

Annexure-10.45

Report on Meaningful Financial Inclusion Project in Ernakulum District

The Mission.....

Banking fraternity in Ernakulam District is in the process of making the District as having Meaningful Financial Inclusion (MFI). Dr. D. Subbarao, the Governor, Reserve Bank of India had assigned this challenging task to all of us to make the District attain the unique distinction of having complete banking habit. On successful completion, the model will be replicated in other parts of the country.

MFI is distinct from the Financial Inclusion in as much as has four major objectives, viz; (1) All adults in each family having operative bank account through which regular credits and withdrawals take place; (2) Providing small overdraft/credit facilities to the needy; (3) Providing remittance services through the banks and (4) Providing micro insurance through the banks.

A Steering Committee with representations of Reserve Bank of India, NABARD, major banks, Government departments and Insurance companies oversee the progress under MFI. Monitoring by a core group is also in place.

A baseline survey was conducted through the Kudumbasree Mission by visiting all the households in the District to ascertain the present level of Financial Inclusion and the results are available now. Accordingly ward-wise lists of people who do not have bank account are prepared.

The responsibility to bring in the excluded under the banking umbrella is that of the service area bank branch. We have prepared the list of persons who do not have bank accounts and the same are forwarded /will be forwarded shortly to each branch by the Lead Bank. On receipt of the list from Lead Bank, branches have to take intensive efforts by contacting the concerned persons and get the accounts opened as early as possible, but latest by end of July 2012.

We have also designed special products for achieving the four objectives of MFI, which is expected to serve as an additional option if found deserved suitable and appropriate, along with the existing products of the banks.

Actions so far.....

- Conducted Committees with banks, Government departments, and Insurance companies to frame/design actions, methods and products for MFI;
- Conducted baseline survey through Kudumbasree Mission covering all households in the District;
- The data entry of the survey forms completed through IT Units of Kudumbasree
- The lists of persons who do not have bank accounts generated are forwarded to bank branches.
- Four products to meet the objectives of MFI are designed

Steps ahead.....

- Collaborative move by all the bank branches in the Panchayat / Municipalities / Corporation needed to create awareness among the public
- Conduct campaigns to open accounts for the excluded, with thrust to open accounts for all adults in the family
- The responsibility rests with the service area bank branch to ensure that all eligible persons are covered and get authentic certificates from Local Self Government representatives.(A list of service area bank branches and the Wards/Panchayats/Municipalities/Corporation areas allotted to them is given as Annex)
- The bank branch selected as leader for the Panchayat / Municipality / Cluster in Corporation has to coordinate the activities;
- The ward members are to be consulted before the campaign and solicit their support;
- Persons who maintain account with any scheduled commercial bank or RRB need not be compelled to open account;
- Joint accounts can be promoted to include all members in the family;
- Voluntary exclusions are to be recorded;
- On completion of the account opening, the second phase of MFI for dispensing the credit products to be commenced;
- Promotion of remittance products and creating awareness on insurance products can be carried out concurrently;
- Insurance products have to be issued by the Insurance companies in coordination with the banks.

The Goal.....

- To make Ernakulam a model district for “Meaningful Financial Inclusion” by end of September 2012;
- Enlighten the common man with financial awareness and inculcate banking habits in him;
- Enable the common man to participate in inclusive growth by making him part of the organized financial sector.
- To ensure sustainability of Meaningful Financial Inclusion
- To arrive at measurable scale of achievements in terms of quality and quantity of MFI.

Project Details

Group - I

Operating Accounts

Objective: As part of Meaningful Financial Inclusion, bring the poor and marginalized, especially in the rural areas to the banking sector. They should be motivated to open accounts with the nearby bank branch and route their savings regularly through their accounts.

Present position:

The products are available with all banks now itself with features such as:

- No-frill accounts / zero balance accounts
- Simplified KYC norms as advised by RBI
- Low or zero minimum balance
- ATM cards are provided
- Pass book or statement of accounts provided free of cost
- Amount as low as Rs.10.00 can be remitted
- Anywhere banking facility offered

Some of the features need certain modification.

How to promote this:

- Through various media coverage
- Posters at branches and public places / offices
- Awareness programmes to public and bank staff
- By September end all adults should have bank account.
- All bank branches should identify the inoperative accounts and persuade the customers to operate such accounts.
- In the bank's notice board and passbook it should be mentioned that account has to be operated minimum once in every quarter.
- Every month customer service meetings should be conducted and inoperative account holders should be invited to attend the meeting.
- Maximum publicity should be given for MFI.
- Rewards may be given to the best performing branch in the Panchayat.

It requires an attitudinal change of the staff members. The business to the bank may not be lucrative. But the social commitment has to be met with. Small size transactions, illiterate customers, more questions / clarifications etc need to be addressed.

Group - II

Credit Support

Objectives:

To achieve the Socio-economic objectives of the meaningful financial inclusion adequate credit support for productive and income generating activities for each and every financially excluded household is a must. Providing credit input to the financially excluded household will bring such excluded sections to the organized banking channel and also free these sections from the clutches of moneylenders & unorganized financial Sector, resulting in sustained income generation in every household. The ultimate aim of this conscious effort is to eradicate poverty from all sections of our society in a very meaningful manner.

Credit Products – Existing

(1) General Credit Card (2) Kissan Credit Card (3) Gold Loan (4) DRI Schemes (5) OD in SB Account (6) Debt Swap Scheme for farmers

Credit Products – Proposed- (MFIOD) Meaningful Financial Inclusion Overdraft & (MFITL) Meaningful Financial Inclusion / Term Loan

(1) **Eligibility:**

- a) Should be permanent resident of the Service area of the bank and proof to that effect has to be submitted.
- b) Should have account with the bank with satisfactory operations for minimum 6 months.

(2) **Nature of Facility** : Overdraft or Term Loan

(3)

(3) **Quantum of Loan** : 3 times the annual Income of the family or Rs.25000/- whichever is lower, per family/household

(4) **Rate of Interest** : Simple Interest at common Base Rate of the Bank

(5) **Repayment:**

Overdraft - Running account repayable on Demand.

Term Loan - To be paid in 60 EMI's

(6) **Moratorium Period** : Three Months from the date of avilment of loan. Interest to be serviced as and when charged during moratorium period

(7) **Security guarantee** : The facility shall be granted against the personal guarantee of the spouse / adult children of the applicant as shown in the ration card.

For Registered Migrant Labours:

In case of migrant labors, if their payments are routed through their account for the previous six months, loan may be sanctioned up to five times the average balance in the their SB account subject to a maximum of Rs 25000/-. However personal guarantee of the employer has to be obtained in such cases.

- (8) **Credit guarantees Coverage:** Eligible activities can be covered under CGTMSME
- (9) **Documentation:** Application (Common Format), DPN, Letter of continuity also in the case of MFIOD account, Self Declared Income certificate and Identity and address proof.
- (10) **Mode of Disbursement:** Cash disbursement in installments routed through the SB account of the family head with implementing bank.
- (11) **Cut off time of commencement of disbursement:** The loan should be sanctioned and disbursement commence within 10 day receipt of application.
- (12) **Purpose:** To meet any Emergency/Consumption/Medical Purpose /Business/ Agriculture/ Service/ /any other income generating lawful activities. One time debt swapping of all the debt of the household with informal / unorganized financial sector may be permitted in deserving cases.
- (13) **Sanctioning Authority:** Respective branch managers of the service area bank branch where the borrower resides.

Group – III

Remittance Products

Objective:

Enable the customers to utilize the facilities provided by banking channel for fund transfer. The electronic transfers of funds such as RTGS / NEFT / ECS/ Mobile Transactions are to be promoted. Promotion of existing products only is possible. But the banks may promote BC model which allow fund transfer using smart cards. Banks without PAN India presence should have tie up arrangements with other banks.

Target group:

The poor, marginalized and migrant labors are to be covered. Migrant labors having concentration in areas such as Perumbavoor who require the service need more attention.

How to promote?

- Media coverage on various modes of transfers and its benefits such a saving time, finality of payment, low cost incurred.
- Posters displayed at branches and common places , offices etc

It requires an attitudinal change of the staff members. The business to the bank may not be lucrative. But the social commitment has to be met with. Small size transactions, illiterate customers, more questions / clarifications etc need to be addressed.

Group – IV

Insurance products

The coverage of insurance appears to be very low and hence the scope for the products will be very high. Uncertainties in life, healths etc of the people need to be addressed through the products. The products should be delivered at affordable cost to all those who need it.

Both health insurance and life insurance have to be promoted.

As the target group is the poor and marginalized, especially in villages, more awareness need to be created. Focus is on micro insurance products only.

The products with the insurance companies may be chosen for the purpose. Special arrangement for delivery of the products through banking channel must be available.

Preferably annual premiums are to be fixed. However, if the premium appears to be on higher side, quarterly / monthly installments also may be considered.

KYC norms should be simple and settlement should be easy.

Discussions with insurance companies having suitable products to be carried out.