

## SLBC PUDUCHERRY 23.12.2009

### Presidential Address by our Chairman and Managing Director

It is a heart warming pleasure for me, being in Puducherry to be with you again in this forum of SLBC today.

At the outset, I welcome Shri. V Vaithilingam, Hon'ble Chief Minister of Puducherry, Shri. M Kandasamy, Hon'ble Minister for Welfare and Co-operation, Government of Puducherry, Shri K Lakshminarayanan and Shri R K R Anantharaman Hon'ble Members of Legislative Assembly, Union Territory of Puducherry.

I also extend hearty welcome to Mr B. Vijayan IAS, Secretary (Health & Industries), Government of Puducherry, Mr.K.R. Ananda, Regional Director, RBI, Chennai, Mr N Krishnan, Chief General Manager, NABARD, Chennai and Senior Officers from the Government of Puducherry, Reserve Bank of India, NABARD and other Development Departments & Banks of Puducherry;

I am glad to recall the speech delivered by Governor, Reserve Bank of India in Bankers' club at Kolkata recently where in he expressed optimism that worst of the deepest financial crisis of our time is behind us. He also stated that the attention around the world and in India is shifting from managing the crisis to managing the recovery.

In India, there are definitive indications of the economy reverting to the growth track. The Indian economy, which slowed down significantly during the second half of 2008-09, largely due to the knock-on effect of the global financial crisis, has begun to stabilise. Last Friday, the Finance Ministry expressed optimism of carrying on the upward curve and projected a GDP growth upwards of 7.75% for 2009-10 mainly due to the robust performance achieved in the second quarter (July to September 2009) at 7.9% against all expectations

Coming to our home land, we are blessed that it is always a front runner among states in growth trajectory. Let me highlight the performance of Banks in this UT during the second quarter of the current fiscal.

During the quarter ended September 2009, five new branches have been opened in the UT. As of September 2009, there are 38 banking institutions with a total network of 150 branches operating in the Union Territory of Puducherry. The average population served per branch has come down to 6496 from 6718 during this quarter. The commercial banks with 115 branches, Puducherry State Co-operative Bank with 22 branches, and Puducherry Co-operative Central Land Development Bank with one Branch and the Regional Rural Bank viz. Puduvai Bharathiar Grama Bank with 12 branches are taking care of the banking needs of the people here.

Though CD ratio of Banks has improved marginally to 58% from the level of 57%

during this quarter, it is observed that some major banks have not shown perceptible improvement during this quarter and their CD ratio continues to remain below 50%. I request all member Banks to lend liberally to attain and then to sustain the CD ratio of the UT above the desired level of 60%.

As to outstanding advances under Agriculture, I observe that we have attained 17.5% of the total Advances as of September 2009, from the level of 16.5% as of June 2009. With the progress made, I am confident that UT will reach 18% by December 2009 without fail.

Agriculture is the main economic activity in the UT that employs majority of population. Government of India and RBI are continuing their thrust for lending to Agriculture as majority of the population continues to draw their livelihood from this sector. It is a fact that potential is vast in this sector.

As Kisan Credit Card enables farmers to avail hassle free credit in time, it is obligatory for all Banks to cover all the eligible farmers under their command area with KCC. Besides, the eligible crops should be insured under Crop Insurance Scheme in the interests of the farming community to mitigate risks of natural calamities which the farmers frequently face.

Besides Agriculture, SME financing is the thrust area under Priority sector lending. Despite the fact that SME sector has tremendous scope as 66.57% of population in the UT lives in urban areas against All India level of 25.70%, the growth in advances during the half year ended September 2009 is 5.23% only. The year on year growth under SME sector here is 20.85%. I request all bankers here to continue to put extra efforts and ensure that the Government stipulation to achieve a minimum 20% year-on-year growth in funding of SMEs is fulfilled by getting right directions in special monthly SLBC meetings being convened by us regularly for this purpose

Coming to key indices of the Union Territory, I am happy that Banking has registered growth in terms of all financial parameters. For the half year ended September 2009, growth in deposits registered 8.53% to Rs.6106.21 crores. Advances during the same period have grown by 9.6% to Rs. 3548.40 crores.

Outstanding under Priority Sector Advances of the UT stood at Rs.2140.68 crores recording 60% of the total advances against the targeted level of 40%. Weaker section advances amounted to Rs.388.53 crores works out to 10.95% of total advances against the RBI stipulated target of 10%.

Outstanding under DRI advances is at 0.04% of the total advances of the previous year. Owing to our social responsibility we should take all measures to reach the level of one percent of the Gross advances at the earliest by covering all the people living in the poorest stratum of the society.

Banks have disbursed Priority Sector Advances of Rs 388.66 crores under Annual

Credit Plan during the half year ended September 2009, achieving 104% of the target. I thank my Banker friends here for responding to my call in the previous meeting to compensate the shortfall in ACP disbursements in the first quarter and achieved this feat.

It requires no mention that Government sponsored Programmes aim to uplift the underprivileged sections of the society. Banks should actively participate in all the poverty eradication schemes particularly SGSY, SJSRY, PADCO and PMEGP. The targets should always be achieved without any shortfall.

Recovery under Government sponsored schemes is not satisfactory. Banks should make full use of recovery cell set up at District Industries centre and other block level officials besides conducting many number of Lok Adalats

Despite the fact that Puducherry UT pioneered the concept of National Pilot Project for Financial Inclusion and as many as 1.81 lakh No frills accounts opened, only 26368 beneficiaries have been assisted under OD/General Credit Cards and other facilities. Indian Bank alone has assisted 24523 beneficiaries.

Despite the rural policy-push, why are so many Bankable people unbanked? The big barriers are the lack of awareness about financial services and products, limited literacy, especially financial literacy of the populace and social exclusion. RBI has taken many efforts in Financial Inclusion which aim at 'Connecting people' with the banking system and not just opening accounts. RBI has come out with detailed guidelines on Information Communication Technology (ICT) based Financial Inclusion which urge Banks to issue Smart cards with bio metric identification to large number of customers and engagement of Business correspondents so that the customers get banking services near their door step.

I request all Banks to meet the people, who were unwilling to open Bank account initially, and bring them within banking fold now. I would like to reiterate that banking on the poor can actually be a rich banking proposition. Financial Inclusion is a win-win opportunity for the poor, for the Banks and the nation. Because of growing incomes, and improving awareness levels, aspirations of the poor are on the rise. We will not be forgiven if we do not rise up to meet these aspirations if only because of poverty of imagination.

I would like to reiterate in this forum that the objective of financial inclusion will be fully met only if all the accounts of the beneficiaries are operationalised and their micro credit needs are satisfied through the formal Banking system. It is for the Banks to see GCC, OD and no frill accounts as exciting business opportunity and move on aggressively on financial inclusion.

Indian Bank Self Employment Training Institute (INDSETI) which started functioning at Puducherry on 28.03.2009 has so far conducted fourteen training programmes and 375 persons have been benefitted. It is proposed to train 930 persons during current

year.

Another 156 persons got counselled from Indian Bank's financial literacy and credit counselling Center (FLCC) so far.

I take this opportunity again to request all Bankers to make full use of FLCC and INDSETI as both these new initiatives are intended to bring every one under the mainstream of banking and empower them through credit counseling, training to rural masses for undertaking self employment ventures and credit. Since INDSETI is now functioning in a hired premise, I hope that the Government of Puducherry will allot suitable land near Puducherry soon to enable us to take up construction and create necessary infrastructure immediately.

As regards lending to SHGs, I am happy to note that 765 new SHGs opened SB accounts during this fiscal taking the cumulative figure to 15690 SHGs in the UT. I am also happy to note that 1565 SHGs were credit linked during the quarter ended June 2009 with Bank Loan of Rs 23 crores.

In the Union territory, 24923 farmers have been benefitted under the waiver scheme to the tune of Rs.46.76 crores under Agricultural Debt Waiver and Debt Relief Scheme 2008 implemented by the Government of India. Another 5143 beneficiaries have been included into the OTS scheme with a benefit of Rs. 8.84 crores. The same has been implemented in the larger interest of the farming community, to mitigate their debt burden. OTS part of the scheme provides time up to 31<sup>st</sup> December 2009. It is observed that 3506 borrowers eligible under OTS scheme have not come forward to pay their share and avail the benefit of 25% relief under the scheme. At the same time, Bankers should find ways and means to contact OTS borrowers' individually convince and collect their share of payments. At the same time, present scenario warrants a subtle but effective, non-coercive and convincing recovery strategy.

To conclude, I hope that the Setting up of Registry for Equitable Mortgage and Capping of Stamp duty and Registration Fees would become a reality soon. This was taken up in all the SLBC meetings since 18.12.2007. I understand that the Lead Bank officials have been following up with the concerned departments since then and provided necessary inputs. I request the Government of Puducherry to expedite and issue necessary orders immediately in the larger interest of the borrowers of this UT.

Finally, I would like to convey that it is my privilege to participate in this apex forum of SLBC in Puducherry again. I am confident that the review and discussions in this meeting will ultimately result in identification of bottlenecks, measures to overcome them and improved performance in the remaining quarter of the current financial year and subsequently.

Once again I thank you for this great opportunity bestowed on me to share my views. I wish deliberations of the meeting all success and a very happy new year

Thank you.