt.) |
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SIDBI

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| 8. | Mr. Neeraj Srivastav | ... | Assistant General Manager |
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Member Banks

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| 9. | Mr. Mr. K. K. Ayer | ... | DGM, State Bank of India, Zonal Office Jammu |
| 10. | Mr. Ashok Gupta | ... | DGM, Punjab National Bank, Circle Head Jammu |
| 11. | Mr. P. J. Singh | ... | Branch Head, UCO Bank |
| 12. | Mr. Harish Gupta | ... | Branch Head, IDBI, Jammu |

MSME representatives

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| 13. | Mr. S. Afaq Qadiri | ... | President, FCIK |
| 14. | Mr. Nazir Ahmad Dar | ... | President, KCC&I |
| 15. | Mr. Y. V. Sharma | ... | President, JCC&I |
| 16. | Mr. T. S. Reen | ... | Chairman, FIJ |

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