

Financial Inclusion

IMC ICAI National Seminar

8 May 2014

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Why Financial Inclusion?

70% of Country's population reside in rural areas

40,000 Rural Bank branches cater to 6 lac villages (<7%)

Nearly 45% of rural India does not have bank account

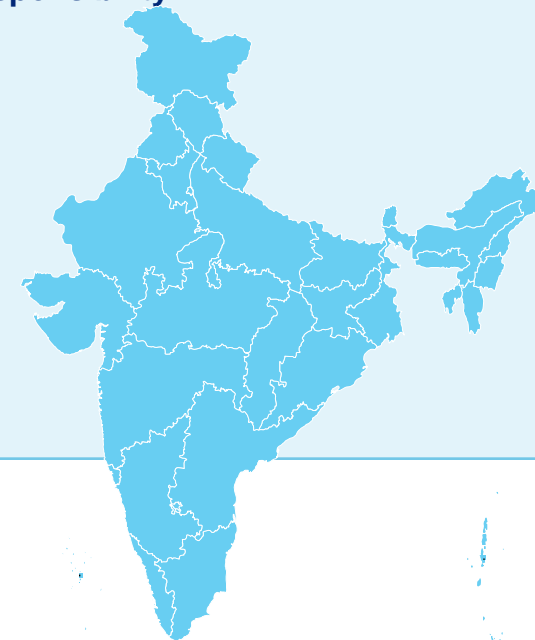
Inclusive Growth – not possible without outreach to unbanked villages

5 As of Financial Inclusion



India's unique Financial Inclusion Model

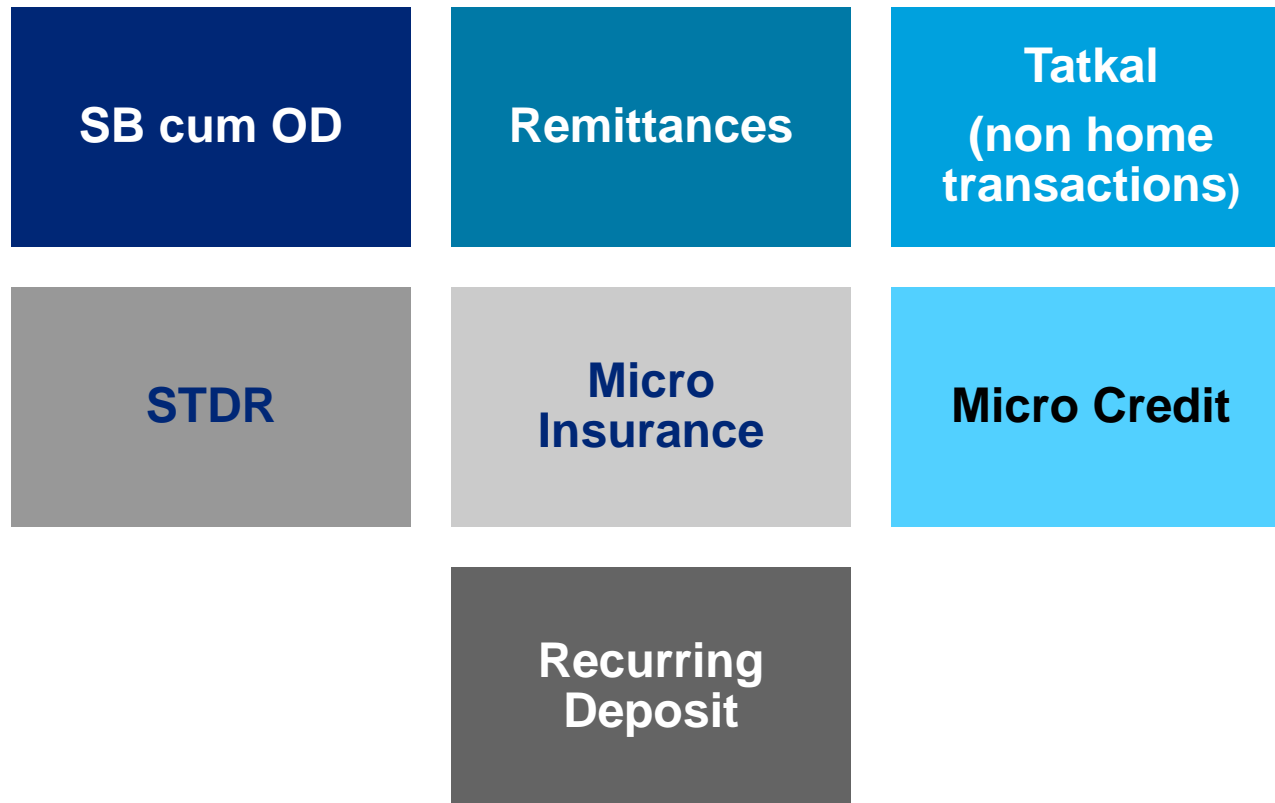
Driven by GoI/ RBI	Led by Banks
<ul style="list-style-type: none">• Nationalization of Banks/Mandatory Rural Posting▪ Introduction of Regional Rural Banks▪ Introduction of Lead Bank Scheme▪ Service Area Approach▪ Self Help Group linkage programme.▪ Priority Sector Lending requirements (For Priority Sector – 40%, Agriculture 18%, Advances to Weaker Section – 10% etc)▪ Business Correspondent Model – ICT based door step delivery▪ Relaxation on KYC norms – No Frill accounts▪ Simplified Branch Authorisation▪ Banks to open 25% of branches in unbanked rural centres▪ Revamping of Payment System.▪ E-Payments▪ DBT rolled out in 121 districts covering 26 social schemes.▪ DBT for LPG rolled out▪ National Rural Livelihood Mission (NRLM)	<ul style="list-style-type: none">▪ Branch Expansion 8000+ (in 1969) to 105,000 (Present) spread across the length and breadth of country▪ More than 2.5 lac Customer Service Points of BCs deployed▪ Expansion of ATM, Internet Banking, Mobile Banking, etc▪ Establishment of Financial Literacy Centres / RSETI.▪ Expanding ATM networks▪ Opening of Small accounts▪ Promoting SHGs Credit linkage▪ Corporate Social Responsibility



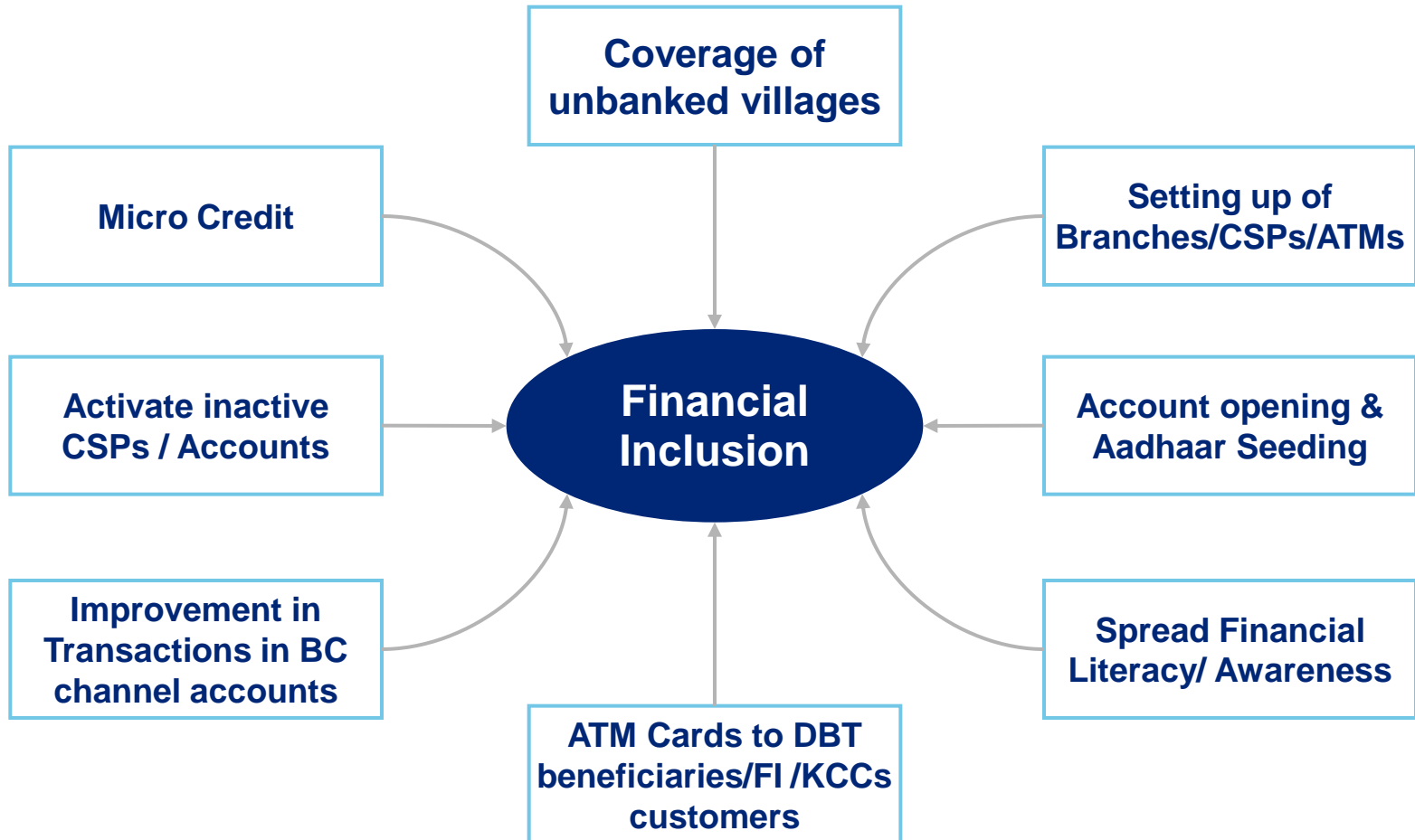
Core of Financial Inclusion



FI Products through BCAs



Financial Inclusion : Current Thrust



Outcome

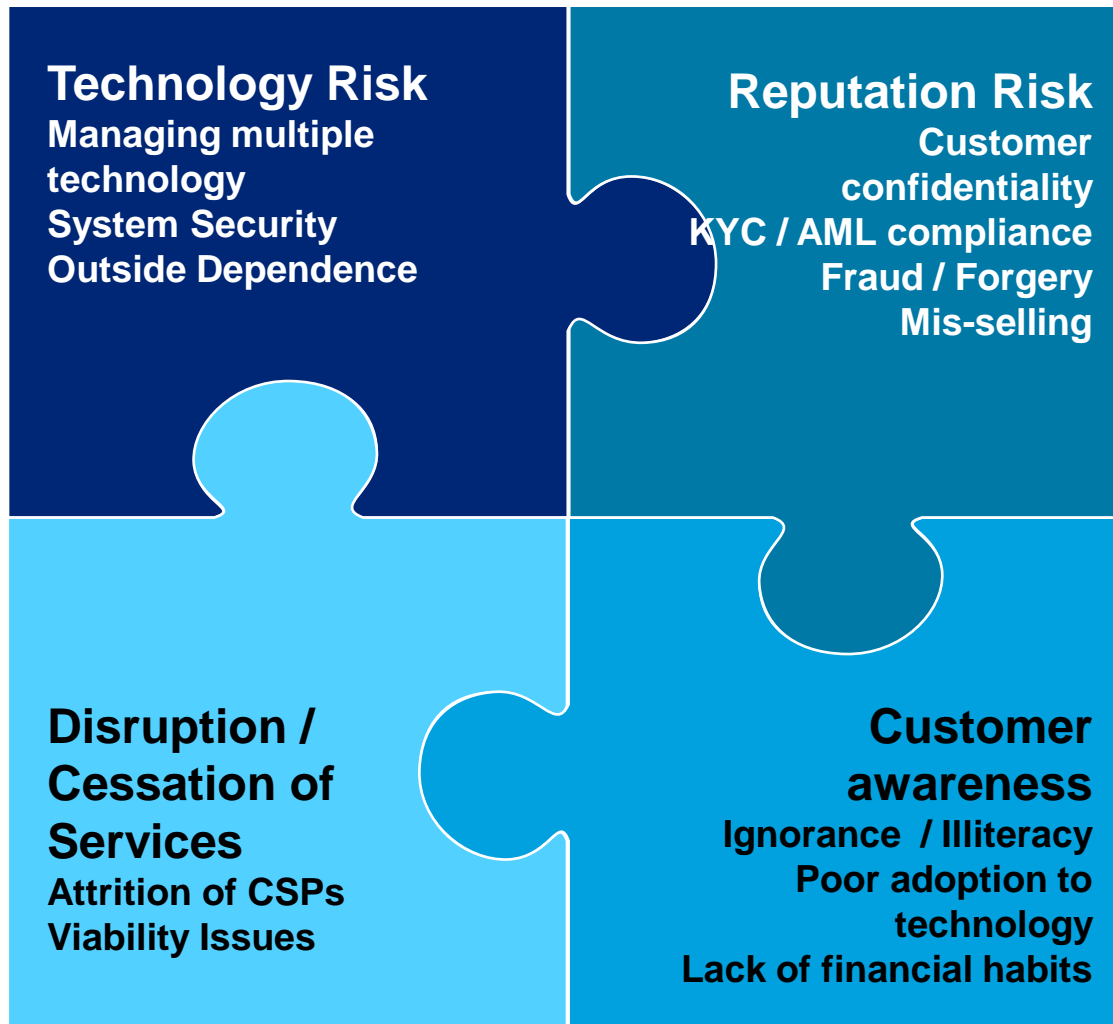
- ✓ Over **10 crore** Basic SB accounts opened in last 3 years (> 7 crore through BC channel)
- ✓ Overall, total no. of Basic SB accounts opened **>18 crores**.
- ✓ About **7400 rural** branches set up during last three years
- ✓ Total **109,000 branches** spread across the length and breadth of country
- ✓ Nearly **2,36, 000 CSP outlets** set up in **rural** areas.
- ✓ Over **54,000 CSP/BC outlets** set up in **urban** location.
- ✓ **Surging transactions volume** through BC channel
- ✓ All **74,398 unbanked villages** (population > 2000) covered.
- ✓ Around **3 lac more** unbanked villages to be covered in **next three years**
- ✓ **Cash dispensing machines** are being **modified suitably** to make these user friendly for people who are illiterate, less educated or do not know English.
- ✓ The banks are ensuring **100% opening** of accounts of all **DBT beneficiaries**

Fast Growing FI Channel offers abundant opportunities...

All stakeholders viz. GoI / RBI / Banks / MFIs / Service Providers involved in expanding reach....for last mile connectivity

What about Risks?

Risks Associated with BC Channel



Risk Mitigation

Technology

- Scalability and sustainability
- Up-gradation and integration with alternate channels.
- Security of IT system and transactions
- Outside dependence
- Managing multiple technology

- ✓ All Banks should have technology with MIS capabilities, Disaster Recovery, etc. akin to CBS
- ✓ Role of the 'technology vendors should be restricted to front end devices (like Micro ATMs).
- ✓ All accounts should be reside on CBS platform (no offline transactions)

BC Operations

- Lack of confidence on BCs by the customers.
- Inactive BCs.
- Attrition of CSPs.
- Delay in payment of remunerations
- Large number of inoperative Accounts
- Cash Management
- Customer complaints

- ✓ Due diligence of BCs /CSPs.
- ✓ Active involvement of the link branches.
- ✓ CSPs with existing income streams (like Kirana shops) should be preferred over 'stand alone' CSPs.
- ✓ The officials from link branches should be present when any new BC outlet is opened.
- ✓ Branch officials visit to BCs and interaction with villagers bring more confidence in the system.
- ✓ Distance criterion of BC from link branch

Risk Mitigation...

<p>Viability</p> <ul style="list-style-type: none">▪ Low Business Volume▪ Small value transactions▪ Low potential centres▪ High Capital Expenditure	<ul style="list-style-type: none">✓ Wider the range of products (like Savings Bank, SB-Cum-OD, Recurring Deposit, Retail loan, remittances, KCC/GCC, etc.) to boost the transactions at the BC channel.
<p>Infrastructure</p> <ul style="list-style-type: none">▪ Inadequate Connectivity▪ Law and order position in Left Wing Terrorism affected districts	<ul style="list-style-type: none">✓ The connectivity has vastly improved over the last 2 years.✓ GOI plans to provide broadband connectivity to all Gram Panchayats
<p>Outsourcing</p> <ul style="list-style-type: none">▪ Reputational risk▪ Customer confidentiality▪ KYC/AML issues	<ul style="list-style-type: none">✓ Regular and structured visits by the Link branch staff to the CSP.✓ Inspection and audit for CSPs.✓ Dedicated Cadre of staff for regular monitoring and mentoring of the CSP.

Risk Mitigation...

Low Financial Awareness	<ul style="list-style-type: none">✓ Financial Literacy Centres (FLCs).✓ Financial Literacy Camps.✓ A nationwide campaign similar to “Jaago Grahak Jaago” required✓ Gram Panchayat/Sabha to be actively involved.
Ownership & Monitoring	<ul style="list-style-type: none">✓ On line real time monitoring tool should be put in place.✓ Regular and structured sensitization programs for all the staff starting with those dealing with the FI channel.✓ Establishment of robust ‘back office’ monitoring and support system

SBI: Committed to reach the last mile

- ✓ SBI is the **first bank** to have its **own technology** for BCs channel. i.e. Internet based - Kiosk Banking Solution which supports biometric authentication and real time online with Bank's CBS system(>70% CSPs under Kiosk Banking platform)
- ✓ **All products** offered through BC channel are **technology enabled**.
- ✓ **All the accounts** opened through BC channel reside on **CBS platform** of the Bank in its own server and not on third party/BC server
- ✓ **Do's and Don'ts** are displayed at all CSP outlets for the information of public.
- ✓ **Adequate publicity material** on banking products is placed in local language at CSP outlets
- ✓ BC agent is provided **adequate training** so as to equip him with banking products, customer relationship and handling procedure.
- ✓ Officers from link branches are **visiting CSP outlets** every week. Controllers are also visiting CSPs outlet periodically.

SBI: Committed to reach the last mile...

- ✓ **Inspection and audit of CSPs** along with that of link branch.
- ✓ Inactive CSPs are being **activated / replaced**.
- ✓ **203 Financial Literacy Centres (FLCs)** put in place for spreading financial literacy.
- ✓ FLCs are **organizing camps near to BC outlets / branches** and creating awareness among the masses.
- ✓ **Financial Literacy Quiz Contest**: Small Quiz Contest in Junior schools organised by branches to provide basic banking awareness to young students.
- ✓ **FI Rupay (ATM debit card for FI Customers) card being issued** to FI customers to use banking services similar to other normal accounts.

The Way Forward...

Hub and spoke model

Creation of value chains

CSR for Capacity Building

Insurance/mutual fund products

Full Financial Inclusion



Thank You!

8 May 14



Financial Inclusion Card