

**156<sup>th</sup> STATE LEVEL BANKER'S COMMITTEE MEETING, MADHYA PRADESH**

**20/02/2015**

**Address by Shri B. K. DIVAKARA, Executive Director, Central Bank of India/Convener, SLBC, M.P.**

Good Afternoon, Friends,

- Respected Shri Anthony de Sa, Chief Secretary Govt. of MP,
- Shri R K Swain, Agricultural Production Commissioner, Govt. of MP,
- Shri Mohd. Suleman, Principal Secretary, Industries,
- Shri Ashish Upadhyaya, Principal Secretary, Finance
- Shri S. N. Misra, Principal Secretary, Urban Administration,
- Smt. Alka Upadhyaya, CEO, MPRRDA,
- Dr. R N Kulkarni, Chief General Manager, NABARD, Bhopal,

and other Senior Officials from the Govt. of MP and fellow Bankers

At the outset, I welcome you all, to this, State Level Bankers' Committee Meeting – Madhya Pradesh convened specifically to review the performance of banks so far during the Current Year and to seek your valuable suggestions to bring an improvement in the performance in the remaining part of current fiscal and in the role played by banks towards the inclusive growth of the State.

Friends, this is the fifth SLBC Meeting to be held during the current Financial Year. As you may recall, we had two Special SLBC Meetings also, wherein the focus was given on implementation of PMJDY & on the progress of implementation of the Government Sponsored Schemes. I observe that Banks have done reasonably well in the programmes especially after their review at this very forum.

Before we take up review of the performance of banks, let me briefly go through the macroeconomic indicators.

**Indian Economy:**

- ❖ Indian economy grew by 7.5% YOY in the last quarter of 2014 followed by a revised 8.2% rise (5.3% earlier reported under the old methodology) in the previous period as the methodology of computing GDP is now changed.

- ❖ According to new numbers, in the last three months of 2014, the Services sector recorded a growth of 10.1%, manufacturing sector expanded by 4.2%, while the farm sector shrunk by 0.4%.
- ❖ The Government is estimating an annual growth of 7.4% in the fiscal year ending March 2014 from a revised 6.9% expansion a year earlier.
- ❖ The shrinking of growth rates in farm sector is a matter of concern to all of us.

### **Indian Banking:**

- ❖ As per latest available RBI data as on December 2014, the growth in deposits & advances in rural & semi urban branches has been much higher than the growth in urban & metro branches.
- ❖ The YoY growth in deposit and credit till December 2014 (as per the latest available data) was 7.83% and 6.19% respectively as against 9.84% and 12.99% during the corresponding period last year.

### **Madhya Pradesh**

- ❖ The deposits grew by about 13.30% YOY in the last quarter of 2014 in comparison to 20% growth achieved during the last quarter of 2013. I observe that the growth in the rural sector is very meager as compared to others.
- ❖ The credit grew by about 13.99% YOY in the last quarter of 2014 as compared to 25.87 % growth achieved during the last quarter of 2013. The growth in credit was lower in all the sectors during the current year.
- ❖ With lower growths recorded in both deposits mobilization & credit deployment, I think there is a need to analyze the reasons and take some corrective action to maintain the momentum of growth engine.

Now I would like to dwell upon certain major agenda items:

### **Annual Credit Plan:**

- ❖ The achievement in target of ACP in the first three quarters for the FY 2014-15 was 77% in respect of priority sector which is better than 65% achieved during the same period last year.

- ❖ I observe a huge gap between sanctions & disbursement numbers in the State. I am told disbursements are held up for want of compliance of certain terms of sanctions.
- ❖ I hope, the recent step of NABARD, to stop refinancing of State Co-operative Banks in MP does not hamper the achievement under ACP.
- ❖ I am told that certain instances were reported by the field functionaries that charges created in favour of banks for the loans granted were found to be removed without seeking necessary NOC from the respective lenders. This situation erodes the confidence of lenders. It would be our humble suggestion that we emulate the model of other States in this regard like Karnataka etc.
- ❖ I call upon bankers to step up the tempo during the last quarter to achieve the projected target.

### **Credit Deposit Ratio**

- ❖ The CD Ratio increased marginally from 65% as on December 2013 to 65.26% as on December 2014.

### **Agriculture:**

- ❖ Agriculture credit recorded 65% achievement during the current year as compared to 70% achieved during the corresponding period last year.
- ❖ The growth in agriculture disbursements has been a tad lower than the last year even though the scale of finance has been increased in most of the districts. Bankers' need to introspect the reasons behind lower growth so that suitable corrective action can be taken before finalization of the ACP 15-16.
- ❖ I recollect during the last SLBC meeting held on 24.12.14, it was decided that banks should send 5 cases in each district for close monitoring of recovery. I am happy to note that the Government has initiated steps for recovery through Collectors/ Tehsildars though the results are not yet encouraging.

### **MSE:**

- ❖ MSE recorded 96% achievement during the current year as against the achievement of 54% during the corresponding period last year.
- ❖ I am told that disbursements were substantially higher under the State Government sponsored schemes which would be due to the rationalization of various schemes under MSE into three schemes.

- ❖ I believe bankers are also canvassing viable cases to get them sponsored, as requested by the government, in order to ensure bankability of such cases.

### **Education:**

- ❖ Education loans recorded an achievement of 46 % of the target. My fellow bankers' would agree that it is low by any standards. The development of Human capital is an important aspect of banking in any country, more so like ours.
- ❖ Certain modifications were also requested, in the scheme of GoMP, by the bankers in respect of coverage which would increase the popularity of the scheme. This can spur disbursement under this segment.
- ❖ I find that as much as 27% of the applications received online are pending for disposal as on 19.2.15. I request my fellow bankers to dispose off the cases as early as possible.

### **Chief Minister's Rural Housing Mission:**

- ❖ In terms of decision taken in the SLBC meeting held on 24.12.2014, banks were required to achieve the targets under the scheme by 15.02.2015. But from the numbers received by the Convenor, it is observed that the achievement is only 53% as on 10.02.15 in terms of disbursement though the sanctions under the scheme is at a much higher level of 75%. I believe that the scheme provides stage-wise disbursement which is based on achieving certain milestones and hence takes longer time for full disbursement. Banks are required to clear the backlog by 28.02.2015 so as to achieve a respectable achievement.

### **Pradhan Mantri Jan Dhan Yojana:**

- ❖ The initial task of opening accounts under the scheme was completed in November 2014 itself. Banks had participated with the required level of involvement and State Government also proactively took a number of initiatives for making success of the launch of the programme.
- ❖ A total of about 1.02 crore accounts have been opened by banks in MP under the programme.
- ❖ All the SSAs/Wards are covered.

- ❖ 88% of Rupay cards have been issued and 82% of the passbooks have been issued. The backlog shall have to be cleared immediately.
- ❖ However, keeping the card active is still a challenge for the bankers. As you may be aware, the MOF is directly monitoring activation of all PMJDY Accounts and to progressively reduce the zero balance Accounts.
- ❖ Another area of concern is the slow pace of Aadhar seeding in the accounts. This assumes lot of significance as DBTL/DBT is already made operational. While Aadhar penetration is 67%, seeding of Aadhar in the account is hardly 35%.
- ❖ Nevertheless, challenges remain in the form of ensuring sustainability of BCAs and financial literacy

**Non Performing Assets:**

- ❖ It is a well-known fact that banks are facing huge challenge in terms of containment of rising NPAs under all segments. On behalf of all the banks, I reiterate my appeal to the Govt. to support us in our recovery drive.

**Others:**

- ❖ Finally, I wish to share the experience of CRISIL, one of the rating agencies approved by RBI. In its study of 969 startup MSMEs, rated on the basis of 2013-14 financials, it was revealed that start up MSMEs with promoters having relevant experience of more than four years in the same line of business, registered higher profit margins, as compared to those with limited experience. Success in the manufacturing and service sectors require a good understanding of business, including market dynamics, distribution and production/service delivery. Bankers may note this while nominating cases for finance.

I hope today’s deliberations turn out to be meaningful and banks will put in all efforts to meet ACP targets. At the same time, we request State Govt. to take necessary steps to create suitable environment for growth & recovery. I would like to thank you all for sparing your valuable time to attend this meeting. Friends, let us be ..... of progress of State of MP.

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