

**Speech delivered by Selvi J Jayalalithaa, Hon'ble Chief Minister of Tamil Nadu during the Special Platinum Celebrations of the Indian Overseas Bank held at Chennai on 27.4.2012**

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I have great pleasure in participating in the Special Platinum Jubilee celebrations of the Indian Overseas Bank this afternoon. When Shri. Narendra called on me last December, he informed me that the bank had a network of 854 branches in Tamil Nadu. As a challenge to Shri. Narendra and his team, I offered to inaugurate the 1000<sup>th</sup> branch of the bank in Tamil Nadu. Little did I expect that they would rise to the challenge so magnificently and in less than 6 months establish 150 new branches in the State. I heartily congratulate Shri. Narendra and his team on this splendid achievement.

The Tamils have a hoary tradition of indigenous banking. The mercantile community of ancient Tamil Nadu which was extensively involved in overseas trade was well aware of banking operations such as lending, fixation of interest rates and a rudimentary payment system. It was out of this great tradition of indigenous banking that the Indian Overseas Bank was born in 1937 at a very difficult time in history. The Great Depression of the 1930's caused the prices of primary commodities, India's main exports at that time, to fall heavily. This was followed by the drain of distress gold from India. The Reserve Bank of India was set up in April, 1935 to secure monetary stability and operate the country's currency and credit system. The Indian Overseas Bank was the first major Bank to be incorporated in this era of organized banking.

That the initiative was taken by the Late M.Ct. M. Chidambaram Chettiyar when he was hardly 30 years old, is a fact that deserves to be remembered with pride and gratitude. It is indeed a matter for celebration that the small bank that he pioneered has grown into a huge global organization serving millions of Indians across the country and abroad.

The Indian Overseas Bank is no stranger to me. I have seen it grow before and after nationalization. I am also one of your customers. The Indian Overseas Bank maintains its prominent position in Tamil Nadu with the largest network of branches and lead responsibility in ten major districts. I am also happy that the Bank is taking the lead in inclusive banking to reach out to remote villages, Women's Groups, Self Help Groups and the tribal population in the State. I am indeed happy to note that the Indian Overseas Bank's efforts at financial inclusion with tribal groups in the Nilgiris have already won two national level awards.

For a bank which was set up during the Great Depression, the Global Financial Crisis of 2008, which led to the rediscovery of the charm of plain vanilla retail banking, was an opportunity. A bank like Indian Overseas Bank, large enough to be stable and secure, but small enough to be nimble and innovative can truly expand the scope and reach of the financial system in Tamil Nadu.

Finance is the life blood of the economy and a key to ensuring sustained and inclusive economic growth and welfare is to increase the access of greater and greater numbers of households to financial services – in terms of savings, deposits, payment services and credit. As more and more people need financial services, banks are increasingly taking on the characteristic of a public utility service – not very different from electricity, water supply or telephones.

From the economic development perspective as well, savings are important as it would ensure that savings are channelled into productive investments by banks and financial institutions and not invested in unproductive assets. At present in India, only about 50 per cent of household savings are in financial assets, while the balance is in physical assets. Of the financial savings of households, 42 per cent are deposits with commercial banks. 61.2 percent of the households in India have deposit accounts as per the Reserve Bank of India's data for 2010-2011. This underlines the important role that commercial banks have to play in increasing the share of financial savings and in spreading financial inclusion, which is no longer a policy choice but a policy compulsion. The challenge is that out of the unbanked adult population of 2.5 billion in the world, 395 million or almost one-sixth are in India.

Internationally, countries with a large proportion of the population excluded from the formal financial system also show higher poverty ratios and higher inequality. The main instrument for sustainable and inclusive growth is employment and access to credit which in turn contributes to self-employment and poverty reduction. The fact that only 9.9 per cent of households in India have credit accounts underlines the scope for greater expansion of credit linkages. The ratio of private credit to GDP at around 33 per cent in India is much lower than in many advanced countries where it is in excess of 100 per cent. The banking system has to view this as a great opportunity and a challenge.

In terms of the inter-state comparison of financial inclusion, according to a study by NABARD, Tamil Nadu ranks seventh overall in the country in the financial inclusion index. In a situation which does not offer economic warranty or guarantee, a strong elastic financial system is the matrix on which income generating programmes have to be anchored. **In line with my dream for the State to become the numero uno State in India, I exhort all the bankers present here to redouble their efforts to raise Tamil Nadu to the number 1 ranking in the financial domain.**

The use of technology offers one way in which to expand the reach of banking and it is now recognized that India's emphasis on mobile phone based banking, greater reach of ATMs and the banking correspondent model can show the way forward to expand the reach of the financial system. I would urge the banks in Tamil Nadu to leverage technology and reach out to more people.

A crucial dimension of financial inclusion and an area where the Government welcomes the banks' participation is in the payment

mechanism. Banks have been collecting taxes on behalf of the Government for long. Now we have started making payments also through the banks. The Government of Tamil Nadu would like to ensure that all the social security pensions are disbursed through banks. The process has begun, but needs to expand rapidly to cover all recipients. Similarly the disbursement of wages under the Mahatma Gandhi National Rural Employment Guarantee Act should also be done entirely through the banking system. The high volume of pension, wage and scholarship payments in Tamil Nadu represents huge business opportunities for banks. Hence, what I suggest is a win-win proposition. I subscribe to the view that banks and the Government share a symbiotic relationship. Banks expand business, while helping in hassle-free and leakage proof delivery of important Government services.

In the Budget Speech for 2012-2013, the State has also announced the launch of the Integrated Financial and Human Resources Management System. Once this system is in place, the transaction of Government business through banks including the manual effort currently involved in Government receipt and payments systems, should be fully automated. A seamless integration of the electronic systems of Government and the banks should be achieved to ensure ease in transactions and greater customer satisfaction and I request the banks to fully co-operate with the State Government in implementing the system.

Tamil Nadu already has a good base in the organization of Self Help Groups, which have emerged as agents of socio-economic transformation in rural areas. We need to accelerate this movement and the State has already placed it at the forefront of the poverty reduction strategy. We have expanded the effort to cover urban areas as well with the launch of the Tamil Nadu Urban Livelihood Mission in the Budget for 2012-2013. The co-operation of the banks in implementing this scheme is imperative.

My Government has always accorded the highest priority to the Agriculture Sector and I have vowed to usher in the second Green Revolution in Tamil Nadu. Productivity enhancing investment in agriculture is crucial and I urge banks to ensure that the flow of credit to the Agriculture Sector continues unimpaired. The targeted credit flow to agriculture is 48,584 crore rupees including 17,010 crore rupees of term loans, which represents a substantial step up over the target of 31,017 crore rupees, including 7,518 crore rupees as term loan in 2011-2012. I understand that the 2011-2012 targets will actually be exceeded and I would urge banks to similarly exceed the targets for agricultural credit in 2012-2013.

Tamil Nadu is on the threshold of a new era of economic and social development. But this will not happen by itself. We need to dream and think big. In the recently released Tamil Nadu Vision 2023, I have envisioned a prosperous and inclusive Society for Tamil Nadu in the foreseeable future. The Vision 2023 document has set some very ambitious but realizable goals in front of us. The main challenge is to put

in place the necessary infrastructure for the envisaged growth. The Vision Document has identified the infrastructure requirements and has projected an outlay of 15 lakh crore rupees over the next 11 years.

The underlying assumption of the Plan is that the private sector will make a very substantial contribution to the expected investment. In this context the role of banks and financial institutions to effectively mobilize and channelize such investment is critical. I appreciate the fact that IOB was one of the first to pledge its support for implementing the Tamil Nadu Vision 2023. The association of such valuable partners is the key to realizing the Vision and I urge the banks to play a proactive role in funding investment, and in particular infrastructure projects in the State adequately, expeditiously and efficiently.

My Government is now giving final touches to industry-specific policies for various industries including automobiles, auto components, bio-technology, aerospace and renewable energy with special focus on solar power generation soon. We hope to achieve 14% growth in Manufacturing. I appeal to the banks to work in tandem with the Government to achieve the goals of the new industrial policy.

Micro, Small and Medium Enterprises is another area wherein, the State has had a historical advantage. But, of late, the growth of this critical sector has slowed down. The Government has decided to launch the New Entrepreneur-cum-Enterprise Development Scheme (NEEDS) from 2012-2013 to train budding entrepreneurs and handhold them through the process of incubating their new ventures and obtaining assistance from financial institutions. I look forward to support from the IOB and other Banks to ensure the success of this initiative.

You are all aware that Tamil Nadu is a key knowledge hub of the country. It has a huge advantage in higher education and soft skills. The banks should not only support the students with liberal education loans but also proactively come forward to finance start-ups when they finish education.

I am very well aware that performance not only brings accolades but also the expectation of even better performance in the future. The Indian Overseas Bank has risen to many challenges. May I now offer another challenge to Indian Overseas Bank? As the Convener of the State Level Bankers Committee for Tamil Nadu, I really hope that Indian Overseas Bank will continue its good work and inspire other Banks to **ensure that every village in the State is provided with a banking connection and Tamil Nadu becomes the numero uno State in the country in financial inclusion.**

I wish the Indian Overseas Bank, the very best in the future.

Thank you.

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