

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

FINANCE MINISTER ASKS THE BANKERS TO WORK IN A PROFESSIONAL MANNER WITHOUT ANY FEAR OR FAVOUR ;FM DIRECTS BANKERS TO INCREASE FLOW OF CREDIT TO VARIOUS SECTORS AND TAKE STEPS TO REDUCE THEIR NPA; SAYS THAT GLOBAL GROWTH IS PATCHY BUT FOREIGN INVESTORS SHOWING KEEN INTEREST IN INVESTING IN INDIA

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The Union Finance Minister Shri Arun Jaitley said that the Government has taken steps to streamline the process of appointment of Chief Executive Officers (CEOs) and Executive Directors (EDs) of the Public Sector Banks (PSBs) to introduce objectivity in the process. This will play a major role in making them a professional organisation, he added. Shri Jaitley said that the functioning of Public Sector Banks (PSBs) and the decision making process must be influenced by professional reasons and not collateral ones. Shri Jaitley said that any external influence would be considered as a disqualification. The Finance Minister complemented the bankers for their excellent performance with regard to the implementation of the Pradhan Mantri Jan Dhan Yojana (PMJDY) in a time bound manner. The Finance Minister Shri Arun Jaitley was addressing the Chief Executive Officers (CEOs)/CMDs of PSBs and FIs here today at the Quarterly Review Meeting of Public Sector Banks (PSBs) and other Financial Institutions (FIs), and the meeting of the Steering Committee of the Pradhan Mantri Jan Dhan Yojana (PMJDY).

The Finance Minister Shri Jaitley further said that global growth is quite patchy and direction of global investment is still unclear. Shri Jaitley said that there is great opportunity for India to attract foreign investment and large numbers of international entrepreneurs are showing their keen interest in India. Shri Jaitley said that their capital is comparatively less costly than ours and once it starts flowing then it will definitely impact us positively. Shri Jaitley further asked the bankers to take necessary corrective measures in order to bring down their Non Performing Assets (NPAs). Shri Jaitley asked them to honestly analyse the reasons for the same and take necessary corrective measures accordingly. The Finance Minister Shri Jaitley also asked the bankers to take steps to increase the credit flow to various sectors of the economy since credit is lifeline of an economy. Shri Jaitley said that in the second quarter, credit growth is going to pick-up as large number of projects are queuing up for credit.

Earlier Dr. Hasmukh Adhia, Secretary, Department of Financial Services, Ministry of Finance reviewed the issues relating to credit growth (with a particular emphasis on sectors like Agriculture, MSME, Housing and Education), Non-Performing Assets (NPAs), Stalled Projects and Financial Inclusion. Participants in the meetings included among others Shri P.K. Sinha, Secretary, Department of Power, Ms Vijay Luxmi Singh, Secretary, Department of Drinking Water and Sanitation, Shri S.S. Mundra, Deputy Governor RBI, Shri V.S. Madan, DG-UIDAI, DG-NIC, Ms. Snehlata Shrivastava, Additional Secretary, DFS, Chairman / CEOs/CMDs of Public Sector Banks (PSBs) and other Financial Institutions (FIs), Chairman NABARD, Chairman NPCI, Chairman IBA & senior officers from Department of Financial Services (DFS).

Speaking on the occasion Dr. Hasmukh Adhia, Secretary, Department of Financial Services, Ministry of Finance assured the bankers that there will be no interference in the day to day internal functioning of the banks. He asked the bankers to adopt objective mechanism and evolve a rational transfer and posting policy so that there is no grouse among the officers and staff in this regard. He asked the bankers to develop a proper grievance redressal mechanism for bank employees and customers etc to obviate approach to irregular channels.

Dr. Adhia stressed the need to encourage solar/non-conventional energy with grid connection, as done in 13 States. Financing of such capacity as part of housing loans needs to be considered, he added. Dr. Adhia said that easier access to educational loans for institutions meeting minimum standards needs to be ensured through standard admission linked loan availability to ensure affordability of education. He stressed on the need to focus on textiles within MSME, having large employment and export potential.

Quarterly Review

While it was noted with satisfaction that the figures for mobilization of CASA (low cost) deposits, total advances and net profits of Public Sector Banks for the period April – Sep 2014 were higher than for the comparable period in 2013-14, it was observed that the growth rate was needed to be pushed up further. It was noteworthy that credit flow into the Housing sector had shown a 7.3% growth during the period April to September 2014, as against the 1.8% growth in the overall gross bank credit for all the Scheduled Commercial Banks for the same period. Similarly, credit flow to educational loans also grew by 6.36% during this period.

Banks were advised that greater effort and outreach was needed to ensure smooth access to credit to various sectors to facilitate rapid growth in economic activity, which was a key priority of the Government. Key sectors like Agriculture, MSME, Housing and Education required particular focus. Banks were urged to achieve the ambitious credit flow growth target for the Micro and Small Enterprises (MSE) sector in particular, given the implication for job creation and growth in manufacturing output implicit in it.

Towards this end, a clear message was conveyed that Banks should carry out lending on the basis of objective due diligence without being unduly conservative, in a completely transparent manner without fear or favour. This would boost the economy and enable an asset book of high quality.

The Government on its part was committed to keeping the Public Sector Banks adequately capitalised with the twin objective of meeting the credit requirements of the productive sectors of the economy and meeting their regulatory capital adequacy requirements. Towards this end, the Government will be infusing Rs.11, 200/- crore in Public Sector Banks shortly.

It was noted that Gross NPAs have risen marginally in respect of PSBs due to sluggishness in domestic growth during the recent past, slowdown in recovery in the global economy and continuing uncertainty in global markets. As per RBI data the five sub-sectors; infrastructure (which includes power generation, telecommunications, roads, ports, airports, railways [other than Indian Railways] and other infrastructure), iron and steel, textiles, mining (including coal) and aviation services contribute significantly to the level of stressed advances.

The share of these five very important sub-sectors of the economy in total advances is the highest for public sector banks, as opposed to private Banks, which were not as forthcoming in lending to these key sectors.

In this context it was noted that RBI on 30th January had released the “Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalizing Distressed Assets in the Economy” suggesting various steps for quicker recognition and resolution of stressed assets. Further, the Government had advised PSBs to take a number of initiatives like, constituting a Board level Committee for monitoring of recovery, appointment of Nodal officers for recovery at the Head / Zonal Office / for each DRT, conducting special drives for recovery of loss assets, putting in place guidelines for early warning system, designating ARCs as Authorised Officers.

The Banks were directed to ensure more focused monitoring in coordination with other members of the consortium, assigning responsibility at the Executive Director level, hiring the best lawyers and monitoring their performance in defending bank’s interest in the Debt Recovery Tribunals (DRTs) and High Courts. It was noted that six new DRTs are to be set up at Chandigarh, Bangalore, Ernakulam, Dehradun, Siliguri and Hyderabad in the next financial year 2015-16.

Review of Pradhan Mantri Jan-Dhan Yojana (PMJDY)

Performance under PMJDY with regard to Financial Inclusion was reviewed by the Secretary (Financial Services) during the Steering Committee Meeting.

The following key facts were revealed and decisions taken for immediate compliance by Banks:

- As per recent survey reports 20% households are still uncovered in the districts. Banks would cover these remaining households in sweep mode. Banks would also make special efforts to cover uncovered households in 33 districts where the percentage of coverage is less than 50% as per the survey done by Banks.
- As per reports, 14077 SSAs out of 1.59 lacs are still uncovered for Banking services. Bank Mitras should be enabled on priority in these SSAs They should be provided on line devices capable of e-kyc based account opening, Rupay cards / AEPS based interoperable transactions.
- Though the gap in accounts opened and Rupay cards issued has come down, Banks need to make concerted efforts on delivery and activation of the cards essential for Personal Accidental Insurance of account holders.
- In order to handle the claims received under the scheme of personal accidental insurance, branch staff sensitization program should be organized. Steps are to be taken to make the claim forms available and detailed process guidelines should be made available to the branches and uploaded on the website of banks.
- Banks were directed to ensure use of e-kyc based account opening where Aadhaar No. is available.

- To make the country DBTL/ DBT ready, Banks were asked to increase the seeding of Aadhaar number in the accounts using alternate channels like SMSs, ATMs & Internet
- Banks were asked to be ready for rolling out DBTL in all the districts from 1st January, 2015 and to take corrective action in the issues emanating in 54 districts, where DBTL is already underway

Recently issued guidelines on Life Insurance Cover of Rs. 30000/- under PMJDY were also discussed to ensure smooth implementation. Banks were asked to create awareness amongst all staff members of the bank and account holders for smooth implementation of the scheme.

Connectivity issues were discussed with Department of Telecommunication, and it was noted with satisfaction that the number of problem locations had drastically come down and would be largely addressed in the near future.

Swatch Bharat Abhiyan

Speaking on the occasion, Ms Vijay Luxmi Singh, Secretary, Department of Drinking Water and Sanitation said that banks can play a major role in implementing Swatch Bharat Abhiyan launched by the Prime Minister on 2nd October, 2014. She asked the bankers to ask their branches to adopt a village each as part of their Corporate Social Responsibility (CSR) to make it a defecation free. She said that bankers can also help in creating awareness about this Programme by using the logo of Swatch Bharat Abhiyan in their advertisements and other outdoor publicity campaigns through hoardings, posters and banners etc. She asked the bankers to open a toilet each for men and women in their branches. Ms Joshi also asked the bankers to keep their branches in a neat and clean manner to provide hygienic environment to the customers and their staff. They can make the branches litter free. She said since banks are opening large number of accounts under PMJDY as well and therefore, has direct interpersonal interaction with people, so they can also brief them about Swatch Bharat Abhiyan and ask them to keep their home and surroundings neat and clean.
