

Special Meeting of the state Level Bankers' Committee (SLBC) Madhya Pradesh on NATURAL CALAMITIES

22/04/2015

AGENDA

STATE LEVEL BANKERS' COMMITTEE, STATE OF MADHYA PRADESH

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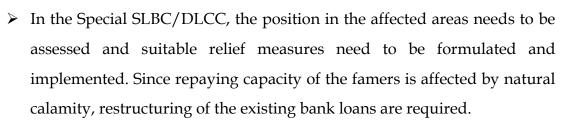
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रोक्ट्रल बैंक ऑफ इंडिया Central Bank of India

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<u>Gist of Guideline for Relief Measures by Banks in Area affected by Natural</u> <u>Calamitie. :</u>

- In terms of the National Disaster Management detailed guidelines for relief measures are available in the GOI domain as well as web site of Reserve Bank of India.
- The unseasonal rains and hailstorms have resulted wide spread damage to standing crops in the State of Madhya Pradesh .This has caused hardship to the farmers .To mitigate their hardship ,they need active support and relief from Central, State Govt and local authorities in the form of input subsidies and financial assistance to marginal ,small and other farmers. The role of commercial banks and Co-operative banks warrants support in revival of economic
- Ministry of Agriculture is the Nodal Agency to provide relief in case of natural calamities caused due to drought, hail storms, pest control and cold wave/frost.
- Declaration of natural calamity is in the domain of the State Govt. However, the common thread to declare is that the crop loss assessed is more than 50% or more in the particular Area/Taluka/Mandal/Block.
- This loss is assessed by conducting crop cutting experiments to determine the loss in crop yield under National Agriculture Insurance programe for declaring the crops eligible for insurance and declare the "annewari" indicating the crop-wise percentage loss in the certificates issued by the District Authority. The State Govt. has to identify the farmers and notify the areas affected by natural calamities and issue certificate to individual affected farmers.
- In the event of the calamity covering entire State/larger part of a state, State level Bankers' Committee convenes a Special meeting in collaboration with the State Govt.Authorities.
- In case of calamity affected only to a small part of the State/few Districts, The conveners of the District consultative Committees convene special meeting.



- All banks have their Board's approved policy for providing relief to affected farmers in such eventuality and RBI has directed banks to abide with the relief formulated and approved by SLBC.
- Branches of banks will obtain the list of affected villages within their area of operation from the Govt .authorities and identify the borrowers affected by natural calamity. Each branch will provide credit assistance to the affected farmers.

Agriculture Loans

Short -Term Procuction Ctredit(Crop Loans)

- 1)All Short –Term loans, except those which are overdue at the time of occurrence of natural calamity are eligible for restructuring. The principal and interest due for repayment may be converted into Term loan.
- 2) The repayment schedule of restructured loans may be fixed depending on the severity of calamity. Generally, it may be 3 to 5 years or extended upto 7 years. In extreme case it may be prolonged to 10 years in consultation with the Task force/SLBC.
- 3)In all cases of restructuring, moratorium period of at least one year should be considered.
- Banks need not insist for additional collateral security for such restructured loans.



Agriculture Term Loans(Investment)Credit

Natural calamity where only crop for that year is damaged and productive assets are not damaged, the banks may reschedule the payment of installments during the year of natural calamity and extend the loan period by one year and postpone payment of interest by borrowers during the year.

Other Loans

A view needs to be taken by SLBC/DCC depending on the severity of the calamity for reschedulement of all other loans like allied activities, rural artisan, traders,micro/small units etc. If decision is taken to postpone recovery of all the loans by the specified period, banks will assess the requirement of the individual borrowers depending on the nature of his account, repayment capacity and the need for the fresh loans. The primary consideration will be viability of the venture after the rehabilitation programme is implemented.

Sanctioning of the Fresh Loans

Once the decisions on the rescheduling of loans is taken by SLBC/DCC,pending such conversion of short term loans, banks may grant fresh crop loans to the affected farmers which will be based on the scale of finance for the particular crop and the cultivation area, as per the extant guidelines.

Consumption Loans

Bank may grant consumption loans upto Rs.10000/- to such borrowers and limit may be enhanced beyond this limit at the discretion of the bank.



Guarantee, Security & Margin & others

- Margin requirements may be waived or the grants/subsidy given by the State Govt.may be considered as margin.
- Banks should not insist on third party guarantees for providing conversion facilities.
- In respect of current dues in default, no penal interest will be charged and consider waiving penal interest, if any already charged in regard to the loans converted/rescheduled.
- Depending on the nature and severity of natural calamity, the SLBC/DCC may take a view on the interest rate concession that could be extended to borrowers so as to maintain uniformity in approach among banks in providing relief.

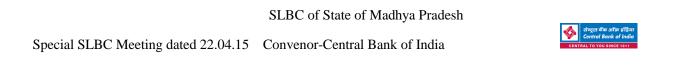
Utilisation of Insurance Proceeds.

The proceeds of insurance claim from National Crop Insurance Programme should be adjusted to Restructured Accounts.However,it should be done in cases where banks have granted fresh loans to the affected farmers.

Assets Classification

- The restructured portion of the short term as well as long term loans may be treated as current dues and be classified as Standard assets. However, banks are required to make higher provision for such restructured standard advances as prescribed by the RBI from time to time.
- 2) The asset classification of the remaining amount due, which are not restructured will continue to be governed by the original terms and conditions.
- > 3) Additional finance given may be treated as Standard assets.

The restructuring exercise should be completed by banks within a period of 3 months from the date of natural calamity.RBI may be approached by SLBC/DCC for extending the said period citing the reasons for seeking extension.



Action by the State Govt:

 Declaration of Natural Calamity in the State. 	DONE
 Notifying districts/Tehsil/Village hit/affected 	
by the calamity.	

- Conducting a survey for assessment of the percentage of loss in standing crops in districts Survey result as of 10.04.2015 is enclosed as Annexure II
 ANNEX II
- Providing list of farmers with certificate of loss incurred PENDING in their standing crops, to banks for further action.

Action by Banks

- Banks may follow the guidelines of RBI in this respect for Agriculture Loans.
- All **Short -Term loans**, except those which are overdue at the time of occurrence of natural calamity are eligible for restructuring. The principal and interest due for repayment may be converted into Term loan.
- The repayment schedule of restructured loans may be fixed, maximum period provided being 7 yeears.
- Moratorium period of at least one year should be considered in all restructured cases of loans.
- Banks need not insist for additional collateral security for such restructured loans.
- In case of **Agriculture Term Loans(Investment Credit)**, as only crop failure is damaged and productive assets are not damaged, banks may reschedule the payment of instalments during the year of calamity (2015-16) and extend the loan period by one year and postpone payment of interest by borrower during the year.
- Loans granted for allied activities and loans given to rural artisans, traders, micri/small industrialunits, or in case of extreme situations, medium enterprises may also be considered for restructuring/rescheduling.
- Banks may also grant fresh crop loans to the affected farmers.
- Banks may grant consumption loans upto Rs.10000/- to such borrowers and limit may be enhanced beyond this amount at the discretion of the bank.
- Margin requirements may be waived or the grants/subsidy given by the State Govt. may be considered as margin.
- Banksshould not insist on third party guarantees for providing conversion facilities.
- In respect of current dues in default, no penal interest will be charged and consider waiving penal interest, if any, already charged in regard to the loans converted/rescheduled

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- The proceeds of Insurance Claim from the various Insurance companies should be adjusted to restructured accounts only. However, it should be done in cases where banks have granted fresh loans to the affected farmers.
- The restructured portion of the Short Term as well as Long Term Loan may be treated as current dues and be classified as Standard Assets. However higher provision for such restructured standard advances will apply as prescribed by RBI from time to time.
- The asset classification of the remaining amount due, which are not restructured will continue to be governed by the original terms and conditions..
- Additional finace given may be treated as Standard assets.

As per RBI guidelines the benefit of asset classification of the restructured accounts as on date of natural calamity will be available only if the restructuring is completed within a period of three months from the date of natural calamity.

As the calamity took place in the month of February/March and already 2 months have passed, the time period of three months seems to be insufficient.

The House requests RBI to extend the time period to 6 months, i.e. July 2015

RBI Guidelines for relief measures by banks in areas affected by Natural Calamity given vide their circular No. RBI/2014-15/512 FIDD.NO.FSD.BC.52/05.10.001/2014-15 DT. 25.03.2015 is given in Annexure I.



ANNUAL CREDIT PLAN 2015-16

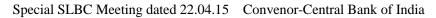
ACP 2015 - 16

Α.	IN FORMA	AT SPECIFIED BY RBI			AMTT. IN C	RORES	
SR	SECTOR	SUB-SECTOR	ACP 2014-15		ACP 2015-1	%GROWTH	
			NO	AMTT	NO	AMTT	
1		Agriclture & Allied					
		Direct	2463502	51638	2769263	64785	
2		Agriclture & Allied					
		In-Direct	173418	1753	209138	2402	
3		Total Agriculture	2636920	53391	2978401	67187	26
4	Priority	MSE	303636	10197	323815	13396	31
5	Sector	Education	33442	1022	38529	1226	
6		Housing	126825	3557	133758	4915	
7		Others	146698	2780	140136	2867	
8		Sub Total 5+6+7	306965	7359	312423	9008	22
		TOTAL PRIORITY					
		SECTOR	3247521	70947	3614639	89591	26
9		Heavy Industries	8	260	6	230	
10		Medium Industries	68	284	77	320	
11		Education	303	81	301	84	
12	Non-	Housing	293	100	253	110	
13	Priority	Others	100733	3271	101699	3493	
14	Sector	S.Total	101405	3996	102336	4237	6
15		TOTAL PLAN	3045290	74943	3716975	93828	25

AGENCY WISE DISTRIBUTION OF CROP LOAN AND INVESTMENT CREDIT UNDER AGRICULTURE SECTOR AMTT. IN CRORES

AGENCY	CROP LOAN	%:TOTAL	INVESTMENT	% : TOTAL	TOTAL	
		AGRI	CREDIT	AGRICULTURE	AGRICULTURE	
Commercial Banks	26245	63	15254	37	41499	
RRBs	6838	80	1704	20	8542	
Cooperative Banks	16080	94	1066	6	17145	
TOTAL	49163	73	18024	27	67187	

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The district wise Annual Credit Plan has been formulated in each district by all stakeholders, assessing the Potential of credit absorption capacity in the district and previous performance in deployment of credit to various sectors. The overall CD Ratio of the State has improved from 63% in the year 2012-13 to 66% in the previous year. From the data available up to December 2014, banks have been able to maintain the level of 66%.

Agriculture and Allied Activities, on which around 65% of population of the State is dependant has been allocated Rs,67187/ crores in the Annual Credit Plan for the year 2015-16, which is 26% growth over ACP of previous year. The key factors which have enabled the State for Agriculture Production are high cropping intensity and the high 53% irrigated area of the net sown area. Due to saturation level in Crop Loan, the focus has now shifted to Investment Credit. Concern has been expressed by NABARD on the declining trend of Agriculture Term Lending. There is an urgency to step up the Term Lending to bring about the boost in Agriculture sector. Share of credit under Agriculture Investment has also gone up in the ACP 2015-16. Out of total Agriculture more than 26% has been allocated under Investment Credit, keeping in line with with the priority accorded by the Union Govt in the current years budget. Production of food grains alone will not enable the upgradation in the quality of life of people in the State. From studies conducted by NABARD , there is a need for asset creation out of Bank Finance under farm business equipement, livestock, poultry, transport equipement etc.

Considering the large network of Rural and Semi Urban commercial banks and Regional Rural Banks in Madhya Pradesh, business proposition under Agriculture sector is inevitable.

The Industries Sector has been allocated Rs.13396/-crores, which is 31% increase of share in comparison to previous years budget, keeping in view the prominence given by the Union Ministry for "Make in India" drive and livelihood promotion through skill development as well as the State Govt.'s thrust on self-employment generation programmes.

The development of the tertiary sector should continues to grow parallel to the other sectors. The share of credit under the tertiary sector has been allocated judicially. Banks may serve to the regular demands of the same.

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C.COMPARATIVE ACHIEVEMENT OF ACP OVER LAST THREE FINANCIAL YEARS.

Table C									(An	nt. in Rs.	. crore)	c 14) %				
Sector	2011-	12(Marc	:h,12)	2012-13	B (March	-13)	2013-1	4(March	า-14)	2015-	2015-16(Dec 14)					
	Target FY11- 12	Ach.	% Ach.	Target FY11-12	Ach.	% Ach	Target FY13- 14	Ach.	% Ach.	Target 2015-16	Achv					
Agri. Total	25779	24493	95	32092	31651	99	41666	43618	105	53391	34623	65				
Crop Loan/Direct	19853	14750	99	23085	26779	116	40150	40628	101	51638	32933	64				
Agri. Term Loan/indire ct	5926	4936	83	9006	4872	54	1516	2990	197	1753	1690	96				
MSE	3480	5023	144	6028	5950	99	7708	7181	93	10197	9759	96				
Others	3517	3904	111	4218	3594	85	6296	5099	81	7359	10424	142				
TOTAL	32777	33419	102	42338	30609	97	55670	55898	100	70947	54806	77				

Any other issue with the permission of the Chair: