

FINANCIAL INCLUSION POLICY- MOVING FROM MANDATE TO MARKET

INDICUS WORKSHOP, DECEMBER 7, 2017, MUMBAI



(A) REGULATORY CHANGES IN CREATING AN ENVIRONMENT FOSTERING INNOVATION, WITH PARTICULAR EMPHASIS ON ENABLING OPEN ACCESS AND INTEROPERABILITY

- 1. RBI to Issue Guidelines for Regulating BC Sector:** by issuing BC Regulations and quickly activating BC Registry – minimum net worth requirement / sound financials are basic requirements. The following must be operationalized by RBI with BCFI (not IBA) as SRO on priority: (i) BC Registry (ii) BC Training & Certification - T&C (iii) Code of Conduct – COC (iv) Grievance Redressal Mechanism – GRM, and (v) Standards
- 2. RBI to Issue Guidelines for White Labelled BCs - WLBCs:** guidelines for WLBC be issued by RBI soonest with full interoperability to enable efficient and trouble-free delivery of service to the beneficiaries at the Point of Service (POS) - not the “last mile”.
- 3. RBI to Permit NPCI Allow Direct Access on IMPS/AEPS Bridge:** to CBCs just like PPIs as this will significantly reduce transaction failures.
- 4. Govt/RBI Allow Granting Fresh Codes to BCs:** Despite RBI having notified “BC outlets” as “banking outlets”, *interalia*, for meeting branch expansion requirements, it is observed that grant of fresh codes to BCs has almost come to stand still. RBI should direct banks to open more ABC outlets for citizen’s convenience and service.

(B) CURRENT POLICY BARRIERS/MANDATES THAT ADVERSELY IMPACT LAST MILE DELIVERY, IE BANK-BC RELATIONSHIP

- 1. Ad hoc Pricing:** empirical data based pricing which must be implemented and enforced across all states by GOI and RBI and other regulators for respective products, to ensure long term viability of sector.
- 2. Economic Viability of BCs:** With initiation of digital initiatives like **AEPS**, the transactions in accounts opened by BCs have become Bank/BC agnostic. This has resulted in **reduction of foot falls at the BC outlets**. Simultaneously, as the commission structure of BCs, as laid down by the banks, is focused towards transactions and average balance, the reduction in foot falls, as well as withdrawal from banking outlets other than home BC outlet has resulted in reduction in commission payable to the BC agents. Also, banks have been reducing the commission payable to the BCs over the last couple of years resulting in a situation where average BC agents have seen a drastic decline in their monthly commissions. It is, therefore, recommended that the commission structure should be based on empirical data to ensure economic viability rather than *ad hoc* basis presently with a view to provide long term sustainability for the BC channel.
- 3. Allow Revenue Share on CASA Deposits Mobilized By BCs:** Banks are providing commission to the BCs only if the average balance in the accounts domiciled at their outlets is above a given threshold level. This is resulting in a situation where BCs are not getting any commission on the funds mobilized by them although, through treasury operations, banks are having substantial income on placement of CASA deposits so mobilized. Bank should, therefore, share a part of their income on the CASA deposits mobilized by the BC to make the BC channel economically viable.
- 4. Allow Co-origination & Revenue Share Arrangements on Loans Distributed by BCs:** Govt of India is putting a lot of emphasis on development of MSMEs so that job creation could be expedited and the demographic dividend available is properly leveraged. There is a lot of demand from the MSMEs for making credit available to them through BC outlets so that their cost of securing funds, as well as funds management, are kept at the bare minimum. Bank should be, therefore, directed by RBI to have co-origination and revenue sharing arrangements with the CBCs so that the MSMEs can be sourced and properly serviced. This will contribute to economic viability of the BC channel.
- 5. Cash Management & Transit Insurance Must Be Done & Borne By Banks:** has been left entirely to the BCs and sponsor banks are neither arranging for cash management nor are they providing BCs any compensation for mishaps at the time of transit of cash. There have been numerous instances where cash has been snatched/BC representatives injured while they were transmitting cash. Therefore, sponsor bank should take the cost and responsibility for cash management at the BC outlets or should defray the cost of cash management including transit insurance, etc. of BCs.
- 6. RBI to Allow Direct Connectivity to CBS Servers and NPCI IMPS/AEPS Bridge:** to reduce multiple hops and thus transaction failures & settlement problems. NPCI must issue and TAT for settlement of failed transactions. [Failed transactions of branches get settled within hours, whereas there is no time limit in case of ABCs, it may take months, and consequently the ABCs are facing the wrath of the customers]
- 7. Bank-BC Relationship Is Not Smooth Due To:**
 - a. Lack of proper orientation of bank officials vis-a-vis BCs - Different offices/officers behave very differently
 - b. Creation of BC codes at needed places are not taken seriously
 - c. Replacement of inactive BC codes not being taken on priority basis
 - d. Enrolment and generation of accounts usually takes months
 - e. Commission structures not uniform - different in all banks, and complicated in nature
 - f. MIS not proper and standardized
 - g. CBCs while designated as Corporate/National BC, but not allowed to work on pan India basis

Pradhan Mantri Jan - Dhan Yojana

As on 29-11-2017

Sl	State Name	Beneficiaries at rural/semi-urban centre bank branches	Beneficiaries at urban / metro centre bank branches	Total Beneficiaries	Balance in beneficiary accounts (in crore)	No. of RuPay cards issued to beneficiaries
1	Andaman & Nicobar Islands	36,846	14,582	51,428	19.41	39,482
2	Andhra Pradesh	44,38,029	45,36,178	89,74,207	1,291.87	76,31,432
3	Arunachal Pradesh	1,50,509	1,02,832	2,53,341	68.18	1,97,355
4	Assam	94,79,917	30,32,301	1,25,12,218	2,703.83	95,19,834
5	Bihar	2,01,25,275	1,21,62,637	3,22,87,912	6,223.37	2,22,39,758
6	Chandigarh	38,036	2,06,635	2,44,671	91.68	1,88,529
7	Chhattisgarh	82,01,830	45,98,631	1,28,00,461	1,958.08	86,74,736
8	Dadra & Nagar Haveli	74,200	13,613	87,813	31.03	53,262
9	Daman & Diu	20,420	20,647	41,067	13.32	27,472
10	Delhi	4,70,303	34,60,212	39,30,515	1,457.65	31,61,087
11	Goa	1,07,470	42,786	1,50,256	75.44	1,22,361
12	Gujarat	60,48,413	55,48,809	1,15,97,222	2,851.84	92,60,646
13	Haryana	34,04,231	30,31,461	64,35,692	2,326.51	54,34,558
14	Himachal Pradesh	8,50,443	1,27,382	9,77,825	422.83	7,76,912
15	Jammu & Kashmir	16,72,825	2,64,911	19,37,736	703.51	14,69,117
16	Jharkhand	78,23,669	30,94,206	1,09,17,875	2,151.68	79,50,601
17	Karnataka	65,25,958	50,20,095	1,15,46,053	2,414.46	92,67,439
18	Kerala	15,34,646	19,43,682	34,78,328	861.09	24,16,969
19	Lakshadweep	4,520	642	5,162	6.32	4,111
20	Madhya Pradesh	1,27,86,839	1,38,32,233	2,66,19,072	3,058.38	1,90,54,162
21	Maharashtra	1,03,97,185	1,12,63,090	2,16,60,275	3,875.28	1,50,86,509
22	Manipur	3,53,965	4,22,694	7,76,659	187.87	6,73,973
23	Meghalaya	3,46,318	66,588	4,12,906	186.4	2,41,015
24	Mizoram	98,093	1,66,454	2,64,547	44.03	90,342
25	Nagaland	1,01,162	1,15,242	2,16,404	34.95	1,74,233
26	Odisha	88,31,441	33,55,810	1,21,87,251	3,088.59	95,17,399
27	Puducherry	68,660	90,450	1,59,110	33.58	1,20,829
28	Punjab	33,81,808	26,28,777	60,10,585	2,110.76	49,31,455
29	Rajasthan	1,43,25,053	95,63,352	2,38,88,405	4,876.69	1,67,56,480
30	Sikkim	73,359	20,957	94,316	29.37	69,848
31	Tamil Nadu	40,74,771	48,19,727	88,94,498	1,371.04	74,42,320
32	Telangana	45,76,922	43,68,056	89,44,978	1,171.97	75,17,562
33	Tripura	5,79,947	2,30,656	8,10,603	687.63	7,02,125
34	Uttar Pradesh	2,77,21,077	1,85,28,980	4,62,50,057	11,327.99	3,59,38,838
35	Uttarakhand	13,31,792	7,96,503	21,28,295	775.94	17,44,639
36	West Bengal	2,02,80,000	90,86,276	2,93,66,276	10,644.34	2,22,74,418
	TOTAL	18,03,35,932	12,65,78,087	30,69,14,019	69,176.91	23,07,71,808

Overdraft (OD) in PMJDY Accounts

As on December 23, 2016, 44.28 lakh accounts have been sanctioned OD facility of which 23.85 lakh account-holders have availed this facility involving an amount of Rs 316.56 crore. (average OD of Rs 1327/account)

Pradhan Mantri Suraksha Bima Yojana - PMSBY

As on 27.11.2017

11. Pradhan Mantri Suraksha Bima Yojana (PMSBY)

- Launched on 9th May 2015, PMSBY offers a renewable one year accidental death cum disability cover of Rupees Two Lakh to all subscribing bank account holders in the age group of 18 to 70 years for a premium of Rs.12/- per annum per subscriber.
- The benefits are as follows:

Table of Benefits		Sum Insured
a.	Death	Rs. 2 Lakh
b.	Total and irrecoverable loss of both eyes or loss of use of both hands or feet or loss of sight of one eye and loss of use of hand or foot	Rs. 2 Lakh
c.	Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot	Rs. 1 Lakh

- The scheme is offered / administered through PublicSector General Insurance Companies (PSGICs) and other General Insurance companies willing to offer the product on similar terms.
- The cover period for those subscribing is 1st June of each year to 31st May of subsequent year.

The Progress is as under:

	As on 27.11.2017	As on 20.11.2017	Addn/Redn over the Month	Addn/Redn during the previous Month	Remarks
Gross enrolment reported by Banks subject to verification of eligibility, etc.	13,208 crore	11,208 crore	200.00 Lakh	7.30 Lakh	
Total No. of claims received	18,086	17,689	397	135	
Total No. of claims disbursed	13,420	13,090	330	86	

Pradhan Mantri Jeevan Jyoti Bima Yojana - PMJJBY

As on 27.11.2017

12. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

- PMJJBY was also launched on 9th May, 2015 and it offers a renewable one year term life cover of Rupees Two Lakh to all subscribing bank account holders in the age group of 18 to 50 years, covering death due to any reason, for a premium of Rs.330/- per annum per subscriber.
- The scheme is offered / administered through LIC and other Life Insurance companies willing to offer the product on similar terms.
- The cover period for those subscribing is 1st June of each year to 31st May of subsequent year.
- PMJJBY covers death by any cause including suicide and murder.
- The Achievements are:

	As on 27.11.2017	As on 20.11.2017	Addn/Redn Over the Month	Addn/Redn. during the previous Month	Remarks
Gross enrolment reported by Banks subject to verification of eligibility, etc.	5,2105 crore	3,5569 crore	165.36 Lakh	3.50 Lakh	
Total No. of claims received	83,328	82,828	500	489	
Total No. of claims disbursed	76,963	76,096	867	1340	