SOUVENIR 2017

Abhyutthana Financial Learning Centre

Empowering Society through Financial Literacy

State Level Seminar

'Digital Financial Literacy for All'

24th July 2017, Jayadev Bhawan

Bhubaneswar

(Website : www.aflcfinlit.org)

SOUVENIR

Abhyutthana Financial Learning Centre LLP

Bhubaneswar

EDITORIAL TEAM

T.MAHARANA
S. CHOUDHURY

D.MISHRA
Managing Partner

HIG-210, Kanan Vihar, Phase-I, Bhubaneswar
Web : www.aflcfinlit.org, Email : abhyutthana@gmail.com

Activities of Abhyutthana Group during July 2014-June 2017
Financial Literacy / Depositor Awareness and Education Programmes

Sl No	Date of the Programme	Venue	Location
2014			
1	**2 .07.2014**	K.M. Vidyapith	Salapada Dt Keonjhar
2	**13.09.2014**	Salapada Upper Primary School	Salapada
3		Kanak Manjari Women's College	Salapada
4	**6.12.2014**	Anandapur College	Anandapur
5	**24.12.2014**	Anandapur College Science Education Programme Exploring space - Space Mission. **Talk: - Dr A.K. Misra, Eminent space scientist** and Emeritus Professor Mc Gill University, Canada	Anandapur (Organised by AFLC)
2015			
6	**08.08.2015**	B N High School	Anandapur
7		K. M. Vidyapith,	Salapada
8	**12.09.2015**	D.N. High School	Keonjhar Town
9		Government Engineering College	Keonjhar Town
10	**20.09.2015**	'**Gramya** Arthik Pathasala' Programme for villagers of low-income group of Nua Sahi, Salapada, Barigaon	Salapada

2016			
11	**19.03.2016**	Seminar "on Financial Literacy and Financial Inclusion : Focus Odisha"	Hotel Swosti Premium Bhubaneswar
12	**19.07.2016**	Sadbhabana Hall Programme for WSHG members, RSETI trainees, bank officials	Koraput
13	**5.08.2016**	ODM Public School	Patia Bhubaneswar
14	**12.08.2018**	Indian Institute of Mass Communication (IIMC)	Dhenkanal
15	**25.08.2016**	Capital Institute of Management & Science	Bhubaneswar
16	**30.08.2016**	Utkal University, Vani Vihar	Bhubaneswar
17	**14.09.2016**	RMD Junior College	Patia Bhubaneswar
18	**21.10.2016**	Ravenshaw Collegiate School	Cuttack
19	**9.11.2016**	Kalinga Institute of Social sciences (KISS)- Class VIII	Patia Bhubaneswar
20	**10.11.2016**	KISS- Class IX	Patia, Bhubaneswar
21	**11.11.2016**	KISS- Class X	Patia , Bhubaneswar
2017			
22	**21.01.2017**	Seminar "on Financial Literacy and Financial Inclusion : Focus Digital Financial Literacy"	Bhubaneswar
23	**18.04.2017**	P.M. Academy	Cuttack

OTHER FINANCIAL INCLUSION INITIATIVES

1.	Workshop on MSME Financing- A training programme for officers of RRBs/ Co-operative banks – At SIDBI MSME International Training Institute – Bhubaneswar (April 2015)
2.	MDP on MSME Financing- A training programme for officers of commercial banks at Hotel Empire Bhubaneswar (August 2015).

FROM CREST TO CREST, AFLC MOVES ON....

Change is the only constant and movement is the only sign of life. AFLC has traversed another mile- stone in its journey by successfully organising a Seminar in Bhubaneswar on 21st January 2017.

Hot on the heels of Demonetisation of Specified Currency Notes and in the context of Govt.'s avowed impetus to create digital payments eco-system in the country, the Seminar was considered timely and appropriate . The panel of learned speakers and analysts who deliberated and discoursed on various facets of the Digital Payment Eco-system tried to clear many ambiguities and misgivings , simultaneously harping on what / when & how to further go about the uphill agenda .

Putting in place, a robust digital payment system is a herculean task.The various players in the finance space have to be digitally networked to cater to the diverse requirements of the customers by accessing data and related information . Data is really the new oil that will drive the information carriers on the digital broadways. Robust data networking and interface among the financial service providers and the clients is a pre-requisite for emergence of an efficient digital payment environment. Slowly and surely, various modes of digital payment system are unfolding in our country .The transactions on Unified Payment Interface (UPI) which is just one of the modes of digital payment system are growing exponentially due to increased acceptance among member banks, merchants and consumers. According to recent data, digital payments grew by 55% by volume and 24.2% by value in 2016-17 over the previous year. Usage of net-banking, payments by debit/ credit cards, e-wallets and many more innovative products are set to take the country way ahead in ushering a cashless society, if not in the shortor medium run, at least in long run.

Against the above background, AFLC has considered it worth the while to capture the high- points and the takeaways of the aforementioned Seminar and present the same in the Souvenir, being released in the hands of the dignitaries, this evening.

We hope, our esteemed readers will recognise and appreciate our efforts in bringing out the Souvenir and offer valuable suggestions to enable us to qualitatively improve our initiatives in days ahead .

Editorially Yours
T. Maharana

"WHEN THERE IS SO MUCH WEALTH IN THE WORLD, POVERTY IS A CRIME AGAINST HUMANITY."
.. SADHGURU

PREFACE

It is heartening to note that Abhyutthana Financial Learning Centre LLP (AFLC) is bringing out a Souvenir covering the thoughts and ideas discussed in the seminar entitled " **Seminar on Financial Literacy and Financial Inclusion, Focus : Digital Financial Literacy",** held on 21 January, 2017 at Bhubaneswar.

Spread of financial inclusion and financial literacy in India is one of the priority requirement to foster inclusive growth and thereby paving the way for reducing poverty levels of people. The diligent and sincere efforts of AFLC in this regard, however modest it may be, is commendable in the context of the State of Odisha.

I am sure, the articles in the Souvenir covering areas viz. Financial Inclusion, Financial literacy, Digital Financial Literacy , Payment Banks, Grievance Redressal, role of MFIs/ MSMEs in financial inclusion, Insurance and Capital Markets etc will evoke enthusiasm and interest in the minds of readers to initiate possible action at their end for building a more inclusive and joyful society in India.

Subir Kumar Mitra
Adviser-in-Chief
AFLC
Former Executive Director
NABARD

SUMMARY OF THE SEMINAR HELD ON FINANCIAL LITERACY AND FINANCIAL INCLUSION WITH FOCUS ON DIGITAL FINANCIAL LITERACY

S.Choudhury, from Editorial Desk

The second in series of seminars hosted by the Abhyuthana Financial Learning Centre LLP, was held on January 21, 2017 at Hotel the New Marrion, Bhubaneswar. The topic of the seminar was "Financial Literacy and Financial Inclusion with focus on Digital Financial Literacy". The seminar was addressed by several eminent speakers as Shri H R Khan, former Deputy Governor, Reserve Bank of India, Dr. K.C.Mishra, Director, Doha Bank and former Vice Chancellor, Sri Sri University, Cuttack, Shri S.K Mitra, former Executive Director, NABARD, Shri P.Krishnamurthy, former Principal CGM, RBI, Dr. A.S Ramasastri, Director, Institute for Development & Research in Banking Technology (IDRBT, Shri P.K. Panda, principal , College of Agricultural banking , Pune, Shri Sreedhar Behera, Banking Ombudsman, Odisha, Shri Manoj Satapathy, General managrt, IFFCO Tokio and Shri Gauranga Behera, Deputy General Manager, State Bank of India, Local head Office, Bhubaneswar also addressed. The audience comprised officers of RBI, banks, Insurance companies, students of a couple of business schools and select invitees from cross section of institutions. In the following, salient points covered by the speakers has been attempted.

We are all aware that the economic policy of the country since the year 2005 reflected expressed intention of the government for achieving *Inclusive Growth*. While it is accepted that the inclusion is not new concept to India but what we see now is the *new intensity* with which the concept is being pursued as never before. 'Inclusive growth' has become the theme which is very much in tune with the Washington consensus relating to development strategy in the aftermath of Asian crisis. Emphasis shifted from *pace* of development to a *pattern* of development. The pattern constituted three pillars ie. Development, Inclusion and Social justice, elaborated in subsequent Tokyo consensus.

Inclusive growth requires *financial inclusion* with a definite objective to address *livelihood inclusion*, a speaker liked to emphasise. Accordingly, '*transforming way*' rather than '*transaction way*' is essential approach and the strategy. Financial inclusion no longer remained in the country a 'concept', it has been converted into '*actionable*' strategy. Financial inclusion requires beyond opening of simply bank account. It aims for all types of financial services offered by banks are made available and availed by the lower strata of the population. In order to bring large segment of neglected population under financial inclusion our country has made rapid strides through creation of new institutions, new payment modes, lowering of the cost of transactions, and spreading of financial literacy. Even with all this, high level of financial illiteracy continued to pose a big obstacle in effecting financial inclusion in the country. It is observed that financial illiteracy in the country cut across different strata in society and is of different types viz. *informed illiterate, greedy illiterate, illiterate illiteracy, less informed illiteracy and kindergarten illiteracy*. In view of ths financial literacy initiatives have to ensure catering different information for different segment of population. Compounding 5 types of illiteracy of USERS (ie.customers), as above, we have the illiteracy of the SYSTEM (ie. Bankers) which makes the 6th dimension.

The G-20 deliberation stated 3 dimensions of financial inclusion - *access* to (ie. by people in terms of depth and spread), *uses* of and the quality of *services* provided by banks. Together they formed, what the speaker liked to term them as *Micro approach*. The 4th dimension relating to the institutions, aggregate policies on Regulations etc. constitute the *Macro approach.* The speaker while elaborating the Macro observed that institutional innovations made in country as payment banks, MSME etc. and banks lending to the customers are rather RULE based and PROCESS bound. But equally important requirement is the quality of EMPATHY of staff. Bankers *empathy quotient* has to be present in abundance to prompt them lend to small borrowers. So, the Recruitment Policy of banks should look for candidates having high empathy quotient. Banks should train them, expose them, sensitise them and educate them.

Financial inclusion drive in India primarily has been a bank led model through expansion of bank branches in unbanked areas, introduction of BC (banking correspondent to reach out to people in far flung rural areas), introduction of different types of specialised banks for providing additional thrust. However, there are still several gaps and issues awaiting attention in view of absence of agency for overseeing *inter-regulatory coordination*, additional burden thrust on banks due to financial inclusion drive resulting in *rise in operating cost* and *manpower shortage* etc. These challenges must be addressed not just because financial inclusion is a *social commitment* but financial inclusion have tremendous potential for business expansion that promises commercial benefits to be reaped from it by banks.

'Digitisation' aspect of financial inclusion is extremely important as it can help to facilitate and protect financial transactions of people. The shift to digitisation is facing resistance because people are extremely attached to transaction in cash for obvious reasons – cash don't involve any ***C****ost* in the transactions for the people, inspires ***C****onfidence* and considered ***C****onvenient* (the 3 "Cs"). The common man can't be faulted for holding such a view which arises due to their financial illiteracy to know/understand that the same advantages are available equally or even more in the alternative methods of payments as well. Taking the cost aspect it was explained that; the '*cost to individuals'* may be 'nil' in carrying out cash transactions but abundant cash in economy entails huge '*social cost*' in terms of its production, distribution, replacement, safe custody etc. The cost is compounded by the fact that ours is a big country and people have high preference for cash in transactions which at 12% of GDP is quite high compared with world average of 6-7%. The problem facing digitisation is on account of illiteracy relating to alternative payment channels. It was aptly stated **that *one may be literate yet financially illiterate and one may be financially literate but digital illiterate.*** Digitisation of transaction, was stated, can also help reduce black money as financial transaction can be easily tracked.

Technical knowhow relating to digital payment can make financial inclusion easier. In fact, now the buzz word is *Take Tech Way*. Technology literacy is observed to be *intuitive* for the NextGen who are quite tech savvy and that make the challenges of implementing digitisation easier. It is not a beginning in digitisation we are looking at since the country has already introduced many digital products over past couple of decades facilitating financial transaction. It was mentioned that *Block Chain Technology* road map has been drawn up by the IDRBT for ensuring secure and tamperproof digital transactions. For the success of digital payments, it is essential to have the five **Is**. These Is are (i) *Inspiration*: to work for bringing down cash use to 7% from existing 12% of GDP. (ii) *Involvement*: not to restrict the responsibilities of digitisation to one or a few, rather the commitment of entire segment in the transaction chain should cooperate and stay involved. (iii) *Infrastructure*: required for various forms of digitisation payment modes, (iv) *Incentives*: providing tax relief and cash back for encouraging digital payments (v) *Information*: bring digital mechanism within the grasp of bank staff. The speaker had cautioned that introduction of any new technology for digitisation opens scope for dishonest activities, fraud, siphoning off money and any/all types of illegality. It's a huge risks, hence, it must be attended to with due importance in the *structural shift of financial eco system*.

The speaker recalled the initial resistance of the past for digitisation (ie. Computerisation) both by bank staff and the bank customers. Since then we are witness to a steady addition of new products and rise in the volume of digital financial transactions. As an example, State Bank of India, which is the largest bank of India – the ATM accounts for 53% of the transactions and 78% of their transactions are carried out outside of Brick and Mortar Banking. Contributing for these changes are internet banking and plethora of e-wallets such as PayTM, BHIM and Aadhaar linked banking on UPI and USSD technology platform. The growth of retail digital transactions has been on rise in good pace though comparatively small in terms of volume and value.

Consumer protection is available in respect of financial services offered/ promised by banks / insurance companies under respective Ombudsman Schemes. Digital transaction related customers complain are new additions to the variety of complaints eligible to be handled under the banking Ombudsman scheme. Complaint written in plain paper addressed to Ombudsman is received from complainant directly or through post/fax/website. Bank customers are required to file complaint first to concerned bank and if reply is not received within 30 days or reply is unsatisfactory then they can take recourse to banking Ombudsman. For tendering appeal to Insurance Ombudsman, the applicant (self or legal heir) must not have legal case pending relating to his complaint. The grievances allowed for appeal may pertain to the Interpretation, Construction of Policy relating to Claims only, repudiation of Claim (partially/fully), non-issuance of Policy, overcharging of premium etc. In Insurance cases the right of appeal is available to consumer and not the Insurer and he can take his case to Court if not satisfied. The speaker mentioned that both the schemes provides cost free grievance redressal platform in which Ombudsman act as conciliatory mediator between service providers and the customers of these services. When a conciliation fails and/or the Ombudsman give award in favour of one party then the counter party reserve right to appeal against the award to the ultimate authority in the chain.

FINANCIAL LITERACY MOVEMENT IN INDIA

Dasarathi Mishra
Former Chief General Manager
Reserve Bank of India

I In a society where a large chunk of people are financially excluded, financial literacy would play a game changing role in promoting financial inclusion. The Union Finance Minister during RBI-OECD Workshop on Financial Literacy, organised by RBI in March 2010, very succinctly mentioned: " Financial literacy, and education, plays a crucial role financial inclusion, inclusive growth and sustainable prosperity".

What Financial Education/ literacy means ?

The definition of financial education developed by the OECD in 2005 and endorsed by G20 leaders in 2012 is used in a majority of countries to refer to: "the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being." (OECD, 2005a).

Financial literacy that is the outcome of this process is defined as a "combination of financial awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve financial well-being"(OECD/INFE, 2012). The OECD definition of financial literacy developed by Atkinson and Messey (2012) has three pillars i.e. Knowledge, Behaviour and Attitude.

Dr. D Subbarao, former Governor of Reserve Bank of India, put it succinctly: Financial literacy stimulates the demand side – making people aware of what they can and should demand. Financial inclusion acts from the supply side – providing in the financial market what people demand...Financial literacy and education should be developed hand in hand with improving access to financial services".

Why Financial Education?

The financial crisis of 2008 also triggered the need of financial literacy programmes around the world. Evidence shows low level of financial awareness, knowledge and attitude of large segments of population, in many countries. It is recognized that financial education supported by effective consumer protection can minimize the magnitude of such crises. According Angel Gurria, Secretary General , Organisation for Economic Co-operation and Development (OECD), " improving financial literacy has become an essential means towards greater economic, social and financial inclusion and an integral part of financial reform to prevent future crises."

The study by United Nations Development Programme (UNDP), New Delhi (2012) recommends to involve school and college students in the financial literacy process so as "to enable them to understand the financial system and to protect themselves and to form a strong economy for the country". This is very significant.

Initiative of Government and the Reserve Bank of India

Reserve Bank of India has taken several proactive measures for furtherance of financial literacy. At the instance of RBI, banks have set up Financial Literacy Centres (FLC). As on March –end, 2016, 1384 FLCs are operating through the banks. The FLCs are mandated to conduct financial literacy camps at least once a month for financially excluded. Further, they may conduct financial literacy camps through the rural branches at unbanked locations. So the emphasis is to impart financial literacy to financially excluded and at unbanked locations. As an impetus to financial literacy activities, capacity building programmes for financial literacy counsellors are launched in CAB, Pune.

According to the RBI Annual Report, 2015-16, Banks have been, advised in January 2016 to focus on enhancing the efficacy of fi ancial literacy programmes through: (i) Board-level policies for a stronger financial literacy architecture; (ii) a tailor-made approach to financial literacy and organising camps for different target groups; and (iii) following a concerted approach among various stakeholders at the district/panchayat/village level (local offi cials of NABARD and the Reserve Bank, district and local administration, block level offi cials, NGOs, SHGs, BCs, farmers' clubs, panchayats, primary agricultural credit society (PACS),

National Strategy for Financial Education (NSFE)

In 2012, NSFE was prepared by the technical group of the Financial Sector Development Council (FSDC), an apex body with Finance Minister as the Chairman and RBI Governor as Vice- Chairman. Some of the methods mentioned in the NSFE to spread financial literacy are :

- Create awareness about consumer protection and grievance redressal machinery available in the country.
- The financial education can be delivered by trained personnel in a format suitable to each target group.

- To establish initial contacts with 500 million adults, educating them on key areas of saving, knowledge of investment-related products.
- The task is huge one. Thus the financial education measures would be undertaken through various stakeholders including sectoral regulators, banks, financial institutions, resource persons empanelled by SEBI, Institute of Chartered Accountants of India, civil society and NGOs.
- To incorporate basic financial education in school curricula upto senior secondary level

SEBI / IRDA Initiatives

National Institutes of Securities Market (NISM), promoted by SEBI, capital market regulator, has anchored useful study packs called 'Money Edge- Real life Money Skills for High Schooners'. The study pack contains interactive fun-filled sessions on money-matters viz. family budgeting, investments- the wider spectrum, concept of mutual funds, SIP, public provident funds and basics of capital market ..

Insurance Regulatory & Development Authority, (IRDA) the regulator for insurance sector has taken many initiatives to prompte finance literacy in insurance sector.

National Centre for Financial Education (NCFE)

In India, National Centre for Financial Education, is the nodal agency set up by the Government of India, for implementation of the National Strategy for the Financial Education and is supported by the financial sector regulators. One of the objectives of the NCFE is to deepen financial literacy in schools. The school children and college students should acquire basic knowledge in financial concepts.

NCFE in partnership with Central Board of Secondary Education (CBSE) is conducting Financial Education Training Programme (FETP) for CBSE school teachers of class 8 to 10 across India. After completion of the training, these teachers will be certified as "Money Smart Teacher" and would facilitate conducting financial education classes in schools and encourage students to obtain basic financial skills.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

The Hon'ble Prime Minister launched the PMJDY on August 28, 2014. PMJDY leverages the achievements of UIDAI and National Payment Corporation of India (NPCI) as well as inclusion efforts of banking network. Hon'ble Prime Minister Shri Narendra Modi declared the beginning of the end of "financial untouchability" with the opening of 15 million bank accounts across the country, in an exercise unprecedented in scale in economic history of India. With a bank account, every household gains access to banking and credit facilities.

Financial literacy has been accorded priority under PMJDY.

Delivery Channels

The delivery channels for implementation of financial literacy could be multifarious. The following would be plausible channels:

Schools/ colleges

Research shows that the precursors for financial well-being in adulthood — such as good decision-making skills and attitudes about finances — are built during childhood and youth. That means one needs to start early, arming young people with financial skills that will help them become financially capable adults. So School is the right place to begin with.

Karnataka has been pioneer in including financial literacy in school curriculum for schools. In March 2010, during RBI Platinum Jubilee celebration, with RBI initiative, in the presence of Union Finance Minister and the Chief Minister of Karnataka, school books with chapters on financial education, for classes V to IX were launched. This is a landmark development; other states should replicate the model.

Resource Persons

Presently SEBI and Institute of Chartered Accountants of India empanel Resource Persons to conduct Investor Awareness Programs to be conducted in small towns, blocks, cities, villages, districts. The resource person has to plan and organize Investor Awareness Programs of two hours duration at his/her initiative.

Measuring Financial Literacy

Measuring financial literacy is very critical to know where we stand in promoting financial literacy in the country. In Indian context, Mohanty Committee Medium term path on Financial Inclusion has recommended an illustrative list of questions on financial literacy, covering financial knowledge (Time value of money, interest paid on loan, compound interest, definition of inflation, diversification), financial behavior and financial attitudes . The Report says " it is important to undertake a holistic view of financial literacy in India so as to better understand the awareness of consumers."

Way Forward

The Mohanty Committee observed that the linkages among financial inclusion, financial literacy and consumer protection are globally recognized as pillars of ensuring financial soundness. Banks are required to identify a few lead literacy officers who would train officials manning FLCs. The lead literacy officers in turn need to be trained by College of Agricultural Banking, Pune.

Local resources such as NGOs, theatre groups can be engaged to spread financial literacy for which funds may be allocated from Financial Inclusion Fund. (FIF)

The Committee has also recommended to commission a dip-stick survey to ascertain the extent of financial literacy in the country in order to identify gaps to help appropriate steps by the authorities. A Financial Literacy Week in a year should be observed in the country to create awareness in a massive way and spread financial literacy. Significantly, at the instructions of RBI, banks observed Financial Literacy Week during June 5-9, 2017.

Digital financial literacy has gained significance after demonetization. RBI policy is to usher in a less cash society. In this connection, National Payment Corporation of India (NPCI) has done pioneering work. It has developed user friendly packages like BHIM , Aadhar Pay under Unified payment Interface platform. Consumers should use and reap benefits of such versatile packages to move towards a less-cash society.

Cyber security is a new big challenge. The rapid proliferation of various delivery channels in the form of Internet Banking, Mobile Banking, ATM, etc., is increasingly exposing banks to new risks such as identity theft, hacker attacks and other security threats. Institute for Development and Research in Banking Technology (IDRBT), Hyderabad is engaged in doing research in this sensitive area so as to guide the banks

References

1. Annual Report, (2016), Reserve Bank of India, Mumbai.
2. Report of the Committee on Medium term path on Financial Inclusion (Chairman : Deepak Mohanty) (2015),Reserve Bank of India, Mumbai.
3. IDRBT website
4. NPCI website

FINANCIAL INCLUSION
THE CHANGING LANDSCAPE IN BANKING

Shri Ramanath Dash
Former Regional Director
Reserve Bank of India, Hyderabad

The banking structure in India is fairly complex and widespread. Because of the nature of the economy and the need to provide capital for several developmental activities, banks have supplemented the initiatives of the Government for a long time and played an important role in development finance. Starting from establishment of cooperative banks early last century, to the nationalization of major commercial banks, and setting up of regional rural banks and local area banks, our banking system has a long experience of operating in the development space. Hence when Financial Inclusion was adopted as a policy focus in late 2005, the banking structure provided the basic framework for carrying it forward. Financial inclusion in our country developed as an explicit bank-led model, in contrast to some other developing countries which had adopted different models with varying degrees of success.

Banking as an activity has been evolving continuously, both in response to external stimuli, and due to internal developments. Changes have been brought about from time to time as a result of conscious policy intervention, to fulfil the objectives of governments in providing financial services to the excluded population. Lending to the priority sector and to weaker sections, lending under various government sponsored schemes and the SHG-bank linkage have over a period of time brought our banking system close to the people and made them partners in the process of economic and social development. However, in order to ensure sustainable financial inclusion, which could be seen as a business proposition by banks in the long run, it became necessary to provide policy support by way of innovative delivery channel, lowering of obstacles in facilitating the first mile walk into the banking system by the new customers, and bringing about structural changes in the banking system.

An innovation with far reaching implications has been the implementation of the Business Correspondent (BC) and Business Facilitator (BF) models. Today Business Correspondents (BCs) form an integral part of the banking system. In fact, one cannot imagine financial inclusion without the BCs who provide doorstep banking service to the people in the hinterland. The number of banking outlets in rural areas went up to over 5,86,000 in March 2016, after Reserve Bank of India permitted appointment of BCs and laid out a roadmap for spreading banking services in rural India through a mix of bank branches and BC outlets. In addition, the number of urban locations covered through BCs stood at over 1 lakh in March 2016. Although for various reasons the BC model has not been as successful as one would have liked it to be, it does provide the missing link between bank branches and the excluded population, who for a long time had remained outside the purview of the formal banking system.

Technology has brought about a massive transformation in banking. It has been possible to successfully plan for financial inclusion in the country due to the availability of the appropriate type of technology in the last decade. Technology has evolved to a point where it can help the whole initiative to be cost effective and to be undertaken fast. While there are several models available in the context of financial inclusion today, and banks have adopted different methods for providing financial services, the task of ensuring interoperability is also being addressed, especially with the thrust on digital financial services from the government side, and in the background of banking and payment networks making use of the Aadhar platform.

Financial inclusion in a vast country like India was too massive an effort to be undertaken by banks alone. In addressing the issues of financial inclusion and providing financial literacy, banks had to develop partnerships with other players in the system, including NGOs, Non-Banking Financial Companies (NBFCs), government organizations, even educational institutions and private individuals. The effort had to be well coordinated and properly planned and monitored. The State Level bankers Committee (SLBC) in each state provided the coordinating and monitoring framework throughout the period of implementation of financial inclusion in the country. In view of the impressive mobile penetration in the country, banks have also been partnering with telecom operators to provide payment services to the public in a cost effective manner.

The initial hurdle that people usually face while opening bank accounts has been significantly addressed through simplification of Know Your Customer (KYC) norms in the case of 'small' accounts, which have the following limitations: (a) balance in such accounts at any point of time should not exceed Rs.50,000, (b) total credits in one year should not exceed Rs.1,00,000, (c) total withdrawal and transfers in a month should not exceed Rs.10,000 and (d) foreign remittances cannot be credited to such accounts. As per the Reserve Bank of India guidelines, such accounts remain operational initially for a period of twelve months and, thereafter, for a further period of twelve months, if the holder of such an account provides evidence to the bank of having applied for any of the officially valid documents within twelve months of the opening of such account

The Pradhan Mantri Jan Dhan Yojana (PMJDY) provided the last massive thrust from the government side to push financial inclusion through opening bank accounts by a targeted date, and providing certain facilities to the account holders (including overdraft facility and insurance facilities). An ambitious programme like PMJDY could be launched successfully, as the banking system with all its experiences and initiatives was in a position to take up the challenge and deliver. The whole operation involved mobilization of banking activity in the rural and excluded urban areas on a scale rarely seen before, as a result of which, 28.5 crore accounts have been opened with banks, an overwhelming majority of these having been opened in the initial few months.

The banking system in our country has experienced structural changes from time to time, when new banks were inducted into the system and new categories of banks were also set up. With the policy emphasis on financial inclusion, to fill the space left unfilled by the existing banks for various reasons, and to provide a competitive environment, new banks have been brought in. Apart from full service banks, viz. Bandhan Bank and IDFC Bank, which have already started operation, new categories of banks, viz. Payment banks and Small Finance Banks, are coming into being. These banks are expected to provide appropriate financial services to low income households and small businesses and enterprises. Several of the small finance banks are erstwhile Micro Finance Institutions (MFIs) with proven track record of dealing with the poor and the financially excluded.

While financial inclusion has been taken up with all seriousness and the banking sector with all its existing constraints has responded positively to the challenge, the task of ensuring financial literacy, particularly digital financial literacy, is yet to be fulfilled. With over 22 crore RuPay cards issued to the PMJDY account holders so far, and with various technology options adopted by banks and the government in opening of accounts and providing other services, it has become imperative for the system to adequately address the issue of financial literacy on an ongoing basis. All financial sector regulators as well as the government, are seized of the matter. The field is vast and the task urgent; but with a well planned and coordinated effort, it should be possible to address the issue. ★

FINANCIAL INCLUSION AND FINANCIAL LITERACY- IN CALIBRATED ORCHESTRATION OF EFFORTS

T Maharana
Former CGM, NABARD

Government of India in implementation of various developmental strategies comes out with a host of programmes with focus on bringing economic benefits to the population cutting across the geographic and social boundaries. In order to foster inclusive growth, none of the segments of the society should be excluded from reaping benefits under the schemes. By inclusive growth , it is meant that the benefits of the developmental initiatives, be it health , nutrition, education, communication, income opportunities , or any other social benefits, will embraceall segments of population, without bypassing any.

Financial Inclusion, admittedly is a very important strategy to bring about inclusive growth because, unless the households are financially enabled to access the financial services, the intended economic benefits of various developmental schemes of the Govt. will not reach the hitherto deprived population. And, for a country like ours where literacy level and income standards are low, a vast segment of population, especially in the rural areas, needs to be given financial literacy in its simple basics.

Committee on Financial Inclusion

In order to address the issues of financial inclusion, the Government of India constituted a “Committee on Financial Inclusion” under the Chairmanship of Dr. C. Rangarajan. The Committee has defined Financial Inclusion as “the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.”

Among others, the Committee recommended setting up of two funds - Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF).

Financial Education

Financial education may be defined as “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks, and through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being".

Looking at the growing importance of financial literacy to achieve the agenda of financial inclusion in the country, banks and other financial institutions too are advised to take necessary measures to extend these services to their clients.

RBI Guidelines

Under the RBI guidelines, the Lead Banks and the RRBs needed to set up Financial Literacy Centres (FLCs) with the followingobjectives:

* To facilitate financial inclusion through provision of two essentials i.e. literacy and easy access.
* To disseminate information regarding the central bank and general banking concepts to various target groups, including schools and college students, women, rural and urban poor, defence person and senior citizens for effective use of financial services by common man.
* To provide financial counselling services in a non-intimidating environment using local languages.
* To advocate advantages of connecting with formal financial sector.
* To provide education on financial planning, responsible borrowing, proactive and early savings, debt counselling, micro pension and insurance.
* To take up any other activity that promotes financial literacy, awareness about banking services, financial planning and amelioration of debt related distress of an individual.

Other Important Aspects

* The Financial Literacy Centres (FLCs) will impart financial literacy in the form of simple messages like Why Save early in your Life, Why Save with banks, Why borrow from Banks, Why borrow as far as possible for income generating activities, Why repay in time, Why insure yourself, Why Save for your retirement etc.
* The FLCs and rural branches of the banks would also conduct out door Financial Literacy Camps with focus on financially excluded people at least

once a month. For the purpose, the help of experienced NGOs may also be taken.

* FLCs and rural branches of banks should maintain record in the form of a registercontaining details such as name, gender, age, profession, contact details, whether banked orunbanked, details of services availed etc.

Review Mechanism

* SLBCs/UTLBCs would review the financial literacy efforts undertaken by banks under theirjurisdiction as an agenda item in the SLBC/UTLBC meetings.
* The head/controlling offices of the concerned banks would monitor the financial literacy effortsundertaken by their FLCs/branches through periodic reporting and also by resorting to random on-site visits.

Financial Literacy Material

In order to facilitate effective implementation of the guidelines, RBI has prepared standard financial literacy material/training modules to be distributed to banks for providing awareness andknowledge of basic banking throughout the country.

Leading from the front

Reserve Bank of India (RBI)

In 2007 the Reserve Bank of India under its project titled "Project Financial literacy" introduced aseries of comics to educate people on various financial services and products available. The comicswere distributed at camps and through NGOs to literate people, financially. The objective of theproject was to disseminate information regarding the central bank and general banking concepts to various target groups, including school and college going children, women, rural and urban poorthrough comics based module using various characters to familiarize beneficiaries with role andfunctions of financial products. Apart from focusing on basic themes like the advantages of amonetary system over a barter system, the role of banks in the development of economy and therole and functions of RBI, the interactions also put special emphasis on some of the cautionary advice issued by RBI to the general public like not responding to any fictitious offers of free money, neverfalling in the trap of very high return from any unknown deposit mobilizing entity and the role ofBanking Ombudsman in grievance redressal.

National Bank for Agriculture and Rural Development (NABARD)

With financial support from NABARD under FIF and with active support and guidance of DDMs of NABARD at district level,

* Financial Literacy Campaigns/workshops/Awareness programmes are being organized by NGOs,Banks.
* A number of NGOs are organizing Nukkad Nataks/ Stage Shows/FI Quiz etc. at district level to spreadawareness on Financial literacy.
* For creatingawareness about financial inclusion in the school through interactive session with students andthrough fiction/radio play on different facilities provided by banks for rural populace all over thestate by the medium of All India Radio, 15 minutes interactive programme and 15 minute info entertainmentradio programme are broadcasted on AIR.
* Further to distribute standardizedFinancial Literacy Material developed by RBI to all the major Banks in the state, FL material wereprinted & distributed to the banks.
* Also NABARD has been extending financial support to variousbanks to set up FLC in rural and urban areas (which includes commercial banks, Regional RuralBank and Co-operative Bank).
* The Financial Inclusion Fund (FIF) and the Financial InclusionTechnology Fund (FITF) have been set up in NABARD, with contributions from NABARD, RBI andthe GoI to facilitate implementation of the FIPs of the banks. FIF and FIPF have subsequently been merged.

Financial assistance is available out of the FIF to the following agencies:

Cooperatives and RRBs

* Organizing financial literacy camps
* Setting up of financial literacy centres
* Mobile vans for demonstration of banking technology
* All the above assistance is available to Cooperative Banks at 90% and to RRBs at 80% of the
  project cost.

Commercial banks and NGOs

* Organizing financial literacy camps with grant support

* Publicity material on financial literacy for commercial banks
* Organizing financial literacy camps through NGOs

Sanctions/Disbursements under FIF – up to December 31, 2016

The progress in respect of sanctions and disbursements under Financial Inclusion Fund (FIF) up to 31 December 2016, as also cumulative sanctions and disbursements since the inception of the Fund, is as under:

Cumulative sanction (since inception)	:	Rs. 1960.59 crore
Cumulative disbursement (since inception)	:	Rs. 854.60 crore
Sanction during the year 2016-17	:	Rs. 349.79 crore
Disbursement during the year 2016-17	:	Rs. 208.97 crore

Activities undertaken by FLCs

As mandated by the RBI guidelines, the FLCs have to undertake a number of activities spanned throughout a year to create awareness and to link the excluded segment to the banking system. The rural branches of banks are also mandated to conduct a minimum of onefinancial literacy camp in a month along with a quarterly reporting structure for all its activities.

RBI guideline lays emphasis on activities like conducting mega camps,sessions with gram sabha, mini camps, etc . with avision to create financial awareness for masses.

Broad findings of Sample study undertaken by DFID-SIDBI on Activities of FLCs in 4 states (UP, MP, Bihar and Odisha)

A sample study had been conducted jointly by DFID and SIDBI in four states, namely UP, MP, Bihar and Odisha to find out the efficacy of functioning of the FLCs. The study findings reveal the following:

Activities being conducted by FLCs

* Conducting mega camps which are targeted to a larger audience with participation ranging between 500-2,000 people; the mini camps usually are conducted for around 60-65 people.

* In most cases the FL activities are conducted at a village level where as the mega camps are organized at the district level to ensure adequate participation.

* FLCs are conducting village level camps to create awareness on financial services andproducts whereas sessions involving the gram sabha are not common.

* Individual counselling of walk in clients is practiced in the FLCs with queries related to credits, sub-service area, andissues with base branches BCAs, JLGs/SHGs etc.

* Some commonly used communication techniques/aids include nukkad natak, mobile vans, audio-visual tools, etc.

* Along with the village branches, the base branch also plays an important role in advancing the agenda of FL given large number of footfalls encountered by branches.

* The BCAs are actively involved in the sensitization process interms of one on one interaction, awareness activities, local advertisements, etc.

* In a number of instances the FLCs also take support from Voluntary Organisations, NGOs in mobilizing the people, to achieve greater outreach.

* In some places, financial awareness for school students is also undertaken by FLCs. Wall Painting, setting up of galleries, etc. are initiated through FLCs .

Topics covered during the camp

The broad thematic areas covered by the FLCs through the camps and other activities aim towards creating awareness on aspects like money management, importance of savings, advantage of savings with banks, other facilities provided by banks and benefits of borrowings from banks, etc.

Indoor based activities are mostly conducted in the form of lectures, along with audio-visual training modules. Camps are the most frequently used outdoor activity which focuses on pension and insurance schemes, PMJDY, etc.

HR, Infrastructure and Amenities

FL Counsellor profile

The Financial Counsellor is often a retiredbanker with experience of handling credit and having worked in rural/semi-urbanarea. The Financialcounsellor's purview of work spans across conducting of outdoor camps, overseeing activity of BCA,dealing with indoor customers, database maintenance, attend district and block level banker'smeeting and monthly submission of progress reports and coordinating visits of controlling officials.

FL Counsellor capacity building

There are number of programmes, conducted with the help of Apex banks which includesNABARD, RBI. Residential training programme is conducted with the support of Banker's Instituteof Rural Development, whereas the ToTs programme on banking ombudsman is supported by RBI,Skill development workshops are also conducted by concerned banks. The Financial counsellors areoften invited to attend the training programme of BCAs for further understanding on the topic. Thetraining programmes aim to link up various aspects like capacity building, financial literacy,product knowledge and extension of various services and grievance redressal.

FLC Infrastructure

The FLCs are usually setup in rural, semi-urban and urban area and the officepremise is situated in places like LDM office, office sharing with RSETI, regional office orindependent spaces on rent.

The movement of the FL counsellor to the field becomes an issue inthe absence of provision of vehicles.

The FLC isgenerally equipped with signage, stationery, furniture (which includes chair and table), printedmaterial, almirah etc. The availability of infrastructure which includes laptop, computer system, camera, projectors, mike and genset and other fixed asset varies across banks. However, the FLCshave provision to hire items on rent for FL camp which includes projector, laptop, tents etc.

Financial Resources

The financial support to set up the FLC is shared between NABARD andcommercial bank on mutually agreement basis. In some cases however, the entire cost is borne byNABARD for initial one year. In a few cases the commercial banks have set up a society or trust to monitor, guide and look intodisbursements as well. These societies are run with support from CSR wing of bank, for whichcertain budget is allocated.

Certain issues and problems faced by the FLCs

Illiteracy: Given limited exposure and knowledge, the clients are often reluctant toparticipate in the activities and programs. Initial mobilization and sensitization activities are a hugechallenge for the FLCs across the states.

Resistance from other banks: The banks are reluctant to take support from the existing FLCs which ultimately restricts the potential outreach of the FL initiative.

Inadequate incentive/ remuneration and supporting staff

Lack of infrastructure availability: There is a lack of adequate infrastructure facilities available for the FLCs to function. The FLC are often run in bank's premise (like LDM officeand Regional office). There is no separate premise available where they can make new initiatives.

Resistance from local money lender: several FLCs face problems from the local money lenders as well. The local lenders having an existence in the villages often misguide the clients andcreate problems in the operations of the FLCs.

Ushering 100% Financial Inclusion in a vast and diverse country like ours is a herculean task. Even the front-ranking developed countries are far behind the target of attaining 100 percent financial inclusion. However, with indomitable resolve and well calibrated team work, it is possible to fast forward our pace towards the uphill task of attaining total financial inclusion, if not in the short run, at least in the medium run.

(The views expressed are that of the Author.)

Source: ***(i)DipstickStudy on Financial Literacy Centres- Status, constraints & the way forward***
(ii) NABARD Publications

PAYMENT BANKS –A NEW INITIATIVE

P. Krishnamurthy
Former Principal Chief General Manager,
Reserve Bank of India

The Indian financial landscape has been transforming at an incredible pace. The recent addition to the spectrum of institution is a game changer. Reserve Bank of India gave in principle approval for setting up new class of banks named the Payment Banks. Two of them have commenced operations. What are these institutions? What is the need for them? How would impact the financial landscape? These are interesting aspects that are being briefly captured in the following lines. The key starting point is the RBIs effort on financial inclusion.

Financial Inclusion- In India, this term was first used by Y. Venugopal Reddy, the then Governor of RBI. The concept is creating a system for delivering financial services across the country for all with a network which besides others would make money transfer in a convenient manner.

Reserve Bank of India, focusing on financial inclusion set up a committee under the Chairmanship of Shri Nachiket Mor with the objectives of:

1. Framing a clear and detailed vision for financial inclusion and financial deepening in India.
2. Laying down a set of design principles that will guide the development of frameworks and regulation for achieving financial inclusion and financial deepening.
3. Reviewing the existing strategies and develop new ones that address specific barriers to progress and that encourage participants to work swiftly towards achieving full inclusion and financial deepening, consistent with the design principles.

At the time of forming the committee the market had started operating a payment initiative for facilitating payments. The instrument termed **the Prepaid payment instruments** (PPI) are methods that facilitate purchase of goods and services against the value stored on such instruments. The value stored on such instruments represents the value paid for by the holder, by cash, by debit to a bank account, or by credit card. The prepaid instruments can be issued in several forms to access the prepaid amount. The payment product brought about a new and easy way of moving funds. The number of institutions offering the services increased. However, it could not be described as a total product.

The product had certain limitations with respect to KYC (know your customer regulations), inability to pay interest on balances, and contagion risk. The committee recognized the deficiencies and the limitations and given these significant concerns with the current PPI model taking into account the need to urgently provide access to payment services and deposit products to millions of individuals, the Committee recommended that a set of banks may be licensed under the Banking Regulation Act, 1949 referred to as Payments Banks. Thus, a way was paved for creating a specialized institution.

Formal financial institutions provide superior facilities and conveniences as distinct from the incomplete product like PPI 1) receiving government payments 2) electronic or cashless transfer of money for utilities, deposits. 3) saving money and 4) insurance facilities.

Certain aspects need to be kept in context. One is the geographic spread of the unbanked constituency and the second issue is the cost efficiency. The RBI's evolved an approach developing a framework for licensing small banks and other differentiated small banks. These banks would have functional domains unlike the traditional public and private banks. The methods involved establishing: 1) Small banks 2) Setting up Payments Banks as tools and techniques for improving the reach of financial services and deliver to each and every individual. However, developing such a formal institution has it's own constraints. Some of the problems associated with creating such institutions are: 1) Lack of physical and digital infrastructure 2) Need for higher capital due to potentially less revenues in the initial years of establishment 3) creating a system for including people across remote areas and 4) the need for financial literature to the targeted constituency to join the system.

Given the various dimensions of issues a question would raise about the need for Payments Banks and the realities in the backdrop of the concept of payment banks of the committee. Payment banks are entities similar to traditional banks but catering to a niche area. The main objective of a payment banks, as conceived is to provide small savings accounts, payment services, delivery of subsidies across all sections of households and workers. Payment banks will provide basic services even to people who do not have a bank account like migrant workers etc. With large Indian population living in villages, unbanked constituency is large. Payment banks will provide the connectivity to these unbanked sector using the digital medium. When mobile data services is used to enable monetary transfers and each transaction is recorded as indicated even by the Prime Minister creates the necessary record for credit evaluation. Besides the digital receipt of payments would ensure adherence to wages regulation and avoid subsidy leakages. Thus, the Payment banks will make use of digital technology to ensure financial inclusion across the geographic terrain of the country.

The constraints are that the maximum amount that could be placed be deposited is [1] 1 Lakh only and they wouldn't be allowed to lend money. These banks can issue ATM debit cards but not credit cards. However, mobile wallet transactions would grow. The Digital India movement is emerging as pivotal for this initiative. With increased amount of mobile data services penetration in India, the Payments Banks Institution will get an impetus and will grow. The transactions through digital mode is reportedly has been increasing manifold in terms of value and the implementation of Payments Banks will only increase this. Following the demonetization exercise volume of digital payment has surged ahead.

Regulatory frame work for Payments Banks

In order to ensure that the Payments banks work within the envisaged agenda, guidelines RBI has framed guidelines outlined:

1) Payments banks will deal in deposits & remittance of up to [1] 1 Lakh
2) They cannot indulge in lending activities
3) They can issue ATM Debit cards
4) Allowed to undertake bill payments
5) Can distribute instruments such as mutual funds, insurance and pension products
6) Maximum allowable balance is [1] 1 Lakh

Some of the functionalities not allowed for the payment banks but are a tool in other traditional public and private banks:

1) Credit Cards cannot be issued
2) NRI deposits cannot be accepted
3) Not allowed to set up subsidiary institutions
4) Non-banking financial activities cannot be undertaken

To be an owner of a Payment Bank, the following criteria needs to be fulfilled:

1) The leverage ratio of the payments banks should not be less than 3% i.e. it's external liabilities should not exceed 33.33 times it's net worth (capital and reserves)
2) The minimum equity capital for Payment Banks should be [1] 100 Crores
3) For the first 5 years, the owner or promoter's share should be at least 40%
4) Foreign share in the entity should follow the FDI rules for Banking institutes

5) 25% of the branches must be in Unbanked rural areas

Implications on Financial Landscape The government of India and the people of India will benefit from the implementation of Payments Banks. Following will be the major financial implications in different areas:

1) Inclusion of remote rural areas: Most importantly, payments banks will essential ensure that every person with a mobile data service connection will be able to avail banking services using the online electronic medium. Thus, digital technology will be the vehicle for banking.
2) Reduction of Black Money: Minimizing the cash transactions will be a very important tool for potential elimination of black money from the financial system. Using payment banks as an instrument to assist schemes like Jan Dhan Yojana, black money problem can be very much tackled.
3) Secure medium minimizing the need for ATMs: Payment Banks will provide a secure and cashless mode of transaction. With increased use of such institutions, the need for Debit / Credit Cards along with the need for ATMs will reduce. This will help in space conservation, especially in cities.
4) Efficient implementation of subsidy schemes: The arrival of payment banks, specially the 'Indian Post' will help in delivery of subsidy and other welfare schemes to the needy. There are over 1.5 lakh post offices to serve as physical medium for transferring subsidies. AirTel along with Vodafone will further assist in banking facilities using the mobile services. Thus, subsidies in kerosene or LPG, etc will help in ensuring the benefits of the scheme will be availed by the poor.
5) Benefit to government: Such institutions will benefit the government in acquiring low cost loans because the only borrower from the payment banks will be the government itself (lending to account holders is not allowed).
6) Digital India Campaign: This movement will get an additional impetus because of the proliferation of payments banks will drive the need for a digital infrastructure. Having Vodafone and Airtel as the current payments banks will only help in this campaign.
7) Impact on traditional Banks: Increasing the number of financial institutions will reduce the banking costs resulting due to competition between banks and increase in payments banks. Costs for ATM transactions, cheque books, draft fees, etc will come down. Apart from the above effect, traditional banks need not fear the payments banks since these will be specialized banks catering to only a particular niche area. There can, instead, be a collaboration between the traditional and payments banks so that the reach of banks like ICICI, HDFC, etc can be increased. Some of these

collaborations have already started. For egs: Kotak Mahindra Bank Ltd. will own 19.9% stake in Airtel. Thus, in the words of our ex-governor Dr. Raghuram Rajan, the traditional banks and payments bank will 'complement' each other, rather than 'competing'.

Feasibility Analysis of Payment Banks

So far, the benefits of having institutions such as Payment Banks was discussed. However, it is important to analyze the profitability for the owner of Payment Banks as well. Only then, can the implementation of Payment Banks be successful and more entities would be interested in the same. To understand the feasibility of their working, the following factors have been considered:

1) Costs incurred for the Payment Banks: The main focus of these Payment Banks is to get the unbanked rural areas into the banking zone. These areas might have limited smartphone and mobile data connectivity as well. Thus, the success of these Payment Banks entities will depend a great deal on their ability to go beyond the digital medium and reach out to the rural areas via physical medium i.e. opening branches in such areas. Thus, there will be heavy costs involved for building the Physical infrastructure. Payment Banks entity such as 'Indian Post' will be relatively well off in this area because of their massive presence in rural areas. However, for other players it might be difficult.

2) Not allowed to lend money (no credit facilities): One major pitfall for these entities will be that they are unable to lend money to account holders. This majorly affects the revenue stream of Payment Banks. Traditional Banks generate revenue from the differential in rates of interests between the lending and deposit rates. This differential enables banks to gain profits. However, for the payments banks, the only borrower will be the government. Government bonds yield approximately 7.45-8%. The deposit rate in traditional banks is around 7% with lending rates at more than 10%. Thus, payments banks will need to have aggressive rates if they want to be successful. This will further shrink the profitability of the Payments Banks (since the difference in rates will be approx 0.5-1%). Also, since the maximum allowable deposit amount is [1] 1 Lakh, these payment banks will have to deal in low value - high volume markets.

Limited Digital Infrastructure of India: The digital infrastructure of our country is still in the growing phase. There have been elaborative plans in the form of Digital India, but they are yet to materialize. Approximately 20% of the Indian population has access to smartphones which makes mobile transactions even more challenging.

Payment Banks entities such as 'Vodafone' and 'Airtel' might be able to utilize mobile transactions in a better way since they are already in the mobile service providers category.

4) **3 Players pulling out**: Within nine months of the selection of 11 Payments Banks, 3 have pulled out citing profitability issues. The reasons mainly are towards the profitability of these banks. Unlike traditional banks, these entities cannot lend and 75% of their deposits have to be mandatorily invested in government bonds whose yield is quite low as compared to the rates at which other banks give out loans or credit facilities.

Conclusion

To understand the conclusion of this initiative to have alternate form of banking facilities in the country, it is imperative to understand the feasibility both from the point of view of the Government of India as well as the Private Banks owners.

1) Government of India: Indian government has been striving towards achieving financial inclusion for a myriad of reasons as discussed previously. This is an excellent platform to achieve financial inclusion and ensure that all citizens have access to Banking services and thereby reap the benefits of such facilities irrespective of geographic location Also, since the guidelines are stringent, it will prevent the players from defaulting without notice.

2**)** **Private Banks owners:** From the point of view of the owners of Payment Banks, the short term profits seem constricted owing to the high costs for developing a seamless network and also working on the infrastructure. The cost-benefit analysis suggests that the break-even point is a bit far off and hence, profitability can only arise in the future or in the long-term. Therefore, the implementation of Payment Banks seems to be a bit difficult because the players or entities owning these Banks need better incentives. For a lot of players, who do not have a very good reach, this can become a very challenging task. Hence, existence of these Payment Banks will be threatened. Possible Solution: If this system has to succeed, there needs to be a better model that is a little more beneficial for the Players, or the existence of this system seems difficult as 3 players have already pulled out from the list of initial 11 shortlisted players. For this, the deposit amounts or maximum allowable transactions may be kept at [1] 1 Lakh but these banks should have an added flexibility of having borrowers other than the Government. The mandatory 75% deposits in Government bonds should be reduced. Also, additional lending facilities should be applicable for big private players to safeguard the interests of the Payment Banks players.

THE NEED FOR FINANCIAL INCLUSION IN ODISHA STATE

Gokul Chandra Mishra
Former General Manager, Syndicate Bank,
Corporate office, Bangalore

About four decades ego, Odisha was known to be a state where parents sold their children to overcome hunger. A lot of waters have since flown in the Mahanadi, to lift the economic condition of the state. Still now, the rural Odisha remains as a land of hundreds of "Nagadas" and "Dana Majhis". The governance is conspicuous by its absence in the interior parts and so also the delivery system of financial services and inclusive growth.

Having a population of over 42 millions, the state has made sporadic, uneven and lop sided economic growth increasing its contribution to GDP in recent years. But the realities are different. A significant percentage of the population are still deprived of the gains of economic progress and are languishing in abject poverty, vicious circle of which , appears to be unbreakable. This vulnerable section is exposed to various vagaries, day in and day out, if we scan the real happenings of the tragedies meted out to the few villagers of "Gumudi Maha" in Baliguda block of Kandhamal district in recent years. The unfortunate tribals, while returning from Baliguda,after collecting their "Mnerega" dues , were subject to indiscriminate firing from the security personnel in which seven persons including ladies and infants lost their lives. Their village was situated at a distance of nearly 20 kms away from a bank branch. Had there been a bank branch or an active Banking Correspondent at the village or nearby, probably the lives of the poor tribals could have been saved.

Odisha needs inclusive growth and the gains of development should reach each section of the society. As per the National Sample survey organization data, Odisha ranks with states like Bihar, Chatisgarh, Sikkim, and UP in terms of financial exclusion. The following causes are mainly responsible for the backwardness and financial exclusion of sizable population of the state looking into the factors of Demand and supply sides.

Factors responsible for **Demand sides** are mainly:

1) Lack of financial awareness and illiteracy

2) Unavailability of banking and financial products due to the absence of service providers
3) Absence of infrastructure in rural and hilly areas, deterring the financial institutions in providing service channels.
4) High transaction costs involved in opening bank branches through brick and mortar shape.
5) High dependence on money lenders who perpetually keep the poor and illiterate in their debt clutches.
6) Social isolation of some groups inhabiting in hilly and terrain area has been a hindrance to change the mind sets of the people to demand for financial services.

Some reasons from **Supply side** are as follows

1) The institutional financers do have a mindset believing that "poor are not bankable."
2) The low volume of business might not be remunerative for the service providers
3) Lack of infrastructure facility like availability of proper premise, communication, road , transport Security of staff , equipment and cash transfers etc.
4) Unavailability of any health and educational facility
5) Mindset of bank personnel to work in interior parts , even in their home states.

Financial inclusion is usually referred to as a process of providing basic financial services, at affordable cost, at the door steps of the weaker sections and low income marginal groups ,who are excluded from the main stream of economic development. The basic financial services include the provision of supplying small savings bank accounts, recurring deposit accounts, small credit products, remittance facilities and micro level low cost insurance models etc.. These financial products are required to be provided at the door steps of the targeted populace at affordable cost. In order to provide these basic financial services, the active participation of banking channels is essential either through brick and mortar models or banking correspondence mode.

In Odisha we have around 4991 bank branches covering a population of almost 42 million population (2011 census).The per branch coverage of population is around 8500 which is far below when compared to States like,Maharastra, Karnataka , AndhraPradesh, Tamilnadu, Kerala ,Gujurat etc.We have around 4500 unbanked Gram Panchayats in the state. The growth of new bank branches in such unbanked areas is very much sluggish and the roles of the Banks and Govt. are deplorable. Neither the Govt. takes step to provide basic infrastructure nor the bankers take any interest to enter the interior. This fact is amply evident from the SLBC data as on 31st Dec 2016, which states that the Banks were allotted 78 centres to open branches during 2016-17 in the villages having more than 5000 population, but only 2 bank branches could be opened upto 31st Dec 2016.Most distressing fact is that out of the two RRBs(Utkal Grameen bank and Odisha Grameen bank) operating in the state, none has opened a single branch in these excluded and unbanked GPs during this period..Banking Correspondent services were made available in 16 centers. This sluggish expansion of branches in unbanked areas in Odisha has been noticed during last several years. State Govt. has decided to provide space in Rajeev Bhavans of each unbanked GPs, free of cost ,to the banks to open branches for initial period of 5 years, but banks are facing infrastructural bottle necks like proper electricity connection, VSAT/internet facility, communication facilities in these centers. The state has around 5256 active Banking correspondent agents but almost all of them are not capable of providing the basic financial services . All said and done, BC model can never be a substitute of Brick and mortar system. The State Govt. should show more pro activeness in roping in the banks operating in the state, as more equal partners ,to extend the banking outreach in the state.

For the banks, to believe that poor are not bankable, is a myth. If you look into the NPA patterns, the stressed assets present in rural areas are always soft and manageable, when compared to the hard core stressed assets persisting in corporate and industrial sectors, which are being restructured and re-restructured in order to provide an evergreen carpet over them. In Bangladesh, the Grameen Bank established by Dr Md Yunnus , has a loan product as " beggar loan." If the beggars of Bangladesh are bankable borrowers, how can we say that the poor rural people in India are not bankable ? The top management of the banks must consider the realities and change the mindsets of their own and their down the channel personnel working at the grass roots.

Odisha suffers from lack if entrepreneurial skills among its youth and absence of timely availability of credit. The Credit – Deposit ratio of banks in the state is among the lowest in the country. The C.D. ratio of commercial banks stands at 46%and the same ratio of rural bank branches is at 58% as against the bench mark ratio of 60%.There are 13 districts, out of 30 districts of the state, where the CD ratio of banks is less than 40%.The existing high percentage of NPAs in all sectors is acting as deterrence for credit growth. There is not any visible support provided by the state government to improve the recovery climate of the state. This aspect is being discussed in State level Banking Committees since last 4 decades in a ritualistic manner , but the Govt. has not shown any positive relook into the matter. The top bureaucrats working in the field should review the recovery procedures prevalent in other states and take out steps to implement here to ensure a better financialdiscipilne in the state.

Notwithstanding the constraints as discussed above , Govt of India , State Govt. and RBI have taken some welcome steps to facilitate and improve upon the financial inclusion process by bringing in some pro -poor savvy financial products. There is an imperative need to put in place a proper financial literacy council system to drive these initiatives to the door step of the excluded. Some of these products are mentioned below.

1) Opening of No frill account.
2) Pradhan Mantri Jan Dhan Yoyana,
3) Small banking accounts
4) Simplification of KYC norms,
5) Kishan Credit cards for farmers
6) General credit Cards
6) Pradhan Mantri Suraksha Bima yojana
7) Pradhan Mantri Jeeven Jyoti Bima Yojana
8) Pradhan Mantri Fasal Bima Yojana and
9) Atal Pension Yojana
10) Mudra schemes for MSMEs

In Odisha, 12 mlliion accounts have been opened under PMJDY and 3.5 million account holders have availed insurance under PMSBY and almost 1 million persons have registered for PMJJBY. Only 1.5 lakh persons are investing under APY. From the data mentioned above it is clear that the financial inclusion programme needs to be more penetrative.

The Government, Banks and NGOs working in these sectors should utilize the services of student community, schools, farmer associations, and other community based agencies for spreading and popularizing these products among the excluded and ensure availability of all these services at their command areas.

Financial literacy is a most desired campaign which should be carried out in interior parts of the state to have a more meaningful impact on the targeted persons. RBI had earlier instructed all the lead banks to open FLCC centers at district and Tahasil levels and Banks have been running these centers over the years. But most of these centers are almost defunct without any role.

In recent years , the state govt. has taken some initiatives by offering incentives through interest subventions in the special budget for agriculture. The farmers can really be benefitted from these schemes with a tag of lowest ever interest rates.There are incentives available for short term credits and term loans both in Farm and non farm sectors. The Mahila Sashaktikaran yojana of the govt .has empowerd the women SHGs to avail credit at even 1% .Such initiatives of the Govt have not reached the grass root level so far. There is a need to popularize the same initiatives among the rural people as well as the grass root level functionaries of the Banks and Govt. The Financial literacy campaigns should take place in the interior parts of the state in sufficient numbers in order to drive these initiatives to the targeted people for a meaningful delivery of the products.

India has a strong base of rural economy and so also Odisha. The strong rural economy is almost insulated from the global happenings and turmoil and therefore, the worldwide financial crisis of 2007/2008 did not affect the economy of our country much. Financial Inclusion is a strong weapon in the hands of the banks and govt. to make the rural economy more strong and vibrant.

In recent years, banks have taken initiatives to stimulate the credit demand of the rural youth by empowering them with entrepreneurial skills and vocational training. The “Rseti movement”usherd in 2009/10 has enabled the banks to open RSETI (Rural Self employment Training Institutes) in their lead districts as a flagship program under the guidance of the Ministry of Rural Development (MoRD), GOI. In Odisha, there are 30 such institutes(1 rudseti and 29 Restis) established in each district.The State govt has granted land of around one acre in each district, free of cost and MoRD provided grant to the tune of 1 crore each to the Rsetis to build infrastructure and residential training hubs. The Rsetis offer residential vocational and entrepreneurship development trainings, free of cost,providing free food , free accommodation and free training kits .The module is based on a short term intervention with a long term escort follow up for about 2 years with an optional credit support. So far the RSETIS have trained over 1 lakh youth in the state, out of whom ,around 67000 youth have been self / wage employed. Around 45000 youths have been provided credit support through banks.

The success of Rseti movement clearly proves that 1) POOR ARE BANKABLE and 2) Poor have a desire to improve upon their economic condition if proper inclusive supports are made available to them. The above initiative of MoRd,Govt of India, State Govt and Banks supplement forcefully to the Financial inclusion programs. However, the required publicity on the establishment of the Rsetis is not there and almost 90% of rural youth are unaware of availability of such facility in their districts. The pre training entrepreneurship awareness programs need to be conducted by the Rsetis to make their presence felt among the rural youth. The state govt. also should take initiative in supporting the banks and Rsetis in this regard.

The financial inclusion initiatives, though undertaken in patches and phases, should gain momentum in the state, otherwise the state can never recover from the stigma of backwardness when compared to neighbors . The livelihood program is being dealt by an agency called Odisha Livelihood Mission , an extended arm of the Panchayati Raj dept., exclusively devoting to develop the rural economy and for eradication of poverty. This agency is desirous of entering into the financial inclusion program in the state as Corporate Banking correspondence provider. It is a welcome signal for banks as the agency has made its presence felt in all the blocks and Gram Panchayat levels. However, the bureaucratic systems and procedures of this govt. agency need to be changed when it serves the marginal and excluded populace .

Providing inclusive growth to all the poor and excluded category of population is not as easy as we may say or profess. It is a more complex process requiring flexibl and integrated approach from all sectors such as health, education, communication, infrastructure development and so on, in addition to banking services. There is not any prescribed method which can lead us to the goal in a short cut manner. The stake holders had tried with various poverty eradication schemes during last four decades like IRDP, ERRP, 20point programs etc. Later on, group approach system of financing under self help groups(SHGs) and Joint liability Groups(JLGs) came to the system to empower the neglected sector.The NRLM is now keeping stress on community development and infrastructural support. There are always scope for flexible,need based and area based approach through various permutations and combinations to reach the goal .What the stake holders need most is a Missionary approach on a ''Mission module".

Bhubaneswar,9439957445,
Email: gcm402@gmail.com

FINANCIAL LITERACY : ROAD TO PROSPERITY

RBI vide its circular dated 13 April 2017 advised scheduled commercial banks including RRBs to observe the week June 5-9, 2017 as "Financial Literacy" Week across the country. This is to emphasize the importance of financial literacy drive.

The banks, in turn , are to advise their Financial Literacy Centres to conduct special camps on each of the five days in backward/unbanked areas. All Rural branches may conduct one camp on any of the five days of the week after branch hours.

An online quiz will be hosted for the general public on the four broad themes to generate interest/awareness about financial literacy. Details of the quiz will be intimated shortly through RBI website

Financial Awareness Messages (FAME) in connection with financial education are available on the RBI website.

The literacy week will focus on four broad themes,

- (i) Know Your Customers (KYC) ,
- (ii) Exercising Credit Discipline
- (iii) Grievance Redressal
- (iv) Going Digital (UPI and *99#)

Know your Customer (KYC)

Essentially, banks are required to know the particulars of the customers with whom it establishes banking relationship. The first step in the process is the opening of a bank account of the customer.KYC is necessary but simple- for opening and maintaining bank account. The following points should be kept in view:

* One 'Proof of Identity' (POI) and 'Proof of Address' (POA) and a recent photograph are enough tom open a bank account. Aadhaar Card, Driving License, Voters' ID Card, Passport or NREGA card serves **both**, POI and POA. A PAN Card serves **only** POI.
* A simple declaration id adequate, if the current address of the customer is not the same as in POA.

* Even without POI and POA, a person can open a 'small account' by submitting a photograph and signature. Account balance of ₹ 50,000 and withdrawal of ₹ 10,000 per month permitted in such account.

Credit Discipline

Credit to be availed for productive purpose. Before borrowing from a bank or any credit institution, it is essential that the borrower to assess his own repaying capacity based on the income generation and value creation from the proposed borrowing program.

Credit Score

The borrower can approach one of the Credit Information Companies (CIC) to obtain his credit score. Credit scores are computed on the basis of borrower's credit history.

Individuals can obtain on Free Full Credit Report (FFCR) from any CIC viz. Trans Union Credit Information Bureau (India) Ltd, Equifax (India), Experian (India) and CRIF High mark Credit Information Services

Interest Factor: The borrower should have understanding of compounding of interest.

NPA Aspect: If a borrower default in paying the interest for 90 days and above, it become an NPA asset. Getting further credit and renewal of credit becomes difficult.

Grievance Redressal

As a customer, when one faces hassles in the day-to-day banking services, such as levy of charges without proper notice, failed ATM withdrawal due to non-dispensation of cash, credit card related issues, he can contact the bank officials to resolve the issue. If the grievance is not resolved at branch level, he can write to bank's controlling office. If the grievance is not resolved within a month, the customer can lodge a complaint with the Banking Ombudsman of the state. The complaint is resolved expeditiously and it is free of cost.

The customer can simply write the nature of the grievance in a plain paper or send an e-mail . To file on-line complaint, visit https://banking ombudsman.rbi.org.in and then click " Complaint Form".

Unified Payment Interface (UPI)

Unified Payments Interface (UPI) is an instant payment system developed by the National Payments Corporation of India (NPCI), an RBI regulated entity.

UPI is built over the IMPS infrastructure and allows you to instantly transfer money between any two parties' bank accounts. UPI offers architecture and a set of standard Application Programming Interface (API) specifications to facilitate online payments. It aims to simplify and provide a single interface across all NPCI systems besides creating interoperability and superior customer experience.

The key aspects of the Unified Payments Interface are:

a) The Unified Payments Interface permits payments via mobile app, web etc.
b) The payments can be both sender (payer) and receiver (payee) initiated.
c) The payments are carried out in a secure manner aligned with the extant RBI guidelines.
d) The payments can be done using Aadhaar Number, Virtual Address, Account Number & Indian Financial System code (IFSC), Mobile Number & MMID (Mobile Money Identifier).

Posters explaining UPI transaction and *99# have been developed by RBI. The posters are attached for an easy comprehension of the flow of transactions.

(Source : RBI Web-site)

NATIONAL PAYMENT CORPORATION OF INDIA (NPCI)

NPCI

National Payments Corporation of India (NPCI) is an umbrella organization for all retail payments system in India. It was set up with the guidance and support of the Reserve Bank of India (RBI) and Indian Banks' Association (IBA). During the last five years, the organization has grown multi-fold from 2 million transactions a day to 20 million transactions now. From a single service of switching of inter-bank ATM transactions, the range of services has grown to Cheque Clearing, Immediate Payments Service (24x7x365), Automated Clearing House, Electronic Benefit Transfer and a domestic card payment network named RuPay to provide an alternative to international card schemes. As on end-December 2016 over 300 Million Indians own RuPay cards. It has recently launched its own UPI application named BHIM (Bharat Interface for Money).

BHIM (**Bharat Interface for Money**)

BHIM is a Mobile App based on the Unified Payment Interface (UPI). It was launched by Hon'ble Shri Narendra Modi, Hon'ble Prime Minister of India, at a Digi Dhan mela in New Delhi on 30 December 2016. It has been named after Dr. Bhimrao R. Ambedkar and is intended to facilitate e-payments directly through banks and drive towards cashless transactions.

The app supports all Indian banks which use that platform, which is built over the Immediate Payment Service infrastructure and allows the user to instantly transfer money between the bank accounts of any two parties. It can be used on all mobile devices. BHIM allow users to send or receive money to or from UPI payment addresses, or to non-UPI based accounts (by scanning a QR code with account number and IFSC code or MMID (Mobile Money Identifier) Code).

Advantage of BHIM

Unlike mobile wallets (PayTM, MobiKwik, mPesa, Airtel Money etc.) which hold money, the BHIM app is only a transfer mechanism, which transfers money between different bank accounts. Transactions on BHIM are nearly instantaneous and can be done 24/7 including weekends and bank holidays. BHIM also allows users to check the current balance in their bank accounts and to choose which account to use for conducting transactions, although only one can be active at any time. Users can create their own QR code for a fixed amount of money, which is helpful in merchant – seller-buyer transactions. Users can also have more than one payment address.

Deepak Satpathy
Financial Literacy and Advisory Services
National Payments Corporation of India, Mumbai

BANKING LANDSCAPE - SOME ASPECTS

Dasarathi Mishra
Former CGM, RBI

Financial system, particularly the banking sector plays an important role in the growth and development of the economy. In its intermediary role, it facilitates the channelling of funds from the surplus sector (savers) to deficit/ investing sectors of the economy. Therefore, a network of banking institutions helps an economy to augment its savings. Concomitantly, it leads to efficient utilisation of the available investable resources. It is essential that the financial system functions at a high level of allocational and operational efficiency within a framework of macro-economic stability.

Present Banking Structure

Indian financial system is dominated by the commercial banks. Further, an important aspect of banking in India is the dominance of the public sector. The State Bank of India, its subsidiaries and the nationalized banks which together referred to as public sector banks account for 67.2 per cent of the market share (by assets). This is followed by private sector banks (20) at 11.00 per cent, foreign banks (43) at 6.5 per cent and regional rural banks (56) at 2.7 per cent.

Since nationalisation of 14 major commercial banks in July 1969 and another 6 banks in 1980, commercial banks particularly public sector banks have made rapid strides in expanding its outreach and mobilisation of deposits and credit dispensation. With financial sector reforms initiated by Government of India and Reserve Bank , new private sector banks were given license, since 1993.The total branch offices of scheduled commercial banks which stood at 8,162 in June 1969 have gone up to 45,332 in June 1984 and further to 1,34,015 as on June 2016. As at March-end 2017, Indian banking system comprised 21 public sector banks, 20 private sector banks, 43 foreign banks, 56 regional rural banks and 4 local area banks, 31 State Co-operative banks.

Paradigm shift in Banking - Differentiated banking

In India, with financial sector reforms gaining momentum, winds are changing in favour of licensing selectively, small finance banks and payment banks. In August and September 2015, RBI opened a new chapter in Indian banking system by permitting small finance and payment banks- as part of differentiated banking. The details of small finance banks are discussed below as there is more potential relevance to start a small finance bank in the state.

Small Finance Banks (SFB) :

High Level Committee on Financial Sector Reforms, (Chairman: Dr Raghuram G. Rajan) appointed by the Government of India (2008) recommended shifting the emphasis from "large-bank-led, public-sector-dominated, mandate-ridden, branch-expansion strategy", to "well-governed deposit –taking small finance banks" in private sector, with good governance structure. The Committee observed that in the past the small banks, particularly the local area banks could not succeed due to poor governance, political interference. Technological application can reduce the cost structure of small banks and would impart much needed transparency. The Committee added that such small banks need greater supervisory oversight at the initial years and supervisors should put a tough prompt corrective action so that they do not become a drag on the banking system.

After the announcement in Union Budget, (2014), RBI issued draft guidelines and after taking the feed-backs from the public, final guidelines in November, 2014 for licensing small finance banks and invited applications. The objectives of small finance banks are to enhance financial inclusion by supply of credit to small business units, small and marginal farmers, micro and small industries and other unoganized sector through "high technology and low cost operations".

In a welcome development, on 16 September 2015, Reserve Bank of India accorded 'in principle' approval to 10 entities to be licensed as a small finance banks (SFBs). Of these, eight are from micro finance sector, one is a local area bank (Capital Local Area Bank), and one is a commercial vehicle financier (Au Financiers). As on date, four banks commenced their operations.

Key Features

The promoters could be (a) Resident individuals/ professionals with minimum 10 years of experience in banking and finance, (b) Existing Non Banking Financial Companies, Micro Finance Institutions , Local area Banks that are owned and controlled by residents can opt for conversion into small finance banks.

The minimum paid-up capital for small banks is [1] 100 crore. The promoter's capital contribution would be at least 40 per cent which need to be brought down to 26 per cent over a period of 12 years from the date of commencement of business.

The small finance banks would undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries. A small finance bank will engage in basic lending activities, while a payments bank will be limited to only accepting deposits up to a maximum of 1 1,00,000 per individual customer.

While the micro finance institutions charge interest rate as high as 24-26 per cent on loan products, the small finance banks would charge a lower lending rate which can be compared with other banks. These banks would also distribute simple financial products

Financial Inclusion and Financial Literacy

Financial inclusion aims at extending financial services-banking, insurance, capital market , pension and remittance services to all at an affordable cost. In India, the concept of "financial inclusion" was first articulated in the Reserve Bank of India Monetary policy statement of October 2005 (paragraph 57). Subsequently, incremental steps have been taken by Government of India, Reserve Bank/ NABARD to take the financial inclusion forward. On 4 September 2013 on his first day in office in Reserve Bank of India, Dr. Raghuram Rajan, then Governor, in his statement , inter alia, mentioned: "We have additional tools to generate growth. We can accelerate financial development and inclusion". He mentioned that rural areas, especially our villages are engines of growth. But access to finance is still hard for poor.

With the introduction of Pradhan Mantri Jan Dhan Yojana (PMJDY) in August 2014, the government of India has accorded top priority in the pursuit of financial inclusion. The objectives of PMJDY were for providing universal banking facilities , providing basic bank accounts with limited overdfraft facilities, Rupay debit card to all household , conducting financial literacy programmes, creation of credit guarantee fund, micro-insurance and pension schemes for unorganized sector. The scheme provides for life cover of Rs. 30,000/- payable on death of the beneficiary due to any cause, subject to fulfillment of the eligibility conditions.

As on 5 July 2017, under PMJDY, a total number of 29.04 crore accounts with aggregate balance outstanding 1 64431.36 crore have been opened in the country. 22.45 crore Ru pay cards have been issued. As Rupay card can be used as ATM card and provide a 24x7 banking facility to the customers, it would be big bonanza to them. But the Rupay card holders should know how to handle the card. This can be facilitated through financial awareness and literacy.

On March 2, 2017, RBI has revised its guidelines on financial literacy giving priority on digital banking. Given the recent developments on withdrawal of legal tender status of Specified Bank Notes and the focus on going digital, the policy on conduct of camps by FLC has been revised to give emphasis on digital financial literacy, particularly digital platforms- Unified Payment Interface (UPI) and Unstructured Supplementary Service Data (USSD), developed by the National Payment Corporation of India (NPCI).

Banking outreach in Odisha

According to "Odisha Economic Survey 2016-17", out of 6238 Gram Panchayats of the State, as many as 4597 GPs were identified as un-banked in 2014. There is a need for a branch of a scheduled commercial bank in each of the Gram Panchayats of the State.

Banking outreach of the state can also be substantially augmented by engaging more number of Business Correspondents and spread of digital banking. In this connection, the banks, particularly the convener of the State Level Bankers Committee (SLBC) should be more proactive in taking these steps forward.

References:

i) Odisha Economic Survey 2016-17 , Government of Odisha, Planning and Convergence Department.

ii) NPCI Website (www.npci.org.in)

iii) RBI Website (www.rbi.org.in)

iv) Pradhan Mantri Jan Dhan Yojana, Department of Financial Services, Government of India.

v) Trend and Progress of Banking in India, 2015-16, Reserve Bank of India, Mumbai.

DIGITAL FINANCIAL LITERACY

Shri G.S. Menon
Former Chief General manager, NABARD

The withdrawal from circulation, of high denomination currency notes of Rs 1000 and Rs 500 on 8 November, 2016 was a major step taken by the Government of India with the avowed objective of flushing out black money and counterfeit currency. Subsequently it was also emphasised that this would result in the development of a' less cash economy'.

In fact, the Government had been preparing the ground for quite some time. The opening of large number of zero balance Jan Dhan accounts, voluntary disclosure of income scheme etc had preceded the demonetisation.

The restrictions imposed on withdrawal of cash from the banks and ATMs, non availability of smaller denomination notes, delay in introduction of new Rs200 notes, etc had disrupted the economy for some time, with varied levels of hardship to the people, some anticipated, and others unexpected. The system seems to have stabilised now, to a great extent.

A fallout of the demonetisation was that willy nilly, people had to move to adoption of technology in their day to day financial transactions. Use of internet banking, credit and debit cards, e wallets etc increased among the people who were familiar with these methods of financial transactions. (With the currency shortage easing, there has, however, been a downslide in the use of these modes.) But the percentage of such privileged few is miniscule. And the need for giving a big push to digital financial literacy so as to extend the benefits of technology to the less privileged all over the country, especially in the rural areas, has assumed significance.

Different Ministries of the GOI, and apex financial institutions like RBI and NABARD, have come out with initiatives for hastening the process of digitalisation. Digi Dhan Abhiyan, the project for digital finance for rural India, launched by the Union Ministry of Electronics and Information Technology, will target one crore rural citizens in 2,50,000 gram panchayats, through two lakh Common Service Centres which will work as Digital Financial Education Hubs. Through workshops and awareness drives, it will inform rural citizens about government policies and about digital financial options available to them. It will also enable citizens to access and use electronic payment system (EPS), such as IMPS, UPI, Bank POS machines etc. Each CSC is to reach out to forty households, training one person from each household. In addition, at least ten local merchants, shop owners, and artisans per panchayat are to be included. The training process involves training of Master trainers (VLEs), providing Information for imparting training, such as Education and Communication (IEC)materials in the form of e content, pamphlets, banners, multimedia form etc, on line monitoring, conduct of impact study etc. The training curriculum has been devised in local language, and the training will be provided by VLEs, as per the VLE user manual brought out.

The Union Ministry of Human Resources Development has launched the Vittiya Saksharata Abhiyan (VISAKA), a plan of action for the higher educational institutions. The Institutions will develop a cashless system of payments (salaries, wages, and vendor payments) and receipts (fees, fines, deposits) and encourage the faculty, staff and students to adopt cashless system in all payments. Students are also encouraged to (i) train own family in using cashless modes,(ii) adopt ten households and teach them digital payments, and (iii) register as volunteers in the Abhiyan. NCC/NSS units are to focus on local market to achieve digital capability by training shop owners, vendors, and customers in digital transactions.

As part of its efforts to promote financial literacy, Reserve Bank of India had instructed the Commercial banks and Regional Rural Banks in June 2012, to set up Financial Literacy Centres (FLCs), to conduct camps on Financial Literacy. Comprehensive, modified instructions were issued on 14 January 2016.Further, in the wake of the demonetisation and the focus on' going digital', RBI had reviewed its policy and issued revised instructions in March 2017.The Financial Literacy Centres are now required to conduct special camps for a period of one year beginning 1 April 2017, in addition to the tailored camps for different target groups being conducted till now. Rural branches of banks are to conduct one camp per month in the third Friday of each month, after branch hours.RBI has set up a Financial Education Web page, and Financial Awareness Messages (FAME) booklets for the guidance of the banks. The Lead District Officers of RBI have to assess/evaluate the impact of the camps on an ongoing basis. Limited funding support for the conduct of the camps is also provided.

NABARD has launched Financial Literacy Centres in Co operative banks. One day Digital Financial Literacy and Awareness Programmes(DFLAPS) have been launched all over the country, with focus on digital transactions for the customers of District Central co operative banks, which are already live on the Rupay cards, to explain the benefits of digital transaction and ease of using the card, through demonstration.

With the plethora of agencies engaged in these laudable activities, there is a need for greater co ordination at Gram Panchayat, district and State levels, so as to avoid duplication of efforts and to achieve sustainable results. RBI has also emphasised that the FLCs should take on board, as many stakeholders as possible, such as banks, district administration, NGOs, SHGs, Farmers' Clubs etc.

Sharing of training materials, lessons learnt in the process of implementation, and efforts to plug the loopholes through concurrent monitoring would be needed. Instead of going only by the achievement of physical targets of coverage, there could be outcome based monitoring, to establish that the new technology is appreciated, adopted, and sustained. Ensuring data safety is an area of priority for the Govt and Technology providers. Imparting digital safety awareness to the user is an equally important component of the ability to use the system effectively. All concerned, especially the rural customer and the shop keeper, should be made conscious of the importance of data secrecy; any misuse will destroy the trust in the technology itself. It is gratifying to note the initiative taken by NGOs like Abhyutthana Financial Literacy Centre in reaching out to the people by conducting awareness camps in schools and colleges, organising seminars of experts etc. Similar, concerted efforts by all the agencies would hopefully make the transition to a less cash economy, faster and smoother.

*

OMBUDSMAN FOR BANKING SERVICES

S.Choudhury,
EX-General Manager, RBI

OMBUDSMAN framework introduced by the Reserve Bank of India is around two decades old. This facility has allowed the common man to lodge complaint, free of cost, for their grievances on financial servicesfrom banks and seek redressal. With the rise of number of publicgetting into banking fold as also increase of financial products operated by banks, lot of public grievances have surfaced. It was observed that in the Indian scenario, asymmetry in information and awareness about financial products and services between customers and financial institutions acts as a barrier to an effective system of protection of customer rights. A large number of financial consumers end up in making wrong choices while availing of financial services and/or accepting what is thrust upon by the service providers. Under such conditions, the regulator by per force has to step in to take up the mantle of protecting the consumers. While this scheme aims to redress the grievances of users of banking services its very presence serves to provide impetus to improve customers' service in the banking sector on a continuous basis. The Ombudsman Scheme underthe Consumer Protection Framework was included under Section 35 of the BR Act 1949 and coversall scheduled commercial banks, RRBs and scheduled Primary Co-Operative banks.

PROCEDURE :

The complainant is required to send in complaints to relative bank for redressal of his grievance in terms of clause 9 (3) (a) of the BOS.If the bank does not reply within a month or the complainant is not satisfied with bank's reply, then he/she can approach the BO. When the complainant directly approaches the BO such complaints are invariably sent by the OBO to concerned bank for suitable resolution. Complainant can lodge the complaint with the OBO in any mode viz., by hand delivery, by post, courier, by fax or e-mails or the complaint can be lodged by online complaint form placed on the website of RBI.It is extremely important to follow the instruction, to avoid rejection, by addressing the complaints to the appropriate office of the bank branch/Ombudsman. Complaints has to be lodged at the office of the Ombudsman **under whose jurisdiction, the bank branch complained is situated**. And for complaints relating to Credit Cards and other types of services with *centralizedoperations*, complaints may be filed before the Ombudsman **within whoseterritorial jurisdiction the billing address of the customer is located**.

RESOLUTION OF COMPLAINTS:

The BO facilitates resolution of complaints by settlement, by agreement or through conciliation and mediation between the bank and the aggrieved parties or by passing an Award in accordance with the Scheme. The aim is to arrive at amicable settlement by mutual agreement by mediation and conciliation. When mediation and conciliation fails to ensure amicable resolution, the BO gives a decision or passes an Award. Over the years the percentage of disposal by mutual agreement is witnessing a decline. Also there is a decline in the percentage of disposal by issue of Awards which is less than 1%. The award in respect of Credit card related issues can gouptorupees one lakh and *to compensate loss* suffered by complainant, the amount if any to be paid by bank, cannot exceed rupees ten lakh.

If any person aggrieved by an Award issued by the BO or rejection of a complaint he can prefer an appeal before the Appellate Authority designated under the Scheme within 30 days of the date of receipt of communication of Award or rejection of complaint. The Deputy Governor in charge of the department of RBI administering the Scheme (Consumer Education and Protection Department) is the designated Appellate Authority.

Data on various aspects under the Scheme throws lights on the sources of complaints, types of complaints, the share of complaints under 'maintainable'category in the scheme and those which are non-maintainable (ie.rejected).It is observed that complaints emanating from metropolitan cities and urban areas dominated at 71% and the rest from semi-urban and rural areas. Complainants are mainly individuals, accounting for 92%, and the remaining from business/company, Associations, govt. dedptt./PSU etc. Nature of complaints as one would expect is concentrated on Card related issues and non-compliance by banks of BCSBI (Failure to meet commitments /Non observance of fair practices code), bothtogether accounts for over 50%out of the 10 different categories.

The scope of registering complaint have been expanded to allow 27 reasons for making complaint. Interalia the lists includes delays - pertaining to collection of cheques, payment of remittances, issuing draft/pay order, disbursement of pension, and sanction of loan plus refusal to open deposit account, levying of charges without prior intimation are among others.

FINANCIAL EDUCATION :

Educating bank customer was felt necessary in reducing, if not eliminating the volume of customer grievances. On the other hand Reserve Bank, attempted a structured measure towards protection of bank customers and setting standards of customer service, that led to formulate a "Charter of Customer Rights" as a broad, overarching principles for protection of bank customers. Right to fair treatment, Right to transparency, fair and honest dealing, Right to suitability, Right to privacy, Right grievance redress and compensation. These rights aim to protect the customer against unfair discrimination, unfair/business or marketing practices, coercive contractual terms or misleading representations and aim to promote appropriate need warranted financial products with a better understanding of the various risks and charges involved therein.

LEARN STOCK MARKET

Investment & Need of Investment

The money you earn is partly spent and the rest saved for meeting future expenses. Instead of keeping the savings idle you may like to use savings in order to get return on it in the future. This is called Investment.

One needs to invest to:

1. Earn return on your idle resources
2. Generate a specified sum of money for a specific goal in life
3. Make a provision for an uncertain future

When to Start Investing

The sooner one starts investing the better. By investing early you allow your investments more time to grow, increases your income, by accumulating the principal and the interest or dividend earned on it, year after year.

The three golden rules for all investors are:

1. Invest early
2. Invest regularly
3. Invest for long term and not short term

Where to Invest One may invest in:

1. Physical assets like real estate, gold/jewellery, commodities etc
2. Financial assets such as fixed deposits with banks, small saving instruments with post offices, insurance/provident/pension fund etc or securities market related instruments like shares, bonds, debentures etc.

Short & Long Term Options for Investment Short Term:

1. Savings Bank Account
2. Money Market or Liquid Funds
3. Fixed Deposit with Banks

Long Term:

1. Post Office Savings
2. Public Provident Fund
3. Bonds
4. Mutual Funds
5. Shares and debentures

Before investing in a Market

Before investing, it is always wise to learn the Basics of Stock Market. We have compiled articles and tutorials on the Share Market Basics. Also included here explanation of Stock Market Terms and jargon used by people involved in trading stocks and shares. Whether it is Bombay Stock Exchange (BSE), National Stock Exchange (NSE), London Stock Exchange (LSE) or New York Stock Exchange (NYSE), trading terms or more or less similar

Why Trade In Stock Market

1. You do not need a lot of money to start making money, unlike buying property and paying a monthly mortgage.
2. It requires very minimal time to trade - unlike building a conventional business
3. It's 'fast' cash and allows for quick liquidation (You can convert it to cash easily, unlike selling a property or a business).
4. It's easy to learn how to profit from the stock market. But You need to have your basics clear. Unless you do, you will be wasting your time and loosing money. You need to be crystal clear of each and every aspect of Investments, stock options, Stock Trading, Company, Shares, Dividend & Types of Shares, Debentures, Securities, Mutual Funds, IPO, Futures & Options, What does the Share Market consist of? Exchanges, Indices, SEBI, Analysis of Stocks – How to check on what to buy?, Trading Terms (Limit Order, Stop Loss, Put, Call,

Booking Profit & Loss, Short & Long), Trading Options – Brokerage Houses etc.

Stock Market System

- Primary market
- Stock market is a secondary market
- Trade stock for listed corporations
- Progressive development of stock market

Primary Market

- The primary market provides the channel for sale of new securities. Primary market provides opportunity to issuers of securities; Government as well as corporate to raise resources to meet their requirements of investment and/ or discharge some obligation.
- They may issue the securities at face value, or at a discount/premium and these securities may take a variety of forms such as equity, debt etc. They may issue the securities in domestic market and/or international market.

Secondary Market

- Secondary market refers to a market where securities are traded after being initially offered to the public in the primary market and/or listed on the Stock Exchange. Majority of the trading is done in the secondary market. Secondary market comprises of equity markets and the debt markets
- Difference between Primary and Secondary Market is In Primary Market securities are offered to public for subscription for the purpose of raising capital or fund Secondary Market is an equity trading venue in which already existing/ pre-issued securities are traded among investors.

Equity Investment

- When you buy a share of a company you become a shareholder in that company. Shares are also known as Equities. Equities have the potential to increase in value over time. It also provides your portfolio with the growth necessary to reach your long term investment goals. Research studies have proved that the equities have outperformed most other forms of investments in the long term.

- Equities are considered the most challenging and the rewarding, when compared to other investment options.
- Research studies have proved that investments in some shares with a longer tenure of investment have yielded far superior returns than any other investment.
- However, this does not mean all equity investments would guarantee similar high returns.

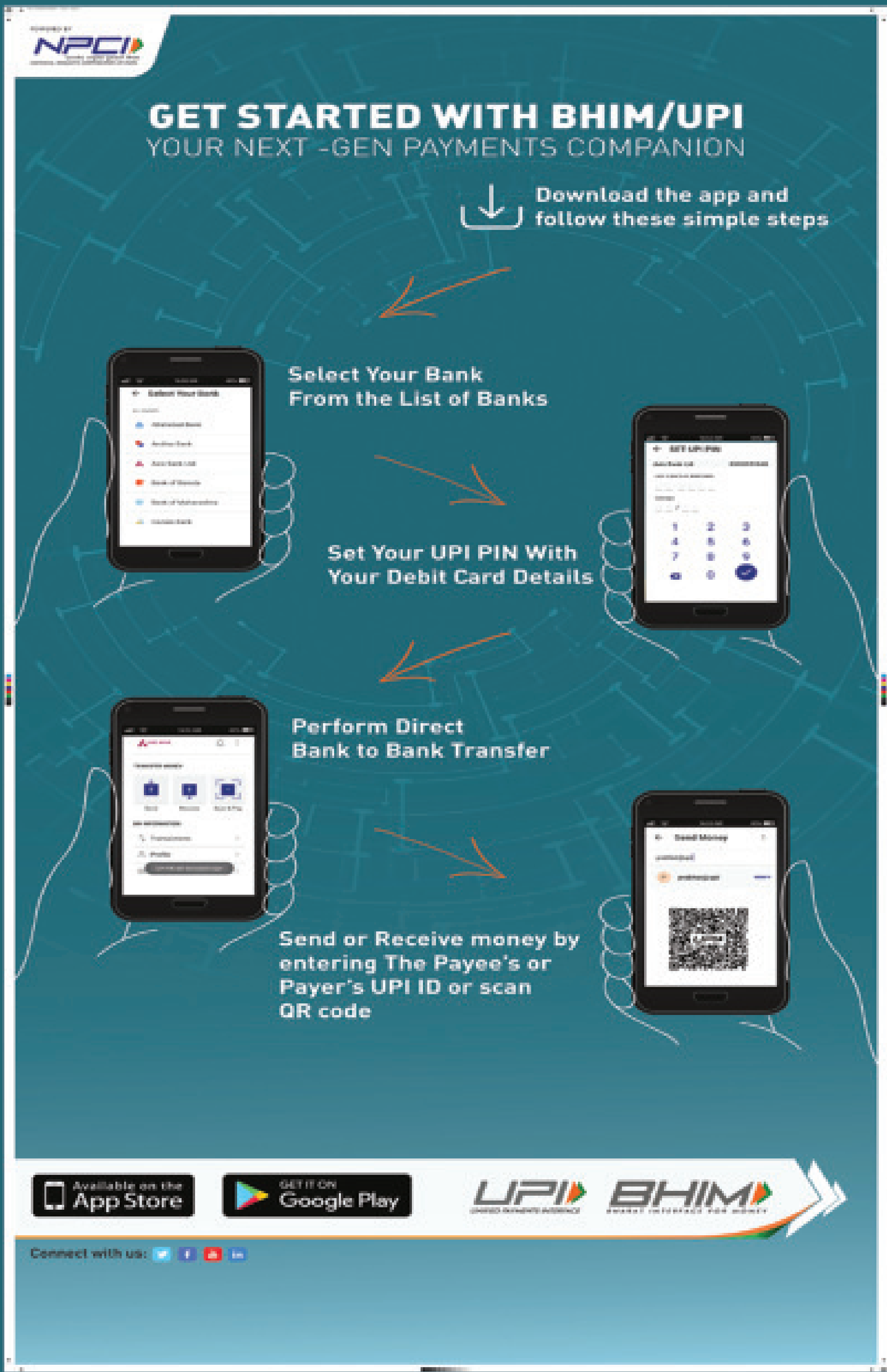
Equities are high risk investments. One needs to study them carefully before investing

Types of investors

1. Pure Investors- long term
2. Investors- short term
3. Traders - short term
4. Traders- futures intraday
5. Option Traders
6. Hedgers
7. Arbitragers

WANT TO KNOW MORE ON STOCK MARKET?

CONTACT: Er PRAVAT MOHANTY
pkmohanty02@yahoo.com
+91 9337124957



Printed at : Sai Printing Press, Chandrasekharpur,BBSR. Mob: 9437282837/9938104516