



**FINANCIAL INCLUSION -
THE INDIAN MODEL -
CHALLENGES & PROSPECTS-**
Presentation at Center for international
Development-
Harvard Kennedy School, Cambridge

PRESENTATION BY

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STRUCTURE

INDIA – Some Facts

Perspective

Earlier Approach v/s New Approach

Definition

Strategy

Implementation

FIPs- Performance highlights

DBT Implementation

Financial Literacy-Integrated approach

Other Initiatives

The Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households

Way forward



INDIA- SOME FACTS



Geographical area – 7th in the world -
Widely dispersed terrain

Population – 2nd in the world–1.2 billion

By nominal GDP – 10th largest economy in the world

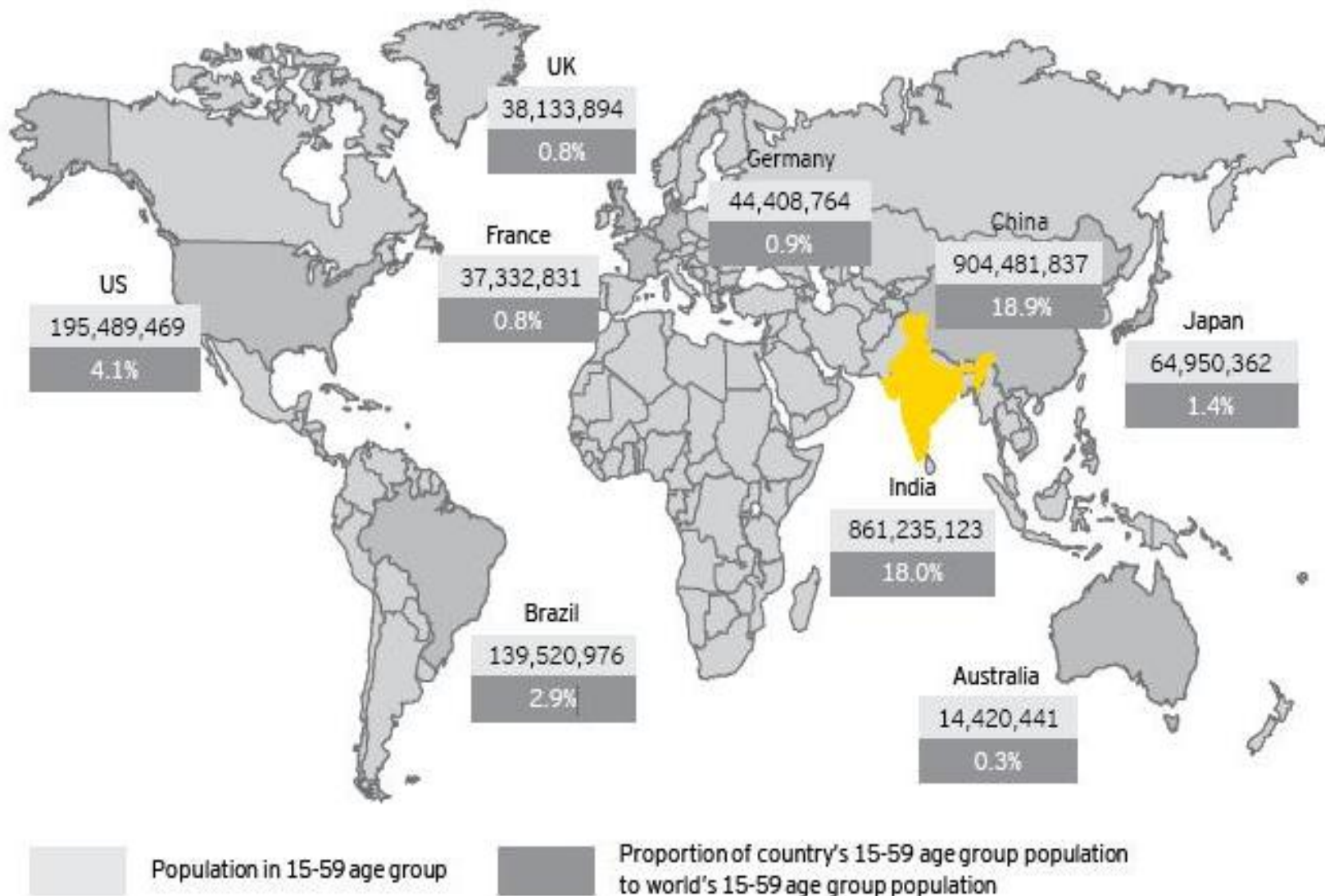
29 States and 6 Union Territories, 644 districts, 600 thousand Villages

Multilingual and multiethnic society

Low level of General Literacy – (74% in 2011; FEMALE-65%), Large no. of Financially excluded people (more than 50%)



Population in 15-59 age group by 2022

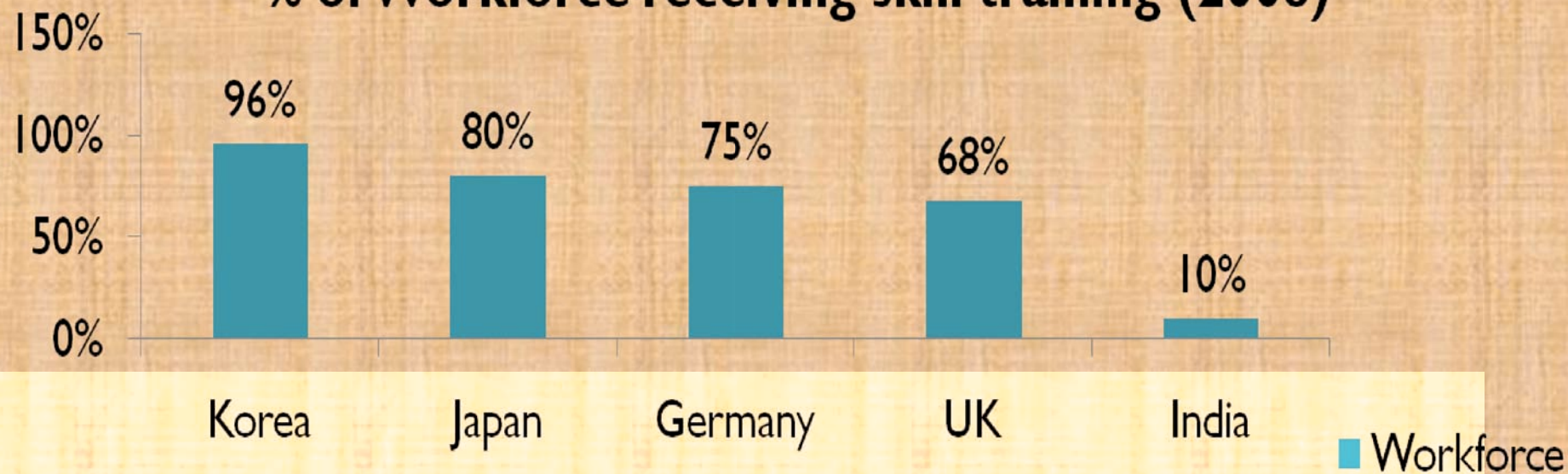


Source: Ernst & Young research



WHAT NUMBERS SAY?

% of Workforce receiving skill training (2008)





PERSPECTIVE

Nationalisation of banks – 1969 & 1980

Lead Bank Scheme - 1969

Priority Sector Guidelines - 1980

Regional Rural Banks – 1976

Service Area Approach - 1989

SHG-Bank Linkage - 1992



THE EARLIER APPROACH

Subsidy Based Approach- Interest rate subvention

Target oriented banking

Policy intent- Ambiguous/ Populist help the poor - not directed towards making them self sufficiency

Never treated banking for poor as a viable commercial business - A social obligation

Absence of suitable technology to reach large geography economically



THE NEW APPROACH

Technology

Branchless modes of delivery innovated

Focus from growth to inclusive growth

Poor are bankable

Importance given to sustainability, viability & scalability

Financial Inclusion comprehensively defined-
Financial Inclusion Plans and Roadmap



FINANCIAL INCLUSION –OUR 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



OUR STRATEGY

Objective

- Connect people to mainstream financial institutions – All 6 Lakh villages & Unbanked urban pockets

Regulations

- Regulatory guidelines with development perspective

Bank-led model

- Leveraging on network of bank branches

Leveraging Technology

- ICT based delivery model-Cost effective
User friendly for unbanked



ADOPTED BANK LED MODEL

Financial Stability - Sound regulations

Consumer Protection to vulnerable customers

Strong KYC compliance

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

Only banks are able to offer a suite of basic products- Saving, Credit, Remittances

No charges for safe custody of savings - Rather interest paid on deposits - Deposit Insurance - Rs 100 thousand

Other intermediaries to partner with banks



INSTITUTIONAL FRAMEWORK

Government of India & Reserve Bank of India

Financial Stability Development Council (FSDC)
Separate Technical Group on Financial Inclusion and
Financial Literacy

Financial inclusion Advisory Committee of RBI

Public and Private sector Banks, Regional Rural Banks
About 100 Thousand branches

35 State Level Bankers Committees

671 District Consultative Committees

Partnership with other stakeholders



INTEGRATED APPROACH

AWARENESS

KNOWLEDGE
BEHAVIOUR



**FINANCIAL
INCLUSION**

ACCESS

(SAVING,
REMITTANCE,
CREDIT - CONSUMPTION &
BUSINESS)



IMPLEMENTATION

Reach

- Engage BCs as Agents
- Phased Approach – Roadmap - > 2000 & < 2000 population unbanked centres
- Relaxed branch authorisation
- 25% of new branches in unbanked villages

Access

- Saving bank Account for every eligible individual
- Simplified KYC- Aadhaar as KYC
- Account opening in camp mode

Products

- Introduced standardised basic products
- S.B. Account, Inbuilt OD, Revolving business Credit
- Encouraging innovation in customised products

Transactions

- Door step delivery of services
- Direct Benefit Transfer (DBT), P2P payments, Migrant Remittances
- Financial Education



FINANCIAL INCLUSION PLANS

Board approved 3 Year FIPs- April 2010 to March 2013, Next 3 years FIPs prepared -April 2013-2016

FIPs of RRBs- Prepared after CBS migration

Self-set targets – 46 Parameters-FIPs to be integrated with Business plan of the banks

Coverage of unbanked villages, > 2000 & < 2000 through Brick and Mortar branches as well as by deployment of BCs

Basic Accounts, EBT, KCC, GCC accounts to be opened including through BC-ICT

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

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

FIPs Disaggregated - Regional Offices of RBI to review state level FIPs



FIP ACHIEVEMENTS

APRIL 2010- MARCH 2013

About 2,68,000 banking outlets opened in villages –
About 7400 rural branches opened

27143 Urban Location covered through BCs

182.06 million Basic Savings Accounts (NFAs),
out of which BC-ICT based – 81.27 million

OD facility extended in about 3.95 million Accounts

33.79 million KCCs and 3.63 million GCC accounts



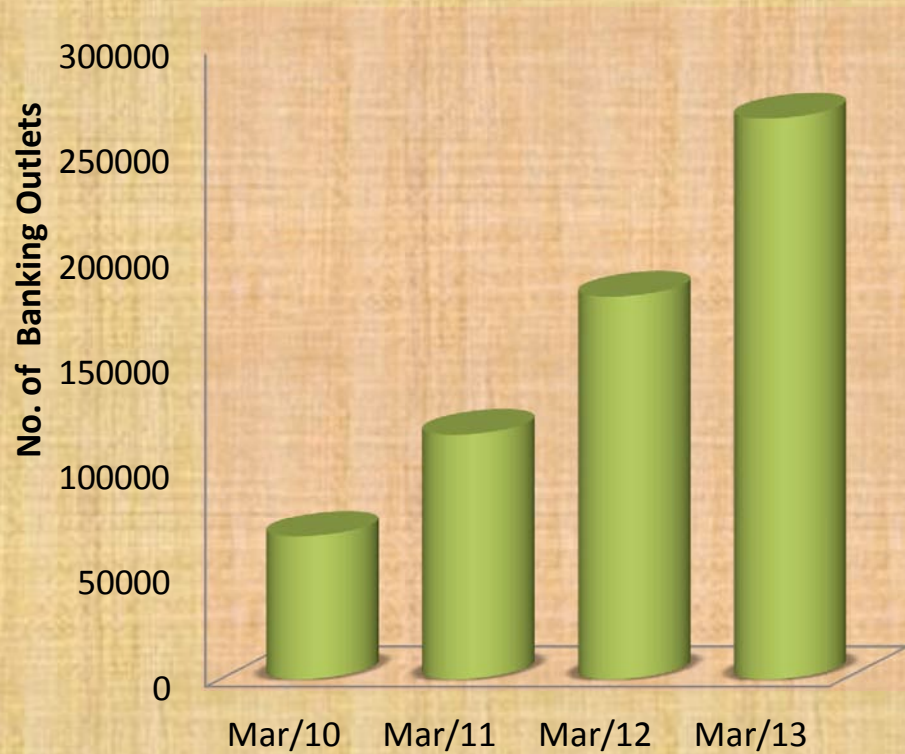
FIPS - PROGRESS AT A GLANCE

SR	Particulars	Year ended Mar 10	Year ended Mar 11	Year ended Mar 12	Year ended March 13	Progress April 10-March 13
1	Banking Outlets in Villages - Branches	33378	34811	37471	40837	7459
2	Banking Outlets in Villages - BCs	34174	80802	141136	221341	187167
3	Banking Outlets in Villages - Other Modes	142	595	3146	6276	6134
4	Banking Outlets in Villages -TOTAL	67694	116208	181753	268454	200760
5	Urban Locations covered through BCs	447	3771	5891	27143	26696
6	BSBD A/c through branches (No. In millions)	60.19	73.13	81.20	100.80	40.61
7	BSBD A/c through branches (Amt. In billions)	44.33	57.89	109.87	164.69	120.36
8	Basic Savings Bank Deposit A/c through BCs (No. in millions)	13.27	31.63	57.30	81.27	68.00
9	Basic Savings Bank Deposit A/c through BCs (Amt. in billions)	10.69	18.23	10.54	18.22	7.53
10	BSBDA Total (in millions)	73.45	104.76	138.50	182.06	108.61
11	BSBDA Total Amt. (in billions)	55.02	76.12	120.41	182.92	127.90
12	OD facility availed in BSBD A/c (No. In millions)	0.18	0.61	2.71	3.95	3.77
13	OD facility availed in BSBD A/c (Amt. in billions)	0.10	0.26	1.08	1.55	1.45
14	KCCs - (No. in millions)	24.31	27.11	30.24	33.79	9.48
15	KCCs - (Amt In billions)	1240.07	1600.05	2068.39	2622.98	1382.91
16	GCCs - (No. in millions)	1.39	1.70	2.11	3.63	2.24
17	GCCs - (Amt In billions)	35.11	35.07	41.84	76.34	41.23
18	ICT A/Cs-BC- Transaction -No. in millions	26.52	84.16	155.87	250.46	490.49
19	ICT A/Cs-BC- Transactions -Amt in billions	6.92	58.00	97.09	233.88	388.97

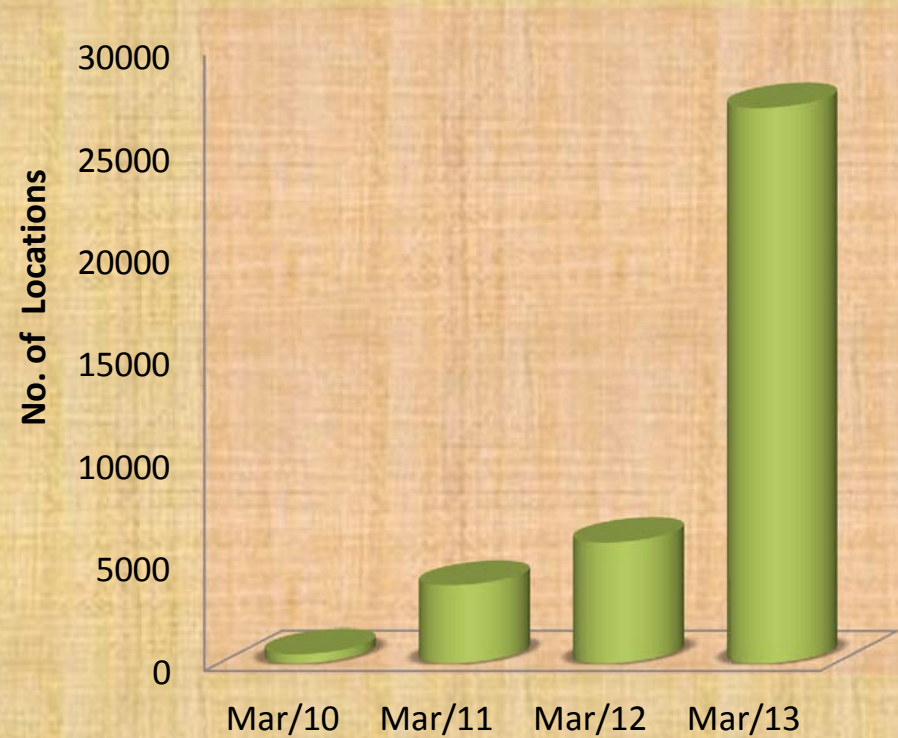


PENETRATION

Banking outlets in Villages

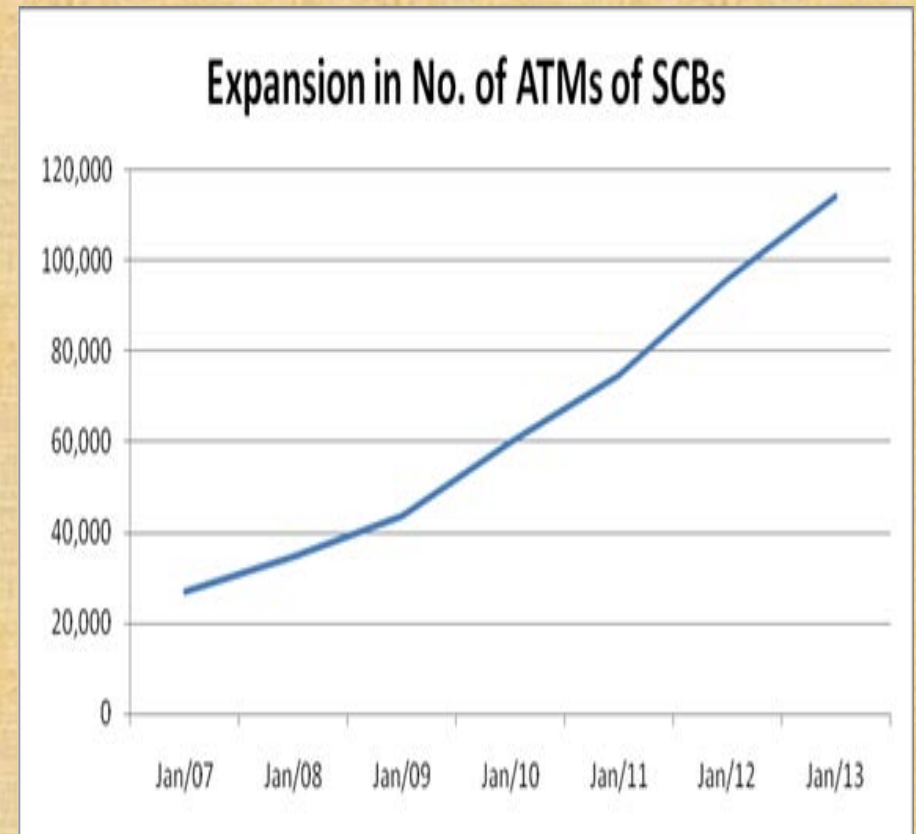
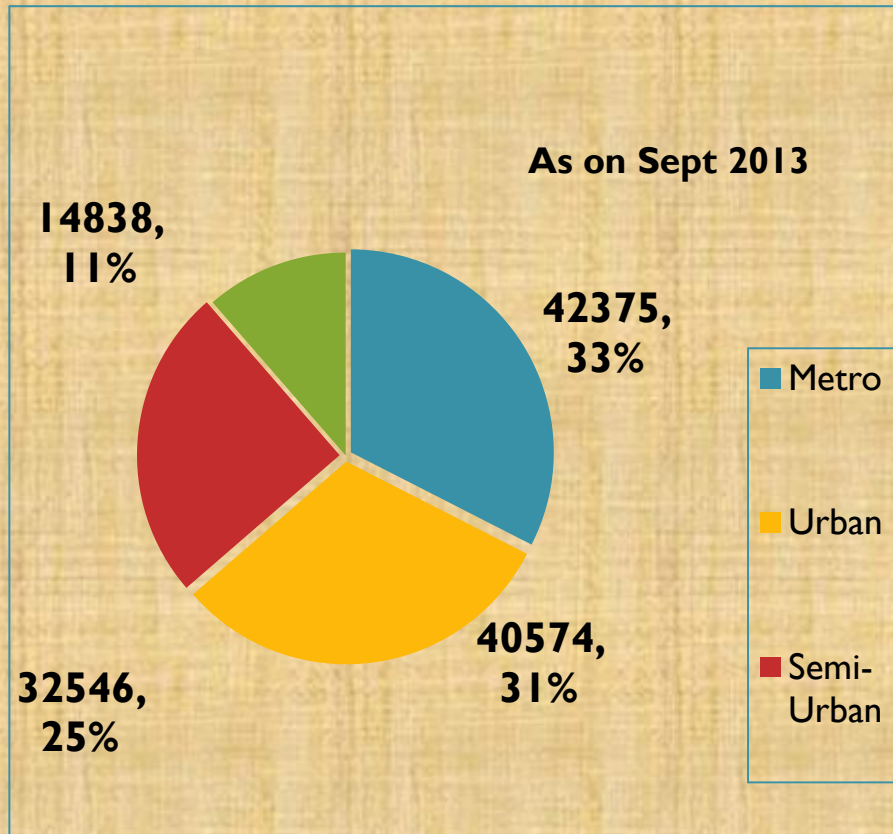


Urban Locations Covered



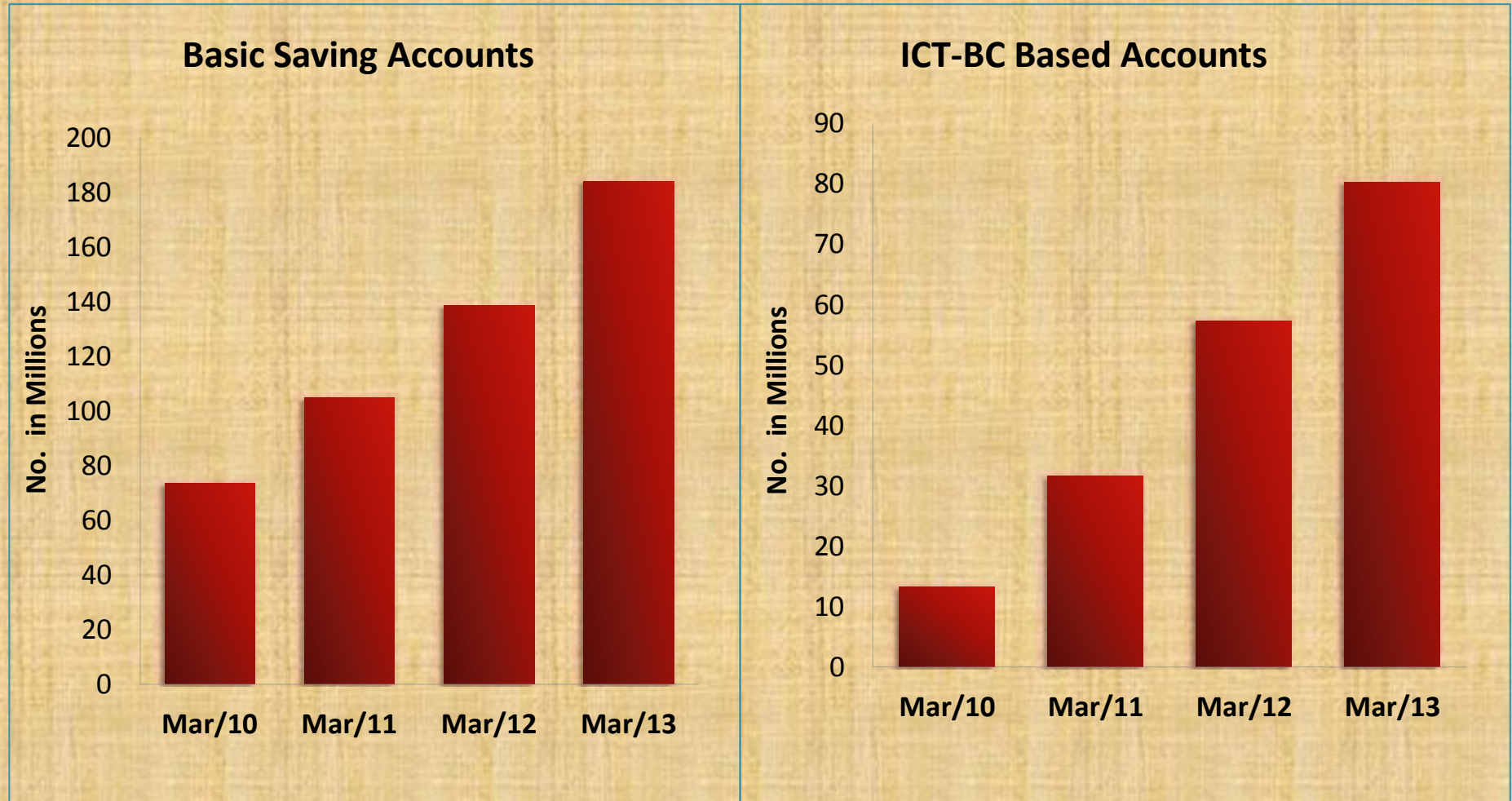


ATM PENETRATION





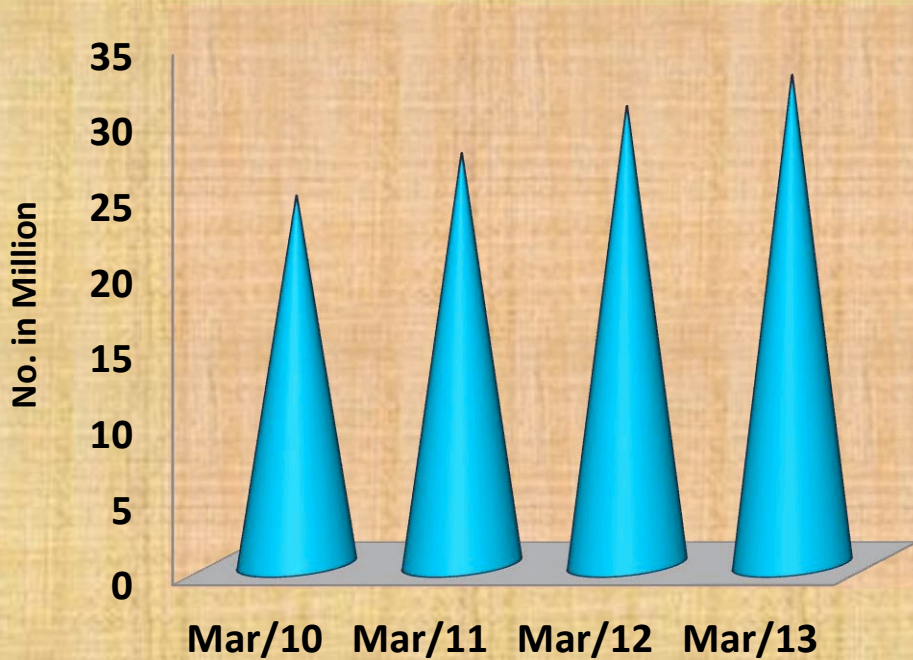
BSBDA (NO FRILL ACCOUNTS)



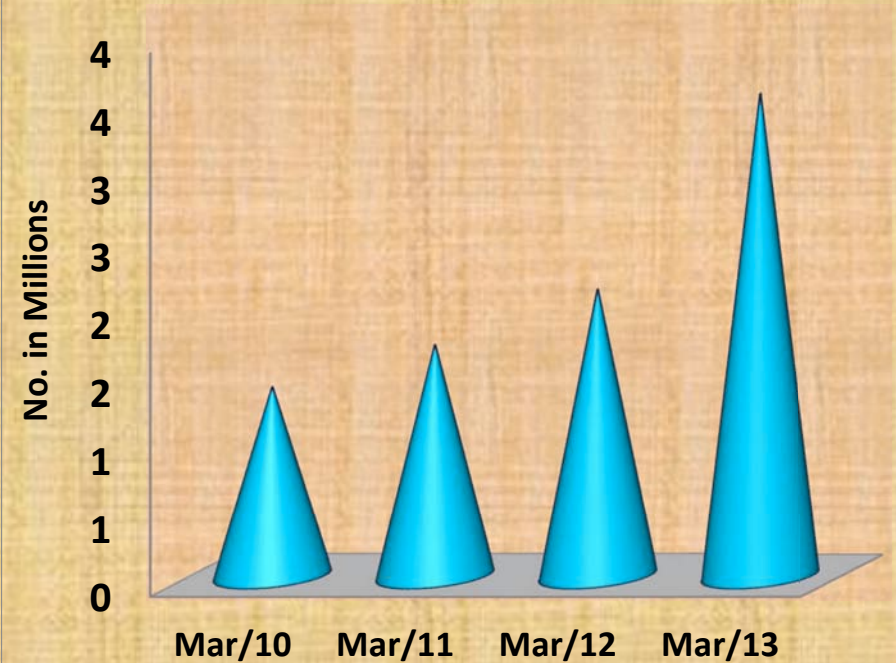


ENTREPRENEURIAL CREDIT

Farm Sector-Small Credit



Non-Farm Sector-Small Credit





DBT IMPLEMENTATION

DBT - 28 Schemes- 121 Districts

1st Phase- Jan 13- 43 Districts

2nd Phase- July 13- 77 Districts

LPG subsidy – 289 Districts by Jan 14

1st Phase- June 13- 20 Districts

2nd Phase- Sept 13- 34 Districts

3rd Phase- Oct 13- 44 Districts

4th Phase- Nov 13- 46 Districts

5th Phase- Dec 13- 40 Districts

6th Phase- Jan 14- 105 Districts



DBT - RBI GUIDELINES

August 2011- Comprehensive operational guidelines issued

October 2012- SLBC convenor banks and Lead banks of selected districts were advised to coordinate with the State Administrator and field level implementing agencies to ensure smooth rollout

May 2013: Banks advised to open accounts of all eligible individuals in camp mode, seed the accounts with Aadhaar numbers, progress to be reviewed in SLBC and DCC meetings.

July 2013: Banks to facilitate seamless rollout of Aadhaar based DBT of Government benefits including LPG subsidy.

DBT Co-ordination Committee at district level,

Complaint Grievance Redressal mechanism in each bank

Status report- Daily basis- NPCI data



DBT- PROGRESS

At the end of	Accounts Mapped	Transactions-No	Transactions-Amt
Jan 13	38,85,516	72,206	3,48,56,851
Feb 13	53,42,384	1,60,720	19,28,57,955
Mar 13	70,95,491	3,18,139	40,11,93,487
Apr 13	83,53,449	4,48,660	67,71,31,027
May 13	1,03,25,403	8,93,131	77,40,56,603
June 13	1,34,35,754	18,79,808	1,39,72,46,505
July 13	1,72,59,097	39,04,525	2,44,29,26,112
Aug 13	2,29,34,127	58,85,830	3,37,18,77,356
Sep 13	2,97,55,364	1,01,03,975	5,64,16,12,946
Oct 13	3,51,50,283	1,64,82,524	9,12,77,80,149
Nov 13	4,08,90,544	2,41,00,688	13,14,75,65,116
Dec 13	4,83,20,199	3,45,99,413	19,15,37,35,351
20 Jan 14	5,54,95,585	4,16,15,432	24,16,74,22,563



NATIONAL STRATEGY FOR FINANCIAL EDUCATION

Prepared under aegis of FSDC Technical Group

National Centre on Financial Education- Ensure coordination among all financial sector regulator

Developing standard contents- Financial Literacy Material

Nation Wide Survey to assess the Current Status –

Financial Education to be included in the School Curriculum –to be integrated into existing subject of Class VI to Class X

A Core Committee constituted for implementation with representation from all regulators



FINANCIAL LITERACY MATERIAL

Basic Concepts for unbanked Audience- Hindi and English- recently released in regional languages

Available on RBI Website

<http://www.rbi.org.in/financialeducation/FinancialLiteracyGuide.aspx>

Financial Literacy Guide-

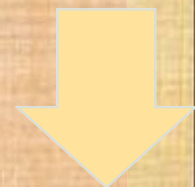
5 Sections- 50 Questions-

Money Management, Savings, Saving with banks,
Borrowings, Borrowing from banks

Ready Reckoner for trainers

Financial Diary- For distribution to target audience - Financial planning- Record income and expenses- Weekly/Monthly/Yearly

Set of 16 posters-Pictorial Communication-
Appealing Slogans





MASS SCALE AWARENESS

Existing institutional Set up : Public & private sector banks, RRBs, SLBCs, Lead Districts

FLCs (822) – Conduct Literacy Camps –Once in a month

Rural Branches)(40000+) – Conduct Literacy Camps –Once in a month

Literacy to be synced with access- Enrollment in Literacy Camps



Self Help Groups

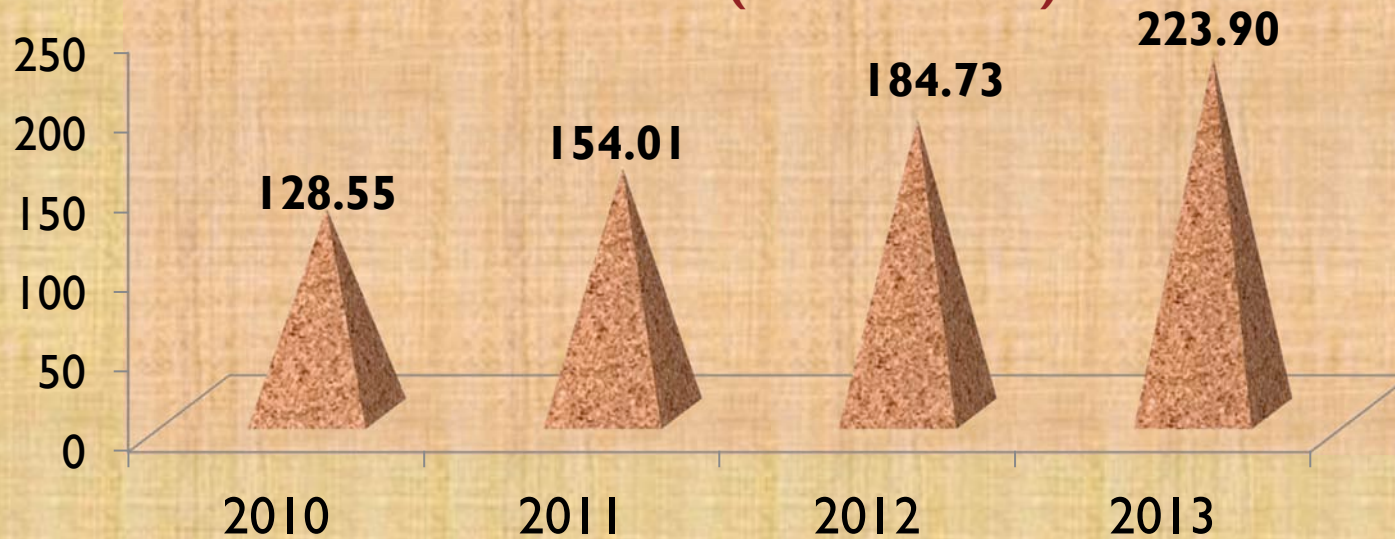
- Started in 1992
- Major plank of the strategy for delivering financial services to the poor in a sustainable manner
- Sustainable and scalable model Financial Inclusion
- Women SHGs promoted



RURAL CREDIT MARKET PENETRATION

SHG- Cumulative Disbursement

(Amt ₹ Billion)



	SHGs linked (No. Million)	Credit linked (No. Million)	Loans disbursed (million)	Loan O/S (million)
Mar 10	6.95	1.58	128555.8	280382.8
Mar 13	7.31	1.22	223901.7	393753.0



PAYMENT SYSTEM - INITIATIVES

- National Payments Corporation of India (NPCI)- Umbrella organization for retail payments
- NEFT facilitating one-to-one funds transfer
- RTGS facilitating continues (real-time) fund transfer
- Immediate Payment Service (IMPS) – Mobile based payment system initiative by NPCI
- Aadhaar Bridge Payment System (ABPS) facilitating the credit transfers & Aadhaar Enabled Payment System facilitating withdrawal from account

Mobile banking



- Unique opportunity to leverage the mobile platform to meet the objectives and challenges of financial inclusion
 - 870 million subscribers
- IMPS introduced in 2010 to facilitate immediate fund transfer
- Mobile wallets for non-banks including MNOs
- So far 69 banks approved to provide mobile banking
- During Sept 13, ~ 71.69 lakh transactions amounting to approx. Rs. 1565 crore took place

Payment System Initiatives in pipeline

- Remittances
 - Fund transfer from bank-account holders to non-account holder through the use of ATMs
- Cash-out by non-bank issued prepaid payment instruments with necessary safeguards

Contd...

- Mobile Banking

- Technical Committee on Mobile Banking
- Providing mobile banking services in a seamless and secure manner

- MSME Financing

- Scoping to leverage on technology and changed business processes, for the purpose of setting up a trade receivables exchange based on reverse factoring model



CHALLENGES

Balancing institutional sustainability, Emergence of Business case

Refinement of Products

Operations and Delivery system – Scalability of BC model

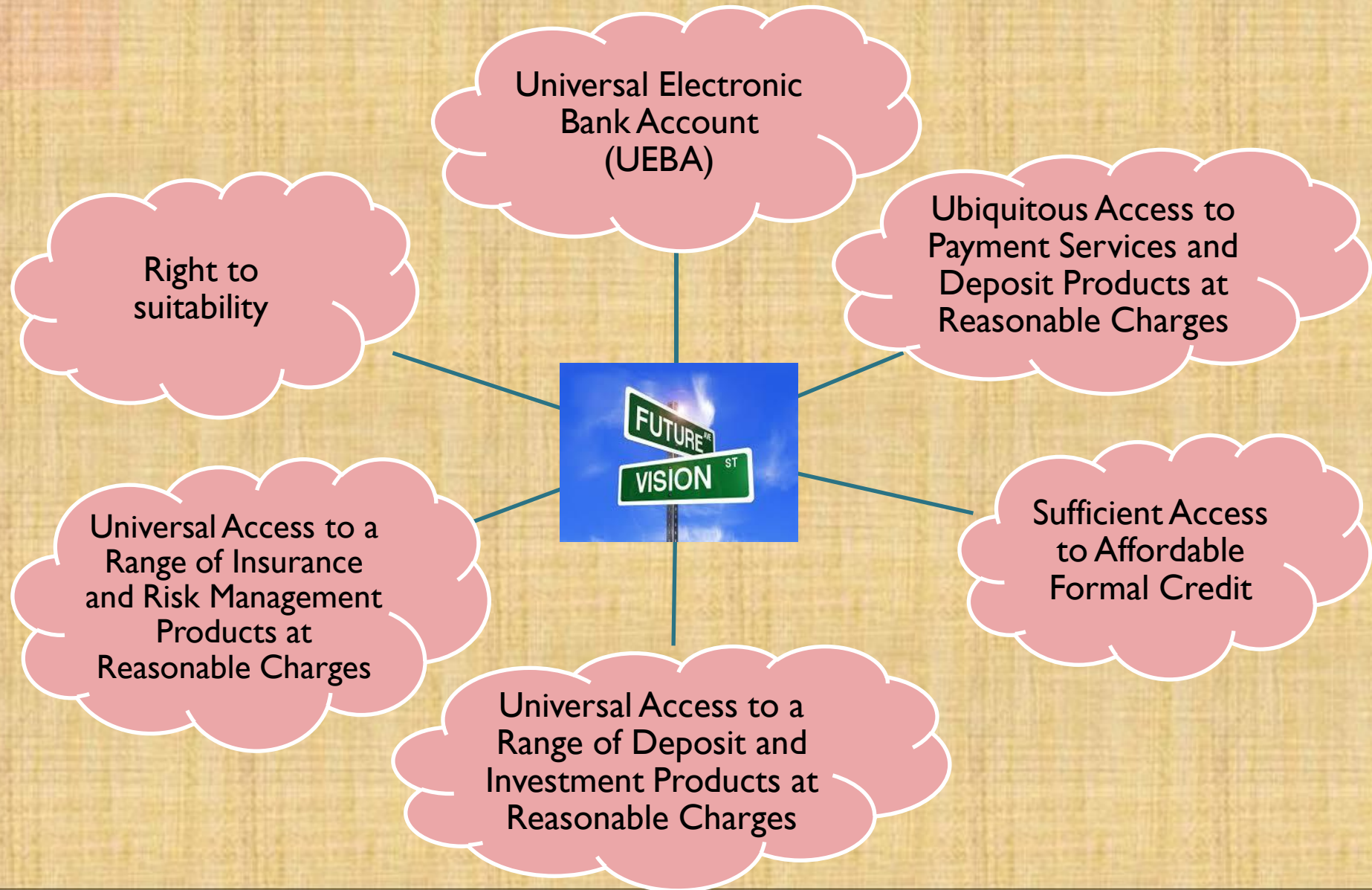
Non-Financial Services

Financial Inclusion measurement

Scaling Financial Inclusion- Appropriate Business Model yet to evolve- Need for moving from a cost centric model to a revenue generating model by offering a bouquet of deposit, credit and other products and services



The Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households – Dr. Nachiket Mor





WAY FORWARD

ACCESS

- All 6 lakh villages to be covered
- Focus on increasing rural branches
- Opening accounts of all eligible individual

BC MODEL

- Financial Inclusion Centers-Service branch for BCs
- Grievance Redressal ,Cash Management, BC Supervision
- LPG Distributors as BC/BFs

TRANSACTION

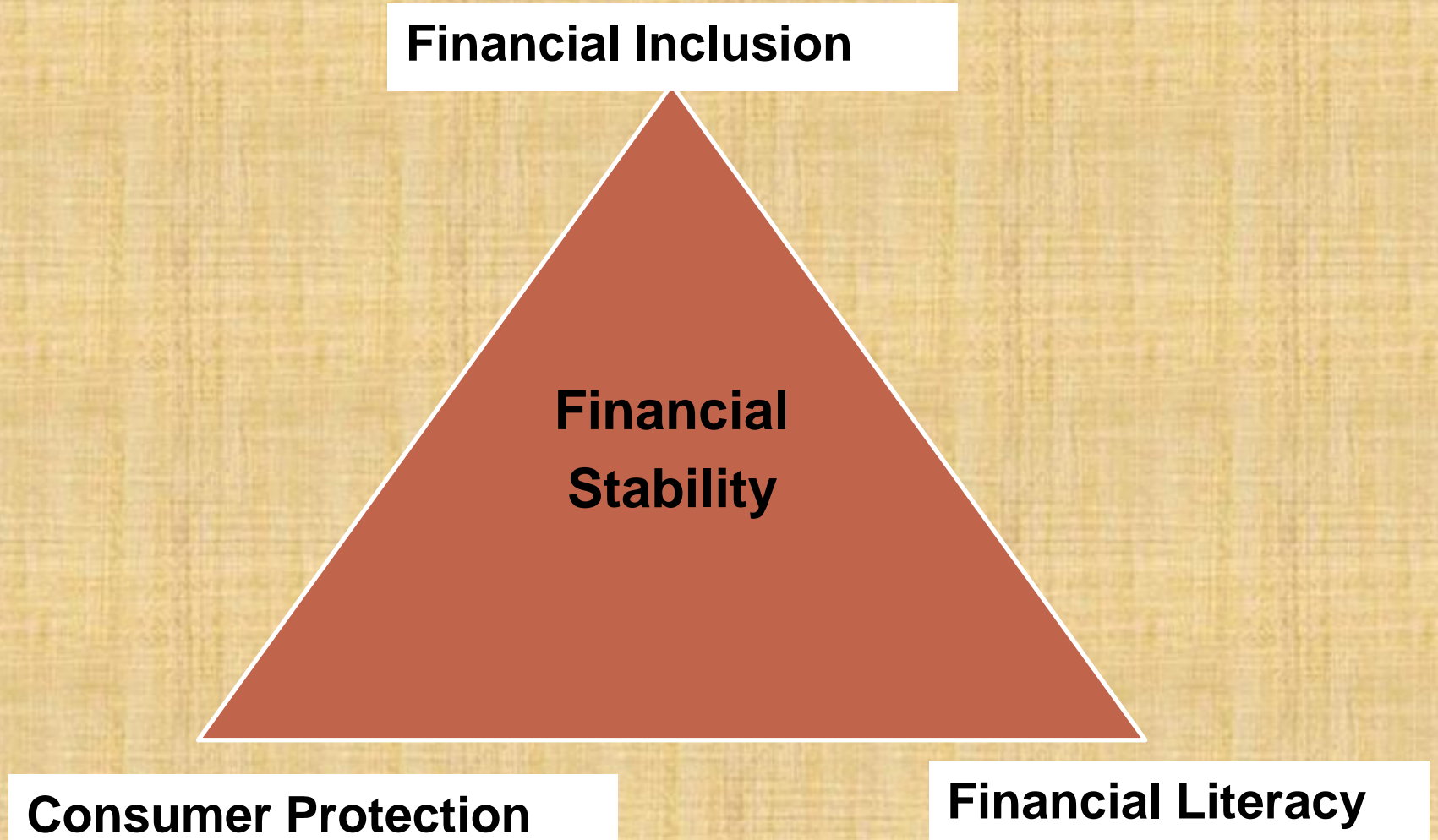
- Leverage on DBT implementation
- Experiment innovations- Remittance for Migrants
- Hassle free Emergency credit (In built OD)
- Entrepreneur Credit- KCCs & GCCs

FINANCIAL EDUCATION

- National Strategy on Financial Education
- Dedicated Website- Inclusion in School Curriculum
- Financial Literacy Camps



TRINITY TO MAKE FINANCIAL STABILITY POSSIBLE – THE ULTIMATE OBJECTIVE





THANK YOU !