

**MINUTES OF FIRST MEETING OF
COORDINATION TASK FORCE ON GOVERNMENT SPONSORED SCHEMES
HELD ON 22nd March 2011 AT JAMMU**

The first meeting of Coordination Task Force constituted in 80th J&K SLBC meeting to look out for the solutions to day-do-day problems being experienced in implementation of government sponsored schemes in J&K State, was held on 22nd March 2011 at Jammu. The meeting was presided over by Chairman & CEO of J&K Bank Mr. Mushtaq Ahmad, (Convenor of J&K SLBC). All the members of the Coordination Task Force including Commissioner/ Secretary (Finance), Mr. Sudahshu Pandey, Commissioner Secretary (Industries & Commerce) Mr. Umang Narula, Commissioner/ Secretary (Labour & Employment), Mr. F. A. Peer, Executive President of J&K Bank, President (LBD/SLBC), J&K Bank, President (A&AP), J&K Bank, Zonal Heads of State Bank of India & Punjab National Bank, attended the meeting. The Chairmen of both the J&K Grameen Bank and Ellaquai Dehati Bank participated as special invitees. Detailed list of participants is enclosed as **Annexure-A**.

At the outset Vice President (LBD/SLBC) Mr. M. S. Wani welcomed the participants and briefed them about the objective of holding the meeting. Thereafter he requested the Chairman to start proceedings as per the agenda.

The Chairman, J&K Bank Mr. Mushtaq Ahmad reminded the participants that J&K SLBC in its 80th meeting had decided to constitute this Coordination Task Force to meet at monthly intervals instead of waiting for the quarterly SLBC meetings to ensure that the bottlenecks in implementation of the Government Sponsored Schemes in J&K State are removed and to find solutions to the difficulties being experienced in this process at various levels. The Chairman highlighted various impeding factors like faulty identification of beneficiaries, bunching of applications at the fag end of the financial year, etc. which are causing the poor performance of these Government sponsored programmes as sited in the agenda. He stressed the need for statistical data regarding the number of cases failed due to faulty identification of beneficiaries for enabling to resolve the problem of indifference of banks due to high impairment. He stated that since most of the cases are pending with the banks and not with the Government, therefore, the bankers have to give an answer for that. Regarding bunching of applications, the Chairman stated that various sponsoring agencies resort to sponsoring the applications to banks in bunches and that too in the fag end of the financial year. Since banks in the last quarter of FY usually concentrate on achieving the yearly business goals and on arresting the slippage of accounts into NPAs, therefore, they do not usually find much time for processing of these cases resulting in pendency.

Stressing that both the banks and the government sponsoring agencies have equal responsibility, the Chairman remarked that cases, under the government-sponsored programmes, should be taken as a social commitment.

The Chairman stated that the State Government has already engaged some external agencies for evaluating the

actual impact of some government schemes on the ground. He desired that the said evaluation model be replicated to evaluate the efficacy and implementation of these government sponsored schemes in the State.

Faulty identification of cases:

The Chairman advised that the cases under various Government Sponsored Schemes should be properly identified and thereafter when received by the banks and found to be viable from every angle, should be considered for sanction and disbursement. He observed that in this way about 60-70% of the total cases could be covered by the banks.

Persistent insistence on collateral security:

Maintaining that seeking of collateral security by the banks has been reported as one of the major factors responsible for poor performance under Government Sponsored Schemes in J&K State, the Chairman requested the banking fraternity to ensure that RBI guidelines to the effect that no collaterals are required for cases upto Rs.10.00 lakhs in MSMEs sector, should be complied with by the banks in letter and spirit and in case it is found that these guidelines are being flouted, suitable deterrent action be taken against the concerned erring bank officials.

Coverage of cases under Credit Guarantee Trust Fund Scheme

The Commissioner/Secretary, Industries & Commerce, Mr. Umang Narula stated that under the prevailing RBI directives no collateral security is to be obtained from the beneficiaries in respect of the cases upto Rs.10.00 Lacs.

The DGM, State Bank of India, stated that 75% cover is available to banks under the Credit Guarantee Trust Fund Scheme, which the banks should make use of.

But, Vice President, J&K Bank, Mr. A. R. Bhat and Vice President (LBD/SLBC) Mr. M.S.Wani pointed out that default risk is covered under the Credit Guarantee Scheme but this cover is available for Micro and Small Enterprises sector only and certain other activities are not covered under this scheme. He therefore, argued that the activities where no CGFT cover is available, bank have to obtain collateral security from the beneficiaries as usual.

The Commissioner/ Secretary (Finance), J&K Govt. observed that more than 75% of the cases under various Government Sponsored Schemes fall under the definition of Micro and Small Enterprises and thus majority of the Government Sponsored cases would get covered under the Credit Guarantee Fund Scheme.

The Vice President (LBD/SLBC) pointed out that in the last (80th) SLBC meeting the house had desired that list of all those cases where Branch Managers are reported to have insisted for collateral security in contravention of the RBI guidelines, should be escalated to SLBC.

The DGM, State Bank of India also desired that the list of such cases should be shared with all the concerned banks, so that suitable action could be taken by the banks in the matter.

In this regard, the Chairman informed the participants that the Commissioner/ Secretary, Labour & Employment, J&K Government has already forwarded the list of those government sponsored cases, which are reported to be pending for want of collateral security, much belatedly i.e. on 13th of March 2011. He, however, pointed out that the list forwarded by the Government to him contains only the cases pending with J&K Bank. He advised Vice President (PS/GB), J&K Bank to look into the list separately and take necessary action within 15 days. He requested the government to provide similar lists to other concerned banks also.

Delay in release of subsidy components:

Regarding the proposal that subsidy for cases under various government sponsored schemes to be provided to the banks upfront, the Chairman stated that he has already discussed the issued with the Commissioner/ Secretary, Finance, J&K Government, and expressed his optimism that government is quite agreeable to the proposal. He, however, stressed that when the subsidy amount comes upfront, it should not remain pending with the banks for more than a month and should be utilized by the banks in the same quarter itself.

Mr. K.K.Iyer, DGM, State Bank of India suggested that in case the subsidy amounts in respect of the cases selected by the Task Force should be passed on to the concerned banks instantly, banks will be under obligation to sanction and disburse those cases.

The Vice President (LBD/SLBC) Mr. M. S. Wani pointed out that there are so many schemes under operation in the State, out of which some are sponsored by Central Government, while some are directly run by the State Government.

Joining deliberations on the issue, the Commissioner/ Secretary (Finance), Mr. Sudhanshu Pandey, stated that all the government-sponsored schemes presently under operation in J&K State are run by the State government. He stated that even the Centrally sponsored schemes are executed by the State Government though there is only the question of funding. Expressing his agreement with the suggestion of banks that subsidy amounts should be passed on to banks up-front, Mr. Pandey stated that as Finance Secretary of the State he was quite comfortable with that arrangement. He, however, pointed out that the government would have to be reported every quarter

about the amount utilized and the amount pending with the banks. For looking into this proposal and arriving at a suitable accounting system, Mr. Panday suggested constituting a small group consisting of members from both the sides, viz. banks as well as the government, to meet and workout exact modalities for developing a suitable accounting system. The group should submit its report to SLBC, so that in the next SLBC meeting the proposal is adopted for implementation.

Accordingly, it was decided to form a group headed by President (A&AP), J&K Bank and comprising of other members, i.e. DGM, State Bank of India, DGM, Punjab National Bank, Commissioner/Secretary, Labour & Employment, J&K Government, to workout modalities for developing a suitable accounting system for facilitating payment of subsidy amounts to concerned banks upfront on account of cases sponsored under various government sponsored schemes. The group will meet soon and submit its report for being adopted in the next 81st SLBC meeting.

High incidence of NPAs:

Discussing on the issue, the Commissioner/ Secretary, Labour & Employment, Mr. F. A. Peer pointed out despite clear directions from all the quarters the Bank Managers are generally found very reluctant to sanction the cases under government sponsored schemes for fear of their slipping into NPAs.

The Chairman agreed that some Bank Managers happen to be risk-averse, as they are supposed to see the viability issues of the cases sponsored to them under the government-sponsored schemes ensuring that the account remains standard so that the performance of concerned bank Manager is not adversely affected. The Chairman, however, advised the bankers that the GSS cases, where we have incentives of subsidy and margin money available, should be taken up as part of the normal business and these cases be appraised for sanction in the same spirit as they do in usual course.

Disagreeing with the perception that most of the NPAs are under Government Sponsored Schemes, the Commissioner/Secretary (Finance), Mr. Sudhanshu Pandey analyzing the figures of previous year pointed out that as compared to the total credit disbursed by all the banks in the State only a small amount of money is actually held up under Government Sponsored Programmes. So there is no reason that these Cases generate most of the NPAs of banks. He suggested that this forum should discuss the real issues, i.e. what are the cases sanctioned and cases sanctioned but not disbursed. For this purpose, he suggested that district-wise data on number of cases sponsored, number of cases sanctioned, cases sanctioned but not disbursed and the reasons for not disbursing these cases, should be obtained, so that these are indicated to the concerned banks for punitive action.

The Chairman, Ellaquai Dehati Bank, joining deliberations on the issue stated that EDB has introduced a system whereby the rejection of cases is done by a Committee constituted by the bank for the purpose and the individual Branch Heads have been given no role in this process.

The Commissioner/Secretary, Labour & Employment stated that Branch Managers are supposed to conduct pre-sanction survey to mitigate the high incidence of NPAs.

Vice President (LBD/SLBC) stated that Branch Managers are supposed to give cogent reasons for rejection of any case under Government Sponsored Scheme.

The Chairman stated that Branch Managers generally have to go by the recommendations of the Task Force. It is when they conduct the pre-sanction survey and any thing untoward comes into their notice only then they can take a review. He stressed the need to look into the problem jointly and take necessary measures to ensure that cases are not rejected on flimsy grounds. Citing example of J&K Bank, the Chairman informed that Zonal Heads of the bank have been directed to personally monitor the performance under Government Sponsored cases ensuring that these cases are dealt with properly and in cases of any rejection, there should be genuine reason to do so. He also stated that the Zonal Heads have been advised to furnish the pendency lists and also see that in case pendency level has increased at any branch, they should deploy some additional staff to such branch for facilitating prompt disposal of these cases.

In reply to a query of the Commissioner/Secretary (Finance) as to whether there exists any specific timeframe with the Bank branches for sanction or rejection of the government sponsored cases, the Vice President (LBD/SLBC), J&K Bank informed that sanction has to be conveyed to the concerned beneficiary within 15 days of the receipt of the sponsored case and the whole process has to be completed within 45 days from the date of receipt of the application.

The representatives of banks collectively argued that there is a general perception with the people that loans granted under Government Sponsored Schemes are not to be repaid. Such perception needs to be removed for which the government agencies have to play an active role by launching a campaign to educate the people that the money taken under these schemes has to be repaid to the banks.

The Chairman advised that Agenda for the meetings of this forum should be specifically to expedite the process of sanctioning the Government Sponsored Cases and ensure that the cases sanctioned are disbursed without any delay, whether subsidy has come or not and we need to concentrate specifically on the pendency and the

reasons thereof. He advised that the issues of NPAs in Government Sponsored Schemes should not be included in the agenda in future and such issues usually form part of the agenda of other district level fora like DLRC/DCC.

Expressing his agreement with the suggestion of the Chairman, the Commissioner/Secretary (Finance) desired that in future **SLBC Secretariat must acquire specific statistical data for discussion in the meetings of this forum, i.e., number of cases pending with banks for non-availability of subsidy or margin money, number of cases pending with different banks for the fact that banks have insisted on collateral security, and the cases pending with banks for any other formalities with appropriate reasons, so that the issues are discussed and specific solutions are found** otherwise these reasons would be just hypothetical.

The Commissioner/ Secretary, Industries & Commerce, stated that during his review of the position of PMEGP Scheme in the morning, it was found Rs.25.42 Crores of margin money has been disbursed and that an amount of Rs.6.72 Crores are presently available as margin money with various banks. J&K Bank Srinagar has got Rs.2.00 Crore while as J&K Bank Jammu has got Rs.25.00 Crores as nodal branches.

The Vice President (LBD/SLBC), J&K Bank, pointed out that Gol allocation for various Government Sponsored Schemes like SGSY, PMEGP etc. usually comes in the month of August every year, but the targets under ACP for various Sponsored Schemes are discussed and fixed at district level in anticipation of the actual Gol allocations as the ACP is required to be completed before the end of March and launched by 1st of April every year. Therefore, the district-level targets usually happen to be very ambitious and are therefore, at variance with the actual Gol allocations. However, on receipt of the Gol allocations the ACP targets are reviewed separately.

Reacting to this, the Chairman advised that on receipt of the Gol allocation the ACP targets fixed in anticipation of the Gol allocation becomes irrelevant and needs a proper recasting. He further advised that whatever margin money allocation banks receive, that should be first of all consumed for allocated cases and revisions if any, could be considered thereafter in the 3rd or 4th quarter of the FY.

Handicrafts/ Handloom Schemes:

The Vice President (LBD/SLBC) stated that Handicrafts Schemes are not properly incentivized and attractive for the beneficiaries. These schemes only have the interest subsidy component of 5%, for which these schemes are not picking up in the State.

Expressing his agreement with the views that Handicrafts and Handlooms schemes need to be recast, the Commissioner/Secretary, Industries & Commerce, Mr. Umang Narula stated that some initiative has been taken in this regard.

After thorough discussion it was decided in the meeting that:

- (1) Banks should ensure to disburse all those sanctioned government sponsored cases where margin money/ subsidy components stand released.**
- (2) All the banks will ensure that maximum of the target are achieved in the first 3 quarters of the financial year leaving a little burden for the last quarter.**
- (3) Government Agencies will ensure that subsidy amounts/ margin money in respect of all the sanctioned government sponsored cases are released in favour of the concerned banks, so that banks are able to disburse all the pending sanctioned cases.**
- (4) All the Government Sponsoring Agencies will ensure that bunching of applications is stopped and instead their endeavour should be that at least 50% of the cases are sponsored to banks during the first quarter, further 30% in the 2nd quarter and in the 3rd quarter of the FY the rejected cases could be considered.**

The Chairman also directed that in future the agenda for meetings of this forum should focus on specific issues related to sponsorship of government sponsored cases and pendency of cases under government sponsored cases only and specific statistical data relating to pendency of government sponsored cases with reasons be also acquired, so that the specific cases could be sorted out and solutions explored.

On conclusion of the meeting, the Chairman thanked the participations for attending the meeting.

Vice President
Lead Bank/ J&K SLBC

Annexure-A

List of participants

<u>S. No.</u>	<u>Name of participant</u>	...	<u>Designation/ Organization</u>
<u>Chairman</u>			
1.	Mr. Mushtaq Ahmad	...	Chairman & CEO, J&K Bank (Convenor SLBC)
<u>J&K Government.</u>			
2.	Mr. Sudhanshu Panday	...	Commissioner/ Secretary, Finance
3.	Mr. Umang Narula	...	Commissioner/ Secretary, Industries & Commerce
4.	Mr. F. A. Peer	...	Commissioner/ Secretary, Labour & Employment
5.	Mr. Rakesh Jamwal	...	Joint Director, Rural Dev. Deptt. (Representing Commissioner/ Secretary, Rural Development)
<u>J&K Bank (Convenor Bank)</u>			
6.	Mr. Ajit Singh	...	Executive President
7.	Mr. Parvez Ahmad	...	President (A&AP),
8.	Mr. G. M. Sahibzada	...	President (LBD/SLBC)
9.	Mr. M. S. Wani	...	Vice President (LBD/SLBC)
10.	Mr. Abdul Rauf Bhat	...	Vice President (PS/GB)
<u>Other Banks</u>			
11.	Mr. K. K. Iyer	...	DGM, State Bank of India, Z.O. Jammu
12.	Mr. Gupta	...	DGM, Punjab National Bank, (Circle Head, Jammu)
13.	Mr. R. C. Gupta	...	State Bank of India
14.	Mr. Mota	...	Punjab National Bank
15.	Mr. Raja Abdul Latif	...	Chairman, J&K Grameen Bank
16.	Mr. R. C. Razdan	...	Chairman, Ellaquai Dehati Bank.
