

**FORTY-SECOND REPORT
COMMITTEE ON PETITIONS
(SEVENTEENTH LOK SABHA)**

**MINISTRY OF FINANCE
(DEPARTMENT OF FINANCIAL SERVICES)**

(Presented to Lok Sabha on 24.3.2023)



**LOK SABHA SECRETARIAT
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Minutes of the 28th sitting of the Committee on Petitions held on 23.3.2023

(i)

COMPOSITION OF THE COMMITTEE ON PETITIONS

Shri Harish Dwivedi - *Chairperson*

MEMBERS

2. Shri Anto Antony
3. Shri Hanuman Beniwal
4. Prof. Sanjay Sadashivrao Mandlik
5. Shri P. Ravindhranath
6. Dr. Jayanta Kumar Roy
7. Shri Brijendra Singh
8. Shri Sunil Kumar Singh
9. Shri Sushil Kumar Singh
10. Shri Manoj Kumar Tiwari
11. Shri Prabhubhai Nagarbhai Vasava
12. Shri Rajan Baburao Vichare
13. Vacant
14. Vacant
15. Vacant

SECRETARIAT

1. Shri T.G. Chandrasekhar - Additional Secretary
2. Shri Raju Srivastava - Director
3. Shri Tenzin Gyaltzen - Deputy Secretary

**FORTY-SECOND REPORT OF THE COMMITTEE ON PETITIONS
(SEVENTEENTH LOK SABHA)**

INTRODUCTION

I, the Chairperson, Committee on Petitions, having been authorised by the Committee to present on their behalf, this Forty-Second Report (Seventeenth Lok Sabha) of the Committee to the House on the representation of Shri Nikhil Verma regarding extension of credit facilities to the local populace of Lakshadweep by State Bank of India, Canara Bank and other Public Sector Banks.

2. The Committee considered and adopted the draft Forty-Second Report at their sitting held on 23 March, 2023.

3. The observations/recommendations of the Committee on the above matters have been included in the Report.

NEW DELHI;

**HARISH DWIVEDI,
Chairperson,
Committee on Petitions.**

23 March, 2023

02 Chaitra, 1945 (Saka)

REPORT

REPRESENTATION RECEIVED FROM SHRI NIKHIL VERMA REGARDING EXTENSION OF CREDIT FACILITIES TO THE LOCAL POPULACE OF LAKSHADWEEP BY STATE BANK OF INDIA, CANARA BANK AND OTHER PUBLIC SECTOR BANKS.

Shri Nikhil Verma had submitted a representation dated 28 July, 2022 before the Committee on Petitions for extension of credit facilities to the local populace of Lakshadweep by State Bank of India, Canara Bank and other Public Sector Banks.

2. The representationist, in his representation, *inter-alia* stated that Lakshadweep is situated in the Arabian Sea off the South Western Coast of India bestowed with scenic beauty having great importance on various counts. According to the Census of 2011, Lakshadweep has a population of 64 thousand including an urban population of 50 thousand (78%) and rural population of 14 thousand (22%). The District has a population density of 2,013 inhabitants per square kilometer. The representationist has also mentioned that it is a matter of concern that even after 75 years of independence Lakshadweep has neither large/medium scale industries nor any Public Sector Units. The local populace is, therefore, dependent upon only two major activities to earn their livelihood, viz., horticulture and fisheries. The above-mentioned two sectors, though unorganized, have proved to be the major source of income for the local population. The issue of value addition and marketing of coconut and fisheries along with its produce has not been developed on a commercial level due to which the farmers/entrepreneurs are not getting fair value of their production. Further, there is vast scope for export of the processed fish and other related items, viz., Fish/Prawn Pickles, Fish Processing, Fish Meat etc., but also various coconut based products, viz., Coir Covelling Fibre, Coir Rope, Coir Yarn, Coir Mat, Coconut Oil, Desiccated, Coconut, Fibre Brush, Coconut Shell Powder, Activated Shell Carbon, Pressed Particular Board, Coconut Cream, Coconut Water Bottles, and the same has not witnessed any major development during the past seven decades.

3. The representationist has further stated that in Lakshadweep, there are two major Banks viz., State Bank of India and the Canara Bank. However, the Public Sector Banks, till date, have not adopted pragmatic policies to extend credit facilities to the local populace who are involved in horticulture and fishery activities. The policy makers of these Banks formulate credit policies which could be effective for other States and Union Territories, however, the credit policies for Lakshadweep Island need to be worked out keeping in view the needs and convenience of local populace. It is a recognized fact that if the Banks implement credit policy of extending credit to the local populace of Lakshadweep Island by adhering to the strict requirement of collateral security, guarantor and other regressive and lengthy paper-work/guidelines, there will not be any scope for improvement of the region and the entire island would remain stagnant and never become self-reliant.

4. The representationist further added that the public Sector Banks, specially, the State Bank of India and Canara Bank should play a leading role in formulating need-based, realistic and out-of box credit policies for extending credit to the local populace who are involved in horticulture and fishery activities. In this regard, he has submitted that the local populace do not require credit in large volumes say Rs. 50 crore, 100 crore or more but short-term credit and that too in small volumes, which could easily be extended by these Public Sector Banks.

5. The Committee on Petitions (Seventeenth Lok Sabha) took up the representation of Shri Nikhil Verma for examination under Direction 95 of the Directions by the Speaker, Lok Sabha. Accordingly, the representation was referred to the Ministry of Finance (Department of Financial Services) for furnishing their comments on the issues raised therein.

6. In response thereto the Ministry of Finance (Department of Financial Services) vide their Office Memorandum No. 16/6/2022-BOA-I, dated 19 October, 2022, furnished the following comments in the matter:-

"Canara Bank which is Union Territory Level Bankers' Committee (UTLBC) convener for Lakshadweep has apprised that the bank has made field level

study to identify the potential areas of Lakshadweep Island and identified three major areas for development of the island i.e., Fisheries, Sea Weed Cultivation and Tuna processing. The bank had also convened a meeting of Agriculture sub-committee to discuss about possibility of undertaking the mentioned three areas and observed that the major challenge in promoting Agriculture and other activities in the island is limited land holding. To address the challenges, the bank has made massive efforts to promote the Self Help Group (SHG) credit linkage and with the support of the Rural Development Department of UT Administration, the Lead District Manager has visited the 7 inhabited island and created awareness among the women population which resulted into increase of total number of SHGs with credit linkage from 8 to 107 during Financial Year 2021-22 with total exposure of Rs 1.48 crore.

Canara Bank has further apprised that UT administration had undertaken sea weed cultivation on trial basis in some locations of the Lakshadweep Island. Canara Bank has financed many activities under food processing, virgin coconut oil making, tuna pickle making activities. To promote income generating activities and value addition, more than 1000 Mudra Loans are sanctioned during the Financial Year 2021-22.

Canara Bank has also stated that on introduction of Atma Nirbhar Bharat Schemes by Government of India, bank can finance for developing storage structure, godowns, cold storage units etc., under Agri-Infrastructure Fund. Finance to processing of coconut and its products can also be covered under Pradhan Mantri Formalization of Micro Food Processing Enterprises (PMFME) Scheme.

In addition to above, Canara Bank has sponsored one Rural Self Employment Training Institute (RSETI) in the island for providing training to unemployed youth.

Further, State Bank of India (SBI) has apprised that SBI has formed a committee to review the availability of credit to the local populace keeping in mind the various credit requirements of the people. The committee will conduct survey in various places where activities such as fisheries and fisheries related activities, coir and other coir related manufacturing, coconut business and all other similar business activities are concentrated. SBI has also stated that

based on the survey, the committee will plan for overall development of the island through various campaigns in and around Lakshadweep to increase the awareness of Bank credit facilities and products."

7. In order to have realistic assessment of the issues/points raised in the representation of Shri Nikhil Verma, the Committee undertook an on-the-spot study Visit to Agatti on 12 September, 2022. During the said Study Visit, the Committee held informal discussion with the representatives of the Ministry of Finance (Department of Financial Services), State Bank of India, Canara Bank and other Public Sector Banks.

8. On being enquired by the Committee regarding the presence of banking facilities to the local populace of Lakshadweep, the Ministry of Finance (Department of Financial Services), State Bank of India, Canara Bank and other Public Sector Banks, in a written reply, submitted:-

Canara Bank

There are three Banks operating in Lakshadweep with 12 branches and 22 ATMs/Cash Recycler. Canara Bank is having Nine branches, followed by two branches of State Bank of India and one branch of UCO Bank. There is no RRB in the UT.

The growth in deposits of the banks as on 31 March, 2022 showed an increase of 22% over the previous year. CD Ratio as on 31 March, 2022 was 9.50% as against 8% in March, 2021. Canara Bank is the pre-venor Bank for UT of Lakshadweep and Lead Bank in the island. Canara Bank has also opened digital banking unit under 'Azadi Ka Amrit Mahotsav' initiative of the Government of India. All the inhabited villages are covered with banking facilities. All the inhabited islands except Bāre are having brick and mortar bank branches. In Bitra Lead Bank (Canara Bank) is having one ATM and BC. IPPB is functioning in the Bitra island. All the branches in the UT are computerized. CBS has been implemented in all the branches. The details of the branches operating in Lakshadweep are as follows:-

<i>Details of Branches</i>	<i>Year of establishment</i>	<i>Total Business (in Crore)</i>	<i>Total Staff</i>
CANARA BANK			
<i>Specialized SME Branch, Kavaratti</i>	5-Feb-1971	483.82	12
<i>Minicoy</i>	21-Apr-1971	99.18	6
<i>Androth</i>	16-Jul-1972	121.28	8
<i>Ameni</i>	12-Aug-1972	96.90	8
<i>Agathy</i>	23-Dec-1976	69.41	6
<i>Kalpeni</i>	23-Dec-1988	95.06	4
<i>Kiltan</i>	15-Nov-1989	48.58	5
<i>Kadamath</i>	26-Dec-1989	64.33	6
<i>Chetlat Island</i>	1-Jan-1996	35.20	5

STATE BANK OF INDIA			
<i>Kavaratti</i>	2005	164.09	6
<i>Minicoy</i>	2009	42.12	5

State Bank of India

Agriculture Background

The total geographical area of the Union Territory of Lakshadweep is 32 sq km (3220 ha) and the net sown area of the Islands is 2675 ha. About 641 ha are sown more than once, constituting cropping intensity of 130 percent. Agriculture is the livelihood for more than 90% of the population of this Union Territory with coconut cultivation is one of the major economic activities of the people. Coconut cultivation occupies around 2600 ha. There are about 7,80,000 coconut trees and the annual production of coconuts (approximate) was 69.89 million nuts. Coconut has been grown for centuries in the Islands. Owing to the rapid subdivision and fragmentation of holdings, the farmers practice very close planting and plant more seedlings on the boundaries or corners to mark their fields, thus creating overcrowding of palms in all the islands.

Challenges in Agriculture Activities

In view of the limited geographical area of the Lakshadweep Islands and being located far away from the mainland, agriculture depends on the mainland for all its inputs making it costly. Unreliable transportation facility is a major bottleneck. The peculiar nature of the island offers very little option for any major investments. The general reluctance of the people to borrow also affect the flow of credit.

Agriculture Credit facilities

Canara Bank is the Lead Bank operating in the UT with 9 branches and State Bank of India is having 2 Branches in UT of Lakshadweep (Kavaratti and Minicoy) The total agriculture loan exposure of our Bank in UT of Lakshadweep is Rs 5.30 Cr as on 27.08.2022. Out of which, 90 % is under Agri Gold Loans and 10% is under Mudra allied agri loans for Fisheries activities.

The Bank has the following Schemes which may be extended to the populace of Lakshadweep as per the eligibility criteria:-

- **PMFME (PM Formalization of Micro Food Processing Enterprises):** *A cooperative model of all coconut farmers and women SHGs to be formed so that coconut and coconut by-products can be marketed properly by availing funds under PMFME scheme and with appropriate training and proper linkages with respective departments, banking sector and Central Organizations. Our present exposure is Nil.(scheme guidelines enclosed)*
- **AIF (Agri Infrastructure Fund Scheme):** *Lakshadweep Cooperative Marketing Federation may explore the possibility of establishing the required storage facilities in the islands by availing assistance under AIF where Banks can extend credit facilities based on Scheme guidelines and eligibility. Our present exposure is Nil. (scheme guidelines enclosed)*
- **FPOs (Farmer Producer Organizations):** *The Agriculture Department under Union Territory of Lakshadweep in association with the Coconut Development Board, Ernakulum may take initiative for promoting FPOs*

in Coconut sector where Banks can lend. Our present exposure is Nil. (scheme guidelines enclosed)

- **PMMY (Pradhan Mantri Mudra Yojana)** : *The sea around Lakshadweep is rich in fishery resources and the main fishery resources are Tuna. Under PMMY Banks can lend for fisheries activities in the Islands. Our present exposure is Rs 0.52 Cr. (scheme guidelines enclosed)*
- **KCC Fisheries:** *The working capital requirements under Mariner Fisheries can be financed under KCC (AH & F) Scheme. Our present exposure is Nil. (scheme guidelines enclosed)*
- **SHG financing:** *Sea weed farming by SHG Groups with sufficient marketing support can be encouraged for credit linkage with proper training. Small scale fishery by products such as pickle making etc can be promoted if sufficient marketing linkages are available. Our present exposure is Nil. (scheme guidelines enclosed)*

9. The Committee, thereupon, specifically enquired the availability of banking facilities to the local populace of Lakshadweep, along with any specific survey undertaken by Canara Bank/State Bank of India to ascertain the ground realities of the Island vis-à-vis the potential to increase the commercial activities along with implementation of various finance-related schemes of the Government. The Ministry of Finance (Department of Financial Services), State Bank of India, Canara Bank and other Public Sector Banks stated as under:-

Canara Bank

Canara Bank as UT Level Bankers Committee Convenor, have made field level study to identify the potential areas of Lakshadweep Island and identified three major areas for development of the island i.e., (i) Fisheries, (ii) Sea Weed Cultivation and (iii) Tuna processing.

Being the Convenor of UT Level Bankers' Committee, we had convened a meeting of Agriculture sub-committee to discuss about possibility undertaking the above mentioned three activities.

We observed that the major challenge in promoting Agriculture and other activities in Lakshadweep island is the limited land holding and as a solution we decided to promote Self Help Group method of lending in the island. Total number of SHG's with credit linkage was only 8 till 31.03.2021. We made massive efforts to promote the SHG credit linkage and with the support of the Rural Development Department of UT Administration, the Lead District Manager has visited the 7 inhabited island and created awareness among the women population. As a result, 99 SHGs have been credit linked with exposure of Rs 1.48 crore during the FY 2021-22 through Canara Bank. All eligible SHGs of the island are credit linked. Island wise SHG credit linkage details as follows;

SHG CREDIT LINKED BY CANARA BANK - FY 2021-22		
BRANCHES	NO. OF ACCOUNTS	AMOUNT IN LACS
AGATTI	13	19.72
AMINI	33	65.05
ANDROTT	5	3.88
KADMAT	10	10.74
KAVARATTI	7	17.12
MINICOY	31	31.02
TOTAL	99	148

UT administration had undertaken sea weed cultivation on trail basis in some locations of the Lakshadweep Island. Crystal clear water and lagoon are very much favourable for the cultivation of sea weed. We are closely monitoring the progress even though the investment requirements are comparatively less for the sea weed cultivation; Canara Bank is ready for financing the sea weed cultivation activities under SHG model.

Our Bank has financed many activities under Food processing, coconut oil making, tuna pickle making activities.

State Bank of India

No formal survey has been conducted. However, we have taken various efforts in collaboration with Govt bodies for assessing the credit potential and also for disseminating information about the various credit facilities by the Bank.

The details of programs conducted are as follows:

Date	Venue	Programme
19.09.2021	Minicoy	Awareness program conducted for SHG Credit linkage.
21.05.2021	Minicoy	Awareness program for Govt Sponsored Schemes like PMSBY, PMJDY, Mudra Loan, APY.
10.07.2022	Kavaratti	Awareness program for Agriculture credit for seaweed cultivators and coconut farmers in the presence of Director of Krishi Vigyan Kendra.
10.03.2022	Kavaratti	Awareness program for agriculture finance for fishermen in the presence of Special Secretary for fisheries/ agriculture.
20.03.2022	Kavaratti	Awareness program conducted for SHG Credit linkage along with the Assistant Director of Fisheries.

Apart from this, as part of our proposal for opening a new Branch at Androth, we have conducted a study for assessing the potential of the locality in the month of April.

10. The Committee further desired to know about the financial inclusion of local populace of Lakshadweep and the total loans sanctioned and disbursed by Canara Bank and State bank of India in Lakshadweep. The Ministry of Finance (Department of Financial Services), State Bank of India, Canara Bank and other Public Sector Banks submitted the following information:-

(in Rs. Crore)

	2019-20		2020-21		2021-22	
	Sanctioned	Disbursed	Sanctioned	Disbursed	Sanctioned	Disbursed
Canara Bank						
Agriculture	3.38	3.37	4.10	4.10	6.63	6.33
MSME	9.57	9.38	13.74	13.48	19.50	19.17
Housing	2.41	2.01	4.06	3.34	5.38	4.42
Education	0.00	0.00	0.00	0.00	0.03	0.03
Others	1.56	1.56	2.76	2.76	17.34	17.22
State Bank of India						
Agriculture	2.23	2.12	1.46	1.38	4.41	4.14
MSME	0.00	0.00	0.00	0.00	0.00	0.00
Housing	0.39	0.39	0.31	0.29	0.00	0.00
Education	0.00	0.00	0.00	0.00	0.00	0.00
Others	6.59	6.16	6.13	5.84	8.20	7.63

11. The Committee, thereafter, sought the quantum of loans sanctioned and disbursed by Canara Bank and State bank of India along with sufficient and visible financial impetus provided for various commercial activities in the region and the role of sanctioning/ disbursal of loans by the Banks in transforming the region into a self-sustaining and commercially viable region. The Ministry of Finance (Department of Financial Services), State Bank of India, Canara Bank and other Public Sector Banks, in a written reply, submitted:-

Canara Bank

The Bank is having various loan products to fulfil all the major needs of the individuals. Bank policy and scheme guidelines for various loan products are framed in such a way that it should satisfy the long term objective of transforming the region as self-sustaining and commercially viable by fulfilling the customer needs.

Further, Bank's main focus is to provide credit to groups of persons by way of SHGs/JLGs, belonging to the economically disadvantaged sections of the society in Rural/Semi Urban areas for taking up any income generating activity, which helps to vulnerability reduction and better livelihood.

State Bank of India

State Bank of India has been in the forefront of lending activities in the UT of Lakshadweep. The people are mainly engaged in agriculture and fishing and State Bank of India has disbursed loans amounting to Rs.7.64 crore in the islands of Kavaratti and Minicoy in the last 3 years.

12. On being enquired by the Committee about the status of bad loans in Lakshadweep, the Ministry of Finance (Department of Financial Services), State Bank of India, Canara Bank and other Public Sector Banks furnished the following information:-

Canara Bank

Total NPA of Canara Bank in Lakshadweep Island is Rs. 57.60 Lacs of which Rs. 43.32 Lacs under MSME finance.

State Bank of India

Total NPA of State Bank of India in Lakshadweep Island is Rs. 14.00 Lacs

13. On being categorically enquired by the Committee about the difficulties/hardship being faced by the common man of Lakshadweep, including various formalities required to be fulfilled by a loan-seeker before sanctioning and disbursement of loan(s) by the banks, along with the number of formalities asked for by the Canara Bank and the State bank of India from the loan seeker(s) in Lakshadweep vis-à-vis loan-seekers in other parts of the country, the Ministry of Finance (Department of Financial Services), State Bank of India, Canara Bank and other Public Sector Banks, in a written reply, submitted:-

Canara Bank

Various formalities required to be fulfilled by borrowers are given below:-

- (i) Application as per banks format.*
- (ii) KYC documents and photographs, etc.*
- (iii) Income proof viz., salary slips/ITR /financial statement/bank statement (Retail Loans)*
- (iv) EC & Land records copy (Agricultural loans)*
- (v) URC copy (For MSME Loans)*
- (vi) Invoice / Quotation (for asset purchase)*
- (vii) Admission offer letter (for education loans)*
- (viii) Property / security documents*
- (ix) Project report, Valuation report*

The above formalities are applicable throughout the country and there is no separate formality for Lakshadweep.

State Bank of India

We confirm that the same level of formalities which is in practice throughout the Country is in vogue in Lakshadweep also for sanctioning of loans. However the ownership of the land in some parts of the island where people are residing rests with Government (Pandaram Land) and hence we are unable to create mortgage for such area and a suitable alternative need to be developed for this

14. The Committee, in order to understand the role of extension of various centrally sponsored/central sector/refinancing/animal husbandry schemes in Lakshadweep towards commercially transforming the entire region and the basis on which the success of these schemes could bring a renewed prosperity in a region like Lakshadweep, enquired about the proactive role Canara Bank and State bank of India could play for bringing all the stakeholders/departments/entities on a single platform. In response thereto, the Ministry of Finance (Department of Financial Services), State Bank of India, Canara Bank and other Public Sector Banks furnished the following information:-

Canara Bank

Being the UTLBC convener and Lead Bank of Lakshadweep, Canara Bank is in continuous contact and follow up with all the line departments and bankers working in the Lakshadweep. Bank has been conducting monthly meetings in above mentioned entities where all Stakeholders/Departments/Entities are on single platform for effective implementation of all the government schemes and RBI directions apart from implementing the schemes of local government.

Performance of Canara Bank under Pradhan Mantri Mudra Yojana:

(in Rs. crore)

Financial Year	UT- LAKSHADWEEP			
	No. of Accounts Sanctioned	Amount Sanctioned	No. of Accounts Disbursed	Amount Disbursed
2022-23 (Till 25.08.2022)	434	7	432	6
2021-22	691	16	691	16
2020-21	1505	21	1505	21

Performance of Canara Bank under KCC Scheme:

(in Rs. crore)

Financial Year	UT- LAKSHADWEEP			
	No. of Accounts Sanctioned	Amount Sanctioned	No. of Accounts Disbursed	Amount Disbursed
2022-23 (Till 30.06.2022)	133	11	133	11
2021-22	571	4	571	4
2020-21	64	0.50	64	0.50

Performance of Canara Bank under SHG financing:

(in Rs. crore)

Financial Year	UT- LAKSHADWEEP			
	No. of Accounts Sanctioned	Amount Sanctioned	No. of Accounts Disbursed	Amount Disbursed
2022-23 (Till 30.06.2022)	14	0.15	14	0.15
2021-22	94	1.52	94	1.52

State Bank of India

As per our opinion, UTLBC has to play a major role to bring together all the Financial Institution and Govt Departments and also for formulating and implementing of specific credit plans suitable for the islands. A core team of Bankers and Departments to be formed to have a proper and frequent monitoring of the progress of the various credit plans/schemes.

15. The Committee, having information that coconut cultivation occupies around 2600 hectares out of 2675 hectares in Lakshadweep, enquired about the credit outreach programme, i.e., organisation of 'Loan Mela(s)' to boost credit flow to small/marginal farmers and to increase liquidity in market by organizing 'Loan Mela(s)' in various Islands of Lakshadweep. The Ministry of Finance (Department of Financial Services), State Bank of India, Canara Bank and other Public Sector Banks furnished the following information:-

Canara Bank

The Sanskrit synonym of Coconut is "Kalpavriksha" which means a tree that provides all that is needed for life. On introduction of Atma Nirbhar Bharat Schemes by Govt. of India, a new avenue has made available for financing to coconut and its products as compared to earlier traditional method of financing. As per these new schemes, Bank can finance under Agri Infrastructure Fund for developing storage structure, Godowns, cold storage units etc. Finance to processing of coconut and its products can be covered under Pradhan Mantri Formalization of Micro Food Processing Enterprises (PMFME) scheme. These schemes are high value loans which will impact the mode of financing to the major crop of the Lakshadweep. Canara Bank strives hard to sanction all

eligible loans applied by the borrowers. Through regular awareness programmes, the bank is creating financial awareness among the residents of the UT which shall yield fruits in the long run. The major challenge in promoting Agriculture and other activities in Lakshadweep island is the limited land holding and as a solution UT administration and UTLBC is promoting Self Help Group method of lending in the island. Canara Bank is now extensively lending through the SHG model of financing in the UT.

State Bank of India

The Coconut cultivation is not being taken up on a proper and scientific manner in the islands of Minicoy and Kavaratti and rather it is mostly a natural cultivation. Hence appropriate strategies may be adopted for initiating scientific cultivation of coconut and also to popularize the processing and preparation of value added products, so that Banks can step in for financing the fixed assets part along with the agricultural loans.

OBSERVATIONS/RECOMMENDATIONS

Economic scenario in Lakshadweep.

16. The Committee while examining the representation of Shri Nikhil Verma in the light of comments and replies furnished by the Ministry of Finance (Department of Financial Services), State Bank of India, Canara Bank and other Public Sector Banks, note that India's smallest Union Territory Lakshadweep is an archipelago consisting of 36 islands with an area of 32 square kilometers. Lakshadweep comprises of 10 inhabited islands, 17 uninhabited Islands attached islets, four newly formed islets and five submerged reefs. The inhabited Islands are Kavaratti, Agatti, Amini, Kadmat, Kiltan, Chetlat, Bitra, Andrott, Kalpeni and Minicoy. In view of the limited geographical area of Lakshadweep Islands and being located far away from the mainland, the Island depends on the mainland for all its agricultural inputs and raw materials. The Committee further note that an unreliable transport and storage facility along with the peculiar nature of the Islands create major bottlenecks and limited options for any type of investment. Further, it is a matter of concern that even after 75 years of independence, Lakshadweep has neither any large/medium scale Industry nor any Public Sector Units. Therefore, the local populace are dependent on two major activities to earn their livelihood, viz., horticulture and fisheries.

17. The Committee acknowledge that the aforementioned two sectors, although unorganized, have proved to be a sustainable source of income for the local people. The Committee are concerned to note that with regard to the

Horticulture activity of Coconut Farming, it is worth mentioning that as of today, the value addition and marketing of coconut and its produce has not been developed to an advanced and commercial level due to which the local farmers/entrepreneurs are not able to fetch the required price for the value of their production. Further, with regard to fisheries, the Committee notes that due to issues such as lack of proper arrangement of ice, non-existent storage options, obsolete fishing equipment and trawlers along with lack of proper facilities for fish processing has rendered the whole fishing industry on the back foot.

18. The Committee would like the Government to take immediate steps to address the aforementioned issues pointed out by them. To this extent, the Committee recommends the Government to take necessary steps to resolve and ease up the issues pertaining to the various infrastructure constraints surrounding Horticulture and Fisheries, *viz.*, regular and proper arrangement of ice, creation of environment friendly and sustainable storage options for fisheries related items, providing fishing equipment and trawlers at a subsidized rate to the entrepreneurs particularly, the fishermen and also developing dedicated Fish Processing Units. The Committee further urges the Government to identify and shortlist certain medium/small level specific industries for growth and comprehensive development of the Islands. The profile of such industries could be based on locally available resources and raw materials related to the utilization of agriculture and marine potential. Further, a roadmap to develop a sustainable business model along with reliable marketing

structure could also be utilized to ensure proper exposure to the produce of such industries.

Improvement in banking and financial network

19. The Committee note that with respect to the issues pertaining to the expansion of banking and financial network, there exists few shortcomings which need to be addressed at the earliest to ensure progress and development of Lakshadweep Islands, taking into account the overall ground realities as of today. The Committee are constrained to note that banking and financial ecosystem in Lakshadweep has been partially successful in its endeavour towards improving their network across the different Island Groups of Lakshadweep. The Committee note that Canara Bank is the Union Territory Level Bankers' Committee (UTLBC) Convener for Lakshadweep Islands and has conducted a field level study to identify the potential areas for the development of the islands. The Committee would like that the Canara Bank being the UTLBC Convener and the Lead Bank of Lakshadweep to ensure continuous contact and follow up with all local level line Departments and Bankers working in Lakshadweep towards conducting regular meetings of all entities where all stakeholders and Departments are on a single platform for effective implementation of all Government Schemes, while ensuring improvement of its Banking and Financial Network.

20. The Committee urge that the Lead Bank should ensure that all meetings, especially the UTLBC meetings, are held at regular intervals and all the agenda

items are discussed, in detail, as per the standard instructions regarding the conduct of UTLBC meetings. The Committee also recommend that the Banks and Local Administration have to collaborate and make earnest efforts towards improving the Cash-Deposit ratio through greater exploitation of the potential of Agriculture, Tourism and Fishing Sectors. The same should be ensured while going up the value chain and improving the entrepreneurial spirit and technique together with the management skills of the Island population. Further, taking into account the present Island *per branch population* and the limited inter-island movement of people for transacting banking and financial business, opening of additional Bank Branches of different Banks could be considered. To this extent, the new Branches in the above Islands may preferably be opened by other Banks (besides Canara Bank and State Bank of India) which would help bring in a greater variety of Banking services to the Island population and also generate a level of competition between the Banks thereby, ultimately benefiting the customers and improving the Banking and Financial Network.

21. The Committee further recommend that taking into account the overall ground realities of Lakshadweep, systematic and concerted efforts may be made to persuade and ensure the uncovered households to come into the banking and credit fold through a campaign of education and counseling. Also, banking and financial education could play a meaningful role for the local populace by making them aware of the benefits of linkage with the banking and financial system and of economic development and progress. The process may be taken further by the Banks to make it more sustainable through financial

literacy and education campaigns along with credit Counseling Camps. To ensure this, booklets in local languages/dialects may be brought out in association with the Local Administration. A comprehensive approach may be adopted by involving all the stakeholders with Government Departments and people's representatives. The Committee also desire that an 'Evaluation Report' on the consequent achievements made, in this regard, may be shared with them.

Credit provision and Financial Inclusion

22. The Committee are constrained to note that the Public Sector Banks have not adopted pragmatic policies towards extending credit facilities to the local populace involved in activities such as Horticulture, Fisheries, etc. The policy and decision makers of the Banks have formulated credit policies with the 'one size fits all' approach, notwithstanding the credit policies for Lakshadweep need to be worked out keeping in view the specific needs and convenience of the local population. The Committee further note that in view of the limited geographical area of Lakshadweep and being located far away from the mainland, the major activities for all its inputs makes it relatively costlier. An unreliable transportation facility is also a major bottleneck. Further, the peculiar nature of the Islands offer very little opportunity for any major investment along with the general reluctance of the people to borrow has also affected the flow of credit.

23. The Committee note that Canara Bank is the Lead Bank operating in Lakshadweep while the State Bank of India is having only two Branches. Canara Bank has apprised the Committee that they have conducted field level study to identify the potential areas of Lakshadweep Islands and pointed out three major areas for development of the Island. Further, the State Bank of India has formed a Committee to review the issue of credit to the local people, whereas, the said Committee will conduct survey across various places where activities such as fisheries, coir and coconut related manufacturing business activities are concentrated and based on the survey. The Committee will also plan for the overall development of the Island through various campaigns in and round Lakshadweep to increase the awareness of bank credit facilities and its products.

24. The Committee note that with regard to the availability of agricultural credit facilities, the total agricultural loan exposure of Canara Bank is Rs. 5.30 crore as on August, 2022, out of which 90% is under Agri. Gold Loans and 10% under the Mudra Agri. Loans for fisheries activities. The Committee are concerned to note that a lot of Schemes, viz., PM formalization of Micro Food Processing Enterprises (PMFME), Agri. Infrastructure Fund Scheme (AIF), Farmer Producer Organizations (FPOs), Pradhan Mantri Mudra Yojana (PMMY), Kisan Credit Card (KCC) Fisheries, Self Help Groups (SHG) financing, etc., are lopsided and confined within the ambit of agricultural credit. Further, most of the Schemes like PMFME, AIF, FPOs, KCC Fisheries and SHG Financing have no exposure while PMMY has an exposure of mere Rs. 52 lacs.

25. The Committee, therefore, recommend urgent steps to correct the lopsided dispersal of credit through making available varied credit policies. In this regard, a specific survey/analysis in form of a 'Fact-finding Committee' to ascertain the ground realities *vis-a-vis* the potential to increase the credit demand along with timely implementation of various finance related Schemes of the Banks and the Government may be undertaken. The Committee also desire that the credit policies with regard to Lakshadweep need to be provided keeping in view the peculiar conditions of the local populace and geographical constraints. Therefore, the procedural formalities and approach for adhering to the strict requirement of collateral security, guarantor and other such regressive and lengthy paper work/guidelines need to be relaxed to the extent to facilitate and smoothen the mechanism. Further, the requirement regarding the volume of credit is relatively small which could be easily extended by the Public Sector Banks. The Committee, therefore, strongly recommend 'Tailor-Made' and 'Niche' finance and credit policies to ensure overall development of Lakshadweep through increased awareness of Banks and Government related credit facilities and products. The Committee would like to be apprised of the action taken by the Ministry of Finance (Department of Financial Services)/PSBs in this regard.

NEW DELHI;

HARISH DWIVEDI
Chairperson,
Committee on Petitions

23 March, 2023

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