

Coordination Task Force

(On Government Sponsored Schemes)

Agenda/ background papers

Background:

In the 80th meeting of J&K State Level Bankers' Committee (J&K SLBC) held on 22nd December 2010 a number of issues were raised while reviewing performance under various government sponsored schemes (Agenda Item No.80.02), that corroborated dismal performance of these Government Sponsored Schemes in J&K State. Consequently, a Coordination Task Force was constituted to look out for solutions to the day-to-day problems being experienced in implementation of the government-sponsored schemes.

Since the regular SLBC meetings are held as usual on quarterly intervals, it was desired that the Coordination Task Force should meet on monthly intervals to review the position and sort out all the related issues of concern attributed to poor response to these sponsored schemes.

Issues raised for resolution by the Task Force are briefly indicated below:

1) Persistent insistence on collateral security:

One of the major disabling factors observed was that Branch Managers seek collateral security and in some cases guarantees of Government Employees for sanctioning cases under Government Sponsored Schemes. Although Reserve Bank of India has raised the level of collateral free lending from Rs.5.00 lakh to Rs 10.00 lakh in respect of MSMEs and most of the banks operating in the State have already issued specific instructions to their business units to observe compliance to the mandatory directives issued by the regulator yet the situation on the ground has not changed much.

The major banks operating in the State were advised to come up with suitable advertisements for awareness of general public that collaterals are not needed and to generate response to these sponsored schemes as per expectations.

The banks have been reminded to do so by SLBC Secretariat.

2) **Long Pendency of cases:**

The cases are neither screened properly nor are the selected cases recommended by the concerned agencies on time. Thereafter the cases are not sanctioned and disbursed by banks on time and are inordinately delayed.

SLBC Secretariat has reminded all the banks operating in the State to clear the entire backlog of cases under various Government Sponsored Schemes by the end of February 2011.

3) **High Incidence of NPAs:**

There is high incidence of NPAs under Government Sponsored Schemes in J&K State, as a result of which the Bank Managers are generally reluctant to lend under the Government Sponsored Schemes. Loan servicing and recovery mechanism needs to be revisited for improving recovery performance.

4) **Funds for subsidy made available by the Government are not compatible with targets for achievement:**

Most of the Government Sponsored Schemes are linked with subsidy and margin money, but the targets fixed under various Government Sponsored Schemes in J&K State generally happen to be on very higher side and are not compatible to the margin money made available to the government under the particular scheme.

- 5) Lack of post-disbursal monitoring of the units established under various Government Sponsored Schemes in J&K State, which generally result in high mortality of these units.
- 6) Lack of handholding of entrepreneurs;
- 7) Lack of skill expertise with the beneficiaries under Government Sponsored Schemes.
- 8) Delay in release of subsidy and margin money components;
- 9) Lack of awareness to ensure formalities by the beneficiaries;
- 10) Bunching of applications to banks at the fag end of the year leaving least scope for the banks to process the same, with the result these cases often tend to be rejected by the banks.
- 11) Any other issues with the permission of the Chair.

Position by end of December 2010 for review:

The details regarding achievement made by banks in J&K State as well as pendency of cases under five major Government Sponsored Schemes as at the end of 31st December 2010, given in the enclosed statements, is briefly described as under:

PERFORMANCE OF BANKS UNDER GOVERNMENT SPONSORED SCHEMES:

Against the Annual Action Plan 2010-11 of Rs.361.36 Crore for 29,516 beneficiaries for all banks operating in the State, the achievement of banks at the end of December 2010 under five major Government Sponsored Schemes, viz. SGSY, PMEGP, JKSES, SJSRY and SC/ST/OBC is of the order of Rs.96.63 Crore spread over 6,501 beneficiaries in all the three regions of the State thereby registering a performance of 27% & 22% of the target in financial and physical terms respectively. The achievement is less as compared to credit delivery to GSS during the corresponding period of the previous year with disbursement of Rs.99.20 Crore to 8,715 beneficiaries (33% & 32% of the target in financial and physical terms respectively).

SGSY: Under SGSY against a target of Rs.73.14 Crore for 13,743 beneficiaries, banks have disbursed an amount of Rs.14.34 Crore to 2,928 beneficiaries (includes 687 pending cases of previous year) by the end of Q3 of FY 2010-11, which works out to achievement of 20% and 21% in financial and physical terms respectively. From the data available it is been observed that 8,048 cases were sponsored to banks against the target of 13,743 cases out of which 3,477 cases were sanctioned, 1,107 cases were rejected/ returned and 3,464 Cases are pending for sanction with banks.

JKSES: Under JKSES, banks have disbursed an amount of Rs.46.82 Crore (includes Rs.18.47 Crore of previous years pending cases) to 1,984 beneficiaries by the end of Q3 of FY 2010-11 against the annual target of Rs.133.84 Crore for 6,912 beneficiaries, thus registering an achievement of 35% in financial terms and 29% of the physical target. From the data available it has been observed that 6,004 cases were sponsored to banks against the target of 6,912 cases out of which 2,530 cases were sanctioned, 1,293 cases were rejected/ returned and 2,181 Cases are pending for sanction with banks.

SJSRY: Under SJSRY, banks have disbursed an amount of Rs.2.06 Crore to 308 beneficiaries (includes Rs.0.64 Crore of previous years pending cases) by the end of Q3 of FY 2010-11 against the target of Rs.9.96 Crore for 1,514 beneficiaries, thus registering an achievement of 21% & 20% in financial and physical terms respectively. From the data available it is been observed that only 740 cases were sponsored to banks against the target of 1,514 cases out of which 338 cases were sanctioned, 165 cases were rejected/ returned and 237 Cases are pending for sanction with banks.

SC/ST/OBC: Under SC/ST/OBC banks have disbursed an amount of Rs.2.58 Crore to 263 beneficiaries (includes Rs.1.81 Crore of previous years pending cases) by the end of Q3 of FY 2010-11 against the target of Rs.12.23 Crore for 3,265 beneficiaries thereby registering an achievement of 21% & 8% in financial and physical terms respectively. Against the physical target of 3,265 units, only 762 cases have been sponsored, out of which 362 cases were sanctioned by Banks, 128 cases were rejected and 272 cases are pending for sanction with the banks.

PMEGP: Under PMEGP Scheme against the target of Rs.132.19 Crore for 4,082 beneficiaries for the Q3 of FY 2010-11, banks have disbursed an amount of Rs.30.84 Crore to 1,018 (includes 320 pending cases of previous year) beneficiaries at the end of December, 2010 for setting up of employment generating units thereby achieving 25% in physical and 23% in financial terms respectively. From the data available it has been observed that only 2,417 cases were sponsored to banks against the target of 4,082 cases out of which 1,094 cases were sanctioned, 343 cases were rejected/ returned and 980 cases are pending for sanction with banks.

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