

CREDIT CONTROL AND OTHER MEASURES FEBRUARY 1998

Selected circulars issued by the Reserve Bank of India during February 1998 are reproduced below.

Ref. UBD.No.DS.PCB.CIR.40/13.05.00/97-98 dated February 11, 1998

All Primary Co-operative Banks

Customer Service—Collection of Outstation Instruments

Please refer to our circulars UBD.No.DS.(PCB)Cir 66/13.05.00/94-95 dated June 30, 1995 and UBD.No.DS.PCB.Cir 54/13.05.00/96-97 dated May 26, 1997 on the above subject.

2. The delay in collection of outstation cheques has been the cause of concern to the Reserve Bank of India. The Bank had therefore appointed M/S Dun and Bradstreet Marketing Research Pvt. Ltd., to conduct a survey regarding collection of outstation instruments in selected branches (including service branches) of commercial banks in New Delhi and Mumbai. The survey has revealed undue delay in collection of outstation instruments at the branches. The findings are as under :-

i) Most of the branches of the banks surveyed are not affording immediate credit for cheques upto Rs. 5000/-.

ii) In the four metropolitan centres having MICR cheque clearing system, majority of the

banks' branches have not afforded credit for outstation cheques upto Rs. 10,000/- within a week.

iii) In respect of state capitals and centres with more than 100 bank offices, credit to customer's account was not given within 10 days in a number of cases.

iv) Some of the delays are systemic, i.e. delays which occur at the branch level whereas others are transit delays. The entire time cycle of collection of instruments comprising four stages viz. Registration, Despatch, Receipt of Realisation Advice and Crediting the Customers' Accounts takes 24 days on an all India average.

3. Though the survey pertained to Scheduled Commercial Banks, we feel somewhat similar situation could exist in respect of collection of outstation instruments by Primary Co-operative Banks. In the light of Survey findings, Reserve Bank of India advised the banks to again have a closer look at the systems and procedures followed by them so as to tackle the delays in collection of outstation cheques. We, therefore, reiterate that the banks should bestow special attention to this area of customer service and initiate the following additional measures to reduce the time taken for realisation of cheques;

a) Cheques drawn on MICR Centres should invariably be presented through National Clearing Cell,

b) Extensive use should be made of modern telecommunication technology for networking service branches in important centres and between service branches and other branches within a particular centre,

c) The concept of Quick/Fast collection service for collection of outstation instruments should be streamlined,

d) Separate registers should be maintained for local cheques and outstation cheques to enable the branch managers to exercise better supervision and remedial measures should be initiated to speed up the collection of outstation instruments.

4. With a view to closely monitoring the implementation of the above instructions, banks may consider advising their Internal Inspection Teams to verify these aspects during inspection of the branches, as this is a singular feature having a direct bearing on rendering improved customer service. It is also necessary to make customers aware of the above facilities. The banks may therefore make arrangements to display information about the facilities available at the branches, for customers' knowledge.

5. The above arrangements may be put in place on priority basis for ensuring timely credit for inter-city instruments, which is of paramount importance from the point of view of providing customers' satisfaction.

Ref. : DBOD No. FSC.BC.14/24.91.001/98 dated February 16, 1998

All Commercial Banks and Other Institutions Permitted to Participate in Call/Notice Money Market and Bills Rediscounting Scheme.

Permission to Participate in Call/Notice Money Market and Bills Rediscounting Scheme-Private Sector Mutual Funds

Please refer to Serial No. 30. Part B of Annexure I to our circular No. DBOD FSC. BC. 68/24.91.001-95 dated June 27, 1995 in terms of which CRB Mutual Fund was permitted to participate only as lender in Call/Notice Money Market (overnight call money and short notice money for period upto and including 14 days) and Bills Rediscounting Scheme. It has been decided to **withdraw** the permission granted to CRB Mutual Fund to operate in Call/Notice money and Bills Rediscounting markets till further notice.

Ref. : UED. No. Plan. 42/09.09.01/97-98 dated February 19, 1998.

All Primary (Urban) Co-operative Banks.

Priority Sector Advances-Advances to SSI

Please refer to our circular UED.No. 48/09.09.01/93-94 dated January 13, 1994 advising the definition of Small Scale Industries as given by the Government of India in April 1991.

2. The Government of India have since issued a notification revising the definition of Small Scale Industries (SSI) with effect from December 11, 1997. As per the Gazette notification No.S.O.857(E) dated December 10, 1997, the ceiling on investment in plant and machinery of SSI/ancillary units has been raised to Rs. 3 crore from the existing limits of Rs. 60 lakh and Rs. 75 lakh for SSI and ancillary units, respectively. You may accordingly reckon the bank advances to SSI units for the purpose of

classification under the priority sector.

3. In order to ensure that credit is available to all segments of the SSI sector, it has been decided that out of the funds available to SSI sector under priority sector advances, banks

should ensure that 40 per cent will be made available for units with investment in plant and machinery upto Rs. 5 lakh, 20 per cent for units with investment between Rs. 5.00 lakh and Rs. 25 lakh and the remaining 40 per cent for other SSI units.