

107th MEETING OF STATE LEVEL BANKERS' COMMITTEE, KERALA AGENDA AND BACKGROUND NOTES

Date : 18.09.2012 (Tuesday)
Time : 10 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 3rd & 4th July 2012 has already been forwarded to the members vide Convener's letter SLBC 38 1215 2012 KRA dated 6th August, 2012.

The House may adopt the said minutes.

2. PRIMARY SECTOR

2.1. FRESH ISSUES

2.1.1. Agricultural Gold loan - Quick study by RBI (Suggested by Reserve Bank of India)

A quick study by RBI in select bank branches of public and private sector banks have revealed that banks are giving agricultural gold loan based on just the security of the collateral (gold). There is neither proof of land /cultivation being under taken by the borrower nor the eligible amount is linked to the scale of finance of the crop.

This result in leakage in credit to agriculture sector and is also misutilisation of interest subvention facility offered by Government of India.

In the Sub-Committee of SLBC, Kerala on Primary Sector Issues held on 07.08.2012, it was informed that during the recent visit of the Governor, RBI, serious concern was expressed over granting of agricultural Gold loans by banks. As per the direction from RBI Governor, RBI, Regional Office, Trivandrum had conducted a study on the matter in select bank branches of public and private sector banks that revealed that banks are giving agricultural gold loan based on just the security of the collateral (gold), without obtaining the proof of land/cultivation and according to the scale of finance.

The Sub-Committee hence recommended that financing bank to ensure the following while granting agricultural gold loan in future:

- *End use is to be verified*
- *Scale of Finance to be adhered to*
- *Proof of ownership of land/cultivation of land to be obtained*
- *Field visit to be done by the bank officials, if possible.*

2.1.2. Allocation of Agri. Term Loan (ATL) - Agency-wise target -2012-13 (Suggested by NABARD)

Hon'ble Union Finance Minister, in his budget speech for 2012-13 has set Ground Level Credit (GLC) target for Term Loan for Agriculture & Allied Activities as Rs. 575000 crore which is about 21% more than that of 2011-12.

Based on the above, the target has been worked out for the State of Kerala, the GLC for ATL has been set as Rs. 14000 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	Crop loan	Term Loan	Total
Commercial Banks	13200	12500	26700
Co-operatives	1150	600	1750
RRBs	3700	900	4600
Total	18050	14000	32050

It may be reiterated that the targets suggested by GoI are the minimum to be achieved.

In view of GoI's target, SLBC is advised to initiate necessary action keeping in view the priorities of GoI to increase the Agri Term Loan Component in overall lending to Agriculture and thus increase the capital formation in agriculture.

GoK may appoint a task force comprising of representatives from Animal Husbandry Department, Agriculture Dept, Commissionerate of Rural Development, LSGD and SLBC under Agricultural Production Commissioner or Additional Chief Secretary with Principal Secretary (Agriculture) as nodal officer to formulate a strategy and monitor the same in a co-ordinated manner. The departments may also workout district wise targets for each department and allocate under ongoing projects of the departments.

The Sub-Committee of SLBC, Kerala on Primary Sector Issues that met on 07.08.2012 suggested that SLBC would allocate the revised target for term loans agency wise. However, the subcommittee expressed apprehension that the enhanced target may affect the PLP and DCP already put in place. The sub-committee concurred with the suggestion of NABARD that Government of Kerala shall constitute a committee comprising of various departments so as to enable identify and allocate the activities. It was decided to place the matter in SLBC for deliberation.

2.1.3. Mobile enabled KCC project (Suggested by NABARD)

During the recent SLRM, Wayanad was identified as for implementation of the pilot project on Mobile enabled KCC. Agriculture Department, Government of Kerala had identified Sultan Bathery block for this pilot project. The participating bank has to be decided in the DLRC meeting. SLBC is following up the matter with LDM, Wayanad.

The Sub-Committee of SLBC, Kerala on Primary Sector Issues that met on 07.08.2012 noted that the matter came up for discussion during the 106th meeting of SLBC, Kerala held on 26.03.2012 at Trivandrum.

The 106th SLBC noted that during the Sub-Committee meeting of SLBC, Kerala on Primary Sector held on 23.02.2012, the representative of NABARD informed that Department of Financial Services desired to include Mobile enabled KCC project implemented by Pallavan Grama bank in Tamilnadu as a pilot project as an agenda item in the SLBC. The main attraction of the project is cashless transactions. The forum noted the salient features of the project given in the background notes of 106th meeting of SLBC.

The forum noted that the scheme may be implemented in Kerala State also. It was decided to identify a suitable block at the first instance for the implementation of the project and Agriculture Department was entrusted the responsibility for identification of the same.

SLBC Convenor, vide letter SLBC 35 767 2012 KRA dated 03.05.2012, had taken up the matter with the Director of Agriculture, Government of Kerala requesting to take necessary action on the matter.

The matter again came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 3rd & 4th July, 2012 at Trivandrum.

The meeting noted that Agriculture Department, Government of Kerala had identified Sultan Bathery block for this pilot project. The participating bank has to be decided in the DLRC meeting.

The Sub-Committee decided that LDM, Wayanad may inform the present status in the SLBC meeting.

2.1.4. Revised KCC Scheme (Suggested by NABARD)

All banks are requested to give wide publicity about the revised KCC scheme. Secretary DFS, GoI has advised that the coverage of all eligible farmers and issue ATM-cum-debit card as KCC to be discussed/reviewed in all SLBCs. SLBC is requested to included this as a regular agenda in all meetings

The Sub-Committee of SLBC, Kerala on Primary Sector Issues that met on 07.08.2012 noted that Alappuzha and Palakkad districts were identified as pilot districts for implementing ATM enabled KCCs. The deadline for implementation was June 2012 as per ministry directives. SLBC had issued communication in this regard to Controlling Offices of all banks. The sub-committee also noted that special DCC meetings have been conducted for the purpose in Alappuzha and Palakkad districts. The deadline for implementing the scheme in other districts would be September 2012.

*The representative from NABARD requested to send a copy of revised KCC circular issued by Banks to NABARD. The latest circular on the subject issued by RBI is given in **Annexure 10.50**. The Sub-committee suggested that Banks & LDMs may present the latest position in the ensuing SLBC.*

2.1.5. E-payment Mechanism for Department of Agriculture (Suggested by Directorate of Agriculture)

Government of Kerala have decided to evolve suitable methodology for payments to the beneficiaries of different schemes of the Agriculture Department by Electronic Fund Transfer and switch over to the system at the earliest as RTGS and core banking facilities have come in a big way. Based on this the Government have passed orders for implementing the same.

As per the G.O. it was directed to all the sub offices to effect all payments of assistance through e-payments to the beneficiaries.

The financial assistance will be trans-credited to the bank account of the beneficiaries directly from the Directorate of Agriculture. The account numbers of the beneficiaries are enrolled from the field level offices and contain nationalized bank, scheduled bank and co-operative bank accounts. The data will be grouped so that a bank wise statement is obtained and this will be treated for effecting transactions. However, sometimes a zero balance bank account may be necessary when the beneficiary does not have a bank account. Necessary directions may be given from the part of the banks to their branches for speedy opening of such an account.

For the smooth transactions, co-operation from all the banks are expected.

In the Sub-Committee of SLBC, Kerala on Primary Sector Issues held on 07.08.2012 it was informed that banks are supporting the EBT mechanism. However, it was suggested that a uniform mechanism be evolved for all payments effected from the Government side rather than going in for individual department wise payment mechanism which may result in confusion at a later stage.

The sub-committee suggested that Government of Kerala may evolve a uniform payment mechanism adaptable for all departments - the modus operandi of which shall be evolved at the earliest. The Sub-Committee decided to place the matter before SLBC for appropriate action by Government of Kerala.

2.1.6. Non payment paddy price to farmers by M/s. Civil Supplies Corporation (Suggested by LDM, Thrissur)

The paddy is procured by Civil Supplies Corporation in the month of April - May 2012 from farmers in the district. However the payments to farmers are not yet released. The farmers who availed KCC loans from nationalized banks and societies could not repay their KCC loans in time and they defaulted in their payment. The 3 % additional incentive to these farmers is denied. We learn that in Thrissur District Rs. 28 crores are the pending payment to farmers. Necessary steps to be initiated for immediate payment and compensation to farmers.

The Sub-Committee of SLBC, Kerala on Primary Sector Issues that met on 07.08.2012 decided to place the matter before SLBC for appropriate recommendation to M/s. Civil Supplies Corporation, Government of Kerala for early settlement of the issue.

2.2. PENDING ISSUES IN SLBC & ACTION TAKEN REPORT

Sl. No.	Agenda Item	Action Points	Action to be taken by	Present Position/Progress
2.2.1	Non availability of Interest subvention incentive to farmers availing Short Term Crop Loans (KCC) from KSCARDB	<i>KCCs availed through KSCARD Bank at present do not qualify for interest subvention and prompt repayment incentives provided by Government of India, since KSCARD Banks are not authorized to provide Short Term loans. SLRM 2012 meeting had decided to take up the matter with Government of India recommending payment of incentives to KSCARD Bank also.</i>	<i>SLBC / Government of India</i>	The non availability of the facility to ARDBs is due to the reason that they are not in the approved list of institutions authorized to issue ST loans by Government of India and ARDBs are not banks as provided in the BR Act. As decided in SLRM 2012, SLBC has taken up the matter with Government of India and reply in this regard is awaited.
2.2.2	Stamp Duty exemption for Agricultural loans availed from Commercial Banks	<i>Stamp duty on agricultural loan is exempted for co-operative banks in Kerala. However, such exemption is not available for Commercial Banks and RRBs. The share of primary sector credit by Commercial banks is substantial. It is recommended by Department of Financial Services, Gol, that, the same may be made applicable to commercial banks also which may result in an increased credit flow to agriculture sector.</i>	<i>Taxes Department, Government of Kerala.</i>	The Sub-committee that met on 07.08.2012 noted that no progress has been made on the issue and decided to pursue the matter with Taxes Department, Government of Kerala.
2.2.3	Financing of tenant farmers/oral lessees and share croppers	<i>Formation and credit linking of Joint Liability Groups (JLGs) has been a priority area for the Central and State Governments as well as NABARD for inclusive growth of small & marginal farmers and oral lessees. JLG financing by banks in Kerala has helped in revival of paddy cultivation and other farming activities through lease land cultivation. However, considering the fact that leasing of land is legally not permitted as per the existing Kerala Land Reforms Act, banks find it difficult to extend adequate finance to JLGs for undertaking productive activities. Land owners too, are not willing to lease their land since they are interested in their land being put to agriculture activity. Hence, it is a felt need that there shall be a process of providing access to formal credit by tenant farmers/ oral lessees by making appropriate legal provisions.</i>	<i>Agriculture / Revenue / Law Department, Government of Kerala.</i>	The Sub-committee that met on 07.08.2012 decided to pursue the matter with the Government of Kerala.

Sl. No.	Agenda Item	Action Points	Action to be taken by	Present Position/Progress
2.2.4	Non availability of Interest Subvention for Short Term Crop Loans (KCC) granted by Private Sector Banks	<i>As per the guidelines in force, Short Term production credit extended through private sector banks are not eligible for interest subvention and prompt repayment incentives. SLBC had recommended that the provision may be made applicable to short term loans extended by all banks including Private Sector Banks. It was also recommended that Interest Subvention may also be made available for term loan activities.</i>	<i>SLBC / Ministry of Finance, Government of India.</i>	In terms of SLBC decision, the matter was referred to Ministry of Finance and reply is awaited. However, the Sub-committee that met on 07.08.2012 decided to pursue the matter with Ministry of Finance, Government of India.
2.2.5	Widening and deepening the spread of Kisan Credit Card (KCC)	<i>The Action Taken Report on various activities suggested is furnished in Annexure 10.43</i>	<i>SLBC / Member Banks / Agriculture/ Local Self Govt. Dept.</i>	The Sub-committee that met on 07.08.2012 noted that only Point Nos.4, 6 & 12 are pending for compliance. Other points suggested were complied. Concerned departments to inform the latest position.
2.2.6	Pilot project for registration of farmers in Wayanad District	<i>With regard to providing statistical data on the number of farmers in the State, an attempt is being made on a pilot basis to register all the farmers in the website of Agriculture Department specially developed for the same. Accordingly Wayanad District was selected for the registration of farmers in the web based package of the Agriculture Department. If found successful the exercise would be extended to all the districts of the State. This also would enable the Agriculture Department to effectively implement the EBT payment systems besides having a complete data base of farmers in the state.</i>	<i>Agriculture Department, Government of Kerala.</i>	The Sub-committee that met on 07.08.2012 noted that substantial progress had been made in the registration process. It was decided to pursue the matter with Agriculture Department, Government of Kerala. The current status in Wayanad as well as other districts may be placed in SLBC by the department.

Sl. No.	Agenda Item	Action Points	Action to be taken by	Present Position/Progress
2.2.7	Initiatives to compile development schemes implemented through various developmental agencies	<i>For the benefit of all financing agencies it was suggested to compile all the schemes implemented through various agencies like NABARD/National Horticulture Mission/ National Horticulture Board/SFAC/Agriculture related Departments and different Commodity Boards and release as a hand book. This would be of benefit for the farmers and bankers.</i>	<i>NABARD</i>	Representative from NABARD made a request in the meeting that whatever schemes which are in place have to be forwarded to NABARD for compilation. The Sub-committee that met on 07.08.2012 reviewed the progress and requested all Departments/agencies to submit their schemes to NABARD, Regional Office for consolidation and compiling the schemes.
2.2.8	Debt Relief scheme for Fishermen - Government proposal for extending relief to loans availed from Nationalized / Scheduled Banks	<i>The Kerala Fishermen Debt Relief Commission (KFDRC) Act 2008 was enacted and brought into force for constituting a Commission to recommend relief measures to the fishermen who are in distress due to indebtedness. Based on the recommendations of the commission Government has already settled the loans availed by fishermen from Co-operative banks. The Commission has now approached SLBC for working out modalities for settling dues of fishermen who have availed loans from Commercial Banks. To begin with broad guidelines have been evolved regarding the eligible amount, cutoff dates etc. and bankers have requested the Commission to provide the complete list of eligible beneficiaries bank-wise and amount wise.</i>	<i>Kerala Fishermen Debt Relief Commission</i>	As decided in SLRM 2012 the matter was taken up with Kerala State Fishermen Debt Relief Commission by SLBC for speeding up the process of providing the eligible list of beneficiaries. The reply in the matter is awaited.
2.2.9	Introduction of a Credit Guarantee Scheme for Agriculture Term Loans similar to CGTMSE	<i>In the SLRM 2012, it was suggested that in view of the mounting NPA under Agriculture Term Loans after implementation of ADWDRS, banks are facing serious issues. It was recommended to suggest introduction of a Guarantee Scheme similar to CGTMSE, particularly for Term Loans under Agriculture.</i>	<i>SLBC / Government of India</i>	<i>SLBC has taken up the matter with the Government of India and the reply is awaited.</i>

2.3. INFORMATION NOTE

2.3.1. Potential Linked Credit Plans (PLPs) - co-terminus with the Five Year Plan period (Suggested by NABARD)

With the objective of making NABARD's planning exercise more useful taking into consideration the developmental priorities of the Governments both at the Centre and at the State and to establish a meaningful link between development planning and credit planning process, leading to action planning, NABARD has redesigned its planning process to be coterminous with the Five year plan period of the Governments.

The first such five year plan would be in line with the 12th Five year Plan for GoI. This would be supported by Annual revision to projections.

SLBC may advise the lead banks and other member banks to extend support to the DDMs during the formulation of the plans and to obtain a meaningful document which would be of great help to all the stakeholders.

The Sub-Committee of SLBC, Kerala on Primary Sector Issues that met on 07.08.2012 noted the contents and decided to place the matter before SLBC for information of banks.

3. SECONDARY SECTOR & GOVERNMENT SPONSORED SCHEMES

3.1. FRESH ISSUES

3.1.1. Handloom package (Suggested by NABARD)

3.1.1.1. Progress under Weavers Card

SLBC has allotted a target of 10000 cards to be issued by all banks for the current year. As per the data received from Directorate of Handlooms around 13000 applications have been received by various banks. Branch-wise list has been circulated through SLBC. As discussed in the meeting with Commercial Banks/RRBs held on 17 July 2012 at NABARD, all banks are requested to clear pending applications by 15th August 2012

In order to identify the weavers any of the following criteria should be adapted:-

- (1) Weavers' Identity card issued by the O/o DC (Handlooms)
- (2) Health card issued as a part of implementation of Health insurance scheme
- (3) Certificate issued by the State Government.
- (4) Identity cards issued by the State Government.

In the Sub-Committee meeting of SLBC, Kerala held on 08.08.2012, the Director of Handloom & Textiles informed that 13500 applications are forwarded to banks of which only 127 cases were sanctioned and cards issued. Since the scheme is valid only upto 31.12.2012, banks have to immediately take steps to sanction the loans before the cut of date and claim subsidy. He added that the bank-wise/district-wise lists have been forwarded to SLBC for necessary action.

The representative from SLBC Cell informed that the bank-wise/district-wise details provided by Directorate of Handloom & Textiles have been forwarded to Controlling Offices of Banks/LDMs for appropriate action.

The Sub-Committee suggested placing the matter in SLBC for banks to take steps to clear the pending applications under the scheme by 31st August, 2012 and confirm the same in SLBC.

3.1.1.2. Waiver of loans for individual weavers

Though all banks were requested to submit claims under waiver of individual loans in the prescribed formats by 31 July 2012 to NABARD, the same was not complied by banks citing various reasons.

The Sub-Committee of SLBC, Kerala on Secondary Sector Issues that met on 08.08.2012 recommended placing the matter in SLBC and advised all banks to submit claims under waiver of individual loans in the prescribed formats by 10.09.2012 to NABARD along with the soft copy. Banks /NABARD to inform the progress in SLBC.

3.1.2. Implementation of loan waiver under financial package - Revival, Reform and Restructuring package for Handloom sector (Suggested by Directorate of Handloom & Textiles)

The Revival, Reform and Restructuring package for Handloom Sector will be implemented, starting with the previous financial year, as a new centrally sponsored scheme (Plan) with a total outlay of Rs. 3884 cores. The required funds will be placed with NABARD as the implementing agency. Under the scheme, funds will be provided for repayment of 100% of principal and 25% interest as on date of loan becoming NPA which is overdue as on 31/3/2010 in respect of viable and potentially viable primary weavers co-operative societies and apex societies as well as in respect of individual handloom weavers, master weavers, self help groups and joint liability group who have taken such loans for handloom weaving purposes, provided the banks agree for sanctioning fresh loans.

The Government has also approved an interest subvention of 3% for 3 years to be extended from the date of disbursement of the fresh loan extended by banks to the eligible handloom co-operative societies and individual handloom weavers covered under the scheme.

Number of applications received by the Banks may be reviewed.

The Sub-Committee of SLBC, Kerala on Secondary Sector Issues held on 08.08.2012 noted that the matter came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 3rd & 4th July, 2012 at Trivandrum and the meeting decided that Banks shall identify the beneficiaries under the scheme as per guidelines and prefer claims with NABARD Regional office.

3.1.3. Issuance of Weavers Credit Card (Suggested by Directorate of Handloom & Textiles)

Director of Handlooms & Textiles has collected and forwarded 13541 numbers of applications to the banks. 127 numbers of applications were sanctioned by banks in different districts. SLBC may review the status.

The Sub-Committee of SLBC, Kerala on Secondary Sector Issues that met on 08.08.2012 noted that the matter came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 3rd & 4th July, 2012 at Trivandrum and the meeting strictly advised banks to dispose the loan applications on merit within the time frame stipulated for Priority Sector loans. LDMs were advised to follow up the pendency status with controlling offices and branches in their respective districts.

SLBC cell had collected the bank wise/district wise details of loan applications pending with various banks and forwarded to Controlling Offices of banks/LDMs. Controlling offices of all Banks & LDMs were requested to monitor/follow up for early disposal on merits.

3.1.4. Empowered Committee on MSME Sector Meeting (Suggested by MSME Development Institute)

Empowered Committee on MSME Sector at district level need to be conducted at regular intervals and facilitate discussion on the following items:

- **PM's Task Force 3 targets achievement in the district**
PM's Task Force 3 targets have fixed viz. Achievement of 20% year-on-year growth in credit to micro and small enterprises for the enhancement of credit flow; 60% allocation of the MSE advances to the micro enterprises and achieve 10% annual growth in number of micro enterprise accounts.
- **Credit Plan**
Achievement of priority sector lending target for SME in the district
- National Level Monitoring Committee for MSME credit & format for reporting data for review.
- **CGTMSE**
Coverage of CGS loans in the district and performance.
- **Cluster based credit delivery model**
In consultation with MSE-CDP cluster actors at district level, a tailor made credit delivery mechanism, with a consortium of banks may be explored in the meeting.
- **NSIC**
Credit rating scheme of NSIC may be publicized in the meeting so that banks may readily extent credit to SME based on rating. The representative of NSIC may be invited for the meeting.

- **NMCP**
DC (MSME) scheme details may be presented in the meeting.
- Strict compliance of RBI guidelines on credit delivery to SME sector discussed in the meeting.
- **Sick units revival**
 - Identification of sick units by a Committee comprising DIC, LDM, etc. through a transparent process.
 - Option given to SME units to self declare and apply for sick unit revival to competent authority.

The Sub-Committee of SLBC, Kerala on Secondary Sector Issues that met on 08.08.2012 noted that achievement under district credit plan for Alappuzha, Kottayam and Wayanad district are less than 20%. LDMs of respective districts were advised to take appropriate steps for improving the overall performance under this sector.

The representative from Directorate of Industries & Commerce informed that the Directorate had already issued necessary instructions to GM, DICs of respective districts.

Representative from SLBC informed that the details regarding clusters have been uploaded in the website of SLBC.

Regarding the implementation of online tracking mechanization in banks, the AGM, RBI informed that at present the system is not working except in Punjab National Bank, though banks claim to have implemented the same.

The Sub-Committee decided to place the matter in SLBC for review and appropriate action by Corporate Offices of individual banks.

3.1.5. Providing loans under KSEDM at base rate by banks (Suggested by Finance [Planning A] Department, Government of Kerala)

The banks are requested to come forward to provide loans at base rates without delay to prospective entrepreneurs who have successfully completed training under the KSEDM as Government is providing interest for the loans under the scheme to the banks.

3.2. PENDING ISSUES IN SLBC & ACTION TAKEN REPORT

Sl. No.	Agenda Item	Action Points	Action to be taken by	Present Position/Progress
3.2.1	Review on Rehabilitation of Sick but Viable MSME units	<p><i>The data on rehabilitation of sick viable MSME units has not been drawn by many of the bankers correctly and the data submitted also was not consistent. This data is significant for timely identification and rehabilitation of the sick units.</i></p> <p><i>From the data compiled it was observed 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.</i></p> <p><i>There is strong feeling of lack of awareness at the branch level and hence programmes to be organized for branch level functionaries to bring in awareness on this.</i></p> <p><i>The need for proper and prompt reporting is also emphasized.</i></p>	<p><i>Industries Department / LDMs / Controlling Offices of Banks</i></p>	<p>The matter has been repeatedly brought to the notice of Controlling Offices of banks.</p> <p>Industries Department, LDMs and Controlling Offices of banks to ensure prompt and proper reporting and organise awareness camps for branch level functionaries at district level.</p>
3.2.2	Proposal to introduce penalty for delayed payment of premium for coverage under CGTMSE	<p><i>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. It was suggested that instead of cancelling the policy it would be advisable to charge penalty for delayed payments of premium.</i></p>	<p><i>SLBC/ CGTMSE, Mumbai.</i></p>	<p>SLBC, Kerala had taken up the matter with MSME Development Centre at Mumbai and response is awaited.</p>
3.2.3	PMRY 2006–07 & 2007–08 - Non receipt of Subsidy	<p><i>Subsidy on PMRY loans granted during 2006-07 and 2007-08 are yet to be released to various banks in few accounts. Such borrowers are forced to pay interest on the subsidy portion also till it is received by Banks. Also subsidy portion remaining unpaid are becoming NPA. Due to this customers are penalized as their names would be appearing in the CIBIL defaulters list.</i></p>	<p><i>Reserve Bank of India</i></p>	<p>RBI had vide letter RPCD (T) No.LBS/172/03.02.02/2011-12 dated 07.09.2011 clarified the position and the same had been circulated to banks by SLBC. Accordingly, banks have reportedly prepared claim in respect of accounts which are having outstanding equivalent to the subsidy portion. Any further developments in this regard may be informed.</p>

3.3. INFORMATION NOTE

3.3.1. Study on Acknowledging MSME Applications and on line Tracking of the same – Note submitted by RBI

The major observations from the study are given below:

- a) Most of the bank branches are not having a system of proper acknowledgement of MSME loan applications.
- b) None of the bank branches visited had the facility for online tracking of applications.
- c) The main reason for not acknowledging the applications cited by the branch managers was that most of the applications when submitted are incomplete and all the required documents are submitted only at later stages.
- d) Many branch managers do not entertain applications that cannot be sanctioned. Hence the question of giving acknowledgement for such applications does not arise.
- e) Acknowledging MSME Applications and on line Tracking in PNB
In Punjab National Bank (PNB), an online system of receipt of MSME loan applications and its tracking is already in place and is available at bank's corporate web site www.pnbindia.in with navigation: www.pnbindia.in <<http://www.pnbindia.in/>> ->homepage->Online Services->More->Loan Applications-> Apply for MSE Loan.

3.3.2. Study on Sick MSME Units – Note submitted by RBI.

The major observations from the study are given below:

- Many MSME units are sick units as per existing guidelines. However, the branches have not taken any steps to identify them as sick units as per the guidelines and thereby no measures are taken for rehabilitating them.
- Sometimes units are classified as sick not as per existing guidelines. The branch managers seem to be not aware of the norms for such classification. Generally the accounts which became NPA were considered sick without any scientific basis.
- The branches nor the controlling office did not make any viability study to identify any units as sick in the incipient stage. CBS platform needs to be modified to capture information of sick MSMEs.
- Lack of working capital is one of the main reasons behind the failure of many MSME units.
- Stiff competition from other entrepreneurs and problems with respect to industrial relations and labour contribute to failure of units.
- Since most of the units are NPAs, banks prefer to go for revenue recovery rather than bothering to classify the unit as sick and then put it under nursing.
- In some cases, the customers were found to request banks not to pull them more into the debt trap by giving any further financial assistance to them, once they found the units to be not working smoothly.
- In many cases in Alappuzha district, the people who had availed the loans through various government sponsored schemes were more interested in getting the subsidy part. These borrowers will then use some external pressures on the bank to waive of the remaining portion of the loan.

- Non availability of raw material at cheaper rates and problems in marketing has contributed to units becoming sick.
- Most of the first time entrepreneurs were job seekers who give up their enterprise in favour of more lucrative careers at the earliest opportunity.
- The reasons given by the branch Managers and as per discussion with some borrowers are varied such as no activity/no business/closure of unit; party untraceable; party abroad; alternate activity; no demand for products; change in residence; lack of market; obsolescence; competition; outdated skills; low income; financial problems; huge repairs; non-availability of labourers; family problems; other indebtedness; ill-health; non-interest of party; initiation of R.R.steps; mismanagement; IRDP loans where credit appraisal was not proper, pollution control measures etc.,
- Resistance from public against pollution and exploitation of nature.
- Political interference, labour problems, un-friendly attitude of labourers, quality control issues, lack of entrepreneurial attitude, too many permissions, informal compliances etc.
- Delay in identifying incipient sickness.
- No efforts are made to identify potential sick units. The existing software does not facilitate the same in some banks.
- No incentives are provided to staff for rehabilitation of sick units as in the case of financial inclusion and promoting collateral free loans.
- Field level staff is not encouraged by the middle management in the process. Classifying a sick unit as NPA and transferring it to recovery section is easier than rehabilitating it. The existing framework of fixing staff accountability also acts a deterrent in taking the risk of rehabilitation. Rehabilitation does not provide any provisioning incentives to the banks. Inability of the borrowers to bring in promoter's contribution in time discourages banks to hold on to the rehabilitation process. There are neither incentives to rehabilitation of sick units nor disincentives.
- However, bankers have been hand holding the sick SMEs/ entrepreneurs by providing repayment holidays, rephrasing, sanctioning temporary limits etc.

Reasons for classifying large number of sick units as non viable

The following are some of the reasons as observed from the study, for classifying the units as non viable:

- The units are not working profitably and the borrowers would not be able repay the installments.
- Banks are culling out the data of substandard, doubtful and loss asset units (NPAs) from the system pertaining to MSMEs and classify them as sick units and the branches are not conducting any viability study to identify viable units.
- Most of the units which they term as sick are treated as non viable without assigning any reasons.
- The present Core Banking System of the banks do not have a mechanism to capture the data on Sick MSME Units. It shows only NPA status of accounts and it requires manual intervention to compile data on sickness based on definition of sickness.
- Due to acute staff shortage, the branches do not take the trouble for identifying a unit as sick. As, if a unit is identified as sick, the branch is required to conduct a viability study, and if viable, put the unit under nursing by further financing the unit, closely following up the performance, etc. This is a very extensive process which many branches do not find time to do.

3.3.3. **Financial assistance (Reimbursement schemes) for MSMEs** - Note by MSME Development Institute

The Ministry of Micro, Small & Medium Enterprises has launched the National Manufacturing Competitiveness Programme (NMCP) to improve the competitiveness among MSME sector. MSMEs are supported through various components of NMCP to improve technology, process, quality of their products, expansion of their market, competitiveness etc.

MSMEs may claim their expenses incurring in acquiring/processing of the following certifications/ implementations.

- (i) **Product certification** both national and international like ISI, Star rating (BEE), CE marking, ANSI, JIS etc
- (ii) **Process certifications** like ISO 9001/QMS, ISO 14001/EMS, ISO 18000/OHSMS, ISO 22000/FSMS, ISO 27001/ISMS
- (iii) **Marketing development** by implementing Bar code and participating in the domestic (this in the state) and abroad/foreign exhibitions.
- (iv) **Adoption of corporate governance practices** or Limited Liability Partnership (LLP) framework.

Under these Schemes, this office is receiving financial sanctions every year from O/o DC (MSME), New Delhi for reimbursement. The details like eligible criteria, amount of assistance, website link to applications form, whom to contact etc shall be taken from the concerned website. The details are available from the office of the Director, MSME-DI given below and also can be downloaded from the following web links.

The Director, MSME -DI, Kanjani Road, Ayyanthole(p.o), Thrissur-680 003 or download application form at Website

<http://www.dcmsme.gov.in/schemes/technology&quality10.pdf>

<http://www.dcmsme.gov.in/schemes/sciso9000.htm>

<http://www.dcmsme.gov.in/schemes/MarkAssis.pdf> and www.gs1india.org

<http://www.dcmsme.gov.in/schemes/MarkAssis.pdf>

<http://www.dcmsme.gov.in/schemes/MarkAssis.pdf>

<http://www.dcmsme.gov.in/schemes/QMSQTT10.pdf>

The Sub-Committee of SLBC, Kerala on Secondary Sector Issues that met on 08.08.2012 took a decision that the matter would be reviewed at district level. The Sub-Committee decided to place the matter in SLBC for information of Banks/LDMs.

3.3.4. **Implementation of PMEGP during 2012-13** – Note by KVIC

SLMC meeting held on 20.06.2012 deliberated on the matter. On receipt of the PMEGP target for 2012-13, implementing agency wise-district wise allocations are made and the district level task force committee meetings are progressing at various districts, since the Prime Minister's Employment Generation Programme (PMEGP) is continuing during 2012-13 as per the prevailing guidelines.

While communicating the target, KVIC central office has informed that henceforth only state-wise financial ceilings for margin money is given as target and number of projects are indicative figures. The MM commitment on account of sanctioned proposal should not exceed annual target and no additional funds will be provided for 2012-13. Pending MM claims will be settled first out of the funds allocated. Social sector-wise achievements should also be ensured while implementing the programme.

It is also clarified that as per approved PMEGP guidelines, Margin Money is a onetime assistance and there is no provision to entertain the supplementary claims, if the eligible margin money has not been claimed in the first instance itself by the financing bank.

The out sourced agency which conducted 100% physical verification of all PMEGP units of 2008-09 and 2009-10, has revealed some of the units financed by the banks as non traceable/non existing units/not set up and not working. In such cases, the number of loan instalments released by the financing banks and their , system of internal checks/follow ups made may also be informed to KVIC for further appraising to KVIC central office.

The Ministry of MSME has released 50% of margin money funds amounting to Rs. 1632.70 lakhs out of the target of Rs 3265.60 lakhs, communicated for 2012-13 to the state and therefore, all the implementing banks may be instructed to speed up the PMEGP programme implementation of 2012-13.

The Sub-Committee of SLBC, Kerala on Secondary Sector Issues that met on 08.08.2012 decided to place the matter in SLBC for information of Banks.

4. TERTIARY SECTOR & OTHER MATTERS

4.1. FRESH ISSUES

4.1.1. Financial Literacy Centres (FLCs) - Guidelines (Suggested by Reserve Bank of India)

In terms of para 7 of RPCD. FLC. No 12452/12.018/2011-12 dated June 06, 2012 SLBCs/UTLBCs would review the financial literacy efforts undertaken by banks under their jurisdiction as an agenda item in the SLBCs/UTLBC meetings and would submit a Quarterly report on the functioning of FLCs to the respective Regional Offices of RBI within 20 days after the end of each quarter, as per the format enclosed with the above letter.

The Sub-Committee of SLBC, Kerala on Tertiary Sector Issues that met on 09.08.2012 requested Lead Districts Managers to open FLCs attached to Lead Bank Office's immediately.

The representative from SLBC Cell informed that the SLBC Cell is in the process of collecting the FLCs data from banks in the prescribed format and the letter in this regard is sent to the concerned banks.

All banks that have opened FLCs are requested to submit the report on the functioning of their FLCs as per the format provided, to enable SLBC Cell to place the data before SLBC for information.

4.1.2. The Action Points that emerged from the workshop conducted for Business Correspondents/ Customer Service Providers, Technology Service Providers and Bankers (Suggested by Reserve Bank of India)

The important take away from the workshop conducted by RBI for BCs/CSPs/TSPs and Bankers is as under:

- a) Need for enhancing the visibility of the BCs and CSPs in the villages.
- b) Request State Government to implement EBT payments using the services of BC/CSP to the maximum.
- c) BCs/CSPs to provide OD/credit, savings products like RD, micro insurance and remittance facilities and pursue the objective of Meaningful Financial Inclusion.
- d) Banks to ensure that credit is delivered through BCs/ CSPs. They may focus on providing overdraft in Basic Banking Accounts opened.
- e) Technology Service Providers to expedite providing of bio-metric smart cards. Pending applications to be cleared at the earliest and remove bottlenecks.
- f) Banks may incentivize BCs appropriately.
- g) Banks to provide refresher training to BC/CSP at regular intervals. Back up for BCs/CSPs to be created.
- h) TSPs to expedite replacement of problematic handheld machines, if any. To explore the possibility of providing a back up handheld machine to the base branch.
- i) Implement inter-operability among CSPs of same TSPs initially and among CSPs of various TSPs in the long term.

SLBC may share the above points amongst the banks and request them to take action as appropriate wherever required.

The Sub-Committee of SLBC, Kerala on Tertiary Sector Issues that met on 09.08.2012 decided to place the matter before SLBC for information of banks and submission of ATR.

4.1.3. ATR on previous agenda points (Suggested by Planning & Economic Affairs (F) Department, Government of Kerala)

In every SLBC meeting agenda points are discussed and action is assured. However, Government is not aware whether those assurances have been implemented. Therefore an Action Taken Report on the agenda points discussed in the past SLBC meetings/ Special SLBC meeting may be introduced.

The Sub-Committee of SLBC, Kerala on Tertiary Sector Issues that met on 09.08.2012 accepted the suggestion and advised SLBC to make the agenda points discussed in the past SLBC meetings in a tabular form.

4.1.4. Briefing on Mahila Kisan Sashaktikaran Pariyojana (MKSP) Project (Suggested by Local Self Government (DB) Department, Government of Kerala)

The Government of India has sanctioned a state-wide MKSP project to be implemented state-wide through Kudumbashree. It is requested that an opportunity may be provided to the

Kudumbashree Mission to present the highlights of the MKSP and the role of SLBC and banking communities therein.

The Sub-Committee of SLBC, Kerala on Tertiary Sector Issues that met on 09.08.2012 decided to provide an opportunity to the Kudumbashree Mission to present the highlights of the MKSP in the SLBC meeting.

4.1.5. Making available RR online portal for extended time (Suggested by DLRC, Idukki)

At present the RR online portal is available only from 10 a.m. to 5 p.m. Most of the banks in the district have reported that filing of RR and other works of the branches could be done only after Business Hours i.e. after 3.30-4.00 p.m. Since the RR online portal is available only up to 5 p.m., most of the branches are finding it difficult to complete the process within the limited time of one hour. Banks have requested for extending the time at least up to 6 p.m. for enabling them comfortably file RR cases through online.

Hence it is requested to take up the matter with the Revenue Department for suitable modification.

The Sub-Committee of SLBC, Kerala on Tertiary Sector Issues that met on 09.08.2012 decided to place the matter in SLBC for appropriate recommendation to Revenue Department.

4.1.6. Micro Insurance Scheme (Suggested by LIC of India)

LIC of India had sought the following:

- To permit a detailed presentation of the working model on Micro Insurance scheme
- The organizational benefits and scope available with this.

The Sub-Committee of SLBC, Kerala on Tertiary Sector Issues that met on 09.08.2012 decided to provide an opportunity to the LIC of India to present the highlights of Micro Insurance Scheme.

4.1.7. Green initiative of SLBC Cell - Letters/Communications through email only (Suggested by SLBC Cell)

SLBC Cell proposes to send all communications and letters hence forth through e-mail only. Only Agenda & Background papers and Minutes of quarterly SLBC meetings would be sent as hardcopy. All Banks/ Departments shall take note of this and inform any additional e-mail IDs to be registered with SLBC Cell so that all communications reach the concerned properly. While attending the subcommittee meetings members are requested to bring hard copy of the agenda items communicated by SLBC Cell through e-mail.

It is also suggested that while sending response to SLBC communications through email, the name, designation, office contact phone nos., name of the organization and email IDs of the signing authority should invariably be mentioned.

The Sub-Committee of SLBC, Kerala on Tertiary Sector Issues that met on 09.08.2012 decided to place the matter before SLBC for adoption.

4.2. PENDING ISSUES IN SLBC & ACTION TAKEN REPORT

Sl. No.	Agenda Item	Action Points	Action to be taken by	Present Position/Progress
4.2.1	Non availability of Interest Subsidy for Education loans granted by KSCARD Bank	<i>Loans granted by KSCARD Bank also to be provided with interest subsidy extended by Government of India</i>	<i>Government of India</i>	SLBC had referred the matter to Ministry of Finance, Government of India. Reply awaited.
4.2.2	Agenda items suggested by RSETI, Thrissur	<i>6 suggestions were put forth by RSETI, Thrissur for implementation in connection with the trainings imparted under Government Sponsored Schemes through RSETIs</i>	<i>Commissionerate of Rural Development</i>	In the Sub-Committee meeting held on 09.08.2012, the representative from Commissionerate of Rural Development informed that instruction on the matter has been issued by the Commissionerate. The Sub-Committee requested the Commissionerate of Rural Development to provide a copy of the same to SLBC.
4.2.3	Land Allotment for construction of RSETI Building, Kozhikode	<i>Land allotment for construction of RSETI buildings is pending in 3 districts viz. Kollam, Kozhikode & Palakkad.</i>	<i>Commissionerate of Rural Development</i>	In the Sub-Committee meeting held on 09.08.2012, the representative from Commissionerate of Rural Development informed that land allotment for RSETIs at Kollam and Palakkad districts are pending with Government of Kerala. The land for RSETI, Kozhikode district is yet to be identified. The Sub-Committee suggested fixing a deadline by which the process of land allotment for RSETIs at Kollam, Palakkad and Kozhikode districts would be completed. SLBC has taken up the matter with the Commissionerate of Rural Development and response is awaited.
4.2.4	Contact details of Nodal Officers of Revenue department identified for Revenue Recovery	<i>It was suggested that the contact details of Nodal Officers of Revenue department identified for Revenue Recovery of Bank's dues, at various centres, may be provided to all the Banks by way of a consolidated circular".</i>	<i>SLBC/LDMs</i>	The Sub-Committee that met on 09.08.2012 requested LDMs to expedite submission of details to SLBC Cell so that the Contact details of Nodal Officers of Revenue Department identified for RR can be furnished in the background notes and also upload in the SLBC website.

Sl. No.	Agenda Item	Action Points	Action to be taken by	Present Position/Progress
4.2.5	Sanctioning OD in no frills accounts	<i>The agenda item was to ascertain the reasons for not sanctioning OD in no-frills accounts opened as part of financial inclusion and reasons for low credit off-take under GCC and KCC in identified model villages.</i>	SLBC/Member Banks	<p>The Sub-Committee that met on 09.08.2012 suggested collecting the status of providing inbuilt OD in no frill accounts from Controlling Offices of all Banks. It also suggested including the matter in the awareness programmes to be conducted for Panchayat members at district levels.</p> <p>SLBC had written to Controlling Offices of all banks. Banks to inform the latest position.</p>
4.2.6	Number of BCs and BFs operating in the State (separately)	<i>The details of the BCs, CSPs and BFs operating in the State to be collected and placed in SLBC.</i>	SLBC/Member Banks	<p>The Sub-Committee that met on 09.08.2012 suggested collecting the break up details of BCs, CSPs and BFs operating in the State as at 31.03.2012 from Controlling Offices of all Banks and place as information note.</p> <p>SLBC has already taken up the matter with controlling offices of banks. Many banks are yet to furnish the details. Banks are requested to expedite submission of details to SLBC Cell.</p>
4.2.7	Inclusion of banks under Kerala Land Conservancy Act 1957	<i>The Kerala Land Conservancy Act, 1957 is applicable to Government lands, which was amended by providing for punishment in case of unauthorized occupation by encroachers in Government land. District Collector is empowered to evict them, by way of a summary procedure. This act was made applicable to lands of Kerala State Electricity Board, University, Devaswom Board etc. It was suggested that Public Sector Banks may also be notified as per the Act, so that bank's property in Kerala can be safeguarded from illegal occupants.</i>	Revenue Department, Government of Kerala	<p>The Sub-Committee that met on 09.08.2012 decided to pursue the matter with Revenue Department. Revenue Department may apprise the present position.</p>

Sl. No.	Agenda Item	Action Points	Action to be taken by	Present Position/Progress
4.2.8	Revamping of SAMIS under Lead Bank Scheme	<i>SAMIS under Lead Bank Scheme is to be amended/modified incorporating new codes for SME in accordance with MSME act and other priority sector segments separately. On account of the existing old reporting system the final figure under SME is getting distorted thereby projecting a poor picture on SME sector performance.</i>	NABARD	<p>NABARD vide letter No.NB (Kerala)/CPD/2642/PL-06 / 2012-13 dated 07.08.2012, informed that their HO has considered the issue in detail and has advised as under:</p> <p>“The High Level Committee on Lead Bank Scheme (Usha Thorat Committee), where introduction of Priority Sector Monitoring and Information System (PSAMIS) in place of SAMIS had been recommended. Besides, in the report submitted by the ‘Committee to re-examine the existing classification and suggest revised guidelines with regard to priority sector lending, classification and related issues’ (M V Nair Committee), data capturing at the base level and moving to data based reporting system have been recommended (para 5.5 to 5.7 of the report). As a new reporting system is under consideration of RBI, any modification to SAMIS/LBR at this stage may not be appropriate.”</p> <p>In view of the above, NABARD has requested to drop the agenda item.</p> <p>The Sub-Committee that met on 09.08.2012 noted the above and decided to drop the item.</p>
4.2.9	Giving Provision to Controlling offices of banks to monitor status of RR	<i>RR filing in the State is now online. The view option/function should be made available to the Controlling offices of banks to enable them to monitor the status.</i>	Revenue Department, Government of Kerala	The Sub-Committee that met on 09.08.2012 decided to pursue the matter with Revenue Department. Revenue Department may apprise the position.
4.2.10	Objections raised by sub Registrar’s Offices on the sale of properties attached by Banks	<i>Sub Registrar’s Offices have been objecting to the sale of properties by Banks on the plea that subsequent attachment by private individuals exists. Necessary instruction to be given to SROs emphasizing the fact that the Bank’s charge overrides all subsequent charges by private individuals.</i>	Revenue Department, Government of Kerala	<p>In the Sub-Committee meeting held on 09.08.2012, the representative from Registration Department informed that final circular on the matter getting ready.</p> <p>The Sub-Committee decided to pursue the matter with Revenue Department till it is clarified. Revenue Department may apprise the position.</p>

Sl. No.	Agenda Item	Action Points	Action to be taken by	Present Position/Progress
4.2.11	<p>E-Collection of Kerala State Commercial Taxes - Inclusion of major banks in the State in addition to banks handling the same at present</p>	<p><i>Proposal to authorize major banks to transact Kerala Government business of e-payment of Commercial Tax – issue relating to accreditation of major banks.</i></p>	<p><i>Taxes Department, Government of Kerala</i></p>	<p>In the Sub-Committee meeting held on 09.08.2012, the representative from Taxes Department informed that Taxes Department had issued a circular including Federal Bank for handling e-collection of Kerala State Commercial Taxes.</p> <p>The Sub-Committee observed that the since the agenda was inclusion of all major banks in the State in addition to banks handling e-collection of Kerala State Commercial Taxes, the Sub-committee decided to pursue the matter with Taxes Department.</p> <p>Taxes Department may apprise the position.</p>
4.2.12	<p>Exemption to Public Sector Undertakings etc. from producing Identity Card and Photo for registration of document in terms of Notification RR-4/5448/2003 dated 04.05.2007 of Registration Department</p>	<p><i>Registration Department vide their notification RR-4/5448/2003 dated 04.05.2007 exempted certain categories of officers from producing the identity card and photograph while executing documents in officials capacity. Majority of the Sub-Registrars are not aware of the exemption and it is requested that Registration Department to issue a fresh direction to exempt Authorized Bank Officers under SARFAESI Act from producing Identity Card and Photo while registering the property in the official capacity. At present Authorized Officers are executing document in a quasi-official capacity without seal and it is essential that Authorized Officers execute document in official capacity with seal.</i></p>	<p><i>Registration Department</i></p>	<p>Government Order in this regard had been issued by the Registration Department, the Sub-Committee decided to drop the item. Copy of the Government Order provided in the Annexure 10.49.</p>

Sl. No.	Agenda Item	Action Points	Action to be taken by	Present Position/Progress
4.2.13	Green Initiative - e-payment	<p><i>To enhance use of e-payments, it will be appropriate if all schemes of Government of India and the State Governments are implemented by carrying out the following:</i></p> <p>(i) <i>All payments to beneficiaries are to be made by electronic fund transfer to the respective accounts of beneficiaries. Banks have been asked to open 'no frill' accounts.</i></p> <p>(ii) <i>The Lead Bank of the area has been advised to ensure that no beneficiary has any difficulty in opening a bank account.</i></p>	Government of Kerala/ Member Banks/ LDMs	<ol style="list-style-type: none"> 1. Government of Kerala has constituted a core group to work out the modalities for complying with the requirements suggested by the Government of India under EBT. The committee is in the process of finalizing the implementation path for complying with the requirement. 2. Banks have been instructed to permit opening of no frill account and the same is in progress wherever required. 3. LDMs are monitoring this in their respective districts. <p>The Government of India instruction for a common system is yet to be implemented in the State. However, a few departments of the State Government have initiated e-payment system in their own manner which is not as per the common guidelines evolved or indicated by RBI.</p> <p>The Sub-Committee that met on 09.08.2012 decided to pursue the matter with the State Government.</p> <p>The latest directives on EBT from Finance Ministry given in Annexure 10.44.</p>
4.2.14	Status of revival of defunct SHGs	<p><i>Data on defunct SHGs in bank branches to be collected and steps to be taken for revival of such groups by banks.</i></p>	SLBC / Controlling Offices of banks	<p>Member banks expressed difficulty in culling out the data as proposed since such a provision is not available in the existing CBS package. The Sub-Committee that met on 09.08.2012 observed that since SLBC is providing the data on SHGs in 3 categories (i) Financing SHGs directly by banks (ii) Financing SHGs directly with the facilitation of NGOs (iii) Financing SHGs through the medium of NGOs, there is no relevance for collection of data on defunct SHGs at present and decided to recommend to drop the item.</p>

Sl. No.	Agenda Item	Action Points	Action to be taken by	Present Position/Progress
4.2.15	Inclusion of Banks under “Public Utility Service” - under S 22 A of Legal Services Authorities Act - Establishment of Permanent Lok Adalath under S 22 B	<p><i>As per the Legal Services Authorities Act, 1987 (amendment Act 2002) the jurisdiction of the Permanent Lok Adalath is applicable only to “Public Utility Services” such as –</i></p> <ul style="list-style-type: none"> • <i>Transport service for the carriage of passengers or goods by air, road or water</i> • <i>Postal, telegraph or telephone service</i> • <i>Supply of power, light, air, water to the public by any establishment</i> • <i>System of public conservancy or sanitation</i> • <i>Service in hospital or dispensary</i> • <i>Insurance service</i> • <i>And includes any service which the Central Government or the State Government, as the case may be, in the public interest, by notification, declares to be a Public Utility Service.</i> <p><i>As per the definition of the Act, Banks do not fall under the purview of “Permanent Lok Adalaths”. However, if Central Government or State Government, in the interest of public declares by notification, the same can be brought under the purview of the Act.</i></p> <p><i>In the larger interest of the public especially the low income group, issuance of a notification to the effect that Banks also fall under “Public Utility Service” for the purpose of the Act.</i></p>	<p style="text-align: center;"><i>Finance Department, Government of Kerala</i></p>	<p>The Sub-Committee that met on 09.08.2012 observed that no progress has been made in respect of issuing any notification for including banking service under the purview of the act. Hence, decided to pursue the matter with Finance Department, Government of Kerala.</p>

Sl. No.	Agenda Item	Action Points	Action to be taken by	Present Position/Progress
4.2.16	Left over cases of Bhavanashree loans	<p><i>In the Sub-Committee of SLBC constituted to examine the aspects of Bhavanashree take over that met on 27.02.2012, it was agreed that the left over claims of banks would be taken up with the Government. However a deadline of 30.11.2011 was stipulated for submission of claims by banks.</i></p> <p><i>Kudumbashree had given the final consolidation of left over cases compiled by them which had been circulated by SLBC to all banks for verification and confirmation. Banks were requested to take up the matter directly with Kudumbashree in case of any discrepancies. It was also informed that no further claims in this matter would be entertained for those received after the cut off date stipulated and that all banks who had received the settlement amount shall release the title deed to the beneficiaries on or before 15.03.2012 without fail. In light of the above, the agenda item was recommended to be dropped.</i></p> <p><i>Now Corporation Bank informed that “so far there is no action taken by the Kudumbashree Mission Kerala in respect of Bhavanashree loans sanctioned by their Tiruvallur Branch. They have already submitted the Bhavanashree loan details in the prescribed format.</i></p>	Kudumbashree	<p>In the Sub-Committee meeting held on 09.08.2012, the representative from Kudumbashree clarified the following on Bhavanashree Additional claims.</p> <ul style="list-style-type: none"> • Banks have given 1458 accounts • Out of this 1316 accounts were verified as Bhavanashree loan live accounts • Matter on additional claims being taken up with the Government. • The accounts of Corporation Bank, Thrivallur branch (55 accounts) are also included in the additional accounts list. • Corporation Bank has given 37 accounts of Ummannoor branch (Kollam district) on 29.06.2012 even though the cutoff date stipulated was November 30th, 2011. This is not being considered. <p>In view of the above, the Sub-Committee decided to drop the item.</p>

Sl. No.	Agenda Item	Action Points	Action to be taken by	Present Position/Progress
4.2.17	Automation of Interface of State Government Treasuries with Banks	<p><i>The Department of Financial Services, Ministry of Finance, Government of India desires that full automation of interface of State Government Treasuries with the banks should be given top priority as it would help the concerned state government and the Banks to implement EBT, funds transfer to beneficiaries and credit of Government grants/subsidy/funds, quick credits etc.</i></p>	<p><i>Planning & Economic Affairs Department, Government of Kerala.</i></p>	<p>In the Sub-Committee meeting held on 09.08.2012, the representative from Planning & Economic Affairs Department, Government of Kerala informed the following:</p> <ul style="list-style-type: none"> (i) Customization is over (ii) Automation of treasuries is in progress. (iii) Interface with banks is also being attended to - over 190 branches is completed. (iv) Interconnectivity is one issue that is confronting the process. (v) Tender process is being cleared and expected to be completed by August 2012. (vi) NIC has been entrusted with software development in connection with Government Receipts Accounting System (GRAS). (vii) Common guideline on EBT system should be evolved and made applicable for Government Departments implementing the system. <p>The Sub-Committee further decided to pursue the matter with Planning & Economic Affairs Department, Government of Kerala.</p>
4.2.18	Levying of Service Charges under SARFAESI – Pending since June 2011	<p><i>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 U/S 14 of the Act is initiated.</i></p> <p><i>Levying of Service charges under SARFAESI is not permissible under the present law. Hence it was suggested to withdraw the Service Charges imposed by the Government for SARFAESI related cases.</i></p>	<p><i>Revenue Department, Government of Kerala</i></p>	<p>Revenue Department is yet to respond on the progress made.</p>

Sl. No.	Agenda Item	Action Points	Action to be taken by	Present Position/Progress
4.2.19	Computerization of Land Records – Pending since June 2006	<i>To computerise land records in the State of Kerala – This will enable financing banks to make online notings, regarding their lien and help to bring down the transaction cost for getting various certificates from village office.</i>	<i>Revenue Department</i>	Revenue Department is yet to provide any information on the progress made.
4.2.20	Creation of a Central Registry titled National Mortgage Repository – Pending since October 2008	<i>To establish a National Mortgage Repository (NMR) in the State that 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.</i> <i>This is aimed at bringing in more transparency and prevention of frauds on property transactions.</i>	<i>Registration/ Revenue Department, Government of Kerala</i>	Registration / Revenue Department is yet to provide any information on the progress made.
4.2.21	Need for Reduction in Stamp Duty and Registration charges for Registered Memorandum - Pending since December 2007	<i>The proposal is aimed at:</i> 1) <i>Enforcing stamp duty on Equitable Mortgages (EM) put forth by banks by putting through “Registered Memorandum” with a maximum nominal monetary ceiling on the stamp duty imposed.</i> 2) <i>To make registration of Memorandum of Agreement relating to deposit of title deeds mandatory in the State instead of making it optional.</i>	<i>Registration/ Revenue/ Finance Department, Government of Kerala</i>	In the Sub-Committee meeting held on 09.08.2012, the representative from Registration Department informed that Government Order to this effect is getting ready for release. However, the Committee felt that the matter may be pursued till receipt of G.O.

Sl. No.	Agenda Item	Action Points	Action to be taken by	Present Position/Progress
4.2.22	Registration of Equitable Mortgage created in favour of the banks with Sub-Registrar - Pending since March 2003	<i>To make provision for noting/recording the Equitable Mortgage (EM) transactions (ie. Mortgage by deposit of title deeds) created by banks in the revenue records of the Government by enacting suitable provisions for the same in the revenue regulations of the State of Kerala to minimize frauds.</i>	Taxes Department, Government of Kerala	In the Sub-Committee meeting held on 09.08.2012, the representative from Registration Department informed that Government Order to this effect is getting ready for release. However, the Committee felt that the matter may be pursued till receipt of G.O.
4.2.23	Amendments suggested in the format for issuing Encumbrance Certificate for landed property issued by Sub-Registrar Office (SRO) - Pending since May 2008	<i>The format used by SRO's for issuing Encumbrance Certificates (EC) is to be modified and it should be with out any "Disclaimer Clauses" as presently appearing in Note No:2 & 3 of EC format. This is detrimental to the interest of the banks. This could be done by suitably amending Section 57 and Rule 165 (1) of the Registration Act.</i>	Taxes Department, Government of Kerala	Taxes Department is yet to provide the progress made in effecting the said amendment.
4.2.24	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 - Pending since December 2007	<i>To make suitable amendment in the Registration Rules and to empower the SROs to make an entry of possession of immovable properties under SARFAESI Act 2002 also in their Book I, as done in the case of property attachment made by Civil or Revenue courts.</i>	Taxes/ Registration Department, Government of Kerala	In the Sub-Committee meeting held on 09.08.2012, the representative from Registration Department informed that the matter is being reviewed. However, being a central act necessary amendments have to be effected which may take time. The committee suggested following up the matter.

Sl. No.	Agenda Item	Action Points	Action to be taken by	Present Position/Progress
4.2.25	Waiver of Stamp duty on SHG loans - Pending since March 2006	<i>The proposal was to waive stamp duty on loans availed by Self Help Groups so as to augment credit flow to SHGs</i>	<i>Finance/Taxes/Registration Department, Government of Kerala</i>	In the Sub-Committee meeting held on 09.08.2012, the representative from Taxes Department informed that the note examining this matter has been sent to Finance Department. Decision is awaited. The committee suggested to pursue the matter.
4.2.26	Government proposal of declaring moratorium on recovery of loans availed by the people in Endosulphan affected areas - Pending since March 2011	<i>A Government proposal was mooted to introduce moratorium on recovery of loans availed by people affected by the ill effects of Endosulfan in Kasaragod District. 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. Banks were requested to take a sympathetic view and provide relief.</i>	<i>Government of Kerala / District Collector, Kasaragod/ LDM Kasaragod</i>	SLBC had decided to collect the details of the victims affected by Endosulphan, however the District administration is yet to provide the details. In SLRM 2012, it was informed that the Government of Kerala had already given instructions to the District Collector, Kasaragod to provide the list of Endosulphan affected victims to LDM, Kasargad and SLBC. Further development is to be informed.
4.2.27	Utilization of RIDF in the State	<i>It was suggested NABARD may place the guidelines and information note on the eligible projects and other directives with regard to RIDF. It was also suggested to list out the activities covered under RIDF and the fund availability position for the information.</i>	<i>NABARD</i>	Information provided by NABARD is furnished in <u>Annexure 10.46.</u>
4.2.28	Action Taken Report on the implementation of Directives of Finance Ministry (Position as on 18.08.2012)	<i>Department of Financial Services (DFS), Ministry of Finance, Government of India has come out with a series of instructions and guidelines on Financial Inclusion and general bank matters for implementation and compliance by banks & LDMs. SLBC Cell has consolidated all the directives of DFS and the same is given in <u>Annexure 10.47.</u></i>	<i>SLBC/Banks/ LDMs/ Government Departments</i>	Action Taken Report (ATR) by SLBC on the directives of Ministry is given in detail in <u>Annexure 10.47.</u> Banks/LDMs/Government Departments may inform the present position/progress regarding compliance. Recent directives issued by DFS on Installation of Cash Dispensers and Ultra Small Branches (USBs) are given in <u>Annexure 10.51 & 10.52</u> respectively. The forum may deliberate on action points/strategies for furthering the progress in these agenda items.

4.3. INFORMATION NOTE

4.3.1. Including of Kudumbashree as a regular agenda for DLRC meetings (Suggested by Local Self Government (DB) Department, Government of Kerala)

With the advent of NRLM, MKSP and the restricting of SJSRY, it has become imperative to link the activities of Kudumbashree in micro finance and livelihood support including farming, skill development and marketing with the deliberations & monitoring effected by the DLRC and block level meetings. It is therefore requested that decision may be taken to include review of the following activities of Kudumbashree viz.

- Linkage banking credit flow to NHGs and JLGs of women farmers
- Opening of the interest subsidy scheme
- Livelihood support to micro enterprises through tie up of credit and subsidy through various programmes
- Credit related aspects of MKSP, NRLM and SJSRY schemes
- Review of ISHUP

The above items be made a regular agenda in the District Level Bankers Committee meeting chaired by District Collector.

The Sub-Committee of SLBC, Kerala on Tertiary Sector Issues that met on 09.08.2012 decided that SLBC Cell may issue necessary instructions in this regard to all LDMs. The Sub-Committee decided to place the matter before SLBC for information of LDMs.

5. Review of Performance under Priority Sector Advances

5.1. Review of Priority Sector Advances (Disbursement) as at June 2012 - ACP 2012-13 Achievements (Refer Annexure 10.13 & 10.14)

The performance of banks with reference to the Annual Credit Plan 2012-13 as at June 2012 with Bank-wise and District-wise break up is furnished in the annexure. The abstract of the performance as at June 2012 under ACP 2012-13 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	4930	1727	35.03	951	76	7.99	6235	769	12.34	12116	2572	21.23
Nationalized Banks	8024	2694	33.57	1537	153	9.98	6163	685	11.12	15724	3533	22.47
RRBs	3047	700	22.86	181	20	10.88	1705	380	22.30	4933	1100	22.29
Private Sector Banks	4817	1316	27.33	967	201	20.75	5237	692	13.21	11021	2209	20.04
Cooperatives	9238	1819	19.69	842	105	12.46	12867	4069	31.62	22947	5992	26.11
KFC	8	0	0	230	56	24.28	145	9	6.44	383	65	16.97
Total	30064	8256	27.46	4708	611	12.96	32352	6604	20.41	67124	15471	23.05
% to Total Disbursement		53.36			3.95			42.69			100	

5.1.1. Overall Performance under Annual Credit Plan

The banking sector of the State has disbursed **Rs. 15471 crores** to the priority sector during the fiscal 2012-13 as at June 2012. This is **23.05 %** of the annual target of **Rs. 67124 crores**. There is an increase of **Rs.2996 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. 5992 crores**) followed by Nationalised Banks (**Rs. 3533 crores**). Disbursement to secondary sector constituted only **3.95 %** 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.5797 crores**) followed by State Bank of Travancore (**Rs. 1658 crores**). Three Banks viz., State Bank of Patiala, Jammu & Kashmir and Kotak Mahindra Bank have reported “NIL” disbursement to Priority Sector in the State during the period from 01.04.2012 to 30.06.2012, which needs immediate attention.

Among the Districts, Kollam district stood first in the quantum of priority sector loan disbursement (**Rs. 2329 crores**) followed by Thrissur district with a disbursement of **Rs. 1809 crores**. Kollam district was first in percentage achievement of target (**33.82%**) followed by Palakkad (**28.47%**), Malappuram (**27.66%**), and Kozhikode (**27.49%**). Six districts had achieved levels above the State's average position. The performance of Wayanad (**14.09%**), Pathanamthitta (**14.46%**), Alappuzha (**15.66%**) and Kasaragod (**15.27%**), needs considerable improvement. LDMs of all lagging Districts need to identify the field level issues and take immediate steps to reverse the trend in the remaining quarter.

5.1.2. Performance under Primary Sector

The primary sector, which comprises of the agriculture sector, accounted for **53.36 %** of the total disbursements in priority sector. The sector achieved **27.46 %** of the annual target as at June 2012. An amount of **Rs. 8256 crores** was disbursed to the sector as at June 2012 against the year-end target of **Rs. 30064 crores**. Compared to the disbursements during the corresponding period of the previous fiscal, the disbursement to primary sector recorded an increase of **Rs. 1392 crores**.

Nationalized Banks, by disbursing **Rs. 2694 crores**, accounted for more than one-fourth (**32.63 %**) of the total disbursement to the sector. Co-operative Sector accounted for **22.03 %** of the total disbursement to the primary sector of the State by disbursing **Rs.1819 crores**. Private Sector Banks disbursed **Rs. 1316 crores**.

Among Commercial Banks, quantum wise, SBT, Canara Bank, SMGB, Indian Bank, Union Bank of India and the Federal Bank are the top performers with regard to quantum of loans disbursed to the sector.

Highest disbursement to primary sector was reported in Kollam district (**Rs. 1401crores**) followed by Kozhikode (**Rs. 897 crores**) and Thrissur (**Rs. 886 crores**) districts.

5.1.3. Performance under Secondary Sector

Under secondary sector, which includes the SME Sector, the banking sector of the State could achieve only **12.96 %** of the annual target as at June 2012. Banks in the State have disbursed loans to the tune of **Rs. 611 crores** up to June 2012. Another disturbing fact is that the sector accounted for only **3.95 %** of the disbursement to priority sector in the State.

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 2011 to June 2011, the disbursement to the secondary sector was **Rs.451 crores** whereas during the same period this year banking sector in the State could disburse **Rs.611 crores**, registering a **35.48 %** increase in disbursement.

Private Banks led in disbursements to the sector (**Rs. 201 crores**) followed by Nationalized Banks (**Rs. 153 crore**) and co-operatives (**Rs. 105 crores**). HDFC Bank leads in quantum disbursement to secondary sector in the State by disbursing **Rs. 120 crores** followed by Kerala State Co-operative Bank (**Rs. 96 crores**), State Bank of India (**Rs.45 crores**) Bank of India (**Rs. 37 crores**), South Indian Bank (**Rs. 30 crores**), Federal Bank and Canara Bank (**Rs. 26 crores**). The following Banks have not reported any disbursement to the sector - State Bank of Bikaner, State Bank of Hyderabad, State Bank of Patiala, Bank of Maharashtra, Punjab and Sind Bank, Karur Vysya Bank, Lakshmi Vilas Bank, City Union Bank, J & K Bank, Yes Bank and Kotak Mahindra Bank.

Among the districts, highest disbursement to secondary sector was reported in Ernakulam district (**Rs. 170 crores**) followed by Trivandrum district (**Rs. 89 crores**). Alappuzha recorded the lowest achievement of **1.19 %** followed by Kottayam with **4.37%**, Idukki with **6.77 %** and Palakkad with **8.03 %**. These districts should give more focus to the secondary sector during the remaining part of the financial year. Performance of seven districts was below the State average.

5.1.4. Performance under Tertiary Sector

Tertiary sector accounted for **42.69%** of the total disbursement to the priority sector in the State thereby slightly increasing its share in the Priority sector credit disbursement as compared to the disbursement during the same period in the previous fiscal. The total disbursement to the sector during the current fiscal up to June 2012 was **Rs. 6604 crores** thereby achieving **20.41 %** of the annual target.

Under quantum of loans disbursed during the current fiscal, Cooperatives lead other banking groups by disbursing **Rs. 4068 crores** with percentage achievement (**31.62%**) of the target. State Bank Group, Nationalized Banks and Private Sector Banks shall need to improve their performance under this sector.

Among Commercial Banks, State Bank of Travancore leads in disbursement to the sector (**Rs. 464 crores**) followed by State Bank of India (**Rs. 297 crores**), Federal Bank (**Rs. 260 crores**), Canara Bank (**Rs. 190 crores**), South Indian Bank (**Rs.139 crores**) Syndicate Bank (**Rs 94 crores**), Catholic Syrian Bank (**Rs.76 crores**), Union Bank of India (**Rs 64 crores**) and Punjab National Bank (**Rs. 61 crores**). Banks like State Bank of Patiala, United Bank of India, Indus Ind Bank, Jammu & Kashmir Bank and Kotak Mahindra Bank have reported 'NIL' disbursement to the Tertiary sector in the State.

District wise analysis reveals that Palakkad district has achieved **35.05 %** of the year-end target followed by Kollam with **31.85%** and Kannur with **25.87%**. The performance of Pathanamthitta (**12.16%**), Kasargod (**12.31%**) and Kozhikode (**11.22%**) 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 could be achieved comfortably.

5.2. Review of Priority Sector Advances (Outstanding) as at June 2012
(Refer Annexure 10.4)

5.2.1. Performance versus National goals

(Figures in percentage)

Sl. No.	Parameter	Goal %	March 2010	June 2010	March 2011	June 2011	March 2012	June 2012	Variation	
									June'11 To June'12	Mar.'12 To June'12
1	Priority Sector Advances to Total Credit	40	60.01	61.04	58.32	56.16	57.34	57.73	1.57	0.39
2	Agriculture Advances to Total Credit	18	22.46	23.96	22.49	21.82	24.25	25.43	3.61	1.18
3	Weaker Section Advances to Total Credit	10	16.16	16.43	18.39	16.43	19.33	20.34	3.91	1.01
4	DRI Advances to Total Credit	1	0.02	0.03	0.02	0.02	0.02	0.03	0.01	0.01
5	Credit Deposit Ratio	60	67.63	67.68	75.50	74.84	75.57	72.56	-2.28	-3.01

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 2012 is summarized as follows.

(Rs in. Crores)

Parameter	Outstanding				Variation			
	March 2011	June 2011	March 2012	June 2012	March '11- June '11	March '11- March '12	June '11- June '12	March '12- June '12
Priority Sector Advances	71145	70071	85606	87751	-1074	14461	17680	2145
Agriculture Advances	27439	27230	36209	38661	-209	8770	11431	2452
SME Priority	16896	17052	20593	19942	156	3697	2890	-651
Weaker Section Advances	22435	20499	28865	30922	-1936	6430	10423	2057
SC Advances	3011	2923	2957	3045	-88	-54	122	88
ST Advances	553	780	606	651	227	53	-129	45
DRI Advances	24.76	24.56	33.98	40.10	-0.2	9.22	15.54	6.12

5.2.1.1. Performance of the Banking sector inclusive of Co-operatives (excluding PACs) as at June 2012

The performance of the banking sector inclusive of Co-operatives is summarized as follows:

Performance of Co-operative Sector under Vital Banking Statistics (Amount Outstanding)

(Rs in. Crores)

Parameter	June 2012		Share of Co-operatives to Total
	Co-operative Sector	Commercial Banks + Co-operatives	
Branches	880	5884	14.96
Total Deposits	28309	237799	11.90
Total Advances	23146	175145	13.22
Total Business	51455	412944	12.46
Priority Sector Advances	14124	101875	13.86
% Priority Sector Advances	61.02	58.17	
Agriculture Advances	3745	42406	8.83
% Agriculture Advances	16.78	24.21	
SME Advances	810	20752	3.90
CD Ratio	81.76	73.65	

Including the Co-operative sector the total Banking business in the State is **Rs.412944 crores**. The Co-operative sector account for **12.46%** of the banking business in the State (**Rs. 51455 crores**). The CD ratio of the State including Co-operatives have recorded a figure of **73.65 %** as at June 2012 against **72.56%** recorded for commercial banks.

5.2.2. Priority Sector Advances in Total Advances – Bank Group wise (Refer Annexure 10.4)

(Rs in Crores)

Parameter	Outstanding					Variation			
	March 2010	March 2011	June 2011	March 2012	June 2012	Mar. '10-Mar. '11	Mar. '11-June '11	June '11-June '12	Mar. '12-June '12
Priority Sector Advances	58204	71145	70071	85606	87751	12941	-1074	17680	2145

During the financial year, April 2012 to June 2012, a growth of **Rs. 2145 crores** was recorded by the Commercial banks in the State under priority sector outstanding. Last year for the same period there was a negative growth of **Rs.1074 crores**.

A year-on-year analysis reveals that there was a growth of **Rs. 17680 crores** in priority sector advances over June 2011, recording a growth of 25.23 %.

Against the mandatory norm of 40% under priority sector advances, as at June 2012, **57.73 %** 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 2012

(Rs in. Crores)

Banking Group	Total Advances			Priority Sector Advances			% PSA to Total Advances (June '12)
	March 2012	June 2012	Growth March'12-June '12	March 2012	June 2012	Growth March'12-June '12	
State Bank Group	45961	48355	2394	29219	30133	914	62.32
Nationalized Banks	52925	53768	843	33594	35856	2262	66.69
Regional Rural Banks	6193	6270	77	5252	5306	54	84.63
Private Sector Banks	44214	43606	-608	17541	16456	-1085	37.74
Grand Total	149293	151999	2706	85606	87751	2145	57.73

During the first quarter of the financial year of 2012-13, highest contribution to the Priority Sector advances of the State is by Nationalised Banks (**Rs. 35856 crore**) followed by the State Bank Group (**Rs. 30133 crore**), Private Sector Banks (**Rs.16456 crore**) and Regional Rural Banks (**Rs. 5306 crore**). Regional Rural Banks have **84.63 %**, Nationalised Banks have **66.69 %**, State Bank Group has **62.32%** and Private Sector Banks have **37.74 %** of their advances under priority sector. Private Sector Banks (**37.74 %**) was much below the level achieved by the State (**57.73 %**) 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 2011	June 2011	March 2012	June 2012	March '11-June '11	March '11-March '12	June '11-June '12	March '12-June '12
Agriculture Advances	27439	27230	36208	38661	-209	8770	11431	2453

The outstanding advances to agriculture sector in the State have increased by **Rs. 2453 crores** during the first quarter of the current fiscal. The outstanding agriculture advances stood at **Rs. 38661 crores** as at June 2012, which is **25.43 %** of the total advances

outstanding in the State. This has always been on the rise in the recent years and is well above the mandatory norm of 18% fixed by RBI.

Year-on-year there was an increase of **Rs. 11431 crores** in agriculture advances outstanding recording a stupendous growth rate of **41.98 %**.

**Banking Group wise Performance under
Agriculture Advances as at June 2012**

(Rs in. Crores)

Banking Group	Total Advances			Agriculture Advances			% Agri. Advances to Total Advances (June '12)
	March 2012	June 2012	Growth March '12 June '12	March 2012	June 2012	Growth March '12 June '12	
State Bank Group	45961	48355	2394	11076	12429	1353	25.70
Nationalized Banks	52925	53768	843	14843	16368	1525	30.44
RRBs	6193	6270	77	2849	2827	-22	45.09
Private Sector Banks	44214	43606	-608	7441	7038	-403	16.14
Grand Total	149293	151999	2706	36208	38661	2453	25.43

Nationalized Banks has contributed the highest quantum growth in agriculture advances outstanding (**Rs.1525 crores**) followed by State Bank Group (**Rs. 1353 crores**). RRBs and Private Sector Bank had shown a negative growth of (**Rs. -22 crores**) and (**Rs. -403 Crores**) respectively.

45.09 % of the advances outstanding with RRBs in the State was to agriculture sector. It has to be noted that this had come down drastically from a level of **55.22%** as at June 2010. RRBs to initiate immediate steps to reverse this declining trend. Private Sector Banks has the least outstanding under agriculture in terms of percentage agriculture advances to total advances (only **16.14 %**)

In the State Bank Group, SBT & SBI had recorded **29.26%** and **20.82%** levels respectively under Agriculture advances to total advances. The following Public Sector banks apart from both the RRBs had crossed the mandatory norm of 18% under agriculture advances – Bank of Baroda, Bank of India, Canara Bank, Indian Overseas Bank, Union Bank of India, Indian Bank, IDBI Bank, UCO Bank, Central Bank of India, Corporation Bank, Syndicate Bank and Vijaya Bank. Federal Bank, Catholic Syrian Bank, Dhanlaxmi Bank and HDFC Bank are the private sector banks having agriculture advances more than 18% of their total credit.

As far as KSCARD Bank is concerned, **24.45 %** 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 & 10.31)

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

(Rs in. Crores)

Parameter	Outstanding				Variation			
	March 2011	June 2011	March 2012	June 2012	Mar. '11- June '11	Mar. '11- Mar. '12	June '11 - June '12	Mar. '12- June '12
SME Advances	16896	17052	20593	19942	156	3697	2890	-651

The outstanding advance of commercial banks in the State to SME (Priority) sector has declined by **Rs. -651 crores** during the first quarter of the current fiscal. In the corresponding period of previous fiscal there was an encouraging addition of **Rs. 156 crores**.

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

(Rs. in Crores)

Banking Group	SME Outstanding (Priority)											
	March 2012						June 2012					
	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	25365	1686	123005	2039	58934	772	25923	1871	114189	1962	50098	763
Nationalized Banks	151423	2822	39266	3503	55917	2922	154994	2922	35055	3477	53739	2167
RRBs	74339	468	793	48	117156	706	72043	461	764	47	131018	755
Private Sector Banks	54550	2297	35234	3056	14214	273	56032	2208	32790	3018	14162	291
Grand total	305677	7273	198298	8646	246221	4673	308992	7462	182798	8504	249017	3976

From the data it is observed that there is a fall in advances outstanding under Small Enterprise and Retail Trade from March 2012 levels.

5.2.5. Advances to Weaker Section (Refer Annexure 10.10)

(Rs in. Crores)

Parameter	Outstanding				Variation			
	March 2011	June 2011	March 2012	June 2012	Mar. '11- Mar. '12	Mar. '11- June '11	June '11 - June '12	Mar. '12- June '12
Weaker Section Advances	22435	20499	28865	30922	6430	-1936	10423	2057

Weaker Section advances grew by **Rs 2057 crores** during the first quarter of the current fiscal as against negative growth of **Rs. -1936 crores** during the corresponding period of last fiscal. Year-on Year increase as at June 2012 was **Rs. 10423 crores**.

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

(Rs in. Crores)

Parameter	Outstanding				Variation			
	March 2011	June 2011	March 2012	June 2012	Mar. '11- Mar. '12	Mar. '11- June '11	June'11 - June'12	Mar. '12- June '12
SC Advances	3011	2923	2957	3045	-54	-88	122	88
ST Advances	553	780	606	651	53	227	-129	45
Total SC/ST Advances	3564	3703	3563	3696	-1	139	-7	133

From the above table it is evident that the total SC/ST advances of the State had shown an increase of **Rs. 133 crores** from March 2012. ST advances had shown an increase of **Rs.45 crores** and SC advances had shown increase of **Rs. 88 crores** from the March 2012 level. But year on year growth from June 2011 to June 2012 under SC/ST advances shows a decline of **Rs. 7 crores**

As evident from the table below, almost **96.26 %** 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 **3.74 %**. In the case of ST advances **98.31 %** advances is contributed by Public Sector Banks (including RRBs) while the share of Private Sector Banks is just about **1.69 %**.

Banking Group wise Performance under SC/ST advances as at June 2012

(Rs. in crores)

Banking Group	SC Advances			ST Advances		
	Outstanding		% O/S to total	Outstanding		% O/S to total
	No.	Amount		No.	Amount	
State Bank Group	102837	1908	62.66	28688	477	73.27
Nationalized Banks	106391	958	31.47	18887	153	23.50
RRBs	24172	65	2.13	3776	10	1.54
Private Sector Banks	9552	114	3.74	1254	11	1.69
Grand Total	242952	3045	100	52605	651	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 2011	June 2011	March 2012	June 2012	Mar. '11- June '11	Mar. '11- Mar. '12	June '11 - June '12	Mar. '12- June '12
DRI Advances	24.76	24.56	33.98	40.10	-0.2	9.22	15.54	6.12

Against the national goal of 1% of the previous year's Gross Bank Credit, only **0.03%** of the total credit could be given under the DRI scheme in the State by Commercial banks as at June 2012.

The table below reveals that, Public Sector Banks account for bulk of the DRI advances (**89.05 %**) in the State whereas Private Sector banks contribute only **10.95 %** of the DRI advances in the State. It is also noticed that data submitted by banks under DRI advance is highly inconsistent.

Banking Group wise Performance under DRI advances as at June 2012 (Rs. in lakhs)

Banking Group	DRI Advances	
	O/S	% to total
State Bank Group	4.53	11.30
Nationalized Banks	30.64	76.40
Private Sector Banks	4.39	10.95
RRBs	0.54	1.35
Grand Total	40.10	100

6. Review of Performance under Special Focus Programmes

6.1. Swarozgar Credit Card Scheme (Refer Annexure 10.23)

The data submitted by the Controlling offices of banks reveals that commercial banks in the State have sanctioned **1358** Swarozgar Credit Cards (SCCs) during the first quarter of the year 2012-13. The limits sanctioned to the tune of **Rs. 6 crores**. Since inception of the scheme the banks have sanctioned **72528** cards in the State amounting to **Rs. 190 crores**. The amount outstanding as at June 2012 is **Rs. 72 crores** in 25926 cards. During the quarter SMGB leads the performance by sanctioning maximum number of cards followed by NMGB and Federal Bank. The Bank wise data is furnished in the annexure.

6.2. Artisans Credit Card Scheme (Refer Annexure 10.23)

Commercial banks in the State have sanctioned only **26** Artisans Credit Cards (ACCs) during the quarter ending June 2012. The total limits sanctioned are to the tune of **Rs.7.15 lakhs**. Since inception of the scheme, the banks have sanctioned **3910** cards in the State with a limit amounting to **Rs.27.11 crores**. The amount outstanding as at June 2012 is **Rs. 2.71 crores** in **776** cards.

Canara Bank leads among the commercial banks in the State by issuing the highest number of cards followed by Corporation Bank and IOB. The Bank wise data is furnished in the annexure.

6.3. Laghu Udhyami Credit Cards (Refer Annexure 10.23)

Commercial banks in the State have sanctioned only **73** Laghu Udhyami Credit Cards (LUCC) during the first quarter of 2012-13 making available credit limits to the tune of **Rs. 2.68 crores** to small entrepreneurs of the State. Since inception of the scheme, the banks have sanctioned **18326** LUCCs in the State sanctioning credit limits amounting to **Rs.344.33 crores**. The amount outstanding as at June 2012 is **Rs. 62.47 crores** in **2891** cards. SBT leads in the State by issuing highest number of LUC Cards followed by Canara Bank and Syndicate 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 10.24)

During the quarter under review (April-June 2012), banks in the State have sanctioned **6093** GCCs with limits amounting to **Rs. 16.20 crores**. The outstanding under GCCs as at June 2012 is **111127** cards with a liability of **Rs. 211.44 crores**.

SMGB leads in issuance of GCC with **2128** GCCs issued during the quarter and with an amount of **Rs. 4.59 crores**. This is followed by Canara Bank with **1988** cards, NMGB with **767** cards and Corporation Bank with **546** cards. **32.63 %** of the cards issued during the quarter and nearly **61.50 %** 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 10.18)

As per the reports available with the Convenor SLBC only **89425** Kisan Credit Cards with an amount of **Rs.1016 crores** have been issued during the first quarter of the current fiscal by the banking sector in the State. **3549269** KCCs were issued since inception involving a credit outlay of **Rs. 18875 crores**. As at June 2012, the outstanding number of loan accounts under KCC is **1725206** with **Rs 8929 crores**. **759237** 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 10.17)

The outstanding accounts under Agri clinics in the State by Commercial Banks are **6** with a credit outlay of **Rs. 37.78 lakhs**.

50 Agri-Business Centres opened in the State from the date of inception of the scheme with a credit outlay of **Rs.164.15 lakhs**. As at June 2012, **27** Agri-Business centre loans exist with an outstanding amount of **Rs. 99.19 lakhs**.

6.7. Credit Flow to Minority Communities (Refer Annexures 10.30)

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. 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. 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. It can be seen from the table given below that **60.26 %** of the total priority advances has gone to the minority communities as at June 2012.

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
31.03.2010	58204	38532	66.20
31.03.2011	71145	41245	57.98
30.06.2011	70071	41054	58.59
30.09.2011	77403	39913	51.57
31.12.2011	78510	44811	57.08
31.03.2012	85606	46247	54.02
30.06.2012	87751	52877	60.26

6.8. Performance under Micro-credit (Annexures 10.19 to 10.22)

SLBC had compiled the data obtained from all banks on the cumulative performance under micro credit in the State as at June 2012. The bank-wise performance is given as annexures.

On a review of the performance, it is seen that about **439273** SHGs are maintaining savings account with commercial banks as at June 2012 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	308476	189.57	105263	282843
Nationalized Banks	60640	771.04	19818	46259
RRBs	44153	12.75	14195	38028
Private Sector Banks	26004	69.52	3527	20462
Total - Kerala State	439273	1042.88	142803	387592

As evident from the above **88.23 %** of the SHGs are exclusive women SHGs and **32.51 %** 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	4078	4194	171.71	78416	886.69	295201
Financing SHGs directly with the facilitation of NGOs	673	1144	171.45	13463	153.96	161993
Financing SHGs through the medium of NGOs		51	2.86	4386	140.18	351239
Total No. of SHGs linked	4751	5389	346.02	96265	1180.83	808433

As could be seen from the above table, about **5389** SHGs have been credit linked in the State during the first quarter of the fiscal under the SHG-Bank linkage programme. The total amount outstanding under all the three modes of financing put together is **Rs.1180.83 crores**.

6.9. Small and Medium Enterprises (SME) Advances (Refer Annexures 10.7 & 10.31)

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 at June 2012 come to **Rs. 19942 crores** for the commercial banks in the State. Out of this, Micro and Small Enterprises constitute **Rs. 10093 crores** and **Rs. 9849 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. 7632 crores** covering **5295** loan accounts with commercial banks. The bank wise details are given in the annexure.

6.10. Compliance on recommendations of the Prime Minister's Task Force on MSE advances

The major recommendations of the task force are given below:

- Achieve a 20% year-on-year growth in credit to micro and small enterprises to ensure enhanced credit flow.
- The allocation of 60% of the MSE advances to the micro enterprises to be achieved in stages; viz. 50% in the year 2010-11; 55% in the year 2011-12 & 60% in the year 2012-13; and
- Achieve a 10% annual growth in number of micro enterprise accounts.

Performance of the State under above parameters is as follows:

Sl. No.	Parameter	June 2011	June 2012	Increase	% Increase	Target
1	No of Loan accounts under Micro Enterprise	440423	479810	39387	8.94	10%
2	Credit under Micro and Small Enterprise (Rs.in Crores)	17052	19942	2890	16.95	20%
3	Share of Micro Enterprise to total MSE Credit (%)	46.84	50.61	3.77		55%

In the matter of outstanding credit to Micro and Small Enterprise, state could post a growth rate of only **16.95%** against the mandated 20%. In the case of growth in number of loan accounts under Micro Enterprise, the State could achieve **8.94 %** against the target of 10%. The share of Micro Enterprise only accounted for **50.61 %** against the mandated level of 60% as at March 2013.

6.11. Performance of other Institutions under SME financing (Outstanding) as at June 2012

(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	0	0	72	65.18	15	10.96	72	65.18	15	10.96	10	63.03	16	57.45
KFC	933	237.16	1581	749.14	83	44.44	241	207.26	1016	281.60	1822	956.40	1	13.02	1	0.16
SIDBI	0	0	0	0	177	105.85	12	8.49	177	105.85	12	8.49	0	0	0	0
TOTAL	933	237.16	1581	749.14	332	215.47	268	226.71	1265	452.63	1849	975.85	11	76.05	17	57.61

Total SME Priority outstanding in these three financial institutions as at June 2012 works out to an amount of **Rs. 1428.48 crores** in **3114 loan accounts**. Including medium enterprises financed (Non Priority) the total outstanding as at June 2012 is to the tune of **Rs. 1562.14 crores**.

6.12. Performance of other Institutions under SME financing (Disbursement) as at June 2012

(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	0	0	5	5.36	2	1.62	5	5.36	2	1.62	2	3.70	3	2.23
KFC	68	10.77	246	50.70	19	4.95	6	6.51	87	15.72	252	57.21	0	0	0	0
SIDBI	0	0	0	0	20	55.84	1	0.64	20	55.84	1	0.64	0	0	0	0
TOTAL	68	10.77	246	50.70	44	66.15	9	8.77	112	76.92	255	59.47	2	3.70	3	2.23

Total SME Priority disbursement through these three financial institutions as at June 2012 works out to an amount of **Rs. 136.39 crores** in **367 loan accounts**. Including medium enterprises financed (Non Priority) the total disbursement for the first quarter of current fiscal is to the tune of **Rs. 142.32 crores**.

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

Kerala ranks third among all the states in India under 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 2012-13 banks in Kerala sanctioned an amount of **Rs. 141.62 crores (5291 proposals)** under CGTMSE coverage. Bank-wise analysis reveals that IOB has sanctioned highest quantum of loans (**Rs. 28.12 crores**) followed by SBI (**Rs. 18.82 crores**) during the first quarter. District-wise analysis reveals that during the first quarter Ernakulam District has sanctioned the highest quantum of loans (**Rs. 25.23 crores**) followed by Trivandrum District (**Rs. 18.76 crores**). Trivandrum ranks first in the number of loan accounts covered during the first quarter (**847**) followed by Alappuzha (**614**). Bank-wise/District-wise details are shown as **Annexures 10.36 & 10.37.**

7. Review of Performance under Government Sponsored Schemes

7.1. Swarnajayanthi Gram Swarozgar Yojana (SGSY) - Performance as at June 2012 (Refer Annexures 10.15 & 10.16)

No target is given for SGSY for the financial year 2012-13 as the scheme is getting converted as NRLM. However the left over funds under SGSY is being utilised in the current financial year and the scheme is implemented at present only in three Districts viz. Kollam, Malappuram & Kannur. Banking group wise analysis based on data from these three Districts is given below. Out of the 262 loan applications forwarded to Banks, 81 loans are sanctioned involving a loan amount of **Rs.163.69 lakhs**. 181 loan applications are pending with banks. Banks are requested to clear the pending loan applications immediately on merits.

SGSY – Performance as at June 2012

(Rs. in lakhs)

Sl. No	Banking Group	Total SGSY						Appls. Pending
		Forwarded		Sanctioned		Disbursed		
		No.	Amount	No.	Amount	No.	Amount	
1	State Bank Group	24	40.40	11	29.45	11	29.45	13
2	Nationalized Banks	121	246.23	29	64.87	29	64.87	92
3	Private Sector Banks	31	54.96	9	8.15	9	8.15	22
4	RRBs	17	22.07	7	6.92	7	6.92	10
5	Co-operative Banks	69	102.63	25	54.30	21	53.10	44
	State Total	262	466.29	81	163.69	77	162.49	181

8. Review of Performance of the Banking Sector

8.1. Banking Statistics as at June 2012 (Refer Annexure 10.1 to 10.3)

The detailed banking statistics for the State as at June 2012 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 2011	June 2011	March 2012	June 2012	Mar. '11- Mar. '12	Mar. '11- June '11	June '11- June '12	Mar. '12- June '12
No. of Branches	4573	4636	4911	5004	338	63	368	93
Total Deposits	161562	166706	197557	209490	35995	5144	42784	11933
Domestic Deposits	123872	128150	149103	153827	25231	4278	25677	4724
NR Deposits	37690	38556	48454	55663	10764	866	17107	7209
Total Advances	121980	124769	149293	151999	27313	2789	27230	2706
Investments	5226	8072	5033	7392	-193	2846	-680	2359
Adv. + Investment.	127429	129191	154204	159391	26775	1762	30200	5187
C: D Ratio	75.50	74.84	75.57	72.56	0.07	-0.66	-2.28	-3.01
C+I: D Ratio	78.87	77.50	78.06	76.09	-0.81	-1.37	-1.41	-1.97

8.2. Branch Network

As at the end of June 2012, the total number of branches of Commercial Banks in the State was **5004**.

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

Banking Group	Number of Branches				Percentage distribution			
	Rural	Semi Urban	Urban	Total	Rural	Semi Urban	Urban	Total
Public Sector Banks	219	2295	759	3273	4.38	45.86	15.17	65.41
Private Sector Banks	228	1151	352	1731	4.56	23.00	7.03	34.59
Total	447	3446	1111	5004	8.93	68.87	22.20	100

Of the total Commercial banks in the State, Public Sector Banks account for **65.41 %** of the branch network in the State. Private sector banks are having the highest number of rural branches (**228** branches). Of the total branch network of Commercial banks in the State, only **8.93%** is in rural areas whereas Semi-urban areas have **68.87 %** of the bank branches in the State. Urban branches constitute **22.20 %** of branch network.

On a comparison with March 2012 position, it is found that Public sector banks have increased their tally of branches by **40** branches whereas that of Private Sector Banks increased by **53** branches as at June 2012.

8.3. Deposit growth

During the first quarter of the fiscal 2012-13, there was a growth of **Rs. 11933 crores** in Deposits of the State and the outstanding total deposits reached a level of **Rs. 209490 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. 166706 crores**. Quantum wise, the total deposits have grown from **Rs. 166706 crores** in June 2011 to **Rs. 209490 crores** in June 2012, a year-on-year growth of **25.66 %**.

Another significant feature in the deposits growth is that the share of domestic deposits in total deposits had shown a sharp decline. As at June 2011, the share of domestic deposits in the total deposits was **76.87 %**, which has now decreased to **73.43%** as at June 2012.

Sectoral Growth of Deposit over the Years

(Rs. in Crores)

Type of deposit	March 2006	March 2007	March 2008	March 2009	March 2010	March 2011	June 2011	March 2012	June 2012	Variation	
										Mar.'12-June'12	June'11-June'12
Total Deposits	77677	91697	105488	130350	143404	161562	166706	197557	209490	11933	42784
Domestic Deposits	47006	58394	75599	93331	106518	123872	128150	149103	153827	4724	25677
N R Deposits	30671	33303	29889	37019	36886	37690	38556	48454	55663	7209	17107
% Share of Domestic deposits	60.51	63.68	71.67	71.60	74.28	76.67	76.87	75.47	73.43	-2.04	-3.44

A. Banking Group wise Growth in Deposits

As evident from the following table, Private Sector Banks (**36.67 %**) followed by State Bank Group (**36.19 %**), has the highest share in growth of deposits among the Commercial Banks in the State during the first quarter of the current fiscal.

Banking Group wise Growth in Deposits

(Rs. in crores)

Sl. No.	Banking group	Total Deposits			% Share in Total Deposits (June'12)	Variation		% Share in Growth	
		June 2011	March 2012	June 2012		Mar.'12 to June'12	June'11 to June'12	Mar.'12 to June'12	June'11 to June'12
1	State Bank Group	58368	69421	73740	35.20	4319	15372	36.19	35.93
2	Nationalized Banks	49026	56546	59663	28.48	3117	10637	26.13	24.86
3	RRBs	4880	5646	5767	2.75	121	887	1.01	2.07
4	Private Sector Banks	54432	65944	70320	33.57	4376	15888	36.67	37.14
	Total	166706	197557	209490	100	11933	42784	100	100

Banking Group wise comparison reveals that **35.20 %** of the deposits in the State is with State Bank group, which has got a **22.22 %** share in branch network. The corresponding figures for Private Sector Banks are **34.59%** share in branch network and **33.57 %** share in deposits. Nationalized Banks, which have **33.93%** of the branch network in the State, have a share of **28.48 %** in total deposits. RRBs, in spite of having a share of **9.25 %** of the branch network has only **2.75 %** 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	2500	43075	28165	73740	3.39	58.42	38.19	100	35.20
Nationalized Banks	1937	31047	26679	59663	3.25	52.04	44.71	100	28.48
RRBs	489	4103	1175	5767	8.48	71.15	20.37	100	2.75
Private Sector Banks	7316	39079	23925	70320	10.40	55.57	34.03	100	33.57
Total	12242	117304	79944	209490	5.84	55.99	38.17	100	100

As evident from the above table, **55.99 %** of the total deposits of the State is from semi-urban areas where **68.86 %** of the branch network exists. Urban areas accounted for **38.17 %** of the deposits and rural areas, **5.84 %**. On a comparison with March 2012 position, it is found that the share of semi-urban branches in total deposits is showing gradual increasing trend. The urban and rural branches have shown an decreasing trend in deposits.

8.4. NR Deposits (Refer Annexure 10.2)

The NR Deposits have registered an increase of **Rs 7209 crores** from the March 2012 level. The NR deposits of the State that stood at **Rs 38556 crores** as at June 2011 increased to a level of **Rs. 55663 crores** as at June 2012. The year-on-year growth was **Rs. 17107 crores** in NR Deposits as at June 2012 at a stupendous growth rate of **44.37%**.

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	656	16088	7417	24161	2.72	66.58	30.70	100	43.41
Nationalized Banks	367	7979	3676	12022	3.05	66.36	30.59	100	21.60
RRBs	38	169	10	217	17.51	77.88	4.61	100	0.38
Private Sector Banks	2140	11826	5297	19263	11.11	61.39	27.50	100	34.61
Total	3201	36061	16400	55663	5.75	64.79	29.46	100	100

State Bank group has the highest share (**43.41 %**) in the NR deposits in the State followed by Private Sector Banks (**34.61%**) and Nationalized Banks (**21.60%**). Of the total Non-Resident deposits, **64.79 %** deposits were from semi urban areas while urban areas accounted for **29.46 %** and rural areas, **5.75 %**.

8.5. Domestic Deposits

The growth in domestic deposits during the first quarter of the fiscal 2012-13 is **Rs. 4724 crores**.

Share of Domestic Deposits in Total Deposits (%)

March 2011	June 2011	March 2012	June 2012
76.67	76.87	75.47	73.43

As at June 2012, domestic deposits accounted for **73.43 %** of the total deposits and this ratio had shown gradual decreasing trend since June 2011 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 2008	March 2009	March 2010	March 2011	June 2011	March 2012	June 2012	March'12 June'12	June'11 June'12
Total Advances	75305	82819	96987	121980	124769	149293	151999	2706	27230
Percentage Growth (Y-o-Y)	17.16	9.07	17.11	25.77	24.91	22.39	21.82	1.81	21.82

During the first quarter of the current fiscal, the total advances grew by **Rs. 2706 crores** to reach **Rs.151999 crores** as at June 2012.

On a year-on-year basis from June 2011-June 2012 period there was a growth of **Rs. 27230 crores** in advances, recording a growth rate of **21.82 %**.

Share of Banking Groups in Total Advances of the State

Nationalized Bank has the highest share (**35.38 %**) in the total advances outstanding in the State followed by the State Bank Group (**31.81%**). Private Sector Banks accounted for **28.69 %** of the total advances against a **34.59 %** 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	3218	23964	21174	48356	6.65	49.56	43.79	100	31.81
Nationalized Banks	1782	21739	30246	53767	3.31	40.43	56.26	100	35.38
RRBs	719	5217	334	6270	11.47	83.21	5.32	100	4.12
Private Sector Banks	3514	18144	21948	43606	8.06	41.61	50.33	100	28.69
Total	9233	69064	73702	151999	6.07	45.44	48.49	100	100

Further, **48.49 %** of the total advances in the State is to urban areas where **22.20 %** of the branch network exists. Semi Urban areas had **45.44 %** share in total advances against a share of **68.86 %** in branch network. Rural areas had a share of **6.07 %** only in the total advances deployed in the State where as they hold a share of **8.93 %** 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 declined by **301** basis points from March 2012 level to reach **72.56 %** as at June 2012.

Banking Group wise C D ratio as at June 2012

Banking Group	C D Ratio Percentage Distribution as at June 2012			
	Rural	Semi-Urban	Urban	Total
State Bank Group	128.70	55.63	75.18	65.58
Nationalized Banks	92.03	70.02	113.37	90.12
RRBs	146.94	127.15	28.44	108.72
Private Sector Banks	48.03	46.43	91.74	62.01
Total	75.42	58.88	92.19	72.56

The C D Ratio of Rural & Urban areas of the State more than the mandatory norm of **60%**. Further, the urban areas have a high CD ratio of **92.19%** whereas CD ratio in Semi urban area is marginally below the benchmark level of 60% and is presently at 58.88 %.

The C D ratio of RRBs is the highest at **108.72 %**. Further, the CD ratios of all the banking groups are above the desired level of 60% in the State. In rural areas, the public sector banks have shown a high C D Ratio of **116.10%** well above the RBI stipulated 60 %. Private sector banks have shown a C D Ratio of **48.03 %** and **46.43 %** in rural and semi-urban centres respectively which needs further improvement. In the semi-urban areas, the State Bank Group and Private Sector Banks could attain a CD Ratio level of **55.63%** and **46.43 %** respectively which is below the benchmark level of 60%.

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 2012 stood at **76.09 %**. There is a decline of **197** basis points from the March 2012 level of **78.06%**.

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
March 2011	161562	121981	75.50	137.65
June 2011	166706	124769	74.84	54.20
September 2011	175949	134635	76.52	87.95
December 2011	186285	139347	74.80	70.24
March 2012	197557	149293	75.57	75.87
June 2012	209490	151999	72.56	63.65

From the above table it is evident that incremental CD ratio had come down substantially from the level of **137.65%** recorded as at March 2011. The incremental CD ratio had reached a level of 63.65% as at June 2012. This means that the Credit growth is sluggish compared to the growth rate under deposits during the period June 2011 to June 2012. The incremental Credit-Deposit (CD) ratio for the year ending June 2012 stood at **63.65 %** for the banking system of the State. It may be recalled that the Reserve Bank of India had expressed its concerns about the high incremental CD ratio recorded by banks during its quarterly review of the monetary policy.

8.9. District-wise Credit Deposit Ratio in the State

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 30.06.2012

(Rs. in lakhs)

Sl. No.	District	Deposits	Advances	CD Ratio (%)
1	Trivandrum	3974087	2798781	70.43
2	Kollam	1280845	981708	76.65
3	Pathanamthitta	2167517	958824	44.24
4	Alappuzha	1393032	827769	59.42
5	Kottayam	1788963	1116599	62.42
6	Idukki	324722	435063	133.98
7	Ernakulam	4391185	4569543	104.16
8	Thrissur	2916182	1935621	66.38
9	Palakkad	1488867	1166170	78.33
10	Malappuram	1130493	742527	65.68
11	Kozhikkode	1536823	1270034	82.64
12	Wayanad	191196	249659	130.58
13	Kannur	1247524	853944	68.45
14	Kasaragod	549916	522929	95.09
Total for State		24381352	18429171	75.59

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 slightly improved and it touched a level (**44.24 %**) just above the benchmark of 40% as at June 2012. LDM, Pathanamthitta should monitor the progress closely and review the same in DCC/DLRC meetings so as to improve from the current levels in an ongoing basis. (The above CD ratio is compiled from the banking Statistics furnished by the LDMs of respective Districts which includes the business figures of District Co-operative Banks and PACS & hence shows a higher CD ratio of **75.17 %** for the state.)

Barring Pathnamthitta & Alappuzha the CD ratio of all other 12 districts are above the benchmark level of **60%**.

8.10. Progress under Reverse Mortgage Loan Scheme of National Housing Bank

On a review of the performance of Banks in Kerala, as at the first quarter of 2012-13, it is noted that banks had sanctioned an amount of **Rs. 440.06 lakhs** (21 accounts) and the balance outstanding under the scheme is **Rs. 60.38 crores** (665 accounts). Details are shown in **Annexure 10.25**.

9. Any other matter with the permission of the chair

10. Annexures