

# Thriving ecosystem for Banking, Fintech and Digital Innovation

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Distinguished guests, industry leaders, and friends,

Good morning.

It is a privilege to stand before you today at Invest Kerala, an event that is more than just about investment. It is about belief—the belief that Kerala is not just a land of immense beauty and rich culture but a land of limitless opportunity. Before we get into the specific topic about banks, fintech and the digital ecosystem, which the panel will address, I wanted to make some broader remarks about emerging Kerala.

For long, we have admired Kerala for its backwaters, its governance, and its literacy rates. But today, we must see beyond that, a state ready to stake its claim on the economic landscape of India.

To at least a few people here and most non-Keralites, the first thing that comes to our mind when we talk about the state of Kerala is the image of an artist in red adornments and green painted face— an image of a Kathakali artist. Yes, Kathakali is not just a dance form; it is an elaborate visual spectacle and for me Kathakali represents what Kerala is, in many ways. It is not just the dancer alone; it is the perfect harmony of the dancer, the singers, the instrumentalists, the rhythm, the lights, and the audience's engagement that creates the art. The Chenda's booming beat, the Maddalam's deep resonance, the Ilathalam's delicate chime, the Sopanam's evocative voice, and the Mudras' expressive gestures—all come together to tell a story. Remove one, and the performance loses its depth.

Kerala's economy needs to be much like Kathakali. It has to be the perfect blend of institutions, entrepreneurs, workers, investors, policymakers, and innovators that has to make the system work. Just as Kathakali's beauty comes from its synchronization, Kerala's strength has to come from how well its industries, workforce, and visionaries align. Today, this platform— Invest Kerala, provides a unique opportunity for the unison of many of the talents that are key to shaping Kerala's economy— we have bankers, fintechs and many others, who are part of Kerala's digital ecosystem here today.

Like the Sopanam singers who invoke the mood of a Kathakali performance, Kerala's bankers, policymakers, and financial institutions have laid the foundation for sustained growth. Kerala has produced some of India's strongest financial institutions—banks that didn't just survive the nationalization wave but thrived and expanded. Today, four of these Kerala-grown banks continue to be the oldest private sector banks in the country and I have the privilege of leading the largest one amongst them. Let me also assure everyone here, that Federal Bank promises to be a perfect growth partner for Kerala and its people.

Beyond banking, Kerala is home to some unique industrial successes- Did you know that at one-point, British markets were flooded with Indian handloom textiles? British women were so taken by them that they were called Calico Madams. Calico refers to a cotton fabric that originated from Calicut, made by traditional weavers called Chaliyans. Kerala has in the past shaped global industries with its craftsmanship and innovation and even now some success stories continue to inspire- The biggest dental lab in India? It's in Kerala. The company that supplies steel castings to Mitsubishi, Man Turbo, and BP? Kerala. One of the world's leading manufacturers of blood bags? Kerala again. This state has been the birthplace of these institutions that have redefined industries, challenged norms, and created opportunities far beyond its borders. And as someone who represents one of these institutions born here in Kerala, I take immense pride in carrying forward Kerala's legacy of resilience, innovation, and excellence.

But even great things must evolve to meet the changing times. Stability is good, but stagnation is not. It is time to build on this legacy and expand beyond it.

The Chenda artists, who create the powerful beats of a Kathakali performance, are much like Kerala's industrialists, healthcare, tourism professionals and the large, educated workforce—setting the rhythm, driving momentum, and ensuring that the performance never loses its pace.

As the industries minister Mr. Rajeeve said in a recent meeting, Kerala has attracted investments worth ₹44,000 crores in just the last 3.5 years. This is definitely a step in the right direction. The Mission 1000 initiative is helping scale MSMEs into ₹100 crore enterprises. And from April 2021 to March 2024, more than 2.65 lakh MSMEs have been launched, attracting investments close to ₹18,000 crores.

After a challenging period during the Covid years, tourism has made a remarkable comeback over the last two years. In 2023 alone, an impressive 2.25 crore tourists visited Kerala, highlighting its appeal to both domestic and international travellers. When I read about the K-HOME scheme in the papers, I was immediately reminded of the Minka Renovation Programme in Japan. This initiative transformed old rural homes for modern use while preserving their unique architectural heritage. Unlike the Japanese version, which was not government-administered but had significant government collaboration, the Kerala model sees the state playing a much more prominent role. By repurposing vacant homes into tourist accommodations, Kerala is seamlessly integrating global strategies to invigorate its economy. This innovative approach not only enhances tourism infrastructure but also provides homeowners with a lucrative additional revenue stream, making it a truly win-win situation for everyone involved.

The state's allure extends beyond leisure tourism, as it is also perfectly positioned to become a leading destination for medical tourism. In fact, medical tourism for Ayurveda has been growing at 20-25% every year. The state has been attracting patients from across the world. Apart from tourism which has huge revenue-generating potential, medical tourism is something that needs to be explored even further. A substantial number of doctors from the state have

studied at top medical institutions worldwide. But the real game-changer is the cost advantage. Consider this: a heart bypass surgery in the US costs \$144,000. In Mexico, \$20,000; in Thailand, \$24,000. And in Kerala? \$8,500. World-class yet affordable healthcare—that is what Kerala brings to the world.

The Minukku Vesham, in Kathakali is known for its soft, graceful, and radiant appearance, represents Kerala's people. Minukku is the silent strength—it doesn't need grand gestures to prove its worth. But sometimes the quietest strengths need the loudest amplification. And for Kerala the Minukku is its people.

To me Kerala has always been an enigma. It is a state that produces some of the sharpest minds, the most industrious entrepreneurs, and the most skilled professionals. Walk into a hospital in London, a tech firm in Bangalore, or a trading house in Dubai, and you will most probably find a Malayali at the helm, shaping industries, driving innovation, and leading businesses. And yet, for decades, success has often come at a cost: the need to leave home. The assumption has been that to grow, one must go elsewhere. That the best opportunities are outside. That prosperity lies beyond Kerala's borders. This must change. I can see it changing.

Kerala has achieved the highest growth in regular wage jobs among all major states in the last five years. 40.5% of its workforce is self-employed, 38.9% earn regular wages, and the rest rely on casual labour according to a study by India Ratings and Research. Kerala is home to about 36 million people, with almost 70% in the working-age group and a literacy rate of 96.2%—the highest in India. The state's urban population has grown by 15-20% over the past decade, and yet, unlike most parts of the country, Kerala does not have a stark rural-urban divide. The quality of life, infrastructure, and amenities remain almost uniform across the state, making it a compelling place to live and work. Kerala is and must continue to focus on its ecological balance and offer a pollution free environment with a social and physical infrastructure that can attract people to return home and set up businesses. We must focus and enhance the liveability index of some of our larger cities.

In the BFSI sector, 75% of recruiters are now looking beyond metro cities and considering Tier 2 cities as their next hiring destination, with 38% of them even considering Tier 3 cities. For IT, 60% of respondents of a recent Fitch survey anticipated hiring from Tier 2 cities, and 30% were expecting recruitment from Tier 3 cities. This presents a huge opportunity to all the youngsters in Kerala.

Kerala's fintech sector, valued at around ₹2,000 crores, is expected to grow at a rate of 15-20%. The state is home to over 200 fintech startups and over the past five years ₹500 crores in funding has been secured by fintech startups in Kerala. A very interesting feature of the state's fintech ecosystem is its inclusivity with approximately 15% of these startups being led by women. Initiatives like the Kerala Startup Mission supporting over 3,900 startups is making Kerala a hub for innovators.

We too can capitalize on our strengths—our people, our thriving small businesses, quality of our workforce our expertise in technology. Every global economic hub—Dubai, Singapore, Hong Kong—stood at an inflection point before transforming into what they are

today. Dubai was once a modest trading post in the desert, but strategic investments in infrastructure, technology, and trade turned it into a global business powerhouse.

Singapore, with its limited land and natural resources, invested in human capital, technology, and finance to become an economic miracle. Hong Kong leveraged its position as a gateway to China, transforming into a financial epicentre. These regions didn't wait for opportunity—they created it. Each faced demographic and geographic constraints. Each overcame them by focusing on their greatest strength. Kerala stands at a similar turning point. Kerala with its limited land availability will find it difficult to create large sprawling factories. We have to recognise our limitations. But businesses which involve high skill, precision and automation play will be the strength of Kerala. We must focus on services industry like tourism, technology, medical, healthcare and of course financial services, fintech and digital. We can focus on precision engineering and high value-added engineering services and manufacturing. The SME can form the backbone of the new industrial resurgence. During my recent travels to the Middle East, many people approached me, expressing an ardent desire to return to Kerala and start businesses. A few years ago, this sentiment was far less common. Our top ranking in Ease of Doing Business reforms highlights the state's remarkable progress in creating a more business-friendly environment. As we look ahead, Kerala holds great promise and potential. We have to make sure this potential is realised.

Now is the time for the Kathakali like collective effort of Kerala's institutions, entrepreneurs, workers, investors, and innovators. Each has a role to play. We need to think of this as a now or never opportunity to create this dance of the Kerala Economy. I am confident together we can! The drums have begun, the lights are on, and the stage is set with record-breaking investments, a thriving start-up culture, and a workforce more prepared than ever, top ranking in ease of doing business and an outreach by the government with initiatives like a pavilion in Davos.

Now, Kerala, must perform.

In Kathakali, there is a moment called Pakarnattam—the point where the performer is no longer just acting but has fully transformed into the character they portray. Kerala has reached its Pakarnattam moment. We are no longer preparing for success—we have to demonstrate success

THANK YOU

Once again, Nandri Namaskaram!