

Text of the Address by the Union Finance Minister in the Meeting with Chief Ministers of South Zone States/UTs and CEOs of PSBs/FIs on 18th December, 2011 at Bengaluru

Hon'ble Chief Ministers and Lieutenant Governors; Deputy Governor, RBI; Chairman, PFRDA; Chairman, LIC; CMDs of Public Sector Banks; and Chief Executives of NABARD, SIDBI, NHB, IIFCL and IBA and the representatives of Central and State Governments.

2. First of all, let me welcome to all of you present here today to the Zonal Review Meeting of the South Zone States/UTs being held at Bengaluru. We have here today a diversified mix of Southern states/UTs consisting of Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Puducherry, Andaman & Nicobar Islands and Lakshadweep. The Karnataka has emerged as the pan-Indian leader in the field of IT (Information technology) and seven of India's leading banks have originated from this state. Neighboring Tamil Nadu is a pioneering State in E-Governance initiatives in India and fast emerging as an automobile hub. Andhra Pradesh is promoted as Kohinoor of India in terms of tourism potential. Andaman & Nicobar Islands are blessed with a unique tropical rainforest canopy, made of mixed flora. Lakshadweep, the smallest UTs of India is famous for its scenic appeal and as a tourist attraction. Puduchery has a great potential for fisheries. Kerala is a popular tourist destination for its backwaters, yoga, Ayurvedic treatments and tropical greenery; its Human Development Indices are well ahead of many of Indian states. All the southern States/UTs are well endowed with natural resources and have great potential for growth.

3. From the banking perspective, we have a mix of States with varying level of access to banking facilities, flow of credit to priority sectors and over all C-D ratio. State Governments and the bankers are working in close coordination to tap the potential of each State/Union Territory and promoting credit flow into various growth areas. States with a high level of co-operation with Banks have done well in availing their banking services. It will, indeed, be a great learning process to share each other's experience and formulate appropriate strategy to approach state specific problems. Nonetheless, I would like to highlight a few issues relating to flow of credit and some other related issues.

4. The target of agriculture credit flow is an important item on our agenda today. This is a critical item reviewed in the SLBCs, as well. For the current financial year, the target for agriculture credit flow has been fixed at Rs. 4,75,000 crore against which the banking system has already extended credit of Rs. 2,23,380 crore as on 30th Sept, 2011. Kisan Credit Cards are the prime vehicle for the flow of agricultural credit. As on 31st May, 2011, the banking system have issued 10.42 crore KCCs. During 2011-12 (April to May 2011), 4.09 lakh KCCs were issued by Commercial Banks, cooperative Banks and Regional Rural Banks with a loan amount of Rs.2,616 crore. Banks have been advised to issue Kisan Credit Cards to all eligible farmers. I request the State Governments to take this task on a campaign basis so that Kisan Credit Cards are issued to all eligible farmers. During the year 2011-12, short term crop loans is available at an attractive interest rate of 4 per cent per annum for prompt repaying farmers. It must be ensured that no eligible farmer is left out from availing this facility. States should make efforts to generate awareness regarding the Scheme so that the farmers can avail credit at cheaper rates.

5. In terms of employment generation, Micro and Small Enterprises (MSE) is next only to agriculture. This sector also plays a crucial role in furthering the objective of equitable and inclusive growth. Overall flow of credit to MSE sector has been satisfying. The outstanding MSE credit from PSBs by the end of March 2011 increased by 36.3 per cent as against the target of 20 per cent growth. I am happy to note that all the States under review, except Andhra Pradesh, have attained the target of 20 per cent credit to MSEs. As regards, the target of 50 per cent credit flow to micro enterprises within the MSE Sector, all the States under review have achieved the stipulated target except for the states of Andhra Pradesh and Tamil Nadu. I would like to advise the State Governments to devise suitable schemes in cluster/ location specific industry groups for improved credit flow.

6. Public sector banks have played a pivotal role in extending education loans to the needy students. The total outstanding amount of educational loans of public sector banks has more than tripled during the period from March, 2007 to March, 2011 in the country as well as in South Zone. Similarly, the number of accounts outstanding has more than doubled in the country. Performance of South Zone has kept pace with the all India growth, though the state of Andhra Pradesh, Karnataka and Kerala need to put extra effort. State Governments need to popularise Model Educational Loan Scheme of

Indian Banks' Association, which has recently been revised. Similarly, the banks should also ensure time bound disposal of the applications.

7. Outstanding credit to minority communities on all India basis registered a growth of nearly 150 per cent during the last three years ending March, 2011. In South Zone the total credit outstanding increased by 1.5 times during the same period. Growth of credit to Minority communities in south zone has been on a similar pace though some of the states /UT need to step up efforts. I am also happy to note that the public sector banks have achieved the targeted level of 10 per cent of adjusted Net Bank Credit under weaker sections category of Priority Sector in March, 2010. I would ask banks to pay special attention to monitoring the credit flow to weaker sections and ensure meeting their targets, in future too.

8. We have taken up an ambitious plan 'Swabhiman' for Financial Inclusion. We have set a target for coverage of 73000 habitations of the country with banking facilities by the year 2012. By the end of November, 2011, on all India basis over 46000 villages have been covered which is around 63 per cent of the target. In the States represented here today, I find that out of 14,612 villages allotted to South Zone for provision of banking services, nearly 11,114 villages have been covered by the end of October 2011, which comes to about 76 per cent of the target. Therefore, the rest of the villages representing nearly 24 per cent of the target need to be covered in the next three months. This in turn will require quite a bit of efforts on the part of state Governments and banks.

9. Growth in housing loans in the State of Karnataka shows a remarkable performance of 85 per cent during 2010-11. So far as the State of Andhra Pradesh and UT of Lakshadweep concerned, these are 15.17 and 17.72 per cent, respectively. Tamil Nadu with 8.71 per cent growth in housing loan need to step up efforts. To further stimulate growth in housing sector, in my budge speech, I have liberalized the existing scheme of interest subvention of 1 per cent on housing loans by extending it to housing loan upto Rs.15 lakh where the cost of the house does not exceed Rs.25 lakh. States should popularize the scheme among the targeted beneficiaries. I request all south zone States/UTs to focus on the growth of Housing Loans as there is considerable scope in this sector.

10. With regard to the Credit Deposit (CD) Ratio, I am happy to note that Tamil Nadu, Andhra Pradesh, Karnataka and Kerala have shown an impressive growth of 117.2 per cent, 114.9 per cent, 74.6 per cent and 75.9 per cent respectively. CD ratios in relation to States of Puducherry, Andaman & Nicobar and Lakshadweep is less than the 60 per cent benchmark. I request, particularly, the Lieutenant Governors of Andaman & Nicobar and Lakshadweep to use the forum of SLBC meetings effectively and take pro-active action to ensure that the CD Ratio in their UTs is improved.

11. Regional Rural Banks (RRBs) are playing an increasingly important role in the growth of rural economy. I am happy to note that all the 16 RRBs functioning in the South Zone States have migrated to CBS. I am also happy to note that all the RRBs functioning in the South Zone States/UTs are participating in the NEFT system through their sponsor bank except one. These institutions will soon be a part of National Electronic Funds Transfer (NEFT). With this, all the RRBs in the country will be in a position to provide facility to their customers to remit funds across the country and avail all the value added services.

12. We have been encouraging expansion of RRBs in terms of opening new Branches. 276 branches of RRBs will be opened by March 2012 and 325 branches will be opened by March, 2013 in the Southern Region. I request the State Governments to extend their full supports for expansion of branch network of RRBs.

13. Apart from expansion of banking facilities in rural areas there is also a need for improving insurance penetration in rural areas. I notice that 18 out of the 156 Districts of the 7 States/UTs being reviewed today do not have any Branch of LIC and likewise, 4 Districts do have branches of non-life Insurance companies. I am instructing LIC and Non-life Insurance Companies to ensure that all Districts must have at least one Branch or a satellite office in these districts during the coming year. We have been popularizing insurance coverage of rural poor through various schemes as a part of Financial Inclusion. Aam Admi Bima Yojana (AABY) and Janashree Bima Yojana (JBY) are important insurance schemes of the Government of India meant to support the rural landless households, rural and urban poor and informal sector workers and their families. The coverage under these insurance schemes needs to be improved.

14. Government has introduced a co-contributory voluntary pension scheme – “Swavalamban” with effect from September 2010, for the benefit of poorer section of

the society, under which Central Government contributes Rs. 1000 per account per annum for an annual minimum saving of Rs. 1000 and up to Rs, 12000 per annum. The coverage so far, at the all India level, is about 3.65 lakhs under the scheme. The State Governments should take benefit under the scheme and should bring all the workers in the unorganised sector under the ambit of Swavalamban Scheme.

15. The Banking Sector, in general, and the Public Sector Banks, in particular have sanctioned significant amount of loans for large projects. In a number of projects, the implementation is held up because of approvals pending at the Central/ State levels. Inordinate delay in grant of approvals results in cost and time overrun and thereby endangering the viability of the project itself. The risk of the loans sanctioned/ disbursed by the Banks turning into Non-Performing Assets is also significantly enhanced. I have, on October 18, 2011 and November 18, 2011 reviewed the status of pending approvals with the concerned Ministers with a view to expedite such approvals. It has come to my notice that in the Southern Region, fourteen projects with a total investment of Rs.39,424 crore are pending for want of various approvals. I would request the Chief Ministers to pay personal attention to this aspect and review the status of approvals in large projects in their States. CMDs of the PSBs have been advised to approach the State Governments for expediting the approvals in projects financed by them.

16. E-payment is another area where I would seek the cooperation of the Chief Ministers and Administrators. As you are aware, Public Sector Banks are almost completely on the core banking platform. All the RRBs, barring a few, have also rolled out CBS and will soon be a part of NEFT. Since the required system for paperless transmission of funds is in place, the States should introduce mandatory e-payment for its various transactions such as payment to its employees, contractors, etc. There are large number of schemes both by the Central and State Governments where cash benefits are transferred to the beneficiaries. Under the financial inclusion plan under implementation, banking services are expanding rapidly. I would urge the Chief Ministers and Lieutenant Governors to shift to electronic benefit transfer in all villages which have been covered with banking services in a time bound manner.

17. The presence of Currency Chests and Clearing Houses has been reviewed to ensure that at least one Currency Chest and one Clearing House is there in each District of the Country. I am happy to note that all the Districts in the Southern States

have at least one Currency Chest and one Clearing House. In Andaman & Nicobar Islands, State Bank of India has put in place adequate arrangements for inter-bank settlements. Since there are less than three bank branches, establishing a Clearing House is not considered feasible as per RBI guidelines. In Andaman & Nicobar Islands, adequate Currency Chest arrangements are available.

18. To conclude, the Southern States/UTs have immense potential. The need, therefore, is to identify the opportunities and recognize the challenges to work towards a sustainable and inclusive growth of the region supported with greater penetration of the formal financial sector.

19. I once again thank all of you for your presence today and look forward to your active participation in the meeting.
