



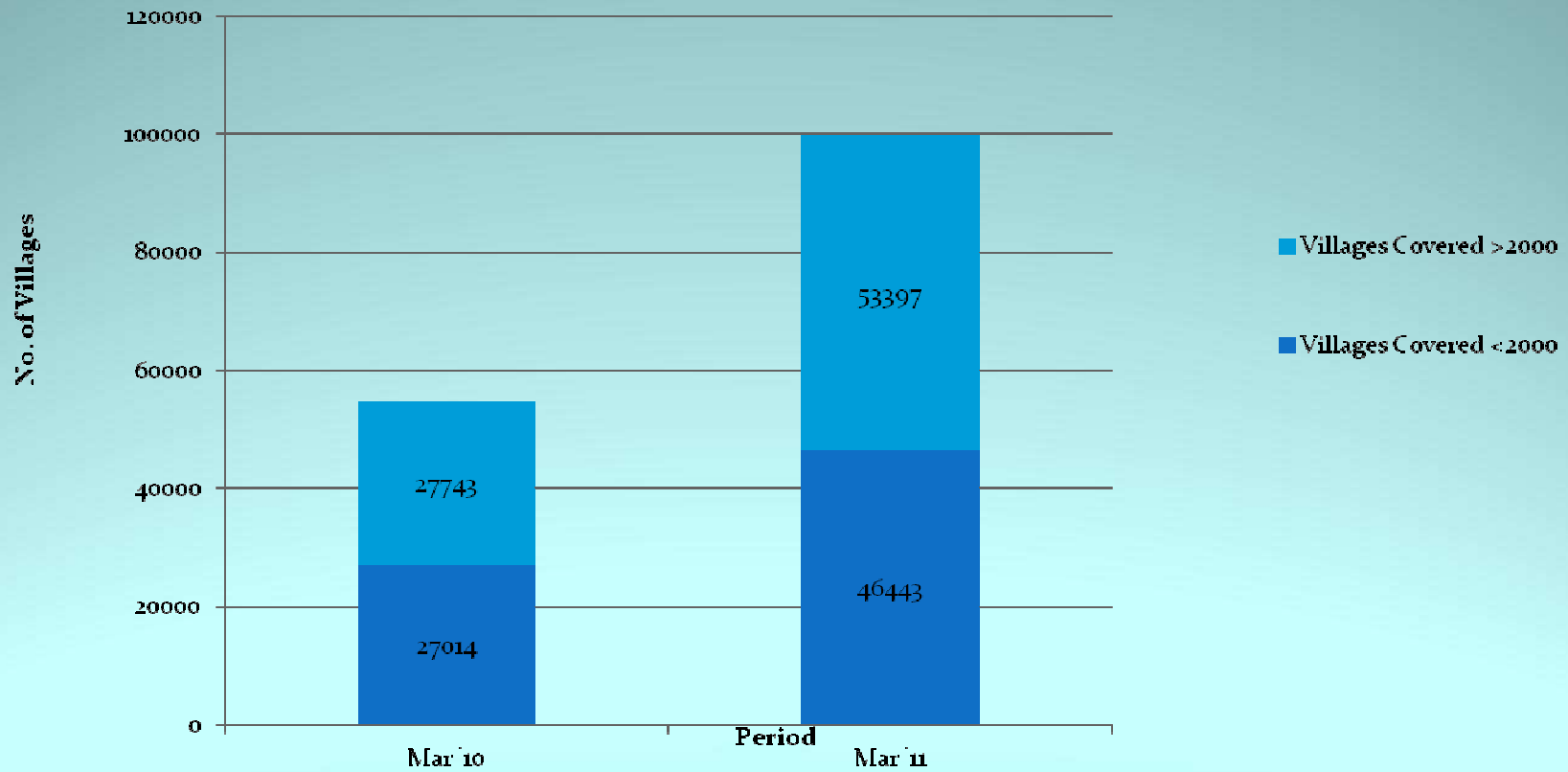
# FINANACIAL INCLUSION: INDIAN EXPERIENCE

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**10<sup>TH</sup> IADI ANNUAL CONFERENCE, POLAND  
19-20 OCTOBER, 2011**

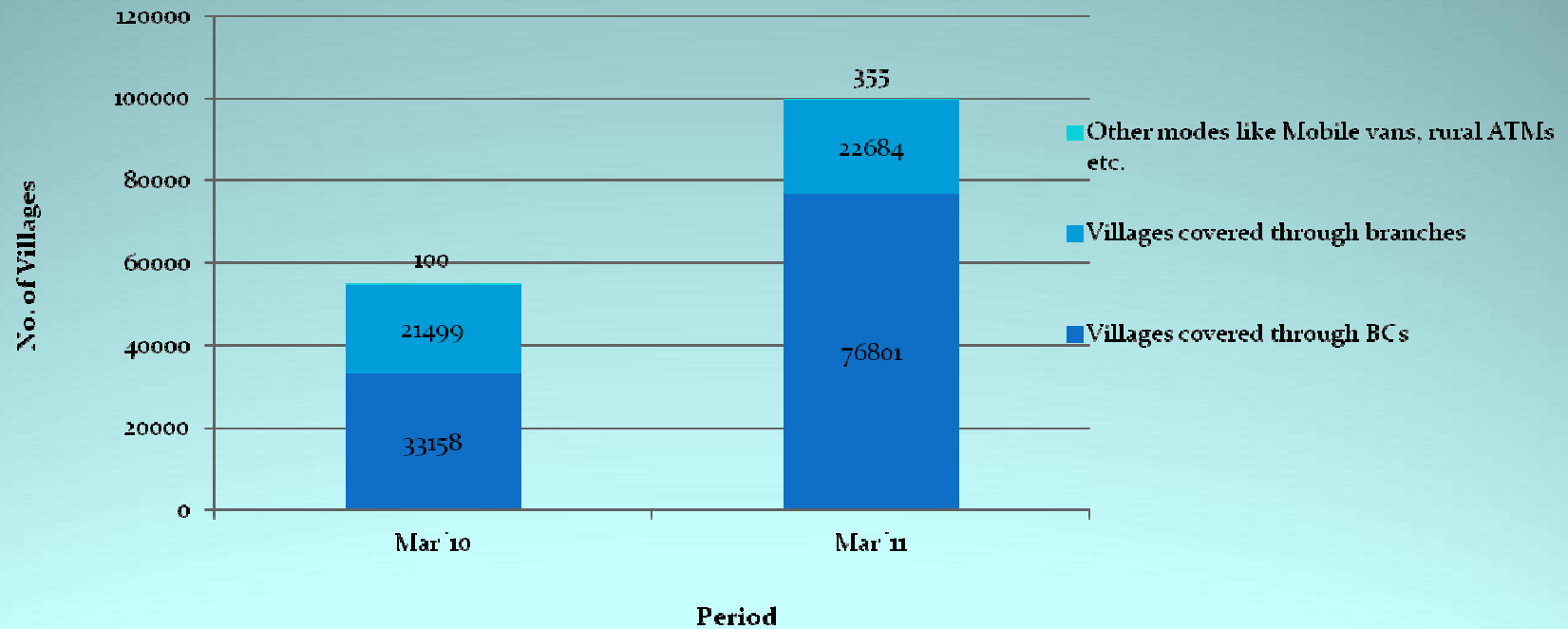
# Financial Inclusion- Achievement

## Villages Covered- Population Group wise

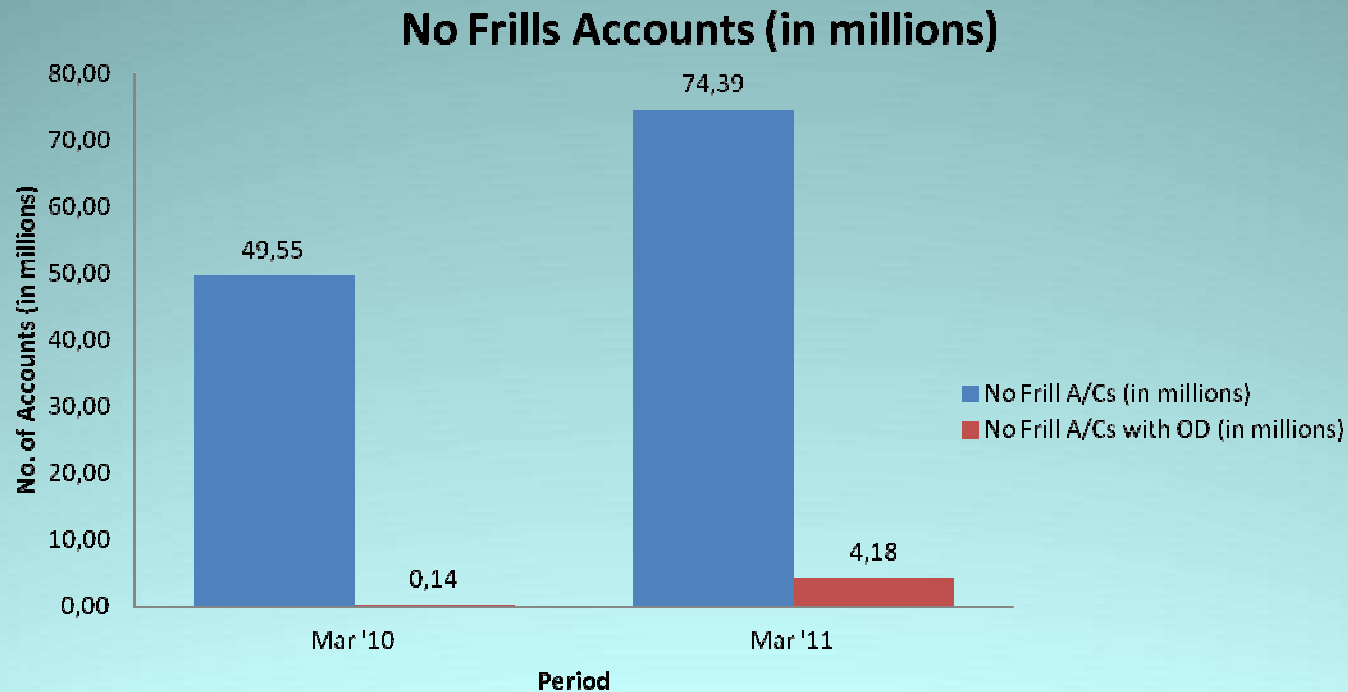


# Financial Inclusion-Achievement

## Villages Covered- Mode wise



# Financial Inclusion-Achievement



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



# Financial Inclusion Plan- Achievement

## Consolidated FIP Data of SCBs excluding RRBs

Sl. No.	Parameter	As at end March 2010	As at end March 2011
1	<b>Total Number of villages covered</b>	<b>54,757</b>	<b>99,840</b>
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	<b>Number of villages &gt; 2000 population covered</b>	<b>27,743</b>	<b>53,397</b>
6	<b>Number of villages &lt; 2000 population covered</b>	<b>27,014</b>	<b>46,443</b>
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

# Penetration of financial products

- Habitations in the country have a commercial bank branch: 30,000 (out of 600,000)
- Population having
  - Bank account (savings): 57%
  - Life insurance: 10%
  - Non-life insurance: 0.6%
  - Debit cards: 13%
  - Credit cards: 2%

# 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 following few slides

# Focus on financial inclusion

- ✳ Focus on Inclusive Growth
- ✳ Banking Technology has arrived
- ✳ Realization that unbanked villages and poor provide business opportunity for banks and other financial intermediaries
- ✳ Need for spreading knowledge of financial tools across different strata of society





# 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 financial 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.
- ❖ Banks have been urged to include performance under financial inclusion in the performance evaluation of their field staff.
- ❖ Financial Literacy and Credit Counseling centres by banks.

# Financial Inclusion- What are the barriers?

- \* Absence of required technology infrastructure
- \* Absence of reach and coverage
- \* Absence of viable Delivery Mechanism
- \* Not having a Business model

# Technology factor

- ❖ All Bank branches must be on Core Banking Solution (CBS). All Regional rural banks 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 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 a bank's website.

## Products – Minimum Four

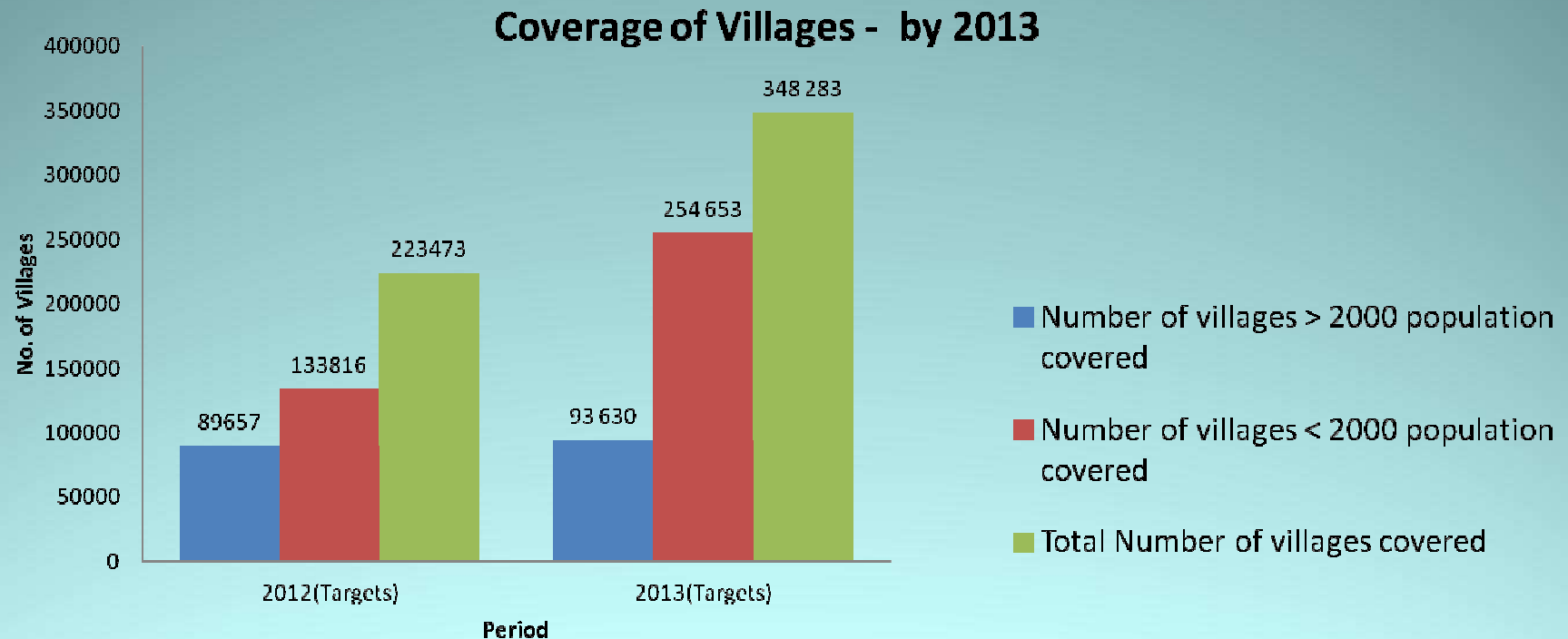
- ❖ It is not enough to just offer No Frills Accounts\*
- ❖ At the minimum, four banking products need to be provided for it to qualify as availability of banking services.
  - 1) **A Savings cum Overdraft Account**
  - 2) **A Remittance Product for Electronic Benefit Transfer and other remittances**
  - 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)**

# 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 RBI annual policy 2011 wherein banks were 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.



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



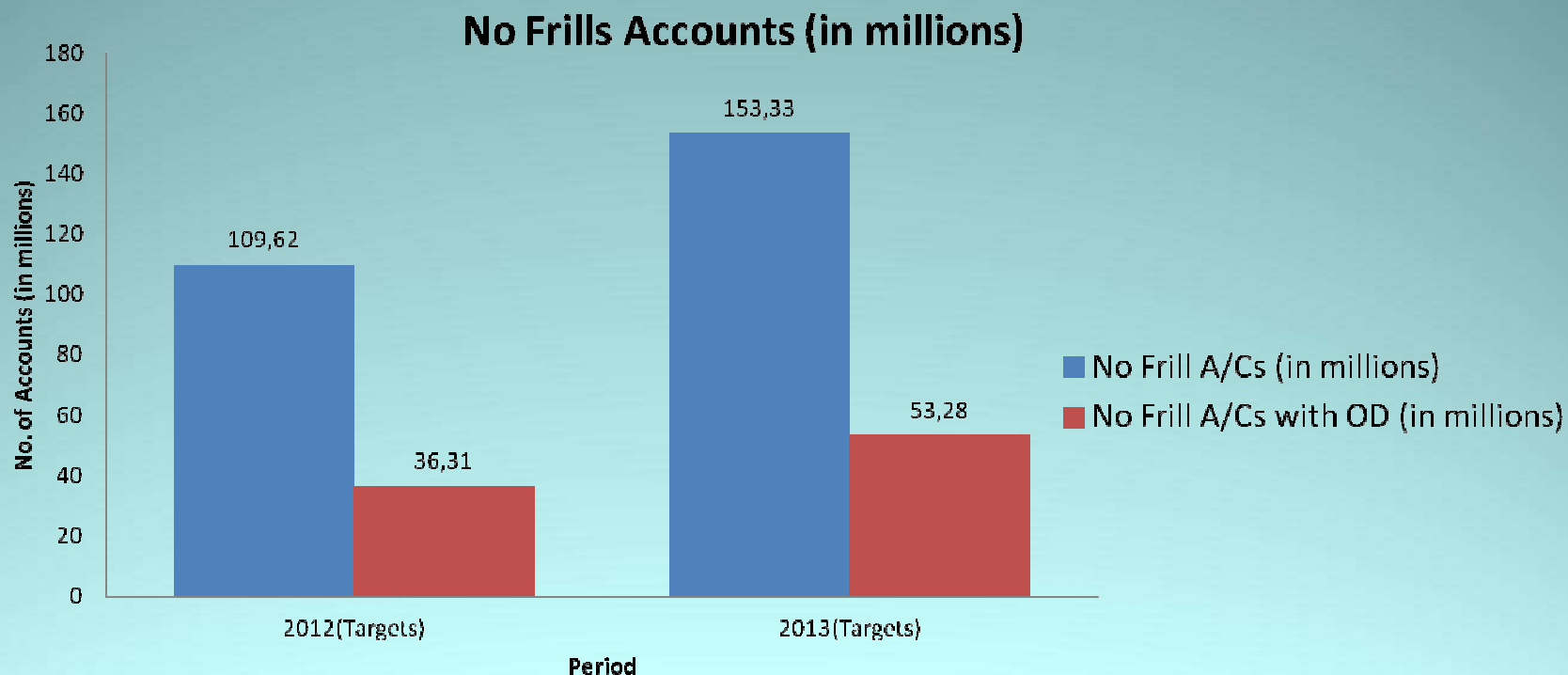
- Total Villages covered by banking services projected to increase to 2,23,473 in Mar '12 to 3,48,283 in Mar' 13.

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





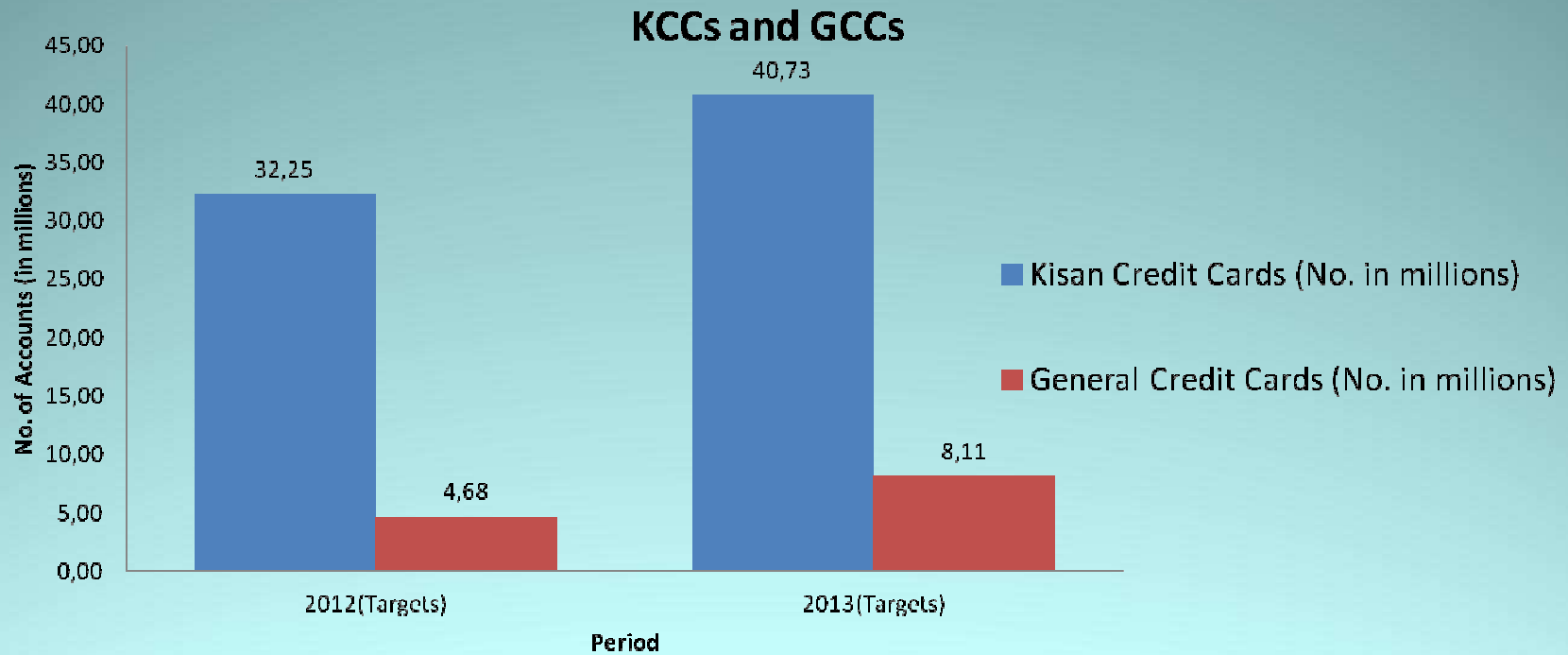
# Road Ahead-What we plan to achieve by 2013?



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



# Lead 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.



# DIPAD 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	<b>Total Number of villages covered</b>	<b>2,23,473</b>	<b>3,48,283</b>
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	<b>Number of villages &gt; 2000 population covered</b>	<b>89,657</b>	<b>93,630</b>
6	<b>Number of villages &lt; 2000 population covered</b>	<b>1,33,816</b>	<b>2,54,653</b>
7	No. of BCs employed by banks	1,25,988	1,87,972
8	Number of No-Frills Accounts (NFAs)opened (in million)	<b>109.6</b>	<b>153.3</b>
9	Amount in NFAs (Rs. in million)	93,110	113,233
10	Number of NFAs with Overdraft(OD) facility (in million)	<b>36.3</b>	<b>53.3</b>
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

- ❖ Business Model yet to evolve. Perceived more as an obligation than a business opportunity.
- ❖ Delivery Model yet to be perfected especially when there is a glitch , hence, difficulty in scaling 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
- ❖ Need for robust network connectivity
- ❖ Ensuring end-to-end security of transactions
- ❖ Ensuring Collaborative Approach involving Govt, Banks, Technology Vendors, Service Providers, academic institutions, NGOs/Civic Society and Customers

Thank you

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