**Agenda & Background Notes**



***Special SLBC Meeting on Demonetization &***

***Relief measures in Drought affected areas***

***(196th Meeting of State Level Bankers’ Committee of Andhra Pradesh)***

**Date**

**21.11.2016**

**Time**

**03.00 PM**

**Venue**

**Vijayawada**

**State Level Bankers` Committee of A.P**

**Convener  Andhra Bank**



**Andhra Bank, Head Office, Dr. Pattabhi Bhavan, Saifabad, Hyderabad – 500 004**

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| **Agenda 1** |

**Withdrawal of Legal Tender Character of existing Rs.500/- and Rs.1000/- Bank Notes**

**Cash Position & Distribution:**

In terms of Gazette Notification No 2652 dated November 08, 2016 issued by Government of India, Rs.500 and Rs.1000 denominations of Bank Notes of the existing series issued by Reserve Bank of India (hereinafter referred to as Specified Bank Notes) shall cease to be legal tender with effect from 9th November, 2016, to the extent specified in the Notification.

Bank branches will be the primary agencies through which the members of public and other entities will be exchanging the Specified Bank Notes for Bank Notes in other valid denominations or depositing the Specified Bank Notes for crediting to their accounts, upto and including the December 30, 2016. Therefore, banks have to accord highest priority to this work.

RBI is requested to place the status of availability of cash in currency chests in various denominations and method of distribution among various banks. Banks should inform to Command & Communication centre, Vijayawada of deficit areas & in turn RBI to instruct respective currency chests for feeding of cash.

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| **Agenda 2** |

**Rupay Cards Delivery**

**PMJDY performance as on 09.11.2016**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| No. of Rural Accounts | No. of Urban Accounts | No. of Total Accounts | Total Deposit Amount  (Rs. in crores) | Aadhaar Seeded | % to Total Accounts | Rupay Card Issued | % of Rupay cards issued | Active Rupay cards | % of Active Rupay cards |
| 4486207 | 3423419 | 7909626 | 908.56 | 6137292 | 77.59% | 6637402 | 83.92% | 2734351 | 34.57% |

In view of the Withdrawal of legal tender character of existing Rs.500/- and Rs.1000/- Bank Notes, there is a need to encourage the people towards transactions by using Rupay cards.

Hence, banks are requested to sensitize the branches for the delivery of Rupay cards to the account holders at branches / through BCs / engaging retired employees and to educate the account holders accordingly.

Forum may deliberate on the issue.

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| **Agenda 3** |

**ATM Network**

**ATMs Position in the state of Andhra Pradesh**

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| --- | --- | --- | --- | --- |
| No. of ATMs | No. of ATMs Active | % to Total ATMs | No. of ATMs recalibrated for new currency | % to Total ATMs |
| 8036 | 5900 | 73.42 | 1577 | 19.62 |

Banks are requested to take it as priority and activate all ATMs & recalibrate all ATMs to dispense with new currency notes.

Further banks are requested to inform the timelines for 100% recalibration of ATMs.

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| **Agenda 4** |

**Business Correspondence (BCs) Network**

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| District | GPs in SSA | No. of SSA Points | SSAs covered through Branches | SSAs covered through BCs / Other Modes | Active BCs | Inactive / Attrition BCs |
| Srikakulam | 1099 | 662 | 113 | 549 | 423 | 126 |
| Vizianagaram | 921 | 550 | 99 | 451 | 420 | 31 |
| Visakhapatnam | 925 | 620 | 132 | 488 | 264 | 224 |
| East Godavari | 1069 | 821 | 211 | 610 | 575 | 35 |
| West Godavari | 908 | 677 | 276 | 401 | 339 | 62 |
| Krishna | 970 | 439 | 172 | 267 | 267 | 0 |
| Guntur | 1011 | 974 | 427 | 547 | 432 | 115 |
| Prakasam | 1030 | 626 | 313 | 313 | 279 | 34 |
| SPS Nellore | 940 | 559 | 184 | 375 | 293 | 82 |
| Chittoor | 1363 | 952 | 198 | 754 | 644 | 110 |
| YSR kadapa | 790 | 516 | 266 | 250 | 241 | 9 |
| Anantapuramu | 1003 | 901 | 190 | 711 | 710 | 1 |
| Kurnool | 889 | 747 | 188 | 559 | 518 | 41 |
| **Total** | **12918** | **9044** | **2769** | **6275** | **5405** | **870** |

All banks are requested to deploy the BCs in all inactive locations to cater the banking needs of public.

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| **Agenda 5** |

**Upgrading electronic point of sale (e-Los) at Fair Price Shops (FPS) / Public distribution shop (PDS) to support Financial Inclusion**

Status of Fair Price Shops (FPS) in the state:

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| --- | --- |
| District | No. of FPS |
| West Godavari | 2157 |
| East Godavari | 2449 |
| Vizianagaram | 1351 |
| Chittoor | 2845 |
| Ananthapuram | 2964 |
| Krishna | 2167 |
| Srikakulam | 1978 |
| YSR Kadapa | 1740 |
| Visakhapatnam | 1624 |
| Prakasam | 2122 |
| Kurnool | 2426 |
| Guntur | 2731 |
| Nellore | 1891 |
| **Total** | **28445** |

(Source:epos.ap.gov.in)

Department of Financial Services, MoF, GoI vide letter F.No.21(41)/2016-17 (Mission) dated 7th November 2016 informed that it has been decided to use the FPS with e-PoS as Business Correspondent (BC) for delivery of banking services. This will augment the income of shop owners and make them viable.

It will also improve the delivery channel for banking products and cashless transactions.

It is essential to have FPS/PDS e-PoS machines with Aadhaar & Card (Chip + Pin) functionality to perform financial transaction. E-PoS machine should have capability to perform Aadhaar enabled payments (AEPs) and Rupay Card interoperable transactions. The e-PoS machines should be compliant with Micro ATM version 1.5.1. Integration with banking application used in banks has to be carried out to enable the FPS shopkeeper to act as a business correspondent.

**Standard Operating Procedure (SoP) for acquisition of Fair Price Shops (FPS) as Business Correspondents (BCs)**

1. A District Level Implementation Committee (DLIC) will be formed in all the districts of the country. Constitution of the Committee shall be as following:

1. District Collector Chairman
2. Lead District Manager Convenor
3. District Level National Informatics Centre (NIC) representative Member
4. Regional/ Zonal Heads of all Banks operating in the District Member
5. District level Food and Supplies Officer Member
6. Representative of Technology Provider of Micro-ATM Member

2. A State Level Financial Inclusion Committee (SLFIC) has already been formed under the Chairmanship of Chief Secretary.

1. Monitoring of the acquisition of Fair Price Shops (FPS) as Business Correspondents.
2. State Level issues pertaining to procurement of machines, connectivity, network.
3. Coordination with NIC

3. Fair Price Shops where Micro-ATMs are already procured and installed:

1. District Collector will ensure the participations of all the Fair Price Shops in Financial Inclusion as BC partners of Banks.
2. The District Collector / District Food & Supplies officer will obtain the willingness / consent of FPS owners to function as BCs.
3. The acquisition of Fair Price Shops by the Banks will be decided in the DLIC after the consent forms have been received.
4. In case, all the Fair Price Shops are not acquired by the Banks, the DLIC may decide to allocate Fair Price Shops to any Bank in India having a proven track record of running BCs.
5. All the aforementioned processes should be completed within 3 weeks.
6. Viability issues if any raised by existing B.C, may be addressed in DLIC on case to case basis.

4. Terms and Conditions for on boarding:

1. The BC services by Fair Price Shops (FPS) should be available minimum 20 days a month.
2. Fair Price Shops will be appointed as Additional Business Correspondents.
3. The remuneration to FPS BCs is to be decided by acquiring banks as per extant policy of bank.

5. Necessary steps for implementation:

1. Certification and training process to be conducted for FPS BCs by the Banks, where state Food and Civil Supplies Department officials should also be associated.
2. Monitoring of Technical and Software upgradation for existing machines to be carried out by the DLIC in consultation with Vendor, NIC and NPCI.
3. All the technology integration issues should be sorted out locally by District Collector with the help of Vendors / NIC / Banks and NPCI (wherever required).
4. Micro-ATMs procured for Fair Price Shops should be compliant with Indian Banks Association's notified standards in March 2013 (1.5.1 version of MicroATM standards). In other words, they should support both card & pin based as well as Aadhaar number & biometric authentication based payments.
5. Banks would be given one month for training, certification, testing and operationalisation of inter-operable Micro-ATMs through NPCI.
6. Grievance redressal systems will also be put into place by the identified bank & these will be monitored by the DLIC for public and Fair Price Shop owner.
7. Cost, if required for the upgradation of Micro-ATMs shall be borne by the vendor or Banks.
8. Special emphasis should be given for monitoring the PoS based system once it is operationalised. Inter-operability of the Micro-ATMs to be reviewed regularly

6. Fair Price Shops where Micro-ATM is yet to be procured:

1. Micro-ATMs to be procured by State Government, compliant with specifications communicated by Indian Banks Association's notified Micro-ATM standards 1.5.1. Micro-ATM standards can be found in the link http://www.iba.org.in/upload/MicroATM\_Standards\_v1.5.1\_Clean.pdf
2. Acquisition / allocation of Fair Price Shops by Banks as BC to follow the same procedure as mentioned in point 3 above.

7. Indicative list of banking services provided by Fair Price Shops as BCs is as following:

1. Identification of borrowers
2. collection of small value deposits
3. disbursal of small value credit
4. Sale of micro insurance/ mutual fund products/ pension products/ other third party products
5. Receipt and delivery of small value remittances/ other payment instruments
6. Collection and preliminary processing of loan applications including verification of primary information/data
7. Creating awareness about savings and other products and education and advice on managing money and debt counselling
8. Processing and submission of applications to banks
9. Promoting, nurturing and monitoring of Self Help Groups/ Joint Liability Groups/Credit Groups/others
10. Post-sanction monitoring
11. Follow-up for recovery
12. Recovery of principal / collection of interest

Civil Supplies Department, GoAP is requested to deliberate on the status of deploying PDS dealers as BCs.

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| **Agenda 6** |

**Digitization of Banking Transactions**

Banks are requested to sensitize the public for doing the banking transactions in digitalized platform by using following mechanism;

ATM / Debit / Rupay Cards

Internet Banking

Mobile Banking

RTGS / NEFT

IMPS (Immediate Mobile Payment System)

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| **Agenda 7** |

**Popularization of e-Products**

Banks are requested to organize sensitization camps in Schools & Colleges to educate the public towards utilization of e-products across the state on 26.11.2016.

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| **Agenda 8** |

**Notification of GoAP on drought affected districts in the state of Andhra Pradesh**

Revenue (Disaster Management) Department, GoAP vide G.O.MS.No.9 dated 21.10.2016 has declared 245 mandals as drought affected in the state during South West Monsoon 2016 in 7 districts. Further, Government vide G.O.Ms.No.10 dated 12.11.2016 has declared additional 23 mandals as drought affected in Prakasam district.

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| --- | --- | --- | --- |
| **S.No.** | **Name of the District** | **Total No. of Mandals** | **Drought affected mandals** |
| 1 | Ananthapur | 63 | 63 |
| 2 | Chittoor | 66 | 53 |
| 3 | Kurnool | 54 | 36 |
| 4 | YSR Kadapa | 51 | 32 |
| 5 | SPS Nellore | 46 | 27 |
| 6 | Prakasam | 56 | 46 |
| 7 | Srikakulam | 38 | 11 |
| **Total** | | **374** | **268** |

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| **Agenda 9** |

**Master Direction of RBI on relief measures by banks in areas affected by natural calamities:**

Master Direction of RBI on guidelines for relief measures by banks in areas affected by natural calamities vide their Cir. No. RBI/FIDD/2016-17/27, FIDD No.FSD.BC.2/05.10.001/2016-17 dated 01.07.2016.

**Brief Guidelines:**

**Applicability:**

The provisions of these directions shall apply to every Scheduled Commercial Bank {excluding Regional Rural Banks (RRBs)}.

**Establishing Policy / Procedures for dealing with Natural Calamities:**

Since the area and time of occurrence and intensity of natural calamities cannot be anticipated, it is imperative that the banks have a blueprint of action in such eventualities duly approved by the Board of Directors so that the required relief and assistance is provided with utmost speed and without any loss of time.

**Discretionary Powers to Divisional / Zonal Manager of banks:**

Divisional / Zonal Managers of commercial banks should be vested with certain discretionary powers so that they do not have to seek fresh approvals from their Central Offices to the line of action agreed to by the District / State Level Bankers’ Committees.

**Meetings of State Level Bankers’ Committee / District Consultative Committee:**

In the event of the calamity covering entire State / larger part of a State, the convener of the State Level Bankers’ Committee will convene a meeting immediately after the occurrence of natural calamity to evolve a coordinated action plan for implementation of the relief programme in collaboration with the State Government authorities.

**Declaration of Natural Calamity:**

Declaration of natural calamities is in the domain of the Sovereign (Central / State Governments). The common thread to extend relief measures including reschedulement of loans by banks, is that the crop loss assessed should be 33% or more. DCCs/SLBC have to satisfy themselves fully that the crop loss has been 33% or more.

**Restructuring / Rescheduling of Existing Loans:**

As the repaying capacity of the people affected by natural calamities gets severely impaired due to the damage to the economic pursuits and loss of economic assets, relief in repayment of loans becomes necessary in areas affected by natural calamity and hence, restructuring of the existing loans will be required.

1. **Agriculture Loans:**
2. **Short – Term Production Credit (Crop Loans):** all short-term loans, except which are overdue at the time of occurrence of natural calamity, should be eligible for restructuring. The principal amount of the short-term loan as well as interest due for repayment in the year of occurrence of natural calamity may be converted into term loan.

The repayment period of restructured loans may vary depending on the severity of calamity and its recurrence, the extent of loss of economic assets and distress caused. A maximum period of repayment of up to 2 years (including the moratorium period of 1 year) is to be allowed if the loss is between 33% and 50%, and if the crop loss is 50% or more, the restructured period for repayment may be extended to a maximum of 5 years (including the moratorium period of one year).

In all cases of restructuring, moratorium period of at least one year should be considered. Further, the banks should not insist on additional collateral security for such restructured loans.

1. **Agriculture Loans – Long Term (Investment) Credit:** the existing term loan installments will have to be rescheduled keeping in view the **repaying capacity of the borrowers** and the nature of natural calamity viz.
2. Natural Calamities where only crop for that year is damaged and productive assets are not damaged.
3. Natural Calamities where the productive assets are partially or totally damaged and borrowers are in need of a new loan.

In regard to natural calamity under category (a) above, the banks may reschedule the payment of installment during the year of natural calamity and extend the loan period by one year. Under this arrangement the installments defaulted willfully in earlier years will not be eligible for rescheduling. The banks may also have to postpone payment of interest by borrowers.

1. **Other Loans:**

A view needs to be taken by SLBC/DCC depending on the severity of the calamity as to whether a general reschedulement of all other loans (i.e, besides the agriculture loans as indicated above) such as loans granted for allied activities and loans given to rural artisans, traders, micro/small industrial units or in case of extreme situations, medium enterprises is required. If such a decision is taken, while recovery of all the loans be postponed by the specified period, banks will have to assess the requirement of the individual borrowers in each such case and depending on the nature of his account, repayment capacity and the need for the fresh loans, appropriate decisions shall be taken by the individual banks.

**The primary consideration before the banks in extending credit to any unit for its rehabilitation should be the viability of the venture after the rehabilitation programme is implemented.**

**Asset Classification:**

1. The restructured portion of the short term as well as long-term loans may be treated as current dues and need not be classified as NPA. The asset classification of these term loans would thereafter be governed by the revised terms and conditions.
2. The asset classification of the remaining amount due, which have not been restructured, will continue to be governed by the original terms and conditions.
3. Additional finance, if any, shall be treated as “standard asset” and its future asset classification will be governed by the terms and conditions of its sanction.

With the objective to ensure that banks are sufficiently proactive in extending the relief to the affected persons, the benefit of asset classification of the restructured accounts as on the date of natural calamity will be available only if the restructuring is completed within a period of **three months** from the date of natural calamity. In the event of extreme calamity, when the SLBC/DCC is of the view that this period will not be sufficient for the banking sector to reschedule all the loans, **they should immediately approach RBI** (concerned Regional Office) **giving the reasons for seeking extension. These requests will be considered on the basis of merit of each case**.

**Utilization of Insurance Proceeds:**

While restructuring the loans in the areas affected by natural calamities, banks should also take into account the insurance proceeds, if any, receivable from the Insurance Company. They should adjust these proceeds to ‘restructured accounts’ in cases where they have granted fresh loans to the borrowers.

**Sanctioning of Fresh Loans:**

Once the decisions on the rescheduling of loans is taken by SLBC/DCC, pending such conversion of short-term loans, banks shall grant fresh crop loans to the affected farmers which will be based on the scale of finance for the particular crop and the cultivation area, as per the extant guidelines.

**Guarantee, Security and Margin:**

Credit should not be denied for want of personal guarantees. Where the bank’s existing security has been eroded because of damage or destruction by floods, assistance will not be denied merely for want of additional fresh security. The fresh loan shall be granted even if the value of security (existing as well as the asset to be acquired from the new loan) is less than the loan amount. For fresh loans, a sympathetic view will have to be taken.

Where the crop loan (which has been converted into term loan) was earlier given against personal security / hypothecation of crop and the borrower is not able to offer charge / mortgage of land as security for the converted loan, he should not be denied conversion facility merely on the ground of his inability to furnish land as security. If the borrower has already taken a term loan against mortgage / charge on land, the bank should be content with a second charge for the converted term loan. banks should not insist on third party guarantees for providing conversion facilities.

Margin requirements may be waived or the grants / subsidy given by the concerned State Government may be considered as margin.

**Rate of Interest:**

The rates of interest will be in accordance with the directives of the Reserve Bank. Within the areas of their discretion, however, banks are expected to take a sympathetic view of the difficulties of the borrowers and extend a concessional treatment to calamity-affected people. In respect of current dues in default, no penal interest will be charged. The banks should also suitably defer the compounding of interest charges. Banks may not levy any penal interest and consider waiving penal interest, if any, already charged in regard to the loans converted / rescheduled. Depending on the nature and severity of natural calamity, the SLBC/DCC shall take a view on the interest rate concession that could be extended to borrowers so that there is uniformity in approach among banks in providing relief.

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| **Agenda 10** |

**Proposed Action Points for extending relief measures**

Ananthapuramu, YSR Kadapa, Kurnool, Chittoor, SPS Nellore, Prakasam & Srikakulam districts of Andhra Pradesh have been severely affected by “Drought” during South West Monsoon. There has been damage to standing crops.

The people in the drought affected area need timely support from the banking system. The present SLBC meeting is convened to specially focus on relief measures to be extended to the affected people to sustain their livelihood and to rebuild the economy in the damaged districts.

1. Assessment of extent of damage: The Government of Andhra Pradesh is requested to advise the district authorities concerned for early assessment of mandal-wise and village-wise damage to crops and issue gazette notification. So far SLBC received gazette notification from Ananthapuram, Kurnool & SPS Nellore districts.
2. DCC / Special DCC meetings are to be convened by the Lead District Managers in affected districts to discuss in detail the damage caused due to drought and to draw a specific action plan for relief measures.
3. Banks have:
4. To obtain from the Government authorities concerned the lists of affected villages within their area of operation.
5. Proper coordination with the district administration for speedy implementation of relief measures in the affected areas.
6. To associate with and provide necessary information to insurance companies so as to enable them to settle the claims in the minimum prescribed time in the event of natural calamities
7. To sensitize their field functionaries to be proactive and implement the relief measures in an effective manner.
8. GoAP is requested to impress up on the insurance companies viz. AIC of India, ICICI Lombard & Bajaj Allianz etc., to settle the claims expeditiously in affected seven districts.