

# UNIT 16 – BANKING - FINANCIAL INCLUSION

It is the delivery of financial services at affordable costs to vast sections of disadvantaged and low income groups

Financial inclusion involves

- 1) Give formal banking services to poor people in urban & rural areas.
- 2) Promote habit of money-savings, insurance, pension-investment among poor-people.
- 3) Help them get loans at reasonable rates from normal banks. So they don't become victims in the hands of local moneylender.

## **Some Important initiatives for financial inclusion:**

- 1) Lead banking scheme (LBS).
- 2) No frills account.
- 3) BSBDA
- 4) Business Correspondents (BC) system.
- 5) Swabhiman Campaign
- 6) PMJDY

## **Lead Bank Scheme**

The Lead Bank Scheme, introduced towards the end of 1969, envisages assignment of lead roles to individual banks (both in public sector and private sector) for the districts allotted to them. A bank having a relatively large network of branches in the rural areas of a given district and endowed with adequate financial and manpower resources has generally been entrusted with the lead responsibility for that district. Accordingly, all the districts in the country have been allotted to various banks. The lead bank acts as a leader for coordinating the efforts of all credit institutions in the allotted districts to increase the flow of credit to agriculture, small-scale industries and other economic activities

included in the priority sector in the rural and semi-urban areas, with the district being the basic unit in terms of geographical area.

### **No Frill Account**

'No Frills' account is a basic banking account. Such account requires either nil minimum balance or very low minimum balance. Charges applicable to such accounts are low. Services available to such account is limited. In what can be described as a watershed Annual Policy Statement, the RBI in 2005-06 called upon Indian banks to design a 'no frills account' – a no precondition, low 'minimum balance maintenance' account with simplified KYC (Know Your Customer) norms. But All the existing 'No-frills' accounts opened were converted into BSBDA in compliance with the guidelines issued by RBI in 2012 .

### **BSBDA**

RBI in 2012 came out with fresh guidelines and asked banks to offer a 'Basic Savings Bank Deposit Account' which will offer following minimum common facilities to all their customers. These guidelines includes:-

- (a) This account shall not have the requirement of any minimum balance.
- (b) The services available in the account will include deposit and withdrawal of cash at bank branch as well as ATMs; receipt/credit of money through electronic payment channels or by means of deposit/collection of cheques drawn by Central/State Government agencies and departments;
- (c ) While there will be no limit on the number of deposits that can be made in a month, account holders will be allowed a maximum of four withdrawals in a month, including ATM withdrawals; and
- (d) Facility of ATM card or ATM-cum-Debit Card.

### **Business Correspondent**

Business correspondents are bank representatives. They personally goes to the area allotted to them and carry out banking.

- They help villagers to open bank accounts.
- They help villagers in banking transactions. (deposit money, take money out of savings account, loans etc.)
- The Business Correspondent carries a mobile device.
- The villager gives his thumb impression or electronic signature, and get the money.
- Business Correspondents get commission from bank for every new account opened, every transaction made via them, every loan-application processed etc.

### **Recently on Financial Inclusion**

The Reserve Bank of India (RBI) has constituted a committee with the objective of working out a medium-term (five-year) measurable action plan for financial inclusion. The terms of reference will include reviewing the existing policy of financial inclusion, including supportive payment system and customer protection framework, taking into account the recommendations made by various committees set up earlier.

It will also study the cross-country experience in financial inclusion to identify key learnings, particularly in the area of technology-based delivery models, that could inform policies and practices. The committee will also suggest a monitorable medium-term plan for financial inclusion in terms of its various components like payments, deposit, credit, social security transfers, pension and insurance.

Deepak Mohanty, RBI executive director, will chair the committee.

