

Credit facilities to Minority Communities - Evaluation Study

Ref. RPCD No.SP.BC. 13 /09.10.01/2001-02

August 13, 2001

All Indian Scheduled Commercial Banks
(Excluding RRBs)

Dear Sir,

Credit facilities to Minority Communities - Evaluation Study

In pursuance of the recommendations of the National Commission for Minorities to have a wider assessment of the economic problems of minorities, we conducted a quick study through our Regional Offices, with a view to assessing the progress made by banks in granting loans to minority communities and in implementation of our instructions on the subject. (Ref. our circular No. SP.BC.43/09.10.01/96-97 dated 10, October 1996) The study covered all the 44 districts which have been identified as having concentration of minority communities (listed in annexure A) and 59 bank branches located in these districts.

2. A gist of the findings/conclusions of the study relevant to banks operating in these districts are given in Annexure B. It would be seen therefrom that though loan applications of minority communities were generally processed without undue/deliberate delay and there were no rejection without valid reasons, greater efforts are called for by the Lead Banks in the minority concentration districts for giving a special thrust to accelerate the flow of credit to the minority communities. Monitoring and review of the credit flow to the minority communities also requires to be strengthened. These issues should be taken up for discussion in SLBC/DLRC/DCC meetings especially in the districts identified as having a concentration of minority population and flow of credit should be vigorously monitored. Suitable lecture sessions may be included in the relevant training programmes for staff to make them more receptive to the credit needs of the minority communities. There is also a need to create greater awareness of the facilities from banks available to the members of the minority communities and the Lead Banks of the minority concentration districts will have to make concerted efforts to ensure that the minority communities particularly those who are poor and illiterate have access to bank credit for taking up productive activities by providing publicity to anti-poverty programmes of the Government and organising Entrepreneur Development Programmes etc.

3. We shall be glad if you will please issue suitable instructions to all your controlling offices and branches to effectively implement the guidelines contained in our circular No. SP.BC.43/09.10.01/96-97 dated 10, October 1996, especially to the features listed at Annexure B which require remedial measures at branch level.

4. Please acknowledge receipt.

Yours faithfully,

(Deepali Pant Joshi)
General Manager

ANNEXURE A

LIST OF MINORITY CONCENTRATION DISTRICTS

STATES/R.Os of RPCD	DISTRICTS	NAME OF LEAD BANK
UTTAR PRADESH (Lucknow)	1. Rampur 2. Bijnor 3. Moradabad 4. Saharanpur 5. Muzaffarnagar 6. Meerut 7. Bahraich 8. Gonda 9. Gaziabad 10. Pilibhit 11. Dooria 12. Barabanki 13. Basti	Bank of Baroda Punjab National Bank Syndicate Bank Punjab National Bank Punjab National Bank Syndicate Bank Allahabad Bank Allahabad Bank Syndicate Bank Bank of Baroda Central Bank of India Bank of India State Bank of India
WEST BENGAL (Kolkata)	14. Murshidabad 15. Malda 16. North Dinajpur 17. South Dinajpur 18. Birbhum 19. Nadia 20. 24-Parganas(South) 21. 24-Parganas(North) 22. Cooch-Behar 23. Howrah	United Bank of India United Bank of India United Bank of India United Bank of India UCO Bank United Bank of India United Bank of India Allahabad Bank Central Bank of India UCO Bank
KERALA (Trivandrum)	24. Mallappuram 25. Kozikhode 26. Cannanore 27. Palghat 28. Wayanad	Canara Bank Canara Bank Syndicate Bank Canara Bank Canara Bank
BIHAR (Patna)	29. Purnea 30. Katihar 31. Darbhanga 32. Araria 33. Kishanganj	Central Bank of India Central Bank of India Central Bank of India State Bank of India Central Bank of India
KARNATAKA (Bangalore)	34. Bidar 35. Gulbarga 36. Bijapur	State Bank of India State Bank of India Syndicate Bank
MAHARASHTRA (Mumbai)	37. Greater Mumbai 38. Aurangabad	Bank of Maharashtra Bank of Maharashtra

ANDHRA PRADESH (Hyderabad)	39. Hyderabad 40. Kurnool	State Bank of Hyderabad Syndicate Bank
HARYANA (New Delhi)	41. Gurgaon	Syndicate Bank
MADYA PRADESH (Bhopal)	42. Bhopal	Bank of India
RAJASTHAN (Jaipur)	43. Jaisalmer	State Bank of Bikaner & Jaipur
GUJARAT (Ahmedabad)	44. Kutch	Dena Bank

ANNEXURE B

A) Nominating officers

As per RBI instructions, Lead Bank in each of the 44 districts identified as having a concentration of minority population should have an officer to exclusively look after the problems regarding the credit flow to minority communities. Also, the names of the designated officers in these districts should be furnished to the National Commission for Minorities.

The study revealed that an exclusive officer was nominated by the Lead Bank in only 5 districts. Lead Banks in 39 districts have not designated an officer to exclusively cater to the needs of the minority borrowers.

B) Monitoring - Review of progress in the flow of credit to Minorities

a) As per RBI instructions the progress made in flow of credit to the minority communities should be reviewed regularly at the meetings of the District Consultative Committees and the State Level Bankers Committees. Further, the extracts from agenda notes and minutes of meetings of DCCs/SLBCs of Minority Concentration Districts should be forwarded to Ministry of Finance, and Ministry of Social Welfare (Govt. of India) on a quarterly basis.

As regards DCC meetings in Minority Concentration Districts, review was made in 23 districts only.

As regards extracts of Agenda notes/Minutes of meetings of SLBC/sDCCs, the respective Lead Banks of the Minority Concentration Districts were not forwarding the same to the Ministry of Finance and Ministry of Social Welfare.

b) As per RBI instructions, Chairmen/Managing Directors or their representatives of State Minority Commission/Boards/Minority Financial Corporations should be invited to attend meetings of SLBC/SLRM and

DLRC of the Minority Concentration Districts. The study reveals that while the representatives of State Minority Commission were being invited for the SLBC meetings in most of the states having minorities concentration districts, such invitation was not being extended for DLRS meetings.

C) Training of bank staff

As per extant instructions, the officers and staff of banks dealing with credit should be given necessary training regarding credit for welfare of minorities in courses such as induction course, programmes on rural lending, financing of priority sector, poverty alleviation programmes etc.

During the course of the discussions and interaction with the Lead Bank officials and managers of the branches visited for the study it was observed that most of the banks had not included specific lecture sessions on extension of bank credit to the minorities as part of all relevant training programmes like induction course, programmes on rural/priority sector.

Further, Reserve Bank of India instructions for organising Entrepreneur Development Programmes for the members of the minority communities to derive the benefit of various programmes of Government being granted through banks have not been complied with by banks.

D) Advances to Minority Communities under DRI Scheme

As per RBI instructions, banks may route loans under DRI scheme through State Minority Finance/Development Corporations on the same terms and conditions as are applicable to the loans routed through SC/ST Development Corporations subject to the beneficiaries of the corporations satisfying the eligibility criteria and other terms and conditions prescribed under the scheme.

It was observed in the study that the bank branches covered had not received loan application forms from the State Minority Finance/Development Corporations for seeking financial assistance under DRI.

E) Sanction and disbursement of loans by bank branches

While the study revealed that there was no deliberate delay in sanction of loan applications of minority communities by the branches visited the loan application register was not found to have been maintained properly by some branches. Banks may ensure proper maintenance of the register to evolve timely sanction and disbursement of the loan applications.

F) Publicity

It is necessary to adequately publicise the various anti-poverty programmes of the Government wherever there is large concentration of minority communities and particularly in 44 minority concentration districts.

The study revealed that adequate publicity for various anti-poverty programmes of the Government was not given in most of the districts having large concentration of minority communities.

There is an imperative need for concerted efforts from banks, financial institutions and Government agencies for paying focussed attention for ensuring adequate flow of bank credit to the minority communities.

Conclusion

The Lead Banks of the Minority Concentration Districts will have to exercise the proactive role expected of them to ensure that the minority communities, particularly those who are poor and illiterate have access to bank credit for taking up productive activities.

In most of the identified districts taken up for study, special thrust for increasing the credit flow to minority communities was found to be lacking in the Lead Banks. The RBI instructions in this regard viz. designating an officer to exclusively deal with problems of credit to minority communities, creating awareness of the various credit schemes through publicity, organising Entrepreneurship Development Programmes, monitoring of flow of credit to minority communities at District level meetings, etc. should be complied with. Please ensure that steps are taken to adhere to RBI instructions and that they are observed both in letter and spirit.