

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**GOVERNMENT COMMITTED FOR THE PROMOTION OF INCLUSIVE
DEVELOPMENT TO ENSURE THAT EVERY SEGMENT OF THE POOR, WEAK
AND DOWNTRODDEN POPULATION HAS EASY ACCESS TO REASONABLE AND
COST EFFECTIVE BANKING FACILITIES IN THE SHORTEST POSSIBLE TIME:
FM**

New Delhi: March 10, 2012

The Union Finance Minister Shri Pranab Mukherjee said that the government is fully committed for the promotion of inclusive development to ensure that every segment of the poor, weak and downtrodden population has an easy access to reasonable and cost effective banking facilities in the shortest possible time. He asked the bankers who are facilitators of growth that they should adopt the best worldwide practices, best technology and suitable financial products to meet the capital requirements of diverse spectrum of borrowers. The Finance Minister was speaking after inaugurating 100 branches of Federal Bank at a function in the national capital today. On this occasion, Shri P.C.Cyriac, Chairman, Federal Bank, Shri Shyam Srinivasan, MD and CEO of Federal Bank, Shri Kapil Dev, former Captain of Indian Cricket Team, distinguished dignitaries and clients along with the officers and staff of Federal Bank were also present among others.

The Union Finance Minister Shri Pranab Mukherjee said that the public sector banks (PSBs) have been directed to provide banking access to habitations having population in excess of 2000 persons by March 2012 using various models and technologies including

branchless banking through Business Correspondents (BCs). He said that till the end of January 2012, we have covered nearly 63,000 villages of the targeted 74000 villages. **In the next few years, we propose to cover all habitations having population of over 1,000 persons, the Finance Minister added.**

The Union Finance Minister Shri Pranab Mukherjee said that effective and efficient banking system is the backbone of a growing economy. He said that as we move ahead on the path of development, a major challenge is to strike a balance between the twin objectives of increasing banking access and improving the quality of customer service and customer protection. The Finance Minister said that financial inclusion and consumer trust and protection are interlinked. **The Finance Minister Shri Mukherjee said that it is heartening to note that, as per the latest Annual Report of the Banking Ombudsman Scheme, the total number of customer complaints received by the Ombudsman in 2010-11 are 11% less than those received in the previous year. He said that the private sector and foreign banks which account for only 12% of the loan and deposits, contribute for 35% of the total complaints.** This requires vigorous efforts to redress complaints, the Minister added.

The Union Finance Minister Shri Pranab Mukherjee said that **the Government is in the process of implementing an e-payment system for direct credit of dues from the central government to the beneficiaries of various subsidies.** He said that he had announced in his last Budget Speech that e-payment system will bring transparency and expedite direct payments for subsidies from central paying units to the targeted beneficiaries of fertilizer, kerosene and cooking gas. The Finance Minister said that all Banks have to gear themselves for this path breaking governance reform.

The Union Finance Minister Shri Pranab Mukherjee said that world over, the common factor on which banks have been focusing is the good customer service. The Minister said that in India too, for several years now, banks have deployed banking

technology to achieve customers' satisfaction. The Finance Minister said that Core Banking Solutions(CBS), Magnetic Ink Character Recognition (MICR) cheque clearing system, Cheque Truncation System(CTS), National Electronic Fund Transfer (NEFT) , ATM's, mobile banking, tele banking, internet banking etc. have revolutionised banking and enabled customer satisfaction. He said that we should be proud of the fact that unlike in the developed countries, Indian banks have to cater to extraordinary large number of customers in delivering services which they are doing efficiently. **Over time, customer service will tend to be the sole differentiating factor to be leveraged by the banks to stay relevant and to forge ahead in the business, the Finance Minister added. He said that as customer awareness grows, banks would be required to gear up for providing more efficient and cost effective services leveraging the technological capabilities. Shri Mukherjee said that he feels that the quality of human capital will be the single most important defining factor in shaping the banks future and the senior management should never lose sight of this fact in planning future strategy.** He said that he is sure that Federal Bank Limited will contribute effectively in this major endeavor.

The Union Finance Minister Shri Pranab Mukherjee said that after the global financial crisis, recovery has been slow, protracted and uncertain. He said that the banking and financial system is currently undergoing structural transformation with standard setting institutions and national authorities framing new regulatory paradigms to address the weaknesses that emerged during the financial crisis. The Finance Minister Shri Mukherjee said that Banks will have to continue to augment their capital base to support higher credit growth and to build capital buffers for cyclical downturns.

The complete text of the Speech of Hon`ble Finance Minister delivered on the occasion of Inauguration of 100 Branches of Federal Bank in the national capital today is given below:

It gives me great pleasure to be here with you all today on this happy occasion of simultaneous opening of 100 Branches and ATMs of Federal Bank.

This premier private sector bank, started its business in 1945 as “Travancore Federal Bank Limited” and was subsequently re-christened as “Federal Bank Limited”.

This bank has fine track record of adopting new technology, providing customer satisfaction and has been honoured with numerous awards in recent times. I take this opportunity to congratulate the executives and staff members of the Federal Bank for their remarkable achievements.

I am informed that the Federal Bank has made agriculture, small and medium enterprises and NRIs, the key growth & development areas, as its thrust areas. Federal Bank which has majority of its branches in rural and semi-urban areas, has dedicated 60 of these 100 new branches to small towns and villages, located in Tier-2 towns and below. It is precisely these areas which urgently need banking facilities. These efforts of Federal Bank will compliment the efforts of the PSBs which have already focused their efforts for these areas.

Indian banking sector faces numerous challenges. For the promotion of inclusive development, our endeavor is to ensure that every segment of the poor, weak and downtrodden population has access to reasonable banking facilities in the shortest possible time. As the Banks are facilitators of growth, it should adopt the best worldwide practices, best technology and suitable financial products to meet the capital requirements of diverse spectrum of borrowers.

We are committed to extend cost effective banking to the poor people of this country as they have the potential to spur growth and enhance bank savings. Promotion of Financial Inclusion is the key priority of the Government and is critical to our objective of inclusive growth. Through this financial inclusion strategy, we are exploring new delivery channels and models to extend the outreach and penetration of financial services by using technology to give an identity to the poor. Thus facilitating banks to develop products to

meet broader spectrum of requirements of the common man like consumption, production, risk mitigation etc. Availability of appropriate banking technology now enables much higher penetration of the banking system, increasing its cost effectiveness and making small value transactions viable. Certainly growth and development are spurred by this effective use of technology.

As you all know, the public sector banks have been directed to provide banking access to habitations having population in excess of 2000 persons by March 2012 using various models and technologies including branchless banking through Business Correspondents (BCs). Till the end of January 2012, we have covered nearly 63,000 villages of the targeted 74000 villages. In the next few years, we propose to cover all habitations having population of over 1,000 persons. I am sure that Federal Bank is making all efforts to promote financial inclusion to compliment the ongoing drive of Financial Inclusion of PSBs.

Effective and efficient banking system is the backbone of a growing economy. As we move ahead on the path of development, a major challenge is to strike a balance between the twin objectives of increasing banking access and improving the quality of customer service and customer protection. Financial inclusion and consumer trust and protection are interlinked. It is heartening to note that, as per the latest Annual Report of the Banking Ombudsman Scheme, the total number of customer complaints received by the Ombudsman in 2010-11 are 11% less than those received in the previous year. However the private sector and foreign banks which account for only 12% of the loan and deposits, contribute for 35% of the total complaints. This requires vigorous efforts to redress complaints.

The Government is in the process of implementing an e-payment system for direct credit of dues from the central government to the beneficiaries of various subsidies. I had announced in my last Budget Speech that e-payment system will bring transparency and expedite direct payments for subsidies from central paying units to the targeted

beneficiaries of fertilizer, kerosene and cooking gas. All Banks have to gear themselves for this path breaking governance reform and I am sure that Federal Bank Limited will contribute effectively in this major endeavor.

After the global financial crisis, recovery has been slow, protracted and uncertain. The banking and financial system is currently undergoing structural transformation with standard setting institutions and national authorities framing new regulatory paradigms to address the weaknesses that emerged during the financial crisis. Banks will have to continue to augment their capital base to support higher credit growth and to build capital buffers for cyclical downturns.

World over, the common factor on which banks have been focusing is the good customer service. In India, for several years now, banks have deployed banking technology to achieve customer satisfaction. Core Banking Solutions(CBS), Magnetic Ink Character Recognition (MICR) cheque clearing system, Cheque Truncation System(CTS), National Electronic Fund Transfer (NEFT) , ATM`s, mobile banking, tele banking, internet banking etc. have revolutionised banking and enabled customer satisfaction. We should be proud of the fact that unlike in the developed countries, Indian banks have to cater to extraordinary large number of customers in delivering services which they are doing efficiently. Over time, customer service will tend to be the sole differentiating factor to be leveraged by the banks to stay relevant and to forge ahead in the business. As customer awareness grows, banks would be required to gear up for providing more efficient and cost effective services leveraging the technological capabilities. I feel that the quality of human capital will be the single most important defining factor in shaping the banks future and the senior management should never lose sight of this fact in planning future strategy.

I congratulate Federal Bank on this occasion of simultaneous opening of 100 bank branches and ATMs. My best wishes to the management and employees of Federal Bank for more glorious years ahead.

Thank you.

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