



FINANCIAL INCLUSION

Achievements So Far and Road Ahead



**A PRESENTATION BY
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Why are we talking of Financial Inclusion* Now?



- * Focus on Inclusive Growth**
- * Banking Technology has arrived**
- * Realization that unbanked villages and poor provide business opportunity for banks and other financial intermediaries**

(Financial Inclusion: The process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players.)*



Financial Inclusion- What are the barriers?



- * **Absence of Technology**
- * **Absence of reach and coverage**
- * **Absence of viable Delivery Mechanism**
- * **Not having a Business model**



Indian Approach



- **Broad based government-Central Bank commitment to financial inclusion**
- **All villages above 2000 population being provided access to financial services by March 2012**
- **Villages below 2000 population to be covered in an integrated manner. Also to provide banking services to entire population residing in Urban and Metro Centers – Urban Financial Inclusion**
- **Approximately 3,50,000 villages could potentially be provided financial services by March 2013 under FIPs of banks submitted to RBI**
- **Indian approach on achieving planned, sustained and structured financial inclusion is spelt out in next few slides**



Multi Agency Approach– Government and RBI Initiatives

- Establishment of **Financial Stability and Development Council** to institutionalize the mechanism for maintaining financial stability. This council's brief includes focus on financial inclusion as also literacy.
- Financial Inclusion and Financial Inclusion Technology Fund set up.
- RBI advised banks to formulate a board approved Financial Inclusion Plan (FIP) for three years up to Mar 2013.
- We have urged all banks to include performance under financial inclusion in the performance evaluation of their field staff.
- Financial Literacy and Credit Counseling centres by banks.



What is needed ?



- **Delivery Model is the key. What is needed is a complete Eco-System**
- **Last years efforts directed towards Eco-System Development**
- **Main issues that were discussed / sought to be addressed are highlighted in the next five slides**



Technology – Fix it first



- All Bank branches must be on Core Banking Solution (CBS). All RRBs to be on CBS by September 2011
- Multi-channel approach (Handheld devices, mobiles, cards, Micro-ATMs, Branches, Kiosks, etc.)
- Front-end devices transactions must be seamlessly integrated with the banks' CBS
- Front-end devices must be capable of transacting a minimum of four products
- A provision for UID (Unique Identity) number in the smart card



BC Model – Strengthening



- **Strengthening of the Business Correspondent (BC) Model**
 - Corporates have been allowed
 - Pricing has been allowed
 - Interest rates on advances totally deregulated
 - Know Your Customer (KYC) documentation requirements significantly liberalized for small value accounts



Coverage - Transparency



- What is meant by Banking Coverage?

A village is covered by banking service if either a bank branch is present or a BC is physically present or visiting that village.

- The names of villages covered and the name of the branch / BC should be available on the bank's website.



Products – Minimum Four



- It is not enough to just offer No Frills Accounts*
- At the minimum, four banking products need to be provided for it to qualify as availability of banking services.
 - 1) **A Savings cum Overdraft Account**
 - 2) **A Remittance Product for Electronic Benefit Transfer and other remittances**
 - 3) **A Pure Savings Product ideally a recurring or variable recurring deposit**
 - 4) **Entrepreneurial Credit such as General Credit Card (GCC), Kisan Credit Card (KCC)**

(A No Frills Account is one for which no minimum balance is insisted upon and for which there are no service charges for not maintaining the minimum balance)*



Operational Issues

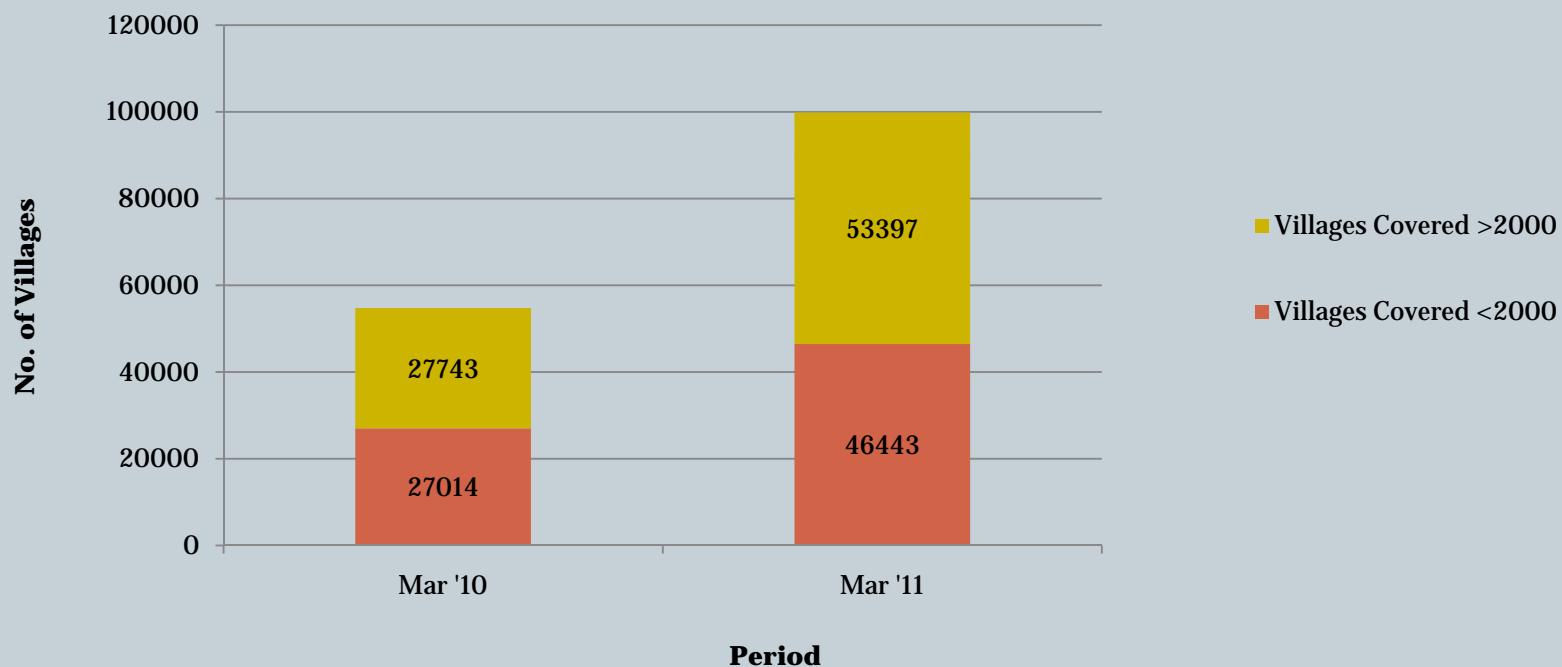


- **Cost-centric Approach leading to unviable Business Model**
- **Need for Intermediate Brick and Mortar Structure**
 - Supervision of BCs, redressal of customer grievances
 - Cash Safe, CBS Terminal, Passbook Printing
 - Processing of local applications, monitoring & physical follow up.
 - Can morph into a full fledged branch of the Bank in future
- **Policy prescription already made in the recent annual policy wherein banks are mandated to open 25% of all new branches in unbanked rural areas.**
- **Going ahead, focus on having a combination of opening Brick and Mortar branches and BC outlets for providing banking services at all villages.**
- **Accounting issues are being resolved – BCs' Cash is Banks' Cash.**

Financial Inclusion- What we could achieve?



Villages Covered- Population Group wise

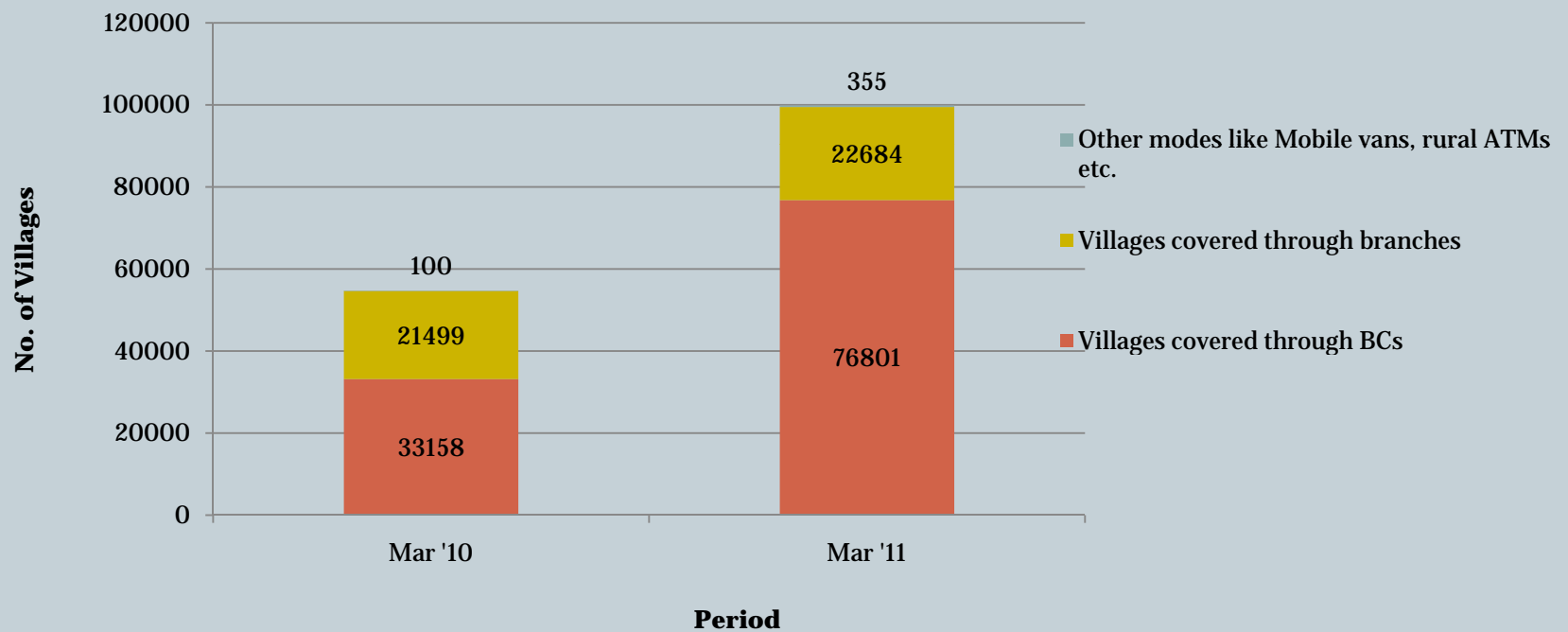


- Villages with above 2000 population covered by banking services increased from 27,743 at end Mar '10 to 53,397 at end Mar' 11.

Financial Inclusion-What we could achieve?



Villages Covered- Mode wise



- No of villages covered through BCs increased from 33,158 at end Mar '10 to 76,801 at end Mar' 11.

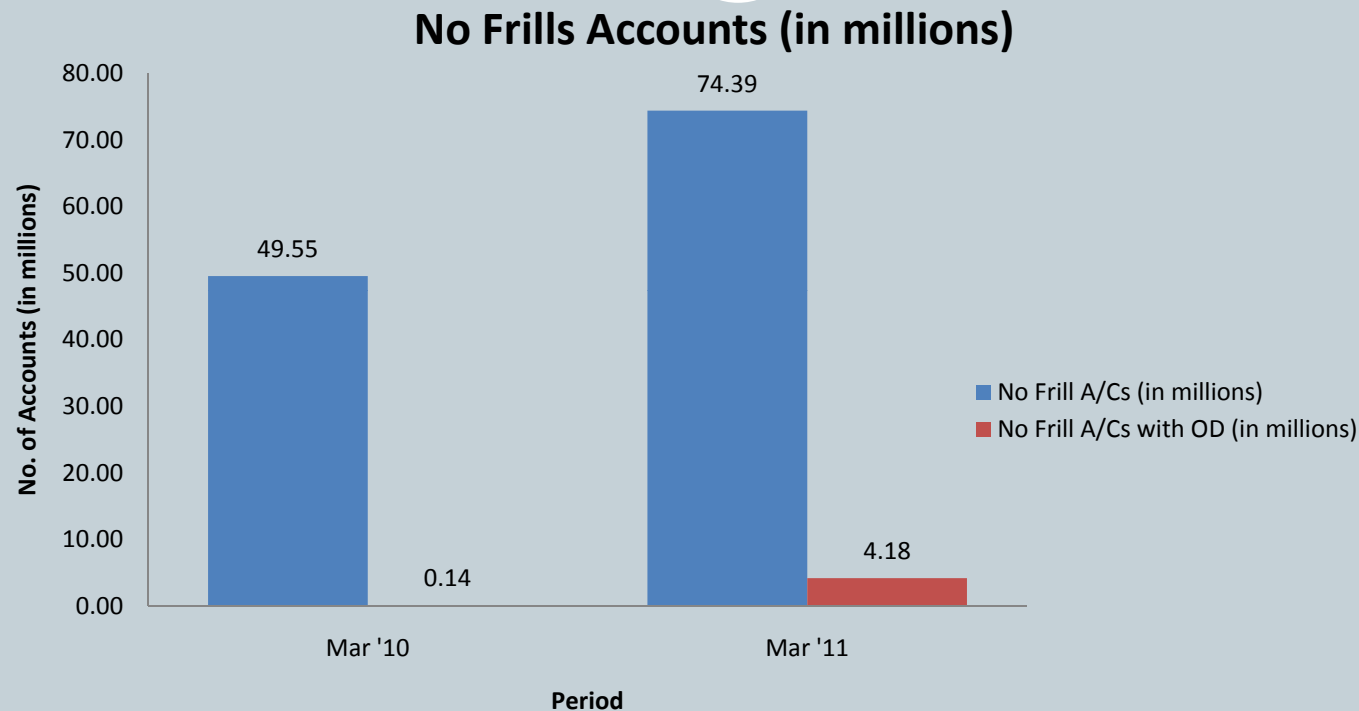
Share of Rural Branches in Total Branches



Commercial Bank Branches incl RRBs						
YEAR	RURAL	SEMI-URBAN	URBAN	METRO	TOTAL	RURAL / TOTAL (%)
	1	2	3	4	5	6 (=1/5)
1990	34791	11324	8042	5595	59752	58.2
1991	35206	11344	8046	5624	60220	58.5
1992	35269	11356	8279	5666	60570	58.2
1993	35389	11465	8562	5753	61169	57.9
1994	35329	11890	8745	5839	61803	57.2
1995	33004	13341	8868	7154	62367	52.9
1996	32995	13561	9086	7384	63026	52.4
1997	32915	13766	9340	7529	63550	51.8
1998	32878	13980	9597	7763	64218	51.2
1999	32857	14168	9898	8016	64939	50.6
2000	32734	14407	10052	8219	65412	50.0
2001	32562	14597	10293	8467	65919	49.4
2002	32380	14747	10477	8586	66190	48.9
2003	32303	14859	10693	8680	66535	48.6
2004	32121	15091	11000	8976	67188	47.8
2005	32082	15403	11500	9370	68355	46.9
2006	30579	15556	12032	11304	69471	44.0
2007	30551	16361	12970	11957	71839	42.5
2008	31002	17724	14397	13019	76142	40.7
2009	31646	18969	15439	13877	79931	39.6
2010	32494	20494	16761	14855	84604	38.4

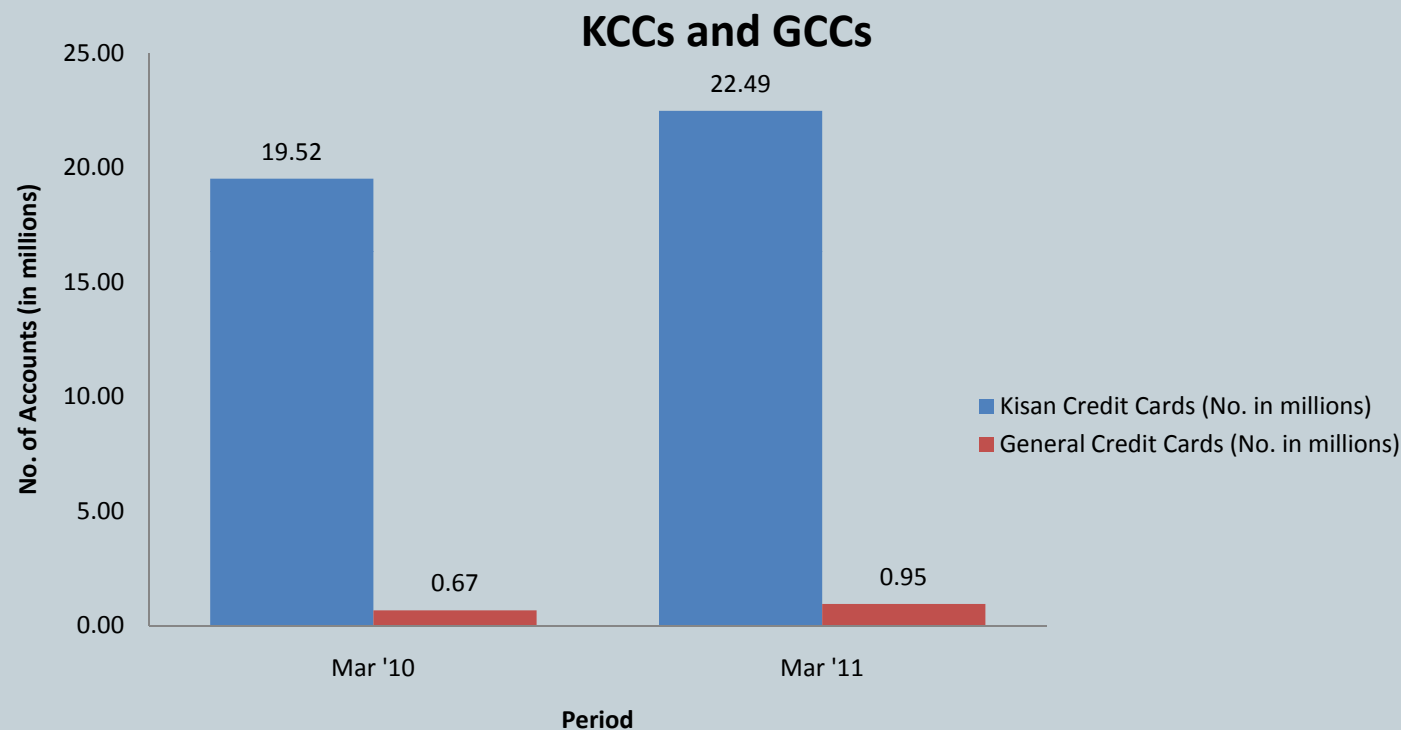
- Share of rural branches in total branches has been showing a declining trend

Financial Inclusion-What we could achieve?



- Number of No Frills Accounts increased from 49.55 million at end Mar '10 to 74.39 million at end Mar' 11.

Financial Inclusion-What we could achieve?



- No of KCCs/GCCs increased from 20.19 million at end Mar '10 to 23.44 million at end Mar' 11.



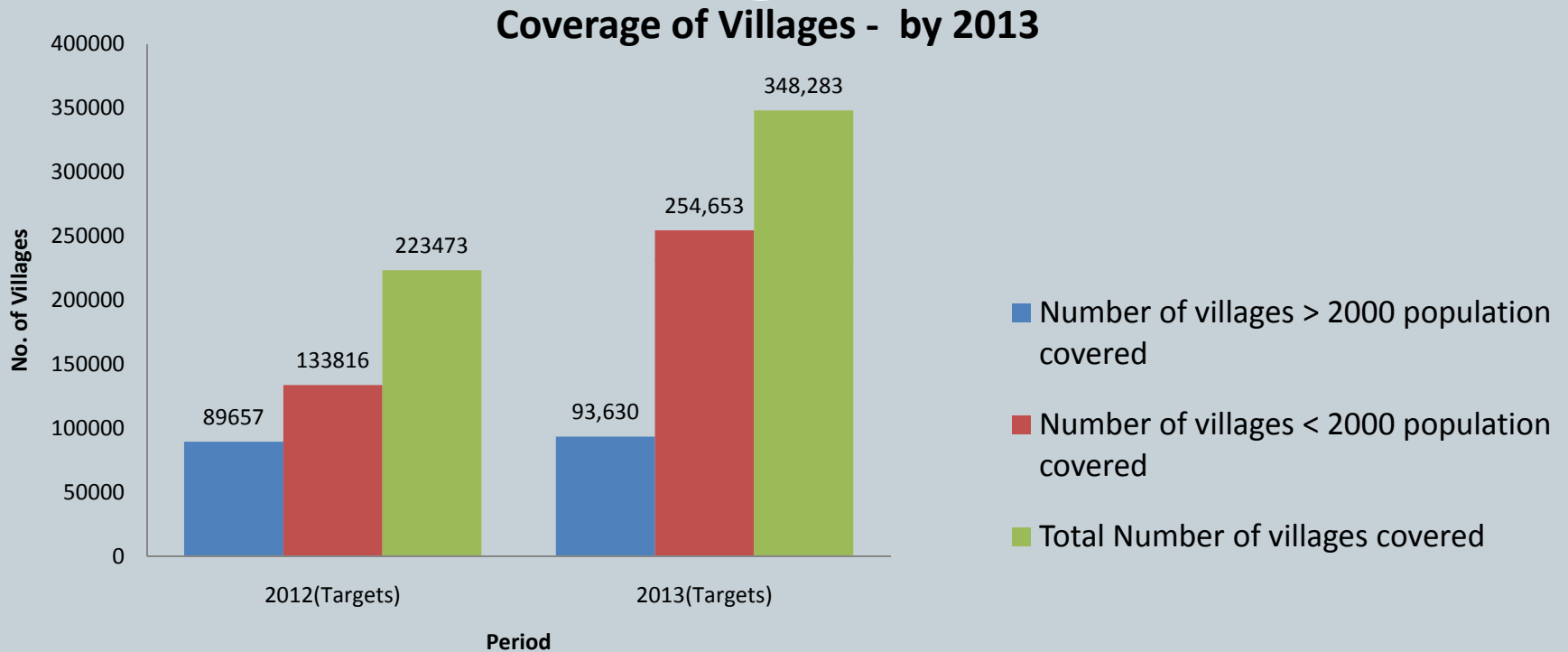
Financial Inclusion Plan- What we could achieve?



Consolidated FIP Data of SCBs excluding RRBs

Sl. No.	Parameter	As at end March 2010	As at end March 2011
1	Total Number of villages covered	54,757	99,840
2	Villages covered through branches	21,499	22,684
3	Villages covered through Business Correspondents (BCs)	33,158	76,801
4	Other modes like Rural ATMs, Mobile Van,s etc.	100	355
5	Number of villages > 2000 population covered	27,743	53,397
6	Number of villages < 2000 population covered	27,014	46,443
7	No. of BCs employed by banks	33,042	58,351
8	Number of No-Frills Accounts (NFAs)opened (in million)	49.55	74.39
9	Amount in NFAs (Rs. in million)	48952	65657
10	Number of NFAs with Overdraft(OD) facility (in million)	0.14	4.2
11	NFAs with OD- Amount outstanding (Rs. million)	91	1987
12	Number of Kisan Credit Cards (KCCs) issued (in million)	19.5	22.49
13	Amount outstanding in KCCs (Rs. million)	10,75,187	14,38,622
14	Number of General Credit Cards (GCCs) issued (in million)	0.67	0.95
15	Amount outstanding in GCCs (Rs. million)	8,398	13,077

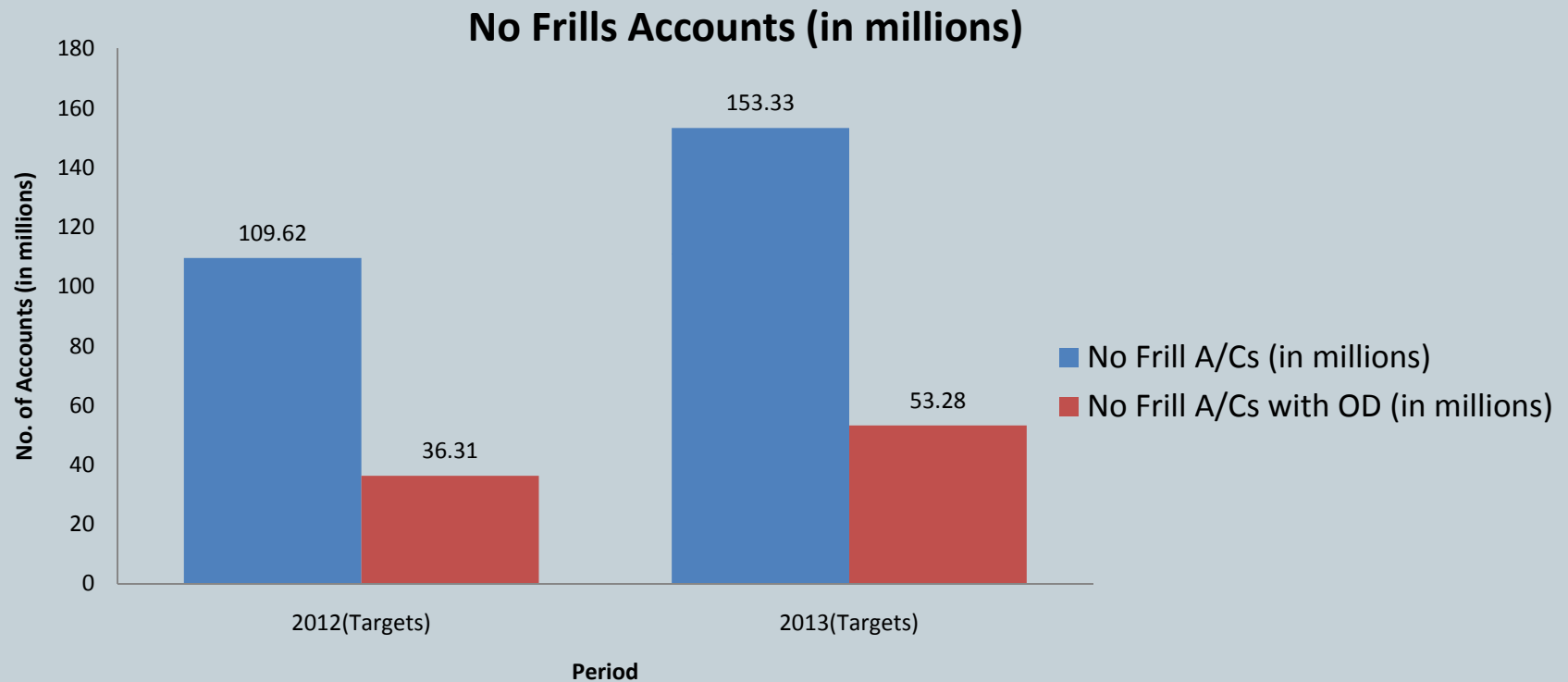
Road Ahead- What we plan to achieve by 2013 *?



- **Total Villages covered by banking services projected to increase to 2,23,473 in Mar '12 to 3,48,283 in Mar' 13.**

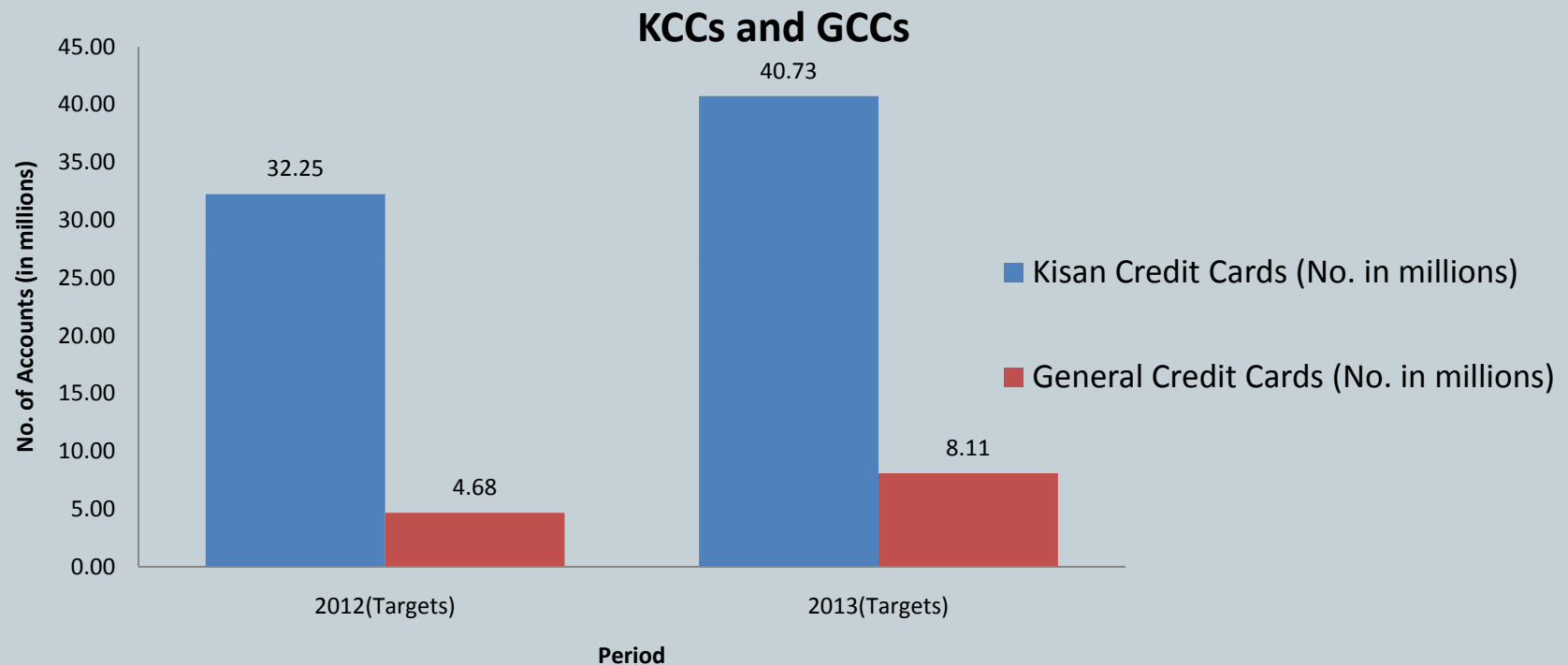
* Based on FIPs submitted by Banks. May undergo a revision.

Road Ahead-What we plan to achieve by 2013?



- Number of No Frills Accounts projected to increase to 109.6 million at end Mar '12 and 153.3 million at end Mar' 13.

Road Ahead- What we plan to achieve by 2013?



- No of KCCs/GCCs is projected to increase to 36.9 million at end Mar '12 and 48.8 million at end Mar' 13.

Road Ahead- What we plan to achieve by 2013?



Consolidated FIP Data of SCBs excluding RRBs

Sl. No.	Parameter	Mar 12 - Targets	Mar 13 - Targets
1	Total Number of villages covered	2,23,473	3,48,283
2	Villages covered through branches	24,618	25,694
3	Villages covered through Business Correspondents (BCs)	1,97,494	3,20,412
4	Other modes like Rural ATMs, Mobile Van,s etc.	1361	2177
5	Number of villages > 2000 population covered	89,657	93,630
6	Number of villages < 2000 population covered	1,33,816	2,54,653
7	No. of BCs employed by banks	1,25,988	1,87,972
8	Number of No-Frills Accounts (NFAs)opened (in million)	109.6	153.3
9	Amount in NFAs (Rs. in million)	93,110	113,233
10	Number of NFAs with Overdraft(OD) facility (in million)	36.3	53.3
11	NFAs with OD- Amount outstanding (Rs. million)	14,458	22,282
12	Number of Kisan Credit Cards (KCCs) issued (in million)	32.3	40.7
13	Amount outstanding in KCCs (Rs. million)	15,21,135	17,92,548
14	Number of General Credit Cards (GCCs) issued (in million)	4.68	8.11
15	Amount outstanding in GCCs (Rs. million)	32,291	56,697



Challenges



- Perceived more as an obligation than a business opportunity. Business Model yet to evolve
- Delivery Model yet to be perfected especially when there is a glitch , hence, we are unable to scale up
- Banks are still engaged in Eco-System Development
- Need for more BCs
- Need for Training BCs and ensuring their financial viability
- Corporate BCs still need to be stabilized



Challenges...



- Physical capacity of banks to deliver needs to be enhanced
- Infrastructure necessary for scaling up capacity - availability of handheld devices, cards, technology partners, vendors, etc.
- Need for Intermediate Structure
- Digital and Physical Connectivity- needs to be strengthened
- Ensuring Collaborative Approach involving Govt, Banks, Technology Vendors, Service Providers, NGOs/Civic Society and Customers

These need to be tackled , and this year our efforts will be focused on these aspects. Whatever issues emerge in today's Summit, let them be deliberated and shared with us.



Thank you