

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

FINANCE MINISTER SHRI ARUN JAITLEY REVIEWS THE ANNUAL FINANCIAL PERFORMANCE OF PUBLIC SECTOR BANKS AND FINANCIAL INSTITUTIONS FOR FY 2014-15; ASKS THE CHIEF EXECUTIVE OFFICERS (CEOs) OF BOTH THE PUBLIC SECTOR BANKS (PSBs) AND PRIVATE SECTOR BANKS TO EFFECT A CORRESPONDING RATE CUT OF 75 BASIS POINTS IN RESPONSE TO RBI'S RATE CUT OF SAME BASIS POINTS SINCE JANUARY 2015; SUGGESTS THAT HE HIMSELF WOULD LIKE TO SORT-OUT ISSUES RELATING TO MAJOR PROJECTS STALLED PURELY DUE TO FINANCIAL REASONS AND DISCUSS WITH THE CONCERNED BANKS, STATE GOVERNMENTS AND OTHER MINISTRIES; CALLS FOR DOUBLING OF LOANS TO THE SMALL BUSINESS SECTOR FROM RS. 50,000 CRORE IN 2014-15 TO RS. 1 LAKH CRORE IN 2015-16.

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The Union Finance Minister Shri Arun Jaitley asked the Chief Executive Officers (CEOs) of both the Public Sector Banks (PSBs) and private sector banks as to why the banking system, in response to RBI's rate cut of 75 basis points since January 2015, effected a corresponding rate cut of only 25 basis points. The Finance Minister was speaking at the Annual Performance Review Meeting of the PSBs and Financial Institutions (FIs) here today. The CMDs of banks, both PSBs and private banks basically expressed that until the cost of funds/deposits for the banks, as reflected in the re-pricing of their liability book at the new rate comes down, and liquidity levels at the new lower costs are tested, full transmission would not be viable. However, all banks unanimously expressed that in a period of 2-3 months, greater transmission of lower rates could be seen.

The Annual Review Meeting of the Union Finance Minister with the CEOs of Banks (including private banks), Insurance Companies and Financial Institutions (FIs) for the year ending 31st March 2015 was held here today in the national capital. The Finance Minister Shri Arun Jaitley chaired the meeting which was attended by the Minister of State for Finance, Shri Jayant Sinha, Secretary (Financial Services), Dr. Hasmukh Adhia, Chief Economic Adviser (CEA), Dr Arvind Subramanian, Deputy Governor, RBI Shri SS Mundra among others .

The Finance Minister Shri Arun Jaitley also expressed his concern over the modest growth of domestic credit of 7% over the previous year registered by the Public Sector Banks (PSBs) and took stock of the sectoral profile of the total domestic credit flow of Rs. 49.01 lakh crore during 2014-15. The agricultural credit grew by 17.33% over the previous year, which came as a silver lining. The Finance Minister urged the bankers to achieve the target of

20% growth in educational loan asset by the Department of Financial Services (DFS), Ministry of Finance and also attempt to even out the huge regional disparity in such loans. The Finance Minister Shri Jaitley noted the good growth at 16 – 18% in the Housing sector, and also strongly advised the PSBs to achieve a 30% growth in Priority Sector housing loans, which are intrinsically secure loans and which are required to provide a stimulus to overall growth.

The financial parameters of PSBs were reviewed in detail. Other significant parameters like cost of deposits, share of retail finance in overall credit, growth in deposits, yield on advances etc. were discussed in detail by the Finance Minister with the CEOs of respective banks. Increasing Non Performing Assets (NPAs), which are impacting credit growth of banks, has been a matter of concern for banks and Government which was discussed in detail in the meeting. The increase in NPAs is due to some infrastructure projects, slowdown in recovery in the global economy and continuing uncertainty in the global markets leading to lower growth rate of credit, because of which NPA as percentage of total credit has gone up. In addition, the stringent provisioning norms further reduce both future credit flow and profitability of banks. The PSBs continue to be under stress on account of their past lending. It emerged in the meeting that a sector by sector approach is necessary for NPA solutions and while Companies needed promoter change, others needed greater equity. Systematic steps towards improvement of asset quality were expected from the banks by the Finance Minister. Shri Jaitley advised that the RBI, Government Departments and the financial institutions should collectively examine solutions that work, so as to de-bottleneck those critical projects of economic value. Shri Jaitley suggested that Secretary, Department of Financial Services (DFS) obtain a list of all major projects stalled purely due to financial reasons and attempt to sort out the sticky issues along with the concerned banks. He also suggested that DFS and RBI should interact to examine and sort out the regulatory issues in NPAs and the scope for their modification to ease the pressure on banks. The Minister of State for Finance Shri Jayant Sinha mentioned an additional view that banks should sell off their non-core assets. Finance Minister Shri Jaitley himself said he would like to sort out issues which relate to State Governments and other Ministries.

While reflecting on the success of the Pradhan Mantri Jan Dhan Yojana (PMJDY), the Finance Minister Shri Jaitley expressed happiness over the manner in which the social security mission “From Jan Dhan to Jan Suraksha” achieved huge success. Launched by the Prime Minister on 9th May, 2015 in Kolkata, the three Social Security Schemes in the Insurance and Pension sectors namely the Pradhan Mantri Suraksha Bima Yojana (PMSBY), the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and the Atal Pension Yojana (APY), garnered large scale subscriptions. It was appreciated that 2.53 crore people subscribed to PMJJBY and 7.57 crore people to PMSBY as on 10th June, 2015 (10.6.2015). Around 2.12 lakh people joined APY between 9th May, 2015 to 10th June, 2015. However, the Finance Minister Shri Jaitley cautioned both the banks and the Insurance companies that a robust claim settlement process should be put in place so that the claimants get their benefits speedily in case of any mishap. He urged the Insurance Companies to carry out widespread awareness generation campaigns in this regard to sensitise the people on claim procedures.

During his discussion with CEOs of private sector banks, the Finance Minister Shri Jaitley shared his concern over the low participation of private banks in Government promoted schemes, especially the three social security schemes where private bank participation is only 4 %. He reiterated that national priorities ought to be common to private banks as well since they benefit from the same framework as PSBs.

The Finance Minister Shri Jaitley dwelt at length on MUDRA Bank and the Pradhan Mantri Mudra Yojana (PMMY),. Officials from DFS detailed and updated the Finance Minister on all the subsequent steps taken in this regard following the setting up of MUDRA Bank. The Finance Minister Shri Jaitley noted the progress and suggested that since the small & micro business sector has diverse needs, credit products should be customised to suit their requirements so that the unfunded are effectively funded. He said that 2015-16 should see a doubling of loans to the small business sector from Rs. 50,000 crore (during 2014-15) to Rs. 1 lakh crore.

Finally, the Finance Minister Shri Jaitley clearly directed the Banks/FIs that grievance redressal ought to be a serious pursuit and constructive effort should be made towards disposal of pending grievances within the banks, without allowing them to escalate to higher Government levels.

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