

MINUTES OF THE SPECIAL MONTHLY MEETING OF J&K STATE LEVEL BANKERS' COMMITTEE (SLBC) ON MSMEs HELD ON 6TH MARCH 2009 AT JAMMU

In compliance to the directions of Government of India, Ministry of Finance, Department of Financial Services relating to measures for enhancing flow of credit to productive sectors of economy a special monthly meeting of J&K State Level Bankers' Committee (SLBC) on MSMEs was held on 6th March 2009 at J&K Bank, Zonal Office, Jammu to review the progress in implementation of the IBA package by the banks in J&K State as at the end of February 2009 and for resolving any impeding issues. The meeting of the core group was chaired by Mr. A. K. Mehta, Executive Director/ COO of the J&K Bank (Convenor Bank) and was attended by Commissioner/ Secretary Finance, J&K Government, Regional Director (for J&K), Reserve Bank of India, Senior President, J&K Bank, representatives from various concerned Government Departments, senior functionaries of SBI, PNB and other major banks and institutions operating in J&K State. Top brass of various representative organizations of MSMEs, Trade & Industry of the State also participated in the meeting. The list of participants is enclosed as **Annexure-A**.

After extending a formal welcome to the participants to the meeting Mr. A. K. Mehta initiated the proceedings by expressing the hope that in view of the prevailing economic scenario the forum would find solutions for the problems and bottlenecks coming in the way of regulating flow of credit for ensuring development, growth and sustainability of MSMEs in conformity with the package and as intended in the directions of Government of India.

Thereafter the Mr. Ajit Singh, Senior President, J&K Bank/ SLBC (Convenor) took up the Agenda items for deliberation as under:

Confirmation of Minutes of the previous Special meeting of J&K SLBC on SMEs:

The forum was requested to confirm the minutes of the previous Special Meeting of J&K SLBC on MSMEs held on 20th December, 2009 at Jammu for seeking implementation of the measures initiated by RBI to enhance credit delivery for assisting the MSMEs sector which were circulated vide J&K SLBC Office Ref. No.LBD/SLBC-74/2009-436 dated January 09, 2009.

President, Kashmir Chamber of Commerce & Industry (KCCI) Dr. Mubeen Shah, pointing out that Mr.A.M.Matoo, was a member of the KCCI but was not mandated to represent KCCI in the said meeting and desired a correction to this effect in the circulated minutes.

Reacting to it Mr. M. S. Wani, Senior Executive Manager, J&K SLBC clarified that Mr. A. M. Matoo had attended the said meeting as an entrepreneur/ exporter and a member of KCCI and not as a representative of KCCI and regretted the inadvertent error. The said minutes stand accordingly amended to this effect. Subject to the said correction and that no other amendment was advised, the minutes of the said meeting were confirmed.

Implementation of IBA package on MSEs, Auto and Housing Sectors- GoI/ RBI directives:

In view of the sensitivity of the matter the house was once again comprehensively sensitized about the features of the IBA Special Package on MSMEs, Auto and Housing sectors and the measures advised by Reserve Bank of India as already circulated to all the concerned members for assisting the MSMEs sector and ensuring enhanced flow of credit to the productive sectors of the economy.

The members banks were reminded that the Special Monthly meetings of SLBC are to be held as a time bound programme every month from 5th to 12th regularly and progress has to be conveyed on 15th of every month to Government of India. So they were impressed upon to ensure submission of the data on time and with due respect to the prescribed time schedule for enabling to hold the reviews on time to serve the intended purpose.

Action: Member Banks / LDMS

The Regional Director (J&K) RBI stated that MSMEs sector has the potential for employment generation and under the emerging scenario much emphasis has been given on this sector. He stated that RBI has issued the circular in this regard wherein **banks have been advised to take up all such accounts for restructuring which they feel are under stress or are likely to be in difficulty, even without being asked for by the borrower concerned**. He said that this initiative would not only benefit the borrowers but also to the bankers whose NPAs would be reduced and consequently provisioning requirement will be less. Elaborating the instructions of RBI, the Regional Director, RBI stated that all accounts that are standard as on first September, 2008, are eligible to be taken up for restructuring and initially RBI had directed the banks to complete this job by 31st of January, 2009, which date was subsequently extended to 20th of February, 2009 and now to 31st March, 2009. Keeping in view that a very limited time was left, the Regional Director, **RBI impressed upon the banks to take immediate steps to complete the job of restructuring of accounts**. He impressed upon the bankers to ensure desired compliance without waiting for any further circulars, clarifications and instructions for doing the needful. Stressing that the cooperation of both the bankers and the representative bodies of trade & industry was imperative for

achieving the target within the prescribed time limit, the Regional Director, RBI requested the representatives of Trade & Industry to educate their members that they should themselves approach their concerned bankers in case they feel that their accounts need restructuring.

Action: Member Banks

Reacting to the suggestion of President, FCIK that bankers should take up all the accounts for restructuring at their own voluntarily, the Regional Director, RBI clarified that only such accounts could be considered by the bankers for restructuring which are having symptoms of stress and that the bankers will have to satisfy themselves that these account are in difficulty or are likely to be defaulted in next 6 months or one year- based on logic and facts.

Mr. Sudanshu Panday, Commissioner/ Secretary Finance, **J&K Government, impressed upon the representatives of Trade & Industry to take the initiative and educate their members to approach their respective bankers for the purpose where they feel the need.**

Action: Organizations representing MSMEs, Trade & Industry

Mr. Ram Sahai, Chairman, JCCI assured that the Trade & Industry organizations will apprise their members about the scheme and issue necessary circulars in this regard but requested the RBI and all the banks should also give the scheme wide publicity through print and electronic media.

Mr. Shakeel Qalander, President, FCIK joining deliberations on the issue stated that restructuring has been initiated as an outcome of the global meltdown but the industry in J&K is likely to feel the wrath of meltdown after six months and therefore, **pleaded that the last date for identification of the accounts should be extended from 31st March 2009 to 30th June, 2009.**

The Regional Director, RBI assuring to record the suggestions for consideration advised that whatever has been instructed so far, should be implemented within the prescribed time line. He expressed his intension **to publicize the Scheme through some local TV channel soon, which will suffice the desired requirement. It was also thought expedient to issue small advertisement in the media advising therein that the entrepreneurs who feel their accounts are likely to be under stress should approach their respective bank branches for the purpose of restructuring.**

Action: Reserve Bank of India/ Member Banks

The Deputy General Manager, PNB, Mr. R. C. Koul informed the house that PNB has been monitoring the position at Circle Office level and the accounts that are potentially viable and need restructuring have been already identified and they are pursuing the matter with the concerned branches and the concerned entrepreneurs to come forward for the purpose.

Review of progress of implementation of the package by banks operating in J&K State:

It was noted that upto ending January 2009 new working capital loans have been issued to 1590 beneficiaries involving an amount of Rs.67.55 Crore, which included Rs.25.42 Crore, disbursed among 166 beneficiaries in the month of January alone. Similarly, incremental working capital loans (existing units) were issued to 454 beneficiaries involving an amount of Rs.53.91 Crore including Rs.19.59 Crore to 57 borrowers in the month of January 2009.

The house also noted that as on 31st January 2009 a total of 28 accounts have been restructured across the State involving an amount of Rs.42.98 Crore, which included 17 accounts restructured in the month of January 2009 involving Rs.29.26 Crore.

Besides, the banks operating in the State have sanctioned Housing loans of Rs.81.28 Crore in favour of 3417 beneficiaries during the CFY including Rs.19.99 Crore disbursed during the month of January 2009 to 975 beneficiaries and Auto loans of Rs.61.37 Crore to 2225 beneficiaries including Rs.9.36 Crore to 313 beneficiaries in the month of January 2009.

The over all progress in implementation of the package was observed to be slow and banks and other concerned quarters were told to improve the position by ensuring compliance to measures advised by Gol and RBI.

The Regional Director, **RBI informed the house that the position is being monitored and reviewed by Gol at national level meetings every month wherein the Chairmen/ CEOs of select banks, Deputy Governor, Reserve Bank of India and Union Finance Secretary participate. He therefore, impressed upon the member banks and other concerned quarters to ensure submission of the data in the desired format on time.**

Action: Member Banks / LDMs

Dr. Mubeen Shah, President, KCC&I pleaded that **the facility of inventory financing should be extended to the entrepreneurs in J&K as they have to retain the stocks for longer periods particularly in the case of carpets and walnut kernels.** He pointed out that State Bank of India have reportedly extended incremental lending / inventory financing @ 8% rate of interest and requested that other banks should also extend similar relief to the industry. Commenting on the trading activities in valley, Dr. Mubeen Shah pointed out that the model of business in Kashmir is slightly different from other parts of the country as the means of transportation here are limited, no train is available and there are seasonal and cyclic variations prolonging the inventory holding period. Regarding transport sector, which included tourist taxis and tourist buses, he invited attention of the Government to the fact that in the previous budget the Govt. had promised that the maximum rates of interest to be paid by the transporters will not be more than 4%, which commitment for subvention was not fulfilled. In order to counter the adverse impact of global economic meltdown on J&K he requested the house to recommend the following facilities be extended to various sectors of economy including MSMEs and trade & industry sectors in the State:

- Inventory financing particularly for walnut and handicrafts to be made more liberal by the banks through relaxation of norms.
- Slashing down of interest rates on loans to MSMEs, trade & industry.
- Suspension of crystallization of export bills for a period of one year or alternatively the time for crystallization should be increased from existing 30 days to 90 days. Otherwise there was apprehension that all the accounts would become NPAs as all the buyers of export goods were delaying the payments due to global financial crisis.
- Special dispensation for both **pre-shipment credit** and **post-shipment credit** for a long period in view of long time taken in manufacturing of high value Kashmir handmade carpets and delayed realization of export proceeds due to global economic meltdown.
- Interest rates on export financing be reviewed and reduced considerably through subsidy mechanism and made competitive.
- Handicrafts Department is giving interest subsidy of 4% to the bank finance with the ceiling of loan amount of Rs.50,000/- only. This limit of finance for eligibility of interest subsidy should be enhanced from Rs.50,000 to Rs.4,00,000/- so that all the banks will be ready to finance the schemes like Dastkar Finance Scheme launched by J&K Bank which is designed to promote handicrafts sector in the State. Moreover, banks should provide credit to this sector at a very lower rate of interest like applicable to agriculture sector.
- Regarding Tourism sector in J&K the flow of credit is not sufficient and in view of the Kashmir-specific problems and limited period of tourism there is need to have a specific schemes in Kashmir with lowered margin of about 10%.
- Assistance be provided for revival, rehabilitation and nursing of sick industrial units.
- Financing support be provided for infrastructure development like big projects in power, Roads, Irrigation, etc.

Mr. Shakeel Qalander, President, FCIK pointed out that there are apprehension of retrenchment of craftsmen and artisans in coming times because of the less demand of handicrafts goods in the international market and said that 60% of the walnut produce of the current year is still lying with the farmers. He also argued that industry in J&K deserved further relaxations and relief measures in view of the State specific problems.

Mr. M. S. Wani, Sr. Executive Manager, Lead Bank/ J&K SLBC clarified that restructuring of accounts shall be considered by banks only where the accounts are showing symptoms of stress. Regarding the suggestions of Dr.Mubeen Shah, President, KCCI, he stated that this forum is reviewing and monitoring the implementation of the IBA / RBI packages on MSMEs and other sectors of economy to ensure its 100% compliance and that other concessions asked for by the representatives of Trade & Industry have already been deliberated upon in the recently held meeting of the Sub-Committee of J&K SLBC on Relaxation / Concessions to Trade & Industry in J&K State. **However, a copy of the recorded minutes detailing the suggested measures shall be forwarded to the concerned quarters for examination and consideration so that necessary relief and facilities are provided to the deserving sectors and segments of economy.**

The Regional Director, RBI assured the members that RBI feels much concerned about the problems faced by the industry in the State and expressed the hope that concessions of increase in working capital to the extent of 20% extended under IBA package would mitigate the problems of the trade & industry in the State to a large extent. He impressed upon the banks not to hesitate in increasing the working capital as per the IBA package as decided at national level. Regarding the issues he advised that some of these be taken up for deliberation in the SLBC meeting where all the banks and other concerned departments will be present. **As far as the other assistances to various sectors falling beyond the scope of the package for banks are concerned they were advised to approach Government for making recommendations to the concerned quarters viz RBI/ Gol. He, however, advised that RBI be provided suggestions and specific proposals for widening the scope of the package on all the issues outlining**

specifically what they expect from the Government and from the banks, so that they will work out what can be done in this regard. He advised President, KCCI to endorse a copy thereof to the Convenor, SLBC for being examined and recommended to concerned quarters for desired action.

Action: J&K SLBC Office/ Gol/ RBI/ Govt. of J&K

Gol directive to State Governments for issuing instructions State PSEs regarding prompt payment of bills of MSMEs:

Mr. Ajit Singh, Sr. President, J&K Bank informed the house that Ministry of Heavy Industries and Public Enterprises, Gol, have addressed letters to Chief Ministers of all the States advising them to issue suitable instructions to State Public Sector Enterprises and Electricity Boards for making prompt payment of bills of MSMEs. He requested the Commissioner/ Secretary Finance, J&K Govt. to give his comment on the issue.

Mr. T. S. Reen, Chairman, FOIJ pointed out that the directives of Gol are not being implemented in letter and spirit. He pleaded that Government departments and PSEs should be advised to ensure speedy release of MSME dues by ensuring compliance to the provisions of the package, regulation and other directives in this regard.

Mr. Ram Sahai, Chairman, JCCI requested the Commissioner/ Secretary Finance, J&K Govt. to take necessary steps so that the payments of MSMEs are not retained by the State Public Sector Enterprises otherwise it will create enormous difficulties for the MSMEs of Jammu & Kashmir, who are already severely affected due to the last year's disturbances which lead to three months long closure of all commercial activities in the State, as a result of which on one hand our payments have been stopped by the buyers, and on the other the suppliers are refusing to supply goods on credit. He stated that the matter had been taken up with the Chief Secretary, J&K State, a few months before but the matter is pending with the State Government as the Secretary Industries/ Commerce has now been transferred. He further stated that Transport operators of the State are also suffering from similar problems and requested the forum to address these problems and to sort them out.

Mr. Shakeel Qalander, President, FCIK, appreciating that the Delayed Payments Act is now in force in the State requested that the defaulting departments should be penalized to pay interest beyond 45 days of the delayed payments. He also requested the Reserve Bank of India to re-define the segments / quantum of finance for Micro, Small and Medium Enterprise to suit the changed scenario.

The Regional Director, RBI advised that these are the State-specific issues, which need to be routed to RBI/ Gol with the recommendations of the State Government.

Mr. Sudanshu Panday, Commissioner/ Secretary Finance, J&K Govt. assured that these peculiar matters of irritation to MSMEs and other sectors will be looked into by the Government very seriously and stated that under the current scenario the State Government is seized of the problems and situations. He stated that there are already lots of incentives for MSMEs sector in place, which are all working both on purchase side and payment side. He advised the representatives of Trade & Industry to point out to him any specific cases of aberration, which shall be looked into by the Government for desired action. He observed that all over the country we have already seen loss of about 5 lakh jobs even though the impact of the melt down is going to be visible only next quarter.

Action: Govt. of J&K

The House took a serious note of the fact that out of about 39 banks operating in the State, only 16 banks have submitted the requisite monthly data for Special Monthly SLBC meeting. The member banks were impressed upon to ensure submission of the data as per the prescribed time-bound programme to the SLBC for facilitating monthly meetings to review the position and monitor the implementation of the economic package in the State and also for ensuring onward submission of the progress reports to the Government of India for broad based review at the national level.

Action: All Banks

The participants expressed their gratitude to J&K Bank for facilitating the process of industrial rehabilitation and desired flow of credit for rehabilitation, revival and sustaining industrial growth.

(M. S. Wani)
Sr. Executive Manager
Lead Bank Deptt./ Convenor, J&K SLBC

ANNEXURE-A

LIST OF PARTICIPANTS OF THE SPECIAL MONTHLY MEETING OF J&K SLBC ON MSMEs FOR FEBRUARY 2009 HELD ON 6TH MARCH 2009 AT JAMMU

<u>S.No.</u>	<u>Name of Participant</u>	<u>...</u>	<u>Designation / Department</u>
<u>Chairman</u>			
1.	Mr. A. K. Mehta	...	Executive Director/COO, J&K Bank/ J&KSLBC Convenor
<u>Reserve Bank of India</u>			
2.	Mr. O. P. Aggarwal	...	Regional Director (for J&K), R. O. Jammu
3.	Mr. M. R. Garg	...	DGM, Reserve Bank of India, R. O. Jammu
<u>Government of J&K</u>			
4.	Mr. Sudhanshu Panday	...	Commissioner/ Secretary, Finance, J&K Govt.
5.	Mr. Farooq Ahmad	...	Director, Industries & Commerce, Kashmir
6.	Ms. Rena Gupta	...	Joint Director Industries, Jammu
7.	Sheikh Nazir Ahmad	...	Joint Director, Industries Kashmir (M&P)
8.	Mr. Vikram K. Gupta	...	General Manager, J&K SIDCO
9.	Mr. M. A. Raja	...	General Manager, J&K SIDCO
<u>J&K SLBC Convenor Bank (J&K Bank)</u>			
10.	Mr. Ajit Singh	...	Senior President, J&K Bank (Convenor Bank)
11.	Mr. Madan Gupta	...	Vice President Territorial, J&K Bank, Z.O.J (Central)
12.	Mr. M. S. Wani	...	Sr. Executive Manager, J&K Bank (Convenor Bank)
<u>Other Banks</u>			
13.	Mr. K. K. Iyar	...	DGM, State Bank of India, Z. O. Jammu
14.	Mr. R. C. Koul	...	DGM, Punjab National Bank, Circle Office, Jammu
15.	Mr. G. C. Nagar	...	Regional Manager, Central Bank of India
16.	Mr. Gurdiyal	...	Sr. Manager, UCO Bank
17.	Mr. M. S. Jamwal	...	Punjab & Sind Bank
18.	Mr. Rajinder Mujoo	...	Chief Manager, Oriental Bank of Comm.
19.	Mr. O. P. Sharma	...	Chairman, Jammu Rural Bank
20.	Mr. K. J. Koul	...	Area Manager, Ellaquai Dehati Bank
<u>SIDBI</u>			
21.	Mr. M. C. Dhiman	...	Manager, SIDBI
<u>Representative Organisations of MSMEs, Trade & Industry</u>			
22.	Mr. Shakeel Qalander	...	President, FCIK
23.	Dr. Mubeen Shah	...	President, KCC&I
24.	Mr. T. S. Reen	...	Chairman, Fol, Jammu
25.	Mr. Ram Sahai	...	President, JCCI

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