

**SPEECH BY HER EXCELLENCY THE PRESIDENT OF INDIA,
SHRIMATI PRATIBHA DEVISINGH PATIL, AT THE PLATINUM
JUBILEE CELEBRATIONS AND RELEASE OF POSTAGE STAMP
ON THE RESERVE BANK OF INDIA ON 16th JANUARY, 2010 AT
NEW DELHI**

Ladies and Gentlemen,

I am happy to be participating at this function to mark the Platinum Jubilee of the Reserve Bank of India and to release its Commemorative Stamp. I convey my greetings to its Governor, the Directors and the staff.

The Reserve Bank of India has been a part of the country's economic journey. It has stood at the centre of India's financial system. From ensuring stability of interest and exchange rates to providing liquidity; from ensuring bank penetration and safety of depositors' funds to promoting and developing financial institutions and markets, the Reserve Bank has played a crucial role in the economy. It has in the 75 years of its existence, acted in a highly responsible manner and has contributed to providing support to the nation's economy both during critical and relatively normal times. It is also an institution which has had the privilege of having eminent economists as Governors. Prime Minister Manmohan Singh himself was the Governor of the Reserve Bank from 1982 to 1985.

Established in 1935 during the aftermath of the Great Depression of the 1930s, Reserve Bank marks its platinum year at the end of another global downturn. The impact of the credit and

financial crises of the last two years, in terms of lowered economic growth rates and high unemployment rates, is somewhat comparable to the Great Depression. The performance of the Reserve Bank, including during the recent crisis demonstrated that its experience of regulating monetary flows of the nation has lent to it high stature and given it deep maturity and perspective to deal with a range of complex economic issues.

India was fairly successful in weathering the economic storm. The Government of India announced stimulus packages while the Reserve Bank took steps to regulate the liquidity in the system. Fiscal policy took care to arrest the domestic demand slowdown and revive it, while the monetary policy was used for providing stimulant to growth impulses. The prudent and carefully calibrated policies adopted by RBI and our well regulated banking sector, were noted by financial experts. Though we did see a fall in our growth rate initially, we have now returned to close to a 7 percent growth rate, testifying the correctness of our policy stance. Our growth trajectory is expected to be higher in the coming year.

If there is one lesson that can be drawn from this crisis is that there cannot be unbridled extension of credit. The Reserve Bank must continuously ensure that banks have proper guidelines for risk management. While indiscriminate grant of credit must be avoided, credit policies should definitely not deny finance for productive enterprises. There is a need to speed up development and

infrastructure projects in the country and to ensure that bank credit is available to all sectors, sections and units across the scale.

India enjoys some unique advantages like a high saving rate, large domestic market and demographic factors that will remain conducive to sustaining demand. Nevertheless, the current situation warrants a close watch on various economic indicators, including of the international economy. In the last few years there has been another development - an acknowledgement that the dynamics of a globally integrated economy require the involvement of emerging economies like India. This makes the Reserve Bank's role even more exacting now. In an inter-linked world, our central bank has to factor in global developments while designing policies and programmes. However, while doing so, it has to all the time think of the specific Indian context, see the immediate relevance of such developments in our lives and keep in view the evolving needs of men and women across our country.

In India, one of the major objectives is financial inclusion. The priority of the banking system should be to strengthen itself significantly to support a modern, vibrant and inclusive economy. The banking system in the country has grown considerably but yet even today the challenge is to reach the unbanked areas, particularly in the rural areas. I am confident that the Reserve Bank will provide the appropriate policies and frameworks to achieve this objective. Maximum use of technology should be made while fulfilling this goal.

The Reserve Bank has been aligning the banking system to respond to the needs and priorities of our development agenda. At this stage, as part of their increased social responsibility, we need a greater involvement of the banking system in the ongoing national development programmes. There are a number of Government schemes that are being implemented ranging from the National Rural Employment Guarantee Scheme to widow pensions; from skill development to supporting Self Help Groups. The banking system, guided by the Reserve Bank, should look at how their participation can make the implementation of these programmes, more effective.

Self Help Groups have been recognized as effective vehicles for empowerment of economically weaker sections, especially women and those who are in the BPL category. Banks are required to give 40 percent of the net banking credit at below the Prime Lending Rate, towards priority sector advances, like agriculture, small enterprises and weaker sections. Advances to Self Help Groups get broadly reflected under advances to agriculture sector and to weaker sections, but it has not been found to be adequate to meet the demand of the large number of women SHG beneficiaries. Therefore, advances to Self Help Groups should be got clearly specified under the small enterprise advance category and under the DRI schemes, to enable them to get credit at lower rates of interest. The RBI should consider evolving a mechanism under which Women SHGs, particularly those comprising the BPL category, are provided

credit at an interest rate not exceeding 4 percent per annum and prescribe a cap if necessary on the interest rates for onward lending.

In conclusion, I would like to say that not only has the Reserve Bank adapted well to the changing requirements, it has also been able to innovate and implement policies that have enabled the country to achieve high growth rates. In the coming decade there will be many more challenges and requirements for the banking sector. But I am confident that these challenges will be met with confidence. I once again congratulate the Reserve Bank and all those associated with it, for reaching this milestone and wish the very best for the future.

Thank you,

Jai Hind.