

Financial Inclusion to Bring Every Household in Banking Ambit

Financial Inclusion is meant to extend financial services to the large hitherto un-served population of the country to unlock its growth potential. In addition, it strives towards a more inclusive growth by making financing available to the poor in particular. The Prime Minister in his Independence Day speech this year had announced that *"it will be our endeavor to ensure that all households benefit from bank accounts in the next 2 years"*. Keeping in view the banking facilities being extended under "Swabhimaan" and the campaign launched that every household has at least one bank account, it is expected to achieve the target by August, 2014.

There are 93,659 branches of Scheduled Commercial Banks (SCBs) functioning in the country as on 31st March, 2012, out of which 34,671(37.02%) branches are in rural areas, 24,133(25.77%) are in semi-urban areas, 18,056(19.28%) in urban areas and 16,799(17.93%) are in metropolitan area.

Opening of Bank Branches

In view of the continued need for opening of branches in rural areas for increasing banking penetration and financial inclusion, the Government had issued detailed strategy and guidelines on financial inclusion in October 2011, advising banks to open branches in all habitations of 5,000 or more population in under-banked districts and 10,000 or more population in other districts. By end of June 2012, 1,237 branches (including Ultra Small Branches) have been opened in these areas.

Branch Expansion Plan of RRBS

With a view to make Financial Inclusion Plan effective and expand the outreach of banking services in unbanked/under banked rural areas, the RRBs were required to workout branch expansion plan for 2011 -12 and 2012-13 with 10% increase over previous year. The RRBs had fixed targets of 1247 branches to be opened during 2011-12. RRBs opened 913 branches against this target. This was short of target but was a sharp increase compared to 521 branches opened during 2010-11 and 299 in 2009-10. For 2012-13, a target of 1845 new branches was fixed.

Policy for Opening RRB Branches Liberalised

Reserve Bank of India vide its circular dated 1st August, 2012 has liberalized the Branch Licensing Policy of RRBs and has allowed RRBs to open branches in Tier 2 to 6 centres (with population up to 99,999 as per Census 2001) without the need to take permission from the Reserve Bank in each case, subject to reporting, provided they fulfil certain conditions. RRBs not fulfilling the conditions will have to continue to approach RBI / NABARD, as hitherto. Opening of branches by RRBs in Tier 1 centres (centres with population of 100,000 and above as per Census 2001) will also continue to require prior permission of Reserve Bank of India.

"Swabhimaan" - The Financial Inclusion Campaign

In order to further extend the reach of banking to the rural hinterland, banks were advised to provide appropriate banking facilities to habitations having population in excess of 2000 by March, 2012 using various models and technologies including branchless banking through Business Correspondent Agents (BCAs). This Financial Inclusion Campaign named "Swabhimaan" was formally launched by the Government in February, 2011. Banking facilities to 74,194 such villages have been provided and about 3.16 crore financial accounts have been opened under this Campaign by end of March, 2012. Further, in terms of Finance Minister's Budget Speech 2012-13 it has been decided to extend the "Swabhimaan" campaign to habitations with population of more than 1000 in North Eastern and hilly States and to other habitations which have crossed population of 2,000 as per census 2011. Accordingly about 45,000 such habitations have been identified to be covered under the extended "Swabhimaan" campaign.

Establishment of Ultra Small Branches

Considering the need for close supervision and mentoring of the business correspondent agents by the respective banks and to ensure that a range of banking services are available to the residents of such villages, it has been decided that Ultra Small Branches(USBs) be set up in all villages covered through BCAs. These USBs 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.

Banking Facilities in Unbanked Blocks

With a view to provide banking facilities in unbanked blocks, the Government in July, 2009 identified 129 unbanked blocks, of which 91 blocks were in North East States and 38 in other States. With the persistent efforts of the Government, the number of unbanked blocks were brought down to 71 as on 31.3.2011, and by March 2012, banking facilities have been provided in all the unbanked blocks either through Brick and Mortar Branches or Business Correspondents Model or mobile banking, etc.

Opening of One Bank Account Per Family

In order to ensure electronic transfer of cash subsidies directly into the accounts of the beneficiaries under the various Schemes of the Central Government and State Governments, it is important that the beneficiaries have an account in the service area bank. Accordingly, banks have been advised that the service area bank in rural areas and banks assigned the responsibility in specific wards in urban area ensure that every household has at least one bank account.

Advisory Committee

The Reserve Bank has constituted a high level Financial Inclusion Advisory Committee (FIAC) to spearhead the efforts toward greater financial inclusion. The collective expertise and experience of the members of the committee is expected to explore issues, such as developing viable and sustainable banking services delivery models focusing on accessible and affordable financial services, developing products and processes for rural as well as urban consumers presently outside the banking network and suggest appropriate regulatory framework to ensure that financial inclusion and financial stability move in tandem. The Committee is to be chaired by Dr. K.C. Chakrabarty, Deputy Governor, Reserve Bank of India and will comprise eleven members, from banking and finance sector, including Shri D.K. Mittal, Secretary Department of Financial services, Ministry of Finance, Government of India.

The Committee, if necessary, would call other market players like corporate business correspondents, technology vendors etc., as special invitees to the meetings. Since the financial inclusion model selected in India is primarily bank-led, the Financial Inclusion Advisory Committee may also invite the chairpersons and managing directors of banks to each of its meetings to gather the perspective of banks. There has been a significant, albeit slow, progress towards greater financial inclusion. However ensuring accessible and affordable financial services in all the 6 lakh villages in India is a herculean task and given the enormity of the task, a lot of ground still needs to be covered. This calls for a partnership of all the stakeholders the Reserve Bank, other sectoral regulators like the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority, the Pension Fund Regulatory and Development Authority the National Bank for Agriculture and Rural Development; banks; governments; civil society and non-governmental organisations (NGOs) etc.