

STATE LEVEL REVIEW MEETING 2010

1. ADOPTION OF MINUTES

The minutes of the 101st meeting of SLBC, Kerala held on 30th March, 2010 has already been forwarded to the members vide Convener's letter SLBC 35 805 2010 RP dated 17.05.2010. No amendments for the minutes have been received so far.

The House may adopt the said minutes.

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

2.1. Review Of Performance Under Annual Credit Plan 2009-2010

2.1.1. Bankwise Performance – Primary Sector

The banking sector in the state disbursed **Rs. 24124 crores** to the farm sector during the fiscal 2009-10, surpassing the target of **Rs. 17789 crores** fixed with a comfortable margin.

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

(Rs. in crores)

Sl. No	Banking Group	Disbursement	% Share in Total Disbursement	% Achievement of the target
1	State Bank Group	3102	12.86	113.46
2	Nationalised Banks	6332	26.25	127.75
3	RRBs	3090	12.81	155.03
4	Private Sector Banks	5307	22.00	203.66
5	Co-operatives	6292	26.08	114.39
6	KFC	1		
	State Total	24124	100.00	135.61

Nationalised Banks accounted for (26.25%) of the total disbursement in the state to primary sector followed by Co-operative Sector (26.08%). Private Sector Bank group accounted for 22% of target under the ACP 2009-10. The group may deliberate on the ways to ensure equitable participation of all banks in lending to the agriculture sector of the state.

Bank-wise review of the performance reveals that the following banks did not achieve the target in this sector during 2009-10.

Sl. No.	Bank	% achvt.
1	Central Bank of India	91.84
2	Bank of Maharashtra	87.66
3	Indian Bank	83.73
4	Vijaya Bank	81.10
5	The Federal Bank Ltd	79.17
6	Karur Vysya Bank Ltd	74.19
7	Bank of India	72.61
8	Andhra Bank	67.18

Sl. No.	Bank	% achvt.
9	Oriental Bank of Com	60.42
10	Bank of Baroda	56.91
11	KSCARD Bank	51.48
12	Allahabad Bank	21.74
13	United Bank of India	6.51
14	Indus Ind Bank	2.70
15	IDBI Bank	3.24

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

- (i) *State Bank Of Bikaner & Jaipur*
- (ii) *Kotak Mahindra Bank*
- (iii) *State Bank Of Indore*
- (iv) *Punjab & Sind Bank and*
- (v) *Bank Of Rajasthan.*

2.1.2. District wise Performance under Primary Sector

The District wise performance details are furnished in Annexures. Malappuram District leads in achievement of the target (196.53%) followed by Thrissur (195.29%) and Ernakulam (172.90 %). Kollam, Pathanamthitta, Idukki and Wayanad districts could not achieve the target. The LDMs of Kollam, Pathanamthitta, Idukki and Wayanad districts are requested to take corrective steps so that this important target is not missed during the current fiscal.

Sl. No.	District	Target	Achvmt.	% Achvmt.
1	Malappuram	1236.05	2429.20	196.53
2	Thrissur	1488.00	2905.98	195.29
3	Ernakulam	1324.51	2290.07	172.90

2.2. Agriculture Advances (Refer Annexure 7. 4)

(Rs in. Crores)

Parameter	Outstanding				Variation		
	Mar. 2007	Mar. 2008	Mar. 2009	Mar. 2010	Mar. 07- Mar. 08	Mar. 08- Mar. 09	Mar.09- Mar. 10
Agriculture Advances	11377	15991	15959	21786	4614	(-32)	5827

The outstanding advances to agriculture sector in the state have increased by **Rs. 5827 crores** during the fiscal 2009-10. This is a very good growth compared to 2008-2009 when ADWDRS scheme had taken a dent on Agricultural outstanding and there was a decline of Rs.32.00 crores during that period. The outstanding agriculture advances stood at **Rs. 21786 crores** as at March 2010, which is **22.46 %** of the total advances outstanding in the state. This has been gradually increasing (as at March 2009 it was **19.27%**), and is well above the mandatory norm of 18% fixed by RBI.

Year-on-year there was a significant increase of **Rs. 5827 crores** in agriculture advances outstanding - an increase of **36.51 %**. The negative growth recorded in 2009 was due to impact of Agriculture Debt Waiver and Debt Relief scheme 2008.

Banking Group Wise Performance Under Agriculture Advances as at March 2010

(Rs in. Crores)

BANK	Total Advances			Agriculture Advances			% Agri. Adv to Total Adv. (Mar.2010)
	Mar. 2009	Mar. 2010	Growth Mar. 09- Mar. 10	Mar. 2009	Mar. 2010	Growth Mar. 09- Mar. 10	
State Bank Group	27864	33166	5302	3354	4175	821	12.59
Nationalised Banks	24932	30632	5700	6100	9569	3469	31.24
RRBs	3800	4764	964	1957	2545	588	53.42
Private Sector Banks	25641	27885	2244	4548	5497	949	19.71
Foreign Banks	582	540	(-42)	0	0	0	0
GRAND TOTAL	82819	96987	14168	15959	21786	5827	22.46

Nationalised Bank group has contributed the highest quantum growth in agriculture advances outstanding (**Rs. 3469 crores**) followed by Private Sector Bank group (**Rs. 949 crores**). State Bank group and RRBs have shown growth of **Rs. 821 crores** and **Rs. 588 crores** respectively.

53.42% 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 12.59%)

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

The performance of the State Bank Group need to be improved further.

As far as KSCARD Bank is concerned, **31.21 %** of their advances was to agriculture sector.

2.3. Performance under Kisan Credit Card Scheme (Refer Annexure 7.28)

As per the reports available with the Convenor SLBC, **302285** Kisan Credit Cards with an amount of **Rs. 2120.73 crores** have been issued during the year 2009-10. In the State, **3075314** KCCs were issued since inception involving a credit outlay of **Rs. 11520.63 crores**. As at March 2010, the outstanding number of loan accounts under KCC is **1662891** with **Rs. 4761 crores**. **944084** farmers were covered under Personal Accident Insurance Scheme (PAIS) linked to KCC. Bank wise data is given in the annexure.

2.4. Agri-Clinics and Agri Business Centres (Refer Annexure 7.27)

The outstanding accounts under Agri clinics in the State by Commercial Banks are 10 with a credit outlay of Rs. 31.43 lakhs.

There were 11 Agri-Business Centres opened in the State from the date of inception of the scheme with a credit outlay of Rs.267.92 lakhs. As at March 2010, 7 Agri-Business centres exist with an outstanding amount of Rs. 92.09 lakhs.

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

2.5.1. Progress achieved in claiming interest waiver under Relief Package

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

2.5.2. Progress in Rescheduling of loans under Relief Package

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

2.5.3. Fresh loans provided against rescheduled accounts under Relief Package

Under the PM's Relief Package **Rs. 34.74 crores** in **9386** accounts was provided as fresh finance against the rescheduled accounts. Though the fresh finance against the rescheduled accounts show a less brighter picture, banks in the 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 fiscal 2009-10, banks in these 3 districts disbursed **Rs. 3908 crores** of agriculture loans taking a share of 119.65 % of annual target under ACP.

2.6. FRESH ISSUES

2.6.1. Action Plan for quality up scaling of JLGs in Kerala (Suggested by NABARD)

NABARD had pilot tested the concept of financing members of Joint Liability Groups (JLGs) through select banks in a few states. Based on the experience gained, a separate scheme for financing joint liability groups of tenant farmers, as per Union Budget 2006-07 pronouncements, has been formulated by NABARD for Commercial Banks, State Cooperative Banks and Regional Rural Banks. The JLG approach has been successfully adopted by banks to reach clients like tenant farmers, share croppers, oral lessees, farmers with small land holdings without proper land records etc. The formal banking system has rarely been able to provide credit to tenant farmers/oral lessees and share croppers on account of their inability to offer collaterals. However, the mechanism of JLG could enable banks to extend credit on the basis of mutual guarantee provided by the members of JLG. As the credit flow to target farmers through the JLG mode is picking up, NABARD has projected a target of promotion and linkage of 1.50 lakh JLGs and the scheme envisages coverage of 10 lakh farmers during 2010-11. Accordingly state-wise allocations has been made and a target of 15000 JLGs has been fixed for Kerala.

ii. The scheme is being successfully implemented in the State and around 2000 JLGs have been promoted and credit linked in the State so far. NABARD, in collaboration with leading banks like SBT especially in the district of Alappuzha in association with prominent NGOs like Gandhi Smaraka Grama Seva Kendram, Kuttanad Vikasana Samithi, KVK of KAU so far formed around 1200 JLGs. It is fascinating to note that each of these JLGs are formed by the agencies for a special activity. For example for landless farmers undertaking tenant paddy cultivation SBT has formed "Annapoorna". For dairy farmers it is

“Ksheera Samrudhy”, for rabbit farmers it is “Rabbit Plus”, and for vegetable cultivators it is Harithasree.

Kudumbashree also has promoted activity groups which are functioning on the lines of JLGs. Further, VFPCCK has been organising activity groups for fruit and vegetable cultivation in the state. All these initiatives have good potential for credit linkage.

iii. NABARD Support:

- Banks, NGOs and Other Institutions are eligible for financial assistance from NABARD for formation, nurturing and financing of JLGs.
- NABARD would be supporting capacity building programmes like conduct of training programmes for stakeholders, awareness and sensitization of JLG concept.
- NABARD will provide 100% refinance assistance to all banks in respect of their lending to JLGs.
- NABARD is also proposing to hold a State level workshop for senior officials of banks and NGOs to discuss various aspects of guidelines of the scheme and also to chalk out action plan for implementation thereof.

iv. RBI, vide their letter RPCD.PLFS.No. 461/05.02.02 (JLG)/2006-07 dated 14.07.2006 had issued guidelines to all member banks of IBA. The members of the SLBC are requested to finance for JLGs considering the importance attached to the scheme for achieving greater financial inclusion. It is suggested that the review of progress in promotion of the scheme may be included as one of the regular agenda items in the SLBC/DCC/BLBC meetings.

Views of the Steering Committee

The Steering Committee concurred with the view of NABARD the need for quality upscaling of JLGs in the State of Kerala. The target of 15,000 JLGs for the year 2010-11 for the State of Kerala is also noted for placing in the SLRM. Though NABARD had suggested for holding a State Level Workshop, the Steering Committee felt that holding of district level awareness programmes by DDMs for branch officials and NGOs in their respective districts would be beneficial. The SLBC Convenor requested the support of NABARD for devising the format for data collection on JLG finance for review in regular SLBC/DCC/BLBC meetings. The Steering Committee decided to place the matter before SLRM.

2.6.2. Low share of Investment Credit in Agriculture – Issues of concern for the State of Kerala transpired in FM’s Meeting on 20.07.2010 at Hyderabad.

Though there is a good flow of Credit to Agriculture, the share of Term Loan is only 17%, the balance 83 % being production credit. During the meeting the Hon’ble Minister for Education, Kerala State, Sri. M. A. Baby, has requested bankers to look into the possibilities of fixing separate target for Investment Credit in Agriculture within the overall agricultural credit target of 18%.

The Group may look into this and examine the possibility of fixing separate target for Investment Credit in Agriculture.

2.7. PENDING ISSUES

2.7.1. Increasing the quantum of agricultural loans to Dairy farmers

Banks are fixing unit costs for Dairy activities based on the broad guidelines from NABARD. Banks can fix higher levels of unit costs considering the prevailing regional trends also. Usually, banks in Kerala follow a cost structure for milch cows linking with its milk yield. The Dairy department recommends that the cost of one milch cow considered for bank finance should be enhanced. Considering the previous experience in implementing such schemes through the Department of Dairy and based on the requirements of farmers, the matter was taken up since 96th SLBC meeting.

The 96th SLBC meeting accordingly suggested the Dairy department to work out a model viable scheme with specifications like actual cost, average cost, input cost and the type of animals with banks' involvement also and submit the same to SLBC. The scheme was to be prepared in a holistic manner by the Department.

The matter was again discussed in the SLRM 2008. The issue was again taken up in the SLRM 2009. However the model scheme as suggested is yet to be placed in the SLBC for uniform adoption by all banks in the State of Kerala.

The matter again came up for discussion during the 100th meeting of SLBC, Kerala held on 21.12.2009 at Trivandrum. In the meeting, the representative from Dairy Development Department informed that they have just prepared a scheme to increase the price of cows from Rs. 15,000/- to Rs. 24,000/- and the scheme details would be provided to the SLBC.

SLBC vide letter SLBC.35.164.2010.KM dated: 27.01.2010 had requested the Director, Dairy Development Department to provide the scheme details.

The matter came up again for discussion during the 101st Meeting of SLBC held on 30.03.2010 in Trivandrum. In the meeting the Assistant Director, Dairy Development Department handed over the draft scheme guidelines to SLBC and requested the forum for consideration.

The meeting took a decision that the scheme details would be placed in the next SLBC for adoption.

*The scheme details are furnished in **Annexure - 7.60**. The Group may deliberate on the proposal and submit the recommendation.*

2.7.2. 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 96th 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 discussion session.

The matter again came up for discussion during the 100th 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 101st 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.

SLBC, vide letter SLBC 35 683 2010 RP dated 29.04.2010 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.

2.7.3. 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 100th Meeting of SLBC, Kerala held on 21.12.2009 & 101st 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 101st 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 representative from AICIL/Agriculture Department may apprise the forum on the further developments.

2.7.4. 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 11th & 12th 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 3rd & 4th 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 6th & 7th 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 100th 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 101st 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.

SLBC vide letter SLBC 35 685 2010 RP dated 29.04.2010 requested the Secretary, Planning & Economic affairs, to inform the developments in this regard.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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 Group may deliberate on the issues and come up with suggestions.

2.8. INFORMATION NOTE

2.8.1. Coverage under Crop Insurance Schemes of the Government of India implemented by Agricultural Insurance Company of India Ltd. (AICIL) (Note by Reserve Bank of India)

RBI, RPCD, Central Office, Mumbai had forwarded a copy of letter No.13011/04/2004-Credit II dated 08.03.2010 of Ministry of Agriculture, Department of Agriculture & Co-operation, Government of India. The contents of the letter are given below.

The administrative approval of Government of India for continuation of scheme during Kharif 2010 on following terms and conditions as were applicable during Rabi 2009-10.

- ❖ Premium subsidy to small and marginal farmers to extent of 10% to be shared equally between Central and concerned State Government
- ❖ Administrative and Operational expenses to extent of 20% to be shared equally between Central and State Governments.
- ❖ Total publicity and bank service charges to be shared equally by Central and State Governments.
- ❖ Risk of Implementing Agency in meeting claims would be restricted to 100% of premium in case of food and oilseeds crops and 150% for commercial/horticultural crops.
- ❖ Existing premium rates i.e. flat rates for food and oilseeds crops and actuarial premium for annual commercial and horticultural crops are to be continued.

Views of the Steering Committee

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

2.8.2. Allocation of State wise and agency wise targets for ground level credit for the year 2010-11 (Suggested by NABARD)

Honourable Union Finance Minister in his budget speech for the year 2010-11 has set Ground Level Credit (GLC) target for agriculture at Rs. 3,75,000/ crore, out of which Rs. 27043 crore has been prescribed for Kerala. Accordingly, the State wise, Agency wise and Purpose wise target for Kerala has been worked out and provided below for information and necessary action at your end.

(Rs. in Crore)			
Agency	Crop Loan	Term Loan	Total
Commercial Banks	9957	10288	20245

Co-operative Banks	1743	505	2248
Regional Rural Banks	1427	3123	4550
Total	13127	13916	27043

Views of the Steering Committee

SLBC Convenor informed that since District Credit Plans have already been put in place based on the PLPs of NABARD, it would be difficult to revise the targets as suggested above. The Steering Committee decided to place the matter before SLRM to be discussed in the group for arriving at appropriate decision.

2.8.3. Farmers' Club Programme – Farmers' Clubs as Business Facilitators (BFs) and Business Correspondents (BCs) (Note by NABARD)

The Annual Monetary Policy announced by Reserve Bank of India on 20th April, 2010 permits banks to engage any individual including those operating Common Service Centres as Business Correspondents subject to the bank's comfort level and observing due diligence. Member Banks in Kerala may explore the possibility of appointing Chief Volunteers/Assistant Chief Volunteers of identified Farmers' Clubs as Business Correspondents on a formal basis as permitted by Reserve Bank of India to facilitate effective financial inclusion.

Views of the Steering Committee

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

2.8.4. Agenda items by Directorate of Dairy Development & Agriculture (AHF) Department, Government of Kerala

2.8.4.1. Fodder Development Scheme

(i) Fodder Marketing Centres:

Scheme envisages promoting fodder cultivation extensively by the introduction of fodder marketing units. Even though wide spread demand for fodder, one of the major constraint is the lack of harvesting and transportation facility for marketing it. In this scheme, assistance will be provided to units like group of individuals, organization etc. An amount of Rs. 50,000/- will be provided as subsidy. In the case of group of society they may be able to arrange the beneficiary contribution from their own funds. Where as individuals may find it difficult to arrange beneficiary contribution of Rs. 50,000/-. This amount may be provided as Bank loan repayable by the beneficiary.

(ii) Assistance for Mechanization in fodder cultivation & irrigation assistance

These schemes providing 50 % cost of the machinery as subsidy to the selected beneficiaries. The beneficiary has to purchase machines like fodder harvester/chaff cutter/ Pump sets/

sprinklers etc. need for fodder cultivation. 50% of the cost of the equipment for Rs.10,000/- whichever is less will be provided as subsidy. The remaining portion has to be met by the beneficiary using Bank loan or own fund.

2.8.4.2. Milk shed Development Programme

Milk Shed Development Programme is an on going flagship programme implemented by the Dairy Development Department for inducting milch animals in to the State. The component of the scheme which requires Bank loan is as follows:

Sl. No.	Projects	Unit Subsidy (Rs.)
1	2 Cow Units	15,000/-
2	5 Cow Units	50,000/-
3	10 cow Units	80,000/-
4	20 Cow Units	1,50,000/-
5	Godan (an addition Cow)	10,000/-
6	Heifer rearing unit	4,50,000/-
7	Need based assistance to progressive farmers	10,000/-
8	Assistance for purchasing milking machine	20,000/-

Heifer Rearing Unit:

This scheme is being implemented with an intention to produce good quality milch animals in the State and make them available for the farmers. It is proposed to establish 36 units with 30 heifers in each unit. The unit cost is Rs. 9,08,650/- out of which Rs. 4,50,000/- will be provided as subsidy. Dairy Co-operatives, Self Help Groups and individuals can be the beneficiary of the scheme

Views of the Steering Committee

The Steering Committee decided to place the above schemes before SLRM for consideration. However the Steering Committee noted that in every SLBC, various types of schemes were proposed by the Directorate of Dairy Development for approval. Once approved, the performance of the scheme is not reported to the SLBC. Hence the Committee requested the concerned Department to ensure reporting of the progress in the implementation of the scheme to SLBC/SLRM in future.

2.8.5. Agenda items by Directorate of Animal Husbandry & Agriculture (AHF) Department, Government of Kerala

During 2010-11 under the State Plan provision of an amount of Rs. 1400 lakhs is provided for two food security schemes. The details are as follows. The projects are bank linked and hence necessary assistance in the form of bank loans may be provided.

2.8.5.1. A programme to augment milk production by induction of milch animals (2 Buffaloes + 3 Milch cows) with a subsidy of Rs. 1 lakh to 900 beneficiaries. The total outlay of the project is Rs. 22.5 crores of which Rs. 9 crores will be the subsidy. 40% subsidy is provided, the remaining Rs. 13.5 crores has to be provided as Bank loan.

2.8.5.2. Assistance to Model farmers for scaling up of successful models for Food Security.

To provide assistance to farmers who can be made as models for other farmers by strengthening their farms, by providing mechanization etc. Milking machine, Chaff cutters, floor mats etc. will be provided. A subsidy @ 33.33 % is provided and a subsidy of Rs. 1 lakh for 500 farmers will be provided. Total project outlay Rs. 15 crores, Government assistance will be for Rs. 5 crores, the remaining Rs. 10 crores has to be provided as Bank loan.

Detailed notes on the projects are shown as **Annexure – 7.55.**

Views of the Steering Committee

The Steering Committee decided to place the matter before SLRM for consideration. However the Steering Committee noted that in every SLBC, various types of schemes were proposed by the Animal Husbandry Department for approval. Once approved, the performance of the scheme is not reported to the SLBC. Hence the Committee requested the concerned Department to ensure reporting the progress in the implementation of the scheme to SLBC/SLRM in future.

2.8.6. Implementation of 'Poultry Production Unit' through KSPDC under special package for distress and suicide prone districts (Vidharba Model Package)
– Suggested by Managing Director, Kerala State Poultry Development Corporation (KSPDC) Ltd.

The scheme 'Poultry Production Unit' for implementation in Palakkad, Wayanad and Kasaragod Districts of Kerala is shown as **Annexure - 7.56** for approval of SLBC. It is requested that necessary instructions may be issued to the bank authorities for providing loans for implementation of the above scheme in three districts.

Views of the Steering Committee

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

2.8.7. Information Note on Coffee Debt Relief Package 2010 (Suggested by Chairman, Coffee Board)

The Government of India has communicated the sanction for the implementation of the Coffee Debt Relief Package – 2010 for the debt ridden small coffee growers with a total implication of Rs. 241.33 crores vide order No.4/3/2008-Plant (B) dated 14th June 2010, a copy of the Package is given in **Annexure - 7.57**. It is requested to take necessary action for the speedy implementation of the Package.

Most of the coffee growers are reeling under the debt burden for a long time. It is felt that an expeditious implementation of the Coffee Debt Relief Package – 2010 will go a long way in mitigating their hardships and give some strength to the coffee growers. Coffee Board has requested to facilitate an expeditious implementation of the Package in coordination with SLBC by convening special meeting with bankers for the Coffee Debt Relief Package-2010.

Views of the Steering Committee

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

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

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

(Rupees in Crore)

Year	2008-2009	2009-2010
Target	3134	3311
Achievement	2476	2471
Percentage of Achievement	79.01	74.64

Under secondary sector, which includes the MSE Sector, the performance under disbursement needs improvement. The achievement is only 74.64 % of the annual targets. Banks in the state have disbursed loans to the tune of Rs. 2471 crores upto 31st March 2010.

3.2. Review of Disbursements to Secondary Sector under ACP

The position is not encouraging as compared to the disbursements during the corresponding period of the previous fiscal; there has been a decrease in the total amount disbursed to the sector. During the period ended March 2009, the disbursement to the secondary sector was Rs. 2476 crores whereas during the same period for the current year (i.e 2009-10) banking sector in the state could disburse only Rs. 2471 crores. There is a shortfall of about Rs. 5 crores as compared to last year's disbursement and Rs. 870 crores to the target for the year 2009-10.

State Bank Group accounted for 31.95% of disbursements, Nationalised Banks accounted for 25.52 % followed by Private sector Banks - 20.58%. The disbursements made are Rs. 789.60, Rs.630.80 and Rs. 508.68 crores respectively by these categories of banks. Performance of RRBs and Co-operative Banks needs improvement. State Bank of Travancore leads in the quantum disbursement to secondary sector in the state by disbursing Rs. 467.53 crores. The share of nationalised banks remained almost stagnant over the last three years. The quantum disbursement of Private sector Banks have come down by more than Rs.400 crores mainly on account of poor reporting of a few major banks.

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

- (i) *State Bank of Indore*
- (ii) *Punjab & Sind Bank*
- (iii) *Jammu Kashmir Bank*
- (iv) *Bank of Rajasthan*
- (v) *Laxmi Vilas Bank*
- (vi) *Indus Ind Bank*
- (vii) *ICICI Bank*
- (viii) *Yes Bank &*
- (ix) *Karur Vysya Bank*

Among districts, the highest quantum disbursement to secondary sector was reported from Ernakulam district (Rs.509.38 crores) followed by Kollam (Rs.411.25 crores) and Thrissur district (Rs.313.05 crores). The following districts have reported less than 70% achievement of the annual targets: *Kollam, Kannur, Alappuzha, Kottayam and Pathanamthitta*. Of this *Pathanamthitta* could achieve only 35.84% of the targeted disbursement.

(Rupees in Crores)

BANK	Disbursement to Secondary sector			% Share for 2009-10
	2007-08	2008-09	2009-10	
State Bank Group	524.17	499.94	789.60	31.95
Nationalized Banks	607.89	602.63	630.80	25.52
Private Sector Banks	891.99	917.92	508.68	20.58
RRBs	47.25	48.10	67.14	2.72
Co-operatives	233.50	285.79	278.16	11.26
KFC	87.37	121.73	196.93	7.97
Total	2392.17	2476.11	2471.31	100.00

Under percentage achievement, Wayanad district led with 118.05%, followed by Thrissur (115.95 %) and Kozhikode (103.24 %). The following districts could achieve only the targets shown as indicated – *Idukki (99.72%), Palakkad (90.72%), Ernakulam (83.76%), Kasargod (82.19%), Trivandrum (78.53%), Malappuram (71.92%)*.

Ernakulam district (Rs 509.38 crores) accounted for almost 20.61% of the total disbursement to secondary sector in the state. The least quantum of disbursement was reported from Idukki district (Rs.39.57crore).

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

3.3. Performance under Outstanding Advances in SME sector

3.3.1. Performance under SME Advances under priority sector

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

(Rs in. Crores)

Parameter	Outstanding				Variation		
	Mar. 2007	Mar 2008	Mar. 2009	Mar. 2010	Mar. 07-Mar. 08	Mar.08-Mar.09	Mar. 09-Mar. 10
SME Advances	4391	6674	8095	11759	2283	1421	3664

The total outstanding under SME (Priority) advance of commercial banks in the state has grown up by **Rs. 3664 crores** (45.26%) during the fiscal 2009-10. The growth is very encouraging as compared to that recorded (**Rs. 1421 crores**) during the corresponding period of the previous fiscal. It is to be noted that the disbursement reported in the sector during the year was only Rs. 2441.31 crores whereas the outstanding has increased by much higher margin which clearly indicates that the reporting are not properly projected and it may be of still higher magnitude.

The reason for the above increase in outstanding under SME sector (Priority) may probably be due to the correct classification by almost all banks as per the new system of MSMED Act 2006 where Retail trade is also finding a place in MSE advances. However, this aspect is not getting reflected in the disbursements wherein the retail trade segment is still being reported under Tertiary sector in LBR-2. Despite all the above, we still come across instances of controlling offices of a few Banks reporting data on SME advances incorrectly to SLBC. The focussed attention in this area is very much required so that the reporting under SME Sector becomes accurate and error free.

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

(Rs. in Crores)

Banking Group	SME Outstanding(Priority)							
	March 2009				March 2010			
	Micro Enterprises		Small Enterprises		Micro Enterprises		Small Enterprises	
	No.	Amt	No.	Amt	No.	Amt	No.	Amt
State Bank Group	50531	506	5315	1253	46086	988	131474	1970
Nationalised Banks	147438	199	27407	1352	183186	2639	46683	2003
RRBs	87067	387	1201	55	144050	619	1202	57
Private Sector Banks	29636	114	14442	1392	24157	1326	50798	2156
Foreign Bank	293	7	0	0	0	0	0	0
Grand total	314965	404	48365	4052	397479	5572	230157	6186

3.3.2. Small and Medium Enterprises (SME) Advances (Refer Annexures 7.6 & 7.45)

Consequent on the promulgation of MSMED Act, 2006 the advances classified under SME comes under priority (Micro & Small Enterprises) as well as Non-Priority (Medium Enterprises). The total advances under SME priority as on March 2010 come to **Rs. 11758.58 crores** for the commercial banks in the state. Out of this, Micro and Small Enterprises constitute **Rs. 5572.19 crores** and **Rs. 6186.38 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. 5103.44 crores** covering 17183 loan accounts with commercial banks. The bank wise details are given in the Annexure 7.6 & 7.45.

3.4. Performance under Government Sponsored Schemes

3.4.1. Swarna Jayanthi Shahari Rozgar Yojana (SJSRY) as at March 2010

(Refer Annexures 7.19 to 7.22)

The performance of the State under SJSRY up to March 2010 is summarised hereunder:

(Rs. in lakhs)

Sub component	No. of Applications							Subsidy Released Amount	Amount of Loan	
	Forwarded	Rejected	Sanctioned	Pending to Sanction	Disbursed	Pending to Disburse	Total Pending		Sanctioned	Disbursed
USEP	56096	24682	25014	6400	23752	1262	7662	818.60	5859.74	5438.31
DWCUA	2494	225	1948	321	1860	88	409	1423.39	2467.26	2331.04
Total	58590	24907	26962	6721	25612	1350	8071	2241.99	8327.00	7769.35

The banks have sanctioned **25014** loans to individual beneficiaries (for micro enterprises under USEP scheme) as at March 2010 involving loan amount of **Rs. 5859.74 lakhs**. Under DWCUA (Development of Women and Children in Urban Areas), **1948** groups were sanctioned with loans to the tune of **Rs. 2467.26 lakhs**.

Banking Group wise performance under SJSRY as at March 2010

(Rs. in lakhs)

Sl. No.	Bank	USEP		DWCUA		Total SJSRY	
		Sanctions		Sanctions		Sanctions	
		No	Amount	No	Amount	No	Amount
1	Public Sector Bank	20348	4989.74	1530	1980.08	21878	6969.82
2	Private Sector Banks	2473	541.41	154	206.92	2627	748.33
3	Others	2193	328.59	264	280.26	2457	608.85
	Total	25014	5859.74	1948	2467.26	26962	8327.00

Analysis of the Bank wise performance reveals that Public Sector Banks (including RRBs) accounted for **81.14 %** the loans sanctioned (Number) and **83.70%** of loan amount sanctioned. There is a need for greater participation by Private Sector Banks in the implementation of the scheme. There is no involvement by some of the private sector banks in the implementation of the scheme which may be corrected by their respective Controlling offices. The details are available in the Annexures.

3.4.2. Swarnajayanthi Gram Swarozgar Yojana (SGSY) - Performance as at March 2010 (Refer Annexures 7.14 to 7.18)

The credit mobilisation target for 2009-10 was **Rs. 8131.20 lakhs**. As at March 2010, the state has reached **121.93%** of the target. Banking group wise analysis reveals that State Bank group had achieved **120.89 %** of the target while Nationalised Banks had achieved **104.39 %** of the target and Cooperative banks with **152.22%** which are above the State's performance level. The performance of Private Sector Banks (**69.82 %**) and RRBs (**84.20 %**) are below the State's performance level and needs improvement.

SGSY – Performance as at March 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	2083.87	3348	3131.42	2708	2519.30	2563	2373.75	120.89
2	Nationalised Banks	2813.82	3833	3654.14	3096	2937.32	2900	2704.47	104.39
3	Private Sector Banks	1295.86	1517	1269.65	1046	904.71	951	797.10	69.82
4	RRBs	1059.61	1553	1106.20	1266	892.18	1209	849.88	84.20
5	Co-operative Banks	1743.21	3074	3067.98	2486	2653.50	2329	2522.41	152.22
6	Others	0	28	19.25	9	7.65	8	7.35	
	State Total	8131.20	13353	12248.64	10611	9914.66	9960	9254.96	121.93

All the banks have improved their performance such that during the third quarter of the year of 2009-2010 itself **121.93 %** of the target could be achieved.

3.4.3. Performance under PMEGP as at March 2010

The Prime Ministers Employment Generation Programme [PMEGP] is implemented in the state by KVIC-KVIB & DIC to support the first generation entrepreneurs for setting up micro enterprises by availing credit facilities extended by banks.

The Khadi and Village Industries Commission is the national nodal agency for implementing the scheme. During 2009-10, initially over all target allotted to the state was 21.23 crores for 1770 units and later during March 2010, the target was revised and reduced to Rs. 16.05 crores and the number of units indicated to set up is 1338 with the support of all the banks, the achievement of PMEGP has surpassed the target allotted to the state. Our state has fully utilised the Margin Money grant.

The progress made during 2009-10 are indicated below.

No. of projects sanctioned by banks [KVIC+KVIB+DIC] – 1597 nos.

Margin Money grant disbursed : Rs.30.07 crores.

Many of the subsidy applications reached to nodal banks for M.M disbursement during March 2010. The pending applications lying with nodal banks as on 30-04-2010 for subsidy disbursement comes to 383 nos. with Margin Money involvement of Rs. 823.80 lakhs.

The Central Office-KVIC has communicated the PMEGP target for 2010-11.

No. of units : 1919 nos.

Margin Money : Rs. 2686.19 lakhs

KVIC-Central office vide letter No. PMEGP/Perf. Review/Time Extn. /2009-10, dt. 01-04-2010 communicated that the applications lying undisbursed with nodal banks will have to be adjusted against the funds sanctioned for 2010-11. Therefore all the pending/undisbursed applications of 2009-10 at nodal banks will be cleared immediately on receipt of the funds from KVIC sanctioned for 2010-11.

Further, the Agency wise, District wise, social sector category wise target for 2010-11 is prepared in consultation with the implementing agencies. The same is placed before SLBC for its approval.

The State Level Monitoring Committee on PMEGP which was held on 05-05-2010 under the chairmanship of Sri. Alkesh Kumar Sharma IAS, Secretary, Industries Dept. taken a decision permitting the banks to consider the applications already forwarded on or before 30-06-2010.

Cumulative performance of PMEGP 2008-09 & 2009-10 up to 30.04.2010, bank-wise/district-wise weaker section category performance during 2009-10 and Target for implementation of PMEGP during 2010-11 are shown in Annexures 7.23 to 7.26.

It is suggested that KVIC – the nodal agency should provide both physical and financial performance data to SLBC and SLBC would devise a format for collecting the KVIC data which includes the NPA position also.

3.5. Performance under Micro-credit (Annexures 7.31 to 7.34)

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

On a review of the performance, it is seen that about **2.99 lakh** SHGs are maintaining savings account with commercial banks as at March 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	Exclusive Women
State Bank Group	137350	182.56	38265	126890
Nationalised Banks	91272	193.86	19858	67505
RRBs	33847	8.40	12123	29035
Private Sector Banks	36528	31.45	6667	32094
Total - Kerala State	298997	416.27	76913	255524

As evident from the above **85.46%** of the SHGs are exclusive women SHGs and 25.72% are formed under various Government sponsored schemes. There was a mistake in the SHG figure of RRBs which was shown as 207295 in place of 32595 in December 2009 (SMGB had shown as 194115 instead of 19415)

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

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

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

Mode of Linkage	No. of SHGs Financed		
	Total No	of which	
		Under Govt. Sponsored	Women SHGs
Financing SHGs directly by banks	194531	56490	174855
Financing SHGs directly with the facilitation of NGOs	107020	11975	69775
Financing SHGs through the medium of NGOs	87794	37511	82337
Total No. of SHGs linked	389345	105976	326967

As could be seen from the above table, about **3.89 lakh SHGs** have been linked in the state so far under the SHG-Bank linkage programme. Over **50%** of the SHG linkages have been done directly by banks.

3.6. Review of Performance under Special Focus Programmes

3.6.1. Swarozgar Credit Card Scheme (Refer Annexure 7.30)

The data submitted by the controlling offices reveals that commercial banks in the state have sanctioned **14115** Swarozgar Credit Cards (SCCs) during the year 2009-10. The limits sanctioned to the tune of **Rs. 25.51crore**. Since inception of the scheme the banks have sanctioned **71108** cards in the state sanctioning **Rs.175.73 crores**. The amount outstanding as at March 2010 is **Rs. 67.52 crore** in **34509** cards. The Bank wise data is furnished in the annexure. SMGB leads in the performance by sanctioning maximum number of cards followed by NMGB.

3.6.2. Artisans Credit Card Scheme (Refer Annexure 7.30)

Commercial banks in the state have sanctioned only **292** Artisans Credit Cards (ACCs) during the year ended March 2010. The total limits sanctioned is to the tune of **Rs. 62.06 lakhs**. Since inception of the scheme, the banks have sanctioned **4933** cards in the state with a limit amounting to **Rs. 13.50 crore**. The amount outstanding as at March 2010 is **Rs. 3.74 crore** in **1351** 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 year. Their outstanding position under the ACC scheme is also “NIL”. The Bank wise data is furnished in the annexure.

3.6.3. Laghu Udhyami Credit Cards (Refer Annexure 7.30)

Commercial banks in the state have sanctioned **1440** Laghu Udhyami Credit Cards (LUCC) during the year 2009-10 making available credit limits to the tune of **Rs. 31.71 crore** to small entrepreneurs of the state. Since inception of the scheme, the banks have sanctioned **16836** LUCCs in the state sanctioning credit limits amounting to **Rs. 311.71 crores**. The amount outstanding as at March 2010 is **Rs. 75.47 crores** in **4236** 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.

3.6.4. Performance under General Credit Card Scheme (Refer Annexure 7.35)

The data submitted by the controlling offices of banks to the Convener SLBC is provided in annexure 7.35. Accordingly banks in the State have sanctioned **37687** GCCs with limits amounting to **Rs. 102.70 crores**. The outstanding under GCCs as at 31st March, 2010 is **84540** cards with a liability of **Rs. 158.75 crores**.

Canara Bank leads in issuance of GCC with **5273** GCCs issued during the quarter and with **13.44** crores outstanding. This is followed by SMGB with **2971** cards, NMGB with **1173** cards, Punjab National Bank with **346** and Indian Overseas Bank with **310** cards outstanding. Nearly 50% of the cards issued during the quarter was by Canara Bank. Canra Bank also accounts for 53.60% of the total GCC outstanding in the State. The Bank wise data is furnished in the annexure.

3.7. Advances to Weaker Section (Refer Annexure 7.9)

(Rs in. Crores)

Parameter	Outstanding				Variation		
	Mar. 2007	Mar. 2008	Mar. 2009	Mar. 2010	Mar. 07- Mar. 08	Mar. 08- Mar. 09	Mar.09- Mar.10
Weaker Section Adv.	8361	9724	12240	15674	1363	2516	3434

Weaker Section advances grew by **Rs. 3434 crores** during the fiscal 2009-10 registering **28.05 %** growth as against **Rs. 2516 crores** added during the corresponding period of previous fiscal. The outstanding figure stood at **Rs. 15674 crores** which is **16.16 %** of the total advances.

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

(Rs in. Crores)

Parameter	Outstanding				Variation		
	Mar. 2007	Mar. 2008	Mar. 2009	Mar. 2010	Mar. 07-Mar. 08	Mar. 08-Mar. 09	Mar. 09-Mar. 10
SC Advances	856	1545	2003	3359	689	458	1356
ST Advances	86	155	201	300	69	46	99
Total SC/ST Advances	942	1700	2204	3659	758	504	1455

The rate of growth in credit to SC/STs has increased during the fiscal 2009-10 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 **95.47 %** 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 **2.20 %**. In the case of ST advances **99.67 %** advances is contributed by Public Sector Banks (including RRBs) while the share of Private Sector Banks is just about **0.33%**.

Banking Group Wise Performance Under SC/ST advances

As at March 2010

(Rs. in crores)

BANK	SC Advances			ST Advances		
	Outstanding		% O/S to total	Outstanding		% O/S to total
	No.	Amount		No.	Amount	
State Bank Group	97336	1646	49.02	0	0	0
Nationalised Banks	123897	1489	44.32	31251	298	99.34
RRBs	55622	72	2.14	682	1	0.33
Private Sector Banks	16018	74	2.20	51	1	0.33
KSCARD Bank	19400	78	2.32			
GRAND TOTAL	312273	3359	100.00	31974	300	100.00

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

3.9. DRI Advances (Refer Annexure 7.10)

(Rs in. Crores)

Parameter	Outstanding				Variation		
	Mar. 2007	Mar. 2008	Mar. 2009	Mar. 2010	Mar. 07- Mar. 08	Mar. 08- Mar. 09	Mar. 09- Mar. 10
DRI Advances	9.11	10.78	211.82	22.61	1.67	201.04	-189.21

Against the national goal of 1% of the previous year's Gross Bank Credit, banks in the State could provide only 0.02 % of the total credit under the DRI scheme as at March 2010.

The table below reveals that, Public Sector Banks account for bulk of the DRI advances (94.34 %) in the State whereas private sector banks contribute only 5.66% of the DRI advances of the State. It is often noticed that data submitted by bank under DRI advance is highly inconsistent.

Banking Group Wise Performance Under DRI advances As at March 2010 (Rs. in lakhs)

BANK	DRI Advances	
	O/S	% to total
State Bank Group	306.87	13.57
Nationalised Banks	1772.63	78.38
Private Sector Banks	127.99	5.66
RRBs	54.00	2.39
GRAND TOTAL	2261.49	100.00

3.10. Credit Flow to Minority Communities (Refer Annexures 7.43 & 7.44)

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

from the table given below that 66.20 % of the total priority advances has gone to the minority communities as at March 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

3.11. FRESH ISSUES

3.11.1. Low Credit flow to Secondary Sector – Industry and SME – Issues of concern for the State of Kerala transpired in FM’s Meeting on 20.07.2010 at Hyderabad

Sri. M. A. Baby, Hon’ble Minister for Education, Kerala State expressed concern over the low credit flow to Secondary sector and stressed that banks have to take steps to increase flow of credit to this sector as unemployment in the State is very high. He enquired whether separate percentage target for this sector could be fixed.

The Group may deliberate on the aspect and put up suggestions to improve the credit flow to Secondary sector – Industry and SME.

3.12. PENDING ISSUES

3.12.1. CGTMSE Coverage for loans granted to SHGs

99th 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, 100th SLBC & 101st 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 decision is awaited.

3.12.2. 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 27th and 28th 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 100th meeting of SLBC, Kerala held on 21.12.2009 in Trivandrum. The Chairman of the meeting informed that SLBC have received communication from RBI, Regional Office stating that RBI, Central Office was in the process of finalizing the PMRY subsidy for the year 2006-07 and 2007-08 in consultation with the Government of India and as soon as it was finalised, the subsidy would be passed on to the implementing banks.

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

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.

3.12.3. State Level Monitoring Committee on PMEGP - Suggestions

Only selected Private sector banks/Co-operative banks are permitted at present to participate under PMEGP scheme. Being a Government sponsored scheme applications are sponsored based on service area norms. In case the area is allotted to non-approved private sector banks/co-operatives the beneficiaries would be put to difficulty as other banks will not consider applications from outside service area.

In the State Level Monitoring Committee meeting on PMEGP held on 15.03.2010, the committee suggested that the system of erstwhile PMRY scheme may be made applicable for PMEGP also and no restriction shall be imposed on banks participating in the scheme. The same has been suggested by LDM, Alappuzha also.

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

The meeting noted that the suggestion put forth by the State Level Monitoring Committee that the system of forwarding applications in the erstwhile PMRY scheme may be made applicable for PMEGP also and that no restriction shall be imposed on banks participating in the scheme. The forum felt that the matter may be taken up with the appropriate authorities for modification in system as recommended by State Level Monitoring Committee.

SLBC, vide letter No. SLBC 35 851 2010 RP dated 05.06.2010 had written to the Director, KVIC, Trivandrum, requesting to take necessary action in this regard and inform the progress for placing in the SLRM.

3.13. INFORMATION NOTE

3.13.1. Debt relief Scheme for Coir Sector (Suggested by Directorate of Coir Development)

The scope of the scheme is for ensuring guarantee and sustainability of employment to the workers in the coir sector and thereby acquiring fair wages.

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

Loan availed must be to start/ expand micro enterprises in the coir sector to produce and sale of fibre, coir and coir products. Also the sick units as per RBI guidelines are eligible for assistance under this scheme. Loan shall be taken on or before 31/3/2008 and the installments will be completely in default on or before 31/3/2009.

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

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

The assistance is only for the principal amount. The finance institutions are to waive interest and penal interest.

Two Committees in this scheme - State Level Selection Committee and State Level Apex Committee. Convener, SLBC is one of the members in State level Apex Committee.

Fund eligibility is as follows:

Rs. 5000/- per workers for CVCS

Rs. 15000/- per worker for other Co operatives.

Rs. 25000/- for Small Scale Producers of the Micro Enterprises.

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

Views of the Steering Committee

In the steering committee meeting the Additional Director, Coir Development Department informed that Department is having all the data on loans granted by various banks and the details of the borrowers. He then clarified that fully overdue loan accounts only would be considered under the scheme.

Steering committee noted that waiver of interest and penal interest by financial institutions, is the discretion of individual banks and SLBC cannot give a direction in this regard to all banks. Coir Development Department may take up the matter with respective banks. The Steering Committee requested the Coir Development Department to provide elaborated agenda note and district wise/bank wise loan details within a week for placing in SLRM.

The data on debt relief extended by Coir Development Department is furnished below.

		CVCS	Small Scale producer	Total
1	Total number of applications received	142	325	467
2	Number of cases sanctioned by Government	64	199	263
3	Amount sanctioned by Government	18510487	3314712	21825199
4	Number of cases pending	1	162	163
5	Names of banks who has written off interest and penal interest	DCB Thrissur, DCB Kannur, Corporation Bank, Syndicate Bank		
6	Names of banks who did not written off interest and penal interest	SBT, SBI, Federal Bank, Canara Bank, NMGB, DCB except Kannur & Thrissur, IOB, Indian Bank, UBI, various Service Co-op. Banks		

3.13.2. Rural Energy Marts (Suggested by Principal Secretary, SC/ST Development Department & Power Department, Government of Kerala)

Entrepreneurs for Rural Energy Marts are to be selected and technically supported by ANERT to install and maintain new and renewable energy devices in Rural Areas. These enterprises are to be based on Ministry of New and Renewable Energy Sources. It is requested that the Banks to finance these new enterprises. The material on the scheme is shown as **Annexure - 7.58.**

Views of the Steering Committee

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

3.13.3. Economic Stimulus Package 2008-2009 on MSME, Housing and Auto Sector – Review placed for information

In 2008-09 during the period of Global melt down, Government of India had decided that “Special Monthly Meetings” of State Level Bankers’ Committee (SLBC) should be held to oversee the progress of credit related issues of Micro, Small and Medium Enterprises (MSME) by banks. Accordingly, the Ministry of Finance, Department of Financial Services, Government of India has directed SLBC Convenor to hold “Special Monitoring Meetings” of SLBC, Kerala every month focusing primarily on the implementation of the IBA packages on MSME, Housing and Auto sector. Further, SLBC was directed to submit a detailed report on the Special Monthly meetings conducted along with reviewed data in the prescribed format on or before the fifteenth (15th) day of every month to the Ministry of Finance, Department of Financial Services, Government of India, New Delhi. It was also directed that the new items of the economic package as above should be discussed as additional agenda items during the regular (quarterly) SLBC meetings also.

A Special Meeting of SLBC on Economic Stimulus Package for MSME, Housing and Auto sectors chaired by Chief Secretary to Government of Kerala was held on 16.03.2009 in Trivandrum as per the directives from the Cabinet Secretary to Government of India.

SLBC, Kerala has been conducting the Special Monthly Meetings to review the progress in implementation of IBA package on MSME, Housing and Auto sectors since January 2009 and meetings were conducted regularly till May 2010.

The 16th Special Monthly Meeting of SLBC, Kerala, on “Stimulus Package for MSME, Housing & Auto Sectors held on 12.05.2010 in Trivandrum took a decision to wind up such monthly meetings and decided to review the performance of MSME, Housing and auto sectors once in a quarter during the regular SLBC meetings.

Review of the performance of PSU Banks under the Special Package implemented in Kerala State for the month of June 2010 (Refer Annexure 7.49)

- 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.

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

Kerala has got a distinction of having the maximum number of units of MSME covered under the guarantee scheme of CGTMSE. It was decided in the previous meeting of the SLBC that the performance of Banks under the scheme would be reviewed at State level on a regular basis. On a review of the performance, it is seen that during April 2010, banks in Kerala covered an amount of **Rs. 41.28 crores (1500 proposals)** under the scheme. Bank-wise analysis reveals that State Bank of Travancore has covered highest quantum of loans (**Rs. 12.31 crores**) followed by Canara Bank (**Rs. 5.64 crores**). District-wise analysis reveals that Ernakulam has covered the highest quantum of loans (**Rs. 9.27 crores**) followed by Trivandrum District (**Rs. 5.79 crores**). District-wise/Bank-wise details are shown as **Annexures 7.51 & 7.52.**

3.13.5. Note by Employment Directorate, Trivandrum

Statistical Report of 2010-2011 regarding Multipurpose Service Centres/ Job Clubs and KESRU'99.

Multipurpose Service Centre/Job Clubs 2010-2011 Subsidy-District- wise Statistics

Sl. No	District	No of Job Clubs	Subsidy upto 14.05.2010
1	Thiruvananthapuram	3	3,31,250
2	Kollam	2	4,00,000
3	Pathanamthitta		
4	Alappuzha	2	1,01,500
5	Kottayam		57,216
6	Idukki	1	1,07,532
7	Ernakulam		
8	Thrissur		
9	Palakkad	2	1,50,000
10	Malappuram	1	2,00,000
11	Kozhikkode	1	93,750
12	Wayanad		
13	Kannur	3	5,87,725
14	Kasaragod	2	3,64,616
	Total	17	23,93,589
Budget Allocation:			1 Crore

KESRU' 99 - 2010-2011 Subsidy-District-wise Statistics

SI No	Disrict	No of Beneficiaries	Subsidy upto 14.05.2010
1	Thiruvananthapuram	12	1,96,000
2	Kollam	20	3,01,810
3	Pathanamthitta	5	69,750
4	Alappuzha	6	82,000
5	Kottayam	30	5,38,910
6	Idukki	2	27,380
7	Ernakulam	11	1,63,650
8	Thrissur	2	40,000
9	Palakkad	15	1,94,000
10	Malappuram	44	8,00,000
11	Kozhikkade	8	1,15,500
12	Wayanad	2	40,000
13	Kannur	16	3,00,000
14	Kasaragod	9	1,56,000
	Total	182	30,25,000
Budget Allocation : Rs. One Crore Twenty One Lakhs			

Views of the Steering Committee

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

3.13.6. Information Note by MSME Development Institute

Credit Guarantee Scheme is the flag ship scheme of the Ministry of Micro, Small and Medium Enterprises to provide collateral free credit to Micro and Small Entrepreneurs. It is requested that the SLBC may include the recent guidelines issued by the RBI on the scheme as information note in the up coming meeting.

Collateral free loans to MSEs upto 10 Lakh Mandatory Cover under CGS:

The limit for collateral free loans to the MSE sector is increased from the present level of Rs. 5 lakh to Rs.10 lakh and it be made mandatory for banks. The Banks, in turn, can take cover for the collateral free credit facilities under CGS. The banks are mandated **not to accept** collateral security in the case of loans upto Rs 10 lakh extended to units in the MSE sector.

The necessary direction has issued by RBI is reproduced below:

May 6, 2010

The Chairman/ Managing Director
All Scheduled Commercial Banks
(Including Regional Rural Banks and Local Area Banks)

Dear Sir

Working Group to Review the Credit Guarantee Scheme for Micro and Small Enterprises (MSEs) – Collateral free loans to MSEs

As you are aware, a Working Group was constituted by the Reserve Bank of India to review the Credit Guarantee Scheme (CGS) of the Credit Guarantee Fund Trust for Micro and Small Enterprises (Chairman: Shri V.K. Sharma, Executive Director, RBI) and suggest measures to enhance its usage. The Report of the Working Group was released on March 6, 2010, which is available on our website (www.rbi.org.in). The Working Group has, inter alia, recommended that

"The limit for collateral free loans to the MSE sector be increased from the present level of Rs. 5 lakh to Rs.10 lakh and it be made mandatory for banks. Banks, in turn, can take cover for the collateral free credit facilities under CGS. In order to upscale the CGS, it is necessary to create widespread awareness about the key features and benefits of the Scheme. As the branch level functionaries have a predilection to lend against collaterals, the Group recommends that the Chief Executive Officers (CEOs) of banks assume complete and total ownership in the matter of strongly encouraging the branch level functionaries to avail of the CGS cover, including making performance in this regard a criterion in the evaluation of their field staff."

The above recommendations have been accepted by the Reserve Bank of India. Accordingly, in modification of our circular [RPCD.SME & NFS.BC. No.16/06.02.31\(P\)/2009-10 dated August 24, 2009](#), banks are mandated not to accept collateral security in the case of loans upto Rs 10 lakh extended to units in the MSE sector.

2. Banks may also strongly encourage their branch level functionaries to avail of the CGS cover, including making performance in this regard a criterion in the evaluation of their field staff.
3. You are requested to issue suitable instructions to your branches/ controlling offices for meticulous and strict compliance in this regard.
4. Please acknowledge receipt.

Yours faithfully

(R.C. Sarangi)
Chief General Manager

Further, the recent initiatives pertaining to SME sector is shown as **Annexure - 7.59.**

Views of the Steering Committee

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

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

4.1. Performance under Tertiary Sector of ACP

(Rupees in Crore)

	2008-09	2009-10
Target	17268	20677
Achievement	18408	24897
Percentage of achievement	106.37	120.41

The target under the ACP 2009-10 has been achieved by the banking sector of the state. Banks in the state have disbursed loans to the tune of Rs.24897 crores during the year against the target of Rs.20677 crores. The sector accounted for 47.93 % of the total disbursement to priority sector in the state.

When compared to the disbursements during the previous fiscal, there is an increase of 35.24 % during 2009-10. The disbursement to the tertiary sector during 2008-09 was Rs.18409 crores whereas during 2009-10, banking sector in the state could disburse Rs. 24897 crores.

4.2. Review of Disbursements to Tertiary Sector under ACP

Tertiary sector accounted for 47.93 % of the total disbursement to the priority sector in the state. The total disbursement to the sector during the fiscal up to March 2010 was Rs.24897 crores thereby achieving 120.41 % of the target fixed. When compared to the disbursements during the corresponding period of the previous fiscal, there is an increase of 35.25 % in the disbursements to the sector. The disbursement to tertiary sector during the last fiscal (2008-09) was only Rs. 18408 crores.

Banking Group-wise Performance under Tertiary Sector of ACP 2009-10

(Rs. in Crores)

BANK	TERTIARY SECTOR			
	Target	Achvt	% Achvt	% Share in Disb
State Bank Group	4053	5303	130.87	21.30
Nationalised Banks	4171	4223	101.25	16.96
Private Sector Banks	3418	3557	104.06	14.29
RRBs	945	1146	121.26	4.60
Co-operatives	8041	10533	130.99	42.31
KFC	49	135	276.73	0.54
Total	20677	24897	120.41	100.00

Under quantum of loans disbursed during the current fiscal, Cooperatives lead other banking groups by disbursing Rs. 10533 crores followed by State Bank Group (Rs. 5303 crores), Nationalised Banks (Rs. 4223 crores) and Private Sector Banks (Rs.3557 crores).

Under of percentage achievement of target, KFC registered 276.73% followed by State Bank Group (130.87%), RRBs (121.26%) Private Sector Banks (104.06 %) and Nationalised Banks (101.25%).

Among Commercial Banks, SBT leads in disbursements made to this sector (Rs.3608 crores) followed by the State Bank of India. (Rs.1655 crores), Federal Bank Ltd (Rs.1432 crores) and Canara Bank (Rs.781crores). The following banks have recorded low performance under this segment :

- (i) *Bank of Rajasthan*
 - (ii) *State Bank of Indore and*
 - (iii) *Yes Bank*
- have reported 'NIL' disbursement to the Tertiary sector in the State.*

District wise analysis reveals that Wayanad district has achieved 182.31 % of the projected target and stood first amongst the districts. The performance of Pathanamthitta (93.66%) and Kozhikode (94.11%) districts were below the targeted level. All other districts achieved their projected targets.

All the banks/LDMs should review the position under tertiary sector well in advance and initiate corrective steps to ensure that the targets are achieved comfortably.

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

4.3. FRESH ISSUES

4.3.1. High Level Committee to Review Lead Bank Scheme - Providing banking services in every village having population of over 2000 by March 2011 (Suggested by Reserve Bank of India)

- (a) Central Office has on the recommendation of The High Level Committee with Deputy Governor Smt. Usha Thorat as chairperson advised to “constitute a Sub-Committee of DCCs to draw a roadmap to provide banking services through a banking outlet in every village having a population over 2000, by March 2011. Such banking services can be provided through any of the various forms of ICT-based models, including through BCs.” The sub-committee shall meet on a monthly basis and would arrange to furnish a monthly progress report in the specified format by 10th of the following month to the SLBC Convener bank who in turn will consolidate the position of progress and forward to RPCD by 15th of the following month. Importance of timely and accurate reporting in this regard is to be impressed upon.

(CO circular RPCD.CO.LBS.HLC.BC.No.43/02.19.10/2009-10 dated November 27, 2009 and paragraph 147 of the Governor's statement on Second Quarter Review of the Monetary Policy 2009-10.)

Views of the Steering Committee

Steering committee 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 further progress could be made in the appointment of BCs and issuance of smart cards. SLBC and Head Offices of respective banks have to take immediate steps to implement the plan before March 2011. Effective suggestions shall emanate from the SLRM for ensuring implementation of the plan.

*The Convenor, SLBC informed that SLBC had given necessary instructions to all LDMs and Controllers of Banks for 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 - 7.48**) and the progress made is provided as tabled item.*

- (b) 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 expressed the hope that banks will be able to open the branches or cover the villages under BC model by September 2010 as the number of unbanked villages are only 120. He also requested banks not to insist for 2 % turn over commission from Government for the transactions in no frill accounts opened, as banks are already benefited by substantial balances left behind by no frill account holders.

4.3.2. IT enabled Financial Inclusion (Suggested by Reserve Bank of India)

In the backdrop of the meeting on IT-based Financial Inclusion held at RBI, Trivandrum on 23.07.2008 it was decided to constitute a special Sub-committee of SLBC for taking forward the process. Accordingly SLBC Convener had set up a special sub-committee of SLBC with senior Govt. officials and major banks. A meeting of the Special sub-committee held on 02.09.2008 took a decision that the project would be implemented on a pilot basis in Kollam, Wayanad and Idukki districts.

Views of the Steering Committee

The steering committee decided to call for the status report in this regard from the LDMs of Kollam, Wayanad and Idukki districts for placing in the SLRM. The Committee noted that as the IT enabled Financial inclusion is being implemented in all districts of the State, the pilot project may not be of much relevance. The same may hence be removed from the agenda item.

The status report submitted by the respective LDMs of the districts identified for implementation of the IT enabled Financial inclusion is provided in the **Annexure – 7.63**.

4.3.3. Credit Linkage to Trained Youth under RSETI (Suggested by Director General, National Institute of Rural Development [NIRD])

Under the guidance of the Ministry of Rural Development and with active co-operation of the respective State Governments RSETIs are established in all 14 districts of the State through Commercial banks.

The scheme, initiated in the year 2008-09, is being implemented across the country and NIRD has been notified as the nodal agency. The spirit of RSETI is that the trained youth will establish micro enterprises in their area. Ministry of Rural Development desires that the trained youth from the RSETI should get the credit facilities not only from the RSETI sponsored Bank but from any Bank operating in the district. The matter need to be taken up in SLBC and DLCC, and the decision taken in this regard may be communicated to NIRD. Further it may also be considered that in the event of rejection of the loan applications of the RSETI trainees, it shall be at the higher level and not at the branch level.

Views of the Steering Committee

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

4.3.4. Education Loans (Suggested by LDM, Ernakulam)

- (a) The season for education loan is fast approaching. The branches of almost all banks are in dark for want of proper guidance. Norms are still not clear in the case of loan for Nursing Courses. Last year several agitations were there through out the state to resolve the issue.
- (i) Several agents of the Colleges out side the state are misguiding the students and take huge amount as commission, which is added to the course fee.
- (ii) Some organizations (Eg. Nehru Peace Foundation (NPF), Ernakulam), have canvassed a number of students giving the promise that they will arrange loans and they need not make any fund towards fee. After enrolling them for the course, the organization disappears and the students and parents are taken to the street. The college authorities are withholding the certificates demanding fee for the period of their study.
- (iii) Many people were convinced that education loan is a fundamental right and the banks are bound to give it. Several people and organizations are playing the card and they generate strong feelings against the banks.
- (iv) The budgetary announcement for giving interest concession during the moratorium period is an issue with the public. Though, SLBC had circulated the government notification, no guidance was given by any Bank to their branches on the matter so far. Media coverage on the issue take the branches to an embarrassing situation in explaining it.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLRM for group discussion and for suggesting appropriate measures.

- (b) 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 expressed concern over the low loan quantum considered to students pursuing education in Private Sector Colleges compared to the fee structure prevailing in such colleges. He also observed that some banks are seeking collateral securities for Education Loans in contrary to laid down norms. He requested banks to take steps to bridge the gap in loan quantum and reiterate the guidelines on collateral security so as to avoid in convenience to students.

4.3.5. Revenue Recovery Online – Arrears to banks on RR cases of Government Dues (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.

Views of the Steering Committee

The Steering Committee decided to place the matter before SLRM for group discussion and for suggesting appropriate measures for recommending the matter to the Government of Kerala.

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

Views of the Steering Committee

The Steering Committee decided to place the matter before SLRM to take up with the Government of Kerala for amendment, to make registration mandatory and for putting maximum ceiling (cap) on the registration fee in order to reduce the burden of the cost of registration on the loanees/beneficiaries.

4.3.7. Notice issued by the Inspector, Legal Metrology Department, Neyyattinkara (Suggested by Syndicate Bank)

Legal Metrology Department has issued a notice to syndicate Bank. The notice issued by the authority vide reference 122/10 dated 19.03.2010 is against the publication made the Bank in the daily under the provisions of SARFAESI Act 2002. The mistake pointed out therein was for showing the measurement of land in “cents” instead of “ares”. Syndicate Bank vide letter 16.04.2010 politely replied through the standing lawyer the circumstances under which the said publication was made. Syndicate Bank has been now informed that the Bank official should appear before the Inspector, Legal Metrology Department on 25.05.2010 to explain as to why penalty cannot be imposed for the offence under the referred Act. It should be noted that the measurements of land have not been converted into new system in the Land Revenue Records in all the cases through out the State. Moreover this is the first occasion that a Notice is being served on Syndicate Bank by the Authority for the so called offence. In fact, all the Financial Institutions of the State are issuing such Notification by showing the measurement of land in “cents” as per the records available and on the basis of the mortgage created by the owners of the property.

The issue may be analyzed and taken up suitably with the concerned department as all the Member Banks may face similar situation if the Notice issued by the Authority is accepted in toto.

Views of the Steering Committee

Since this matter was of concern to all banks, the Steering Committee decided to place the matter before SLRM to bring the matter to the notice of concerned Government Department. It was suggested that the aspect may be examined by the respective Department (Food & Civil Supplies). SLBC may recommend to the Government that till such time the proper notification is provided and the issue settled no further action shall be taken in the matter.

4.4. PENDING ISSUES

4.4.1. Recording Bank Loans in the Ration Cards

Recording the Bank Loans in the Ration Cards was a long felt need of the Bankers and the GoK was kind enough to implement this. Unfortunately the facility, that prevented defaulters intrude into other Banks, had only a short life. On earlier occasions while changing the Ration Cards, the Bank Loan details were not carried over but still the Bankers were noting new loan details. The Ration Cards now exchanged with the older ones are not even having pages to note down the loan details.

This was brought to the notice of the government and sought an order from them permitting Banks to record loan details in the 2nd page of the Ration Card Booklet.

The matter again came up for discussion during the 100th meeting of SLBC, Kerala held on 21.12.2009 in Trivandrum. In the meeting, the Additional Secretary, Food & Civil Supplies, informed that the details would be collected and checked up with the Director of Civil Supplies and the information would be provided within a week.

LDM, Thrissur informed that the matter has come from Thrissur district and pointed out that earlier there was a provision to record loan details in the ration cards and after introduction of the new ration cards, the facility had been withdrawn. He added that the second page of the ration card was only an ordinary paper and requested the concerned department to issue an order permitting Banks to record loan details in the 2nd page of the Ration Card Booklet.

Additional Secretary, Food & Civil Supplies assured the forum to take up the matter with the Director of Food & Civil Supplies who would issue the direction in this regard.

SLBC Convenor, vide letter No. SLBC 35 179 2010 KM dated 30.01.2010, had taken up the matter with the Additional Secretary, Food & Civil Supplies Department.

The matter again came up for discussion in the 101st Meeting of SLBC, Kerala held on 30.03.2010 at Trivandrum. In the meeting the Secretary, Planning & Economic Affairs Department, Government of Kerala assured to take up the matter with the concerned.

SLBC Convenor, vide letter No. SLBC 35 662 2010 RP dated 26.04.2010, had taken up the matter with the Secretary, Planning & Economic Affairs Department, Government of Kerala, requesting to take up the matter with the concerned department for a favourable decision in this regard.

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 vide letter

No.(CS) A4-12437/10 dated nil, the Director of Civil Supplies, Office of the Commissioner of Civil Supplies informed that:

“Loan details can be endorsed on the 3rd page of the revised ration cards as was done earlier in the last page of the old ration cards. The details of loan availed by the card holders may be informed to the Taluk Supply Officers concerned so as to upload in the data base”

*In the light of the above clarification, the Sub-Committee decided to inform the SLBC accordingly and recommend to **drop** the item from the list of pending issues of SLBC and to adhere to the procedure suggested.*

4.4.2. Computerization of Land Records

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

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

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

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

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

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

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

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

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

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.

4.4.3. Waiver of Stamp duty on SHG loans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The matter again came up for discussion during the 100th meeting of SLBC, Kerala held on 21.12.2009 in Trivandrum. Since this was a long pending item the Chairman of the meeting

requested the concerned Department to take necessary action for a logical end. The forum decided to carry forward the item.

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

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

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

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

4.4.5. Creation of a Central Registry titled National Mortgage Repository

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

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

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

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

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

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

4.4.6. Kerala General Sales Tax Act 1963 & Kerala Sales Tax VAT 2003 – Sale of Gold or other valuable articles pledged with banks in realization of Debt amount – filing of SLP [Special Leave Petition]

The SLP filed by the Federal Bank was deficient, as it did not challenge the Constitutional validity of the Amendment carried out by the State of Kerala. Moreover, banks are only pledgees and not dealers, as dealers are persons who sell the goods ordinarily as part of their business. The legislative competence of the State in introducing the said Amendment, so as to include the banks, was the point, which ought to have been challenged before the Supreme Court.

The Government of West Bengal now, quoting the above judgment called upon all the banks to pay sales tax on the sale proceeds of goods pledged. Apprehending emulation of the wrong precedent set by the State of Kerala, it was requested to take up with the State Government for rescinding the order. Now, since West Bengal Government has already asked all the banks to pay sales tax as demanded by the Kerala State, it may spread to other States as well.

The SLRM 2008 and 2009 suggested SLBC to pursue the matter further. Accordingly the matter was being followed up with Taxes Department.

The matter again came up for discussion during the 100th meeting of SLBC, Kerala held on 21.12.2009 in Trivandrum. The Additional Secretary, Taxes Department informed in the forum that the matter was discussed in the SLBC meeting and then read out the Supreme Court Judgement in the case filed by Federal Bank. The Supreme Court had considered the relevant constitutional provisions in Banking Regulation Act 1949 and sale of gold in 1930. If banks feel that the law had not been properly considered by the Supreme Court, Government was of the opinion that banks could take up the matter again legally. She added that there was no objection on the part of banks on the Central Government decision, but they are only objecting the State law.

The Chairman of the meeting suggested that the matter may be left to individual aggrieved banks for getting a legal remedy.

The General Manager, Federal Bank pointed out that wherever there is a court decision, an exclusive decision has to be taken. As legal remedy was not available from the Supreme Court they had to present the matter at Government level.

The Secretary to Government, Planning & Economic Affairs Department requested Taxes Department to send the views of the Government to the SLBC so as to close the issue because it was pending for final reply from the Department.

The Additional Secretary, Taxes Department assured the forum to send a suitable reply in this regard to SLBC.

The meeting requested the Taxes Department to send suitable reply in this regard so that individual banks could take up the matter with the concerned.

The matter again came up for discussion during the 101st meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum and decided to pursue the matter with Taxes Department.

SLBC Convenor had vide SLBC 35 664 2010 RP dated 26.04.2010 take up the matter with the Principal Secretary, Taxes Department, Government of Kerala, requesting to send a suitable reply in this regard so as to enable to advise all banks accordingly.

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

“The Division Bench of the High Court of Kerala in its common judgment dated 18.08.09, in certain writ petitions filed, challenging the levy of collection charges, considered the vires of Rule 4 & 5 of Kerala Revenue Recovery Rules. Since the said judgment would result in huge loss of amount to the Government, SLP has been filed by Government against the judgment and stay has been obtained.”

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 pending decision from the Court the matter cannot be proceeded with further.

Guarantees issued by the State Government

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

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

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

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

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

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

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

The meeting reiterated to the Department that Government guarantee is a sovereign guarantee and banks were not questioning the credibility of the State Government. The

forum requested the department to sort out the matter immediately since fresh funding would be provided by banks only on the basis of honouring of guarantees already issued by State Government and banks needed the co-operation from Government. Moreover, in Kerala, all the banks are having excellent relationship with the State Government and as such there should be no hurdle for getting the guarantees honoured.

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

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

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

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

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

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

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

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

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

Additional Chief Secretary (Finance), Government of Kerala examined the case by case details and arrived that only in three cases guarantee is pending settlement.

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

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

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

Details of State Government Guarantees invoked by banks but not honoured by the Government as at June 2010 is furnished as **Annexure - 7.54.**

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

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

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

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

Secretary (Planning), Government of Kerala assured the forum that the matter would be taken up with the concerned department.

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

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

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

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

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

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

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

4.4.8. 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 94th meeting held on the 24th December 2007 in Trivandrum arrived at a consensus decision to take up the subject matter with the appropriate Government department for a favourable decision.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

enabling provision to collect or levy any service charge or collection charge in the said Act.”

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

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

4.4.10. 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 90th 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 6th & 7th 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 27th and 28th 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 100th meeting of SLBC, Kerala held on 21.12.2009 in Trivandrum took a decision to form sub-committees exclusively for sorting out the long pending issues with different Government Departments.

The Sub-committee Meeting held on 27.03.2010 at South Conference Hall, Government Secretariat, Trivandrum, Dr. P. Prabhakaran IAS, Additional Chief Secretary, Finance Department, Government of Kerala requested 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 101st 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.

4.4.11. 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 100th 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 101st meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum.

Sri. Teeka Ram Meena IAS, Secretary, Planning & Economic Affairs Department, Government of Kerala 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.

4.4.12.Introduction of Computerization in Revenue Recovery

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

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

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

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

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

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

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

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

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

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

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

Revenue Department may inform the further developments in this regard.

4.4.13.Indira Awas Yojana – Top up loan from Banks under DRI Scheme

The matter came up for discussion during the 100th meeting of SLBC, Kerala held on 21.12.2009 as suggested by LDM, Thrissur.

During the SGSY Committee meeting held on 25.11.2009, the BDOs have raised the following with reference to Indira Awas Yojana.

- i. Majority of the Banks are not aware of the provision of extending DRI loans for IAY beneficiaries as top up loans.
- ii. Banks which are prepared to sanction loans are insisting Equitable Mortgage of Landed property where the house is proposed to be built. Considering the preparation of Land Documents for Legal Scrutiny and the meagre sum of loan of Rs. 20000/- the beneficiaries are not coming forward. Therefore the loan under DRI may be sanctioned as security free as in the case of other DRI loans.

The SLBC observed that Housing Loans under DRI Scheme to beneficiaries under Indira Awas Yojana (IAY) was tabled in the 99th Meeting held on 25.06.2009 in Trivandrum and requested Controlling Offices of banks to implement the scheme.

RBI had clarified that even for DRI loans above the cut of limit Equitable Mortgage is to be created with title deeds even in case of IAY also.

RBI, vide Letter RPCD(T)No.LBS/1532/03.02.02/2009-10 dated 16.02.2010, had informed that the matter of creation of EMTs would be examined and informed in due course.

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

In the meeting the Deputy General Manager, RBI informed that they have not received further details of the scheme so far.

The Commissioner for Rural Development, Trivandrum vide letter No.2758/DP1/2010/CRD dated 24.04.2010, had forwarded the copy of the guidelines of IAY along with connected letters for onward transmission to RBI, RO, Trivandrum for examining the matter as to whether equitable mortgage is to be created with title deeds in the case of DIR loans to IAY beneficiaries. SLBC Convenor had forwarded the same to RBI for necessary action.

RBI, vide Letter RPCD (T)No.LBS/2203/03.02.02/2009-10 dated 10.06.2010, had informed that in respect of the DRI Scheme, RBI Circular dated 13.06.2007 enhancing the loans amount for housing purposes to Rs. 20,000/- per beneficiary and RBI Circular dated 10.04.2008 increasing the borrower's income eligibility criteria for availing loan under the DRI Scheme. As indicated in the above circulars other terms and conditions of the scheme remain unchanged. SLBC may therefore be guided by the above circulars and the DRI scheme circulated to banks, vide circular dated 06.07.1977. For further clarification if any, SLBC may forward the details quoting specific circular of RBI along with suggestions/comments for consideration.

4.4.14. Financial Inclusion - Need for including in School curriculum to enable Financial Education

Deputy Governor of Reserve Bank of India, Dr. K.C.Chakrabarty, has written to all State Chief Secretaries and Administrators of UTs on January 1, 2010 stating that, to commemorate the Platinum Jubilee year, the Reserve Bank is undertaking a series of activities and events including outreach programme focusing on spreading awareness about the economy and the role and importance of the Reserve Bank of India. He has sought the support and involvement of the State Government in these programmes, particularly with respect to financial inclusion and financial education endeavors of Reserve Bank of India. He has pointed out that absence of appropriate physical as well as telecom connectivity, inadequate power supply in the villages, etc, among others, is some of the reasons for the slow progress of the Electronic Benefit Transfer (EBT) scheme. The State Chief Secretaries have been urged to bestow their personal attention so that the Reserve Bank and the State Government could work together to facilitate routing the Government payments through bank accounts and promote financial inclusion throughout the country. Further, to promote financial education, he has also suggested to the State Governments that the typical school curriculum be broadened to include certain core elements that allow balance of social and financial topics and that financial education can be embedded within the extant school curriculum itself. SLBC may discuss on the above subject and ascertain the comments of the State Government.

The matter came up for discussion in the 101st meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum as suggested by RBI.

The meeting concurred with the views of the Steering Committee that the Government may examine the scope of including curriculum to promote financial education at the High School level and Education Department may initiate the process.

The Executive Director, Kudumbashree informed that a programme for Balasabha could be arranged during the month of May 2010. 10 lakh children have been covered under Balasabha which could be utilized for improving the Financial Literacy levels. She added that some of the children were already maintaining bank accounts.

The Secretary, Planning & Economic Affairs Department, Government of Kerala suggested to include the item in the Sub-Committee of SLBC since many issues are related to Finance Department. The recommendations of the Sub-Committee will be placed in the SLRM.

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 3 books have been provided by RBI to Education Department for revision of the curriculum at the high school level. This is being undertaken. Further developments may be examined.

4.4.15.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 101st 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.

4.4.16.Extending loan facilities for Rehabilitation of Gulf returnees

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

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

The matter came up for discussion in the 101st meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum. The following suggestions of the Steering Committee of SLBC 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 details are yet to be provided.

4.4.17.

4.4.17.1. 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 101st 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:

- Of late we come across many instances wherein the Government Revenue Department is meddling, 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.

- 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.
- 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 101st 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.

4.4.17.2. Stay against Revenue Recovery proceedings against Akshaya centres by Information Technology Department

The matter came up for discussion in the 101st meeting of SLBC, Kerala held on 30.03.2010 in Trivandrum as suggested by LDM, Kollam.

The Government of Kerala has given a stay order against invoking revenue recovery action until further orders against Akshaya Centres, who has defaulted in loan repayment. This has resulted in classifying such advances as non-performing assets. It is requested to include the above issue relating to revenue recovery as an agenda for discussion. A copy of the Government Order was annexed in the agenda.

The 101st meeting of SLBC decided 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 suggested banks involved to come forward for settling the issue under OTS since it was the best option available to bankers for reducing NPA. It was informed that an amount of Rs. 3 crores was earmarked by the Government for the OTS of Akshaya Centres.

4.4.18. Activity Group loans issues

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

Unlike the SHG approach in SGSY scheme, Kudumbashree is promotion the Activity Group approach in developing micro enterprises. In SGSY, the SHG comprising of 10-20 members formed and nurtured as thrift and credit society, as a whole takes part in micro enterprise activity by availing loan and subsidy. Contrary to this, in Kudumbashree, the NHGs comprising 10-20 members are nurtured solely as thrift and credit societies and do not take on micro enterprise as a group in general. Members from different NHGs having interest in any particular activity are brought together to form activity groups comprising 5-10 members. The process of selection of activity group is as follows.

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

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

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

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

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

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

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

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

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

and convince bank branches easily. She further added that the entire strategy of Kudumbashree would be based on activity groups rather than SHGs henceforth.

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

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

The Sub-Committee recommendations will be placed in the SLRM.

4.4.19. Review of Interest Subsidy Scheme for Housing the Urban Poor - ISHUP

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

The representative of National Housing Bank informed that Interest Subsidy Scheme for Housing to Urban Poor was a Government of India scheme and requested SLBC to consider the scheme and review the progress. The scheme is yet to take off in the State and hence the progress as at March 2010 may be treated as NIL.

4.4.20. ADWDRS – Waiver of RR collection charges

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

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

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

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

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

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

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

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

4.5. INFORMATION NOTE

4.5.1. District-wise Credit Deposit Ratio in the State

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

District-wise C D Ratio in the State as on 31.03.2010

Sl. No.	District	CD Ratio (%)	Sl. No.	District	CD Ratio (%)
1	Trivandrum	64	8	Thrissur	58
2	Kollam	65	9	Palakkad	72
3	Pathanamthitta	40.31	10	Malappuram	64
4	Alappuzha	58	11	Kozhikkode	76
5	Kottayam	62	12	Wayanad	126
6	Idukki	129	13	Kannur	63
7	Ernakulam	106	14	Kasaragod	91

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 (**40.31** %) just above the benchmark of 40% as at March 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 June 2010.

- (b) 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 noted that though the CD Ratio of 67.23% for the State as a whole for March 2010 is satisfactory, the CD Ratio of Semi-Urban branches is poor at 57 % compared to that of Rural branches (82 %) and Urban branches (78 %). He emphasised that banks to urgently concentrate on this issue for a turn around in Semi-Urban areas.

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

4.5.2. 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 March 2010, banks in Kerala sanctioned an amount of **Rs. 44 crores** (519 accounts) and the balance outstanding was **Rs. 56 crores** (686 accounts). The review of performance under this crucial "Housing sector" has become a regular agenda item of SLBC, Kerala at the behest of National Housing Bank (NHB). Details are shown in **Annexure - 7.38**.

4.5.3. Fraudulent withdrawal from SB/CD accounts of customers through ATMs - A/c South Indian Bank Ltd. – Note by RBI & South Indian Bank

Customer complaints were received from branches of The South Indian Bank Ltd. regarding ATM withdrawals aggregating Rs. 2.47 lakh without the knowledge of account holders. On verification of the debit transactions by the bank, it was identified as having taken place at Russia in Rouble. The customers reported that they neither visited the country from where the ATM operations have taken place nor lost/misplaced their ATM cards. The case may be

discussed in the SLRM to create awareness among the bankers and take precaution. The South Indian Bank has also reported the matter and requested to be discussed in the SLBC. The details of the same is provided as **Annexure - 7.61.**

Views of the Steering Committee

Steering committee decided to place the matter in the SLRM for creating awareness among the bankers so that all bankers can take precaution in this regard and also customer awareness can be increased.

4.5.4. Report of the High Level Committee to Review Lead Bank Scheme - Implementation of the recommendation – Note by RBI

With a view to improving the efficacy of the Lead Bank Scheme, the recommendations of the committee relating to strengthening of implementation of the Lead Bank Scheme at the state and district level have been forwarded by Central Office of RBI to all SLBC Convener Banks and Lead banks / scheduled commercial banks vide letter/circular dated February 26, 2010 and March 2, 2010 respectively. The action points emanating from the recommendations requiring action to be taken by SLBC Convener banks at the State level and Lead banks / Commercial banks at the District level were appended as annexure of CO letter. (*CO Circular RPCD.CO.LBS.HLC.BC.No.56 and 57/02.19.10/2009-10 dated Feb.26, 2010 and March 02, 2010 respectively*). Refer **Annexure - 7.62.**

To initiate action for speedy implementation of the recommendations and to closely monitor the progress made by Lead banks/ commercial banks the matter may be reviewed in SLBC.

Views of the Steering Committee

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

4.5.5. Spreading awareness of the Codes among bankers and public (Suggested by Banking Codes and Standards Board of India [BCSBI], Mumbai)

The main aims and objectives of Banking Codes and Standards Board of India (BCSBI) are to evolve Codes and Standards for banks for providing fair treatment to their customers. So far, Member Banks have adopted to implement two Codes: “Code of Bank’s Commitment to Customers” and “Code of Bank’s Commitment to Micro and Small Enterprises”. In our efforts to spread awareness of the above mentioned codes and standards among bankers and the customers, BCSBI had been holding workshops and meetings and conducted surveys. The results were shared with bankers to further enhance customer service in banks.

However, based on the number of complaints being received by BCSBI and branch visits undertaken by our officials, we feel that at the grass-root level, understanding of the contents of the Codes and their assimilation is not at desired level and some more efforts are required to achieve the same. We, therefore, propose to use the august forum of SLBC to enhance

awareness of the Code provisions. At the same time, we also propose to interact with branch level officials as also some customers of branches.

As Canara Bank is the Convenor of SLBC in the State of Kerala, it is requested the following.

- (i) Allow BCSBI a slot of about 45 minutes duration in the next SLBC meetings of the above States to enable an official of BCSBI to make presentation on the Codes and Standards and interact with local bankers/officials
- (ii) Invite Branch Managers of local banks separately to attend a presentation of BCSBI officials
- (iii) Arrange a Customers' Meet where BCSBI officials will interact with customers including MSE entrepreneurs to educate them about their rights and duties as enshrined in the Codes.

Views of the Steering Committee

The Steering Committee decided to invite the personnel from BCSBI for SLRM.

5. Review of Performance under various Segments

5.1. Review of Priority Sector Advances (Disbursement) as at March 2010 – ACP achievements (Refer Annexures 7.11 & 7.12)

The performance of banks with reference to the Annual Credit Plan-2009-2010 as at March 2010 with Bank-wise and District-wise break up is furnished in the annexure. The abstract of the performance as at March 2010 under ACP 2009-2010 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	2734	3102	113	771	790	102	4053	5303	131	7558	9195	122
Nationalised Banks	4956	6331	70	990	631	64	4171	4224	101	10117	11186	111
RRBs	1993	3090	112	105	67	64	945	1146	121	3043	4303	141
Private Sector Banks	2606	5307	140	795	509	64	3418	3557	104	6819	9373	137
Cooperatives	5500	6292	78	508	278	55	8041	10533	131	14049	17103	122
KFC	0	2		142	196	138	49	134	277	191	333	174
Total	17789	24124	136	3311	2471	75	20677	24897	120	41777	51492	123
% to Total Disbursement		46.85			4.80			48.35			100	

Comparison with previous year

Year	Primary Sector			Secondary sector			Tertiary Sector			Total Priority Sector Advances		
	Target	Ach.	% Ach.	Target	Ach.	% Ach.	Target	Ach.	% Ach.	Target	Ach.	% Ach.
2008-09	15791	18836	119	3134	2476	79.01	17268	18367	106	36193	39679	110
2009-10	17789	24124	136	3311	2471	74.63	20677	24897	120	41777	51492	123

The banking sector of the state has disbursed **Rs. 51492 crores** to the priority sector during the fiscal 2009-10 as at March 2010. This is **123 %** of the annual target of **Rs. 41777 crores**. There is an increase of **Rs. 11813 crores** in total disbursements over that achieved during the corresponding period of the last financial year.

Banking group wise analysis reveals that Cooperatives have disbursed the highest quantum of priority sector loans in the state during the fiscal (**Rs. 17103 crores**) followed by

Nationalised Banks (**Rs. 11186 crores**). A comparison based on percentage achievement of target reveals that achievements of State Bank Group, RRBs and Private Sector Banks were much above that of the state's overall performance whereas the performance of the Nationalised Banks were less than the benchmark share by the State as a whole. Disbursement to secondary sector constituted only **4.80%** of the total disbursement made by banks to the priority sector. Here it may be noted that sub-segments like Retail Trade, Small Business, Professional & Self Employed and SRTO that are presently classified under SME segment is still getting reported under Tertiary sector due to the continuation of the old LBR reporting format. Hence the performance which ought to have come under secondary sector is getting reflected under Tertiary sector.

Bank-wise analysis reveals that Kerala State Co-operative Bank has disbursed the highest quantum of priority sector loans (**Rs.16537 crores**) followed by State Bank of Travancore (**Rs. 6186 crores**). Three Banks viz., Bank of Rajasthan, State Bank of Indore and Yes Bank have reported "nil" disbursement to priority sector in the state during the period from 01.04.2009 to 31.03.2010, which needs immediate attention.

Thrissur district stood first in the quantum of priority sector loan disbursement (**Rs. 6366 crores**) closely followed by Ernakulam with a disbursement of **Rs. 5997 crores** to Priority Sector. Malappuram district was first in percentage achievement of target (**155.70%**) followed by Thrissur (**149.79%**), Palakkad (**140.04%**), Trivandrum (**126.16%**), and Ernakulam (**123.72%**) districts which had all achieved targeted levels above the State's average position. However, Pathanamthitta (**88.41%**) district has registered poor performance under ACP achievement.

5.2. Review of Priority Sector Advances (Outstanding) as at March 2010 (Refer Annexure 7.4)

5.2.1. Performance versus National goals

(Figures in percentage)

Sl. No.	PARAMETER	GOAL	Mar. 2006	Mar. 2007	Mar 2008	Mar 2009	March 2010	Variation	
								Mar.'08 To Mar.'09	Mar.'09 To Mar.'10
1	P. S. Advances to Total Credit	40	53.47	55.52	58.53	58.42	60.01	(-0.11)	1.59
2	Agri. Advances to Total Credit	18	15.91	17.70	21.23	19.27	22.46	(-1.96)	3.19
3	Weaker Section Adv. to Total Credit	10	12.40	13.01	12.91	14.78	16.16	1.87	1.38
4	DRI Advances to Total Credit	1	0.01	0.01	0.02	0.26	0.02	0.24	(-0.24)
5	C: D Ratio	60	66.84	70.09	71.39	63.54	67.63	(-7.85)	4.09

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

The growth in outstanding advances under sub sectors of priority sector as at March 2010 is summarized as follows.

(Rs in. Crores)

Parameter	Outstanding					Variation			
	Mar. 2006	Mar. 2007	Mar. 2008	Mar. 2009	Mar. 2010	Mar. 06-Mar. 07	Mar. 07-Mar. 08	Mar. 08-Mar. 09	Mar. 09-Mar. 10
Priority Sector Adv.	27763	35683	44078	48387	58204	7920	8395	4309	9817
Agriculture Adv.	8259	11337	15991	15959	21786	3078	4654	-32	5827
SSI Adv./ SME	3708	4391	6674	8095	11759	683	2283	1421	3664
Weaker Section Adv.	6168	8361	9724	12240	15674	2193	1363	2516	3434
SC Advances	697	856	1545	2003	3359	245	689	458	1356
ST Advances	NA	86	155	201	300	NA	69	46	99
DRI Advances	9.00	9.11	10.78	211.82	22.61	0.11	1.67	201.04	-189.21

Performance of the Banking sector inclusive of KSCARDB as at March 2010

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

Performance of KSCARDB under Priority Sector Advances

(Amount Outstanding)

(Rs in. Crores)

Parameter	March 2009		KSCARDB % to total advances	March 2010		KSCARDB % to total advances
	KSCARDB	COMM. BANKS + KSCARDB		KSCARDB	COMM. BANKS + KSCARDB	
Total advances	1830.35	84648.90	----	1966.69	101009.76	
Priority Sector Adv.	1830.35	50216.99	100.00	1966.69	60171.04	100.00
Agriculture Adv.	602.95	16562.29	32.94	613.90	22400.07	31.21
SSI Adv./ SME	298.74	8394.05	16.32	278.89	12037.47	14.18
Weaker Section Adv.	1554.10	13794.31	84.91	1720.85	17395.22	87.50
SC Advances	54.50	2258.82	2.98	78.15	3359.18	3.97
ST Advances	NA	NA		NA	300.03	
DRI Advances	0	211.82	0.00	0.00	2261.49	0

The Agricultural advances of KSCARDB has shown only a marginal increase of 10.95 crores where as SME advances has shown a decrease of Rs.19.85 crores from March 2009. KSCARDB need to focus on these areas for showing improved performance.

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

(Refer Annexure 7.4)

During the financial year of 2009-10, Priority Sector Advances increased by **Rs. 9817 crores** as against **Rs. 4309 crores** added during the corresponding period of previous fiscal.

Against the mandatory norm of 40% under priority sector advances, as at March 2010, **60.01%** of the total advances of the banks in the state were to priority sector. This shows a year-on-year increase **1.59** percentage points.

Banking Group Wise Performance Under Priority Sector Advances as at March 2010

(Rs in. Crores)

BANK	Total Advances			Priority Sector Advances			% PSA to Total Adv. (Mar.10)
	Mar.2009	Mar. 2010	Growth Mar. 09-Mar. 10	Mar.2009	Mar. 2010	Growth Mar. 09-Mar. 10	
State Bank Group	27864	33166	5302	15310	18311	3001	55.21
Nationalised Banks	24932	30632	5700	17738	22551	4813	73.62
RRBs	3800	4764	964	3418	4202	784	88.20
Private Sector Banks	25641	27885	2244	11824	13013	1189	46.67
Foreign Banks	582	540	-42	97	127	30	23.52
GRAND TOTAL	82819	96987	14168	48387	58204	9817	60.00

During the fiscal 2009-10, highest growth in priority sector advances was contributed by Nationalised Banks (**Rs.4813 crores**) followed by State Bank group (**Rs. 3001 crores**). RRBs have **88.20 %** of their advances under priority sector followed by Nationalised Banks (**73.62 %**) and the State Bank Group (**55.21 %**). Private Sector Banks have achieved **46.67 %** under Priority sector advances as at March 2010. The percentage of Priority sector advances to Total advances for the state is 60% which is much above the mandatory level of 40%. The Priority sector advances to total advances of the State has recorded an increase of 1.58 % from March 2009.

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

6. Review of Performance of the Banking Sector

6.1. Banking Statistics as at March 2010 (Refer Annexure 7.1 to 7.3)

The detailed banking statistics for the State as at March 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	
	Mar. 2008	Mar. 2009	Mar. 2010	Mar. 08- Mar. 09	Mar. 09- Mar. 10
No. of Branches	3941	4084	4310	143	226
Total Deposits	105488	130350	143404	24862	13054
Domestic Deposits	75599	93331	106518	17732	13187
NR Deposits	29889	37019	36886	7130	-133
Investments	1832	3712	3929	1880	217
Adv. + Investment	77137	86530	100916	9393	14386
C: D Ratio	71.39	63.54	67.63	(-7.85)	4.09
C+l: D Ratio	73.12	66.38	70.37	(-6.74)	3.99

6.2. Branch Network

As at the end of March 2010, the total number of branches of Commercial Banks in the State was 4310.

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	2020	654	2878	4.73	46.87	15.17	66.77
Private Sector Banks	263	858	306	1427	6.10	19.91	7.10	33.11
Foreign Banks	0	0	5	5	0.00	0.00	0.12	0.12
Total	467	2878	965	4310	10.83	66.78	22.39	100.00

Of the total Commercial banks in the state, Public sector Banks account for **66.77 %** 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 **10.83 %** are in rural areas whereas Semi-urban areas have **66.78 %** of the bank branches in the state. Urban branches constitute **22.39 %** of the branch network.

On a comparison with March 2009 position, it is found that Public sector banks have increased their tally of branches by **146** whereas that of Private Sector Banks increased by **80** branches as of March 2010.

6.3. Deposit growth

During the fiscal 2009-10, there was a growth of **Rs.13054 crores** in Deposits of the State and the outstanding total deposits reached a level of **Rs. 143404 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.130350 crores**. Quantum wise, the total deposits have grown from **Rs.130350 crores** in March 2009 to **Rs. 143404 crores** in March 2010, a year-on-year growth of **10.01 %**.

Another significant feature in this deposits growth is that the share of domestic deposits in total deposits is gradually increasing. As at March 2005, the share of domestic deposits in the total deposits was **58.04 %**, which has now steadily increased to **74.28%** as at March 2010.

Sectoral Growth of Deposit over the Years

(Rs. in Crores)

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

A. Banking Group wise Growth in Deposits

As evident from the following table State Bank Group (39.32 %), Private Sector Bank group (30.84 %), followed by Nationalised Bank (25.56%) has the highest share in growth of deposits among the Commercial Banks in the State.

Banking Group wise Growth in Deposits

(Rs. in crores)

Sl. No.	Banking group	Total Deposits		% Share in Total Deposits (Mar. 10)	Variation (Mar.09 - Mar. 10)	% Share in Growth
		Mar. 2009	Mar. 2010			
1	State Bank Group	46065	51197	35.70	5132	39.32
2	Nationalised Banks	39174	42510	29.64	3336	25.56
3	RRB s	3825	4324	3.02	499	3.82
4	Private Sector Banks	40529	44555	31.07	4026	30.84
5	Foreign Banks	757	817	0.57	60	0.46
	Total	130350	143403	100.00	13053	100.00

Banking Group wise comparison reveals that **35.70 %** of the deposits in the state is with State Bank group, which has got a **22.60 %** share in branch network. The corresponding figures for Private Sector Banks group are **33.10 %** share in branch network and **31.07 %** share in deposits. Nationalised Banks, which have **34.76 %** of the branch network in the state, have a share of **29.64 %** in total deposits. RRBs, in spite of having a share of **9.42 %** of the branch network has only **3.02 %** 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	1648	30453	19096	51197	3.22	59.48	37.30	100.00	35.70
Nationalised Banks	1542	23906	17062	42510	3.63	56.24	40.13	100.00	29.64
RRB s	431	3572	321	4324	9.97	82.61	7.42	100.00	3.02
Private Sector Banks	5605	24198	14752	44555	12.58	54.31	33.11	100.00	31.07
Foreign Banks	0	0	817	817	0	0	100.00	100.00	0.57
Total	9226	82129	52048	143403	6.43	57.27	36.30	100.00	100.00

As evident from the above table, **57.27 %** of the total deposits of the state is from semi-urban areas where **66.77 %** of the branch network exists. Urban areas accounted for **36.30 %** of the deposits and rural areas, **6.43 %**. On a comparison with March 2009 position, it is found that the share of semi-urban and rural areas in total deposits is showing gradual decreasing trends. The urban branches have shown an increasing trend in deposits.

6.4. NR Deposits (Refer Annexure 7.2)

The NR deposits of the state stood at **Rs. 36886 crores** as at March 2010. There was a negative growth to the tune **Rs. 526 crores** in NR deposits of commercial banks in the state during the last quarter. As compared to March 2009, the NR deposits decreased by **Rs. 133 crores** for the fiscal 2009-10.

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	407	11014	4437	15858	2.57	69.45	27.98	100.00	42.99
Nationalised Banks	363	7439	2431	10233	3.55	72.70	23.75	100.00	27.74
RRB s	36	170	12	218	16.51	77.98	5.51	100.00	0.59
Private Sector Banks	1430	6508	2610	10548	13.56	61.70	24.74	100.00	28.60
Foreign Banks	0	0	29	29	0	0	100	100.00	0.08
Total	2236	25131	9519	36886	6.06	68.13	25.81	100.00	100.00

State Bank group has the highest share (**42.99 %**) in the NR deposits from the State followed by Private Sector Banks (**28.60 %**) and Nationalised Banks (**27.74 %**) and of the total Non-Resident deposits, **68.13 %** deposits were from Semi Urban areas while Urban areas accounted for **25.81 %** and rural areas, **6.06%**. During the fiscal 2009-10, the share of N R Deposits in both rural and urban areas showed an increasing trend and semi-urban areas showed a declining trend.

6.5. Domestic Deposits

The growth in domestic deposits during the fiscal 2009-10 (**Rs. 13187 crore**) was lower than the quantum growth during the previous fiscal (**Rs. 17732 crore**).

Share of Domestic Deposits in Total Deposits (%)

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

As at March 2010, domestic deposits accounted for **74.28%** of the total deposits and this ratio is gradually increasing as evident from the table given above.

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

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

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

6.6. Credit Expansion (Refer Annexure 7.2)

Growth in Advances of the Banking sector in the State

(Rs. in crores)

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

During the fiscal 2009-10, the total advances grew by **Rs. 14168 crores** to reach **Rs. 96987 crores** as at March 2010.

Share Of Banking Groups In Total Advances Of The State

State Bank Group have the highest share (34.20 % each) in the total advances outstanding in the state closely followed by the Nationalised Banks which contributed at **31.58 %**. The Public Sector Banks accounted for **70.69 %** of the total advances against a **66.77 %** 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	1600	16699	14867	33166	4.82	50.35	44.83	100.00	34.20
Nationalised Banks	1164	13691	15777	30632	3.80	44.70	51.50	100.00	31.58
RRB s	504	4157	103	4764	10.58	87.26	2.16	100.00	4.91
Private Sector Banks	2970	12084	12831	27885	10.65	43.34	46.01	100.00	28.75
Foreign Banks	0	0	540	540	0	0	100.00	100.00	0.56
Total	6238	46631	44118	96987	6.43	48.08	45.49	100.00	100.00

Further, **48.08 %** of the total advances in the state are to semi urban areas where **66.77 %** of the branch network exists. Urban areas had **45.49 %** share in total advances against a share of **22.39 %** in branch network. Rural areas had a share of **6.43** only in the total advances deployed in the state where as they hold a share of **10.84 %** in total commercial branch network.

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

The Credit-Deposit ratio of the Commercial Banking sector of the State has increased by **0.65** percentage points during the quarter to reach **67.63 %** as at March 2010.

Banking Group wise C D ratio as at March 2010

Banking Group	C D Ratio - Percentage Distribution as at March 2010			
	Rural	Semi-Urban	Urban	Total
State Bank Group	97.10	54.83	77.85	64.78
Nationalised Banks	75.45	57.27	92.47	72.06
RRB s	116.82	116.39	32.00	110.18
Private Sector Banks	52.99	49.94	86.97	62.59
Foreign Banks	-	-	66.04	66.04
Total	67.61	56.78	84.76	67.63

The C D Ratio of rural areas of the state at **67.61 %** is more than the mandatory norm of **60%**. Further, the urban areas have a high CD ratio of **84.78 %** whereas that in Semi urban area is at **56.78 %**.

The C D ratio of RRBs is the highest at **110.18 %**. 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 Foreign Banks is at **66.04 %**. In rural areas, all the public sector have shown a better C D Ratio level well above the RBI stipulated 60 % Private sector banks have shown a figure of **52.99 %** which need improvement. In the Semi-Urban areas, the Nationalised, State bank group and Private Bank Groups could attain a C D Ratio level of **57.27%**, **54.83%**, **49.94 %** respectively which is below the national benchmark of 60%.

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

The C+I D ratio of the Commercial Banking Sector of the State as at March 2010 stood at **70.37 %**. There is an increase of 3.99% from the level of 66.38 % as at March 2009 to the present level of 70.37 % as at March 2010.

7. Annexures