

*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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INDEX

| | | |
|--|-----|-------|
| 1. Guidelines of RBI for relief measures by Banks in areas affected by Natural Calamities | Pg. | 1 - 6 |
| a. Action by Administration | | 6 |
| b. Action by Banks | | 6 |
| 2. Annual Credit Plan 2015-16 | | 7- 9 |
| 3. Any other issue | | 9 |

Gist of Guideline for Relief Measures by Banks in Area affected by Natural Calamities. :

- 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 programme 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.

- In the Special SLBC/DLCC, the position in the affected areas needs to be assessed and suitable relief measures need to be formulated and implemented. Since repaying capacity of the farmers is affected by natural calamity, restructuring of the existing bank loans are required.
- 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 Production Credit(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 in their standing crops, to banks for further action. PENDING

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

- 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 finance 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

| A. IN FORMAT SPECIFIED BY RBI | | | AMTT. IN CRORES | | | | |
|-------------------------------|---------------------|--------------------------------|-----------------|--------------|----------------|--------------|-----------|
| SR | SECTOR | SUB-SECTOR | ACP 2014-15 | | ACP 2015-16 | | %GROWTH |
| | | | NO | AMTT | NO | AMTT | |
| 1 | Priority Sector | Agriculture & Allied Direct | 2463502 | 51638 | 2769263 | 64785 | |
| 2 | | Agriculture & Allied In-Direct | 173418 | 1753 | 209138 | 2402 | |
| 3 | | Total Agriculture | 2636920 | 53391 | 2978401 | 67187 | 26 |
| 4 | | MSE | 303636 | 10197 | 323815 | 13396 | 31 |
| 5 | | 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 | Non-Priority Sector | Heavy Industries | 8 | 260 | 6 | 230 | |
| 10 | | Medium Industries | 68 | 284 | 77 | 320 | |
| 11 | | Education | 303 | 81 | 301 | 84 | |
| 12 | | Housing | 293 | 100 | 253 | 110 | |
| 13 | | Others | 100733 | 3271 | 101699 | 3493 | |
| 14 | | 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 AGRI | INVESTMENT CREDIT | % : TOTAL AGRICULTURE | TOTAL 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 |

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 judiciously. Banks may serve to the regular demands of the same.

C.COMPARATIVE ACHIEVEMENT OF ACP OVER LAST THREE FINANCIAL YEARS.**Table C****(Amt. in Rs. crore)**

| Sector | 2011-12(March,12) | | | 2012-13 (March-13) | | | 2013-14(March-14) | | | 2015-16(Dec 14) | | |
|-------------------------------------|-----------------------|--------------|------------|--------------------|--------------|-----------|-----------------------|--------------|------------|-------------------|--------------|---------------|
| | Target FY11- 12 | Ach. | % Ach. | Target FY11-12 | Ach. | % Ach. | Target FY13- 14 | Ach. | % Ach. | Target 2015-16 | Achv | % Ach v |
| Agri. Total | 25779 | 24493 | 95 | 32092 | 31651 | 99 | 41666 | 43618 | 105 | 53391 | 34623 | 65 |
| <i>Crop Loan/Direct</i> | 19853 | 14750 | 99 | 23085 | 26779 | 116 | 40150 | 40628 | 101 | 51638 | 32933 | 64 |
| <i>Agri. Term Loan/indirect</i> | 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: