



L-R: A P Hota; Raj Kamal Verma; P K Gupta; Dr M Shah Alam Khan

FI not an end in itself, there's business at the end of it

Time has come to work on business models for those who have come to the banking channel

Governance Now India *Financial Inclusion Casebook*, a coffee-table book on models and ideas for fostering financial inclusion in the country, was launched in Mumbai on January 19. The Casebook, featuring case studies of more than 40 banks and financial organisations, was released by PK Gupta, managing director (retail and digital banking), State Bank of India; AP Hota,

former MD & CEO, National Payments Corporation of India (NPCI); Raj Kamal Verma, executive director, Union Bank of India; and Dr M Shah Alam Khan, managing director, Bombay Mercantile Co-operative Bank.

Talking about State Bank's financial inclusion initiatives, Gupta said, "SBI has 60,000 operating business correspondents (BCs). With BCs spread into villages with a population of 2,000 now

the only requirement is that one-fourth of the new branches should be opened in tier-5 and tier-6 cities."

Out of about 30 crore Pradhan Mantri Jan-Dhan Yojana (PMJDY) accounts across the country, 10 crore have been opened by the SBI. "Most accounts are active now. Zero balance accounts are less than 20 percent. With direct benefit transfer (DBT) happening in these accounts, they will become profitable.

People should be able to use these accounts not only for transactions but also to save money,” said Gupta.

On financial literacy, he said that SBI has trained 42 lakh people on the uses and benefits of their accounts. SBI is also running 151 rural self-employment training institutes across the country and has trained 5.37 lakh people, out of whom 3.5 lakh are already self-employed. “Financial inclusion is not the end case. There is a business case at the end of it and it will become more solid after people start using it,” he added. The SBI branches are now looking at providing small loans in the range of ₹20,000-25,000 under the Swachh Bharat Abhiyan for constructing toilets at home. “The digital payment infrastructure which was established as a result of demonetisation is further creating an ecosystem that is enabling people to go cashless. But we are still not there,” he said.

AP Hota said that financial inclusion has been a key economic policy agenda of the government in the last decade. “The idea of providing access to bank accounts has more or less been achieved; it is no longer a challenge,” he said.

“There is a business correspondent fixed network of 1,20,000. But it is still not enough. Financial inclusion is a moving goalpost, and there are miles to cover. Real inclusion will happen when the livelihood of people improves due to financial access and their dependence on non-institutional channels stops,” Hota added.

Literacy is an important component of financial inclusion. There is still lack of awareness among people about the banking facilities and government schemes available. “But it is not right to put the entire burden of financial inclusion on the banking system. The time has come for the government and banks to improve the livelihood of the common man. In the next stage of financial inclusion, we should work with the developmental machinery coming up in rural areas. It requires big commitment from the senior leadership of banks to implement RBI guidelines in



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the long run, while keeping their interests in mind,” he said. Also, NGOs working in the sector must work in a focussed manner by concentrating on particular districts.

Talking about how banking can help in improving rural health, Hota cited an example of his village in Kalahandi, Odisha. He said that people in his village still depend on money lenders, especially for healthcare. “In case someone in the family falls sick, they are doomed, though they can get an overdraft of ₹5,000 from government schemes. Several existing government schemes have to be refined, so that there is ‘health for all’,” he said.

Dr M Shah Alam Khan said, “There is politics of paper. Without papers such as income tax, balance sheets, etc., the poor cannot be included in the financial sector.” Recalling an incident that took place a few years ago, he said, “I was surprised when after attending a function in Kurla, a gentleman offered me a lift in his Mercedes. In 1993, I gave him a loan of ₹1 lakh at a time when he did not have papers. We had included him in the financial system.”

Elucidating about his bank’s initiatives, Khan said, “At the Cusrow Baug Branch in Colaba I started a Senior Citizen Suvidha Scheme, in which senior citizens do not have to come to the bank. We started collecting ₹100 from poor people and within six months we collected ₹50 crore.” He urged the representatives of cooperative banks at the event to provide financial help towards a scheme which aims to include beggars and leftouts in the financial system by engaging them in entrepreneurship.

Stakeholders from various public and private banks, cooperative banks and fintech firms were present at the event. *Governance Now* felicitated the stakeholders with Certificates of Recognition for their invaluable contribution in fostering financial inclusion in the country. >>

At the launch of the Financial Inclusion Casebook, practitioners and experts brainstormed on the crucial question of how to increase global access to financial solutions for communities in even the remotest locations. The discussion was moderated by Jai Mrug, founder, M76 Analytics.



L-R: Jai Mrug; Abhay L Bongirwar; Abhijit Maitra; Aditya Prasad; Thyagarajan Seshadri; PC Panigrahi; Prasun Srivastava; Shanker Ram Solankee



Abhay L Bongirwar, executive director, IDBI Bank, said, “I think a lot of work has been done on infrastructure, digital platform and litera-

cy. Now it is time to work on various business models, which are available. Elaborating the farmers income is the major objective of the government of India. We need to work to find innovation in both agricultural income as well as allied activities. The self-help group movement is another activity. Value chain financing from top to bottom and export potential tapping and inter-regional marketing of products and services in agriculture and in cities are other activities. We all have to work there only. There will be credit offtake; otherwise we will only be creating consumption expenditure and consumption financing.”

PC Panigrahi, general manager – financial inclusion, Union Bank of India, said that with digitisation and the



changing role of branches, banks will be acting as advisory hubs in future. The challenge of agency banking model will be

to improve network connectivity, security, and financial literacy, and how to serve the 30 crore people who have come into the formal banking channels. UBI is conducting financial literacy camps and awareness campaigns and removing the intermediaries.

FI is a changing concept and requires adapting to and removing impediments to technology. While technology can provide ‘Mera Khata, Bhagya Vidhata’, ‘Sabka Saath, Sabka Vikaas’ and ‘Jan Dhan Se Jan Suraksha’, there’s a need to find if the industry is ready for it.

He further said the people should have accessibility to all channels and financial and banking services should be affordable for sustainability. People’s participation, use of technology, the convergence of schemes and costs, and packaging of Aadhaar in all walks

of citizen activities are critical success factors in financial inclusion.

“Speed in technology is as essential as transparency in financial transactions and accountability on the part of the service provider. Information appendage is the basic ingredient for incentivising the model. Financial stability of nation results from financial inclusion, financial literacy and consumer protection,” he said.

“Financial Inclusion is a business. While it is driving ahead, it becomes a profitable scheme for the industry as such. Putting in place innovative and suitable financial products and going digital in all processes were the challenges faced by banks,” Panigrahi added.

He also talked about the risk of having Bank Mitras who are not under the direct control of banks and are engaged by third-party companies. He urged for uniform applicability of laws in the area of BC model and cyber security.

Shanker Ram Solankee, general manager – FI, Bank of Baroda, said that out of 3 crore PMJDY accounts,



around 2.5 crore are full-balance accounts. Only 50 lakh are zero balance. The basic aim is to have people start operating their accounts and

increase their purchasing power. The bank has tied up with Airtel in remote and hilly areas with negligible internet connectivity to provide basic services to customers.

“At BoB we have opened 70 lakh PMSBY and PMJJY accounts, and 95% pleas are settled within 14-15 days. Now urban poor customers want these schemes to be added to their accounts. After SBI, BoB is the leading bank in providing old-age security – Atal Pension Yojana,” he said. BoB is training ASHA and anganwadi workers for providing banking services as they have last-mile reach.

Thyagarajan Seshadri, president, Banking Relations, Electronic Payment & Services Pvt Ltd, gave a presentation on how in 2012, under

the ministry of finance, the company paved the way from PMJDY to Jan Suraksha when they started deploying ATMs in rural and semi-urban areas for PSBs. Around 5,000 machines were deployed. “Out of 2,20,000 terminals in the country, half are owned by banks and the rest by service providers. We have deployed 11,000 ATMs. With 1.2 billion population we only have about 700 million cards and have a long way to go in enabling financial inclusion. Out of six lakh villages in the country, two lakh have either a bank branch or an ATM, four lakh villages have no bank branch or an ATM. We have 280 million RuPay cards today,” he said.

“Building digital infrastructure to enable digital payments is the crux. It also requires building acceptable digital infrastructure,” added Seshadri. Making a strong case for scaling up

and issuing more RuPay cards, he said that it is important to have common RuPay branded delivery ATMs or cash recyclers across all the banks. “Unutilised funds like financial inclusion fund, infrastructure fund of the government must be used for creating a digital string infrastructure and a strong RuPay system,” he said.

“The ATMs are now outdated and can be replaced with cash deposit machines (CDM). With the consolidation in banks, the government should also look at the common procurement programme. The government order on public procurement policy must be implemented in the industrial policy to give a boost to the ecosystem, employment to home grown companies like EPS and Make in India initiative,” he added.



Prasun Srivastava, cybersecurity solutions expert, identity & data protection, enterprise and cybersecurity, Gemalto, spoke on

data privacy and security and said that the IT Act section 72 defines what kind of data is PII data (a fundamental right) and needs to be protected with adequate due diligence.

Giving the example of humungous Equifax data leak en masse in America, its repercussions and how it shattered the faith of people in systems, he said, “Data privacy must be one of the fundamentals while designing the application. Unfortunately, it is not the practice as of now. As a ground rule while designing applications, privacy should be the default setting in an application.”

On Aadhaar he said that the selected few global organisations (authentication user agencies, or AUAs) are going to be data controllers. A larger host of local service providers do not have the right to store this data but only access data processors.

“The UID token is unique to international and local organisations and has essentially helped in segregating data relevant to the organisations and BCs.

It helps in identifying the source of data leak and improving the technology thereby. Implementing tokenisation solutions within our organisation have allowed us to have a certain level of control over the data concerning organisations we are dealing with,” said Srivastava.



Abhijit Maitra, business unit (financial inclusion) head, YES Bank, talked about how the bank has improved on YES Money, a remittance mod-

el where a labourer could remit money back home in a remote village. The bank used large corporate BCs and NGOs in far-flung areas in 18 states. Responding to a query on how YES Bank handles accounts brought by BCs which are not active accounts, Maitra said that the FI has a credit bureau system in place and at YES Bank they have a strong policy of underwriting. Initially, their private sector lending in agribusiness, MSMEs, and FI were part of their greater business. “The bank has used technology for underwriting. Process improvements have helped us reach the unbanked and immortalised YES Bank. We are working on being future ready,” said Maitra.



Aditya Prasad, chief evangelist, Perfios Software Solution, said the company works in the area of financial inclusion and ensures

that they are getting future ready. “We ensure that paper is not used in digital data processes. India may not have complete financial inclusion yet, but we are 100% data rich country as there are more mobiles than toilets. With humungous amounts of mobile phones and SIM cards in the country, enough inclusion can happen with mobile phones,” he said. ■