

Press Information Bureau

The text of the Address made by the Union Finance Minister Shri Pranab Mukherjee in the Meeting with Chief Ministers of East Zone States and CEOs of PSBs/FIs in Kolkata today is given below:

At the outset I welcome you all to this Meeting of CMs of East Zone States. We have here today a diversified mix of Eastern states consisting of Arunachal Pradesh, Assam, Bihar, Jharkhand, Manipur, Meghalaya, Mizoram, Nagaland, Odisha, Sikkim, Tripura and West Bengal.

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.

It has been our endeavour to ensure timely availability of agricultural credit in adequate measure at an affordable cost to the farmers. A special package was announced earlier to usher in green revolution in the Eastern region. For the current financial year, we have set a target of Rs. 4,75,000 crore for credit flow to the agriculture sector. Bank have already extended credit of Rs. 2,23,380 crore as on 30th Sept,2011. During the year 2011-12, short term crop loans will be available at an attractive interest rate of 4 per cent per annum for prompt repaying farmers. It will be our earnest effort to cover all the eligible farmers. States should make efforts to generate awareness about the Scheme so the farmers can benefit from cheaper credit while the banks get timely repayment.

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. Reserve Bank of India (RBI) has set separate targets for flow

of credit to MSE Sector and for micro enterprises within this overall target for MSE Sector. Last year, Rs. 4,000 crore was provided to SIDBI for refinancing incremental lending by banks to these enterprises. For the year 2011-12, as announced in my budget speech, the provision has been increased to Rs. 5,000 crore. On all India basis, the outstanding MSE credit has exceeded the target but there has been a shortfall in the share of advances to micro enterprises. State-wise performance in MSE sector also differs. While Mizoram, Arunachal Pradesh and Tripura have shown an impressive growth in credit flow, other states particularly Manipur have reflected lower credit growth. Similarly, East Zone states of Bihar, Jharkhand, Mizoram, Nagaland and Odisha could not achieve 50 per cent target of credit flow to micro enterprises within the MSE Sector; rest of the states under review have achieved the stipulated target of 50 per cent I would like to advise the State Governments to devise suitable schemes in cluster/location specific industry groups for improved credit flow.

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 October, 2011, on all India basis over 45000 villages have been covered which is around 62 per cent of the target. In the

States represented here today, I find that out of 23,000 villages allotted to East Zone for provision of banking services, nearly 12,000 villages have been covered by the end of October 2011, which comes to about a little over 50 per cent of the target. Therefore, the rest of the villages representing nearly 50 per cent of the target needs to be covered by the end of March, 2012. This in turn will require massive efforts on the part of state Governments and banks particularly the RRBs.

There has been significant flow of credit to Housing Sector to States in the East Zone in 2010-11. Housing loans in the states of Arunachal Pradesh and Tripura have shown a remarkable growth of 62 per cent and 45 per cent during 2010-11 respectively. I request states of Assam, Manipur, Meghalaya, Sikkim, & Jharkhand to focus on the growth of Housing Loans as their growth is less than 20 per cent. To further stimulate growth in housing sector, in my budget 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.

With regard to the Credit Deposit (CD) Ratio, I find that all East Zone States are having lower CD Ratio in

comparison to 60 per cent benchmark. CD ratio in relation to States of Arunachal Pradesh, Bihar, Meghalaya, Nagaland and Tripura are less than 30 per cent. I request, particularly, the Chief Ministers of these states to use the forum of SLBC meetings effectively and take pro-active action to ensure that the CD Ratio in their States is improved.

Regional Rural Banks (RRBs) are playing an increasingly important role in the growth of rural economy. I am happy to note that out of 82 RRBs functioning in the country, 80 RRBs have rolled out the CBS. These institutions will soon be a part of National Electronic Funds Transfer (NEFT). I am also happy to note that all the 22 RRBs functioning in the East Zone states are participating in the NEFT system through their sponsor bank. 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. As regards, financial support, the Government of India in 2010-11 has announced scheme of supporting 40 weakest RRBs. 13 RRBs have been provided recapitalization support during 2010-11 and 2011-12 to the tune of Rs. 354.64 crore, half of which has been contributed by the Central Government. The ten State Governments of the Eastern region are now required to release Rs. 198.50 crore for

recapitalization of 18 RRBs. I would request them to release their share expeditiously.

We have been encouraging expansion of RRBs in terms of opening new Branches. To improve the coverage of RRB, 269 branches of RRBs will be opened by March 2012 and 539 branches will be opened by March, 2013 in the Eastern Region. I request the State Governments to extend their full supports for expansion of branch network of RRBs.

Apart from expansion of banking facilities in rural areas there is also a need for improving insurance penetration in rural areas. I notice that a number of districts, especially, in the North Eastern States are not having a single branch of Insurance companies – either Life or non life. For instance, out of 194 Districts covered under review today, 53 districts do not have any Branch. Similarly, out of 56 NE Districts, 31 do not have any Branch. I am instructing LIC and Non-life Insurance Companies to ensure that all Districts have at least one Branch or a satellite office 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 workers and their families. The coverage under these insurance schemes needs to be improved.

Government has introduced a co-contributory voluntary pension scheme – “Swavalamban” with effect from September 2010, under which Central Government contributes Rs. 1000 per account per annum for an annual minimum saving of Rs. 1000 and upto Rs, 12000 per annum. The coverage so far at the country 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.

Delay in the implementation of projects, particularly in the infrastructure and manufacturing sector, not only deprives the economy of its benefits, downstream investment and resultant employment generation, it also make the projects vulnerable to time and cost overrun and thereby impacts their viability. In my recent review, it has come to my notice that implementation of a number of projects are held up due to regulatory approval. 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.

E-payment is another area where I would seek the cooperation of the Chief Ministers. As you are aware all Public Sector Banks are almost completely on the core banking platform. All the RRBs, barring a few, have also rolled out CBS and 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 Government 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 to shift to electronic benefit transfer in all villages which have been covered with banking services in a time bound manner.

Government of India is keen to expand and strengthen the branch network of banks in eastern states, particularly in the north eastern states. Out of 69 unbanked blocks in NE region, 27 blocks were covered with banking services by 30th

November, 2011. The remaining 42 unbanked blocks are in the states of Arunachal Pradesh, Manipur and Nagaland. I would urge the banks to extend the banking services to these remaining blocks also by 31st March, 2012. Government has also directed that in the under banked districts, the banks shall open a regular brick & mortar branch in habitations with population of 5000 and above. In the North Eastern Region, 47 Districts do not have a Clearing House and 8 Districts do not have a Currency Chest. Government is pursuing to ensure that all the Districts of N-E Region have atleast one Currency Chest and Clearing House each in all the districts, I am happy to note that eleven clearing houses will be operationalised by March, 2012 of which 5 will be in the North East States. Similarly, three currency chests will be established by March, 2012, of which one will be in Assam. However, Government will ensure that the currency requirement of all the districts in NE region are adequately met.

To conclude, the Eastern States 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.

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

Thank You
