



# **FINANCIAL LITERACY & FINANCIAL INCLUSION - INDIAN WAY**

PRESENTATION BY

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# INDIA- SOME FACTS



Geographical area – 7<sup>th</sup> in the world

Population – 2<sup>nd</sup> in the world – 1.2 billion

By nominal GDP – 10<sup>th</sup> largest economy in the world

One of the fast growing economy

35 States and Union Territories, 644 districts

600 thousand Villages, widely dispersed terrains

Multilingual and multiethnic society



## **EXCLUSION – SURVEY FINDINGS - 2003**

Highest number of households (145 million) excluded from banking

50% of the population does not have bank account

Only 34% of the population engaged in formal banking

Only 17% of population has any credit exposure especially in remote villages

Only 30000 villages have commercial bank branch

Only 10% have life insurance cover

Just 9.6% have any non-life insurance



# WHAT IS DIFFERENT IN INDIAN CONTEXT

## WORLD

Socially Well developed – General Literacy levels-  
Comparatively better

Per capita income is higher, Population below  
Poverty line is less

Financial Network already in place

Financial Inclusion is more about knowledge of fair  
and transparent financial products

Financial Literacy objective- Informed decision  
making- Consumer protection

## INDIA

Developing Society– General Literacy  
Level- Low

Per capita income is lower, Population  
below Poverty line is high

Low banking penetration- Many  
habitations unbanked

Access to formal financial services -Basic  
financial products. More focus required on  
Financial Literacy

Financial Literacy objective- Financial  
planning- Awareness of basic banking  
products



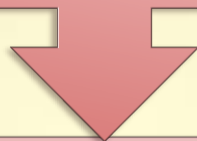
# FINANCIAL INCLUSION- DEFINITION

Financial Inclusion is the process of *ensuring access* to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an *affordable cost* in a *fair and transparent manner* by mainstream institutional players

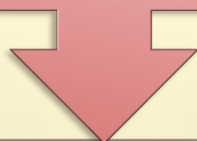


# WHAT ARE WE AIMING

Availability of Door-Step banking services to all unbanked habitations with population more than 2000 (100 Thousand villages) – Roadmap prepared- with timeline of March 2012



Availability of Door-Step banking services to remaining 550 thousand habitations - Next 3-5 years



Provision of a bouquet of Financial services to 1.2 billion people



# INSTITUTIONAL STRUCTURE

Government of India & Reserve Bank of India



Financial Stability Development Council-  
Technical Group on Financial Inclusion and Financial Literacy



Financial inclusion Advisory Committee of RBI



35 State Level Bankers Committees



644 Lead District Managers



# INDIA'S STRATEGY - MULTI PRONGED

Evolving regulatory guidelines with development perspective

Deepening Banking reach and coverage

Introduction of Innovative products

Encouraging use of Technology

Financial Literacy and Financial inclusion- Synced approach





# ADOPTED BANK LED MODEL : WHY ?

Leveraging on existing branch base - Planned, structured and sustained financial inclusion

Given low literacy levels and past experience- High risks from non-banks offering banking services

Mainstream Institutional players – Sufficiently regulated -- Financial Stability

Simultaneous concern - Consumer Protection to vulnerable customers

Strong KYC compliance

Individual Deposit Insurance - upto ₹ 100 thousand per account

No charges for safe custody of savings - Rather interest paid on deposits



# FINANCIAL LITERACY

Financial Literacy & Financial inclusion to go together- Financial Stability Development Council -Mandated to focus on Financial Inclusion and Financial Literacy

A technical group on Financial Inclusion and Financial Literacy under aegis of FSDC- Coordinating the efforts of all Financial Sector Regulators

National strategy on Financial Education prepared

Financial Literacy Centres set up in most of districts (650+)

Rural bank Branches (35000+) -To conduct awareness camps

Comprehensive Operational Guidelines for conduct of camps- Standardised Financial Literacy Material

Mass scale awareness- Outreach Visits, Camps, Quiz, Essay Competition, Role Play, Comic Books, Fairs and Exhibitions etc

Financial Education website

Financial Literacy-To be included in School Curriculum at National Level

# FLCs -PROGRESS

<b>Particulars</b>	<b>June 12</b>	<b>Sept 12</b>	<b>Dec 12</b>	<b>Progress- Apr 12-Dec 12</b>
No. of FLCs	483	575	656	173
No. of camps conducted	5,682	7,290	15,289	28,261
Persons educated in camps	2,30,808	4,19,143	5,03,272	11,53,223
Persons educated - Indoor service	74,525	1,26,367	1,40,119	3,41,011
<b>Total Persons educated by FLCs</b>	<b>3,05,333</b>	<b>5,45,510</b>	<b>6,43,391</b>	<b>14,94,234</b>



# FINANCIAL INCLUSION PLANS OF BANKS

Banks prepared Board approved 3 Year FIPs- April 2010 to March 2013

Banks advised to prepare plan for next 3 years: 2013-2016

Self-set targets-FIPs to be integrated with Business plan of the banks

Coverage of unbanked villages, > 2000 & < 2000, Rural brick and mortar branches, Deployment of BCs,

No-frill accounts to be opened including through BC-ICT, EBT, KCC, GCC (Business parametres)

Specific products to be designed to cater to the financially excluded segments

Creating Awareness of products and services, Publicity about availability of Access

FIP achievement- Criteria in the performance evaluation of officials of banks

Close Monitoring by Reserve Bank of India- Monthly Reporting- Annual Comprehensive review



# FIPs – LAST 3 YEARS

5694 new Branches opened in villages

143540 unbanked villages provided banking services.

17503 new Urban locations provided banking services through BCs

98 million No Frill accounts added

Out of above 59 million accounts are opened through BCs

7.5 Million Kisan Credit Cards issued (Small Loans-Farm sector)

1.7 Million General Credit Cards issued (Small Loans-non-Farm sector)



# FIPS- PROGRESS AT A GLANCE

SR	Particulars	Year ended Mar 10	Year ended Mar 11	Year ended Mar 12	Upto Dec 12	Progress Apr 10- Dec 2012
1	No. of Branches	85457	91145	99242	103359	17902
2	No. of Rural Branches	33433	34811	37471	39127	5694
3	Banking outlets in villages	67694	116208	181753	211234	143540
4	Urban Locations covered through BCs	447	3771	5891	17950	17503
5	Basic Saving accounts -BSBDA(No. in million)	73.45	104.76	138.50	171.43	97.97
6	Over draft facility availed in BSBDA (No. in million)	0.18	0.61	2.71	3.28	3.10
7	BSBDA through ICT-BCs (No. in million)	13.26	31.63	57.30	72.41	59.14
8	ICT -BC-Total Transaction -No. in lakhs	26.52	84.16	141.09	60.48	435.53
9	Small Loans-Farm sector (No. in million)	24.31	27.11	30.23	31.73	7.43
10	Small Loans-Non Farm sector (No. in million)	1.39	1.70	2.11	3.11	1.73



# CHALLENGES

Infrastructure issues- Digital and physical connectivity

Technology issues- availability of handheld devices, cards, technology partners, operational glitches, Turnaround time

Engaging BCs- Associated risks - Lack of professionalism of BCs

Less transactions-Non-operational accounts- Low volume small value transactions- High Cost -Viability issues- In adequate remuneration- BC attrition-Non payment of commission

Scaling Financial inclusion- Appropriate Business Model yet to evolve- need to move from cost centric model to a revenue generation Model by offering a bouquet of deposit, credit and other services



# WAY FORWARD

All stakeholders to collaborate- RBI, Other Financial Regulators, Banks, Governments, Civil Societies, NGOs

Building required infrastructure such as digital and physical connectivity, uninterrupted power supply

Implementation of EBT for routing all social security benefits directly through bank accounts – Cash Benefit Scheme in lieu of product based subsidies

Elevate Literacy and awareness drives- National Strategy of Financial Education- Standard Literacy Material- School curriculum

Sensitisation- Effort on to bring about a cultural and attitudinal changes in the mindset of all stakeholders especially frontline bankers





**THANK YOU**