

Proceedings of 176th SLBC MEETING

Date : 12.12.2011
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 176th Meeting of the SLBC of Andhra Pradesh was conducted on 12.12.2011 at Jubilee Hall, Public Gardens, Hyderabad at 04.00 p.m. Sri N. Kiran Kumar Reddy, Hon'ble Chief Minister of Andhra Pradesh participated in the meeting as Chief Guest.

Hon'ble Ministers , Sri Anam Ramanarayana Reddy, Sri N. Raghuvveera Reddy and Smt Sunitha Laxma Reddy, Sri V.K. Sharma, Executive Director, Reserve Bank of India, , Sri L.K. Meena, Director, Department of Financial Services, Government of India, Sri A.S. Rao, Regional Director, Reserve Bank of India , Officials from Government of India and Andhra Pradesh, Chief Secretary, Principal Secretaries, Secretaries, Commissioners, Directors, Heads of Departments of Govt. of AP , Sri P. Mohanaiah, CGM, NABARD, Sri M. Sudhir Garg, CGM, SBH, Sri T. S. Krishna Swamy, GM, SBI, Executives from Reserve Bank of India, NABARD, Banks, Chairmen- RRBs, Lead District Managers participated in the meeting. The detailed list of participants is given in the annexure.

The President of SLBC welcomed the participants. In his welcome address, the President stated that improving Agricultural Credit has been one of the focussed and priority areas for the banks. Secretary, Department of Financial Services, Ministry of Finance, Government of India had also sent special directive to SLBC Convenor for implementation of an action plan for improving agricultural credit. The matter was discussed in the 175th SLBC Meeting held on 26.08.2011 and a Special SLBC meeting was conducted on September 7, 2011 wherein the Government directives were discussed at length for implementation. Service Area Plans of the districts were prepared and uploaded on the websites at the district level.

The President informed that a common application has been designed by SLBC in consultation with NABARD and Agriculture Department has supplied to all their Agricultural Officers for collecting the duly filled in application forms from the non loanee farmers and send the same to the concerned service area bank branches. This process has since commenced. Special DCC meetings were conducted at the district level to deliberate and initiate action on the Plan suggested by Government of India.

The President informed that the GOI directed all the banks to undertake a Special Campaign from December 1, 2011 to December 15, 2011 and with the coordination of Agricultural Department, the process of obtaining filled in applications from the non loanee farmers is being done. During the current year, Banks have covered 3.14 lakh new non loanee farmers and the process is to be continued till all the non loanee farmers in the State are covered.

He informed that the Government of Andhra Pradesh declared 876 mandals, spread over 21 districts, as drought affected during the current year. SLBC conducted a Special Meeting involving Senior Officials of Banks, Agriculture Department and Revenue Department of Government of Andhra Pradesh and all the banks were advised to initiate relief measures as per the guidelines of Reserve Bank of India. The President reiterated that banks have rescheduled crop loans of borrowers in the natural calamity affected mandals during the last two years and in many mandals, this is the third year of calamity. Consecutively, in many cases, the debt burden of farmers has increased enormously and this is a cause for concern.

To facilitate financing of tenant farmers, GoAP promulgated an Ordinance to issue Loan Eligibility Cards (LECs) to the identified tenant farmers through Revenue Department. The identified tenant farmers are eligible to get input/fertilizer subsidy, crop insurance and other benefits apart from bank loan. During the current year, 5, 77,500 of such farmers have been identified by GoAP and LECs have been issued. Banks are extending finance to them and so far 1,80,900 tenant farmers were extended bank credit as

against 95,000 tenant farmers financed for the full year during 2010-11. It would be the endeavor of the Banks to cover all the eligible LEC holders during the current year and make up the shortfall if any.

The President placed before the house, the highlights of the performance of the Banks in Andhra Pradesh as at the end of September, 2011.

Deposits and Advances

As at the end of September, 2011, Deposits and Advances in the State stood at Rs. 3,08,248 Cr., and Rs.3,48,764 Cr., with YoY growth of 20.30% and 18.80% respectively. The growth, in absolute terms, during the 1st half year of 2011- 12 in Deposits and Advances was at Rs. 24,648 Cr. and Rs. 21,489 Cr respectively.

Credit Deposit Ratio

The C.D. ratio of the State stood at 113.14%, as on 30.09.2011, against the prescribed minimum level of 60% by RBI and continues to be one of the highest in the country. The incremental CD ratio during the 1st half year, 2011-12, worked out to 114.70%.

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. 43,139 Cr., during the 1st half year, thereby achieving 58.84% of the annual target.

Banks disbursed Short Term Crop Production loans of Rs. 21,601 Cr against the target of Rs.20,285 Cr and under Agricultural Term Loans the disbursement was Rs. 10,948 Cr against the target of Rs.9,171 Cr constituting 106.49% and 119.38% of the Khariff Target respectively.

Similarly, Banks disbursed loans to the tune of Rs. 4,263 cr against the annual target of Rs. 8,198 Cr under SSI and Rural Artisan Segment and Rs. 6,327 Cr against the target of Rs.17,118 Cr under 'Other Priority Sectors', constituting 52.00% and 36.96% of the Annual Target respectively.

Priority Sector advances

The Priority Sector Advances, at the end of September, 2011, were at Rs. 1, 62,915 Cr., with YoY increase of 16%. In absolute terms, the YoY growth in Priority Sector Advances was Rs. 22,453 Cr. As against the Regulatory prescription of 40%, the Priority Sector Advances in the state constituted 49.78% of total advances of 31st March, 2011.

Agricultural Lending

The Agricultural Advances, at the end of September, 2011, were at Rs. 90,654 Cr., with YoY increase of 18.35%. In absolute terms, the YoY growth in Agricultural Advances was Rs. 14,054 Cr. As against the Regulatory prescription of 18%, the Agricultural Advances as a percentage to total advances in the state constituted 27.70% of 31st March, 2011.

The outstanding credit under Agriculture sector was Rs. 90,654 Cr. as at the end of September, 2011, which is one of the highest in the country.

He informed that from the current Rabi Season onwards i.e from October 1, 2011, Government of Andhra Pradesh has announced its decision to bear the total interest burden of the farmers on crop loans up to Rs. 1.00 lakh in the event of prompt payment and to extend Pavala Vaddi for the loan amount from Rs. 1.00 lakh to Rs. 3.00 lakh. It was also announced that loans to SHGs up to Rs. 5.00 lakhs will be eligible for full interest subvention in the event of prompt payment, as per scheme to come into effect from January 1, 2012. We await GO in this regard. This measure will have indirect positive impact on the recovery. He hoped that Bankers will take advantage of the same and step up their recovery efforts, with appropriate counseling on the benefits of prompt payment.

SME Sector Advances

The outstanding under SME sector stood at Rs.32, 807 Crore as on 30.09.2011, with YoY growth rate of 29.32%. Against the current year target of 15,000 units under credit guarantee scheme of CGTMSE, Banks have extended finance to 4948 units, with an outlay of Rs.334 Cr., up to November 30, 2011. Since this scheme encourages first generation entrepreneurs to establish units, the performance under the Scheme needs to be improved by all the Banks. Similarly, conducting viability studies and taking up rehabilitation measures needs to be given adequate thrust by the Banks.

Housing Sector

Housing sector needs a lot of support from the banking system. Though Andhra Pradesh State has achieved lead position in implementation of ISHUP (Interest Subsidy Scheme for housing Urban Poor), in absolute terms, the implementation is not on the expected lines. It is understood that GOI is contemplating to modify guidelines under the Scheme and the modified guidelines are expected shortly. Banks need to narrow down the gap between sanctions and grounding and between grounding and claiming of subsidy. Wherever there are problems in recovery, the support extended by State Housing Department and Housing Corporation is to be utilized.

Educational Loans

Banks in our State have lent Rs. 5519 Crore under the segment which helped many students to pursue higher studies. IBA has recently given modified guidelines on educational loan scheme and all the banks are requested to take steps for adopting the same. Further, necessary steps are to be taken for implementation of GOI interest subsidy scheme for economically weaker sections.

Self Help Groups

Under SHG - Bank linkage program, our State continue to lead the country. The outstanding finance as at the end of September, 2011 was at Rs. 13,207 Cr. During the half year ended 30th September, 2011, Banks disbursed an amount of Rs.2, 932 Cr. to 1, 31,524 Rural SHGs and Rs. 764 Cr to 36,442 urban SHGs.

Financial Inclusion

With regard to Financial Inclusion Plan to cover all the villages with over 2000 population, it was agreed upon to cover all the allocated villages before the end of November, 2011, by Commercial Banks and

before the end of December, 2011, by RRBs. As per the information received by SLBC, the collective coverage by all the Banks so far is 5389 villages, as against the target of 6,661. The Public Sector Banks have covered 4138 villages against the target of 4560 villages and 422 villages are yet to be covered. RRBs need to cover 740 villages and Private Banks need to cover 89 villages. All Banks are expected to complete the process by the end of December, 2011.

In respect of villages with population of above 1000 and up to 2000, SLBC has sent a list of 6470 villages allocated by the respective District Level Sub Committees (DLSCs) to individual banks. In respect of villages with population of below 1000, the mapping was completed by LDMs and at SLBC level and the reconciliation work is in advance stage. GOI has advised that, henceforth, the service area should be strictly based on Panchayat as unit and steps needs to be initiated that no Gram Panchayat is left without banking services.

He also informed that the Government of India advised that State Financial Services Plans are to be prepared at State Level and District Financial Services Plans are to be prepared at District Level which is to include other Financial Services such as Life and other Insurance Plans also. To discuss the modalities of Comprehensive Plans to be prepared, it is proposed to constitute a Sub-Committee of SLBC with Lead Banks, NABARD and Public Sector Life and Non Life Insurance Companies.

The President informed that Andhra Pradesh is one of the very few States having RSETIs in all the districts. The Steering Committee on RSETIs is reviewing the progress every month. All Banks need to sensitize their branches for providing financial assistance to the RSETI trained candidates. Unless, the trained candidates are settled in self employment ventures through required financial assistance, the effort of RSETIs will not be fruitful. LDMs need to play an active role in this regard and regularly review the progress in all the District Level meetings.

Reserve Bank of India has advised all Lead Banks to put in place FLCCs in their respective Lead Districts. Andhra Pradesh is having 12 FLCCs at present. All Lead Banks are requested to initiate steps for establishment of FLCCs, as per RBI guidelines, before December 31, 2011.

Recovery issues

The Issue of Recovery continues to haunt Banks in the State. On a review of the position as at the end of September, 2011, it was observed that overdues continue to be on the higher side under Crop Loans, Agricultural Term Loans, SHG Loans, and Loans under Government Sponsored Schemes. The issue assumed greater significance as the reporting of NPA is system driven from September, 2011. RRBs are also required to prepare for system generation of NPAs from March, 2012.

There is a need for the Banks and State Government to work together to give continuous publicity for prompt repayment of the loans and to spell out the financial benefits accruing to the borrowers upon prompt repayment under the total Interest Waival /Pavala Vaddi Scheme for crop loans and SHG-Bank Linkage.

At the field level our staff started popularization of the positive initiatives of State Government and farmers and SHG members are being educated to be prompt in repayment and avail the benefit of interest subsidy. We have already requested the State Government to release advertisements in the News Papers indicating the need for timely repayment of loans to Banks.

Agriculture Department has constituted a State Level Team to augment the efforts of the Banks in the recovery. A repeat of such initiative, at regular intervals, in a planned and coordinated manner, will definitely yield positive results.

He said that it is needless to reiterate that active involvement and support extended by all the agencies is necessary for the effective functioning of SLBC and solicited continued support of all the Organizations and Agencies.

The various initiatives being taken by the Central Government to bring the Banks within the reach of the poorest of the poor and work for the economic upliftment have to be taken forward by the Banks with Commitment and Concern.

The President once again assured on behalf of SLBC that all banks will continue to extend full support and stand up to the expectations and aspirations of the State Government in the development of the State of Andhra Pradesh particularly in the field of Agriculture.

Hon'ble Chief Minister Sri N. Kiran Kumar Reddy garu:

Hon'ble Chief Minister of Andhra Pradesh, Mr. Kiran Kumar Reddy garu, while delivering the key note address, expressed that it is a matter of immense pleasure to him to be part of this 176th State Level Bankers' Committee of Andhra Pradesh.

Hon'ble Chief Minister, mentioned that he is very glad to note that the Banks in the state, under the Leadership and Guidance of SLBC, are playing a pro-active role and extending financial support for various economic development programmes taken up by the State Administration. He thanked all Bankers and the State Level Bankers' Committee for their valuable contribution.

Hon'ble Chief Minister informed that the performance of Banks in the State during last year 2010-11 was 118% of the target and in the 1st half year of 2011-12 khariff is 106.94% of the target which was extremely impressive. He complemented the banks for the same. Hon'ble Chief Minister stated that the performance indicate that Banks are poised to register another outstanding performance for the current financial year, in terms of achieving the set goals under Annual Action Plan 2011-12, and requested all Banks to **speed up the finance under RABI, 2011** and cover all LEC holders.

Hon'ble Chief Minister, requested all Banks to cover all **non loanee farmers** to avoid outside borrowings and increase the flow of credit to agriculture. He reiterated the need for financing the LEC card holders.

Hon'ble Chief Minister informed that to reduce the interest burden and to make agriculture a more viable proposition, Government of Andhra Pradesh has been extending the benefit of 'Pavala Vaddi' to farmers availing Crop Loans and repaying on time. The State Government recently announced 'Total Interest Waiver' for timely repayment of crop loans upto Rs.1,00,000/- for those availing crop loans upto Rs.300000/-, the benefit of total interest waiver is applicable upto Rs.1 lac and 'Pavala Vaddi' for the balance loan amount. He expressed that all Bankers in the State will utilize the measure to their best advantage and cover many more new farmers.

Hon'ble Chief Minister informed that due to **adverse seasonal conditions**, 876 Mandals in the State are declared drought affected in this year and SLBC has already sent communication to all Banks in this regard. He requested all Banks to rise to the occasion and **extend relief measures to affected farmers as per RBI guidelines** in time.

Hon`ble Chief Minister expressed that SHG-Bank linkage in the State is yet another mile stone achievement. He expressed happiness that more than 14.20 lac groups have accessed finance to the tune of Rs.13,207 cr. from banking system as at the end of September, 2011. To help SHGs, who adhere to credit discipline, State Government has decided to bear the entire interest burden w.e.f. 1.1.2012 to all groups' upto Rs.5 lakhs on prompt repayment of loan.

He also expressed the view that financing for Farm mechanization and allied activities like dairy, poultry, sheep/goat rearing etc., will go a long way in addressing the financial problems encountered by farmers in times of such exigencies. He requested for lending under State Milk Mission for improving Dairy Sector in the State.

Hon`ble Chief Minister expressed that **Banks need to improve the lending to MSME sector** as the performance is low considering the collateral free security norms upto 1 crore and extending CGTMSE scheme.

Hon`ble Chief Minister impressed upon the need for creation of additional storage space in rural areas so as to avert the need for distress sale of agricultural produce by farmers when the market conditions are unfavorable. **He appealed to all Banks once again to encourage financing of rural godowns in needy pockets.**

Hon`ble Chief Minister requested the Banks to complete the Financial Inclusion Plan by March, 2012. He informed that the State stood 1st in the country in implementing the welfare schemes and requested Banks to extend their support with commitment for further development.

Hon`ble Chief Minister has complemented the President of SLBC & Chairman and Managing Director, Andhra Bank, Sri R. Ramachandran for the excellent support extended to the Government of Andhra Pradesh and extended his Warm greetings on his superannuation by the end of this month.

General Manager and Convenor of SLBC assured Hon`ble Chief Minister, that Kharif target was surpassed and RAB disbursements also will be improved. Non-loanee farmers will be covered as per the directives of GOI. MSME sector will be given necessary thrust and improved. State Milk Mission Scheme guidelines were circulated to Banks and necessary support will be given. Financial Inclusion will be implemented as per the time schedule.

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 the progress under SHG Lending during the current year is slow. As against the Annual Target of Rs. 9084 crores for 2011-12, the performance is Rs.3000 cr. She expressed that there is delay in financing Bank Linkage especially in West Godavari, Karimnagar and Khammam districts where the performance is very low. She appealed for speeding up the process of disbursements so as to reach the set targets for the year 2011-12.

Hon`ble Minister requested the Banks not to insist for Deposits/Insurance from SHG members and explore the possibility of charging Interest at Base Rate instead of 11.50% to 14.00%, charged at present. She also requested to waive the processing and Inspection charges on SHG loans. She requested the

Banks to extend finance to POP groups. She informed that 0% interest scheme is extended to all SHGs up to 5 lakhs on timely repayment from January 1, 2012.

Hon`ble Minister requested banks to clearly inform the monthly EMI amount to the Group members to enable them to repay the instalment regularly. She assured the government`s support in recovery of overdues in the SHG bank linkage to the Banks.

Hon`ble Minister expressed that new groups and disabled groups are not being financed by banks and requested to extend finance to them also.

Convenor, SLBC, assured that the necessary guidelines in this regard will be reiterated to all banks.

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

Hon`ble Minister informed that 876 mandals were declared as drought affected and government will take necessary steps to provide input subsidy and Insurance and expressed happiness on successful disbursements of Input subsidy cheques by all banks in Anantapur district recently. He requested all Banks to open No frill accounts to enable the farmers to encash the input subsidy cheques.

Hon`ble Minister stated that Agriculture Department has distributed seeds/fertilizers and other inputs to the extent of 20% to LEC farmers which shows the commitment of Government towards LEC holders. He felt happy that Banks have financed 181000 LEC holders to a tune of 350 crores and he said that it is a good beginning and advised the bankers to finance all the LEC holders.

Hon`ble Minister announced that Revenue Sadassulu will be conducted in every habitation and requested bankers to take this opportunity, instruct all branches to participate in the same and extend the necessary support. He also informed that MEE Seva services will be started throughout the State for the benefit of citizens. He complemented the Banks for making a good beginning in financing LEC holders and requested Bankers to earmark certain percentage of financing targets for LEC holders in their Plans(whether it is 10% or 15% whatever it may be) hereafter.

Hon`ble Minister informed that the department will leave instructions to support banks for recovery of overdues.

Convenor of SLBC informed that all Banks will ensure e_ payments in respect of all Government Schemes as advised by GOI. He also assured that all the eligible LEC holders will be financed and Banks will participate in Revenue Sadassulu.

Convenor informed that Hon`ble Minister for Cooperation Sri Kasu Venkata Krishna Reddy garu has sent a letter to SLBC on extending loans to tenant farmers in Rompicherla Mandal of Guntur district. SLBC has advised the concerned Banks in the matter.

Sri V.K. Sharma, Executive Director, Reserve Bank of India:

Sri V.K. Sharma informed that this is the first SLBC meeting he is attending. GOI is advising RBI to attend SLBC meetings to resolve the problems quickly. He expressed happiness that In Andhra Pradesh, Hon`ble Chief Minister is attending SLBC meetings regularly.

He advised to open branches particularly in rural areas as per the recent guidelines of RBI. He informed that 74 RRBs are only CBS compliant at National level. He further stated that by March, 2013, 3.50 lakh villages will be covered by BC/Brick & Mortar branches. Banks have to achieve the targets as per the time frame given by RBI/GOI.

He noticed that out of 6661 villages allocated to different Banks under FIP in Andhra Pradesh, 5389 villages were covered by the end of November, 2011. The achievement is 91% in case of Commercial Banks and advised all the Banks to complete the task well before stipulated date of March 31, 2012.

Sri P. Mohanaiah, Chief General Manager, NABARD:

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

1. Revival, Reform and Restructuring Package for Handloom Sector: He informed that Government of India has announced the restructuring package for handloom sector and guidelines for implementation of the same have been issued on 28th November 2011. He has explained the salient features of the Scheme.

2. Licensing of all DCCBs of the state: APCOB and all the 23 DCCBs of the State have obtained licenses from Reserve Bank of India four months ahead of the timeline prescribed by RBI for the purpose. As co operative banks of the State are functioning on a licensed platform, Govt. of Andhra Pradesh may consider extending necessary support for their resource mobilisation so as to render better services to farmers and other clientele.

3. Increase in the quantum of refinance for SAO: NABARD had decided to increase the quantum of refinance to co operative banks for Seasonal Agricultural Operations from 45 % to 55 % and to RRBs from 30 % to 40 % with immediate effect for the current financial year.

4. With a view to increase the flow of agricultural credit NABARD has introduced a new product for lending to PACS by Scheduled Commercial Banks and RRBs. NABARD would sanction refinance to Scheduled Commercial Banks and RRBs for the purpose at an interest rate of 4.5% per annum subject to the condition that for crop loans upto Rs. 3.00 lakh the rate of interest charged to the ultimate borrower by the bank should not exceed 7 %.

5. Liberalisation of Grameena Bhandaran Yojana

6. Submission of subsidy proposals in respect of all Animal Husbandry - Govt. Sponsored Schemes by the controlling offices of banks to NABARD in digital / soft form for expediting the same. So far 17500 claims have been received by NABARD Andhra Pradesh Regional Office.

He also suggested that the banks may increase KCC by 20% in terms of number as well as disbursement.

With regard to Financial Inclusion, CGM informed that financial assistance under FIF is available for setting up of FLCC in Khammam district. FLCC may be launched in hired premises in Khammam pending the allotment of a suitable place by the district administration.

With regard to Entrepreneurship Development, CGM, informed that NABARD is supporting various promotional interventions such as conduct of REDPs and SDPs through RSETIs and RUDSETIs.

Potential Linked Credit Plans for 2012-13 have been finalized for all the districts of Andhra Pradesh for the State as a whole. A total projection of Rs.85, 326.27 Crore has been envisaged for the year 2012-13.

Sri Pankaj Dwivedi, Chief Secretary, GoAP:

The Chief Secretary, Government of AP, Congratulated the Banks for meeting the Priority Sector and Agricultural credit targets. He expressed that with regard to financing of LEC holder, Issues were discussed number of times with Legal experts and bankers before formulating the scheme, but there is no much progress in sanctioning of loans to LEC holders by banks.

The Chief Secretary felt that financing to LEC holders is a part of Social justice and part of financial inclusion. If the banks do not extend finance to them, they will be in the clutches of money lenders. He also emphasized the need for timely financial assistance by banks to the farming community. He added that 876 mandals were declared as drought affected and Interest subsidy will be provided.

The Chief Secretary told that the process of Security featured Pass Books has started in Anantapur, Warangal, and Prakasam and Nizamabad districts and shortly will be extended to all districts.

The Chief Secretary advised all banks to verify the land records on line and requested to take care of the farmers by providing adequate and timely credit. He also requested all banks to assist the beneficiaries under Urban Housing.

The Chief Secretary, specially requested banks to set a separate target for Licensed Card Holders in their Credit plans. Finally he added that Private Banks also should participate in fulfilling the programmes of Government.

Sri A.S. Rao, Regional Director, RBI, Hyderabad:

Sri A.S. Rao, Regional Director, RBI, congratulated the banks on having exceeded the kharif targets under the crop loans (106% of the target) as well as the agricultural term loans (146% of the target) and hoped that the targets under Rabi season will also be achieved in similar fashion.

Regional Director informed that all 22 DCCBs and the APCOB were given banking licenses by RBI about 4 months in advance of the deadline and ours is the first State to achieve the same in the country.

Regional Director informed that our state has set up over 100 Clearing Houses. As the payment systems are the backbone of the economy, the RBI is making efforts to improve the systems so as to execute the transactions as near to real time as possible. With a drive taken up by the RBI, Hyderabad, so far the number of clearing houses in AP crossed 100 and another 14/ 15 are expected to be added by 31st March 2012. Besides, Express Clearing Systems are also established by banks in the State.

He added, drought has been declared in 865 Mandals of the state where there is a need to take up the relief measures by banks in a time bound manner. Banks may complete the process of providing relief and rescheduling of loans in the affected areas within 3 months time by following the RBI guidelines. Particularly, the security norms may be followed correctly so that the beneficiaries are not burdened.

Regional Director said that even before the onset of drought conditions in the state, Banks have reported about the increased NPAs in agricultural portfolio. The credit cycle in the State appears to have broken down due to various reasons. The drought conditions for the last three years have compounded the problem. While it is the responsibility of banks to recover their dues, the onus is also on the Government departments like agriculture and rural development to bring about a change in the credit culture in the rural areas. During our outreach programmes conducted by RBI and LDOs' visits to villages, the impression among borrowers is that there will be another debt waiver. There is an imperative need on the State Government to dispel this. Already 2 reschedulements took place and any further rescheduling will greatly strain the banks' ability to fund the credit plans. Unless measures are taken at the early stages, it may become difficult for the banks to extend further credit for such purposes. The credit cycle needs to be restored urgently.

He informed that another area of concern of the RBI regarding the State Government finances is the increased debt burden of the State of Andhra Pradesh and increased cost of market borrowings. Analysis of recent data revealed that since the beginning of this fiscal, the State Government has front loaded the borrowings i.e., Rs.12, 500 crores so far and there is a spike of 78 basis points in the coupon rate which is a cost to the State Government. Earlier A.P. was able to borrow at lower yields and was one of the top states. Frequent borrowing in big tranches, besides increasing the cost, reflects on the credit rating of the State. In comparison, our neighboring states like Karnataka and Tamilnadu have borrowed less amounts and at a lower cost. There is a need for the Government to observe fiscal prudence and space the borrowings.

Regional Director stated that as a part of the implementation of Financial Inclusion Plans, 6661 villages with population of above 2000 were identified in the State of AP and banks have been allotted with these villages to open banking outlets. The progress is being closely monitored by RBI. RRBs have underperformed compared to the commercial banks. As per the commitment given, commercial banks were to complete the process by the end of November 2011 while RRBs were given time till the end of December 2011. However, as at the end of November 2011, it is reported that the achievement in this regard was about 81% as some of the banks are still to complete the process of appointment of Business Correspondents in the allotted villages. Banks are advised to complete the process and report the progress.

The Director recollected his observations relating to opening/shifting of branches in the Tribal/hilling areas back to the locations from where they were earlier shifted due to security concerns. He had mentioned about representations received relating to Bhupalapalli in Warangal district, Rampachodavaram in East Godavari and Paderu in Visakhapatnam. SLBC had written to the concerned LDMs for action. While there is some progress with respect to the Rampachodavaram area where banks have promised to extend facilities through satellite offices and shift/ open branches at the original locations shortly, in respect of other locations there is no progress. Meanwhile it was also mentioned by the Minister of Tribal Development in the DLRC meeting of Visakhapatnam that there were no branches in two mandal head quarters of Visakhapatnam district. SLBC may take a review of this issue for the entire state and mark it as an action point for follow up in the SLBC.

The Regional Director expressed that on the whole the performance of the banks has been Satisfactory on disbursement of credit. He urged the banks to perform in similar manner in Rabi Season also.

Regional Director thanked the State Government and Sri Ramachandran, President of the SLBC for Inviting him to participate in the meeting.

Sri V. Nagi Reddy, Principal Secretary, GoAP:

Sri V. Nagi Reddy, Principal Secretary, informed that about 25 lakh non loanee farmers are to be covered in the state. Our state has recorded highest lending to Agriculture in the country and per farmer finance is also high. He requested higher level participation from controlling offices of Banks, representatives of RBI and MOF in the JMLBC and DCC meetings so that seriousness will be there.

Principal Secretary informed that already 2 reschedulements were done and 3rd one to be done and requested for longer repayment period upto 10 years. Department of Agriculture will take necessary steps to ensure that recovery camps are organised with Joint Director of Agriculture and Mandal Agricultural Officers. Interest waiver and Pavalavaddi are linked to prompt payment of loans and necessary advertisement campaign will be taken care by the Government.

On the request from Convenor, SLBC of Andhra Pradesh, the Principal Secretary assured to place updated land records online for verification of land particulars by the Bank branches while allowing loans.

Principal Secretary requested Senior Officials of Banks to come with open minds to finance Farm mechanisation and other schemes with high unit costs in a big way, which will help the farmer community to avoid labour scarcity problems and go head in the agriculture.

Sri B. Rajasekhar, CEO SERP, GoAP:

Sri B. Rajasekhar, CEO SERP, has informed that out of 250000 SHGs 150000 was assisted so far and the achievement was 3000 crores against the target of 9000 crores leaving a gap of Rs.6, 000 crores during the current year 2011-12. He also felt that on analysis per group lending is low at Rs.2 lakh in Commercial Banks and Rs.1.80 lakhs in RRBs.

CEO informed that they have declared war against the overdues and NPAs. Chronic Overdues management system has been implemented with ten important points as questionnaire to know the reasons for overdues. He requested bankers to cooperate in improving the SHG Bank linkage.

Dr. Md. Ilyas Rizvi, IFS, VC & MD , Minorities Finance Corporation:

The representative of Minorities Finance Corporation requested the SLBC to provide the District wise and Bank wise data to keep it on their website. He also requested Banks to open no frill accounts for students who are getting scholarships. In some banks minimum of Rs.500/- is being insisted for opening of accounts and when they draw the balances banks are charging penalties.

The representative requested to open sufficient number of branches in Minorities concentrated areas especially in Old city of Hyderabad and increase priority sector lending to minorities in these areas.

MEPMA representative Sri Sd. Rasool:

The representative of IKP requested the forum the following:

The Controllers of all Banks to issue circular to their branches to implement the SLBC decision taken on 12.04.2010 about the revised dosages of SHG Bank Linkage. The decision of which was also communicated to all the Controllers of Banks vide SLBC letter no 666/30/219/63, dated, 21.04.2010

The Controllers of Banks to issue instructions to the branches for implementation of USEP and UWSP schemes as per SJSRY guidelines and as per RBI instructions not to insist for Collateral Security.

The controllers of banks to give instructions to the branches to finance eligible SHGs of Disabled Persons and to open SB Accounts for the newly formed SHGs of PWDs and other SHGs.

Smt G. Jayalakshmi, Commissioner, Rural Development, GoAP:

Commissioner has informed that the Banks are participating in EBT & FIP convergence on one Bank one district model. She informed that EBT payments are being implemented for all Social security pensions.

Commissioner has requested that where EBT payments are started in 18000 panchayats for NREGS & SSP payments. She requested for passing suitable resolution with regard to convergence of EBT with FIP and re-allocate the villages where there is no progress under EBT to other Banks.

Responding to the above, Convenor, SLBC informed that the matter was already discussed in the Sub-committee meeting on Financial inclusion and it was resolved that Rural Development Department will hold a meeting by all stake holders to deliberate on the subject. The meeting was not conducted till date and SLBC has taken up the matter with Finance (IF) Department for conducting the meeting at the earliest. He felt that in view of special circumstances of Andhra Pradesh, the issue needs to be deliberated at length with all the stake holders and action plan is to be arrived.

Action Points emerged in the meeting

Agriculture - Credit Flow to Agriculture Sector:

Action Points:

- All Banks and LDMs to take steps for implementing the GOI Action Plan for improving Priority Sector and Agriculture Credit and ensure that all non loanee farmers and non loanee- non farming households are covered with Bank finance.
- All Banks and LDMs to take steps for improving the number of KCCs and volume of Credit under KCCs.
- Small Group constituted at district level to meet every week, review the progress and submit progress report to SLBC as on every Saturday by Monday.
- The Department of Agriculture, GoAP to advise all their field level functionaries to enroll non loanee farmers, collect application from them and send to concerned service area bank branch.
- Thrust may be given by all banks and LDMs for extending finance under subsidy linked Farm Mechanisation scheme of GoAP.
- All Banks to propagate and take steps for implementing ACABC (Agri Clinics and Agri Business Centres) scheme.
- Financing to Licensed Cultivators need to be given thrust by all Banks and all the eligible LEC holders need to be financed without exception.
- Banks to ensure that all the eligible loanee farmers are covered under NAIS/MNAIS/WBCIS as per guidelines of GOI.
- All Banks to extend necessary relief measures in the entire 876 drought affected mandals as per guidelines of RBI within the time frame.
- GoAP may consider exemption of stamp duty and registration fee in respect of all documents to be executed for Agricultural loan from the existing limit of R.3.00 lakhs to Small and marginal farmers to Rs.6.00 lakhs to all farmers.
- GoAP may consider extending provisions of RR Act to cover Bank loans to Agriculture and Allied activities.
- Fool proof Pattadar Pass Books system may be introduced by GoAP in all the districts in a time bound manner to encourage hassle free lending. Online land particulars verification system may be put in place by GoAP at the earliest.
- All Banks are requested to depute their Branch Managers with an advice to attend the proposed Revenue Sadassulu by the Dept. of Agriculture, GoAP, and take advantage by explaining the

Bank schemes and benefits of prompt recovery of Agricultural loans in particular the Interest waiver scheme of GoAP for crop loans and SHG Bank Linkage.

- Reschedulements are to be taken up by Banks in all the Mandals which are declared as drought affected.

(Action: All Banks, LDMs, Dept. of Agriculture, GoAP and Revenue Department, GoAP)

Financial Inclusion

Action Points:

- All Lead Banks to ensure opening of FLCCs and ensure their functioning as per RBI guidelines in all their Lead Districts.
- Banks to ensure that all RESTI trained candidates are provided with Bank loan and Self employment is to be encouraged. LDMs to review the item in all DCC meeting.
- Banks to ensure that FIP is implemented in all their allocated villages with population of above 2000 by December, 2011. In Honey comb fashion the nearby allocated villages also need to be covered by all banks.
- All LDMs should ensure that all the Panchayats are allocated under Service Area of Banks and banks should ensure that all the Panchayats covered under their service area are provided with banking services.
- The implementation of FIP is to be reviewed by LDMs in the District Level Sub-committee Meetings and the same is to be placed in the DCC.
- Banks to ensure that Brick and Mortar intermediary structures are opened between bank branches and BCs to facilitate effective functioning of BCs as per RBI guidelines.
- Banks to ensure opening more Brick and Mortar branches in the rural areas and in respect of above 5000 population villages in the under banked districts as per RBI/GOI guidelines. LDMs to monitor the progress.
- E_ payments are to be promoted by all Banks and all Lead Banks to take steps for adopting one of their Lead Districts as model district for e_ payments.
- To work out modalities on preparation of State Financial Services Plan a Sub-committee is constituted with the following representatives:

1. Lead Banks
2. RBI
3. NABARD

4. LIC of India
5. UII Co., Ltd.,
6. Finance (IF) Department, GoAP

The sub-committee to facilitate the modalities by 15.01.2012.

- Sponsor Banks to expedite seamless integration of RRBs` CBS with their own CBS so as to facilitate speedy fund remittance to poor and also expedite FIP implementation.
- All Banks to ensure that transactions through BC outlets are increased to make the operations of BCs viable.
- It should be ensured that the bank branches which are shifted to other places for security reasons are shifted back by the end of January, 2012. All LDMs to place the item in the ensuing DCC meeting and specific resolution need to be adopted.
- Banks need to become PoP for the Swavalamban scheme of GOI and a nodal officer is to be appointed in each of the Controlling officers of banks.
- UIDAI may send Aadhaar based data to the concerned Service area bank branch only as all the villages are being allocated by DLSCs to all Banks for implementation of FIP.
- GoAP to ensure that all subsidies under the Govt. sponsored programmes are to be routed through EBT only without any exception.
- GoAP (Finance (IF) Dept./Rural Dev. Dept.) may immediately convene the meeting of all Stake holders to discuss operational modalities for convergence of EBT with FIP.
- Banks may explore the possibility of engaging Common Service Centres as Business Correspondents, wherever there is such possibility.
- LDMs to ensure that villages are allocated to Banks with Gram Panchayat as unit and ensure that all Gram Panchayats are allotted to Banks.
- FLCCs are to be started in all the districts as per RBI guidelines.
- LDM, Visakhapatnam to take steps opening of Bank branches in the two unbanked Mandal Head Quarters.

(Action: All Banks, LDMs, Finance(IF) Dept. of GoAP, Rural Dev. Dept. of GoAP, UIDAI, LIC of India and UII Co., LTD.)

Housing Loans:

Action Points:

- Banks to take effective steps to reduce the gaps between applications sponsored and sanctioned: Sanctioned and Disbursed: Disbursed and Subsidy claimed under ISHUP scheme.

- Banks may take steps for implementing scheme for Housing Slum dwellers in urban areas.

(Action: All Banks)

Educational Loans:

Action Points:

- IBA Model Scheme on modified Educational loan scheme may be adopted by all banks.
- Banks to take steps for improving lending under Educational Loan Scheme.

(Action: All Banks)

MSME Sector:

Action Points:

- All Banks to extend the services of banks to all eligible entrepreneurs in and around clusters.
- LDMs to ensure that Cost effective model projects are worked out at district level and placed on District website by 31.01.2012.
- GoAP to expedite formation of Central Registry.
- The Lending to Micro enterprises needs to be improved by all Banks and ensure that stipulated level is achieved.
- Necessary thrust is to be given by all Banks for improving lending under CGTMSE to encourage first generation entrepreneurs.
- All banks to give details of Pending projects with State Government for want of clearances to SLBC.
- REMOT and TUFs scheme need to be given adequate thrust for the benefit of entrepreneurs
- GoAP may release all the pending claims in respect of State Government's debt waiver scheme for weavers.

(Action: All Banks, Finance (IF), Dept. GoAP and LDMs)

Social Welfare Schemes:**Action Points:**

- Banks need to improve lending to SC/STs, Minorities and under DRI scheme.
- More number of bank branches need to be opened by banks in minority concentrated areas.
- RSETIs may be encouraged to take up programmes specific to Minorities and SC/STs to promote entrepreneurship.
- No Frill accounts need to be opened to the students of minority communities to enable them to get scholarships from Government.
- The Credit flow and other aspects need to be discussed regularly in DCC meetings and LDMs to ensure the same.

(Action: All Banks and LDMs)

SHG Bank Linkage Programme:**Action Points:**

- Banks may take advantage of support being extended by SERP/MEPMA for recovery of overdues under the Programme.
- The Schemes of ` Paala Pragathi Kendrams ` under State Milk Mission may be encouraged by Banks as per the Action Plan communicated by SERP.
- The scheme introduced by GOI for financing Women SHGs with Anchor SHGs as SHPI may be taken up by Banks in Khammam and Adilabad Districts.
- All Banks are advised to monitor the progress in loan disbursements to SHGs.
- All controlling offices of Banks are advised to instruct their field level functionaries to inform the SHGs about the EMI to be paid them while sanctioning the loan.
- All LDMs are advised to monitor the progress under SHG-Bank Linkage Programme in all the meetings. LDMs of West Godavari, Karimnagar and Khammam are advised to take special steps for improving lending to SHGs and ensure that set targets are achieved.

(Action: All Banks, LDMs, SERP and MEPMA)

Lead Bank Scheme:**Action Points:**

- LDM Offices need to be strengthened in view of the increased role being envisaged to be played by LDMs. Staff and infrastructure support to be improved by all Lead Banks to match the work assigned.
- All Lead Banks and other banks to take steps for implementation of recommendations of High level committee on Lead Bank scheme.

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

Government Sponsored Schemes:**Action Points:**

- Banks to give necessary thrust for implementing Central and State Government sponsored schemes to ensure speedy implementation of the programmes.
- Qualitative aspects needs to be looked into and all LDMs and visiting Executives may inspect randomly the implementation of sponsored programmes at select 1 or 2 branches every month and send report to SLBC.
- Regular sensitisation of Branch Managers needs to be done for speedy implementation of Government sponsored schemes.

(Action: All Banks and LDMs)

Overdue/NPA Position of Banks:**Action Points:**

- Banks may undertake positive publicity for recovery in Coordination with Government departments for improving repayment culture. The benefits of zero interest and Pavala Vaddi may be popularised.
- Increased coordination of their field level staff may be ensured by SERP, MEPMA and Agriculture Department.
- GoAP (Agriculture Dept. & SERP/MEPMA) may consider releasing advertisements in the Press and Electronic Media.
- All the Banks are requested to develop a system to correctly fill in data in the SLBC information system without any distortions to present correct picture in various fora by SLBC.

- Recovery should be one of the main agenda items in all the JMLBC and DCC Meetings and coordination of all Banks and concerned Government Departments to be ensured by LDMS.

(Action: All Banks, LDMS, SERP, MEPMA and Agriculture Department)

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 and reiterated the need to submit the correct and timely submission of data.
- All the Banks are requested to ensure timely submission of information to SLBC and LDMS.

(Action: All Banks and LDMS)

The following long pending issues may be addressed by the concerned:

- Issuing of security featured Pattadar Pass books on pilot basis in Prakasam, Ananthapur, Warangal and Nizamabad districts and in all districts of Andhra Pradesh to be implemented in a time bound manner.
- Government of Andhra Pradesh to expedite formation of Central Registry.
- LDMS to ensure that Cost effective model projects are worked out at district level and placed on District website by 31.01.2012.
- Bank branches shifted to other places due to security reasons should be shifted back as per GOI guidelines by the end of January, 2012.
- Finance (IF) and Rural Development Departments of GoAP may immediately convene a meeting of all Stake holders to discuss operational modalities with regard to convergence of EBT with FIP.
- Opening of sufficient number of bank branches in Minority concentrated areas and improving lending to Minorities, SC/STs and DRI under priority sector.

CONCLUDED