

104th MEETING OF STATE LEVEL BANKERS' COMMITTEE, KERALA AGENDA AND BACKGROUND NOTES

Date : 30.09.2011 (Friday)
Time : 10.30 a.m.
Venue : Hotel Residency Tower
Govt. Press Road, Trivandrum

1. ADOPTION OF MINUTES

The minutes of the State Level Review Meeting (SLRM) of SLBC, Kerala held on 20th & 21st June 2011 has already been forwarded to the members vide Convenor's letter SLBC 38 1218 2011 KRA dated 25.07.2011.

The House may adopt the said minutes.

2. REVIEW OF THE DECISIONS AND COMPLIANCE THEREOF THE EARLIER MEETINGS – PRIMARY SECTOR

2.1. FRESH ISSUES

2.1.1. Allocation of Agri. Term Loan - Agency-wise target - 2011-12 (Suggested by NABARD)

Hon'ble Union Finance Minister, in his budget speech for 2011-12 has set Ground Level Credit (GLC) target for Term Loan for Agriculture & Allied Activities as Rs 1,95,000 crore. Accordingly, GoI has allocated the agency-wise and purpose-wise target for GLC for agri. Term loan Sector for the current year as under:

(Rs. in crore)

Agency	Term Loan
Commercial Banks	1,70,000
Cooperative Banks	12,500
Regional Rural Banks	12,500
Total	1,95,000

Based on the above, the State-wise target has been worked and for the State of Kerala, the GLC for ATL has been set as **Rs. 12,405 crore** for the current year.

SLBC is advised to allocate the revised target for term loan agency-wise. The suggested allocation is as under:

(Rs. in crore)

Agency	Term Loan (As per ACP)	Term Loan (Proposed)
Commercial Banks	2794	10253
Cooperative Banks	1351	1351
Regional Rural Banks	225	801
Total	4370	12405

The above may please be seen in the context of the low share of Agri Term loan in total agricultural loan which is a major area of concern.

The ratio between agri. crop loan and term loan is disproportionate. Whereas, the ratio was 78: 22 in 2008-09, it reduced to 83: 17 in 2009-10 and during 2010-11, the ratio of crop loan: term loan was 82: 18.

The low-level of credit flow to agriculture term loan indicates low asset creation in agriculture sector in the State.

In view of GoI's target, SLBC may revise the target for ATL and urge the banks to initiate steps to achieving the target by increasing the term loan component.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLBC for information of banks. SLBC may issue necessary instruction to LDMs/Controlling Offices of Banks to initiate steps for achieving the target by increasing the term loan component.

2.1.2. Doubling of Borrower's account (Suggested by NABARD)

It has been observed that though the quantum of Crop loan has been increasing, there has not been any appreciable growth in the number of loan accounts. Union Finance Minister has expressed concern, on this issue and has advised that the number of borrower accounts needs to be stepped up. There is urgent need to double the borrower accounts by March 2012. The low off-take of fresh loan by ADWDR 2008 beneficiaries is a matter of concern, which if properly explored will provide ample scope for increasing the number of borrower's account.

Banks may be advised to double the number of crop loan accounts during the current year.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLBC for information of banks. The Steering Committee felt that this aspect will be taken care of while implementing the recent directive from Ministry of Finance with regard to coverage of all farmers with agriculture credit.

2.1.3. KCC to all eligible farmers- Promotion of JLGs/SHG- KCC linkage (Suggested by NABARD)

GoI has been stressing on improving agriculture credit flow through KCC to all eligible farmers. Ministry of Agriculture in its letter written to the Chief Secretaries of all States has advised to review progress in issue of KCC to all eligible farmers, to formulate detailed action plan for promotion of JLGs/SHGs- KCC linkage programme and to have substantially higher targets of number of farmers /accounts to be covered by the banks. In view of the above, a time bound decentralized campaign to cover all eligible farmers under KCC Scheme need to be launched. A detailed action plan has to be formulated for promotion of JLGs/SHGs – KCC linkage programme so as to cover Oral lessees, land less farmers and tenant farmers.

SLBC may work out the targets for implementation by the banks and the progress may be reviewed regularly.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLBC for information of banks.

2.1.4. Incentives to farmers for prompt repayment under utilization (Suggested by NABARD)

Incentive of 3% is available to farmers for prompt repayment of their loan. It is reported that this facility is not being availed/received by many farmers and the utilization there under had been marginal. Obviously, this is an area of concern.

SLBC may advise all the banks to submit information on the availment of this facility by farmers and also advise banks to take steps to make this incentive scheme successful.

Views of the Steering Committee

The Steering Committee observed that RBI Circular regarding the incentives of 3% is available to farmers for prompt repayment of their loan is yet to be circularized. The Steering Committee decided to place the matter before SLBC for information of banks and for an in depth study by the Sub-committee on Agriculture issues.

2.1.5. Moratorium on loans granted to Fishermen (Suggested by State Bank of India)

"Loans to Fishermen should either be taken over by State Government or Government should lift the ban on recovery process and Banks be allowed to start RR proceedings/ recovery proceedings on NPA accounts in respect of Fishermen loans"

Views of the Steering Committee

The Steering Committee noted that the moratorium declared by Government on the loans availed by fishermen stands extended upto 31.03.2012. The Committee decided to place the matter in the SLBC for appropriate consideration.

2.1.6. Restrictions imposed by RBI for classifying loans sanctioned to Central/State Co-operative Marketing Federations and State Civil Supplies Corporations under Indirect Finance to Agriculture as per Master Circular of RBI dated 01.07.2011 (Suggested by Federal bank Ltd)

We invite your kind attention to RBI Master Circular on Lending to Priority Sector, RBI/2010-11/107/ RPCD. CO. Plan BC 10/ 04.09.01/ 2011-12 dated 01.07.2011, wherein the following types of loans are made not eligible to be classified under direct or indirect finance to agriculture (vide clauses no. 1.4.3 and 1.4.4):

1.4.3. Loans sanctioned to Central / State Co-operative Marketing Federations and State Civil Supplies Corporations.

1.4.4. Loans sanctioned to corporate / private companies/ sugar companies for financing of receivables of farmers / vendors / traders against their supplies of agricultural produce to such corporate / private companies / sugar companies.

Hitherto these loans are classified under Agriculture and concessional rate of interest is allowed in tune with benefits available to Agricultural Lending.

Consequent to the restrictions imposed by RBI with effect from 01.07.2011, the banks are not in a position to classify such accounts under Agriculture and the banks have to withdraw concession allowed, applicable to Agricultural Lending. This may put the borrowers/ agriculturists in hardship.

Please note that Central/State Co-operative Marketing Federations and State Civil Supplies Corporations procure Agricultural produces from farmers and ultimate benefits go to the farmers. Moreover they play a pivotal role in ensuring Minimum Support Price.

In most of the Contract Farming cases, the Banks used to finance the Corporates/Sugar Companies and they lend to farmers / supply inputs required for the farming community. While taking back produces from such farmers by the Corporates, they deduct the dues to the Company and the balance only paid to the farmers. This has been a very successful and beneficial form of extending credit to farmers.

In the above circumstances, it is felt that such accounts could be classified as Agricultural finance as the Bank Finance will benefit the farmers. The matter may be taken up with RBI for removal of restrictions imposed vide clauses no. 1.4.3 and 1.4.4 of Master Circular, RBI/2010- 11/ 107/ RPCD. CO. Plan BC 10/ 04.09.01/ 2011-12 dated 01.07.2011.

Views of the Steering Committee

The Steering Committee decided to place the matter in the SLBC for deliberation.

2.1.7. Status of credit absorption in farm sector (Suggested by RBI)

RBI suggested that a discussion on major crops and their yield and vis-à-vis status of credit absorption in farm sector may be held to bring out the correlation between these with specific reference to the State of Kerala.

Views of the Steering Committee

The Steering Committee decided to place the matter in the SLBC for deliberation in the Subcommittee on Agriculture for further discussion and submitting recommendations.

2.2. PENDING ISSUES

2.2.1. Providing market intelligence to farmers of Kerala – Setting up of a market intelligence cell with financial assistance from the Banking Sector [NABARD]

Justification: The Union budget 2011 has been widely acclaimed as one that tilts towards the rural economy and the farm sector. A four pronged strategy of increasing agricultural production, reducing wastage and post harvest losses, providing credit support to farmers and thrust on food processing sector is adopted to address the issue of food inflation and to achieve a growth rate of 8.5 per cent in agriculture. Interest subvention scheme and enhanced targets for credit to farmers are measures where banks can effectively support the farming sector. While all these measures can enhance production, marketing is one area which though crucial has been neglected for long. Some initiatives in this sector is also seen in the present budget by way of infrastructure support for storage and post harvesting.

What is even more important but not given due emphasis in this era of globalization is the area of market intelligence. Nearby state of Tamil Nadu is doing good work in this area which is highly beneficial to farmers as well as to policy makers. Kerala agricultural University has also done some pioneering work with regard to perennial crops under the National Agriculture Innovation Project.

It is requested that the SLRM 2011 may kindly look into the feasibility of providing financial support to the setting up of a market intelligence cell in the State to conduct market intelligence studies with respect to major crops of our state and timely dissemination of the same to farmers enabling them to make well informed decisions with regard to crop choice as well as marketing.

The matter came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 as suggested by Agriculture Department, WTO Cell, Government of Kerala. The meeting suggested the following:

- The marketing intelligence set up under the Department of Agriculture in each District may be strengthened, so as to take up market intelligence studies in respect of major crops and timely dissemination of information to all stakeholders.

- A strong marketing infrastructure may be put in place in all Districts to ensure that the farmers get fair price for their produce. A tie up arrangement with Banks, marketing agencies and farmers may be introduced so that timely flow of credit and prompt repayment of Bank loans can be ensured. The functioning of VFPCK (Vegetable and Fruits Promotion Council, Kerala), HORTICORP etc. may be further strengthened to achieve the desired goals.
- A Marketing Intelligence Wing may be established under Kerala Agricultural University (KAU) in line with the one functioning in Tamil Nadu Agricultural University, which would go a long way in helping the farmers' cause.

The Agriculture Department may inform the progress in this regard.

2.2.2. Widening and deepening the spread of Kisan Credit Card (KCC)

NABARD has time and again reiterated that the coverage under the Kisan Credit Card (KCC) Scheme assures adequate, timely and hassle free credit support to farmers. In the hundredth SLBC, NABARD had placed an agenda, stating that banks may be advised to fix realistic targets to cover all eligible farmers under the KCC scheme by 30 September 2009. In continuation of the above concern it is pertinent to take look at the land holding pattern of farmers in Kerala. There are 66.6 lakh operational holdings in the State, with an average land holding size of 0.24 hectare. Due to the small size of land holdings, the farmers practice homestead farming which is unique to the state. Most of these farmers being marginal and small require timely and adequate credit to carry on their farming operations.

The issue may be discussed in the SLBC forum. Considering the operational land holdings in the state at 66 lakhs, the need for banks to support widening and deepening the spread of KCC may be reiterated.

The matter came up again for discussion during the 101st Meeting of SLBC held on 30.03.2010 in Trivandrum.

The Chief General Manger, NABARD informed that Hon. Finance Minister of the State had given high priority for KCCs in his budget speech and wanted to draw a road map and a committee be formed with Agricultural Production Commissioner, Government of Kerala, NABARD and SLBC as its members.

The Convenor SLBC said that a sub-committee may be constituted to take up the matter further.

In the meeting convened by the Agricultural Production Commissioner, Government of Kerala on 02.08.2010 in his chamber, he expressed:

- (i) concern stating that we have a long way to go to extend KCCS facility to eligible and willing farmers. It was also expressed that to ensure that such facilities remain active and operational is still more difficult. It was suggested to have a plan of action to achieve coverage of all eligible farmers under KCCS.

- (ii) that the existing procedure for issuing KCCS clearly needs to be simplified and streamlined so that only minimum documentation is insisted upon from the farmers. Certification from the concerned agricultural officers may substitute some of the documentation requirements of banks.
- (iii) that the scheme needs to be published among the eligible and willing farmers and that Director of Agriculture through the Krish Bhavan shall ensure that effective steps are taken.

The Agricultural Production Commissioner further suggested that NABARD may convene a meeting of all concerned to address the above issues and work out a roadmap to achieve the targets under KCCS during the current fiscal.

The Sub-Committee of SLBC thus constituted met on 05.08.2010 in Trivandrum and recommended the following for the consideration of the SLBC.

- Krishi Bhavans to prepare provisional list of farmers from the electoral rolls which will serve as a base data. This list would be provided by October-November 2010 and completed list would be made available during next financial year. Krishi Bhavans may also give a copy of the list to the Principal Agricultural Officers as well as the LDM of the respective districts.
- A tentative target of reaching 35 lakhs cards shall be fixed for the year 2010-11. The targets shall be allotted by SLBC, based on the network of bank branches in the State excluding urban branches. Individual banks to allocate this target to their branches based on the potential of the area.
- SLBC convenor to ascertain from neighbouring States the modalities/ bench mark set in fixation of targets under KCCS.
- SLBC may prepare uniform guidelines in brief according the guidelines of major banks and publish the same through Farm Information Bureau so that the scheme could be popularised.
- LDMs of respective districts may be designated as the nodal person for Grievance Redressal.
- Documents that need to be produced for loan include original tax paid receipt (Current tax paid receipt) and Possession Certificate. SB account is not a prerequisite for granting KCC loans as per RBI guidelines.
- Tenability of the KCC may be increased to 5 years if Term loan component is also included.
- The review of performance under KCCs shall be done in SLBC, DCC/DLRC and BLBC meetings without fail.

As per the decision of the Sub-Committee, SLBC has allotted targets to the banks in the State. The Controlling Offices of Banks are requested to monitor the progress effectively for achievement of the targets well before March 2011.

The Sub-committee felt that Individual banks/Farm Information Bureau may arrange awareness campaigns. Similarly Homestead farming may also be covered under KCCS. It was suggested that Akshaya Centres shall act as knowledge centres in the matter of disseminating information on KCCS.

The Hon'ble Minister for Education of Kerala State during the FM's Meeting with South Zone Chief Ministers' held at Hyderabad on 20.07.2010 pointed out that against 66 lakh eligible farmers household, so far only 29 lakh KCCs have been issued. The Minister expressed hope that banks would cover all eligible farmers under KCC in a time bound manner.

The matter came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16th & 17th September 2010 in Trivandrum. During the Group discussions, it was decided to adopt the recommendations of both the meetings and to proceed further as listed below:

- (i) To have a plan of action to achieve coverage of all eligible farmers under KCCS.
- (ii) To simplify the existing procedure for issuing KCCS
- (iii) To maintain the data base at Krishi Bhavans and publish the list of all eligible and willing farmers.

The matter came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. In the meeting, the Secretary, Planning & Economic Affairs Department, Government of Kerala made a suggestion that SLBC to collect the district wise progress report on KCCs and furnish the same in the next SLBC meeting. Though SLBC had taken up the matter with the LDMs , the response/data flow was not encouraging.

The matter again came up for discussion during the 103rd Meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. In the meeting, the Chief (Agriculture), State Planning Board informed that State Planning Board had conducted a survey in 7 districts of the State on various dimension of socio economic status of farmers. The survey conducted in Palakkad and Kollam revealed that only 23 % and 4 % of the farmers were covered under KCC in the respective districts. The survey also brought out the problems in getting KCC support. He then enquired the possibility of introducing Kisan Credit Card with ATM facility.

The forum clarified that a present Kisan Credit Card with ATM linkage was available with many banks. However the efforts of Banks in popularizing and increasing the coverage of KCCs should be continued.

The Sub-Committee of SLBC on KCCs met on 01.06.2011 in Trivandrum and recommended the following for the consideration of the SLRM.

- (i) Target to be enhanced by 20% every year.
- (ii) Popularize the KCC scheme through print and visual media
- (iii) Uniform procedure to be adopted by all banks for sanctioning loans under KCC.
- (iv) KCC to be linked to ATM
- (v) On a pilot basis the recommendations of the sub-committee may be implemented in Kollam and Palakkad Districts. Respective LDMs to take a lead role.
- (vi) Banks to provide KCC data to local Krishi Bhavans on request.

- (vii) IRAC norms to be more clearly spelt out in case of KCC loans – After completing 3 years, if the loan is not renewed whether asset classification is to be made based on the crop cycle norms or as per norms applicable for running account.
- (viii) Social security aspect to be covered in the KCC scheme and awareness to be created.
- (ix) Proactive role from the State Government/Agriculture Department regarding providing of information regarding the scheme to farmers and also providing the list of farmers to banks for financing under KCC shall be ensured.
- (x) Review of performance under KCC to be undertaken at district level by LDM/PAO of the District.
- (xi) The modified guidelines issued by RBI on KCC, incorporating provision for term loan component with tenability of 5 years to be provided for information of Banks.

The matter came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum. The modified guidelines issued by RBI on KCC, incorporating provision for term loan component with tenability of 5 years has been provided in the background papers for information of Banks. The meeting recommended the following.

- Data Base of farmers should be updated by Krishi Bhavans from Electoral Rolls.
- There should be good liaison between Krishi Bhavans and Bank Branches in their respective areas.
- Simplified and uniform documentation.
- Targets should be assigned to each Block and to be reviewed periodically in BLBC meetings.
- Awareness Programmes may be conducted through various media.
- Publicity through posters, banners, pamphlets etc.
- LDMs may be empowered to resolve issues of borrowers relating to KCC.
- The benefit of interest subvention for short term loans may be made applicable to all Banks including Private Sector Banks.
- KCCs to be popularized through JLG / SHG mechanism.
- KCC to be linked to ATM.
- Agricultural Officers may be posted at all Rural Branches to ensure smooth flow of credit to this sector.
- One month has to be observed as KCC month so as to enable to do intense campaign.
- Each bank to take initiative in declaring one village as 100% covered under KCC.

SLBC Convenor had written to Controlling Offices of all banks/LDMs, vide its letter SLBC 38 1309 2011 KRA dated 16.08.2011, requesting to note the above recommendation for uniform implementation of KCC Scheme.

SLBC Convenor had taken up the matter with the Secretary, Agriculture Department, Government of Kerala, vide its letter SLBC 38 1306 2011 KRA dated 17.08.2011, requesting to issue necessary instruction to the field level officers for maintaining data base of farmers from electoral rolls and ensure compulsory participation by officials of Agriculture departments in BLBC/DLRC meetings of respective Districts.

The Secretary, Ministry of Finance, Department of Financial Services, Government of India vide letter D.O.No.1 (4)/2011-CP dated 19.08.2011 had instructed SLBC to ensure coverage of all farmers in the State of Kerala with Agriculture credit before 30.09.2011. The Sub-Committee thus met on 22.08.2011 and evolved the following action points.

The following decisions were arrived at for implementation:

- Three Channels shall be put into force for implementation:
 - Banking channel involving Controlling Office of banks and its branches, NABARD through PACS.
 - SLBC through LDMs and the banking network at the district/block level.
 - State Government intervention through Agricultural Department, Local Self Government Institutions, Rural Development Department etc.
- For sourcing of applications massive campaigns shall be launched at all levels within the State (preferably to be done on a predetermined date in consultation with the government/ Agriculture Department.) – SLBC Convener to finalise this in consultation with Agricultural Production Commissioner of the state.
- Agricultural credit facility will be made available to the farmers adopting the old service area approach. LDMs to inform this to bank branches in their district for equitable participation of Banks and to avoid bunching of loan applications.
- A common bilingual application form was evolved for uniform adoption by Banks across the State. Soft copies of the application will be circulated by SLBC to controlling offices of Banks for onward transmission and usage at their branches. While submitting the applications the farmers need to submit the photocopy of the land tax paid receipt at the first instance. The original tax paid receipt and possession certificate shall be submitted upon provisional sanctioning but before availing the loan. If the farmers who have submitted application are unable to submit the same then it is construed that the farmer is having limits with other institutions.
- Banks shall waive processing charges, documentation fee, inspection charges, advocate fee, renewal fee etc. while making available the said agricultural facility. Controlling offices of Banks should take up the matter with their corporate offices for necessary permissions in this regard for adoption.
- LDMs of respective districts to conduct DCC meetings on 23/08/2011 itself to formulate action plan for respective districts. LDMs should liaise with Agriculture department for mobilizing maximum applications and creating awareness among farmers.
- Widespread campaign through the print & visual media with the support of State Government to be organized with immediate effect to popularize the effort. While conducting the awareness campaign it should be clearly publicized that the campaign is for those farmers who are presently not enjoying any credit facility with Banks/ co operative societies.
- Common publicity materials like posters, pamphlets etc would be prepared at SLBC Cell on cost sharing basis for uniform circulation.
- September 2011 would be declared as KCC month in the State and all banks should observe KCC month in a big way undertaking campaigns at individual level.

- The sub-committee will meet every Monday hence forth for reviewing the progress made by the Banks.
- A smaller subgroup of major Banks would review the progress on daily basis.
- Controlling offices of Banks should report the progress made in providing credit facilities to farmers on a daily basis before 4 pm to SLBC cell for enabling consolidation and onward submission to Ministry as desired by them.
- NABARD would also formulate strategies for effective publicity, awareness and linkage through PACS.
- The meeting observed that the data pertaining to PACS are not included in the data supplied by SLBC and hence the coverage is likely to be much more than what is reported. Hence it was decided to collect the data pertaining to PACS from NABARD hence forth for compilation of SLBC data. NABARD, SLBC and representative of Registrar of Co-operatives to ensure reporting and compiling of the data.
- The support from commodity boards like Coffee Board, Tea Board, Coconut Board and Spices Board would be sought at grass roots where they have good presence in creating awareness, identification of beneficiaries, conducting campaign and for sourcing of applications. LDMs shall co-ordinate with these boards.
- Controlling offices should sensitize and instruct their branches for extending all co operation to Agriculture department and LDMs for successful completion of the campaign.
- RBI is already having a video film produced for Kisan Credit Cards. Possibilities to be explored for airing this through “Doordarshan”/ All India Radio.
- The DDC Meetings of respective districts will be conducted on 27th of every month. LDMs to liaise with District Collectors for involving other Government departments, local body officials to get their attention and involvement in our campaign.
- Controlling offices to instruct their branches for disposing off all loan applications within the time frame stipulated by RBI for priority sector lending.
- There will be no requirement for getting no due certificate from other banks. It is the responsibility of other participating banks to inform the financing bank about any dues outstanding.

The Sub-Committee of SLBC, Kerala again met on 06.09.2011 and further decisions have been taken in the lines given below:

- It was decided that SLBC Cell to collect and compile the base data pertaining to PACS as at March 2011 from LDMs within 10 days.
- LDMs/Banks to strictly adhere to the guidelines issued by Ministry of Finance, Government of India. All banks should observe September 2011 as KCC month.
- Base data plus incremental data is to be submitted on daily basis.
- Controlling Offices of banks to take up with respective corporate offices for waiver of all charges in respect of accounts of Small and Marginal farmers.
- Bankers shall follow the service area approach for the agricultural lending and shall not insist on the No Due Certificate. It was noted that granting of Education loans is successfully implemented now a days as per Service Area Approach.
- The matter of non availability of interest subvention to private sector banks and consequent disparity is to be taken up with RBI once again.

- LDMs to ensure the participation from Krishi Bhavan officials in the DCC/DLRC/BLBC meetings.
- The forum approved the Malayalam version of the KCC application and advised SLBC to circulate the same to Controlling Offices of Banks and LDMs.
- SLBC to ensure the publicity through the print and visual media for popularizing the effort.
- The draft copy of poster prepared in vernacular on general KCC guidelines was approved in the meeting. SLBC Cell would be taking expeditious steps for printing and circulating the posters on cost sharing basis.
- Controlling offices of Banks should ensure the submission of progress reports made in providing credit facilities to farmers on a daily basis before 4 pm to SLBC cell for enabling consolidation and onward submission to Ministry as stipulated.

The specimen of the Common application form for KCC adopted by banks for uniform implementation in the State in English and Malayalam is provided in **Annexure- 10.59 & 10.60.**

The Malayalam version of General Guidelines on Kisan Credit Cards prepared by SLBC and circulated as posters is provided in **Annexure – 10.58.**

As a follow up of these meetings, the Principal Secretary, Planning & Economic Affairs Department has proposed to convene a meeting on 20.09.2011 and the outcome of which will be placed as a table item in the SLBC.

2.2.3. Issues relating to Interest Subvention

In the Group discussion of the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum, the following issues were raised in the forum.

- The benefit of interest subvention for short term loans may be made applicable to all Banks including Private Sector Banks.
- Interest Subvention may be made available for term loans also.

The forum accepted the suggestion put forth and requested SLBC to take up the matter with Government of India/RBI.

SLBC Convenor had taken up the matter with the Reserve Bank of India, vide its letter SLBC 38 1304 2011 KRA dated 17.08.2011, requesting to place it before the appropriate authorities for a decision. Reply is awaited.

2.3. INFORMATION NOTE

2.3.1. Providing Publicity for Schemes launched by Government of India operated through NABARD (Suggested by Directorate of Animal Husbandry)

More publicity is required for popularizing the schemes launched by Government of India and operated through NABARD like Dairy entrepreneur development programme, Piggery

development scheme, Salvaging of male buffalo calf, Poultry development programmes, Integrated development of small ruminants and rabbits etc.

Views of the Steering Committee

The Steering Committee suggested that LDMs and DDMs of all districts have to conduct workshops for popularizing the schemes of Animal Husbandry Directorate. The Committee decided to place the matter before SLBC for information of banks.

2.3.2. Food Security Mission Programme drawn up by the Government of Kerala (Suggested by Directorate of Animal Husbandry)

The State has drawn up a Food Security Mission programme in which Milk, egg and meat are to be produced within the State so as to attain self sufficiency. Hence more emphasis and support to be provided for such programmes.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLBC for information of banks.

2.3.3. Schemes submitted by NABARD for information of Banks

2.3.3.1. Integrated Development of Small Ruminants and Rabbits (IDSRR)

The Scheme details are shown in **Annexure-10.65**

2.3.3.2. CSS for Establishing “Poultry Estates” & Mother Units for Rural Backyard Poultry

The Scheme details are shown in **Annexure-10.66.**

2.3.3.3. CSS on “Pig Development”

The Scheme details are shown in **Annexure-10.67.**

2.3.3.4. Scheme for salvaging & rearing of Male buffalo calves

The Scheme details are shown in **Annexure-10.68.**

2.3.3.5. Scheme for Utilization of Fallen Animals

The Scheme details are shown in **Annexure-10.69.**

2.3.3.6. Dairy Entrepreneurship Development Scheme (DEDS)

The Scheme details are shown in **Annexure-10.70.**

2.3.3.7. Poultry Venture Capital (Subsidy) Scheme

The Scheme details are shown in **Annexure-10.71.**

3. REVIEW OF THE DECISIONS AND COMPLIANCE THEREOF THE EARLIER MEETINGS – SECONDARY SECTOR & GOVERNMENT SPONSORED SCHEMES

3.1. FRESH ISSUES

3.1.1. MIS on Sick MSE units (Suggested by RBI)

Only a small percentage of sick MSE units have been identified as potentially viable and of this an abysmally small number have been placed under nursing. As timely monitoring and action for rehabilitation of sick units is critical to ensure proper functioning of the units, viability studies need to be taken up in a time bound manner and rehabilitation to be initiated in the incipient stage of sickness itself. In the SLBC meeting held on March 16, 2011 it was decided to form a sub- committee of SLBC for the purpose. A new format to monitor the progress has been forwarded to SLBC and the controlling offices of all banks operating in the State. (Letter D.O.RPCD.SME&NFS.No.14570/06.04.01/2010-11 dated June 14, 2011.)

Views of the Steering Committee

The Steering Committee decided to place the matter before SLBC for adoption and necessary action by banks.

3.1.2. Self Employment Scheme for Educated Youth (Suggested by Directorate of Industries & Commerce and Planning & Economic Affairs Department)

Introduction:

Unemployment of the youth is a major stumbling block to growing social disequilibria leading to economic disorder and poverty of the society .The interim social balance sheet describes the energy and vibrancy of the youth as the asset and also the liability of the nation if not handled intelligently. The concern has to be addressed by appropriate employment strategy programme. The evolutionary theory of developing entrepreneurship has assumed relevance where basic attributes and mental set of young job creators has to be transplanted and nurtured carefully.

The PMRY a major self employment programme formulated by GOI was discontinued wef 2008-09.This scheme assisted 30000 to 35000 youths in Kerala per annum to start self employment ventures. A substitute scheme viz. PMEGP was launched from 2008-09. But the target for the state under this scheme is very low say only 1818 for the current financial year. This has demanded a new scheme for self employment. This Scheme for Self Employment for educated youth is yet another step to address the unemployment issues in the State.

Objective:

This Scheme intends to give assistance to young educated entrepreneurs preferably technically qualified and skilled youth to set up new micro and small enterprises having a total project cost upto Rs. 5.00 lakhs by availing credit finance through banks.

Target Group:

All educated unemployed youth who studied upto Xth Standard within the age group of 18-45 years. Preference shall be given to technically qualified and skilled persons with Engineering (BE or B.Tech)/Diploma or AIME/ITI/ITC or other technical qualifications or minimum six months Government approved skill development courses.

Assistance under the Scheme:

Margin money grant @ 20 % of the project cost limited to a maximum of Rs. 1.00 lakh will be given to set up new micro and small enterprises both for manufacturing and service enterprises coming under the purview of MSMED Act 2006, having total project cost up to Rs. 5.00 lakhs by availing credit through banks.

Project Cost:

The project cost under this scheme shall include the following:

- (i) Cost of land and its development including documentation charges. The cost of land and its development shall not exceed 10 % of the project cost.
- (ii) Cost of building. This shall not exceed 25 % of the project cost.
- (iii) Plant & Machinery, equipments including all accessories, tools, jigs, fixtures, essential office equipments and furniture, lab equipments, pollution control devices, generators.
- (iv) Electrification both industrial and building.
- (v) Preliminary and pre-operative expenses which shall include Registration charges of the firm, engineering drawings, cost of the Project report, Technical know-how, cost of technical supervision during the implementation period. However, these Preliminary and pre-operative expenses shall not exceed 10 % of the project cost.
- (vi) Allowance for cost escalation (contingencies). The contingency allowance shall not exceed 10 % of the cost of the item for which it is meant.
- (vii) Working capital. The working capital shall not exceed 40 % of the project cost or cost for one working cycle, whichever is lower.

Project financing pattern:

Promoter's contribution : 10 % of the project cost

Bank finance : 70 % of the project cost

Government contribution : 20 % of the project cost

The Government contribution shall be by way of Margin money grant, on a pro-rata basis (proportionate to the release of loan by the financial institution).

Identification and selection of beneficiary:

The Industries Extension Officers shall identify the potential entrepreneurs in Block/Municipality level. The selection of the eligible entrepreneurs for the scheme shall be by a Dist level Task Force constituted for the purpose. The Task Force shall consist of the following members:

- (i) General Manager, District Industries Centre : Chairman
- (ii) Lead District Manager or his representative : Member
- (iii) Manager (Credit), District Industries Centre : Convenor

- (iv) Assistant District Industries Officer of the concerned Taluk : Member
- (v) Industries Extension Officer of the concerned Block/Municipality : Member

The Manager of the concerned bank branch will be a special invitee.

The Task Force shall select the beneficiaries for the scheme by taking into consideration the following factors:

- (i) Technical feasibility & economic viability of the project.
- (ii) Employment generation.
- (iii) Investment.
- (iv) Marketability of the product.
- (v) Capability of the entrepreneur.

Methodology for the implementation of the Scheme:

All Micro and small enterprises both in the manufacturing and service sector are covered under the scheme. After identification of the potential entrepreneurs, an application in the prescribed format duly filled by the applicant along with the project report and technical feasibility report and documents to prove the age, qualification, experience etc shall be filed with concerned taluk ADIOs. The ADIO shall process the application as regards the eligibility of the applicant as per rules and also its technical feasibility and commercial viability. He will also conduct a field verification. The applications so verified will be forwarded to the General Managers of the Dist concerned with report of verification. The General Manager will make a further scrutiny and will place it before Dist Level Task Force a decision. The approved projects are then forwarded by the General Manager, District Industries Centre to the concerned financial institution for sanctioning loan. After sanctioning the loan, all beneficiaries shall undergo a one day training programme. Bank/financial institution shall release the loan amount only on production of the training certificate of the District Industries Centre by the beneficiary. The General Manager, District Industries Centre shall release the Margin Money grant on pro rata basis to the loan account of the beneficiary in the concerned financial institution, on receipt of the sanction letter from the financial institution with regard to the loan sanctioned to the unit and certificate towards release of the same to the beneficiary and after the beneficiary executes an agreement in this regard with the Department. The beneficiary shall be bound to run the enterprises for a period of not less than three years from date of release of grant/first instalment of margin money grant by the Department, failing which the entire amount shall be refunded with interest @ 14%. In no case the margin money grant shall be released without the order of release of loan by the financial institution.

Implementing agencies:

The agency to implement the Scheme shall be the Directorate of Industries & Commerce along with the District Industries Centres and Taluk Industries Offices.

Implementation:

Implementation of the scheme involves beneficiary identification, project selection, identification of the support system required by the beneficiary, escort service and close

liaison with the banks/other local agencies linked to the industry sector. The following persons shall be responsible for the implementation of this scheme:

- | | | |
|--------|---|--------------|
| (i) | Identification of the beneficiary | : IEO/ADIO |
| (ii) | Beneficiary selection | : Task Force |
| (iii) | Project report preparation | : IEO/ADIO |
| (iv) | Preparation of Technical Feasibility Report | : IEO/ADIO |
| (v) | Recommendation of application to banks | : GM, DIC |
| (vi) | Follow up and liaisons with banks | : IEO/ADIO |
| (vii) | Sanctioning loans | : Banks |
| (viii) | Sanctioning Margin Money Grant | : GM, DIC |
| (ix) | Escort service providers to beneficiary | : IEO/ADIO |

Monitoring:

The scheme will be monitored by Directorate of Industries & Commerce along with the District Industries Centres. The working of the units shall be monitored by the Industries Extension Officers/Assistant District Officers under the Taluk Industries Offices.

Target for the financial year 2011-12:

Budgetary provision	: Rs. 150.00 lakhs
Minimum enterprises	: 150 numbers (@ Rs. 1.00 lakh per unit)
Maximum investment	: Rs. 750.00 lakhs (@ Rs. 5.00 lakh per project)

The fund available to implement the scheme in the current financial year is Rs.150 lakhs under the head of account 2851-00-102-84.

The proposal is submitted before the Working Group for administrative sanction to implement the scheme in the current financial year at a total cost of Rs. 150 lakhs.

Views of the Steering Committee

The Steering Committee suggested placing the item for consideration of the SLBC but recommended the following amendment.

“The Government contribution by way of Margin money grant may be released in advance and not on a pro-rata basis (proportionate to the release of loan by the financial institution) as stipulated in the scheme.”

3.2. PENDING ISSUES

3.2.1. Payment of one time guarantee fee by MSME units

The SLBC in its earlier meeting suggested introducing a scheme by State Government to assist MSME units to pay the one time guarantee fee and the annual service fee remitted by enterprises for availing cover under CGTMSE. The Government in principle have agreed to

introduce a scheme to cover the reimbursement of one time guarantee fee and the annual service fee remitted by enterprises and to avail collateral free loan under CGTMSE. The modalities of the schemes are to be prepared. The proposal may be discussed in the SLBC to get more suggestions for its effective implementation.

The matter came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum and appreciated the novel initiative taken by the Government and suggested for its speedy implementation.

The communication received from Director of Industries & Commerce is provided in information note vide **Point 3.3.1**. Hence the item may be dropped from further discussions.

3.2.2. Review on Rehabilitation of Sick but Viable MSME units

An analysis of data on sick MSE units as at the end of September 2010 revealed that the data has not been submitted by many of the bankers and the data submitted also was not adequate. As the data is significant for timely identifying and rehabilitating the sick units, the problems in submission of the data may be discussed in the SLBC to ensure timely submission of accurate data.

During the Steering Committee Meeting of the 103rd SLBC, Kerala held in Trivandrum, The Assistant General Manager, RBI informed that RBI is collecting the data on sick but viable MSME units for reviewing in the Empowered Committee on MSME convened by RBI. He informed that the data submitted by banks are inconsistent. Banks have to give more importance in submitting the data in time to RBI, RO, Trivandrum so as to enable them to report the same to RBI Central Office, Mumbai. He then enquired the following points.

- Whether viability study is undertaken by banks?
- What is the process adopted by banks for the identification of beneficiaries?

The Convenor, SLBC enquired the Deputy Director of Industries & Commerce to provide the Bank-wise/ District-wise data on sick but viable MSME units for placing in the SLBC meeting.

The Deputy Director of Industries & Commerce informed that they are updating the sick MSME units regularly and try to provide the Bank-wise/District-wise data in this regard.

The matter came up for discussion during the 103rd Meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. In the meeting, the Chairman of the forum pointed out that Regional Director of RBI had made a valid point in her address regarding issues of sick units. This has been a phenomenon witnessed in all States. After funding the SMEs, it was not possible to nurse them in time due to many inherent problems. Most of these units wither away due to non-rehabilitation of the units on time. Nursing of the units would depend on their viability. As bankers we have lend our precious money to SME, and hence we have the responsibility to nurse, handhold and bring them back to good health when they

are in difficulties. He requested all banks to look into this issue with little more care and empathy so that these units would not become waste and thereby also ensuring that the precious money that we have lend would not turn into NPA and irrecoverable.

The Additional Director of Industries & Commerce informed that as per the data presented before the meeting, banks have identified 5520 sick units, out of which 1211 has been found as potentially viable sick units. Of this, 6 units were nursed (5 units by SBT and 1 unit by Catholic Syrian Bank). Once banks identify a unit as sick, they have the responsibility to nurse the unit. Industries Department is also having certain schemes to revive the sick units. He suggested that a joint programme by banks and Industries Department could be held. Industries Department had put in their best to collect the details of sick units but had failed. Industries Department is ready to co-operate in all possible manners for a joint venture initiative between banks and Industries Department to resolve the issue.

The Chairman of the meeting suggested SLBC to look into the matter by forming a sub-committee.

Further, RBI in its agenda item had suggested that only a small percentage of sick MSE units have been identified as potentially viable and of this an abysmally small number have been placed under nursing. As timely monitoring and action for rehabilitation of sick units is critical to ensure proper functioning of the units, viability studies need to be taken up in a time bound manner and rehabilitation to be initiated in the incipient stage of sickness itself.

The Sub-Committee of SLBC thus constituted met on 01.06.2011 in Trivandrum. Sri. C. G. Nair, Deputy General Manager, Canara Bank, Sri. P. Thomas, Assistant General Manager, RBI, Sri. M. Abdul Majeed, Additional Director of Industries & Commerce, Representatives from NABARD, SIDBI and major banks were present. Pursuant to the discussions, the Sub-Committee recommended the following :

- (i) Data on sick units shall be maintained at District level. LDM/GM-DIC to ensure consistency of data. Sub-committee suggested starting the maintenance of data on manufacturing units initially.
- (ii) Data accuracy to be ensured by banks/Industries Department so as to avoid wide variation.
- (iii) District level awareness to be organized for branch level functionaries. One day workshops may be organized by Lead Bank/GM-DIC/SIDBI before the end of June 2011.

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum.

In the discussions, concern was expressed regarding the inaccuracy of the data furnished by Banks and agencies. The forum requested all the members to accord proper care while identifying the sick units. Once it is found potentially viable, there should not be any delay in nursing the unit.

Block-wise/District-wise awareness camp / workshop for bank officials and entrepreneurs to be conducted. Banks have to identify all eligible units for nursing. There should be coordination and cooperation between the Banks and DIC for identifying incipient sickness.

The need for proper and prompt reporting was also emphasized.

3.2.3. Proposal to introduce penalty for delayed payment of premium for coverage under CGTMSE

As per the existing Rule of CGTMSE the borrowers or applicants have to pay premium amount on policies taken by them within a specified time and the policies will be cancelled by the lending institutions on delayed payments. In the SME Empowered Committee held on 09.12.2010 by Kottayam District Industries Centre, it was suggested that instead of cancelling the policy, it is advisable to charge penalty for delayed payments of premium.

The matter came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 at Trivandrum. The meeting decided to take up the matter with MSME Development Centre to explore the possibilities of implementing this suggestion.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 where it was recommended to pursue the matter.

SLBC Convenor had taken up the matter with the MSME Development Centre, Mumbai requesting to examine the proposal and inform the decision taken in this regard. Their reply is awaited.

3.2.4. Non-Receipt of subsidy for PMEGP loan

- (i) Federal Bank Ltd, Elanji Branch had sanctioned a loan of Rs.2.00 lac to Mr. Sibi Mathew, Karakudiyil House, Elanji P O on 27.08.2009. The activity was MOBILE MORTUARY and the project was for Rs.2.39 lacs. This was approved by the Task Force Committee and forwarded to the Bank. It consisted of two mobile mortuary units and two generators. No vehicle was part of the project. The eligible margin money was Rs. 0.60 lac. However the claim for subsidy was declined by KVIC on 07.12.2009, stating that the activity cannot be considered under PMEGP.
- (ii) KVIC reportedly have taken up the issue with their Head Office for clarification and they concurred with the decision taken by Regional Office.
- (iii) The issue was taken up in the State Level Monitoring Committee on PMEGP conducted by KVIC in August 2010.
- (iv) The borrower has stopped repaying the loan stating that unless subsidy is given, he will not pay back it. The account has turned NPA now.
- (v) The activity is not in the negative list of PMEGP.

The matter came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 at Trivandrum as suggested by LDM, Ernakulam.

The Convenor, SLBC informed that that it was a pending issue taken up by Federal Bank earlier and was referred back to be considered by DLRC/ DCC, Ernakulam. Now that it has been referred to SLBC again we may examine the facts and make recommendations to KVIC.

In the meeting, Director, KVIC informed that the matter has been referred to KVIC, Central Office recommending with all details and head office is expected to release the Margin Money subsidy within 10 days.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011. The meeting decided that the issue has to be pursued till its logical conclusion.

SLBC Convenor had followed up the matter with the KVIC, vide its letter SLBC 38 1154 2011 KRA dated 13.07.2011, requesting to take immediate action for releasing the Margin Money and inform the developments in this regard.

The progress in this regard is yet to be informed by KVIC.

3.2.5. PMRY 2006–07 & 2007–08 - Non receipt of Subsidy

The matter came up for discussion during the State Level Review Meeting (SLRM) of SLBC, Kerala held on 27th and 28th August 2009 in Trivandrum.

In the meeting, LDM, Thrissur informed that Subsidy on PMRY loans were yet to be released to various banks by the Government. Obviously the Borrowers of PMRY loans have to pay interest on the claimed subsidy portion also till it is received by Banks. He informed that Thrissur District is having 12 and 108 pending subsidy cases for the year 2006-07 and 2007-08 respectively. In view of the above, he requested SLBC forum to recommend to RBI to speed up the process of releasing the pending subsidy.

During the meeting, the Assistant General Manager, RBI informed that Kerala Regional Office of RBI was not directly dealing with the matter and it was centralised at Mumbai.

The matter again came up for discussion during the 100th meeting of SLBC, Kerala held on 21.12.2009 in Trivandrum. The Chairman of the meeting informed that SLBC have received communication from RBI, Regional Office stating that RBI, Central Office was in the process of finalizing the PMRY subsidy for the year 2006-07 and 2007-08 in consultation with the Government of India and as soon as it was finalised, the subsidy would be passed on to the implementing banks.

During the 101st meeting of SLBC, Kerala held on 30.03.2010, the Deputy General Manager, RBI informed that so far RBI had not received any clarification from Government of India in this regard.

RBI vide letter RPCD (T) No.LBS/2022/03.02.02/2009-10 dated 11.05.2010 informed that *“RBI Central Office is in the process of finalizing the PMRY subsidy for the year 2006-07 and 2007-08 in consultation with the Government of India and a final decision in the matter will be communicated in due course.”*

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16th & 17th September 2010 in Trivandrum. During the Group Discussions, the Group recommended for following up the matter till a logical conclusion.

The matter again came up for discussion in the 102nd Meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum.

During the meeting the Assistant General Manager, RBI informed that recently they have received a clarification from their Central Office, Mumbai that the matter of releasing the captioned subsidy has already been taken up with Government of India and after receipt of the subsidy from Government of India, the same would be allocated to implementing banks.

LDM, Thrissur informed that many PMRY accounts have turned to NPA. Though the lock in period for adjustment of subsidy is also over, in many cases subsidy is yet to be received affecting the recovery process. Hence he requested the forum to follow up the matter further till meaningful solution.

The forum took a decision to follow up the matter till it is resolved.

RBI, RPCD, Trivandrum vide letter RPCD (T) No.LBS/687/03.02.02/2010-11 dated 07.02.2011 informed that RBI Central Office has taken up the matter with Government of India and they shall revert to the subject as soon as a communication is received.

The matter again came up for discussion in the 103rd Meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum and decided to pursue the matter with RBI.

Further SLBC is repeatedly getting representations/enquiries from many member Banks on the fate of PMRY subsidy from many Banks as the branches are finding it difficult to convince the customers and the loan accounts could not be closed for want of subsidy.

Vide letter RPCD (T) No.LBS/888/03.02.02/2010-11 dated 11.05.2011, RBI informed that their Central Office has taken up the matter with Government of India and a decision in this regard is awaited.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011. The meeting decided that this long pending issue has to be pursued vigorously for an early settlement.

SLBC Convenor had followed up the matter with the Reserve Bank of India, vide its letter SLBC 38 1155 2011 KRA dated 15.07.2011.

Vide letter RPCD (T) No.LBS/172/03.02.02/2011-12 dated 07.09.2011, RBI informed that “RBI Central Office has taken the captioned issue with Government of India. They have informed that a proposal for augmentation of funds under backward and forward linkage component of Prime Minister’s Employment Generation Programme (PMEGP) for clearing residual liabilities of erstwhile Prime Minister’s Rozgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) schemes under consideration for the approval of competent authority. The proposal for further release of funds can be considered only after the approval of the competent authority, subject to availability of budgetary provision”.

3.2.6. Introduction of a common Credit card in lieu of Swarozgar Credit Card, Artisans Credit Card, Laghu Udhyaami Credit Card

The introduction of a common card in lieu of SCC, ACC, and LUCC was included as an agenda item for the 91st meeting of SLBC, Kerala held on 09.02.2007 at Trivandrum. The committee concurred with the suggestion of the Standing Committee of IBA regarding introduction of separate cards for non-farm sector and farm sector.

Further, a draft scheme for the proposed Credit Card Scheme for non-farm sector was formulated by the Convenor, SLBC and placed before the SLBC meeting for its approval. The draft scheme, examined and approved by SLBC, Kerala had forwarded to IBA.

In the SLRM held on 16th & 17th September 2010, it was suggested that a Sub-Committee be constituted to look into the various operational issues and rationalization of the various Credit cards being issued by banks (SCC, ACC, LUCC and GCC).

The meeting observed that the issue was taken up with IBA earlier and a Sub-Committee was constituted by IBA to examine the suggestion.

The agenda item again came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. Since no further developments were reported it was decided to pursue the matter.

The matter again came up for discussion in the 103rd Meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum and decided to pursue the matter with IBA.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum. The Group suggested that the cards should be linked to ATM. The meeting decided to pursue the matter.

Vide letter No. SB/SLBC/ACC dated 06.06.2011, Indian Bank’s Association informed that the IBA Sub-Committee on Agro Business in the year, 2007 had occasion to examine the recommendations made by the Working Group constituted by RBI to study the

recommendations of the report submitted by the National Commission for Enterprises in the Unorganized Sector under the Chairmanship of Prof. Arjun Sengupta. One of the recommendations related to issue of introduction of multipurpose Swarozgar Credit Card for the self employed persons in the non-farm unorganized sector. The Sub-Committee expressed the following views:

“As General Credit Card (GCC) is already in existence, there is no need for a separate Swarozgar Credit Card to cater to the unorganized sector. The features of GCC could be suitably modified to incorporate requirement of unorganized sector. It was the Committee’s view that it should be possible for banks to meet all credit card requirements through the two primary card products viz. KCC and GCC”.

In view of the above clarification, the item may be dropped.

3.3. INFORMATION NOTE

3.3.1. Scheme for Reimbursement of One Time Guarantee Fee and Annual Service Fee remitted under CGTMSE (Suggested by Directorate of Industries & commerce and Planning & Economic Affairs Department)

Introduction:

Entrepreneurs in the State face much difficulty in starting a venture as they are not able to access bank credit because of their inability to provide adequate collateral security to the money lending agencies. Availability of bank credit without the hassles of collaterals / third party guarantees has been a major source of support to the first generation entrepreneurs to realise their dream of setting up a of their own Micro and Small Enterprise (MSE). Keeping this objective in view, Ministry of Micro, Small & Medium Enterprises (MSME), Government of India launched Credit Guarantee Scheme (CGS) so as to strengthen credit delivery system and facilitate flow of credit to the MSE sector. To operationalise the scheme, Government of India and SIDBI set up the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). Under the Credit Guarantee scheme (CGS), the Trust covers credit facilities extended by Member Lending Institution(s) to a single eligible borrower in the Micro and Small Enterprises sector for credit facility (i) not exceeding Rs. 50 lakh (Regional Rural Banks/Financial Institutions) and (ii) not exceeding Rs.100 lakh (Scheduled Commercial Banks and select Financial Institutions) by way of term loan and/or working capital facilities on or after entering into an agreement with the Trust, without any collateral security and/or third party guarantees or such amount as may be decided by the Trust from time to time. The Credit Guarantee scheme (CGS) seeks to reassure the lender that, in the event of a MSE unit, which availed collateral free credit facilities, fails to discharge its liabilities to the lender, the Guarantee Trust would make good the loss incurred by the lender up to 75 / 80/ 85 per cent of the credit facility. Under this scheme the lending institution from where the entrepreneur availed assistance, has to be pay to the Trust a onetime guarantee fee and annual service fee. The amount equivalent to the guarantee fee and/or the service fee payable by the eligible lending institution may be recovered by it, at its discretion from the eligible borrower.

Kerala has got a distinction of having the maximum number of units of MSME covered under the Guarantee scheme of CGTMSME. During the third quarter of the financial year 2010-11 banks in Kerala sanctioned an amount of Rs.147.96 crores in 5120 cases under CGTMSME coverage. While analyzing this figure it can be ascertained that the average loan sanctioned under this scheme to a unit is only Rs.2.89 lakhs whereas the maximum loan allowable is Rs.100 lakhs. This shows that only the very small enterprises are getting the benefits under the scheme and most of the enterprises who require a big amount as loan are not getting the assistance. While discussing the point in the SLBC it was clarified that such units are not willing to take the facility as they have to pay a big amount as guarantee fee both the one time fee and the annual service fee. This proposal is to assist micro and small enterprises to avail loan under CGTMSME by providing the guarantee fee including the annual fee to be paid by them.

Objective:

This scheme intends to reimburse the one time Guarantee fee and the annual service fee remitted by enterprises to avail collateral free loan from banks and other financial institutions under Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). This will increase the flow of credit to MSME sector.

Target Group:

All Micro, Small and Medium Enterprises in the State which has filed EM Part I or Part II as the case may be and has availed collateral free loan from banks and other financial institutions under Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) are eligible for this assistance subject to the condition that the loan lending institution had recovered the one time Guarantee fee and the annual service fee from the entrepreneur/enterprise.

One Time Guarantee Fee:

Under the Credit Guarantee scheme (CGS) a One-time guarantee fee at specified rate currently 1.00% in the case of credit facility upto Rs. 5 Lakh and 1.5% in the case of credit facility above Rs. 5 Lakh of the credit facility sanctioned (comprising term loan and / or working capital facility) shall be paid upfront to the Trust by the institution availing of the guarantee within 30 days from the date of first disbursement of credit facility (not applicable for Working capital) or 30 days from the date of Demand Advice (CGDAN) of guarantee fee whichever is later or such date as specified by the Trust.

Annual Service Fee:

Under the Credit Guarantee scheme (CGS) the annual service fee at specified rate (currently 0.50% in the case of credit facility upto Rs. 5 Lakh and 0.75% in the case of credit facility above Rs. 5 Lakh) on pro-rata basis for the first and last year and in full for the intervening years on the credit facility sanctioned (comprising term loan and / or working capital facility) shall be paid by the lending institution within 60 days ie. on or before May 31, of every year.

Assistance under the scheme:

The State Government shall reimburse to eligible Micro, Small and Medium Enterprises the amount equivalent to the onetime Guarantee fee and annual service fee recovered from it by

the credit lending institution while availing collateral free loan under Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) on or after 01.04.2011. The assistance for onetime Guarantee fee shall be limited to a maximum of Rs. 1.50 lakhs per enterprise. The total annual service fee shall be limited to a maximum of Rs. 75,000/-per enterprise. There will not be any bar, if an enterprise avails additional separate loans under the Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and applies for this assistance.

Identification and Selection of beneficiary:

Any micro/small/medium enterprise within the State which had filed EM as per MSMED Act 2006 with the concerned District Industries Centres and has availed collateral free loan from banks under Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) on or after 01.04.2011 shall be eligible for the assistance. Such enterprises shall submit application in the prescribed form for reimbursement of one time Guarantee fee and the annual service fee before the General Manager, District Industries Centres concerned along with required documents mentioned in the application viz. loan sanction letter of the financial institution, proof from the financial institution that the onetime Guarantee fee and the annual service fee has been recovered from the enterprise. The General Manager, District Industries Centre shall process the application and sanction reimbursement of the same to the enterprise and will be disbursed through the concerned Bank branch/financial institution.

Fund Requirement:

An amount of Rs.25 lakhs is required to implement the scheme during the current financial year. This will be met from the fund provided in the head of account 2851-00-102-84 State Investment Subsidy Scheme in the current year's budget.

Implementing agencies:

The agency to implement the Scheme shall be the Directorate of Industries & Commerce through the District Industries Centres.

Monitoring:

The scheme will be monitored by the Directorate of Industries & Commerce. The working of the units shall be monitored by the Industries Extension Officers/Assistant District Officers under the Taluk Industries Offices.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLBC for information of banks. However it was suggested that the scheme may be popularized through FLCCs and RSETIs.

3.3.2. Information on PMEGP Scheme – Note by KVIC

3.3.2.1. Margin Money utilization during 2011-12 [up to 31st July 2011]

As per the details collected from Nodal Banks Rs.1005.04 lakhs has been disbursed by Nodal Banks to various financing branches against the PMEGP projects sanctioned and financed during 2011-12. For the efforts made by S.O, KVIC, TVM to collect the M. M. utilisation by the three implementing agencies (KVIC/KVIB/DIC) the response is still

awaited from DIC. As regards utilization of M.M. by KVIC it is Rs. 303.19 lakhs and in respect of KVIB it is Rs. 296.17 lakhs up to 31st July 2011.

3.3.2.2. Certificates to be issued by all controlling banks by 31st July 2011

As per the decision taken in the State Level Quarterly Bankers Meeting dated 03.06.2011 KVIC has requested vide the letter dated 10-06-2011 and also reminded on 19.07.2011, all the controlling banks to issue the certificates by 31st July 2011; to KVIC, KVIB & DIC to the point that the financing banks under their control are not having any PMEGP projects (which were forwarded to them prior to 2011-12) for taking appropriate decision and submitting the M. M. claims to their Nodal Banks in cases of sanctioning and financing it. Their response is still awaited except two banks viz. NMGB & SMGB and requesting all the controlling banks again to immediately issue the above certificates to KVIC, KVIB & DIC; since 2011-12 is the terminal year of PMEGP scheme and there must not be any exceeding of “M. M. targets “ allotted for 2011-12.

3.3.2.3. Verification of PMEGP units by M/s. APITCO LTD; Hyderabad

As per the agreement executed by KVIC, M/s. APITCO LTD; Hyderabad having its office in Kerala; the said organization will be carrying out the physical verification of PMEGP units (2008-09 & 2009-10) and the concurrent verification of PMEGP units (2009-10 & 2010-11) of KVIC, KVIB & DIC. As the part of said exercise the above agency will be approaching the offices of KVIC, KVIB, DIC, the Financing banks and also verifying the concerned PMEGP units for collecting various datas and preparing the verification reports. Necessary intimation about the above arrangement have been already given to the concerned offices/banks and all are again requested to extend the necessary co-operation and help in the above regard.

3.3.2.4. EDP training

2011-12 being the terminal year of PMEGP scheme all the financing banks have to ensure that the entrepreneurs financially assisted under PMEGP are being sponsored (in the prescribed format) for undergoing the EDP training organized at the training institutes recognized under PMEGP.

3.3.2.5. E-Tracking of PMEGP Projects (2011-12)

For the E-Tracking of PMEGP projects of KVIC, KVIB & DIC during 2011-12, M/s. Keltron, Data entry Centre, Karakulam, Trivandrum has been engaged by KVIC about which due intimation has been also given to the implementing agencies. The said agency has to be provided with the details of projects received by the implementing agencies, placed before DLTF, forwarded to banks, rejected/sanctioned/financed and M.M claimed by banks and the disbursement of Margin Money by the Nodal Banks etc.

3.3.2.6. Web Portal

KVIC has introduced online Web Portal (www.kvic.org.in) which could be utilized by the implementing agencies (KVIC, KVIB & DIC) for the benefit of PMEGP units sponsored by them and financed by the banks. Relevant details above this area, have been also

communicated by KVIC to the concerned implementing agencies, with the request to make use of the Web Portal for the publicity of concerned units financed under PMEGP which will also be helpful in the marketing of their products/services.

Views of the Steering Committee

The Steering Committee decided place the above items for information of implementing banks.

3.3.3. Information Note submitted by MSME-Development Institute

3.3.3.1. Credit Guarantee Scheme to provide Collateral free credit to Micro and Small Entrepreneurs

The Credit Guarantee Scheme is the flag ship scheme of the Ministry of Micro, Small and Medium Enterprises to provide collateral free credit to Micro and Small Entrepreneurs. The guidelines issued by RBI on the scheme is placed as information note in **Annexure -10.62** [Working Group to Review the Credit Guarantee Scheme for Micro and Small Enterprises (MSEs) – Collateral free loans to MSEs].

3.3.3.2. SME Performance & Credit Rating Scheme through NISC

SME Performance & Credit Rating Scheme through NISC is provided in **Annexure -10.63.**

Views of the Steering Committee

The Steering Committee recommended placing the above for information of banks.

3.3.3.3. Status of Reimbursement Scheme available at MSME-DI Thrissur 2011-12

The Status of Reimbursement Scheme available at MSME-DI Thrissur 2011-12 is provided in **Annexure -10.64.**

3.3.4. Review of progress of implementation of REMOT Scheme during 2007-08 to 2010-11 – Note by Coir Board

The Central Sector Scheme of “Rejuvenation, Modernization and Technology Upgradation of Coir Industry (REMOT)” was approved by the Ministry of MSME for implementation during the 11th Five Year Plan period with a total outlay of Rs.243 crores comprising the Government of India grant of Rs.99.00 crores. The implementation of the scheme was commenced from the year 2007-08. The Scheme was designed to provide credit by the Banks for the development of coir industry where the Government support is also extended to the beneficiary for setting up of coir processing units in the major coir producing States of the country. The Scheme envisages covering 4000 spinning units and 3200 tiny household units during the year XI Plan Period. The project cost of spinning unit is Rs.2 lakhs and tiny unit is Rs.5 lakhs per unit. The assistance will be provided 55% by way of

Term loan from banks, 40% as subsidy from Government of India and 5% as beneficiary contribution.

Progress of implementation of the Scheme during 2007-08, 2008-09 and 2009-10

The implementation of REMOT Scheme was commenced from the year 2007-08. Now the Scheme is in the last year of its implementation.

The details of fund released for implementation of REMOT Scheme in the State of Kerala through various Banks during 2007-08, 2008-09 and 2009-10 and number of units assisted are furnished below:

Year	Name of Bank	Amount (Rs. in lakhs)	Total (Rs. in lakhs)	No. of units assisted		Total	Units operationalised
				Spg.	Tiny		
2007-08	Canara Bank, Mullackal, Alappuzha	342.00	472.00	172	239	411	331
	SBT, Cherthala	130.00					
2008-09	IOB, Alappuzha	412.80	957.20	168	460	628	300
	SBI, Kalavoor Branch	460.40					
	SBT, Kannur - 2	4.38					
	SBT, Cherthala	4.42					
	Central Bank of India, Alappuzha	75.20					
2009-10	Central Bank of India, Alappuzha	24.80	603.03	216	257	473	120
	SBT, Cherthala	31.52					
	SBT, Cherthala	62.00					
	Indian Bank, Guruvayoor	0.80					
	Bank of Baroda, Kochi	84.00					
	IOB, Alappuzha	38.28					
	IOB, Alappuzha	106.28					
	Canara Bank, Mullackal, Alappuzha	134.40					
SBI, Kalavoor	120.95						
TOTAL			2032.50	556.00	956.00	1512	751

All the Banks have reported that the amount released to them during the year 2007-08, 2008-09 and 2009-10 have been completely utilized, however the beneficiary wise reconciliation statement for the fund utilized for the year 2007-08, 2008-09 and 2009-10 from the Banks have not yet been received by the Board even though Board has requested several times to furnish the same. *The Banks may be requested to furnish the beneficiary wise reconciliation statement for the above period.*

Progress of implementation of the Scheme during the year 2010-11

During the year 2010-11 an amount of Rs.620.44 lakhs was released to the Subsidy Reserve Fund Account of the various banks in Kerala for the implementation of REMOT Scheme as detailed below:

Sl. No.	Name of Bank	Spg.	Tiny	Total units	Amount released (Rs. in lakhs)	State-wise total (Rs. in lakhs)
Kerala						
1	SBT,Chethala	8	2	10	9.20	
2	IOB, Alappuzha	-	172	172	313.50	
3	Union Bank of India	18	14	32	32.20	
	Union Bank of India	18	18	36	46.40	
4	Bank of Baroda, Ernakulam(for Aly)	29	0	29	11.00	
5	SBT, Chertalla	63	0	63	25.20	
6	SBT, Pattanakkad	247	0	247	98.80	
7	SBT Zonal Office, Kollengode	2	0	2	1.60	
8	Central Bank of India	62	2	64	34.74	
9	SBT, Perumbalam	1	0	1	0.40	
10	SBT, Muhama	46	4	50	30.00	
11	SBT, Pathirappally	13	0	13	6.40	
12	SBT, Varanad	8	1	9	4.20	
13	SBT, Pochakkal	12	0	12	4.80	
14	SBT, Purakkad	3	0	3	2.00	
	Total	530	213	743	620.44	620.44

The Ministry of MSME is requesting to furnish the beneficiary wise earmarking of the fund released during the year 2010-11 and to know whether the fund released to the Subsidy Reserve Fund Account of the Banks have completely been earmarked for the beneficiaries for giving assistance under REMOT Scheme. The Ministry is not releasing the fund for the year 2011-12 due to non receipt of utilization details of the fund released to the Banks during the year 2010-11. All the Banks have been requested to provide the above details immediately but this has not yet been provided by the Banks. *The Banks may be directed to furnish the beneficiary wise details immediately.*

Action Plan for 2011 – 12

For the REMOT Scheme, the Govt. of India has sanctioned the following amount for the year 2011-12.

		<u>(Rs. in lakhs)</u>
Grants-in-aid (General)	:	1403.00
SC	:	315.00
ST	:	172.00
NE	:	<u>210.00</u>
Total	:	<u>2100.00</u>
		=====

The State wise target fixed for the implementation of REMOT during the year 2011-12 is as detailed below:

Sl. No.	State	Spinning units	Tiny/ Household units	Total (Rs. in crores)
1	Kerala	300	270	780.00
2	Tamil Nadu	100	250	580.00
3	Karnataka	30	55	134.00
4	Andhra Pradesh	20	40	96.00
5	Orissa	10	25	58.00
6	NE Region	40	60	210.00
7	Survey, Evaluation, awareness, publicity etc.	0	0	242.00
	Total	500	700	2100.00

An amount of Rs.780.00 lakhs has been earmarked for the implementation of Scheme in the State of Kerala for the year 2011-12. The Banks are requested to co-operate and speed up the process of giving assistance under REMOT Scheme in order to utilize the fund earmarked for the year 2011-12.

Views of the Steering Committee

The Steering Committee recommended placing the above for information of banks.

*The Bank-wise performance on REMOT Scheme as at June 2011 is provided in **Annexure -10.39.***

3.3.5. Review of Coverage under CGMSE scheme from Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

Kerala has got a distinction of having the maximum number of units of MSME covered under the guarantee scheme of CGTMSE. On a review of the performance, it is seen that during the first quarter of the financial year 2011-12 banks in Kerala sanctioned an amount of **Rs. 109.55 crores** (3721 proposals) under CGTMSE coverage. Bank-wise analysis reveals that State Bank of Travancore has sanctioned highest quantum of loans (**Rs. 22.19 crores**) followed by Indian Overseas Bank (**Rs. 19.87 crores**). District-wise analysis reveals that Ernakulam District has sanctioned the highest quantum of loans (**Rs. 18.60 crores**) followed by Trivandrum District (**Rs. 13.97 crores**). Bank-wise/District-wise details are shown as **Annexures-10.44 & 10.45.**

4. REVIEW OF THE DECISIONS AND COMPLIANCE THEREOF THE EARLIER MEETINGS – TERTIARY SECTOR & OTHER MATTERS

4.1. FRESH ISSUES

4.1.1. Aadhaar based Financial Inclusion (Suggested by Government of India, Planning Commission, UIDAI, New Delhi)

Unique Identification Authority of India (UIDAI) has been set up by the Government of India to serve as a National Identity and Authentication infrastructure. This infrastructure is expected amongst others to facilitate access to modern banking and payment systems for every resident of the country.

With a view to enabling access to banking services, UIDAI has partnered with banks through a district-wise empanelment process in which 64 banks (public sector, private sector, foreign banks, RRBs, Co-operative banks) have participated. This partnership aims to provide the residents enrolled for Aadhaar with a choice of choosing a particular bank where he/she would like to open an account.

Views of the Steering Committee

*The Steering Committee decided to place the matter before SLBC and also decided to provide a slot in the SLBC meeting to the representative from UIDAI for making a presentation on Aadhaar based Financial Inclusion. The details of the various aspects are provided in **Annexure 10.61**.*

4.1.2. Agenda items suggested by Reserve Bank of India

4.1.2.1. Lending under DRI Scheme

Achievement of banks in lending under the DRI scheme has consistently remained static and much below the prescribed targets. SLBC forum may discuss ways and means to improve lending under DRI to achieve the stipulated target of 1%.

Views of the Steering Committee

The Steering Committee observed that a Sub-Committee constituted for DRI issues already exists and hence decided to refer the matter to the Sub-Committee.

The Sub-Committee of SLBC that met on 07.09.2011 recommended the following.

A. *For immediate implementation*

- (i) Banks to take special effort in granting loans under DRI Scheme*
- (ii) Banks to finance minimum of 5 loans per month through its rural/semi urban branches.*

B. For consideration of the forum

- (i) *Income ceiling of beneficiaries to be included under DRI scheme to be enhanced to Rs. 64,000 (Basis for this recommendation is taken into account by computing the average wage pattern of the State for a duration of 25 days for period of 1 year – 175x25x12)*
- (ii) *Quantum of Loan to be enhanced to Rs. 50000- to enable the beneficiary to have livelihood, food security and economic security and to engage in a income generation activity.*
- (iii) *All banks to join for conducting awareness camps with Local Self Government Department/Oorukkoottam and specify targets.*
- (iv) *Group financing to be promoted*
- (v) *Documentation to be made uniform and simplified*
- (vi) *Beneficiaries of poverty alleviation schemes to be covered under the scheme.*
- (vii) *Formation of Asset Management Group in branches (Asset Management Group to comprise of Bank Officer, implementing Department Officer, Beneficiaries)*
- (viii) *Corporations to identify beneficiaries to be financed under DRI and forward to Banks.*
- (ix) *Encourage networking of activities- manufacturing/processing units to help them develop as promoters with support from Government Departments*

4.1.2.2. Sanctioning OD facility in no-frill accounts opened as part of Financial Inclusion and credit offtake under GCC and KCC

RBI suggested to examine the reasons for not sanctioning OD in no-frills accounts opened as part of financial inclusion by banks. It also requested the forum to probe in to the reasons for the low credit off-take under GCC and KCC in identified model villages.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLBC and refer to the Sub-committee on Agriculture to study and put up recommendations.

4.1.2.3. Status of revival of defunct SHGs

RBI suggested that the status of revival of defunct SHGs be reviewed in SLBC.

Views of the Steering Committee

The Steering Committee suggested collecting the information from banks and place it before SLBC for information.

4.1.2.4. Meaningful financial inclusion in Ernakulum District

As fall out of outreach programme conducted by RBI in Vengoor West Village, it was decided to proceed with ensuring meaningful financial inclusion in Ernakulum district. Union Bank of India – the Lead Bank of the District and Federal Bank are the major players in the task. The Status report is required to be submitted by the Lead bank of the district viz. Union Bank of India and Federal Bank Ltd. on Vengoor (west) village.

Views of the Steering Committee

The Steering Committee suggested placing the reports from LDM, Ernakulam and Federal Bank in SLBC.

4.1.2.5. Operations through BCs

RBI desires to have a first hand information on the operations effected through BCs and suggested that banks may appraise the house on issues, if any.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLBC for deliberation.

4.1.2.6. Low level of transactions through Smart cards

Though financial inclusion phase II is in progress RBI observed that the transactions through Smart Cards are not happening in full swing. It was desired to call for the views from the bankers.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLBC for deliberation.

4.1.2.7. Details of BCs and BF's operating in the State

RBI desires to have the number of BCs and BF's operating in the State (separately).

Views of the Steering Committee

The Steering Committee felt that the details of BCs and CSPs are provided by all banks in their data on financial inclusion. The data on BF's have not been collected till date. However it was suggested that the item be placed in SLBC.

4.1.2.8. Credit facilities to women and SC/ST beneficiaries

RBI felt that the data provided in SLBC background paper shall reflect scheme wise disbursement of credit facilities to women and SC/ST beneficiaries also.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLBC.

4.1.2.9. Recovery in Government sponsored schemes

Recovery performance under Government sponsored schemes shall be placed for information in the SLBC.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLBC and to ensure that the recovery performance under Government Sponsored Schemes is reviewed in the SLBC.

*The Recovery position as at June 2011 is shown in **Annexure 10.47.***

4.1.3. Interest Subsidy Scheme for Housing the Urban Poor [ISHUP] (Suggested by Kudumbashree)

4.1.3.1. Claiming of subsidy by Banks under ISHUP

In ISHUP Scheme Banks are not claiming the subsidy whereas the beneficiaries are bound to pay the full EMI amount. Until the participating banks claim their subsidy upfront, the beneficiaries are depositing the full EMI. Therefore it is requested to fix a time limit of 10-15 days for claiming the subsidy from HUDCO or NHB.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLBC for adoption.

4.1.3.2. Banks are not accepting the applications forwarded to them after screening by the ULB level ISHUP Committee

The applications are received by the ULB, and after the initial processing and screening of the applications they are forwarded to the Banks. The Banks are putting restrictions by accepting a limited number of applications because of the time required for processing the applications which delays the sanctions and disbursements.

The conversion of applications to sanction is only 3%. As of 27th of July 2011 applications collected by CDS is 20,730 and forwarded to bank is 11107 and number of loan sanctioned is only 369.

Even after so many deliberations at different levels, still the Bank Managers are yet to get clear-cut instructions from their respective head offices regarding various decisions taken at Central and State Level.

Views of the Steering Committee

The Steering Committee suggested that the matter be placed in SLBC and that Controlling Offices of banks to take note of the deficiencies pointed out. The Committee also suggested placing the latest data before SLBC.

*The data as on 31.08.2011 is provided in **Annexure-10.50**.*

4.1.4. According sanction of loans to applications sponsored by the SC & ST Development Department (Suggested by SC & ST Dev. (A) Department, Government of Kerala)

The SC & ST Development (A) Department, Government of Kerala has informed that an amount of Rs. 24.21 crores has been allotted for promoting self employment ventures to the SC/ST beneficiaries during the current financial year. They sought the co-operation of the banks and requested them to sanction the loan for self employment ventures so that the amount could be booked during the current financial year itself.

Views of the Steering Committee

The Steering Committee recommended placing the matter to SLBC and suggested according priority to such applications. It also requested that the subsidy may be released upfront.

4.1.5. Reducing of Stamp Duty in respect of sale of properties by Banks under “SARFAESI” Act (Suggested by State Bank of Travancore)

The heavy stamp duty is becoming a hurdle in disposal of properties taken under SARFAESI Act. To obviate this hurdle, Government may think of reducing of Stamp duty in respect of sale of properties by Banks under “SARFAESI” Act.

Views of the Steering Committee

The Steering Committee decided to place the matter in the SLBC.

4.1.6. Intervention of Civil Courts in the proceedings under SARFAESI Act jeopardizing the purpose of the legislation (Suggested by Federal bank Ltd)

Actions envisaged under SARFAESI Act are the major tool used by the banks in the NPA recovery mechanism. The Act itself provides that any person aggrieved by the proceedings under the Act should first prefer appeal/application before the DRT. Civil Courts have no jurisdiction in this connection. There are several decisions of SC/High courts preventing intervention of Civil Courts in the proceedings.

However we observe that High Courts are still entertaining Writ petitions filed by the parties against the SARFAESI Act proceedings and issuing stay orders etc. It will in fact jeopardize the purpose of the legislation. The recovery proceedings are considerably delayed due to the intervention of High Courts. As such we feel that it is high time to bring the matter to the notice of SLBC, for taking up the matter with IBA/Govt of India, so as to avoid unwarranted interference of High Courts/Civil Courts to meet the interest of this special legislation.

The registrar of the respective High Courts can return the Writ Petitions filed against SARFAESI Act actions on the ground of the provision in the Act itself. If such matters are returned in the filing stage itself, accumulation of cases in High Court also will be reduced. A proper analysis in this regard has to be conducted and appropriate decisions have to be taken, bringing the issue before the High Courts / Supreme Court.

We may give below certain decisions establishing our stand in the matter.

First appeal to DRT is discussed in *Punjab National Bank Vs. O. C. Krishnan [2001] 107 Com Case 20; AIR 2001 SC 3208 ; K .R. Subbiah Vs. Indian Bank [2005] Vol.124 Comp. Cases 328 (Mad.)* wherein it is held that there is hierarchy of appeal provided in the Act, namely, filing of appeal under Sec.17 of SARFAESI Act and this fast track procedure cannot be allowed to be derailed either by taking recourse to proceedings under Art.226 and 227 of the Constitution or filing civil suit which is expressly barred. Even though a provision under an Act cannot expressly oust the jurisdiction of the court under article 226 and 227 of the Constitution, nevertheless when there is an alternative remedy available, judicial procedure demands that the court refrain from exercising its jurisdiction under the said constitutional provisions.

Supreme Court in 2010, in *United Bank of India Vs.Satyavathi Tandon (CDJ 2010 651)* held that Courts shall not interfere in SARFAESI matters. Similar finding is made by the SC in *Kanyalchand & others Vs. State of Maharashtra (CDJ2011 SC 110)*. Civil courts have no jurisdiction to grant injunction in respect of matters coming within the purview of DRT/DRAT (2011(I) KLT 567).

Based on the foregoing, it is requested to take up with appropriate authority to avoid unwarranted interference of High Courts / Civil courts to meet the interest of special legislation.

Views of the Steering Committee

The Steering Committee suggested placing the matter in SLBC and to refer the matter to IBA.

4.1.7. Indira Awas Yojana – Top up loan from Banks under DRI Scheme – Proposal for waiver of Equitable Mortgage by Banks in the State (Suggested by Canara Bank)

Housing Loans under DRI Scheme to beneficiaries under Indira Awas Yojana (IAY) was tabled in the 99th Meeting held on 25.06.2009 in Trivandrum and SLBC has requested Controlling Offices of banks to implement the scheme. But on analysis the following points emerged as reasons for the poor performance under the scheme:

- (i) Majority of the Banks are not aware of the provision of extending DRI loans for IAY beneficiaries as top up loans.
- (ii) As per the scheme Equitable Mortgage of Landed property where the house is proposed to be built/ being built is necessary for sanctioning the loan. Considering the work involved in the preparation of Land Documents for Legal Scrutiny, advocate fee and the meager loan amount of Rs. 20000/- the beneficiaries are not coming forward. Therefore the loan under DRI may be sanctioned as security free as in the case of other DRI loans.
- (iii) If the waiver of EM is difficult, banks may obtain the available title deeds along with other relevant revenue records from the customer with an undertaking that in case of demand from the Bank mortgage will be created in future and documents will be not be sought from the bank till the closure of loan. With such an undertaking and obtention of documents from the party the loan can be granted easily.
- (iv) Some of the other SLBCs like SLBC, Tamil Nadu has waived the condition of creation of mortgage for this type of loans and the scheme has taken off well in the State.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLBC for discussion.

4.1.8. Modifications suggested on the conduct of SLBC Meetings & formation of Subcommittees [Agenda cum information note as circulated by SLBC, Goa based on the remarks made by RBI Deputy Governor] (Suggested by SLBC Cell)

Dr. K.C. Chakrabarty, Deputy Governor, Reserve Bank of India in the meeting of top Bank officials held at Mumbai on 14.06.2011 has highlighted following points regarding conduct of SLBC meetings:

- (i) SLBC meetings are to be conducted in a professional way.
- (ii) There should be continuity of person attending SLBC meetings. Every time new persons should not be deputed for SLBC meeting.
- (iii) Participation in the meeting should be at higher level.
- (iv) If any member is not in a position to attend the SLBC meeting, he should inform it to SLBC and permission should be sought from convener SLBC for leave of absence.
- (v) SLBC should devote more time for discussion on agenda items rather than speeches. Each member should bear this in mind while interacting in SLBC meetings.

Along with the above points the following agenda on subcommittee meetings is suggested by SLBC Cell.

- (vi) Instead of having multiple sub committees, it is proposed to have only three sub committees' viz. Sub committees on Primary, Secondary & Tertiary sectors. The respective subcommittees may meet once in a quarter preferably within 45 days from the end of the quarter and would discuss all the pending issues and agenda items pertaining to that sector in detail. The recommendations of the subcommittee will only be submitted to SLBC and SLBC would deliberate only on these recommendations. This would help to improve the efficiency of SLBC further. Besides the permanent members in each subcommittee, the Convenor of SLBC would have the discretion to include additional members depending on the nature of the issue and the expertise required in discussing the agenda items. The subcommittee on pending issues with Government would remain as it is as the same is formed for exclusive focus on clearing the agenda items which are long pending with the Government.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLBC for adoption.

4.2. PENDING ISSUES

4.2.1. Financial Inclusion - Progress in implementation of Roadmap in the identified Villages

A special Sub-Committee of SLBC, Kerala was conducted on 12.08.2011 at Trivandrum which reviewed the progress made by the banks in the implementation of the financial inclusion roadmap across 127 villages identified in the State. This includes 120 villages with more than 2000 population and 7 villages with less than 2000 population. The meeting

was attended by Regional Director, RBI, Convenor SLBC, top executives of NABARD and Banks. The meeting had a threadbare discussion on various issues confronting the successful implementation of roadmap. The meeting decided to complete the implementation of the roadmap in all the 127 villages before 15.09.2011 so that the State can come out with declaration for having provided banking channel in all the villages in the SLBC meeting scheduled during September. The meeting chalked out the action plan for the implementation of “Swabhimann” campaign by the Banks in the unbanked villages. In the meeting, considering the convenience of extending banking service, Puthupally Village (Alappuzha District) with more than 2000 population which was earlier allotted to Corporation Bank was reallocated to Federal Bank. The final position of District wise/Bank wise allocation of villages with more than 2000 population is given in the **Annexure-10.53**.

Another Sub-Committee meeting was held on 06.09.2011 for ascertaining the progress made by banks in the implementation of the FI roadmap in the allotted villages. The meeting observed that among 120 villages with more than 2000 population banking channels were provided in 113 villages. In 7 villages allotted to Punjab National Bank, the process of identification of CSPs is in final stages. PNB assured forum that CSPs will be in place in all these villages before 15.09.2011. The bank wise progress achieved in this regard is given in the **Annexure-10.55**. The meeting observed that among 7 villages with less than 2000 population BC model was adopted by South Indian Bank in 1 village. In the remaining 6 villages, the banks involved viz. Union Bank of India (1 village), Syndicate Bank (4 villages), Vijaya Bank (1 village), have assured the forum to complete the task before 15.09.2011. The District wise/Bank wise allocation with population less than 2000 is given in **Annexure-10.54**.

The forum may resolve to have provided banking channel in all the unbanked villages as per the Financial Inclusion Roadmap in the State of Kerala.

4.2.2. Difficulties faced by the Banks in the Kasaragod and Wayanad Districts in recovery of Bank dues : False propaganda and organized resistance by Indian Farmers Union (INFU) against legitimate recovery measures adopted by the Banks

The agenda item came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum.

INFU is leading organized movement against the Banks in the Kasaragod District and bringing hurdles in the way of recovering the legitimate dues of the Banks. In the recent past there has been an incidence in NMGB, Ramnagar Branch, in Kasaragod District, where the activist of INFU took forcible repossession of the house which was legitimately taken possession of, under the provisions of SARFAESI Act. This was followed by a mass propaganda against the said Bank by organizing their cadre in a mass rally organized on 19th March 2011 in front of the branch premises. However, the branch has already filed police-case and criminal complaint against the trespassers.

It is felt by all the banks in the District that there should be some concerted action like issue of press release by RBI/SLBC on the vindictive action against Banks in the State by such vested groups, clarifying the matter in clear terms that recovery action by the Banks are perfectly legitimate and very much required for the banking system to survive.

The meeting recommended that such activities by the above groups or similar groups should be resented by all concerned and the District Administration should take strong action against such activities. The meeting suggested taking up the issue with the Government of Kerala/Home Department seeking protection for banks and to extent assistance in the recovery of loans.

The meeting decided to take up the matter with the Government of Kerala.

SLBC Convenor had taken up the matter with the Additional Chief Secretary, Home Department, Government of Kerala, vide its letter SLBC 38 1305 2011 KRA dated 17.08.2011, requesting to look into the same and do the needful for ensuring safe and congenial working environment for banks in the State especially in high incident prone Districts like Wayanad and Kasaragod.

4.2.3. Government proposal of declaring moratorium on recovery of loans availed by the people in Endosulphan affected areas

In a meeting chaired by the Hon'ble Chief Minister on 23.11.2010, it was decided that the Government would introduce a moratorium on recovery of loans availed by the people affected by the ill effects of Endosulfan in Kasaragod District. Total number of loanees under this category will be 640 and they have availed about Rs.5.4 crore as loan from Public Sector Banks (Survey conducted by ICDS is furnished below). Women and Children in this area were found to be worst affected with congenital anomalies, mental retardation, physical deformities, chronic ailments, cerebral palsy, re-productive disorders and many irreversible and difficult diseases to treat and they live in misery and their livelihood is deplorable. A large quantum of money was taken by the people as loan from Public Sector Banks, Co-operative Banks and money lenders to pull on their lives.

Moratorium on recovery of loans and revenue recovery proceedings is considered to be an indispensable option as the loanees are unable to repay the loan amount in the present situation. A positive response from the banking sector in this direction will be great relief to these people in deep distress. To mitigate the hardships of these people, it is requested to do the needful for including this item in the agenda items to be discussed in the SLBC.

The matter came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum as suggested by the Principal Secretary Finance (Planning) Department, Government of Kerala.

During the meeting, the Officer on Special Duty, Finance (Resources), Government of Kerala informed that Government of Kerala had suggested that banks in the Endosulphan affected areas may consider granting at least one year moratorium on loans availed by the people affected by the ill effects of Endosulphan. The State Government had taken various measures for extending relief to those people who were actually distressed in these areas under acute agony. He added that the affected people availed loans from various banks and is not in a position to repay such loans now. Hence, he requested the forum to take a favourable decision in line with the Government proposal.

The LDM, Kasaragod informed that the list forwarded by the District Administration does not furnish complete details of the victims of Endosulphan. Banks in the District were expressing difficulties in identifying the persons. As the District Administration had entrusted the task to Kudumbashree for collecting the details of the victims, he sought the assistance from Kudumbashree in this regard.

The forum requested Kudumbashree to provide the details of victims of Endosulphan as early as possible to examine the proposal of the Government. SLBC Convenor had taken up the matter with Kudumbashree, requesting to provide the details.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum. It was reported that the responsibility of collating the data is now with ICDS. The meeting requested the LDM Kasargod to co-ordinate with ICDS and speed up the collection of required bank wise details including addresses.

SLBC Convenor had taken up the matter with the LDM, Kasaragod, vide its letter SLBC 38 1339 2011 KRA dated 19.08.2011 and the response is awaited. LDM, Kasaragod to inform the position.

4.2.4. Establishing one more DRT for the State of Kerala and Union Territory of Lakshadweep

On a review of the cases pending before the DRT it has been observed that there is absolutely no progress in the Original applications filed by the Bank for recovery of its dues. The inordinate delay in the disposal of original applications filed by the bank as well as Securitization Applications filed by the defaulting borrowers/guarantors challenging actions taken by the Bank under the SARFAESI Act is hampering the recovery efforts taken by the Bank. There are a number of cases where the Bank is not able to get the stay orders, granted by the DRT against proceedings initiated by the Bank under SARFAESI Act, vacated.

As on 31.12.2000, a total number of 1333 Original Applications and 1301 Securitization Applications were pending before the DRT, Ernakulam for hearing and disposal. The

year-wise break-up of the total number of Original Applications and Securitisation Applications pending before the DRT, Ernakulam is as under:

(a) Original Applications :

Year	Filed during the year	Pending at the close of the year
2008	271	931
2009	297	1093
2010	543	1333

(b) Securitisation Applications :

Year	Filed during the year	Pending at the close of the year
2008	257	343
2009	462	806
2010	807	1301

It is understand that the main reasons for the above are the increase in the work load of DRT as a result of the increasing number of Securitisation Applications filed under section 17 of the SARFAESI Act and there being only one DRT in the State.

While the backlog of pending cases is increasing year after year, going by the present rate of disposal, the backlog of cases is likely to increase further in future. Hence, in the interest of the banking community as a whole, it is extremely necessary to have one more DRT for the State of Kerala and Lakshadweep. It is requested to take up the issue at the appropriate level through SLBC.

The matter came up for discussion in the 103rd Meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum and decided to take up the matter with appropriate authority.

SLBC Convenor had taken up the matter with the Ministry of Finance, Government of India, vide its letter SLBC 35 630 2011 KRA dated 23.04.2011.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum. *The meeting recommended SLBC to follow up the same.*

SLBC Convenor had followed up the matter with the Ministry of Finance, Government of India, vide its letter SLBC 38 1157 2011 KRA dated 15.07.2011, requesting to examine the matter and do the needful for setting up one more DRT for the State of Kerala and Lakshadweep. Their response is awaited.

4.2.5. Levying of Service Charges under SARFAESI

The Government of Kerala vide GO (MS) No. 39/11/RD dated 20.01.2011 had ordered recovery of service charge @ 7.5% of the amount demanded from the borrower/guarantor under SARFAESI for which action under 14 of the Act is initiated.

The matter came up for discussion during the State Level Review Meeting (SLRM) of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum.

The forum decided to take up the matter with the Government with a request to waive Service Charges being levied by the Government for SARFAESI related cases.

It was informed that Canara Bank, Head Office had already taken up the matter with IBA, stating that levying of Service charges under SARFAESI is not permissible under the present law.

SLBC Convenor had taken up the matter with the Additional Chief Secretary, Revenue Department, Government of Kerala, vide its letter SLBC 38 1342 2011 KRA dated 19.08.2011, requesting to examine the matter and take appropriation action in this regard. The decision in this regard is awaited.

4.2.6. Computerization of Land Records

The SLBC, during its various meetings observed that some States, like Karnataka and Andhra Pradesh have already initiated steps for computerization of land records. This has enabled financing banks to make notings online, regarding their lien and helped to bring down the transaction cost for getting various certificates from village office. For example in Andhra Pradesh, computerization of land records, has brought down the transactions cost for getting a certificate from village offices from Rs. 157/- to Rs. 10/-.

SLBC had taken up the matter with the Secretary (Revenue), Government of Kerala, requesting to take necessary action in this regard.

While reviewing the matter in the Annual Review Meetings of SLBC, Kerala held in 2006, 2007 and 2008, the representative from the Revenue Department informed the forum that instructions had been issued to District Collectors to complete the process.

SLBC, Kerala observed that the matter had been pending with the concerned department for a long time and to be vigorously followed up with the Government. The Convenor had again taken up the matter with the Secretary (Revenue), Government of Kerala, requesting to inform the developments to the SLBC forum.

During the 99th meeting of SLBC, Kerala held on 25.06.2009 in Trivandrum, the Deputy Secretary, Revenue Department, Government of Kerala informed that the process of computerization of land records was going on and assured to inform the developments in this regard during the next SLBC meeting.

The matter again came up for discussion during the State Level Review Meeting (SLRM) of SLBC, Kerala held on 27th and 28th August 2009 in Trivandrum. In the meeting it was informed that there was a centrally sponsored scheme namely NLRM system which was being introduced during the year for computerization of land records to be completed within 3 years.

The matter again came up for discussion during the 100th meeting of SLBC, Kerala held on 21.12.2009 in Trivandrum. In the meeting the Nodal Officer, State IT Cell, Revenue Department informed that in tune with the recommendation of the SLBC, the IT Department was exclusively revamping the land records for computerisation in Kerala which includes 4 steps.

- (1) Resurvey process have been completed only in 768 villages out of 1500 villages in Kerala. The resurvey process would be completed through the Government programme called “BhoomiKerala”.
- (2) Completed the data entry process of 95% of the total resurvey records.
- (3) Data revalidation process was going on in the villages.
- (4) Data finalisation and data base updation were going on. Out of the 768 resurveyed villages, the process have been completed in 206 villages and hoisted in the Website of Revenue Department. The process would be completed in the remaining villages soon.

The matter again came up for discussion during the 101st meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum. Since the representative of the Revenue Department was not present in the meeting to ascertain the progress in this regard, the meeting decided to pursue the matter.

The Sub-Committee of SLBC, Kerala that met on 16.08.2010 at North Committee Room, Government Secretariat, Trivandrum under the Chairmanship of Sri. L. C. Goyal IAS, Additional Chief Secretary (Finance), Government of Kerala decided;

- (i) that a target date for completion of data entry and validation be fixed – to be completed by November 2010 in 753 villages resurveyed so far.
- (ii) the Revenue department may examine whether and ordinance could be issued in place of the amendment suggested in the Act.
- (iii) Only 5 villages would be resurveyed before November 2010.
- (iv) Out of the 1582 villages details regarding 753 villages have been uploaded in the website.

The Sub-Committee noted that substantial time is required for completing the process.

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16th & 17th September 2010 in Trivandrum.

In the meeting, Smt. Nivedita P. Haran IAS, Additional Chief Secretary, Revenue Department Government of Kerala informed that the land records computerization process had started in Kerala many years ago. The work is yet to be completed. Meanwhile Government of India had come up with a programme called National Land Records Management Plan (NLRMP) in which Revenue, Registration and Survey Departments would function under a common umbrella and share the data base so as to prevent illegal transactions, tampering with records etc. Revenue Department is part of the said programme. Though the work is progressing it is a difficult and arduous task.

She then explained the background of the land computerization process and informed that the data has been entered more than once in all districts. Followed by this, the data verification could not be done and since the data could not be updated within a reasonable period of time that has become redundant. Due to this, the available data on land records would not be final and needs to be attended on priority basis.

The matter is further confused since the maintenance of registers as well as the system of mutation followed by southern and northern parts of the State Kerala are different. As a result, uniformity in the process would be required. She added that proper resurvey of the records has not been done in many places in the State after 1908, as a result the survey maps were outdated. The process of updation and digitization has been completed in about 48% of the villages in the State over the last 50 years. So a system has to be needed by which either completion of the survey at war footing in the remaining 52% of the villages are to be done or come up with a proposal for having only smart maps. Now, Government of India had clarified that, as far as land holdings are concerned there was no need to have accurate survey maps. The implementation of whole process hence would take some more time which is being looked into by Revenue Department.

The agenda item again came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. In the meeting, the Assistant Commissioner, Revenue Department, Government of Kerala informed that Department had already computerized 305 villages in the State and had given details in the website www.revenuekerala.gov.in The computerization process has been done through the sponsorship of NLRM programme of Central Government and the process could be introduced only in resurveyed villages. There are 760 resurveyed villages in the State. In the first phase 576 villages were taken for computerization, of which 305 villages have been completed and the details are put in the website. Rest of the villages would be completed by the end of March 2011.

The Sub-Committee of SLBC, Kerala that met on 03.03.2011 at North Committee Room, Government Secretariat, Trivandrum noted that the representatives of the Revenue Department was not present in the meeting to ascertain the position in this regard. It was decided to pursue the matter further.

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. In the meeting, Smt. Nivedita P Haran IAS, Additional Chief Secretary, Revenue Department, Government of Kerala informed that Computerization of land record was linked with the issue of Land Titling Bill. Land Titling Bill is actually a model act that has been approved by the Government of India. The basic requirement in the model act is two fold. (i) Ensure the Government to maintain verified Revenue records of all land holdings (ii) A common database is maintained by the revenue authorities and other Government authorities concerned. It is only a recommendatory act made by Central Government to the State Government and that the State Government has to implement this act, for which some basic homework need to be done. The basic policy of the land records are known as the mirror principle and curtain principle. The mirror principle states that anything on the ground should mirror the revenue records and vice versa. ie the person who is the owner of the land on revenue records should be in possession of the land also. Curtain principle is that no land ownership can be challengeable in any court of law - civil or criminal. To reach this level of accuracy in revenue records, (i) It should be fully computerized and checked (ii) the Resurvey in the State should be completed. In Kerala also, the aim is to complete the computerization of Revenue records and the resurvey. Once this is done, the Land Titling Bill could be adopted or rejected by the State as per its discretion. She added that most of the States are very far from its implementation. As of now no decision has been taken by the Kerala State Government regarding adoption of the Bill.

In the light of the above clarification, the meeting decided to pursue the matter till logical conclusion and also to constitute a sub-committee exclusively to deal with Revenue matters.

Vide letter No.50085/G2/10/RD dated 12.04.2011, Additional Chief Secretary, Revenue (G) Department, Government of Kerala requested to drop the agenda item in view of the following reason.

“The basic provisions of the Land Titling Bill was explained in the 103rd SLBC. The computerization of Land Records and Resurvey work are in progress. Only after completing the process the possibility of adopting the Land Titling Bill will be relevant”

SLBC felt that the item need not be dropped but to be pursued with Government. It may be noted that most of the States had made considerable progress in computerisation of the land records. As the benefits of the computerisation is multi-fold benefiting the entire population of the State, Government is requested to speed up the process till reaching a logical solution.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum. *The Meeting requested the SLBC to pursue the matter with the Government of Kerala.*

4.2.7. Creation of a Central Registry titled National Mortgage Repository

In order to bring in more transparency and prevent frauds on property transactions, the issue of creation of a National Mortgage Repository (NMR) in the Country is widely discussed in the various forums of IBA/Government etc. It will function in a similar manner as vehicle registration where hypothecation is marked on the Registration Book of the owner or a search made in Registrar of Companies Office to ascertain certain details pertaining to companies.

The matter has been actively followed by the SLBC since SLRM 2008 and a decision in this regard is awaited from the Revenue Department.

While reviewing the matter in the 100th meeting of SLBC, Kerala held on 21.12.2009, the Deputy Secretary, Revenue Department informed that the matter would be examined.

SLBC Convenor, vide letter No. SLBC 35 213 2010 KM dated 10.02.2010, had taken up the matter with the Principal Secretary, Revenue Department requesting to consider creation of a National Mortgage Repository (NMR) to bring in more transparency and prevent frauds on property transactions.

The matter again came up for discussion during the 101st meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum. The meeting decided to take up the matter in the Sub-Committee of SLBC.

In the Sub-Committee meeting of SLBC, Kerala held on 16.08.2010 at North Committee Room, Government Secretariat, Trivandrum under the Chairmanship of Sri. L. C. Goyal IAS, Additional Chief Secretary (Finance), Government of Kerala, the representative from Revenue Department informed that Government of India is introducing Land Titling Act 2010 shortly. The draft in this regard is in circulation for comments and views. It was informed that the Act contains several provisions which would address the requirements of bankers. Revenue Department was instructed to expedite the action.

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16th & 17th September 2010 in Trivandrum. During the Group discussions, the Group noted the developments and suggested following up the matter further.

Smt. Nivedita P. Haran IAS, Additional Chief Secretary, Revenue Department Government of Kerala, in her address informed that Government of India had also come up with Land

Titling Bill during the last year aiming to ensure conclusive title to every land holder. She explained that the conclusive title means an unchallenged title and if any one challenges it in a court of law, the case would not stand. Further in case it could be challenged, the Government would have to indemnify the party, the land holder. The basis of the act would be good, proper and reliable land records. Land Titling Bill would only be a model act which means that State Government would have the option either to adopt the act, pass the rules and implement there after or otherwise. If we wish to reach the stage of Land Titling Bill, three things were to be ensured

- (i) Land records and Survey records are reliable, upto date and tamper proof
- (ii) survey records/maps shall be reliable and reflect the same as the revenue records says
- (iii) Online registration is done by the Registration department based on the same records lying in the revenue and survey records – they have to accept and function under the common database.

She suggested forming a separate sub-committee for resolving issues with Revenue department.

Vide letter No.50085/G2/10/RD dated 08.10.2010, the Additional Chief Secretary, Revenue (G) Department, Government of Kerala informed that *draft land titling bill is in progress. A workshop was conducted to examine the various aspects of the bill. The bill envisages that a land titling agency shall function as a Government Department and all the relevant offices, viz. Revenue, Registration and Survey, will be brought under one umbrella so that they all function with a common database. The bill allows indemnification of land owners for any defect in land records. The bill has been placed on the website of Department of Land Resources (dolr.nic.in).*

The bill is a Model Bill and the States have the option to examine and adopt it. It needs to be mentioned that such a bill can be adopted only after the land records and survey records are reliable up-to-date and tamper proof and the Registration Department accepts and functions under a common database. It is proposed that a Special Group may be set up by SLBC to discuss the above issues and to move forward in the State.

The issue of land lease and mortgaging can also be discussed by this special group.

The agenda item again came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. In the meeting, the Assistant Commissioner, Revenue Department, Government of Kerala informed that the Model Land Titling Bill was introduced by Government of India and the same is required to be adopted by the State Government. The discussion on this was going on with various departments and is expected to be finalized soon.

The Sub-Committee of SLBC, Kerala that met on 03.03.2011 at North Committee Room, Government Secretariat, Trivandrum noted that the representatives of the Revenue

Department was not present in the meeting to ascertain the position in this regard. It was decided to pursue the matter further.

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. The meeting decided to pursue the matter till logical conclusion and also to refer the same to the sub-committee exclusively to deal with Revenue matters.

Vide letter No.50085/G2/10/RD dated 12.04.2011, Additional Chief Secretary, Revenue (G) Department, Government of Kerala requested to drop the agenda item in view of the following reason.

“The basic provisions of the Land Titling Bill was explained in the 103rd SLBC. The computerization of Land Records and Resurvey work are in progress. Only after completing the process the possibility of adopting the Land Titling Bill will be relevant”

Recently IBA at the instance of Central Government has incorporated a company under Section 25 of companies Act known as Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI). As per this Equitable mortgages involving non agricultural properties created on or after 31.03.2011 are to be mandatorily registered with CERSAI and delay beyond 30 days will attract penalty.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum. *The Meeting requested the SLBC to pursue the matter with the Government of Kerala as the CERSAI takes care of only mortgages enforceable under SARFAESI and that mortgage for Agriculture loans are not covered under CERSAI.*

4.2.8. ADWDRS – Waiver of RR collection charges

The matter was included in the 96th meeting of SLBC, Kerala held on 30.07.2008 in Trivandrum.

In the process of implementing ADWDRS, the banks could get so many sticky accounts partly closed and rest of the amount has to be written off by the banks. The sacrificed amount by the banks include unapplied interest on NPA accounts, interest from 01.03.2008 till credits of Debt Waiver or Debt Relief assistance, inspection charges, legal charges etc. The loans covered under the scheme include only agricultural advances with overdues, many cases out of the above might have already been referred for Revenue Recovery actions.

The ADWDRS does not actually envisage any recovery from the borrowers except in the case of OTS for other farmers. Therefore, the banks may be exempted from payment of RR collection charges wherever actual recovery is not effected from the beneficiaries of the

loan waiver scheme as applicable to Small and Marginal farmers. However, the banks have to pay RR collection charges, in cases wherever OTS is effected, on collection of 75% of the amount outstanding from the beneficiary defaulters.

It is requested that waiver of collection of RR charges may be permitted in respect of loan waiver for small and marginal farmers and 25 % relief amount in the case of other farmers wherever OTS is contemplated, as per the ADWDR Scheme-2008 guidelines in vogue.

During the 96th meeting held in Trivandrum on 30.07.2008, the forum of SLBC Kerala pointed out that as ADWDRS was a Government of India scheme, it was decided in the meeting, to take up the matter with the concerned Department. The Additional Secretary, Revenue Department, Government of Kerala assured the forum that the above issue would be brought to the notice of the Ministry concerned.

The matter again came up for discussion during the 99th meeting of SLBC, Kerala held on 25.06.2009 wherein the Deputy Secretary, Revenue Department, Government of Kerala informed that there was already a circular from the Revenue Department in this regard stating that there is no provision for waiver of collection charges.

The meeting requested the Revenue Department to look into the matter favourably because Government of Kerala would be in a position to take an administrative decision regarding waiver of RR collection charges. The Principal Secretary, Finance Department, Government of Kerala assured the forum to examine the matter.

The matter again came up for discussion during the State Level Review Meeting (SLRM) of SLBC, Kerala held on 27th and 28th August 2009 in Trivandrum. During the group discussions there was no representation from Revenue Department to ascertain the progress. The meeting requested the concerned department to have a relook in the matter.

SLBC Convenor had taken up the matter with the Principal Secretary, Revenue Department, vide its letter SLBC 38 1273 2009 KM dated 03.11.2009, requesting to examine the case and apprise the latest developments in this regard.

Revenue (H) Department, Government of Kerala vide letter No.63658/H3/09/RD dated 16.06.2010, informed that *present system of levying collection charges at the rate specified in Rule 5 of KRR Act is to be continued and to waive collection charge while implementing ADWDR Scheme 2008 is not desirable under RR Act.*

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16th & 17th September 2010 in Trivandrum. During the Group discussions, the Group noted the contents in the background papers and suggested that while implementing ADWDRS all the banks have written off substantial amount being the balance portion and unapplied interest in all the eligible loans. Any further payment or

remittance as RR collection charges would bring further financial burden to the banks. Hence, the forum suggested to the Government to review the decision.

Vide letter No.50188/H3/10/RD dated 14.12.2010, the Additional Chief Secretary, Revenue (H) Department, Government of Kerala informed that :

“This subject is under consideration of Government in file No.53131/H3/2008/RD. Levying of collection charge is at present under challenge before the Hon’ble Supreme Court.”

The agenda item again came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. The forum decided to pursue the matter with Revenue Department, Government of Kerala.

The Sub-Committee of SLBC, Kerala that met on 03.03.2011 at North Committee Room, Government Secretariat, Trivandrum noted that the representatives of the Revenue Department was not present in the meeting to ascertain the position in this regard. It was decided to pursue the matter further with Government.

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. In the meeting, Smt. Nivedita P Haran IAS, Additional Chief Secretary, Revenue Department, Government of Kerala clarified that collection charges is a statutory requirement and therefore waiver of RR, even wherein it is OTS is not permissible and decision has been taken at the right forum that it cannot be waived. So collection charges are payable whether it is OTS or regular RR

The LDM, Thrissur informed that the suggestion was to waive RR collection charges for the amount remitted by customers under ADWDRS and not on other recoveries made through RR authorities or OTS. He added that for the payment made by the Government of India under ADWDRS also, RR collection charges are demanded by the State Government.

The General Manager, State Bank of Travancore informed that under ADWDRS, the money is coming from the Government of India and demanding RR charges on the same is not justified. The scheme was formulated by the Government of India and banks had received money directly from them. Also banks have written off some amount. There is no justification in paying the commission to the State Government thereafter. At this juncture, it is very important to take up the matter with Government of Kerala for withholding the collection charges. He requested SLBC forum to pursue the matter further with the government.

The Chairman of the meeting informed that SLBC had taken up the matter with the Government of Kerala and for which the Additional Chief Secretary (Revenue) had already given the clarification. He suggested that Head Offices of individual banks have to take up the matter with Government and in the meantime, SLBC would pursue the matter further

with Government. He felt that little bit more follow up and more pressure from all sides would help in sorting out the issue.

Vide letter No.50085/G2/10/RD dated 12.04.2011, Additional Chief Secretary, Revenue (G) Department, Government of Kerala requested to drop the agenda item in view of the following reason.

“Collection charges is based on statute and hence cannot be waived”.

However, SLBC had further taken up the matter with Revenue Department. As per the minutes of the meeting held in the Chamber of Additional Chief Secretary, Revenue Department on 24.05.2011, it is informed that Revenue Department will once again take up the issue in consultation with Finance Department.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum. *The meeting decided that SLBC may follow up the issue with Revenue authorities.*

4.2.9. Need for Reduction in Stamp Duty and Registration charges for Registered Memorandum

In Kerala, in the case of registered memorandum of Equitable Mortgage Transaction (EMT), the stamp duty applicable is 1.50% of the loan amount and the registration charge is 2 % of the loan amount, making it to 3.50% of loan quantum, without any maximum ceiling.

The banks in Kerala are not insisting for the safer mode of “Registered Memorandum of EMT” owing to the high stamp duty and charges for registration which would otherwise reduce the burden on borrowers.

The SLBC meeting had discussed the agenda to reduce the stamp duty on Equitable Mortgage (EM) followed by “Registered Memorandum” with a monetary ceiling such as “Maximum Stamp duty” and “Maximum registration charges”, irrespective of the loan amount, fixed at Rs. 5000/- and the Rs. 1000/- respectively as done in the State of Tamilnadu.

To strengthen the present system of Equitable Mortgage (EM) in Kerala, the SLBC forum suggested the Government to reduce the stamp duty on Equitable Mortgage (EM) followed by “Registered Memorandum” with a monetary ceiling, as followed by Tamilnadu State. If the charges for registered memorandum gets reduced to acceptable levels to all in the State, we can make it compulsory for all Equitable Mortgages (EMs) to register its memorandum thereby giving more strength to the mortgages and to increase the revenue to the State Government.

The members of SLBC, Kerala, in its 94th meeting held on the 24th December 2007 in Trivandrum arrived at a consensus decision to take up the matter with the appropriate Government department for a favourable decision.

Quoting the prevailing congenial conditions in the Tamilnadu State, the Hon'ble Union Minister of State for Finance Sri. Pawan Kumar Bansal, who chaired the meeting, opined that the above proposal would bring more comfort for both the bank and the customers. He suggested further that the "Registration charges" for registered memorandum for bank loans could be classified as a separate category and the charges for registration and stamp duty could be reduced for this category.

SLBC Convenor had taken up the matter with the Principal Secretary (Revenue) and Secretary (Taxes), Government of Kerala requesting to take up the matter with the Government of Kerala in a suitable manner so that our State could also follow the pattern by fixing reduced stamp duty and registration charges on "Equitable Mortgage" followed by "Registered Memorandum", with a monetary ceiling in line with that in Tamilnadu State. A favourable decision in this regard would pave way for sustained comfort and safety in lending by banks so also in generation of additional revenue to the Government.

The matter is being reviewed in the SLRM 2008 & 2009. Government is yet to come out with a decision in the matter.

The matter again came up for discussion during the 100th meeting of SLBC, Kerala held on 21.12.2009 in Trivandrum. The Deputy Secretary, Revenue Department informed the forum that no proposals have been received by the Government.

SLBC Convenor, vide letter No. SLBC 35 207 2010 KM dated 13.02.2010, had submitted the proposal to the Principal Secretary Revenue Department once again as decided in the meeting.

The matter again came up for discussion during the 101st meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum.

Sri. Teeka Ram Meena IAS, Secretary, Planning & Economic Affairs Department, Government of Kerala suggested that to invite the Principal Secretary, Revenue Department, Government of Keala in the Sub-Committee Meeting of SLBC and include all issues related to Revenue Department. The matter is referred to the Sub-Committee of SLBC.

The Sub-Committee of SLBC, Kerala that met on 16.08.2010 at North Committee Room, Government Secretariat, Trivandrum under the Chairmanship of Sri. L. C. Goyal IAS,

Additional Chief Secretary (Finance), Government of Kerala reviewed the progress in this matter and requested the IG, Registration Department to examine and take a view early.

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16th & 17th September 2010 in Trivandrum. During the Group discussions, the Group noted the present position and suggested that the SLBC may follow up the matter.

The agenda item again came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. In the meeting, the representative from Registration Department informed that an amendment would be required for reducing the registration charges and fixation of maximum cap.

The forum decided to pursue the matter with Registration Department.

The Sub-Committee of SLBC, Kerala that met on 03.03.2011 at North Committee Room, Government Secretariat, Trivandrum noted that the representatives of the Revenue Department was not present in the meeting to ascertain the position in this regard. It was decided to pursue the matter.

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. Since no progress has been intimated since last meeting, the forum decided to pursue the matter further with Registration Department, Government of Kerala.

SLBC Convenor had taken up the matter with the Secretary, Registration Department, Government of Kerala, vide its letter SLBC 35 639 2011 KRA dated 23.04.2011, requesting to examine the proposal and inform the Government's decision for placing the SLBC in its next meeting.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum. *The meeting recommended formation of a Sub-Committee which includes the Taxes and Registration Departments of the Government for speedy resolution of the item.*

4.2.10.Registration of Equitable Mortgage created in favour of the banks with Sub-Registrar

The matter is pending for a favourable decision by the Government since March 2003.

At present there is no practice of noting/recording the Equitable Mortgage (EM) transactions (ie. Mortgage by deposit of title deeds) in the revenue records of the

Government. Also there are no provisions for the same in the revenue regulations of the State of Kerala. The number of frauds reported in related cases is on the increase.

The matter has been in the regular agenda of SLBC since its 80th meeting. The chronology of the events in this regard is narrated below.

The meeting of Secretaries to the Government of Kerala chaired by the Chief Secretary and convened by the Office of Chief Secretary on 16.12.2003 agreed in principle to consider the suggestion and decided that Revenue Department would issue orders for implementation.

Subsequently, during the meeting of Government Secretaries chaired by the Chief Secretary and convened by the Secretary (Planning) held on 23.05.2005, the Secretary (Taxes) pointed out that it would be better to record the equitable mortgage transactions in the Sub-Registrar's office as it would be more foolproof and informed that such a system is in vogue in Tamilnadu State. The Principal Secretaries of Finance Department as well as Revenue Department had taken a supportive view on the above suggestion.

Accordingly, it was decided that the Secretary (Taxes) would prepare a proposal so that a similar system could be implemented in Kerala State also. Such a system would definitely help to augment the flow of credit to agriculture in the State in addition to minimizing the chances of fraudulent transfer of mortgaged property to third party.

The issue was again taken up in the SLRM 2006 and 2007 wherein it was decided pursue the matter with the Taxes Department, Government of Kerala as no decisions were conveyed.

In the recent years, banks have entered in to the areas of retail housing business in a big way. With the growth in mortgage loans, banks have come across large number of fraudulent transactions where fraudulent title deeds/documents were submitted for availing loans. Absence of a centralized arrangement for registering Equitable Mortgage transactions made it difficult to verify prior charges, resulting in multiple loans against a property.

It was informed by Indian Banks' Association (IBA) that, at the instance of the State Level Bankers' Committee (SLBC), various State Governments such as Tamilnadu, Karnataka, Andhra Pradesh, Madhya Pradesh, Gujarat and Himachal Pradesh have set up "Registries" for recording Equitable Mortgage Transactions (EMTs). Further, IBA has forwarded the official communication issued by the Government of Himachal Pradesh regarding noting of lien by Registering Authority of the State under Equitable mortgages in the revenue records.

The measures initiated by various Governments such as Tamilnadu, at the instance of SLBC, were found to be effective for registration of equitable mortgages with nominal charges. Following discussions on this issue at their end, Indian Banks' Association (IBA) had requested the Convenor of SLBC to take up with the State Government for setting up

similar arrangements in Kerala on the lines of measure taken by the Government s of Tamilnadu, Andhra Pradesh, Karnataka, Himachal Pradesh etc.

On account of the above, the issue was once again included as an agenda item for discussion in the 94th Meeting of SLBC, Kerala held on Trivandrum on 24th of December, 2007. There was consensus decision by the SLBC, forum during its 94th meeting that the issue needed to be followed up with the State Government vigorously.

Further, the meeting of the Sub-Committee of the IBA on “Mortgages and Valuation of property” held recently also stressed the need for registration of “Equitable Mortgage (EM)” across the country. The members of the IBA Sub-Committee also felt it appropriate to have an online system for registration of mortgages.

While reviewing the matter during the State Level Review Meeting of SLBC, Kerala held on 6th & 7th October 2008 in Trivandrum, the meeting requested that steps may be initiated at SLBC level for getting the equitable mortgages registered even by charging nominal fees.

SLBC Convenor had followed up the issue with the concerned department of Government of Kerala for a favourable decision on setting up of Registries for noting charge under Equitable Mortgage Transactions (EMT) which may be taken at the earliest, that would help the banks in the State in a big way.

While reviewing the matter during the 98th Meeting of SLBC, Kerala held on 24.04.2009 in Trivandrum, the forum noted that many of the other States in the Country had been implementing the scheme without any difficulty.

The Additional Secretary, Planning & Economic Affairs Department, Government of Kerala informed that SLBC recommendations had been forwarded to the Taxes Department on 08.05.2006 itself for implementation. .

The General Manager, Canara Bank and Convenor, SLBC, Kerala pointed out that the matter of EMT registration should be got done at a nominal cost. The indication of charges by other States was given for a pragmatic comparison only. He requested the Government Department to take up the matter and get a decision for registering EMT at a nominal price. People at large in Kerala would be benefited and banks would be more insured against risks on account of the mortgaged backed lending position.

The IG, Registration assured the forum that he would take up the matter with the concerned authority in the Government. He added that amendment of stamp act needed the concurrence from Central Government. The amendment of the stamp act was subject to the related amendment is to fee table prescribed under the Registration Act. He expected that a decision in this regard would be coming before the next meeting of SLBC.

The matter again came up for discussion during the 100th meeting of SLBC, Kerala held on 21.12.2009 in Trivandrum. Since this was a long pending item the Chairman of the meeting requested the concerned Department to take necessary action for a logical end. The forum decided to carry forward the item.

SLBC Convenor, vide letter No. SLBC 35 215 2010 KM dated 10.02.2010, had taken up the matter with the Secretary, Planning and Economic Affairs Department requesting to take up the issue with the Government of Kerala urgently for a favourable decision for setting up of Registries which would help the banks in the State to register Equitable Mortgage created in favour of banks.

The matter again came up for discussion during the 101st meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum.

The meeting decided to pursue the matter with Planning/Registration Department.

The Sub-Committee of SLBC, Kerala that met on 16.08.2010 at North Committee Room, Government Secretariat, Trivandrum under the Chairmanship of Sri. L. C. Goyal IAS, Additional Chief Secretary (Finance), Government of Kerala reviewed the position. The representative from Registration Department informed that the Registration Act has to be amended with consent of the Government for enabling registration of EM transaction in the Revenue Records. The file in this regard has already been put up. The Registration Department was instructed to expedite the matter.

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16th & 17th September 2010 in Trivandrum. In the Group discussions, the Group suggested that the SLBC may follow up the matter further.

SLBC had taken up the matter with Planning & Economic Affairs Department requesting to take up the issue with the concerned Department of the Government of Kerala for a favourable decision in this regard. The present position may be informed.

The agenda item again came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. In the meeting, the representative of Registration Department informed that they have no objection in considering this proposal.

Since the Act has to be amended, Sri. Teeka Ram Meena IAS, Secretary, Planning & Economic Affairs Department, Government of Kerala assured the forum to take up the matter with Taxes Department, Government of Kerala.

The Sub-Committee of SLBC, Kerala that met on 03.03.2011 at North Committee Room, Government Secretariat, Trivandrum noted that the representatives of the

Registration/Taxes Departments were not present in the meeting to ascertain the position in this regard. It was decided to pursue the matter further.

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum and decided to pursue the matter further with Taxes/Registration Department, Government of Kerala.

SLBC Convenor had taken up the matter with the Secretary, Taxes/Registration Department, Government of Kerala, vide its letter SLBC 35 636 2011 KRA dated 23.04.2011, requesting to accord a favourable decision for setting up of Registries for recording EMT transactions and to note the details of EMTs in the revenue records in the State which would help the banks in the State in a big way.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum. *The meeting recommended formation of a Sub-Committee which includes the Taxes and Registration Departments of the Government for speedy resolution of the item.*

4.2.11. Amendments suggested in the format for issuing Encumbrance Certificate for landed property issued by Sub-Registrar Office (SRO)

As security for loans, Banks are creating mortgage, simple or registered, on landed properties. To ensure that such landed properties are free from encumbrances banks are obtaining NIL Encumbrance Certificates (EC) for the preceding 13 years. It is a pre-condition that preceding 13 years EC showing nil charges should be produced to the bank while creating mortgage. Banks are relying on this as one of the vital documents before accepting the landed property as security. Normally EC are being issued by the officials of Sub-Registrar Office (SRO) in a format prescribed for the same. It is informed as a “Disclaimer Clause” under Note No.2 & 3 in the above format that *“the department will not be responsible for any mistakes/omissions in the verification report furnished in the Encumbrance Certificate issued under their signature and seal”*.

There are instances where the concerned SRO officials issued “Nil EC” suppressing all the transactions/charges during the period of coverage of EC. Banks relying on these ECs had created EMT and granted credit facilities to customers. Later, when these loans become sticky and as part of internal investigations when fresh ECs for the same period are taken once again, the earlier omitted/suppressed entries would appear on the EC revealing a clear case of connivance and malafide intention. When the matter was taken up the with the concerned SRO officials, they had taken shelter under the “Disclaimer Clause” available in the format of EC (Note 2 &3) as explained above obviously to get rid of accountability issues.

The 95th meeting of SLBC Kerala held at Trivandrum on 29th May 2008 discussed this issue and decided that the matter should be taken up with the concerned authorities of Government of Kerala so that necessary modifications could be effected in the format for issuing EC by SRO officials, particularly in respect of the Disclaimer Clause contained in Note 2&3 of the format, by suitably amending Section 57 and Rule 165 (1) of the Registration Act. The Secretary (Planning), Government of Kerala assured the forum that the matter would be taken up with the concerned department.

SLBC had taken up the matter with the Secretary, Planning & Economic Affairs Department, Government of Kerala requesting to take up the matter with the appropriate authority in the Government of Kerala for a decision on the recommended lines.

The issue was again raised in the SLRM of 2008 & 2009 wherein it was decided to pursue the matter of deletion of the disclaimer clause from the Encumbrance Certificate issued by SRO. The IG of Registration Department informed that a suitable decision shall be taken only after a detailed study.

The matter again came up for discussion during the 101st meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum.

The meeting noted that responding to the letter from SLBC dated 04.11.2009, the Principal Secretary, Taxes (E) Department, Government of Kerala vide letter No.27532/E2/09/TD dated 18.01.2010 clarified that the modification in the EC format cannot be effected as suggested by SLBC.

Since the issue would affect all banks, the meeting requested the State Government to have a re-look on the issue and decided once again to take up the matter once again with Taxes Department.

Sri. Teeka Ram Meena IAS, Secretary, Planning & Economic Affairs Department suggested to take up the matter in the Sub-Committee of SLBC.

The Sub-Committee of SLBC, Kerala that met on 16.08.2010 at North Committee Room, Government Secretariat, Trivandrum under the Chairmanship of Sri. L. C. Goyal IAS, Additional Chief Secretary (Finance), Government of Kerala examined the issue and felt that it required to be examined seriously. It suggested to the Registration Department to find out the position/practice adopted in other States and to sort out the issue immediately.

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16th & 17th September 2010 in Trivandrum. During the Group discussions, the Group noted the present position and suggested that the SLBC may follow up the matter.

The agenda item again came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. Since amendment would be required, Sri. Teeka Ram Meena IAS, Secretary, Planning & Economic Affairs Department, Government of Kerala assured the forum to take up the matter with Taxes Department, Government of Kerala.

The Sub-Committee of SLBC, Kerala that met on 03.03.2011 at North Committee Room, Government Secretariat, Trivandrum noted that the representatives of the Registration/Taxes Departments were not present in the meeting to ascertain the position in this regard. It was decided to pursue the matter.

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. Since no progress has been reported since last meeting, the forum decided to pursue the matter further with Taxes/Registration Department, Government of Kerala.

SLBC Convenor had taken up the matter with the Secretary, Taxes/Registration Department, Government of Kerala, vide its letter SLBC 35 638 2011 KRA dated 23.04.2011, requesting to review the matter in light of the above problems and to accord a favourable decision for placing in the SLBC in its next meeting.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum. *The meeting recommended formation of a Sub-Committee which includes the Taxes and Registration Departments of the Government for speedy resolution of the item.*

4.2.12.Amendment in the Registration Act – Notification of SRO No:336/2010

The matter came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16th & 17th September 2010 in Trivandrum as suggested by Punjab National Bank.

In the amendment of the Kerala Stamp Act published in the Kerala Gazette extraordinary dated 30.03.2010, it is specified in the explanatory note that the said amendment was considered in view of the request by the SLBC, to the Government to initiate measures to register the agreement relating to deposit of title deeds by way of equitable mortgage with nominal fees.

As per the above amendment the registration of equitable mortgage has become optional in the State of Kerala and the fee prescribed is as under:

For the registration of an agreement relating to deposit of title deeds, pawn or pledge described under article 6 (c) of the schedule to the Kerala stamp Act, 1959	Rupees 0.1 for every rupees 100 or part thereof for the amount secured
---	--

It is also observed that there is no upper ceiling for payment of registration fee. This may cause difficulty in implementation, as not many borrowers may come forward for getting the agreement registered compulsorily, as it will increase the cost of loan to them.

We have the opinion to take up the matter again with the Government of Kerala for putting a ceiling in the fee and to make it mandatory.

In this regard it is observed that the Stamp duty and Registration fees payable in the State of Tamil Nadu were reduced considerably by the Government of Tamil Nadu by amendment to the Indian Stamp Act on 21.11.2003 and thereafter on 12.02.2004.

Stamp duty and Registration fees for certain documents in the state of Tamil Nadu have been substantially reduced w.e.f. 12.02.2004, the details of a few pertaining to mortgages are as under:

Sl. No.	Articles in the Stamp Act	Particulars of Document	Changes from 12.02.2004	
			Stamp Duty with Maximum Limit	Registration fees with Maximum Limit
1	6(1) (a)	Agreement relating to deposit of Title Deed	0.5% on the value of the loan subject to a maximum of Rs. 5000/-	1% of the loan amount subject to maximum of Rs. 1000/-
2	40(b)	Mortgage when possession is not given	1% on the value of the amount secured subject to a maximum of Rs. 20,000/- (now amended as Rs. 40000/- vide Notfn. Dt. 08.07.2009)	1% on the secured amount subject to a maximum of Rs. 5000/- (now amended as Rs. 10000/- vide Notfn. Dt. 08.07.2009)

Though the registration of documents pertaining to creation of equitable mortgage is not mandatory in Tamil Nadu, there is an upper ceiling in the fee prescribed.

It is requested to call for the opinion of the member banks, place the matter before SLBC and take up with the Government of Kerala for amendment, putting maximum ceiling on registration fee in order to reduce the burden of the cost of the loan.

During the Group discussions, the Group concurred with the proposal and the views of the Steering Committee to the effect that appropriate amendment may be made in the Registration Act making registration mandatory and putting maximum ceiling (Cap) on registration fee in order to reduce the burden of cost of registration on the loanees/beneficiaries. The forum suggested that the matter may be taken up with Government.

SLBC had written to the IG, Registration Department, Government of Kerala requesting to take necessary action in this regard. Though through an extra ordinary gazette No.5048/Leg.A2-2010/Law dated 28.07.2010 some modification had been suggested it was not sufficing the requirement of the suggestion put forth by SLBC. Hence it needs to be re-looked.

The agenda item again came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. In the meeting, the representative from Registration Department informed that they have already given proposal to Taxes Department.

Sri. Teeka Ram Meena IAS, Secretary, Planning & Economic Affairs Department, Government of Kerala assured the forum to take up the matter with Taxes Department, Government of Kerala.

The Sub-Committee of SLBC, Kerala that met on 03.03.2011 at North Committee Room, Government Secretariat, Trivandrum noted that the representatives of the Registration/Taxes Departments were not present in the meeting to ascertain the position in this regard. It was decided to pursue the matter further.

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum and decided to pursue the matter further with Registration/Taxes Department, Government of Kerala.

SLBC Convenor had taken up the matter with the Secretary, Taxes/Registration Department, Government of Kerala, vide its letter SLBC 35 634 2011 KRA dated 23.04.2011, requesting to examine the same and inform the action taken in this regard.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum. *The meeting recommended formation of a Sub-Committee which includes the Taxes and Registration Departments of the Government for speedy resolution of the item.*

4.2.13. Amendment/modification in Kerala Registration Rules empowering the SROs to make entry of possession of immovable properties by banks under SARFAESI Act, in Book I

“Whenever any properties of immovable nature are attached by the civil or revenue courts, the same should be entered in Book I kept with concerned SROs and the same would reflect in the subsequent ECs. Possession of immovable properties under SARFAESI Act 2002 is also part of quasi-judicial proceedings by the Authorized Officers of the secured creditor/banks. If the said fact of taking possession is also entered in Book I, it would be helpful to the public in general and the banks/secured creditors in particular. When this

matter has been taken up with the I.G. of Registration, it has been clarified vide his letter No.RR.3/24675/2004 dated 07.03.2005 that unless the existing Rules in Kerala is amended the above action would not be possible. Hence suitable amendment in the Registration Rules, empowering the SROs to make an entry of possession of immovable properties under SARFAESI Act 2002 [on specific requisition of the Authorized Officers under the Security Interest (Enforcement) Rules 2002] may be made, which would help banks in the process as above.”

The 94th meeting of SLBC, Kerala held on 24.12.2007 in Trivandrum noted the above and decided to refer the matter to the State Government.

On the basis of the foregoing, SLBC Convenor had taken up the matter with the Principal Secretary (Revenue) and Secretary (Taxes), Government of Kerala requesting to take up the matter as discussed above with the appropriate authority in the Government of Kerala for a decision on the recommended lines.

The matter was reviewed in the SLRM 2008 & 2009 and was decided to pursue the matter with Government.

The 100th meeting of SLBC, Kerala held on 21.12.2009 in Trivandrum took a decision to form sub-committees exclusively for sorting out the long pending issues with different Government Departments.

However, in the meanwhile the Principal Secretary, Taxes (E) Department, Government of Kerala vide letter No.24898/E2/09/TD dated 07.12.2009, informed that the exemption of surcharge for certificate of sale under SARFAESI Act/Rules 2002 and Amendment/notification in Kerala Registration Rules empowering the Sub-Registrar Office to make entry of possession of immovable properties by banks under SARFAESI Act, in Book 1, cannot be considered favourably – hence rejected.

In the Sub-committee Meeting held on 27.03.2010 at South Conference Hall, Government Secretariat, Trivandrum, Sri. A. K. Ramakrishnan, Inspector General, Registration Department, Government of Kerala informed that unless suitable amendment is made in the Registration Act Section 89, empowering the SROs to make an entry of possession of immovable properties under SARFAESI Act 2002, Department could not do anything.

Dr. P. Prabhakaran IAS, Additional Chief Secretary, Finance Department, Government of Kerala requested SLBC Convenor to further examine the matter at SLBC level and to take up the matter once again with the concerned Department if suitable modification / amendment was found necessary.

The Sub-Committee decided to examine the matter at SLBC level and if found essential by the forum, to again take up with the concerned Department so that the matter of amendment may be taken up at the Government Level.

In light of the decision of the 101st meeting of SLBC, Kerala held on 30.03.2010 the matter is once again referred to Taxes Department.

SLBC Convenor had vide SLBC 35 665 2010 RP dated 26.04.2010 take up the matter with the Secretary, Taxes Department, Government of Kerala requesting to examine the above aspects and provide a favourable decision on the recommended lines at the earliest.

Vide letter No.26559/G2/10/RD dated 20.05.2010, Principal Secretary, Revenue (G) Department, Government of Kerala informed the following.

“In the said Act or in the Security Interest (Enforcement) Rules, 2002, there is no enabling provision to collect or levy any service charge or collection charge. The State Government is not competent to enforce any collection charge or service charge in this matter unless an amendment for the purpose has to be incorporated in the aforesaid Act by the Central Government. Since the State Government is completely justified in levying of collection charge under the SARFAESI Act, the matter has been taken up with the Ministry of Finance in Central Government, to take necessary steps for making amendments by incorporating an enabling provision to collect or levy any service charge or collection charge in the said Act.”

The above clarification does not seem to be pertaining to the issue raised in SLBC.

The Sub-Committee of SLBC, Kerala that met on 16.08.2010 at North Committee Room, Government Secretariat, Trivandrum under the Chairmanship of Sri. L. C. Goyal IAS, Additional Chief Secretary (Finance), Government of Kerala suggested re-examination of the issue in total by the Registration Department.

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16th & 17th September 2010 in Trivandrum. During the Group discussions, the Group noted the present position and suggested that the SLBC may follow up the matter.

The agenda item again came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. The forum decided to sort out the matter in the Sub-Committee of SLBC in the presence of Secretaries of Taxes and Registration.

The Sub-Committee of SLBC, Kerala that met on 03.03.2011 at North Committee Room, Government Secretariat, Trivandrum noted that the representatives of the

Registration/Taxes Departments were not present in the meeting to ascertain the position in this regard. It was decided to pursue the matter.

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. Since no progress has been reported since last meeting, the forum decided to pursue the matter further with Taxes/Registration Department, Government of Kerala.

SLBC Convenor had taken up the matter with the Secretary, Taxes/Registration Department, Government of Kerala, vide its letter SLBC 35 640 2011 KRA dated 23.04.2011, requesting to examine the above aspects and provide a favourable decision on the recommended lines at the earliest. The reply in this regard is awaited.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum. *The meeting recommended formation of a Sub-Committee which includes the Taxes and Registration Departments of the Government for speedy resolution of the item.*

4.2.14.Exemption from appearance before the Sub-Registrar as per Sec.88(1) of the Registration Act to be made applicable to the Authorised Officer appointed by Bank under SARFAESI Act

As per Section 88 (1) of the Registration Act, the Authorised Officer of Public Sector Banks can be exempted from appearance before the SRO for registration of the Sale certificate issued under the Act.

Section 88 reads as follows:

“Registration of documents executed by Government officers or certain public functionaries

—

- (1) Notwithstanding anything contained in this Act, it shall not be necessary for
- (a) any officer of Government, or
 - (b) any Administrator General, Official Trustee or Official Assignee, or
 - (c) the Sheriff, Receiver or Registrar of a High Court, or
 - (d) the holder for the time being of such other public office as may be specified in a notification in the Official Gazette issued in that behalf by the State Government

to appear in person or by agent at any registration office in any proceeding connected with the registration of any instrument executed by him or in his favour in his official capacity, or to sign as provided in section 58.”

When the SROs were intimated of the said provision, it was informed that to avail benefit of the said section, notification in Official gazette by State Government has to be made as per

the said provision. Hence the personal appearance of Authorized Officer is insisted upon in all cases where the auction sale is made under the SARFAESI.

As banks are conducting so many auction sales under SARFAESI Act all over Kerala, it is difficult for the Authorized Officer to appear before the SRO in every case for registration of the Certificate of Sale. Hence the exemption mentioned under Section 88 (1) of the Registration Act has to be made use of. This issue is not only affecting Syndicate Bank but also other banks in Kerala and hence it is requested to be placed as an agenda item in the next SLBC meeting for discussion.

The agenda item came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. The meeting concurred with the views of the Steering Committee that it was a good and worthwhile suggestion made.

In the meeting, the representative from Registration Department informed that they do not have any objection in the proposal and they in turn had given proposal to Department of Taxes.

Sri. Teeka Ram Meena IAS, Secretary, Planning & Economic Affairs Department, Government of Kerala assured the forum to take up the matter with Taxes Department, Government of Kerala.

The Sub-Committee of SLBC, Kerala that met on 03.03.2011 at North Committee Room, Government Secretariat, Trivandrum noted that the representatives of the Registration/Taxes Departments were not present in the meeting to ascertain the position in this regard. It was decided to pursue the matter further.

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum and decided to pursue the matter further with Taxes/Registration Department, Government of Kerala.

SLBC Convenor had taken up the matter with the Secretary, Taxes/Registration Department, Government of Kerala, vide its letter SLBC 35 648 2011 KRA dated 23.04.2011, requesting to examine the same and take necessary action in this regard.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum. *The meeting recommended formation of a Sub-Committee which includes the Taxes and Registration Departments of the Government for speedy resolution of the item.*

4.2.15. Waiver of Stamp duty on SHG loans

NABARD has informed in the earlier meetings of SLBC, Kerala that the State Governments of Andhra Pradesh, Chattisgarh, Karnataka and Maharashtra had issued notifications waiving stamp duty on loans availed by SHGs so as to augment credit flow to SHGs in these States. Accordingly it was decided to take up with Government of Kerala seeking waiver of stamp duty on SHG loans in this State also.

The matter was taken up by SLBC with the Secretary (Taxes), Government of Kerala, requesting to consider waiver of stamp duty on SHG loans on the lines extended by other State Governments. The matter is being continuously deliberated upon since the 99th meeting of SLBC, Kerala and SLRM 2009.

The matter again came up for discussion during the 100th meeting of SLBC, Kerala held on 21.12.2009 in Trivandrum. The Additional Secretary, Taxes Department informed the forum that she was not in a position to clarify any thing in this regard. The forum decided to carry forward the item and to pursue with the Department.

SLBC Convenor, vide letter No. SLBC 35 183 2010 KM dated 01.02.2010, had taken up the matter with the Principal Secretary, Taxes Department requesting examination of the aspect of waiving stamp duty on SHG loans on the lines of that extended by other State Governments.

The matter again came up for discussion during the 101st meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum.

The meeting decided to pursue the matter with Taxes Department and refer the same to Sub-Committee of SLBC.

The Sub-Committee of SLBC, Kerala that met on 16.08.2010 at North Committee Room, Government Secretariat, Trivandrum under the Chairmanship of Sri. L. C. Goyal IAS, Additional Chief Secretary (Finance), Government of Kerala evaluated the progress and it was informed that Government had sought for the financial implications of the suggestion with the Inspector General of Registration. A reply in this regard is yet to be provided. Registration Department was requested to furnish the reply in a month's time.

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16th & 17th September 2010 in Trivandrum. In the Group discussions, the Group suggested that the SLBC may pursue the matter further.

The agenda item again came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. The forum decided to pursue the matter with the Taxes Department.

The Sub-Committee of SLBC, Kerala that met on 03.03.2011 at North Committee Room, Government Secretariat, Trivandrum noted that the representatives of the Taxes Department was not present in the meeting to ascertain the position in this regard. It was decided to pursue the matter further.

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum and decided to pursue the matter further with Taxes Department, Government of Kerala.

SLBC Convenor had taken up the matter with the Secretary, Taxes/Registration Department, Government of Kerala, vide its letter SLBC 35 635 2011 KRA dated 23.04.2011, requesting to inform the latest developments in this regard.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum. *The meeting recommended formation of a Sub-Committee which includes the Taxes and Registration Departments of the Government for speedy resolution of the item.*

4.2.16. Extending loan facilities for Rehabilitation of Gulf returnees

A sizeable number of Keralites' working abroad, especially in Gulf Countries are forced to return to their homeland due to loss of job/reduction in salary etc. on the wake of Global Economic Slow down. The returnees are mainly from the construction field in Gulf Countries and they are from the lower strata of our society. Kerala being a big labour exporting State, the return of migrants especially workers employed in Gulf Countries, due to global economic slow down is in an increasing scale and rehabilitation of these return migrants who lost jobs in overseas and thereby forced to return home may be considered as a major responsibility of the Government.

The rehabilitation of such returnees being a social need providing loan facilities at a reasonable rate of interest to start small scale industries and micro enterprises to the Non Resident Keralites' who lost their jobs while working abroad due to recession may be considered as an item in the agenda of the 101st meeting of SLBC.

The matter came up for discussion in the 101st meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum. The following suggestions of the Steering Committee of SLBC were noted by the forum.

- (i) to develop a package of schemes for NRI returnees for establishing own ventures
- (ii) Some level of security net shall be provided in such schemes.
- (iii) Integrated EDPs are to be thought of and these projects shall be integrated in the District Credit Plans of the Districts.

The representative from Kerala Financial Corporation informed that KFC had a separate scheme for Gulf Returnees offered at 7% interest rate for the entire loan period. Despite wide publicity/advertisement, only few takers were there for the loan and hence unable to achieve the target. Only 63 loans could be disbursed. He added that the scheme details have been provided to the Director, NORKA Department through e-mail.

Representative of State Bank of Travancore informed that from June 2009 onwards SBT had implemented a scheme for Gulf Returnees and the response was poor.

The meeting requested KFC to provide the details to SLBC. It was also decided to constitute a sub-committee of SLBC wherein the scheme details, terms and conditions etc. could be evolved. The meeting also decided to invite KFC for the Sub-Committee meeting.

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16th & 17th September 2010 in Trivandrum and it was decided to convene the Sub-Committee meeting once the details are received from SBT & KFC and come up with appropriate recommendations.

The agenda item again came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. On the loan facilities for Rehabilitation of Gulf Returnees Convenor SLBC, replied that a subcommittee would be formed for formulating the scheme under the Chairmanship of Secretary NORKA.

The Secretary, NORKA, Government of Kerala informed that Department is not having any system for collecting the statistics on remittances from non resident Keralites. The data would be of much use in knowing the major centres of remittance, amount involved and in formulating various welfare schemes for them. He requested RBI and SLBC to extend support for collecting the exact figures regarding foreign remittance to the State of Kerala from Keralites.

Responding to that, the Regional Director, Reserve Bank of India said that Kerala is one of the States with lowest intensity in using electronic mode of payment. RBI has been advocating that people should be using electronic mode of payment so as to make available more records. Moreover, RBI had given direction to banks for providing source and details of remittance in pass books of customers.

Further Secretary NORKA added that Government had arranged many publicity and awareness campaigns on the problems faced by women in the state in the process of migration and the need for proper documents for the same. He expressed willingness to include the importance to switching over to electronic remittance to non residents in such campaigns. To this, the Regional Director, Reserve Bank of India suggested that Secretary, NORKA Department can contact Sri. M. V. Anilkumar, AGM, RBI at any time and fix a

mutually convenient date to enable him to give a presentation to the employees of the NORKA Department.

The Sub-Committee met on 07.02.2011 in Trivandrum decided to convene a group of sub-committee consisting of SBT, Canara Bank, Syndicate Bank, SMGB, KFC and NORKA to finalise the operational guideline on scheme. The Sub-Committee is yet to meet. However, the matter may be discussed in the Group and recommendations to be submitted to the forum.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum.

In the Group discussion, it was felt that the existing scheme of banks can adequately cover the requirements of the Gulf returnees and any new scheme without any Government subsidy is not a feasible option. For e.g. Schemes of SBT and KFC had not had the expected response from Gulf returnees.

However Secretary, NORKA requested for one more sitting of the subcommittee and assured to take up with the Government on the possibility of extending subsidy if any to the returnees, if a suitable scheme is formulated. The forum decided to have another subcommittee meeting to finalize the matter.

SLBC Convenor had taken up the matter with the Secretary, NORKA Department, Government of Kerala, vide its letter SLBC 38 1302 2011 KRA dated 17.08.2011, requesting to formulate a scheme and forwarded the same for approval of SLBC. A draft Scheme for returning Non-Resident Keralites (NRKs) prepared by SLBC according to the deliberations in earlier subcommittee along with additional requirements sought from Government of Kerala was also provided to the NORKA Department. The response is awaited.

4.2.17. Clarification regarding eligible courses under the scheme of Interest Subsidy on Education Loan

The matter came up for discussion during the State Level Review Meeting (SLRM) of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum.

Under the scheme, Bank is suggesting that in order to overcome the operational difficulties faced by the branches clear guidelines regarding the courses eligible under the scheme should be communicated by SLBC to the implementing banks. One of the issue regarding this is that there is a mention in the guidelines that a pass of plus two is the minimum qualification to be eligible for the subsidy. Since students are admitted for courses like *General Nursing* and *Diploma Courses in Engineering* after matriculation, some banks had interpreted that these courses are not eligible under the scheme. But here also a question arises that if a student is admitted to such professional courses after passing plus two

examinations whether he is eligible for the subsidy. This is a very relevant point and the interpretation of various banks is of different nature and hence branches are facing a lot of problems in dealing with the queries of their customers. Hence SLBC should take up the issue with appropriate authorities and circulate the exact position in this regard so as to have uniform implementation by all banks.

During the Group discussion session, it was opined that all higher education loans given either for degree/diploma courses after Plus 2 under IBA Education Loan scheme is eligible for interest scheme subsidy.

SLRM concurred with these views. However it was decided to take up the matter with IBA requesting to furnish the list of eligible courses under the scheme.

SLBC Convenor had taken up the matter with the Indian Banks' Association, vide its letter SLBC 38 1347 2011 KRA dated 19.08.2011. Their clarification is awaited.

As an initiative to improve public awareness on the Education Loan Scheme, SLBC has prepared a poster explaining the IBA guidelines on the subject which was circulated to all bank branches in the State for display in the branch premises. A copy of the poster circulated is shown in **Annexure-10.57.**

4.2.18. Education Loan – Uniform Rate of Interest

As per IBA norms, Education Loan can be availed by the Student/Parent from the nearest branch of their residence. But the Interest rates charged by Banks for Education Loan vary from bank to bank. As the student/Parent has no option to select the Branch they are forced to pay the interest even though the rate is higher. Hence uniform rate of interest shall be charged by banks for Education Loans.

The agenda item came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. The forum concurred with the views of the Steering Committee that the interest subsidy on Education Loans is provided uniformly to banks by the Government of India and in this context the matter is to be looked into closely.

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. The meeting noted the minutes of the Sub-Committee of SLBC that met on 20.01.2011 and decided to pursue with the recommendations.

The matter was again discussed in the Sub-Committee meeting held at Trivandrum on 02.06.2011 in which RBI representative informed that interest rates have already been deregulated by RBI and hence, it may not be possible to regulate the same again.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 in Trivandrum.

The Group opined that for Education Loans upto Rs. 4 lakhs we may recommend implementation of uniform rate of interest. However, in response to the representation made by the SLBC, IBA vide letter No. SB/10-21/3451 dated 17.06.2011, informed that *“the interest rate structure provided in the existing IBA Model Educational Loan Scheme is based on BPLR Rates of individual banks. In the proposed modification to the Scheme, the interest rates are linked to Base Rate. Any change to this concept and for making it as an uniform rate of interest, requires modifications to the existing scheme with due consensus from Government/Reserve Bank of India.”*

In light of the above clarification, the item may be dropped.

4.2.19. Education Loan - Extending 2 years moratorium period for Nursing courses

The agenda item came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum.

In the meeting, the LDM, Idukki informed that as per the IBA scheme on Education Loan, present moratorium period is 1 year or 6 months after getting job, whichever is earlier. However, for nursing courses, students have to undergo 2 years internship programme. Hence the moratorium period has to be extended to 2 years, as the same was creating lot of problems in repayment in all Districts particularly for nursing courses. After the deliberations the forum decided to take up with IBA for extending 2 years moratorium period for nursing courses.

SLBC Convenor had taken up the matter with the Indian Bank's Association (IBA), vide its letter SLBC 35 650 2011 KRA dated 23.04.2011, requesting to examine the proposal and take necessary action.

Vide letter No.SB/10-21/3174 dated 16.05.2011, Indian Banks' Association informed that *they propose to place the matter before the IBA Working Group on Education Loan Scheme at its next meeting and shall revert in the matter shortly.*

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011. The meeting decided to pursue the matter with IBA.

SLBC Convenor had followed up the matter with the Indian Bank's Association (IBA), vide its letter SLBC 38 1151 2011 KRA dated 15.07.2011 and their decision in this regard is awaited.

4.2.20.Revamping of SAMIS under Lead Bank Scheme

In the SLRM held on 16th & 17th September 2010, it was suggested that SAMIS under Lead Bank Scheme required suitable amendments/modifications incorporating SME and rest of other priority sector segments separately. This is resulting in projecting a distorted picture under SME sector in light of the revised guidelines. The forum suggested taking this issue forward.

The agenda item came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. In the meeting, the Regional Director, Reserve Bank of India suggested that changes/amendments for revamping of SAMIS could be looked into by a sub-committee and the suggestions/recommendations of the sub-committee to be forwarded to RBI for onward transmission to RBI, Central Office, Mumbai. The sub-committee is to meet and finalize the proposal.

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum and decided to pursue the matter further with Reserve Bank of India.

Vide letter RPCD (T) No.LBS/886/03.02.02/2010-11 dated 11.05.2011, RBI informed that the LBR returns of SAMIS are under revision and the revised formats/guidelines will be issued shortly.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011. In the meeting, the representative of RBI informed that revision of SAMIS under LBS is being finalized by RBI and would be made available to all banks shortly.

SLBC Convenor had again vide letter No. SLBC 38 1158 2011 KRA dated 15.07.2011 written to Reserve Bank of India to ascertain the further developments in the issue.

4.2.21. Non sanctioning of loans by banks against the stock of Cardamom in Idukki District

In the State Level Review Meeting of SLBC, Kerala held on 20th & 21st June 2011 at Trivandrum, Sri. Oommen Chandy, Hon'ble Chief Minister of Kerala pointed out that specific complaints were received from Udumbanchola in Idukki District against Union Bank of India that Cardamom farmers were not extended loans against pledge of their Cardamom stock. He informed that earlier Banks used to extend such loans whenever the prices of cardamom tends to come down. He requested Union Bank of India to examine this aspect and issue necessary instructions to their branches for resolving the matter.

SLBC Convenor vide letter No. SLBC 38 1301 2011 KRA dated 17.08.2011 had taken up the matter with Union Bank of India for which the following reply is received:

- (i) *The Regional Head of Union Bank of India visited their Puttadi Branch in Idukki District to make an on the spot assessment of the issue. He also visited Spices Park, Puttadi and Auction Centres, Spices Board Office/Warehouse, with their officials.*
- (ii) *It was learnt that the Cardamom was not appearing in the approved commodity for financing against Warehouse Receipts. Accordingly, steps were initiated immediately to include “Cardamom” also in the approved list. The matter was apprised to the Spices Board Office at Puttadi and their Head Office at Kochi.*
- (iii) *Necessary instructions have also been passed on to the Puttadi Branch to consider all bonafide cases for financing “Cardamom against Warehouse Receipts”.*
- (iv) *Further, as per the discussions between officials of Spices Board and Union Bank of India aiming to promote Warehouse financing, a suitable system is put in place at the Puttadi Branch to ensure prompt financing of cardamom farmers against Warehouse Receipts of Cardamom.*

4.3. INFORMATION NOTE

4.3.1. Review of Progress under Reverse Mortgage Loan Scheme of National Housing Bank – for information

On a review of the performance, as at the first quarter of 2011-12, banks in Kerala had sanctioned an amount of **Rs. 4.07 crores** (23 accounts) and the balance outstanding was **Rs. 62.23 crores** (717 accounts). The review of performance under this crucial “Housing sector” has become a regular agenda item of SLBC, Kerala at the behest of National Housing Bank (NHB). Details are shown in **Annexure-10.32.**

4.3.2. District-wise Credit Deposit Ratio in the State - Review

As per the recommendations of the Expert Group, headed by Sri. Y.S.P. Thorat, which studied the nature and magnitude of the problem of low CD Ratio across States/Regions and suggested steps to overcome the problem, the Government of India examined and accepted their recommendations with certain modifications. Accordingly it has been decided that districts having CD Ratio less than **40 %** should be monitored by a special sub-committee of District Level Co-ordination Committee (DLCC).

District-wise C D Ratio in the State as on 30.06.2011

(Rs. in lakhs)

Sl. No.	District	Deposits	Advances	CD Ratio (%)
1	Trivandrum	3232744	2670360	82.60
2	Kollam	1050927	750585	71.42
3	Pathanamthitta	1541647	660574	42.85
4	Alappuzha	1127541	708813	62.86
5	Kottayam	1461360	916747	62.73
6	Idukki	255392	337161	132.02
7	Ernakulam	3721786	4888313	131.34
8	Thrissur	2411465	1574916	65.31
9	Palakkad	1233761	970322	78.65
10	Malappuram	829694	1409526	169.89
11	Kozhikkode	1288578	1045786	81.16
12	Wayanad	164530	212302	129.04
13	Kannur	1004802	804595	80.07
14	Kasaragod	435601	422178	96.92
Total for State		19759828	17372178	87.92

In Kerala, Pathanamthitta is the only district having poor CD Ratio which is constantly under monitoring. As a result, the CD ratio of the district has improved and it touched a level (**42.85 %**) just above the benchmark of 40% as at June 2011. It has been reported by the LDM, Pathanamthitta that the Special Sub-Committee (SSC) of DCC was formed and that the committee has been monitoring the level of CD Ratio in the District.

The forum may note the position and suggest measures for improvement of the CD Ratio.

5. REVIEW OF PERFORMANCE UNDER PRIORITY SECTOR ADVANCES

5.1. Review of Priority Sector Advances (Disbursement) as at June 2011 - ACP 2011-12 Achievements (Refer Annexures 10.12 & 10.13)

The performance of banks with reference to the Annual Credit Plan 2011-2012 as at June 2011 with Bank-wise and District-wise break up is furnished in the annexure. The abstract of the performance as at June 2011 under ACP 2011-2012 is as follows.

(Rs. in Crores)

Bank / Banking Group	Primary Sector			Secondary sector			Tertiary Sector			Total Priority Sector Advances		
	Target	Ach.	% Ach.	Target	Ach.	% Ach.	Target	Ach.	% Ach.	Target	Ach.	% Ach.
State Bank Group	4055	959	23.65	916	114	12.47	5405	864	15.98	10376	1937	18.67
Nationalized Banks	6440	2233	34.67	1182	109	9.19	5355	456	8.52	12977	2798	21.56
RRBs	2559	717	28.01	155	13	8.30	1402	289	20.62	4116	1019	24.75
Private Sector Banks	4391	1282	29.20	934	58	6.18	4481	444	9.93	9806	1784	18.21
Cooperatives	7711	1661	21.54	509	126	24.70	11059	3046	27.54	19279	4833	25.07
KFC	144	10	7.19	305	31	10.34	267	60	22.49	716	101	14.23
Total	25300	6864	27.13	4001	451	11.27	27969	5160	18.45	57270	12475	21.78
% to Total Disbursement		55.02			3.62			41.36			100	

5.1.1. Overall Performance under Annual Credit Plan

The banking sector of the State has disbursed **Rs. 12475 crores** to the priority sector during the fiscal 2011-12 as at June 2011. This is **21.78 %** of the annual target of **Rs. 57270 crores**. There is an increase of **Rs. 767 crores** in total disbursements over that achieved during the corresponding period of the last financial year.

Banking group wise analysis reveals that Cooperatives have disbursed the highest quantum of priority sector loans in the State during the fiscal (**Rs. 4833 crores**) followed by Nationalized Banks (**Rs. 2798 crores**). A comparison based on percentage achievement of target reveals that achievements of State Bank Group, Nationalized Banks and Private sector Banks were below that of the State's performance. Disbursement to secondary sector constituted only **3.62 %** of the total disbursement made by banks to the priority sector.

Bank-wise analysis reveals that Kerala State Co-operative Bank has disbursed the highest quantum of priority sector loans (**Rs.4652 crores**) followed by State Bank of Travancore

(Rs. 1118 crores). Five Banks viz., Lakshmilvas Bank, Indus Ind Bank, J&K Bank, Yes Bank and Kotak Mahindra have reported “NIL” disbursement to priority sector in the State during the period from 01.04.2011 to 30.06.2011, which needs immediate attention.

Among the Districts, Kollam district stood first in the quantum of priority sector loan disbursement (**Rs. 2227 crores**) followed by Thrissur district with a disbursement of **Rs. 1552 crores**. Kollam district was first in percentage achievement of target (**36.28 %**) followed by Kannur (**29.88 %**), Malappuram (**27.01%**), Kottayam (**24.07 %**) and Thrissur (**23.27 %**). Seven districts had achieved levels above the State’s average position. However, Pathnamthitta (**14.78%**), Alappuzha (**8.92%**), Ernakulam (**16.45%**), Palakkad (**17.39%**) and Kasargode (**14.57%**) districts have registered poor performance under ACP achievement.

5.1.2. Performance under Primary Sector

The primary sector, which comprises of the agriculture sector, accounted for **55.02 %** of the total disbursements in priority sector. The sector achieved **27.13 %** of the annual target as at June 2011. An amount of **Rs. 6864 crores** was disbursed to the sector as at June 2011 against the year-end target of **Rs. 25300 crores**. Compared to the disbursements during the corresponding period of the previous fiscal, the disbursement to primary sector recorded an increase of **Rs.923 crores**.

Nationalized Banks, by disbursing **Rs. 2233 crores**, accounted for more than one-fourth (**32.53 %**) of the total disbursement to the sector. Co-operative Sector accounted for **24.20 %** of the total disbursement to the primary sector of the State by disbursing **Rs.1661 crores**. Private Sector Banks disbursed **Rs. 1282 crores**.

Among Commercial Banks Indian Bank, SBT, Canara Bank and SMGB are the top performers with regard to quantum of loans disbursed to the sector. The following banks have not reported any disbursement to primary sector in Kerala – State Bank of Bikaner & Jaipur, State Bank of Hyderabad, Bank of Maharashtra, Dena Bank, Punjab and Sind Bank, United Bank, Lakshmilvas Bank, Indus Ind Bank, J&K Bank, Yes Bank and Kotak Mahindra Bank.

Highest disbursement to primary sector was reported in Kollam district (**Rs. 1760 crores**) followed by Thrissur (**Rs. 653 crores**) and Kozhikode (**Rs. 613 crores**) districts. Pathanamthitta, Alappuzha, Wayanad, Kasargod and Ernakulam were among the poor performing districts, with less than 20% achievement. These districts should redouble their efforts to improve the performance during the remaining part of the fiscal for achieving the annual target.

5.1.3. Performance under Secondary Sector

Under secondary sector, which includes the SME Sector, the banking sector of the State could achieve only **11.27 %** of the annual target as at June 2011. Banks in the State have disbursed loans to the tune of **Rs. 451 crores** till June 2011. Another disturbing fact is that the sector accounted for only **3.62 %** of the disbursement to priority sector in the State.

However, when compared to the disbursements during the corresponding period of the previous fiscal, there is an increase in disbursements to the sector. Last fiscal during April 2010 to June 2010, the disbursement to the secondary sector was **Rs. 396 crores** whereas during the same period this year banking sector in the State could disburse **Rs.451 crores**, registering a **13.88 %** increase in disbursement.

Co-operative Sector led in disbursements to the sector (**Rs. 126 crores**) followed by State Bank group (**Rs. 114 crore**), Nationalized Banks (**Rs. 109 crores**) and Private Bank (**Rs. 58 crores**). Kerala State Co-operative Bank led the disbursement in the Secondary sector with a figure of **Rs.117 crores** followed by State Bank of India (**Rs. 67 crores**), State Bank of Travancore (**Rs. 36 crores**), Indian Bank (**Rs.32 crores**), Canara Bank (**Rs. 26 crores**), Indian overseas Bank (**Rs. 24 crores**). The major Banks like ICICI Bank & Axis Bank had not reported any disbursement to the sector which needs immediate attention.

Among the districts, highest disbursement to secondary sector was reported in Ernakulam district (**Rs. 90 crores**) followed by Kollam district (**Rs. 84 crores**). Kannur recorded the lowest achievement of **2.77%** followed by Alapuzha with **3.58%**. Trivandrum, Alappuzha, Kottayam, Wayanad and Kannur recorded **less than 10%** achievement under Secondary sector for the quarter ended June 2011. These Districts should give more focus to the secondary sector during the remaining part of the financial year.

5.1.4. Performance under Tertiary Sector

Tertiary sector accounted for **41.36 %** of the total disbursement to the priority sector in the State. The total disbursement to the sector during the current fiscal up to June 2011 was **Rs. 5160 crores** thereby achieving **18.45 %** of the annual target.

Under quantum of loans disbursed during the current fiscal, Cooperatives lead other banking groups by disbursing **Rs. 3046 crores** and under percentage achievement (**27.54%**) of the target. State Bank Group, Nationalized Banks and Private Sector Banks should need to improve their performance under this sector.

Among Commercial Banks, State Bank of Travancore leads in disbursement to the sector (**Rs. 456 crores**) followed by State Bank of India (**Rs. 376 crores**), Federal Bank Ltd (**Rs. 162 crores**), South Indian Bank (**Rs. 132 crores**) and Canara Bank (**Rs. 108 crores**). Lakshmi Vilas Bank, Indus Ind Bank, J & K Bank, Yes Bank and Kotak Mahindra Bank have reported 'NIL' disbursement to the Tertiary sector in the State.

District wise analysis reveals that Wayanad district has achieved **37.21 %** of the year-end target followed by Kannur with **30.30%** and Kottayam with **27.22 %**. The performance of Alapuzha (**6.71%**), Trivandrum (**12.73%**), Pathanamthitta (**13.88%**), Kozhikode (**13.06%**) and Kasargod (**13.49%**) districts needs considerable improvement.

All the banks/LDMs should review their position well in advance and take corrective steps to ensure that the targets for the current year can be achieved comfortably.

5.2. Review of Priority Sector Advances (Outstanding) as at June 2011
(Refer Annexure 10.4)

5.2.1. Performance versus National goals

(Figures in percentage)

Sl. No.	Parameter	Goal %	March 2009	June 2009	March 2010	June 2010	March 2011	June 2011	Variation	
									Mar.'11 To June'11	June'10 To June'11
1	Priority Sector Advances to Total Credit	40	58.42	59.30	60.01	61.04	58.32	56.16	-2.16	-4.88
2	Agriculture Advances to Total Credit	18	19.27	19.54	22.46	23.96	22.49	21.82	-0.67	-2.14
3	Weaker Section Advances to Total Credit	10	14.78	23.34	16.16	16.43	18.39	16.43	-1.96	0.00
4	DRI Advances to Total Credit	1	0.26	0.25	0.02	0.03	0.02	0.02	0.00	-0.01
5	Credit Deposit Ratio	60	63.54	62.54	67.63	67.68	75.50	74.84	-0.66	7.16

The achievements of the commercial banking sector of the State under total Priority sector advances, Agriculture Advances, Weaker Section advances and Credit Deposit Ratio are above the national goals.

The growth in outstanding advances under sub sectors of priority sector as at June 2011 is summarized as follows.

(Rs in. Crores)

Parameter	Outstanding					Variation			
	March 2009	March 2010	June 2010	March 2011	June 2011	March '09-March '10	March '10-June '10	March '10-March '11	March '11-June '11
Priority Sector Adv.	48387	58204	60967	71145	70071	9817	2763	10178	-1074
Agriculture Adv.	15959	21786	23928	27439	27230	5827	2142	3511	-209
SSI Adv./SME	8095	11759	14568	16896	17052	3664	2809	2328	156
Weaker Section Adv.	12240	15674	16411	22435	20499	3434	737	6024	-1936
SC Advances	2204	3359	2393	3011	2923	1155	-966	618	-88
ST Advances	NA	300	684	553	780	300	384	-131	227
DRI Advances	211.82	22.61	26.23	24.76	24.56	-189.21	3.62	-1.47	-0.20

Performance of the Banking sector inclusive of KSCARDB as at June 2011

The performance of the banking sector inclusive of KSCARDB is summarized as follows:

Performance of KSCARDB under Priority Sector Advances

(Amount Outstanding)

(Rs in. crores)

Parameter	March 2011		KSCARDB % to total advances	June 2011		KSCARDB % to total advances
	KSCARDB	Comm. Banks + KSCARDB		KSCARDB	Comm. Banks + KSCARDB	
Total Advances	2207.86	126895.48	---	2252.07	127020.69	
Priority Sector Adv.	2207.86	73352.99	100.00	2252.07	72323.48	100.00
Agriculture Adv.	600.69	28039.54	27.21	600.25	27830.35	26.65
SSI Adv./ SME	309.00	17205.00	14.00	279.19	17330.78	12.40
Weaker Section Adv.	751.00	23186.37	34.02	671.69	21170.82	29.83
SC Advances	90	3101.53	4.07	81.07	3004.56	3.60
ST Advances	NA	553.18	0	NA	780.36	
DRI Advances	0.00	24.76	0.00	0.00	24.56	

5.2.2. Priority Sector Advances in Total Advances – Bank Group wise

(Refer Annexure 10.4)

(Rs in crores)

Parameter	Outstanding					Variation			
	March 2009	March 2010	June 2010	March 2011	June 2011	Mar. '09- Mar. '10	Mar. '10- June '10	June '10- June '11	Mar. '11- June '11
Priority Sector Adv.	48387	58204	60967	71145	70071	9817	2763	9104	-1074

During the financial year, April 2011 to June 2011, a negative growth of **Rs. -1074 crores** was recorded by the commercial banks in the State under Priority sector outstanding. This is likely to be on account of reclassification of bulk loans granted by Banks to NBFCs as non priority advances consequent to the revised RBI guidelines on the same.

A year-on-year analysis reveals that there was a growth of **Rs. 9104 crores** in priority sector advances over June 2010, recording a growth of **14.93 %**.

Against the mandatory norm of 40%, as at June 2011, **56.16 %** of the Total Advances of the banks in the State was to priority sector.

**Banking Group Wise Performance Under
Priority Sector Advances as at June 2011**

(Rs in. Crores)

BANK	Total Advances			Priority Sector Advances			% PSA to Total Adv. (June '11)
	March 2011	June 2011	Growth March'11-June '11	March 2011	June 2011	Growth March'11-June '11	
State Bank Group	39201	40138	937	20893	21676	783	54.00
Nationalized Banks	40436	41088	652	28776	28441	-335	69.21
Regional Rural Banks	5591	5639	48	4680	4818	138	85.44
Private Sector Banks	36753	37904	1151	16797	15135	-1662	39.93
GRAND TOTAL	121981	124769	2788	71146	70071	-1076	56.16

During the first quarter of the financial year of 2011-12, highest contribution to the Priority Sector outstanding of the State is made by Nationalised Banks (**Rs. 28441 crore**) followed by the State Bank Group (**Rs. 21676 crore**). Regional Rural Banks have **85.44 %** of their advances and Nationalised Banks have **69.21 %** of their advances under Priority sector. State Bank Group (**54.00 %**) and Private Sector Banks (**39.93%**) were below the level achieved by the State (**56.16%**) in terms of percentage of Priority sector advances to total advances.

The entire advance of KSCARDB has been classified as Priority sector advances.

5.2.3. Agriculture Advances (Refer Annexure 10.6)

(Rs in. Crores)

Parameter	Outstanding				Variation			
	March 2010	June 2010	March 2011	June 2011	Mar. '10-June '10	June '10-June '11	Mar. '10-Mar. '11	Mar. '11-June '11
Agriculture Adv.	21786	23928	27439	27230	2142	3302	5653	-209

The outstanding advances to agriculture sector in the State have decreased by **Rs. 209 crores** during the first quarter of the current fiscal. The possible reason for the decline may be the reclassification of bulk loans given by banks to NBFCs as non priority advances which were hitherto classified under indirect Agriculture. The outstanding agriculture advances stood at **Rs. 27230 crores** as at June 2011, which is **21.82%** of the total advances outstanding in the State. This is well above the mandatory norm of 18% fixed by RBI.

Year-on-year there was an increase of **Rs. 3302 crores** in agriculture advances outstanding recording a stupendous growth rate of **13.80 %**.

**Banking Group Wise Performance under
Agriculture Advances as at June 2011**

(Rs in. Crores)

BANK	Total Advances			Agriculture Advances			% Agri. Adv to Total Adv. (June '11)
	March 2011	June 2011	Growth March '11 June '11	March 2011	June 2011	Growth March '11 June '11	
State Bank Group	39201	40138	937	6360	6461	101	16.10
Nationalized Banks	40436	41088	652	11374	11568	194	28.15
RRBs	5591	5639	48	2466	2525	59	44.78
Private Sector Banks	36753	37904	1151	7238	6676	-562	17.61
GRAND TOTAL	121981	124769	2788	27438	27230	-208	21.82

Nationalised Banks has contributed the highest quantum growth in agriculture advances outstanding (**Rs.194 crores**) followed by State Bank group (**Rs. 101 crores**). RRBs has shown a growth of **Rs. 59 crores** and Private Sector Banks had shown a negative growth of **Rs. 562 crores**.

44.78 % of the advances outstanding with RRBs in the State was to agriculture sector. It has to be noted that this had come down from a level of **55.22%** as at June 2010. RRBs to initiate immediate steps to reverse this declining trend. State Bank group has the least outstanding under agriculture in terms of percentage agriculture advances to total advances (only **16.10** %)

The following Public Sector banks apart from both the RRBs had crossed the mandatory norm of 18% under agriculture advances – Bank of Baroda, Canara Bank, Indian Overseas Bank, Union Bank of India, Indian Bank, IDBI Bank, UCO Bank, Central Bank of India, Syndicate Bank and Vijaya Bank. Federal Bank Ltd., Catholic Syrian Bank Ltd., HDFC Bank Ltd., ING Vysya Bank Ltd and Tamil Nadu Mercantile Bank Ltd are the private sector banks having Agriculture advances more than 18% of their total credit.

The performance of the State Bank Group needs to be improved further so that they reach the mandatory 18% level from the current **16.10%**.

As far as KSCARD Bank is concerned, **26.65** % of their advances was to agriculture sector. This had declined from a level of **30.94** % as at June 2010.

5.2.4. SME Advances (Priority) (Refer Annexures 10.7 & 10.43)

Micro and Small Enterprises of the SME sector advances only forms the priority credit part of SME.

(Rs in. Crores)

Parameter	Outstanding				Variation			
	March 2010	June 2010	March 2011	June 2011	Mar. '10- Mar. '11	Mar. '10- June '10	June '10 - June '11	Mar. '11- June '11
SME Advances	11759	14568	16896	17052	5137	2809	2484	156

The outstanding advance of commercial banks in the State to SME (Priority) sector has gone up by **Rs.156 crores** during the first quarter of the current fiscal. But the quantum growth is much less than the corresponding period of the previous fiscal which is (**Rs. 2809 crores**).

As per the data, the performance of banks in the State is as follows:

(Rs. in Crores)

Banking Group	SME Outstanding (Priority)											
	March 2011						June 2011					
	Micro Enterprises		Small Enterprise		Retail Trade		Micro Enterprises		Small Enterprise		Retail Trade	
	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt
State Bank Group	22911	1063	143895	1942	95570	1052	24577	1144	146042	2302	86381	1054
Nationalized Banks	157085	3797	34357	2845	53772	753	167108	3813	30687	2815	54984	737
RRBs	80580	469	857	48	87172	469	70395	469	872	57	92417	499
Private Sector Banks	41610	1493	49611	2819	8296	145	38936	1599	49040	2417	8174	146
Grand total	302186	6822	228720	7654	244810	2419	301016	7025	226641	7591	241956	2436

5.2.5. Advances to Weaker Section (Refer Annexure 10.10)

(Rs in. Crores)

Parameter	Outstanding				Variation			
	March 2010	June 2010	March 2011	June 2011	Mar. '10- Mar. '11	Mar. '10- June '10	June '10 - June '11	Mar. '11- June '11
Weaker Section Adv.	15674	16411	22435	20499	6761	737	4088	-1936

A negative growth of **Rs. 1936 crores** was recorded during the first quarter of the current fiscal in weaker section advances as against an addition of **Rs. 737 crores** during the corresponding period of last fiscal. Year-on Year increase as at June 2011 was **Rs. 4088 crores (24.91%)**.

5.2.6. Advances to SC/STs (Refer Annexure 10.10)

(Rs in. Crores)

Parameter	Outstanding				Variation			
	March 2010	June 2010	March 2011	June 2011	Mar. '10- Mar. '11	Mar. '10- June '10	June'10 - June'11	Mar. '11- June '11
SC Advances	3581	2393	3011	2923	-570	-1188	530	-88
ST Advances	300	684	553	780	253	384	96	227
Total SC/ST Advances	3881	3077	3564	3703	-317	-804	626	139

As evident from the table below, almost **97.43 %** of the SC advances of the State is contributed by Public Sector Banks (including RRBs), while the share of Private Sector Banks is just about **2.57 %**. In the case of ST advances 99 % advances is contributed by Public Sector Banks (including RRBs) while the share of Private Sector Banks is just about **0.77%**.

Banking Group wise Performance under SC/ST advances as at June 2011

(Rs. in crores)

BANK	SC Advances			ST Advances		
	Outstanding		% O/S to total	Outstanding		% O/S to total
	No.	Amount		No.	Amount	
State Bank Group	84788	1568	53.64	23901	384	49.23
Nationalized Banks	124310	1229	42.04	37215	384	49.23
RRBs	21321	51	1.75	2679	6	0.77
Private Sector Banks	11748	75	2.57	743	6	0.77
GRAND TOTAL	242167	2923	100	64538	780	100

All banks, especially Private Sector Banks, should give more attention for rendering assistance to these most vulnerable sections of the society. The National Commission for SC has suggested that all banks should provide separate data on SC & ST advances especially under the Government sponsored schemes, to review the position and to improve lending to SC & ST sections.

5.2.7. DRI Advances (Refer Annexure 10.11)

(Rs in. Crores)

Parameter	Outstanding				Variation			
	March 2010	June 2010	March 2011	June 2011	Mar. '10- Mar. '11	Mar. '10- June '10	June'10 - June'11	Mar. '11- June '11
DRI Advances	22.61	26.23	24.76	24.56	2.15	3.62	-1.67	-0.20

Against the national goal of 1% of the previous year's Gross Bank Credit, only **0.02 %** of the total credit could be given under the DRI scheme in the State by Commercial banks as at June 2011.

The table below reveals that, Public Sector Banks account for bulk of the DRI advances (**74 %**) in the State whereas Private Sector banks contribute only **2%** of the DRI advances in the State. It is often noticed that data submitted by banks under DRI advance is highly inconsistent

**Banking Group wise Performance under DRI advances
as at June 2011 (Rs. in lakhs)**

BANK	DRI Advances	
	O/S	% to total
State Bank Group	2.26	9.20
Nationalized Banks	17.70	72.07
Private Sector Banks	4.08	16.61
RRBs	0.52	2.12
GRAND TOTAL	24.56	100

6. Review of Performance under Special Focus Programmes

6.1. Swarozgar Credit Card Scheme (Refer Annexure 10.30)

The data submitted by the Controlling offices of banks reveals that commercial banks in the State have sanctioned **494** Swarozgar Credit Cards (SCCs) during the first quarter of the year 2011-12. The limits sanctioned to the tune of **Rs. 2.25 crores**. Since inception of the scheme the banks have sanctioned **65191** cards in the State amounting to **Rs. 179.53 crores**. The amount outstanding as at June 2011 is **Rs. 73.26 crores** in **25959** cards. The Bank wise data is furnished in the annexure. During the quarter SMGB leads the performance by sanctioning maximum number of cards followed by NMGB.

6.2. Artisans Credit Card Scheme (Refer Annexure 10.30)

Commercial banks in the State have sanctioned only **7** Artisans Credit Cards (ACCs) during the quarter ending June 2011. The total limits sanctioned are to the tune of **Rs.36 lakhs**. Since inception of the scheme, the banks have sanctioned **4135** cards in the State with a limit amounting to **Rs.26.84 crores**. The amount outstanding as at June 2011 is **Rs 20.15 crores** in **1529** cards.

Canara Bank leads among the commercial banks in the State by issuing the highest number of cards. Barring Canara Bank and Federal Bank, no other Bank has sanctioned loans under the scheme during the quarter. The Bank wise data is furnished in the annexure.

6.3. Laghu Udhyami Credit Cards (Refer Annexure 10.30)

Commercial banks in the State have sanctioned only **91** Laghu Udhyami Credit Cards (LUCC) during the first quarter of 2011-12 making available credit limits to the tune of **Rs. 1.80 crores** to small entrepreneurs of the State. Since inception of the scheme, the banks have sanctioned **18197** LUCCs in the State sanctioning credit limits amounting to **Rs.329.76 crores**. The amount outstanding as at June 2011 is **Rs. 77.77 crores** in **5053** cards. SBT leads in the State by issuing highest number of LUC Cards followed by Canara Bank and Central Bank. The performance of Private sector banks under the scheme is not at all impressive and needs lot of improvement. The Bank wise data is furnished in the annexure.

6.4. Performance under General Credit Card Scheme (Refer Annexure 10.31)

During the quarter under review (April-June 2011), banks in the State have sanctioned **7544** GCCs with limits amounting to **Rs. 16.64 crores**. The outstanding under GCCs as at June 2011 is **104383** cards with a liability of **Rs. 340.72 crores**.

Canara Bank leads in issuance of GCC with **4478** GCCs issued during the quarter and with an amount of **Rs 10.32 crores**. This is followed by SMGB with **1115** cards, NMGB with **636** cards, IOB with **474** cards, Punjab National Bank with **258** cards and Corporation Bank with **204** cards. **59** % of the cards issued during the quarter and nearly **38%** of the total GCC outstanding in the State was accounted by Canara Bank. The Bank wise data is furnished in the annexure.

6.5. Performance under Kisan Credit Card Scheme (Refer Annexure 10.24)

As per the reports available with the Convenor SLBC **76098** Kisan Credit Cards with an amount of **Rs.989.43 crores** have been issued during the first quarter of the current fiscal by the Banking sector in the State. **3226083** KCCs were issued since inception involving a credit outlay of **Rs. 14975 crores**. As at June 2011, the outstanding number of loan accounts under KCC is **1653783** with **Rs. 7050 crores**. **804964** farmers were covered under Personal Accident Insurance Scheme (PAIS) linked to KCC. Bank-wise data is given in the annexure.

6.6. Agri-Clinics and Agri Business Centres (Refer Annexure 10.23)

The outstanding accounts under Agri clinics in the State by Commercial Banks are **26** with a credit outlay of **Rs. 29.41 lakhs**.

There were **38** Agri-Business Centres opened in the State from the date of inception of the scheme with a credit outlay of **Rs.103.15 lakhs**. As at June 2011, **18** Agri-Business centres loans exist with an outstanding amount of **Rs. 88.71 lakhs**.

6.7. Review of implementation of Package of Relief Measures for the Debt Stressed Farmers of Wayanad, Palakkad and Kasargod districts of the State

6.7.1. Progress achieved in claiming interest waiver under Relief Package

The banks in the State claimed an amount of **Rs. 223.98 crores** being the overdue interest waiver in about **306048** accounts under the package from RBI/NABARD and the settlement for **Rs. 218.96 crores (251201 accounts)** has already been confirmed. It is advised by NABARD, the nodal office for relief package implementation, that no more claims will be entertained by RBI/NABARD as all the banks have given certificates to this effect through SLBC, Kerala.

6.7.2. Progress in Rescheduling of loans under Relief Package

Out of the **302804** eligible accounts with an outstanding amount of **Rs. 802.63 crores**, banks in Kerala have rescheduled **140641** accounts with an outstanding amount of **Rs. 397.19 crores (47% in terms of number of accounts and 50 % in terms of amount rescheduled)**.

6.7.3. Fresh loans provided against rescheduled accounts under Relief Package

Under the PM's Relief Package **Rs. 34.74 crores** in **9386** accounts was provided as fresh finance against the rescheduled accounts. Though the fresh finance against the rescheduled accounts show a less brighter picture, banks in the two of the three identified districts viz. Palakkad & Kasargod surpassed its target under Annual Credit Plan during 2010-11 by recording 126% & 107% of targets respectively. But Wayanad district only could achieve 70% of the target under ACP which needs introspection and focussed attention.

6.8. Credit Flow to Minority Communities (Refer Annexures 10.42)

As per RBI directions, credit flow to minorities in specified districts should be reviewed in all SLBC meetings. At present all the districts in the State of Kerala are notified for reporting under this head. In Kerala State without giving due share to minorities, credit expansion is not at all possible. The comparative position with regard to the previous year is given below. The data reveal that there is significant increase in amount of loans granted to minorities in all these districts. However, all the banks in the State are yet to comply with the instructions of the regulator (RBI) in respect of reporting of the data under Advances to Minority Communities in the format stipulated for the purpose. The controlling offices of all the banks are requested to report their bank's share under Advances to minority communities covering all the 14 districts of the State hereafter in the format specified for the purpose. It can be seen from the table given below that **58.59 %** of the total priority advances has gone to the minority communities as at June 2011.

Data on Minority Sector Advances in the State of Kerala

(Rs. in crores)

Year	Total Priority Sector Advances	Minority Sector Advances	Percentage
31.03.2009	50217	26070	51.91
30.06.2009	51830	26120	50.40
30.09.2009	53743	26432	49.18
31.12.2009	55842	38831	69.54
31.03.2010	58204	38532	66.20
30.06.2010	60967	41149	67.49
30.09.2010	65738	33485	50.94
31.12.2010	70823	35912	50.71
31.03.2011	71145	41245	57.98
30.06.2011	70071	41054	58.59

6.9. Performance under Micro-credit (Annexures 10.26 to 10.29)

SLBC had compiled the data obtained from all banks regarding the cumulative performance of banks in the State as at June 2011. The bank-wise performance is given as annexures.

On a review of the performance, it is seen that about **365818 lakh** SHGs are maintaining savings account with commercial banks as at June 2011 in the State.

The banking group-wise data is as follows.

(Rs in. Crores)

Banking Group	SHGs maintaining Savings a/c		Of which No. of SHGs under	
	No.	Amt.	Government Sponsored	Exclusive Women
State Bank Group	206152	217.58	64549	185747
Nationalized Banks	86320	373.51	15215	65990
RRBs	41056	12.09	13184	35394
Private Sector Banks	32290	311.95	5871	27710
Total - Kerala State	365818	915.13	98819	314841

As evident from the above **86.06** of the SHGs are exclusive women SHGs and **27.01 %** are formed under various Government sponsored schemes.

There are 3 modes for credit linkage of SHGs under the SHG-Bank linkage programme.
Credit linkage through

1. Financing SHGs directly by banks
2. Financing SHGs directly with the facilitation of NGOs
3. Financing SHGs through the medium of NGOs

The performance of the banking sector in the State under the above 3 modes of linkage is as follows.

(Rs. in Crores)

Mode of Linkage	SHGs formed during the Quarter	No of SHG loans Disbursed During the Quarter		Outstanding Amount under SHG Finance		Beneficiaries Assisted
		A/c	Amt	A/c	Amt	
Financing SHGs directly by banks	15239	12069	220.45	63738	776.47	801002
Financing SHGs directly with the facilitation of NGOs	13698	1620	35.98	17651	195.44	403489
Financing SHGs through the medium of NGOs		16342	74.71	10160	144.27	819197
Total No. of SHGs linked		30031	331.14	91549	1116.18	2023688

As could be seen from the above table, **30031** SHGs have been credit linked in the State during the quarter under the SHG-Bank linkage programme. The total amount outstanding under all the three modes of financing put together is **Rs.1116.18 crores**.

6.10. Small and Medium Enterprises (SME) Advances (Refer Annexures 10.7 & 10.43)

Consequent on the promulgation of MSMED Act, 2006 the advances classified under SME comes under priority (Micro & Small Enterprises) as well as Non-Priority (Medium Enterprises). The total advances under SME priority as on June 2011 come to **Rs. 17052 crores** for the commercial banks in the State. Out of this, Micro and Small Enterprises constitute **Rs. 7093 crores** and **Rs. 9959 crores** respectively for Commercial banks, which forms part of Priority Credit. The non-priority part of SME credit component that includes Medium Enterprises has shown an outstanding level of **Rs. 6486 crores** covering **4159** loan accounts with commercial banks. The bank wise details are given in the annexure.

Performance of other Institutions under SME financing (Outstanding) as at June 2011

(Rs.in Crores)

	Micro Enterprises				Small Enterprises				TOTAL SME PRIORITY				Medium Enterprises			
	Manufacturing		Services		Manufacturing		Services		Manufacturing		Services		Manufacturing		Services	
	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.
KSIDC	0	0.00	0	0.00	4	5.67	0	0.00	4	5.67	0	0.00	3	16.56	3	22.84
KFC	443	74.38	1292	306.67	105	19.06	134	28.43	548	93.43	1426	335.10	0	0.00	0	0.00
SIDBI	189	1055.29	0	0.00	0	0.00	0	0.00	189	1055.29	0	0.00	0	0.00	0	0.00
TOTAL	632	1129.67	1292	306.67	109	24.73	134	28.43	741	1154.39	1426	335.10	3	16.56	3	22.84

7. Review of Performance under Government Sponsored Schemes

7.1. Swarna Jayanthi Shahari Rozgar Yojana (SJSRY) as at June 2011

(Refer Annexures 10.19 to 10.22)

The performance of the State under SJSRY upto June 2011 is summarized hereunder:

(Rs. in lakhs)

Sub component	No. of Applications							Subsidy Released Amount	Amount of Loan	
	Forwarded	Rejected	Sanctioned	Pending to Sanction	Disbursed	Pending to Disbursement	Total Pending		Sanctioned	Disbursed
USEP	56574	21976	29512	5086	27830	1682	6768	873.84	6023.63	5981.97
DWCUA	2762	305	2185	272	2153	32	304	1592.85	3420.51	2807.65
Total	59336	22281	31697	5358	29983	1714	7072	2466.69	9444.14	8789.62

The banks have sanctioned **29512** loans to individual beneficiaries for micro enterprises under USEP (Urban Self Employment Programme) as at June 2011 involving loan amount of **Rs. 6023.63 lakhs**. Under DWCUA (Development of Women and Children in Urban Areas), **2185** groups were sanctioned with loans to the tune of **Rs 3420.51 lakhs**.

Banking Group wise performance under SJSRY as at June 2011

(Rs. in lakhs)

Sl. No.	Bank	USEP		DWCUA		Total SJSRY	
		Sanctions		Sanctions		Sanctions	
		No	Amount	No	Amount	No	Amount
1	Public Sector Bank	24351	5125.12	1689	2829.73	26040	7954.85
2	Private Sector Banks	2965	551.92	167	206.55	3132	758.47
3	Others	2196	346.59	329	384.23	2525	730.82
	Total	29512	6023.63	2185	3420.51	31697	9444.14

Analysis of the Bank wise performance reveals that Public Sector Banks (including RRBs) accounted for **82.15 %** the loans (Number) sanctioned and **84.23 %** of loan amount sanctioned. There is a need for greater participation by Private Sector Banks in the implementation of the scheme. There is no involvement by some of the private sector banks in the implementation of the scheme which may be corrected by the respective Controlling offices. The details are available in the Annexures.

7.2. Swarnajayanti Gram Swarozgar Yojana (SGSY) - Performance as at June 2011
(Refer Annexures 10.14 to 10.18)

The credit mobilisation target for 2011-12 was **Rs. 10890 lakhs**. As at June 2011, the State has reached only **15.44%** of the target. Banking group wise analysis reveals that State Bank group had achieved **16.15 %** of the target while Nationalised Banks had achieved **17.47 %** of the target and Cooperative banks with **21.37 %** which are above the State's performance level. The performance of Private Sector Banks (**9.48 %**) and RRBs (**16.13%**) are below the State's performance level and needs improvement.

SGSY – Performance as at June 2011

(Rs. in lakhs)

Sl. No	Name of Bank	Target	Total SGSY						% Achvmt. Sanctioned Amt
			Forwarded		Sanctioned		Disbursed		
			No.	Amount	No.	Amount	No.	Amount	
1	State Bank Group	2399.60	926	1210.43	252	434.79	111	186.19	18.12
2	Nationalized Banks	3156.46	1190	1580.87	428	651.23	197	266.08	20.63
3	Private Sector Banks	1590.93	382	450.83	104	171.08	43	55.77	10.75
4	RRBs	1450.21	364	343.78	137	135.66	63	43.97	9.35
5	Co-operative Banks	2292.80	1111	1500.06	413	553.36	255	355.45	24.13
6	Others	0	2	6.75	1	3.75	0	0	
	State Total	10890	3975	5092.72	1335	1949.87	669	907.46	17.91

The performance under the scheme during the first quarter is not satisfactory. The achievement level is only **17.91 %**. All the banks need to improve their performance such that the target for 2011-12 is achieved well ahead of March 2012.

8. Review of Performance of the Banking Sector

8.1. Banking Statistics as at June 2011 (Refer Annexure 10.1 to 10.3)

The detailed banking statistics for the State as at June 2011 is furnished in the Annexure. A comparative analysis of the data over the previous fiscal is presented below.

(Rs. in crores)

Parameter	Outstanding				Variation			
	March 2010	June 2010	March 2011	June 2011	Mar. '10-Mar. '11	Mar. '10-June '10	June '10-June '11	Mar. '11-June '11
No. of Branches	4310	4361	4573	4636	263	51	275	63
Total Deposits	143404	147369	161562	166706	18158	3965	19337	5144
Domestic Deposits	106518	109333	123872	128150	17354	2815	18817	4278
NR Deposits	36886	38036	37690	38556	804	1150	520	866
Total Advances	96987	99885	121980	124769	24993	2898	24884	2789
Investments	3929	3769	5226	8072	1297	-160	4303	2846
Adv. + Investment.	100916	103654	127429	129191	26513	2738	25537	1762
C: D Ratio	67.63	67.68	75.50	74.84	7.87	0.05	7.16	-0.66
C+I: D Ratio	70.37	70.34	78.87	77.50	8.5	-0.03	7.16	-1.37

8.2. Branch Network

As at the end of June 2011, the total number of branches of Commercial Banks in the State was **4636**.

The population group wise break up of the branch network is presented below.

Banking Group	Number of Branches				Percentage distribution			
	Rural	S.Urban	Urban	Total	Rural	S.Urban	Urban	Total
Public Sector Banks	210	2130	724	3064	4.53	45.94	15.62	66.09
Private Sector Banks	265	979	328	1572	5.72	21.12	7.07	33.91
Total	475	3109	1052	4636	10.25	67.06	22.69	100

Of the total Commercial banks in the State, Public Sector Banks account for **66.09 %** of the branch network in the State. Private sector banks are having the highest number of rural branches (**265** branches). Of the total branch network of Commercial banks in the State, only **10.25%** is in rural areas whereas Semi-urban areas have **67.06 %** of the bank branches in the State. Urban branches constitute **22.69 %** of branch network.

On a comparison with March 2011 position, it is found that Public sector banks have increased their tally of branches by **41** branches whereas that of Private Sector Banks increased by **22** branches as at June 2011.

8.3. Deposit growth

During the first quarter of the fiscal 2011-12, there was a growth of **Rs. 5144 crores** in Deposits of the State and the outstanding total deposits reached a level of **Rs. 166706 crores** in the Commercial banking sector of the State. During the corresponding period of the previous fiscal, the total deposit of the State was **Rs. 147369 crores**. Quantum wise, the total deposits have grown from **Rs. 147369 crores** in June 2010 to **Rs. 166706 crores** in June 2011, a year-on-year growth of **13.12 %**.

Another significant feature in this deposits growth is that the share of domestic deposits in total deposits is gradually increasing. As at March 2005, the share of domestic deposits in the total deposits was **58.04 %**, which has now steadily increased to **76.87 %** as at June 2011.

Sectoral Growth of Deposit over the Years

(Rs. in Crores)

Type of deposit	March 2005	March 2006	March 2007	March 2008	March 2009	March 2010	June 2010	March 2011	June 2011	Variation	
										Mar.'11 to June'11	June'10 to June'11
Total Deposit	69396	77677	91697	105488	130350	143404	147369	161562	166706	5144	19337
Domestic Deposit	40276	47006	58394	75599	93331	106518	109333	123872	128150	4278	18817
N R Deposit	29120	30671	33303	29889	37019	36886	38036	37690	38556	866	520
% Share of Domestic deposits	58.04	60.51	63.68	71.67	71.60	74.28	74.19	76.67	76.87	0.20	2.68

A. Banking Group wise Growth in Deposits

As evident from the following table, Private Sector Banks (**53.07 %**) followed by Nationalized Banks (**46.93 %**), has the highest share in growth of deposits among the Commercial Banks in the State.

Banking Group wise Growth in Deposits

(Rs. in crores)

Sl. No.	Banking group	Total Deposits			% Share in Total Deposits (June'11)	Variation		% Share in Growth	
		June 2010	March 2011	June 2011		Mar.'11 to June'11	June'10 to June'11	Mar.'11 to June'11	June'10 to June'11
1	State Bank Group	52640	56570	58368	35.01	1798	5728	34.95	29.62
2	Nationalized Banks	43507	48452	49026	29.41	574	5519	11.16	28.54
3	RRBs	4336	4838	4880	2.93	42	544	0.82	2.82
4	Private Sector Banks	46886	51702	54432	32.65	2730	7546	53.07	39.02
	Total	147369	161562	166706	100	5144	19337	100	100

Banking Group wise comparison reveals that **35.01 %** of the deposits in the State is with State Bank group, which has got a **22.15 %** share in branch network. The corresponding figures for Private Sector Banks are **33.91 %** share in branch network and **32.65 %** share in deposits. Nationalized Banks, which have **34.94%** of the branch network in the State, have a share of **29.41 %** in total deposits. RRBs, in spite of having a share of **9 %** of the branch network has only **2.93 %** share in total deposits of the State.

B. Population Group wise/Banking Group wise Distribution of Deposits

Population Group wise Distribution of deposits

(Rs. in Crores)

Banking Group	Total deposits				Percentage Distribution				Share of Banking Group in Total Deposits
	Rural	Semi-Urban	Urban	Total	Rural	Semi-Urban	Urban	Total	
State Bank Group	1973	34305	22090	58368	3.38	58.77	37.85	100	35.01
Nationalized Banks	1459	27271	20296	49026	2.98	55.62	41.40	100	29.41
RRBs	442	3533	905	4880	9.06	72.40	18.54	100	2.93
Private Sector Banks	6378	29254	18800	54432	11.72	53.74	34.54	100	32.65
Total	10252	94363	62091	166706	6.15	56.60	37.25	100	100

As evident from the above table, **56.60 %** of the total deposits of the State is from semi-urban areas where **67.06 %** of the branch network exists. Urban areas accounted for **37.25 %** of the deposits and rural areas, **6.15 %**. On a comparison with March 2011 position, it is found that the share of urban branches in total deposits is showing a slight decreasing trend. The semi urban branches have shown an increasing trend in deposits.

8.4. NR Deposits (Refer Annexure 10.2)

The NR Deposits have registered an increase of **Rs. 866 crores** from the March 2011 level. The NR deposits of the State that stood at **Rs. 38036 crores** as at June 2010 marginally increased to a level of **Rs. 38556 crores** as at June 2011. The year-on-year Increase was **Rs. 520 crores** in NR Deposits as at June 2011.

Population Group wise/Banking Group wise Distribution of NR Deposits

(Rs. in crores)

Banking Group	N R Deposits				Percentage Distribution				Share of Banking Group in Total NR Deposits
	Rural	Semi-Urban	Urban	Total	Rural	Semi-Urban	Urban	Total	
State Bank Group	453	11619	4937	17009	2.66	68.31	29.03	100	44.11
Nationalized Banks	311	6381	2875	9567	3.25	66.70	30.05	100	24.82
RRB s	30	146	11	187	16.04	78.08	5.88	100	0.48
Private Sector Banks	1488	7299	3006	11793	12.62	61.89	25.49	100	30.59
Total	2282	25445	10829	38556	5.92	65.99	28.09	100	100

State Bank group has the highest share (**44.11%**) in the NR deposits from the State followed by Private Sector Banks (**30.59%**) and Nationalized Banks (**24.82%**). Of the total Non-Resident deposits **65.99 %** deposits were from Semi Urban areas while Urban areas accounted for **28.09 %** and rural areas, **5.92 %**.

8.5. Domestic Deposits

The growth in domestic deposits during the first quarter of the fiscal 2011-12 (Rs. 4278 crores)

Share of Domestic Deposits in Total Deposits (%)

March 2010	June 2010	March 2011	June 2011
74.28	74.19	76.67	76.87

As at June 2011, domestic deposits accounted for **76.87 %** of the total deposits and this ratio is gradually increasing as evident from the table given above.

8.6. Credit Expansion (Refer Annexure 10.2)

Growth in Advances of the Banking sector in the State

(Rs. in crores)

Parameter	Total Advances Outstanding over the Years							Variation	
	March 2007	March 2008	March 2009	March 2010	June 2010	March 2011	June 2011	March'11 June'11	June'10 June'11
Total Advances	64273	75305	82819	96987	99885	121980	124769	2789	24884
Percentage Growth (Y-o-Y)	13.56	17.16	9.97	17.11	18.51	25.77	24.91	2.29	24.91

During the first quarter of the current fiscal, the total advances grew by Rs. **2789 crores** to reach **Rs.124769 crores** as at June 2011. This is slightly less than the addition recorded during the first quarter of last financial year which was **Rs.2898** crores

On a year-on-year basis from June 2010-June 2011 period there was a growth of **Rs. 24884 crores** in advances, recording a growth rate of nearly **25%**.

Share of Banking Groups in Total Advances of the State

State Bank Group has the highest share (**32.17 %**) in the total advances outstanding in the State followed by the Nationalized Banks (**32.93%**). Private Sector Banks accounted for **30.38 %** of the total advances against a **33.90 %** share in total branch network.

(Rs. in crores)

Banking Group	Total Advances				Percentage Distribution				Share (%) in Total Advances
	Rural	Semi-Urban	Urban	Total	Rural	Semi-Urban	Urban	Total	
State Bank Group	2013	19529	18596	40138	5.01	48.66	46.33	100	32.17
Nationalized Banks	1211	19079	20798	41088	2.95	46.43	50.62	100	32.93
RRB s	598	4715	326	5639	10.61	83.61	5.78	100	4.52
Private Sector Banks	3392	16145	18367	37904	8.95	42.59	48.46	100	30.38
Total	7214	59468	58087	124769	5.78	47.66	46.56	100	100

Further, **46.56 %** of the total advances in the State is to urban areas where **22.69 %** of the branch network exists. Semi Urban areas had **47.66 %** share in total advances against a share of **67.06 %** in branch network. Rural areas had a share of **5.78 %** only in the total advances deployed in the State where as they hold a share of **10.25 %** in total commercial branch network.

8.7. Credit-Deposit Ratio [C D Ratio] (Refer Annexure 10.3)

The Credit-Deposit ratio of the Commercial Banking sector of the State has decreased by **66** basis points during the quarter to reach **74.84 %** as at June 2011.

Banking Group wise C D ratio as at June 2011

Banking Group	C D Ratio Percentage Distribution as at June 2011			
	Rural	Semi-Urban	Urban	Total
State Bank Group	102.07	56.93	84.18	68.77
Nationalized Banks	82.95	69.96	102.48	83.81
RRBs	135.51	133.43	36.08	115.57
Private Sector Banks	53.18	55.19	97.70	69.64
Total	70.37	63.02	93.55	74.84

The C D Ratio of Rural, Semiurban & Urban areas of the State is more than the mandatory norm of **60%**. Further, the urban areas have a high CD ratio of **93.55%**. For the State as a whole the CD ratio is **74.84 %**.

The C D ratio of RRBs is the highest at **115.57 %**. Further, the CD ratios of State Bank Group, Nationalized Banks, RRBs and Private sector Banks are above the desired level of 60% in the State. In rural areas, all the public sector banks have shown a better C D Ratio level well above the RBI stipulated 60 %. Private sector banks have shown a C D Ratio of **53.18 %** and **55.19 %** in rural and semi-urban centre respectively which needs further improvement. In the semi-urban areas, the State Bank Group could attain a CD Ratio level of **56.93%** only which needs improvement.

8.8. Credit + Investment: Deposit ratio (C+I: D ratio) (Refer Annexure 10.3)

The C+I D ratio of the Commercial Banking Sector of the State as at June 2011 stood at **77.50 %**.

Incremental CD Ratio

Reporting Quarter	Deposits (Rs. in crores)	Advances (Rs. in crores)	CD Ratio	Incremental CD Ratio
March 2009	130350	82818	63.54	30.22
March 2010	143404	96987	67.63	108.53
June 2010	147369	99885	67.78	73.09
September 2010	151846	107533	70.82	124.92
December 2010	158306	114446	72.29	117.16
March 2011	161562	121981	75.50	137.65
June 2011	166706	124769	74.84	54.20

From the above table it is evident that during the last year, 2010-11, the incremental CD ratio was on a higher side compared to the CD Ratio of the State. This means that the Credit growth is more than the rate of growth of deposits or there is a temporary mismatch in credit and deposit growth as the Credit has started picking up in the busy season. But the incremental credit-deposit (CD) ratio for the quarter ending June 2011 stood at **54.20 %** for the banking system of the State meaning the growth in deposits has over paced the growth in credit. It may be recalled that the Reserve Bank of India had expressed its concerns about the high incremental CD ratio during its quarterly review of the monetary policy.

9. Any other matter with the permission of the chair

10. Annexures