

**Minutes of 179<sup>th</sup> Meeting of  
STATE LEVEL BANKERS` COMMITTEE OF  
ANDHRA PRADESH**

**Date: 19.10.2012 - Time: 03.30 PM  
Venue: Jubilee Hall, Public Gardens, Hyderabad**

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

**CONVENOR  ANDHRA BANK**

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**The 179<sup>th</sup> Meeting of the SLBC of Andhra Pradesh was conducted on 19.10.2012 at Jubilee Hall, Public Gardens, Hyderabad at 03.30 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 G. Prasad Kumar, Sri Kasu Venkata Krishna Reddy, Sri D.Manikya Vara Prasad, 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 K.R. Nair, CGM, NABARD, Sri R.N. Dash, General Manager, Reserve Bank of India, Sri M. Bhagavantha Rao, MD, SBH, Sri Rakesh Sarma, CGM, SBI, General Manager, SIDBI 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 warm and hearty welcome to the invitees of the 179<sup>th</sup> meeting of SLBC of Andhra Pradesh.

At the outset he congratulated Hon'ble Chief Minister for successfully hosting the 11<sup>th</sup> Meeting of the Conference of the Parties to the convention on Biological Diversity (COP-11) at Hyderabad. He said that this would go a long way in improving the awareness on Bio-Diversity among general public.

**Deposits and Advances**

As at the end of June, 2012, Deposits and Advances in the State stood at Rs.3,59,228 Cr., and Rs. 4,15,010 Cr., respectively with YoY growth of 22.89% and 21.94% respectively. The growth, in absolute terms, during the 1<sup>st</sup> quarter of 2012- 13 in Deposits and Advances was at Rs.17,334 Cr. and Rs.20,612 Cr.

**Credit Deposit Ratio**

The C.D. ratio of our State stood at 115.53% as on 30.06.2012 as 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 Quarter, 2012-13 is at 118.91%.

He reiterated the need for increased emphasis on 'Resource Mobilization', especially in untapped rural/semi-urban areas in the state. He requested all the Banks to effectively use the Financial Inclusion initiatives in improving the resource base of Banks, for meeting the increasing credit needs of the State.

**Performance under Annual Credit Plan 2011-12**

As against the Annual Disbursement Target of Rs. 82,167 Cr. for the year 2012-13, Banks disbursed credit to the tune of Rs.22,925 Crores during the 1<sup>st</sup> quarter, thereby achieving 27.90% of the annual target.

Banks disbursed Short Term Crop Production loans of Rs. 13,198 Cr and Agricultural Term Loans of Rs.5,163 Cr constituting 35.54% and 32.59% of the Annual Target respectively. Against the Khariff 2012 target of Rs. 23, 828 crores under Crop Loans and Rs. 7, 802 crores under Agril. Term Loans, the achievement is 55.39% and 66.18% respectively. He informed that as per latest information available with SLBC, Banks have disbursed Rs. 23,396 crores under Crop loans and Rs.5,163 crores under Agril. Term Loans as on 29.09.2012 with achievement of 98.19% and 66.17% respectively of the Annual Khariff target.

**Priority Sector advances**

The Priority Sector Advances, at the end of June, 2012, were at Rs. 1, 86,667 Cr., with YoY increase of 18.41%. In absolute terms, the YoY growth in Priority Sector Advances was Rs.29,027 cr. As against the Regulatory prescription of 40%, the Priority Sector Advances constituted 47.33% of Total Advances of 31<sup>st</sup> March, 2012.

**Agricultural Lending**

On an overall analysis of rainfall pattern during Khariff, 2012 season, it was observed that though there was deficit rainfall during the initial months, it picked up in the later months and near normal rainfall was received in the state and 99.5% area was sown during the season. We do hope for good crop yields from the Khariff crops and also hope for good rainfall during the RABI season also.

The Agricultural Advances, at the end of June, 2012, were at Rs. 1,06,657 Cr., with YoY increase of 24.12%. In absolute terms, the YoY growth in Agricultural Advances was Rs.20,725 cr. As against the Regulatory prescription of 18%, the Agricultural Advances constituted 27.04% of Total Advances of 31<sup>st</sup> March, 2012.

The outstanding credit under Agriculture sector was Rs. 1, 06,657 Crore as at the end of June, 2012, which continues to be one of the highest in the country.

**Sagu Rythuku Rakshana Hastham – Financing Licensed Cultivators**

The President informed that SLBC has adopted a Target of Rs.2000 crores for the year under the scheme. Out of the total of 3,88,215 LEC Cards issued so far during 2012-13, Crop Loans have been sanctioned to 93,283 Card holders amounting to Rs. 187.90 Crores, as per information available with SLBC. The President stated that, in the recently held meetings, it was informed by Banks and LDMs that the list of Card Holders has not been sent to Bank Branch concerned by

the Revenue/Agriculture Department immediately on issuing the LEC and by the time the LEC holder approaches the Bank, the owner farmers have already availed loans.

He further informed that renewal of LECs issued during 2011-12 has not taken place in many cases. Further, the LEC holders who have availed loans during 2011-12 have not repaid loans. He requested the Government to kindly address the above issues.

### **New Products to meet the Credit requirement of Farmers**

Sri B.A.Prabhakar, President has informed the house that Department of Financial services, Ministry of Finance, Govt. of India has constituted a Working Group consisting of members from PNB, SBI, Canara Bank, BOB, LIC and Oriental Insurance Co. to deliberate and submit a report on the new products which are required to be introduced to meet the credit requirement of farmers.

MoF has communicated the list of new products -- Scheme for financing Farmers for Purchase of land for Agriculture Purpose, Estate Purchase Loans, Loans for Agriculture purpose against Gold / Silver, Kisan all-purpose Term Loans, etc., which has been circulated all Banks and LDMS.

He requested all banks to consider introducing these schemes which are intended to improve flow of credit to the farmers.

### **Replication of `Bhoomi` Project of Karnataka**

Under Agriculture sector, for ensuring smooth flow of credit GoI has advised all State Governments to put in place the system of `Bhoomi` project in Karnataka to enable banks to view land records online and for on line creation/removal of charge. He informed that recently, officers from State Government, NABARD and SLBC have studied the project and thanked the Government for initiating steps for putting in place the system in Andhra Pradesh. Once the system is in place, it will remove many hurdles of rural credit delivery system and farmers are immensely benefited, he opined.

### **SME Sector Advances**

The outstanding under SME sector stood at Rs.39,785 Crore as on 30.06.2012, with YoY growth rate of 28.43%

In so far as Credit Guarantee Scheme of CGTMSE is concerned, during 2012-13, proposals amounting to Rs.352.44 crores in 8271 accounts have been covered by banks upto 15.10.2012. He informed that from the earlier 14<sup>th</sup> position, the State has moved to 5<sup>th</sup> position for the current year in respect of implementation of the scheme in the country with continuous follow up by RBI and SLBC. However, the performance needs to be improved further and efforts need to be continued by all Banks.

Conducting viability studies and taking up rehabilitation measures is another area to be given adequate thrust by Banks. The continued 'POWER' problem being faced by MSME sector in the State is a cause of serious concern. Industry associations have represented on the problems being faced by MSME sector and requested Government, RBI and Banks for addressing the problems. This issue was already discussed in the meetings conducted by RBI and SLBC. The SME sector is very important to the country as it provides employment to large number of people and is a national priority. He requested the Government to look into the problems being faced by the MSME sector and offer preference in power supply.

### **Revival, Reform and Restructuring of Handloom Sector**

As per the information available with SLBC, Banks have submitted claims in respect of 1,286 Weavers amounting to Rs.2.09 Crores. He requested all Banks to complete the process by the end of October, 2012.

All the Lead District Managers in the Districts have been requested to cover all eligible weavers under the scheme.

Under Weaver Credit Card Scheme, 53,508 applications were received from the weavers through 56 clusters and 41,832 applications have been sent to the concerned LDMs. All Banks and LDMs are requested to extend credit support to all eligible weavers.

He requested the State Government to release claim amount of Rs.21.00 crores in respect of Loan Waiver scheme implemented by the Government in 2011.

### **Housing Sector**

The outstanding credit as on 30.06.2012 is Rs. 29,599.82 crores.

Housing sector needs a lot of support from the banking system. As decided in the 177<sup>th</sup> SLBC meeting, a Sub-committee was constituted by SLBC to review the progress and ascertain the reasons for not picking up of finance under Housing Programmes. The Sub-committee met on 17.07.2012 wherein the Hon'ble Minister for Housing along with line Department Functionaries and banks attended. A series of measures were suggested for improving flow to the sector. It was advised that AP State Housing Corporation may conduct a meeting with SERP representatives to decide on the strategy for 'Bridge Loans'. The meeting was conducted by the Housing corporation recently.

### **Educational Loans**

The outstanding amount under Educational Loans as on 30.06.2012 is Rs. 5,446.53 crores against the Target of Rs.6, 780 crores communicated by the Ministry of Finance for the year 2012-13. Due to the fee reimbursement scheme in AP there is reduced demand for Educational

loans in the state. He requested all Banks to ensure that all the eligible and needy students get Bank finance for higher education.

### **Self Help Groups**

Under SHG - Bank linkage program, our State continues to lead the country. The outstanding finance has touched Rs.16,735 Crore extended to 13,14,482 SHGs.

There are overdues of Rs. 2,174 crores under this segment.

Under SHG Bank linkage programme GoAP has taken initiative to implement `Paala Pragathi Kendrams` through JLGs, 7451 applications were collected by SERP and Banks have extended finance to 177 PPK units amounting to Rs. 8.85 Crores. He requested all Banks to give thrust for implementation of scheme for improving milk production in the State.

### **Scheme for financing Women SHGs in 16 Left Wing Extremism (LWE) Affected Districts**

The scheme for financing Women SHGs with the support of Anchor NGO in 16 LWE affected districts is being implemented and MOUs have been signed by the major Banks and SERP. NABARD has released upfront grant of Rs.144.90 lakhs to SERP, the anchor NGO, however 10% of the Grant assistance of sanctioned amount of Rs. 1449 lakhs in the 16 LWE Districts. All Banks and NABARD were requested to speed up the implementation process.

### **Financial Inclusion**

As regards to Financial Inclusion Plan to cover all the villages with over 2000 population by March, 2012, Banks have recorded 100% achievement by covering all 6651 villages. The total number of accounts opened by the Banks under FIP upto 30.08.2012 is 37,34,625. Banks have to take steps to increase transactions through BCAs.

District Level Sub Committees (DLSCs) have completed the exercise of allocation of the villages with population below 2000 to all Banks and in turn SLBC has communicated to various Banks.

Dept. of Financial Services, Ministry of Finance, GoI has given instructions to complete the coverage of villages above 1600 to 2000 population as per 2001 census before March, 2013 under `SWABHIMAN`. Efforts are on to put BCAs in these villages numbering 2,125 during the current year.

### **Launch of Campaign to ensure at least one Bank account for each family in FI villages**

MoF, GoI has issued guidelines to all banks for launch of campaign to ensure opening of at least one bank account for each family in FI villages. The MoF had advised the banks to complete the process by June, 2012.

As per the data available with SLBC, banks could achieve 84.40% of opening of accounts, taking into account the number of households. He assured that collective efforts will be continued to achieve saturation.

### **Urban Financial Inclusion**

The President, SLBC stated that Banks are taking active steps to promote Urban Financial Inclusion in the State and SLBC has advised all the LDMs to allocate wards to individual banks in all Semi-Urban, Urban and Metro areas and the process is almost completed.

### **Aadhar Enabled Financial Inclusion**

The President, SLBC stated that Andhra Pradesh is one of the leading states in the country to complete enrollments under Aadhar and SLBC is closely working with UIDAI and State Govt. Departments to ensure seeding of Aadhar number with the bank accounts.

### **Green Initiative – Measures to popularize E- Payments**

Ministry of Finance, Govt. of India has communicated the guidelines to popularize e- payments for bringing down the transactions through cheques which is an expensive mode of transactions. As banks have a large number of transactions with their customers, the Department of Financial services has advised banks to initiate electronic transactions in respect of following:

- All payment to and from Customers / Staff
- All payments to vendors and suppliers
- Disbursements of loans and payments towards installments and investments
- ECS advise instead of post dated cheques

It is, therefore, imperative that all banks make concerted efforts for popularizing e-payments and bring down the transactions made through cheques.

The Department of Agriculture, GoAP has taken up disbursal Rs.1, 816 crores of input subsidies to the farmers affected by drought through e-payment. This exercise has taken long time than expected since it is first such initiative on large scale.

Government of Andhra Pradesh has also decided & communicated for crediting the subsidies under various Govt. Sponsored programmes directly to the loan accounts of the beneficiaries during this year. He informed the house that SLBC has constituted a Sub-committee to work out the modalities of administering the subsidy and to evolve a system. The Sub-committee met on 11.09.2012 and the finalized a system which was communicated to the Government. The Govt. of AP has adopted the system and released G.O. on 28.09.2012. Andhra Pradesh may be perhaps the First State to take such a measure and it will not only help in e-payments but also in effective utilization of Govt. funds.

### **Rural Self Employment Training Institutes (RSETIs)**

In Andhra Pradesh 25 RSETIs are functioning including APBIRED (Andhra Pradesh Bankers' Institute for Rural Entrepreneurship Development). The chairman of the House informed that 5 RSETIs have got A+ rating and 11 RSETIs have got A rating. The RSETI at Rajahmundry (East Godavari) of Andhra Bank was adjudged as the best RSETI in the Country by MoRD. He requested all Lead Banks to take steps to ensure that all RSETIs achieve A + rating during the current year.

The GoAP Programme `Rajiv Yuva Kiranalu` which is aimed at imparting training for creating employment opportunities may be taken forward by all RSETIs in creating self employment with available local resources. Similarly candidates identified under Rajiv Yuva Shakthi and other Government sponsored schemes may be given training through RSETIs for better understanding to the candidates for taking up activity.

### **Financial Literacy and Credit Counseling Centers (FLCs)**

FLCs have since been opened and functioning in all 23 Districts of Andhra Pradesh. All Lead Banks have been advised to open FLCs in all Divisional Head Quarters in their respective Districts to further extend the services for improving Financial Literacy.

RBI has advised all Lead banks to open FLCs in all its LDM offices apart from the existing FLCC. Financial Literacy has to be taken up by all Rural Branches. All banks are requested to take measures for improving financial literacy since it is paramount for Financial Inclusion.

The President stated that to further extend the activities of FLCs, he felt that there is requirement for opening of more farmers' clubs. He informed the house that on 18.10.2012 Andhra Bank has launched 50 Farmers' clubs in East Godavari District. He requested all the Banks to open farmers' clubs covering all the service area villages so that they will be involving themselves in the financial Inclusion activities also.

### **Recovery issues**

The Issue of Recovery continues to be concern of Banks. On review of the position as at the end of June, 2012, it was observed that overdues are mounting under Crop Loans, Agricultural Term Loans, SHG Loans, and Loans under Government Sponsored Schemes such as INDIRAMMA, VAMBAY, Rajiv Gruha Kalpa etc. Banks need Government's help to get the recoveries which will motivate the Branch Managers to lend more under these schemes.

Banks' representatives are feeling that there is a need for involvement and concerted efforts from Agriculture Department on the lines of SERP for recovery. He requested Government to put in place a system and infrastructure in Agriculture Department for coordinating recovery issues.



**Government Sponsored Schemes**

For increasing financing and groundings under Government sponsored programmes as resolved in the earlier meetings, sub committees were constituted for SC/ST programmes, Housing Sector, Lending to Minorities and other Government sponsored schemes. Specific plan of action was advised to all Banks and LDMs to improve the Credit. Since the review is of first quarter and under many programmes, the Gramsabhas are conducted only recently, much progress is not reflected in the reports placed in the agenda notes. He requested all banks and LDMs to take required steps for improving lending under Government sponsored schemes.

The President reiterated that active involvement and support extended by all the Banks, RBI, NABARD, State Government Departments and other agencies is necessary for the effective functioning of SLBC and he solicited continued support of all the Organizations and Agencies.

He once again assured on behalf of SLBC that all the Banks will continue to extend full support and stand upto the expectations and aspirations of the State Government in the development of the State of Andhra Pradesh.

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

Hon`ble Chief Minister Sri N. Kiran Kumar Reddy garu in his opening remarks expressed happiness over the good performance of Banks during the year 2011-12 and during the Khariff 2012 almost 98% of the target has been achieved. He also informed that scales of finance have been increased by banks during the current year as requested in the last SLBC meeting. Hon`ble Chief Minister clarified that from Khariff 2012 onwards farmers will pay only the Principal amount to the Banks and the entire interest will be paid by the Government directly to the Banks. He suggested that the SLBC and the Department of Agriculture may work out the modalities for payment of Interest to the Banks by the government directly at the earliest.

He expressed that though the Banks have targeted 2000 crores to finance to LEC holders during the current year; the performance was only Rs. 196 crores and requested Banks to extend finance to all eligible LEC holders so that they can avail the benefit of interest free loans.

Hon`ble Chief Minister requested Bankers to extend KCC facility with extended period of 5 years to be introduced. He also advised to extend more finance to other activities allied to agriculture like Dairy, fisheries, Sericulture, Horticulture etc., He informed that Housing problems are to be addressed and finance to Handloom sector is to be considered. Finance to SC/ST/Minorities to be improved and Banks to take necessary steps for improving the lending to those sectors. He informed that an amount of Rs.777 crores was earmarked in the budget for the purpose of training under `Rajiv Yuva Kiranalu `and the Government targeted employment to 3,60,000 people and requested the bankers to assist wherever necessary.

**Hon`ble Minister for Finance Sri Anam Ramanarayana Reddy garu**

Hon`ble Minister informed that with the support of Bankers the Government is taking up all the programmes in the state of Andhra Pradesh. He expressed that Banks have not extended finance under revised KCC norms as discussed in the earlier meetings. He also expressed concern over the performance of LEC finance and as against the target of Rs.2000 crores Banks could finance Rs.200 crores approximately which is very low. He requested LDMs to take special interest for financing LEC holders. Hon`ble Minister requested bankers to assist in Direct transfer of subsidy to the beneficiaries of all Government sponsored schemes during the current year. He requested Bankers to improve lending under DRI for the poorest of the poor and also lending to SC/ST/Minorities.

Hon`ble Minister has informed that the finance extended to Minorities is only at 7% as against the target of 15% and there is a need to improve the lending by Banks to Minorities. He suggested that because of power problems Banks may encourage non-conventional energy sources like Wind/Solar systems and extend finance to Mini Hydel projects and Solar systems.

**Hon`ble Minister for Co-operation Sri Kasu Venkata Krishna Reddy garu**

Hon`ble Minister requested all banks to open branches closed or shifted due to security reasons in the past or provide Mobile Banking services in those places. He also requested Bankers to extend finance to LEC holders and to SC/ST/Minorities and Small and Marginal farmers who really need Bank finance. He also requested Bankers to extend educational loans to weaker sections.

**Hon`ble Minister for Rural Development Sri D. Manikya Vara Prasada Rao garu**

Hon`ble Minister requested all banks to extend finance to handloom sector. He informed that Government is going to open a separate Bank for Handlooms and all care will be taken for the development of Handloom sector.

**Smt. Minnie Mathew, IAS, Chief Secretary, Government of Andhra Pradesh**

Chief Secretary expressed that the performance of Banks under Agriculture and other priority sector is quite impressive and advised all banks to ensure that increased scales of finance are extended to all farmers while sanctioning the loans. Banks are requested to extend more finance to Agriculture allied sector, SC/ST/Minorities and other weaker sections. Banks should exercise more caution while opening the Current accounts duly following RBI guidelines. She advised all Banks and LDMs to prepare District Credit Plans keeping in view the economic growth in LWE districts.

Chief Secretary reiterated the need for implementation of online viewing of land records and creation of mortgage similar to Bhoomi Project of Karnataka in the State of Andhra Pradesh. She informed that 90% of land records are online and 80% of records are digitally signed in the

State. She assured the house that the system of online land records will be put in place in A.P very shortly.

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

Regional Director informed that during the intervening period the Governor, Reserve Bank of India announced the Mid-Quarter Review of Monetary Policy for the year 2012-13 on September 17, 2012. The important monetary measures announced in the policy on the basis of an assessment of the current macroeconomic situation included the following:

- The Cash Reserve ratio (CRR) of scheduled banks reduced by 25 bps from 4.75% to 4.50% of their Net Demand and Time Liabilities injecting Rs.170 billion into the banking system.
- The repo rate under the liquidity adjustment facility (LAF) retained at 8.0 percent. Consequently, the reverse repo rate under the LAF, and the marginal standing facility (MSF) rate were retained at 7.0 percent & 9 percent respectively.
- The Bank Rate retained at 9.0 percent.

Globally, there have been several significant developments. As risks have risen, both the European Central Bank (ECB) and the US Fed have responded with liquidity measures intended to calm financial markets and provide further stimulus to economic activity. While these measures have helped short-term growth and mitigated financial risks, they may exert pressure on global asset prices, particularly, commodity prices. Domestically, growth continues to be weak; however, the recent reform measures undertaken by the Government have started to reverse the negative investment sentiments. Importantly, however, for the moment, inflationary pressures, both at wholesale and retail levels, are still strong.

The Reserve Bank has been reviewing the credit flow to the priority sector, especially agriculture & the micro & small enterprises (MSE). During the recently held meeting of the Empowered Committee-State Level Inter Institutional Committee on MSME (EC-SLIIC) meeting at Reserve Bank on September 26, 2012, various industry associations had represented that the absence of regular power supply was adversely affecting the performance of the micro and small enterprises in the State. A study of sick micro and small enterprises was conducted by them in the recent past to ascertain the reasons for units becoming sick and non-viable. While several reasons were cited by the industries, the single major factor leading to problems in the MSME sector related to infrastructural issues, particularly power supply. MSME sector is important not only from the point of view of industrial production, but also as a major source of employment generation. Infrastructural problems faced by the sector, especially availability of power, needs to be addressed, urgently. He requested the State Government to look into this.

The objective of the Lead Bank Scheme is to enable Banks and the State Government to work together for inclusive growth. Towards this end, the SLBC meetings need to be conducted regularly at quarterly intervals. RBI had issued guidelines on the conduct of the SLBC meetings to all the Convenor Banks. The High Level Committee that looked into the Lead Bank Scheme

had noted that in States where the Chief Minister or the Finance Minister takes active interest in the SLBC and is present in the meetings, the SLBC has been more effective as a coordination forum. We are fortunate to have the presence of the Chief Minister in our SLBC meetings. However, of late the meetings are being held at the end of the quarter. He informed that It may be recalled that in the 177<sup>th</sup> meeting of SLBC, the Chief Minister had advised that the SLBC meetings need to be conducted by mid of the subsequent quarter. He requested SLBC Convenor to follow the extant guidelines in this regard.

A workshop of the Lead District Managers (LDMs) of the 23 districts in the State was organized by Reserve Bank of India on August 28, 2012. During the discussions, it was pointed out that the flow of information i.e. communicating decisions in the form of circulars/instructions from SLBC to controllers and to the branches as well as obtaining feedback from the branches by the controllers & SLBC needs to be strengthened. It was also brought to their notice by the LDMs that lending to LEC card holders was not picking up, and some of the impediments which were highlighted by LDMs include non recovery of loans from the LEC card holders in the previous year and non renewal of LEC cards in time. He requested the State Government to take necessary steps to clear the impediments so as to create an enabling climate for Banks to lend to this segment of farmers.

He informed that one of the major areas where the Lead Bank is required to focus is financial inclusion. As part of implementation of Financial Inclusion Plan, 6640 villages were identified in the State with population above 2000 for providing banking services with the target date set as March 31, 2012. While banks in the State (in villages with population above 2000) have confirmed having opened branches/appointed BCs etc. at these 6640 villages, it is observed that the number of financial inclusion accounts opened by them as at end of August 2012 were around 31 lakhs. Further, the number of transactions carried out in these accounts was very low. There is a need to open more accounts as well as encourage customers to increase the number of transactions in these accounts.

It is observed that under Electronic Transfer there have been delays in effecting EBT payments to the ultimate beneficiaries. Unless we move quickly towards convergence of EBT with Financial Inclusion as per extant guidelines, the issue will remain unresolved. There have been several rounds of discussion on this issue and banks were advised earlier to firm up their views. He requested SLBC to quickly resolve the issue and take it to the logical conclusion.

He recalled that during the meeting held with the Top Management of RBI, CMDs of the banks were asked to provide their Financial Inclusion Plans to be achieved by the year 2013. Accordingly, all banks including RRBs have provided their FI Plan to RBI/NABARD. However, it is observed that this plan had not been disaggregated by banks and communicated to the Controllers and to their branches for follow-up and monitoring the progress made. He requested all the Controllers of the bank to ensure that the FI Plan is disaggregated and the same is available with the Branch Managers for monitoring.

He has drawn the attention of all banks that in June 2012, RBI has issued a circular regarding roadmap for provision of banking services in villages with population below 2000. The SLBC has already allocated the villages with population below 2000 to banks. Though no time frame has been stipulated in the instructions, banks were advised to furnish a road map/plan the details of the coverage of the villages with population below 2000 for the years ended March 2013, 2014 and 2015. He requested the banks to furnish the details of the road map urgently to SLBC and also to start the process of implementation of Financial Inclusion Plan in respect of villages with population below 2000 in right earnest.

The RD informed that UIDAI has advised about the roll out of the Aadhar Enabled payment system in 51 districts of the country. Five (5) districts in the State of Andhra Pradesh have been identified for the same. The status of the roll out of Aadhar enabled payments may be included and the progress reviewed in the SLBC meetings.

It has been observed that the NPA position of the banks is showing an increasing trend. This trend is observed more in respect of agricultural loans and in some areas in SHG finance and loans under Government sponsored schemes. As per the SLBC agenda notes, the percentage of NPAs to the total loans outstanding under agriculture and SHG was 4.86% and 5.08% respectively. The overdues as percentage of outstanding balances in respect of total agriculture loans and SHG loans were 21% and 20% respectively. Banks are financial intermediaries and channelize the resources for productive use. The growth in deposits had been very nominal. With the CD ratio being very high at 115 in this State, the non recovery of overdues and NPAs creates a problem in the credit cycle. Unless the efforts on recovery are stepped up the credit cycle cannot be maintained. During the meeting with the LDMs and visits to rural/semi urban areas undertaken by RBI officers, it is understood that public are under a wrong notion that the Government would come out with an agriculture loan waiver scheme. He requested the State Government to dispel the notion and also extend all possible assistance in recovery of loans so that the credit cycle in the State can be maintained.

Financial Literacy & Credit Counselling Centres have been established in all the 23 districts in our State. While the existing FLCCs would continue to function with a renewed focus on financial literacy, lead banks have been advised to set up Financial Literacy Centres (FLCs) in the Lead District Manager (LDM) Offices in a time bound manner. In addition to the above, banks may consider setting up need based FLCs in other locations as well. Further, financial literacy activities will also be undertaken by all the rural branches of Scheduled Commercial Banks including RRBs. The FLCs and rural branches of the banks would also conduct outdoor Financial Literacy Camps with focus on financially excluded people at least once a month. He requested the banks to operationalise the FLCs at the earliest.

Reserve Bank of India has requested the State Government for inclusion of financial literacy material in the school curriculum. Copies of financial literacy material in English and Telugu prepared by us for inclusion in school curriculum for classes V, VII and IX were earlier forwarded to the Director, SCERT Hyderabad. He informed that RBI has been informed that the matter would be escalated to the editorial committee during the month. As financial literacy for the

young minds would help in better understanding of money and finance, he hoped that the same would be taken up in the right earnest and included in the curriculum in the coming year.

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. However, there had not been much progress in this aspect. In this regard several representations were received from districts of Warangal, Nalgonda, Visakhapatnam and East Godavari districts. To have a focused attention on these issues and review developments in this regard, a meeting of Senior Officers of major Banks was organized by RBI on August 8, 2012 to examine possibility of opening bank branches at mandal headquarters and to provide banking services at all other locations where the banks have shifted earlier due to security concerns. Pursuant to this, banks have drawn up action plans in this regard. A review meeting is scheduled to be conducted at RBI by the end of the month on this aspect. He informed that RBI expects the banks and the Government to work together so that branches are opened in the mandal headquarters and shifted back to their original places at the earliest.

**Sri K.R. Nair, Chief General Manager, NABARD**

Sri K. R. Nair, CGM, NABARD thanked the state government and the banking fraternity in Andhra Pradesh for an impressive performance in fund flow to the state. In real terms, the credit flow to AP has improved from 21,739 crore rupees during the first quarter in 2011-12, to 22,925 crore rupees during the same period this year. Agriculture financing has gone up from 16,400 crore rupees to 18,400 crore rupees. Within that, crop loan has improved by around 3,000 crore rupees. The share of APSCOB in the credit flow is 2,857 crore rupees, and that of the Regional Rural Banks is 3,348 crore rupees, which has improved from the level of 2,228 crore rupees during comparable quarter last year. In a recent meeting he had with Chairmen of RRBs in AP, he was informed that they are on an aggressive strategy to significantly increase the presence of Farmers' Clubs in their areas of operation. He came to know that Andhra Bank has decided to expand the coverage of farmers clubs. He said that NABARD would support this laudable move in all respects.

However, he informed that we need to contend with the aspect of negative growth in agricultural investment loans, which have dipped from the level of 5,600 crore rupees during the first quarter of 2011-12, to 5,200 crore rupees during the quarter under review. It would be necessary to increase long term investments in agri and agri related sectors, in order to keep the growth graph of the State at a positive level. He wish to place before the bankers here some good efforts made by the State Government, with the support of NABARD, in increasing rural infrastructure investments in the State, which, in turn, will provide the platform for increasing long term agricultural investments.

With a recent sanction of 362 crore rupees loan under RIDF, Andhra Pradesh has become the top most user of the RIDF in the country, at a cumulative sanction of 15,000 crore rupees. The

percentage of utilisation of drawable amount based on actual works executed stands at around 88%, also the highest among all the states in the country. The State has made maximum investment 5,191Crore rupees or 35% under Irrigation sector. The other sectors claiming substantial investments are rural Roads (31%), Social Sector (18%), Bridges (5%), Rural Health, etc. The investments in irrigation have resulted in generating additional irrigation potential for 29.87 lakh ha. of land. The RIDF has substantially supported rural connectivity in the State, by financing 56,295 m. of rural bridges and 31,978kms. of rural roads. These activities are estimated to have generated over 19 lakh recurring employment opportunities and over 14.5 lakh man days of nonrecurring jobs in the state. In the areas where the Government has increased investments is irrigation and rural connectivity, banks may take special efforts to increase investments in agriculture. This is a continuous process, and NABARD would be assisting the banks as also the state government, by identifying critical infrastructure gaps and financing the State Government to fill in those gaps, so that credit flow is kept uninterrupted for the agricultural production, processing and marketing segments.

Keeping in view the overall projected growth in GDP during the 12<sup>th</sup> five year plan, there is need to augment the productivity to at least 2-3% and to support these efforts by at least 20% growth in crop loans. Similarly, increase in 6-7% productivity in other allied agricultural activities is envisaged to keep pace with the overall GDP growth in agriculture to 4% and above. There is an urgent need to support these activities by all Banks in the State in order to help capital formation in agriculture.

#### **Capital Subsidy scheme for solar Lighting**

This scheme is under the Jawaharlal Nehru National Solar mission (JNNSM) of the Ministry of New and Renewable Energy, GOI. The total no of units allocated for AP under the solar lighting systems in FY 2012-13 is 4,000 units. RBI has already released subsidy for more than 4,000 units and received an additional allocation of 6,000 units under the scheme taking the total allocation to 10,000 units.

The loan sanctioned by banks to individuals for setting up of off-grid solar and other off-grid renewable energy solutions for households has been classified under Priority Sector Lending as per the Reserve Bank of India circular from RPCD Central Office dated 20 July 2012.

#### **Kisan Credit Cards (KCC) - Revised Scheme**

The revised KCC is a smart card cum debit card. One of the major improvements is that its validity has been increased from 3 to 5 years. This needs to be popularized by banks in a concerted manner.

### **Upgrading PACS into Multi Service Societies**

A joint initiative is on the anvil between NABARD and the APSCOB, to enable PACS to become a one stop shop for the farmers, wherein, a dedicated line of credit will be made available to the cooperatives for supporting investments in agriculture, working capital loans for supporting products and services by farmers, financing livelihood initiatives including those under the PPKs and their members, as also infrastructure services like rural godowns to be provided by the PACS. The modalities are being worked out, and the initiative will be rolled out in a mission mode sometime during December 2012.

### **Accreditation of Warehouses**

NABCONS, the consultancy arm of NABARD, has been authorized by the Warehousing Development and Regulatory Authority (WDRA) to act as Accreditation Agency. This opens up a very viable and vast funding opportunity for banks under warehouse receipts for farmers.

'Development is a multi-stakeholder driven process. Credit, although is a critical requirement, cannot accomplish the comprehensive development all by itself. In an environment of good coordination between Bankers, State Govt., Extension Agencies, Capacity Building Organisation, inclusive livelihood development is certainly a possibility for the future in Andhra Pradesh.

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

The Principal Secretary informed that the overdues in SHGs is only around Rs.578 crores which is 4.95% as per the information available with them and SERP is taking necessary steps to recover the overdues in SHG lending.

He pointed out that some bank branches are not allowing the SHG groups to draw their savings for their internal lending and the controlling authorities should pass on suitable instructions to their branches in this regard.

He also pointed out that some bank branches are depositing some amounts out of loan given to SHG groups and this practice is to be avoided. He requested all Banks not to allow their branches to resort to such practices.

The Principal Secretary requested that payment mechanism is to be evolved for remittance of SHGs through BCAs without coming to the branches.

He recalled the discussions in the past with regard to extending finance to SHGs under DRI and the Convenor replied that Reserve Bank of India clarified that Banks cannot finance under DRI to SHGs.



**Sri B. Raja Sekhar, CEO, SERP**

He informed that the CBRM (Community Board Recovery Mechanism) has been strengthened and for every 6 villages one cluster coordinator was given to improve the recovery of overdues in SHG Bank loans.

He informed that 185 Pala Pragathi Kendras (PPKs) are operational and they are good projects for Bank finance. He requested Banks to finance for fodder plants which is good investment for Bankers.

He quoted one incident of SBH Branch Manager was beaten by SHG members and this type of incidents should not happen. He informed that some banks are adjusting the SHG loans towards recovery of Crop loan dues and requested all banks to avoid such practices.

**Sri Dana Kishore, IAS, Secretary to Govt., Social Welfare Dept,** informed that as the land holdings for minorities are less Banks may explore the possibility of financing under SME sector for minorities.

He also informed that 40000 students of pre metric could not be given scholarships because of not having Bank accounts and requested all Banks to open student accounts.

**Sri B.Jayaraj, MD SC Finance Corporation** informed that as per the recent change in transfer of Subsidy directly to the Non operative SB accounts of beneficiaries for all government sponsored schemes and requested all Banks to pass on the instructions to the branches. He informed that some Bank Branches are insisting for Security for loans even upto Rs.1 lakh and SBH Manager, Manager branch is insisting for Security and mortgage even for a loan of Rs.50000/-.

**Sri K.Hanumantha Rao, Manager, APSTEP** requested the controlling authorities of all banks to circulate the guidelines to all their branches. The President, SLBC informed the concerned department to coordinate with LDMs.

**Sri K.Madhusudhana Rao, Commissioner, Agriculture Dept,** informed that the Government has released Rs.100 crores towards Pavala Vaddi and only six Banks have claimed the amounts and the remaining banks are yet to claim. He requested all Banks to submit the claims immediately.

The Commissioner informed that financing of LEC holders, Banks and LDMs need to push in a campaign mode. He requested LDMs to take-up LEC financing in a positive way and there is a large scope for good financing. He added that owners who never cultivate the lands are availing loans from banks.

Representative from Tribal Welfare Department informed that they have requested Banks to open Bank branches in 34 centres where there is a need for banking services and no progress is made in this regard.

**Sri K. Devarathna Kumar, Asst. Director General, UIDAI** informed that Andhra Pradesh is leading in enrolments of Aadhar in the country and 6 pilot districts were identified for transfer of social benefits through Aadhar. He requested seeding of Aadhar both organic and inorganic i.e., for existing and new accounts.

He also requested Bankers to make provision in the SB Account opening application form to mention Aadhar Numbers.

Convenor informed that UIDAI was requested to share the data as the civil supplies department has not given data to the Banks to facilitate the process of Aadhar seeding.

**Sri M.V. Reddy, Director, Animal Husbandry department** informed that there are Mini dairy units with 5 Milch animals and Medium Dairy unites with 20 Milch animals and the department is providing Transportation subsidy, Insurance subsidy and Mechanisation subsidy for these units and requested bankers to encourage these schemes. He also requested bankers to encourage 50 Ram lamb units and all livestock schemes introduced by the Department.

**Sri D. Hanumantharaya, Director, National Commission for Scheduled Castes** informed that Banks need to give more thrust for extending loans to SCs and the lending should be in proportion to their population i.e., 16%. All Banks are advised to give data district-wise on total advances and share of SCs. Banks are requested to make separate component for SCs in Agriculture term loans, SSI and Priority Sectors and give thrust for implementing Pavalavaddi scheme and CGTMSE scheme for SCs.

He requested all Banks to extend finance to Non conventional energy projects to promote power in the State.

**Convenor informed that:**

GoI has advised all states to implement Bhoomi project of Karnataka to enable banks not only view the land records on-line, but also facilitate creation/removal of charge on-line. A study team from NIC, GoAP, NABARD and SLBC has visited Karnataka from 8-10 October, 2012 and submitted a report. He informed that CCLA Office has conducted a follow-up meeting on 16.10.2012 and time frame has been decided for implementing the project by 01.01.2013.

Convenor also informed that the position of A.P. is better with 98% porting of land records and 88% of records digitally signed, when compared to Karnataka and there may not be any difficulty in implementing the project as envisaged.

Convenor informed that Government of Andhra Pradesh has for the first time announced Andhra Pradesh Solar Power Policy -2012 and in order to promote the solar power plants certain incentives have been proposed to be given to the developers in case they can commission their plant by June, 2014.

**Convenor, SLBC informed that:**

The Minutes of 178<sup>th</sup> SLBC Meeting held on **June 26, 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 26.06.2012 and upto 21.09.2012 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****General:**

- All LDMs are advised to prepare Model projects in consultation with DICs and place the same in the district websites.
- All Banks are advised to reopen their Bank Branches, shifted or closed due to security reasons in the past as per RBI guidelines.
- All LDMs are advised to prepare the modified Service are plans and upload the same in their respective district website.
- All LDMs are advised to review the progress under Investment credit in all JMLBC and DCC meetings regularly.

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

**Agriculture and Allied Sector:**

- All eligible LEC holders to whom the cards were issued and renewed to be financed as per revised scales of finance.
- All non-loanee farmers are to be covered with Bank finance and all non farmer households to be covered with GCC.
- All Banks are advised to implement the revised KCC scheme and extend finance as per revised scale of finance.
- All Banks are advised to follow the guidelines given by NABARD with regard to KCC scheme advising to fix the KCC limits so as to include the working capital requirements

for Animal Husbandry including fodder and feed purchases and also crop loan for fodder cultivation wherever required.

- All loanee and non loanee farmers are to be covered under Crop Insurance scheme (NAIS/MNAIS/WBCIS).
- All Banks are advised to consider introducing the new schemes suggested by the working group formed by the DFS, which were circulated to all Banks.
- Banks are advised to proactively implement the financing of PPKs through JLG groups formed out of women SHG members.
- Banks are advised to extend finance to the Farm Mechanisation scheme introduced by GoAP in a big way.
- All Banks are advised to credit the Input subsidy to the accounts of farmers or return the undisbursed amount to the Department of Agriculture.
- All Banks are advised to claim Pavala Vaddi from the Government as the Department of Agriculture has already released an amount of Rs.100 crores for the purpose.
- All Banks have to collect only principal from the farmers for their crop loans and the interest will be paid directly to the Banks by the GoAP from 01.10.2011 on words.
- Department of Agriculture, GoAP in consultation with SLBC has to work out the modalities for Interest reimbursement to Banks.
- Banks may consider the request of the Poultry Federation for increasing the working capital limits in view of the steep increase in the cost of feed.

**(Action: All Banks, LDMs and Department of Agriculture, GoAP)**

**MSME Sector:**

- All Banks are advised to open Bank branches/extend banking services and support to all MSME units in the identified 56 clusters wherever required.
- All Banks are advised to extend necessary support to MSME units which are facing problems as represented by the Industry associations.
- All Banks are advised to submit the claims under Handloom weaver's scheme to NABARD immediately.
- All Banks are advised to submit the progress report on financing under Weavers Credit cards to SLBC on fortnightly basis as advised by NABARD.
- All Banks are advised to refer the proposals if any to SLBC for want of clearances from GoAP or Gol.
- All Banks are advised to implement the recommendations/suggestions of the sub-committee on improving credit under CGTMSE held on 09.05.2012.

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

**Housing loans:**

- All Banks are advised to open no frill accounts to all Housing scheme beneficiaries to facilitate on line transfer of funds.
- All Banks are requested to extend bridge loans to meet the gap in funding.
- APSHCL may convene a meeting involving SERP, MEPMA and Lead Banks to work out a strategy for sanction of Bridge loans to the members of SHGs.
- All Banks are advised to disburse all sanctioned ISHUP loans and claim the subsidy.
- APSHCL and APHB to address the infrastructure and other issues relating to their projects facilitating 100% occupation of allotted houses.

**(Action: All Banks, LDMs, APSHCL and APHB)**

**Educational loans:**

- All Banks are advised to put in place a grievance Redressal Mechanism at the Branch, Zonal as well as Head Office level where concerned persons may approach in respect of any grievance relating to Educational loan.
- All Banks are advised to reach the targets allotted under Educational loans by MoF for the year 2012-13.
- All Banks are advised to go for on line tracking of applications to be adopted for educational loans.

**(Action: All Banks)**

**Financial Inclusion:**

- All Banks are advised to complete the process of signing of MoU with Anchor NGO in LWE affected districts and to reach saturation in financing women SHG.
- NABARD has to prepare livelihood plans for two districts Adilabad and Khammam and requested to prepare for the remaining 14 districts for implementation.
- Common RFP Agreement has to be entered with L1 Bidder M/s. FINO Fintech Foundation by all Banks immediately and start implementation in the three Pilot districts viz. West Godavari, Kurnool and Nizamabad.
- All Banks to submit their Roll out plans district-wise immediately to SLBC.
- All Banks to ensure opening of one bank account per each family/household and also to migrant labour/street vendors and hawkers.
- All Banks are advised to open Banks accounts with Aadhar number and to seed the Aadhar numbers for the existing accounts.
- All Banks are advised to reduce the cheque transaction business and educate the customers about the benefit of e\_ payments.
- LDMs are advised to identify top 20 Bank Branches doing more cheque transactions in the district and a meeting to be conducted for those branches and sensitize those branches as directed by MoF.

- All Banks to follow the new guidelines with regard to administration of subsidy on all government sponsored schemes and communicate the guidelines to their branches immediately.
- All banks are advised not to give any cheques from 1<sup>st</sup> October, 2012 on words for their payments.
- All Banks to open bank accounts of all heads of families for direct transfer of cash subsidy for Kerosene. This will facilitate Gol/GoAP to implement e\_ payments for all 35 schemes.
- East Godavari District was identified as pilot district for implementation of direct transfer of Fertiliser subsidy in the State of Andhra Pradesh. Banks to immediately take steps for achieving saturation in opening SB accounts and seeding Aadhar Numbers.
- All LDMs are advised to open FLCs at their Lead District Office and all Rural Branches to take up Financial Literacy in rural areas.
- All Banks are advised to instruct their branches to extend financial support to the RSETI trained candidates.
- All LDMs are advised to take necessary steps for establishment of clearing houses in the identified 295 centres immediately.
- LDMs of identified eight districts are advised to identify USBs under Integrated Action Plan (IAP) for selected tribal and Back ward districts under state component of Back ward Regions Grant Fund (BRGF).
- All LDMs are advised to identify NGO for appointing as Micro Insurance Agent as advised by Ministry of Finance, for extending both life and non-life Insurance products.
- All Lead Banks are advised to ensure and strengthen infrastructure support to all LDMs to enable them to perform their role more efficiently.
- As advised by MoF, all LDMs are advised to be ready with Video Conference facilities immediately.

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

**Govt. Sponsored Schemes:**

- All Banks and LDMs are advised to take special care to improve the lending to Minority Communities, SC/STs and other weaker sections and regularly monitor the progress in all the HMLBC and DCC meetings.
- LDMs are advised to conduct special DCC meetings and the representatives of Minorities and other departments should attend for fruitful deliberations.
- All Banks to follow the new guidelines on Administration of subsidy on all Government sponsored schemes directly to the Non operative SB accounts of the beneficiaries and necessary instructions to be given to all branches in this regard.

**(Action: All Banks, LDMs and Government Departments)**

**Overdues:**

- All Banks are advised to take the necessary support of the Department of Agriculture, SERP and Housing Departments of GoAP for recovery of overdues in Agriculture, SHG & Housing loans.
- Agriculture Department and other departments to extend necessary support to all Banks in recovery of dues.
- All Banks may avail the services of Tahsildar stationed at Lead Bank office for recovery of overdues in Government sponsored schemes.
- The items of recovery and NPA position is to be compulsorily placed in all meetings of DCC and JMLBC and concerted efforts are to be made by banks for improving recovery position.

**( Action : All Banks, LDMs, SERP, Agriculture Dept & Housing Dept)**

**CONCLUDED.**