

First SLBC meeting of UT of Puducherry for the year 2011-12
Address by Shri T M Bhasin, Chairman & Managing Director, Indian Bank and
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Very good morning

I am indeed happy to be amongst you today in the first SLBC meeting of Union Territory of Puducherry for the current financial year.

On behalf of SLBC, I have immense pleasure in welcoming Thiru N Rangasamy, Honorable Chief Minister of Puducherry who is amidst us today sparing his valuable time despite busy schedule. His presence will definitely make today's deliberations fruitful. I take this opportunity to convey best wishes on behalf of SLBC to Thiru N Rangasamy, who has recently assumed charge as the Hon'ble Chief Minister of Union Territory of Puducherry for the 3rd time.

I welcome all the dignitaries on the dais, Senior Officials from Government of Puducherry, Reserve Bank of India, NABARD, Heads of various Banks in Puducherry and other Development Departments, Electronic and Print media.

India is increasingly taking its place on the global stage and international forum as a 21st century superpower with a GDP growth of 8.5 per cent in 2010-11, emerging as one of the world's fastest growing economies. Indian companies have made their mark abroad and indeed many are transforming themselves into multinationals with a global presence. Most importantly, there is a new found sense of confidence on India and Indian Entrepreneurs by the world. This has enhanced confidence in us.

Indian Banking Scenario and Current Challenges:

The progress made by banks during the last decade is commendable. The health of the banking system is strong, having adopted technology, and banking system is making all efforts at increasing the banking reach. It has to be stated that the Regulatory prescriptions and Government guidelines giving support to the banks laid the foundation for the success of Financial Inclusion.

As we all know, strides made in expansion of bank branches from around 8700 at the time of nationalization in 1969 to the present number of 87152 branches, with population catered per branch at 14000 thus making banking an inevitable part of our economic growth story.

Banking sector undoubtedly plays an extremely critical role in the Indian economy in terms of achieving a sustained higher and inclusive growth. But, for that to happen, banks need to

- optimally leverage technology to increase penetration,
- improve the productivity and efficiency,
- deliver cost-effective products and services,
- provide faster, efficient and convenient customer service, and, thereby, contribute to the overall growth and development of the country.

- The very basic and core issue for the Indian banking system is the challenge of achieving Financial Inclusion. It is a question both of access to financial products and services and financial literacy. It implies not just providing access but also to educate all stakeholders about the fairness and other characteristics of the financial products/services, such as their risks and returns. Increased financial deepening enables reduction in costs, which, in turn, attracts more people to avail the services.

- Technology has given a facelift to the banking services, but presently the need is the seamless integration of this with both front and back offices. Technology has to be seen in the light of cost effectiveness so that small value transactions are viable.
- Besides making banking products and services affordable and accessible; technology should also simultaneously ensure viability and profitability of providers. Technology allows transactions to take place faster and offers unparalleled convenience through various delivery channels. Technology enhances choices, creates new markets, and improves productivity and efficiency. Effective use of technology has a multiplier effect on growth and development.
- Banks are looking at various innovations in delivery of financial services including doorstep banking through mobile vans as part of inclusive growth. In this kind of alternate delivery mechanism, the concept of using common Platform as a Service (PaaS) by sharing of infrastructure, technology and service provider is catching up to increase the efficiency.
- IT should help banks not just to deliver robust and reliable services to their customers at an affordable cost, but also generate and manage information effectively. Information comprises data collected based on principles of integrity, reliability, and accuracy. Banks are collecting humungous quantities and warehousing volumes of data relating to customers and transactions. This information has to be subjected to meaningful analysis, usage and creation of a database with an objective to meet not only the diversified internal and external MIS requirements but using this information to increase the volume of profitable business employing unique techniques of Customer Relationship Management (CRM).

Operational Challenges

- Reserve Bank of India has been making policy changes periodically like deregulation of interest rates to increase healthy competition among banks in the country. Recently RBI has increased the interest rate for Savings Bank accounts from 3.5% to 4%, further, making amendments on periodicity of payment of interest. Cost of bank deposits is bound to go up given that the cost of CASA funds will increase given that around 22% of deposits are held in savings accounts and the impact would also be seen in the NIM of banks.
- Regulatory framework for lending to Micro Finance Institutions (MFIs) as per Malegam Committee recommendations is on the cards. Hence there is an imperative need to improve the level of low cost deposits and regulate lending policies by banks.
- We are also expecting deregulation of SB interest rates which is expected to unleash competitive forces within the banking sector. Such competitions, in turn, enable banks to alter their input and output mix, which when combined with technological developments would facilitate increase in output that raises overall banks' productivity and efficiency.
- Entry of private and foreign banks is expected to raise bank efficiency, productivity and technology levels, because private/foreign banks are associated with superior management practices and technology, which can be fruitfully imbibed by those which are not.
- Besides, Indian banks are focusing to move from Basel II to Basel III compliance. Apart from credit risk, market risk and operational risk, Basel III also encompasses liquidity risk and the quality of capital.
- In the changing scenario of banking, customers demand the best services from the banks and no doubt only those banks that can provide the best service will thrive in this competitive environment.

Banking Developments in UT of Puducherry

Coming to developmental activities by banks in Union Territory of Puducherry; it is our innate duty to capitalize the conducive climate in the country to make this UT as the best among all. While contributing to the success of the UT, it is to be ensured that the growth attained is inclusive, people-centric and translates into overall development. It is also important that this feeling and confidence permeates all sections of society and none is left out of the growth process.

Before throwing this forum open for deliberations, I take this as my privilege to enlighten the forum about the commendable performance of Banks in the UT during the last fiscal.

Branch opening

The total branch network in UT of Puducherry as on 31st March 2011 has increased to 178 from 162 in March 2010.

Four more rural branches and an urban branch have been opened in the UT during the last quarter taking the total number of branches to 178 with more than 60% of branches functioning in rural and semi urban centers.

Average per branch population is 5474 in UT Puducherry which is one of the best in the country, as the national average is about 14,000.

Growth in Deposits and Advances

Deposits by all Banks registered a growth of 11.45% during 2010-11. Advances during the same period had grown by 17.69 %. This has resulted in the CD ratio of the UT reaching 66% for the first time. I congratulate all the Bankers for the achievement of improved CD ratio and appeal to sustain the momentum to reach further heights.

Performance under Annual Credit Plan (ACP) 2010-11

ACP indicates Priority Sector Credit deployment. The banks in the UT have made it a habit of achieving the targets every year. During 2010-11 also, all banks have disbursed a total of R 875.37 crore registering 109 % of the target.

I observe noteworthy performance under total outstanding credit to Agriculture in the State which has increased by 26.60 % during the current fiscal to surpass the level of R830 crore as of March 2011. Against the stipulated norm of 18% under agriculture credit, the UT has registered 20.63% which is really commendable considering the fact that the figure was only 14% as of March 2007. All the banks have striven hard and added about 2% every year, despite waiver /relief extended to beneficiaries under Agriculture Debt Waiver and Debt Relief Scheme 2008 to reach the level of 20.63%.

The Annual Credit Plan for the year 2011-12 has been finalized based on the potential linked plan of NABARD and Credit plans of various branches. The outlay has been projected at R.1052.51 crore which is 30.80% higher than previous year outlay. I appeal to all the banks to outperform in achieving this target for the year 2011-12.

Financial Inclusion:

Indian Bank has been spearheading the Inclusive growth demands of all social groups providing access to the financial services for their economic and social emancipation. To achieve this, banking services at their doorsteps become necessary.

Indian banks have a massive task ahead of them. Handheld devices are used to provide access to bank accounts of rural people. Banks are to play a significant role in providing banking services like opening of no frills accounts, providing overdraft loan, general credit and remittance facilities besides offering micro Insurance products at village level.

Banks in UT have successfully provided banking services to all 43 unbanked villages with population above 2000 in March 2011 itself against Government stipulated time limit of March 2012. The no frill account beneficiaries are provided with access to finance, along with fair and transparent products/services, which is a source of empowerment allowing them to participate more effectively in the economic and social process. Our dream of inclusive growth will not be complete until we create millions of micro-entrepreneurs across the country.

I request all the allotted banks to provide banking services to the remaining 23 villages with population 2000 and below at the earliest, so that the State will be the model State in the country, having extended banking services in all its villages.

Government Sponsored Programmes

I also notice that the poverty eradication programmes such as SGSY, SJSRY and PMEGP catering to targeted deprived sections of the society are implemented effectively here, thanks to the mutual cooperation between Government agencies and Banks. Banks should continue to actively and adequately participate in such programmes.

Relief to Tsunami loan borrowers:

I take this opportunity to request the Government administration again to extend the relief to borrowers who availed loans under Tsunami rehabilitation schemes expeditiously so that the affected fishermen can heave a sigh of relief. I understand that the required information has already been furnished to the Govt by the Bankers and expect that a favourable decision is taken at the earliest.

Land allotment to Rural Self Employment Training Institute (RSETI).

RSETI scheme was initiated by Ministry of Rural Development, Govt of India, about four years ago with the objective of creating bank-led training institutes to provide skills to the unemployed rural youth. In the present Financial Inclusion era, capacity building assumes greater importance. The Indian Bank Self Employment Training Institute (INDSETI) functioning here, which caters to potential beneficiaries of all Banks, needs better infrastructure for improved performance to achieve its fullest objective. I take this opportunity to request again the State Government to consider the requests of SLBC with regard to land allotment to Rural Self Employment Training Institute (RSETI).

Before **concluding**, I would like to convey that any scheme to be successful should have the whole hearted involvement and commitment of the persons involved in its implementation. State Government, various developmental agencies and Bankers in the UT have shown their excellent support and co-operation among themselves which is evident from the noteworthy performance of banking parameters and poverty alleviation programmes during last fiscal. I request that the same spirit and enthusiasm should continue and complementary efforts be taken to foster further development of UT of Puducherry.

I declare the session open for further proceedings

Thank you.
