Relaxation to trade and industry
in the State of Jammu & Kashmir

DBOD. BP. BC. 97 / 21.04.012/ 2002- 2003

24 April 2003

All Commercial Banks
(excluding RRBs & LABs)

Dear Sir,

Relaxation to trade and industry
in the State of Jammu & Kashmir

Please refer to Circular No. DBOD. BP.BC. 4/ 21.04.012/ 2002- 2003 dated 12 July 2002 extending the period of concessions / credit relaxations to the borrowers/ customers in the State of Jammu & Kashmir upto 31 March 2003. It has been decided that the concessions/ credit relaxations to borrowers/ customers in the State of Jammu & Kashmir as laid down in our Circular No. DBOD. BP. BC. 143/ 21.04.012/ 92 dated 18 June 1992 (copy enclosed) will continue to be operative for a further period of one year i.e. upto 31 March 2004.

2. Suitable instructions may please be issued to your controlling/ branch offices in this regard.

3. Please acknowledge receipt.

Yours faithfully,

(B. Mahapatra)
Chief General Manager

Encls : 6

Relaxation to trade and industry in the State of Jammu and Kashmir

DBOD. BP.BC. 143 / 21.04.012 -92.

June 18, 1992

Jyaistha 28, 1914(Saka)

To

The Chairmen of all Scheduled
Commercial Banks (excluding RRBS)

Dear Sir

<u>Relaxation to trade and industry in the State of Jammu and Kashmir</u>

Please refer to our circular DBOD.No.BP.BC.96/ 21.04.012 -92 dated 11 March 1992 extending the period of concessions/ credit relaxations to borrowers/customers in Jammu and Kashmir upto 31 March 1993.

2. With a view to ensuring larger flow of credit to trade and industry in the State on the one hand and bringing about appropriate changes in the monitoring mechanism on the other, the position in regard to relaxations/concessions announced from time to time has since been reviewed and the following revised comprehensive package of concessions/ relaxations is prepared for immediate implementation by banks operating in the State of Jammu and Kashmir.

(i) Increased working capital facilities may be sanctioned by way of relaxation in prescribed/ standardised norms for inventory and receivables upto a maximum of 50%, depending on the merits of each case. For small borrowers in the unorganised sector, for whom no norms for inventory and receivables have been specified, relaxation upto a maximum of 50% of the norms accepted for last sanction may also be allowed depending on merits. Benefits of relaxed norms may be extended as realistically as possible to such borrowers. As regards changes in the level of credit on purchases, the banks may take a realistic approach for all borrowers. <u>The-incremental Permissible Bank Finance (POF) due to application of relaxed norms only should be limited to 50%</u>.

The application of relaxed inventory and receivable norms would, however, be subject to the condition that no slip back in current ratio takes place, except under circumstances as specified by RBI vide DBOD Circular CAS.(COD)BC.90/ 27C -78 dated 17 July 1978. These would be applicable for all borrowers, including those not covered under Credit Monitoring Arrangement (CMA). If the borrower is not in a position to augment Net Working Capital to the desired extent at one go, the need-based relaxed norms may be applied in more than one stage.

(ii) All borrowal accounts, irrespective of whether ad-hoc facilities were sanctioned in the past or not, would be subjected to review by the concerned banks within a period of three months and need based increased working capital facilities may be sanctioned to borrowers without delay.

(iii) (a) Finance against accepted hundies (Usance bills) should be encouraged, (b) while for CMA borrowers, the existing ceiling of 75 per cent on finance against book-debts-may continue, for other corporate borrowers, liberal finance against book-debts should be made available, (c) for non-corporate borrowers, where finance need against book-debts is modest, the mode currently in vogue in certain banks, whereby stocks as well as book-debts are financed under a single hypothecation agreement upto a maximum of Rs.2.00 lakns (with share of credit against book-debt limited to 30 per cent) and for which DICGCI cover is also available regarding the book debt portion, should be encouraged. For other borrowers, whose credit requirement against book-debts is higher, the banks should devise a suitable selectivity criteria regarding the eligible borrowers, based, inter-alia, on overall risk assessment and past performance in debt realisation.

The banks may also evolve a system of risk differentiation. among the eligible debtors for a particular borrower and based on different criteria, variable margins, ranging from 25 per cent to 40 per cent, should be applied for purposes of arriving at drawing power.

(iv) The existing ceiling of 15 per cent on margin for calculation of drawing power against commodities, not covered by Selective Credit Control directives, may continue. Similarly, margin for finance against bills should not exceed 10 per cent as hitherto.

(v) The existing concession of 50 per cent reduction in service tariffs for remittances may continue. The same may also be extended to collection of outstation bills/cheques.

(vi) The banks may honour small Fixed Deposit Receipts, say upto Rs.10,000/- of the Kashmiri migrants at the designated branches without verifying details from the branch of origin against some indemnity bonds.

(vii) The following other existing concessions summarised below should continue :-

(a) For term credits, the banks may adopt a flexible and pragmatic approach as regards debt-equity ratio, especially for small projects. Reschedulement of the repayment programme may also be allowed in deserving cases.

(b) The banks may review all irregular accounts within a time-frame of three months with a view to exploring the possibilities of regularising them through sanctioning additional working capital facilities.

(c) Period of realisation of bills purchased and advance bills for collection may be extended upto one month by Branch Managers. I

(d) Liberal acceptance credit/ L.C. facilities may be extended to facilitate purchases on credit. The margin for bank guarantees and inland letters of credit should not exceed 15 per cent, depending on merits of each case.

(e) The facility for transfer of bank accounts/ funds maintained with their branches in the valley to some other designated/ specified branch/es outside the Valley, at the request of their customers, may be continued with necessary safeguards so that unauthorised withdrawals or transfers are not encouraged. Similarly, banks may arrange to designate specific branches outside-the Valley to receive instruments drawn on their branches in the Valley.

We shall, be glad if you will kindly ensure that suitable guidelines are issued to the branches operating in the Jammu and Kashmir on the revised package outlined above, in supersession of all earlier instructions-on this subject.

3. (a) It has been observed that there were few pit-falls in the implementation of the existing package arising out of a certain degree of lack of awareness among branch officials and credit-users, alike. In order to remove this lacunae, the banks may, take special steps to educate and inform the managers and controllers of their branches in the State about the details of package on the one hand and corporate strategies for implementing ,these on the other.

(b) Also, in each district of the State, the lead bank may convene banker-customer meet, to which top district level State Government officials could also be invited.

(c) The banks in the State should make special endeavours for avoiding delays in all matters of providing banking services. Clearance of instruments, both local and outstation, should be prompt. A review of systems and procedure in vogue may also be undertaken for achieving the above objective. Necessary delegation of authorities may also be made expeditiously in this context.

(d) The power of rejection of any concession should vest in an authority above the immediate controlling tier of the concerned branch.

(e) Head Offices of banks may ensure tie up arrangements for funds on the basis of information to be obtained from their controllers of Jammu and Kashmir branches within a period of three months of the coming into effect of the revised package, as regards requirement of additional credit deployment there. It may be emphasised that additional fund requirements for implementing the package thus worked out, may be dovetailed into corporate fund deployment strategy of each bank so that higher flow of credit to the borrowers in the State could be effected within a reasonable period of time.

(f) Submission of quarterly data by branches of banks on progress made in implementing the package of concessions may be an integral part of the corpus of control returns to facilitate effective monitoring.

4. (i) Special Cells for monitoring implementation of the package may be formed in all banks operating in the State at the Zonal Office level. The cells would also act as grievance redressal agency for the respective banks. The cells would convene quarterly meetings with credit users, which should be attended by a senior official from the corporate office.

(ii) At the State level, a committee comprising representatives of major banks, State Government, Trade and Industry would be formed to sort-out problems/ grievances against banks. The State level committee would also review the progress made in implementing the package on the basis of quarterly data. Convenor, State Level Bankers' Committee, would provide secretarial support to this Committee. Review reports of the State Level Committee may be forwarded to local office of Reserve Bank of India for follow-up action.

5. Please acknowledge receipt.

Yours faithfully,

sd/-

(N.D. Parameswaran)
Chief Officer