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GOVERNMENT OF INDIA

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**TEXT OF THE SPEECH OF UNION FINANCE MINISTER DELIVERED  
DURING HIS MEETING WITH CEOs OF PSBs AND FIs**

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**Following is the text of the speech of the Union Finance Minister, Shri Pranab Mukherjee delivered during his meeting with the CEOs of Public Sector Banks (PSBs) and Financial Institutions (FIs), here today:-**

“I am happy to be with you today for reviewing the performance of the Public Sector Banks and Financial Institutions during 2011-12 and setting the agenda which needs to be pursued in the next few months.

The 2011-12 was challenging year. The world economy did not revive to the desirable level and crude oil and commodity prices remained at persistently high levels. The sovereign debt crisis of the Euro area added to the uncertainty. Tepid growth in our exports led to higher than expected balance of trade and current account deficits. On the domestic front the focus was on tackling inflation. Consequently, in 2011-12, Indian economy has grown at 6.5% which is lower than that expected.

We are taking several measures to kick-start the economy. The Government is committed to ensure faster project clearances, attracting new investments, both domestic and foreign, fixing regulatory issues, etc to boost investors' confidence. After the reduction of the repo rate by RBI, the banks have liberalized their lending rates. The State Bank has last week further lowered the interest rates on deposits. Fiscal management is also a high priority. Regular tariff revisions and focusing of subsidies to the needy shall have to be given necessary attention. All of this I am sure will revive growth in the Indian economy.

I congratulate all the Public Sector Banks on achieving a healthy growth in both deposits and advances. As compared to last year the deposits showed a growth of 14.4% and now aggregate to over Rs 50 lakh crore. The advances showed an even higher growth of 17.7% over last year and now aggregate close to Rs. 40 lakh crore. Net Profits of PSBs has also gone up from Rs 44,900 crore to over Rs. 49,500 crore in 2011-12 despite a difficult economic scenario.

I am also very happy to note that the target for agriculture credit of Rs 4,75,000 crore for the year 2011-12 has been exceeded and more than Rs 5 lakh crore credit was extended to the farmers. I am sure that by your sustained efforts you would help achieve the agriculture credit target of Rs.5,75,000 crore in 2012-13.

The banks have also taken up an ambitious task of converting the Kisan Credit Card into an ATM Card linked to the bank account of the farmer as per the new KCC scheme circulated by NABARD and RBI. I would urge that this be taken up on a mission mode, as this can be a game changer in the manner agriculture credit is accessible to farmers.

I am happy to note that outstanding results have been attained on Financial Inclusion. '**SWABHIMAAN**', was the campaign I had announced in 2010 for reaching out to all villages with a population of over 2000 persons, and that did not have a bank branch. I am very happy that you and your team of dedicated officers have been able to provide 74,194 such villages with a banking facility. You now need to establish an Ultra Small Branch in each such village with a bank official visiting them at least once a week. The entire gram panchayat area of such villages should be provided dependable banking services through this network.

Another important milestone towards financial inclusion is to provide every family with at least one bank account. As per Census 2011, nearly 3 out of every 5 households were already availing banking services. I am told that the banks have already launched a campaign for opening one account of each family. This would enable us to directly credit the benefits of various schemes into the bank accounts of the beneficiaries through Electronic Fund Transfer.

I am happy to note that 80 of the 82 RRBs have successfully migrated to core banking system. The performance of RRBs is showing distinct improvement. They have also joined the payment systems of the parent public sector banks and are in process of installing their own ATM. The Government has last week approved extension of the scheme of recapitalization of RRBs by 2 years.

I am happy that banks have taken up the challenge to reduce NPA's and made a record recovery against prudential write off in the last quarter ending March 2012. This has resulted in reduction in gross NPAs from the level of 3.18% in December 2011 to 3.10% in March 2012. This momentum has now to be kept up and timely action in this direction would ensure the sound financial health of the banking sector.

I am also very happy to see that the banks are very proactively responding to the problems so that NPAs are avoided. Recent decisions on restructuring of loans in the textile sector and DISCOMS of the power sector are good examples of NPA management. I urge you to deploy various tools at your command for containing and rolling back NPAs in accordance with the guidelines of the Reserve Bank of India

The Department of Financial Services is working on implementation of an Action Plan to bring our banking payment structure at par with global standards. I am very happy to note the recent decision taken by Oriental Bank of Commerce to waive all charges for all net based RTGS / NEFT transactions up to Rs 1 lakh. I am confident that all the public sector banks would follow this excellent initiative. I would also urge upon Reserve Bank of India to proactively work on this front and to see that all electronic banking transactions should be possible without any charges being levied.

The use of debit cards to the point of sale without any transaction charges at least for micro and small transactions should be our next objective. The farmers should be able to buy their agricultural inputs by using their KCC-cum-debit cards at point of sale machines, without the use of cash. All fair price shops should be similarly covered. I would request all stakeholders to work in this direction so that use of cash could become less important.

Human Capital is our most precious resource. While we undertake expansion of banking services, use of technology and manpower in the best possible manner is necessary. There is an urgent need of building capacities in new areas. Succession planning and talent management to groom the future leaders is necessary. All the bank staff has to be sensitized towards good customer interface. I must also compliment the banks for the excellent work done by them in eliminating the backlog for SCs/STs, OBCs and a person with disabilities through the special recruitment drives undertaken by them for these categories of employees.

Banking is predominantly a service oriented business. With enhanced competition amongst banks, customer service becomes the sole differentiating factor to forge ahead in the business. Banks should look at grievances and suggestions from their customers as an opportunity to improve the internal systems, thereby retaining customers and improving profitability and competitiveness. I am happy to note that the Department has recently circulated a draft for standardizing and improving the system to handle grievances and for bringing in customer centricity in the services rendered by the public sector banks. I am sure that you would respond to this with your full enthusiasm and commitment.

During the last five years, the amount of educational loans has increased by two and half times and the number of students beneficiaries under the scheme has more than doubled. Such loans can help create a huge base of knowledge workers which would help our economy and this country tremendously. I do ask all of you to put in place a system where no meritorious student is deprived of an opportunity to get higher or vocational education, and also that these loans are provided in a timely and hassle free manner.

Public Sector Banks have made significant improvement in rapid expansion of the housing finance market. I am happy to note that budget of 1% interest subvention was fully utilized in 2011-12. The Scheme has been extended to 2012-13 also. I would urge banks to make maximum use of 1% interest subvention, ISHUP and Credit Guarantee Fund to give special focus to housing loan, to low and medium income households.

Adequate finance for MSMEs not only has potential to revive the economy but also helps in achieving our cherished goal of inclusive development. We have changed the orientation of SIDBI to fill the gaps in MSME eco-system. Banks have the most crucial role to provide finance and banks should focus on entrepreneurs of this target group particularly those requiring micro finance.

Credit to the minority communities is one of the main priorities of the Prime Minister's new 15- Point Programme for the Welfare of Minorities. The amount of credit outstanding to these communities has doubled in the last 3 years. Their share in the priority sector lending is now close to 15%. I would ask the banks to not only continue their performance, but to improve this even further.

In order to encourage voluntary savings for pensions the Government had introduced a '**Swavalamban**' scheme, under which government contributed Rs 1,000 per annum for an annual savings of Rs 1,000 to Rs 12,000 made by workers. The Government contribution shall be available for 5 years. I am happy to note that number of subscriptions have increased to 6.44 lakh during 2011-12 as compared to 3.09 lakh a year earlier.

I am very happy to note that public sector banks are taking an active role in spreading the scheme to all their customers. I am told that so far 18 banks have applied with PFRDA to become an aggregator and 10 banks have already been made aggregators. It is also heartening to note that 60 RRBs have also applied to become an aggregator and 5 of them have already been appointed as aggregator. I request all the Banks to become an aggregator and take up this scheme at the earliest.

I look forward to active deliberations on these issues today I will conclude by stating that before you lies the opportunity to make available the services of the financial sector for the rapid economic development of the country. In this endeavor there is a need to identify the opportunities and recognize the challenges to work towards a sustainable and inclusive growth supported with greater penetration of the formal financial sector for the groups that are at the base of the pyramid."

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