

Enhancing credit flow to Minority Communities

RPCD.SP. BC. No. 62 /09.10.01/2001-02

4 February 2002

The Chairman and Managing Director
All Scheduled Commercial Banks
(Excluding RRBs)

Dear Sir,

Enhancing credit flow to Minority Communities

Please refer to our circulars RPCD.No.SP.BC.43/09.10.01/96-97 dated 10 October 1996 and RPCD.No.SP. BC.13 /09.10.01/2001-02 dated 13 August 2001 on the captioned subject.

2. We have advised the National Commission for Minorities, the measures initiated to enhance flow of credit to Minority Communities vide our letter RPCD.SP.No.1097/09.10.01/2001-02 dated 1 February 2002 (Copy enclosed). We shall be glad if you please initiate suitable steps to ensure enhancement of flow of credit to minority communities as per instructions issued by us from time to time. Your bank should monitor regularly the progress in regard to credit flow to minority communities and report the relevant data to us in this regard on half-yearly basis as indicated in item (C) of Para 4 of our circular dated 10 October 19996 referred to above.

3. Kindly acknowledge receipt of this letter and report compliance to us at the earliest.

Yours faithfully

Sd/-

(P.K.Bahinipati)
Deputy General Manager

RPCD.SP.No. 1097 /09.10.01/2001-02

1 February 2002

The Deputy Secretary
National Commission for Minorities
Government of India
Lok Nayak Bhawan
5th Floor, Khan Market
New Delhi-110 003

Dear Sir,

Enhancing Credit flow to Minority Communities- Action taken on the discussions held by the Governor with the Commission on 12 September 2001

Please refer to Para 3 of our letter RPCD. SP. No. 590/09.10.01/2000-01 dated 16 October 2001 on the captioned subject. In this connection we advise having initiated the following measures to increase the flow of bank credit to minorities.

(i) The findings of the quick study conducted by us in the 44 minority concentration districts were discussed with the Heads of the concerned operational departments of a few major banks in meetings held on September 24 and 26, 2001 at Mumbai and New Delhi respectively. The participant banks appreciated the need of creating awareness among the minority communities regarding the credit facilities available from banks particularly under Govt. Sponsored Programmes. The important suggestions / observations made by the banks are as under:

- a) Banks were willing to extend credit under the SHG-bank linkage programme to minority communities and suggested that NABARD / NGOs / State Minorities Commission/ Board may be actively involved in the formation of SHGs and their linkage to banks and the State Minorities Commission / Finance corporations could assist the banks in identifying / sponsoring eligible candidates for lending for viable activities and also in recovery of dues, as in some districts the high level of overdues discouraged the banks from fresh lending.

- b) Banks also expressed that the State Minorities Commission / Finance Corporations / Board / NGOs can play an important role by arranging for supply of inputs, necessary technology and marketing support etc. to the economic activities undertaken by the minority communities with the bank assistance.
- c) Illiteracy was a major reason for poverty among minority communities which need to be addressed by the Govt. / Minorities Commission for their social and economic empowerment.

(ii) In the light of discussion at the aforesaid meetings, the Lead Banks of all the 44 identified districts have been advised to initiate steps to increase credit flow to minorities in the identified districts vide our circular no.SP.1074 dated 24 January 2002 (Copy enclosed).

(iii) As the poor and illiterate among the minority communities in the identified districts have difficulty in dealing with formal banking system and vice versa, a meeting was held on 5 November 2001, with NABARD, SIDBI and a few NGOs / organizations involved in micro credit to explore the possibility of organizing the poor belonging to minority communities into SHGs and link them to banks for credit purposes. NABARD agreed to organize sensitization workshops on SHGs / micro credit for the bank officials through its DDMs at the identified districts and also help the NGOs operating in these districts for organizing the poor among minority communities into SHGs and linking them with banks. SIDBI, through its State Level offices is planning to assist the MFIs in capacity building / training so as to help the groups of minority communities in the identified districts.

(iv) In order to have effective monitoring of flow of credit to the minority communities, we have issued a circular to banks on 24 December 2001 (copy enclosed) emphasising the need for timely submission of the half yearly statements.

(v) We have advised our Lead District Officers (LDOs) to ensure that the Lead Banks, particularly those in the identified districts, monitor compliance with our instructions

regarding credit to minority communities and also encourage flow of credit to eligible SHGs of minority communities by banks through involvement of DDMs of NABARD, NGOs, State Minorities Commission / Finance Corporation etc. in the exercise and review the progress in BLBC, DCC, DLRC meetings.

vi) We have institutionalized the study of credit to minority communities in the identified districts by advising our Regional Offices to have the study conducted by the LDOs on an ongoing basis and submit a report (as at the end of March every year) in the proforma prescribed by us so as to reach us by end of July of that year. The study would cover, besides status of compliance of our instructions by Lead Banks, visit to a few bank branches and beneficiaries. We will arrange to forward a consolidated report to the Commission in the last quarter of each year for their information.

Yours faithfully

Sd/-

(Vani.J.Sharma)

Chief General Manager