

Proceedings of 175th SLBC MEETING

Date : 26.08.2011
Time: 04.00 P.M.
Venue : Jubilee Hall
Public Gardens , Hyderabad

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

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The 175th Meeting of the SLBC of Andhra Pradesh was conducted on 26.08.2011 at Jubilee Hall, Public Gardens, Hyderabad at 04.00 p.m. Sri N. Kiran Kumar Reddy garu, Hon'ble Chief Minister of Andhra Pradesh participated in the meeting as Chief Guest.

At the outset, President of SLBC extended a warm and hearty welcome to Hon'ble Chief Minister of AP, Sri N. Kiran Kumar Reddy garu and other participants of the Meeting. He informed that the Meeting had a great significance as it happened to be the 175th Meeting of SLBC of AP and he was very glad to be associated with the such a momentous occasion. He profusely thanked the Chief Ministers of AP for attending SLBC Meetings regularly and evincing keen interest in the banking related issues which has helped the banks in effectively channelizing resources for overall development of the State. He assured that the SLBC of A.P. will continue to play a 'vibrant role' in propelling growth momentum further in the state of Andhra Pradesh with active support and guidance of the State Administration.

Later, he placed before the house, the highlights of the performance of the Banks in Andhra Pradesh for the 1st quarter of 2011-12 as detailed below:

Deposits and Advances

As at the end of June, 2011, Deposits and Advances in the State stood at Rs. 2,92,305 Cr., and Rs. 3,40,351 Cr., with YoY growth of 18.11% and 23.40% respectively. The growth, in absolute terms, during the 1st quarter of 2011- 12 in Deposits and Advances was at Rs.8,705 Cr. and Rs. 13,076 Cr. respectively.

Credit Deposit Ratio

The C.D. ratio of our State stood at 116.44% as on 30.06.2011 against the prescribed minimum level of 60% by RBI and is one of the highest in the country. The incremental CD ratio during the 1st Quarter, 2011-12, worked out to 150.21%.

In this connection, the President of SLBC drew the attention of the members to the proceedings of the 174th meeting of SLBC, wherein the house was informed of the remarks made by CRISIL in the national context that a high incremental CD ratio indicates weakness in the sector's resource profile, reflecting the inadequacy of retail deposits to support credit growth. He also mentioned that the high CD Ratio in the state was commented upon by Reserve Bank of India while reviewing the performance in the State. He said that this reiterates the need for higher emphasis on 'Resource Mobilization', especially in untapped rural/semi-urban areas in the state and requested all the members to deliberate on this issue and draw a plan of action for enhancing the Resource base of Banks in the State. The ongoing

financial inclusion plan in the villages with population of above 2000 can also be used for tapping the rural deposits in a big way.

Performance under Annual Credit Plan 2011-12

As against the Annual Disbursement Target of Rs. 73,316 Cr. for the year 2011-12, Banks disbursed credit to the tune of Rs.21,739 Cr., during the 1st quarter, thereby achieving 29.65% of the annual target.

Banks disbursed Short Term Crop Production loans of Rs. 10,803 Cr and Agricultural Term Loans of Rs.5,588 Cr , constituting 34.86% and 32.84% of the Annual Target respectively up to June, 2011.

Similarly, Banks disbursed loans to the tune of Rs. 2,066 cr. under SME Segment and Rs. 3,282 cr. under 'Other Priority Sectors', constituting 25.20 % and 19.17 % of the Annual Target respectively up to June, 2011.

Priority Sector advances

The Priority Sector Advances, at the end of June, 2011, were at Rs. 1, 57,640 Cr., with YoY increase of 19.56%. In absolute terms, the YoY growth in Priority Sector Advances was Rs.25,785 cr. As against the Regulatory prescription of 40%, the Priority Sector Advances constituted 48.17% of Total Advances.

Agricultural Lending

The Agricultural Advances, at the end of June, 2011, were at Rs. 85,932 Cr., with YoY increase of 18.24%. In absolute terms, the YoY growth in Agricultural Advances was Rs.13,258 cr. As against the Regulatory prescription of 18%, the Priority Sector Advances constituted 26.26% of Total Advances.

The outstanding credit under Agriculture sector was Rs. 85,932 Crore as at the end of June, 2011, which is one of the highest in the country.

Reschedulement of Crop Loans allowed during the year 2010

The floods and heavy rains caused damage to the standing crops during November and December, 2010, in 684 mandals, spread over 16 districts. Banks were asked to reschedule the loans. As the reschedulement of Loans did not pick up momentum by 31.3.2011, a decision was taken in the 174th SLBC Meeting to examine the issue of extending the date. The date

which was originally extended upto 30th June, 2011, was again extended upto 31st July, 2011, so as to enable more number of farmers to avail the facility. As per the information received at SLBC, Banks have rescheduled loans of Rs 2,866 Cr out of the net eligible loans of Rs. 3,448 Crores, where farmers were willing to reschedule their loans.

State Government of AP decided to waive interest, upto 31.3.2011, on Crop Loans availed by the farmers in the year 2010, in the floods /heavy rains affected Mandals. It is informed that claims amounting to Rs.352 Cr were received, settled and paid by the Agriculture Department.

Sagu Rythuku Rakshana Hastham – Financing Licensed Cultivators

Andhra Pradesh Government had taken a unique initiative by promulgating an Ordinance for issuing Loan Eligibility Cards (LECs) to tenant farmers, who are actually cultivating the land. The LEC holder is also eligible for input subsidy, crop insurance and other benefits from the Government. The President of SLBC congratulated the State Government for the unique initiative, first of its kind in the country, which is attracting the attention of all the States. He mentioned that in implementation of the Scheme, there are some teething problems and they are to be sorted out. As per the data received, against 5,45,000 LECs issued, Banks have sanctioned loans to about 60,761 tenant farmers and the process is continuing.

Declaration of Crop Holiday in some parts of the State

The House was informed of the Press and Electronic Media reports that in Andhra Pradesh State, Crop Holiday is being observed by farmers in East Godavari District. It is reported that in four mandals, complete crop holiday was declared and in other 12 Mandals of Konaseema area of East Godavari district, partial crop holiday is being observed. Out of total 1, 90,000 acres in the Konaseema area, crop holiday is being observed in about 90,000 acres as per the reports. The main reasons cited for observing crop holiday by the farmers are - increase in the cost of inputs, labour, transportation charges, defective irrigation/drainage facilities, shortage of labour, unremunerative prices for produce, inadequate income generation etc. It is also reported that the preposition of farmers in East Godavari District is attracting the attention of farmers in other districts. Banks are apprehensive of the adverse impact of the move on recovery.

Direction from GOI for improving Agriculture lending

In a recent communication, Secretary, Ministry of Finance, Government of India advised Convenor of SLBC to convene SLBC Meeting and finalize an Action Plan to enhance lending to Agriculture. It was also suggested that SLBC should set up a small group of all banks which should review the progress. The House was informed that a Special SLBC Meeting will be held shortly to discuss the issue.

SME Sector Advances

The outstanding under SME sector stood at Rs. 30,977 Crore as on 30.06.2011, with YoY growth rate of 27.60%. With regard to lending under CGTMSE is concerned, against the current year target of 15000 units, banks have extended finance to 3,015 units with an outlay of Rs. 186 Cr by August 20, 2011. The coverage under CGTMSE needs to be improved and Banks may take appropriate steps in this regard.

It was informed that RBI is advising Banks to conduct viability studies and take up rehabilitation measures. Similarly lack of awareness on the Central and State Government schemes at the field level is also creating avoidable problems to the entrepreneurs and these issues need to be addressed.

Housing Sector

Housing sector needs a lot of support from the banking system. Andhra Pradesh State has achieved lead position in implementation of ISHUP (Interest Subsidy Scheme for Housing Urban Poor). However, large gaps continue to exist between sanctions and grounding and between grounding and claiming of subsidy. There is a need to utilize the support extended by State Housing Department and Housing Corporation for recovery of overdues under the sponsored schemes.

Educational Loans

Banks in A.P. have lent Rs. 5,544 Crore under the sector and helped many poor students, with consistent good academic track record, to go for higher studies. The thrust for creation of knowledge society should be continued.

Self Help Groups

Under SHG - Bank linkage program, our State continue to lead the country. The outstanding finance has touched Rs. 13,719 Crore. During the quarter ended 30th June, 2011, Banks disbursed an amount of Rs.1,192 Cr to 55,462 Rural SHGs and Rs.296 Cr to 13,997 urban SHGs.

Financial Inclusion

Banks, apart from implementation of Smart Card Project for Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Social Security Pension Payments, are also implementing Financial Inclusion Plan to cover all the villages with over 2000 population by March, 2012. Banks have already covered 3,338 Villages by June, 2011 and in the recently held Sub-Committee meeting, the position was reviewed and all the banks, including RRBs, are expected to complete the process by December, 2011. In respect of villages with population of above 1000 and up to 2000, SLBC has already sent list of 6470 villages allocated by all the District Level Sub Committees (DLSCs) to

individual banks. The President, SLBC requested all the Banks to submit their plan of action to provide banking services immediately.

Rural Self Employment Training Institutes (RSETIs) & Financial Literacy and Credit Counseling Centers (FLCCs)

Andhra Pradesh is having RSETIs in all the districts. Every month, the Steering Committee on RSETIs is meeting and reviewing the progress. There is a need to build up awareness among the field level functionaries to allow loans to the entrepreneurs trained by RSETIs. Unless this link is established, the efforts of RSETIs will not be fruitful. All the LDMs need to play active role in this regard.

The President, SLBC advised all the Lead Banks to put in place FLCCs in all the districts, in terms of RBI guidelines before 30.09.2011.

Recovery issues

On review of the position as at the end of June, 2011, the President SLBC observed that the overdues are mounting under Crop Loans, Agricultural Term Loans, SHG Loans, Loans under Government Sponsored Schemes, etc. The issue assumed greater significance as the reporting of NPA will be system driven henceforth. The House was requested to deliberate on the collective steps to be initiated.

Recently SLBC conducted a Special meeting on the overdues under the Agriculture sector and the members expressed serious concern that the crop loans of earlier period are not being repaid by farmers with the hope that these loans will be waived. Banks' representatives opined that there is a need for involvement and concerted efforts from Agriculture Department on the lines of SERP for recovery.

The Agriculture Department positively responded to the above suggestions.

The members were informed that SLBC is making efforts to improve the data base on overdues and under various sectors so as to help in assessing the position and seek assistance from government wherever problems are being encountered. All the member Banks are requested to extend support and provide required data in this behalf.

Active involvement and support extended by all the Banks, RBI, NABARD, State Government Departments and other agencies has made Andhra Pradesh to be in the forefront under many sectors related to Banking.

President, SLBC thanked Hon'ble Chief Minister, State Administration, RBI, NABARD, Banks, and other agencies for their support and co-operation and assured on behalf of SLBC that all the banks in the state continue to extend full support and stand upto the expectations and aspirations of the State Government.

Hon'ble Chief Minister:

Hon'ble Chief Minister of Andhra Pradesh, Mr. Kiran Kumar Reddy Garu, while delivering the key note address, complimented the Bankers for achievement of 118% of the set Target under Annual Credit Plan of 2010-11. He observed that there is a need to accelerate disbursements under crop Loans during the current year as the achievement upto the end of June, 2011, is around 34%.

As regards financing of Loan Eligibility Card (LEC) holders, Hon'ble Chief Minister observed that as against 5,75,000 cards issued by the State Government, loans were given so far to only 62,000 farmers. While agreeing that there could be teething problems in the 1st year of implementation, he mentioned that there is a need to circumvent these problems & extend eligible finance to tenant farmers. He appealed to the Bankers to speed up loan disbursal to LEC holders on priority basis.

Responding to the issue of crop Holiday observed by some of the farmers in the State, the Hon'ble Chief Minister stated that declaration of 'crop Holiday' could be Gandhian way of expressing concern over issues relating to farming activity. He said timely provision of credit could have helped to some extent in avoiding such instances. He said that steps are being taken to make Agriculture 'viable. In all the mandals affected by natural calamities, GoAP announced full interest waiver on Crop Loans taken by the Farmers and also input subsidy is extended. Efforts are being made to improve the Minimum Support Price to farmers. Further, relaxation of restrictions on movement of paddy and its export may also help improvement of realization value for farmers. Provision of Bank finance to tenant farmers will also help avoidance of such situations.

The House is informed that an Expert Committee is already constituted by the State Government to make an in-depth study into various issues that culminated into declaration of Crop Holiday by Farmers in some parts of the State and appropriate measures to avert such instances will be taken basing on the findings of the Committee.

Hon'ble Chief Minister observed that lack of adequate storage space in rural areas is also one of the contributory factors for the farmers not getting remunerative prices for their produce. He informed that there is a need to provide 25 lac metric ton additional space and supporting construction of Rural Godowns will address the problem. A plan of action will be finalized in consultation with Banks shortly.

As regards SHG- Bank Linkage Programme, the Hon'ble Chief Minister emphasized the need for enhancing credit flow to SHGs and the need for achieving the set targets. Bank finance to Mandala Mahila Samakhya will also help strengthening the initiative. He informed that even without participation from Banks, the State Government has gone ahead with the proposal of setting up a Mahila Co-operative Bank in the State to cater to the credit needs of Mandal Mahila Samakhya.

Hon'ble Chief Minister emphasized the need to encourage Medium and Small Enterprise (MSME) in the state. Banks should encourage collateral free lending upto Rs.1 Cr under the segment.

He requested the Banks to improve lending to SC/ST and Minority Communities and other weaker sections. Thrust should be given for financing income generating "Allied Activities" under Agriculture.

General Manager and Convenor, SLBC assured Hon'ble Chief Minister that all set targets under the Annual credit Plan will be achieved with special thrust on identified areas.

Smt. Sunitha Lakshma Reddy, Hon'ble Minister for Indira Kranthi Patham, Pensions, Self Help Groups & Women Development, Child Welfare & Disabled Welfare, Juvenile Welfare :

The Hon'ble Minister informed that normally progress under SHG Lending during the first Quarter and Half Year will be low and the same trend is being observed this year also. As against the Annual Target of Rs. 9084 Cr for 2011-12, Banks could disburse around Rs.1900 Cr till date. She appealed for speeding up the process of disbursements so as to reach set targets for the year 2011-12. She requested the Banks not to insist for Deposits/Insurance from SHG members.

She also informed that the CBRM (Community Based Recovery Mechanism), can be used by Bankers for recovery of dues under SHG Lending. To sensitize bank staff, a Two Day Workshop at District level was also organized recently. Banks may enlist co-operation and support from SERP increasingly under SHG-Bank Linkage. Further, lending under schemes like SGSY is to be improved.

As regards Pension Disbursements, the Hon'ble Minister stated that the issues raised in earlier Meeting are not yet addressed and the members should resolve the issues urgently.

Convenor, SLBC, assured that all the necessary steps will be taken.

Sri. Kanna Lakshminarayana, Hon'ble Minister for Housing :

The Hon'ble Minister requested the Bankers to accord high priority for Housing and accelerate the pace of lending. Around 4692 applications are submitted to Banks. He informed the House that the Hon'ble Chief Minister has recently enhanced the unit cost in accordance with the commitment given by him during 'rachabanda' programme.

He also observed that the progress in respect of reschedulement of weaker section housing loans as per GO 42 needs to be improved.

Sri. N. Raghuvveera Reddy, Hon'ble Minister for Revenue, Relief, Rehabilitation

The Hon'ble Minister expressed displeasure on slow progress of lending to tenant farmers who have been issued Loan Eligibility Cards (LEC) by the State Government. He felt that there is an urgent need to extend finance to all LEC card holders before September, 2011 in view of the ongoing

agricultural season. Where direct crop loans could not be given, at least finance should be provided in the JLG (Joint Liability Group) mode as per the guidelines of NABARD and RBI.

He observed that it is really a matter of great concern that though SLBC at state level and LDMs at District Level have issued guidelines on loans to LEC holders, Controlling Offices of some of the Banks have not issued any guidelines to their branches, which is hampering lending to LEC holders. He assured that Government will extend all support for recovery of loans extended to LEC holders in JLG mode and all the Banks in the State should take up financing without any delay.

At this juncture, Sri. Nagi Reddy, Principal Secretary, Agriculture, informed that some banks like SBI are insisting for notarized affidavits for financing which is causing hardship to the farmers in availing credit.

CGM, SBI, informed that as per their Bank's internal guidelines for financing tenant farmers, the notarized affidavit is required. However, they have recommended to their Corporate Office for relaxation of the norm and instructions are awaited.

Hon'ble Minister said that LEC cards are issued with adequate security features to safeguard the interest of Banks. As such, there is no point in insisting on notarized affidavits and there shall be no hesitation on the part of some bankers in extending finance.

President of SLBC and CMD of Andhra Bank assured that a special Meeting of SLBC will be convened soon to discuss and resolve the issues standing in the way of extending finance to LEC holders.

Sri A.S. Rao, Regional Director, Reserve Bank of India

The Regional Director, RBI expressed happiness that the ACP target for the year 2010-11 has been exceeded by 18.06%. During the current year, as at the end of June 2011, under the crop loans banks have achieved 53% of the kharif target whereas under the Agricultural terms loans 84% of the kharif target was achieved. Banks should take measures to achieve 100% of the targets in the remaining period of the season. He opined that one of the reasons for low achievement could also be due to declaration of crop holiday in some districts of the state due to which loan renewals may not have taken place. He advised that Banks should also extend loans to the new farmers who were not given crop loans earlier. It is reported that there are about 21 lakh such non loanee farmers in the state. As regards the crop holiday, he said that we are aware that the State Government is seized of the matter and hope that the problem will be resolved soon.

The Regional Director observed that banks have started extending loans to eligible tenant farmers who have been given the LECs. He advised that Banks may take suitable measures to cover all the eligible LEC card holders.

Under the financial inclusion programme, banks in the state are required to cover 6661 villages with population of above 2000 with banking services by end March 2012. In a review meeting taken by the RBI with the banks in our state, it was agreed that all commercial banks will complete the appointment of Business Correspondents by end of September 2011 and RRBs by December 2011. As at the end of June 2011, coverage was 3338 villages, which is just above 50% of the target. He advised that Banks may speed up the process and complete the BC appointments in time. The performance of RRBs is low at 23.47%.

Continuing on the FIP, he observed that the 100% financially included districts in the State continue to remain at 14 for the latest one and a half years. In 8 districts what is remaining is a last mile push. He advised that banks should fill the gap and make these districts also financially included at the earliest.

The Regional Director, RBI advised that simultaneously banks should take steps to open 'no-frill' accounts to all the eligible persons in these villages and extend overdraft and entrepreneurial credit. Presently, the focus seems to be on opening the accounts which may give a good picture. The number of transactions has become secondary. In fact, the number of transactions is the real barometer of success of the scheme. Banks should focus more on usage of cards instead of the numbers. He informed the House that RBI has recently given operational guidelines on convergence of electronic benefit transfer and the financial inclusion plans and advised that Banks may study this aspect.

With regard to FLCCs, the Regional Director expressed that the financial literacy is complimentary to the financial inclusion. In our state, FLCCs (Financial Literacy and Counseling Centers) are functioning only in six districts. Even these FLCCs do not conform fully to the Model FLCC scheme worked out by RBI. Besides, the FLCCs need to diversify the areas of their counseling. Lead banks in the districts should take immediate measures to establish FLCCs by September 2011 as agreed to in the meeting held in RBI on June 13, 2011 and further diversified activities should be introduced. Progress should be reported to RBI as per the quarterly statement formats prescribed. Even in the case of RSETIs, there is a need to provide training in diversified activities as also post training handholding for the trainees to establish their own businesses.

He expressed that one of the suggestions mentioned in the agenda for improving agri-credit (IBA Standing Committee) was for RBI to consider treating the crop loans routed through companies to farmers as direct agricultural credit. As per the current guidelines on priority sector advances, such advances are not considered either as direct or indirect advances to agriculture. Since a policy decision needs to be taken in the matter, he suggested that a reference may be made to RBI by SLBC, for taking up with their Central Office.

He informed that RBI received information from banks that many of the agricultural loans pertaining to the earlier years are still outstanding and became NPAs. The matter has been discussed with top State Government officials who had promised to help the banks in recovery. SLBC needs to devise an action

plan towards this immediately and advise banks. Also, SLBC may seek cooperation from all the government departments in recovery of loans under various government sponsored schemes (apart from SHG loans for which such cooperation already exists) and prepare action plans. As the cost of resources such as deposits, borrowings etc., by banks has increased in the recent times, it is imperative that the banks concentrate on recovery. In fact, during the quarter from April to June 2001, the growth in deposits was only 3.06%. For funding the ACP, recovery is the least cost and permanent resource to the banks. He also urged the State Government to sensitize the borrowers on the need to repay the loans and help the banks as borrowers seem to think that another waiver will come.

Under the MSME loans, the Regional Director observed that while the credit flow to the sector is satisfactory, the rehabilitation of sick units by banks is not encouraging. He advised banks to identify the potentially viable sick units and undertake time bound rehabilitation measures as these sick units are a drag on the economy.

He informed that another issue that came to our notice through the representations received from public representatives as well as general public from agency areas is the availability of bank branches. Some of the branches in agency areas were earlier shifted on security reasons to nearby towns. RBI received representations relating to Bhupalapalli in Warangal district, Rampachodavaram in East Godavari and Paderu in Visakhapatnam. Now that the security situation has improved, these branches need to be shifted back to their original places so that the public are not inconvenienced. He requested SLBC to collect data relating to such branches and advise the concerned banks to evaluate the situation and shift branches to their original localities.

He felt that on the whole, dispensation of credit at 53% for Kharif crop is reasonable considering that sowing started late in the State and rains played truant, and about 2 months still remain in the season. He urged the banks not to be satisfied with this percentage, but constantly strive to reach 100% and more of the targets.

Later, Hon'ble Chief Minister released one CD, brought out by NABARD, AP, titled "GRAMEENA ABHYUDAYAM". Chief Secretary of AP released brochure on "Poultry Venture Capital Subsidy Scheme", brought out by NABARD.

Sri P. Mohanaiah, Chief General Manager (CGM), RO, NABARD:

In his address, Sri P. Mohanaiah, CGM, NABARD touched the following points:

Ground Level Credit: In tune with the announcement of the Hon'ble Union Finance Minister, loans for agriculture in SCP were revised to Rs.48000 cr. including Rs.17000 cr. for ATIs. Hence, special focus should be there for Investment credit.

Credit opportunities in Watershed Development Projects: He informed that NABARD is implementing 478 watersheds in the State covering an area of 5.23 lakh hectares in the State. As a result of implementation of watersheds, additional demand for credit is created on account of additional area being brought under cultivation, increase in crop intensity, and diversification of crops and also enhanced opportunities for livelihoods. He advised that Banks can take advantage of the emerging opportunities and increase their credit exposure in these areas. In addition, the State Govt. is also implementing large number of watershed in the State which will also generate similar credit opportunities to the banks.

Credit Opportunities under RIDF Projects: He informed that NABARD is supporting the Government of Andhra Pradesh in implementing various projects under irrigation, rural connectivity etc., which generate additional credit potential in these areas. Banks may focus on these areas and take advantage of the credit opportunities so generated.

Farmers' Clubs: Sri Mohanaiah stated that as on date, about 5700 Farmers Clubs are being supported by NABARD in the State so that they intend to take this number to about 7000 by the end of this year. Directories in respect of 11 districts have been printed and circulated. Banks may utilize the forum of Farmers Clubs for business promotion and recovery by making them Business Facilitators. NABARD would support training of Farmers Clubs as Business Facilitators.

Investment Credit :

Sri Mohanaiah informed the House that State Level Unit Cost Committee has been revived and Unit Cost have been finalised for Farm Sector investments.

He informed that as a part of the dissemination process, brochures on Government Sponsored Schemes have been formulated and circulated by NABARD

He informed that there is a good response for dairy scheme in the State. More than 8000 claims have been received from banks. From 01 September 2011, with a view to enable expeditious sanctions of subsidy claims, he requested all Controllers to submit claims in soft form in CDs in addition to hard copies.

He also requested all banks to give the addresses and e-mail ids of all their Regional Offices and Controlling Offices enabling them to forward schemes etc., directly. NABARD has allocated Rs.2380 crore towards refinance support to the banks in the State (Rs.1000 cr. for CBs, Rs.1000 cr. for RRBs and Rs.380 cr. for Cooperative Banks). If need be the refinance support could be increased.

Production Credit

He suggested a detailed strategy for covering uncovered farmers to be followed by Banks

Joint Liability Groups (JLGs) : Incentive claims for formation and linkage of JLGs are to be routed through the Controller of banks for submission to DDM, NABARD. Rs.2000/- per JLG formed shall be given by NABARD.

Financial Inclusion

i. Financial support from FIF and FITF - extent of support to eligible financial institutions :Cooperatives :90%, RRBs-80% and CBs (only in Khammam district) - 60% . These rates for extent of support are applicable to the proposals received on or after **16th September 2010**

ii. Banks to obtain prior approval from NABARD before seeking the reimbursement under FIF / FITF for the cost of publication / printing etc., in respect of financial inclusion.

Financial Inclusion by RRBs through BC model using ICT solutions

He advised that RRBs may prepare ICT based proposals for coverage of allotted villages by seeking support from the FITF. These proposals may be vetted by sponsor banks for technical expertise before submission to NABARD, Regional Offices. If any guidance is required in preparation of ICT based proposals and also to ensure submission of proposals by due date, RRBs may feel free to seek support / guidance from NABARD.

Bank-wise allocation of Targets under Swarojgar Credit Card (SCC) Scheme

He informed the House that a target of 40000 SCC allocated among CBs, RRBs and Coop in the ratio of 50:20:30 communicated to SLBC vide letter dated 19 August 2011. He requested that SLBC may fix bank-wise / district-wise targets among the Commercial Banks.

Mr. R. Subrahmanyam, Principal Secretary, Rural Development Dept.

At the outset, the Principal Secretary informed the House that AP achieved the distinction of standing **first** in the country by issuing 1.5 million Bio-metric Smart Cards. He complimented banks for enabling to achieve the distinction.

While welcoming the proposed convergence of EFT and Financial Inclusion, he stated that the issue of allowing CSPs to open accounts with nearest Bank branches remain unresolved . He requested for resolution of the issue.

While assuring necessary support from State Administration for recovery of dues under SHG lending, he reiterated the need for using CBRM mechanism increasingly to help recoveries. He suggested for giving more propaganda on availability of "Pavala Vaddi" for prompt repayment among SHGs.

Mr. Raja Sekhar, CEO, SERP

CEO, SERP, thanked Banks for sharing the data base on SHG which is enabling SERP to make an in-depth study of the entire portfolio. He sought continuation of the initiative.

The CEO complimented Sapthagiri Grameena Bank and Andhra Pragathi Grameena Bank for their good performance under SHG-Bank Linkage.

As regards, Overdues in SHG segment, he informed that the problem persists with some Banks in the State. Districts like Khammam, Adilabad, Nellore, Srikakulam and Vizianagaram have very high overdues.

The CEO informed that the progress in respect of financing SHGs of persons with disability is far from satisfactory and there is a need to give thrust for such lending.

The implementation of the guidelines with regard to rescheduling of bridge loans, with one year moratorium and 84 months repayment is to be ensured.

Mr. Nagireddy, Principal Secretary, Agriculture.

The Principal Secretary informed that increasing cost of inputs and non-availability of labour are the two main reasons which prompted farmers in certain areas of the State to declare 'Crop Holiday'. To address these issues, State Government has already initiated required measures. One among them is mechanization of SRI cultivation. For this purpose, out of the 3000 identified centres, Government has decided to set up service centres with outlay of Rs.74 lacs to let out machinery for farming operations. 50% of the proposed outlay will be subsidized by the State Government.

Another initiative is to help Sugar Cane farmers. As sugar cane crop is labour intensive, non-availability of labour became a major constraint to farmers. To address the problem, State Government has decided to set up 'Systematic Sugar Cane Intervention Centres' with outlay of Rs.1.34 cr., out of which Rs.34 lacs is available by way of subsidy.

The Principal Secretary informed that both the initiatives are economically viable propositions and he requested Bankers to extend finance for setting up the centres.

Principal Secretary, Social Welfare

The Principal Secretary informed Bankers that many of the accounts opened by Students for drawing scholarships are categorized as 'dormant accounts', thereby putting the students to hardship in getting scholarships. He requested the Banks to take steps to make the accounts 'active.'

He said that students are made to run from pillar to post for opening 'no-frills' accounts with Banks. He requested Banks to take immediate corrective steps.

He informed that the system of providing 'on-line' credit is extended to all Banks now.

Convenor, SLBC and General Manager, Andhra Bank

Convenor, SLBC, said that though all Banks confirmed lodgement of claims for interest reimbursement on crop loans upto 31.3.2011, (7% Interest Waiver), in mandals affected by Heavy Rain/Jal Cyclone in the year 2010, still State Government is informing non-receipt of claims from Banks. He appealed to all Banks to verify the factual position once again and complete the process of putting up claims, for pending cases, if any. He also requested Banks to improve performance under 'Lending to minority Communities' and 'Educational Loans'.

He also informed that the problem of overdues under SHG and other Government Sponsored Schemes should be seen from the angle of prudential norms as even a small amount of overdues can make the entire balance outstanding in the account as NPA.

The President of SLBC and CMD of Andhra Bank, said that the real concern is about overdues in 60-90 days bracket as these overdues, if unrecovered, will pull down the quality of the asset portfolio and make them NPA.

MEPMA

With co-operation and support from Banks in the State, AP stood first in the country in grounding of units under MEPMA. However, Banks should also concentrate on increasing the dose of assistance and total Financial Inclusion. Necessary guidelines to branches should be given for opening of accounts, financing of Disabled Groups and Slum Level Federations.

Addl. Mission Director MEPMA, while assuring Bankers to extend necessary support for recovery, he requested for furnishing of information on urban SHGs separately for better monitoring.

Agricultural Insurance Corporation

Sri P. Nagarjun, DGM, AIC of India has sent a note to SLBC informed that under MNAIS and WBCIS, the date for submission of declarations by the Banks is extended by the Competent Authority till 31.08.2011 for Groundnut under WBCIS and up to 15.09.2011 in respect of Cotton, Red Chilly under WBCIS and for all crops in three districts viz., Prakasam, Nellore and Warangal under MNAIS.

He informed that the limitations specified under NAIS are within the knowledge of GOI, GoAP and AIC and all these features are included in MNAIS which is under implementation in three districts in AP from Rabi 2011-12. He also informed that only when the losses are beyond 100% of the premium in case of Food Crops and Oil Seed Crops and 150% of the premium in case of Commercial and Horticultural crops, the losses are shared by Central and State Governments. Otherwise AIC will pay for the losses.

The Meeting concluded with Vote of Thanks proposed by Lead District Manager, Medak.

Action Points emerged in the meeting

Agriculture - Credit Flow to Agriculture

The progress made under Kharif Crop Loans is Rs.10803 crores against the target of Rs.20285 crores which is 53.25% only. In respect of Term Loans the achievement is Rs.5588 crores against the target of Rs.9171 crores which is 32.84%. The overall agriculture lending in Kharif season is Rs.16391 crores against the target of Rs.29456 crores which is 55.64% only

As per the latest information given by LDMs and State Agriculture department, the achievement under crop loans is Rs.12,305 Crores as on 20.08.2011 as against the target of Rs.20,285 crores which is 61.00%.

Action Points:

- All Banks need to take steps for achieving the target during the current Kharif season and the target should be completed by 15-09-2011.
- Banks may encourage financing of Agro Service Centers and SRI Vari Sagu Centers under Subsidy Scheme of GoAP

(Action: All Banks)

Agriculture Sector- Union Budget 2011-12

Action Points:

- All Banks are advised to note the provisions of Union Budget 2011-12 and give adequate thrust for improving Agricultural credit to the focused sectors.

(Action: All Banks)

Coordination between Banks and Department of Agriculture

Action Points:

- The Coordination between Banks and Agriculture Department may be extended to Recovery also
- Special Campaign to be undertaken by Agriculture department for improving recovery of Banks
- Recovery Cells may be created in the Offices of Commissioner of Agriculture and Joint Directors of Agriculture for regular follow up

(Action: State Agriculture Department, LDMs and All Banks)

Scales of Finance and Unit Costs**Action Points:**

- All the Banks are advised to sensitize their branches for extending crop loans as per Scales of Finance
- NABARD may finalize Unit Costs for the year 2011-12 and circulate among all Banks

(Action: All Banks and NABARD)

Extending finance for establishment of Agriclincs and Agri Business Centers & Agri Service Centres**Action Points:**

- All the banks are advised to give adequate publicity and thrust for financing establishment of Agriclincs and Agri Business Centers.
- Banks may extend finance under Subsidy Scheme of GoAP., for establishment of SRI Vari Sagu Centres and Agro Service Centers for Sugar Cane Crop.

(Action: All Banks)

Financing Storage Structures**Action Points:**

- There is need to encourage financing Rural Godowns and Cold Storages by Banks utilizing the Schemes of GOI to mitigate difficulties of the farmers for storing the Agricultural Produce.

(Action: All Banks)

Financing Loan Eligibility Card Holders and Uncovered Farmers:**Action Points:**

- All the Controlling Authorities of the Banks are requested to issue necessary instructions once again to their respective bank branches immediately, so that the lending can be speeded up under the Scheme.
- SLBC may convene a Special Meeting to discuss the slow progress under LEC Scheme and arrive at a Action Plan to cover all the eligible LEC holders during the Khariff season.
- Banks may advise the rural and semi urban branches to finance a minimum 200 new non loanee farmers per each rural and semi urban branch during this year.

(Action: All Banks, SLBC & Agri. Dept.)

Steps for improving Agriculture Credit- IBA Standing Committee Suggestions**Action Points:**

- IBA recently conducted meeting of the Standing Committee on Agri Business and MSME. The suggestions given by the committee includes – expansion of branch net work, more focus on rain fed areas, opening credit processing centers, encouragement to non food grain crops, diversification to horticulture, dairy, poultry, fisheries, sericulture, bee keeping, etc
- All the banks are requested to note and give adequate thrust for improving agricultural lending
- More number of Farmers' Clubs may be opened by Banks
- NABARD may produce short educative films and assist Banks in financial inclusion initiatives
- Government may introduce Interest Subvention Scheme/ Pavala Vaddi Scheme for Investment Credit under Agriculture Sector

(Action: All Banks, NABARD and State Agriculture Department)

Crop Insurance Scheme**Action Points:**

- It is being reported that some of the bank branches are not covering all the loans allowed for raising insurable crops under crop insurance. As per the guidelines of NAIS, MNAIS and WBCIS it is compulsory for the banks to cover all the loanee farmers under crop insurance
- Banks to ensure that timelines for submission of declarations are to be followed without deviation to avoid complications
- Under MNAIS and WBCIS, the coverage of crop insurance is based on sanction of loan and very short time is being given for coverage. SLBC requested AIC of India to relook the system in the light of KCC guidelines
- Updation of Land Records on regular basis is also important under new Schemes of Crop Insurance. GoAP may ensure the same on an ongoing basis

(Action: All Banks, AIC of India and State Agriculture Department & Revenue Department)

Pavala Vaddi Scheme for crop Loans**Action Points:**

- The Agriculture Department of GoAP is requested to look into the guidelines on interest subvention scheme of Government of India and make suitable amendments in the Pavala Vaddi scheme as per the guidelines of Kisan Credit Card Scheme
- All the Pending Pavala Vaddi claims may be released immediately

(Action: State Agriculture Department)

Interest waiver of GoAP on crop loans extended up to 30.11.2010 for 684 Mandals:**Action Points**

- All the banks are requested to send the pending Claims to Agriculture department immediately.
- All the LDMs are advised to coordinate with Banks and Agriculture department and ensure that task is completed immediately.
- Agriculture Department, Govt. of AP is requested to speed up the process of reimbursement of interest to banks in respect of the claims received.

(Action: All Banks operating in affected 684 Mandals and LDMs of concerned districts)

Input subsidy payment to the farmers:**Action Points**

- Agriculture department may review the present system of payments of subsidy to the farmers and technology oriented effective system may be adopted (RTGS and NEFT).

(Action: State Agriculture Dept., Govt. of AP)

Kisan Credit Card Scheme

- All the Banks may advise their branches to ensure increase of minimum 20% in Kisan Credit Cards, both in quantum of finance as well as number of farmers covered during this financial year.

(Action: All the Banks)

Pattadar Pass Books

- Government of Andhra Pradesh, Revenue Dept., is requested to speed up the issuing of tamper proof Pattadar Pass Books in all the districts so that the Banks can extend hassle free finance to the farmers.
- In the meanwhile Govt. of AP, Revenue Dept., is requested to hand over soft and hard copies of revenue records to the branch managers for their cross verification.
- Updation of land records is to be taken up on urgent basis

(Action: State Revenue and Agriculture Departments)

Crop Holiday being observed in certain areas

- GoAP may initiate required steps in the Crop Holiday declared area and ensure that Banking System is not affected

(Action: GoAP)**Action Plan given by GOI- Improving Lending to Agriculture**

- SLBC may hold a Special Meeting of Bankers and Government to discuss about the Action Plan suggested by GOI

(Action: SLBC)**Financial Inclusion****Achievement of 100% Financial Inclusion (opening of No Frills accounts) in Andhra Pradesh in all districts except Hyderabad district:****Action Points:**

- The Lead District Managers of Karimnagar, Krishna, Mahabubnagar, Nalgonda, Visakhapatnam, Khammam, East Godavari and West Godavari Districts advised that they may take suitable steps for completion of the task of opening No Frill accounts before 31st December, 2011.
- Banks to open No Frill accounts without any restrictions to students to enable them to source scholarships from Government.

(Action: All the above eight LDMs & All Banks)**Financial Literacy and Credit Counseling Centers (FLCCCs)****Action Points:**

- All the Lead Banks are requested to open the FLCCs in their respective districts before 30th September, 2011.
- At present six FLCCs are functioning at various districts and all these are not as per RBI guidelines. Hence respective lead banks are requested to set up FLCCCs as per the guidelines before 30th September, 2011.

(Action: All Five Lead Banks)**Rural Self Employment Training Institutes / Rural Development & Self Employment Training Institutes & Andhra Pradesh Bankers Institute of Rural Entrepreneurship Development****Action Points:**

- All the Lead banks are advised to instruct their RSETIs to Plan for Special Programmes for Minority Communities and SCs/STs
- RSETIs may Plan for conducting awareness programmes to the branch Managers in association with LDMs and DDMs of NABARD for building awareness on need for extending finance to RSETI trained candidates

(Action: All Lead Banks)

Implementation of Financial Inclusion Plan (FIP):**Action Points:**

- All the LDMs are requested to complete the Reconciliation of difference in the villages at the district level in consultation with respective banks before 15th of September, 2011, so that it will facilitate for submitting the state position to Gol at the end of Sept., 2011.
- All the Controllers of the Banks in Andhra Pradesh who are involved in the FIP are requested to advise the respective District Coordinators to complete the task before 15th Sept., 2011.
- If required, SLBC may hold a meeting of concerned Banks at State Level
- In respect of villages with population of below 2000, the concerned Banks are advised to submit their Plan of Action by 15.09.2011.
- SLBC may collect data on the branches shifted from their original location for security reason & review the position.

(Action: All LDMs, SLBC and Controller of Banks involved in FIP)

Aadhaar based Financial Inclusion:**Action Points**

- All the Banks are advised to take Steps for enrollments under the Scheme in coordination with UIDAI

(Action: All Banks)

Financial Inclusion- Extending Finance to Minority Communities**Action Points**

- The lending to minority communities should be minimum of 15% of Priority Sector Lending
- The outstanding finance to minority communities as on 30.06.2011 is Rs.11,815 Cr forming 7.49% of PSL
- All the Banks need to open more number of branches in Minority concentrated areas and step up lending to Minority communities
- Lead Banks may advise their RSETIs to conduct exclusive programmes to candidates of Minority Communities

(Action: All Banks)

Cash Management under FIP**Action Points**

- Some of the Banks are facing cash management problems and are requesting for the opening of accounts of their CSPs in the other Banks
- RBI advised Banks that an intermediary Brick and Mortar structure may be created exclusively to cater to the needs of CSPs which eventually may be converted to full-fledged branches
- Banks may take suitable steps as advised by RBI

(Action: All Banks implementing FIP)

Convergence of EBT with FIP**Action Points**

- **The existing sub – committee of the following members may study the related issues pertaining to the convergence of EBT with FIP and suggest their decision.**

1. Principal Secretary (Finance – IF) GoAP
2. Secretary (Rural Development – EBT) GoAP
3. Representatives of five lead banks – Andhra Bank, SBI, SBH, Syndicate Bank and Indian Bank
4. Chairman, Deccan Grameena Bank.

The Sub Committee may submit its decision before 30.09.2011 to SLBC.

(Action: Finance (IF) Dept. of GoAP)

Engaging Common Service Centers**Action Points**

- Dept. of Financial Services, GOI advised all the Banks to mandatorily utilize the services of Common Service Centers (CSCs) in FIP implementation. SLBC, A.P. has circulated the list of CSCs operating in A.P. to all Banks.
- Majority of Banks are going in for 'end to end' contracts with their service providers for FIP implementation. **In the light of present instructions received from the Government, the Sub Committee constituted may study this aspect and submit their decision to SLBC.**

(Action: Finance (IF) Dept., GoAP)

Housing Loans**Action Points**

- Under ISHUP Scheme, considerable gap is continuing between Applications sponsored (31,891) and Sanctioned (11,205); Sanctioned and Disbursed (6,140); Disbursed and Subsidy claimed. Banks need to sensitize their branches
- APSHCL informed that GoAP released GO No. 185 dated 27.07.2011 to cancel the allotments and re-allot the houses/ flats which are not occupied/ let out / Chronic defaulters and detailed guidelines are issued. All the Banks may use the opportunity given for improving the recovery position and sponsored Housing Schemes
- Banks may reschedule all the pending weaker section housing loans to make the borrowers eligible under Go No.42 of GoAP

(Action: All Banks)

Educational Loans**Action Points**

- GoAP may advise the Tahsildars to issue income Certificate as per the format of IBA to the Economically Weaker Section category students to enable them to get the benefit of GOI Scheme to provide Interest Subsidy on Educational Loans

(Action: GoAP)**SME Sector****Action Points**

- Banks to give thrust for financing under CGTMSE Scheme and ensure that the target allocated for 2011-12 is achieved
- Banks to ensure that the share of Micro Enterprises in SME sector is 55% by 31.03.2012
- Banks may give thrust for Conducting Viability Studies and Rehabilitation of Sick Units
- Implementation of Chakravarthy Committee Recommendations in respect of – Preparation of Model Projects at District Level and Establishment of Central Registry at State Level By GoAP are to be attended to
- Correct Classification of advances under SME Sector is to be ensured by Banks

(Action: All Banks)**Waiver of Loans of Handloom Weavers****Action Points**

- The final Cut-Off date for Submission of Claims under the Scheme is 30.09.2011 and Banks may ensure submission of claims well before that date
- Handlooms Department may take steps for early release of claims wherever claims are submitted by Banks

(Action: All Banks)**Lending to Minority Communities****Action Points**

- All the Banks to Lend to Minority Communities under Priority Sector with a minimum of 15% as per Gol stipulation.
- All the Banks to open branches in the Minority concentrated areas for improve the lending to Minority Communities so as to achieve the minimum target of 15% at least by March, 2012.
- RSETIs may be effectively utilized for developing entrepreneurship among Minority Communities by conducting exclusive Programmes

(Action: All Banks)

Lending to Weaker Sections, Women and SCs/STs & under DRI Scheme**Action Points**

- All the Banks are advised to give adequate thrust for financing to Weaker Sections, Women and SCs/STs and under DRI Scheme
- All Banks may largely open NO FRILL Accounts to facilitate Students belonging to weaker sections to source scholarships from Government

(Action: All Banks)**SHG- Bank Linkage Programme****Action Points**

- SERP and MEPMA may sensitize their field level functionaries for increased involvement in recovery of Bank Loans
- Banks may focus on issues as recommended by the Core Committee and ensure that SHGs get adequate timely credit from the Banks
- SHGs comprising Persons with disabilities should be given adequate support by Banks

(Action: All Banks)**Lead Bank Scheme – Implementation of Recommendations of High Level Committee****Action Points**

- All the Banks are advised to implement the recommendations of High Level Committee on Lead Bank Scheme as advised by RBI
- All the Lead Banks to ensure that their LDMs take active part in the district in implementation of Lead Bank Scheme
- All the Lead Banks to ensure that adequate infrastructure is provided to LDM's Office to enable him to discharge his duties effectively

(Action: All Banks)**Central and State Government Sponsored Schemes****Action Points**

- Adequate Publicity is to be given to the centrally sponsored Schemes
- Apart from achieving the lending targets, qualitative aspect of lending also need to be ensured by the Banks
- Delays in implementation of the Schemes need to be avoided and branch Managers are to be sensitized

(Action: All Banks)

Overdue and NPA Position**Action Points**

- As per the information received from Banks; the balance in overdue accounts (Potential NPAs) are heavy under Crop Loans (24.53%), Agricultural Term Loans (19.09%) and it is 14.71% under Total Priority Sector and 10.69% under Educational Loans. GoAP may extend assistance to Banks in recovery of chronic dues
- The measures suggested by SLBC (Positive publicity for recovery from Agriculture Dept. and SERP) may be implemented.
- Increased Coordination at field level may be ensured by Agriculture Dept. and SERP/MEPMA may be ensured

(Action: All Banks)**Flow of Information****Action Points**

- Timely and accurate information flow from Banks and LDMs is pre-requisite for effective functioning of SLBC
- General Manager, RBI has taken up the matter in several fora
- All the Banks are requested to ensure timely submission of information to SLBC and LDMs

(Action: All Banks)**Long Pending Issues****All the Banks and Government may focus on the following long pending issues**

- Agriculture- Pattadar Pass Books
- SME- Implementation of Chakravarthy Committee Recommendations
- Financial Inclusion- Declaration of all Districts as financially included
- Opening of FLCCs

(Action: All Banks and GoAP)**CONCLUDED**