

POINTS FOR THE MEETING AT PATNA ON 14TH NOVEMBER,2017 WITH RBI ON BANKERS FOR FINANCING MSME SECTOR

NON-PERFORMANCE / UNDER PERFORMANCE BY PUBLIC & PRIVATE SECTOR BANKS

Achieving the targets set by RBI/SLBC of Public and Private Sector Banks of Bihar the scenario is very gloomy & disturbing on issues related to MSME Sector in Bihar on **Deposits, Advances and C:D Ratio** as mentioned below:

1. Advances under Micro Enterprises as on 30th September, 2017

- a) **Public Sector banks** in Bihar have made extremely poor progress in achieving the targets set by RBI/SLBC. **Five Public Sector Banks** of Bihar (e.g., Canara Bk, Andhra Bk, Dena Bk, P&S Bk, UBI) have made NIL progress on Target achievement (Sanctioned + Disbursement) and **even more so SBI** known as the **leading State Level Coordinator Bank** with **maximum no of branches & businesses all over Bihar** has a **Target achievement ratio of 8.11%** i.e. **less than 10% (cut off target)** which again is extremely alarming and worth taking note of for the State of Bihar as a lead Banker.
- b) **Private Sector banks** in Bihar have also made no progress in achieving the targets set by RBI/SLBC. **Such banks are only interested in taking deposits but are not interested in providing loans/advances in the State. Out of 11 Private Sector Banks** operating in Bihar **Eight Private Sector Banks** have made NIL progress on Target achievement (Sanctioned + Disbursement) .**The RBI should take immediate remedial measures on such banks.**

2. Advances under Small Enterprises as on 30th September,2017

- a) **Public Sector banks** in Bihar have made little progress in achieving the targets set by RBI/SLBC. **Five Public Sector Banks** of Bihar (e.g., Canara Bk, Andhra Bk, Dena Bk, P&S Bk, UBI) has made nil progress on Target achievement (Sanctioned + Disbursement) and here also **SBI** known as the **leading State Level Coordinator Bank** with maximum no of branches & businesses all over Bihar has a **Target achievement ratio of 6.07%** i.e. less than 10% (cut off target) which is very alarming and should be noticed by the RBI.

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- b) **Private Sector banks** in Bihar have made no progress in achieving the targets set by RBI/SLBC. Such banks are only interested in taking deposits but are not interested in providing loans/advances in the State. **Out of 11 Private Sector Banks** operating in Bihar **Eight Private Sector Banks** has made **NIL** progress on Target achievement (Sanctioned + Disbursement) which is a very poor reflection on the prevailing Banking scenario of Bihar.

3. Advances under Medium Enterprises as on 30th September, 2017

- a) As far as advances to medium enterprises is concerned the picture is alarming. **Public Sector banks** in Bihar have made very little progress in achieving the targets set by RBI/SLBC. **Nine Public Sector Banks** of Bihar (e.g., **Canara Bk, Uco Bk, Andhra Bk, Dena Bk, Indian Bk, P&S Bk, UBI, Vijaya Bk, IDBI**) has made 0% progress on Target achievement (Sanctioned + Disbursement) and here also **SBI** known as the **leading State Level Coordinator Bank** with maximum no of branches & businesses all over Bihar has a **Target achievement ratio of 2.87%** and **other Four Banks** Target achievement is **less than 10%** (cut off target) which again is substantially very alarming and worth mentioning for the State of Bihar as the leading Banks.
- b) **The Private Sector banks** in Bihar have not made any progress in achieving the targets set by RBI/SLBC. Such banks are only interested in taking deposits but are not interested in providing loans/advances in the State. **Out of 11 Private Sector Banks** operating in Bihar **Nine Private Sector Banks** has made **NIL** progress on Target achievement (Sanctioned + Disbursement) which is a very poor reflection on the prevailing Banking scenario of Bihar. The RBI should take immediate remedial steps on such banks.

4. Total deposit as against SBI as on 30th September, 2017

State Bank of India (SBI) being the lead Banker has a **deposit ratio** of **32.2%** against Total deposit for Bihar (**SBI deposit / Total deposit for Bihar**) whereas SBI deposit against Total deposit of Commercial Bank is **36.27%** (**SBI deposit / Total deposit of Commercial Bank**).

5. Total Advances as against SBI as on 30th September, 2017

Again State Bank of India (SBI) being the lead Banker has an **Advance ratio** of **24.92%** against Total Advance for Bihar (**SBI advances / Total advances for Bihar**) whereas SBI advance against Total Advance of Commercial Bank is **29.11%** (**SBI advances / Total advances of Commercial Bank**).

6. C:D Ratio as against SBI as on 30th September,2017

Relatively low Credit-Deposit (CD) Ratio of **SBI in Bihar (77.39%)** against **Total for Bihar** (SBI C:D ratio / Total for Bihar ratio) and Credit-Deposit (CD) Ratio of **SBI in Bihar (80.26%)** against **Total Commercial Bank** (SBI C:D ratio / Total Commercial Bank ratio) is a cause of concern as it is an indicator of progress of any financial institution like commercial banks.

- a) When the **Credit-Deposit Ratio** is lower, the weaker sections will be the most affected along with other borrowers. Therefore, we request the **State Government, RBI and other Stake holders** to do the needful so that Banks enhance **credit flow in the State** particularly in **Agro and Food processing/Sunrise industries, infrastructure development, tourism, transport sectors** resulting in improvement in the CD Ratio in Bihar.
- b) **Agriculture Mechanization Loan for capital equipment for tractors, combined harvesters, fully mechanized Agriculture Input** have very good prospect in Bihar which would also improve the CD Ratio in the State.
- c) There is also ample scope to **finance small establishments** such as **IT based service providing centers, tiny industries, dairy, fishery, poultry etc.** Lead Banks may please be advised to deploy more funds in these sectors without any restrictions.

The progress in advances to small & micro enterprises in Public & Private Sector banks in Bihar has been abysmal and well below the targets set by RBI/SLBC. **Such banks are only interested in taking deposits but are not interested in providing loans/advances in the State especially the Leading Public & Private Sector Banks of Bihar.**

Further, branches in semi-urban areas where the CD Ratio is low should be identified for intensive lending and due publicity should be given for special nature of services rendered by the branches. .

Though it was **appreciated** that the **announcement** made by the state government to formulate **“parameters”** on which **banks** would be **“ranked”** and be given **“grading”** and also **reviewing the loan disbursement** to various sectors including medium & micro enterprises, social sectors, small road transporter, renewable energy among others, establishes firm resolve to strengthen these sectors by facilitating adequate financial support for them and expected that **stern warning to erring banks** to act earnestly in these sectors **or close down their operations in Bihar**, would be an **eye opener** for them and will force them to either pull up their socks or be prepared to shut down.

The banks functioning in Bihar cannot shed their responsibility on **flimsy pleas** like **lack of credit absorption capacity, demonetization, GST** etc. **for decline in C:D ratio.** The State Government and RBI should take immediate remedial steps to ensure that the targets set by RBI to these banks are achieved.