

170th SLBC MEETING

(Date : 12.05.2010)



**STATE LEVEL BANKERS' COMMITTEE OF A.P
CONVENOR :: ANDHRA BANK**

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170th Meeting of SLBC of Andhra Pradesh
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BANKING AT A GLANCE IN ANDHRA PRADESH
As on 31.03.2010

Total Number of bank branches	7676
Rural - 2857 Semi Urban - 1941 Urban - 1922 Metro - 956	

(Rs. In crores)

Total Deposits in the State	2,45,686
Total Advances in the State	2,69,760
Credit Deposit Ratio (60%)	109.80%

Total Priority Sector Advances	1,26,515
% of Priority Sector Advances to Net Bank Credit (RBI Norm 40%)	46.90%

Outstanding Priority Sector Advances (Rs. In Crores)	
Agricultural Advances % of Agrl. Adv. to NBC (RBI norm 18%)	68,658 (25.45%)
Non Farm Sector (% to Net Banking Credit)	22,868 (8.48%)
Other Priority Sector Advances (% to Net Banking Credit)	34,989 (12.97%)
Total Priority Sector Advances	1,26,515
Educational Loans	5,385
Housing Loans	21,961
SHGs	11,764

AGENDA AND BACKGROUND NOTES

**170th
SLBC MEETING
Of
Andhra Pradesh
(12.05.2010)**

Agenda item No. 01

Adoption of Minutes of the 169th SLBC meeting held on 8th March, 2010

Action: House may approve the minutes of the above meetings.

&

**Adoption of Minutes of the Steering Committee and other meetings of the
SLBC held on after 8th March, 2010**

Action: House may approve the minutes of the above meetings.

Agenda Item No.2

**BANKING KEY INDICATORS
AS ON 31.03.2010**

Agenda item: 2

**BANKING KEY INDICATORS OF ANDHRA PRADESH
As on 31.03.2010**

Sl. No	PARTICULARS	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
1.	Number of Branches			
	Rural	2769	2733	2857
	Semi urban	1549	1754	1941
	Urban	1452	1601	1922
	Metro	771	911	956
	Total	6541	6999	7676
2.	Deposits (Rs. Crores)	1,60,990	2,05,899	2,45,686
3.	Incremental deposits (Rs. crores)	27,173 (20.31%)	44,909 (27.90%)	39,787 (19.32%)
4.	Advances (Rs: Crores)	1,48,015	2,10,294	2,69,760
5.	Incremental advances (Rs. crores)	31,529 (27.07%)	62,279 (42.08%)	59,466 (28.28%)
6.	C. D. Ratio (60%)	91.94%	102.13%	109.80%

Banking Key indicators –

- Number of bank branches in the State are 7676. The Credit Deposit Ratio of banking sector in Andhra Pradesh is 109.80% as against stipulated ratio of 60%.
- Deposits of banking sector A.P are Rs.2,45,686 crores at the end of March, 2010 with growth rate of 19.32 % during the financial year 2009-10 i.e. grown from Rs.2,05,899 crores at the end of March 2009.
- Aggregate advances of banking sector in A.P at the end of March, 2010 are Rs.2,69,760 crores, grown from Rs.2,10,294 crores at the end of March,2009, registering a growth rate of 28.28 % during the financial year of 2009-10.

**Credit Deposit Ratio / Priority sector & Agricultural advances (Percentages)
As on 31.03.2010**

(Rs. In Crores)

S.No	Category of Banks	Credit Deposit Ratio	Priority Sector advances to Net Bank Credit	Agri.Advances to Net Bank Credit
1.	Commercial Banks	108.76%	1,07,193.35 (43.60%)	53,577.15 (21.79%)
2.	Coop. Banks	133.32%	9,236.73 (85.57%)	7,738.24 (71.68%)
3.	Regional Rural Banks	96.71%	9,097.93 (82.03%)	7,320.38 (66.01%)
4	Others	--	986.51	22.00

RBI norms Credit Deposit Ratio 60%
 Priority Sector Advances 40%
 Agricultural Advances 18%

The district wise details of Deposits, Advances Credit Deposit ratio etc., are annexed.

- 1 Credit Deposit ratio of all Banks in the State is 109.80% against the RBI norm of 60%.
- 2 The CD ratio in all the districts in the State is more than the RBI norm of 60%.
- 3 CD Ratio is highest in Guntur District which is 145.25% and lowest in Ranga Reddy District which is 61.53%.

**STATEMENT OF PRIORITY SECTOR ADVANCES
AS ON 31.03.2010**

S.NO	PARTICULARS	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
1.	Priority Sector Advances (Rs: Crores)	88,924	1,00,325	1,26,515
2.	% of Priority Sector to Net Bank Credit (40%)	60.07%	47.71%	46.90%
3.	Crop Production	23,441	28,665	33,986
4.	Agri. Term Loans including Allied activities	19,746	22,822	34,672
Total Agri. Advances		43,187	51,487	68,658
5.	% of Agri.Advances to NBC (18%)	29.18%	24.48%	25.45%
6.	SSI & Rural Artisans (% to Net Bank Credit - NBC)	18,608 (12.57%)	21,128 (10.05%)	22,868 (8.48%)
7.	Other Priority Sector Advances (% to Net Bank Credit – NBC)	27,129 (18.33%)	27,710 (13.18%)	34,989 (12.97)
Total Priority Sector Advances		88,924	1,00,325	1,26,515

Priority Sector Advances -

- ✚ Total priority sector advances are Rs.1,26,515 Crores constituting of 46.90% of total advances at the end of March, 2010 against the prescribed RBI norm of 40%.
- ✚ Agricultural advances at the end of 31st March, 2010 are of Rs.68,658 crores constituting of 25.45 % of Net Bank Credit against the RBI norm of 18%.

Action Points:

- Banks are requested to continue to finance the needy farmers and initiate necessary steps to increase lending under Agricultural term loans.
- Agriculture & Allied depts. may formulate schemes with subsidy component and to sponsor the applications to banks for sanction of loans, so as to step up lending under Agri. Term loans.

(Action : All Banks)

Level of Deposits and Advances

The State has achieved a deposit level of Rs.2,45,686 Crores as at the end of March, 2010 with Rs.2,69,760 Crore advances with CD Ratio of 109.80%.

The comparative position of different category of Banks is given below.

(Rs. in Crores)

Category	Deposits	Advances	CD Ratio
Commercial Banks	2,26,062.76	2,45,864.72	108.76%
Cooperative Banks	8,097.12	10,794.85	133.32%
Regional Rural Banks	11,468.27	11,090.43	96.71%
Others	58.00	2,010.03	
TOTAL	2,45,686.15	2,69,760.03	

Top 5 Banks in respect of Deposits are given below

(Rs. in Crores)

Name of the Bank	Deposits
State Bank of India	46,798.26
Andhra Bank	36,751.23
State Bank of Hyderabad	35,878.52
Syndicate Bank	9,703.28
Canara Bank	8,277.71

Top 5 Banks in respect of Advances are given below

(Rs. in Crores)

Name of the Bank	Advances
State Bank of India	51,920.31
Andhra Bank	30,454.50
State Bank of Hyderabad	24,356.58
ICICI Bank Corpn	15,752.87
Syndicate Bank	11,464.58

Level of Agricultural Advances

The State has achieved Agricultural advances level of Rs.68,657.77 crores as at the end of March, 2010 with 25.45 % to NBC.

The comparative position of different category of Banks is given below.

(Rs. in Crores)

Category	Agri. Advn.	% to NBC	PS Advances	% to NBC
Commercial Banks	53,577.15	19.86%	1,07,193.35	39.74%
Cooperative Banks	7,738.24	2.86%	9,236.73	3.42%
Regional Rural Banks	7,320.38	2.71%	9,097.93	3.37%
Others	22.00	0.03	986.51	0.36%
TOTAL	68,657.77		1,26,514.52	

AGENDA ITEM NO: 3

**Achievement
under Annual Credit Plan
2009 – 10**

ANDHRA PRADESH STATE**ANNUAL CREDIT PLAN 2009-10 - Achievement as on 31.03.2010****(Rs. crores)**

Sl.No	Item	Target 2009-10	Achievement (Disbursements during 01.04.09 to 31.03.2010)	% of Achmt
1.	Crop Loans			
	Khariff	14,100	14,407	102.18
	Rabi	9,400	10,438	111.04
	Total	23,500	24,845	105.72
2.	Agri.Term Loans			
	Khariff	2,000	2,148	107.40
	Rabi	2,000	3,775	188.75
	Total	4,000	5,922	148.07
3.	Allied to Agriculture			
	Khariff	2,500	3,266	130.64
	Rabi	2,500	3,540	141.60
	Total	5,000	6,806	136.12
Agriculture Total		32,500	37,573	115.60
4.	Non-Farm Sector			
	1 st half year	4,000	2,584	64.60
	2 nd half year	4,000	4,564	114.10
	Total	8,000	7,148	89.35
5.	Other Priority Sector			
	1 st half year	7,500	6,052	80.69
	2 nd half year	7,500	6,148	81.97
	Total	15,000	12,200	81.33
	1st half year	30,100	28,457	94.54
	2 nd half year	25,400	28,464	112.06
	Total Priority Sector	55,500	56,921	102.56

**Annual Credit Plan 2009-10
Achievement as on 31.03.2010**

(Rs: Crores)

S.No.	Item	Target	Achievement (2009-10)	% of achievement
1.	Crop Loans	23,500	24,845	105.72
2.	Agri.Term Loans	4,000	5,922	148.07
3.	Allied to Agriculture	5,000	6,806	136.12
Agriculture Total		32,500	37,573	115.60
4.	Non-Farm Sector (SSI/RA)	8,000	7,148	89.35
5.	Other Priority Sector	15,000	12,200	81.33
Total Priority Sector		55,500	56,921	102.56

- Crop Loans – Achievement is Rs.24,845 crores which is 105.72% against the target.
- Other Priority Sector Advances – Achievement is Rs.12,200 crores which is 81.33% against the target.
- The overall priority sector achievement is 102.56%.

Tables : District wise, Bank wise Progress Report of Annual Credit Plan 2009-10 as on 31.03.2010 are enclosed.

DISBURSEMENTS UNDER ANNUAL CREDIT PLAN 2009-10
Achievement as on 31.03.2010

(Rs. Crores)				
Sl. No.	Item	Target	Achievement	% of Achmt
1.	Crop Loans	23,500	24.845	105.72%
2.	Agri. Term Loans	4,000	5,922	148.07%
3.	Allied to Agriculture	5,000	6,806	136.12%
	Total Agriculture	32,500	37,573	115.61%

Comparative Statement of Crop Loans
During the last five years

	2005-06	2006-07	2007-08	2008-09	2009-10
Target	13300	15700	17300	20000	23500
Achievement	13306	15718	17596	16469	24,845
%of achievement	100.04%	100.11%	101.71%	82.35%	115.72%

Credit Flow to Agriculture : Even though there is drought and flood situation prevailed in the state and impact of Relief Scheme of ADW&DRS, 2008 on agriculture lending, the crop loan lending by banks have touched 105.72% of the target, in real terms the achievement is Rs.24,845 crores against the target of Rs.23500 crores. This is a good achievement when compared to previous year.

**Comparative Position of Disbursements under
ANNUAL CREDIT PLAN 2009-10 as on 31.03.2010
with corresponding period in 2008-09**

(Rs: Crores)

Sl. No.	Item	Disbursements 2008-09	Disbursements 2009-10	Increase	% of increase
1.	Crop Loans	16,469	24,845	8,376	50.86
2.	Agrl. Term Loans	2,869	5,922	3,053	106.41
3.	Allied to Agriculture	4,303	6,806	2,503	58.17
Total Agriculture		23,641	37,573	13,932	58.93
4.	Non-Farm Sector (SSI/RA)	7,497	7,148	-349	-4.65
5.	Other Priority Sector	12,665	12,200	-465	-3.67
Total Priority Sector		43,803	56,921	13115	29.94

- **State Credit Plan:** Achievement under Annual Credit Plan during the year 2009-10 was Rs.56,921 crores against the target of Rs.55,500 crores i.e 102.56% against the target.
- **Crop Loans:** An amount of Rs.24,845 crores was disbursed during the year 2009-10 against the target of Rs.23,500 crores (105.72 % achievement) at the end of March, 2010.
- **Agricultural Term Loans:** An amount of Rs.5,922 crores was disbursed against the target of Rs. 4,000 crores (achievement is 148.07 % of the target.)
- **Agricultural Allied Activities:** An amount of Rs.6806 crores was disbursed against the target of Rs. 5,000 crores (achievement is 136.12% of the target .)
- **Non-Farm Sector (Small Scale Industries / Rural Artisans) :** Disbursed Rs: 7,148 crores against the target of Rs : 8,000 crores (achievement is 89.35% of the target)
- **Other Priority Sector (Service Sector – Small business / Professional & Self employed, Housing, Educational loans etc.,) :** An amount of Rs: 12,200 crores was disbursed against the target of Rs: 15,000 crores (achievement is 81.33 % of the target).

The following are some of the strategies for improvement in Agriculture Lending in general and in particular for Crop Loans :

- New farmers are to be financed in all Rural and Semi Urban branches minimum 100 farmers per branch.
- Finance is to be extended to minimum 50 farmers per village through Business Correspondent Model under the Financial Inclusion.
- Extend full scale of finance and 20% extra as per the guidelines to all the crop loan borrowers.
- Under ADW&RS 2008, the relief amount of 25% shall be passed on to the farmer only after repayment of 75% of the outstanding loan amount. As the response is not encouraging, fresh lending is affected to certain extent. The Government of India has extended the due date upto 30.06.2010 to the farmers for making payment of 75% of the loan amount to avail 25% relief. Some of the banks offered additional relief of 25% in addition to the already announced relief of 25% by the Govt. of India to the farmers those who repay the amount and to become eligible for fresh loans. In spite of this, many farmers have not come forward to repay the loan. There is need to give adequate publicity and follow up.
- Agriculture Dept. is requested to advise their Joint Directors to give wide publicity through their Agriculture Directors / Additional Agricultural Officers and Adarsha Rythus during Prahapathams, Rythu Sadassu, Rythu Chaitanya Yatras to help banks in recovery of the loans and to pass on the relief to the farmers which improves the lending for the Kharif 2010.

Agenda Item No.4

RESERVE BANK OF INDIA

RECENT GUIDELINES

Recent Circulars issued by Reserve Bank of India

Guidelines on Base Rate

DBOD Circular No.Dir.BC88/13.03.00/2009-10 dated April 9, 2010

RBI reviewed the present BPLR system and suggested changes, the brief guidelines are given below :

1. Banks should switchover to the system of Base Rate. The Base Rate system will replace the BPLR system w.e.f 01.07.2010.
2. Banks may determine their actual lending rates on loans and advances
3. Banks are permitted to change the methodology any time during the initial six month period i.e., end-December 2010.
4. The actual lending rates charged may be transparent and be made available for review/scrutiny as and when required.
5. All categories of loans should henceforth be priced only w.r.t Base Rate, however, the following categories of loans could be priced without reference to the Base Rate a) DRI advances (b) loans to banks' own employees (c) loans to banks' depositors against their own deposits.
6. The Base Rate could also serve as the reference benchmark rate for floating rate loan products, apart from external market benchmark rates. The floating interest rate based on external benchmarks should, however, be equal to or above the Base Rate, at the time of sanction or renewal.
7. Changes in the Base Rate shall be applicable in respect of all existing loans linked to the Base Rate, in a transparent and non-discriminatory manner.
8. Banks are not permitted to resort to any lending below the Base Rate. The current stipulation of BPLR as the ceiling rate for loans up to Rs.2.00 lakh stands withdrawn.
9. Reserve Bank of India will separately announce the stipulation for export credit.
10. Banks are required to review the Base Rate at least once in a quarter with the approval of the Board or the Asset Liability Management Committees (ALCOs) as per the bank's practice. Banks are required to exhibit the information on their Base Rate at all branches and also on their websites. Changes in the Base Rate should also be conveyed to the general public from time to time through appropriate channels. Banks are required to provide information on the actual minimum and maximum lending rates to the Reserve Bank on a quarterly basis.
11. The Base Rate System would be applicable for all new loans and for those old loans that come up for renewal. Existing loans based on the BPLR system may run till their maturity. In case existing borrowers want to switch to the new system, before expiry of the existing contracts, an option may be given to them, on mutually agreed terms. Banks, however, should not charge any fee for such switchover.
- 12.** Banks may announce their Base Rates after seeking approval from their respective ALCOs /Boards.
13. The above guidelines on the Base Rate system will become effective on July 1, 2010.

DBOD Circular No.BL.BC.99/22.01.009/2009-10 dated April 26, 2010
Financial Inclusion by Extension of Banking Services – Use of Business Correspondents (BCs)

As per the extant guidelines on the Business Correspondent (BFC) model, only certain select categories of individuals are permitted to be engaged as BCs. In terms of circular DBOD No.BL.BC.74/22.01.009/2007-08 dated April 24, 2008 banks have been permitted to engage retired bank employees, ex-servicemen and retired government employees as BCs. Further, banks have been permitted to engage –

- i) Individual Kirana/medical/fair price shop owners
- ii) Individual Public Call Office operators
- iii) Agents of Small Savings Schemes of Government of India/Insurance Companies
- iv) Individuals who own Petrol Pumps
- v) Retired teachers and
- vi) Authorised functionaries of well run Self Help Groups (SHGs) linked to banks.

Banks are permitted to engage any individual, including those operating common service centres as BC, subject to banks' comfort level.

All other terms and conditions in DBOD circular dated 30.11.2009 will remain unchanged.

Financial Education

Syllabus prepared by Reserve Bank of India for School Children


As part of Platinum Jubilee celebrations, Reserve Bank of India has organized a series of programmes all over the country. In our state, out reach programmes were conducted all over the State. A big stall was kept in the All India Agricultural and Industrial Exhibition at Hyderabad. During the exhibition apart from financial education, coins were also dispensed. The stall was well received by the visiting public.

As part of its efforts RBI has prepared financial education syllabus targeting school children and requested State Government to include the chapters in the School curriculum.

Since, it is very useful to the school children and help in financial inclusion efforts of Banks and Government, the education department is requested to take immediate steps for including the chapters prepared by RBI in the School Curriculum.

In the Southern States, Government of Karnataka has already included the syllabus in their school curriculum.

Action Points

 Education Department of Government of Andhra Pradesh is requested to include the chapters on financial education prepared by RBI in the school curriculum at the earliest.

(Action: Education Department, GoAP)

Agenda Item No.5

AGRICULTURE

Credit Flow to Agriculture

Allowing eligible Scales of finance to the farmers

Every year the District Level Technical Committees are finalizing Scales of Finance to be allowed by Banks while financing crop loans. All the Banks are expected to follow the same. Leverage was given to branch managers to finance over and above the scales of finance up to certain percentage by individual banks. State Bank of India has given full freedom to their Branch Managers to finance depending upon the local requirements.

In addition to the eligible Scales of finance, in terms of guidelines under KCC scheme, banks are supposed to allow limit for consumption purposes and to meet other short term needs. However, it is observed that many branches are not allowing required scales of finance, forcing the farmers to approach the money lenders.

All the banks are requested to put up required mechanism in place to ensure that Scales of finance are adhered to by their branches and all the credit requirements of the farmers are met. It is also requested to ensure that Scales of finance is displayed at all the bank branches.

Scales of Finance – Analysis in brief on Scales of Finance for 2010 – 11

State Level Technical Committee meeting held on 28.01.2010 reviewed the decisions of District Level Technical Committee decision for Scales of Finance District-wise for both Kharif 2010 and Rabi 2010.

It is observed that some of the DLTCs have not fixed the Scales of Finance for Rabi 2010–11 though the crops are grown in that area during that period. Therefore, the SLTC has suggested that wherever the Scale of Finance for Rabi 2010–11 is not fixed, the Scale of Finance fixed for Kharif 2010 may be adopted in the areas where cultivation of such crops is being taken up.

The Committee felt that the Scales of Finance for the year 2010-11 fixed by the DLTCs of Medak, Hyderabad and Nizamabad are on higher side for almost all crops. In order to assess the Scales of Finance on realistic basis the DLTCs may hereafter forward the worksheet for each crop based on which Scales of Finance is fixed.

The SLTC has reviewed Scales of Finance fixed by DLTCs for each crop and approved the same and advised for modifications. A copy of resolution and District-wise Scales of Finance are enclosed for taking necessary action by DLTCs and all the controllers of banks.

Action Points

- ✚ All the banks are advised to adhere to the Scales of Finance as decided by SLTC / DLTC to avoid different scales of finance by different banks in the same district.
- ✚ All the Lead District Managers are advised to note the changes made by the SLTC for the crops and take necessary action.

- ✚ All the Banks are advised to give thrust for monitoring the branches to ensure that full eligible scales of finance is allowed to farmers.
 - ✚ The visiting Executives may review this item during their visits to the branches.
 - ✚ Banks may ensure that Scales of finance are displayed at the branches in Telugu also.
- (Action: All Banks and LDMS)

Kisan Credit Cards

3,26,793 lakh New Kisan Credit Cards (KCCs) are issued to farmers during the year 2009-10 i.e. from 01.04.2009 to 31.03.2010, besides extending credit facilities to the existing KCC holders. The **total of 86.44 lac Kisan Credit Cards were issued in the State** covering all types of framers.

Wherever Banks are sanctioning Short Term Credit such as Agricultural Cash Credits or Crop Loans, Kisan Credit cards (KCCs) shall be encouraged to take advantage of the scheme benefits.

Action Points

- ✚ All the Banks are requested to extend the facility of Kisan Credit Cards to all Agrl. Cash Credit & Crop Loans
- (Action: All Banks)

Coverage of Non – Loanee Farmers and Tenant Farmers

The State has 120 lakh farm holdings and also about 23 lakh tenant farmers, of which the crop loan facility is provided to 92 lakh farmers by banks. There is a scope for financing 28 lakh farmers, who might have taken loans from the private money lenders.

To cover at least 20 lakh New Non Loanee farmers, each rural and semi urban bank has to take up 330 New Non Loanee farmers by each branch, for agriculture finance.

Reschedulement of Crop Loans:

As per the details given by the Agriculture department the crop loans were rescheduled is 27% which Rs.3833.02 crores.

The Reschedulement of Crop Loans could have been more in number, especially in the month of March, 2010 and the actual data might have not passed to respective departments.

Action Plan

- ✚ All the banks are requested to send the data on reschedulement of loans as on 31st March, 2010 immediately and to enable the left over cases to be rescheduled before commencement of Kharif season.
- (Action: All Banks)

Pattadar Pass Books

Banks faced problems with Fake Pattadar Pass Books. Banks have made all out efforts to recover and could succeed partly. However, Banks are yet to weed out, if any such cases still exist.

The Kharif 2010 lending has commenced and disbursements of crop loans will take place from the month of June, 2010 onwards.

Government of Andhra Pradesh, Agriculture Department is requested to coordinate with Banks for lending to genuine Pattadar Pass Book Holders.

Action Points

- ✚ MROs are requested to provide a soft copy of land records – village-wise to branch managers of the service area bank branches to facilitate cross verification of the Pattadar Pass Books while allowing crop loans.
- ✚ Government may consider to provide with the details of lands being cultivated by tenant farmers to the bank branches in service area.
- ✚ In the Pattadar passbooks, the total acreage should be written in both figures and words duly certified by revenue authorities..
- ✚ The sale transactions, division of land among family members should be recorded and updated. It is to be authenticated by revenue official.
- ✚ Steps are to be taken by Govt. to complete the process of issuing pattadar pass books in all the districts immediately.

(Acton: Revenue Dept., Govt. of Andhra Pradesh)

Agriculture Debt Waiver & Relief Scheme – 2008

In the above scheme **63.41 lakh Farmers** were benefited against the total farmers of **100.72 lakhs** availed bank finance in the State.

- Outstanding Agriculture Advances as on 31.12.2007 is Rs. 37000 Crores
- Amount eligible under the scheme is Rs.11354 crores (30% of outstanding)
- Out of above amount reimbursable is Rs.9383.83 crores - Number of Farmers are 56.41 lakhs.
- Amount not reimbursable is Rs.1,970 crores. Number of Farmers are 7.00lakh
- 37.59 lakhs farmers who are not covered under this scheme, Government of Andhra Pradesh have provided Rs.5000 to each farmer with a budget of Rs.1821.57 Crores. Andhra Pradesh is the only State which has implemented the scheme.
- Thus, out of total 1.05 crore farmers in the State 1.01 crore are benefited under either GOI scheme or the scheme of Govt. of A.P.


The following are the recent guidelines from Ministry of Finance, Government of India and Reserve Bank of India.

1. As per RBI Circular Lr. No. D.No.PLFS.9197/05.04.02/2009-10 dated 04.03.2010 with regard to Agriculture Debt Waiver and Debt Relief Scheme, 2008 it has been reported that certain banks are treating the amount receivable from the Government of India under the above Scheme as `direct` finance to agriculture. It is clarified that, although the amount receivable from the Government of India forms part of its advances portfolio and can be treated as a performing asset as per the earlier circular it may not be classified as advances under priority sector.
2. As per Ministry of Finance, Government of India, New Delhi Letter No. F. No. 3/9/2008-AC dated 26th March, 2010 para graph no.5, no interest shall be paid by Government of India to the lending institutions for the six month extension period of the scheme while reimbursing 25% amount to the lending institutions. "Banks may forward a separate claim in respect of "Debt Relief" cases that may be settled during the period January 1st, 2010 to June 30th 2010 (including the settled cases through the Grievances Redressal Mechanism operating from February 1, 2010 to July 31, 2010), duly certified by the Central Statutory Auditors, in the manner stated in RBI circular dated September 4, 2008 mentioned above. The latter may be clearly marked as "Additional Final Claims – Debt Relief – Not Eligible for Interest" and should reach the Finance Department, GoI this office latest by June 30, 2011.
3. Ministry of Finance, Government of India, New Delhi vide their letter No.F.No.3/9/ 2008/-AC dated 26th March 2010, communicated that – "Under the Agricultural Debt Waiver & Debt Relief Scheme (2008), farmers having more than two hectares of land were given time up to 31st December, 2009 to pay 75% of their overdues. In view of the recent drought in some States and the severe floods in some other parts of the country, it was proposed to extend this period by six month upto 30th June, 2010."

In the light of the above said announcement, Government has now decided to extend the period of payment of 75% overdue portion by the `Other Farmers` under the `One Time Settlement` Scheme under ADWDRS, 2008 for another six months i.e. from 01.01.2010 to 30.06.2010.

As per RBI RPCD Circular No.PLFS.BC.66/05.04.02/2009–10 dated 8th April, 2010 with regard to Agriculture Debt Waiver and Debt Relief Scheme, 2008 it is communicated that, in paragraph 2 f) of RBI RPCD C.No.PLFS.BC.24/ 05.04.02/2008–09 dated 4th Sept, 2008 "The Final Claims pertaining to Debt Relief arising till 31st December, 2009 (including the cases settled through the Grievances Redressal mechanism operating till 31st January, 2010) may be submitted by June 30th 2010 in the prescribed format duly certified by the Central Statutory Auditors, as stated in the said circular".

Action Plan

<p> All the Banks are requested to note the change and communicate the same to the branches. (Action: All Banks)</p>

Agenda Item No.6

Financial Inclusion

Financial Inclusion - Providing Banking Services in villages of population over 2000
– Road Map & Status of implementation

All the districts in the State have completed the exercise of preparation of district level road maps for providing banking services in all the villages with population of 2000 and above.

The LDMs are required to ensure that Sub Committee meets regularly and close follow up is maintained on the implementation of road map prepared.

Reallocation of the villages is to be taken up by Sub Committee, if any bank is unwilling to take up allocated villages. Monthly progress report is to be submitted to SLBC to enable SLBC to submit consolidated report to RBI.

LDMs are advised to ensure that no change in allocated villages is made without the approval of the Sub Committee and also to see that villages are not allocated to more than one Bank. The Sub-Committees to explore the possibilities to provide services by any mode.

Banks have been asked to prepare specific Board Approved Financial Inclusion Plans (FIPs) by March 2010 with a view to rolling them out over the next three years.

Each Bank should identify a Nodal Officer at the Zonal Office/Controlling Office exclusively for implementation and coordination of Financial Inclusion Plan.

As per the tentative data available about 6700 villages are to be covered under the Financial Inclusion. The Bank wise data and District wise data is enclosed.

Other Issues :

Union Bank of India proposed some of the points for reallocation of the villages for their Bank. UBI was allotted 124 villages in 14 districts having population of 2000 & above. UBI informed that their bank has prepared a three year Financial inclusion Policy, covering 32000 villages during this period at all India level.

In this state UBI is covering 19 lakhs customers through Branchless Banking Model in East Godavari, West Godavari, Visakhapatnam, Prakasam, Karimnagar, Mahabubnagar, Medak, Chittoor and Warangal engaging the services of Business Correspondents like FINO, ALW etc. and also informed that they have created necessary infrastructure in the villages and serving the customers for the past one year and issued 15,48,000 Biometric Smart Cards in these districts through which NREGS, SSP payments are made to the customers.

UBI has requested for re-allocation of the 158 villages in Prakasam, West Godavari, Visakhapatnam, Mahabubnagar districts to them as they are providing service through Branchless Banking model through BC model.

Action Points

- ✦ All the Controllers of Banks are requested to provide their plan of Action to be implemented in the State of AP to SLBC and also to LDMs of the respective districts.
- ✦ Banks to extend necessary cooperation to LDMs in smooth functioning of Sub Committees constituted.
- ✦ Banks to take steps to provide banking services in the allocated villages before March,2011
- ✦ If any bank is not interested in the villages allocated, the same is to be immediately informed to LDM concerned to enable reallocation by the Sub Committee.
- ✦ The basis for reallocation should be contiguity/ proximity of the branch – Lead bank responsibility – Already having BC, etc.
- ✦ LDMs to submit Monthly report as per guidelines of RBI to SLBC.
- ✦ All the Controllers of Banks for Andhra Pradesh is requested to send the Board approved Road Maps for Andhra Pradesh State to SLBC.
- ✦ All the Lead Districts Managers are requested to send District Road Maps with the updates (If changes are there)
- ✦ With regard to Union Bank of India's request the matter may be discussed in the respective districts sub committees and can take a final decision, depending upon the local situation.

(Action: All Controllers of Banks & LDMs & Union Bank of India)

Financial Inclusion – Smart Card Project

The Position as on 31.03.2010 – Smart Card Project on Electronic Benefit Transfer (EBT) of Government of India

Out of 21828 Gram Panchayats/Wards in 11579 Gram Panchayats/Wards, the enrollment commenced and 56.02 lakh Smart Cards were issued in the State of Andhra Pradesh, of which payments were made through 16.59 lakh Smart Cards only. Transactions are yet to be made on the balance 39.44 lakh Smart Cards. The reasons for low percentage of payments through cards to be looked into.

Other Issues:

As per the existing guidelines Reserve Bank of India permitted the banks to claim an incentive of Rs. 50/- per Smart Card through which Government benefit has been routed to the ultimate beneficiary, duly fixing the time limit up to June 2010.

Social Security Pensions:

At the instance of Rural Development Department of Govt. of AP enrolment of pensioners has been done in a campaign mode. The system adopted in enrolments, issuance and personalization of cards generally consume time. Only on receiving the permission from the Government the payments will be made to the pensioners. However, despite the consumption of time in issuance of cards, payment of pension is certain. In such cases the Government of Andhra Pradesh is effecting disbursements on monthly basis, regularly in the 1st week of the month.

MGNREGA Wages:

With regard to the MGNREGA scheme, the process of mass enrolments made in the initial stages of implementation of the scheme irrespective of assignment of the job has resulted in very poor utility of the cards issued. On streamlining the procedures, Govt. of Andhra Pradesh has started campaign mode of enrolments.

The process of enrolment and cards issuance is in progress and is a time consuming process. The certainty of payment of wages through the card is depending on the assignment of job to the card holders, availability of card holder to receive the job and the permissions of Rural Development Department to release the payments through the vendor. This process may take a minimum period of six months to ensure that the enrollment and payment to all the pensioners is made. As such, the "Cards issued" will become "Cards Paid" over a period of time progressively.

Due to this reason, Banks are feeling that there is a need for extension of time to ensure routing of Government benefit through all the cards that been issued.

Keeping this in view, Reserve Bank of India is requested for extension of time for claiming the incentive up to 30th June, 2011

Rural Development Department, Government of Andhra Pradesh is paying service charges of 2% of the amount disbursed under the above said schemes.

Now Government of Andhra Pradesh, Rural Development Department is requested to increase the payment of service charges from Rs.2% to Rs.3% as the cost the transactions are increased.

Action Points:

- ✚ RBI is requested to extend cut of date for claiming the incentive amount of Rs.50/- per new account opened under smart card up to 30th June, 2011
- ✚ State Government to consider for increase in the payment of service charges from 2% to 3%.

(Action: Rural Dev. Dept. of Govt. of A.P., & RBI)

Financial Inclusion – No Frills Accounts

The following districts have declared 100% opening of No Frills Accounts.

- | | | | | |
|--------------|-------------|----------------|---------------|--------------|
| 1. Anantapur | 2. Chittoor | 3. Kadapa | 4. Kurnool | 5. Nellore |
| 6. Nizamabad | 7. Prakasam | 8. Ranga Reddy | 9. Srikakulam | 10. Warangal |

In 12 districts the coverage under No Frills is more than 80%. All the Lead District Managers of these districts are requested to complete the opening of No Frills Accounts 100% by end of June, 2010 and inform the same to SLBC.

Action Points:

- ✚ All the Lead District Managers of Adilabad, East Godavari, Guntur, Karimnagar, Khammam, Krishna, Mahabubnagar, Medak, Nalgonda, Visakhapatnam, Vizianagaram and West Godavari requested to complete the task before 30th June, 2010

(Action: LDMs of above mentioned Districts and all Banks)

Unbanked Manadals - as on 31.03.2010

No	Name of District	Name of Unbanked Block / Mandal	Name of the Bank to be opened
01	Warangal	Chennaraopet	AP Grameena Vikas Bank / SBI
02	Guntur	Veldurthi	SBI/ Chaitanya Godavari Grameena Bank
03	Karimnagar	Tadcherla	Deccan Grameena Bank / SBH
		Mahamutharam	SBH & Deccan Grameena Bank

Action Plan:

- ✚ All the above banks are requested to establish the branches by the end of June, 2010. (Action: APGVB, SBI, CGGB, DGB AND SBH)

One Banked Mandals

All the above 109 Banked Mandals are likely to be covered under the BC model Banking for the population 2000 above.

Action Plan

- ✚ All the Banks are requested to take a note of the above mandals while opening BC Model Banking Outlets and priority to be given for opening of Branches. (Action : All Banks)

Financial Literacy cum Credit Counseling Centres

A Sub-Group committee to work out the modalities for establishment of `State Level Financial Literacy and Credit Counseling (FLCC) Centre was formed at State Bank of Hyderabad. The Sub-Committee recommended in addition to the guidelines of Reserve Bank of India that as the Lead Banks are responsible for opening District level FLCCs, similar arrangement is to be made at District Level also.

- The Trust/Society being formed at State level to cover District level FLCCs also.
- District Administration is to be requested to provide required space at District Head Quarters in one of the Government buildings.
- The Advisory Committee at District level can be separately constituted as per Reserve Bank of India guidelines.
- The expenditure can be shared equally by all the Banks operating in the particular district. Lead District Manager in the District concerned may coordinate for sharing expenses over and above the fund received from NABARD and Government of AP, if any.
- The overall monitoring will be done by the Committee which will be headed by Regional Director of RBI as per the Reserve Bank of India guidelines.

The Reserve Bank of India has formulated a Model scheme for Financial Literacy and Credit counseling Centers (FLCCs). The salient features of which are enclosed.

Position of FLCCs functioning in the Lead Districts as on 31.03.2010

S. No.	Banks and their Lead Districts		FLCCs Opened by Lead Bank in these Dists.	Remarks
	Name of the Bank	Lead District		
01	Andhra Bank*	Srikakulam	Srikakulam	OPENED
		East Godavari	East Godavari	
		West Godavari	WestGodavari	
		Guntur	Guntur	
02	State Bank of India	Vizianagaram		In the Process of Opening such Centers
		Visakhapatnam		
		Medak		
		Mahabub Nagar		
		Warangal		
03	State Bank of Hyderabad	Nalgonda		In other districts Bank is in the process of Opening such Centers
		Ranga Reddy		
		Nizamabad		
		Adilabad		
		Khammam		
		Hyderabad		
04	Syndicate Bank	Prakasham		In the Process of Opening such Centers
		Nellore		
		Kurnool		
		Anantapur		
		Kadapa		
05	Indian Bank	Chittoor		In the Process of Opening such Centers
		Krishna		

- Andhra Bank has initiated steps to re-organise the present FLCCs as per the latest guidelines of RBI in all four lead districts.
- SLBC has already initiated steps for legal vetting of draft trust deed and written to Lead Banks and major Banks.

Action Points

- ✚ All the Lead Banks to ensure that FLCCs functions as per the model scheme given by Reserve Bank of India.
- ✚ All the Lead Banks are requested to take steps for opening FLCCs in all the districts by June, 2010.
(Action: SBH, SBI, Indian Bank, Syndicate Bank & Andhra Bank and major Banks)

Rural Self Employment Training Institute (RSETIs):

State Bank of Hyderabad informed that they are making arrangements to open one RSETI in Karimnagar by the end of May, 2010. An officer has been posted exclusively for this purpose.

With this our State has completed the task of establishing RSETIs in all the Districts.

Lead Bank Scheme- Recommendations of High Level Committee

The Committee has submitted its report and has recommended a series of steps for enhancing the scope of the Lead Bank Scheme measures to be taken for its strengthening and suggested a decentralized approach for facilitating financial inclusion. The executive summary of the report is placed below. The Committee has suggested in the recommendations inter alia on SLBC and DCC machinery and LDM's office – Role and set up.

The High Level Committee report submitted by Smt. Usha Thorat, Dy. Governor, RBI to review Lead Bank Scheme, is already communicated to all banks and LDMs

Banks are implementing the recommendations of the Lead Bank Scheme. Some Banks are in the process of implementing the remaining recommendations.

Action Points

- ✚ All Lead District Managers are advised to identify academicians and researchers engaged in research and development studies and to invite them to DCC Meetings.
- ✚ All Lead District Managers are advised to arrange exposure visits for District Collectors, Block Development Officers, Bank Officials, SHG at various levels to leverage upon success stories
- ✚ All Lead District Managers are advised to take initiatives for familiarizing the Gram Panchayats and PRIs with preparation of bankable schemes.
- ✚ All Lead District Managers are advised to invite Banking Ombudsman (BO) for such meetings. Lead Banks to take steps for strengthening the Institution of LDMs.

(Action All LDMs and Lead Banks)

Agenda Item No.7

Micro, Small and Medium Enterprises

Micro Small & Medium Enterprises

Definition of Micro, Small and Medium Enterprises:

As per RBI /2009-10/59 RPCD.SME & NFS.BC.No.10/06.02.31/2009-10 dated 01.07.2009, the definition of a Micro Small Medium Enterprise is as follows :

An Enterprise engaged in the **manufacture** or **production, processing** or **preservation of goods** as specified below:

A Micro Enterprise is an enterprise where investment in Plant and Machinery does not exceed Rs. 25 lakhs;

A Small Enterprise is an enterprise where the investment in Plant and Machinery is more than Rs.25 lakh but does not exceed Rs.5 crore; and

A Medium Enterprise is an enterprise where the investment in Plant and Machinery is more than Rs.5 Crore but does not exceed Rs. 10 Crore

In case of the above enterprises, investment in plant & machinery is the original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide their notification No. S.O.1722(E) dated October, 5, 2006.

Enterprises engaged in providing or rendering of services and whose Investment in equipment [Original Cost Excluding Land and Building and Furniture, Fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006] are specified below. These will include Small Road & Water Transport Operators (Owning a Fleet of vehicles not exceeding ten vehicles), Retail Trade (with credit limits not Exceeding Rs.10 lakhs) Small Business (whose Original Cost Price of the Equipment used for the purpose of business does not exceed Rs.20 lakhs) and Professional & Self Employed persons (whose borrowing limits do not exceed Rs.10 lakhs of which not more than Rs.2.00 lakhs should be Working Capital requirements except in case of professionally qualified Medical Practitioners setting up of the practice in Semi-Urban and Rural Areas, the borrowing limits should not exceed Rs.15 lakh with a sub-ceiling of Rs.3 lakh for working capital requirements).

- 1) A Micro Enterprise is an enterprise where the investment in the equipment does not exceed Rs.10 lakhs.
- 2) A Small Enterprise is an enterprise where the investment in Equipment is more than Rs.10 lakh but does not exceed Rs.2 crore: and
- 3) A Medium Enterprise is an enterprise where the investment in Equipment is more than Rs.2 crore but does not exceed Rs. 5 crore.

Bank's lending to Medium Enterprises will not be included for the purpose of reckoning under the Priority Sector.

Definition of a Sick Small Scale Unit (MSE):

When any of the borrower accounts of the unit remains overdue for more than one year
Or

There is erosion in the net worth due to accumulated cash losses to the extent of 50% of its net worth during the previous accounting year

And

The Unit has been in commercial production for at least two years.

Suggested Revision of Definition: (By Chakrabarty Committee)

Borrowal accounts remains overdue for three months Or

Erosion in NW up to 50% - Emphasis on 'quick' identification of sickness.

A Sick Medium Enterprise (Non-SSI) - Definition:

An industrial undertaking (regardless of type of incorporation) whose accumulated Losses, as at the end of the latest financial year, equal or exceed its entire net worth (viz. paid up capital and free reserves)

Viability of Sick Units:

A unit may be regarded as potentially viable if it would be in a position, after implementing a relief package spread over a period not exceeding five years from the commencement of the package from banks, financial institutions, Government (Central/ State) and other concerned agencies, as may be necessary, to continue to service its repayment obligations as agreed upon.

Reasons for Sick Units:

There are innumerable reasons for SSI Units becoming Sick. The following are the board categories of sickness.

- a. Financial b. Managerial c. Technical d. Others

The General reasons for sickness are due to inefficient management, overstaffing or obsolete production equipment, methods and techniques.

Credit Flow to MSME Sector in Andhra Pradesh

Total Outstanding Credit as on 31.03.2010

	Rs. in Crores
Sector	Achievement
Micro Enterprises	7363
Small Enterprises	15525
Medium enterprises	5255
Total MSME	28143

Credit Guarantee Fund Trust for Micro and Small Enterprises

Guarantee approved from 01.04.2007 to 31.03.2010

(Amount in Crs.)

Current year Proposals	Cumulative approved amount	Current Year Proposals	Cumulative approved amount	Current Year Proposals	Cumulative approved amount
2007 – 2008		2008 - 2009		2009 – 2010	
1139	33.53	1960	80.09	3980	225.03

* Bank wise data enclosed.

The CGTMSE scheme has started picking up from the year 2007 – 08 onwards.

In the financial year 2008 – 09 the Guarantee approved amount has increased from Rs.33.53 crores as on 2007 – 08 to Rs.80.09 crores which is an increase of 139%.

In the year 2009 – 10 the Guarantee approved amount has increased from Rs.80.09 crores of 2008 – 09 to Rs.225.03 crores registering a growth of 181% and registering a growth of 571% when compared with 2007 – 08 year.

Action Plan

- ✚ All the Banks are advised to take advantage of the scheme and implement in letter and spirit.
- ✚ All Banks are requested to send details of coverage upto Rs.5 lakhs, Rs.5 to Rs.25 lakhs and above Rs.25 lakhs, specifying the number and amount covered to have more clarity.

(Action : All Banks)

Interest Subsidy Eligibility Certificate Scheme - KVIC

Under the scheme KVIC will give interest subsidy eligible certificates to the eligible institutions of KVIC. On the basis of the certificates, these institutions can approach banks for finance. The Institutions will pay 4% interest to Banks and the remaining interest will be borne by KVIC.

Action Plan

- ✚ All the Banks are advised to implement the scheme.

(Action : All Banks)

Special Package on MSME Sector**FINANCE EXTENDED AS PER SPECIAL PACKAGE OF IBA
TO MSME, HOUSING and AUTO SECTORS**State: **Andhra Pradesh**Position: **31st March 2010**

S. No.	Particulars	Performance	
		No. of Accounts	Amount (Rs. in Crores)
1	Credit Flow to MSME		
a	Sanction of Working Capital (New)	82245	11415
b	Sanction of incremental working capital loans (Existing units)	16525	7392.6
c	Restructuring of MSME accounts	31497	1483
d	Sanction of loans for purchase of Gensets on soft terms	51	59.19
2	Sanction of Housing Loans		
a	Loans up to Rs. 5.00 lakh	195044	7240.05
b	Loans from Rs. 5.00 lakh to Rs. 20.00 lakh	94963	6142.9
c	Loans above Rs. 20.00 lakhs	16760	2375
3	Sanction of Auto Loans	90547	2715

Other Information:**Interest Rates Charged on the Loans Sanctioned**

MSME Loans	Housing Loans			Auto Loans
	Loans up to Rs. 5.00 Lakh	Loans from Rs. 5.00 lakh to 20.00 lakh	Loans above Rs.20.00 lakhs	
8.00 to 14.25	8.00 to 13.00	8.00 to 13.00	8.00 to 13.00	8.00 to 15.50

Industry Associations and Federations**A.P. Incipient Sick SSI Federation:**

Government of Andhra Pradesh is preparing a Draft - New Industrial Policy for the period 2010 – 15 for Rehabilitation of Sick Micro, Small and Medium Enterprises

A.P. INCIPIENT Sick Federation has requested the Andhra Pradesh State Industries Department to call for a joint meeting with the Commissioner of industries RBI, SLBC, APITCO along with Federations and Associations in order to improve and adopt the New

Industrial Policy for the period 2010 – 2015 for revival and rehabilitation of Sick Micro, Small and Medium Entrepreneurs in the State.

G.O. (Ms) No. 14 Dated 07.05.2008 of Tamil Nadu Government on Micro, Small and Medium Enterprises is enclosed, to the representation.

The Federation requested that while preparing the state policy for industrial production for Andhra Pradesh, a study team may be made on the policy and its implementation in the state of Tamil Nadu exclusively for rehabilitation of small scale sick industries.

The Federation mentioned that for the rehabilitation of small scale sick industries is being neglected though rehabilitation fund of Rs.20 crores kept with A.P.S.F.C. which is not utilised so far.

Federation expressed that marketing assistance programmes of the state Government is neglected and Central Government marketing assistance programmes in the state is also not implemented appropriately. If proper care is not taken there is every chance of increasing the rate of sickness among the SSIs in the State.

Government of Andhra Pradesh informed that the draft on New Industrial Policy for the period 2010-15 was under preparation. It was decided to include the suggestions given in the Forum to be included in the new policy.

Issues raised by Federation of Small & Medium Enterprises

Presently, Government of Andhra Pradesh is providing Electricity to Industrial Sector to the tune of 50% to 60% of their requirement, with that the units are not being supplied the electricity for a period of 13 days in the month. Though the units are not working for full time the other expenditure like establishment charges, salaries and other incidental expenditure and financial institutions interest payment is affecting the profit of the industry.

In this scenario the following suggestions may be discussed.

1. The power cut of 13 days in a month for industrial sector may be treated as interest holiday to the MSMEs by the financial institutions both for term loan and working capital;
2. The directions of SLIIC in regard to sick / closed industrial units may be treated as mandatory.
3. Providing adhoc credit facility to MSMEs to meet the working capital limit needs to make up the shortfalls arise out of power shortage and delayed payments from the customers.
4. Not to classify the accounts under NPA for next two years or till end of recession which ever is later. Thereafter rescheduling of NPAs are to be done for three quarters periods instead of three months.
5. Reschedulement of recovery of loans from the sick industries may be made continuous i.e., more than once based on the current exigencies and unforeseen circumstances, instead of that of present system for only once. Otherwise the public money utilised by the industry will become blocked without any tangible return.

The representatives of Associations of Industries felt that due to power cut the Industries were affected and requested the Banks to grant concessions and give a 13 day holiday in repayment. However, Banks did not accept the proposal.

The representatives were requested to give their proposal in writing to the Reserve Bank of India who will forward to the Government for necessary approval.

The other points are:

With regard to CGTMSE loans coverage, the associations felt that majority of the loans are Small Loans only. The details of amounts sanctioned are to be given in the statement which will give a better clarity on CGTMSE coverage.

The resolutions taken in this forum or SLIIC forum should be implemented in letter and spirit for which a monitoring committee may be constituted by the SLBC.

In some of the cases though the Term Loan is closed and Working Capital Limits exist, bankers are still keeping the Collateral Securities which were offered for the Term Loan.

Government of AP is coming out with State Industrial policy for 2010 – 2015. The Associations requested that before declaring the policy, the Government of Andhra Pradesh may conduct a meeting along with Industrial Associations and Bankers and others so that a comprehensive policy may be drafted.

Associations remarked that though there are lot of funds available with Government no revival or rehabilitation was taken up from the past Five years.

ALEAP has congratulated Andhra Bank for extending the full Support for successful conduct of workshops on CGTMSE. It is informed that they have successfully conducted workshops in 17 centres of the State and submitted detailed request to SLBC. In some banks the guidelines for sanctioning Gen- Sets is not available and requested all the banks to circulate the guidelines once again to the branches.

Industrial Clusters in Andhra Pradesh:

S No.	District	Location	Product
1	Anantapur	Rayadurg	Readymade Garments
2	Anantapur	Chitradurg	Jeans Garments
3	Chittoor	Nagari	Powerloom
4	Chittoor	Ventimalta,Srikalahasthi,	Brass Utensils
5	East Godavari	East Godavari	Rice Mills
6	East Godavari	Rajahmundry	Graphite Crucibles
7	East Godavari	East Godavari	Coir & Coir Products
8	East Godavari	Rajahmundry	Aluminum Utensils
9	East Godavari West Godavari	East Godavari(EG) & West Godavari	Refractory Products

10	Guntur	Guntur	Powerloom
11	Guntur	Guntur	Lime Calcination
12	Guntur	Macherla	Wooden Furniture
13	Hyderabad	Hyderabad	Ceiling Fan
14	Hyderabad	Hyderabad	Electronic Goods
15	Hyderabad	Hyderabad	Pharmaceuticals- Bulk Drugs
16	Hyderabad	Musheerabad	Leather Tanning
17	Hyderabad	Hyderabad	Hand Pump sets
18	Hyderabad	Hyderabad	Foundry
19	Karimnagar	Sirsilla	Powerloom
20	Krishna	Machilipatam	Gold Plating & Imitation Jewellery
21	Krishna	Vijayawada	Rice Mills
22	Krishna	Chundur, Kavadiguda, Charminar, Vijayawada	Steel Furniture
23	Kurnool	Adoni	Oil Mills
24	Kurnool	Kurnool	Artificial Diamonds
25	Kurnool, Cuddpah	Kurnool(Banganapalle, Bethamcheria,Kolimigundla) Cuddpah	Polished Slabs
26	Prakasam	Markapuram	Stone Slate
27	Ranga Reddy	Balanagar, Jeedimetla & Kukatpally	Machine Tools
28	Srikakulam	Palasa	Cashew Processing
29	Visakhapatnam, East Godavari	Visakhapatnam, Kakinada	Marine Foods
30	Warangal	Warangal	Powerloom
31	Warangal	Warangal	Brassware
32	West Godavari	West Godavari	Rice Mills

Chakrabarthy Committee Recommendations to be implemented by Government & Banks:

Reserve Bank of India vide their circular RPCD. SME&NFS. BC.No.102/06.04.01/2008-09 dated 04.05.2009 has informed that they have constituted a working group under the chairmanship of Dr.KC Chakrabarthy, CMD, PNB with regard to rehabilitation of potentially viable sick units.

RBI has given the recommendations of the Committee to be considered by the GOI, State Governments and Banks.

In the light of the Recommendations all the Banks to undertake a review and put in place the following Policies for the MSE sector, duly approved by Boards.

- Loan Policy governing the extension of Credit facilities
- Restructuring/ Rehabilitation Policy for revival of potentially viable sick units/ enterprises
- Non discretionary OTS for recovery of Non Performing Loans

The Action Points pertaining to State Governments and Banks are given below

- Banks to undertake a review and put in place the following Policies for the MSE sector, duly approved by Boards.
- Loan Policy governing the extension of Credit facilities
- Restructuring/ Rehabilitation Policy for revival of potentially viable sick units/ enterprises
- Non discretionary OTS for recovery of Non Performing Loans
- The State Government of AP to initiate steps for implementation of Action Points
- All the banks to initiate steps for implementation of Action Points

Action pertaining to State Government/ SLBC Convener banks

1 Creation of a Central Registry by the State Governments for registration of charges of all banks and other lending institutions in respect of all movable and immovable properties of borrowers incorporated as proprietorship, partnership, cooperative society, trust, company or in any other form.

2 Stamp duty is payable on assignment of actionable claims. Modification in these provisions for factors by way of exemption or prescribing a ceiling on the stamp duty would give impetus to the activity.

3. A scheme for utilizing specified NGOs to provide training services to tiny micro enterprises may be considered

4. Each State Government may also have a separate Ministry for MSME. In addition, the State Governments may also have long term and short term policy for development/ promotion of MSME sector

5. State Government should provide preferential treatment to MSMEs in providing uninterrupted power supply. In case the same is not possible, the State Government may provide back ended subsidy on loans taken for purchase of DG sets.

6. The State Governments may be encouraged to provide land at 50% of the normal rate for setting up Industrial Estates exclusively for MSMEs. Further, 50% subsidy may be provided on the capital cost of common facilities like effluent treatment plant, power plant etc.

7. The need for obtaining any clearance except registration with DIC for individual SME units set up in Industrial Estates developed by the State Industrial Development Corporations or DICs or approved Industrial Estates developed by private entrepreneurs for SMEs may not be considered necessary as they are developed as per the approved layouts. Further the defunct Industrial Estates may be made active once again by putting in place the complete infrastructure putting national resources to good use.

8. The niche industry or the activities having good concentration in the area may be identified by the banks and DIC. The model cost of project for different sizes of commonly prevailing industry and overall viability of the activity may be assessed by a

Committee comprising of 2-3 major banks of the District under the aegis of Lead Bank so as to obviate the need of any expert/professional to prepare TEV study in individual cases. The exercise may be carried out periodically after considering the price of machinery and other fixed assets required, sources of raw material, technical expertise and skilled labour availability, access to market etc. DIC may also be associated with the process. Small entrepreneurs may use these project profiles and not take help from professionals in preparation of time consuming and costly TEV study/viability report. While financing banks may not go for TEV study in individual cases. To begin with this practice may be started for projects requiring term loan up to 1 Crore which may be raised after review.

Action pertaining to banks

1. The model cost of project for different sizes of commonly prevailing industry and overall viability of the activity may be assessed by a Committee comprising of 2-3 major banks of the District under the aegis of Lead Bank so as to obviate the need of any expert/professional to prepare TEV study in individual cases. The exercise may be carried out periodically after considering the price of machinery and other fixed assets required, sources of raw material, technical expertise and skilled labour availability, access to market etc. DIC may also be associated with the process. Small entrepreneurs may use these project profiles and not take help from professionals in preparation of time consuming and costly TEV study/viability report. Sufficient delegation of powers for sanction/rehabilitation of SMEs should be made at the field level. Lead Banks may take necessary action.
2. Lending in case of all advances up to Rs 2 crores may be done on the basis of scoring model. Information required for scoring model should be incorporated in the application form itself. No individual risk rating is required in such cases.
3. Banks may start Central Registration of loan applications. The same technology may be used for online submission of loan applications as also for online tracking of loan applications.
4. The application forms, may be so designed that all documents required to be executed by the borrower on sanction of the loan form its part. The forms should invariably have a Checklist of the documents required to be submitted by the applicant along with the application and the formalities required to be completed, post sanction.
5. In case of all micro enterprises, simplified application cum sanction form (which should also be printed in regional language) be introduced for loans up to Rs 1 crore and working capital under Nayak Committee norms.
6. Banks who have sanctioned term loan singly or jointly must also sanction WC limit singly (or jointly, in the ratio of term loan) to avoid delay in commencement of commercial production. It may be ensured that there are no cases where term loan has been sanctioned and working capital facilities are yet to be sanctioned.

7. Centralized Credit Processing Cells may be introduced. These Cells may be utilized for single point appraisal, sanction, documentation, renewal and enhancement. The working of Centralized Processing Cell should be reviewed by the controlling office of the bank. CPC should act as the back office of the bank.

8. Committee Approach may be introduced for sanction of new loans as also rehabilitation cases. This will not only improve the quality of decision as collective wisdom of the members shall be utilized, especially while taking decision on loan applications for green-field projects in the micro, small and medium enterprise sector or the rehabilitation proposals.

9. The banks may consider a combined level of stock and receivables and no separate sub limit for debtors may be fixed. Banks may allow CC/OD against stock and receivables under one facility.

10. In terms of the Nayak Committee norms, the banks are required to provide minimum 20% of the turnover to the business enterprises as bank finance and 5% is to be obtained as margin. This translates into a current ratio of 1.25.

11. Banks may develop appropriate Credit Appraisal and Rating Tool (CART) on the pattern of software developed by SIDBI or can take the help of such tools for processing the loan/working capital proposals of small and medium enterprises.

12. The banks may focus on opening more specialised micro, small and medium enterprise branches. The expansion of specialised branch network in all identified clusters and Industrial Estates may be completed in a time bound manner say within next 3-5 years.

13. The banks may use the platform provided by the technical institutions and send their staff to such institutions on a regular basis. Training is also required to be imparted to the branch managers and their loan officers for change in their mindset away from the perceived risk in financing MSMEs. A system of incentives for good performance in financing to MSMEs may be implemented, which could be by way of special mention in the Performance Appraisal, special training etc.

14. Banks may consider introduction of Factoring Services, particularly for MSMEs.

15. Intervention of technology may be adopted for correct identification and reporting of sick micro, small and medium enterprises.

Action Points

All the banks are requested to inform the progress made in this regard which will facilitate the SLBC to send a comprehensive reply to Reserve Bank of India.

(Action: All Banks)

Agenda Item No.8

Financing under DRI

Financing under DRI

You are aware that as per the guidelines of Reserve bank of India "all the Banks should lend under DRI scheme minimum of 1% of their aggregate advances as at the end of previous year.

In order to ensure that the weaker sections in the rural areas derive the maximum benefit under the scheme and bulk of the advances are not pre-empted by urban/metropolitan areas, the banks operating the scheme will ensure that not less than 2/3 of their advances under this scheme are routed through their rural and semi urban branches. Correspondingly not more than 1/3 of their credit under the scheme may go from their urban and metropolitan branches.

To ensure that persons belonging to SCs and STs get their due share of benefits under the scheme, not less than 1/3 of bank credit under the scheme should flow to the eligible borrowers belonging to SCs and STs"

On recent review of the position of lending under the scheme in our State, it is only Rs.2,69,760 as against the outstanding credit is Rs.312.52 crores which is insignificant and needs improvement.

Action Points

- All the Banks are advised to give thrust for financing under DRI and ensure that the target of achieving 1% of aggregate advances as on 31.03.2010 by 31.03.2011.
- All the Branch Managers are to be sensitized by the Controlling authorities.
- LDMs to review the program in all DCC and JMLBC meetings.

(Action: All Banks and LDMs)

Agenda Item No.9

Housing

HOUSING

The amount outstanding as on 31.03.2010 is Rs.21,961 crores. During this year Rs.2122 crores was disbursed under this sector.

Housing Schemes

INTEREST SUBSIDY FOR HOUSING URBAN POOR (ISHUP)

Ministry of Housing and Urban Poverty Alleviation (MHUPA), Govt. of India has approved the 'Interest Subsidy Scheme for Housing the Urban Poor' (ISHUP) for implementation by public sector banks and other finance institutions.

The scheme aims at enabling the EWS and LIG segments in the urban areas to construct or purchase houses by providing an interest subsidy of 5% on loan amount of Rs.1.00 lakh. The National Housing Bank (NHB) and HUDCO have been designated as the Nodal Agencies (NAs) for administration of and release the subsidy under the scheme to the lending institutions.

Background:

- ❖ "Affordable Housing for All" is an important policy agenda of Govt. of India which is to create a supportive environment for expanding credit flow to the housing sector and increasing home ownership in the country.
- ❖ As per the Technical Group set up by the Ministry of Housing and Urban Poverty Alleviation (MHUPA), Govt. of India, the estimated urban housing shortage was 24.7 million units in the year 2007 and 99% of it related to EWS & LIG segments.
- ❖ The Ministry of Housing and Urban Poverty Alleviation (MH&UPA), Govt. of India has designed an Interest Subsidy Scheme as an additional instrument for addressing the housing needs of the EWS /LIG segments in urban areas to enable them to buy or construct houses.

Salient features of 'Interest Subsidy Scheme for Housing the Urban Poor(ISHUP)'

- ❖ **Purpose:** The scheme will provide home loan with Central Govt. subsidy to EWS/LIG persons for acquisition of house as also for construction of house to such beneficiary, who does not own a house in his / her name or in the name of his / her spouse or any dependent child. Such beneficiaries who own land in any urban area but do not have any Pucca house in their name or in the name of their spouse or any dependent child will also be covered under the scheme.
- ❖ **Eligibility:** The economic parameter of EWS is defined as households having an average monthly income upto Rs.3,300 and the economic parameter of LIG is defined as households having an average monthly income between Rs.3,301 upto Rs.7,300. This will be subject to revision by the steering Committee of the Scheme from time to time.

- ❖ **Loan amount admissible:** The scheme will provide a subsidized loan for 15-20 years for a maximum amount of Rs.1,00,000 for an EWS individual for a house at least of 25 sq. mts. & Rs.1,60,000 for a LIG individual for a house at least 40 Sq. Kms., will be admissible. However, subsidy will be given for loan amount upto Rs.1 lakh only. Additional loans, if needed would be at unsubsidized rates.
- ❖ **Terms for Loan and Subsidy Reimbursement:** The subsidy will be 5% p.a. on interest charged on the admissible loan amount for EWS and LIG, over full period of the loan for construction or acquisition of a new house.
The system for passing on subsidy will be as follows:
 - 1) The Net present value (NPV) of this subsidy will be arrived at on the basis of notional discount rate of 9% p.a.(equivalent to Govt. security rate) for the period of loan and on the interest chargeable at the time the loan is contracted.
 - 2) Loan repayment periods will be permissible generally ranging from 15-20 years.
 - 3) The Nodal agencies for the scheme i.e., NHB & HUDCO will not lend directly to the borrower but through banks or Housing Finance Companies (HFCs), who agree to be part of the Scheme as the lenders. The NPV subsidy will be released by the Government to the nodal agencies on upfront & quarterly basis in advance based on the number of housing loans sanctioned by their lenders, who join the scheme. It will be passed on by the lender to the borrower by deducting the subsidy amount from the principal loan amount of the borrower and charging interest on the net amount of loan at the agreed rate of interest, which will be fixed as per RBI guidelines for loans upto Rs.2.00 lakhs & the rates would be monitored by the Steering Committee of the scheme.
 - 4) The nodal agencies will publish the list of the lenders under the scheme, which will be approved by the Steering Committee for the scheme set up by the Ministry.
 - 5) Borrowers may choose fixed or floating rates (the consequences clearly explained to the borrowers by PLIs). An additional 1% p.a. maximum will be permitted to be charged by the banks /HFCs, if fixed rate loans are extended which will be subject to reset after a minimum period of 5 years.
 - 6) Mortgage of the dwelling unit may be accepted as primary security. However, there would be no collateral security / third party guarantee for loans upto and inclusive of Rs.1.00 lakh. No levy of prepayment charges would be permitted.
 - 7) The scheme will close in 2012, the last year of the 11th Five Year Plan Period (2007-12). However, the loans extended in the last year will also have repayment period upto 20 years.
- ❖ **Selection of Beneficiaries:** The borrowers under the scheme must belong to the EWS or LIG, and must have a plot of land for the construction or have identified a purchasable house. Borrowers would be free to approach for loan under the scheme directly with the lender. The borrowers & lenders would require the intercession of State Govt. / Urban Local bodies (ULBs) to identify borrowers with land, help them with preparation of papers and liaise for them

with the lenders. The preference under the scheme (subject to beneficiaries being from EWS/LIG segments) should be given to the following in accordance with their population in the total population of the area as per 2001 census.

- i. Scheduled Caste; ii. Scheduled Tribe; iii. Minorities;
- iv. Persons with disabilities; and v. Women beneficiaries

- ❖ Both individuals as well as Group Housing like Cooperative group housing societies or Employees Welfare Housing / Labour Housing organizations are equally eligible under the scheme. The borrowers selected by State/ULBs /banks should be as far as possible in the ratio of 70:30 respectively for EWS and LIG categories.
- ❖ The loan application can be made directly or through the ULB or the local agency identified by the State for the purpose, who will ensure that it is complete with necessary certification.
- ❖ The documentation will be as per the procedural requirement of the lender and the lender will sanction the loan as per their own risk assessment & procedural requirements and release the loan as per the progress of construction.

Role of Steering Committee:

- ❖ The Steering Committee under the Chairmanship of Secretary, MH& UPA and members drawn from selected State Govt.s, senior executives from Ministry of Finance, Reserve Bank of India, NHB, HUDCO, eminent bankers & social researchers / workers in the field of urban housing, finance and allied areas will be set up by the MH & UPA and will be responsible for suggesting operational instructions and also for monitoring the implementation of the Scheme.
- ❖ The disbursement of subsidy will be made by NHB / HUDCO as decided by the Steering Committee.
- ❖ The Steering Committee will formulate separate guidelines for association of NGOs, community Based Organizations (CBOs), Micro Finance Institutions (MFIs), Self-Help Groups (SHGs) with the scheme.

Role of Central Govt.:

The Ministry of Housing and Urban Poverty Alleviation (MH & UPA) will review and monitor the implementation of the scheme and release the subsidy to Nodal agencies on a quarterly basis on receiving a request. Second and subsequent installments will be released on a revolving basis on the basis of 70% utilization.

Role of State Govt.s / Urban Local Bodies (ULBs):

- ❖ They will identify a local level nodal agency duly informing MH & UPA for identification of beneficiaries under the scheme and forward the applications to the financing institutions.
- ❖ They will ensure availability of basic infrastructure services to the home sites assisted, so that new slums do not get created.
- ❖ They will undertake publicity campaigns about the scheme.

Role of Central Nodal agencies:

- ❖ The NHB and HUDCO will be the Central Nodal agencies for disbursement of the NPV based subsidy to the banks /HFIs on a quarterly basis based on Utilisation /End use Certificate and will provide final utilization certificate to MH & UPA in the prescribed format. They will be responsible for monitoring and data collection of the NPV Based amount of subsidy for the entire duration of the scheme.
- ❖ NHB & HUDCO will devolve the subsidy in the following manner:
 - 1) On receipt of information regarding the total loan disbursed by a primary lending institution to EWS and LIG beneficiaries during a 3 month period, the NHB or HUDCO will release the subsidy amount to them directly at the end of each quarter.
 - 2) The subsidy will be 5% p.a. for EWS and LIG, admissible for a maximum loan amount of Rs.1.00 lakh over the full period of the loan for construction or acquisition. The Net Present Value (NPV) subsidy will be given to the lenders on upfront and quarterly basis. The NPV subsidy given to the lender will be deducted from the principal loan amount of the borrower, who will then have to pay interest to the Banks / Housing finance Institution (HFI) at an agreed document rate for the whole duration of the loan.
 - 3) The NHB & HUDCO will monitor the construction of the housing units for their respective jurisdictions in terms of the aforesaid subsidy by conducting periodical inspection of the units by their officers.
 - 4) These institutions will also ensure that the Primary Lending Institutions (PLIs) provide them 'Utilization certificates' in relation to completion of housing units within one year period from the start of construction. In case certain housing units are not completed within one year period, the lending institutions should ask for specific extension while giving reasons for delay in construction.

Role of Banks / Housing Finance Institutions:

- ❖ Banks/ Housing Finance Institutions (HFIs) i.e., HFCs, MFIs etc. will have the option to avail the resources of either of the Nodal Agencies or both for the period of the scheme.
- ❖ Banks / HFIs will have to provide Utilisation / end use Certificate to NHB / HUDCO on a half-yearly basis.
- ❖ Banks / HFIs will provide each loanee a statement which will make him / her understand the amount given as subsidy, how the subsidy has been adjusted and the impact of the subsidy on his / her EMI.
- ❖ Banks / HFIs will clearly explain to the borrowers the consequences of availing loan on fixed / floating rates of interest.

Evaluation and Mid course Adjustments:

- ❖ A detailed review of provision of subsidy by PLIs to EWS & LIG beneficiaries will be undertaken by the Ministry through an external institution of repute after every 2 years. Such reviews are intended with a view to making mid-course adjustments and improvements in the implementation of the 'Interest Subsidy scheme'.

Action Points

- ✚ All the LDMs to take up the implementation of the programme as regular agenda in the DCC meetings. LDMs to prepare Bankwise and branch wise progress for review.
- ✚ The Banks may avail the services of Service Providers appointed by APSHCL in each district for assisting the Banks in documentation of applications of eligible beneficiaries.
- ✚ Banks may prepare suitable publicity material for creating awareness in association with APSHCL.
- ✚ All the pending claims are to be submitted within a week's time.
- ✚ All the pending applications are to be cleared immediately and allocated target under the scheme is to be achieved
- ✚ The overdue under the housing schemes is to be informed to Project Directors of Housing for their assistance.
- ✚ Inform the names of the Nodal Officer of the Bank to APSHCL immediately.
- ✚ Put up the Interest Subsidy Claims to APSHCL immediately, after obtaining certification from district officer of APSHCL.

(Action: All Banks implementing ISHUP and LDMs)

Guidelines on 1% Interest Subvention on Housing Loans up to Rs.10 Lakhs

As per the Government of India, Department of Financial Services letter dated 30.09.2009, interest subvention of 1% on all individual housing loans up to Rs.10 lakhs, provided the cost of the unit does not exceed Rs.20 lakhs.

Eligibility – Interest Subvention of 1 percent will be available on housing loans up to Rs.10 lakh to individuals for construction/ purchase of a new house or extension of an existing house, provided the cost of construction / price of the new house/ extension does not exceed Rs.20 lakh. All such loans sanctioned and disbursed, during the period of one year from the date of publication of the Scheme shall be eligible for the said Interest Subsidy.

Duration of the Scheme – The Scheme will be in operation for a period of one year starting from 1st October, 2009 to 30th September, 2010.

Interest Subsidy – Subsidy of 1 per cent will be defined as reduction in interest rate by 100 basic points per annum from the existing rate of interest for a particular account & tenor. It will be applicable to the first twelve installments of all such loans sanctioned and disbursed during the currency of the Scheme and will be computed for 12 months on the disbursed amount. The subsidy amount will be adjusted upfront on the principal outstanding, irrespective of whether the loan is on fixed or floating rate basis.

Action Points

- ✚ All the Controlling Bankers are advised to go through the Interest Subvention Scheme and give necessary instructions to all their branches.

(Action: All Banks)

Rajiv Gruhakalpa (RGK) and VAMBAY Housing Loans

Housing Loans under RGK, VAMBAY, INDIRAMMA – Recovery – Steps to be taken to enable beneficiaries become eligible for Incentive Scheme of the Government of AP

G.O. Ms.No.42 Dt. 29.11.2009 says that Government bears some burden by way subsidizing the installment amount on the weaker section housing loans.

Government directed that in the event of the Equal Monthly Installment (EMI), exceeds Rs.500/- in Urban Houses and Rs.300/- in Rural Houses (both Principle and Interest put together), the additional amount will only be reimbursed by Government to those beneficiaries who have paid / are paying the EMIs promptly. The benefit shall be applicable for all the Weaker Section Housing Schemes in the State.

APSHCL Lr. No.7541/APSHCL/MGR(F)/08 Dt.12.10.2009, a communication sent to all Controllers of Banks on Implementation of G.O. Ms. No.42, Dt 29.11.2008 stated that –

1. The entire amount outstanding including interest as on cut off date i.e. 30.09.2009 shall be considered as principle and shall be rescheduled repayable in 84 EMIs starting from Nov., 2009
2. All the loans which are currently classified as NPA shall also be covered under the scheme, for availing the benefit.

As per extant guidelines of RBI, when NPA accounts are restructured, the accounts continue to be classified under NPA category till the account status turn out to be PA.

In view of the above, the issue is again placed for discussion to adopt a common approach in the implementation of GO of individual banks to take their own decision.

Action Points

- ✚ All the Banks are requested to adopt the scheme as their respective Bank's guidelines.

(Action : All Banks)

REVERSE MORTGAGE LOANS

Reverse Mortgage Loans provides an opportunity to house owners to avail of a monthly stream of income against the mortgage of his/her house, while remaining as the owner and occupying the house throughout his/her lifetime without repayment or servicing of the loan. National Housing Bank issued the final operational guidelines for reverse mortgage loans (RMLs) on May 31, 2007. Many banks have already introduced RMLs. For tax purposes it have been clarified that reverse mortgage would not amount to "transfer" and stream of revenue received by the senior citizen would not be "income".

Salient Features

Reverse Mortgage Loan (RML) enables a Senior Citizen i.e. above the age of 60 years to avail of periodical payments from a lender against the mortgage of his/her house while remaining the owner and occupying the house.

The Senior Citizen borrower is not required to service the loan during his/her lifetime and therefore does not make monthly repayments of principal and interest to the lender.

RMLs are extended by Primary Lending Institutions (PLIs) viz. Scheduled Banks and Housing Finance Companies (HFCs) registered with NHB.

The loan amount is dependent on the value of house property as assessed by the lender, age of the borrower(s) and prevalent interest rate.

The loan can be provided through monthly/quarterly/half-yearly/annual disbursements or a lump-sum or as a committed line of credit or as a combination of the three.

The maximum period of the loan is 20 years (The maximum period over which the payments can be made to the reverse mortgage borrower).

The loan amount may be used by the Senior Citizen borrower for varied purposes including up-gradation/ renovation of residential property, medical exigencies, etc. However, use of RML for speculative, trading and business purposes is not permissible.

Valuation of the residential property would be done at such frequency and intervals as decided by the reverse mortgage lender, which in any case shall be at least once every five years. The quantum of loan may undergo revisions based on such re-valuation of property at the discretion of the lender.

The lender will have limited recourse i.e. only to the mortgaged property in respect of the RML extended to the borrower

All reverse mortgage loan products are expected to carry a clear and transparent 'no negative equity' or 'non-recourse' guarantee. That is, the Borrower(s) will never owe more than the net realizable value of their property, provided the terms and conditions of the loan have been met.

On the borrower's death or on the borrower leaving the house property permanently, the loan is repaid along with accumulated interest, through sale of the house property.

The borrower(s)/heir(s) can also repay the loan with accumulated interest and have the mortgage released without resorting to sale of the property.

The borrower(s) or his/her heirs also have the option of prepaying the loan at any time during the loan tenor or later, without any prepayment levy.

The Finance Minister, in paragraph 89 of his speech, while presenting the Union Budget, 2007-08, had announced that the National Housing Bank (NHB) will introduce a reverse mortgage scheme for senior citizens.

In the context of the aforesaid scheme, it was necessary to resolve the tax issues arising there-from. The first issue is whether mortgage of property for obtaining a loan under the reverse mortgage scheme is transfer within the meaning of the Income-tax Act thereby giving rise to capital gains. Section 2(47) of the Income-tax Act provides an inclusive definition of 'transfer'. Further, 'transfer' within the meaning of the Transfer of Properties Act includes some types of mortgage. Therefore, a mortgage of property, in certain cases, is a transfer within the meaning of section 2(47) of the Income-tax Act. Consequently, any gain arising upon mortgage of a property may give rise to capital gains under section 45 of the Income-tax Act. However, in the context of a reverse mortgage, the intention is to secure a stream of cash flow against the mortgage of a residential house and not to alienate the property.

A new clause (xvi) in section 47 of the Income-tax Act, 1961 has been inserted to provide that any transfer of a capital asset in a transaction of reverse mortgage under a scheme made and notified by the Central Government shall not be regarded as a transfer.

The second issue is whether the loan, either in lump sum or in installment, received under a reverse mortgage scheme amounts to income. Receipt of such loan is in the nature of a capital receipt. Section 10 of the Income tax Act, 1961 has been amended to provide that any amount received by an individual as a loan, either in lump-sum or in installment, in a transaction of reverse mortgage referred to in clause (xvi) of Section 47 of the Income-tax act shall not be included in total income.

A borrower, under a reverse mortgage scheme, shall, however, be liable to income tax (in the nature of tax on capital gains) only at the point of alienation of the mortgaged property by the mortgagee for the purposes of recovering the loan.

Reverse mortgage is a financial product that enables senior citizens (60 +) who own a house to mortgage their property with a lender and convert part of the home equity into tax-free income without having to sell the house

Instead of you making monthly payments to a lender, as with a regular loan, the lender makes payments to you. Multiple options are available for repayment of the loan in lump sum at the end of the loan term. Maximum period of loan is of twenty years. The loan is

not required to be serviced as long as the borrower is alive and in occupation of the property. On the borrower's death, the loan is repaid through sale of property.

Action Plan:

- ✚ All the Banks are advised to lend in this sector, as there is a large scope to finance for this sector.
- ✚ The full details of the scheme and other highlights are available in NHB website as the scheme is monitored by NHB at National Level.

(Action: All Banks)

Agenda Item No.10

Educational Loans

Educational Loans

Collateral Free Loans – Educational Loan Scheme

Reference is drawn to RPCD Circular PLNFS.BC.No.83/06.12.05/2000-01 dated April 28, 2001 regarding Educational Loan Scheme, wherein it was advised that no security may be insisted upon for loans upto Rs.4 lakh. RBI has been receiving representations from various quarters that collateral security is being demanded even for loans upto Rs.4.00 lakh.

Banks have been advised to issue suitable instructions to their Branches/Controlling Offices not to mandatorily obtain collateral security in the case of educational loans upto Rs.4 lakh.

During the year 2008 – 2009, the following are some of the suggestions made by the Indian Bankers Association (IBA).

Other Guidelines :

Age Limit:

For Inland Studies: Above 12 years, but within 30 years

For Abroad Studies: Over 17 years, but within 35 years.

Expenses to be considered for loan:

Caution Deposit, Building Fund / Refundable deposit supported by Institution bills / receipts, subject to the condition that the amount does not exceed 10% of the total tuition fees for the entire course.

Co-obligation:

- a) Wherever parents are not there, banks could consider grand parents as co-obligator to the loans taking into account their net worth.
- b) In case of court appointed guardians, their co-obligation shall be obtained.
- c) In case of married persons, co-obligator can be spouse or the parents(s) / Parents –in – law.

Follow – up / Tracking:

Branches should be in constant touch with the student / parents to ensure prompt repayment of the loan.

- i) Inform the College / University authorities soon after sanction / disbursement of loan
- ii) Constantly follow up with the students / parents for submission of progress reports/ mark memos / receipts etc. at regular intervals.
- iii) In case of student staying with parents and where such parents have transferable jobs or there is change in address. Branches have to collect latest addresses and record the same as “address for correspondence” for tracking purpose.

In case of studies abroad, Branches to obtain the Unique Identification Number (UIN) / Identity Card and note the same in the Bank's records, for tracking purpose.

Educational Loans: Amount outstanding under this sector at the end of March 2010 is Rs.5,385 crores. During 2009-10, an amount of Rs.1187 Crores was disbursed under educational loans scheme.

Action Points

✚ All the Banks are advised to issue suitable instructions to their Branches/Controlling Offices not to mandatorily obtain collateral security in the case of educational loans upto Rs.4 lakh.

(Action: All Banks)

Agenda Item No.11

Minorities Communities

Minorities Communities

PM's 15 point Programme for welfare of Minorities – Lending to Minority Communities under Priority Sector Lending

As per recent guidelines received from Ministry of Finance, Govt. of India vide their Lr.F.No.15(1).2010-CP dated 9th April, 2010, Public Sector Banks (PSBs) are advised to step up their Minority Community Lending (MCL) to 15% of their Priority Sector Lending (PSL) over 3 years i.e., by the end of 2009-10.

PSBs are required to achieve a target of 13% as at the end of Financial Year 2008-09 and 15% by the end of FY 2009-10. Keeping in view the actual achievement and the progress reported by the PSBs for the year 2008-09 at 11.39%, banks had fixed State-wise target for Minority Communities Lending. As at the end of 31.12.2009, 79% of the overall target for MCL has been achieved which works out to 11.91% of the overall PSL target for 2009-10. The target of 15 per cent priority sector lending to MCL will be maintained for the next three years i.e., upto 31.03.2013.

Outstanding Advances of all Banks in Andhra Pradesh As on 31.03.2010

(Rs.in Crores)

	Total Advances	Of which Minorities
Agri. Advances	68658	1922(2.80%)
SSI / Artisans	2868	204(7.2%)
O P S	34989	6376(18.22%)
Total Priority	126515	8502 (6.72%)

Performance compared to 2008-09 for 2009–2010

(Rs.in crores)

S.No.	Particulars	Amount
1.	Total Credit Outstanding as on 31.03.2010	8,502
2.	Credit allowed during 2008 – 2009	1,201
3	Credit allowed from 01.04.2009 to 31.03.2010	2,220

Action Points

- ✚ State-wise targets for Minority Communities Lending and Priority Sector Lending for 2010-11 may be sent to the Ministry of Finance immediately.
- ✚ Action taken report also may be sent to the Ministry of Finance on priority basis.
- ✚ Attention of Banks is drawn to Reserve Bank of India guidelines with regard to Minorities already communicated in the earlier SLBC Meetings.
- ✚ **All the banks should attain the target of 15% advances to Minorities as per Government of India guidelines**

(Action: All Banks)

Opening of Accounts of Scholarship Accounts of Minority Communities:

The reports are being received that some bank branches are not opening scholarship accounts of students of Minority Communities.

In our State, the minority students are also receiving scholarships from Government like SC/ ST/ BC/ OBC students.

In the light of the above, all the banks are requested to ensure that all their branches extend necessary cooperation to the students belonging to Minority Communities in opening their scholarship accounts. The guidelines for opening of Scholarship accounts of students belonging to SC/ ST/ BC/ OBC communities is enclosed

Action Points

- ✚ All the Banks to issue necessary instructions to their branches to open scholarships accounts of students of Minority Communities duly observing the guidelines as the lines of Scholarships Accounts of SC / ST / BC / OBC students.

(Action: All Banks)

Agenda Item No.12

Weaker Section
&
Women

Weaker Sections and Women

Outstanding Advances of all Banks in the State As on 31.03.2010

(Rs: Crores)

	Total Priority Sector Advances	Loans to weaker sections	Loans to Women
Agri.advances	68,658	18551(27.01%)	13969(20.34%)
SSI / Artisans	22,868	7950(34.76%)	8326(36.41%)
O P S	34,989	8755(25.02%)	6744(19.27%)
Total Priority	1,26,515	35256(27.87%)	29039(22.95%)

Points for discussion:

- **Loans to Weaker Sections:** Out of total outstanding advances under Priority sectors as on 31.03.2010, an amount of **Rs.35256** Crores is pertaining to weaker sections including SC/STs, **which is 27.87% Priority sector advances against the RBI norm of 25% of Priority sector advances** (and 13.07 % of net bank credit against RBI norm of 10% of net bank credit)
- **Loans of women borrowers is Rs.29039 Crores** at the end of 31.03.2010, which is **22.95 % of total Priority sector advances (10.76% of net bank credit against the RBI norm of 5% of net bank credit)**

Loans to Scheduled Castes and Scheduled Tribes:

Outstanding Advances of all Banks in the State As on 31.03.2010

(Rs: Crores)

	Total Priority Sector Advances	Of which SC/STs
Agri.advances	68,658	5492(8.00%)
SSI / Artisans	22,868	1280(5.60%)
O P S	34,989	4247(12.13%)
Total Priority	1,26,515	11019(8.70%)

Action Points:

- ✚ Banks to maintain tabulation of targets and achievements on credit flow with maintenance of data integrity.
- ✚ Holding of joint workshops with sponsoring agencies to identify activities.
- ✚ .Resolve subsidy related issues and improve the average size of loans under central Government sponsored schemes.
- ✚ .Banks should be advised to strictly adhere to the instructions of RBI on flow of credit to SC/STs contained in RBI Master circular RPCD No: SP.BC.08/09.09.01/2006-07 Dt. July 5, 2006.
- ✚ As the flow of credit to weaker sections of high priority, Banks are requested to take up the necessary steps as advised above.

(Action : All Banks)