

**MINUTES OF 143RD SLBC MEETING
HELD ON 15.07.2011 AT HOTEL JEHAN NUMA PALACE, BHOPAL**

The 143rd meeting of State Level Banker's Committee (SLBC), Madhya Pradesh was held on 15th July 2011 under the co-chairmanship of Shri Avani Vaish, Chief Secretary, Government of MP and Shri M. V. Tanksale, Chairman & Managing Director, Central Bank of India at Hotel Jehanuma Palace, Bhopal. The Chief Guest of the meeting was Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India. List of participants is at Annexure-I

Shri B. Mondal, Convenor, SLBC, MP & General Manager, Central Bank of India welcomed the Chief Guest Dr. K. C. Chakrabarty, Dy. Governor, Reserve Bank of India, Shri Avani Vaish, Chief Secretary, Government of M.P., Shri M.V. Tanksale, CMD, Central Bank of India, Shri R. Parsuram, Additional Chief Secretary & Agriculture Production Commissioner, Government of M.P., Shri P. K. Panda Regional Director, RBI Shri G. P. Singhal, Principal Secretary Finance, Shri Mishra, Under Secretary to Government of India, Banking Division and senior official from the State Government, Commercial Banks & Financial Institutions.

In his opening remark, he mentioned that the financial inclusion programme of all the banks is witnessing a qualitative and quantitative search under the guidance of Dr. Chakrabarty and hoped that his wisdom and guidance would be of immense value and benefit to the forum on various issues in which the banks have a role to play.

Shri Mohan Vasant Tanksale of Central Bank of India extended a very warm and hearty welcome to Dr. K.C. Chakrabarty, Dy. Governor, RBI and expressed gratefulness for his gracious presence in the meeting and stated that Dr. Chakrabarty is a true pioneer of financial inclusion on hand and is a grass root banker.

AGENDA ITEM NO. 1: Confirmation of the minutes of the 142nd meeting of SLBC held on 26th March 2011

The house confirmed the decisions taken in the previous meeting of SLBC.

Dy. Governor suggested that minutes of previous meetings should be circulated in accordance with the yearly calendar schedule and a copy of the minutes of the previous meeting should be made a part of the agenda to facilitate members during the meeting.

(Action: SLBC)

AGENDA ITEM NO. 2: Action taken on decision of earlier meeting

Financial Inclusion in Madhya Pradesh

Dy. Governor mentioned that all banks should honour their commitment to ensure implementation of financial inclusion by covering unbanked villages with more than

2000 population by September 2011 and also cover 5015 unbanked villages with population between 1000-2000 by March 2012 and remaining villages during 2012-13. Convener mentioned that a CD containing list of such villages have been circulated in the folder for the meeting among all banks. Additional Chief Secretary, Government of MP also endorsed the views.

Principal Secretary, Finance, mentioned that due to inordinate delay in appointment of BC's at RRB level, it would not be possible for them to complete the task of financial inclusion in the villages allotted to them within stipulated time. He suggested that sponsor banks should shoulder the responsibility of providing banking facilities in the villages allotted to the RRBs in places where RRBs are not in a position to do so. It was further suggested that all banks should cover all the unbanked villages allotted to them by March 2012.

General Manager, Allahabad Bank mentioned that it would be difficult to transfer the account and technology to RRBs. Dy. Governor, Reserve Bank of India endorsed the views of PS, Finance and asked sponsor banks to take care of villages of RRB. It was also suggested that RRBs should maintain their books with themselves and there is no need to transfer the technology in later stage.

It was resolved that:

- Banks will complete the task of providing banking facilities in all the identified villages having population of 2000 and above by 30th September 2011 and at least in 50% villages having population between 1000-2000 by 31st March 2012.
- Commercial Banks will shoulder the responsibility of assisting/providing banking facilities in the villages allotted to their sponsored RRBs having population of above 2000 and also in the villages having population between 1000-2000 under Financial Inclusion Plan (FIP).
- All banks will cover all the unbanked villages with population between 1000 – 2000 by March 2012.

(Action all banks)

Branch Expansion Programme in Madhya Pradesh

Dy. Governor informed that RBI instruction to banks is to open 25% of the total number of new branches proposed to be opened during a year in unbanked rural centers and accordingly the FIP of banks needs review.

Mrs. Aruna Sharma, Principal Secretary, Rural Development suggested Banks to adhere to their service area villages as this concept is quite convenient. She opined that while implementing the branch expansion plan, banks are restricting themselves to the locations which are more convenient which is creating problem. She suggested banks to adopt sub-service area approach in a diameter of 10 kms in expanding their network.

Dy. Governor opined that opening of branches in unbanked villages is for meeting the requirement of the people. He requested State Government to sort out the problems with banks, if any, coming in the way of opening the branches. He remarked that State Government is extending a helping hand to the banks in FIP implementation. Banks should avail the incentives given by the Government. . He also observed that branch expansion is a continuous process and the objective is that banks have to cover all villages either in the current year or later and therefore, banks should come forward to open branches at all centres without considering the convenience factor. However, he reiterated that 25% centers should be in unbanked areas in their branch expansion plan.

Shri R. Parsuram, Additional Chief Secretary, Government of MP proposed to discuss the same with lead banks that tribal area, relatively unbanked, should be taken up on priority basis as departmental activities of MP Government and Government of India would be undertaken in every village through Electronic Benefit Transfer of Fund.

Dy. Governor suggested for operational discussions on ground level issues should be done at district level among Department, Lead District Manager and D.Ms and thereafter the problems on policy/ principle matters to be put forth to SLBC.

It was resolved that:

- 25% of the total number of new branches proposed to be opened by commercial banks during a year will be in unbanked rural centers
- Lead Banks, in consultation with Rural Development Department and the Directorate of Institutional Finance will consider taking up Tribal Area, relatively unbanked, on priority basis as departmental activities of Government of MP and Government of India would be undertaken in every village through Electronic Benefit Transfer of Fund.
- Operational discussions on ground level issues should be done at district level among Department, Lead District Manager and D.Ms and thereafter the problems on policy/ principle matters to be put forth to SLBC.

(Action- Sub Committee on FI, DLCCs/ LDMs, All Banks)

Adoption of 100% CBS by RRBs

Convenor informed the house that in accordance with the resolutions of previous SLBC meetings, 100% CBS are to be adopted by all RRBs by Sept 2011. Sharda RRB and Satpura Narmada RRBs are still in the process of migration to CBS and Mahakaushal RRB has completed the same by 30.04.2011.

Dy. Governor mentioned that a commitment was given to Finance Minister in last meeting that all RRBs would be on CBS platform by September 2011. He directed Allahabad Bank, the sponsor bank of Sharda RRB, to ensure that Sharda RRB

completes its CBS system by 30th September 2011. If required, bank can deploy additional resources to put Sharda RRB on CBS platform.

It was resolved that:

- All RRBs will adopt CBS by September 2011.

(Action –RRBs concerned & their sponsor banks)

Appointment of Directors in FLCCs

Convenor informed the House that as on 31.03.2011, 28 FLCCs have been opened and appointment of Director and Counselor for operation of the FLCCs is still pending.

Dy. Governor advised the banks to ensure opening of FLCC and appointing Director, which is pending for quite a long time by 31st August 2011.

Principal Secretary, Finance informed that Bank of India opened only 7 FLCCs out of their 13 Lead Districts. Dy. Governor desired that banks should appoint Director/Counselor first who can form the society and do other works related to FLCC functioning. He stated that Regional Director, RBI, Bhopal would monitor the progress regularly. He added that Counselor could be appointed on contract / temporary basis. However, in any case, banks should ensure appointing Counselor within one month.

It was resolved that:

- Banks will appoint Director/Counselor for FLCC by 31st August 2011

(Action: all Lead Banks)

Rationalization of procedure for lodging of FIR in respect of Fake Indian Currency notes

Reacting on the issue of non- lodgment of FIR on detection of forfeited fake currency note, Dy. Governor emphasized that not doing so would be a criminal offence.. He said that the issue was raised in Economic Intelligence Council meeting with Finance Minister, CBI Director and Intelligence Bureau. He appreciated that the Government of MP is supporting banks in lodging FIR for counterfeit note detection. He suggested that the person detecting counterfeit currency note be awarded in some way so as to encourage him and banks should report maximum such cases. He suggested that banks reporting maximum number of such cases may be awarded. He told that lodging FIR on detection of counterfeit currency note would help government to set example for other states. Dy. Governor observed that RBI, Bhopal would monitor the progress in this regard regularly.

It was resolved that:

- Every reference regarding Fake Indian Currency Notes should be dealt with promptly by each bank and details of nature of the reference along with action taken by the bank should be reported to Regional Director & to the Convenor.
- RBI, Bhopal will monitor the progress in this regard.

(Action: RBI, SLBC & All Banks)

AGENDA ITEM NO. 3: RESOLUTIONS/ RECOMMENDATIONS OF VARIOUS SUB-COMMITTEES CONSTITUTED BY THE SLBC

Convenor appraised the position of meetings held by various sub committees of SLBC held. Dy. Governor emphasized that the role of sub-committee is to facilitate the job of SLBC and asked the bankers that the respective/detailed issues should be deliberated / resolved in sub-committee meetings and then put up the minutes to SLBC.

It was resolved that:

- Convenor Bank should facilitate holding of all Sub-Committee meetings regularly and minutes thereof be placed before SLBC for adoption.

(Action: SLBC)

AGENDA ITEM NO. 4: FINANCIAL INCLUSION IN MADHYA PRADESH

Dy. Governor expressed satisfaction that the Government of MP is implementing - Financial Inclusion Plan in time bound manner. -. An impressive action plan has been prepared by the banks to provide banking services in all villages of the State. SLBC meetings meticulously monitor the progress. Government of MP has gone ahead and decided to compensate the capital cost partly as capital subsidy to participating bank for providing banking services in all the identified unbanked villages. In addition, this Scheme would further be applicable for providing such services in slum areas of the four bigger towns of the State.

He advised banks to take full advantage of the Scheme and ensure completion of the task at the earliest. Scheme of the Government of MP will definitely give a good message to other state governments for replication. He expressed his resentment with Punjab National Bank, which has not appointed a single BC so far.

Convenor presented the position of branch expansion in MP. Dy. Governor emphasized for opening of more brick and mortar branches to deliver the banking services and make it a cost effective model rather than a business-model. He instructed all the State Level Heads of the banks that out of 300 branches to be opened in 2011-12, 25% should be opened in un-banked villages/ rural area where state government is providing assistance. Principal Secretary, Finance added that this should be discussed in sub-committee meeting on FIP at DLCC and SLBC.

Convener presented the support given by Government of MP to the banks and requested all member banks to lodge claim for financial assistance from government for Financial Inclusion programme.

DGM, Canara Bank mentioned that they were not aware of the incentive of the Government of MP for IT enabled Financial Inclusion. Dy. Governor mentioned that Zonal Heads and Central Offices of many banks are not aware of assistance being provided by the Government of MP for Financial Inclusion. PS Finance informed that DIF had already circulated the Scheme to all CMDs. Moreover, the Scheme is available on DIF web-site. Dy. Governor advised Regional Director to appraise CMDs of all major banks about this scheme. Additional Chief Secretary reminded that banks must be inspired by Union Bank of India which has availed the highest benefit from MP Government under Financial Inclusion assistance.

Dy. Governor observed that it is better late than never. Additional Chief Secretary informed that 11th Five Year Plan is going to come to an end and the incentive may not continue for all the time in future.. Dy. Governor again advised banks to rise to the occasion and perform the arduous task that lay ahead.. Banks agreed and assured to do it within time frame.

It was resolved that:

- PNB will appoint BCs immediately.
(Action: PNB)
- Banks will take full advantage of the innovative Scheme compensating capital cost as capital subsidy for providing banking services in all the identified villages and villages having population between 1,000 to 2,000 in scheduled area and also in slum area of the four large towns of the State. Thereby banks will ensure completion of the task at the earliest possible time.
(Action - /Bank)
- Banks will ensure that 25% of the total number of new branches proposed to be opened during a year will be in unbanked rural centers to cater the needs FIP.
(Action - /Bank)
- CMDs of banks to be made aware of the incentive scheme offered by MP Govt.
(Action: DIF/SLBC)

Outreach activity to further financial inclusion programme

Convenor presented the position of outreach visit of executives/higher officials of the banks in M.P. ACS, Shri Parsuram desired to have information about the above visits and its experience to Government of MP also so that state government can also do something, if required. Dy. Governor suggested putting elaborate report to the SLBC regarding the experience, corrective measures etc suggested by visiting executives of the banks to the villages as SLBC would share the above among its members.

It was resolved that:

- Regional Office of Reserve Bank of India may evolve strategy ensuring that the outreach activity yield fruitful results
- The issue will be deliberated in Sub-Committee of SLBC on Financial Inclusion.
(Action - RBI/ Sub- Committee on FI)

Financial Inclusion Plan for villages having population between 1000-2000

Convenor presented the Financial Inclusion plan prepared for unbanked villages with population of 1000-2000 before the House for approval. CD of the list of bank-wise allotted villages with population of 1000-2000 were distributed among members.

Chairman, Narmada Malwa RRB raised the point that the branch network of their bank was not there in the village allocated to them and therefore requested for rectification.

Dy. Governor remarked that lack of network of branch of a bank should not be a problem rather they should consider opening a new branch in such villages. He also stated that RBI has relaxed the licensing for opening bank branches in rural areas hence for RRBs there should not be any issue. Dy. Governor expressed satisfaction on start of this work, first in MP.

It was resolved that:

- Bank should consider opening a branch in the village which has been allotted to them. Lack of network of branch of a bank should not be a problem since RBI has relaxed the licensing policy for opening bank branches in rural areas.
(Action : Banks)

Establishment of R-SETIs in the State

Convenor SLBC informed that R-SETIs have been established in 44 out of 50 districts, and banks have submitted claim to NIRD for 35 districts. State Government has allotted land for R-SETIs in 38 districts and for remaining districts the work is in progress. Training process has been started in a few districts. Convenor requested banks to give data from the next meetings on how many people have been linked with Banks after attending such trainings.

Dy. Governor desired that problems, if any in opening RSETI, , may be placed before SLBC and get it resolved.

Shri R. Parsuram, Additional Chief Secretary/ A.P.C., reminded the house that state government has allotted the land to RSETIs, organized training programme for

bankers and state government officials. There is a sub-committee to discuss the issue if any in establishing RSETI. He cautioned that if banks do not expedite the opening of RSETIs, the Central Government may close the window available at present since it is the final year of 11th Five Year Plan which may deprive banks from availing benefit of Rs. 1 Crores for establishing RSETIs.

Shri Parsuram accepted that there may be land problem in tribal areas which may require cabinet approval. In the meantime banks may open RSETI in rented house as three years have already elapsed from beginning of the scheme.

Dy. Governor emphasized to start RSETI in rented premises and subsequently request for land etc. to state government which would make the state government feel its need and urgency to allot land. He advised banks to look at the opening of RSETI as business propagation activity since, through RSETIs - trained persons would be prepared to avail and utilize the loan properly which would result in viable units. Hence, he requested banks to work for it as per their own instinct for their business. APC, Government of MP informed the house that Department of Technical Education is starting skill development centers (Resource Centre) in every block either of its own or through some NGO to impart training for employment and RSETI can work very closely with these centers. He requested Dy. Governor, RBI to also advise the bank to liaison with above skill development centers.

Dy. Governor advised bankers to expedite the opening of RSETI and conduct training therein.

It was resolved that:

- Banks would give data from the next meetings as how many people have been linked with banks after receiving the training.
- Banks should place specific problems in this regard before SLBC and get it resolved.
- Banks will expedite the opening of RSETIs for getting benefit of Rs. 1 crores for establishing RSETIs from the Central Government. Rural Development Department will expedite allotment of land for remaining RSETIs
- Banks will start RSETI in rented premises and request for land etc. to state government later.
- Banks will liaison with Department of Technical Education in starting skill development centers (Resource Centre) at every block to impart training for employment so that RSETI can work very closely with these centers.

(Action: All banks/ Rural Development Department)

AGENDA ITEM NO. 5 REVIEW OF ANNUAL CREDIT PLAN OF MADHYA PRADESH

Convenor presented the achievement against Annual Credit Plan 2010-11.

Dy. Governor desired to compare the data with previous year's one to see if it is regressive or progressive. Convener mentioned that achievement during 2009-10 was Rs. 20,030 crores whereas for 2010-11 it is Rs. 25,511 crore.

Dy. Governor congratulated the leader bank who achieved the target and criticized the laggard bank, which were under category of less than 10% – 20% of achievement against their target. He was critical about the losing business opportunity by not achieving the 100% target and advised to discuss the progress in sub-committee of SLBC on agriculture and allied sector to ascertain the reasons from the laggard banks.

On poor performance of Sharda RRB, Chairman Sharda RRB mentioned that they are looking into it and this year they will achieve 100% of target. Dy. Governor was critical with Union Bank of India's achievement and commented that they take government business but are far behind in achieving targets. DGM, Union Bank of India assured to achieve 100% target this year. Dy. Governor said that the percentage of achievement of state would have been 175% if laggard banks would have achieved the target 100% at least. Co-chairman SLBC advised laggard banks to achieve this time the best.

It was resolved that:

- Convener will present in next SLBC the data on ACPs for last three years along-with its achievement.
- Progress by not achieving 100% target should be discussed in sub-committee of SLBC on agriculture and allied sector to ascertain the reasons from the laggard banks.
- Convener will present from ensuing SLBC meetings the number of beneficiaries under ACP.

(Action: SLBC)

(Action – Banks)

Annual Credit Plan 2011-12

Convener placed the target under ACP 2011-12 before the house which was agreed by all with 20% growth over previous year. Shri P.K. Panda, RD, RBI advised to review and revise the MSME target since that was set at a very modest level. Hence, it was advised to the banks to surpass the MSE target by at least 20%.

(Action: All banks)

AGENDA ITEM NO. 6. PERFORMANCE OF BANKING SECTOR IN MADHYA PRADESH AT A GLANCE

Branch Expansion

Convenor presented the position of branch expansion in state.

It was resolved after deliberations that:

- 25% of the total number of new branches proposed to be opened during a year will be in unbanked rural centers.

(Action All Banks)

Credit Expansion

APC said that growth in agriculture sector is mainly due to growth made by cooperative banks, otherwise progress of commercial banks and RRBs is poor. PS, Finance mentioned that it is continuously going down for the last four years.

It was resolved after deliberations that:

- Banks will take effective steps to arrest the downward trend and increase the credit portfolio of the State.

(Action: All Banks)

Credit Deposit Ratio

Convenor presented the CD ratio for year 2008-09, 2009-10, and 2010-11.

Shri P. K. Panda, RD, RBI said that RBI has made an analytical study and it was observed that CD ratio of semi-urban sector is deteriorating. He also stated that among banks having major presence, the CD ratio of Union Bank of India and even Bank of Maharashtra was far from satisfactory.

Convenor informed that one RRB and two commercial banks were having CD ratio below 20%. Dy. Governor advised banks to have exclusive discussion in sub-committee for the CD ratio and advised the higher authorities of the banks (including sponsor banks) to sensitize branch managers. He observed that if the incremental CD ratio is increasing, then CD ratio should also increase for M.P which was not evident in the data presented. He advised SLBC to recheck the data compilation in this regard.

Convenor SLBC informed that in MP, eight districts having less than 40% CD ratio are required to be improved by March 2012. He informed that banks had financed agriculture term loans previously in these districts. However, the percentage of NPA under such schemes was quite high and this may be the reason discouraging banks to go for term investments in these districts.

On CD Ratio the convener detailed the reasons for low CD ratio like:

- All the 8 districts are dominated by forest land
- Population mostly consists of tribal.
- Land for cultivation is quite negligible and not fertile.
- Infrastructure like irrigation, electricity, marketing is poor
- Absence of big industries, thereby the off-take of credit is not up to the desired level.
- Most of the advances are under the government sponsored schemes.
- Districts like Anuappur and Shahdol are colliery belts which receives huge deposits.
- Further, the growth in advances, compared to the deposits, is not comparable.
- Lower disbursement in non-farm and investment credit as compared to agriculture crop loan and services sector.
- Poor credit absorption capacity of the beneficiaries, the credit extended under the non-farm and investment credit is comparatively low.

Dy. Governor said that banks are interested in urban area while government compels them for lending in rural area by sponsoring applications. He said that banks are not paying attention in the Semi-urban areas and therefore their financing needs are being captured by MFIs and money lenders. He opined that these factors are the main reason for Chit Funds prospering in Semi-urban / Rural areas. He directed the banks to concentrate in rural and semi urban area to tap the business, which is less competitive. He emphatically told bankers that only products like KCC, GCC and Housing can take care of the need of people in rural areas. He desired that bank should organize camp in these districts for extensive lending.

He said that if each household of all villages are to be provided with KCC/GCC/OD facility, the problem of low CD ratio would be solved, so it can not be inferred that credit absorption capacity is not there in these districts. Sub committee on CD Ratio should monitor the same at district level.

He suggested interlinking the process of financial literacy and loan disbursement by the bank for inclusive growth of rural areas and by doing so bank will reach not only 40 but 50% CD ratio also. He advised to utilize financial inclusion and business opportunity to increase the CD ratio. He cautioned bankers that if they do not get fully involved in Financial Inclusion, others may take away the opportunity and bank would lose their legitimate business.

He requested that banks should ensure transaction in the accounts where cards are issued under Financial Inclusion.

Dy. Governor asked banks in low CD ratio districts to make branch-wise analysis as which banks are having more CD ratio than others and why?

On feeble increase of outstanding of advances and low CD ratio but higher percentage of achievement against the target given in ACP every year, Dy. Governor, Reserve Bank of India, commented that it is a good sign that whatever banks are disbursing every year, the same amount is getting recovered every year. Hence, he wanted separate data be put in SLBC in terms of sector-wise outstanding balance, disbursement made and recovery effected every quarter.

Dy. Governor told that banks can not make profit if they will not lend money. He advised that RBI, Bhopal to follow up the matter with the controlling offices of banks having less CD ratio.

ACS, Rural Development advised to tap the demand of colliery area like Umaria etc. under small business sector for off take of credit. He told that it is good that coal companies are keeping their deposit in banks in those districts but there is need for action to improve credit off take in these areas.

Dy. Governor advised the State Heads of the banks to monitor the performance of their branches thoroughly. He added that controlling offices of the bank may check how many branches are there who are sanctioning at least more than 10 advance accounts every month etc.

It was resolved that:

- Exclusive discussion on CD Ratio be made in sub-committee of DLCC on improving CD ratio.
- Chief Executives of banks and the RRBs to sensitize branch managers.
- Banks to pay attention in the rural and semi urban areas to tap their business thereby arrest Chit Funds, MFIs and money lenders' activities
- Emphatic attention is given on products like KCC, GCC and Housing for taking care of the need of people in these districts.
- Branch-wise analysis should be done by banks in low CD ratio districts
- Separate data be put in SLBC in terms of sector-wise outstanding balance, disbursement made and recovery affected every quarter.
- RBI to follow up the matter with the controlling offices of banks having lower CD ratio.

(Action: RBI, SLBC, all banks)

Priority Sector Advances (Outstanding)

Principal Secretary, Rural Development Government of M.P. objected that nationalized bank though keep government deposit with them but they are not up to the mark in terms of percentage under priority sector since growth is lowest in priority sector and old cases are lying pending in banks. She expressed hope that livelihood training to rural youth would improve the situation.

Dy. Governor suggested putting outstanding balance disbursement figure in terms of account and amount both. He said that all banks are disbursing the loan and achieving almost 100% target but even though figure of outstanding is not improving in that pace. Hence, he apprehended if the recovery of advances is good or the reporting is not proper. He informed that RBI is also going to change the reporting system. If the recovery is good, then banks should lend double.

Convenor detailed the business position as in rural / semi urban branches.

In Priority Sector advances the growth during 2011 was 12% only over March 2010. Dy. Governor, RBI stated that this is not satisfactory and advised convenor to look the position of bigger banks. He said that banks are the agents for development and therefore should work towards that.

It was resolved that:

- Banks will lend more ensuring better percentage under priority sector.
- Livelihood training to rural youth would improve the situation.
- Outstanding balance disbursement figure in terms of account and amount both to be placed.

(Action: Convenor Bank / All Banks)

Micro & Small Enterprises (MSE Advances)

CMD, Central Bank of India requested banks to go higher achievement than the national corporate goals as the Government of M.P. is supporting banks, offering huge opportunity also. He informed the house that Committee headed by Dr. Chakrabarty, Dy. Governor, RBI has given many recommendations on growth of MSME where each district is supposed to be identified as cluster for identified activities. Hence, he suggested preparation of the project reports, which would be acceptable to all the banks in the district and requested convenor SLBC to look into this aspect.

Dy. Governor expressed his concern over the poor lending under SME in the state and cautioned that if performance is continuously deteriorating without any valid reason, RBI will initiate actions taking that banks are deliberately not performing.

Convenor put the achievement under ACP 2010-11 before the house. He advised bankers to use SLBC to solve the problems.

It was resolved that:

- Banks should not restrict themselves in achieving National/Corporate goal under different head and try to achieve higher by tapping the assistance being given by Government of M.P. on growth of MSME where each district is supposed to be identified as cluster for identified activities. Hence, the project reports should be prepared, which would be acceptable to all the banks in the district.

- SLBC to look into the aspect of poor lending under SME.

(Action – Banks)

Web-enabled BRISC software application for automation of Revenue Recovery Certificates

Convenor elaborated the position of BRISC as banks have submitted 24394 cases and 6050 cases are pending and 18000 are in pipeline.

Dy. Governor asked sub-committee to monitor the pending cases of RRC. Principal Secretary Finance said that during 2010-11, recovery was made to the tune of Rs. 92 crores and this year target of Rs. 144 crore is fixed for recovery in RRC filed cases.

He further explained that out of 24394 cases of RRC in 6359 cases the recovery has been made and advised banks to contact respective district collectors if they have any problem.

It was resolved that:

- Bank branches will enter the data relating to recoveries made against the RRCs and amount paid to government account and under BRISC

(Action –LDMs)

AGENDA ITEM NO. 7: PERFORMANCE / PROGRESS OF BANKING SECTOR UNDER VARIOUS GOVERNMENT SPONSORED PROGRAMMES

Kapildhara Yojana

Convenor presented the progress under Kapildhara.

MD, SC/ST Financial Corporation elaborated the scheme and ACS further explained the same to House. Dy. Governor advised banks to finance for water-lifting devices as 50% subsidy is available hence risk is only 50% and therefore viability would not be a problem. He said that it will add to agriculture production and contribute to the national economy. He explained that we have to collectively work as neither society nor RBI or bank can control inflation alone.

Lead District Manager, Mandla reported that the reason behind is that people are asking for 100% subsidy for pump-sets i.e. lifting devices as given for well.

MD explained that particular segment of beneficiaries get 20% subsidy but other get 100% subsidy as they give more percentage of subsidies to backward classes and SC/ST. But they were subsidizing every body because irrigation wells are 100% subsidized which are dug under MNREGA and pump-sets are provided under this scheme with bank's loan. She added that this scheme adds big potential to the

irrigation in state and hence State Government attaches more importance to this scheme.

Dy. Governor asked government official to send maximum number of applications and advised banks to do the maximum within their framework and as per rule and solve the problem.

It was resolved that:

- Banks to finance for water-lifting devices as 50% subsidy is available hence risk is only 50% and therefore viability was not the problem.
- Government should ensure sponsoring maximum number of applications facilitating banks to do the maximum within their framework and as per rule and solve the problem.

(Action - Govt sponsoring agency, Banks, LDMs)

AGENDA ITEM NO.8: PERFORMANCE/ PROGRESS OF BANKING SECTOR UNDER VARIOUS SPECIAL FOCUS PROGRAMMES OF NABARD/STATE GOVERNMENT/GOVERNMENT OF INDIA

Convenor requested state government to help banks for saturating villages 100% with KCC and informed the house that the issue was raised by Finance Secretary, Gol in meeting held on 26.04.2011.

Dy. Governor advised Regional Director, RBI and Convenor, SLBC to visit/inspect to get it certified that village is saturated. If it is found that it is not saturated, the group may suggest means to the bank where village is not saturated.

ACS assured support by instructing district administration to support bank for their efforts to saturate every village with KCC.

Principal Secretary, Agriculture and Corp., Government of MP informed the house that DCBs have covered 60% of KCC advances but commercial banks have done less.

Dy. Governor asked banks to discuss the poor performance of commercial banks and RRBs in sub committee meeting of DLCC. He added that issuing KCC is a legitimate business for banks and if knowingly banks are not doing this, they will lose business opportunity.

He reminded keeping rapport with farmers and issuing KCC to them is bank's job and they should avail the opportunity of assistance to be rendered by State Government to them. He also urged the house to give cheap loan to the farmers which they can do themselves though Government is facilitating by sponsoring KCC cases and the number of outstanding KCC to be incorporated in data because it will help us knowing the actual number of farmers using the KCC issued to them.

Director, Horticulture, Madhya Pradesh requested to design some kind of product for farmers which may be used for issuing KCC for plantation/ medicinal / vegetable plants of 18–20 months duration as Horticulture is considered as crop.

Dy. Governor asked bankers if there is any such product and explained that KCC is an identity and it gives a credit limit sanctioned but loan can be given for any purpose as needed. He advised bankers to check the classification that horticulture is crop loan or other than crop loan and if found other than crop loan interest subvention is not available and banks may issue GCC also.

He advised government official to contact LDM of their district and take his help on this score.

It was resolved that:

- RBI and Convenor, SLBC to visit/inspect to get it certified that village is saturated with KCCs. If it is found that it is not saturated, the group may suggest means to the bank where village is not saturated.
- Poor performance of commercial banks and RRBs to be discussed in sub-committee meeting of DLCC.
- Banks to give cheap loan to the farmers within their policy.
- Number of outstanding KCC to be incorporated in data.
- A product may be designed for farmers which may be used for issuing KCC for plantation/ medicinal / vegetable plants of 18–20 months duration as Horticulture is considered as crop.

(Action - SLBC, Banks)

Self Help Groups (under NABARD scheme)

Convenor informed the House that 57973 SHGs accounts are outstanding with an amount of Rs. 339 crores.

Chief Minister's Rural Housing Finance

Convenor placed the position of Chief Minister's Rural Housing Scheme before the house.

Principal Secretary Rural Development elaborated about the Scheme and informed the house that they have MOU with Central Bank of India and Bank of India expressed willingness to sign MOU, State Bank of India has informed that agree with to the principles but are not clear in their MOU draft.

CEO, MPRRDA explained that the banks are required to provide 43% as loan; government would give 43% as grant and 14% would be shared by the beneficiaries in this Scheme. It was further added that under this scheme State Government have

waived stamp duty on registration charges, provided mortgage facility of land in favour of banks and they have been given land right.

ACS told that this is an ambitious scheme which has huge demand in rural area since people liked it and is approved by bigger banks and assured that district administration is totally committed to help the bank. He requested other banks to come forward to sign MOU and problem, if any, can be solved.

Dy. Governor enquired if bankers have studied the scheme and explained that this scheme is important since banks are going for financial inclusion for which KYC is an issue for address proof and this would give shelter to people and thus establish customers. He added that Government of Madhya Pradesh is also assisting the banks towards security of loan. Hence he requested all banks to adopt it. Referring his speech at Coimbatore on "Next Generation Banking" a Programme on Food to all, Education to all, Shelter for all, he informed the house that shelter gives stability to a person and this will give confidence to banker for doing banking with them i.e. poor people. He advised all the bankers to consider the advantages offered by the scheme and expand their legitimate business.

It was resolved that:

- All banks to consider and take advantage of such Scheme.

(Action - All Banks)

Financial assistance to minority communities for State and for identified district Bhopal

Performance was reviewed.

Swarozgar Credit Card (SCC), Artisan Credit Cards, General Credit Card (GCC) Scheme

Performance was reviewed.

Education Loan.

Convenor presented the position of Education loan in MP State.

Principal Secretary, Finance informed the house that Chief Minister has taken meeting, addressed the SLBC in past and the matter was discussed with RBI Governor also but the number of accounts in education loan is falling.

Speaking on the issue, the Dy. Governor said that demographic dividend of this country is good because 50% of the world population are below 35 years of age whereas India is only country in the world which is having younger population for next 30 years and Indians are required in all part of the world provided they have good

quality of education. Hence if people are not educated it would be demographic disaster. He further said that all the western countries would need educated people and we export our people provided there are educated people. However education for new generation has become more costly and it is costlier in western nation countries. Hence banks should support good quality education to deserving poor because poor has the fire in their belly and when they get good education, they would contribute to the society. Society is not having future if loan is not given to deserving poor for education. He cautioned that we are losing the opportunity to capture good people by ignoring education loan to deserving one.

He further said that education loan has lesser NPA as compared to other activities. The average NPA in education loan is in between 2-3%. Every loan has a business risk and NPA is due to non-tracking of accounts in time for recovering the dues whereas lending and recovering the dues is the business of banks.

He advised banks that they should not stop lending due to NPA - rather they should find the reason for high NPA and sort it out. He advised banks to ensure that no deserving poor should be deprived off the education loan otherwise RBI would view it seriously.

He asked banks to designate coordinator for strict and regular follow up of education loan disbursement and do not tolerate any lethargy in it.

He quoted as when he was chairman of a bank he directed his branch Managers to collect progress report on each six months for their records and by that way Branch Managers were able to track the beneficiaries and the moment they could not receive it they become alert to track the students and advised banks to adopt above approach or similar other innovative approaches for tracking of borrower students.

He questioned banks as how many of them have followed up to 5 accounts of NPA in Education loan and talked to the students and his father/ guardian. He gave example of recovery process of electricity bill, water bills etc. He informed the house that RBI is tracking every complaint of education loan through their coordinator and is taking stringent action against the erring bank branch.

Principal Secretary, Finance told that banks are simply declining the loan application. Dy Governor asked Regional Director, RBI to directly follow the complaint of education loan. CMD, Central Bank of India instructed SLBC to receive complaint at State Level. He emphasized to give hassle-free, harassment-free loan through counseling centers / counseling camps organizing in educational institutions. He also stated that this loan has nothing for accountability but to follow the norms given in it hence, there should not be any denial of education loan but recovery may be possible by regular tracking. He took assurance from banks to not to allow lethargy in education loan and to sort out the complaint in Education loan immediately. Dy. Governor told that there is little chance of NPA.

He directed strictly that if student with more than 60% of marks is taking admission in recognized institution, he must not be denied education loan, if not found otherwise ineligible.

It was resolved that:

- Banks should support good quality education to deserving poor and they should not be deprived off the education loan.
- NPA should not result as an embargo under education schemes.
- Banks should designate coordinator for strict and regular follow up of education loan disbursement and do not tolerate any lethargy in it.
- Banks should sensitize Branch Managers for lending and to track the beneficiaries for proper recovery as authorities adopt recovery process of electricity bill, water bills etc.
- RBI to track every complaint of education loan through their coordinator and take stringent action against the erring bank branch.
- Convenor SLBC receive complaint at State Level and adopt strategy hassle-free, harassment-free loan through counseling centers / counseling camps organizing in educational institutions.

(Action – All Banks, SLBC, RBI)

Advances to Women beneficiaries

Convenor placed the position of advances to women beneficiaries.

Principal Secretary, Women Development Deptt. Government of MP requested to raise target for advances to women beneficiaries. Dy. Governor told that Government of India has fixed the target for it. However RBI does not prohibit any bank to go beyond target provided beneficiaries deserve and loan is as per rule. CMD, Central Bank of India told banks to provide finance to women/ women SHG as per demand. Hence there is no need to raise target .

PS, DWCD pointed out that there is large number of women SHGs which could not get bank finance. Dy. Governor asked Mr. Naidu take up the matter of pending application of SHG at sub-committees of DLCC since targets are only indicative and all women beneficiaries can get loan as RBI norm. He told that for solving complaints Banking Ombudsman can be approached.

ACS reiterated that disbursement to women is not target oriented but deserving cases should be considered and ask to put agenda on this in the next SLBC meeting.

It was resolved that:

- Banks to provide finance to women/ women SHG as per demand.
- Issues of pending application of SHG are discussed at sub-committees of DLCC.

- Banking Ombudsman can be contacted in case of a complaint.

(Action: Banks)

PART 2: THEME BASED AGENDA ITEM

Convenor Shri B. Mondal requested to launch the annual Action Plan/ Annual Credit Plan for 2011-12.

Annual Credit Plan was jointly launched by Dr. K. C. Chakrabarty, Dy. Governor, RBI, Shri Avani Vaish, Chief Secretary, Government of MP and Shri M.V. Tanksale, Chairman & Managing Director, Central Bank of India.

I) PAYMENT TO BENEFICIARIES UNDER VARIOUS SCHEMES OF RURAL DEPARTMENT THROUGH BANK ACCOUNTS

Principal Secretary, RD told that in M.P. only 6% of villages could be covered under ITeFI if norm of covering villages having population up to 1000 is followed where banks are appointing BCs. She suggested that there should be geographical distance of 5 km – 10 Km diameter. Based on this, State Government in association with lead banks is working on a model for mapping the villages under FIP.

She requested that the Regional Offices of the banks and Lead District Office of each district would be associated with Financial Inclusion.

She informed that Service Area Approach is already existing but the problem is lying with sub-service area where permanent physical structure of bank in the form of bank branch/ cooperative bank/ Post Office / RRBs is required and in the rest of 1/3rd of unbanked villages, banks BC/ mobile bank etc. will be operated by service area bank. She proposed action on following three points:

1. RBI must do way with population norms and come up with distance norm
2. Banks to make RRB/PO/ Coop. their BC point
3. Banks to go for mobile bank/ BC point in unbanked area. A sub-committee meeting will be called to decide to map area which is completely shadowing and which badly needs banking/ financial dispensation Institution. She added that all district collector in DLCC would make a cut off point to plan on this. She pointed that post office which has to become banking point has not become a part of SLBC.

Dy. Governor replied that post offices do not come under purview of RBI because they are not taking all banking activity and requested Principal Secretary, Rural Development to take up this matter separately. Convenor said that at the State level, being a lead bank fully agreed with proposal of Principal Secretary, Rural Development. No bank took objection on the project as agreed.

Dy. Governor told that the first thing is village allocation because until bank would not give smart card, the people would get confused because one bank account has to be utilized for all type of payment to beneficiary under EBT and FIP. He added that the entire government fund would move through bank and Government of M.P. is ready to compensate 50% of expenses on machine/ opening of account with limitation and thus Bank would capture business etc. by opening bank branches/ appointment of BC/ mobile banking in unbanked villages. He cautioned that in case of complaint, the bank to which village would be allocated would be questioned and customer would choose to use any of the banks working in villages, hence the concept would be one district, one lead bank but many banks may function, since all banks would share the benefit and cost with lead bank, Dy. Governor said that in the next 5 years Rs. 5 lakh crores of State benefits and entitlements will flow to these people through the bank account in the form of MNREGA payment, Social security Pension, Scholarships LPG and food subsidy etc. and at this stage, the bank capturing the more customer will be the winner since State Government is compensating the deposit in the initial cost.

Dy. Governor RBI further told that under multi bank system i.e. One district, One Lead Bank but many banks to serve and ideal is bank with maximum network of branches in the district including RRBs. Hence, banks should take challenge of it because no EBT will service until all villages are mapped.

He suggested the banks to do the BC based service up to 1000 and more populated unbanked village, for which bank would do nominal service and BC would go to nearby service centre to give that particular EBT service.

He further told to cover all and not only EBT part of business. He clarified that bank which would provide maximum number of branch networking in district; it will be the lead bank of the district. Lead Bank would distribute the cost to all banks working in the district.

He advised State Government that any department opening EBT must discuss the issue in SLBC and find conclusion and then go further.

Principal Secretary, RD suggested that service Area and Sub-service Area would operate in mapping and all transaction would take place where other departments will also join to transact their fund.

Deputy Governor, RBI advised all the lead banks to come forward with all plan for speedy FIP in their district as Rs. 5 lac crore funds would flow through the system. He further stated that in this process bank would get all business like deposit, credit, remittances etc. of the rural area

ACS told that there is a sense of complacency in the bank in earlier model of one bank one district and one bank enjoyed the advantages. Govt. of Madhya Pradesh informed of model where all banks will have advantage of funds In sub-service area

service area bank has to take lead and lead bank officer would ensure that everybody falls under Financial Inclusion.

Dy. Governor advised to work out the model in SLBC and told that those who are aggressive/ adventures would be winner and RBI is not coming in the way. He would be pleading only not to create monopoly situation.

He cautioned all the Banks that if they are laggard they would loose business that they have protected for long time and they can not support further.

It was resolved that:

- Banks to go for mobile bank/ BC/ branch expansion in unbanked areas.
- A sub-committee meeting will be called to decide to map area for shadow areas at district level.
- State Government department opening EBT must discuss the issue in SLBC and find conclusion and then go further.

(Action – SLBC, All banks having lead bank responsibility)

II) Venture Capital Scheme

Convenor introduced Shri Pravesh Sharma, Managing Director, Small Farmer's Agriculture Business Consortium, Delhi to present Venture Capital Fund scheme of Ministry of Agriculture, Government of India, New Delhi. Shri Sharma informed the House that this fund is to be provided to any enterprise based on farm sector like floriculture, dairy, food processing with 7 year lock in period without any interest for the risk capital and MP is chaired by Dy. Managing Director. He requested bankers to finance at least 8-10 cases of which 4 cases are pending in MP.

Dy. Governor queried that if project fails then what would happen to above fund, would SFAC will sacrifice their money because venture capital is a risk fund.

Shri Sharma told that risk will be mitigated by ensuring the project as viable by the bank. Dy. Governor replied that banks finance only the viable projects. The meaning of Venture Capital is the first risk on SFAC. Mr. Sharma desired to make presentation in sub-committee meeting of SLBC on Agriculture.

III) MODIFICATION IN MUKHYA MANTRI PICHRA VARG SWAROJGAR YOJANA - Matter was discussed

IV) IMPOSING LICENCE FEE BY MUNICIPAL CORPORATION

Principal Secretary, Urban Administration and Development told that it would be taken with the corporation. CMD, Central Bank of India told that some Municipal

Corporations are levying and some do not and suggested to have uniformity in charging licensing fee.

At last Chairman & Managing Director, Central Bank of India Shri N. V. Tanksale assured on behalf of SLBC to perform in MP State better. He thanked Dy. Governor for attending the meeting and for giving real perspective to the banks and making amply clear to the banks regarding the real Dharma of the banking.

Before conclusion, Shri Avani Vaish, Chief Secretary thanked Dy. Governor for making two visits in last seven months to Bhopal, which shows his personal commitment to the problems faced in MP and the RBI to assisting the state to catch up with the more developed states of country. In the last 3-4 years many developmental and welfare oriented projects are initiated in MP and are bearing fruits. The banking sector is an important and critical part in development for the State. In state SLBC, process is working very well. He also welcomed Shri Tanksale, new Chairman and Managing Director and hoped for constant collaboration and assistance in the State.

The meeting concluded with the vote of thanks by Shri M. Bhagwanta Rao, Dy. Managing Director, State Bank Of India.
