CHAPTER 6

STRATEGIES AND MEASURES

The analyses in the preceding sections attempted to map the economics of the financial inclusion model. The researcher found the existence of two predominant needs in the context of Khed:

1. Developing financial products tailored for the poor in Khed is the need of the hour.
2. The poor in Khed have indicated a need for insurance products for contingencies.

The need for financial services in Khed is the greatest among those living in low-income, fragile, and frontier parts of the region. Improving access to finance for individuals and businesses in these geographies can provide broader development gains on a number of levels:

- At the household level, it can help families build assets, manage risks, and increase consumption.

- At the level of individual businesses, better access to finance can result in higher rates of job growth and higher tax payments.

- On the macroeconomic level, there is evidence that better integrated financial systems increase growth and reduce inequality.

To expand access to finance and services among the under-served, it is essential to identify many key areas of intervention as well as deserving beneficiaries in Khed.

Suggested Measures and Strategies: An analysis through questionnaire of why people from Khed region are excluded makes it clear that there are several reasons including physical, psychological and other factors. “Inclusion” thus has to go beyond financial inclusion and encompass livelihoods, economic
and social inclusion. The rationale for inclusive financial system, taking banking services to the vulnerable sections, role of micro finance institutions in spreading financial literacy and the role of technology in taking financial services available & affordable to the poor are discussed in the following strategies.

Therefore, banks as well as Central and State Governments should conduct the following programmes in Khed.

1. **Ensuring Financial Counselling and Literacy** – As products and services are designed to meet the needs of the poor in Khed with respect to their livelihoods, income protection and well being, there is a greater need to increase financial literacy among the poor. This includes greater awareness of products and services available, their use/relevance in meeting needs and their contribution to risk management strategies. Financial literacy of the poor in Khed is also very critical to building a vibrant and competitive low income financial services sector that facilitates affordable and need based access to financial services rather than mere access alone.

   Financial literacy and education programmes: Base level financial literacy training should be provided to BF/BC agents for conducting a smooth financial inclusion programmes. Fixing of BC‘s in each point of villages in Khed is essential.

2. **Trainings** should be conducted by banks in association with partnerships of NGOs for Business Correspondents/Business Facilitators at identified locations.

3. **Through ICT (Information & Communication Technology) product, villagers should be able to make transactions and are facilitated with the field using hand-held terminals, aptly called micro ATMs.**
4. Electronic pass book: In urban areas, account holder are used to printed pass book and bank statement at regular intervals, quarterly or monthly. Some of the banks have started electronic statements and e mailers as an option for account holders. It seems that in the years to come, the physical pass book in the urban centers will get replaced by electronic pass book in the form of smart card or pen drive or some other electronic storage device. Special cards should be issued to each customer in Khed, stored with information on the latest balance, last few transactions and customer biometric and demographic information.

5. Farmer’s Club - Farmers' Clubs are grass root level informal forums of farmers. Such Clubs should be organized by bank's rural and semi-urban branches with the support and financial assistance of NABARD for the benefit of the village farming community/rural people.

6. Enabling a People Driven, Participative, Value Generating and Truly Inclusive Process – Besides the above, a focus on the following critical aspects is suggested so as to make the process more participative, people driven, value driven and inclusive for the poor from Khed.

7. Building/enabling/capacitating institutions of the poor (as opposed to institutions for the poor)

8. Focusing on human capital development

9. Fair value linkages for low income producers with markets/private sector where effective business partnerships are built with a variety of stakeholders through community organizations

10. Livelihood programs as the foundation for financial inclusion
11. Targeting and inclusion of the poorest/vulnerable:

- Targeted advertisement campaigns should be devised for mass media and locally effective media. Government agencies should actively participate in these campaigns that communicate mobile banking to be user-friendly and safe.

- Common consumer knowledge in rural areas about dialing to a toll-free number should be leveraged to provide introduction to financial literacy as well as instructing people on steps to use mobile banking.

12. Banks should educate their staff and BCs about latest developments in mobile banking, and mandate them to promote these facilities during financial literacy campaigns in rural areas.

13. Sustainability of institutions, assets and capabilities at the grassroots level

14. Medium to long term engagement

15. ATM variants: Currently the banking industry is feeling the heat of cost crunch in expansion of not only branches but also in its ATM network. In order to reduce the cost of setting up of an ATM the banks can adopt solar panel technology instead of electricity, and also setting up of an ATM in the villages of Khed.

16. Insurance inclusion: Inclusion data of 2010 reveals that life insurance touches only 10% people in India whereas non-life insurance touches even less than 1% non-life insurance takes care of unplanned expenditure whereas life insurance takes care of either old age or of the financial needs of the left outs in case of any eventuality to the earning members of the family. Perhaps a few years down the line, the government, and regulators will have to initiate a drive for insurance inclusion.
Because micro-insurance is un-viable insurance companies are not interested in coming up with tailor made micro-insurance schemes, but with the support of the government they might venture into this.

17. Focusing the financial literacy and convergence of schemes like pensions, micro insurance for the villagers of Khed.

18. Monitoring the kisan credit cards by both central and state governments.

19. Regional Growth Strategy for Khed: Achieving balanced regional development will require growth acceleration of the lagging region such as Khed while Rest of Maharashtra should at least maintain its growth record. The growth strategies are aiming at an accelerated sustainable development. Region specific growth strategies Should be drawn upon their dynamic comparative advantage anchored in their resource endowment, locational advantage etc. It is essential to identify such specific sectors for each of the regions and the policy reforms required to attract private investment flows as well as to remove constraints induced by extant policies.

20. Anticipating the future growth trends State policy should aim and plan for increasing the rail and road connectivity, in every village of Khed.

21. Institutional reforms required towards capacity building for efficient use of Public Sector resources and for reducing costs of doing business for promoting private investment flows for achieving growth acceleration.

22. Preference should be given for a physical branch. The existing network of more than 1, 55,000 post offices and more than 5,00,000 fair price shops, an outlet of public distribution system with some semblance of government approval, can be explored, especially in rural areas.
23. There is a need to have granular schemes, preferably different schemes for rural and urban areas. Further, distinct schemes can be made on the basis of nature of employment of different people. For example, daily wage laborers can be allowed to make tiny deposits on daily basis - a special RD scheme for daily wage laborers can be introduced.

24. Methods of financial literacy need to be changed from distributing printed literature to audio and visual media such as radio and TV programs, especially in local languages.

25. Financial literacy needs to be given importance in schools, and student small saving programs, where bankers visit schools and collect small deposits, need to be revived.

26. Governance Reforms aimed at greater empowerment and accountability at regional level and local level in Khed so as to achieve balanced development on a sustainable basis.

27. A large scale programme of education and vocational skills to tribal youth of Khed region will help to bring inclusive growth.

28. Banks and other financial institutions are less comfortable while lending to the farm sector of the poor villagers from Khed. Hence it is essential to strengthen Agricultural micro-finance in the target region Khed.

29. Financial Inclusion Centres for Information Provision and Protection of Low Income Clients should be opened in Khed.

30. Banks can tie-up with Indian Post to utilize their extensive network by setting up small banking counters at each of their post offices, especially rural branches in Khed. The government owned post offices in Khed have sufficient space in the post
offices to set up such a counter with a computer and printer, to be operated by a commercial bank employee. With existing arrangements at the post offices, these can be converted into extended banking counters for the villagers of the target region Khed.

Recent Measures By RBI And Government

The government and Reserve Bank of India have been making concerted efforts since mid-1950’s and with renewed vigor since 2005 but success has been rather slow, due to lack of a strong network, and financial instruments not suited to rural residents of Khed. Moreover, lack of awareness and financial literacy among rural population of Khed are primarily responsible for low penetration of financial services.

For the last several years, the Reserve Bank has been aggressively pursuing financial inclusion on the belief and understanding that financial inclusion is a necessary pre-condition for inclusive growth. Development experience over the last sixty years from around the world clearly evidences that what the poor want is not doles, but opportunity to improve their incomes and thereby their quality of life. Financial inclusion is a necessary condition for providing such an opportunity to the poor not only to raise their incomes but also to insulate their families against income shocks and meet emergencies such as loss of job, illness or death in the family. Both the Government and the Reserve Bank have taken several initiatives to further financial inclusion. RBI liberalized branch licensing – domestic commercial banks are now free to open branches anywhere they like in towns and villages of up to 100,000 population. Banks are also required to ensure that at least a quarter of the branches they open are in villages with a maximum population of 10,000. To provide an incentive to banks, the Reserve Bank has also advised them
that their performance in financial penetration will be a criterion in giving them authorization for branches in metros and other large urban areas.

1. During Phase I, 74,414 unbanked villages with population more than 2,000 were identified and allotted to various banks through SLBCs for coverage through various modes, that is, branches, BCs or other modes such as ATMs and satellite branches etc. All these unbanked villages have been covered by opening banking outlets comprising 2,493 branches, 69,589 BCs and 2,332 through other modes.

2. As reported by the banks under their financial inclusion plans nearly 2,48,000 BC agents had been deployed by banks as on March 31, 2014 which are providing services through more than 3,33,000 BC outlets. Nearly 117 million basic saving bank deposit accounts (BSBDAs) opened through BCs remained outstanding as on March 31, 2014.

3. “Swabhimaan” - the Financial Inclusion - Under “Swabhimaan” - the Financial Inclusion Campaign launched in February 2011, banking facilities to over 74,000 habitations having a population of 2,000 and above have been provided by engaging over 62,000 business correspondent agents (BCAs) and opening branches. About 3.16 crores Financial Inclusion accounts have been opened till March, 2012. Further, Public Sector Banks and Regional Rural Banks (RRBs) have operationalized over 43,000 Ultra Small Branches so far. In pursuance to the announcement made by Finance Minister in Budget speech 2012-13, this campaign is being extended to about 45,000 Habitations with population of more than 1,000 in NorthEastern and hilly States and with 1600-2000 population in other states.

4. Setting up of Ultra Small Branches (USBs): Considering the need for close supervision and mentoring of the Business Correspondent Agents (BCAs) by the respective banks and to ensure
that a range of banking services are available to the residents of such villages, Ultra Small Branches (USBs) are being set up in all villages covered through BCAs under Financial Inclusion. A USB would comprise of a small area of 100-200 sq. feet where the officer designated by the bank would be available with a lap-top on pre-determined days. While the cash services would be offered by the BCAs, the bank officer would offer other services, undertake field verification, and follow up the banking transactions. The periodicity and duration of visits can be progressively enhanced depending upon business potential in the area. A total of over 50,000 USBs have been set up in the country by March, 2014.

5. Direct Benefit Transfer (DBT) - The objective of DBT Scheme is to ensure that money under various developmental schemes reaches beneficiaries directly and without any delay. The scheme has been launched in the country from January, 2013 and has been rolled out in a phased manner, starting with 26 welfare schemes, in 43 districts. The scheme is now being extended to additional 78 districts and additional 3 schemes from 1st July, 2013 and would be extended to the entire country in a phased manner. The Government has also started the transfer of cash subsidy for domestic LPG cylinders to Aadhaar linked bank accounts of the customers with effect from 1st June 2013, in 20 pilot districts. About 75 lakh beneficiaries would be benefitted in these districts. The scheme nick named —PAHALi (Pratyakst Hastatarit) is the largest cash transfer program in the world, which aims at directly transferring cash subsidy on cooking gas into the bank accounts has transferred around Rs. 2262 crores till April 2015.

6. Under Pradhan Mantri Jan Dhan Yojana (PMJDY), an ambitious programme on financial inclusion launched by Hon’ble Prime Minister on 28-08-2014, as on 31-01-2015, 12.54 crore accounts have been opened out of which 7.50 crore RuPay Debit cards have been issued till 31.01.2015. Despite of Rs. 10499.62 crore has been mobilized.
7. Under Pradhan Mantri Mudra Yojana has proposed the creation of Micro Units Development Refinance Agency (MUDRA bank) with a refinance corpus of Rs. 20000 crores and credit guarantee corpus of Rs. 3000 crores. Its main focus areas are on lending to business activities which are mainly engaged in micro/ small business units.

8. Under Pradhan Mantri Jeevan Jyoti Bima Yojana has offered a renewable one-year life cover of Rs.2 lakh to all savings bank account holders in the age group of 18-50 years, covering death due to any reason, for a premium of Rs.330 per annum.

9. Under Pradhan Mantri Suraksha Bima Yojana has offered a renewable one-year accidental death-cum-disability cover of Rs.2 lakh for partial/permanent disability to all savings bank account holders in the age group of 18-70 years for a premium of Rs.12 per annum.

10. The GOI has inducted a program Named —Atal Pension Yojana—it’s main focus is on the unorganized sector and provide subscribers a fixed minimum pension of Rs.1000, Rs. 2000, Rs.3, 000, Rs.4, 000 or Rs.5, 000 per month, starting at the age of 60 years, depending on the contribution option exercised on entering at an age between 18 and 40 years.

**Measures for Financial Inclusion BY SBI**

The Bank has set up 45,487 BC Customer Service Points (CSPs) through alliances both at National and Regional level.

The Bank is offering various technological enabled products through Business Correspondent (BC) channel, such as, Savings Bank, flexi RD, STDR, Remittance & SB-OD facilities.

The Bank has achieved 100% coverage in 31,729 villages during FY14. The cumulative coverage has gone up to 52,260 villages.
11,423 BC outlets have been set up in Urban/Metro centre’s which cater to the requirements of migrant labourers, vendors, etc.

Linking of villages to branches through CSPs in a Hub and Spoke model has been launched and 69,749 villages have been linked so far.

A facility of depositing loan repayments at 31,919 BC outlets has also been enabled.

Under Direct Benefit Transfer (DBT) Scheme, the Bank has handled 27.41 lac transactions amounting to Rs. 505 crore as Sponsoring Bank in addition to 7.1 lac transactions amounting to Rs. 98.61 crore as Receiving Bank.

Overall 1.36 crore accounts linked with Aadhaar across the country. SBI is the sole Sponsoring Bank for DBT for LPG transactions which are processed centrally for all the three Oil Marketing Companies. Over 8.98 crore transactions amounting Rs 5,393 crore processed. 4.46 lac SHGs credit linked with credit deployment of Rs. 5,134 crore. Our market share in SHGs is 22%.

**Role of Federal Bank in Promoting Financial Inclusion -Plans :**

1. The Opening Up Of (BSBDA) Basic Savings Bank Deposit Accounts.

2. Financial Literacy Centre’s And Financial Education Programmes Financial literacy programmes intends to provide basic banking knowledge to people across various corners of the life. The financial literacy classes are organized and conducted by the branches.
3. The Grama Jeevan branch has formed a farmers club which includes farmers from the village who are engaged in dairy farming, poultry farming, vegetable farming, rubber growing etc.

Current Scenario

1. The Indian banking industry has been able to penetrate to less than half of the population over the last few decades. The Reserve Bank of India (the regulator) has taken a number of steps to further expedite the process of financial inclusion. Its efforts in adapting to the changing needs of the economy and enabling greater access to financial services to the un-banked and less penetrated segments are praiseworthy. Broad based financial inclusion is a must, as there is hardly any instance where transition from an agrarian system to a post industrial modern society has happened in any economy without the setting up of a robust financial system.

2. Despite the aggressive growth in most financial segments since 2001 coupled with the successfully absorbing of the global recession of 2008, under penetration of banking facility and of most financial products/services is widespread in both rural and urban areas of India.

3. Even though Indian banking credit has enjoyed a significant growth since 2003, credit penetration remains well below global bench marks, which is suggestive of healthy growth potential on one side and failure to achieve equitable distribution in society on the other. In India too, the household sector generates more savings in comparison to the private corporate and public sectors. A significant proportion of household financial savings is routed through the banking system.
Conclusion:

This is evident from the above research that financial inclusion is a priority to majority of developing countries. Inclusive growth is not possible for any economy without including most vulnerable segment of society in mainstream economic activities.

To sum up, financial inclusion is the road which India needs to travel towards becoming a global player. An inclusive growth will act as a source of empowerment and allow people to participate more effectively in the economic and social process. Banks that have global ambitions must meet local aspirations. Financial access will also attract global market players to our country that will result in increasing employment and business opportunities. Technology is a great enabler and has to act as a ladder to achieve the ultimate goal of providing financial services to the financially excluded. A line of caution here is that in order to serve millions of our poor villagers, what we need is “Technology with a human touch”. Banks should, therefore, take extra care to ensure that the poor are not driven away from banking because the technology interface is unfriendly. This requires training the banks’ frontline staff and managers as well as Business Correspondents on the human side of banking. Sufficient provisions should be in built in the business model to take care of customer grievances. It can be summarized that the “The future lies with those who see the poor as their customers” as commerce for the poor is more viable than the rich.