

STATE LEVEL REVIEW MEETING 2009
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1. ADOPTION OF MINUTES

The minutes of the 99th meeting of SLBC, Kerala held on 25th June, 2009 has already been forwarded to the members vide Convener's letter TLB 35 761 2009 RP dated 20.07.2009. 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 2008-2009

2.1.1. Bankwise Performance

The banking sector in the state disbursed **Rs.18836 crores** to the farm sector during the previous fiscal (2008-09), surpassing the target of **Rs.15791 crore** with a comfortable margin.

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

(Amount in crore)

Sl. No	Banking Group	Disbursement	% Share in Total Disbursement	% Achievement of the target
1	State Bank Group	2434	12.92	100.25
2	Nationalised Banks	4520	24.00	105.65
3	RRBs	2076	11.02	119.87
4	Private Sector Banks	4842	25.71	221.02
5	Co-operatives	4946	26.25	95.79
6	KFC	18	0.10	NA
	State Total	18836	100.00	119.28

Co-operative Sector accounted for (26.25%) of the total disbursement in the state to primary sector followed by Private Sector Banks' Group (25.71%). Nationalised Banks which accounts for about 35% of the total commercial bank branch network in the state, contributed only 24 % in agriculture disbursement though they could surpass their target under the ACP 2008-09. 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 2008-09.

Sl. No.	Bank	% achvt.
1	State Bank of India	99.12
2	Kerala State Co-op. Bk.	97.76
3	Indian Bank	97.62
4	State Bk of Travancore	96.64
5	Federal Bank Ltd.	94.71
6	Union bank of India	90.69
7	Vijaya Bank	90.58
8	Central Bank of India	88.24

Sl. No.	Bank	% achvt.
9	Punjab National Bank	72.96
10	Punjab & Sind Bank	72.52
11	KSCARD Bank	71.03
12	Laxmi Vilas Bank Ltd.	65.72
13	Andhra Bank	25.87
14	Ing Vysya Bank Ltd.	14.21
15	Allahabad Bank	1.95

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

State Bank Of Bikaner & Jaipur, Kotak Mahindra Bank, IDBI Bank, State Bank Of Indore, Jammu Kashmir Bank and Bank Of Rajasthan.

2.1.2. District wise Performance under Primary Sector

The District wise performance details are furnished in Annexures. Ernakulam District leads in achievement of the target (262.68%) followed by Malappuram (127.79%) and Thrissur (126.77 %). Idukki, Kannur, Wayanad and Kasargod districts could not achieve the target. The LDM of Idukki, Kannur, Wayanad and Kasargod 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	Ernakulam	1085.07	2845.92	262.78
2	Malappuram	1130.10	1444.19	127.79
3	Thrissur	1308.11	1658.23	126.77

2.2. Note on Agriculture Outstanding

The total agriculture advances showed a decline of Rs 32 crores from Rs.15991 crores in March 2008 to Rs.15959 crores in March 2009. During the first quarter of the current fiscal the agriculture outstanding in the state has shown a positive upward trend and as at June 2009 it stood at Rs. 16468 crores which are above the March 2009 outstanding.

2.2.1. Performance Vs Mandatory Norm

The decline in agriculture outstanding has resulted in a fall in the share of agriculture advances to the total advances outstanding from 21.23 % as at March 2008 to 19.27% as at March 2009 and has marginally improved to 19.54% as at June 2009. Thus we are

crossing the mandatory norm of achieving 18% of its total credit in the state under agriculture sector.

Banking Group wise position of Agriculture Advances as at June 2009

(Amt. in Crore)

Bank	March 2009		June 2009		Variation	
	Agri. O/S	% Agri To Total Adv	Agri. O/S	% Agri To Total Adv	Agri. O/S	% Agri To Total Adv
State Bank Group	3354	12.04	3348	11.72	-6	-0.02
Nationalised Banks	6100	24.47	6228	24.72	128	0.51
RRBs	1957	51.50	1981	49.89	24	0.61
Private Sector Banks	4548	17.74	4911	18.88	363	1.40
Foreign Banks	0	0	0	0	0	0
GRAND TOTAL	15959	19.27	16468	19.54	509	2.50

The share of agriculture loan outstanding in the total advances improved in the case of all the Banking Groups including RRBs. The State Bank group should take effective steps to improve the share of agriculture advances in their credit portfolio in the state.

Those banks, which have not achieved the mandatory norm, are requested to take expeditious steps to achieve the same.

2.2.2. Agriculture Advances of KSCARD Bank

The agriculture advances of the Kerala State Co-operative Agricultural and Rural Development (KSCARD) Bank has shown a decline from the March 2009 level as detailed below:

(Amount in lakh)

	June 2009		Variation from March 2009		% Agri to Adv	
	A/cs	Amount	A/cs	Amount	March 09	June 09
Agri. Advances	269503	61470	65285	1175	39.43	33.32

33.32 % of the total advances of KSCARDB are comprised of agriculture advances. **The District Co-operative Banks and the State Co-operative Banks are requested to report their agriculture advances position to SLBC periodically.**

The Group may review the performance, deliberate on strategies to improve the position during 2009-2010 and recommend suitably.

2.3. Enhancing coverage of institutional credit through Kisan Credit Card

In Kerala State, 28.32 lakh Kisan Credit Cards have been issued so far by the banking sector of which Commercial Banks accounted for 13.72 lakh KCCs and Co-operative banks, 14.60 lakh KCCs. The aggregate credit limit sanctioned under KCC is Rs.11186 crore. (Refer Annexure).

During the first quarter of the fiscal 2009-10, 31558 fresh KCCs have been issued by Commercial Banks and 26477 KCCs by the Co-operative sector.

Banks in Kerala have been issued 28.32 lakhs of Kisan Credit Cards in the State right from inception of the scheme.

Banking Group Wise Performance Under KCC Scheme As at June 2009

Banking Group	No. of Cards Issued		No. of cards Outstanding	% Share in issuance since inception
	During the Quarter	Since Inception		
State Bank Group	7093	580068	154138	20.48
Nationalised Banks	11972	270216	156021	9.54
RRBs	10249	455206	143096	16.07
Private Sector Banks	2244	66304	46530	2.34
Total- Comm. Banks	31558	1371794	499785	48.43
State Co-op. Bank	25792	1442266	1031340	50.93
KSCARDB	685	17865	16659	0.64
Total – State	26477	2831925	1547784	100.00

The progress made by banks in this regard may be reviewed by the group.

2.4. Agro-Clinics and Agri Business Centres (Refer Annexures)

Under the novel scheme of Agro-Clinics banks in Kerala could open only 1 clinic with an outlay of Rs. 5 lakhs during the quarter adding value to the kitty of 13 such clinics opened right from inception (credit outlay Rs. 43.20 lakhs). The outstanding accounts under Agri clinics in the State by Commercial Banks are 9 with a credit outlay of Rs. 26.96 lakhs.

There were 8 Agri-Business Centres opened in the State from the date of inception of the scheme with a credit outlay of 51 lakhs. As at June 2009, 8 Agri-Business centres exist with an outstanding amount of Rs. 57.50 lakhs.

2.5. Discussion about the infrastructure bottlenecks, if any, and other issues and suggestions to overcome the same.

2.5.1. Agenda items suggested by NABARD

2.5.1.1. Rural Infrastructure - Accelerating flow of Ground Level Credit

Total sanctions under RIDF (I to XIV) aggregated to Rs.2,584.48 crore covering various sectors like Irrigation, Watershed Development, Roads, Bridges, Mini Hydel Plant, Livestock Village, Rural Health Care centres, etc. As against the above sanction, the State Government had utilized Rs.1,552.92 crore. Out of the 3006 projects sanctioned, 2036 projects have been completed and the remaining projects are on various stages of implementation. The details of sanctioned and completed projects are as under:

Sl. No.	Sector	No.of Projects sanctioned (RIDF I to XIV)	No. of Projects completed
i	Irrigation	1	8
		1	9
		7	6
		8	
ii	Watershed Development	2	1
		7	7
		1	4
iii	Drainage & Flood Protection	7	1
		1	4
iv	Roads	8	5
		5	9
		4	5
v	Bridges	3	2
		3	5
		6	9
vi	Schools	1	7
		1	
		6	
vii	Health Sector	6	0
viii	Others	1	9
		7	1
		4	
	Total	3	2
		0	0
		0	3

		6	6
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The district-wise details of projects sanctioned for Minor irrigation and Checkdams in the four distress districts, is given below:

(Rs. Crore)

District	Minor Irrigation (Excluding Checkdams)			Check Dams		
	No.	Sanction	Disbursement	No.	Sanction	Disbursement
Kasaragod	17	4.26	1.24	1	0.83	0.17
Palakkad	7	2.52	1.44	9	4.48	1.21
Wayanad	32	4.06	1.67	13	6.35	1.9
Idukki	77	7.92	3.8	0	0	0
Total	133	18.76	8.15	23	11.66	3.28

NABARD, while preparing Potential Linked Credit Plans (PLPs), takes into account the sanction of projects under RIDF for estimation of potential for further credit flow. The details of sanction of new RIDF projects are provided to the District Collector as also LDMs and Line Departments concerned operating in the district to facilitate exploitation of the potential created thereof.

The matter is placed for information of the banks and agencies involved.

2.5.1.2. Reduction in interest rate in respect of Investment Credit

NABARD has reduced the interest rate on refinance in respect of investment credit by half percent, i.e., from 9% to 8.5% for Commercial Banks and from 8.5% to 8% for Cooperative Banks and Regional Rural Banks.

The matter is placed for information of the banks.

2.5.2. Agenda items suggested by the Director of Dairy Development

2.5.2.1. Fodder Development Scheme

Components:

(i) Fodder Marketing Centres:

Scheme envisaged promoting fodder cultivation extensively by the introduction of fodder marketing units (buy back arrangements). Even though there is wide spread demand for fodder, one of the major constraints is the lack of harvesting and transportation facility for market it. In this scheme assistance will be provided to units like group of individuals, organizations, SHGs etc. to collect cut fodder from where it is

available in plenty and supply it in those areas where there is demand. An amount of Rs. 50,000/- (50% of unit cost) will be provided as subsidy.

In the case of group of societies 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. 50000/-. This amount may be provided as Bank loan repayable by the beneficiaries.

(ii) Assistance for Mechanization in Fodder cultivation & Irrigation Assistance (2 schemes)

These schemes providing 50 % cost of the machinery as subsidy to the selected beneficiaries. The beneficiary has to purchase machineries/equipments like fodder harvester/chaff cutter /pump sets/ sprinklers etc. needed for fodder cultivation.

50% of the cost of the equipment or 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.

2.5.2.2. Milkshed Development Programme

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

Sl. No.	Projects	Unit Cost (Rs.)	Unit Subsidy (Rs.)	Total Units
1	Two Cow Unit	48400.00	14400.00	825
2	Five Cow Unit	142750.00	44000.00	180
3	Ten cow Unit	279500.00	75000.00	100
4	Twenty Cow Unit	570000.00	150000.00	20
5	Heifer Rearing Unit (30 heifers in each unit)	908650.00	450000.00	25
6	Need based assistance to progressive farmers	50000.00	10000.00	250
7	Assistance for purchasing Milking	50000.00	10000.00	500

Machine			
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Heifer Rearing Units:

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 25 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, SHGs and individuals can be the beneficiary of the scheme. The unit cost may be provided as Bank loan and subsidy will be remitted to the beneficiaries loan Account on completion of the scheme.

Need Based Assistance to progressive Dairy Farmers:

There are a large number of farmers in the state rearing more than 15 animals on a commercial basis. These farmers are not provided any assistance from any source as they are considered to be a commercial venture. In order to make these farms viable and sustainable mechanization of the activities is required. This project envisages assisting such farms having a minimum of 15 animals for purchase of equipments based on their needs. The list of equipments is included in the scheme. 20% of the cost of equipments purchased or Rs. 10,000/- whichever is less will be provided as subsidy. The cost of equipments may be provided as Bank loan based on the requirement of the beneficiary.

Assistance to purchase Milking Machine:

One of the major problems faced by Dairy farmers is the lack of efficient milkers. It may be noted that many dairy farmers are quitting this sector mainly due to the difficulties experienced by them for arranging milkers, whose services are not adequate. Completely automatic milking machines are available in the market which is very useful to the farmers. But such machines are mostly highly expensive and not affordable to the common dairy man. The production cost of milk can be reduced by introducing Milking machines and it will be possible to produce clean milk under hygienic condition. Now a days more farmers are coming forward to start commercial dairy units. The limiting factor for such farmers is the high cost of milking machines. The scheme envisages for providing financial assistance for purchase of milking machine by dairy farmers who own more than five milch animals. Cost of the machine is estimated to be Rs.50000/- per unit.. Department will provide 20% of the cost or Rs.10000/- whichever is less as subsidy. The entire cost of the machine may be provided as Bank loan to the beneficiary on production of Invoice duly certified by the departmental officials. The subsidy [portion will be remitted to the beneficiaries loan account.

During 2009-10 Department has got sanction for distributing 500 units. This scheme will be a great help and relief to dairy farmers who are depending on milkers (manual labour).

2.5.3. Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS) -2008

2.5.3.1. Cut-off date for acceptance of grievances from farmers covered under the scheme

Department of Financial Services, Ministry of Finance, Government of India, New Delhi has informed that the Government of India, after careful consideration of requests from public sector banks and other lending institutions, have decided that **31st January, 2010** will be the **Last date for receiving grievances by all agencies.**

SLBC Convenor vide its letter TLB 124 820 2009 RP dated 31.07.2009, requested Controlling Offices of all banks in Kerala to issue suitable instructions to all the branches coming within their jurisdiction immediately to comply with the guideline. It was also requested to ensure that **wide publicity** is given to the above decision among the farmers so as to enable them to submit their grievances pertaining to ADWDR Scheme – 2008, if any, for redressal before the cut-off date (ie, **31.01.2010**).

2.5.3.2. Extension of last date under One Time Settlement Scheme under the scheme

During the Budget Speech 2009-10, the Hon. Union Finance Minister had made the following announcement.

"Under the Agricultural Debt Waiver & Debt Relief Scheme 2008, farmers having more than two hectares of land were given time upto 30th June, 2009 to pay 75% of their overdues. Due to the late arrival of monsoon, I propose to extend this period by six months upto 31st December, 2009"

In the light of the above said announcement, Government has now decided to extend the period of payment of 75% of overdue portion by the other farmer under One Time Settlement Scheme under ADWDRS for another six months i.e. **from 01.07.2009 to 31.12.2009.**

The banks/lending institutions are allowed to receive even less than 75% of the eligible amount under OTS provided the banks/lending institutions bear the difference themselves and do not claim the same either from the Government or from the farmer. The Government will pay only 25% of the actual eligible amount under debt relief as has already been intimated by the Ministry of Finance.

It is clarified that the lending institutions would not charge any interest on the eligible amount for the period from February 29, 2008 to June 30, 2009. However, the banks may charge normal rate of interest on the eligible amount from July 01, 2009 upto the date of settlement.

SLBC Convenor vide its letter TLB 124 730 2009 RP dated 21.07.2009, requested Controlling Offices of all banks in Kerala to issue suitable instructions to all the branches coming within their jurisdiction immediately to comply with the guideline. It was also requested to ensure that **wide publicity** is given to the above decision among the farmers so as to enable them to avail maximum benefits of ADWDR Scheme 2008 before the cut-off date.

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

2.5.4.1. 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. The bank wise details of interest waived, claimed and settled are available in the Annexure.

2.5.4.2. 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)**. The bank wise details of rescheduled accounts are available in the annexure.

2.5.4.3. 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 last fiscal 2008-09, banks in these 3 districts disbursed **Rs. 3105 crores** of agriculture loans.

2.5.5. 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 and good yielding cows cost more than Rs. 15,000/- per animal. The department recommends that the cost of one milch cow considered for bank finance should be enhanced from the present level of Rs. 15,000/- to atleast Rs. 20,000/- in future. Considering the previous experience in implementing such schemes through the Department of Dairy and based on the requirements of farmers, SLBC may take up the issue and the decision may be communicated to all banks in the State for uniform implementation.

During the Steering Committee Meeting of 96th SLBC meeting, the Additional Director of Animal Husbandry informed in the meeting that many of the bank managers are not financing as per the requirements of the schemes under Dairy sector.

The Assistant Development Commissioner, Commissionerate of Rural Development informed that many of the bank Managers are still stipulating the NABARD norms and not financing to the schemes under Dairy Sector, as per actual requirement.

The Assistant General Manager, NABARD requested 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 Convenor for placing before SLBC forum. The scheme shall be prepared in a holistic manner and Department should take the responsibility. He added that bankers are having freedom to finance viable schemes, as there is no stipulation of unit costs by NABARD.

During the 96th meeting of SLBC Kerala held on 30.07.2008 in Trivandrum, the Chief General Manager, NABARD pointed out that the basic issue was not the unit cost and as far as the above loan component was concerned, NABARD had already prepared a model scheme for up to 10 animals and they could pass on the same to State Government also. The model schemes prepared by NABARD had to be fitted with the banks only as per the Government guidance. The proposals under the scheme would be financially viable and banks could accept the same without referring to unit costs. As the model scheme was already available in the case of dairy finance, banks would not find any problem on loan component and in providing support. He made a request to the Animal Husbandry Department that they could consult with NABARD as well as financial institutions and work out the details.

On analysing the views of Animal Husbandry Department and NABARD, during the Review Meeting of SLBC, Kerala held on 6th & 7th October 2008, the forum felt that Unit cost should continue to be at Rs 15000/- per animal. However, the same could be made flexible up to Rs 20000/- depending upon milk yield.

Regarding enhancement of unit cost to dairy, the LDM, Kozhikode supported the view with an upward revision in cost of cattle unit for consideration. He pointed out that there was a scheme of MSDP (mixed crop) implemented by the Dairy Development Department. There were two animal units and the cost of project was estimated at Rs. 62,360/-. There was an upward revision in the cost on cattle also in the neighbouring states. Under MSDP, Rs.14,000 /- was given as subsidy. Viability also should be taken into consideration and for a five animal unit, the cost suggested was Rs. 1,44,000 /-. He felt that it was slightly on the higher side and the department might consider relaxation on the condition that purchases should be made from outside the State only.

The LDM, Thrissur said that for increasing the cattle population and milk production in Kerala, we should encourage purchase of animals from outside Kerala only and the practical problems connected to such purchases should be worked out separately.

The LDM, Kannur said that Dairy Development Department was having a loan scheme under the sector with 10 animal units and the loan applications were sent to bank branches with insistence of releasing the entire loan as cash. Branch Managers in Kannur district find it very difficult to implement the scheme with such stipulations. He made a request that whenever Government departments formulate viable schemes especially those linked with bank finance, the departments should discuss the same with banks at SLBC/RBI level, so that banks would not find it difficult to implement the scheme later on at the grass root level. The Lead District Manager requested the authorities concerned to issue suitable directions from Government side directing the Departments to formulate their schemes after due consultation with the bankers.

The representative of the Department of Dairy Development may inform the progress in this regard.

2.5.6. Cattle Insurance

It was reported in some BLBC meetings that Insurance Companies are not entertaining policies with PTD clause. It was also known 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 may be taken up at SLBC level for a uniform rate of premium, atleast for the State as a whole and coverage of PTD clause.

The 96th meeting of SLBC Kerala held on 30.07.2008 in Trivandrum noted that during the Steering Committee meeting of SLBC, the Additional Director of Animal Husbandry, Government of Kerala informed that difficulties were mainly due to the variation in amount insured per year and duration covered for risks. She requested the forum that representatives from Insurance Companies shall be invited to attend all the SLBC meeting so as to sort out such issues.

The Lead District Manager, Trivandrum requested SLBC to take initiative in this regard to bring in a uniform premia structure to the existing insurance plans by which banks would be benefited as the District Panchayats propose to implement many schemes of Animal Husbandry Department, Government of Kerala within the next 3 years. The meeting observed that more clarification in this regard was required for a fruitful discussion.

The Chief General Manager, NABARD suggested that representatives from Insurance Companies also should be invited to the SLBC meetings and the connected matter might be discussed with them so as to sort out the issue quickly and efficiently.

During the Review Meeting of SLBC, Kerala held on 6th & 7th October 2008, the LDM, Trivandrum pointed out that the representatives from insurance companies were not available for discussion in the meeting. There were a lot of issues connected with cattle insurance which was being discussed by the members in the group discussion session. Almost all the branch managers and other allied sector department representatives highlighted the problems of high premium and difficulties in getting insurance claim settlement. Insurance companies had stipulated maximum amount of premium for animal purchase and stipulated lot of conditions at the time of cattle claims, with lesser claim settled amounts. It could be thought of a separate exclusive meeting of SLBC with representatives from Insurance companies so as to sort out all such problems.

The Chairman of the meeting informed that SLBC Convener was expected to invite the representatives from insurance companies in the SLRM which had been complied with. Since nobody representing the various Insurance companies attended the meeting, the Chairman suggested that we would call for a separate meeting of higher authorities of the companies only to sort out the issue.

The forum may discuss the issue under reference with the representatives of insurance companies in the group and suitable recommendations/suggestions/clarifications on the matter may be presented in the SLRM.

2.5.7. Schemes and Activities of National Fisheries Development Board (NFDB)

The Indian Banks' Association (IBA) has informed us that in the meeting of the Core Group of IBA for Rural Credit, Dr. S. Ayyappan, Chief Executive, National Fisheries Development Board (NFDB) made a presentation on the potential in the Fisheries Sector and apprised the perspective of the NFDB for development of the Fisheries Sector. He highlighted the Indian Fisheries and aquaculture as an important sector of food production, providing nutritional security to the food basket, contributing to the agriculture exports and providing employment to about fourteen million people in different activities. As there is a large untapped potential in fisheries and aquaculture, it is reported that the NFDB is aiming for a Blue Revolution to realize the full potential of

Indian fisheries through coordination of different agencies and Public-Private Partnership arrangements.

Further, it is informed that a Budget of Rs. 2100 crores during 2006-2012 (Rs. 151 crores for 2006-07) is provided covering intensive aquaculture in ponds & tanks (Rs. 620 crores), reservoir fisheries (Rs. 400 crores), marine culture (Rs. 105 crores), infrastructure for post harvest processing (Rs. 600 crores), domestic marketing (Rs.250 crores) etc. The Board contemplates to meet the full compliment of funds for training and demonstration as also 20% equity participation and block capital requirement which is expected to be met, through bank finance.

For implementation of the above scheme the State Governments have been nominated as the nodal agencies. Vide letter No. TLB/35/486/2007/KVS dated 20.02.2007, SLBC Convenor had taken up the matter with the Secretary (Fisheries), Government of Kerala requesting to inform the details of the schemes if any schemes have been formulated in Kerala State utilizing the above funds from the NFDB so as to place the same in the SLBC meeting for enlisting the support of banks for the smooth and successful implementation of the schemes.

The 92nd meeting of SLBC, Kerala held on 24.04.2007 at Trivandrum noted that there was huge untapped potential in the fisheries sector, especially in a state like Kerala with long coastal line. The meeting decided to request Fisheries Dept. to provide the details of the schemes formulated for utilizing the funds provided by NFDB.

While discussing the matter during the SLRM of SLBC, Kerala held on 3rd & 4th October, 2007, the meeting requested SLBC Convenor to take up the matter again with the concerned departments for obtaining the details of the scheme.

Vide letter No.13504/B1/2005/F&PD dated 05.10.2007, the Principal Secretary to Government, Fisheries & Ports (B) Department, Trivandrum had forwarded the details of the schemes which the State Government have submitted to NFDB for assistance.

The Department of Fisheries has been requested to present the scheme details in nutshell and to circulate sufficient number of copies of the project to the members of SLBC as they could not provide a soft copy of the project details to them.

The 94th meeting of SLBC, Kerala held on 24.12.2007 in Trivandrum had requested the Fisheries department to circulate copies of the scheme details in nutshell to all the members of SLBC as they could not provide a soft copy of the project details to SLBC. As the department did not circulate the scheme details, the SLBC meeting had decided to once again request the Fisheries Department to provide the detailed operational guidelines for the smooth implementation of the schemes.

SLBC Convenor had taken up the matter with the Secretary, Fisheries Department, Government of Kerala requesting to provide sufficient number of copies of the scheme

details formulated for utilizing the funds provided by NFDB. Alternatively, the Department was requested to send soft copies of the above said information to SLBC Convenor so that the same would be made available to the members of SLBC in its next meeting.

The representative of the Fisheries Department may inform the progress in this regard and also furnish details of the project implementation with names of banks participated for review of the forum.

2.5.8. 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.

SLBC Convenor had followed up the matter again with the Director of Agriculture, Government of Kerala and the Regional Manger, AICIL requesting to inform the latest position and developments in this regard.

The matter came up for discussion during the State Level Review Meeting of SLBC, Kerala held on 3rd & 4th October 2007. In the meeting, the official from AICIL informed that they have formulated separate pilot coconut Insurance Policy to be operationalised in collaboration with Coconut Development Board and the Department of Agriculture. This proposal is not under NAIS and if approved will be under a pilot scheme to be tested in the 4 major coconut growing districts in the State. At present the proposal is under active consideration of Coconut Development Board and the State Government. The AICIL is actively pursuing the matter. Other Crop Insurance Policies will be formulated jointly with the respective Commodity Boards.

During the Review Meeting of SLBC, Kerala held on 6th & 7th October 2008, the representative from Government of Kerala informed that the scheme was under examination and it was yet to be approved. The authorities would take an early decision in the matter as informed by the representative.

The representative of the Department of Agriculture / AICIL is requested to apprise the forum on further developments in this regard.

2.5.9. 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 a 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.

Vide letter TLB 35 551 2006 RRS dated 11.08.2006, SLBC Convenor had taken 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.

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 request 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 required a policy decision from the Government. He suggested that an arrangement for noting the status of the farmer, that he was 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.

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.

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 so far. The meeting decided to pursue the matter with the Government.

The representative of the Department of Agriculture is requested to apprise the forum on further developments in this regard.

2.5.10. Model law on the lines of the law recommended by the Talwar Committee

Regarding the Model Law as recommended by the Talwar Committee, the 90th meeting of SLBC noted that the state government had earlier declined to legislate as per the Model Bill circulated by the Union Government citing the reason that the Revenue Recovery Act was effective in the state and was covering all priority sector loans. The advantage accruing to farmers in the state if the state enacted legislation as per the Model Bill was that they could be able to access crop loans up to Rs. 100000 without any collateral security.

The annual review meeting of SLBC, Kerala held on 11th & 12th October 2006 observed that the suggestions made by the earlier SLBC meetings had been conveyed to the Planning Department.

The State Level Review Meeting of SLBC, Kerala held on 3rd & 4th October 2007 in Trivandrum observed again that the suggestions made by the earlier SLBC meetings had been conveyed to the Planning Department and reminded for action. As the matter was pending with the Government, the forum requested the Convenor, SLBC to pursue the matter further, which was repeatedly followed up.

During the Review Meeting of SLBC, Kerala held on 6th & 7th October 2008, the representative from Planning Department, Government of Kerala was not available for discussion. The committee decided to pursue the matter with the Planning Department.

The representative of the Department of Planning/Agriculture may inform the Government decision in this regard.

2.5.11. Permission for Agricultural Officers to open Bank accounts

Krishi Bhavans of Agriculture Department are disbursing substantial amount of money to farmers as subsidy/grant. The SLBC had recommended that the Government could permit agricultural officers to open one bank account per Krishi Bhavans to conduct the official financial transactions so as to reduce the workload of the agriculture officers substantially which in turn would result in improvement in quality of technical assistance to farmers. The SLBC requested the Agriculture Department to recommend the proposal to the Finance Department.

The annual review meeting of SLBC, Kerala held on 11th & 12th October 2006 requested the Government to take a decision in this regard at the earliest.

Vide letter No.TP3. 34138/2006 dated 14.08.2006 and letter No.TP(3)34138/06 dated 06.01.2007, the Director of Agriculture, Government of Kerala, has informed that a proposal had been furnished to Government of Kerala (Agriculture Department) and sanction is awaited.

During the State Level Review Meeting of SLBC, Kerala held on 3rd & 4th October 2007 in Trivandrum, the representative from Agricultural Department informed that Government orders is awaited on the matter. Department may pursue the matter further for a decision in this regard.

During the Review Meeting of SLBC, Kerala held on 6th & 7th October 2008, the representative from Government of Kerala informed that the matter was being examined in consultation with Finance Department. SLBC should further pursue the matter.

The developments in this regard may be appraised by the Agriculture/Finance department.

2.5.12.Tsunami Rehabilitation Programme of Fisheries Department

“When the tsunami struck the state all the major banks in the state actively associated with the state government in extending relief measures to the affected persons. The SLBC Kerala had formulated special relief package and all banks operating in the area, under the guidance of the concerned DCCs, actively assisted the tsunami-victims by extending need-based finance including consumption loans to the tune of more than Rs. 3 crore. Further, many banks have donated generously to the Chief Minister’s Relief Fund. Thus all the major banks in the area were actively associated with the rehabilitation programme of the state government.

Later, the fisheries department of the state government has formulated a scheme for rehabilitation of the tsunami-victims in the fisheries sector. In the GO.No.511/2006/FPD dated 18.11.2006 detailing the operational guidelines of the scheme, it was mentioned that the funds for the programme would be routed only through SBI . The exclusion of all other banks in the implementation of the programme would have an adverse effect on the programme implementation.”

The above matter was included as an agenda item in the 91st meeting of SLBC, Kerala held on 09.02.2007 as suggested by Indian bank. The meeting observed that the practice of specifying the names of certain banks in the G.O. for implementing various welfare programmes of the state government would affect the smooth implementation of the programme. The forum noted that Convenor, SLBC had taken up the matter of modifying the G.O. with the Fisheries Department and decided to wait for the outcome.

SLBC Convenor had taken up the matter with the Secretary (Fisheries), Government of Kerala, vide its letter No.TLB/35/1050/2006/KVS dated 29.12.2006 & followed up the matter vide its letters TLB/35/617/2007/RP dated 09.03.2007 & TLB/35/1670/2007/RP dated 31.08.2007 requesting to modify the G.O.

The State Level Review Meeting of SLBC, Kerala held on 3rd & 4th October 2007 in Trivandrum took a decision that while routing the funds for Tsunami Rehabilitation Programme, the Department should not park the funds in a single bank, but deposit the funds proportionately based on participation of all the Banks.

During the Review Meeting of SLBC, Kerala held on 6th & 7th October 2008, the representative from Fisheries Department, Government of Kerala was not available for discussion. The committee decided to pursue the matter with the Planning Department.

The representative of the Department of Fisheries may inform the Government decision in this regard.

2.5.13.Loans sanctioned by Banks for mechanized boats - non-availability of insurance cover due to ban on granting Registration/License by the Department of Fisheries

The SLBC, in its meeting held on 27.06.2006 observed that in the Kerala coast, fishing was being intensively undertaken and there was overcrowding of mechanized fishing vessels. Hence about 1½ decade back, NABARD had recommended that no fresh mechanized fishing boats should be financed. The Kerala Government had also put up a ban on further registration of fishing vessel except under replacement. Hence, if banks were financing for new mechanized boats except under replacement there would not be any statutory permission for the vessels.

But banks, especially in Kozhikode district have financed for new mechanized boats for which insurance cover is not available due to lack of registration by the Government.

Hence it was suggested that in the case of loans already granted, the forum could take up with the government for granting exceptions to the rule as a one-time measure. This would benefit the poor fishermen as well as banks. The forum agreed to request the State government to examine whether Government could give a one-time exception in this regard, so that insurance cover can be made available in the case of loans already sanctioned.

The review meeting of SLBC, Kerala held on 11th & 12th October 2006 noted that the State Government was yet to inform decision in this regard. Hence the forum resolved to take up the issue once again with the Government.

The State Level Review Meeting of SLBC, Kerala held on 3rd & 4th October 2007 in Trivandrum requested the Convenor SLBC to pursue the matter with Fisheries Department.

SLBC Convenor had followed up the matter with the Secretary (Fisheries), Government of Kerala, requesting to examine whether Government could give a one-time exception in this regard for the benefit of poor fishermen as well as the banks and inform the developments on the issue.

During the Review Meeting of SLBC, Kerala held on 6th & 7th October 2008, the representative from Fisheries Department, Government of Kerala was not available for discussion. The committee decided to pursue the matter with the Planning Department.

The representative of the Department of Fisheries may inform the Government decision in this regard.

2.6. Information Note on Primary Sector

2.6.1. Details of Project Pending with Bank for Availing Loan – Note by SFAC

SFAC has informed that the below listed proposals have been submitted to banks. Controlling Offices may give directions to Branch Managers to sanction the loan immediately so as to enable them to release the venture capital assistance.

No.	Name of the project	Name of Bank	Total Project Cost	Amount of Term Loan	Amount of Venture Capital Assistance (VCA)	Date Submission
1	Meg oil distillation & Coa Processing Plant at Thuvannoor, Ernakulam District	BI, Kolencherry Branch	Rs.1,82,19,000	Rs.60,00,000 (11 lakhs inclusive)	Rs.32,00,000	10.11.2008
2	Project for the processing of medicinal plants – Sreedhary Pharmaceuticals at Chithanam, Near	SBT, Uzhavoor	Rs. 91,80,000	Rs. 32,00,000 (inclusive of subsidy)	Rs.16,00,000	31.12.2008

	avoor, Kottayam					
3	Food Processing Unit – Dry Spices at Kandiyoor, Thrissur	Union Bank, Kandiyoor Branch	Rs. 88,45,000	Rs. 36,00,000 (inclusive of subsidy)	Rs.21,00,000	31.12.2008
4	Production of Organic Lotion Keezhumalakkal, Koduvayal, Manikkal Chayal, Trivandrum	BI, Pothencod Branch	Rs.60,37,000	Rs. 26,50,000 (inclusive of subsidy)	Rs.13,80,000	31.12.2008
5	Donut Processing Unit at Kumpazhuthoor, Trivandrum	S.B, Aralummod Branch	Rs.68,73,700	Rs. 28,00,000 (inclusive of subsidy)	Rs.14,50,000	31.12.2008
6	Donut Processing Unit at Kappanavila, Uchakkada, Koduvayal Panchayat, Trivandrum	Bank of India, Uchakkada	Rs, 64,53,500	Rs. 28,00,000 (inclusive of subsi)	Rs.13,80,000	10.11.2008
7	Medicinal Plants Processing at Aencheri in Alakkode Chayal, Idukki	BI, Thodupuzha	Rs. 1,30,56,000	Rs.43,00,000 (inclusive of subsidy)	Rs.20,00,000	31.12.2008

Note by SLBC Convenor: SLBC Convenor vide letter TLB 35 872 2009 RP dated 10.08.2009, forwarded the above list of projects to the controlling offices of concerned banks, requesting them to issue suitable instructions to the concerned branches for sanctioning the cases immediately so as to meet the objective of Government of India.

2.6.2. Note by Fisheries Department

Matsyafed has taken steps for implementing a scheme on Ornamental Fishery Development with the technical and financial support of the Marine Products Export Development Authority (MPEDA), Government of India, considering the vast potential of this sun rising industry in the field of export and self-employment generation. The District Officers of Matsyafed have already taken steps for its implementation. Kottayam and Alappuzha Districts have implemented the pilot phase Trivandrum District is now going to implement another 220 units in the 1st Phase. Matsyafed has taken steps for the implementation of nearly 1000 units in the different Districts. Salient features of the units are.

Type of the Breeding Unit	Grade I
Description	Micro Scale Units – Set up as a cluster of minimum 10 units
Nature of Activity Expected	1. Grow out of fish fry 2. Breeding of easy to breed ornamental fishes among live bearers and egg layers. Unit Cost / unit – Rs.1,50,000/- MPEDA subsidy – Rs. 75,000/-

	Institutional finance – Rs. 75,000/-
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The unit cost of such a unit is Rs. 1.5 lakhs. Out of which Rs. 75,000/- (Rupees Seventy five thousand only) will be subsidy component from the MPEDA. The total cost for the implementation of the scheme for 1000 beneficiaries is estimated to the tune of Rs. 15 crores and Rs. 7.5 crores will be received from the MPEDA as subsidy. MPEDA will release subsidy only after completing the construction of infrastructure as per their type design. The entrepreneurs for the scheme are being identified by Matsyafed and the beneficiaries will provide collateral security for the loan.

The total project cost of the scheme including loan component amounting to Rs. 15 crores has to be sanctioned by banks. A gestation period of 6 months may be allowed.

On receipt of subsidy from MPEDA amounting to Rs. 75,000/- unit will be credited to the account of beneficiary direct.

The scheme may be financed under Agriculture scheme and SLBC may kindly consider to finance the same.

3. Issues For Group Discussion On Secondary Sector & Govt. Sponsored Schemes (Group II)

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

3.1.1. Performance under ACP 2008-2009

(Rupees in Crore)

Year	2007-2008	2008-2009
Target	4749	3134
Achievement	2392	2476
Percentage of Achievement	50.37%	79.01%

Under secondary sector, which includes the SME Sector, the performance under disbursement needs improvement. The achievement is only 79.01 % of the annual targets. Banks in the state have disbursed loans to the tune of Rs. 2476 crores only upto March 2009.

It is encouraging to note that when compared to the disbursements during the corresponding period of the previous fiscal, there is an increase in disbursements to the sector. Last fiscal during April 2007 to March 2008, the disbursement to the secondary sector was Rs. 2392 crores whereas during the same period this year banking sector in the state could disburse Rs. 2476 crores, an increase of about 84 crores.

Private sector Banks accounted 37.07% of the disbursement to the sector during the fiscal by disbursing Rs. 917.92 crores. Performance of RRBs and Co-operative Banks needs improvement. ING-Vysya Bank leads in the quantum disbursement to secondary sector in the state by disbursing Rs. 347 crores.

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

IDBI Bank, State Bank of Indore, United Bank of India Jammu Kashmir Bank, Bank of Rajasthan and Laxmi Vilas Bank.

Among districts, the highest disbursement to secondary sector was reported in Kollam district (Rs. 737 crores) followed by Ernakulam (Rs.349 crores) and Thrissur district (Rs. 267 crores). The following districts have reported less than 70% achievement of the annual targets: *Alappuzha, Kasargod, Trivandrum, Thrissur, Kozhikode and Kottayam.*

(Rupees in Crores)

BANK	Disb. - Secondary sector			% Share for 2008-09
	2006-07	2007-08	2008-09	
State Bank Group	475 .45	524.17	499.94	20.19
Nationalised Banks	136 3.6 2	607.89	602.63	24.34
Private Sector Banks	110 9.4 7	891.99	917.92	37.07
RRBs	46. 83	47.25	48.10	1.94
Co-operatives	180 .81	233.50	285.79	11.54
KFC	31. 65	87.37	121.73	4.92
Total	320 7.8 3	2392.1 7	2476.11	100.00

Under level of achievement, Wayanad district led in achievement of targets with 127.13%, followed by Pathanamthitta (117.24 %) and Kollam (109.53%). The following districts could not achieve the targets - *Kannur (95.64%), Palakkad (95.07%), Idukki (85.13%), Malappuram (77.31%), Ernakulam (77.07%)*.

The following banks have not reported any disbursements to secondary sector during 2008-09 despite of the targets allotted to them. - *State Bank Of Bikaner & Jaipur, State Bank of Indore, IDBI Bank, United Bank of India, Jammu Kashmir Bank, Bank Of Rajasthan and Kotak Mahindra Bank.*

Kollam district (Rs.737 crores) accounted for almost 29.77% of the total disbursement to secondary sector in the state. The least quantum of disbursement was reported by Wayanad district (Rs.23 crore).

LDMs and Controlling Offices of Banks are requested to take remedial measures to set right the shortcomings. The group is requested to deliberate on the strategies to be adopted to augment the flow of credit to this sector especially in the wake of directions from the Union Government to double the flow of credit to SME Sector in 5 years.

3.2. Performance under Outstanding Advances in SME sector

3.2.1. Performance under SME Advances under priority sector

There was a growth of Rs. 1223 crore under SME (Priority) advances outstanding during the first quarter of the year 2009-10. As at June 2009, Commercial Banks have financed to about 3.45 lakh units, the amount outstanding was to the tune of Rs. 7897 crore.

(Amount in Crore)

Parameter	Mar. 2007	Mar. 2008	Mar. 2009	June 2009
SME Adv.(Priority)	4391	6674	6674	7897

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

(Amount in Crore)

	SME (Priority)							
	March 2009				June 2009			
	Micro Enterprises		Small Enterprise		Micro Enterprises		Small Enterprise	
Banking Group	No.	Amt	No.	Amt	No.	Amt	No.	Amt
State Bank Group	50531	506	5315	1253	42667	563	8570	1316
Nationalised Banks	147438	199	27407	1352	137026	1851	26527	1305
RRBs	87067	387	1201	55	85503	388	1177	54
Private Sector Banks	29636	114	14442	1392	29354	909	14524	1504
Foreign Bank	293	7	0	0	89	2	204	5
Grand total	314965	404	48365	4052	294639	3713	51002	4184

3.2.2. Distribution of advance to SME Sector according to population group:

(Amount in Crore)

	Micro Enterprises		Small Enterprises	
	No.	Amt	No.	Amt
Rural	1	2	3	2
	8	3	1	6
	2	1	6	0
	9		7	
	7			
Semi Urban	1	1	2	2
	4	8	5	0
	4	2	0	5
	9	6	8	8
	0		3	
	3			

Urban	1 3 1 4 3 9	1 6 5 6	2 2 7 5 2	1 8 6 6
Total	29 46 39	71 3	5 1 0 0 2	4 1 8 4

The above data reveals that the concentration of advances to SME Sector is mainly hovering in and around semi-urban and urban centres. The off take is less in rural areas. The group may examine this and suggest ways to improve upon the performance in rural areas too.

3.3. Performance under Government Sponsored Schemes

3.3.1. Swarna Jayanthi Shahari Rozgar Yojana (SJSRY) - as at March 2009

The performance of the State under SJSRY upto March 2009 is summarized hereunder:

Amount in Rs. Lakh

Sub component	No. of Applications							Subsidy Released Amount	Amount of Loan	
	Forwarded	Rejected	Sanctioned	Pending Sanction	Disbursed	Pending Disbursement	Total Pending		Sanctioned	Disbursed
USEP	54591	24315	23675	6489	22669	1006	7495	761.38	5471.96	5070.03
DWCUA	2077	207	1557	313	1477	80	393	1268.86	2138.85	2013.28
Total	56668	24522	25232	6802	24146	1086	7888	2030.24	7610.81	7083.31

The banks have sanctioned **23675** loans to individual beneficiaries (for micro enterprises under USEP scheme) as at March 2009 involving loan amount of **Rs. 5471.96 lakhs**. Under DWCUA (Development of Women and Children in Urban Areas), **1557** groups were sanctioned with loans to the tune of **Rs. 2138.85 lakhs**.

Banking Group wise performance under SJSRY as at March 2009

Amount in Rs. lakh

Sl. No.	Bank	USEP		DWCUA		Total SJSRY	
		Sanctions		Sanctions		Sanctions	
		No	Amount	No	Amount	No	Amount
1	Public Sector Bank	19204	4669.09	1156	1676.29	20360	6345.38
2	Private Sector Banks	2398	523.97	144	188.45	2542	712.42

3	Others	2073	278.90	257	274.11	2330	553.01
	Total	23675	5471.96	1557	2138.85	25232	7610.81

Analysis of the Bank wise performance reveals that Public Sector Banks (including RRBs) accounted for **80.69 %** of the loans (Number) sanctioned and **83.37 %** of loan amount sanctioned. There is a need for greater participation by Private Sector Banks in the implementation of the scheme. There is no involvement by some of the private sector banks in the implementation of the scheme which may be corrected by their Controlling offices. The details are available in the annexures.

3.3.1.1. Performance under Swarna Jayanthi Shahari Rozgar Yojana (SJSRY) as at June 2009

The Data on performance as at June 2009 is yet to be received from Kudumbasree.

The group may suggest ways to overcome the hurdles in the better implementation of the scheme by banks in Kerala.

3.3.2. Performance under Swarnajayanthi Gram Swarozgar Yojana (SGSY) - Performance as at March 2009

The credit mobilisation target for 2008-09 was **Rs. 8293.37 lakhs**. As at March 2009, the state had reached **105.58 %** of the target. Banking group wise analysis reveals that State Bank group had achieved **105.10 %** of the target, Nationalised Banks had achieved **102.96 %** of the target and Cooperative banks achieved **152.89 %** of the target. The performance of Private Sector Banks (**76.91 %**) and RRBs (**84.27 %**), was below the State's overall performance. The position needs improvement.

SGSY – Performance as at March 2009

(Amount in lakh)

Sl. No	Name of Bank	Target	Total SGSY						% Achvmt.
			Forwarded		Sanctioned		Disbursed		
			No.	Amount	No.	Amount	No.	Amount	Sanc.Amt
1	State Bank Group	1925.84	3187	2383.41	2567	2024.16	2372	1894.74	105.10
2	Nationalised Banks	2678.46	3998	3274.63	3311	2757.77	3061	2620.98	102.96
3	Private Sector Banks	1226.91	1543	1232.49	1153	943.57	1062	878.51	76.91

4	RRBs	1069.25	1561	1077.35	1277	901.02	1222	839.89	84.27
5	Co-operative Banks	1392.91	2799	2455.99	2191	2129.63	2089	2025.37	152.89
	State Total	8293.37	13088	10423.87	10499	8756.15	9806	8259.49	105.58

All the banks have improved upon their performance during the last quarter of the year 2008-09. The performance could hence touch a level of **105.58 %** of target.

The details of credit and subsidy released to weaker sections of the society are given in the annexure. The forum may review the progress.

3.3.2.1. Performance under SGSY as at June 2009

The credit mobilization target for 2009-10 is fixed at **Rs. 8131.20 lakhs**. The Bank wise targets have already been advised by LDMs in all districts.

The district wise performance as at June 2009 is furnished in the Annexures 7.17 & 7.18. Against a target of **Rs. 8131.20 lakh**, the achievement as at June 2009 is only **Rs. 405.90 lakhs** (sanctioned amount) – an achievement of **5 %**, which by any standards is not satisfactory. The group may review the position and suggest measures for improving the performance.

The details of credit and subsidy released to weaker sections of the society are given in Annexure 7.19. The forum may review the progress.

3.4. Performance under PMEGP Scheme

The Prime Minister's Employment Generation Programme (PMEGP) of Government of India, is being implemented in the State of Kerala from 2008-09 through the three agencies namely District Industries Centre, State Khadi & Village Industries Board, State Office of Khadi & Village Industries Commission. They are providing Margin Money assistance with loan assistance from Public Sector Banks, approved Pvt schedules & Co-op. Banks. The status of Bank wise & District wise release of Margin Money for 2008-09 effected as on 30.06.2009 is shown as Annexure 7.1.

KVIC has already opened PMEGP A/cs with nodal banks and deposited Rs 21.24 crores. Further the implementing agencies are jointly arranging Awareness Camps, Workshops, Exhibitions, Orientation Programmes, Bankers Meets, EDP training, Publicity, Physical Verification etc under Backward-Forward linkages for sensitizing the scheme every year.

The tentative budget allocation of Rs 21.24 crores for 1770 units for generation of 17695 employment has been received for 2009-10. Since the target of 2009-10 and its weightage remains same as that of 2008-09, the Agency wise, Districtwise and Social Sector wise targets cleared by a committee consisting Principal Secretary (Ind &Com), Director (Ind &Com), Secretary KVIB, State Director KVIC and the SLBC Representative during 2008-09 may be continued for 2009-10 also.

3.5. Performance under Micro-credit

The Convener SLBC had compiled the data obtained from all banks regarding the cumulative performance of banks in the state as at June 2009. The bank-wise performance is given as Annexures 7.28 to 7.31.

On a review of the performance it is seen that about 3.02 lakh SHGs maintain savings account with commercial banks as on June 2009 in the state.

The banking group-wise data is as follows

Banking Group	SHGs maintaining Savings a/c		of which No. of SHGs under	
	No.	Amt. (in Cr.)	Govt. Sponsored	Excl. Women
State Bank Group	131077	173.13	31123	122882
Nationalised Banks	108085	135.17	14717	97005
RRBs	29592	6.61	10479	25450
Private Sector Banks	33479	90.14	5575	31048
Total - Kerala State	302233	405.05	61894	276385

3.6. Swarozgar Credit Card Scheme

The data submitted by the controlling offices reveal that commercial banks in the state have sanctioned **3156** Swarozgar Credit Cards (SCCs) during the first quarter of the year 2009-10 sanctioning credit limits to the tune of **Rs. 7.57 crores**. Since inception of the scheme the banks have sanctioned **53548** cards in the state amounting to **Rs.156.24 crore**. The amount outstanding as at June 2009 is **Rs. 85.34 crore** with **29950** cards. SMGB leads in the performance by sanctioning maximum number of cards followed by NMGB. The performance for June 2009 is available in Annexure 7.27.

3.7. Artisans Credit Card Scheme

Commercial banks in the state have sanctioned only **44** Artisans Credit Cards (ACCs) during the quarter ending June 2009 amounting to **Rs.7.90 crores**. Since inception of the scheme, the banks have sanctioned only **5112** cards in the state amounting to **Rs. 14.69 crores**. The amount outstanding as at June 2009 is **Rs. 4.79 crores** with **1863**

cards. Canara Bank leads among the commercial banks in the state by issuing the highest number of cards (**41cards**). Private sector banks have not sanctioned any loans under the scheme during the quarter. Their outstanding position under the ACC scheme is also “NIL”. The performance for June 2009 is available in Annexure 7.27.

3.8. Laghu Udhyami Credit Cards

Commercial banks in the state have sanctioned only **288** Laghu Udhyami Credit Cards (LUCC) during the first quarter of 2009-10 making available credit limits to the tune of **Rs. 8.41 crores** to small entrepreneurs of the state. Since inception of the scheme, the banks have sanctioned **17380** LUCCs in the state sanctioning credit limits amounting to **Rs.364.84 crores**. The amount outstanding as at June 2009 is **Rs. 114.36 crores** with **8062** cards. SBT leads in the state by issuing the highest number of LUC Cards (**212**) followed by Syndicate Bank (**40**) and Canara Bank (**18**). Private sector banks are yet to sanction any loans under the scheme. The performance for June 2009 is available in Annexure 7.27.

3.9. Discussion about bottlenecks in flow of credit, if any, and suggestions for overcoming the same

3.9.1. Margin Money Loan to Entrepreneurs (Suggested by Directorate of Coir Development)

Small Scale producers in Coir sector are proposed to be assisted by providing margin money loan upto 50%, so as to avail financial assistance from banks/financial institutions, for establishing new industrial units or expansion/diversification of existing industrial units. The scheme is proposed to attract private entrepreneurs for production of value added products in the coir sector. The ceiling for MML assistance is limited to Rs. 2.5 lakh per unit.

It is also proposed to organise Raw Material and Marketing Consortia of Small Scale Producers, Mats and Matting Co-operative Societies and SHGs under cluster development programme. The provision under this scheme is also for meeting the Margin Money Loan requirement of these Consortia.

An outlay Rs.10 lakh is provided for the scheme in the Budget 2009-2010.

3.9.2. Agenda item suggested by Coir Board

As you are aware that the Government of India had approved the Rejuvenation, Modernization and Technology Upgradation (REMOT) Scheme with a total outlay of Rs.243 crores for implementation during the XI Plan period. Accordingly, the implementation of the scheme was started during March, 2007. The Ministry has released an amount of Rs. 9 crore for implementation of the Scheme during 2007-08.

During March, 2008 the Board had released an amount of Rs.4.72 crores towards pro rata grant to 190 spinning units and 160 tiny household units to the Canara Bank, Mullackal branch, Alleppey.

It is brought to your kind notice that the implementation of the REMOT Scheme through Canara Bank in Kerala is very slow. As per the Operational Guidelines of the Scheme the Bank should transfer the pro rata grant to the beneficiary's account within 10 calendar days on receipt of the fund from Coir Board. But the bank has not utilized the full amount after one year and five months. A decision has been taken in the High Level Apex Committee meeting held on 4.3.2009 at New Delhi that the Bank should pay interest on the unutilized amount in Subsidy Reserve Fund Account. The status of the amount transferred to the Canara Bank, Mullackal branch as on 31.6.09 are as given below:

Bank	Pro rata grant amount released (Rs. In lakhs)	Amount transferred to the beneficiary's a/c (Rs. In lakhs)	Unutilized amount in subsidy reserve fund a/c (Rs. In lakhs)	No. of units assisted		No. of units started commercial operation	
				Spinning unit	Tiny unit	Spinning unit.	Tiny
Canara Bank, Alleppey	472.00	336.00	136.00	120	120	14	48

It is therefore requested that the slow implementation of the REMOT Scheme in Kerala through Canara Bank, Alleppey may be taken up in the ensuing State Level Banker's Committee meeting for speedy implementation of the Scheme.

During the year 2008-09 as per the provisional sanction issued by the banks the Board had released an amount of Rs. 957.20 lakhs to the following designated Banks for implementation of the REMOT Scheme. The status of the fund released as on 31.6.09 are furnished below:

State	Bank	Provisional Sanction issued by the banks		Amount Released (lakhs)	Date of amount released	Amount utilized (Rs. in lakhs)	Balance fund available (Rs. lakhs)	No. of units assisted		No. of units commercialized	
		Spinning	Tiny								

Kerala	Indian Overseas Bank, Alappuzha	-	305	412.80	.400 lakhs) 31.03.2009 2.80 lakhs)	338.32	74.48	1	199	-	40
	State Bank of India Kalavoor (8622) Branch	161	313	460.40	13-1-09	148.62	311.78	55	107	--	--
	State Bank of Travancore , Kannur – 2	1	4	8.80	04.03.09	4.38	4.42	--	2	--	--
	Central Bank of India, Alappuzha	35	103	75.20	31.3.09	45.60	29.60	32	36	--	--
	Total	197	725	957.20		536.92	420.28	88	344	-	40

3.9.3. Agenda item suggested by LDM, Kannur

The respective Government Departments should include the progress under Followup / Recovery also as an integral part of the presentation on Progress under various Government sponsored schemes.

3.9.4. Economic Stimulus Package 2008-2009 on MSME, Housing and Auto Sector – Special Monthly SLBC Meetings

Government of India have decided that “Special Monthly Meetings” of State Level Bankers’ Committee (SLBC) should be held to oversee the resolution 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 should 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 each 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.

Apart from the above, Special Monthly Meetings of SLBC, Kerala to review the progress in implementation of IBA package on MSME, Housing and Auto sectors for the months of January, February, March, April, May, June and July were held on 12.02.2009, 06.03.2009, 07.04.2009, 13.05.2009, 09.06.2009, 10.07.2009 & 10.08.2009 respectively. The reviewed data and other information are appended as Annexure 7.44.

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

Kerala has got a distinction of having the maximum number of units of MSME covered under the guarantee scheme of CGTMSE. 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 as on 15.07.2009, banks in Kerala sanctioned an amount of **Rs. 48.89 crores (1668 proposals)**. Bankwise analysis reveals that Canara Bank has sanctioned the highest quantum of loans (**Rs. 8.51 crores**) followed by State Bank of Travancore (**Rs. 6.88 crores**). District-wise analysis reveals that Ernakulam has sanctioned the highest quantum of loans (**Rs. 8.61crores**) followed by Trivandrum District (**Rs. 7 crores**). Bank-wise/district-wise details are given below.

District Wise Report of MLIs for KERALA(Guarantee Approved) From: 01/04/2009 To: 15/07/2009			
Sl. No.	District Name	Proposals	Approved Amount (in Rs. Lakh)
1	ALAPPUZHA		490.23
2	ERNAKULAM		861.26
3	IDUKKI		91.07
4	KANNUR		301.46
5	KASARGOD		48.72
6	KOLLAM		226.25
7	KOTTAYAM		348.57
8	KOZHIKODE		205.48
9	MALAPPURAM		190.32
10	PALAKKAD		500.85
11	PATHANAMTHITTA		215.48
12	THIRUVANANTHAPURAM		700.81
13	THRISSUR		662.07
14	WAYANAD		46.07
Total			4888.64

MLI Wise Report for KERALA(Guarantee Approved) From Date 01/04/2009 To 15/07/2009			
Sl. No.	Bank Name	Proposals	Approved Amount (in Rs. Lakh)
1	ANDHRA BANK		0.75
2	AXIS BANK LIMITED		10
3	BANK OF BARODA		188.59
4	BANK OF INDIA		586.36
5	CANARA BANK		850.57
6	CENTRAL BANK OF INDIA		20.35
7	CORPORATION BANK		107.73
8	DENA BANK		0.43
9	IDBI BANK LTD		125
10	INDIAN BANK		40.96
11	INDIAN OVERSEAS BANK		514.18
12	NORTH MALABAR GRAMINA BANK		6.49
13	PUNJAB NATIONAL BANK		305.35
14	SIDCO		78
15	SOUTH MALABAR GRAMIN BANK		180.89
16	STATE BANK OF INDIA		365.3
17	STATE BANK OF TRAVANCORE		687.63
18	SYNDICATE BANK		257.61
19	THE FEDERAL BANK LTD		329.76

20	UCO BANK		12.85
21	UNION BANK OF INDIA		196.45
22	VIJAYA BANK		23.42
	Total	1 6 6 8	4888.67

3.9.6. CGFMSE Coverage for loans granted to SHGs

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 CGMSE is a comfort to the lender while extending collateral free SME credit to the beneficiaries. But, the CGMSE 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 CGFMSE will go a long way in the successful implementation of the scheme.

Therefore SLBC may deliberate upon this aspect as an agenda item and take up with the authorities concerned for extension of CGFMSE coverage for SME lending to Self Help Group.

The matter came up for discussion during the 99th meeting of SLBC, Kerala held on 25.06.2009 in Trivandrum and the forum requested SLBC Convenor to take up the matter with SIDBI for CGFMSE coverage for SME lending to SHGs.

SLBC Convenor, vide letter TLB 35 835 2009 KM dated 31.07.2009, referred the matter to the Development Commissioner (MSME), New Delhi requesting to examine the matter of extending CGFMSE coverage for SME lending to SHGs. Decision in this regard is awaited.

3.9.7. Review of Multipurpose Service Centres/Job Clubs and KESRU-99 – Self Employment Schemes for registered unemployed youth

Two self Employment Schemes are implementing through National Employment Service, Kerala namely Kerala State Self Employment Scheme for the registered Unemployed (KESRU –99) and Multipurpose Service Centers/ Job Club. Both the Schemes are approved by 74th and 94th State Level Bankers' Committees respectively. Government of Kerala earmarked Rs. 1.1 crore and 1 crore subsidy for both the schemes during the current financial year. Deputy Director, Directorate of Employment and Training expressed sincere gratitude to SLBC and Banking fraternity for the co-operation extended for making tremendous achievements in the implementation of both the schemes. The district wise details of subsidy disbursement in the current financial year as on 03.08.2009 is given below. Bank Officials to give full support and patronage to the scheme.

**District wise Details of Subsidy distributed to Eligible Beneficiaries in the
Financial Year 2009-2010 under KESRU – 99**

District	Subsidy Alloted	No of Beneficiaries
Thiruvananthapuram	109008	9
Kollam	273882	28
Pathanamthitta	45000	3
Alappuzha	223000	17
Kottayam	209780	14
Idukki	243606	17
Ernakulam	247670	9
Thirussur	117066	10
Palakkadu	240580	20
Malappuram	81450	6
Kozhikode	59280	4
Wayanadu	37560	3
Kannur	35590	3
Kasaraagodu	312950	18
Total	2236416	161

**District wise Subsidy distribution Details of Multipurpose Service
Centers/Job Clubs up to 03.08.2009**

District	Subsidy Alloted	No of Job Clubs
Thiruvananthapuram	172500	3
Kollam	738750	9
Pathanamthitta	200000	1
Alappuzha	450000	4
Erananakulam	281811	3
Thrissur	325000	2
Palakkad	31250	1
Malappuram	275000	2
Kozhikode	434500	3
Wayanad	387500	2
Kannur	368750	2
Kasaragod	1353848	7
Total	5018909	39

The forum may review the details.

3.10. Information Note on Secondary Sector & Government Sponsored Schemes

**3.10.1. Establishment of MSME Credit Monitoring Cell - Note by MSME
Development Institute**

NO. E-6(83)/2008
Office of the Development Commissioner
Micro, Small and Medium Enterprises
Nirman Bhavan, New Delhi

Dated 7.1.2009

ORDER

Sub: Establishment of MSME Credit Monitoring Cell

The stimulus package announced by the Government on 2nd January 2009 for stimulating the economy, provides as under:

"Special monthly meetings of State Level Bankers' Committees would be held to oversee the resolution of credit issues of micro, small and medium enterprises by banks. Department of MSME and Department of Financial Services will jointly set up a Cell to monitor progress on this front. Matters of MSMEs remaining unresolved with the Banks – SME Helpline for more than a fortnight may be brought to the notice of this Cell."

2. In pursuance of the above, the MSME Credit Monitoring Cell is hereby constituted in the Office of Development Commissioner (MSME), Ministry of MSME with the following composition:

- (i) Shri PK Mukherjee, Dy. Director, O/o DC(MSME)
- (ii) Shri Budh Prakash, Dy. General Manager, SIDBI

[Contact Details - Telephone No. 23062465
email id creditmon@dcmsme.gov.in]

3. The MSME Credit Monitoring Cell would entertain such cases that have been referred to the Cell after having not been resolved by the Bank within 14 days. The petition/grievance so received would be forwarded to the concerned Banks by the Cell with a request for appropriate action and report within a fortnight. A running serial number would be put on all the petitions/grievances received by the Cell for easy identification.

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4. Shri Praveen Mahto, Additional Economic Adviser in the Office of DC(MSME) and Shri Sanjeev Jindal, Deputy Secretary (Industrial Finance) in the Department of Financial Services, Ministry of Finance would meet at least twice a week to monitor the progress in the resolution of credit issues of Micro, Small and Medium Enterprises received in the Cell.

5. Ms. Sunita Chhibba, Economic Adviser in the Office of DC(MSME) would oversee and review the progress on a weekly basis.



(Madhav Lal)

Additional Secretary & Development Commissioner

1. Ms. Sunita Chhibba, EA O/o DC(MSME)
2. Shri Praveen Mahto, AEA, O/o DC(MSME)
3. Shri Sanjeev Jindal, Deputy Secretary (Industrial Finance), Dept. of Financial Services, Ministry of Finance, Parliament Street, New Delhi
4. Shri P.K.Mukherjee, Dy. Director, O/o DC(MSME)
5. Shri Budh Prakash, Dy. General Manager, SIDBI

Copy for information to :

1. Secretary (Financial Services), Ministry of Finance
(Kind Attention: Shri Amitabh Verma, Joint Secretary, with reference to his letter No. 6/01/2008-JSBOA dated 6.1.2009)
2. Secretary (MSME), Ministry of MSME
3. PMO (Ms. Vini Mahajan, JS)
4. CMD, SIDBI in reference to the telephonic discussion
5. Concerned Officers.



(Madhav Lal)

Additional Secretary & Development Commissioner

4. Issues For Group Discussion On Tertiary Sector and Service Area Approach (Group III)

4.1. Review Of Disbursements to Tertiary Sector under ACP

Tertiary sector accounted for almost **46.29** % of the total disbursement to the priority sector in the state. The total disbursement to the sector during the fiscal up to March 2009 was **Rs.18409** crores thereby achieving **106.37** % of the target. When compared to the disbursements during the corresponding period of the previous fiscal, there is an increase of **28.39** % in the disbursements to the sector. Last fiscal during April 2007 to March 2008; the disbursement to tertiary sector was only Rs. 14304.64 crores.

Under quantum of loans disbursed during the current fiscal, Cooperatives lead other banking groups by disbursing Rs. **7517** crores. Under percentage of achievement of the target, RRBs (**123.19%**) topped the list of achievers followed by State bank group (**111.08** %). Nationalised Banks (**84.84%**) should have to improve their performance under this sector.

State Bank of Indore and Bank of Rajasthan have reported NIL disbursement to the sector in the state. District wise analysis reveals that Thrissur, Ernakulam and Kannur districts have disbursed the maximum amounts under this sector. District wise analysis reveals that Kottayam, Ernakulam, Palakkad and Pathanamthitta Districts have not achieved their projected targets under this sector.

4.1.1. Performance Under Tertiary Sector of ACP for 2008-2009

(Rupees in Crore)

	2007-08	2008-09
Target	13666.45	17268
Achievement	14304.64	18408
Percentage of achievement	104.67 %	106.37%

a. Achievement of Targets

The target under the ACP 2008-09 has been achieved by the banking sector of the state. Banks in the state have disbursed loans to the tune of Rs. **18408** crores during the year against the target of Rs. **17268** crores. The sector accounted for **46.29** % of the total disbursement to priority sector in the state.

When compared to the disbursements during the previous fiscal, there is an increase of **28.39** % during 2008-09. The disbursement to the tertiary sector during 2007-08 was Rs.**14305** crores whereas during 2008-09, banking sector in the state could disburse Rs.**18408** crores.

All banks/LDMs should review the performance and take corrective steps for improving the performance during the current fiscal (2009-10).

b. Banking Group wise performance

RRBs leads in quantum disbursements to tertiary sector (**123.19%**) followed by Co-operative sector (**116.88%**) of the total disbursements to tertiary sector in the state. State Bank Group accounted for **111.08 %** of the disbursements and Nationalized Banks, **84.84 %**. The achievement of KFC under this segment is **120.11%**

The banking group wise performance under 2008-09 is as follows.

Banking Group-wise Performance under Tertiary Sector of ACP 2008-09 (Amount in Crore)

BANK	TERTIARY SECTOR			
	Target	Achvt	% Achvt	% Share in Disb
State Bank Group	3381	3755	111.08	20.40
Nationalised Banks	3635	3084	84.84	16.75
Private Sector Banks	2993	3034	101.37	16.48
RRBs	779	959	123.19	5.21
Co-operatives	6431	7517	116.88	40.84
KFC	49	59	120.11	0.32
Total	17268	18408		100

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.

4.2. Discussion about issues in Tertiary Sector

4.2.1. Agenda items suggested by Reserve Bank of India

4.2.1.1. Violation of Guidelines in respect of SJSRY Scheme

As per instructions contained in Para 3 of RBI's Master Circular on Priority Sector Lending Special Programmes, Swarna Jayanti Shahari Rozgar Yojana (SJSRY) dated July 1, 2008, no interest will be paid on the subsidy amount held by the banks and for the purpose of charging interest on loan amount the subsidy amount would be excluded there from. However, it has been brought to RBI's notice that banks are violating the guidelines on administration of subsidy and are fixing repayment installment on higher side by recovering subsidy component along with principal and interest thereon in respect of SJSRY Scheme. SLBC is, therefore, advised to take up the matter to ensure that such violations do not occur.

4.2.1.2. Establishment of RSETI

RBI, C.O. vide letter RPCD.SP.NO.13040/09.01.01/2008-09 dated June 25, 2009 advised all organizing banks of SLBC/UTLBC on the above subject and ROs are

requested to take up with the SLBC for acceleration in the work of establishing RUDSETI type of training institutions in all the districts in their jurisdiction. SLBC is advised as follows:

The process of establishing RSETI all over the country has been accelerated and the banks have started making claims for Infrastructure Fund, NIRD by the Govt. of India for establishing RSETI. In such institution where land transfer process is likely to take time due to long revenue process, banks may start RSETI work in rented premises immediately. Rent for rented premises may be incurred from the Government grant of Rs.1.00 crore, which should not exceed Rs.10.00 lakh for not more than three years. In this connection, the letter received from Ministry of Rural Development, Govt. of India dated June 12, 2009 may be referred. The banks which have sent proposals for construction of RSETI may start RSETI works in rented premises immediately until the construction work is completed.

In terms of the guidelines issued by Ministry of Rural Development, Department of Rural Development (SGSY Division), New Delhi, a Sub-Committee of SLBC was to be set up. This Sub Committee is named "State Level Steering Committee" and would be co-chaired by the Principal Secretary, Rural Development Department of the State and the SLBC Convenor Bank, top Executives of those banks which have to set up the RSETIs and NABARD as members. The First meeting of the Committee was held at Canara Bank, Circle Office, Trivandrum on 19.08.2009 at 3.00 p.m. The Committee evaluated the progress in the matter of setting up of the RSETIs and the same is furnished in the Annexure 7.2.

The group may examine the same and place the matter for approval of the house.

4.2.1.3. Priority Sector Advances – Wrong Classification

RBI DBS in their office note dated 10-07-09 brought out certain wrong classification of priority sector advances by banks both in our area banks and other area banks. SLBC is advised to place the following for information of the banks.

During the course of inspection of banks in the State, it has come to RBI's notice that some banks are erroneously including advances granted for the purchase of tea estate, rubber plantation and other agricultural land under agricultural advances. Further, pre-shipment and post shipment advances granted for exports of various items including seafood, cashews etc are also wrongly included under priority sector advances; advances granted for purchase of premium passenger cars; advances to Kerala State Cooperative Agricultural and Rural Development Bank Ltd; Warehouse receipts for commodity trading in rubber etc., The banks in the state of Kerala are advised to strictly follow the Master Circular on Priority Sector Advances.

4.2.2. Major burglary in Peria Bazaar Branch- North Malabar Gramin Bank (Suggested by NABARD/LDM, Kannur.)

A major burglary took place in Peria Bazaar branch of NMGB in the early hours of 18th June 2009. Gold ornaments worth Rs.3 to Rs.4 crores and cash worth Rs.6 lacs were reported to be stolen. The branch does not have a strong room and the ornaments and cash were kept in a Godrej safe inside a room provided with a grill door. The burglar entered the bank premises located in the first floor of the building on the national highway off Kanjangad by breaking open a window. The Steel grill door and the wooden door were broken open.

I.G. Northern range, Kannur has informed NMGB that the bank will be impleaded in the case of robbery if security arrangements such as strong room and two security guards are not provided in all their branches.

The issue was included as an agenda item in the SLCRC/SLF meet of RRBs in Kerala held on 17 July 2009 at Kozhikode. The matter was extensively debated by the RRBs in view of the fact that the banks' branches were opened in remote village locations. This was as per the RRB Act, 1976 provisions to fulfil the social obligation to provide Banking facilities in remote village areas of economically and socially backward districts.

In the context of the increasing trend in the Gold loan availed by the public from the RRB branches, the Forum opined that the vulnerability of the branches stand exposed tremendously.

LDM Kannur suggested that the forum shall request the State Level police authorities to ensure intensification of all possible measures including regular patrolling to avert Bank robberies. This has become very significant in view of the recent bank robberies in Malabar area and the proposal by the police authorities to hold banks responsible treating as criminal negligence.

The Forum, therefore, felt that before the problem assumes serious overtones, it would be better if the aspects are examined in proper perspective preferably in SLBC meet so tha the further course of action could be chalked out for initiating necessary and appropriate remedial measures to tide over the crisis.

4.2.3. Developing Software by Banks for Lead Bank Returns (Suggested by LDM, Thrissur)

The SAMIS was designed almost 2 decades back and this is the basic data collection for assessing the performance of the Financial Institution. Therefore only timely accurate submission alone will bring the performance to the limelight. Delay in submission may result in unrealistic projection of performance. The rate of LBR submission ranges

between 85 to 90% average that leaves 10 to 15% performance unreported. Lot of time and energy is spent on collection of LBRs, by Lead Banks, Controlling Offices of Banks and so is by the Bank Branches in manual preparation and submission to Lead Bank. This becomes more costly when Lead Banks with skeleton Staff and lone Dist Co-ordinator in controlling offices, struggle to extract the statements from branches. The recently published Report of RBI on Lead Bank Scheme wants the scheme to be further strengthened and streamlined.

At this backdrop, a need is felt to computerize the report generation at Branch Level to ensure timely and accurate generation of LBRs. Apart from ensuring 'Data Integrity', at a later stage, this will help in cost saving by elimination of 'hard copy' and consolidation of LBRs at Lead Bank Level without outsourcing the work as done now.

4.2.4. Recasting LBR1, SAMIS codes and the Software (Suggested by LDM, Thrissur / Kannur)

Over the period of years since SAMIS came into being, lot of changes in Priority sector definition, subsectors and grouping of subsectors are effected. The Banks have accordingly designed and updated their way of sectoral classification, accounting, MIS etc. for internal reporting purposes. The SAMIS comprising LBRs 1, 2 & 3 series are, but still in the originally designed format prevalent at that time. In other words, the DCP preparation with Agri & Allied Sectors, SME Sector, and Other Priority sectors is to be done from the LBR1 which still is in the design of Agri & Allied Sector, NFS/SSI (not SME) and tertiary sectors with Professional, Self Employed, Small Business Enterprise, Retail Trade, SRTO and SWTO as part of it though these are SMEs. Suitable activity codes for SME sector if required are also to be developed. The software that consolidates the LBRs also is to be accordingly modified. The process will help Lead Banks to compile and finalise the DCP in more realistic way and consequent data generation more reliable.

Therefore recasting the SAMIS and related software may be suggested to RBI and NABARD.

4.2.5. Recording Bank Loans in the Ration Cards (Suggested by LDM, Thrissur)

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 new Banks, had only short life. In the earlier occasions of changing the Ration Cards, the Bank Loan details were not carried over and still the Bankers were noting new loan details. The Ration Cards now exchanged with the older ones are not even holding pages to note down the loan details.

This may be 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.

4.2.6. ADWDRS – Withdrawal of Revenue Recovery Measures in benefited cases (Suggested by LDM, Thrissur)

In respect of ADWDRS benefited Loans the Banks are not required further continue Recovery steps as the uncovered liabilities are to be absorbed by Banks. Accordingly RR measures are also to be withdrawn. The number of RR cases and Demand will drastically come down as far as the Bank loans are concerned, according to the RR Officials. Therefore withdrawal of RR will enable RR machinery to care more in the residual cases, which has a direct bearing on improving recovery. Besides it will help to reduce the demand base and consequent improved recovery performance by RR Offices.

The Banks hence may advise withdrawal of RR and with this in view the RBI may give necessary instructions to the Banks.

4.2.7. Jansankhya Sthirata Kosh (National Population Stabilization Fund) – JSK

Smt. Shailaja Chandra, Executive Director of Jansankhya Sthirata Kosh (JSK), Ministry of Health and Family Welfare, Government of India had made a detailed presentation on the National Population Stabilisation Fund during the 94th meeting of SLBC, Kerala held on 24.12.2007 in Trivandrum. During the presentation it was proposed to all the banks to become members of the society. Individuals also could become members. The contributions made to the JSK fund would be given tax exemption. Contribution from banks would be used to promote family planning services in underserved villages where there is lack of health services. It has been requested by the Ministry of Health and Family Welfare, Government of India to deliberate this issue in the SLBCs on regular basis and any important decisions taken may be conveyed to M/s. Jansankhya Sthirata Kosh for doing the needful.

As per the directions from the Ministry of Health and Family Welfare, Government of India the matter was placed before the Steering Committee Meeting to 95th SLBC, Kerala held on 17.03.2008 for review.

The matter was reviewed by the 95th meeting of SLBC, Kerala held on 29.05.2008. The Chairman of the meeting requested all the banks to take a positive view on JSK at the appropriate level and to report the information/ decisions to JSK New Delhi.

The 98th meeting of SLBC, Kerala held on 24.04.2009 in Trivandrum noted that **KSCARD Bank** has become one of the members of the society and requested other banks also to become members of the society.

SLBC Convenor had followed up the matter with the controlling offices of all banks for taking appropriate action.

Other banks may inform the latest developments and action taken in this regard.

4.2.8. IT-enabled Financial Inclusion

The meeting on IT-Enabled Financial Inclusion held at RBI Regional Office on 23.07.2008 had decided to constitute a special committee of SLBC for taking necessary action regarding the process of implementing IT-Enabled Financial Inclusion. As per the directions given by RBI, SLBC Convenor had set up a Special Committee of SLBC with Senior Government officials and major banks.

The first Meeting of the Special Committee of SLBC, Kerala on IT-Enabled Financial Inclusion held on 22.08.2008 at 3 p.m. at Canara Bank, Circle Office, Trivandrum and deliberated various tools and services to implement the project in two districts of the State on a pilot basis. The project would be implemented in the State in a befitting way by utilizing the products and services provided by the service providers/vendor firms. During the meeting four service providers/vendor firms have made detailed power point presentations on their products for implementing the project in the State in a befitting manner.

As per the decision of the first meeting of the Special Committee of SLBC, Kerala on IT-Enabled Financial Inclusion, the second meeting was convened on 02.09.2008 and took a decision that on a pilot basis, the project will be implemented in Kollam, Wayanad and Idukki districts. As decided by the Special Committee, the SLBC Convenor prepared a Pilot project for implementation in the three select districts and the salient details were placed before the 98th meeting of SLBC for approval of the same by the forum. The project details were initially presented before the "Special Committee of SLBC, Kerala for IT-Enabled Financial Inclusion" for approval. (The details of the Pilot Project presented before the Special Committee of SLBC on the 9th of April 2009 were appended as Annexure to the Agenda and Background Notes provided to the 98th meeting of SLBC).

The Special Committee of SLBC on IT-Enabled Financial Inclusion as well as the 98th meeting of SLBC, Kerala had discussed the project proposals and approved the same for implementation in the State after getting clearance from the Government regarding Cost sharing proposals made in the project.

It was also decided to insist for district-wise pilot projects in detail which should be prepared by the Lead District Managers of each of the three districts viz., Kollam (Lead Bank : Indian Bank), Idukki (Lead Bank : Union Bank of India) and Wayanad (Lead Bank : Canara Bank) identified for implementing the pilot project on similar lines of the project proposals prepared and presented by SLBC, Kerala for the State as a whole. The District-wise pilot projects, with a road map for implementation in the district, should be prepared by the Lead Bank concerned within a timeframe of six (6) weeks and the same should be submitted to SLBC, Kerala after due approval of the District Level Consultative Committee (DLCC).

While reviewing the matter during the 99th meeting of SLBC, Kerala held on 25.06.2009 in Trivandrum, **Lead District Manager, Kollam** informed that the matter had been discussed in the BLBC/DCC/DLRC meetings. The ground work was prepared and the details in this regard were provided to the Branch Managers. Once the final road map is to be prepared and approved by Reserve Bank of India, the short list of vendors would be released, of which bankers can select the vendors. He informed that they had not received any type of such communications of Business Correspondents so far. He added that there were problems regarding the sharing of cost with Government and RBI. All these things have been looked by the LDM. He stated that he would be in a position to implement the system once they would get necessary directions either from SLBC or RBI as regards Business Correspondents.

Regarding the bio-metric smart card distribution in Idukki district, **Lead District Manager, Idukki** informed that Union Bank of India had taken initiatives in this regard and started in Kattappana block and State Bank of Travancore had also started in Nedungandam. As per the decision from SLBC, the matter was discussed in the latest DLRC meeting wherein the members suggested that the social security pension payments should be through the system. Regarding cost sharing, the DLRC meeting requested the SLBC to take up the matter with the Government and RBI. He added that the MoU with the State Government and Union Bank of India was in progress.

Lead District Manager, Wayanad informed that they had conducted a special DCC meeting with bankers and NREGA Departments in this regard. They had chalked out the project during the last DLRC meeting and took a decision to implement the system in Sulthan Bathery block in the first phase followed by other two blocks in a time bound manner.

The 99th SLBC meeting noted that there was lot of improvement and further processing in the matter of IT-enabled financial inclusion which would be taken further before SLBC.

The Lead District Managers of Kollam, Idukki and Wayanad may apprise the forum about the progress in preparation of the project report pertaining to their districts.

4.2.9. District-wise Credit Deposit Ratio in the State

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

In Kerala, Pathanamthitta was the only district having poor CD Ratio which has been constantly under follow up. As a result, the CD ratio of the district was improved and it touched a level (**40.06 %**) just above the benchmark of 40% as at June 2009. It has been reported by the LDM, Pathanamthitta that the Special Sub-Committee (SSC) of DLCC was formed and the committee has been monitoring the poor level of CD Ratio in the District. It was assured that the position would be improved further by the end of September 2009 which may be monitored and followed up scrupulously.

The forum may review the position and to suggest measures for improvement

4.2.10. Review of Progress under Reverse Mortgage Loan Scheme of National Housing Bank

On a review of the performance, it was seen that as at June 2009, banks in Kerala sanctioned an amount of **Rs. 253.52 crores** (7 accounts) and the balance outstanding was **Rs. 855.91 crores** (116 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 7.35.

The forum may review the position.

4.2.11. ADWDRS – Waiver of RR collection charges

In the process of implementing ADWDRS, the banks could get so many sticky accounts partly closed and the rest of the amount has to be written off by the banks only. 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 accounts 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 was 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 ADWDRS was a Government of India scheme and it was decided in the meeting to take up the matter with the concerned department of the Government.

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 in Trivandrum 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 in great detail.

As per the letter No.60361/H3/08/RD dated 06.08.2009 of Revenue (H) Department, Government of Kerala, clarification has been given in case of OTS scheme only. The aspect discussed in the SLBC pertaining to ADWDRS does not seem to have been covered.

SLBC Convenor had taken up the matter separately with the Principal Secretary, Revenue Department, Government of Kerala, and copy endorsed to the Principal Secretary, Finance Department, Government of Kerala, requesting to reexamine the case and apprise the developments in the matter at an early date so as to enable to place the decision before the SLBC forum, in its next meeting.

The representative of the Revenue/Finance Department may inform the progress in this regard.

4.2.12.Non acceptance of RR requisitions

In some districts like Kottayam and Alappuzha, the Revenue Department officials from Government of Kerala have not been accepting and registering the Revenue Recovery requisitions for the overdue Agricultural loans from Banks. The non-acceptance of RR requisitions was creating a lot of problems at branches particularly in connection with Section 13 of Limitation Act, 1963. Since adequate relief has been extended to the farmers' community under ADWDRS-2008, the Government stay order, if any, in existence in this connection may be removed.

It was informed by the representative of SBT that whatever applications filed under RR by banks were returned without any valid reasons. It was further informed that RR requisitions given by banks were not accepted by the RR authorities in Pathanamthitta,

Kottayam, Alappuzha and Kollam districts and no such problems were reported from other districts.

During the 96th meeting of SLBC Kerala held on 30.07.2008 in Trivandrum, the Additional Secretary, Revenue Department, Government of Kerala assured to take a decision in this regard and to escalate the matter 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 in Trivandrum wherein it observed this as a serious problem faced by banks from the angle of limitation and requested the Revenue Department to take a favourable decision in the matter.

SLBC Convenor had taken up the matter separately with the Principal Secretary, Revenue Department, Government of Kerala, and copy endorsed to the Principal Secretary, Finance Department, Government of Kerala, requesting to apprise the developments in the matter at an early date so as to enable to place the decision before the SLBC forum, in its next meeting.

The representative of the Revenue/Finance Department may inform the progress in this regard.

4.2.13.Computerization of Land Records

The SLBC had during its various meetings observed that some States like Karnataka and AP had already initiated steps for computerization of land records. This has enabled financing banks to make notings, online, regarding their lien and has brought down the transaction cost for getting various certificates from village office.

The SLBC recommended to the state government that similar steps should be initiated in Kerala and decided to take up the matter with the State Government.

SLBC Convenor had taken up the matter with the Secretary (Revenue), Government of Kerala, requesting to take necessary action and inform the developments 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 at their earliest.

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

The matter again came up for discussion during the 99th meeting of SLBC, Kerala held on 25.06.2009 in Trivandrum wherein 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 SLBC meeting.

The representative of the Department of Revenue//Taxes may inform the Government decision in this regard.

4.2.14. 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. It was requested that concerted efforts should be taken by SLBC for waiver of stamp duty on SHG loans in Kerala state also.

The earlier meetings of SLBC had recommended to the state government, waiver of stamp duty on the agreements entered into between banks and SHGs/NGOs for financing SHGs. The government had not so far informed any favourable decision on the matter.

SLBC Convenor had followed up the matter with the Secretary (Taxes), Government of Kerala, requesting to take necessary steps to waive stamp duty on SHG loans on the lines of that extended by other State Governments.

The matter again came up for discussion during the 99th meeting of SLBC, Kerala held on 25.06.2009 in Trivandrum wherein the Additional Secretary, Taxes Department, Government of Kerala informed that the matter was actively under consideration with the Department.

The representative of the Department of Taxes may inform the Government decision in this regard.

4.2.15. Registration of mortgage created in favour of the banks with Sub-Registrar

4.2.15.1. Registration of Equitable Mortgage with Sub-Registrar (Suggested by Bank of Baroda)

It has been recently noticed that in number of loan accounts title deeds/documents of the immovable properties mortgaged to the bank's are detected to be forged. To plug the loopholes in the system some of the States have made suitable amendments. A few of them are as follows.

- (i) By making suitable amendments in the respective Stamp Acts, the State of Tamilnadu, Karnataka and Andhra Pradesh have made it mandatory to pay stamp

duty in respect of any instrument evidencing agreement/memorandum relating to deposit of title deeds (If such deposit is made by way of security for the repayment of money advanced or to be advanced by way of loan or an existing or future debt).

- (ii) Further, the amendments have made such instruction optionally registerable with the concerned Registrar of Assurances by payment of requisite registration fee.
- (iii) Experience of other States would show that they were able to arrest fraud/forgery to certain extent, by registering the Equitable Mortgage with SRO as it reflects in Encumbrance Certificate.

In view of the above, Bank of Baroda is of view that the problems can be checked by making amendments in the Stamp Act/Registration Act providing registration of equitable mortgage with the Sub-Registrar. It is requested to take up the matter with the Government officials in this regard through SLBC.

4.2.15.2. Registration of mortgage created in favour of the banks (Suggested by Indian Bank)

Government of Gujarat has made the registration of the mortgage deed compulsory under Section 17 of Registration Act. By virtue of the above, all the banks who create a charge of any immovable property have to register the simple mortgage with the designated authority by remitting the stamp duty as well as registration fee.

Similarly, in the State of Tamilnadu while the banks have been advised to pay the stamp duty even on the EM created compulsorily, the registration of the mortgage is optional as per the Government notification. While there is a cap of Rs.5000/- towards stamp duty and Rs. 1000/- towards registration in the State of Tamilnadu, the cap prescribed by the Government of Gujarat is slightly on the higher side. Nonetheless both the State Governments have taken the initiative at the requests of all the banks to obviate frauds that are taking place in creation of charge favouring the banks, particularly in the Home loan segment. Such a provision is also an insurance to the banks even in respect of Corporate loans where creation of charge with Registration of Charge is mandatory.

It is requested to take up the issue with the State Government for a similar provision in Kerala State as well, so as to avoid multiple financing, deposit of fake title deeds etc, which has resulted in substantial loss to almost all the banks in the recent past. It is also requested to place the matter before the SLBC for meaningful deliberation and an appropriate decision on this important issue.

Note by SLBC

The matter of has been pending for a favourable decision by the Government since March 2003 SLBC, Kerala.

At present there is no practice of noting/recording the Equitable Mortgage (EM) transactions (ie. Mortgage of 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.

Against this backdrop, SLBC in its 80th meeting (March 2003) observed that it had become necessary to note the EM transactions in the revenue records of Village Offices, even by charging nominal fees for such notings. SLBC arrived at a consensus view that by accepting the above demand, the State Government also would be benefited with additional revenue apart from the benefit accruing to the banks.

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.

As there was no progress on the subject matter, we took up the issue again during the State Level Review Meetings of SLBC, Kerala held on 11th October 2006 and 3rd October 2007 and pursued with the Taxes Department, Government of Kerala.

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 Governments 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 for implementation. The matter was not followed up properly. On getting the agenda and background notes it was given to the concerned Secretary and it was agreed to take up the matter again. He added that he had consulted the matter with IG of Registration to know whether any technical snag was there on the issue for taking up and it was clarified that there was no hurdle in the matter.

The IG, Registration informed that there was no hitch in registering a memorandum of deposit of title deeds in Sub-Registrar's Office. Once when that was registered it would be reflected in the Encumbrance Certificate also. But the charges might be above Rs. 35 per Rs. 1000. He assured the gathering that he would report the deliberations made in the meeting to the Government and hoped that a favourable decision on the issue would be forthcoming before the commencement of next SLBC meeting.

The General Manager, Indian Bank said that Tamilnadu and other states had already implemented the scheme which can be taken up on similar lines in the State of Kerala also. It would enable banks to sanction more loans to the needy customers, he added.

The Chairman of the meeting pointed out that the registration fee of Rs. 1000/- mentioned was on the higher side in terms of percentage cost. SLBC would appeal the Government to have a relook on the fee structure to make it more acceptable/bearable as far as the borrower was concerned. He added that to have a comparable framework for customers, those facilities available to the banks and customers elsewhere in the country might be made available to the banks in the Kerala also. This would help apart from minimizing/reducing the instance of frauds, to enthuse bankers to lend more. He once again requested the department to relook in to the matter. He added that the matter would be vigorously followed up with the concerned department so as to reach a logical end.

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. SLBC would closely follow up the matter without any let up, he said.

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. He requested SLBC Convenor to provide more information regarding the rates prevailing in other States also.

Representative from the Department of Registration/Planning and Economic Affairs, Government of Kerala may inform the latest position of the issue to the forum.

4.2.16.MN One Lakh Housing Reconstruction Scheme

Government of Kerala desires that the beneficiaries of ‘MN one Lakh Housing Reconstruction Scheme be covered under the DRI Scheme.

Note by the SLBC Convener:

The Sub-Committee of Bankers for implementation of the above scheme met on 16.09.2008 in Trivandrum and suggested / recommended the following:

- a) Loans up to Rs. 50,000/- may be given to Self Help Groups for renovation / reconstruction of dilapidated dwelling houses identified under MN one Lakh Housing Scheme.
- b) Loan up to Rs. 20,000/- may be given to individuals under DRI Scheme.

- c) Rate of interest and other modalities to the loans under item (i) will be finalised after the consideration of the proposal by the sub-committee in detail.
- d) Panchayatwise, Blockwise and Districtwise list of beneficiaries to be assisted under the scheme should be made available by the Department at the earliest.

After detailed discussions and deliberations on the issues, the following decisions were taken :

- A Consortium of banks shall be formed to work out a suitable lending scheme for assistance to the beneficiaries through Local Self Government bodies. Lead Bank of each district shall be the consortium leader.
- The Sub-Committee decided to go ahead with an EMI loan scheme with 9.00 % interest rate per annum and with a repayment period of 3 years which shall be considered exclusively for the MN One Lakh Renovation / Reconstruction Scheme under reference. Individual banks shall take a decision in this regard considering the viable cases to be financed. The details of the scheme after finalisation shall be taken up by each of the banks involved, to their Head Office for approval.
- Loans shall be given to Panchayats and all payments would be executed through Panchayats Offices. The relevant guidelines from the Government of Kerala permitting Panchayath authorities to borrow funds on behalf of the beneficiaries for the said purpose and to make repayment of the loan instalments along with interest to the Banks, are to be provided by the Department officials to the Sub-Committee, as informed by the Government representative during the meeting.
- Repayment of loans should be ensured by the concerned Panchayat / Local Self Government Department, Government of Kerala as per permissible norms in this regard and as practised in the case of other similar schemes.
- The names of eligible beneficiaries shall be shared through a list and defaulters of other loans to Banks would not be considered. List of beneficiaries should be given in advance to the banks.

The proceedings of the meeting have circulated among all the participant members of the Sub- Committee including the Principal Secretary, Department of Housing, Government of Kerala and their response has been awaited.

While discussing the matter during the 97th Meeting of SLBC, Kerala held on 11.03.2009 in Trivandrum, RBI representative informed that Government of Kerala had referred the matter to their Central Office and RBI wanted to discuss the same in SLBC to arrive at a conclusion. A feedback was required as to whether the beneficiaries had to be covered under DRI scheme or not.

The Convenor, SLBC clarified that a Sub Committee had been formed and the outcome of the Sub Committee meeting was informed to all the members, including the Principal Secretary, Government of Kerala. It was suggested to wait for the response of the Government of Kerala.

During the 97th SLBC meeting, the Housing Commissioner informed that they had received the SLBC sub- committee meeting decisions regarding the rate of interest which had been intimated to all the District Panchayat Presidents, the concerned Block Panchayat and Grama Panchayat. It was suggested that 9% rate of interest could be considered for the scheme. But the individual beneficiaries who apply loans at their own instead of waiting for the guarantee by the Panchayat would be getting the loans sanctioned to them.

It was informed that Rs. 20,000 would be given under DRI scheme. Department had not received any communication from RBI so far. Department was intimating to all the panchayats to approach the concerned banks, and Lead Banks to convene a meeting. The department was again giving publicity. If individual beneficiaries wanted to avail the loans under DRI, it could be beneficial and otherwise it could be advanced through SHG as SHG could give guarantee. This was being done under Bhavanashree and other schemes. He requested all banks to consider the matter.

The Convenor SLBC suggested that consortium of banks could be formed as per the decisions of the small working group of SLBC and the proceedings of the working group was given to the Government but Government had not responded. The proceedings of the meeting of the SLBC small Committee had been circulated among all the members as well as the Principal Secretaries of the Departments concerned for which a response with observations from Government was required. He requested the Government officials to expedite their reply so as to proceed further.

The Housing Commissioner assured that Government would come back with remarks on the above and further instructions would be followed up by the Department.

The representative from Government of Kerala to inform the developments in this regard.

4.2.17.National Mortgage Repository [NMR]

Creation of a Central Registry titled National Mortgage Repository

Objective:

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.

Existing Status:

Land remains a state subject, and has seen only some steps by State Governments/National Informatics Centre to computerise and make publicly accessible the land records and other data of public interest.

Most information related to property ownership, its history, and on buy/sell transactions is not available easily. Government agencies, banks & FI's involve in these transactions but in the absence of a framework or system, the information from them is not collected, collated or compiled in any manner. This has resulted in frauds being committed by way of multiple loans on a single property.

Some of the most prominent problems that limit the property transactions are:

- Absence of publicly available information
- Many taxes and laws/by-laws applicable at city, state and national levels
- Ownership records and history not easily available
- Financing, mortgages, liens, hypothecation to FI's – information not available
- No source for consolidated information on a property
- Building clearances, permissions, certificates not available
- Attachment of property, acquisition by Government agencies is not easy to know
- Disputes and cases in courts of law are not easy to find out
- Comparables or other valuation aids not available

One of the credit facility extended by Banks is loan for the property for which mortgage of immovable property is obtained as security. The mortgage is created by way of deposit of original title deeds to secure the due repayment of the loan. Under the provisions of the Registration Act, 1908, it is not required to be registered. This results in cases where loans are obtained on the security of the same property, by taking out multiple computer printouts of the sale deed, getting it stamped and depositing the same with different banks, for creation of mortgage. As a preventive measure the Government of Tamil Nadu has introduced a system for registration of mortgage by deposit of title deeds at a very nominal fee. Subsequently other State Governments like Andhra Pradesh, Gujarat, Karnataka and Madhya Pradesh have also set up registries for equitable mortgages.

IBA has suggested to Convenor Banks of the SLBC in other States to follow up with the State Governments in this regard.

During the Review Meeting of SLBC, Kerala held on 6th & 7th October 2008, the representative of SBT informed in the meeting that it is essential to implement the above system in the State. He added that in Karnataka and Tamil Nadu banks might have been following different formats for registration with the Registry concerned. Kerala Government may try to implement the procedure followed in Tamil Nadu. The intention is that when further equitable mortgage is resorted by banks, the earlier lien should be reflected.

The meeting suggested that a similar decision as in Karnataka and Tamil Nadu for charging very nominal fee (0.5% to 1 % for Rs. 1000/- of loan granted) for registration of mortgage by deposit of title deeds, may be followed by our State also.

Representative of Indian Overseas Bank informed that the memorandum followed in other States is in a common format.

It was decided in the meeting to request the State Government to accept the similar formats followed by other States and the process for the above mentioned system to be initiated.

Registration of Mortgage by deposit of title deeds at very nominal rates as followed in many other States was necessary. The Convener SLBC was requested to take up the issue with the Government for taking necessary steps to make available the details of the mortgaged properties in public domain.

The representative of the Department of Revenue may inform the Government decision in this regard.

4.2.18. 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

The SLP filed by the Federal Bank was deficient as it has not challenged the Constitutional validity of the Amendment carried out by the State of Kerala. Moreover, banks are only pledgee and not a dealer as a dealer is a person who sells the goods ordinarily as part of his business. The legislative competence of the State in introducing the said Amendment so as to include the banks is the point which ought to have been challenged before the Supreme Court.

Now, the Government of West Bengal has also quoted the above judgement and 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 only, it is requested to take up the State Government for rescinding the order. Now that West Bengal Government has asked all the banks to pay sales tax as demanded by the Kerala State and it is likely to spread to other States.

It is requested to raise the subject in the SLBC or a separate memorandum can be submitted to the State Government for revisiting the said order.

During the Steering Committee Meeting to SLRM 2008, the representative of Indian Bank requested that a separate memorandum could be submitted to the State Government for revisiting the said order as taxing sale of gold by banks would be an additional burden on them for which SLBC can take initiative. The meeting observed that revisiting the said order on the backdrop of the verdict of the judgement of Supreme Court.

During the Review Meeting of SLBC, Kerala held on 6th & 7th October 2008, the Group suggested that a memorandum may be submitted by the Convener, SLBC to the Government to re-consider the issue.

4.2.19. Guarantees issued by the State Government

In the 89th meeting of the SLBC 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. Hence it was requested that the SLBC should initiate suitable remedial actions and apprise the government the gravity of the situation.

In the meeting, it was informed by the representative of the Finance Department that all the guarantees issued by the state government had 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 details of which is as follows.

Details of State Government Guarantees invoked by banks but not honoured by the Government.

Sl. No.	Name of the Company	Bankers	Guarantee Invoked on
1	M/s Keltron	SBI, Canara Bank, SBT, IOB	23/03/2005
2	M/s Autocast	SBT, SBI	16.12.2004
3	M/s Sitaram Mills, Thrissur	SBI	22.02.2006
4	M/s Steel Complex	SBI	20.11.2005
5	M/s Steel Industries Kerala Ltd.	Federal Bank	31.12.2003
6	M/s Travancore Rayons Ltd.	IDBI Bank	26.07.2002
7	M/s Steel Industries Kerala Ltd.	Vijaya Bank	29.12.2003
8	M/s Travancore Rayons Ltd.	Indian Bank, Canara Bank, SBT and Bank of India	02.02.2005
9	M/s KSDP Ltd	SBT	18.12.2003
10	M/s Scooters Kerala Ltd	SBT	11.12.2003
11	M/s Kerala Ceramics Ltd	SBT	26.12.2005
12	M/s All Kerala Cottage Match Industries Federations	Indian Bank	26.05.2004
13	M/s Kerala State Rural Women's Electronics Industrial Co-operative Federation Ltd. (RUTRONIX)	Indian Bank	20.12.2005

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 Convener 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 when they took up the matter of “Non-payment by the Government of Kerala, the amount of the guarantee issued by them on behalf of Steel Industries Kerala Ltd (SILK), upon invocation by our Bank – Guaranteed Amount Rs. 690 Lakhs with interest & incidental charges”.

The Federal Bank Ltd informed that they have credit limits aggregating to Rs.940 Lakhs to SILK of which Rs.360 lakh is funded. The Government of Kerala had given a guarantee of Rs.690 lakh for this limit. The Bank sent a request to the Government for extension of the guarantee on 05.12.2003 as the guarantee was to expire on 31.12.2003. Since the Government did not renew the guarantee, the Bank issued them a letter on 30.12.2003 to treat the guarantee as invoked if not renewed. Telegram was also sent to this effect to the Government. As the guarantee was not renewed by the Government before the date of expiry, the invocation of the guarantee of Rs.690 lakh, became complete and valid from the date of the invocation namely 30.12.2003. Legal Notice was also sent on 21.03.2005 regarding invocation of the Guarantee for Rs. 690 Lakh claiming the amount of guarantee along with interest @ 16.5% per annum from 01.01.2004. The invocation still remains valid and continues to be in force.

The Principal Secretary, Industries Department of the Government informed vide their letter dated 19.03.2004 that a comprehensive proposal for restructuring SILK is being considered at the highest level in Government and it will include the question of extension of Government Guarantee also.

In the 89th SLBC meeting the State Government Representative stated that Federal Bank had never invoked the guarantee but had only informed that they will be constrained to invoke the guarantee if it is not renewed. This position is incorrect as evident from the facts explained above.

Since net worth of the company had turned negative, the company referred itself to BIFR on 30.11.2004 and the reference stands registered as case No. 602/05. The account became NPA on 31.03.2005. Since the liabilities were guaranteed by the Government of Kerala represented by the Secretary, Industries Department, notice under S.80 CPC was issued on 21.03.2005 as a prelude to the recovery proceedings. In reply to this, the Joint Secretary of the Industries Department informed vide letter dated 04.04.2005 that the proposal for extension of Govt. guarantee provided to the bank on behalf of SILK is under active consideration of the Government.

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 representative of the Plannin/Finance Department may inform the progress in this regard.

4.2.20.Revenue Recovery – Tsunami affected Areas

As per the letter No.23496/H3/2005/RD dated 01.04.2005, Secretary to Government of Kerala gave instructions to keep in abeyance all Revenue Recovery proceedings except that of Stales Tax, Excise Tax and Motor Vehicle Tax initiated against the persons in the Tsunami affected area until further orders.

The revenue recovery applications sent by various banks in respect of defaulted cases in these areas have been returned by the Revenue Authorities quoting the above letter. Even Revenue Recovery applications relating to post Tsunami period loans are being rejected by the revenue authorities attributing the reason as mentioned above.

Banks are expected to retain the documents live and if not possible legal proceedings are to be initiated either by resorting to RR steps or by legal measures or by legal steps through courts. LDM, Alappuzha has reported that the returning of RR applications by revenue authorities has created very embarrassing situation amongst all banks because of the application of law of limitation.

Under these circumstances it was requested to report the matter to the Government for taking necessary steps to keep the documents live in order to overcome the effect of law of limitation until a final decision is taken.

The matter came up for discussion during the 96th meeting of SLBC Kerala held on 30.07.2008. In the meeting the Additional Secretary, Revenue Department, Government of Kerala assured the forum to take up the matter with the concerned authority of Government of Kerala to issue necessary instruction to District Collectors to accept the RR applications sent by the bankers instead of rejecting them.

SLBC Convenor had followed up the matter with the Secretary, Revenue Department, Government of Kerala requesting to take necessary action in this regard.

The Review Meeting of SLBC, Kerala held on 6th & 7th October 2008 felt that the Convener, SLBC may take up the matter with Revenue Department, Government of Kerala to issue necessary instructions to District Administrations to accept RR requisitions filed by the banks instead of rejecting them.

In the meeting, the Under Secretary, Revenue Department, Government of Kerala informed that some of the discussions on the matter were over and a policy decision in the matter was required. The views of the meeting would be directly communicated to the Principal Secretary, Revenue Department, Government of Kerala. He assured the forum that an interim reply on the matter would be forwarded by the Department within a week's time.

The representative of the Revenue Department may inform the progress in this regard.

4.2.21. 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 is taken up with the concerned SRO officials, they take 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 Convenor 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 Review Meeting of SLBC, Kerala held on 6th & 7th October 2008 requested the Convenor, SLBC to take up the issue with the Registration Department, Government of Kerala to delete the disclaimer clause from the Encumbrance Certificate issued by SRO.

The representative of the Registration Department may inform the progress in this regard.

4.2.22. Customer details sought by Commercial Taxes Department - Banker's obligation to observe secrecy of customers' accounts

Many of the banks having their administrative/controlling offices in Kerala state were issued with a notice, under Section 82 of the Kerala Value Added Tax Act – 2003, by the Intelligence Officer (Spl. Squad), from the Commercial Investigation Section of Commercial Taxes Department (Intelligence Wing), Government of Kerala seeking data /details pertaining to the customers of the bank.

The notice demands that the Head of Administrative / Controlling Office of banks in Kerala should furnish the details of credit / loans sanctioned by his/her bank for construction of building (Commercial and others) with a floor space of 5000 sq. ft. or above or with a cost Rs. 40 lacs or above for a period of two financial years (current and the last); The demand notice stipulates furnishing of the above data by the bank with individual customer details such as complete address, particulars of loan such as name and address of the branch, purpose of loan , sanctioned loan amount , stage of disbursement, amount disbursed, address of the property , construction site etc. to the Commercial Taxes Department . The notice further explains, quoting Section 82 of the “Kerala Value Added Tax Act, 2003”, that “any officer not below the rank of an ‘assessing authority’ may by notice in writing require any person whether or not liable to pay tax under the Act, to furnish any information that may be required by the notice Concerning the tax affairs of that person or any other person”

The matter was discussed in the 95th meeting of SLBC Kerala held at Trivandrum on 29th May 2008. The meeting noted that banks were not prima facie concerned with the tax affairs of their customers. It was observed that if banks furnish the details of credit / loans availed by their valued customers to the Commercial Taxes Department, banks would eventually face with problems as there was a likelihood that the affected customers would turn against the bank either legally or otherwise alleging that the bank had violated its obligation to observe secrecy of the customer's account.

Banker's obligation for maintaining secrecy of the customer's account explains that the disclosure of matters relating to the customer's financial position may do considerable harm to his credit and business and hence the banker should take scrupulous care ***not*** to disclose the state of his customer's account. As per the Banking Law and Practice in India, the contract between a banker and his customer requires that the banker must not disclose the condition of his customer's account except on reasonable and proper occasions and the obligations to observe secrecy does not end even with the closing of the customer's account.

The Banking Law and Practice in India binds a banker on his obligation to disclose particulars of his customer's account when he is compelled by court to do so or on demand as per provisions under the various statutes which provide for similar powers as are vested in a civil court. For example, the provisions contained in sections 131 &

133(6) of the Income Tax Act - 1961, section 37 of the Wealth Tax act – 1957, section 36 of the Gift Tax act – 1958, section 94 of the Criminal Procedure Code and the provisions of the Customs Act empower the officers / authorities respectively to call for any information from any person including a banker.

The Commercial Tax authorities have not been included under any of the above said provisions to demand and collect information / data from a bank regarding credit /loan account of its customers.

The SLBC forum resolved to take up the matter with the concerned Government authorities so that a suitable guideline / direction would be issued to the Commercial Taxes Department (Intelligence Wing) to refrain from sending notices to banks seeking information on customer accounts (loan account or otherwise) as this would amount to violation of the Banker's obligation for observing secrecy of the customer's account except under occasions of justified disclosures to notified authorities.

The meeting noted the views of the Steering Committee that most of the banks had received notices from the Commercial Investigation Section of Commercial Taxes Department (Intelligence Wing), Government of Kerala seeking data/details pertaining to the customers of the bank. It was difficult for the bank branches to furnish the details, which might be violating the banker's obligation for maintaining secrecy of the customer's account. The Secretary (Planning), Government of Kerala assured the forum that the matter would be taken up with the concerned department.

SLBC Convenor 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 Review Meeting of SLBC, Kerala held on 6th & 7th October 2008 requested the SLBC Convener to follow up the matter with Planning/Taxes Department, Government of Kerala so as to issue necessary instructions to Commercial Tax authorities desisting them from the practice of calling for details of customers in general.

The representative of the Planning/Taxes Department may inform the progress in this regard.

4.2.23. 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.

While reviewing the matter during the Review Meeting of SLBC, Kerala held on 6th & 7th October 2008, the meeting suggested further follow-up by SLBC in the matter.

The representative of the Revenue/Taxes Department may inform the latest developments decision in this regard.

4.2.24.Exemption of surcharge for certificate of sale under SARFAESI Act/Rules 2002

As per Art.16 of the Kerala Stamp Act, the stamp duty payable for Certificate of Sale granted to the purchaser of any property sold by public auction by a Civil or Revenue Court or by the Government, Collector or other Revenue Officer is the same as that on a conveyance i.e. 10% (including surcharge of 4%), 12.5 % (including surcharge of 4 %) & 13.5% (including surcharge of 5 %) in Panchayat, Municipality & Corporation areas respectively. But the surcharge duty for the said Certificate of Sale had been exempted by the Government of Kerala vide G.O.(MS) 495/62/2D dated 12.06.1961 & GO(MS) 552/63/DD dated 15.07.1963. But quite unfortunately this exemption is not available for the Certificate of Sale issued under Rule 8 & 9 of the Security Interest (Enforcement) Rules, framed subsequent to the enactment of the SARFAESI Act 2002. The result is, banks are finding it difficult to mobilize/locate some prospective bidders/purchasers for the property brought for sale under SARFAESI Act. If Art. 16 of Kerala Stamp Act is suitably amended by including the sale under SARFAESI Act, definitely it would be a boon for the bankers as the sale of assets would be easy and also better competition with better net receipts would be possible.

The came up for discussion during the 94th meeting of SLBC, Kerala held on 24.12.2007 in Trivandrum as suggested by Reserve Bank of India. The meeting decided to take up this issue with the State Government for suitably amending the article 16 of Kerala Stamp Act, by including the sale under SARFAESI Act also under the Act's purview. The forum noted that this would help banks to sell their assets more easily.

SLBC Convenor had taken up the matter with the Principal Secretary (Revenue) and Secretary (Taxes), Government of Kerala requesting to place the matter before the State Government to consider the above suggestion favourably amending the relevant article in the Kerala Stamp Act.

While reviewing the matter during the Review Meeting of SLBC, Kerala held on 6th & 7th October 2008, the forum suggested that the benefit of exemption of surcharge for the certificate of sale issued under Rule 8 & 9 of Security Interest (Enforcement) Rules should be made available to banks. The matter should be followed up with the Revenue Department, Government of Kerala.

The representative of the Revenue Department may inform the latest developments in this regard.

4.2.25.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 Authorised

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 Authorised Officers under the Security Interest (Enforcement) Rules 2002] may be made, which would help banks in the process as above.”

During the Steering Committee to 94th SLBC meeting, the representative of Indian Overseas Bank informed that while considering the securitisation aspect, this issue is very crucial so that proper amendment in the Registration Rules (Section 89 5.b) by empowering the SROs to make an entry of possession of immovable properties under SARFAESI Act 2002 may be made.

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.

While reviewing the matter during the Review Meeting of SLBC, Kerala held on 6th & 7th October 2008, the forum decided to follow up the matter with the Revenue/Taxes Department, Government of Kerala.

The representative of the Revenue/Taxes Department may inform the latest developments in this regard.

4.2.26. 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 centres 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 State Level Review Meeting of SLBC, Kerala held on 14th & 15th October, 2005 and 88th meeting of SLBC, Kerala held on 27.12.2005 at Trivandrum had reiterated the request that State Government should expeditiously take steps to declare more centres where SROs are functioning as notified areas. The matter was referred to the Taxes

Department, Government of Kerala through the Planning and Economic Affairs Department, Government of Kerala.

The annual review meeting of SLBC, Kerala held on 11th & 12th October 2006 observed that the matter had been pending with concerned department for a long time. The forum suggested that, such long pending issues could be brought to the notice of the Hon. Chief Minister of the State.

The State Level Review Meeting of SLBC, Kerala held on 3rd & 4th October 2007 in Trivandrum observed that more centres for Equitable Mortgage may be permitted to enhance quicker delivery and to reduce hardship to borrowers, as there won't be any revenue loss to the Government due to this practice. This matter has been pending for quite a long period, which may be vigorously followed up with the Government.

While reviewing the matter during the Review Meeting of SLBC, Kerala held on 6th & 7th October 2008, the forum observed that as the matter was a very long pending issue with the Government, SLBC Convenor to follow up the matter with the Revenue/Taxes Department, Government of Kerala.

The representative of the Department of Taxes/Revenue may inform the Government decision in this regard.

4.2.27.Panchayat Level Development Committees for increasing flow of credit

Based on the instructions from State Government, SLBC, Kerala had decided to form Panchayat Level Development Committees in selected panchayats of each district in the State. The scheme is aimed at participatory development through preparation of area specific projects and panchayat level plans. It was suggested that the village development plans and credit plans of banks should be integrated with the panchayat plans and for this Panchayat Level Development Committees were formed in all the 28 selected panchayats.

The Convenor, SLBC had organized a workshop for the participating banks and written to all LDMs, to take necessary steps to convene meetings of the Panchayat Level Development Committee in the 2 selected panchayats of their district and to report the same in detail.

We have so far received reports from the LDMs of Pathanamthitta, Kollam, Kottayam Kozhikode and Wayanad districts only with regard to convening of Panchayath Level Development Committee Meeting as above.

The State Level Review Meeting of SLBC, Kerala held on 3rd & 4th October 2007 in Trivandrum requested the LDMs who have not yet convened the Meetings of the Panchayat Level Development Committee may do the needful urgently and the report thereof may be submitted to SLBC.

SLBC Convenor had followed up the matter again with LDMs requesting to submit a detailed report on the Panchayat Level Credit Plan prepared by the selected panchayats.

While reviewing the matter during the Review Meeting of SLBC, Kerala held on 6th & 7th October 2008, the forum observed that as of date, the committee was not functioning effectively and also informed that change in the constitution of the committee structure was made by District administration, the details of which were not available.

In the meeting, the Principal Secretary, Local Self Government Department pointed out that the Panchayat level development committee needed to be reconstituted. He sought for an one to one discussion with SLBC, Kerala so as to reconstitute the committee as above. The Central level committee, which visited Kerala recently for a study on enhancing credit under SGSY was very much impressed with the model developed in Kerala for Panchayath Level Development Committee and the Government wanted it to be recommend to other States also.

All other LDMs were requested to apprise the forum regarding the progress achieved in their districts.

4.3. Others

The group may discuss the following with specific reference to the tertiary sector.

1. Infrastructure bottlenecks if any and suggestions for overcoming the same.
2. Suggestions for Forward and Backward linkages.
3. Support required by the banks from the Government.
4. Problems faced by the banks in recovery.

5. REVIEW OF PRIORITY SECTOR ADVANCES AS AT JUNE 2009

(Refer Annexure 7.6)

Performance versus National goals

The achievements of the commercial banking sector of the State under total priority sector advances and weaker section advances are above the national goal. Under Agriculture, the percentage of credit to total credit has above the mandatory level of 18% as at June 2009.

(Figures in percentage)

Sl. No.	Parameter	Goal	March 2007	June 2007	March 2008	June 2008	March 2009	June 2009
1	P. S. Advances to Total Credit	40	55.52	57.44	58.53	58.35	58.42	59.30
2	Agri. Advances to Total Credit	18	17.70	18.86	21.23	20.22	19.27	19.54
3	Weaker Section Adv. to Tot. Credit	10	13.01	12.84	12.91	13.70	14.78	23.34
4	DRI Advances to Total Credit	1	0.01	0.02	0.02	0.01	0.26	0.25
5	C: D Ratio	60	70.09	69.47	71.39	70.16	63.54	62.54

The percentage share of priority sector in total bank credit in the state as at June 2009 is 59.30 % and that of weaker sections is 23.34%. The C D Ratio of commercial banking sector of Kerala is above the desired level of 60% at a high of 62.54 %.

The outstanding advances of commercial banks under sub sectors of priority sector as at June 2009 is summarized as follows.

(Amount in Rs. Crore)

Parameter	Outstanding				Variation		
	March 2008	June 2008	March 2009	June 2009	March'08- March '09	June '08 - June '09	March '09 - June '09
Priority Sector Adv.	44078	44487	48387	49985	4309	5498	1598
Agriculture Adv.	15991	15417	15959	16468	-32	1051	509
SSI Adv./SME	6674	7074	8095	7897	1421	823	-198
Weaker Section Adv.	9724	10446	12240	19672	2516	9226	7432
SC/ST Advances	1700	1702	2204	2323	204	621	119
DRI Advances	10.78	10.96	211.82	214.17	201.04	203.21	2.35

Performance of the Banking sector inclusive of KSCARDB as at June 2009

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

Performance of KSCARDB under Priority Sector Advances

(Amount Outstanding)

(Amount in Crore)

Parameter	March 2009		KSCARDB % to total advances	June 2009		KSCARDB % to total advances
	KSCARDB	Comm. Banks + KSCARDB		KSCARDB	Comm. Banks + KSCARDB	
Total advances	1830.35	84648.90	----	1845.02	88176.81	
Priority Sector Adv.	1830.35	50216.99	100.00	1845.02	51829.76	100.00
Agriculture Adv.	602.95	16562.29	32.94	614.70	17082.37	33.32
SSI Adv./ SME	298.74	8394.05	16.32	285.99	8182.80	15.50
Weaker Section Adv.	1554.10	13794.31	84.91	1651.00	21323.44	89.48
SC/ST Advances	54.50	2258.82	2.98	55.35	2378.17	3.00
DRI Advances	0	211.82	0.00	0.00	214.17	0

Priority Sector and Agriculture Advances (Refer Annexures 7.6 & 7.7)

During the first quarter of the fiscal 2009-10, Priority Sector Advances increased by Rs. 1598 crores as against Rs. 5498 crores added during the last fiscal. Against the mandatory norm of 40% under priority sector advances, as at June 2009, 59.30% of the total advances of the banks in the state was to priority sector.

**Banking Group Wise Performance Under Priority Sector
and Agriculture Advances as at March 2009**

Amount in Rs. Crores

BANK	Total Adv.	PSA.	AGRI.	SME	OPS.	% TO TOTAL ADV	
						PSA.	AGRI
State Bank Group	27864	15310	3354	1759	10197	54.95	12.04
Nationalised Banks	24932	17738	6100	3347	8291	71.15	24.47
RRBs	3800	3418	1957	442	1019	89.95	51.50
Private Sector Banks	25641	11824	4548	2540	4736	46.11	17.74
Foreign Banks	582	97	0.00	7	90	16.67	0

GRAND TOTAL	82819	48387	15959	8095	24333	58.42	19.27
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**Banking Group Wise Performance Under Priority Sector
and Agriculture Advances as at June 2009**

Amount in Rs. Crores

BANK	Total Adv.	PSA.	AGRI.	SME	OPS.	% TO TOTAL ADV	
						PSA.	AGRI
State Bank Group	28559	16397	3348	1879	11170	57.41	11.72
Nationalised Banks	25193	17889	6228	3156	8505	71.01	24.72
RRBs	3923	3489	1981	441	1067	88.94	50.50
Private Sector Banks	26015	12100	4911	2414	4775	46.51	18.88
Foreign Banks	594	110	0	7	103	18.52	0
GRAND TOTAL	84284	49985	16468	7897	25620	59.30	19.54

Quantum wise, highest contribution to the Priority Sector, SME and Agriculture advances of the state is by Nationalized Banks followed by the State Bank Group in agriculture sector and Private sector banks in SME sector. Only 18.88% of the total advances of private sector banks is to agriculture sector. The ratio has shown marginal improvement during the quarter.

5.2.1. Bankwise compliance of Mandatory norm under Agriculture

On an analysis of the bankwise data on the percentage of agriculture to total advances it is found that only Indian Overseas Bank (32.25%), Canara Bank (30.53%), Union Bank of India (25.19%) and Dhanalakshmi Bank (24.86%) have achieved the mandatory norm of 18% apart from RRBs [SMGB (56.97%) & NMGB (41.11%)] and KSCARDB (33.32%).

All the advances of the KSCARDB are classified as Priority Sector advances. The percentage of agriculture advances to total advances of KSCARDB shows a marginal increase from 32.94 % as at March 2009 to 33.32% as at June 2009.

RRBs have performed well under both agriculture advances and total priority sector advances. 88.94% of the total advances of RRBs was to priority sector and 50.50% was to agriculture sector. The percentage of agriculture advances to total advances of Nationalised Banks has posted a marginal improvement from 24.47% as at March 2009 to 24.72_% as at June 2009, whereas that of State Bank Group decreased from 12.04 % to 11.72% during the same period.

The forum may deliberate on the performance and suggest ways to improve agriculture advances.

Advances to Weaker Section (Refer Annexure 7.11)

Weaker Section advances grew by Rs. 2516 crores during 2008-09 as against Rs. 1363 crores added during the previous fiscal. Thus more than one fourth (23.34%) of the growth in priority sector advances of the state during the period was cornered by weaker sections of the society.

During the first quarter of 2009-10, the weaker section advances of the State grew by Rs. 19672 crores which when compared to the corresponding period of 2008-09 (Rs. 9019 crores) is better.

**Banking Group Wise Performance Under Weaker Section advances
As at June 2009**

(Amount in crores)

BANK	Weaker Section Advances		
	Outstanding		% to total
	No.	Amount	
State Bank Group	649433	3905	13.67
Nationalised Banks	789601	11687	46.39
RRBs	741266	2440	62.19
Private Sector Banks	282456	1640	6.30
GRAND TOTAL	2462756	19672	23.34

The Weaker section advances as a percentage of total advances has gained almost one percentage points since March 2008. It moved down from 16.30 % as at March 2008 to 14.80% as at March 2009 and again gained marginally to 23.34 % as at June 2009.

Advances to SC/STs (Refer Annexure 7.11)

The advances to SC/STs grew by Rs.2322 crores during the first quarter of the fiscal 2009-10.

As evident from the table given below, almost 9.78% of the SC/ST advances of the state is contributed by Public Sector Banks (including RRBs), while the share of Private Sector Banks is just about 0.28%. KSCARDB has an outstanding advance of Rs. 2322 crores to SC/STs. Loans of about 3.18 lakh SC/ST people is outstanding with commercial banks of the state.

**Banking Group Wise Performance Under SC/ST advances
As at June 2009**

(Amount in crores)

BANK	SC/ST Advances		
	Outstanding		% to total
	No.	Amount	
State Bank Group	87611	1192	4.17
Nationalised Banks	162581	990	3.93
RRBs	55924	66	1.68

Private Sector Banks	12082	74	0.28
GRAND TOTAL	318198	2322	2.75

All banks, especially Private Sector Banks, should give more attention for rendering assistance to these most vulnerable sections of the society.

Credit Flow to Minority Communities (Refer Annexures 7.40)

As per RBI directives, credit flow to minorities in specified districts should be reviewed in all SLBC meetings. Till last year, the specified districts identified in Kerala were Palakkad, Malappuram, Kozhikode, Wayanad and Kannur. But, at present all the districts in the State of Kerala are notified for reporting under this head. In Kerala state, credit expansion is not at all possible without giving due share to minorities. The comparative position with regard to the previous year is given in the annexure. The data reveal that there is significant increase in the amount of loans availed by minorities in all these districts. However, all the banks in the state are yet to comply with the instructions of the controlling bank (RBI) in respect of reporting the data under Advances to Minority Communities district-wise 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 is happy to note that all the Lead District Managers have submitted the bankwise and district wise data.

DRI Advances (Refer Annexure 7.12)

As could be seen from the following table, Nationalised Banks account for bulk of the DRI advances in the state whereas only 0.29% of the DRI advances of the state is contributed by private sector banks.

Banking Group Wise Performance Under DRI advances As at June 2009

(Amount in lakhs)

BANK	DRI Advances	
	O/S	% to total
State Bank Group	19552	91.29
Nationalised Banks	1689	7.89
Private Sector Banks	114	0.53
RRBs	62	0.29
GRAND TOTAL	21417	100.00

During the fiscal there was a marginal increase in DRI advances was stagnant to about Rs. 214 crores. Against the national goal of 1% of the Net Bank Credit, only 0.25% of the total credit is to this sector.

6. Review of Performance of the Banking Sector

Banking Statistics as at June 2009 (Refer Annexures 7.3)

The detailed banking statistics for the State as at June 2009 is furnished in the Annexures. A comparative analysis of the data over the previous fiscal is presented below.

(Amount in Rs. crore)

Parameter	Outstandings				Variation			
	Mar. 2008	June. 2008	Mar. 2009	June. 2009	Mar. 07-Mar. 08	Jun.07-Jun.08	Mar. 08-Mar. 09	Jun.08-Jun.09
No. of Branches	394	3974	4084	4129	198	201	143	155
Total Deposits	10548	108658	130350	134764	13791	16082	24862	26106
Domestic Deposits	7559	76793	93331	96781	17205	16212	17732	19988
NR Deposits	2988	31865	37019	37983	(3414)	(-130)	7130	6028
Total Advances	7530	76230	82818	84284	11032	11917	7513	8054
Investments	183	2523	3712	4115	(620)	179	1880	1592
Adv. + Investment	7713	78753	86530	88399	10412	12096	9393	9646
C: D Ratio	71.3	70.16	63.54	62.54	1.29	0.69	(-7.85)	(-7.62)
C+I: D Ratio	73.1	72.48	66.38	65.60	0.36	0.48	(-6.74)	(-6.88)

Branch Network

As at the end of June 2009, the total number of branches of Commercial Banks in the State was **4129**.

Banking Group	Number of Branches				Percentage distribution			
	Rural	Semi Urban	Urban	Total	Rural	Semi Urban	Urban	Total
Public Sector Banks	201	1932	630	2763	4.87	46.79	15.26	66.92
Private Sector Banks	252	835	274	1361	6.10	20.22	6.64	32.96
Foreign Banks	0	0	5	5	0.00	0.00	0.12	0.12
Total	453	2767	909	4129	10.97	67.01	22.02	100.00

Of the total Commercial banks in the state, Public sector Banks account for **66.92%** of the branch network in the state. Private sector banks are having the highest number of rural

branches (**252** branches). Of the total branch network of Commercial banks in the State, only **10.97 %** are in rural areas whereas Semi-urban areas have **67.01%** of the bank branches in the state.

During the first quarter of the fiscal 2009-10, the Public sector banks have added **31** branches to their tally whereas Private Sector Banks increased their position by **14** branches.

Deposit growth

During the last fiscal itself, the total deposits of the commercial banks in the state had crossed the one lakh mark. During the first quarter of the current financial year 2009-10, there was an absolute growth of **Rs. 26106 crores** in total deposits whereas the corresponding period of the previous fiscal showed a growth of **Rs. 16082 crores** only. The total deposits of the commercial banking sector of the state as at June 2009 stood at **Rs.134764 crores**.

The year-on-year growth registered as at June 2009 was **24.03%**. The quantum growth in deposits during the 1st quarter of the fiscal 2009-10 was **Rs. 4414 crores**.

Another significant feature in this deposits growth is seen in the share of domestic deposits in total deposits which is gradually increasing. As at March 2004, the share of domestic deposits in the total deposits was **54.37%**, which has now reached at a level of **71.82%** as at June 2009, after steadily growing over the years.

Sectoral Growth of Deposit over the Years

(Amount in Rs. Crore)

Type of deposit	March 2004	March 2005	March 2006	March 2007	March 2008	March 2009	June 2009
Total Deposits	65961	69396	77677	91697	105488	130350	134764
Domestic Deposits	35861	40276	47006	58394	75599	93331	96781
NR Deposits	30100	29120	30671	33303	29889	37019	37983
% Share of Domestic deposits	54.37	58.04	60.51	63.68	71.67	71.60	71.82

A. Banking Group wise Growth in Deposits

As evident from the following table, Private Sector Bank Group (37.45 %), followed by the State Bank group (37.13 %) has the highest share in growth of deposits among the Commercial Banks in the State.

Banking Group wise Growth in Deposits

(Amount in Rs. crore)

Sl. No	Banking group	Total Deposits		% Share in Total Deposits (June 09)	Change in Deposits (March - June 09)	% Share in Growth
		March 2009	June 2009			
1	State Bank Group	46065	47704	35.40	1639	37.13
2	Nationalised Banks	39174	40114	29.77	940	21.29
3	RRB s	3825	4003	2.97	178	4.04
4	Private Sector Banks	40529	42182	31.30	1653	37.45
5	Foreign Banks	757	761	0.56	4	0.09
	Total	130350	134764	100.00	4414	100.00

Banking Group wise comparison reveals that **35.40%** of the deposits in the state is with State Bank group, which has got a **22.45 %** share in branch network. The corresponding figures for Private Sector Banks group are **32.96%** share in branch network and **31.30%** share in deposits. Nationalised Banks, which have **34.68%** of the branch network in the state, have a share of **29.77%** in total deposits. RRBs, inspite of having a share of **9.78%** of the branch network has only **4.04%** share in total deposits of the state.

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

Population Group wise Distribution of deposits

(Amount in Rs. Crores)

Banking Group	Total deposits				Percentage Distribution			
	Rural	Semi-Urban	Urban	Total	Rural	Semi-Urban	Urban	Total
State Bank Group	1559	28803	17342	47704	3.27	60.38	36.35	100
Nationalised Banks	1473	22753	15888	40114	3.67	56.72	39.61	100
RRBs	408	2963	632	4003	10.19	74.02	15.79	100
Private Sector Banks	5059	23200	13923	42182	11.99	55.00	33.01	100
Foreign Banks	0	0	761	761	0	0	100	100
Total	8499	77719	48546	134764	6.31	57.67	36.02	100

As evident from the above table, **57.67%** of the total deposits of the state is from semi urban areas where **67.01%** of the branch network exists. Urban areas accounted for

36.02% of the deposits and rural areas for **6.31%** with branch network shares of **22.02%** and **10.97%** respectively.

NR Deposits (Refer Annexure 7.4)

There was a quick reversal in the declining trend shown by Non- Resident deposits in the State with the addition of **Rs. 964 crores** in NR deposits during the first quarter of the current fiscal 2009-10.

The NR deposits of the state stood at **Rs.37983 crores** as at June 2009, up **2.60 %** from **Rs. 37019** crores as at March 2009.

Population GroupWise /Banking Group Wise Distribution of NR Deposits

(Amount in Rs. crore)

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	446	11306	4306	16058	2.78	70.41	26.81	100	42.28
Nationalised Banks	346	7690	2523	10559	3.28	72.83	23.89	100	27.80
RRBs	39	192	13	244	15.98	78.68	5.34	100	0.64
Pvt . Sector Banks	1401	6669	2633	10703	13.09	62.31	24.60	100	28.18
Foreign Banks	0	0	419	419	0	0	100.00	100	1.10
Total	2232	25857	9894	37983	5.88	68.08	26.04	100	100

State Bank group has the highest share (**42.88%**) in the NR deposits from the State followed by Private Sector Banks (**28.18%**) and Nationalised Banks (**27.80%**). Of the total Non-Resident deposits, **68.08%** deposits were from Semi Urban areas while Urban areas accounted for **26.04 %** and rural areas, **5.88%**. During the fiscal 2008-09, the share of N R Deposits in Urban areas showed a slight increase where as both rural and semi-urban areas showed a declining trend. However, during the first quarter of the current fiscal, the overall growth of NR deposits showed a positive trend by adding **Rs.964 crores** to the position as at March 2009 with enhanced performance by the Urban branches of banks in Kerala. Both the Semi-Urban and Rural sector branches showed a slight decline in its growth.

Domestic Deposits

The growth in domestic deposits during the fiscal 2008-09 (**Rs. 17732 crore**) was higher than the quantum growth during the previous fiscal (**Rs. 17205 crore**).

Share of Domestic Deposits in Total Deposits (%)

March 2003	March 2004	March 2005	March 2006	March 2007	March 2008	June 2008	March 2009	June 2009
51.69	54.37	58.04	60.51	63.68	71.67	70.67	71.60	71.82

As at March 2009, domestic deposits accounted for **71.60%** of the total deposits and this ratio has shown a downward trend for the first time over a long period as at June 2009 with a share of **71.82 %**, as evident from the table given above.

The year-on-year growth rate in domestic deposits is given below.

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

2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
16.80	12.31	16.71	24.23	29.46	19.00

The quantum growth in domestic deposits during the first quarter of the fiscal 2009-10 (**Rs. 3450 crores**) was also higher than that (**Rs. 1194 crores**) during the corresponding period of the previous fiscal.

Quarterly Growth in Domestic Deposits

(Rs. in crore)

Domestic Deposits				Variation		
Mar. 2008	Jun. 2008	Mar. 2009	Jun. 2009	Mar. 08- June 08	Mar.08- Mar. 09	June 08- June 09
75599	76793	93331	96781	1194	17732	19988

Credit Expansion (Refer Annexure 7.4)

Growth in Advances of the Banking sector in the State

(Amount in Rs. crore)

	Mar. 2003	Mar. 2004	Mar. 2005	Mar. 2006	Mar. 2007	Mar. 2008	Jun. 2008	Mar. 2009	June 2009
Total Advances	27007	31867	40948	51919	64273	75305	76230	82819	84284

% Growth over the previous fiscal (Y-O-Y)	22.41	18.00	28.50	26.79	23.79	17.16	18.53	9.07	10.57
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The rate of growth in credit has declined during the fiscal 2008-09 as evident from the table given above. During the last fiscal, the total advances grew by **Rs 7514 crore** to reach **Rs. 82819 crores** as at March 2009 and during the first quarter of the current fiscal the total credit level of the banks in the state has touched at **Rs. 84284 crores** as at June 2009 showing an upward trend of growth.

Quantum growth in advances during the first quarter of the fiscal 2009-10 (**Rs.8054 crores**) is well above the position recorded during the corresponding period of the previous fiscal (**Rs. 7514 crores**).

Quarterly Variation in Advances

(Rs. in crore)

Advances Outstandings				Variation		
Mar. 2008	Jun. 2008	Mar. 2009	Jun. 2009	Mar. 08-Mar. 09	Mar.08-June 08	June 08-June 09
75305	76230	82819	84284	7514	925	8054

Share of Banking Groups In Total Advances of the State

State Bank Group (**33.88%**) and the Private Sector Banks (**30.87 %**) have higher shares in the total advances outstanding in the state closely followed by the Nationalised Banks which contributed at **29.89 %**. The Public Sector Banks accounted for **68.42 %** of the total advances against a **46.79 %** share in total branch network.

Further, **49.18%** of the total advances in the state is to semi urban areas where **67.01 %** of the branch network exists. Urban areas had **44.61 %** share in total advances against a share of **22.02 %** in branch network. Rural areas had a share of **6.21 %** only in the total advances deployed in the state where as they hold a share of **10.97 %** in total commercial branch network.

(Amount in Rs. crore)

Banking Group	Total Advances				Percentage Distribution				Share (%) in Total Advances
	Rural	Semi-Urban	Urban	Total	Rural	Semi-Urban	Urban	Total	
State Bank Group	1391	14344	12824	28559	4.87	50.23	44.90	100	33.88
Nationalised Banks	946	12592	11655	25193	3.76	49.98	46.26	100	29.89
RRB s	412	3268	243	3923	10.50	83.30	6.20	100	4.65
Private Sector Banks	2490	11246	12279	26015	9.57	43.23	47.20	100	30.87
Foreign Banks	0	0	594	594	0	0	100	100	0.71

Total	5239	41450	37595	84284	6.21	49.18	44.61	100	100
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Credit-Deposit Ratio [C D Ratio] (Refer Annexure 7.5)

The Credit-Deposit ratio of the Commercial Banking sector of the State was slightly dipped by 1 percentage points during the quarter to register **62.54 %** as at June 2009. This could be attributed to the decline in Agriculture Advances (outstanding level) due to credit of waiver / relief amount to agriculture loan accounts on account of ADWDRS-2008 as well as to the enhanced deposit growth during the quarter.

Banking Group wise C D ratio as at June 2009

Banking Group	C D Ratio - Percentage Distribution as at June 2009			
	Rural	Semi-Urban	Urban	Total
State Bank Group	89.27	49.80	73.94	59.87
Nationalised Banks	64.22	55.34	73.36	62.80
RRB s	100.85	110.29	38.53	98.01
Private Sector Banks	49.21	48.47	88.19	61.67
Foreign Banks	0.00	0.00	78.17	78.17
Total	61.64	53.33	77.44	62.54

The C D Ratio of rural areas of the state at 61.64% is more than the mandatory norm of **60%**. Further, the urban areas have a high CD ratio of **77.44 %**. The semi urban areas is having CD ratio of **53.33%** which is below the mandatory limit of **60%**. The most significant change in the Credit Deposit ratio position of the State is with regard to the positive shift in Semi-Urban areas.

The C D ratio of RRBs is the highest at **98.01 %**. Further, the CD ratios of all the banking groups except Foreign Banks are above the desired level of 60% in the State.

In rural areas, except Private sector banking group, all other groups have a better C D Ratio level well above the RBI stipulated 60 %. In the Semi-Urban areas, all the banking groups, except RRBs, are at positions below the mandatory level of 60 %.

Credit + Investment: Deposit ratio (C+I: D ratio) (Refer Annexure 7.5)

The C+I D ratio of the commercial Banking Sector of the state recorded a reduction of **0.78** percentage points during the first quarter of the current fiscal 2009-10 to reach **65.60 %**. It fell from the level of **66.38 %** as at March 2009 to the present level of **65.60 %** as at June 2009.

7. ANNEXURES

ANNUAL PROGRESS UNDER PMEGP FOR THE YEAR 2008-2009 BANK WISE PERFORMANCE DURING 2008-09: KERALA

No	NAME OF BANK	No of Projects	M.M in Lak	Employment in nos
1	Allahabad Bank	1	1.18	6
2	Bank of Baroda	4	6.12	34
3	Bank of India	8	12.98	91
4	Canara Bank	39	97.27	477
5	Central Bank of India	2	4.8	42
6	Corporation Bank	5	7.09	61
7	Dhanalakshmi Bank	1	2.43	11
8	FEDERAL Bank	2	2.55	13
9	Indian Bank	5	12.81	59
10	Indian Overseas Bank	7	26.53	138
11	North Malabar Gramin Bank	13	11.92	61
12	Punjab National Bank	9	16.68	66
13	SBI	13	29.17	126
14	SBT	40	104.58	445
15	South Malabar Gramin Bank	15	20.75	99
16	South Indian Bank	1	2.28	6
17	Syndicate Bank	15	23.72	136
18	Union Bank India	7	10.13	53
19	Vijaya Bank	5	12.22	72
	Total	192	405.21	1996

DISTRICTWISE - AGENCYWISE SETTLEMENT OF MARGIN MONEY UNDER PMEGP DURING 2008-09

No.	District	DIC		KVIB		KVIC		TOTAL	
		of Project	M.M in Lakhs	of Projects	M.M in Lakhs	of Projects	in Lakhs	of Projects	M in Lakhs
1	Trivandrum	1	0.13					1	0.13
2	Kollam	6	14.28	11	25.67	2	4.79	19	44.74
3	Alappuzha	8	15.99	7	28.62			15	44.61
4	Pathanamthitta	2	1.06	1	3.69	3	9.82	6	14.57
5	Kottayam	16	32.84	2	10.98	2	6.95	20	50.77
6	Idukki	1	0.42	2	4.72	1	1.75	4	6.89
7	Ernakulam	0	0	0	0	0	0	0	0
8	Trichur	18	39.092	12	25.65	12	35.46	42	100.202
9	Palakkadu	7	5.45	3	7.34	3	11.2	13	23.99
10	Malappuram	6	19.76	2	4.2	4	11.31	12	35.27
11	Kozhikkodu	3	4.867	1	5.25	4	5.83	8	15.947
12	Wayanadu	8	6.77	7	8.69	3	2.09	18	17.55
13	Kannur	6	14.3	15	23.47	2	3.89	23	41.665
14	Kasaragodu	8	5.707	3	3.17			11	8.877

TOTAL	90	160.67	66	151.46	36	93.09	192	405.211
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PMEGP TARGETS FOR KERALA 2009-10

Implementing agencies	KVIC	KVIB	DIC		Total
Item			Rural	Urban	
No of Projects	531	531	354	354	1770
Margin Money (Rs in Lakhs)	637.14	637.14	424.76	424.76	2123.80
Employment (Nos)	5308	5308	3540	3539	17695

Target on Social Categorywise for Kerala State

Item	State Total	SC 15%	ST 7.5%	OBC 27%	Minorities 5%	Ex-Service 1%	PHC 3%	Woman 30% overall
No of Projects	1770	266	133	480	89	26	53	536
Margin Money (Rs in Lakhs)	2123.80	318.57	159.2	573	106.19	21.24	63.7	637.14
Employment (Nos)	17695	2654	132	4778	885	177	531	5309

Target on Categorywise KVIC Share under PMEGP

Item	Total share	SC 15%	ST 7.5%	OBC 27%	Minorities 5%	Ex-Service 1%	PHC 3%	Woman 30% overall
No of Projects	531	80	40	143	27	7	16	159
Margin Money (Rs in Lakhs)	637.14	95.57	47.79	172.03	31.86	6.23	19.11	191.14
Employment (Nos)	5308	796	398	1433	265	63	159	1592

Target on Categorywise KVIB Share under PMEGP

Item	Total share	SC 15%	ST 7.5%	OBC 27%	Minorities 5%	Ex-Service 1%	PHC 3%	Woman 30% overall
No of Projects	531	80	40	143	27	7	16	159
Margin Money (Rs in Lakhs)	637.14	95.57	47.79	172.03	31.86	6.23	19.11	191.14
Employment (Nos)	5308	796	398	1433	265	63	159	1592

Target on Categorywise DIC Rural Share under PMEGP

Item	Total share	SC 15%	ST 7.5%	OBC 27%	Minorities 5%	Ex-Service 1%	PHC 3%	Woman 30% overall
No of Projects	354	53	27	96	18	8	11	106
Margin Money (Rs in Lakhs)	424.76	63.71	31.86	114.69	21.24	5.78	12.74	127.43
Employment (Nos)	3540	531	266	956	177	59	106	1062

Target on Categorywise DIC Urban Share under PMEGP

Item	Total share	SC 15%	ST 7.5%	OBC 27%	Minorities 5%	Ex-Service 1%	PHC 3%	Woman 30% overall
No of Projects	354	53	27	96	18	8	11	106
Margin Money (Rs in Lakhs)	424.76	63.71	31.86	114.69	21.24	5.78	12.74	127.43
Employment (Nos)	3539	531	265	956	177	59	106	1062

DISTRICT WISE POSITION OF SETTING UP OF RSETIs

No	District	Sponsor Bank	Location of Land	Extent	Remarks/Decisions
1	Trivandrum	IOB	(1) Rural Block Panchayat Office compound owned by RD, Dept., Vattiyoorkavu (2) Nemom Block Panchayat Office Compound, Malayinkeezhu owned by RD Dept.	35 cents	Agreed for Vattiyoorkavu space and visited the place. To be started in a rented premises at Vazhuthacaud 26.08.2009 for the time being
2	Kollam	Syndicate Bank	Land not allocated	85 cents	Already started in Kottiyam in a temporary premise. Lead Bank has objection in this regard.
3	Pathanamthitta	SBT	1 Acre of land near Mannadi owned by Grama Panchayat identified. Formal resolution of Grama Panchayat consenting to give the land awaited	1 Acre	Started in a rented premises at Pathanamthitta for the time being. 2nd site in Elanthur is preferable
4	Aalapuzha	SBT	Block No: 4, RS No: 106/9 Mannamcherry village, Aryad Block owned by RD Dept.	75 cents	Land is acceptable. To be started in rented premises at Aryad during August/September 2009
5	Kottayam	SBT	Sy. No. 362/7, Block No: 24 of Vijayapuram village of Kottayam Taluk in Pallam Block Office Compound owned by RD Dept..	1.5 Acres	Land is acceptable. To be started in rented premises at Temple Road during September 2009
6	Idukki	Union Bank of India	Sy No: 134/1 - Land owned by Dist Panchayat at Kalkoonthal Village Nedumkandam.	90 cents	Syndicate Bank already started in 2008. 99 cents have been identified
7	Ernakulam	Union Bank of India	R.S No: 503/5, Block No 32, Mazhuvanoor Village of Kunnathunad Taluk owned by Mazhuvznoor Grama Panchayat.	50 cents	Working in 1 acre own building. 50 cents allotted is not sufficient and requested additional 25 cents more
8	Trissur	Canara Bank	Sy No 518/2 of Vilvattom village in Trissur Dist- Ollukkara Block Office	1 Acre	Already functioning in ETC Mannur from 27.02.2009
9	Palakkad	Canara Bank	Sy No: 1/2,1/3,2/1 of Trikkaderi village in Ottapalam Taluk, Sreekrishnapuram Block.	1.26 Acres	Agreed
10	Malappuram	Canara Bank	Existing Training Institute is there in Wandoor		
11	Kozhikode	Canara Bank	RS No: 496/1-A-2 of Kunnamangalam village owned by RD Dept	35 cents	Proposal sent for 50 cents
12	Wynad	SBT	Land identified in Sultan Bathery Block Office compound owned by RD dept.	85 cents	Land identified. Proposal not yet received at Rural Development Department
13	Kannur	Syndicate Bank	Land assigned by Revenue Dept as per GO No: 80/05 dtd: 21.03.2008	For campus Development	Existing
14	Kasargode	Undecided – Andhra Bank/ Syndicate bank	RS. No: 232 Kudlu, Kasargode Taluk, Application of Syndicate bank pending with Dist Collector.	1.5 Acres	District Collector has identified and accepted Syndicate Bank claim. Not started yet.