

## **Minutes of 178<sup>th</sup> Meeting of STATE LEVEL BANKERS` COMMITTEE OF ANDHRA PRADESH**

**Date: 26.06.2012 - Time: 11.30 AM  
Venue: Jubilee Hall, Public Gardens, Hyderabad**

### **STATE LEVEL BANKERS` COMMITTEE OF A.P**

**CONVENOR  ANDHRA BANK**

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

**Phone: 040-2323 1392(D) 2325 2000 Extn: 2375, 2387**

**Fax: 2323 4583 & 23232482**

**Email: [slbc@andhrabank.co.in](mailto:slbc@andhrabank.co.in)**

**The 178<sup>th</sup> Meeting of the SLBC of Andhra Pradesh was conducted on 26.06.2012 at Jubilee Hall, Public Gardens, Hyderabad at 11.30 A.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. Raghuveera Reddy, Sri N. Prasad Kumar, Smt Sunitha Laxma Reddy, Sri Kanna Lakshminarayana, Sri Uttam Kumar Reddy, Sri Bala Raju, Sri A.S. Rao, Regional Director, Reserve Bank of India, Chief Secretary, Principal Secretaries, Secretaries, Commissioners, Directors, Heads of Departments of Govt. of AP, Sri P. Mohanaiah, CGM, NABARD, Sri R.N. Dash, General Manager, Reserve Bank of India, Sri M. Bhagvantha Rao, MD, SBH, Sri T. S. Krishna Swamy, GM, SBI, officials from Government of India and Andhra Pradesh, executives from Banks, Chairmen- RRBs, Lead District Managers participated in the meeting. The detailed list of participants is given as annexure.

**Keynote address-Sri B.A. Prabhakar, CMD, Andhra bank and President, SLBC of AP:**

The President, SLBC extended a very hearty and warm welcome to all the members and invitees to the 178<sup>th</sup> Meeting of the State Level Bankers' Committee of Andhra Pradesh. He said that this is the first meeting of this financial year and is important since the State Credit Plan for the year 2012-13 will be launched by the Hon'ble Chief Minister of Andhra Pradesh Sri N. Kiran Kumar Reddy garu. This is really a significant occasion and wished that the projections detailed in the Credit Plan will transform into reality during the current year. He mentioned that all the functionaries from different departments should work together to ensure that the targets set under various parameters are achieved.

He informed that our State has been continuously surpassing the set targets under Credit plans. During the year 2011-12 Banks' performance for the overall credit plan stood at 107.45%. Banks have done well crossing the targets set in the areas of Agricultural Credit, SHG Bank linkage and SME segments. He stated that the performance under other priority sectors covering Housing, Education, lending to minorities, lending under government sponsored schemes etc., needs improvement which shall be focussed during the current financial year.

He informed that the outstanding Agricultural Credit as on 31<sup>st</sup> March, 2012 has crossed the one lakh crore mark and stood at Rs.1, 01,690 crores. The disbursements during the year 2011-12 were Rs. 58,511 crores against the target of Rs 48,000 crores which is at 121.90%.

Under SME the outstanding credit as on 31.03.2012 was at Rs.31, 569 Crores and the disbursements during the year were Rs. 8,226 crores against the target of Rs. 8,198 crores which is at 100.35%.

The outstanding credit under Total Priority sector as on 31.03.2012 was at Rs.1, 79,743 crores, which was at 54.92% to ANBC against the stipulated norm of 40%. The disbursements during the year were Rs.78, 776 crores against the target of Rs.73, 316 crores which is at 107.45%.

Under SHG Bank linkage Programme, Banks have extended finance to 3, 52,708 lakh Rural SHGs with total credit of Rs.8, 079 crores and 85,046 urban SHGs with total credit of Rs.1, 756 crores. The total achievement is 100.13% of the overall target of Rs.9, 822 crores. The outstanding under SHG Bank linkage Programme at Rs.15, 548 crores continues to be one of the highest in the country.

The aggregate deposits of Banks stood at Rs.3, 41,894 crores and advances stood at Rs.3, 94,398 crores with a CD ratio of 115.36% as on March 31, 2012. The incremental CD ratio is at 115.15%. Continued high CD ratio is causing concern and all banks need to step up their efforts for improving the resource base, especially from untapped rural areas. Unless the CD ratio is contained at reasonable level the recycling of funds may get affected. I solicit the support of State Government also for improving the resource base of banks.

The out lay in the proposed State Credit Plan for the year 2012-13 for the priority sectors is at Rs.82, 167 crores with Rs.52, 972 crores under Agriculture sector, Rs.9, 343 crores under SME sector and Rs.19,852 crores under other priority sector. Under Non Priority Sector, Rs.28, 778 crores is proposed, taking the total outlay of State Credit Plan to Rs.1, 10,945 crores during the current year.

He informed that for over an year there has been focussed attention by the Government of India for improving Agriculture Credit and in this direction many innovative programmes have been launched. It is directed that every household should have an account, every farmer needs to be provided with Kisan Credit Card with smart card facility for drawal of amounts through ATMs or availing the PoS facility provided at merchant outlets such as fertilizer dealers etc. The non-farmers in the villages are also to be covered for providing bank credit by way of General Purpose Credit Card (GCC). The recent Initiatives for providing banking services at an affordable cost to the rural community like ATMs, setting up of Ultra Small branches, e\_ payments of subsidies and other Government payments go a long way in improving the financial strength of the rural population.

The recent initiative of the State Government of providing Loan Eligibility Cards to the licensed cultivators is unique since banks will extend credit to the increasing number of tenant farmers as the land owners in large numbers are found to be shifting to the urban areas. The process of issuance of LEC cards was initiated during 2011 and during last year 5.76 lakh cards were issued in the state. Bank finance amounting to Rs.393 crores was extended to 1.98 LEC holders. The issue of financing the LEC holders was discussed in all the important fora and the bankers have put forth certain concerns in this regard. However, as requested by the State administration. It was decided that an amount of Rs.2000 crores shall be ear marked towards financing to LEC holders during the current year which shall instill confidence among the licensed cultivators. While it would be the concern of the Banks to extend finance to all the eligible tenant farmers, it would be essential that the State Government need to take necessary steps for issuance of new cards and ensuring the renewal of the existing cards issued during the last year. The validity period of one year is felt very short by bankers at large and these issues need to be addressed suitably by the State Government. Further, Branch Managers are to be sensitized to extend finance to LEC holders within the frame work of the guidelines and not to deny the facility on flimsy grounds.

The Reserve Bank of India issued Revised KCC guidelines providing for 5 year validity and fixation of annual limits upfront keeping in view the overall limit sanctioned for five years. There is a felt need for online availability of Land records for verification and charge creation by Branch Managers which will go a long way in providing easy credit to the needy farmers. The SLBC has already initiated the process in this regard and two meetings were conducted involving the CCLA and NABARD officials. The existing model adopted in Karnataka is found to be useful. The state administration is requested to expedite the process.

The quantum of finance under the revised KCC scheme as well as under other schemes has been increasing from time to time and there has been a strong view that the Government should consider waiver of stamp duty and mortgage charges upto Rs.5.00 lakhs irrespective of the category of the farmers.

The slow progress of implementation of CGTMSE scheme is causing concern. The Sub-committee of SLBC has deliberated on the issue recently and it is felt that sensitization of Branch Managers will largely address the problem. We need to involve Industry associations also for propagating the scheme among the prospective entrepreneurs.

He reiterated that in the identified MSME clusters, Banks need to extend full support by way of opening branches and extending required financial assistance. The Industries department is requested to take steps by involving District Industries Centres in identifying potential activities and in preparation of Project reports.

The President expressed that one of the major areas of concern to the bankers is recovery of overdues. Mounting overdues and increasing NPAs have become a major concern for bankers. Effective recovery mechanism at all levels in the bank and continuous support from the Government machinery will improve the recovery substantially. Financial literacy and counselling to the farmers goes a long way in improving the recovery. It should be ensured that detailed discussions take place in all the fora such as DCC and the JMLBC where the presence of the bankers and the officials from the government departments is ensured.

The NPAs are found to be increasing mainly in segments such as agriculture, housing, education and Government sponsored schemes. For ensuring improved recovery in Agriculture segment, there is a felt need for permanent recovery machinery at mandal level and support from the Agriculture department as in the case of SERP.

He informed that at the request of the bankers, an official of the rank of Deputy Tahsildar has been provided in all the Districts attached to the Lead Bank Office to support the recovery efforts of the banks more particularly recovery under PMEGP and other Government sponsored schemes. The feedback received indicates that the services of the Deputy Tahsildars are underutilized. All the Banks are requested to take necessary corrective action.

The Gross NPAs as on March 31, 2012 stood at Rs. 13,800 crores as per information available with SLBC which needs to be reduced through sustained and collective efforts by the bankers and the Government machinery particularly, in view of high CD Ratio and declining profitability.

Financial Inclusion is one of the very important subjects being focussed by the Central Government and Reserve Bank of India and with a view to take it forward many initiatives are launched. He informed that these initiatives include:

- Coverage of all the villages with 2000 and above population by providing necessary banking services enabling the resident of a particular village to meet all his banking needs. Banks have since covered 6640 villages in Andhra Pradesh under FIP till March 31, 2012 (100% coverage).

- Extending the coverage of FI activity under **SWABHIMAN** to the villages with population in the range of 1600 to 2000 as per 2001 census. There are 2125 villages to be covered in our State. The process of allotting all the villages to Banks has since been completed by respective DCCs in our State.
- Setting up of Ultra Small branches in all the existing FI villages by ensuring that an officer visits the FI village on a specified day and time every week. The visiting officer shall carry a laptop with VPN connectivity to provide specified services to the account holders. There is need to increase the number of bank accounts and bring the village to saturation level so that through the Aadhaar linkage and Aadhar Enabled Payment System(AEPS), subsidies and other payments are directly received by the beneficiaries. I request the State Government to issue necessary instructions to provide accommodation to house the ultra Small Branches.
- Banks are required to open Brick and Mortar branches in villages with population above 5000, within the service area, based on viability, if there is no bank branch existing within a radius of five kilometers. Against the requirement of opening 208 branches, banks have opened 118 branches by the end of May, 2012 and the remaining shall be opened by September, 2012.
- It is observed that in the past a few of the branches especially in upland or agency areas were shifted/ closed on grounds of security. RBI has given a list of a few such centers in East Godavari district recently- Maredumilli, Y.Ramavaram, Addatheegala,Devipatnam, Rayapalli and Gangavaram. SLBC has advised LDMs to ensure opening of branches and send early confirmation. It is high time that new branches are opened at these centers and banking services extended to the under privileged sections.
- Under the Left Wing Extremism (LWE) affected coverage, 16 districts in Andhra Pradesh were identified. Ministry of Finance, GOI has directed for drawing specific Action plans for development of these districts. This includes expanding the banking activity by providing alternate banking channels, promotion of Women SHGs through Anchor NGOs, etc. SERP has indicated to promote 14,490 Women SHGs in these districts during the current year.
- Equal emphasis is laid on urban financial inclusion. Instructions have been issued for opening of accounts in a campaign mode for migrant hawkers, Street vendors and migrant labour residing in urban and metro areas. Action has been initiated by all Banks in this regard.
- SLBC has since issued instructions to LDMs for allocation of wards in urban, semi-urban and metro areas among different banks keeping in view the proximity and convenience.
- Ministry of Finance, GOI has directed for preparation of Revised Service area plans duly furnishing the details of FI villages, the BCs appointed and their contact numbers. While few Lead Districts have already furnished the information, it is in the final stages of preparation in respect of other districts. SLBC has already provided the LDMs, the details of the BCs appointed and their contact details to be incorporated in the Service area plan. The LDMs concerned are advised to complete the same within next one week.
- It is emphasised by the ministry of finance that the Insurance plan of the district should be integrated into the Financial Services Plan of the district. Due process has been initiated by the

agencies concerned and steps are being taken to designate the BCs appointed under FI as specified persons for taking up of Insurance activity.

He also added that it may be relevant to mention that Government of India is monitoring the financial inclusion progress on a continuous basis through personal visits by MOF officials, holding video conference with Senior Government officials and Bankers and also by holding review meetings with the top Management of Banks.

Ministry of Finance, GOI has directed the Banks to provide GIS data on line by all the Lead Banks. This facility will help for expansion of e\_ infrastructure of the banks and Insurance companies by highlighting the pockets of hinterland.

As President of SLBC, he requested the Government of AP to provide the details of the beneficiaries of various government schemes to enable the banks to open accounts for all the beneficiaries and target groups on priority basis.

The Ministry of Finance, GOI has advised for Automation of State Government Treasuries at all levels to have interface with banks. This will largely cut down the delays and promotes the e\_ payments. The SLBC has already taken up the issue with the concerned in the State administration.

He informed that another issue to be resolved in our State is Convergence between EBT and FIP as directed by Reserve Bank of India. The Sub-Committee and Steering committee of SLBC have deliberated upon the issue on several occasions including the recent meeting held on 20.06.2012. As decided in the steering committee meeting, all banks were advised to give their plan of action to enable further discussion on the matter.

Keeping in view the thrust being given by the Ministry of Finance for effective implementation of the initiatives launched, to have a firsthand view and to sensitize the concerned, he felt it necessary to attend some the DCC meetings by himself. As a part of this, he participated in the DCC meeting held at Kakinada for East Godavari District on 22.06.2012.

He said that It was decided in the previous SLBC Meeting to constitute sub-committees specifically to suggest measures for improvement in certain segments namely, increasing lending to Minority communities, SC/STs, housing, providing timely credit for Agricultural purpose, implementation of Government sponsored schemes and ensuring grounding of the schemes immediately upon sanction. The subcommittee meetings were held and appropriate action plans drawn except in the case of Housing. This meeting could not be held Inspite of our best efforts in view of the preoccupation of the Government Machinery. The same is proposed to be held shortly.

Government of India has introduced Swavalamban Scheme, a co- contributory pension scheme to benefit the large population of unorganized sector. Under the Scheme the contribution from the beneficiary can range from Rs. 1,000 to Rs. 12,000 in an year. The Government will be contributing Rs. 1000 per anum. Popularizing the scheme will immensely benefit farmers, agricultural labourers and other unorganized sectors that can save stipulated amount to get a minimum pension amount of Rs.1000 per month during their old age. Most of the Banks have already enrolled as PoPs with PFRDA and upon registering as aggregators they can extensively propagate and make enrollments under Swavalamban Scheme.

RSETI and FLCC are functioning since long in all the districts. The efforts of RSETI will be fruitful only when banks come forward to extend finance to trained candidates in establishing micro enterprises. Financial Literacy activities are to be improved and need based self employment oriented programmes are to be taken up. Recently SLBC has resolved to establish FLCCs at Divisional level. As per RBI guidelines, LDM's Office will also have one Financial Literacy Centre. All banks have to join together in improving financial literacy levels.

The President stated that though formal launching of State Credit Plan is taking place today, the District Credit Plans were already launched during March, 2012 and Banks have since commenced their lending from 01.04.2012. As per the information available with SLBC, Banks have extended finance to the extent of Rs.7, 500 crores under Agriculture credit from 01.04.2012 to 15.06.2012. Since, the monsoon has started in the state very recently; Banks will step up their lending in the coming days. He appealed to all the bankers to take steps for extending timely and adequate credit to the farming community so that the agricultural operations are smooth and they do not approach money lenders.

On behalf of all members of SLBC, the President of SLBC once again assured Hon`ble Chief Minister that Banks will take forward all the initiatives of Central and State Governments and improve outreach of Banking services for the development of the state.

**Hon`ble Chief Minister Sri N. Kiran Kumar Reddy garu**

The Hon`ble Chief Minister Sri N. Kiran Kumar Reddy garu in his opening remarks recalled the Hon`ble Finance Minister Sri Pranab Mukherjee's remarks that in Andhra Pradesh Chief Minister is attending the SLBC meetings regularly and reiterated the commitment of the State Government towards the implementation of Action Plans and Welfare schemes in the state. He also informed the relations between the Bankers and State Government is very cordial.

Hon`ble Chief Minister complemented that the Banks have done well during the year 2011-12 and surpassed the target in Agriculture by 20% and in Priority sector by 7%. He expressed confidence that Banks will achieve similarly during the current year also.

The Hon`ble CM specifically mentioned about the reimbursement of interest on Crop loans under vaddileni Runalu scheme of GoAP.

The GoAP has announced 0% interest from Rabi, 2011 onwards and it is decided by the Government of Andhra Pradesh for RABI 2011 farmers have to pay the interest along with principal to the Banks and Government will reimburse the interest later to the farmers basing on the prompt repayment through Banks. He stated that from Khariff 2012 onwards farmers need to pay only Principal to the Banks and the interest will be directly paid to the Banks by the Government.

He requested Bankers to pass on instructions to all their branches in the state and also create awareness among the farmers by the Banks.

The Hon`ble Chief Minister informed that Rs.1800 crores Input subsidy was released by the State Government to the farmers affected due to drought and after three months Rs.1068 crores were



disbursed and still around Rs.700 crores to be disbursed by Banks. He advised the Banks to hasten up the disbursement by opening the accounts in a campaign mode.

He requested the Bankers to speed up the process of lending to Kharif so that the farmers shall receive timely credit.

Hon`ble Chief Minister expressed happiness over increasing the Scales of finance by 15 -20% and requested bankers to extend the loans as per the revised scales of finance. He also requested bankers to speed up the process of covering all farmers under Revised KCC scheme.

The Hon`ble CM while emphasizing the need for encouraging allied activities appealed Banks to finance for the schemes more specifically under Dairy etc.,

The CM mentioned that Banks should increase the level of finance & reduce the interest rates for SHG finance. He informed that Streenidhi Bank shall be providing additional finance of Rs.1500 crores. He informed that Bank Linkage to SHGs up to Rs.5.00 lakhs is eligible for Vaddileni Runalu scheme effective from 01.10.2012.

He informed that the development programmes for SC/STs shall be taken up in a big way and Banks should cooperate in this regard. In LWE districts, rural areas Banking support is required and requested Banks to open new branches in Tribal Areas.

He requested to extend and increase finance to SSI/SME sectors and Rajiv Yuva Kiranalu for employment through skill development and GoAP is taking up in a big way.

**Hon`ble Minister Sri Kanna Lakshminarayana garu**

Hon`ble Minister observed that the instructions with regard to various decisions taken at the apex level in SLBC State Level are not percolating to the Branch level to the desired level which is adversely affecting the proper and speedy implementation. He requested reschedulement be taken up immediately to help the farmers wherever affected. He also requested for extension of time for reschedulement of crop loans in drought affected mandals upto August, 2012.

Hon`ble Minister pointed out that some branches are collecting Rs.150/- for getting NOC by the farmers and the Input subsidy released by the GoAP is not credited to the farmers so far. He requested Bankers to open no frill accounts to farmers and not to insist upon minimum balance of Rs.500/- to Rs.1000/- as is done by some Banks.

The Hon`ble Minister informed that with regard to Khariff 2012 loans farmers need to pay only Principal and interest will be directly paid by the GoAP to the Bankers. To create awareness among farmers Department of Agriculture is preparing wall posters which will be supplied to all banks. He requested the bankers to display the posters at branches.

The Convenor of SLBC clarified to the Hon`ble Minister that Clear instructions were given to all banks for crediting of Input subsidy immediately on receipt of same from GoAP to the farmers accounts.



**Hon`ble Minister Sri. N. Raghuvveera Reddy garu**

Hon`ble Minister has expressed happiness for ear marking Rs.2000 crores for extending finance to the Licensed cultivators by the Bankers in the State. He mentioned that such a step will create a confidence among the licensed cultivators.

Hon`ble Minister stated that the Government has already initiated the process of renewal of LEC cards and to issue new cards. He mentioned that banks should finance liberally to all the eligible LEC holders.

He emphasised on the following aspects:

- He expressed happiness over the scales of finance increased this year but he suggested that the bankers may consider the Land rent of licensed cultivators, at least a part of rent may also be considered while arriving the scales of finance and asked the bankers to help licensed cultivators in this regard.
- Bankers to issue Instructions to their branches that for financing LEC card holders they should not insist for any other documentary proof from the Licensed Card holders.
- Bankers to percolate the decisions taken at the apex level to the branches so that the decision can be implemented in letter & spirit.
- SERP has accepted to help for Agricultural loan recovery and requested Banks to utilise the opportunity for recoveries.

**Hon`ble Minister Sri Uttam Kumar Reddy garu**

Hon`ble Minister expressed that branches are reluctant in opening of bank accounts to the beneficiaries of Housing and informed that more than 3,08,000 accounts are to be opened and requested bankers to give necessary instructions to the branches.

He informed that the Sub-committee meeting will be convened during July, 2012 and issues will be discussed. He also informed that Bridge loans are pending for disbursements with bankers and requested controlling offices to give suitable instructions in this regard.

He requested that individual accounts may be opened to all Housing loan beneficiaries by Banks.

Convenor, SLBC, informed that all Banks have launched campaign to open one account to each household and this will ensure opening of accounts to all beneficiaries. He also advised all LDMs to speed up the process of opening of accounts to all households.

**Hon`ble Minister Smt. Sunitha Lakshma Reddy garu**

Hon`ble Minister informed that for the first time they have launched SHG credit Plan with 9200 crores and appreciated the bankers who have done well during the year 2011-12. She said overdues have reduced considerably with the active involvement of SERP in recovery and she assured that it will be

further reduced during the current year. She brought to the notice of the forum that there are gaps in lending between MCP and Linkage and requested bankers to extend finance fully.

Hon`ble Minister has informed that some branches are insisting for deposits while sanctioning the loans and in some cases collecting stamping charges for the documents of SHG linkage loans. She has informed that under State Milk Mission JLG groups are to be financed as second loan.

Hon`ble Minister has requested bankers to have a uniform Rate of Interest for SHG Bank linkage as in the case of Short Term loans to Agriculture

Convenor, SLBC informed that Banks are going for Cash credit facility system under SHG finance which will take care of gaps in financing and he informed that all banks are advised not to insist any deposits out of SHG loans.

#### **Hon`ble Minister for Tribal Welfare Sri Bala Raju garu**

Hon`ble Minister has informed that State Government is extending many Welfare and development schemes like Pavala Vaddi for Agricultural loans , Input subsidy, NREGS, Rajiv Yuva Kiranalu etc. and also for the development of SC/STs.

He requested all Banks to reopen the branches closed in Tribal areas due to security reasons especially in Adilabad and Visakhapatnam districts to help the Tribal community for their development. He assured all Banks that necessary support will be extended by the Government and also through ITDA to all Banks. He requested all banks to open branches atleast in Mandal Head quarters in the above districts and provide Banking services. He stated that the Input subsidy given by the GoAP could not be disbursed in those areas due to non availability of banking services. State Government has extended nine Point Programme like Education, Drinking water etc., and funds also provided for implementation. A cabinet Sub-committee was constituted and helping hand is given by the State Government and requested Banks to open Bank branches in those areas immediately.

#### **Sri Pankaj Dwivedi, Chief Secretary, GoAP**

Chief Secretary stated that the performance of Banks was good during the last year and Bankers deserve appreciation in this regard. He stated that the areas of concern are:

Financial Inclusion: He informed that all financial transactions should be online and one account must be opened for each household. But it is not being implemented in remote areas. He informed that in Visakhapatnam in some mandal headquarters no scheduled Bank branch is functioning and if there is no bank branch it will be difficult to implement Financial Inclusion initiatives of Government. He advised Bank controllers to open branches in all Mandal headquarters without exception.

He impressed upon Banks to open bank branches in remote tribal areas and help those people under financial inclusion and see that the money is transferred to them by way of subsidy by opening bank accounts.

Chief Secretary appreciated Banks for keeping a special target for LEC holders and expressed that while the sanction of loans for licensed cultivators is positive in some districts and in some districts the

response is lukewarm indicating that the scheme Perse is good and the success depends upon the willingness of the bankers to be proactive. He advised Banks to issue appropriate instructions for implementation.

He expressed concern over the performance of Government Departments in review and monitoring the performance of their targets especially like fisheries department where the performance is nil and sericulture department where there is poor performance

He informed that digitally signed land records are available online with Mee seva centers and updation of data is almost complete to the extent of 90% and Banks can accept the Mee seva documents as authenticated. He stated that Certificates issued by Mee Seva Centers are legally valid. Once the updation of online records is completed, banks can take decisions quickly. He wished that it will go a long way and congratulated the CCLA and Agriculture department for their efforts made in this direction.

Convenor of SLBC informed that the problem of lack of Bank branches needs to be attended by Banks immediately. LEC issues will be taken by Banks with all seriousness. The President congratulated the Department of Agriculture and CCLA for making the land records online. He also assured that banks will open accounts to all needy and necessary instructions will be given.

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

Regional Director, RBI has stated that during the intervening period Reserve Bank of India had come out with its Monetary Policy Statement for the year 2012-13 on April 17, 2012 and the following monetary measures were announced taking into account various parameters.

Reduce the repo rate under the liquidity adjustment facility (LAF) by 50 basis points from 8.5 per cent to 8.0 per cent.

The reverse repo rate under the LAF, determined with a spread of 100 basis points below the repo rate, stands adjusted to 7.0 per cent.

Raise the borrowing limit of scheduled commercial banks under the marginal standing facility (MSF) from 1 per cent to 2 per cent of their net demand and time liabilities (NDTL) outstanding at the end of second preceding fortnight.

The Bank Rate stands adjusted to 9.0 per cent.

The cash reserve ratio (CRR) of scheduled banks has been retained at 4.75 per cent of their NDTL.

Under credit delivery and financial inclusion some of measures announced include: disaggregation of the FIP targets to the controlling offices and to branches, road map for provision of banking services in villages with population of below 2000, redefining of priority sector , licensing of cooperatives and streamlining of short term co-operative credit structure.

During the mid quarter review of Monetary Policy on June 18, 2012, RBI taking into account the current macroeconomic situation, it has been decided to keep CRR, policy repo rate under liquidity adjustment facility (LAF) unchanged.

Regional Director, RBI has congratulated all banks for having achieved disbursement of 107 percent of the total priority target set for the year 2011-12. He said that it is commendable that the targets have been surpassed for the past three years consecutively. While the achievement in respect of agriculture and non farm sector was 122% and 100% of target respectively, the other priority sector was a tad lower at 70%. He informed that It has been proposed under the State Credit Plan for the year 2012-13, the target for agriculture credit at Rs. 52,972 crore (growth of 10.36% of the previous year target) and total priority sector at Rs. 82,167 crore ( growth of 12.07% of previous year target). He expressed confident that banks in this State would surpass the target set under the State Credit Plan for the year 2012-13. I would also like to reiterate that as per the recommendations of the Prime Minister's Task Force on MSMEs; banks were advised to achieve a 20 per cent year-on-year growth in credit to micro and small enterprises and a 10 per cent annual growth in the number of micro enterprise accounts. He advised Banks to extend credit to MSME segment as per extant instructions.

The State witnessed drought conditions for the third time in a row and the State Government had declared drought in 878 mandals (of the total 1128 mandals) through various GOs issued from Nov 2, 2011 to January 17, 2012. It appears that some of the banks are yet to reschedule the crop loans despite being advised to reschedule within 3 months from the date of notification. It has already been clarified that there is no restriction for time period for rescheduling of crop loans; however, the asset classification norms would be as indicated in the Master Circular on Natural Calamities. Banks are advised to reschedule the crop loans at the earliest and to complete the rescheduling process in future within the time stipulated in the Master Circular to avail the asset classification relaxations.

He stated that as part of implementation of Financial Inclusion Plan, 6640 villages were identified in the State with population above 2000 for providing banking services. The target date was set as March 31, 2012. While banks in the State assigned FIP (in villages with population above 2000) have confirmed having opened branches/appointed BCs at these 6640 villages, it is observed that the number of financial inclusion accounts opened by them as at end of May 2012 were around 26 lakh accounts. Further, the number of transactions carried out in these accounts was nominal. There is a need to open more accounts as well as increase the number of transactions in these accounts. He said that recently, RBI has issued a circular regarding roadmap for provision of banking services in villages with population below 2000. He opined that SLBC has already allocated the villages with population below 2000 to banks. Though no time frame has been stipulated in the instructions, He requested the banks to start the process of implementation of Financial Inclusion Plan in respect of villages with population below 2000.

RD, RBI has informed that the revised guidelines in respect of Kisan Credit Card Scheme and Financial Literacy Centres have since been issued. Banks are advised to implement the extant guidelines immediately. At present there are 22 FLCC which are functional in the State of Andhra Pradesh.

He said that It has been observed that the NPA position of the banks shows an increasing trend. The segments where the tendency is observed more is in respect of agricultural loans and in some areas in SHG finance and other Government sponsored schemes loan portfolio. As per the SLBC agenda notes, the percentage of NPAs to the total agriculture outstanding and SHG were 4% and 5% respectively. The overdues as percentage of outstanding balances in respect of total agriculture loans and SHG were 26% and 14% respectively. With the CD ratio being very high at 115 in this State, there is pressing need to have focused attention on recovery and also to minimize overdues. Banks need to step up their efforts

in recovery of overdues and other loans. He requested the state government to extend all possible assistance in recovery of loans so that the credit flow can be maintained.

RD stated that during their visits to the districts and the outreach programmes, people have been asking for more educational loans from banks. On the other hand, banks are complaining about rising overdues/NPAs in education loans, especially in loans below the Rs. 4 lakh category which are collateral free. He emphasised the need to address the concerns expressed by both the banks as well as the public.

He said that it may be recollected that in the 176<sup>th</sup> meeting of SLBC, he had indicated that SLBC needs to review the issue of opening/shifting of branches in tribal/hilly area back to locations from where they were shifted due to security concerns. Representations were received from districts of Warangal, Nalgonda, Visakhapatnam and East Godavari districts. However, not much progress has taken place during the interregnum. He requested the SLBC to take up the matter to its logical conclusion.

**Banking: Implementation of Cheque Truncation System (CTS) in Andhra Pradesh:** He informed that it has been decided to link all bank branches of AP for CTS to Chennai grid by March 31, 2013. To start with all bank branches of Hyderabad will be linked to Chennai grid by September, 2012. Cheque Truncation System not only brings a new way of clearing based on image exchange between the member banks but also a whole lot of benefits to both the banks and customers at large. Some of these benefits but not limited to include;

- (a) Faster realization of cheques
- (b) Extended presentment window
- (c) Improved reconciliation services
- (d) Reduction in geographical dependence
- (e) Reduced operational risk due to inbuilt security in the workflow
- (f) Faster Customer Services - reduced Turnaround Time on Service Requests, queries and MIS.

All banks are advised to be in readiness in consultation with National Payment Corporation of India (NPCI) for implementation of CTS.

Government of AP has done a commendable job in enabling e-mode of receipts of commercial tax. To bring more and more of tax collections to the electronic on-line mode, their reporting, settlement and reconciliation, RBI has proposed a new system whereby the agency banks will report to RBI on T+1 basis and by 2.00 clock on T+1, Government Account will be credited and a single scroll of all on-line tax receipt transaction will be sent to Treasury. The above system is successfully operating in Karnataka and has brought in efficiency in Government receipts accounting. State Government may consider our proposal made in this regard expeditiously.

He mentioned that full automation of State Government Treasuries and their integration with the banks has immense benefits for all the stakeholders including the concerned State Governments, RBI, the banks and the beneficiaries, such as, convenient and smooth processes, instant fund transfer and quick credits to all beneficiaries accounts, elimination of risks associated with human interference, cost and time efficient transactions, automatic instant reconciliation of transactions, substantially reduced paper work, efficient fund management, effective budgeting exercise, easy and perfect record keeping in digital form, etc. Till full-fledged solutions are implanted for automation of State Government Treasuries, in the interim, State Government may avail of the on-line banking facilities or similar packages so that such processes are automated at the earliest. This item is a standing agenda of SLBC

and automation State Government Treasuries for efficient payment of bills needs to be operationalised at the earliest. RBI will constitute a small committee to monitor the progress in the matter. I request State Government and banks to pay immediate attention to such a vital matter immediately.

He further stated that they have introduced Regional ECS was introduced for the State of Andhra Pradesh leveraging on the Core Banking Solution of banks in AP from August 1, 2011. All the bulk debit and credit transactions pertaining to any beneficiary having a bank account linked to CBS in AP is covered under this product. He requested State Government and banks to work together to bring all the salary/pension payments under RECS.

**Sri P. Mohanaiah, CGM, NABARD:**

CGM informed that an amount of Rs.100 crores have been allocated to RRBs for financing to PACs during the year 2012-13. He said NABARD will continue to provide refinance for crop loans to SCB and RRBs at 4.5% p.a. to enable the banks to provide crop loans to famers at 7% p.a. upto Rs. 3 lakh per borrower. Refinance support is also earmarked for Investment credit to a tune of 2760 crores during the year 2012-13.

He informed that as per Revised KCC guidelines crop loan assessment is to be made based on the scale of finance + 10% towards post harvest /household/consumption requirements + 20% towards maintenance of farm assets. SB cum OCC account facility is to be sanctioned and no processing fee upto a limit of Rs.3.00 lakh. He requested Bankers to extend finance to LEC holders during the current year as per the target.

He also informed that four Animal husbandry schemes will be continued during the current year 2012-13 also and Model scheme on calf rearing activity has been prepared for the benefit of bankers and prospective dairy farmers.

CGM, NABARD advised Banks to implement Revival, Reform and Restructuring Package and advised to submit the claims by the controlling offices as per time line given. He also advised to extend finance to those Individual weavers upto Rs.50, 000/- after waiver of the existing loans.

He informed that NABARD ware Housing Scheme for 2012-13 also need to be encouraged by all the Banks. Rural Godown scheme is also eligible for Capital Subsidy.

CGM informed that with regard to LWE districts for promotion of Women SHGs, SERP is acting as Anchor NGO and NABARD has prepared Livelihood Development Plans for Adilabad and Khammam districts and ready for implementation. NABARD will also prepare such plans for all other LWE districts also shortly.

He informed that farmers clubs can be utilized by Banks for recovery of dues in Agriculture and also for business promotion. CGM impressed upon Bankers for promotion and credit linkage of JLGs and approach NABARD for clarifications in this regard. Banks may formulate suitable strategy for increasing JLG financing in Andhra Pradesh. Banks can avail the grant incentives in this regard from NABARD.

CGM, NABARD assured that NABARD will extend full support to all Bankers for the development of the State.

**Sri R. Subrahmanyam, Principal Secretary, GoAP**

Principal Secretary stated that the Rate of Interest on SHGs is very high and requested bankers to charge rate of Interest on SHGs on par with crop loans. He also expressed that the level of DRI lending is very poor and loans can be extended by Banks to poorest of the poor SHGs.

Principal Secretary informed that under Milk Mission 6500 crores is targeted for financing Milch Animals under JLG mode and the same was deliberated in the steering committee meeting of SLBC and it was decided in the meeting that the bankers have to communicate their decision in consultation with their controlling offices to SLBC at the earliest. He requested the bankers to expedite their clearance in this regard. The Principal Secretary, requested Bankers to extend finance to the Milch Animals under DRI scheme.

Chief Secretary also requested the Bankers to encourage this Programme.

**Sri Ilyas Rizvi, M.D. Minorities Finance Corporation**

MD Minorities Corporation informed that the finance extended by banks to Minority communities is only nearly 7% as against the target fixed by Government of India 15% of Priority sector advances. The Chief Secretary informed that this needs to be improved in a phased manner.

Convenor, SLBC informed that a sub-committee of SLBC was constituted and a meeting was held and certain action points were emerged during the discussions to increase the lending to Minorities and this has to be implemented by all concerned.

**Representative from Textiles Department** requested that under GOI Scheme for waiver of loans of Handloom weavers, loans pertaining to Individual Weavers, Banks may submit their claims immediately. He stated that fresh loans are to be extended to the weavers on submission/ settlement of claims.

**Commissioner of Industries stated that:** with regard to allotment of plots to SC/STs will be done to the extent of 16.2% and 6% in the New Industrial Parks of APIIC respectively. The plots will be allotted on leased basis for a period of 10 years with lease rent @Rs.100/- per annum per acre or part thereof.

He informed that during the lease period, the allottee will be entitled to mortgage the plot to any commercial Bank/APSFC for obtaining project funding where the Bank/APSFC will have second charge after APIIC on this plot.

**Commissioner, Department of Agriculture** informed that some Banks are insisting of minimum balance of Rs.500/- to open accounts for crediting Input subsidy and requested all Banks to issue necessary instructions to open no frill accounts for crediting input subsidy. He also requested to speed up the process of opening of accounts.



**Convenor, SLBC informed that:**

The Minutes of **177<sup>th</sup> SLBC Meeting** held on **March 24, 2012** were circulated to the members of SLBC, LDMs and Government Departments concerned.

The Minutes of Sub-committee Meetings and Steering Committee Meetings held after 24.03.2012 and upto 06.06.2012 were circulated to the members of SLBC, LDMs and Government Departments concerned.

**Hence, the Convenor requested the forum that these Minutes may be approved by the House as no amendments/changes were received by SLBC of Andhra Pradesh. The forum has approved.**

Convenor has taken up the agenda for discussion. On discussion, the following action points emerged in the meeting.

**Action Points emerged in the Meeting****Agriculture and allied activities**

- Non-loanee farmers, non-farmer households and LEC farmers to be covered 100% immediately.
- All Banks have to follow the revised KCC guidelines and sanction only KCC during the current year from Khariff season itself.
- Banks to ensure that Khariff 2012 lending is completed well before the schedule and necessary planning to be made.
- All Banks are requested to display the wall posters to be supplied by the Department of Agriculture with regard to prompt payment of Crop loans and KCC guidelines at the branch premises to create awareness among the farmers.
- All Banks are requested to reach the target set for LEC holders as projected in the State Credit Plan during the current year.
- Input subsidy is to be credited to the accounts of farmers immediately on receipt of the same and SB accounts to be opened to all the needy farmers immediately to credit the input subsidy.
- GoAP to ensure availability of land records on line and enable charge creation by banks for smooth credit flow.
- Village survey may be commissioned by NABARD to identify basic issues in the rural areas.

- Banks to popularise that from Khariff 2012 onwards farmers need to repay only Principal and the Interest will be directly paid by GoAP to the Banks, upon prompt payment.
- In case of RABI 2011, farmers have to pay the entire amount due and GoAP will reimburse the Interest later to the farmers' account.
- The revised Scales of Finance to be followed by all Banks and necessary instructions to be given to all branches by their controlling offices.

#### **SHG – Bank Linkage Programme**

- SERP to take steps for achieving saturation in promotion of SHGs in all LWE districts during the current year.
- Banks may give their clearance with regard to Mini Dairy scheme financing through JLG groups as decided in the Steering committee and inform their approval to SLBC immediately.
- Cash Credit facility system for SHGs to be implemented in full shape immediately.
- NABARD to prepare Livelihood Development Plan for all LWE districts and all concerned LDMs to coordinate with the DDMs of NABARD.
- Banks should give clear instructions to all branches not to take deposits out of loan proceeds from SHGs and resort to forcible selling of insurance policies.

**(Action: Banks, LDMs, Revenue Department, GoAP, Agriculture Dept. GoAP)**

**Financial Inclusion**

- All banks are advised to continue the campaign of opening of one account from each household and reach the saturation in all villages.
- FLCCs are to be established in the Divisional Head quarters in all the Districts and the respective Lead Banks may take necessary steps to initiate the process immediately. As directed by RBI FLCs are to be opened in all Lead District Offices immediately.
- The Rural Development Department may give instructions to District Authorities not to charge any Registration charges for lands allocated to RSETIs.
- All Banks are advised to open Bank Branches which were shifted/merged with other branches due to Security reasons in the past, immediately.
- All Banks are advised to open Bank branches in the Mandal head quarters in the Tribal areas where there is no Bank branch.
- Automation of State Government Treasuries and Automated interface with State Government may be implemented in full.

**(Action: All Banks and LDMs)**

**MSME**

- Banks are advised to submit the claims under Revival, Reform and Restructure package waiver scheme as per time schedule and extend finance to individual weavers afresh.
- Banks may extend their banking services to all the eligible entrepreneurs in and around the clusters and take part in economic development of the State.
- Banks should strive to achieve the 60% of Micro Enterprises out of MSEs by March, 2013.
- Branches to be opened in all Industry Clusters.
- Steps are to be taken for implementation of CGTMSE Scheme and all branches are to be instructed by the Controlling authorities.
- Banks may extend liberal finance to the entrepreneurs belonging to SCs/ STs under CGTMSE Scheme and conduct entrepreneurship development programs in consultation with industry associations.

- All Banks are requested to offer their views on the proceedings of the meeting held on 30.05.2012 by Hon'ble Minister for Major Industries with Bank officials and DICCI.

**(Action: Banks and All LDMs)**

#### **Govt.Sponsored schemes**

- Department of Fisheries and Sericulture and other departments where the performance is low to analyse the reasons and improve the performance during the current year.
- Banks to plan suitably and ensure that Government sponsored programmes are grounded evenly throughout the year.
- Branches are to be sensitized to extend finance to minority communities with special focus.
- All Govt. Departments to give instructions to their field officials to actively participate in DCC & JMLBC meetings and take steps for proper implementation of Government sponsored schemes and also assist banks for recovery.

**(Action: All Banks, SLBC, Finance Dept. Concerned Departments, GoAP)**

#### **Recovery Issues**

- All banks are advised to utilise the services of SERP for recovery of Agricultural overdues as it was agreed by SERP as in the case of SHGs.
- Recovery should be agenda in all JMLBC & DCC Meetings and all Government departments to give instructions to their functionaries to participate in recovery drives.
- Agriculture Department may create suitable machinery at village level to coordinate with banks in lending and recovery related issues.
- Government may undertake publicity through Electronic media and Print media for repayment of Bank dues.
- Banks to report their overdue and NPA figures to SLBC every quarter to enable SLBC to make analysis on the same.

**(Action: Agriculture Dept. SERP, GoAP, All banks)**

**CONCLUDED.**