

**ADDRESS BY HON'BLE CHIEF MINISTER, ORISSA TO
THE PARTICIPANTS OF 124th SLBC MEETING
HELD ON 18.08.2011**

Let me first of all thank the Convenor of the SLBC as well as the Reserve Bank of India for inviting me to this very important meeting.

Hon'ble Minister for Finance Shri Ghadai has already referred to our concerns with regard to the banking sector in the State. Undisputedly, bank credit is a major source of finance for growth of output, business and trade and most importantly, employment generation in the economy. It is also a major source of capital formation and investment. It is precisely for these reasons we have had in the past few decades a policy framework of direct lending to the targetted sector of economy. RBI has quite rightly pursued this policy over all these years in order to achieve the twin objectives of growth and social inclusion. While the agenda notes circulated for this meeting indicate a fairly robust and satisfactory picture of the key banking indicators in the State during the period ending on 30th June, 2011, a closer analysis would reveal that these statistics mask some major underlying weaknesses. First of all, let us look at the overall Credit-Deposit (CD) ratio of the commercial banks. While the overall CD ratio under the commercial banks is reported to be 63 percent, the ratio for the public sector banks is only 57 percent. The CD ratio of some of the strong public sector banks is below 50 percent. If we disaggregate the CD ratio into rural and urban segments, a more disquieting picture emerges. While the overall CD ratio of rural branches of the public sector banks is only 48 percent, the corresponding ratio for the urban branches is 72 percent. How do we explain this huge rural and urban divide? With these numbers can we assert that rural areas have been our focus under the direct lending programmes?

Let us now look at the performance of the banks under the Annual Credit Plan (ACP) during the first quarter. Against the target of disbursement of rupees eight thousand eight hundred thirty two crore for the first quarter, the achievement reported is only 34 percent. The picture is even more disturbing with regard to the achievement under the agriculture sector. Lending by the public sector banks to this sector is only 20 percent of the target. Performance of a large number of public sector banks in terms of their overall performance under the Annual Credit Plan,

more specifically to the agriculture sector, can hardly be reckoned as satisfactory. With such a huge shortfall in performance during the first quarter, how we are going to achieve our overall target in this year? I do hope that this forum will deliberate on this issue and work out appropriate corrective measures.

If one looks at per-capita credit across the State as on 31st March, 2010, you would find that while all India average was well over rupees twenty-eight thousand per-capita credit in Orissa was only about rupees eleven thousand. The average per-capita credit for the States in the Western region was around rupees sixty-seven thousand where as it was rupees forty-eight thousand for the States in Northern region. Thus, inter-regional inequalities in credit disbursement by the commercial banks are quite large. It is my earnest appeal to the commercial banks operating in Orissa to step up their lending. So that, we can catch up with the rest of the country.

Our DRI advances have been consistently reported to be below targetted level of one percent. In this connection, I have a specific proposal for your consideration. Please earmark the DRI advances for the differently-abled beneficiaries who perhaps deserve our support and facilitation as much other socially excluded and marginalized groups.

I have chosen to present these facts in this forum only to highlight the possible areas of improvement and the huge opportunities which can be tapped for deepening of the banking services in the State. The State Government has recently put in place a policy framework under which the commercial banks can handle the banking business and deposits of the State Public Sector Undertakings and State Level Autonomous Societies only if they meet our minimum expectations in terms of some selected key banking indicators. We have initiated this policy not to exclude any bank but only to nudge those banks which have been underperforming in terms of their mandated obligations. I do expect that by the end of this financial year every commercial bank operating in the State would achieve our minimum expectations in this regard.

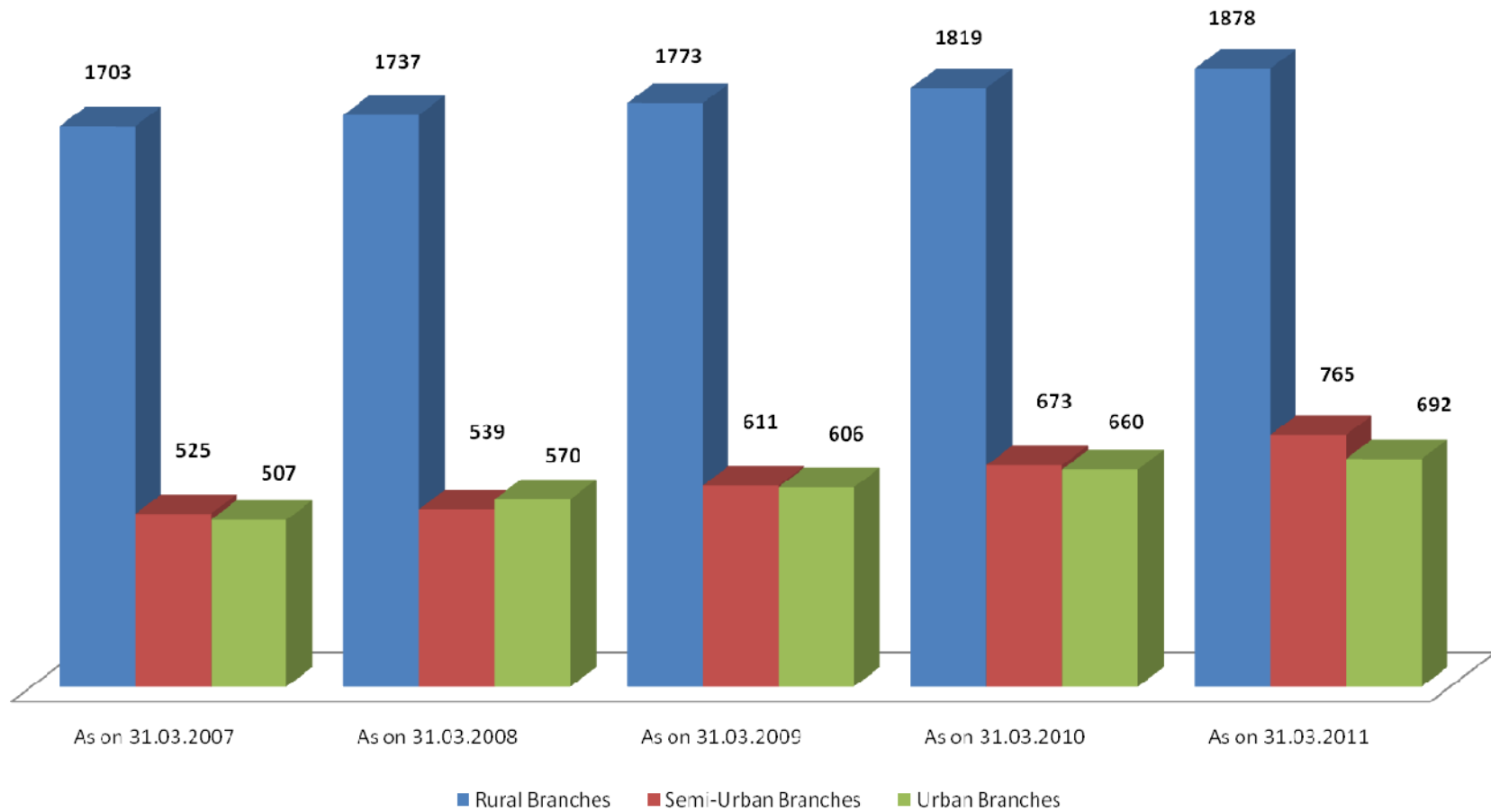
Before I conclude, I wish to touch upon another major issue which needs to be addressed with a sense of urgency by the banking sector. Our stated policy of social inclusion would not be feasible unless we achieve financial inclusion. With a large number of citizens not having access to formal banking services, informal sources continue to have a dominant presence in our economy with all the associated ills. With inadequate infrastructure of the formal banking sector, we find it difficult even to disburse wages under the flagship programmes like Mahatma Gandhi National Rural Employment Guarantee Programme (MGNREGA). The development experience in India during the past decades have taught us that the poor are bankable and creditworthy. They can also be good entrepreneurs given the right support. Therefore, we need to fast track our financial inclusion programme. Fortunately, we now have technology under our command to achieve this mammoth task. Accordingly, it is my appeal to all of you to ensure that by the end of this calendar year we should cover each and every habitation of the State either through regular branches or through the business correspondents. We on our part are prepared to render all assistance that may be required by you for achieving this social mandate.

Let me conclude by appreciating the proactive role being played by the State Level Bankers' Committee in assisting the process of economic development of the State. I look forward to your unstinted support in reaching out to the poorest of the poor of the State for improving their livelihood and wellbeing.

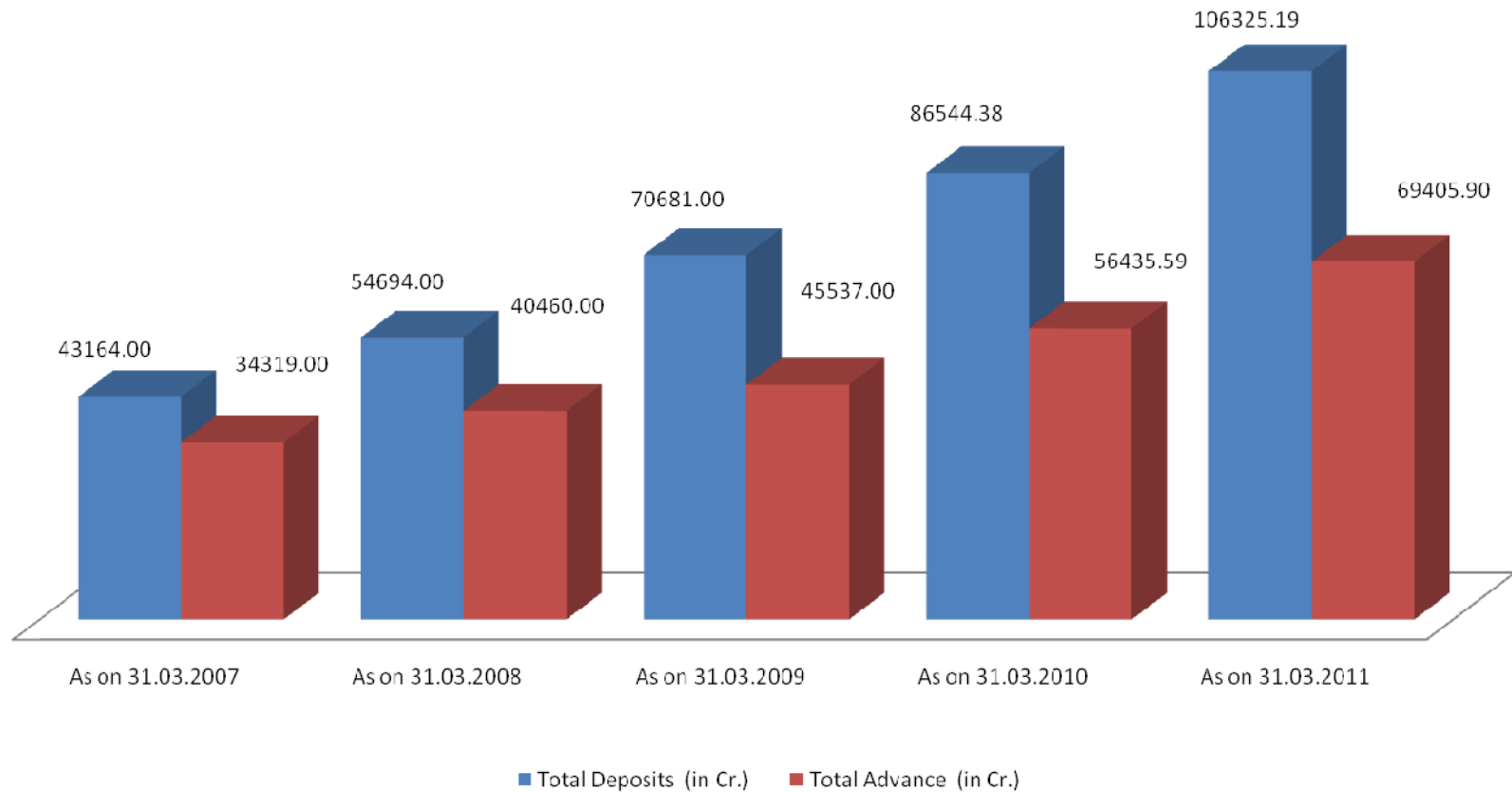
BANKING AT A GLANCE IN ORISSA FOR THE LAST FIVE YEARS

| Sl. No. | SUBJECTS | As on 31.03.2007 | As on 31.03.2008 | As on 31.03.2009 | As on 31.03.2010 | As on 31.03.2011 |
|---------|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| 1 | Total No. of Branches | 2735 | 2846 | 2990 | 3152 | 3335 |
| | Rural Branches | 1703 | 1737 | 1773 | 1819 | 1878 |
| | Semi-Urban Branches | 525 | 539 | 611 | 673 | 765 |
| | Urban Branches | 507 | 570 | 606 | 660 | 692 |
| 2 | Total Deposits (in Crore) | 43164.00 | 54694.00 | 70681.00 | 86544.38 | 106325.19 |
| 3 | Total Advance (in Crore) | 34319.00 | 40460.00 | 45537.00 | 56435.59 | 69405.90 |
| | Total Business (Deposit + Advance) | 77483.00 | 95154.00 | 116218.00 | 142979.97 | 175731.09 |
| 4 | Credit Deposit (CD) Ratio (in %) | 79.51 | 73.98 | 64.43 | 65.21 | 65.28 |
| | CD Ratio of Rural Branches | 90.93 | 100.07 | 90.45 | 84.15 | 82.43 |
| | CD Ratio of Semi-Urban Branches | 58.31 | 53.27 | 47.61 | 45.30 | 43.06 |
| | CD Ratio of Urban Branches | 86.00 | 73.00 | 63.00 | 68.15 | 70.20 |
| 5 | Total PS Advance (in Crore) | 20218.00 | 25243.00 | 27234.00 | 34279.95 | 39936.80 |
| | % of PS Advance to Total Advance | 58.91 | 62.39 | 59.81 | 60.74 | 57.54 |
| 6 | Agriculture Advance (in Crore) | 8859.00 | 12124.00 | 13716.00 | 17827.99 | 21637.75 |
| | % of Agril. Adv. To Total Advance | 25.81 | 29.97 | 30.12 | 31.59 | 31.18 |
| 7 | MSE Advance (in Crore) | | 3115.00 | 3909.00 | 7228.33 | 8625.53 |
| | % of MSE Advance to Total Advance | | 7.70 | 8.58 | 12.81 | 12.43 |
| 8 | SME Advance (in Crore) | 4455.00 | 4255.00 | 5416.00 | 8490.89 | 9904.02 |
| | % of SME Advance to Total Advance | 12.98 | 10.52 | 11.89 | 15.05 | 14.27 |
| 9 | Advance to Weaker Section (in Crore) | 6754.00 | 7744.00 | 7727.00 | 9042.55 | 10576.16 |
| | % of Advance to Weaker Section to PS Advance | 33.41 | 30.68 | 28.37 | 26.38 | 26.48 |
| 10 | Total DRI Advance (in Crore) | 90.61 | 72.31 | 50.73 | 30.91 | 26.62 |
| | % of DRI Advance to Total Advance | 0.26 | 0.18 | 0.11 | 0.05 | 0.04 |
| 11 | % of Credit Investment to Deposit Ratio | 85.28 | 78.18 | 68.20 | 68.48 | 67.94 |
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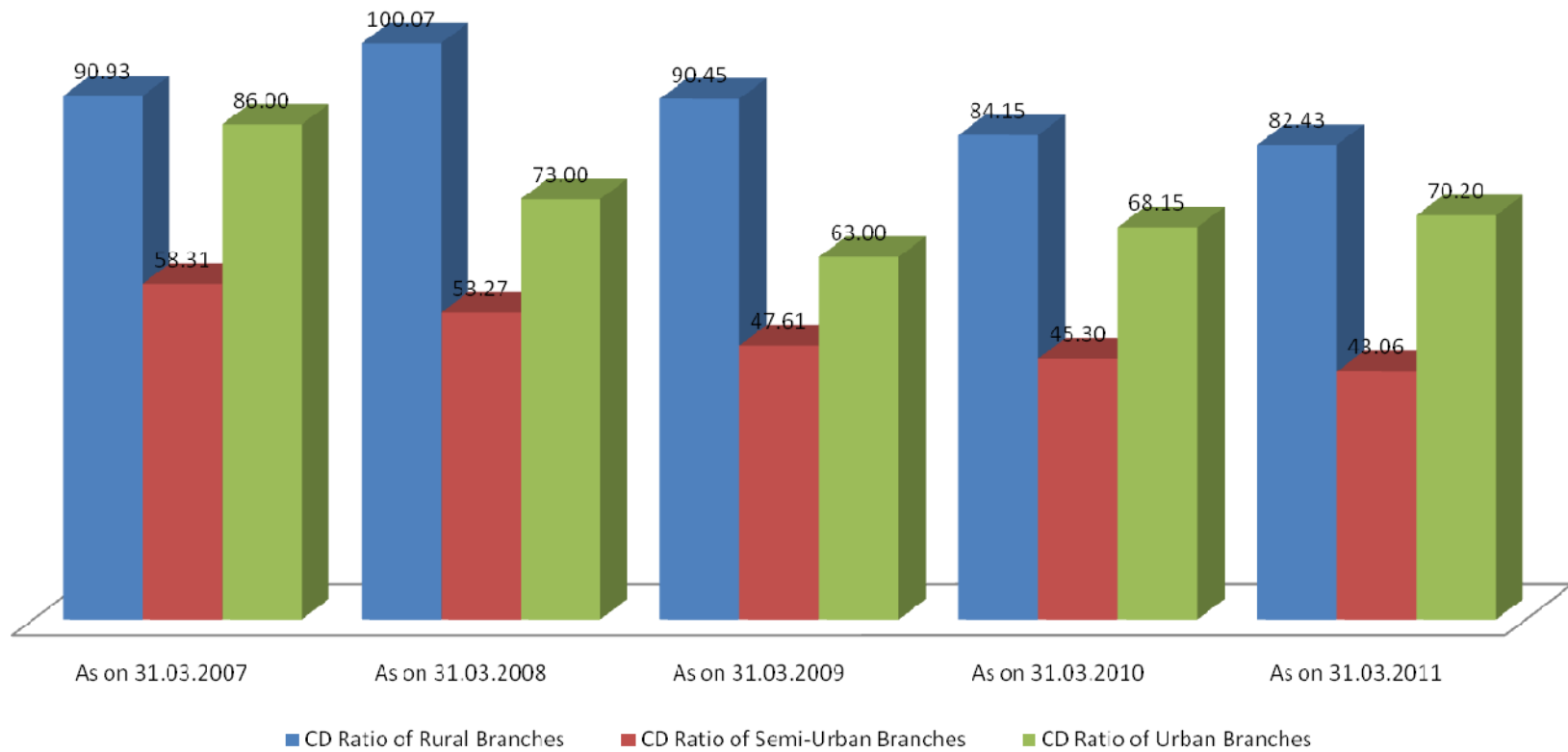
TYPES OF BANKS IN ORISSA



BANKING TRANSACTION OF ORISSA

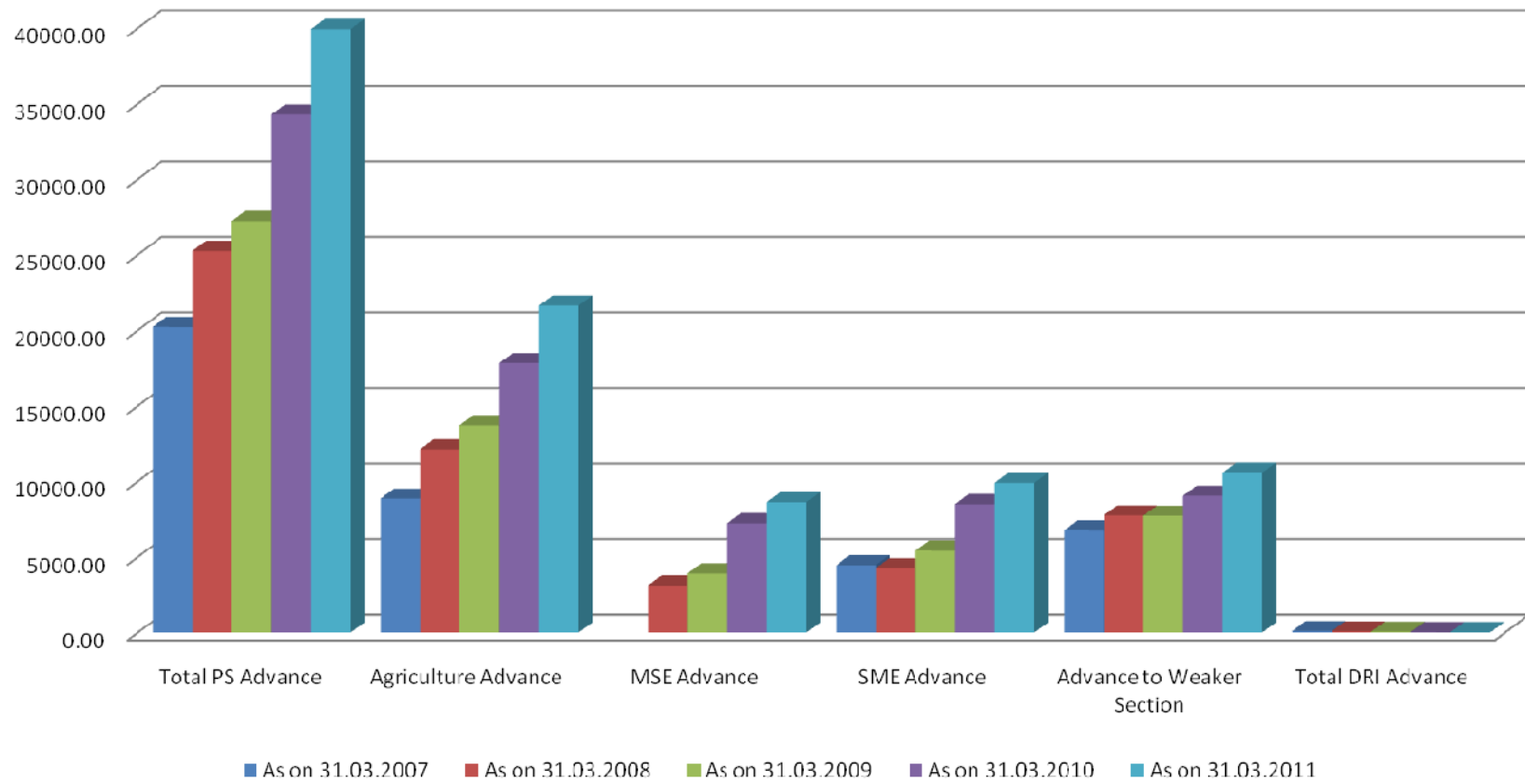


CREDIT DEPOSIT RATIO % OF VARIOUS BRANCHES



VARIOUS ADVANCES DRAWN THROUGH BANKS

(Rs. in Cr.)



PERCENTAGE OF VARIOUS ADVANCES TO TOTAL ADVANCES

