

**102<sup>nd</sup> MEETING OF STATE LEVEL BANKERS' COMMITTEE,  
KERALA  
AGENDA AND BACKGROUND NOTES**

**1. ADOPTION OF MINUTES**

The minutes of the State Level Review Meeting (SLRM) of SLBC, Kerala held on 16<sup>th</sup> & 17<sup>th</sup> September 2010 has already been forwarded to the members vide Convener's letter SLBC 38 1461 2010 KRA dated 15.10.2010.

The House may adopt the said minutes.

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

**2.1. FRESH ISSUES**

**2.1.1. Performance under Primary Sector**

**2.1.1.1. Issue of Wayanad**

LDM, Wayanad during the SLRM held on 16<sup>th</sup> & 17<sup>th</sup> of September 2010 informed that more than 80% of loans disbursed in the district were under Agriculture. Since the repayments were not made on time, renewals were not possible thereby affecting flow of credit to the primary sector. Disbursements under Dairy were negligible though there is scope for lending. Off take of loans under Dairy Sector is to be increased considering scope and demand.

**2.1.1.2. Issue of Idukki**

LDM of Idukki during the SLRM held on 16<sup>th</sup> & 17<sup>th</sup> of September 2010 reported that borrowers were finding it difficult to produce current Tax Paid Receipts as well as Possession Certificates, which affects sanctioning of fresh loans as well as renewals of existing loans. The matter may be brought to the notice of Government to ensure that the farmers' requirements were provided to enable them to avail of the bank finance.

**2.1.2. Moratorium on fishermen loans (Suggested by Indian Bank & SBT)**

Government of Kerala has declared moratorium on loans availed by fishermen since 02.11.2007 and has been extending the same. As per GO dated 05.05.2010, Government has again extended the moratorium upto 01.08.2010. In view of the Government Order banks

cannot initiate any recovery measures on these loans availed before 31.12.2007. Expecting waiver of the loans, the borrowers are also not coming forward to pay their dues. As a result banks are forced to classify these accounts as NPA as per the extant prudential norms.

It is requested to include the issue as an agenda item in the SLBC to take up with RBI for issuing necessary permission to continue the asset status of those accounts coming under moratorium in the standard category till the moratorium ends.

### **Views of the Steering Committee**

*The Steering Committee decided to consider the request and take up with Reserve Bank of India for getting necessary permission to continue the asset status of those accounts coming under moratorium period in the standard asset category till it is withdrawn.*

## **2.2. PENDING ISSUES**

### **2.2.1. Cattle Insurance**

The issue regarding Insurance Companies not entertaining policies with PTD clause in respect of cattle insurance has been reported from several BLBC meetings. It was also reported that Insurance Companies are charging different rates of premium on cattle insurance even among their own branches based on the discretion given to their Branch Managers. The matter was discussed in the 96<sup>th</sup> SLBC which requested the Insurance Companies to adopt a uniform rate of premium, at least for the State as a whole and also for coverage of PTD clause.

The matter has been deliberated in the SLRM 2008 and SLRM 2009. The representatives from insurance companies were not available for discussion in both the meetings. There were a lot of issues connected with cattle insurance which were discussed by the members in the group discussions.

The matter again came up for discussion during the 100<sup>th</sup> Meeting of SLBC held on 21.12.2009 in Trivandrum. Even though the Insurance Company officials were not present to share their views, the above meeting recommends that Permanent Total Disability clause (PTD) should be included under master policy and decided to pursue the matter.

SLBC, vide letter SLBC.35.43.2010.KM dated: 11.01.2010 had written to the controlling units of all the four major Insurance companies the concern regarding the absence of the representative and requested to nominate a specific person to attend the SLBC hence forth. However Oriental Insurance Co, Ltd and The New India Assurance Co Ltd confirmed but response is yet to be obtained from M/s United India Insurance Co Ltd and National Insurance Co.

The subject matter came up again for discussion during the 101<sup>st</sup> Meeting of SLBC held on 30.03.2010 in Trivandrum. Regarding PTD coverage, representative of National Insurance Co. Ltd. informed that Insurance Companies are already covering PTD in cattle insurance and charging additional premium for that. Regarding uniform rate, he informed that the

matter would be decided by all the insurance companies at regional level and inform the same in the next SLBC meeting.

The meeting requested Insurance Companies to expedite the process of including PTD clause under master policy.

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16<sup>th</sup> & 17<sup>th</sup> September 2010 in Trivandrum recommended that all General Insurance Companies should confirm that PTD cover is available to the borrowers of milch animals.

*SLBC, vide letter SLBC 38 1400 2010 RP dated 21.10.2010 had written to the controlling units of all the four major Insurance companies, requesting to inform their views in the matter at the earliest.*

*The representative from the Insurance Company may inform the position regarding the issues.*

### **2.2.2. Inclusion of all perennial horticulture crops under the NAIS**

The request for including perennial horticultural crops like coconut, pepper, cardamom and rubber in the existing crop insurance scheme was referred to the Agriculture Department of the State and also to the Agricultural Insurance Corporation of India Ltd. AICIL has furnished a proposal for including coconut under NAIS. This proposal had been forwarded to Government for approval, by the department.

The matter has been discussed in the SLRM of 2007, 2008 and 2009. The decision in this regard is still pending.

As representative from AICIL was not present in the 100<sup>th</sup> Meeting of SLBC, Kerala held on 21.12.2009 & 101<sup>st</sup> Meeting of SLBC, Kerala held on 30.03.2010, to ascertain the position in this regard, the meeting decided to pursue the matter.

The Additional Director of Agriculture, Government of Kerala informed in the 101<sup>st</sup> SLBC meeting that under NAIS only coconut was included. Government had approved the programme and implemented on a pilot basis in Trivandrum, Ernakulam, Alappuzha and Kozhikkode districts. If found successful, the programme would be implemented in the entire State during the next year. For other crops there was no scheme. He added that earlier six crops were included under NAIS, but under horticulture crop only coconut was included and approved.

The meeting requested the Department of Agriculture to examine the matter of including other crops also under NAIS. The forum also requested to bring the matter to the information of AICIL.

Vide letter SLBC 35 686 2010 RP dated 28.04.2010, SLBC had referred the matter once again to the Director of Agriculture and the Regional Manager, Agri. Insurance Corporation of India Ltd., requesting to inform the latest developments in this regard

*Vide letter AICILROTVPM/F:SLBC/109/2010 dated 17.05.2010, the Regional Manager, AICIL informed the following.*

“As you are aware, this is a long pending demand from farming community as well as financial institutions. AICIL being the Nodal Agency for implementation of Govt. sponsored crop insurance schemes such as National Agriculture Insurance Scheme(NAIS), pilot Weather Based Crop Insurance Scheme(WBCIS) across the country, we have already taken up this issue in the context of Kerala state at the highest level. But as already observed by us, the present NAIS in its scope covers only Food crops, Pulses, Oilseeds and Annual horticulture Crops. And accordingly the State Government has included Paddy, Banana, Plantain, Tapioca, Ginger, Turmeric and Annual Pineapple under this Scheme. In other words the perennial horticulture crops of state importance are outside the scope of present NAIS provisions. Hence we can include these perennial crops only by modification of the present NAIS provisions which has to be carried out by the Government of India upon the review of the present scheme. In fact the existing NAIS had been launched in 1999 and its review and improvement is imminent and we understand that the State Government has already demanded inclusion of perennial crops of state importance as one of their major proposal in response to a GOI letter in this connection. The same has to be persistently taken up by the State Government with the appropriate authorities at GOI to ensure inclusion of these crops during its revision/modification.

Apart from the above, as a speciality insurer in crop insurance portfolio, we feel that the area- yield approach alone, which is the basis of claim settlement under NAIS, will not reflect all the losses suffered by farmers in the context of these high value perennial horticulture crops grown in our state. In other words perhaps more significant than this risk of yield loss is the per tree/ plant loss which will lead to substantial financial loss for a farmer in the context of these perennial crops not only in the form of loss of investment made by the farmer up to the time of loss but also the future income loss he suffers till he is able to get economic return from the replanted/substituted tree in place of the original tree lost. Considering this special feature of perennial horticulture crops , a crop insurance design based on individual/traditional line either as standalone product or coupled with area-yield approach as practiced under NAIS will be the ideal one to comprehensively address the crop risk issue of perennial crops. In this direction, AICIL have already made some earnest initiatives and progress in the context of Kerala is briefly furnished as under:

- A. **Coconut** : Pilot Coconut Palm Insurance Scheme( CPIS) implemented by us as a Central Sector Scheme wherein 50 % of the premium payable by growers is subsidized by Coconut Development Board and another 25% is subsidized by the concerned state Government. The grower needs to pay only the remaining 25%. In our State the Scheme is now implemented in Thiruvananthapuram, Alappuzha, Ernakulam and Kozhikode district. Total palm loss on account of insured peril is covered.
- B. **Rubber** : A Rubber Plantation Insurance Policy is designed and already floated by us in Kerala State as a standalone product covering Mature/Tapping rubber trees as well as

immature rubber plants on individual tree loss basis. The compensation rates are fixed taking into consideration the future income loss arising from tree loss.

- C. Besides the above initiatives, under the Weather Based crop Insurance Scheme (WBCIS) of Government of India which is again implemented through financial institutions just like NAIS, the State Government have already included **Black Pepper** crop in Idukki District and **Cashew** Crop of Kasargode, Kannur, Kozhikode and Palakkad Districts. Under this WBCIS claim settlement is on the basis of Area-Weather Basis. Settlement is on account of anticipated crop loss arising out of adverse weather incidence occurrence as defined for each crop within a reference unit area and as measured at a reference weather station located in that Area.
- D. **Coffee** : For coffee crop of Wayanad, Idukki and Palakkad District in association with Coffee Board a unique Rainfall Insurance Scheme for Coffee( RISC) is being implemented by us. Coffee Board is providing 50% subsidy in premium to small growers. This is again a weather based insurance taking into account the requirement of coffee plantation with regard to blossom rains, backing rains and monsoon rains so as to ensure a good coffee output.

Apart from the above, we are about to finalize a crop insurance product for Cardamom in association with Spices Board. At this juncture, our sincere request to our banking fraternity friends is to actively associate with us in our attempt to popularize these schemes amongst growers in our state and ensure crop insurance coverage of all your banking clients growing these perennial crops either as per our notification communications issued to the banks (for Government notified Scheme of WBCIS) or through some mutually beneficial tie-ups (for other schemes/policies).

Please feel free to contact us for any further details on these initiatives.”

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 noted that Government of India is coming out with a modification of the scheme including as many crops. The State has come out with a special scheme for paddy. Hence only after receiving the guidelines from Government of India this aspect could be resolved.

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16<sup>th</sup> & 17<sup>th</sup> September 2010 in Trivandrum. During the Group discussions, the Group suggested that perennial crops like pepper, coconut, rubber, cardamom etc. should also be covered under NAIS as these are the main crops cultivated in Kerala. The forum suggested to pursue the matter further.

*SLBC, vide letter SLBC 38 1411 2010 RP dated 21.10.2010 had written to the Director of Agriculture/AICIL requesting to inform the latest developments in the matter at the earliest.*

*The representative from AICIL/Agriculture Department may apprise the forum on the further developments.*

### **2.2.3. Legislation for Lease Land Farming**

Lease land farming can be effectively used to overcome some of the problems faced by the farmers in Kerala like fragmentation of land holdings and absentee landlordism. Though banks in general favour the idea of financing lease land farmers, large-scale financing is not resorted to by banks due to legal impediments. It may be noted that lease agreements are not valid in Kerala as per the Land Reforms Act.

In order to encourage non-viable marginal farmers to lease out their land to other farmers, without losing their ownership rights, the SLBC had recommended earlier that a legislation could be enacted for a free and fair lease market. In such legislation, legal provisions for mortgage of lease in favour of banks and the right for banks to transfer them to others in case of credit default could be incorporated.

The Department of Agriculture, Government of Kerala, vide letter No.TP3. 34138/2006 dated 14.08.2006, informed that enacting legislations for promoting contract farming is a policy matter of Government of Kerala and that State Government has not taken any policy decision in this regard so far.

The annual review meeting of SLBC, Kerala held on 11<sup>th</sup> & 12<sup>th</sup> October 2006 requested the Agriculture Department to take up with the Government to expedite the decision on the issue.

The forum of SLBC suggested that the issue of legalizing lease land farming should be followed up with the Hon. Chief Minister as it requires a policy decision from the Government. It was suggested that an arrangement for noting the status of the farmer, that he is a lease land farmer, in the revenue records maintained in the Village Offices would help banks to identify such farmers easily. SLBC had taken up this matter with the Government through the Department heads and the then Agricultural Production Commissioner.

During the State Level Review Meeting of SLBC, Kerala held on 3<sup>rd</sup> & 4<sup>th</sup> October 2007, the meeting observed that it was a policy decision and that SLBC has to make further follow up with the Government.

During the Review Meeting of SLBC, Kerala held on 6<sup>th</sup> & 7<sup>th</sup> October 2008, the representative from Government of Kerala informed that no decision had been taken in the matter. The meeting decided to pursue the matter with the Government.

SLBC Convenor had followed up the matter with the Agricultural Production Commissioner, Government of Kerala, requesting to consider the recommendations and explore the possibilities for implementing the suggestions/ recommendations.

SLRM 2009 suggested that the matter may be further pursued with the State Government.

The matter again came up for discussion during the 100<sup>th</sup> meeting of SLBC, Kerala held on 21.12.2009 at Trivandrum. In the meeting the Secretary to Government, Planning &

Economic Affairs Department assured to take up the matter with APC so as to inform the progress in this regard in the next SLBC meeting.

SLBC vide SLBC.35.210.2010.KM dated: 10.02.2010 had requested the Secretary, Planning & Economic affairs, to assist in resolving the issue being a long pending one.

The matter came up again for discussion during the 101<sup>st</sup> Meeting of SLBC held on 30.03.2010 in Trivandrum. In the meeting, the Additional Director of Agriculture, Government of Kerala informed that so far Government had not taken any decision for the legislation since there was already a land reform act in force.

The Assistant General Manager, Syndicate Bank stated that banks were financing to JLGs and others. Since many agricultural activities would be taken on lease land, Government had to take a policy decision in this regard.

The Secretary, Planning & Economic Affairs Department, Government of Kerala informed that he had written a D.O. letter to Agricultural Production Commissioner in this regard during the last month and awaiting the reply. He hoped that official communication in this regard would be placed in the next SLBC meeting so as to sort out 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 took a view that this being a major policy decision is under the consideration of the Government.

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16<sup>th</sup> & 17<sup>th</sup> September 2010 in Trivandrum. During the Group discussions, the Group noted with concern that no progress has taken place on the subject. Hence they suggested that SLBC may continue to pursue the matter vigorously with the State Government. The forum concurred with the views expressed by the Group.

*Vide letter No.50085/G2/10/RD dated 08.10.2010, the Additional Chief Secretary, Revenue (G) Department, Government of Kerala, clarifying other issues concerned with Revenue Department informed that the issue of land lease and mortgaging is to be discussed by a special group along with the issue of Land Titling Bill.*

#### **2.2.4. 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 101<sup>st</sup> 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 16<sup>th</sup> & 17<sup>th</sup> 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 representative from Agriculture Department/Controlling Offices of Banks may apprise the further developments. The Steering Committee of SLBC suggested that the initiatives taken by Lead Bank, Kollam for popularising KCCs provided under item 2.3.2. may be replicated in all districts.*

## 2.3. INFORMATION NOTE

### 2.3.1. Implementation of National Fisheries Development Board (NFDB) Schemes (Suggested by the Fisheries & Ports (B) Department & Directorate of Fisheries)

National Fisheries Development Board (NFDB) is set up by Government of India during 2006 to give a fillip to fisheries development with the common objective of improving the production, processing and marketing of products of culture and capture fisheries there by creating a platform for nutritional and food security, employment generation and export earnings. Recognizing the importance of fisheries development in the private sector as well as in the public sector through Public Private Participation (PPP) mode, NFDB has taken up various developmental initiatives for the overall development of the sector.

National Fisheries Development Board with the approval of Government of India has introduced a number of subsidy schemes for supporting activities like intensive aquaculture in ponds and tanks, Mariculture, Coastal aquaculture, Mussel/oyster/clam culture, sea seed cultivation, fish dressing centres and solar drying of fish, domestic marketing, deep sea fishing, tuna fishing etc. A gist of the details of the unit cost and pattern of assistance for various schemes of NFDB under private sector is shown as **Annexure 10.46**. The details of these programmes/schemes and the formats of the applications are available in the NFDB website [www.nfdb.ap.nic.in](http://www.nfdb.ap.nic.in)

Under the scheme the individual beneficiaries, Companies, Corporate firms, SHGs, Fisheries Co-operative Societies, Fishery Federations etc, will be provided with a subsidy ranging from 20%-50% as the case may be. The subsidy will be back ended and not necessarily credit linked and the implementation will be monitored by the respective State Fisheries Departments.

The subsidy will be released by the NFDB, Hyderabad through the respective State Fisheries Departments which are the implementing agencies.

NFDB informed that the NABARD, Mumbai has agreed to refinance eligible financing banks for the term loans disbursed to individual beneficiaries under various programmes of NFDB @ 100% of the amount financed by the banks at the prevailing rate of interest as per the refinancing policy issued by NABARD from time to time.

Therefore, it is requested to place the above matter in the SLBC meeting for the smooth implementation of NFDB schemes with the support of all banks.

#### **Views of the Steering Committee**

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

### **2.3.2. Popularisation of Kisan Credit Cards(KCCs) – Replication of Steps taken by Kollam District in other Districts also (Suggested by Convenor, SLBC)**

LDM, Kollam under the guidance and leadership of District Collector and Director of Agriculture has taken pro-active steps for popularisation of KCCs in the district in tune with Government of India directives. An exclusive meeting termed "KCC Meet" was arranged in the District in which District Collector, Director of Agriculture, Principal Agricultural Officer, Deputy Director of Agriculture, Assistant Directors of Agriculture from all Blocks of the Districts, AGM-RBI, DDM-Nabard, DMC-Kudumbashree, Technical Officer of VFPC, Department of Fisheries and Dairy Development along with District Co-ordinators from all Commercial and Co-operative Banks participated. Some of the action points/decisions that are worth emulation across the State are given below.

- (a) Department of Agriculture offered assistance to bankers in identifying eligible and willing farmers to be covered under KCCS.
- (b) Decision to conduct KCC Melas in all Panchayats of Kollam District
- (c) Department of Agriculture to co-ordinate with Kudumbashree District Mission for issues KCCs to JLGs promoted by Kudumbashree
- (d) Posters to be displayed in Bank branches, Panchayat Offices, Krishi Bhavans, Fertilizer Dealers' Shops and at the vantage points attracting the attention of the farmers.
- (e) Wide Publicity may be given through publications brought out by various Government Departments, All India Radio (Vayalum Veedum), Doordarshan, Farm Information Bureau etc.
- (f) Targets allocated to banks are to be followed up for achievement
- (g) Krishi Bhavans also should be given targets for coverage of farmers
- (h) Loan applications may be sponsored by Krish Bhavan Officers
- (i) Bankers should show greater enthusiasm in identifying eligible and needy farmers as this will serve the additional objectives of Financial Inclusion project.
- (j) Weekly review meetings may be conducted by a Committee consisting of LDM, DDM-NABARD, Principal Agricultural Officer, Deputy Director and Assistant Directors of Agriculture along with District Co-ordinators of all banks.
- (k) Best performing branches/banks/Krishi Bhavans may be given Awards/Prizes.
- (l) All the excluded farmers would be covered and issued with Kisan Credit Cards before the Cut Off Date fixed by Government of Kerala i.e. 31 03 2011.

SLBC suggests the above action points initiated by Lead Bank, Kollam may be replicated by all the districts across the State for achievement of the Government of India/Kerala directives well before the deadline of 31.03.2011.

#### **Views of the Steering Committee**

*The Steering committee decided to place the matter before SLBC for information and adoption by banks.*

### **2.3.3. Agribusiness** (Suggested by Managing Director, Small Farmers' Agribusiness Consortium [SFAC], Kerala)

The SFAC is extending Venture Capital Assistance (VCA) to agriculture entrepreneurs and in this context, bankers are of much interest to know more about the venture capital assistance programmes of SFAC. Unfortunately, as per field experience, many Branch Managers at field level are not aware of this facility of Government of India, even though the senior bankers are well versed with the Venture Capital Assistance programme of SFAC. Hence, it is requested that a slot may be given to the Managing Director, SFAC to make a presentation on VCA scheme of SFAC in the ensuing SLBC meeting.

#### **Views of the Steering Committee**

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

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

#### **3.1. FRESH ISSUES**

##### **3.1.1. Higher rates of interest charged by Private Sector banks** (Suggested by Director of Industries & Commerce)

General Manger, District Industries Centre, Kottayam has reported that the rate of interest levied on loans under PMEGP and WIS schemes by Catholic Syrian Bank and South Indian Bank is ranging from 14.75% to 16%. This increased rate of interest is adversely affecting the economic viability of those projects under the above schemes. The interest charged by other banks including nationalised banks are much less but the beneficiaries cannot approach such banks of their choice because of service area restriction. Uniform rates of interest at least in the case of Government sponsored schemes can be imposed where the beneficiaries are bound to obey service area restrictions.

#### **Views of the Steering Committee**

*The Steering Committee noted that there existed variation in the interest rates charged on PMEGP and WIS schemes by banks. The higher rate of interests charged by certain banks is adversely affecting the economic viability of those projects under the above schemes in the State. Hence it was felt that there shall be uniformity in the interest rate charged by banks in these categories of loans. SLBC may deliberate on the issue and arrive at appropriate decisions.*

### **3.1.2. Agenda items suggested by the Director of Employment, National Employment Service (Kerala)**

#### **3.1.2.1. Collateral free loans under KESRU and Multipurpose Service Centres/Job Clubs schemes**

74<sup>th</sup> SLBC approved KESRU with one of the parents or spouse as guarantor and 94<sup>th</sup> SLBC approved Multipurpose Service Centers/ Job Clubs incorporating credit guarantee into the Scheme. It is often seen that the financial institutions rejected applications on the ground that the beneficiaries have not produced sufficient collateral.

#### **Views of the Steering Committee**

*The Steering Committee requested the Director of Employment & Training to provide the recent guidelines on the schemes to SLBC so as to enable circulation of the same to Controlling Offices of all banks to address the problems.*

#### **3.1.2.2. Disposal of pending applications of KESRU and Multipurpose Service Centers/Job Clubs with Financial Institutions**

There are 1644 KESRU and 104 Multipurpose Service Centers/ Job Clubs applications are pending for disposal with various bank branches in the State. They have to be disposed early.

#### **Views of the Steering Committee**

*The Steering Committee requested banks to ensure early disposal of pending proposals.*

#### **3.1.2.3. Inclusion of review of KESRU and Multipurpose Service Centers/Job Clubs agenda items of BLBCs and DLRCs**

Schemes implemented through National Employment Service may be included in the agenda items of BLBCs and DLRCs.

#### **Views of the Steering Committee**

*The Steering Committee suggested that SLBC may write to respective Lead Banks to review the progress in the scheme in the BLBC/DCC/DLRC.*

#### **3.1.2.4. Free of Cost Training to beneficiaries of KESRU, Multipurpose Service Centers/Job Clubs and “Saranya” through RSETIs**

#### **Views of the Steering Committee**

*The Steering Committee suggested RSETIs may be provided with accreditation by the Directorate for imparting training to the sponsored candidates.*

### **3.1.2.5. Non-Cooperation of New Generation Banks to KESRU and Multipurpose Service Centers/Job Clubs**

The new generation banks are not cooperating with the Self Employment Schemes implemented through National Employment Service

#### **Views of the Steering Committee**

*The Steering Committee suggested placing this for appropriate response from New Generation Banks.*

### **3.1.3. Steps suggested to improve performance under SME Advances under priority sector**

In the SLRM held on 16<sup>th</sup> & 17<sup>th</sup> September 2010, various suggestions have been placed for improving the overall performance under SME advances (Priority Sector) :

- Improving awareness in implementation of schemes
- Hassle free investment climate to be made available by relevant authorities.
- Revitalization of sick units for revival to be extensively covered to have better flow of credit for sustenance of the industry.
- A single window concept for approval is to be brought under sanction for setting up of industry to avoid delay.
- Cluster approach to be followed to increase the number of units in industrial sector.
- The State has to find out ways to develop/nurture the skilled and unskilled labour for industrial development

*The SLRM suggested Industries Department to initiate appropriate action as recommended.*

- Awareness programme for classifying MSME advances to be conducted by financial institutions / Lead Banks.
- BCSBI codes for MSME have to be popularized.
- Banks have to be more considerate in lending to MSME by simplifying the procedures and documentation, besides adhering to the time specifications.
- Collateral-free quantum of loan to be increased by all financial institutions.

*The SLRM suggested banks to comply with the recommendations of the forum.*

### **3.1.4. Steps suggested to improve performance under PMEGP**

In the SLRM held on 16<sup>th</sup> & 17<sup>th</sup> September 2010, various suggestions have been placed for improving the PMEGP performance which are listed below.

- All Banks have to be brought under the purview of the scheme for which KVIC has to relax the existing norms.

- There is need for conducting regular District Task Force Committee Meeting to process the applications received.
- Speedy and timely disposal of applications may be ensured by implementing Banks.
- Negative lists are to be updated and circulated to all Banks / Agencies.
- Various implementing agencies are requested to pass on the progress to KVIC Trivandrum on regular basis to assess the performance promptly.
- A single window concept of approval is to be brought under sanction for setting up of industry to avoid delay (KSEB, Pollution Control Board, Forest Department, Panchayat/Municipality, etc, for approval).
- Sample projects (activity-wise) to be made available, so that mediators can be avoided, thereby bringing down the cost of the project.
- Proper support from sponsoring agencies to be ensured for recovery also.

*The SLRM suggested that Sponsoring Agency/Banks to comply with the recommendations of the forum.*

### **3.1.5. Rationalisation of various Credit Cards**

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

*It is learnt that the issue was taken up with IBA earlier and a Sub-Committee was constituted to examine the suggestion. Since no further developments have been reported SLBC may pursue the matter further.*

## **3.2. PENDING ISSUES**

### **3.2.1. CGTMSE Coverage for loans granted to SHGs**

99<sup>th</sup> meeting of SLBC observed that financing Self Help Groups, be it direct lending or through any Government Department is gaining more and more importance. Apart from their internal lending, the groups run projects under agriculture as well as SME sector. The coverage of CGTMSE is a comfort to the lender while extending collateral free SME credit to the beneficiaries. But, the CGTMSE cover is not available for loans granted to SHGs at present.

As more coverage and thrust is given to the group financing under SGSY and SJSRY schemes, the cover of CGTMSE will go a long way in the successful implementation of the scheme.

SLBC Convenor referred the matter to the Development Commissioner (MSME), New Delhi requesting to examine the matter of extending CGFMSE coverage for SME lending to SHGs.

The matter was again discussed in the SLRM 2009, 100<sup>th</sup> SLBC & 101<sup>st</sup> SLBC and it was reiterated that the same shall be pursued further.

*SLBC, vide letters No. SLBC 35 157 2010 KM dated 25.01.2010 & No. SLBC 35 661 2010 RP dated 26.04.2010, had written to the Development Commissioner (MSME), New Delhi in this regard.*

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16<sup>th</sup> & 17<sup>th</sup> September 2010 in Trivandrum. During the Group Discussions, the Group suggested pursuing the matter. Responding to the issue, the General Manager, Canara Bank requested that SIDBI representative should take up the matter with CGTMSE for examining the recommendations.

*SLBC, vide letter No. SLBC 38 1394 2010 RP dated 21.10.2010 had written to the Development Commissioner (MSME), New Delhi in this regard and a copy endorsed to the Deputy General Manager, SIDBI, Kochi for necessary action. A decision in this regard is awaited.*

### **3.2.2. PMRY 2006–07 & 2007–08 - Non receipt of Subsidy**

The subject matter came up for discussion during the State Level Review Meeting (SLRM) of SLBC, Kerala held on 27<sup>th</sup> and 28<sup>th</sup> August 2009 at 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 100<sup>th</sup> 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 101<sup>st</sup> 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.

*SLBC Convenor had vide SLBC 35 658 2010 RP dated 26.04.2010 followed up the matter with the Reserve Bank of India requesting to inform the latest developments 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 decision is awaited.

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

*SLBC Convenor had vide SLBC 38 1401 2010 RP dated 21.10.2010 followed up the matter with the Reserve Bank of India requesting to inform the latest developments in this regard.*

### **3.3. INFORMATION NOTE**

#### **3.3.1. PMEGP - Information Note by KVIC**

#### **PMEGP Performance up to 30.09.2010**

<b>Target</b>	<b>No. of Projects</b>	<b>M.M. in Lakhs</b>	<b>Achievement up to 30.10.2010</b>			<b>EDP status as on 30.09.2010</b>
			<b>No. of Projects</b>	<b>M.M. in Lakhs</b>	<b>Empl.</b>	
KVIC	576	805.86	150	329.04	1500	85
KVIB	575	805.85	188	396.72	1880	90
DIC	768	1074.48	445	638.39	4450	131
<b>Total</b>	<b>1919</b>	<b>2686.19</b>	<b>783</b>	<b>1364.15</b>	<b>7830</b>	<b>306</b>

Fund received from C.O-Mumbai during 2010-11: Rs. 26.86 crores.

According to the data collected from district level/implementing agencies, 1293 projects have been sanctioned by banks with Margin Money involvement of Rs.2138.47 Lakhs up to 30<sup>th</sup> Sep.2010. Hence, good number of PMEGP subsidy applications are still pending at financing branches. For the projects sanctioned by financing branches, M.M. claims have to be submitted by financing branches to their respective nodal banks immediately for M.M. disbursement.

The Chief Executive Officer-KVIC vide letter No. PMEGP/N.W/2010-11, Dt.17-08-2010 informed to achieve 70% utilization of funds before the end of October 2010 to enable KVIC to submit additional demand of Margin Money during 2010-11.

Therefore all out efforts should be made to achieve maximum utilization of funds released during 2010-11 which is already available with the nodal banks.

It is observed that huge number of projects are sanctioned by Pvt .Sch. banks in the state. The committee held on 27-09-2010 at KVIC-State Office with Addl Director (Industries), Secretary –KVIB, and representative of SLBC recommended to include The Federal Bank as the nodal bank for Pvt. Sch. & Co-Op Banks on the basis of PMEGP circular No.PMEGP/Pvt.Cop.Banks/Schemes/09-10/1943,Dt.17-08-2009, and the same has been submitted to the Secretary (Industries)/Chairman SLMC on PMEGP–Govt. of Kerala for getting approval.

### **Physical Verification of PMEGP units.**

It has been decided to carry out 100% verification of PMEGP units in the state(sponsored by KVIC-KVIB & DIC) by engaging an external agency. As the part of identifying the agency, the expression of interest has been invited by the KVIC from Central/State Govt. agencies, Autonomous agencies funded by State/Central Govt., having proven record in conducting evaluation studies/surveys etc. Agencies which respond to the news paper advt. will be called for a pre bid discussions and tender documents will be issued to eligible parties after the pre bid discussions. A committee consisting of State Director-KVIC, Secretary KVIB, Director – Industries & Commerce, Convener-SLBC will select the agency for conducting 100% verification of PMEGP units.

In addition to this, the physical verification of 5 % PMEGP units (on random basis) will be carry out by the implementing agencies as secondary check.

### **Views of the Steering Committee**

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

### **3.3.2. Recommendations of the Prime Minister’s Task Force on MSME in the subgroup Credit - Information Note by MSME-Development Institute**

**Report of Prime Minister’s Task Force on Micro, Small and Medium Enterprises Government of India January 2010: [http://www.dcmsme.gov.in/Final\\_Report.pdf](http://www.dcmsme.gov.in/Final_Report.pdf)**

### **Recommendations of the Task Force**

**18.1** The Task Force constituted 6 Sub-Groups on the major areas of concern for the MSME sector, namely, credit, marketing, labour, exit policy, infrastructure/ technology/skill development and taxation. A separate Sub-Group was constituted to look into specific problems relating to special package for North-East and Jammu & Kashmir. Each of the Sub- Groups examined the specific issues over a series of meetings and after detailed deliberations with all the stakeholders, including MSME Associations, submitted their

Reports to the Task Force. After detailed discussions on each of the recommendations contained in the reports of the Sub-Groups, the Task Force makes the following recommendations as given below.

## **Credit**

**18.2** The Task force makes the following recommendations for enhancing the flow of credit to MSMEs:.

**18.2.1** All the scheduled commercial banks should achieve a 20% growth in credit year-on-year to micro and small enterprises and strictly adhere to the allocation of 60% thereof to micro enterprises to ensure enhanced credit flow. From 1st April 2010, shortfall of any bank against the already accepted target of 60% to micro enterprises (of the total lending to MSEs) may be put into an appropriately named corpus with the Small Industries Development Bank of India (SIDBI). This would facilitate additional credit flow of over Rs.3 lakh crore to micro enterprises from the scheduled commercial banks over a period of 5 years.

*(Action: Ministry of MSME / DFS - 3 months)*

**18.2.2** A target of 15% annual growth in number of micro enterprise accounts may be stipulated for all scheduled commercial banks till financial inclusion has been substantially achieved. Reserve Bank of India (RBI) may issue necessary instructions in this regard. This would help in covering an additional 30 lakh micro enterprises under institutional credit in a period of 5 years.

*(Action: DFS/RBI – 1 month)*

**18.2.3** The stimulus package announced by the government/RBI/IBA may be extended upto 31st march 2011 including special refinance facility of Rs.7000 crore provided to SIDBI.

*(Action: DFS/RBI/SIDBI - 2 months)*

**18.2.4** A Committee under the chairmanship of Member (Industry), Planning Commission, with the Secretary, Department of Financial Services, Chairman, Indian Banks' Association and representative of the industry as Members and the Secretary, Ministry of MSME as its Member Secretary may be constituted. The Committee may (i) Monitor the overall credit flow to the MSME sector at regular intervals; (ii) Look into the existing interest subvention schemes for the agriculture and housing sectors to examine the extent of replicability for the MSEs; (iii) Identify institutional bottlenecks in the flow of credit to the sector; and (iv) Suggest policy measures for augmenting credit flow to the MSME sector.

*(Action: Ministry of MSME – 1 month)*

**18.2.5** The ability of MSMEs (especially those involving innovations and new technologies) to access alternative sources of capital like angel funds/risk capital needs to be enhanced considerably. For this purpose, removing fiscal/regulatory impediments to use such funds by the MSMEs should be considered on priority.

*(Action: Ministry of MSME/DOR/DEA – 3 months)*

**18.2.6** SIDBI may constitute an Advisory Group comprising members from M/o MSME, D/o Financial Services and representatives of MSME Associations for monitoring the operations of Special Cell set up to provide refinance for micro/unorganised sector

enterprises. The Group may periodically meet to resolve any problems relating to lending of funds earmarked for micro enterprises. The Group may also review the effectiveness of this arrangement after a year to decide on the need for a separate body for this purpose.

*(Action: DFS/SIDBI – 1 month)*

**18.2.7** Securities and Exchange Board of India (SEBI) may expedite the process of setting up of SME Exchanges in consultation with all the stakeholders.

*(Action: DEA/SEBI - 3 months)*

**18.2.8** The recommendations of the High Level Committee to review the Lead Bank Scheme under Smt. Usha Thorat, Deputy Governor, RBI may be implemented on priority basis to facilitate banking penetration and to strengthen the monitoring systems at State/District level.

*(Action: RBI – 1 month)*

**18.2.9** The Task Force noted that a Working Group under the chairmanship of Executive Director, RBI is looking into the issues regarding: (a) Enhancement of the collateral-free loan limit for MSEs from Rs.5 lakh to Rs.10 lakh; and (ii) Absorption of the one-time guarantee fee and annual service charges by the banks under the Credit Guarantee Scheme to facilitate higher flow of credit to MSEs without collateral/third party guarantee. The Working Group may submit its report within 3 months.

*(Action: RBI – 3 months)*

**18.2.10** The Task Force noted that the RBI has constituted a Working Group on ‘Securitization of Trade Credit Receivables’ to examine various options for liquidating the receivables before maturity. This process need to be expedited for larger benefits to MSMEs. Further, the D/o Financial Services may look into the issue of evolving a suitable legal framework for promotion of factoring services without recourse in the country for MSMEs.

*(Action: DFS/RBI - 3 months)*

**18.2.11** Banks should approve project loans (comprising of both term loan and working capital) for MSEs to avoid delay in tying up of funds by the MSEs. The RBI may consider making this mandatory for the banks.

*(Action: DFS / RBI / Banks – 3 months)*

**18.2.12** Banks may be encouraged to use scoring model so as to have speedy disposal of loan applications of micro and small enterprises.

*(Action: DFS/RBI – instructions issued)*

**18.2.13** In order to simplify the process of credit dispensation to micro enterprises, a uniform loan application form for loans up to Rs.25 lakh should be devised by the IBA that should be applicable to all the banks. The D/o Financial Services may bring out a model form within 3 months.

*(Action: DFS – 3 months)*

**18.2.14** All the banks may adopt Banking Code for MSEs to bring about uniformity in operations. DFS may examine this issue through RBI.

*(Action: DFS/RBI – 3 months)*

**18.2.15** Banks should be encouraged to participate in organizing joint programmes relating to entrepreneurship and skill development. RUDSETI, which are promoted by the banks,

should also impart entrepreneurship and skill development training for different MSME clusters.

*(Action: DFS/RBI/Banks – 3 months)*

**18.2.16** Taking into account the recent experience during the economic slowdown, banks may extend liberal moratorium on their term loans and working capital to MSE entrepreneurs by including interest during first 6-12 months of operation as part of the long term funding of the projects.

*(Action: DFS/RBI/Banks – instructions issued)*

**18.2.17** Banks may put in place an electronic tracking system for ensuring timely approval/rejection of loan applications of MSEs and they should be informed about the reasons for rejection of their loan application within a definite period. For this purpose, Banks may have a dedicated cell at the Regional Office level to monitor the progress of applications received till its final disposal. RBI may suitably advise the Banks in this regard.

*(Action: DFS/RBI/Banks – 2 months)*

**18.2.18** The Lead Bank in association with the District Industries Centre should prepare a shelf of project profiles on a periodic basis for different viable activities which have a good potential. The progress in this regard may be monitored at the District, State and Central level.

*(Action: DFS/RBI/Banks - instructions issued)*

**18.2.19** Each lead bank of a district may adopt at least one MSE cluster and banks should open more MSE focused branch offices at different MSE clusters which can also act as Counselling Centres for MSEs.

*(Action: DFS/RBI/Banks – Instructions issued)*

**18.2.20** While loans up to Rs.50,000 are covered under micro finance, banks are generally not inclined to provide loans below Rs.5 lakh due to a high risk perception and transaction costs. Banks may lend to pool of micro entrepreneurs who have been financed by Micro Finance Institutions and are now ready for borrowing at higher levels in the missing middle segment of Rs .50,000 to Rs. 5 lakh by covering them under the Credit Guarantee Scheme.

*(Action: DFS/RBI/Banks – no time lines)*

**18.2.21** Banks should encourage their officials to undergo specialized certificate course run by Indian Institute of Banking and Finance on the subject of SME Finance for Bankers by suitably incentivising them. The Task Force noted that an incentive scheme already exists in the Banks.

*(Action: DFS / IBA – no time lines)*

**18.2.22** The Ministry of MSME may set up an ‘MSME Helpline’ after detailed discussions with the Departments/agencies having similar ‘Helplines’ to ensure that the same is successfully implemented.

*(Action: Ministry of MSME – 6 months)*

### **Views of the Steering Committee**

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

### 3.3.3. MSME Call Centre – Udyami Helpline - Note by MSME-Development Institute

Prime Minister, Dr Manmohan Singh, inaugurated a call centre 'Udyami Helpline' "MSME Call Centre with a toll free no. 1800 180 6763". Dr Singh said "The Ministry of Micro, Small and Medium Enterprises (MSMEs) call centre will satisfy the need of a single point facility providing a wide range of information and accessibility of banks to such units," "This initiative would help in expanding the outreach of support provided under the various schemes and programmes of the government,"

This is a national-level call centre, which will provide information to the MSME sector on the single-window concept. The Ministry of MSME has modeled this call-centre and named it Udyami Helpline. A single toll free number will serve MSMEs across the nation.

Udyami Helpline would provide information to first generation entrepreneurs regarding project profiles available in the website of Ministry of MSME/ KVIC and other Ministries, other formalities required in setting up of an enterprise, formalities required for getting loans from banks, availability of subsidy under various schemes of the Ministry e.g. Prime Minister's Employment Generation Programme, name and address of Udyami Mitra who can provide him necessary guidance under Rajiv Gandhi Udyami Mitra Yojna.

Udyami Helpline would also provide information to existing entrepreneurs regarding:

- Policies/Schemes of the Ministry in the area of credit, technology up-gradation, marketing support, skill development, infrastructure development e.g. Credit Guarantee Scheme, Credit Linked Capital Subsidy Scheme, Performance & Credit Rating Scheme, Schemes under National Manufacturing Competitive Programme, Cluster Development Programme, Marketing Development Assistance Schemes, Assistance to Training Institutions, Entrepreneurship & Skill Development Programmes etc.
- Policies/Schemes of NSIC e.g. Raw Material Distribution, Consortia & Tender Marketing, Single Point Registration for Government Purchases, Credit Facilitation to MSMEs through Tie-up arrangements with Commercial Banks, Technological Facilitation to MSMEs through NSIC Technical Service Centres etc.
- Policies/Schemes of KVIC/Coir Board e.g. Workshed scheme for Khadi Artisans, Enhancement of Productivity and Competitiveness of Khadi Industry and Artisans, Development of improved machines/process/services in rural industries, Interest Subsidy Eligibility Certification Scheme, Product Development Design Intervention & Packaging Scheme, Rejuvenation, Modernisation and Technology Upgradation of the Coir Industry etc.
- Policies/Schemes of the Banks/SIDBI for providing credit to the Micro & Small Enterprises including collateral free loans to MSEs.

The office hours for the Udyami Helpline would be 6:00 AM to 10:00 PM, in two shifts, and would operate on all 365 days including Sundays and Holidays.

<http://www.dcmsme.gov.in/UdyamiHelpline.pdf>

#### **Views of the Steering Committee**

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

### **3.3.4. 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 for the month of June 2010 (Refer Annexure 7.43)**

- The branches of PSU Banks in Kerala sanctioned 1426 Fresh Working Capital Loans to MSME sector amounting to Rs. 191.49 Crores. The cumulative position of performance by banks in Kerala was 27727 fresh working capital loan accounts with an amount of Rs. 2828.29 Crores.
- Rs 61.47 Crores was distributed through 1240 existing loan accounts of MSME entrepreneurs. The cumulative figure under the incremental working capital loans sanctioned to MSME units stood at Rs. 1766.94 Crores in 23786 loan sanctions issued by PSU Banks in Kerala.
- PSU Banks in the State recorded a performance of 171accounts amounting to Rs. 34.98 crores in loans restructured under the package announced by IBA. The cumulative position under restructuring was 16625loans with an amount of Rs. 506.63 crores.
- Up to June 2010, Public Sector Banks in the State had sanctioned 166 Genset loans under the Stimulus package with an amount of Rs.1.67 crores.
- Housing sector had shown a better performance during the month of June 2010 as compared to its previous month's loan sanctions, especially in the larger spreads of loan limit. It was observed that 2200 Housing loans in the category of loans up to Rs. 5 lakhs per party with a total loan outlay of Rs. 39.52 Crores were sanctioned by Public sector banks in the State.
- 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 3420 and 927 loans with total outlays of Rs. 293.03 crores and Rs. 224.66 crores respectively during June 2010. Cumulatively from the month of announcement of the Package i.e. December 2008 up to the end of June 2010, Public sector Banks have sanctioned 50578 housing loans with individual limit up to Rs. 5 lakhs and 42572 loans with limits above Rs. 5 lakhs but not exceeding Rs. 20 lakhs during the 19 months period.
- Under the Category of Housing loans above Rs. 20 lakhs, banks in Kerala had granted 9476 loans so far. 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.
- 2854 auto sector loans were sanctioned by PSU Banks in Kerala during the month of June 2010 with a credit outlay of Rs.83.56 crores whereas the cumulative figures reveal 75316 loans with a loan amount of Rs. 2310.24 Crores during the 19 months period from December 2008 to June 2010. The performance of banks during June 2010 under auto sector under the stimulus package was satisfactory.

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

### **4.1. FRESH ISSUES**

#### **4.1.1. Education Loan – Uniform Rate of Interest** (Suggested by LDM, Kottayam)

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.

#### **Views of the Steering Committee**

*The Steering Committee pointed out 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.*

#### **4.1.2. Difficulties faced by Banks before DRT/Ernakulam - Undue delay for passing orders by the present Presiding Officer** (Suggested by Federal Bank)

- (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.

### **Views of the Steering Committee**

*The Steering Committee observed that being a matter of common interest the matter may be placed in SLBC for carrying it forward.*

#### **4.1.3. 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 (Suggested by Syndicate Bank)**

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.

#### **Views of the Steering Committee**

*The Steering Committee observed that it was a good and worthwhile suggestion made and decided to place the matter before SLBC.*

#### **4.1.4. Providing access to banks to verify online RR details** (Suggested by State Bank of Travancore)

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.

#### **Views of the Steering Committee**

*The Steering Committee decided to place the matter before SLBC. In this regard item 4.2.2 may also be referred.*

#### **4.1.5. Revamping of SAMIS under Lead Bank Scheme**

In the SLRM held on 16<sup>th</sup> & 17<sup>th</sup> 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.

#### **4.2. PENDING ISSUES**

##### **4.2.1. High Level Committee to Review Lead Bank Scheme - Providing banking services in every village having population of over 2000 by March 2011**

In the SLRM held on 16<sup>th</sup> & 17<sup>th</sup> September 2010, it was noted that implementation of Financial Inclusion Plan in the State is far from satisfactory. Though Sub-Committees of DCCs were formed, villages identified at district level and roadmap prepared by SLBC, no significant progress could be made. Hence respective banks have to take immediate steps to ensure implementation of the plan before March 2011.

SLBC had requested all LDMs and Controllers of Banks to ensure prompt submission of monthly progress report. The flow of data from these sources are yet to stabilize and many LDMs/Banks are not prompt in submission of the report. The District wise/bank wise list of unbanked villages having population more than 2000 in Kerala (Refer **Annexure 10.45**).

The present position regarding the issue raised by Corporation Bank on account of its presence in Kannambra and State Bank of India on account of its presence in Vaniyamkulam & Thrikkaderi in Palakkad District shall be informed and necessary amendment to the list of unbanked villages shall be drawn up.

##### **4.2.2. Revenue Recovery Online – Arrears to banks on RR cases of Government Dues**

The matter came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16<sup>th</sup> & 17<sup>th</sup> 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.

*SLBC had written to the Secretary, Revenue Department, Government of Kerala requesting to take necessary action in this regard. Item 4.1.4. may also be referred in this context.*

**4.2.3. 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 16<sup>th</sup> & 17<sup>th</sup> 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
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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.*

#### **4.2.4. 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 99<sup>th</sup> 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 27<sup>th</sup> and 28<sup>th</sup> 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 100<sup>th</sup> 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.

SLBC Convenor, vide letter No. SLBC 35 184 2010 KM dated 01.02.2010, had taken up the matter with the Principal Secretary, Revenue Department.

The matter again came up for discussion during the 101<sup>st</sup> 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.

*SLBC Convenor, vide letter No. SLBC 35 663 2010 RP dated 26.04.2010, had taken up the matter with the Principal Secretary, Revenue Department, requesting to inform the latest developments in this regard so as to place the same in the next meeting 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 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 16<sup>th</sup> & 17<sup>th</sup> 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.

*Revenue Department may inform the latest developments in this regard.*

#### **4.2.5. 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 99<sup>th</sup> meeting of SLBC, Kerala and SLRM 2009.

The matter again came up for discussion during the 100<sup>th</sup> 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 101<sup>st</sup> 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 16<sup>th</sup> & 17<sup>th</sup> September 2010 in Trivandrum. In the Group discussions, the Group suggested that the SLBC may pursue the matter further.

*Taxes Department may inform the latest developments in this regard.*

#### **4.2.6. 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 80<sup>th</sup> 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 94<sup>th</sup> Meeting of SLBC, Kerala held on Trivandrum on 24<sup>th</sup> of December, 2007. There was consensus decision by the SLBC, forum during its 94<sup>th</sup> 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 6<sup>th</sup> & 7<sup>th</sup> 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 98<sup>th</sup> 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 100<sup>th</sup> 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 101<sup>st</sup> 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 16<sup>th</sup> & 17<sup>th</sup> 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.

#### **4.2.7. Creation of a Central Registry titled National Mortgage Repository**

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

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

While reviewing the matter in the 100<sup>th</sup> 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 101<sup>st</sup> 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 16<sup>th</sup> & 17<sup>th</sup> September 2010 in Trivandrum. During the Group discussions, the Group noted the developments and suggested following up the matter further.

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

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

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

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

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

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

#### **4.2.8. 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 95<sup>th</sup> meeting of SLBC Kerala held at Trivandrum on 29<sup>th</sup> 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 101<sup>st</sup> 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 16<sup>th</sup> & 17<sup>th</sup> September 2010 in Trivandrum. During the Group discussions, the Group noted the present position and suggested that the SLBC may follow up the matter.

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

In Kerala, in the case of registered memorandum of Equitable Mortgage Transaction (EMT), the stamp duty applicable is 1.50% of the loan amount and the registration charge is 2 % of the loan amount, making it to a total of 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 94<sup>th</sup> meeting held on the 24<sup>th</sup> 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 100<sup>th</sup> 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 101<sup>st</sup> meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum.

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

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

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

#### **4.2.10. 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 94<sup>th</sup> 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 100<sup>th</sup> 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 101<sup>st</sup> 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.

#### **4.2.11. Notifying More Centres for Equitable Mortgage**

SLBC Kerala had been requesting the Government to declare all places in the State where Sub-Registrar's Offices (SROs) are located, as notified centers for creating Equitable Mortgage (EM) under Section 58-G of Transfer of Property Act. The meeting of the Secretaries chaired by the Chief Secretary on 23.05.2005 had noted that there would be no revenue loss due to this. The meeting had decided that the Secretary (Taxes) would prepare a proposal to be placed before the Council of Ministers to implement the suggestion.

The 90<sup>th</sup> meeting of SLBC, Kerala reviewed the progress in this regard and noted that the state government, even though had agreed in principle to notify more areas, had not implemented the suggestion. The forum observed that in states like Bihar, the entire State had been notified under the Transfer of Property Act and by this any bank branch in the State would be taken as notified centre and EM could be created in any bank branch. The forum decided to pursue the matter with the state government.

While reviewing the matter during the State Level Review Meeting of SLBC, Kerala held on 6<sup>th</sup> & 7<sup>th</sup> October 2008 in Trivandrum, the forum noted that the subject item was a long pending issue with the Government.

The matter again came up for review during the State Level Review Meeting (SLRM) of SLBC, Kerala held on 27<sup>th</sup> and 28<sup>th</sup> August 2009 and was informed that the Chief Secretary advised the Taxes Secretary to prepare a proposal and put up to the Council of Ministers. No further developments have been reported in this regard. Since there is no revenue loss at any stage the matter may be pursued and cleared at the earliest by the Government.

The 100<sup>th</sup> 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 the IG, Registration Department to see whether the department can further facilitate this for administrative convenience.

Sri. A. K. Ramakrishnan, Inspector General, Registration Department, Government of Kerala informed that the issue would be presented before the Principal Secretary for further action.

Dr. P. Prabhakaran IAS, Additional Chief Secretary, Finance Department, Government of Kerala requested SLBC Convenor to take up the matter with the Taxes Department for a final decision.

In light of the above decision, the 101<sup>st</sup> meeting of SLBC, Kerala held on 30.03.2010 decided to take up the matter once again with Taxes Department.

*SLBC vide letter SLBC 35 653 2010 RP dated 29.04.2010 had taken up the matter with the Inspector General, Registration Department, Government of Kerala, a copy of which is endorsed to the Secretary, Planning & Economic Affairs Department, Government of Kerala, requesting to inform the developments in this regard for placing the SLBC, in its next meeting.*

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 with Registration Department. The representative from Registration Department informed that the Government is actively considering this issue. The Sub-Committee requested the Department to expedite the decision.

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

#### **4.2.12. Incentive Scheme for quicker adoption of electronic benefit transfer for government payments**

In the information note to SLBC, it was informed by RBI that the stipulation of condition of reimbursement of Rs.50 per account by RBI in the subject scheme was dependent on the State Government agreeing to pay the transacting banks the transaction fee of 2% of the value of government payments. It has now been informed that the above reimbursement would be made only subject to the State Government and bank concerned mutually agree to the extent of transaction fee payable as against pre-determined level of 2%.

The 100<sup>th</sup> SLBC meeting held on 21.12.2009, noted that Union Bank of India and State Bank of Travancore have gone ahead with the Electronic Transfer and requested other banks to follow suit. However, it was pointed out by RBI that the aspect regarding sharing of cost by the State Government is yet to be decided upon by the Government. The forum hence decided to pursue the matter with State Government.

SLBC vide letter No. SLBC 35 372 2010 RP dated 09.03.2010, had taken up the matter with the Secretary, Planning & Economic Affairs Department enclosing the scheme details for an early decision in the matter.

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

Sri. Teeka Ram Meena IAS, Secretary, Planning & Economic Affairs Department, Government of Kerala informed that the issue was related to Information Technology

Department and which could be implemented only in consultation with Finance Department. In view of the above, he 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 item and suggested that Government is not in favour of passing on 2 % transaction fee to banks as there are many spin off benefits to banks. Moreover, these accounts are all self sustaining for the banks.

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

Vide letter No.18496/F2/09/Plg. dated 02.09.2010, the Secretary, Planning & Economic Affairs (F) Department, Government of Kerala informed that “Government is of the opinion that the banks may implement the Incentive Scheme for quicker adoption of electronic benefit for Government payments without charging the transaction fee from Government since banks will benefit otherwise due to balances in accounts remaining parked with them. The above stand of the Government in the matter may be informed to all concerned.”

During the Group discussions, the Group suggested re-examination of the issue by the Government.

#### **4.2.13. Introduction of Computerization in Revenue Recovery**

The matter came up for discussion in the 100<sup>th</sup> 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 100<sup>th</sup> 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 100<sup>th</sup> 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 101<sup>st</sup> 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 16<sup>th</sup> & 17<sup>th</sup> 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.

*Revenue Department may inform the further developments in this regard.*

#### **4.2.14. Non-Achievement of Target under Differential Rate of Interest (DRI) Scheme**

The DRI advances as at September 2009 recorded a low level growth of 0.02% to last year's gross credit which was much below the mandatory level of 1% of previous year's total advances.

The matter came up for discussion in the 101<sup>st</sup> meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum. The meeting examined the suggestions given by the Steering Committee and decided to refer the matter in the Sub-Committee of SLBC consisting of State Bank of Travancore, State Bank of India, Canara Bank, Union Bank of India, Federal Bank and South Indian Bank and the report of sub-committee may be placed in the next SLBC meeting.

The Sub-Committee constituted met on 05.08.2010 in Trivandrum and recommended the following for the consideration of the forum and making appropriate recommendations.

- (i) The maximum limit of loans that could be granted under DRI scheme shall be enhanced to Rs. 50,000 in urban centres and Rs. 40,000 in rural areas.
- (ii) The stipulation that the second dose of financial assistance under DRI will not be permitted shall be re-examined and relaxation may be permitted duly taking into account the financial status of the family.
- (iii) DRI loans could be integrated with other schemes.
- (iv) DRI scheme is an exclusive scheme and cannot be clubbed with Government sponsored schemes. This stipulation shall be re-examined.
- (v) SHG under BPL first dose can be considered up to the cap stipulated under DRI.

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16<sup>th</sup> & 17<sup>th</sup> September 2010 in Trivandrum. During the Group discussions, the Group noted the recommendations of the Sub-Committee of SLBC met on 05.08.2010 in Trivandrum and suggested to make appropriate recommendations for modification of the stipulated norms to enhance performance. It was also felt the need for enhancement in income ceiling to Rs. 24,000 in rural areas and Rs. 36,000 in semi-urban and urban areas in addition to the existing recommendations of sub-committee. The following recommendations put forth in secondary sector also be considered.

- The present ceiling in respect of DRI loans may be raised to Rs 50,000/- for all activities to step up credit flow under the scheme.
- Banks can consider lending through NGOs.
- Financing of JLGs under the scheme may be considered.
- IAY lending under the scheme without EM is recommended for consideration upto Rs. 50,000/- limit.

#### **4.2.15. 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 101<sup>st</sup> meeting of SLBC.

The matter came up for discussion in the 101<sup>st</sup> 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.

*SLBC vide letter No. SLBC 35 848 2010 RP dated 05.06.2010, had written to KFC and SBT, requesting to provide the scheme details for presenting in the Sub-committee of SLBC.*

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16<sup>th</sup> & 17<sup>th</sup> 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.

#### **4.2.16. Stay being granted by Kerala Government by Revenue Department with regard to RR filed cases for recovery of dues involved in NPA loan accounts**

The matter came up for discussion in the 101<sup>st</sup> meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum as suggested by Syndicate Bank.

As per the guidelines, all the priority sector loans are eligible for coverage under RR Act to recover the dues under NPL accounts. Accordingly all the branches in our Region are filing requisition applications with the RR authorities for recovering the dues involved in identified eligible accounts and the RR officials are co-operating in most of the cases to intensify recovery action.

In this connection we also would like to place before you that:

2. Of late we come across many instances wherein the Government Revenue Department is providing stay, when the recovery notices are issued by Revenue Recovery authorities on the defaulting borrowers, by staying the RR proceedings and allowing very long period to repay the amount involved. When the Revenue Department is allowing easy instalments, the process of recovery is getting delayed considerably and the funds are being blocked up under NPL head for a long period of time at various branches.
3. In few cases the Revenue Department has issued such orders which affects the process of revenue recovery for such loan accounts outstanding eg. Kundara branch.
4. As you are aware the loan accounts are being classified under NPA category after a period of time when default occurs in the respective accounts and RR requisitions are being issued after considerable lapse of time when the provisions under the Act is invoked by the branch.

It is requested to take up the matter suitable with the concerned and apprise them about the necessity of ensuring NPA recovery of loan accounts outstanding at Public Sector Banks and the negative impact it would cause otherwise if remedial steps are not initiated at the earliest.

The 101<sup>st</sup> meeting of SLBC, Kerala concurred with the views of the Steering Committee that other banks are also having these type of problems and took a decision to place the matter before SLBC. Revenue Department may clarify the position in respect of granting of stay and its guidelines.

Sri. Itty Thomas, Assistant General Manager, Syndicate Bank informed that Syndicate Bank is not against the stay being granted to RR filed cases, however Government has to look into the genuineness of the cases. There cannot be a general system of granting of stay that too with more number of instalments. Normally banks are forced to send RR claims only after exhausting all the steps. Even after that Government is again granting further time to pay back in instalments. The money is not going to come back and it may happen after 4 or 5 years. There has to be some reasonable time stipulation and suggested that the stay has to be restricted to may be maximum for 6 months.

Sri. Teeka Ram Meena IAS, Secretary, Planning & Economic Affairs Department, Government of Kerala agreed with the opinion and stated that some times stay has to be granted on account of many reasons. He requested Syndicate Bank to provide some

examples, which would be placed in the Sub-Committee meeting with Revenue Secretary for examining 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 to have a district wise, amount wise, age wise database in cases where stay has been provided in RR initiated cases. It was felt that in the absence of appropriate data arriving at decision might be difficult. If the data collected denotes higher share in terms of stay granting the issue could be examined. A separate meeting with the Additional Chief Secretary (Revenue) may be thought of once data is collected.

The matter again came up for discussion in the State Level Review Meeting of SLBC, Kerala held on 16<sup>th</sup> & 17<sup>th</sup> September 2010 in Trivandrum. During the Group discussions, the Group concurred with the suggestion of the Additional Chief Secretary (Finance) in the Sub-Committee constituted and suggested that data collected may be placed to the Sub-Committee to arrive at a decision on the issue. SLBC is in the process of collecting the data from banks and the Sub-Committee would be convened shortly.

#### **4.2.17. ADWDRS – Waiver of RR collection charges**

The matter was included in the 96<sup>th</sup> 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 96<sup>th</sup> 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 99<sup>th</sup> 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 27<sup>th</sup> and 28<sup>th</sup> 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 16<sup>th</sup> & 17<sup>th</sup> 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.

### **4.3. INFORMATION NOTE**

#### **4.3.1. Scheme of Interest Subsidy for Housing the Urban Poor [ISHUP] (Suggested by Executive Director, Kudumbashree)**

Government of India has launched an initiative for provision of housing for the Economically Weaker Sections (EWS) and Low Income Groups (LIG) through the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). The Ministry of Housing

and Urban Poverty Alleviation (MH &UPA), Government of India has designed an Interest Subsidy Scheme as an additional instrument for addressing the housing needs of the EWS/LIG segments in urban areas. The scheme envisages the provision of interest subsidy to EWS and LIG segments to enable them to buy or construct houses.

Government of Kerala has appointed Kudumbashree, the State Poverty Eradication Mission as the Nodal Agency for facilitating the implementation of ISHUP Scheme in Kerala. As per G.O.(Rt) No.2353/2010/LSGD dated 19.07.2010, Local Self Government (DC) Department, Government of Kerala has issued State Guidelines for the scheme which is shown as **Annexure 10.47.**

The roles of Nodal agency, CDS, Participatory Banks are detailed in the guidelines. The same is placed before SLBC for discussion and further necessary action.

#### **4.3.2. Implementation of Interest Subsidy for Housing the Urban Poor (ISHUP) scheme** (Suggested by National Housing Bank)

- a) The Kerala Government has issued operational guidelines for implementation of the scheme. The guidelines was forwarded by NHB to SLBC Kerala for circulation to banks in Kerala. It is requested that the state level nodal agency for the scheme - Kudumbashree may start sponsoring eligible applications to the Scheduled Commercial banks.
- b) Regional Rural Banks are also included as eligible primary lending institutions to this scheme. This is in addition to Commercial banks and Housing Finance Companies. ISHUP operational guidelines will also be applicable to RRBs.
- c) Commercial banks can also directly accept application from eligible borrowers under this scheme and sanction housing loans as per the Scheme guidelines.
- d) It is recommended that SLBC may have a separate sub committee consisting of state government implementation agency for the scheme, SLBC representatives and Bank representatives and NHB to review the scheme periodically and resolve any problems on the implementation front and clear bottlenecks for faster implementation of scheme. It may be noted that such practice is adopted by SLBC of few other states which helped in speedy resolution of implementation problems.

#### **Views of the Steering Committee**

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

#### **4.3.3. Implementation of Reverse Mortgage Loan** (Suggested by National Housing Bank)

Reverse mortgage is a financial product that enables senior citizens (60 +) who own a house to mortgage their property with a lender and convert part of the home equity into tax-free income without having to sell the house. It aims at partially meeting the financial needs of senior citizens NHB formulated Guidelines in 2008, to introduce the Reverse Mortgage Loan (RML) product in India through Scheduled Commercial Banks (SCBs) and Housing

Finance Companies (HFCs). The product is now being implemented by 25 banks and housing finance institutions all over India.

NHB has now conceived an extension of the RML to ensure life-time annuity payments to the senior citizens, a significant improvement over the initial RML product variant which limited the loan disbursement tenure to a fixed term of 20 years causing considerable inconvenience to the borrowers. This will now facilitate the Senior Citizen borrowers to receive assured life-time payments i.e. even after completion of the fixed term of 20 years, with increased quantum of annuity as compared with earlier product variant.

For the benefit of senior citizens and to create more awareness about this product NHB is willing to conduct seminar/workshop in association with SLBC and bankers in Kerala.

### Views of the Steering Committee

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

#### 4.3.4. District-wise Credit Deposit Ratio in the State

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

#### District-wise C D Ratio in the State as on 30.06.2010

(Rs. in lakhs)

Sl. No.	District	Deposits	Advances	CD Ratio (%)
1	Trivandrum	2733231.00	1726935.00	63.18
2	Kollam	958714.56	596481.91	62.22
3	Pathanamthitta	1390998.53	558867.10	40.18
4	Alappuzha	1016708.02	591099.00	58.14
5	Kottayam	1219434.94	732180.84	60.04
6	Idukki	166618.00	212418.00	127.49
7	Ernakulam	3159124.00	3147829.00	99.64
8	Thrissur	2129115.00	1321900.00	62.09
9	Palakkad	1101480.24	810809.01	73.61
10	Malappuram	816947.00	534753.00	65.46
11	Kozhikkode	1139502.68	848340.54	74.45
12	Wayanad	135229.00	163332.00	120.78
13	Kannur	922936.00	587398.00	63.64
14	Kasaragod	365996.00	337431.00	92.20
<b>Total for State</b>		<b>17256034.97</b>	<b>12169774.40</b>	<b>70.52</b>

In Kerala, Pathanamthitta was the only district having poor CD Ratio which has been constantly under monitoring. As a result, the CD ratio of the district was improved and it touched a level (**40.18** %) just above the benchmark of 40% as at June 2010. 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. It was assured that the position would be improved further by September 2010.

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

#### **4.3.5. Review of Interest Subsidy Scheme for Housing the Urban Poor - ISHUP**

As per the decision of the SLRM held on 16<sup>th</sup> & 17<sup>th</sup> September 2010, the data collected on ISHUP is provided in **Annexure 10.36**.

#### **4.3.6. Review of Progress under Reverse Mortgage Loan Scheme of National Housing Bank – for information**

On a review of the performance, it was seen that as at June 2010, banks in Kerala sanctioned an amount of **Rs. 8.98 crores** (40 accounts) and the balance outstanding was **Rs. 57.39 crores** (785 accounts). The review of performance under this crucial “Housing sector” has become a regular agenda item of SLBC, Kerala at the behest of National Housing Bank (NHB). Details are shown in **Annexure 10.30**.

## 5. Review of Performance under Priority Sector Advances

### 5.1. Review of Priority Sector Advances (Disbursement) as at June 2010 - ACP 2010-11 achievements (Refer Annexures 10.11 & 10.12)

The performance of banks with reference to the Annual Credit Plan-2010-2011 as at June 2010 with Bank wise and District wise break up is furnished in the annexure. The abstract of the performance as at June 2010 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	509	15	1068	94	9	4845	881	18	9217	1484	16
Nationalised Banks	5570	1260	23	1235	129	10	4774	930	19	11579	2319	20
RRBs	2398	940	39	152	12	8	1075	241	22	3625	1193	33
Private Sector Banks	2900	1806	62	935	58	6	3683	585	16	7518	2449	33
Cooperatives	6310	1426	23	584	63	11	9297	2695	29	16191	4184	26
KFC				219	40	18	72	39	55	291	79	27
Total	20482	5941	29	4193	396	9	23746	5371	23	48421	11708	24
% to Total Disbursement		50.74			3.38			45.88			100	

#### 5.1.1. Overall Performance Under Annual Credit Plan

The banking sector of the state has disbursed **Rs. 11708 crores** to the priority sector during the fiscal 2010-11 as at June 2010. This is **24 %** of the annual target of **Rs. 48421 crores**.

Banking group wise analysis reveals that Cooperatives have disbursed the highest quantum of priority sector loans in the state during the fiscal (**Rs. 4184 crores**) followed by Private Sector Banks (**Rs. 2449 crores**).

Disbursement to secondary sector constituted only **3.38 %** 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 that 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. 4085 crores**) followed by State Bank of Travancore (**Rs. 919 crores**). Five Banks viz., Bank of Rajasthan, State Bank of Indore, Indus Ind, Yes Bank and Kotak Mahindra have reported “nil” disbursement to priority sector in the state during the period from 01.04.2010 to 30.06.2010, which needs immediate attention.

Thrissur district stood first in the quantum of priority sector loan disbursement (**Rs. 1904 crores**) followed by Kollam with a disbursement of **Rs. 1356 crores** to Priority Sector. Thrissur district was first in percentage achievement of target (**36.27%**) followed by Palakkad (**29.98%**), Malappuram (**29.39%**), Kollam (**26%**) and Ernakulam (**25.26%**) districts which had achieved targeted levels above the State’s average position. However, Pathnamthitta district (**13.60%**) has registered poor performance under ACP achievement.

### **5.1.2. Performance under Primary Sector**

The primary sector, which comprises of the agriculture sector, accounted for **50.74 %** of the total disbursements in priority sector. The sector achieved **29 %** of the annual target as at June 2010 which is highly appreciable. An amount of **Rs. 5941 crores** was disbursed to the sector as at June 2010 against the year-end target of **Rs.20482 crores**.

Private Sector Banks, by disbursing **Rs. 1806 crores**, accounted for more than one-fourth (**30.39%**) of the total disbursement to the sector. Co-operative Sector accounted for **24%** of the total disbursement to the primary sector of the state by disbursing **Rs. 1425 crores**. And Nationalised Banks disbursed **Rs. 1260 crores**

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

Highest disbursement to primary sector was reported in Trissur district (**Rs. 1142 crores**) followed by Ernakulam (**Rs. 801 crores**) Kollam district (**Rs. 704 crores**). Among the poor performing districts Kottayam district with **12.04 %** achievement of the target and Wayand with **15.50 %** achievement of the target should improve the performance during the remaining part of the fiscal for achieving the annual target.

### 5.1.3. Performance under Secondary Sector

Under secondary sector, which includes the SME Sector, the banking sector of the state could achieve only **9.45 %** of the annual target as at June 2010. Banks in the state have disbursed loans to the tune of **Rs. 396 crores** upto June 2010. Another disturbing fact is that the sector accounted for only **3.38 %** of the disbursement to priority sector in the state.

Nationalised Banks lead in disbursements to the sector (**Rs.129 crores**) followed by State Bank group Banks (**Rs. 94 crore**) and Co-operative Sector (**Rs. 64 crores**). Cooperative Bank led in quantum disbursement to secondary sector in the state by disbursing **Rs. 57 crores** followed by State Bank of India (**Rs. 50 crores**), State Bank of Travancore (**Rs. 43 crores**), Canara Bank (**Rs. 26 crore**). The following Banks have not reported any disbursement to the sector - State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Indore, United Bank of India, Dena Bank, Punjab & Sind Bank, ICICI Bank, Axis Bank, Yes Bank, ING Vysya Bank, Karur Vysya Bank, Laxmivilas Bank, TMB, IDBI Bank, Bank Of Rajasthan, J&K Bank, and Kotak Mahindra Bank.

Among the districts, highest disbursement to secondary sector was reported in Kollam district (**Rs. 83 crores**) followed by Thrissur district (**Rs. 68 crores**).

### 5.1.4. Performance under Tertiary Sector

Tertiary sector accounted for **45.88 %** of the total disbursement to the priority sector in the state thereby slightly increasing its share in the Priority sector credit disbursement as compared to the disbursement during the same period in the previous fiscal. The total disbursement to the sector during the current fiscal upto June 2010 was **Rs. 5371 crores** thereby achieving **22.62 %** of the annual target.

Under quantum of loans disbursed during the current fiscal, Cooperatives lead other banking groups by disbursing **Rs. 2695 crores** followed by Nationalised Bank group with **Rs. 930 crores** of disbursement, State Bank Group (**Rs. 881 crores**) and Private Sector Bank (**Rs. 585 crores**). Under the parameter of percentage achievement of target, PNB (**57.52 %**) topped the list of achievers closely followed by KFC (54.54%). Co-operative Sector, RRB Nationalised Banks State Bank group and private Sector Bank group follow suit with percentage achievement of annual target as **28.99%, 22.35 %, 19.49%, 18.17%** and **15.89 %** respectively.

Among Commercial Banks, State Bank of Travancore leads in disbursement to the sector (**Rs. 493 crores**) followed by State Bank of India (**Rs. 383 crores**), Federal Bank Ltd (**Rs.250 crores**) and PNB (**Rs. 196 crores**). Poor performers under Annual Credit Plan such as State Bank of Bikaner & Jaipur, State Bank of Indore, Bank of Rajasthan, Indus Ind Bank, Yes Bank and Kotak mahindra Bank have reported 'NIL' disbursement to the Tertiary sector in the State.

District wise analysis reveals that Palakkad district has achieved **42.66 %** of the year-end target. The performance of Pathanamthitta (**12.19 %**), Kozhikode (**13.66%**) districts needs considerable improvement.

State Bank of Bikaner & Jaipur, State Bank of Indore, Indus Ind Bank, Bank of Rajasthan, Yes Bank and Kotak Mahindra Bank had not reported any disbursement under Priority Sector. This could be mainly on account of not submitting any LBR returns at all to the respective Lead Bank offices. RBI may note this and intervene with appropriate corrective action.

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

## 5.2. Review of Priority Sector Advances (Outstanding) as at June 2010

(Refer Annexure 10.4)

### 5.2.1. Performance versus National goals

(Figures in percentage)

Sl. No.	PARAMETER	GOAL	June 2006	June 2007	June 2008	June 2009	June 2010	Variation	
								June '08 To June '09	June '09 To June '10
1	Priority Sector Advances to Total Credit	40	53.83	57.44	58.35	59.30	61.04	0.95	1.74
2	Agriculture Advances to Total Credit	18	16.04	18.86	20.22	19.54	23.96	-(0.68)	4.42
3	Weaker Section Adv. to Total Credit	10	11.75	12.84	13.70	23.34	16.43	9.64	-6.91
4	DRI Advances to Total Credit	1	0.02	0.02	0.01	0.25	0.03	0.24	-0.22
5	C: D Ratio	60	67.32	69.47	70.16	62.54	67.68	-(7.62)	5.14

The achievements of the commercial 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 June 2010 is summarized as follows.

(Rs in. Crores)

Parameter	Outstanding					Variation			
	June 2006	June 2007	June 2008	June 2009	June 2010	June '06- June '07	June '07- June '08	June '08- June '09	June '09- June '10
Priority Sector Adv.	27763	36940	44487	49985	60967	9177	7547	5498	10982
Agriculture Adv.	8259	12126	15417	16468	23928	3867	3291	1051	7460
SSI Adv./ SME	3708	4170	7074	7897	14568	462	2904	823	6671
Weaker Section Adv.	6168	8260	10446	19672	16411	2092	2186	9226	-3261
SC Advances	697	886	1702	2323	2393	189	816	621	60
ST Advances					684	0	0	0	684
DRI Advances	9	9.58	10.96	214.17	26.23	0.58	1.38	203.21	-187.94

### **Performance of the Banking sector inclusive of KSCARDB as at June 2010**

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

#### **Performance of KSCARDB under Priority Sector Advances**

(Amount Outstanding)

(Rs in. Crores)

Parameter	June 2009		KSCARDB % to total advances	June 2010		KSCARDB % to total advances
	KSCARDB	COMM. BANKS + KSCARDB		KSCARDB	COMM. BANKS + KSCARDB	
Total advances	1845.02	88176.81		1990.50	104023.50	
Priority Sector Adv.	1845.02	51829.76	100.00	1990.50	62957.95	100.00
Agriculture Adv.	614.70	17082.37	33.32	615.82	24543.74	30.94
SSI Adv./ SME	285.99	8182.80	15.50	401.59	14969.89	20.18
Weaker Section Adv.	1651.00	21323.44	89.48	1767.50	18178.39	88.80
SC Advances	55.35	2378.17	3.00	85.00	2477.67	4.27
ST Advances				0.00	684.44	
DRI Advances	0.00	214.17	0	0.00	26.23	

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

During the first quarter of the financial year of 2010-11, Priority Sector Advances increased by **Rs. 2763 crores** as against **Rs. 1598 crores** added during the corresponding period of last fiscal.

Against the mandatory norm of 40% under priority sector advances, as at June 2010, **61.04%** of the total advances of the banks in the state was to priority sector. This shows a year-on-year increase of **174** basis points.

**Banking Group Wise Performance Under  
Priority Sector Advances as at June 2010**

(Rs in. Crores)

BANK	Total Advances			Priority Sector Advances			% PSA to Total Adv. (June '10)
	June 2009	June 2010	Growth June '09-June '10	June 2009	June 2010	Growth June '09-June '10	
State Bank Group	28559	34010	5451	16397	18836	2439	55.38
Nationalised Banks	25193	31508	6315	17889	23311	5422	73.98
RRBs	3923	4906	983	3489	4373	884	89.14
Private Sector Banks	26015	29461	3446	12100	14447	2347	49.04
Foreign Banks	594	0	0	110	0	0	0
<b>GRAND TOTAL</b>	<b>84284</b>	<b>99885</b>	<b>16195</b>	<b>49985</b>	<b>60967</b>	<b>11092</b>	<b>61.04</b>

During the first quarter of the financial year of 2010-11, highest growth in Priority Sector advances was contributed by Nationalised Bank (**Rs. 5422 crores**) followed by the State Bank Group (**Rs. 2439 crores**). RRBs have **89.14 %** of their advances under priority sector followed by Nationalised Banks (**73.98 %**) and the State Bank Group (**55.38%**). Private Sector Banks have achieved **49.04%** under Priority sector advances as at June 2010.

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

**5.2.3. Agriculture Advances** (Refer Annexure 10.5)

(Rs in. Crores)

Parameter	Outstanding				Variation		
	June 2007	June 2008	June 2009	June 2010	June '07-June '08	June '08-June '09	June '09-June '10
Agriculture Adv.	8601	15417	16468	23928	6816	1051	7460

The outstanding advances to agriculture sector in the state have increased by **Rs. 2142 crores** during the first quarter of the current fiscal and year on year increase was to the tune of Rs.7460 Crores.

**Banking Group Wise Performance Under  
Agriculture Advances as at June 2010**

(Rs in. Crores)

BANK	Total Advances			Agriculture Advances			% Agri. Adv to Total Adv. (June 2010)
	June 2009	June 2010	Growth June '09 June '10	June 2009	June 2010	Growth June '09 June '10	
State Bank Group	28559	34010	5451	3348	4389	1041	12.91
Nationalised Banks	25193	31508	6315	6228	9954	3726	31.59
RRBs	3923	4906	983	1981	2709	728	55.22
Private Sector Banks	26015	29461	3446	4911	6876	1965	23.34
Foreign Banks	594	0	0	0	0	0	0
<b>GRAND TOTAL</b>	<b>84284</b>	<b>99885</b>	<b>16195</b>	<b>16468</b>	<b>23928</b>	<b>7460</b>	<b>23.96</b>

Nationalised Bank group has contributed the highest quantum growth in agriculture advances outstanding (**Rs. 3726 crores**) followed by Private Sector Bank group (**Rs. 1965 crores**), State Bank group and RRBs have shown a growth of **Rs. 1041 crores** and **Rs. 728 crores** respectively.

55.22% of the advances outstanding with RRBs in the state is to agriculture sector. State Bank group has the least outstanding under agriculture in terms of percentage agriculture advances to total advances (only 12.91%)

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, Corporation Bank, Indian Overseas Bank, Punjab National Bank, Union Bank of India, UCO Bank, Central Bank Of India, Syndicate Bank and Vijaya Bank .Catholic Syrian Bank, Federal Bank, ICICI Bank, Dhanalakshmi Bank, Ing Vysya Bank, South Indian Bank, Tamil Nad Mercantile Bank and Axis Bank are the Private Sector banks having agriculture advances more than 18% of their total credit.

The performance of the Private Sector Banks has to be improved further.

As far as KSCARDB is concerned, **30.94 %** of their advances was to agriculture sector.

#### 5.2.4. SME Advances (Priority) (Refer Annexures 10.6 & 10.41)

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

(Rs in. Crores)

Parameter	Outstanding				Variation		
	June 2007	June 2008	June 2009	June 2010	June '07- June '08	June '08- June '09	June '09- June '10
SME Advances	4133	7074	7897	14568	2941	823	6671

The total outstanding under SME (Priority) advance of commercial banks in the state has grown up by **Rs. 6671 crores** from June '09 to June '10. The growth is encouraging as compared to that recorded (**Rs. 823 crores**) during the corresponding period of the previous fiscal and recorded an increase of 84%.

The good performance under SME sector (Priority) may probably be due to the correct classification by almost all banks as per the MSMED Act 2006 and subsequent amendments that has been put in place. The reporting to SLBC also got streamlined with effect from the last quarter. Despite all the above, we still come across situations wherein 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)									
	June 2009				June 2010					
	Micro Enterprises		Small Enterprises		Micro Enterprises		Small Enterprise		Retail Trade	
	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt
State Bank Group	42667	563	8570	1316	27522	965	133024	2033	102515	1148
Nationalised Banks	13702	1851	26527	1305	17549	2619	38165	2209	275205	746
RRBs	85503	388	1177	54	85383	439	1142	56	105423	432
Private Sector Banks	29354	909	14524	1504	33110	1349	45045	2132	7047	440
Foreign Banks	89	2	204	5	0	0	0	0	0	0
<b>Grand total</b>	<b>294639</b>	<b>3713</b>	<b>51002</b>	<b>4184</b>	<b>32150</b>	<b>5372</b>	<b>217376</b>	<b>6430</b>	<b>490190</b>	<b>2766</b>

### 5.2.5. Advances to Weaker Section (Refer Annexure 10.9)

(Rs in. Crores)

Parameter	Outstanding				Variation		
	June 2007	June 2008	June 2009	June 2010	June '07- June '08	June '08- June '09	June '09- June '10
<b>Weaker Section Adv.</b>	8260	10446	19672	16411	2186	9226	-3261

Weaker Section advances shows a negative growth of **Rs. 3261 crores** during the first quarter of the fiscal 2010-11. The outstanding figure stood at **Rs. 16411 crores** which is **16.43 %** of the total advances.

### 5.2.6. Advances to SC/STs (Refer Annexure 10.9)

(Rs in. Crores)

Parameter	Outstanding				Variation		
	June 2007	June 2008	June 2009	June 2010	June '07- June '08	June '08- June '09	June '09- June '10
SC Advances	886	1702	2322	2393	816	620	71
ST Advances	NA	NA	NA	684	NA	NA	NA
<b>Total SC/ST Advances</b>	886	1702	2322	3077	816	620	755

The rate of growth in credit to SC/STs has increased during the first quarter of 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 areas such as lending to SC/ST beneficiaries.

As evident from the table below, almost **97.20 %** of the SC advances of the state is contributed by Public Sector Banks (including RRBs), while the share of Private Sector Banks is just about **2.80%**. In the case of ST advances **98.83 %** advances is contributed by Public Sector Banks (including RRBs) while the share of Private Sector Banks is just about **1.17%**.

### Banking Group Wise Performance under SC/ST advances

As at June 2010

(Rs. in crores)

BANK	SC Advances			ST Advances		
	Outstanding		% O/S to total	Outstanding		% O/S to total
	No.	Amount		No.	Amount	
<b>State Bank Group</b>	83247	1408	58.84	15313	310	45.32
<b>Nationalised Banks</b>	109183	852	35.60	42172	359	52.49
<b>RRBs</b>	52421	66	2.76	2882	7	1.02
<b>Private Sector Banks</b>	14554	67	2.80	984	8	1.17
<b>GRAND TOTAL</b>	<b>259405</b>	<b>2393</b>	<b>100.00</b>	<b>61351</b>	<b>684</b>	<b>100.00</b>

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

### 5.2.7. DRI Advances (Refer Annexure 10.10)

(Rs in. Crores)

Parameter	Outstanding				Variation		
	June 2007	June 2008	June 2009	June 2010	June '07- June '08	June '08- June '09	June '09- June '10
<b>DRI Advances</b>	9.58	10.96	214.17	26.23	1.38	203.21	-187.94

Against the national goal of 1% of the previous year's Gross Bank Credit, banks in the State could provide only 0.03 % of the total credit under the DRI scheme as at June 2010.

The table below reveals that, Public Sector Banks account for bulk of the DRI advances (**88.41 %**) in the State whereas private sector banks contribute only **11.59%** of the DRI advances of the state. It is often noticed that data submitted by banks under DRI advance is highly inconsistent.

### Banking Group Wise Performance under DRI advances As at June 2010

(Rs. in lakhs)

BANK	DRI Advances	
	O/S	% to total
<b>State Bank Group</b>	286	10.90
<b>Nationalised Banks</b>	1980	75.49
<b>Private Sector Banks</b>	304	11.59
<b>RRBs</b>	53	2.02
<b>GRAND TOTAL</b>	<b>2623</b>	<b>100.00</b>

## 6. Review of Performance under Special Focus Programmes

### 6.1. Swarozgar Credit Card Scheme (Refer Annexure 10.22)

The data submitted by the controlling offices reveal that banks in the state have sanctioned **1509** Swarozgar Credit Cards (SCCs) during the first quarter of the year 2010-11. The limits sanctioned to the tune of **Rs. 6.18 crore**. Since inception of the scheme the banks have sanctioned **76758** cards in the state amounting to **Rs. 251.71 crores**. The amount outstanding as at June 2010 is **Rs. 97.19 crore** in **37880** cards. The Bank wise data is furnished in the annexure. SMGB leads in the performance by sanctioning maximum number of cards followed by NMGB.

## **6.2. Artisans Credit Card Scheme (Refer Annexure 10.22)**

Commercial banks in the state have sanctioned only **22** Artisans Credit Cards (ACCs) during the quarter ended June 2010. The total limits sanctioned are to the tune of **Rs. 6.98 lakhs**. Since inception of the scheme, the banks have sanctioned **4210** cards in the state with a limit amounting to **Rs. 24.93 crore**. The amount outstanding as at June 2010 is **Rs. 5.74 crore** in **1619** cards.

Canara Bank leads among the commercial banks in the state by issuing the highest number of cards. Private sector banks have not sanctioned any loans under the scheme during the quarter. The Bank wise data is furnished in the annexure.

## **6.3. Laghu Udhyaami Credit Cards (Refer Annexure 10.22)**

Commercial banks in the state have sanctioned only **158** Laghu Udhyaami Credit Cards (LUCC) during the first quarter of 2010-11 making available credit limits to the tune of **Rs. 6.34 crore** to small entrepreneurs of the state. Since inception of the scheme, the banks have sanctioned **17134** LUCCs in the state sanctioning credit limits amounting to **Rs. 302.11 crores**. The amount outstanding as at June 2010 is **Rs.74.87 crores** in **3936** cards. SBT leads in the state by issuing highest number of LUC Cards followed by Syndicate Bank and Canara Bank. Private sector banks are yet to sanction any loans under the scheme. The Bank wise data is furnished in the annexure.

## **6.4. Performance under General Credit Card Scheme (Refer Annexure 10.27)**

As per the data submitted by the controlling offices of banks to the Convener SLBC, banks in the state have been actively issuing General Credit Cards (GCC). During the quarter under review (April-June 2010), banks in the State have sanctioned **5349** GCCs with limits amounting to **Rs. 11.82 crore**. The outstanding under GCCs as at 30.06.2010 is **91783** cards with a liability of **Rs. 188.94 crores**

Canara Bank leads in issuance of GCC with **3463** GCCs issued during the quarter and with **127.50** crores outstanding. This is followed by NMGB with **13300** cards, SMGB with **11965** cards and Federal Bank with **2865** cards outstanding. The bank wise data is given in the annexure. Canara Bank accounted for 65% of fresh cards issued during the quarter. This being a product meant for Financial inclusion Banks across the State should show more interest to popularise the scheme.

## **6.5. Performance under Kisan Credit Card Scheme (Refer Annexure 10.20)**

As per the reports available with the Convenor SLBC, **62352** Kisan Credit Cards with an amount of **Rs. 530.54 crores** have been issued during the first quarter of the current fiscal. In the State, **3040035** KCCs were issued since inception involving a credit outlay of **Rs.11901.66 crores**. As at June 2010, the outstanding number of loan accounts under KCC is **1544206** with **Rs. 4727.26 crores**. **881755** farmers were covered under Personal Accident Insurance Scheme (PAIS) linked to KCC. Bank wise data is given in the annexure.

To improve the performance under KCC and to ensure that all farmers are being brought under the ambit of KCC, the subcommittee of SLBC had decided to allot targets to Banks and accordingly the same has been allotted by SLBC. Banks are requested to achieve the targets and improve their performances by close monitoring of the branches.

#### **6.6. Agri-Clinics and Agri Business Centres (Refer Annexure 10.19)**

The outstanding accounts under Agri clinics in the State by Commercial Banks are **12** with a credit outlay of **Rs. 64.53 lakhs**.

There were **242** Agri-Business Centres opened in the State from the date of inception of the scheme with a credit outlay of **Rs. 3025 lakhs**. As at June 2010, **120** Agri-Business centres exist with an outstanding amount of **Rs. 597 lakhs**.

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

##### **6.7.1. Progress achieved in claiming interest waiver under Relief Package**

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

##### **6.7.2. Progress in Rescheduling of loans under Relief Package**

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

##### **6.7.3. Fresh loans provided against rescheduled accounts under Relief Package**

Under the PM's Relief Package **Rs. 34.74 crores** in **9386** accounts was provided as fresh finance against the rescheduled accounts. Though the fresh finance against the rescheduled accounts show a less brighter picture, banks in the 3 identified districts surpassed its target under Annual Credit Plan during 2007-08 by disbursing **Rs. 2324.30 crores** of agriculture advance against the target of **Rs. 1957.83 crores**. In the first quarter of the fiscal 2010-11, banks in these 3 districts disbursed **Rs.766.94 crores** of agriculture loans taking a share of 21.13% of annual target under ACP.

## 6.8. Credit Flow to Minority Communities (Refer Annexures 10.39 & 10.40)

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 in the annexure. The data reveal that there is significant increase in amount of loans availed by 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 **67.49** % of the total priority advances has gone to the minority communities as at June 2010.

### 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

## 6.9. Performance under Micro-credit (Annexures 10.23 to 10.26)

SLBC had compiled the data obtained from all banks regarding the cumulative performance of banks in the state as at June 2010. The bank-wise performance is given as annexure.

On a review of the performance, it is seen that about **3.41 lakh** SHGs maintain savings account with commercial banks as at June 2010 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	Excl. Women
<b>State Bank Group</b>	165983	188.35	45929	148322
<b>Nationalised Banks</b>	97598	579.38	18019	76214
<b>RRBs</b>	36773	9.83	10966	31521
<b>Private Sector Banks</b>	40291	34.77	7702	36896
<b>Total - Kerala State</b>	<b>340645</b>	<b>812.33</b>	<b>82616</b>	<b>292953</b>

As evident from the above **86%** of the SHGs are exclusive women SHGs and **24.25%** 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	of which	
		Under Govt. Sponsored	Women SHGs
<b>Financing SHGs directly by banks</b>	204082	56516	182334
<b>Financing SHGs directly with the facilitation of NGOs</b>	81387	12355	71955
<b>Financing SHGs through the medium of NGOs</b>	76004	37419	70200
<b>Total No. of SHGs linked</b>	<b>361473</b>	<b>106290</b>	<b>324489</b>

As could be seen from the above table, about **3.61 lakh** SHGs have been linked in the state so far under the SHG-Bank linkage programme. Over **57 %** of the SHG linkages have been done directly by banks.

## 6.10. Small and Medium Enterprises (SME) Advances (Refer Annexures 10.6 & 10.41)

Consequent on the promulgation of MSMED Act, 2006 the advances classified under SME comes under priority (Micro & Small Enterprises) as well as Non-Priority (Medium Enterprises). The total advances under SME priority as on June 2010 come to **Rs. 14568 crores** for the commercial banks in the state. Out of this, Micro and Small Enterprises constitute **Rs. 5372 crores** and **Rs. 6429 crores** and Retail trade under SME **Rs. 2767 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. 4712 crores** covering **9046** loan accounts with commercial banks. The bank wise details are given in the annexure.

## 7. Review of Performance under Government Sponsored Schemes

### 7.1. Swarna Jayanthi Shahari Rozgar Yojana (SJSRY) as at June 2010 (Refer Annexures 10.15 to 10.18)

The performance of the State under SJSRY upto June 2010 is summarized hereunder:

(Rs. in lakhs)

Sub component	No. of Applications							Subsidy Released Amount	Amount of Loan	
	Forwarded	Rejected	Sanctioned	Pending to Sanction	Disbursed	Pending for Disburse	Total Pending		Sanctioned	Disbursed
USEP	56116	24708	25068	6340	23779	1289	7629	830.05	5897.98	5491.27
DWCUA	2521	227	1980	314	1890	90	404	1436.14	2493.40	2357.63
<b>Total</b>	<b>58637</b>	<b>24935</b>	<b>27048</b>	<b>6654</b>	<b>25669</b>	<b>1379</b>	<b>8033</b>	<b>2266.19</b>	<b>8391.38</b>	<b>7848.90</b>

The banks have sanctioned **25068** loans to individual beneficiaries (for micro enterprises under USEP scheme) as at June 2010 involving loan amount of **Rs. 5897.98 lakhs**. Under DWCUA (Development of Women and Children in Urban Areas), **1980** groups were sanctioned with loans to the tune of **Rs. 2493.40 lakhs**.

### Banking Group wise performance under SJSRY as at June 2010

(Rs. in lakhs)

Sl. No.	Bank	USEP		DWCUA		Total SJSRY	
		Sanctions		Sanctions		Sanctions	
		No	Amount	No	Amount	No	Amount
1	<b>Public Sector Bank</b>	20399	5027.02	1559	2002.85	21958	7029.87
2	<b>Private Sector Banks</b>	2476	542.37	157	210.29	2633	752.66
3	<b>Others</b>	2193	328.59	264	280.26	2457	608.85
	<b>Total</b>	<b>25068</b>	<b>5897.98</b>	<b>1980</b>	<b>2493.40</b>	<b>27048</b>	<b>8391.38</b>

Analysis of the Bank wise performance reveals that Public Sector Banks (including RRBs) accounted for **81.18 %** the loans (Number) sanctioned and **83.77%** 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 Controlling offices. The details are available in the annexures.

## 7.2. Swarnajayanthi Gram Swarozgar Yojana (SGSY) - Performance as at June 2010 (Refer Annexures 10.13 & 10.14)

The credit mobilisation target for 2010-11 is **Rs. 9347.25 lakhs**. As at June 2010, the state has reached only **8.20 %** of the target. Banking group wise analysis reveals that State Bank group had achieved **9.39 %** of the target while Nationalised Banks had achieved **7.44%** of the target and Cooperative banks with **17.56%** which are above the State's performance level. The performance of Private Sector Banks (**2.94 %**) and RRBs (**4.09%**) are below the State's performance level and needs improvement.

### SGSY – Performance as at June 2010

(Rs. in lakhs)

Sl. No	Name of Bank	Target	Total SGSY						% Achvmt.
			Forwarded		Sanctioned		Disbursed		
			No.	Amount	No.	Amount	No.	Amount	Sanc.Amt
1	State Bank Group	2073.64	780	860.55	155	196.75	64	75.71	<b>9.49</b>
2	Nationalised Banks	2984.18	861	957.16	167	226.40	76	114.45	<b>7.59</b>
3	Private Sector Banks	1478.26	272	297.47	34	43.41	16	23.35	<b>2.94</b>
4	RRBs	1193.88	371	245.01	62	54.57	21	16.04	<b>4.57</b>
5	Co-operative Banks	1617.29	721	707.74	198	245.33	86	111.85	<b>17.56</b>
	State Total	<b>9347.25</b>	<b>3005</b>	<b>3067.93</b>	<b>616</b>	<b>766.46</b>	<b>263</b>	<b>341.40</b>	<b>8.20</b>

All the banks have improved their performance such that during the first quarter of the year of 2010-2011, the performance could be improved to reach a level of **8.20%**.

## 8. Review of Performance of the Banking Sector

### 8.1. Banking Statistics as at June 2010 (Refer Annexure 10.1 to 10.3)

The detailed banking statistics for the State as at June 2010 is furnished in the Annexure.

A comparative analysis of the data over the previous fiscals is presented below.

(Rs. in crores)

Parameter	Outstanding			Variation	
	June 2008	June 2009	June 2010	June '08- June '09	June '09- June '10
No. of Branches	3974	4129	4361	155	232
Total Deposits	108658	134764	147369	26106	12605
Domestic Deposits	76793	96781	109333	19988	12552
NR Deposits	31865	37983	38036	6028	53
Total Advances	76230	84284	99885	8054	15601
Investments	2523	4115	3769	1592	-346
Advances + Investment	78753	88399	103654	9646	15255
C : D Ratio	70.16	62.54	67.68	(-7.62)	5.14
C+I : D Ratio	72.48	65.60	70.34	(-6.88)	4.74

## 8.2. Branch Network

As at the end of June 2010, the total number of branches of Commercial Banks in the State was **4361**.

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	204	2026	661	<b>2891</b>	4.68	46.46	15.16	<b>66.30</b>
Private Sector Banks	263	896	311	<b>1470</b>	6.03	20.54	7.13	<b>33.70</b>
Total	<b>467</b>	<b>2922</b>	<b>972</b>	<b>4361</b>	<b>10.71</b>	<b>67.00</b>	<b>22.29</b>	<b>100.00</b>

Of the total Commercial banks in the state, Public sector Banks account for **66.30%** of the branch network in the state. Private sector banks are having the highest number of rural branches (263 branches). Of the total branch network of Commercial banks in the State, only **10.71 %** are in rural areas whereas Semi-urban areas have **67 %** of the bank branches in the state. Urban branches constitute **22.29%** of the branch network.

On a comparison with June 2009 position, it is found that Public sector banks have increased their tally of branches by **128** whereas that of Private Sector Banks increased by **109** branches as of June 2010.

### 8.3. Deposit growth

During the period June 2009 to June 2010 , there was a growth of **Rs.12605 crores** in Deposits of the State and the outstanding total deposits reached a level of **Rs. 147369 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. 134764 crores**. Percentage wise, there is a year-on-year growth of **9.35 %**.

Another significant feature in this deposits growth is that the share of domestic deposits in total deposits is gradually increasing. As at June 2005, the share of domestic deposits in the total deposits was **54.82 %**, which has now steadily increased to **74.19%** as at June 2010.

#### Sectoral Growth of Deposit over the Years

(Rs. in Crores)

Type of deposit	June 2005	June 2006	June 2007	June 2008	June 2009	June 2010
Total Deposit	69093	79676	92576	108658	134764	147369
Domestic Deposit	40365	47429	60581	76793	96781	109333
N R Deposit	28728	32247	31995	31865	37983	38036
% Share of Domestic Deposits	58.42	59.53	65.44	70.67	71.82	74.19

#### A. Banking Group wise Growth in Deposits

As evident from the following table State Bank Group (**36.93 %**), Private Sector Banks (**35.19 %**), followed by Nationalised Banks (**25.39 %**) has the highest share in growth of deposits among the Commercial Banks in the State.

#### Banking Group wise Growth in Deposits

(Rs. in crores)

Sl. No.	Banking group	Total Deposits		% Share in Total Deposits (June '10)	Variation (June '09 -June'10)	% Share in Growth
		June 2009	June 2010			
1	<b>State Bank Group</b>	47704	52640	35.72	4936	<b>36.93</b>
2	<b>Nationalised Banks</b>	40114	43507	29.52	3393	<b>25.39</b>
3	<b>RRB s</b>	4003	4336	2.94	333	<b>2.49</b>
4	<b>Private Sector Banks</b>	42182	46886	31.82	4704	<b>35.19</b>
5	<b>Foreign Banks</b>	761	NA	NA	NA	<b>NA</b>
	<b>Total</b>	<b>134764</b>	<b>147369</b>	<b>100.00</b>	<b>13366</b>	<b>100.00</b>

Banking Group wise comparison reveals that **35.72 %** of the deposits in the state is with State Bank group, which has got a **22.45 %** share in branch network. The corresponding figures for Private Sector Banks group are **33.71 %** share in branch network and **31.82 %**

share in deposits. Nationalised Banks, which have **34.53 %** of the branch network in the state, have a share of **29.52 %** in total deposits. RRBs, in spite of having a share of **9.31%** of the branch network has only **2.94 %** 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	1698	31365	19577	52640	3.23	59.58	37.19	100	35.72
Nationalised Banks	1618	23938	17951	43507	3.72	55.02	41.26	100	29.52
RRB s	438	3177	721	4336	10.10	73.27	16.63	100	2.94
Private Sector Banks	5767	25322	15797	46887	12.30	54.01	33.69	100	31.82
<b>Total</b>	<b>9521</b>	<b>83802</b>	<b>54046</b>	<b>147369</b>	<b>6.46</b>	<b>56.87</b>	<b>36.67</b>	<b>100</b>	<b>100.00</b>

As evident from the above table, **56.87 %** of the total deposits of the state is from semi-urban areas where **67 %** of the branch network exists. Urban areas accounted for **36.67 %** of the deposits and rural areas, **6.46 %**. On a comparison with June 2009 position, it is found that the share of semi-urban branches in total deposits is showing gradual decreasing trends. The urban and rural branches have shown an increasing trend in deposits.

#### 8.4. NR Deposits (Refer Annexure 10.2)

The NR deposits of the state stood at **Rs. 37983 crores** as at June 2009 which touched level of **Rs. 38036 crores** as at June 2010. There was an increase of **Rs. 53 crores**.

### 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	428	11351	4618	16397	2.61	69.23	28.16	100	43.11
Nationalised Banks	380	6984	3018	10382	3.66	67.27	29.07	100	27.30
RRB s	34	161	11	206	16.50	78.16	5.34	100	0.54
Private Sector Banks	1467	6837	2747	11051	13.27	61.87	24.86	100	29.05
<b>Total</b>	<b>2309</b>	<b>25333</b>	<b>10394</b>	<b>38036</b>	<b>6.07</b>	<b>66.60</b>	<b>27.33</b>	<b>100</b>	<b>100.00</b>

State Bank group has the highest share (**43.11 %**) in the NR deposits from the State followed by Private Sector Banks (**29.05 %**) and Nationalised Banks has got the share of (**27.30 %**) and of the total Non-Resident deposits, **66.60 %** deposits were from Semi Urban areas while Urban areas accounted for **27.33 %** and rural areas, **6.07%**. During the present quarter under review, the share of N R Deposits in both rural and urban areas showed an increasing trend and semi-urban areas showed a declining trend.

### 8.5. Domestic Deposits

The growth in domestic deposits during the June 2009 to June 2010 (**Rs. 12282 crore**) was lower than the quantum growth during the previous fiscal (**Rs. 19988 crore**).

#### Share of Domestic Deposits in Total Deposits (%)

June 2005	June 2006	June 2007	June 2008	June 2009	June 2010
58.42	59.53	65.44	70.67	71.82	74.19

As at June 2010, domestic deposits accounted for **74.19%** of the total deposits and this ratio is gradually increasing as evident from the table given above.

### 8.6. Credit Expansion (Refer Annexure 10.2)

#### Growth in Advances of the Banking sector in the State

(Rs. in crores)

Parameter	Total Advances Outstanding over the Years					
	June 2005	June 2006	June 2007	June 2008	June 2009	June 2010
Total Advances	42319	53668	64313	76230	84284	99885
% Growth over the previous fiscal	29.87	26.82	19.83	18.53	10.57	18.51

The year on year growth under the total advances during the first quarter of the current fiscal, grew by **Rs. 15601 crores** to reach **Rs. 99885 crores** as at June 2010.

Comparison of the growth in advances during the first quarter of the current fiscal with that of the previous fiscal reveals that the advances growth during the current fiscal so far was **Rs. 15601 crores** more than that of last year. Against **Rs. 8054 crores** added during the first quarter of last year, this year **Rs.15601 crores** could be added from June 2009 to June 2010. Thus it is evident that the credit growth in the state is growing up during the current fiscal when compared to the pace of growth during the previous fiscal.

On a year-on-year basis there was a growth of **Rs. 15601 crores** during June 2009-June 2010 period.

### **Share Of Banking Groups In Total Advances Of The State**

State Bank Group have the highest share (**34.05 %** each) in the total advances outstanding in the state closely followed by the Nationalised Banks which contributed at **31.54 %**. The Public Sector Banks accounted for **70.50 %** of the total advances against a **66.29 %** 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	1645	17225	15140	34010	4.83	50.65	44.52	100	34.05
Nationalised Banks	1190	14042	16276	31508	3.78	44.57	51.65	100	31.54
RRB s	516	4074	316	4906	10.52	83.04	6.44	100	4.91
Private Sector Banks	2971	12559	13931	29461	10.08	42.63	47.29	100	29.50
<b>Total</b>	<b>6322</b>	<b>47900</b>	<b>45663</b>	<b>99885</b>	<b>6.33</b>	<b>47.96</b>	<b>45.71</b>	<b>100</b>	<b>100.00</b>

Further, **47.96 %** of the total advances in the state is to semi urban areas where **67 %** of the branch network exists. Urban areas had **45.71 %** share in total advances against a share of **22.29 %** in branch network. Rural areas had a share of **6.33** only in the total advances deployed in the state where as they hold a share of **10.71 %** in total commercial branch network.

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

The Credit-Deposit ratio of the Commercial Banking sector of the State has increased by **5.24** percentage points from June 2009 to June 2010 to reach **67.78 %** as at June 2010.

### Banking Group wise C D ratio as at June 2010

Banking Group	C D Ratio - Percentage Distribution as at June 2010			
	Rural	Semi-Urban	Urban	Total
State Bank Group	96.89	54.92	77.34	64.61
Nationalised Banks	73.58	58.66	90.67	72.42
RRBs	117.87	128.22	43.88	113.15
Private Sector Banks	51.51	49.60	88.19	62.83
<b>Total</b>	<b>66.41</b>	<b>57.16</b>	<b>84.49</b>	<b>67.78</b>

The C D Ratio of rural areas of the state at **66.41 %** is more than the mandatory norm of **60%**. Further, the urban areas have a high CD ratio of **84.49 %** whereas that in Semi urban area is at **57.16 %**.

The C D ratio of RRBs is the highest at **113.15 %**. 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 whereas that of In rural areas, all the public sector banks have shown a better C D Ratio level well above the RBI stipulated 60 %. Private sector banks have shown a figure of **51.51%**. In the Semi-Urban areas, the Nationalised, State bank group and Private Bank Groups could attain a CD Ratio level of **58.66%, 54.92%, 49.60% respectively** which is below the national benchmark of 60%.

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

The C+I D ratio of the Commercial Banking Sector of the State as at June 2010 stood at **70.34 %**. There is an increase of **4.74%** from the level of **65.60 %** as at June 2009 to the present level of **70.34 %** as at June 2010.

#### **9. Any other matter with the permission of the chair**

#### **10. Annexures**