

Ref No. 2E / 7773

30 May 2009

The Regional Director  
Reserve Bank of India  
8-9, Vlpin Khand, Gomti Nagar, Lucknow

The  
Convener  
State Level Bankers Committee  
Zonal Office, 45, Hazratganj,  
Lucknow-226001

**Subject: - Reg: High Value Clearing (HVC).**

Dear Sir,

High Value clearing service by the banks has been very helpful especially to Small Scale Enterprises. The system helped in faster availability and turnover of the finances.

RBI has recently decided to phase out HVC facility and has increased minimum value of High Value clearing to Rs. 5 lakh in May 2009 which will further be increased to Rs. 10 lakh by August and will be withdrawn completely by November this year. The time differential for availability of funds under High Value Clearing and Normal clearing would be 3-4 days and would get stretched further in the event of weekend and/or holidays. The additional time lag would result in additional need of capital to businesses and, therefore, increase in interest costs. The present shape and financial health of the Industry particularly Small Scale can hardly afford these additional burdens.

RBI has taken this decision presumably to push electronic fund transfer alternatives such as National Electronic Fund Transfer (NEFT) and Real Time Gross Settlement (RTGS). IIA feels very strongly that phasing out HVC facility in anticipation of adequacy of electronic alternatives is a step ahead of its time especially for SSI because of their scanty exposure to electronic systems. The situation in rural areas and for Micro Enterprises will be further difficult because of non/poor availability of internet facility which is the backbone of electronic fund transfer systems (NEFT/RTGS).

We therefore urge the Reserve Bank of India that phasing out of high value clearing facility should be postponed by at least two years. If it is not done so, the Micro & Small Enterprises will get into deeper financial crises.

Submitted for kind consideration.

Thanking you,

Yours faithfully

D.S. Verma  
Executive Director