

Speech Of Hon Executive Director Mr R K Gupta in 11 th Annual  
Banking Summit cum Social Banking Excellence Awards 2015

Topic: **Inclusive Growth for Inclusive Development**

Sub topic : **Industry Perspective**

- Dignitaries, Ladies and Gentlemen! A very Good Morning to all of you.
- At the outset, please allow me to congratulate the organizers for conducting special summit on inclusive growth for sustainable development which is buzz word of the day! I am also thankful to ASSOCHAM for giving me an opportunity to speak on this vital topic.
- Our country is unique in respect of geographical area, different languages, and different cultures! There is hardly any country in globe, which has so much diversity!!
- As a corollary of this unique diversity, Government of India and planners have always faced challenge of uniform development of all geographies across the corners of country.
- No doubt country has made good progress, but the benefits in the form of fruits are not evenly distributed amongst the people of India .This has resulted in disparity in distribution of wealth.
- On one hand, we are proud to have Indians in world list of wealthiest persons , but at the same time we also have many poor small and marginal Farmers, rural and urban poor who are unable meet both ends of their family of 5 members.
- How far double digit GDP growth target is relevant to rural poor, living in 6.50 lac villages and urban areas?
- How far this uneven growth can be sustainable in the absence of “Demand push “which is driven from masses?
- Hence for the last few years , planners and Government have taken agenda of inclusive growth in economy very seriously.

- After initial bottlenecks now Governments have taken firm and decisive steps to push the agenda of inclusion growth which is at threshold level at this point of time
- Banking sector is mirror of what is happening in economy .Whatever is happening in economy must be reflected in banking business.
- Banking sector has also witnessed changes in social aspect of banking, right from social control introduced by Government in 1968. Nationalization of Banks in 1969 was first step in what we term as “financial inclusion”
- Approach to financial inclusion in banking sector can be traced as under,
  - 1) First phase was Branch Penetration:-**  
Banks opened large number of branches across the country to reach people. The basis was population covered per branch. More expansion was seen in rural and semi urban areas, to reach 70 % of population, living in these areas.
  - 2) Second phase was Credit Penetration:-**  
Banks started extending credit to targeted group farmers, rural poor, urban poor, small business and other priority sectors  
Despite these initiatives for many years banking facilities were availed by household was only 35.5% till 2001 which improved to 60 % in 2012.
- CRISIL also conducted a study in 2011 to find financial inclusion index across the country and found that only 40.1 % of population was financially included and remaining population was financially excluded.
- CRISIL also found that there was wide variation in geographical coverage with minimum of 28 .5 % in north east region and 62.2 % in South region
- Approach to Financial Inclusion -  
Initially banks started financial inclusion program under Swabhiman yojana in which target was to cover all 74000 villages having population above 2000 .  
Subsequently Government Of India came with more scientific approach called as Sub Service Area based on two criteria viz Banking service to be provided within distance of 5 Kms to all 6.5 lacs villages , with rider of covering 1000 to 1500 households per banking unit which may comprise of
 

A Brick and mortar branches	1,25,857 as on 31/03/2015
B A T Ms	1,81,252 as on 31/03/2015
c SSA	1,26,000 demarcated

- Now whole activities of financial inclusion are brought under one umbrella viz Pradhan Mantri Jan Dhan Yojana through a National Mission on Financial Inclusion under the aegis of Department of Financial Services
- Whole approach to financial inclusion is changed from covering village in general terms to covering all 24.67 Households of country.
- This ambitious program started from 15 th August 2014 and completed on 26 th January 2015

- **There are 6 pillars of this programme in which banking industry has played a crucial role**

**These pillars are**

**1 Opening of Basic Banking accounts**

In this program banks have opened 20.19 cr accounts under PMJDY mostly through BCs. Now these accounts are becoming profitable to Banks.

**Increasing operations in this accounts and issuing Rupay cards**

Zero balance accounts have reduced from 76.76% to 31.30% (PPT slide)

Balance in these accounts has increased to 30108.45 crores ( Rs 1494 per account) More & more A/c holders are operating these accounts through

mobile. The great expanse of mobile coverage, the number of people having the hand sets, the mobile banking products and services are all at a critical points for high leveraging to usher in financial Inclusion & Inclusive growth. The global mobile banking report 2015 claims that mobile banking is used by 60-70% of the total Banking population.

Rupay cards issuance and distribution work is in progress in camp mode

Banks have prepared scheme for sanction overdraft to PMJDY accounts

So far Rs 167 crores sanctioned to 27.57 lacs persons.

A parallel development relates to the issue of Aadhar cards & seeding the cards to Bank accounts

**2 Financial Literacy Program**

Maharashtra state is selected as pilot project for financial literacy project in which

- I 100 schools are selected in each district and children are given financial literacy material. Targeted students 6.50 lacs
- II Financial Literacy programs in adjoining areas of banks for targeted audience

- III Financial literacy programs at ITI and skill development centers
- IV Other financial literacy programs through Financial Literacy

#### Centers

### 3 **Micro Insurance as social security measure for under privileged**

Accident Insurance scheme PMSBY launched at nominal premium of Rs 12/- per annum with insurance coverage of 2.00 lacs ( 9.31 crs beneficiaries)

Life insurance scheme PMJJY launched at nominal premium of Rs 330/- (2.93 crs beneficiaries)

### 4 **Un organized sector Pension scheme like Swavlamban**

Atal Pension launched by all banks 18.91 lacs beneficiaries

### 5 Credit Guarantee fund

Under consideration of Government of India

#### ➤ New Initiatives in financial inclusion

- 1 Inter operable POS machines with facility of off us and on us transactions being introduced by banks
- 2 USSD operations of NPCI enabled by banks
- 3 I M P S introduced from simple mobile phones for transactions upto Rs 5000/-
- 4 Mobile banking apps introduced for ease of doing transactions
- 5 There are some disruptive innovations through regulators also like Payment banks and Small finance Banks to expand financial inclusion further.
- 6 Post office bank will also undertake transactions through 1.55 lacs post offices
- 7 Many new initiatives are being introduced such as Start up India, Mudra Loan etc. which will help in inclusive growth.  
Efforts to enhance the credit absorption capacity must be supplemented through financial literacy, vocational training initiatives, skill development and an efficient Crop Insurance framework.

#### ➤ To summarize, a comprehensive and holistic approach is taken by Govt of India, Reserve Bank of India , and All Banks and other financial institutions .

Which not only change financial inclusion scenario but also bring in disruptive innovation in banking sector?

Financial inclusion has been quite successful but a lot more is to be done. I am sure ,today a fruitful discussion will take place on various topics relating to financial Inclusion and new ways & means will come out which will help taking this Financial Inclusion forward.

Thank you!