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RBI sets up a Working Group on enhancing Credit to J&K

Dr. Y. V. Reddy, Governor, Reserve Bank of India on May 5, 2005 met the Chief Minister of the State Shri Mufti Mohammed Sayeed and proposed to set up a Working Group on Credit for Jammu & Kashmir. Dr. Reddy was in Srinagar to host the board meeting of the Reserve Bank of India. The Central Board of Directors of the Reserve Bank of India (RBI) met in Srinagar on May 5, 2005 to review the key economic, monetary and financial developments. Dr. Reddy chaired the meeting. The Board had last met here in 1998.

The Working Group on Credit for Jammu & Kashmir will identify areas where nationalised banks can help the state in advancing loans for self employment projects, SME sector, agriculture, tourism and other important areas. The Working Group will also address ways and means of simplifying the procedures for identifying the right entrepreneurs, simplifying credit appraisal, documentation and disbursal procedures. The Working Group will comprise representatives of three or four banks having the largest network of branches in the state, representatives of National Bank for Agriculture and Rural Development (NABARD) and Small Industries Development Bank of India (SIDBI) as also, at least three representatives of the entrepreneurs in the state. The Working Group can avail the services of expert by inviting them to its meetings. A senior officer of the Reserve Bank will also be associated with the Working Group.

The Reserve Bank would also draw up a scheme under which banks in Jammu & Kashmir would be encouraged to establish mechanisms for better co-ordination between their branches and branches of SIDBI which are located in clusters identified by the Ministry of Small Scale Industries, Government of India. Under the scheme of strategic alliance (i) the existing branches of SIDBI redesignated as "Small Enterprises Financial Centres" (SEFCs) will take up co-financing of term loan requirements of SSI units along with the bank branches and the working capital requirements of these units will be met by the banks; (ii) the expertise of the SIDBI in appraisal of credit requirements of SSI units will be leveraged by the branches of commercial banks; (iii) SIDBI will provide other expert services to help the banks in simplifying the procedures. The services of SEFCs will be available for tiny industrial units also.

After the meeting of the Central Board, in the evening, Dr. Reddy, along with the three Deputy Governors of the Reserve Bank, met the representatives of the Federation Chamber of Industries Kashmir (FCIK). The President of FCIK Shri S. Shakeel Qalander presented a brief review of the economic situation in the state and submitted a memorandum to the Governor containing five suggestions for enhancing flow of bank credit to the state. These were restructuring term lending institutions, establishment of risk covering institutions, rehabilitation of sick industries, enhancement of credit deposit ratio and

reopening/reshifting of bank branches which were closed due to security concerns.

Responding to the suggestions, Dr. Reddy assured the representatives of the FCIK, that the Working Group which he has agreed to set up in the state during his meeting with the Chief Minister, would examine all these issues and formulate ways and means for strengthening the network of bank branches in the state and improve credit delivery. He emphasised that much would have to be done in the state to catch up with the years lost and there was a need for close cooperation between the Reserve Bank of India, commercial banks, the FCIK and the State Government in this direction.

Dr. Reddy also today met the Chairmen of three Regional Rural Banks (RRBs) operating in the state, the representatives of the sponsor banks along with the Reserve Bank of India officers. He highlighted the importance of the RRBs in channelising credit to rural areas. The chairmen of RRBs raised issues of providing adequate security to their branches and adequate staffing of their branches. It was decided to further strengthen the empowered committee already set up at the Regional office of the Reserve Bank at Jammu. The Empowered Committee has been constituted primarily to look into and monitor the flow of credit to the agriculture and allied sectors by RRBs.

Alpana Killawala
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