

STATE LEVEL REVIEW MEETING 2011

1. ADOPTION OF MINUTES

The minutes of the 103rd meeting of SLBC, Kerala held on 16th March, 2011 has already been forwarded to the members vide Convener's letter SLBC 35 557 2011 KRA dated 31.03.2011. No amendments for the minutes have been received so far.

The House may adopt the said minutes.

2. ISSUES FOR GROUP DISCUSSION ON PRIMARY SECTOR (GROUP I)

2.1. Review Of Performance Under Annual Credit Plan 2010-2011

2.1.1. Bank wise Performance – Primary Sector

The banking sector in the state disbursed **Rs. 28602 crores** to the farm sector during the fiscal 2010-11, surpassing the target of **Rs. 20483 crores** fixed with a comfortable margin and achieved about 140% of targeted level.

The share of various banking groups in the disbursement to primary sector is as follows

(Rs. in crores)

Sl. No	Banking Group	Disbursement	% Share in Total Disbursement	% Achievement of the target
1	State Bank Group	3867	13.52	117.04
2	Nationalised Banks	8181	28.61	146.86
3	RRBs	2791	9.76	116.39
4	Private Sector Banks	6733	23.54	232.09
5	Co-operatives	7028	24.57	111.38
6	KFC	2	0	0
	State Total	28602	100.00	139.64

Nationalised Banks accounted for (28.61%) of the total disbursement in the state to primary sector followed by Co-operative Sector (24.57 %). Private Sector Banks accounted for 23.54 % of target under the ACP 2010-11. The group may deliberate on the ways to ensure equitable participation of all banks in lending to the agriculture sector of the state.

Bank-wise review of the performance reveals that the following major banks did not achieve the target in this sector during 2010-11.

Sl. No.	Bank	% achvt.
1	State Bank of India	95.80
2	Indian Bank	113.66
3	Bank of Baroda	73.13
4	Bank of India	66.36
5	Central Bank of India	88.30
6	Andhra Bank	22.95

Sl. No.	Bank	% achvt.
7	Oriental Bank of Com	60.44
8	KSCARD Bank	91.66
9	Axis Bank	29.37
10	Dena Bank	7.43
11	Corporation Bank	43.35

Further, the following banks had not reported any disbursement of loans to agriculture sector during the year:

- (i) State Bank Of Bikaner & Jaipur
- (ii) Kotak Mahindra Bank
- (iii) State Bank Of Indore
- (iv) State Bank of Hyderabad
- (v) Bank of Maharashtra
- (vi) Jammu and Kashmir Bank
- (vii) Yes Bank

2.1.2. District wise Performance under Primary Sector

The District wise performance details are furnished in Annexures. Ernakulam District leads in achievement of the target (283.90 %) followed by Thrissur (206.99 %) and Trivandrum (174.87 %). Kottayam & Idukki had narrowly missed the target. Wayanad district only could achieve 70% of the target. LDM of Wayanad should take corrective steps so that this important target is not missed during the current fiscal.

(Rs in. Crores)

Sl. No.	District	Target	Achievement	% Achievement
1	Ernakulam	1474.74	4186.74	283.90
2	Thrissur	1830.00	3787.95	206.99
3	Malappuram	1421.95	2070.76	174.87

2.2. Agriculture Advances (Refer Annexure 7. 4)

(Rs in. Crores)

Parameter	Outstanding				Variation		
	Mar. 2008	Mar. 2009	Mar. 2010	Mar. 2011	Mar. '08-Mar. '09	Mar. '09-Mar. '10	Mar. '10-Mar. '11
Agriculture Advances	15991	15959	21786	27439	(-32)	5827	5653

The outstanding advances to agriculture sector for commercial Banks in the state have increased by **Rs. 5653 crores** during the fiscal 2010-11. Agricultural advances had shown a healthy growth rate of **25.95 %** during the last financial year. The outstanding agriculture advances stood at **Rs. 27439 crores** as at March 2011, which is **22.49 %** of the total advances outstanding in the state. The level was almost stagnant at the level as at March 2010 where it was at **22.46%**, and is well above the mandatory norm of 18% fixed by RBI.

**Banking Group Wise Performance Under
Agriculture Advances as at March 2011**

(Rs in. Crores)

BANK	Total Advances			Agriculture Advances			% Agri. Adv to Total Adv. (Mar.2011)
	Mar. 2010	Mar. 2011	Growth Mar. '10-Mar. '11	Mar. 2010	Mar. 2011	Growth Mar. '10-Mar. '11	
State Bank Group	33166	39201	6035	4175	6360	2185	16.22
Nationalised Banks	30632	40436	9804	9569	11374	1805	28.13
RRBs	4764	5591	827	2545	2466	-79	44.11
Private Sector Banks	27885	36753	8868	5497	7238	1741	19.69
Foreign Banks	540	NA	NA	NA	NA	NA	NA
GRAND TOTAL	96987	121981	25534	21786	27438	5652	22.49

State Bank Group has contributed the highest quantum growth in agriculture advances outstanding (**Rs. 2185 crores**) followed by Nationalised Bank (**Rs. 1805 crores**). Private Sector Banks have shown growth of **Rs. 1741 crores** and RRBs had shown a negative growth of **Rs. 79 crores**.

44.11 % of the advances outstanding with RRBs in the state was to agriculture sector. It has to be noted that this had come down from a level of 53.42% as at March 2010. RRBs to initiate immediate steps to reverse this declining trend. State Bank group has the least outstanding under agriculture in terms of percentage agriculture advances to total advances (only 16.22 %)

The following Public Sector banks apart from both the RRBs had crossed the mandatory norm of 18% under agriculture advances. – Bank of Baroda, Canara Bank, Indian Overseas Bank, Union Bank of India, Indian Bank, IDBI Bank, UCO Bank, Central Bank Of India, Syndicate Bank and Vijaya Bank. Federal Bank Ltd., The Catholic Syrian Bank Ltd., HDFC

Bank Ltd., ING Vysya Bank Ltd., Tamil Nadu Mercantile Bank Ltd and Axis Bank Ltd. are the private sector banks having agriculture advances more than 18% of their total credit.

The performance of the State Bank Group need to be improved further so that they reach the mandatory 18% level from the current 16.22%

As far as KSCARD Bank is concerned, **27.20 %** of their advances was to agriculture sector. This had declined from a level of 31.21% as at March 2011.

2.3. Performance under Kisan Credit Card Scheme (Refer Annexure 7.22)

As per the reports available with the Convenor SLBC, **369836** Kisan Credit Cards with an amount of **Rs. 3748.59 crores** have been issued during the year 2010-11. In the State, **3257624** KCCs were issued since inception involving a credit outlay of **Rs. 15731.53 crores**. As at March 2011, the outstanding number of loan accounts under KCC is **1587896** with **Rs. 6600.38 crores**. **778250** farmers were covered under Personal Accident Insurance Scheme (PAIS) linked to KCC. Bank wise data is given in the annexure.

2.4. Agri-Clinics and Agri Business Centres (Refer Annexure 7.21)

The outstanding accounts under Agri clinics in the State by Commercial Banks are **10** with a credit outlay of **Rs. 28.50 lakhs**.

There were 26 Agri-Business Centres opened in the State from the date of inception of the scheme with a credit outlay of Rs.42.00 lakhs. As at March 2011, 18 Agri-Business centres exist with an outstanding amount of Rs. 89.86 lakhs.

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

2.5.1. Progress achieved in claiming interest waiver under Relief Package

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

2.5.2. Progress in Rescheduling of loans under Relief Package

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

2.5.3. Fresh loans provided against rescheduled accounts under Relief Package

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

2.6. FRESH ISSUES

2.6.1. Providing market intelligence to farmers of Kerala – Setting up of a market intelligence cell with financial assistance from the Banking Sector [NABARD] (Suggested by Special Officer, WTO Cell, Agriculture Department, Govt. of Kerala)

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

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

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

Views of the Steering Committee

The Steering Committee decided to place the matter before SLRM for appropriate decision.

2.7. PENDING ISSUES

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

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

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

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

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

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

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

- (i) concern stating that we have a long way to go to extend KCCS facility to eligible and willing farmers. It was also expressed that to ensure that such facilities remain active and operational is still more difficult. It was suggested to have a plan of action to achieve coverage of all eligible farmers under KCCS.
- (ii) that the existing procedure for issuing KCCS clearly needs to be simplified and streamlined so that only minimum documentation is insisted upon from the farmers. Certification from the concerned agricultural officers may substitute some of the documentation requirements of banks.

- (iii) that the scheme needs to be published among the eligible and willing farmers and that Director of Agriculture through the Krish Bhavan shall ensure that effective steps are taken.

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

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

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

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

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

- (b) The issue was raised by Hon'ble Minister for Education of Kerala State Sri. M. A. Baby during the FM's Meeting with South Zone Chief Ministers' held at Hyderabad on 20.07.2010. Against 66 lakh eligible farmers household, so far only 29 lakh KCCs have been issued. The Minister expressed hope that banks would cover all eligible farmers under KCC in a time bound manner.

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

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

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

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

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

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

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

- (vii) IRAC norms to be more clearly spelt out in case of KCC loans – After completing 3 years, if the loan is not renewed whether asset classification is to be made based on the crop cycle norms or as per norms applicable for running account.
- (viii) Social security aspect to be covered in the KCC scheme and awareness to be created.
- (ix) Proactive role from the State Government/Agriculture Department regarding providing of information regarding the scheme to farmers and also providing the list of farmers to banks for financing under KCC shall be ensured.
- (x) Review of performance under KCC to be undertaken at district level by LDM/PAO of the District.
- (xi) The modified guidelines issued by RBI on KCC, incorporating provision for term loan component with tenability of 5 years given in Annexure – 7.59 for information of Banks.

2.8. INFORMATION NOTE

2.8.1. Goat rearing schemes of Animal Husbandry Department coming under Idukki and Kuttanad Packages (Suggested by Directorate of Animal Husbandry)

(i) Idukki Package

Selection of beneficiaries:

Beneficiaries from Idukki district will be selected based on existing criteria under the Special Livestock and Fisheries Package. A total of 1430 units will be selected in the district. It is proposed to give one goat unit comprising of 40 female goats and 2 male goats each to each beneficiary group comprising of 21 beneficiaries.

District wise Financial Requirement

Sl. No	Name of district	No. of units	Total cost @ Rs. 1,00,000	Scheme Share (Subsidy) @ Rs. 51,500	Bank Loan/Beneficiary share @ Rs. 48,500
1	Idukki	1430	14, 30,00,000	7,36,45,000	6,93,55,000
	Total	1430	14, 30,00,000	7,36,45,000	6,93,55,000

An amount of Rs.693.55 lakh is required as bank loan.

(ii) Kuttanad Package

Location:

All the Panchayats of the three districts of Kuttanad (Alappuzha, Pathanamthitta, and Kottayam)

Selection of beneficiaries:

Beneficiaries from the three districts Alappuzha, Pathanamthitta and Kottayam will be selected based on the existing criteria under the Special Livestock and Fisheries Package. A total of 570 units will be selected in the three districts together.

District wise Financial Requirement

Sl. No	Name of district	No. of units	Total cost @ Rs. 1,00,000	Scheme Share (Subsidy) @ Rs. 51,500	Bank Loan/Beneficiary share @ Rs. 48,500
1	Alappuzha	190	1,90,00,000	97,85,000	92,15,000
2	Kottayam	190	1,90,00,000	97,85,000	92,15,000
3	Pathanamthitta	190	1,90,00,000	97,85,000	92,15,000
	Total	570	5,70,00,000	2,93,55,000	2,76,45,000

An amount of Rs. 276.45 lakh is required as bank loan.

Financial analysis of the project:

Purpose	Scheme share (Subsidy) (Rs.)	Bank Loan/Beneficiary share (Rs.)	Total amount (Rs) for a single unit
Cost of one female goat	750	750	1500
Cost of one male goat	1000	1000	2000
Cost of 40 female goats @ Rs. 1500/- per goat	30000	30000	60000
Cost of 2 male goats @ Rs. 1500/- per goat	2000	2000	4000
Total cost of animals (1 unit)	32000	32000	64000
Construction of shed	9640	9640	19280
Cost of 900 kg Feed @ Rs.12.0/- per kg	5400	5400	10800
Insurance premium (6.3%)	4060	0	4060
Miscellaneous Expenses	400	1460	1860
Total	51500	48500	100000

Unit Cost for one Goat unit (Rs.1, 00, 000)

Item	Unit	Cost (Rs)
Goats	40 does + 2 bucks	64,000.00
Shed/Equipments		19,280.00
Feed Cost		10,800.00
Health / Insurance Cover		4,060.00
Miscellaneous expenses		1,860.00
Total		1,00,000.00

Out of the Rs. 1,00,000/- unit cost, Rs. 51,500/- will be subsidy and Rs. 48,500/- will be bank loan.

Views of the Steering Committee

The Steering committee decided to place the above schemes before SLRM for adoption. The committee felt that in every SLBC, similar types of schemes were proposed by the Directorate of Animal Husbandry Department for approval. Once approved, the performance of the schemes was not reported to the SLBC for review. The Department concerned are hence requested to place the progress reports on schemes approved in SLBC for review/information.

3. ISSUES FOR GROUP DISCUSSION ON SECONDARY SECTOR & GOVT. SPONSORED SCHEMES (GROUP II)

3.1. Performance of Secondary Sector Under Annual Credit Plan (ACP)

(Rupees in Crore)

Year	2009-2010	2010-2011
Target	3311	4192
Achievement	2471	3042
Percentage of Achievement	74.64	72.57

Under secondary sector, which includes the MSE Sector, the performance under disbursement needs improvement. The achievement is only 72.57 % of the annual targets. Banks in the state have disbursed loans to the tune of Rs. 3042 crores upto 31st March 2011.

3.2. Review of Disbursements to Secondary Sector under ACP

During the period ended March 2010, the disbursement to the secondary sector was Rs. 2471 crores whereas during the same period for the current year (i.e 2010-11) banking sector in the state could disburse Rs. 3042 crores. There is a increase of about Rs. 571 crores under disbursement in SME sector compared to 2009-10 (23 % increase). But this year also State could not achieve the set target under SME in ACP.

State Bank Group accounted for 31.05 % of disbursements, Nationalised banks accounted for 24.68 % followed by Private sector Banks at 23.38%. The disbursements made are Rs. 944.00 crores, Rs.750.00 crores and Rs. 711.00 crores respectively by these categories of banks. Performance of RRBs and Co-operative Banks needs improvement. RRBs could only achieve 35 % of the target under ACP. State Bank of India leads in the quantum disbursement to secondary sector in the state by disbursing Rs. 465.86 crores closely followed by SBT at Rs.465.73 crores. The share of nationalised banks remained almost stagnant over the last three years where as for Private sector Banks the same has shown an increase of 280basis points from March 2010 level. The percentage share of RRBs under disbursement had come down from 2.72% to 1.74%.

The following Banks have not reported any disbursement to the sector:

- (i) *State Bank of Indore*
- (ii) *Jammu Kashmir Bank*
- (iii) *Yes Bank &*
- (iv) *Kotak Mahindra Bank*

Among districts, the highest quantum disbursement to secondary sector was reported from Kollam district (Rs 928 crores) followed by Ernakulam (Rs.540 crores) and Thrissur district (Rs.367 crores). The following districts have reported less than 50% achievement of the annual targets:

Pathanamthitta, Allapuzha, Kottayam and Kannur, *Of this Alapuzha could achieve only 26.33 % of the targeted disbursement.*

(Rupees in Crores)

BANK	Disbursement to Secondary sector			% Share for 2010-11
	2008-09	2009-10	2010-11	
State Bank Group	499.94	789.60	944.93	31.06
Nationalized Banks	602.63	630.80	750.81	24.68
Private Sector Banks	917.92	508.68	711.36	23.38
RRBs	48.10	67.14	52.82	1.74
Co-operatives	285.79	278.16	341.78	11.23
KFC	121.73	196.93	240.74	7.91
Total	2476.11	2471.31	3042.44	100.00

Under percentage achievement, Wayanad district leads the list with 151.81 %, followed by Kollam (121.75 %) and Thrissur (113.37 %). The following districts could achieve only the targets shown as indicated – *Idukki (63.46 %), Palakkad (55.15 %), Ernakulam (63.15%), Kasargod (66.74 %), Trivandrum (79.95 %), Malappuram (51.31%)*.

Kollam district (Rs 928.92 crores) accounted for almost 30.53 % of the total disbursement to secondary sector in the state. The least quantum of disbursement was reported from Idukki district (Rs.36.87 crore).

LDMs and Controlling Offices of Banks are requested to take remedial measures to set right the shortcomings. The group is requested to examine and deliberate on the reasons for the low off take of credit under this segment and to suggest strategies to be adopted to augment the flow of credit to secondary sector.

3.3. Performance under Outstanding Advances in SME sector

3.3.1. Performance under SME Advances under priority sector

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

(Rs in Crores)

Parameter	Outstanding				Variation		
	Mar 2008	Mar. 2009	Mar. 2010	Mar. 2011	Mar.'08-Mar.'09	Mar.' 09-Mar.' 10	Mar.' 10-Mar. '11
SME Advances	6674	8095	11759	16896	1421	3664	5137

The total outstanding under SME (Priority) advance of commercial banks in the state has gone up by **Rs. 5137 crores (43.69%)** during the fiscal 2010-11. The growth is very encouraging as compared to that recorded (**Rs. 3664 crores**) during the corresponding period

of the previous fiscal. It is to be noted that the disbursement reported in the sector during the year was only **Rs.3042 crores** whereas the outstanding has increased by much higher amount. The reason for the above increase in outstanding under SME sector (Priority) may probably be due to the correct classification by almost all banks as per the new system of MSMED Act 2006 where Retail trade is also finding a place in MSE advances. However, this aspect is not getting reflected in the disbursements wherein the retail trade segment is still being reported under Tertiary sector in LBR-2. Hence LDMs to pay more attention and ensure proper reporting and 100% submission of LBRs by the branches.

Despite all the above, we still come across instances of controlling offices of a few Banks reporting data on SME advances incorrectly to SLBC. The focussed attention in this area is very much required so that the reporting under SME Sector becomes accurate and error free.

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

(Rs. in Crores)

Banking Group	SME Outstanding (Priority)									
	March 2010				March 2011					
	Micro Enterprises		Small Enterprises		Micro Enterprises		Small Enterprise		Retail Trade	
	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt
State Bank Group	46086	988	131474	1970	22911	1063	143895	1942	95570	1052
Nationalized Banks	18318	2639	46683	2003	157085	3797	34357	2845	53772	753
RRBs	14405	619	1202	57	80580	469	857	48	87172	469
Private Sector Banks	24157	1326	50798	2156	41610	1493	49611	2819	8296	145
Grand total	39747	5572	230157	6186	302186	6822	228720	7654	244810	2419

3.3.2. Small and Medium Enterprises (SME) Advances (Refer Annexures 7.6 & 7.43)

Consequent on the promulgation of MSMED Act, 2006 the advances classified under SME comes under priority (Micro & Small Enterprises) as well as Non-Priority (Medium Enterprises). The total advances under SME priority as on March 2011 come to **Rs. 16895.83 crores** for the commercial banks in the state. Out of this, Micro and Small Enterprises constitute **Rs. 6822.33 crores** and **Rs. 7654.08 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. 8295.21 crores** covering 5813 loan accounts with commercial banks. The bank wise details are given in the Annexure 7.6 & 7.43.

3.4. Performance under Government Sponsored Schemes

3.4.1. Swarna Jayanthi Shahari Rozgar Yojana (SJSRY) as at March 2011

(Refer Annexures 7.17 to 7.20)

The performance of the State under SJSRY up to March 2011 is summarised hereunder:

(Rs. in lakhs)

Sub component	No. of Applications							Subsidy Released Amount	Amount of Loan	
	Forwarded	Rejected	Sanctioned	Pending to Sanction	Disbursed	Pending to Disburse	Total Pending		Sanctioned	Disbursed
USEP	56464	21947	29218	5299	27516	1702	7001	864.54	6002.70	5961.10
DWCUA	2694	282	2146	266	2110	36	302	1582.81	3355.86	2746.14
Total	59158	22229	31364	5565	29626	1738	7303	2447.35	9358.56	8707.24

The banks have sanctioned **29218** loans to individual beneficiaries (for micro enterprises under USEP scheme) as at March 2011 involving loan amount of **Rs. 6002.70 lakhs**. Under DWCUA (Development of Women and Children in Urban Areas), **2146** groups were sanctioned with loans to the tune of **Rs 3355.86 lakhs**.

Banking Group wise performance under SJSRY as at March 2011

(Rs. in lakhs)

Sl. No.	Bank	USEP		DWCUA		Total SJSRY	
		Sanctions		Sanctions		Sanctions	
		No	Amount	No	Amount	No	Amount
1	Public Sector Bank	24072	5104.20	1653	2765.08	25725	7869.28
2	Private Sector Banks	2950	551.92	167	206.55	3117	758.47
3	Others	2196	346.59	326	384.23	2522	730.82
	Total	29218	6002.71	2146	3355.86	31364	9358.57

Analysis of the Bank wise performance reveals that Public Sector Banks (including RRBs) accounted for **82.02 %** the loans sanctioned (Number) and **84.08 %** of loan amount sanctioned. There is a need for greater participation by Private Sector Banks in the implementation of the scheme. There is no involvement by some of the private sector banks in the implementation of the scheme which may be corrected by their respective Controlling offices. The details are available in the Annexures.

3.4.2. Swarnajayanthi Gram Swarozgar Yojana (SGSY) - Performance as at March 2011 (Refer Annexures 7.14 to 7.16)

The credit mobilisation target for 2010-11 was **Rs. 9347.25 lakhs**. As at March 2011, the state has reached **135.55 %** of the target. Banking group wise analysis reveals that State Bank group had achieved **143.34 %** of the target while Nationalised Banks had achieved **122.50 %** of the target and Cooperative banks with **246.25 %** which are above the State's performance level. The performance of Private Sector Banks (**63.09 %**) and RRBs (**93.91%**) are below the State's performance level and needs improvement.

SGSY – Performance as at March 2011

(Rs. in lakhs)

Sl. No	Name of Bank	Target	Total SGSY						% Achvmt. Sanctioned Amt
			Forwarded		Sanctioned		Disbursed		
			No.	Amount	No.	Amount	No.	Amount	
1	State Bank Group	2073.64	3344	3568.03	2630	2972.35	2483	2757.87	143.34
2	Nationalized Banks	2984.18	3745	4316.88	3070	3655.63	2876	3365.28	122.50
3	Private Sector Banks	1478.26	1414	1296.34	982	932.66	906	860.86	63.09
4	RRBs	1193.88	1657	1354.02	1395	1121.21	1324	1043.24	93.91
5	Co-operative Banks	1617.29	3741	4438.38	3097	3982.57	2967	3785.67	246.25
6	Others	0	9	7.10	7	6.00	6	5.60	
	State Total	9347.25	13910	14980.75	11181	12670.42	10562	11818.52	135.55

All the banks have improved their performance such that during the last year (2010-2011) **135.55 %** of the target could be achieved.

3.4.3. Performance under PMEGP as at March 2011

During the financial year 2010-11 the state had achieved the set targets under PMEGP scheme by a comfortable margin. Against the margin money target of Rs.2686.19 Lakhs for all the three implementing agencies put together, the utilization during 2010-11 is Rs. 3132.02 lakhs and thus 117% of target achievement has been made in the implementation of PMEGP in the Kerala State (By KVIC, KVIB & DIC) during the above period. The bank wise details of achievement is given in the Annexure – 7.49.

The targets under PMEGP for the programme year 2011-12 is as below:

Sl. No.	Agencies	No. of PMEGP Project	Margin Money (Rs. in lakhs)	Employment (Nos.)
1	KVIC	545	763.40	5450
2	KVIB	545	763.40	5450
3	DIC	Rural	364	3640
		Urban	364	3640
	Total	1818	2544.66	18180

The detailed Bank wise targets are given in the Annexure 7.50.

3.5. Performance under Micro-credit (Annexures 7.25 to 7.28)

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

On a review of the performance, it is seen that about **3.67 lakh** SHGs are maintaining savings account with commercial banks as at March 2011 in the state.

The banking group-wise data is as follows.

(Rs in. Crores)

Banking Group	SHGs maintaining Savings a/c		of which No. of SHGs under	
	No.	Amount	Govt. Sponsored	Exclusive Women
State Bank Group	189442	216.67	58727	170054
Nationalised Banks	88609	424.81	23506	74699
RRBs	40851	11.40	13387	34440
Private Sector Banks	48570	371.79	10929	42320
Total - Kerala State	367472	1024.67	106549	321513

As evident from the above **87.49 %** of the SHGs are exclusive women SHGs and **28.99 %** 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.

Mode of Linkage	No. of SHGs Financed		
	Total No	of which	
		Under Govt. Sponsored	Women SHGs
Financing SHGs directly by banks	209040	55708	179313
Financing SHGs directly with the facilitation of NGOs	61727	12340	55986
Financing SHGs through the medium of NGOs	71985	42755	71985
Total No. of SHGs linked	342752	110803	307284

As could be seen from the above table, about **3.43 lakh SHGs** have been linked in the state so far under the SHG-Bank linkage programme. Nearly **60%** of the SHG linkages have been done directly by banks.

3.6. Review of Performance under Special Focus Programmes

3.6.1. Swarozgar Credit Card Scheme (Refer Annexure 7.24)

The data submitted by the controlling offices reveals that commercial banks in the state have sanctioned **7269** Swarozgar Credit Cards (SCCs) during the year 2010-11. The limits sanctioned to the tune of **Rs. 33.69 crore**. Since inception of the scheme the banks have sanctioned **69148** cards in the state sanctioning **Rs.198.74 crores**. The amount outstanding as at March 2011 is **Rs. 81.62 crore** in **30461** cards. The Bank wise data is furnished in the annexure. SMGB leads in the performance by sanctioning maximum number of cards followed by NMGB.

3.6.2. Artisans Credit Card Scheme (Refer Annexure 7.24)

Commercial banks in the state have sanctioned only **46** Artisans Credit Cards (ACCs) during the year ended March 2011. The total limits sanctioned is to the tune of **Rs. 31.53 lakhs**. Since inception of the scheme, the banks have sanctioned **4127** cards in the state with a limit amounting to **Rs. 27.44 crore**. The amount outstanding as at March 2011 is **Rs. 6.10crore** in **1404** cards.

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

3.6.3. Laghu Udhyami Credit Cards (Refer Annexure 7.24)

Commercial banks in the state have sanctioned **1009** Laghu Udhyami Credit Cards (LUCC) during the year 2010-11 making available credit limits to the tune of **Rs. 24.25 crore** to small entrepreneurs of the state. Since inception of the scheme, the banks have sanctioned **18063** LUCCs in the state sanctioning credit limits amounting to **Rs. 327.82 crores**. The amount outstanding as at March 2011 is **Rs. 73.35 crores** in **4009** cards. SBT leads in the state by issuing highest number of LUC Cards followed by Syndicate Bank and Canara Bank. The performance of Private sector banks under the scheme is not at all impressive and needs lot of improvement..

3.6.4. Performance under General Credit Card Scheme (Refer Annexure 7.29)

The data submitted by the controlling offices of banks to the Convener SLBC is provided in annexure 7.29. Accordingly banks in the State have sanctioned **9374** GCCs with limits amounting to **Rs. 20.79 crores**. The outstanding under GCCs as at 31st March, 2011 is **102963** cards with a liability of **Rs. 205.46 crores**.

Canara Bank leads in issuance of GCC with **6182** GCCs issued during the quarter and with an amount of **14.12** crores. This is followed by SMGB with **1448** cards, NMGB with **549** cards, Corporation Bank with **390**, Punjab National Bank with **262** , Federal bank with 218 cards, HDFC with 112 cards and Syndicate Bank with 85 . Nearly **65.95** % of the cards issued during the quarter was by Canara Bank. Canra Bank also accounts for **60** % of the total GCC outstanding in the State. The Bank wise data is furnished in the annexure.

3.7. Advances to Weaker Section (Refer Annexure 7.9)

(Rs in. Crores)

Parameter	Outstanding				Variation		
	Mar. 2008	Mar. 2009	Mar. 2010	Mar. 2011	Mar.' 08- Mar.' 09	Mar.' 09- Mar.' 10	Mar.' 10- Mar.' 11
Weaker Section Adv.	9724	12240	15674	23186	2516	3434	7512

Weaker Section advances grew by **Rs. 7512 crores** during the fiscal 2010-11 registering **47.93** % growth as against **Rs3434 crores** added during the corresponding period of previous fiscal. The outstanding figure stood at **Rs. 23186 crores** which is **19.00%** of the total advances.

3.8. Advances to SC/STs (Refer Annexure 7.9)

(Rs in. Crores)

Parameter	Outstanding				Variation		
	Mar. 2008	Mar. 2009	Mar. 2010	Mar. 2011	Mar.' 08- Mar.' 09	Mar.' 09- Mar.' 10	Mar.' 10- Mar.' 11
SC Advances	1545	2003	3359	3102	458	1356	-257
ST Advances	155	201	300	553	46	99	253
Total SC/ST Advances	1700	2204	3659	3655	504	1455	-4

The credit to SC/STs had decreased during the fiscal 2010-11 as evident from the table given above. The controlling offices of all the Banks are requested to classify their credit portfolio properly so as to avoid under reporting in the area of lending to SC/ST beneficiaries.

As evident from the table below, almost **94.01%** 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 **3.07** %. In the case of ST advances **98.39** % advances is contributed by Public Sector Banks (including RRBs) while the share of Private Sector Banks is just about **1.61** %.

Banking Group Wise Performance under SC/ST advances as at March 2011
(Rs. in crores)

BANK	SC Advances			ST Advances		
	Outstanding		% O/S to total	Outstanding		% O/S to total
	No.	Amount		No.	Amount	
State Bank Group	79560	1512.30	48.76	22508	368.91	66.69
Nationalised Banks	136778	1327.23	42.79	14869	168.87	30.53
RRBs	39922	76.39	2.47	2778	6.50	1.17
Private Sector Banks	14793	95.44	3.07	1094	8.90	1.61
KSCARD Bank	16805	90.17	2.91	0	0	0
GRAND TOTAL	287858	3101.53	100.00	41249	553.18	100.00

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.

3.9. DRI Advances (Refer Annexure 7.10)

(Rs in. Crores)

Parameter	Outstanding				Variation		
	Mar. 2008	Mar. 2009	Mar. 2010	Mar. 2011	Mar.' 08-Mar.' 09	Mar.' 09-Mar.' 10	Mar.' 10-Mar.' 11
DRI Advances	10.78	211.82	22.61	24.76	201.04	-189.21	2.15

Against the national goal of 1% of the previous year's Gross Bank Credit, banks in the State could provide only 0.02 % of the total credit under the DRI scheme as at March 2011.

The table below reveals that, Public Sector Banks account for bulk of the DRI advances (**84.84 %**) in the State whereas private sector banks contribute only **15.16 %** of the DRI advances of the State. It is often noticed that data submitted by bank under DRI advance is highly inconsistent.

Banking Group Wise Performance under DRI advances
As at March 2011 (Rs. in lakhs)

BANK	DRI Advances	
	O/S	% to total
State Bank Group	281.50	11.37
Nationalised Banks	1766.57	71.33
Private Sector Banks	375.45	15.16
RRBs	53.00	2.14
GRAND TOTAL	2476.52	100

3.10. Credit Flow to Minority Communities (Refer Annexures 7.42)

As per RBI directions, credit flow to minorities in specified districts should be reviewed in all SLBC meetings. At present all the districts in the State of Kerala are notified for reporting under this head. In Kerala state without giving due share to minorities, credit expansion is not at all possible. The comparative position with regard to the previous year is given below. The data reveal that there is significant increase in amount of loans granted to minorities in all these districts. However, all the banks in the state are yet to comply with the instructions of the regulator (RBI) in respect of reporting of the data under Advances to Minority Communities in the format stipulated for the purpose. The controlling offices of all the banks are requested to report their bank's share under Advances to minority communities covering all the 14 districts of the State hereafter in the format specified for the purpose. It can be seen from the table given below that **57.98 %** of the total priority advances has gone to the minority communities as at March 2011.

Data on Minority Sector Advances in the State of Kerala

(Rs. In crores)

Year	Total Priority Sector Advances	Minority Sector Advances	Percentage
31.03.2008	45900	22240	48.45
30.06.2008	46257	23698	51.23
30.09.2008	48107	25395	52.79
31.12.2008	47780	26040	54.50
31.03.2009	50217	26070	51.91
30.06.2009	51830	26120	50.40
30.09.2009	53743	26432	49.18
31.12.2009	55842	38831	69.54
31.03.2010	58204	38532	66.20
30.06.2010	60967	41149	67.49
30.09.2010	65738	33485	50.94
31.12.2010	70823	35912	50.71
31.03.2011	71145	41245	57.98

3.11. FRESH ISSUES

3.11.1. Data on Sick MSME units (Suggested by RBI)

As per the minutes of the 12th SLAB meeting for MSMEs (Para 2.1.2) it was pointed out that in many cases banks were insisting on collateral security for loans within 10 lakh causing delays in sanctioning of loans.

Views of the Steering Committee

The Steering Committee decided to place the issue in the SLRM and requested the Controlling Offices of banks to reiterate the guidelines in this regard to their branches to clear the ambiguity prevailing.

3.11.2. Payment of one time guarantee fee by MSME units (Suggested by Directorate of Industries & Commerce)

The SLBC in its earlier meeting suggested introducing a scheme by State Government to assist MSME units to pay the one time guarantee fee and the annual service fee remitted by enterprises for availing cover under CGTMSE. The Government in principle have agreed to introduce a scheme to cover the reimbursement of one time guarantee fee and the annual service fee remitted by enterprises and to avail collateral free loan under CGTMSE. The modalities of the schemes are to be prepared. The proposal may be discussed in the SLBC to get more suggestions for its effective implementation.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLRM for further deliberation and for making a recommendation to Government.

3.12. PENDING ISSUES

Ground Level Credit Flow to SME Sector – Trend Analysis

Achievement under Ground Level Credit flow to SME Sector is only 79% (2008-09) and 75% (2009-10) of the targets which is not a very encouraging trend. Banks should give more emphasis on SME lending and term loan lending under agriculture for asset creation.

The matter came up for discussion during the 103rd Meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. The forum noted the contents and requested banks to give more emphasis on SME lending. However, it was decided to constitute a sub-committee to go into in depth and analyze the reasons for the same.

The Sub-Committee of SLBC constituted as per decision of 103rd SLBC met on 01.06.2011 in Trivandrum. Pursuant to the discussions, the Sub-Committee recommended the following:

- (i) Data on proposals sponsored to banks to be maintained at DIC and data to be kept even for other than sponsored schemes.
- (ii) Single Window Scheme to be implemented in all Districts to give clearance to all SME proposals.
- (iii) Empowered Committee at District Level to be constituted and periodical review to be done at District Level. LDMs concerned to take necessary action.

- (iv) Settlement and Credit linking of RSETI's trained candidates to be given priority by banks.
- (v) Link between RSETIs & DICs to be strengthened
- (vi) Reporting System under LBR to be revamped
- (vii) FLCCs to play a pivotal role in guiding entrepreneurs. SLBC would issue instructions to FLCC for guiding the entrepreneurs
- (viii) Support from Government for marketing for small entrepreneurs to be enlarged.
- (ix) Details on manufacturing units to be provided to DIC/routed through DIC only. Banks to ensure this. District Level Associations to be involved in this process.
- (x) At District level DLRCs to monitor performance under SME. Strategic measures have to be evolved for enhanced financing to SME segment.
- (xi) Common prevailing industrial profile to be prepared and circulated by LDM/DIC to banks before July 2011.
- (xii) Cluster financing to be promoted and data to be maintained

Review on Rehabilitation of Sick but Viable MSME units

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

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

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

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

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

The matter came up for discussion during the 103rd Meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. In the meeting, the Chairman of the forum pointed out that Regional Director of RBI had made a valid point in her address regarding issues of sick units. This has been a phenomenon witnessed in all States. After funding the SMEs, it was not possible to nurse them in time due to many inherent problems. Most of these units wither

away due to non-rehabilitation of the units on time. Nursing of the units would depend on their viability. As bankers we have lend our precious money to SME, and hence we have the responsibility to nurse, handhold and bring them back to good health when they are in difficulties. He requested all banks to look into this issue with little more care and empathy so that these units would not become waste and thereby also ensuring that the precious money that we have lend would not turn into NPA and irrecoverable.

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

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

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

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

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

Views of the Steering Committee

The Steering Committee suggested placing the recommendation of the Sub-Committee in the SLRM for further discussion.

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

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

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

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

Non- Receipt of subsidy for PMEGP loan

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

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

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

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

SLBC Convenor had taken up the matter with the KVIC requesting to take immediate action for releasing the Margin Money and inform the developments in this regard. The progress in this regard is yet to be informed by KVIC.

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

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

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

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

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

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

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

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

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

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

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

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

SLBC Convenor had vide SLBC 35 174 2011 KRA dated 25.01.2011 followed up the matter with the Reserve Bank of India requesting to pursue the matter further and inform the latest developments in this regard.

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

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

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

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

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

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

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

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

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

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

SLBC Convenor had vide SLBC 35 291 2011 KRA dated 05.02.2011 followed up the matter with the Indian Banks' Association requesting to examine the proposal and take necessary action in this regard.

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

SLBC Convenor had vide SLBC 35 627 2011 KRA dated 23.04.2011 followed up the matter with the Indian Banks' Association requesting to examine the proposal and take necessary action in this regard. We are yet to receive response from them.

REMOT Scheme

The performance under the scheme has not improved even after constant monitoring. All the implementing banks are requested to accord top priority in a clearing the pending applications with them. The Bank-wise performance on REMOT Scheme as at March 2011 is provided in **Annexure -7.39**.

3.13. INFORMATION NOTE

3.13.1. Women Industries Scheme – Continuation for 2011-2012 (Suggested by Directorate of Industries & Commerce)

The Women Industries Scheme will be continued for the year 2011-12 also. This may be brought to the notice of the bankers.

Views of the Steering Committee

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

3.13.2. Debt relief Scheme (Suggested by Directorate of Coir Development)

The State Government is implementing Debt Relief Scheme in the Coir Sector for 2009-10 onwards. The scope of the scheme is for ensuring guarantee and sustainability of employment to the workers in the coir sector and thereby acquiring fair wages.

The beneficiaries of this scheme are Small Scale Producers in Coir Sector and Co operative Societies in coir sector who produce and sale of fibre, coir and coir products and availed loan for the above purpose from commercial banks, village banks, loan lending co operative institutions, Government institutions or Government Departments.

Loan availed must be to start/ expand micro enterprises in the coir sector to produce and sale of fibre, coir and coir products. Loan shall taken on or before 31/3/2008 and the installments will be completely in default on or before 31/3/2009.

Even the cases where loans are re scheduled, subject to the satisfaction of other conditions (based on condition prior to re schedule,) such cases are also eligible even if it is not in default after re schedule.

Debt relief will be issued only based on clear revival project and based on the recommendation of Project Officer and source of fund should be clearly specified in the project. If wife/husband, unmarried children, unmarried brothers/sisters living together any one of them having permanent income are not eligible for assistance under this scheme.

The assistance is only for the principal amount and sanctioned only if it is for onetime settlement. The finance institutions are to waive interest and penal interest.

Two Committees are there to consider the cases. State Level Selection Committee and State Level Apex Committee. Convener, SLBC is one of the members in State level Apex Committee.

Fund eligibility is as follows:

Rs. 5000/- per worker in the case of Primary Coir Co operatives i.e. Co operatives in the yarn sector.

Rs. 15000/- per worker for Co operatives in the Coir Product Sector.

Rs. 25000/- for Small Scale Producers (Private Entrepreneurs) of the Micro Enterprises.

While considering the number of workers, first preference will be given to the unit that provided at least 60 days work during the previous year.

The State Government fund will be limited to the above and to meet the Principal amount alone. As per scheme the financial institutions have to waive the penal interest and interest or that have to meet by the party. As the banks are also getting a chance to settle the amount by availing the Government support, directions may be given to all the banks to Co operate with this scheme and to write off the penal interest and interest to such cases to settle the long term dues.

Views of the Steering Committee

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

3.13.3. Engaging M/S APITCO Ltd., Trichur for the physical verification of PMEGP Units – Note by KVIC

For the Physical verification of PMEGP units in the Kerala state and Lakshadweep (which had been setup during the periods 2008-09 and 2009-10) the KVIC has executed an agreement with M/S APITCO Ltd., Krishnakripa, 14/21, Sakthinagar, Ayyathole, Trichur,-680001 on _21-03-2011 according to which the said agency would be carrying out the Physical verification of said PMEGP units sponsored by KVIC, KVIB & DIC. Necessary intimation has been also given by KVIC to all the concerned implementing agencies, controlling Banks, with its copies also endorsed to all the District Collectors, Chairman, SLMC, (PMEGP), Convenor SLBC and the LDMs with the request to extend all cooperation to the above agency for completing the assignment given to them within six months period.

3.13.4. Verification of EDP (PMEGP) Training Centres – Note by KVIC

At present there are 12 Nos. of EDP training centres recognized by KVIC in the Kerala State under PMEGP and they are all to be verified now as per the directions received from Central Office, (copy sent to SLBC on 25-01-2011) and further execute an agreement with the said training centres for 2010-11, if they are found as fulfilling all the requirements for imparting qualitative EDP training. The KVIC officials would be carrying out the said verification soon.

3.13.5. Assessing the Performance of Nodal Banks in the PMEGP implementation during 2010-11 – Note by KVIC

In the meetings of last SLMC and the quarterly Bankers review, all the Nodal Banks have been requested by KVIC to provide the following details in order to assess the Performance of Nodal Banks in the PMEGP implementation during 2010-11 and also for compiling the annual progress report 2010-11.

- (1) Name of the Beneficiary.
- (2) Name of the Financing Branch.
- (3) Margin Money released to each financing bank.

3.13.6. Engaging an outside agency for the “E-tracking” of PMEGP projects – Note by KVIC

As per the directions given by Central Office, KVIC, Mumbai an outside agency is to be engaged for the “E-tracking of PMEGP units under which datas relating to the status of PMEGP projects would be collected from KVIC, KVIB, DIC and banks for the period from 2008-09 to 2010-11 and fed to the “E-tracking “system which is online.

Views of the Steering Committee

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

3.13.7. Economic Stimulus Package 2008-2009 on MSME, Housing and Auto Sector – Review of the performance of PSU Banks under the Special Package implemented in Kerala State as at March 2011 (Refer Annexure-7.44)

- The branches of PSU Banks in Kerala sanctioned **8100** Fresh Working Capital Loans to MSME sector amounting to Rs. **774.45** Crores during the last quarter of the financial year 2010-11. The cumulative position of performance by banks in Kerala from December 2008 was **165102** fresh working capital loan accounts with an amount of Rs. **8387.03** Crores.
- Rs. **161.52** Crores was distributed through **5408** existing loan accounts of MSME entrepreneurs as incremental working capital loans during the period January-March 2011. The cumulative figure under the incremental working capital loans sanctioned to MSME units stood at Rs. **2080.87** Crores in **91335** loan sanctions issued by PSU Banks in Kerala.
- During the last quarter of this Financial Year, PSU Banks in the State have restructured **51** loan accounts amounting to Rs. **16.89** crores under the package announced by IBA. The cumulative position under restructuring was **9356** loans with an amount of Rs **334.43** crores.
- During the last quarter of this Financial Year (ie from January 2011 to March 2011), Public Sector Banks in the State had not sanctioned any Genset loans under the Stimulus package. The cumulative figures under this segment comes to Rs.50.39 crores in 176 loan accounts.
- Housing sector had shown a better performance as at March 2011 as compared to its previous quarter's loan sanctions, especially in the smaller spreads of loan limit. It was observed that **4642** Housing loans in the category of loans up to Rs. 5 lakhs per party with a total loan outlay of Rs. **259.72** Crores were sanctioned by Public sector banks in the State during the period January-March 2011.
- In the categories of Housing loans above Rs. 5 lakhs but up to Rs. 20 lakhs and those above Rs. 20 lakhs, public sector banks in Kerala have sanctioned **3678** and **624** loans with total outlays of Rs. **575.54** crores and Rs. **568.38** crores respectively during the last quarter ending March 2011. Cumulatively from the month of announcement of the Package i.e. December 2008 up to the end of March 2011, Public sector Banks have sanctioned **62918** housing loans with individual limit up to Rs. 5 lakhs and **49456** loans with limits above Rs. 5 lakhs but not exceeding Rs. 20 lakhs during the period.

- Under the Category of Housing loans above Rs. 20 lakhs, banks in Kerala had granted **6473** loans cumulatively till March 2011 quarter end from the date of announcement of package. Over all, this is a satisfactory performance which justifies the commitment of banks in Kerala towards the crisis management package announced by the Government of India.
- **9248** auto sector loans were sanctioned by PSU Banks in Kerala during the fourth quarter ending March 2011 with a credit outlay of Rs. 1044 crores whereas the cumulative figures reveal **109852** loans with a loan amount of Rs. **19845** Crores during the period from December 2008 to March 2011. The performance of banks during March 2011 quarter under auto sector under the stimulus package was satisfactory.

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

Kerala has got a distinction of having the maximum number of units of MSME covered under the guarantee scheme of CGTMSE. On a review of the performance, it is seen that during the last quarter of the financial year banks in Kerala sanctioned an amount of **Rs. 185.73 crores** (6341 proposals) under CGTMSE coverage. Bank-wise analysis reveals that State Bank of Travancore has sanctioned highest quantum of loans (**Rs.56.96 crores**) followed by Indian Overseas Bank (**Rs. 29.86 crores**). District-wise analysis reveals that Ernakulam has sanctioned the highest quantum of loans (**Rs.33.43 crores**) followed by Trivandrum District (**Rs.24.20 crores**). Bank-wise/District-wise details are shown as **Annexures 7.45 & 7.46**

4. ISSUES FOR GROUP DISCUSSION ON TERTIARY SECTOR (GROUP III)

4.1. Performance under Tertiary Sector of ACP

(Rupees in Crore)

	2009-10	2010-11
Target	20677	23745
Achievement	24897	28048
Percentage of achievement	120.41	118.12

4.2. Review of Disbursements to Tertiary Sector under ACP

Banking sector of the state had achieved the target set under tertiary sector in ACP 2010-11. Banks in the state have disbursed loans to the tune of **Rs. 28048 crores** during the year against the target of Rs. 23745 crores, thereby achieving 118.12% of the target fixed. The sector accounted for 46.99 % of the total disbursement to priority sector in the state. The disbursement to the tertiary sector during 2009-10 was Rs.24897 crores whereas during 2010-11, banking sector in the state could disburse Rs. 28048 crores.

Banking Group-wise Performance under Tertiary Sector of ACP 2010-11

(Rs. in Crores)

BANK	TERTIARY SECTOR			
	Target	Achievement	% Achievement	% Share in Disbursement
State Bank Group	4845	5971	123.24	21.29
Nationalised Banks	4774	4107	86.02	14.64
Private Sector Banks	3683	3018	81.94	10.76
RRBs	1075	1729	160.84	6.16
Co-operatives	9297	12927	139.04	46.09
KFC	71	296	416.90	1.06
Total	23745	28048	118.12	100.00

Under quantum of loans disbursed during the current fiscal, Cooperatives led other banking groups by disbursing Rs 12927 crores followed by State Bank Group (Rs. 5971 crores), Nationalised Banks (Rs. 4107 crores) and Private Sector Banks (Rs. 3018 crores). Under of percentage achievement of target, KFC registered 416.90 % followed by RRB (160.84 %), State Bank Group (123.24 %) Private Sector Banks (81.94 %) and Nationalised Banks (86.02 %).

Among Commercial Banks, SBT leads in disbursements made to this sector (Rs.4034 crores) followed by the State Bank of India. (Rs. 1846 crores), Federal Bank Ltd (Rs. 1129 crores) and Canara Bank (Rs. 859 crores).

The following banks have recorded 'NIL' disbursement to the Tertiary sector in the State:

- (i) State Bank of Indore
- (ii) Yes Bank
- (iii) Kotak mahindra Bank

District wise analysis reveals that Wayanad district has achieved 230.45 % of the projected target and stood first amongst the districts. The performance of Pathanamthitta (83.53 %) and Kozhikode (87.60 %) districts were below the targeted level. All other districts achieved their projected targets.

The Group may review the performance of the banks in lending to Tertiary Sector, deliberate on the items in the agenda and make suitable recommendations/suggestions. Here it may be noted that sub-segments like Retail Trade, Small Business, Professional & Self Employed and SRTO that are presently classified under SME segment is still getting reported under Tertiary sector due to the continuation of the old LBR reporting format. Hence the performance which ought to have come under secondary sector is getting reflected under Tertiary sector.

4.3. FRESH ISSUES

4.3.1. Operational Issues in respect of Business Correspondents (BCs) under Financial Inclusion Programme (Suggested by RBI)

While examining the agenda item, the Steering Committee suggested that the issues to be discussed in the SLBC Sub-Committee to review the progress on implementation of Financial Inclusion Roadmap. SLBC had conducted the Sub-Committee meeting on 07.06.2011 at RBI, Kochi. The outcome and decisions of the meeting are elaborated in the **agenda No.4.4.22.**

4.3.2. Issues relating to low transactions through Smart Cards (Suggested by RBI)

RBI suggested that the issues/reasons for the low transactions effected through Smart Cards may be discussed in the SLRM.

4.3.3. Levying of Service Charges under SARFAESI (Suggested by State Bank of Travancore)

The Government of Kerala had issued an order as GO (MS) No. 39/11/RD dated 20.01.2011 for recovery of service charge @ 7.5% of the amount demanded form the borrower/guarantor under SARFAESI for which action under 14 of the Act is initiated. The order of the Government cannot be accepted and no service charges are to be paid by banks under SARFAESI on account of the following reasons.

- (1) Service charge of 7.5% of the demanded amount is highly excessive

- (2) In most cases the value of the security may be negligible while the amount demanded may be very high and hence there is no justification in demanding or paying such exorbitant service charge on the demanded amount.
- (3) Even if the value of property is high, it takes a long time to recover the same due to litigations or other reasons and Bank gets the money very late and hence there is no justification to pay the service charge at the time of filing request before the District Collector.
- (4) The reason behind seeking assistance by the Bank is to avoid taking possession by itself and thereby to avoid enforcing law. The very purpose of the assistance by the District Collector will be defeated by taxing such assistance to be rendered.

It is requested to take up the matter in the ensuing SLRM and the Government may be requested to cancel the order.

Views of the Steering Committee

The Steering Committee observed that the suggestion is of significant implication to bankers and may be placed in SLBC for appropriate recommendation to the Government of Kerala.

4.3.4. Requisition for inclusion of Axis Bank in the Section 71 of RR Act & Issue of User ID & password for online revenue recovery procedures (Suggested by Axis Bank)

The request of Axis Bank for allotment of user ID & Password was not considered favourably from many of the District RR authorities stating that the name of the bank is not yet included in the Section 71 of RR Act. It is hence suggested that the related Department may take a quick decision for including Axis Bank and all new generation banks.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLRM. For being considered by the Revenue Department.

4.3.5. Self Employment Scheme for SC - Implemented by SC Development Department, Government of Kerala (Suggested by DLRC, Thrissur)

The Scheduled Caste Development Department is sponsoring Loan Applications from individuals belonging to SC category with subsidy element of 33 %. The subsidy is credited to loans upfront, on release of subsidy by the SC Development District Office after confirming and use of loan released by Banks and commencement of the activity, by the SCDOs attached to Block Development Offices.

Inordinate delay say over 1 year is reported by South Indian Bank, Pudukkad and Indian Overseas Bank Chavakkad for receipt of subsidy from the Department. In the process, poor

SC Borrowers are required to pay interest for the subsidy portion of the loan also due to delay in release and credit of subsidy to loan account. Besides, this may also invite slow progress in implementation of the scheme by Banks.

The District Level Bankers' Committee, met on 28.03.2011 discussed the issue in detail, and suggested the Government for release of Subsidy on receipt of loan sanction details from the Bank as is done in the case of many other credit linked subsidy schemes without waiting for confirmation of end use and commissioning of the project.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLRM for appropriate decision.

4.3.6. Controlling Offices of Banks to have Permanent Email IDs instead of Personal Email IDs (Suggested by LDM, Malappuram)

Nowadays, we are sending our reports/communications to controlling offices of banks in the email ids provided by such banks. We find that in some cases, the email ids provided to us are in personal names of the officials and not in official bank names. These email ids do not serve any purpose, when these staff members are transferred elsewhere and it is difficult for lead banks and customers to communicate to controlling offices.

For example, if the email id of Prakash, AGM, XYZ BANK LIMITED, Zonal Office, Calicut is mentioned as agmcalicut@xyzbank.com, instead of prakash@xyzbank.com, even if Prakash is transferred elsewhere, the email id need not be changed and can be used by the new AGM and no problem for lead bank /others for communication.

Hence, we suggest that all banks should have official email ids on a permanent basis and inform this to all concerned and in their respective websites.

This will eventually be convenient not only for banks but also for general public and customers.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLRM for necessary instructions to the member banks.

4.3.7. Non-issue of Income certificates for production in Banks, by the Revenue Authorities, other than for Educational Loan purposes (Suggested by LDM, Kasaragod)

We are informed by the Banks in the District that Revenue Authorities are not issuing Income certificates to the Banks other than for certifying income for availing of Interest subsidy under the Educational Loan Scheme .This has already been included as Agenda Item

in SLBC Meeting held on 16th March 2011. We are awaiting the decision of the Government in this matter.

Views of the Steering Committee

The Steering Committee noted that the agenda item came up for discussion in the 103rd Meeting of SLBC, Kerala held on 16.03.2011 at Trivandrum wherein the representative of Revenue Department had informed that the revenue guide quoted in the agenda item is issued by the union and not by the Government and hence lacks authenticity. The forum noted the contents and took a decision that the matter has to be sorted out at district level. SLBC had communicated the same to LDM, Kasaragod and LDM to inform the developments.

Claiming of Educational Loan Interest Subsidy by the Banks (Suggested by LDM, Kasaragod)

There are numerous queries from the Banks in the District as regards claiming of Interest Subsidy. It is reported by the banks that many educational loan borrowers could not submit the Income Certificates in time as from February 2011 the Revenue Department officials in the District were busily preoccupied with duties in connection with the Elections.

Further, it is observed that there is no uniformity as regards Eligible Courses for which Interest Subsidy is claimed by the Banks. This is mainly due to the lack of clarity among the Banks regarding the courses which are eligible for the benefit of Interest Subsidy. Hence a clarification is required from SLBC on the type of courses eligible for Interest Subsidy. To cite an example banks do not have a clear idea whether Diploma Courses in Engineering qualify for Interest Subsidy.

Taking into account the above difficulties experienced by the Banks in this matter a clarification may be issued on :

- (i) the courses that qualify for Interest Subsidy and
- (ii) as a One Time Measure permit the banks to prefer claims for Interest Subsidy eligible for the financial year 2010-11 in all such loans which were left out under the circumstances related above.

Views of the Steering Committee

*The Steering Committee recommended to place the matter in SLRM and to take up with the appropriate authority for a decision. The recommendation of the Sub-Committee is provided in the **Annexure - 7.55***

4.3.8. Educational Loan Scheme

4.3.8.1. Quantum of Bank Loan (Suggested by LDM, Kollam)

The Banks in Kerala follow different yardsticks while fixing the limit for Educational Loan. The students studying in the same Educational Institution are sanctioned with different quantum of Bank Loan for the same course by different banks. This causes problems and resulted in complaints from students/parents. So it is requested that SLBC may collect the Fee Structure from four states viz Kerala, Tamil Nadu, Karnataka & Andhra Pradesh for major courses viz Engineering, BSc [Nursing] and General Nursing and circulate the same to members banks so that there will be uniformity among the banks in fixing the quantum of bank loan. SLBC may take this initiative and communicate the above details before commencement of the next academic year.

4.3.8.2. Student Eligibility/Merit Based Selection Process (Suggested by LDM, Kollam)

The IBA scheme says that students secured Admission to professional / technical courses in India or Abroad through Entrance Test / Merit Based Selection Process are eligible for Educational Loans. The “Merit Based Selection Process” is interpreted by different banks in different ways. Some Banks insist Minimum % of Marks in qualifying examinations, whereas some banks accept mere admission to eligible courses. SLBC may review this important aspect and give clarity on the Student Eligibility particularly for students securing admission in other states.

4.3.8.3. Clarification regarding eligible courses under the scheme of Interest Subsidy on Education Loan (Suggested by LDM, Kannur)

Under the scheme, Bank is suggesting that in order to overcome the operational difficulties faced by the branches clear guidelines regarding the courses eligible under the scheme should be communicated by SLBC to the implementing banks. One of the issue regarding this is that there is a mention in the guidelines that a pass of plus two is the minimum qualification to be eligible for the subsidy. Since students are admitted for courses like *General Nursing* and *Diploma Courses in Engineering* after matriculation, some banks had interpreted that these courses are not eligible under the scheme. But here also a question arises that if a student is admitted to such professional courses after passing plus two examinations whether he is eligible for the subsidy. This is a very relevant point and the interpretation of various banks is of different nature and hence branches are facing a lot of problems in dealing with the queries of their customers. Hence SLBC should take up the issue with appropriate authorities and circulate the exact position in this regard so as to have uniform implementation by all banks.

Views of the Steering Committee

*The agenda items had been discussed in the Sub-Committee of SLBC on Education Loan that met on 02.06.2011 in Trivandrum and the recommendation of the Sub-Committee is provided in the **Annexure - 7.55.***

4.3.9. Educational Loan - Reverting back to Service Area Approach (Suggested by State Bank of Travancore)

At present the Educational Loans are sanctioned/considered based on the proximity of the applicant to the nearest Bank branch. By evaluating the experience during the past three years, it is proved that the system has the following disadvantages:

- a) An ambiguity is prevailing among the branches regarding the nearest Bank branch concept, delays and denials are usual. The branch to be approached is not known to the applicants hence they are running from branch to branch
- b) The delay and denial of applications leads to public unrest, violence, disappointments and attempt of suicides. Even though the majority of the applications are sanctioned, few rejections can tarnish the image of the banks.
- c) The District Administration and People's Representatives are very much annoyed over the delays and public complaints.
- d) The intention of the Government while approving the IBA scheme was that all banks should have reasonable share and commitment under educational loans. But in effect many banks have not honored their commitments and the entire burden is borne by few public sector banks. For example our Bank's market share under education loan is 30%, where as the market share of advance is only 21% and the Bank branch market share is only 14%.
- e) The defaulters of service area banks are able to get education loans from nearest bank defeating the eligibility clause.

So we suggest that the bank's may revert back to the "Service Area Approach" for the loans under educational sector as prevailing in the other sectors from this academic year. Sub Committees constituted for redressal of education loan complaints has already recommended adoption of service area approach in our Lead Districts. It is learnt that LDMs of other districts are also in favour of this change, which has the following advantages.

- (i) Responsibility of the bank branches can be clearly defined and applicants are getting clarity on notified area branch.
- (ii) Incidents of large scale complaints and Dharna of People's Representatives on account of non-sanctioning and delays can be eliminated to an extent.
- (iii) Follow up and supervision of loans are more effective. Defaulters will not be able to cheat other banks by multiple borrowing.
- (iv) Ensuring participation of all bank branches in the sector including new generation private sector banks and equitable distribution of the burden.

Views of the Steering Committee

*The agenda items had been discussed in the Sub-Committee of SLBC on Education Loan that met on 02.06.2011 in Trivandrum and the recommendation of the Sub-Committee is provided in the **Annexure - 7.55.***

Difficulties faced by the Banks in the District in recovery of Bank dues : False propaganda and organized resistance by Indian Farmers Union (INFU) against legitimate recovery measures adopted by the Banks (Suggested by LDM, Kasaragod)

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

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

Views of the Steering Committee

The Steering Committee suggested taking up the issue with the Government of Kerala/Home Department seeking protection for banks and to extent assistance in the recovery of loans.

4.3.10. Bhavanashree Loans Takeover by Government - Left over cases (Suggested by LDM, Kannur)

As per the information submitted by RO, Syndicate Bank, the accounts of Peravoor, Naduvil, Vadakkumbad, Mambram, Panoor branches in Kannur District are excluded from the first list of takeover and they have an outstanding balance of Rs. 57,86,114/-, arranged through 44 accounts. As per the agreement executed by the banks with Kudumbashree, the title deeds are to be released to the beneficiaries and the banks who had received the amount had already started releasing the title deeds. On hearing the news that other banks are releasing the title deeds, the beneficiaries are approaching these branches for releasing it. Since these branches are not in a position to release the title deeds the borrowers are very much agitated on the issues.

It is requested to take it up with the State authorities of Kudumbashree and also include this as an agenda item in the SLBC meeting.

Views of the Steering Committee

The Steering Committee observed that the Executive Director of Kudumbashree had assured in the earlier Sub-Committee meeting convened for settlement of Bhavanashree loans, that subsequent claim, if any, would also be considered under the scheme subject to availability of Government allotment at a later date also. However, the Steering Committee decided placing the agenda in the SLRM.

4.3.11. Agenda item suggested by State Horticulture Mission, Kerala

State Horticulture Mission – Kerala is an agency functioning in the State for implementation of two Centrally Sponsored Schemes viz. National Horticulture Mission and National Mission on Medicinal Plants.

In the IV State Level Steering Committee Meeting on National Mission on Medicinal Plants held on 26.04.2011, it was decided that necessary steps should be taken to link the beneficiaries under Post harvest management component with banks for availing credit at acceptable and reduced rate of interest. Details regarding the schemes under post harvest management of NMMP and NHM programme are shown as **Annexure – 7.58.**

Views of the Steering Committee

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

4.3.12. Interest Subsidy Scheme for Housing the Urban Poor (ISHUP) of Ministry of Housing and Urban Poverty Alleviation (HUPA) (Suggested by HUDCO & Kudumbashree)

Recently, a review meeting was held by the Joint Secretary (HUPA) for assessing all India progress of ISHUP. It was observed that progress of Kerala in the implementation of ISHUP is not up to the mark, it is therefore once again requested to include the following issues as an agenda during the ensuing SLBC meeting.

- (i) Large number of applications are pending with various banks (out of 5060 applications forwarded by State Level Nodal Agency (SLNA) only 122 were sanctioned). Wherever releases have already been effected, all the banks are requested to seek subsidy from their respective CNAs, ie. HUDCO or NHB, after disbursement.
- (ii) As monitoring will become intensive, a sub committee of SLBC may be formed for monitoring and dissemination of data in regard to ISHUP scheme.
- (iii) As informed in the last SLBC, uniform loan application have been prepared and sent to SLMC for approval.
- (iv) In addition, the following issues raised by SLNA needs to be addressed.
 - Higher/non-uniform charges for legal opinion, valuation and inspection by banks.
 - Certain banks imposing very high processing fees
 - Encumbrance certificate for 30 years is made compulsory by some of the banks
 - Reluctance in sanctioning of loans for properties without motor vehicle access.
 - The lead District Manager Kollam has informed that SBT is showing reluctance in accepting applications from the applicants who have availed subsidy under EMS

Total Housing Scheme. It was also pointed out that due to the decisions of SBT, other banks also may show reluctance in accepting the applications of EMS beneficiaries. Also the local branch of SBT has informed the rejection of 27 applications forwarded by Kollam unit of Kudumbashree on the above ground.

Views of the Steering Committee

In the Steering Committee Meeting, the representative of HUDCO informed that lot of applications under ISHUP were pending with banks. The progress made is at a slow pace. Around 5060 applications have been forwarded to banks as at 06.06.2011 and only 130 applications were sanctioned. Ministry of Finance, Government of India is closely monitoring the scheme and review the performance is to be made once in a month.

*The bank wise performance is provided in **Annexure 7.48***

The representative of Kudumbashree informed that as per the guidelines of Government of India, banks shall provide Rs. 250 to the CDS for each sanctioned cases under ISHUP and banks in turn shall get the amount reimbursed from the Ministry.

The Steering Committee member banks requested Kudumbashree/HUDCO to take necessary steps to avoid bunching of applications in bank branches.

The Steering Committee decided to place the matter before SLRM for adoption and review.

4.4. PENDING ISSUES

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

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

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

the needful for including this item in the agenda items to be discussed in the 103rd meeting of SLBC.

Summary of Endosulfan Survey – Kasaragod District
(Based on the Survey conducted by ICDS)

Total No. of Families	4879
Total No. of Patients	5173
No. of Families having difficulty in getting marriage for other members	484
No. of Patients having difficulty in getting marriage	1208
No. of Family having difficulty in getting Education for Kids	491
No. of Kids having difficulty in getting Education	869
No. of Families without drinking water facility	1377
No. of Families with Loan	2812
No. of Families with Loss of wages reported	2751

Number of Families under Income Group

Sl. No.	Income Group	No. of Families
1	0 to 20,000	4151
2	20,001 to 75,000	651
3	75,001 to 1 Lakh	66
4	1 Lakh to 5 Lakh	7
5	Above 5 Lakh	4
	Total	4879

Number of Families having Bank Loan

Sl. No.	Type of Bank	No. of Loan	Total Amount	No. of cases under recovery
1	Nationalised Banks	640	54360000	63
2	Co-operative Banks	1320	75399678	130
3	Private Banks	183	13533192	19
4	Others	1302	57021228	67
	Total	3445	200314098	279

Patient Details

Sl. No.	Patient Category	No. of Male Patients	No. of Female Patients	Total No. of Patients	No. of Patients having age <15
1	Bed ridden	395	340	738	181
2	Not Bed ridden, but requires Caretaker	990	959	1959	436
3	Ambulant independent patient	1284	1184	2476	400
	Total	2669	2483	5173	1017

No. of Persons having Loss of Wages

Sl. No.	Educational Qualification	No. of Persons	Total Monthly Loss of Wages reported
1	Below SSLC	3121	6732992
2	SSLC	534	1403660
3	Diploma	90	318350
4	Graduate	62	555000
5	Post Graduate	0	0
	Total	3807	9010002

Report submitted by LDM, Kasaragod

LDM, Kasaragod had received the list of Endosulphan affected victims from the District Administration and the details are as under:

Sl.No	Institution	No. of affected parties
1	Scheduled Commercial Banks & Gramin Bank	740
2	Co-operative Banks	1331
	Total	2071

- The list forwarded by the District Administration does not furnish complete addresses of the victims and the branches are expressing difficulties in identifying the persons properly. Moreover, the list also does not indicate the name of the institution where the victims have loans.
- The District Administration has now entrusted Kudumbashree, the work of proper identification of the victims and collecting details of the Banks/Co-operatives where the victims enjoy the loans. The task is now in progress.
- LDM would be able to furnish the exact data on the loans availed by the victims only after this exercise is completed.
- LDM had requested the District Kudumbashree Mission to complete this task on Top Priority.

The matter came up for discussion in the 103rd Meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. In the meeting, the Officer on Special Duty, Finance (Resources), Government of Kerala informed that Government of Kerala had suggested that banks in the Endosulphan affected areas may consider granting atleast 1 year moratorium on loans availed by the people affected by the ill effects of Endosulphan. The State Government had taken various measures for extending relief to those people who were actually distressed in these areas under acute agony. He added that the affected people availed loans from various banks and are not in a position to repay such loans now. Hence, he requested the forum to take a favourable decision in line with the Government proposal.

The LDM, Kasaragod informed that the list forwarded by the District Administration does not furnish complete details of the victims of Endosulphan. Banks in the District were expressing difficulties in identifying the persons. He added that since the District

Administration had entrusted the task to Kudumbashree for collecting the details of the victims, he sought the assistance from Kudumbashree in this regard.

The forum requested Kudumbashree to provide the details of victims of Endosulphan as early as possible to examine the proposal of the Government.

SLBC Convenor had vide letter SLBC 35 628 2011 KRA dated 23.04.2011 requested Kudumbashree to provide the details of victims of Endosulphan as early as possible to examine the proposal of the Government. We are yet to receive the details from Kudumbashree.

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

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

As on 31.12.2000, a total number of 1333 Original Applications and 1301 Securitization Applications were pending before the DRT, Ernakulam for hearing and disposal. The year-wise break-up of the total number of Original Applications and Securitisation Applications pending before the DRT, Ernakulam is as under:

(a) Original Applications :

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

(b) Securitisation Applications :

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

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

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

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

SLBC Convenor had vide letter SLBC 35 630 2011 KRA dated 23.04.2011 taken up the matter with the Ministry of Finance, Government of India requesting to look into the matter and do the needful for setting up one more DRT for the State of Kerala and Lakshadweep. The reply in this regard is awaited.

Computerization of Land Records

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

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

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

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

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

The matter again came up for discussion during the State Level Review Meeting (SLRM) of SLBC, Kerala held on 27th and 28th August 2009 in Trivandrum. In the meeting it was informed that there was a centrally sponsored scheme namely NLRM system which was

being introduced during the year for computerization of land records to be completed within 3 years.

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

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

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

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

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

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

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

In the meeting, Smt. Nivedita P. Haran IAS, Additional Chief Secretary, Revenue Department Government of Kerala informed that the land records computerization process had started in Kerala many years ago. The work is yet to be completed. Meanwhile Government of India had come up with a programme called National Land Records

Management Plan (NLRMP) in which Revenue, Registration and Survey Departments would function under a common umbrella and share the data base so as to prevent illegal transactions, tampering with records etc. Revenue Department is part of the said programme. Though the work is progressing it is a difficult and arduous task.

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

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

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

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

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. In the meeting, Smt. Nivedita P Haran IAS, Additional Chief Secretary, Revenue Department, Government of Kerala informed that Computerization of land record was linked with the issue of Land Titling Bill. Land Titling Bill is actually a model act that has been approved by the Government of India. The basic requirement in the model act is two fold. (i) Ensure the Government to maintain verified Revenue records of all

land holdings (ii) A common database is maintained by the revenue authorities and other Government authorities concerned. It is only a recommendatory act made by Central Government to the State Government and that the State Government has to implement this act, for which some basic homework need to be done. The basic policy of the land records are known as the mirror principle and curtain principle. The mirror principle states that anything on the ground should mirror the revenue records and vice versa. ie the person who is the owner of the land on revenue records should be in possession of the land also. Curtain principle is that no land ownership can be challengeable in any court of law - civil or criminal. To reach this level of accuracy in revenue records, (i) It should be fully computerized and checked (ii) the Resurvey in the State should be completed. In Kerala also, the aim is to complete the computerization of Revenue records and the resurvey. Once this is done, the Land Titling Bill could be adopted or rejected by the State as per its discretion. She added that most of the States are very far from its implementation. As of now no decision has been taken by the Kerala State Government regarding adoption of the Bill.

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

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

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

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

Creation of a Central Registry titled National Mortgage Repository

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

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

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

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

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

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

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

Smt. Nivedita P. Haran IAS, Additional Chief Secretary, Revenue Department Government of Kerala, in her address informed that Government of India had also come up with Land Titling Bill during the last year aiming to ensure conclusive title to every land holder. She explained that the conclusive title means an unchallenged title and if any one challenges it in a court of law, the case would not stand. Further in case it could be challenged, the Government would have to indemnify the party, the land holder. The basis of the act would be good, proper and reliable land records. Land Titling Bill would only be a model act which means that State Government would have the option either to adopt the act, pass the rules and implement there after or otherwise. If we wish to reach the stage of Land Titling Bill, three things were to be ensured

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

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

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

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

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

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

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

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

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

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

Recently IBA at the instance of Central Government has incorporated a company under Section 25 of companies Act known as Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI). As per this Equitable mortgages

involving non agricultural properties created on or after 31.03.2011 are to be mandatorily registered with CERSAI and delay beyond 30 days will attract penalty.

In view of the above, the Group to deliberate whether to pursue this agenda further.

4.4.1. Introduction of Computerization in Revenue Recovery

The matter came up for discussion in the 100th meeting of SLBC, Kerala held on 21.12.2009 as suggested by Principal Secretary, Revenue (H) Department, Government of Kerala.

The Government propose to introduce computerisation in revenue recovery. The main objective of “RR online” is to facilitate efficient and effective Revenue Recovery process automation by means of Information and Communication Technology (ICT tools). The process starts with the online submission of Form 24 by the requisitioning department and logically concludes with the disposal of the relevant revenue recovery file from District, Taluk and Village Offices concerned. The online process will enhance the efficiency and transparency of revenue collection by reducing the time to process the file and at the same time maintaining the required official secrecy. The software prepared and developed by the NIC which is at present being used in Palakkad and Malappuram District is proposed to be replicated in other districts also.

The requisitioning departments that participated in the meeting have expressed their willingness to come on to the online revenue recovery. It has been decided that BSNL will give Broad Band connection in all the 63 Taluk Offices and 20 Revenue Recovery offices for which proposal will be taken up with BSNL separately. The Technical Director and District Informatics Officer has informed that on an average an amount of Rs. 2-3 lakhs would be required for establishing infrastructure in the District mainly for networking at Taluk Offices. It has been decided to raise funds from banks in the district through the Lead Banks as it was done in the case of pilot districts viz. Palakkad and Malappuram.

The 100th meeting of SLBC, Kerala took a decision to form a sub-committee exclusively for sorting out the issue with different Government Departments.

The Sub-committee Meeting held on 27.03.2010 at South Conference Hall, Government Secretariat, Trivandrum noted that the issue came up for discussion during the 100th Meeting of SLBC held on 21.12.2009 and this was only for information.

Representative of National Informatics Centre (NIC) informed that on line process of revenue recovery was established in Taluk Offices in Malappuram, and Palakkad Districts with the support of banks. He added that Software was ready and is working fine. The on line process for Revenue Recovery would be started in 9 other districts of the State which would depend on the number of Taluk Offices and staff. He requested SLBC to give suitable direction to the Lead Bank Offices of other districts also to extend their support in establishing the process.

Convenor, SLBC assured to take up the matter with Lead Banks and to adopt a uniform process in the matter of implementation of the programme in all the Taluks / Districts on a cost sharing basis depending on the number of branches in the district.

In light of the above decision, the 101st meeting of SLBC, Kerala held on 30.03.2010 decided to follow up the matter.

SLBC Convenor had vide SLBC 35 652 2010 RP dated 26.04.2010 taken up the matter with the LDMs (other than Palakkad & Malappuram) requesting to adopt a uniform process in the matter for implementation of computerisation in RR in all the Taluks / Districts on a cost sharing basis depending on the number of branches in the district.

Vide letter No.26559/G2/10/RD dated 20.05.2010, Principal Secretary, Revenue (G) Department, Government of Kerala informed that *the Draft procedure received from NIC for the implementation of RR Computerization has been forwarded to the Commissioner of Land Revenue for remarks.*

The Sub-Committee of SLBC, Kerala that met on 16.08.2010 at North Committee Room, Government Secretariat, Trivandrum under the Chairmanship of Sri. L. C. Goyal IAS, Additional Chief Secretary (Finance), Government of Kerala examined this issue. The representative from Revenue Department informed that computerization of revenue recovery is completed in 13 districts except Trivandrum and has been working without any issues. At present connectivity is available between District Head quarters and the Taluk only. Still at Village level RR is being done only under manual environment. It was evaluated that last mile connectivity could be done only in a phased manner. Hence may take time.

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

Smt. Nivedita P. Haran IAS, Additional Chief Secretary, Revenue Department Government of Kerala, in her address clarified that after a lot of efforts over the last two years, the process of RR computerization has been completed in 13 districts in the State. She added that in Trivandrum District the process is yet to be started because of not installation of computer cell at the District Collectorate. Out of 63 Taluks, 30 Taluks have completed the on-line process of submission of RR requests. Out of the balance, the process would be completed in 20 taluks by the end of September 2010 and the remaining 13 taluks at the end of October 2010 which includes Trivandrum District also. So with this, the first phase of computerization would be completed.

She thanked the banks for their financial support in many districts for fulfilling the requirements.

In the second phase of RR on-line, RR cases have to be reviewed on a regular basis, in which Government requires assistance from banks. RR cases were pending because of the following reasons (i) Court stay (ii) Stay from Government or from Collector (iii) Delay - RR notice remains in acted upon for many reasons like party is absconding or not available etc.

After establishing the connectivity of RR online, Government would be reviewing the long pending cases and take necessary action. She requested all banks to be part of this exercise.

Regarding the Government stay, she clarified that normally no stay was allowed under RR act and Government or Collector gives permission to pay the dues in instalments depending on the merit of the cases considered.

Government would be monitoring the RR computerization since in accordance with the Government Order, once a party got a stay and if he fails to abide by the stay conditions, he would not get a second chance or further stay. Such cases would be handled by Revenue Department based on the feedback from computerized RR environment.

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

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

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. In the meeting, Smt. Nivedita P Haran IAS, Additional Chief Secretary, Revenue Department, Government of Kerala expressed happiness over the fact that with the co-operation and assistance received from banks, Government could computerize Revenue Recovery process right from the Stage of receiving the requisition up to the issue of the demand notice. This could be done in 13 districts except Trivandrum. She requested the banks to pursue the matter with concerned authorities in Trivandrum District and to get it done at the earliest. She informed that the need of the hour is to discuss about the positive effects of computerization rather than introduction of computerization. She further informed that the State is yet to reconcile the pending revenue recovery records and even the status of cases where RR is initiated 50 years back is not known. Hence, state should start the annual closure/ reconciliation of RR records .This was also recommended by the Principal AG during his audit too. Therefore, Government would begin this process soon and with this, maintenance as well as verification of records would become much easier.

The meeting decided to carry forward the matter till computerization is completed at all levels in all districts.

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

“RR process computerized in 13 districts and system is being gradually improved. An annual reconciliation of RR cases should now be introduced”.

It is gathered that Computerisation of Revenue Recovery is completed in all the 14 districts with the coverage of Trivandrum District recently. In view of the above, the house may drop this agenda from pending items.

4.4.2. Providing access to banks to verify online RR details

As RR filing is now made online, the Government may take steps to provide access to banks to collect the details such as total number of RR filed and amount, recovery effected in each month and stage of recovery, etc. Necessary Password and ID may be given to Controlling Offices and Head Offices.

Vide letter No.50188/H3/10/RD dated 14.12.2010, the Additional Chief Secretary, Revenue (H) Department, Government of Kerala informed that the banks may be directed to take up the issue with NIC.

The agenda item came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. The forum felt that NIC is only the software provider to the Government and Revenue department in consultation with NIC only can decide upon the same and finalize the operational formalities.

The Sub-Committee of SLBC, Kerala that met on 03.03.2011 at North Committee Room, Government Secretariat, Trivandrum, the representative of NIC informed that on the matter of providing access to controlling offices of Banks NIC is not having any technical issues. Nevertheless, NIC is only a facilitator to Revenue department in enabling the RR on line package. NIC would be able to help Banks only after consultation or with directions from Revenue Department .

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

SLBC Convenor had vide letter SLBC 35 633 2011 KRA dated 23.04.2011 taken up the matter with the Additional Chief Secretary, Revenue Department, Government of Kerala requesting to examine the proposal and take necessary action in this regard.

As per the minutes of the meeting held in the Chamber of Additional Chief Secretary, Revenue Department on 24.05.2011 on the progress made in the Computerisation of RR it is informed that NIC will provide password to the Controlling Offices of banks for accessing the RR details. In view of this favourable decision, the House may drop the same from the pending items.

4.4.3. Revenue Recovery Online – Providing facility for banks to view RR cases pending against a customer on Government Dues

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

The Banks while sanctioning/renewing the credit facilities to any individuals/firms/companies have to ensure that the parties have no tax arrears/Government dues and that they are not facing any RR proceedings especially on the property mortgaged to the Banks. Even though a property has been specifically mortgaged to the Banker, there are Supreme Court Judgements that gives first charge to the Government dues even though the mortgage exists prior to the demand of Government dues. Besides the Revenue Recovery covers the entire property/assets of the party. Therefore ensuring up to date remittance of Tax/Government dues, is of paramount importance, wherever the Bank notices tax arrears/RR enforcement the Banks use to insist for clearance of those cases as a precondition for sanction /renewal of credit facility. Lot of time, energy and money are put in by parties as well as Bankers to apprise and assess the position.

It is found that the RR Request made by various Department especially Sale Tax/Commercial Tax/KSEB etc. will be of much informative for the Banks to identify the defaulters and to refrain them from credit facilities. This will not only keep the defaulters away from Banking system, but induce genuine needy parties to clear the Tax arrears for the sake of access to Bank facilities.

The prompted Bankers to seek, viewing the RR cases of Sale Tax/Commercial Tax/VAT/KSEB etc. through RR online package, as they can view their own RR cases. This aspect has been referred for the consideration of District Level Bankers Committee met on 26.03.2010 and the committee accepted the suggestion and advised the Lead Bank to take up the matter with the Revenue Recovery Authority.

During the Group discussions, the Group accepted the suggestion and suggested the SLBC to take up the matter with Government.

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

“Instructions have already been issued to the Commissioner of Land Revenue, Trivandrum to appoint a special team to the District for taking urgent necessary action with regard to the

reconciliation of RRC, to reconcile all the RR figures and Accounts (District wise, year wise etc.) so that any RRC received from any Department is duly accounted to the amount collected or returned to the Departments”

The agenda item again came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. The forum noted that the above reply was not pertaining to the issue flagged by SLBC. Hence the forum decided to pursue the matter with Revenue Department, Government of Kerala.

SLBC had written to the Secretary, Revenue Department, Government of Kerala requesting to take necessary action in this regard.

The Sub-Committee of SLBC, Kerala that met on 03.03.2011 at North Committee Room, Government Secretariat, Trivandrum discussed the matter. The representative of NIC informed that on the matter of providing access to branches of Banks NIC is not having any technical issues. But NIC is only a facilitator to Revenue department in enabling the RR on line package. NIC would be able to help Banks only after consultation or with directions from Revenue Department.

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

SLBC Convenor had vide letter SLBC 35 632 2011 KRA dated 23.04.2011 taken up the matter with the Additional Chief Secretary, Revenue Department, Government of Kerala requesting to examine the proposal and take appropriate action in this regard.

As per the minutes of the meeting held in the Chamber of Additional Chief Secretary, Revenue Department on 24.05.2011 on the progress made in the Computerisation of RR, it is informed that NIC is directed to make necessary additions to the RR online software so that search facility to identify defaulters district wise can be enabled. In view of this favourable decision, the House may drop the same from the pending items.

ADWDRS – Waiver of RR collection charges

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

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

The ADWDRS does not actually envisage any recovery from the borrowers except in the case of OTS for other farmers. Therefore, the banks may be exempted from payment of RR collection charges wherever actual recovery is not effected from the beneficiaries of the loan waiver scheme as applicable to Small and Marginal farmers. However, the banks have to pay RR collection charges, in cases wherever OTS is effected, on collection of 75% of the amount outstanding from the beneficiary defaulters.

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

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

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

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

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

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

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

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

noted the contents in the background papers and suggested that while implementing ADWDRS all the banks have written off substantial amount being the balance portion and unapplied interest in all the eligible loans. Any further payment or remittance as RR collection charges would bring further financial burden to the banks. Hence, the forum suggested to the Government to review the decision.

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

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

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

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

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

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

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

The Chairman of the meeting informed that SLBC had taken up the matter with the Government of Kerala and for which the Additional Chief Secretary (Revenue) had already

given the clarification. He suggested that Head Offices of individual banks have to take up the matter with Government and in the meantime, SLBC would pursue the matter further with Government. He felt that little bit more follow up and more pressure from all sides would help in sorting out the issue.

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

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

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

4.4.4. Settlement of Guarantees issued by the State Government

The issue is in existence since 89th meeting of SLBC wherein it was reported that many state government guarantees invoked by banks had not been honoured by the state government. Further it was informed that the revised prudential norms for asset classification stipulated that the loans guaranteed by the state government, if in arrears, should have to be classified as a non performing asset and hence huge provisions should have to be made by the banks in their balance sheets. This was affecting the health of banks.

In the meeting that followed the representative of the Finance Department assured that all the guarantees issued by the state government have been honoured by the State Government. Banks countered this claim citing specific cases. The forum decided to form a small committee to discuss the matter. The members of the committee were representatives of SBI, SBT, Canara Bank, Indian Bank, Bank of India, Federal Bank, Vijaya Bank, Finance Department, GoK and Planning Department, GoK.

As per the decisions of the steering committee of SLBC which met on 23rd May 2006 the details of the invoked government guarantees collected by the convener SLBC had been forwarded to the Dept. of Finance, vide letter TLB/35/378/2006/KVS dated 20.06.2006.

The annual review meeting of SLBC, Kerala held on 11th & 12th October 2006 in Trivandrum noted that for restructuring of viable PSUs, the state government has formed a core committee at the state level with the Principal Secretary (Industries) as Chairman and representatives of major banks as members. Further, for every PSU, unit level committees have been formed for studying the viability of the units and, if found viable, putting forth restructuring proposals.

The meeting welcomed the setting up of a state level committee for restructuring of viable PSUs. However, the forum noted that Dept. of Finance had not responded regarding the details of the invoked government guarantees pertaining to various banks collected and forwarded by the Convener, SLBC. SLBC Convenor vide letters (1) TLB 35 442 2007 RP dated 12.02.2007 (2) TLB 35 1666 2007 RP dated 31.08.2007 had followed up the matter with the Department of Finance, Government of Kerala.

As proposed by Federal Bank the matter was again included as an agenda in the 95th meeting of SLBC, Kerala. While reviewing the developments on the issue during the 95th meeting of SLBC Kerala held at Trivandrum on 29.05.2008, the meeting noted that the matter had been a pending issue with the Finance Department for a favourable decision. SLBC Convenor had followed up the matter with the Principal Secretary, Department of Finance, Government of Kerala with the details of all the State Government Guarantees invoked by banks but not honoured by the Government. The forum noted that all the banks had an excellent relationship with the State Government. The Finance Department was requested to sort out the issue expeditiously. The Secretary (Planning) assured the forum to take up the matter with the finance department.

During the 96th meeting of SLBC Kerala held in Trivandrum on 30.07.2008, the Additional Secretary, Planning & Economic Affairs Department, Government of Kerala informed that the matter had been pending with Finance Department and no final decision had come from them. He added that a decision in this regard has to be taken at the highest level of the Council of Ministers.

The meeting reiterated to the Department that Government guarantee is a sovereign guarantee and banks were not questioning the credibility of the State Government. The forum requested the department to sort out the matter immediately since fresh funding would be provided by banks only on the basis of honouring of guarantees already issued by State Government and banks needed the co-operation from Government. Moreover, in Kerala, all the banks are having excellent relationship with the State Government and as such there should be no hurdle for getting the guarantees honoured.

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

The Review Meeting of SLBC, Kerala held on 6th & 7th October 2008 expressed deep concern over the inordinate delay in the matter and requested the Convener, SLBC to take up with the Government for an immediate solution. In the meeting the Under Secretary, Planning Department, Government of Kerala informed that the matter was pending with Finance Department and they would take up the matter at Secretary level.

The issues was again discussed in the SLRM 2009 wherein it was suggested that respective Departments have to put up proposal with Finance Department for getting clearance for settlement. More over it was also decided that SLBC may pursue the matter till a logical end is reached in the issue.

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

The Sub-Committee Meeting held on 27.03.2010 at South Conference Hall, Government Secretariat, Trivandrum, Dr. P. Prabhakaran IAS, Additional Chief Secretary, Finance Department, Government of Kerala requested SLBC to collect the details of the position of accounts which are guaranteed by the Government of Kerala to the Secretary, Industries Department at least at Quarterly intervals. He suggested that where guarantees are invoked the report may be made in two parts:

- (i) detailed list accounts where revival package could be possible
- (ii) list of dead cases which are beyond the purview of revival .

It was hence agreed to adopt the above system from the next quarter so that a meaningful follow up could be made.

The 101st meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum adopted the decision of the sub-committee.

The Sub-Committee of SLBC, Kerala that met on 16.08.2010 at North Committee Room, Government Secretariat, Trivandrum under the Chairmanship of Sri. L. C. Goyal IAS, Additional Chief Secretary (Finance), Government of Kerala examined the case by case details and arrived that only in three cases guarantee is pending settlement.

- (i) KSCDC
- (ii) CAPEX
- (iii) Travancore Rayons Ltd.

In the first two cases it was suggested that banks may come up with OTS.

With regard to Travancore Rayons Ltd, it was suggested to the consortium of banks to arrive at the liability as at 31.03.2010 and to come up with proposals in the same formula that was worked out in 2006.

Details of State Government Guarantees invoked by banks but not honoured by the Government as at December 2010 is furnished as **Annexure-7.56.**

The Sub-Committee of SLBC, Kerala that met on 03.03.2011 at North Committee Room, Government Secretariat, Trivandrum discussed the matter. The Officer on Special Duty (Fin-

Resources), Finance Department, Government of Kerala assured the forum to take up the matter with the Industries Department and requested the concerned banks to take up the matter with the respective department. He added that Finance department would write to the Principal Secretary, PWD in the matter of guarantee given by Roads & Bridges Development Corporation of Kerala. On the matter of Kerala Agro Industries Corporation it was suggested to submit a revised OTS proposal.

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. In the meeting, the Officer on Special Duty, Finance (Resources), Government Kerala informed that regarding the guarantees invoked and outstanding in various banks the Finance Department would not be in a position to settle these dues directly to the bank. The proposal has to come from the concerned Administrative Departments, industrial units, and corporations. Essentially this should be linked to a restructuring process of these Companies and Institutions. Otherwise, Finance Department would not be able to settle the loans in a single stretch. He added that concerned departments were asked to formulate a revival plan in consultation with concerned banks and come out with specific proposals after considering the restructuring of loans as well as possibility of OTS etc. Department is committed to honour these guarantees and would take all efforts to clear these dues in a phased manner.

In view of the above clarification, the forum decided to pursue the matter further with Finance Department, Government of Kerala.

SLBC Convenor had vide letter SLBC 35 637 2011 KRA dated 23.04.2011 taken up the matter with the Additional Chief Secretary, Finance Department, Government of Kerala requesting to follow up the matter with the appropriate authority in the Government of Kerala for a decision at the earliest.

Further, the matter is also taken up with Controlling Offices of banks involved. None of the banks have informed the developments in this regard to SLBC.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Sub-Committee of SLBC, Kerala that met on 16.08.2010 at North Committee Room, Government Secretariat, Trivandrum under the Chairmanship of Sri. L. C. Goyal IAS, Additional Chief Secretary (Finance), Government of Kerala reviewed the progress in this matter and requested the IG, Registration Department to examine and take a view early.

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

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

The forum decided to pursue the matter with Registration Department.

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

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

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

The Registration Department may inform the latest developments in this regard.

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

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

At present there is no practice of noting/recording the Equitable Mortgage (EM) transactions (ie. Mortgage by deposit of title deeds) in the revenue records of the Government. Also there are no provisions for the same in the revenue regulations of the State of Kerala. The number of frauds reported in related cases is on the increase.

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

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

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

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

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

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

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

The measures initiated by various Governments such as Tamilnadu, at the instance of SLBC, were found to be effective for registration of equitable mortgages with nominal charges. Following discussions on this issue at their end, Indian Banks' Association (IBA) had requested the Convenor of SLBC to take up with the State Government for setting up similar arrangements in Kerala on the lines of measure taken by the Government s of Tamilnadu, Andhra Pradesh, Karnataka, Himachal Pradesh etc.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Registration / Taxes Department may inform the latest developments in this regard.

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

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

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

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

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

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

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

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

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

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

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

Additional Chief Secretary (Finance), Government of Kerala examined the issue and felt that it required to be examined seriously. It suggested to the Registration Department to find out the position/practice adopted in other States and to sort out the issue immediately.

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

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

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

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

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

The Registration / Taxes Department may inform the latest developments in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

During the Group discussions, the Group concurred with the proposal and the views of the Steering Committee to the effect that appropriate amendment may be made in the Registration Act making registration mandatory and putting maximum ceiling (Cap) on

registration fee in order to reduce the burden of cost of registration on the loanees/beneficiaries. The forum suggested that the matter may be taken up with Government.

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

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

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

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

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

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

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

“Whenever any properties of immovable nature are attached by the civil or revenue courts, the same should be entered in Book I kept with concerned SROs and the same would reflect in the subsequent ECs. Possession of immovable properties under SARFAESI Act 2002 is also part of quasi-judicial proceedings by the Authorized Officers of the secured creditor/banks. If the said fact of taking possession is also entered in Book I, it would be helpful to the public in general and the banks/secured creditors in particular. When this matter has been taken up with the I.G. of Registration, it has been clarified vide his letter No.RR.3/24675/2004 dated 07.03.2005 that unless the existing Rules in Kerala is amended the above action would not be possible. Hence suitable amendment in the Registration Rules, empowering the SROs to make an entry of possession of immovable properties under

SARFAESI Act 2002 [on specific requisition of the Authorized Officers under the Security Interest (Enforcement) Rules 2002] may be made, which would help banks in the process as above.”

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 88 reads as follows:

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

—

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

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

When the SROs were intimated of the said provision, it was informed that to avail benefit of the said section, notification in Official gazette by State Government has to be made as per the said provision. Hence the personal appearance of Authorised Officer is insisted upon in all cases where the auction sale is made under the SARFAESI.

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

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

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

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

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

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

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

The Registration / Taxes Department may inform the latest developments in this regard.

Waiver of Stamp duty on SHG loans

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

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

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

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

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

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

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

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

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

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

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

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

The Taxes/Registration Department may inform the latest developments in this regard.

Extending loan facilities for Rehabilitation of Gulf returnees

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

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

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

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

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

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

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

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

The agenda item again came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. On the loan facilities for Rehabilitation of Gulf Returnees

Convenor SLBC, replied that a subcommittee would be formed for formulating the scheme under the Chairmanship of Secretary NORKA.

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

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

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

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

Education Loan – Uniform Rate of Interest

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

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

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

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

In view of this, the Group may further deliberate on the same and come up with appropriate recommendations.

THE GROUP OPINED THAT FOR EDUCATION LOANS UPTO RS. 4 LAKHS MAY BE TAKEN UP BY SLBC WITH THE CENTRAL GOVERNMENT/RBI FOR IMPLEMENTATION OF UNIFORM RATE OF INTEREST & THE FORUM CONCURRED WITH THE SAME.

(Action: SLBC)

Education Loan - Extending 2 years moratorium period for Nursing courses

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

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

SLBC Convenor, had taken up the matter with the Indian Bank's Association (IBA), requesting to examine the proposal and take necessary action.

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

4.4.5. Difficulties faced by Banks before DRT/Ernakulam - Undue delay for passing orders by the present Presiding Officer

- (i) The Debts Recovery Tribunals were constituted with the objective for a speedy and expedient recovery of public money within the time frame specified in the RDB&FI Act, 1993 (Recovery of Debts due to Banks and Financial Institutions Act). According to the said Act, Tribunals are expected to dispose OA's (Original Applications) within the period of six months from the date of the application and in the case of Securitisation applications filed under SARFAESI Act (Securitisation and

Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002) within 60 days from the date of application and in any case not exceeding four months time. But in reality, the matters are being dragged for a long time against the spirit and intention of the said Acts. This inordinate delay causes hardship to the banks.

- (ii) In the said background, Federal Bank submitted the following for kind intervention and favourable solutions for this dismay :
 - (a) The present Presiding Officer is not passing any orders in OA's and there is inordinate delay in Securitisation Applications (SA). Even uncontested/exparte matters are unnecessarily getting delayed. Orders are passed against the banks by reducing the interest rate drastically, rejecting the entire future interests etc. on technical and untenable grounds.
 - (b) Long adjournments are being given in many matters even when the counsel/representative of the Banks are present and ready for hearing. The number of pending OA's and SA's are increasing day by day. For Federal Bank, 181 OA's are pending before DRT/Ernakulam involving an amount of Rs. 122.07 crores, out of this, 50% cases are pending for more than 3 to 5 years. Similarly, more than 130 SA's are pending (pending from 2006 onwards), involving an amount of Rs. 124.01 crores. 77 cases are stayed, where the Recovery Proceedings are otherwise possible.
 - (c) Though there are two Recovery Officers attached to the DRT/Ernakulam, due to the inordinate delay in the preparation of Recovery Certificates by the Presiding Officer, the recovery process became very slow and ineffective.
 - (d) The Presiding Officer is granting stay when the properties are put for auction sale through Recovery Officers, paving way for borrowers to delay the process.
 - (e) In the case of SARFAESI Applications, when Borrowers/guarantors approach DRT, stay is granted without hearing the bank's counsel/representatives. Payment of nominal amount is fixed as condition for granting such stay. In many cases, on violation of such conditions, again the amount stipulated is reduced, there by spreading a message among the borrowers that Bank's cannot enforce the SARFAESI Act proceedings at its letter and spirit. These exparte interim orders are against the spirit of SARFAESI Act and advantageous to the borrowers who are trying to evade the liability by one way or other. In many cases even after filing detailed counter/objections, interim stay orders are extended without going into the merits of the petitions. Stay granted is extended, even when the party fail to comply the conditional order making the very order valueless.
 - (f) SARFAESI Applications are also kept pending for considerable length of time without passing any order, creating lot of discomfort to the Bankers.
 - (g) A significant portion of the bank's funds are blocked in unproductive assets, the value of which deteriorates with the passage of time due to the pendency of litigation.
- (iii) It may so that other Public Sector Banks and other Private Scheduled Banks are facing identical problems. A perusal of trial cases pending for the last 3 years will give the correct picture of the insufficiency of DRT to meet the expectations of Banks. Unless

proper guidance is given to the Presiding Officer, the system will fail to meet the needs of the Banks as per the Legislative intentions in this regard.

- (iv) Considering the problems faced by banks, Federal Bank has requested to obtain feed back from other banks and apprise the gravity of the situation to the concerned authorities including Finance Ministry/RBI for taking appropriate remedial steps.

The agenda item again came up for discussion during the 102nd meeting of SLBC, Kerala held on 15.12.2010 in Trivandrum. Since the issue being a matter of common interest, the forum decided to take up the matter with the appropriate authorities.

SLBC Convenor vide letter SLBC 35 290 2011KRA dated 05.02.2011, had taken up the matter with the Joint Secretary to Govt. of India, Ministry of Finance, New Delhi, requesting to look into the same and do the needful for an early solution to the issues flagged.

The matter again came up for discussion during the 103rd meeting of SLBC, Kerala held on 16.03.2011 in Trivandrum. The forum noted that since the matter had already been taken up with the Ministry of Finance, Government of India by SLBC, we may wait for the outcome of the same for deciding further course of action.

4.4.6. Revamping of SAMIS under Lead Bank Scheme

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

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

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

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

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

A special Sub-Committee of SLBC, Kerala was conducted on 07.06.2011 at RBI, Kochi which reviewed the progress made by the banks in the implementation of the financial inclusion roadmap across 120 villages identified in the State. The meeting was attended by Regional Director, RBI, Convenor SLBC, Senior Vice President IBA, top executives of Banks & representatives of technology providers & Corporate BCs. The meeting had a threadbare discussion on various issues confronting the successful implementation of roadmap. The meeting decided to complete the implementation of the roadmap in all the 120 villages within the timeframe. The meeting chalked out the action plan for the implementation of “Swabhimann” campaign by the Banks in the unbanked villages.

Accordingly the following decisions were taken :

- Out of the 120 villages with population more than 2000, in 108 villages the process of opening branches or appointment of BC has taken place. In respect of the balance 12 villages, the respective Banks have confirmed completion of the process of finalisation of the model, either opening of branch or appointment of BC by 30.06.2011. These include PNB (8Villages), NMGB(3 villages) & Indian Bank (1 Village)
- On Swabhimann Campaign - The respective Banks implementing financial inclusion road map will conduct the campaign in the allotted villages at their own cost.
- Some Banks have got issues with their technology providers, especially M/s Intega which is the tech provider for five banks in the state. Regional Director RBI had strictly instructed Intega to resolve the pending issues on a war footing.
- Allotment process of unbanked villages with population less than 2000 was also finalised and the same is given in **Annexure-7.53.**
- Syndicate Bank & Indian bank had agreed to open FLCCs in their respective lead districts before the end of June 2011.

The District wise/Bank wise details of Unbanked Villages with Population more than 2000 in Kerala is shown as **Annexure-7.52.**

4.4.8. Activity Group loans issues

State Poverty Eradication Mission, Kudumbashree, is actively engaged in various income generating activities among the poor. Micro enterprises development is an area where Kudumbashree is specially focused on.

Unlike the SHG approach in SGSY scheme, Kudumbashree is promotion the Activity Group approach in developing micro enterprises. In SGSY, the SHG comprising of 10-20 members formed and nurtured as thrift and credit society, as a whole takes part in micro enterprise activity by availing loan and subsidy. Contrary to this, in Kudumbashree, the NHGs comprising 10-20 members are nurtured solely as thrift and credit societies and do not take

on micro enterprise as a group in general. Members from different NHGs having interest in any particular activity are brought together to form activity groups comprising 5-10 members. The process of selection of activity group is as follows.

- a) General Orientation training on scope of MEs to interested NHG members in an LSG.
- b) Entrepreneurship development training for those who are still interested in taking up micro enterprises.
- c) Group formation and support

Some of these activity groups have reported issues in accessing bank credit. Some of the main issues are noted below:

- (2) Activity groups not recognized as entities and loan therefore is not sanctioned to them by several banks.
- (3) Some of the banks demand NHG inter-se agreement, which has to be signed by all the NHG members of all parent NHGs (Canara Bank, IOB and Syndicate Bank)
- (4) Some banks demand that all members of an activity group must be from the same NHG and that all members of the NHG should sign in the loan application. (Syndicate Bank, Kannur District)

The activity group approach of Kudumbashree is more or less similar to the JLG approach promoted by NABARD. JLGs are small groups of 4-10 individuals coming together for the purposes for availing bank loan against mutual guarantee. The JLG members would offer a joint undertaking to the bank that enables them to avail loans. The JLG members are expected to engage in similar type of economic activities like crop production. The management of the JLG is kept simple with little or no financial administration within the group. As the JLGs are intended primarily to be a credit group, savings by the JLG members is not mandatory. The Committee on Financial Inclusion (Rangarajan Committee) has recommended adoption of the concept of JLGs for providing credit to small and marginal segment clients such as small, marginal and tenant farmers, hand-loom weavers and others engaged in specified activities in rural areas.

As per the revised guidelines of the SJSRY scheme also Government of India has approved the activity group approach for the promotion of micro enterprises. Under the UWSP component of the SJSRY scheme an activity group of at least 5 urban poor women is eligible for availing bank credit and subsidy.

Government of Kerala as per GO(P)No.165/09/LSGD dated 25.08.2009 has also issued necessary orders amending the Bye-law of Kudumbashree, with provisions for forming activity groups for the promotion of micro enterprises.

In these circumstances, SLBC is requested to consider the scope for considering the activity groups of Kudumbashree on par with JLGs so that the hindrances faced by them in availing bank credit can be avoided.

The matter came up for discussion in the 101st meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum. The meeting noted that the item was similar to the SMERA scheme which was approved by SLBC earlier and hence requested all banks to take note of the same.

The Executive Director, Kudumbashree clarified that SMERA guidelines actually do not make a clear distinction between SHGs and activity groups. Kudumbashree would like to equate the activity groups with JLGs. The activity groups might have a mixture of SHGs rather than one sub sect of SHG. Kudumbashree had documented evidence on the basis of the studies which showed that activity groups actually performed at as entrepreneurs than SHGs, because they come together on the basis of aptitude. She requested SLBC to consider this and necessary instructions may be passed on so as to enable these groups to approach and convince bank branches easily. She further added that the entire strategy of Kudumbashree would be based on activity groups rather than SHGs henceforth.

Representative of Indian Overseas Bank informed that primarily JLG was intended for the farm sector and if included in micro enterprise concept, the credit guarantee cover would not be available. He suggested to introduce a partnership concept for this.

The meeting took a decision to consider these activity groups on the same lines as that of JLGs. It also decided to adopt the scheme only after an in depth study by a Sub-committee duly collecting the details from Kudumbashree.

Further, LDM, Kollam had informed that Kudumbashree has been forming Activity Groups, a group of 5 to 10 NHG members, for promoting Economic Activities and is also providing Subsidy. As this model is different from that of JLG, most of the banks do not have their corporate guideline for financing these Activity Groups.

Kudumbashree has submitted the Activity Group Scheme details which was deliberated in the Sub-committee held at Trivandrum on 01.06.2011 and the draft scheme is enclosed in the **Annexure - 7.57** for further deliberations and approval.

4.5. INFORMATION NOTE

4.5.1. Executive Summary of the Study Report on Verification of Borrowers and End Use of Funds under Government Sponsored Schemes (Suggested by RBI)

The study report of National Institute of Rural Development (NIRD), Hyderabad was taken up in the 103rd SLBC. At the Meeting of the Committee of the Central Board, DG (KCC) observed that SLBCs generally look at the achievement of financial targets but not at the qualitative aspects. Qualitative aspects may be discussed in-depth at the SLRM.

Views of the Steering Committee

The Steering Committee decided to place the matter in the SLRM for deliberation and adoption.

4.5.2. Status paper on Utilization of RIDF for creation of infrastructure in the State
(Suggested by RBI)

RBI in its agenda paper suggested placing a status paper on the utilization of RIDF for creation of infrastructure in the State for the information of the house.

Views of the Steering Committee

The Steering Committee requested NABARD to provide the status report to SLBC for placing in the SLRM.

4.5.3. Status Paper on utilization of Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF) in the State (Suggested by RBI)

RBI suggested that a status paper on the utilization of Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF) in the State be placed before the SLRM for information of the house.

Views of the Steering Committee

The Steering Committee recommended NABARD to provide the status report on the above to SLBC for being placed in the SLRM.

4.5.4. Meaning Financial Inclusion in Ernakulam District (Suggested by RBI)

RBI Suggested that the status paper on meaningful financial inclusion being implemented in Ernakulam district at Vengoor West village be placed for information of the SLRM.

Views of the Steering Committee

The Steering Committee concurred with the views and requested Union Bank of India to provide the status report for the information of the SLRM.

4.5.5. Need for providing Quality data through SLBC for various purposes of MIS
(Suggested by RBI)

RBI observed that the quality of data submitted by banks and received through SLBC for various purposes of MIS needs to be improved. There shall also be consistency in the data provided. Often it is observed that the level of integrity of data is very low.

Views of the Steering Committee

The Covnenor, SLBC made a request to Controlling Offices of all banks to provide the data in time so as to avoid delay in compilation and also to ensure data consistency.

The Committee decided to place the above item before SLRM for information of banks.

4.5.6. Information Note by SC & ST Development (A) Department, Govt. of Kerala

The SC/ST Development Department is intending to encourage those who are willing to start small scale industries in the existing vacant industrial estates. The support will be given to manufacturing/service industries such as consumer products, engineering components, take away restaurants, etc. Government are ready to extend due subsidy also Financial Institution may extend credit facilities.

Similarly, Government are ready to support dairying, poultry farming, sheep, rabbit and pig farming etc. Ladies will be given preference to start these projects incentive can be given for the purchase of land also. The Banks shall provide loans for implementing the project.

Government are encouraging self employment schemes for Scheduled Castes youths. In the current year's Budget (2011-2012) an amount of Rs. 8 crores has been provided for the purpose. Financial assistance may be extended required credit facilities.

Views of the Steering Committee

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

4.5.7. Akshaya Project (Suggested by Information Technology (C) Department, Govt. of Kerala)

4.5.7.1. Akshaya as BCs

Akshaya e-Kendras in Kerala State to be made BCs as part of the financial inclusion.

4.5.7.2. UID Enrollment through Akshaya

Akshaya entered in to UID registration, is now piloting in the State at Alappuzha and Trivandrum districts. Akshaya may be considered for the UID registration through the Banks on account of the following :

- (i) Akshaya is the state UID enrollment agency and authorized to collect KYR+ for the state. Akshaya can also work for the bank and collect KYR+ for the bank. This will ensure the uniformity of data and will be useful for financial inclusion.
- (ii) Akshaya will be able to do the enrollment at the existing rates prescribed by the bank /contracted agency. Additional data collected for KYR+ of the state will not be charged to the banks.
- (iii) Akshaya has a very wide network covering entire Kerala where capable Akshaya Entrepreneurs are already doing enrollment in all villages/panchayats. It would be easy

- for Akshaya to take up UID enrollment as Akshaya Entrepreneurs have full contact details of the citizens living in the respective Village/Panchayats.
- (iv) Local IEC campaign will be done by Akshaya Entrepreneurs without any extra cost. Thus Bank will be saving the IEC Campaign cost.
 - (v) Akshaya has undertaken similar enrollment work for RSBY Health Cards and successfully completed the job with high accuracy.

Views of the Steering Committee

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

4.5.8. Revenue Recovery of Bank loans – Non co-operation by some banks in remitting of collection charges to Revenue Authorities (Suggested by LDM, Idukki)

As per extant guidelines, once an account is referred for RR, as far as possible no direct remittance from the defaulter be accepted at Branch. If any remittance is directly received, the fact should be invariably informed to concerned Tahasildar and Village Officer. Proportionate collection charges should also be remitted along with the information. In case of RR accounts settled by OTS, it should be immediately informed to the RR authorities with a request to withdraw RR proceedings. Collection charges (1% in the case of OTS) should also be remitted.

Many of the Banks are flouting the guidelines, which is causing lot of embarrassment to Revenue Authorities. In many cases, RR officials have to bear the brunt of the borrowers when they go for recovery of cases which were settled either by OTS or otherwise directly by the Bank. A one line communication immediately after settlement would have averted such sort of situations.

In all RR meetings, RR officials raise this issue. We have also discussed the same in BLBC as well as DLRC meetings and advised banks to refrain from such practices. However still some of the branches are continuing the practice. It is requested to discuss this issue at SLBC meeting in order to have a consensus in the matter.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLRM for information and compliance by banks. Controlling Offices of all banks to pass on the information to the branches under their control.

As per the minutes of the meeting held in the Chamber of Additional Chief Secretary, Revenue Department on 24.05.2011, Revenue Department has strictly instructed that OTS should be permitted only after withdrawal of RRC. Whenever bank accepts the amount of OTS from the defaulter, the amount is to be kept in a suspense account till RRC is formally withdrawn.

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

On a review of the performance, as at the last quarter of 2010-11, banks in Kerala had sanctioned an amount of **Rs. 9.91 crores** (88 accounts) and the balance outstanding was **Rs. 65.17 crores** (881 accounts). The review of performance under this crucial “Housing sector” has become a regular agenda item of SLBC, Kerala at the behest of National Housing Bank (NHB). Details are shown in **Annexure - 7.32.**

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

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

District-wise C D Ratio in the State as on 31.03.2011

(Rs. in lakhs)

Sl. No.	District	Deposits	Advances	CD Ratio (%)
1	Trivandrum	3093944	2319458	74.97
2	Kollam	1055240	678244	64.27
3	Pathanamthitta	1516283	646660	42.65
4	Alappuzha	1104211	689876	62.48
5	Kottayam	1509416	923920	61.21
6	Idukki	261815	344001	131.39
7	Ernakulam	3399354	3862156	113.61
8	Thrissur	2318244	1506329	64.98
9	Palakkad	1227873	969690	78.97
10	Malappuram	849184	699260	82.34
11	Kozhikkode	1296055	1113940	85.95
12	Wayanad	164530	210642	128.02
13	Kannur	866744	708539	81.75
14	Kasaragod	385712	363510	94.24
Total for State		19048605	15036225	78.94

In Kerala, Pathanamthitta is the only district having poor CD Ratio which is constantly under monitoring. As a result, the CD ratio of the district has improved and it touched a level (**42.65 %**) just above the benchmark of 40% as at March 2011. It has been reported by the

LDM, Pathanamthitta that the Special Sub-Committee (SSC) of DCC was formed and that the committee has been monitoring the level of CD Ratio in the District.

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

5. Review of Performance under various Segments

5.1. Review of Priority Sector Advances (Disbursement) as at March 2011 – ACP achievements (Refer Annexures 7.11 & 7.12)

The performance of banks with reference to the Annual Credit Plan-2010-2011 as at March 2011 with Bank-wise and District-wise break up is furnished in the annexure. The abstract of the performance as at March 2011 under ACP 2010-2011 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	3304	3867	117	1069	944	88.46	4845	5970	123	9218	10782	117
Nationalised Banks	5570	8181	147	1234	751	60.81	4774	4106	86	11578	13037	112
RRBs	2398	2791	116	151	52	34.80	1075	1729	160	3624	4573	126
Private Sector Banks	2901	6733	232	936	712	76	3683	3017	82	7520	10462	139
Cooperatives	6310	7028	111	583	342	58	9297	12927	139	16190	20297	125
KFC	0	2	0	219	241	110	71	296	413	290	539	185
Total	20483	28602	140	4192	3042	73	23745	28048	118	48420	59690	123
% to Total Disbursement		47.92			5.09			46.99			100	

Comparison with previous year

Year	Primary Sector			Secondary sector			Tertiary Sector			Total Priority Sector Advances		
	Target	Ach.	% Ach.	Target	Ach.	% Ach.	Target	Ach.	% Ach.	Target	Ach.	% Ach.
2009-10	17789	24124	136	3311	2471	74.63	20677	24897	120	41777	51492	123
2010-11	20482	28601	140	4192	3042	72.57	23745	28048	118	48420	59692	123

The banking sector of the state has disbursed **Rs. 59692 crores** to the priority sector during the fiscal 2010-11 as at March 2011. This is **123 %** of the annual target of **Rs. 48420 crores**. There is an increase of **Rs. 8200 crores (15.92%)** 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. 20297 crores**) followed by

Nationalised Banks (**Rs. 13037 crores**). A comparison based on percentage achievement of target reveals that achievements of RRBs and Private Sector Banks and co operatives were much above that of the state's overall performance whereas the performance of the Nationalised Banks & State Bank Group were less than the benchmark share by the State as a whole. Disbursement to secondary sector constituted only **5.09 %** of the total disbursement made by banks to the priority sector. Here it may be noted that sub-segments like Retail Trade, Small Business, Professional & Self Employed and SRTO that are presently classified under SME segment is still getting reported under Tertiary sector due to the continuation of the old LBR reporting format. Hence the performance which ought to have come under secondary sector is getting reflected under Tertiary sector.

Bank-wise analysis reveals that Kerala State Co-operative Bank has disbursed the highest quantum of priority sector loans (**Rs. 19420 crores**) followed by State Bank of Travancore (**Rs. 7491 crores**). Three Banks viz., State Bank of Indore, Kotak Mahindra Bank and Yes Bank have reported "nil" disbursement to priority sector in the state during the period from 01.04.2010 to 31.03.2011, which needs immediate attention.

Ernakulam district stood first in the quantum of priority sector loan disbursement (**Rs. 8257 crores**) closely followed by Thrissur with a disbursement of **Rs 7724 crores** to Priority Sector. Ernakulam district was first in percentage achievement of target (**154.30%**) followed by Thrissur (**147.13%**), Malappuram (**133.70%**), Trivandrum (**132.44%**). Six districts had achieved all targets levels above the State's average position.

5.2. Review of Priority Sector Advances (Outstanding) as at March 2011 (Refer Annexure 7.4)

5.2.1. Performance versus National goals

(Figures in percentage)

Sl. No.	PARAMETER	GOAL	Mar. 2007	Mar 2008	Mar 2009	March 2010	March 2011	Variation	
								Mar.'09 To Mar.'10	Mar.'10 To Mar.'11
1	P. S. Advances to Total Credit	40	55.52	58.53	58.42	60.01	58.32	1.59	-1.69
2	Agri. Advances to Total Credit	18	17.70	21.23	19.27	22.46	22.49	3.19	0.03
3	Weaker Section Adv. to Total Credit	10	13.01	12.91	14.78	16.16	18.39	1.38	2.23
4	DRI Advances to Total Credit	1	0.01	0.02	0.26	0.02	0.02	(-0.24)	--
5	C: D Ratio	60	70.09	71.39	63.54	67.63	75.50	4.09	7.87

The achievements of the banking sector of the State under total priority sector advances, Agriculture Advances, Weaker Section advances and CD ratio are above the national goals.

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

(Rs in. Crores)

Parameter	Outstanding					Variation			
	Mar. 2007	Mar. 2008	Mar. 2009	Mar. 2010	Mar. 2011	Mar.' 07- Mar.' 08	Mar.' 08- Mar.' 09	Mar.' 09- Mar.' 10	Mar.' 10- Mar.' 11
Priority Sector Adv.	35683	44078	48387	58204	71145	8395	4309	9817	12941
Agriculture Adv.	11337	15991	15959	21786	27439	4654	-32	5827	5653
SSI Adv./ SME	4391	6674	8095	11759	16896	2283	1421	3664	5137
Weaker Section Adv.	8361	9724	12240	15674	22435	1363	2516	3434	6761
SC Advances	856	1545	2003	3359	3011	689	458	1356	-348
ST Advances	86	155	201	300	553	69	46	99	253
DRI Advances	9.11	10.78	211.82	22.61	24.76	1.67	201.04	-189.21	2.15

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

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

Performance of KSCARDB under Priority Sector Advances

(Amount Outstanding)

(Rs in. Crores)

Parameter	March 2010		KSCARDB % to total advances	March 2011		KSCARDB % to total advances
	KSCARDB	COMM. BANKS + KSCARDB		KSCARDB	COMM. BANKS + KSCARDB	
Total advances	1966.69	101009.76	---	2207.86	126895.48	---
Priority Sector Adv.	1966.69	60171.04	100.00	2207.86	73352.99	100.00
Agriculture Adv.	613.90	22400.07	31.21	600.69	28039.54	27.21
SSI Adv./ SME	278.89	12037.47	14.18	309.00	17205.00	14.00
Weaker Section Adv.	1720.85	17395.22	87.50	751.00	23186.37	34.02
SC Advances	78.15	3359.18	3.97	90	3101.53	4.07
ST Advances	NA	300.03		NA	553.18	0
DRI Advances	0.00	2261.49	0.00	0.00	24.76	0.00

The Agricultural advances of KSCARDB declined by Rs 13.90 Crores whereas SME advances has shown a increase of Rs.30.11 crores from March 2010. KSCARDB need to focus on these areas for showing improved performance.

5.2.2. Priority Sector Advances in Total Advances – Bank Group-wise (Refer Annexure 7.4)

During the financial year of 2010-11, Priority Sector Advances increased by **Rs. 13069 crores** as against **Rs. 9817 crores** added during the corresponding period of previous fiscal.

Against the mandatory norm of 40% under priority sector advances, as at March 2011, **58.32 %** of the total advances of the banks in the state were to priority sector. But this had come down from a level of 60.01% as at March 2010.

Banking Group Wise Performance Under Priority Sector Advances as at March 2011

(Rs in. Crores)

BANK	Total Advances			Priority Sector Advances			% PSA to Total Adv. (Mar.'11)
	Mar. 2010	Mar. 2011	Growth Mar.'10-Mar.'11	Mar. 2010	Mar. 2011	Growth Mar.'10-Mar.'11	
State Bank Group	33166	39201	6035	18311	20893	2582	53.30
Nationalised Banks	30632	40436	9804	22551	28776	6225	71.16
RRBs	4764	5591	827	4202	4680	478	83.71
Private Sector Banks	27885	36753	8868	13013	16797	3784	45.70
Foreign Banks	540	NA	NA	127	NA	NA	NA
GRAND TOTAL	96987	121981	25534	58204	71146	13069	58.32

During the fiscal 2010-11, highest growth in priority sector advances was contributed by Nationalised Banks (**Rs. 6225 crores**) followed by Private sector Banks (**Rs. 3784 crores**). RRBs have **83.71 %** of their advances under priority sector followed by Nationalised Banks (**71.16%**) and the State Bank Group (**53.30 %**). Private Sector Banks have achieved **45.70 %** under Priority sector advances as at March 2011. The percentage of Priority sector advances to Total advances for the state is **58.32 %** which is much above the mandatory level of 40%. The Priority sector advances to total advances of the State has recorded a decline of 169 basis points from March 2010.

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

6. Review of Performance of the Banking Sector

6.1. Banking Statistics as at March 2011 (Refer Annexure 7.1 to 7.3)

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

(Rs. in crores)

Parameter	Outstanding			Variation	
	Mar. 2009	Mar. 2010	Mar. 2011	Mar.' 09- Mar.'10	Mar.' 10- Mar.'11
No. of Branches	4084	4310	4573	226	263
Total Deposits	130350	143404	161562	13054	18158
Domestic Deposits	93331	106518	123872	13187	17354
NR Deposits	37019	36886	37690	-133	804
Investments	3712	3929	5226	217	1297
Adv. + Investment	86530	100916	127429	14386	26513
C: D Ratio	63.54	67.63	75.50	4.09	7.87
C+l: D Ratio	66.38	70.37	78.87	3.99	8.50

6.2. Branch Network

As at the end of March 2011, the total number of branches of Commercial Banks in the State was **4573**.

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

Banking Group	Number of Branches				Percentage distribution			
	Rural	S.Urban	Urban	Total	Rural	S.Urban	Urban	Total
Public Sector Banks	210	2107	706	3023	4.59	46.07	15.44	66.12
Private Sector Banks	264	963	323	1550	5.77	21.05	7.06	33.88
Total	474	3070	1029	4573	10.37	67.13	22.50	100

Of the total Commercial banks in the state, Public sector Banks account for **66.12** % of the branch network in the state. Private sector banks are having the highest number of rural branches (**264** branches). Of the total branch network of Commercial banks in the State,

only **10.37%** are in rural areas whereas Semi-urban areas have **67.13%** of the bank branches in the state. Urban branches constitute **22.50 %** of the branch network.

On a comparison with March 2010 position, it is found that Public sector banks have increased their tally of branches by **145** whereas that of Private Sector Banks increased by **123** branches as at March 2011.

6.3. Deposit growth

During the fiscal 2010-11, there was a growth of **Rs. 18158 crores** in Deposits of the State and the outstanding total deposits reached a level of **Rs. 161562 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. 143404 crores**. Quantum wise, the total deposits have grown from **Rs 143404 crores** in March 2010 to **Rs.161561 crores** in March 2011, a year-on-year growth of **12.66 %**.

Another significant feature in this deposits growth is that the share of domestic deposits in total deposits is gradually increasing. As at March 2005, the share of domestic deposits in the total deposits was **58.04 %**, which has now steadily increased to **76.67 %** as at March 2011.

Sectoral Growth of Deposit over the Years

(Rs. in Crores)

Type of deposit	Mar. 2005	Mar. 2006	Mar. 2007	Mar. 2008	Mar. 2009	Mar. 2010	Mar. 2011
Total Deposit	69396	77677	91697	105488	130350	143404	161562
Domestic Deposit	40276	47006	58394	75599	93331	106518	123872
N R Deposit	29120	30671	33303	29889	37019	36886	37690
% Share of Domestic Deposits	58.04	60.51	63.68	71.67	71.60	74.28	76.67

A. Banking Group wise Growth in Deposits

As evident from the following table State Bank Group (28.32 %), Private Sector Bank group (**37.66%**), followed by Nationalised Bank (**31.31%**) has the highest share in growth of deposits among the Commercial Banks in the State.

Banking Group wise Growth in Deposits

(Rs. in crores)

Sl. No.	Banking group	Total Deposits		% Share in Total Deposits (Mar.'11)	Variation (Mar.'10 - Mar.'11)	% Share in Growth
		Mar. 2010	Mar. 2011			
1	State Bank Group	51197	56570	35.02	5373	28.32
2	Nationalised Banks	42510	48452	29.99	5942	31.31
3	RRB s	4324	4838	2.99	514	2.71
4	Private Sector Banks	44556	51702	32.00	7146	37.66
5	Foreign Banks	817	NA	NA	NA	NA
	Total	143404	161562	100.00	18975	100.00

Banking Group wise comparison reveals that **35.02 %** of the deposits in the state is with State Bank group, which has got a **22.44 %** share in branch network. The corresponding figures for Private Sector Banks group are **33.90 %** share in branch network and **32.00 %** share in deposits. Nationalised Banks, which have **34.48 %** of the branch network in the state, have a share of **29.99 %** in total deposits. RRBs, in spite of having a share of **9.18%** of the branch network has only **2.99 %** share in total deposits of the state.

B. Population GroupWise/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	1889	33578	21103	56570	3.34	59.36	37.30	100	35.02
Nationalised Banks	1582	25024	21846	48452	3.26	51.65	45.09	100	29.99
RRB s	485	3621	732	4838	10.02	74.84	15.14	100	2.99
Private Sector Banks	6098	27477	18126	51701	11.79	53.15	35.06	100	32.00
Total	10054	89700	61807	161561	6.22	55.52	38.26	100	100

As evident from the above table, **55.52 %** of the total deposits of the state is from semi-urban areas where **67.13 %** of the branch network exists. Urban areas accounted for **38.26 %** of the deposits and rural areas, **6.22 %**. On a comparison with March 2010 position, it is found that the share of semi-urban and rural areas in total deposits is showing gradual decreasing trends. The urban branches have shown an increasing trend in deposits.

6.4. NR Deposits (Refer Annexure 7.2)

The NR deposits of the state stood at **Rs 37690 crores** as at March 2011. There was an increase to the tune **Rs. 625 crores** in NR deposits of commercial banks in the state during the last quarter. As compared to March 2010, the NR deposits increased by **Rs. 804 crores** for the fiscal 2010-11.

Population GroupWise /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	444	11393	4788	16625	2.67	68.53	28.80	100	44.10
Nationalised Banks	308	6267	3047	9622	3.20	65.13	31.67	100	25.53
RRB s	34	148	11	193	17.62	76.68	5.70	100	0.52
Private Sector Banks	1445	6967	2838	11250	12.84	61.93	25.23	100	29.85
Total	2231	24775	10684	37690	5.92	65.73	28.35	100	100

State Bank group has the highest share (**44.10 %**) in the NR deposits from the State followed by Private Sector Banks (**29.85%**) and Nationalised Banks (**25.53%**) and of the total Non-Resident deposits, **65.73%** deposits were from Semi Urban areas while Urban areas accounted for **28.35%** and rural areas, **5.92%**.

6.5. Domestic Deposits

The growth in domestic deposits during the fiscal 2010-11 (**Rs. 17353 crore**) was higher than the quantum growth during the previous fiscal (**Rs. 13187 crore**).

Share of Domestic Deposits in Total Deposits (%)

Mar. 2004	Mar. 2005	Mar. 2006	Mar. 2007	Mar. 2008	Mar. 2009	Mar. 2010	Mar. 2011
54.37	58.04	60.51	63.68	71.67	71.60	74.28	76.67

As at March 2011, domestic deposits accounted for **76.67 %** of the total deposits and this ratio is gradually increasing as evident from the table given above.

The year-on-year growth rate in domestic deposits is progressively decreasing since 2007-08.

Growth Rate in Domestic Deposits during last 6 years (%)

2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
12.31	16.71	24.23	29.46	19.00	14.13	12.66

6.6. Credit Expansion (Refer Annexure 7.2)

Growth in Advances of the Banking sector in the State

(Rs. in crores)

Parameter	Total Advances Outstanding over the Years							
	Mar. 2004	Mar. 2005	Mar. 2006	Mar. 2007	Mar. 2008	Mar. 2009	Mar. 2010	Mar. 2011
Total Advances	31867	40948	51919	64273	75305	82819	96987	121980
% Growth over the previous fiscal	18.00	28.50	26.79	23.79	17.16	9.97	17.11	25.77

During the fiscal 2010-11, the total advances grew by **Rs. 24993 crores** to reach **Rs. 121980 crores** as at March 2011.

Share Of Banking Groups In Total Advances Of The State

Nationalised Banks have the highest share (**33.15 %** each) in the total advances outstanding in the state closely followed by the State Bank group which contributed at **32.14 %**. The Private Sector Banks accounted for **30.13 %** of the total advances against a **33.88 %** 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	1964	19070	18167	39201	5.01	48.65	46.34	100	32.14
Nationalised Banks	1256	19079	20100	40435	3.11	47.18	49.71	100	33.15
RRB s	646	4588	357	5591	11.55	82.06	6.39	100	4.58
Private Sector Banks	3293	14354	19106	36753	8.96	39.06	51.98	100	30.13
Total	7159	57091	57730	121980	5.87	46.80	47.33	100	100

Further, **47.33%** the total advances in the state is to urban areas where **22.50 %** of the branch network exists. Semi-Urban areas had **46.80 %** share in total advances against a share of **67.13 %** in branch network. Rural areas had a share of **5.87 %** only in the total advances deployed in the state where as they hold a share of **10.37 %** in total commercial branch network.

6.7. Credit-Deposit Ratio [C D Ratio] (Refer Annexure 7.3)

The Credit-Deposit ratio of the Commercial Banking sector of the State has increased by **321 basis** points during the quarter to reach **75.50 %** as at March 2011. But this is marginally below the all India level of **75.68%**.

Banking Group wise C D ratio as at March 2011

Banking Group	C D Ratio - Percentage Distribution as at March 2011			
	Rural	Semi-Urban	Urban	Total
State Bank Group	103.99	56.79	86.09	69.30
Nationalised Banks	79.41	76.24	92.01	83.45
RRB s	133.27	126.69	48.80	115.57
Private Sector Banks	54.00	52.24	105.40	71.09
Total	71.21	63.65	93.40	75.50

The C D Ratio of rural areas of the state at **71.21 %** is more than the mandatory norm of **60%**. Further, the urban areas have a high CD ratio of **93.40 %** whereas that in Semi urban area is at **63.65 %**.

The C D ratio of RRBs is the highest at **115.57 %**. Further, the CD ratios of State Bank Group, Nationalised Banks, RRBs and Private sector Banks are above the desired level of 60% in the State. In rural areas, all the public sector have shown a better C D Ratio level well above the RBI stipulated 60 % Private sector banks have shown a figure of **54.00 %** and 52.24 % in Rural and Semi-Urban centres respectively which needs further improvement. In the Semi-Urban areas, the State bank group and Private Bank Groups could attain a C D Ratio level of **56.79 %** and **52.24 %** respectively which is below the national benchmark of 60%.

6.8. Credit + Investment: Deposit ratio (C+I: D ratio) (Refer Annexure 7.3)

The C+I D ratio of the Commercial Banking Sector of the State as at March 2011 stood at **78.87 %**. There is an increase of **8.50 %** from the level of 70.37 % as at March 2010 to the present level of **78.87 %** as at March 2011.

Incremental CD Ratio

Reporting Quarter	Deposits	Advances	CD Ratio	Incremental CD Ratio
March 2009	130350	82818	63.54	30.22
March 2010	143404	96987	67.63	108.53
June 2010	147369	99885	67.78	73.09
September 2010	151846	107533	70.82	124.92
December 2010	158306	114446	72.29	117.16
March 2011	161562	121981	75.50	137.65

From the above table it is evident that the incremental CD ratio is on a higher side compared to the CD Ratio of the State. This means that the Credit growth is more than the rate of growth of deposits or there is a temporary mismatch in credit and deposit growth as the Credit has started picking up in the busy season. Incremental credit-deposit (CD) ratio for the year ending March 2011 stood at **97.47** % for the banking system for the country as a whole. This means that the incremental CD ratio of Kerala is more than the National average. It may be recalled that the Reserve Bank of India had expressed its concerns about the high CD ratio in January in its quarterly review of the monetary policy.

7. Annexures