

Accelerating Financial Inclusion

Skoch brings the experts together to drive the revolution

- **Access to banking services, affordable credit, insurance, face-to-face financial advise**
- **Technology to open delivery channels – play the role of an enabler**

Mumbai, 8th June 2006: Continuing with its endeavor to extend the best of banking and financial services to the population at large, Skoch Consultancy Services organized country's first conclave on Financial Inclusion, christened as Skoch Financial Technologies Summit 2006, which was attended by 200 leading financial experts from 40 top banking and financial institutions in the country.

Despite 47,000 branches spread across the country, India's banking sector does not lend to half the country's population. According to estimates, only 27% of people get some form of institutional credit and 22% get credit from money-lenders and the remaining 51% have absolutely no access to credit. It simply means that this large mass either has no access to credit or no capacity to absorb it. It also means that there is a lack of technology to overcome inadequate delivery channels. In order to address the above problems Skoch brought together the leading players from the respective sectors at one forum, The Skoch Financial Technologies Summit 2006 and offered an opportunity to the stakeholders to participate in the revolution called 'Financial Inclusion'.

Financial Inclusion means access for individuals to appropriate financial products and services. It includes development of skills, knowledge and understanding to make the best use of these products by building skills to utilize credit in an economically gainful way. In a special message to the Skoch Financial Technologies Summit 2006, Mr. P. Chidambaram, Hon'ble Finance Minister said, "Banks have core-banking solutions, that doesn't mean that it will reach out to everyone, banks are computerized, that doesn't mean that they reach out to everyone; technology plus design, technology plus the willingness to associate different intermediaries and different players, for example we think that the banking system, the post-office system can be married to each other, to reach out to more people."

Speaking on occasion Mr. Sameer Kochhar, CEO, Skoch Consultancy Services said, "Digital and financial inclusion are two sides of the same coin. While the State governments, formal financial system and community based organizations form the three pillars, there needs to be a technology horizontal e.g. last mile connectivity and services delivery. Banking sector should integrate itself with efforts of various governmental and non-governmental initiatives to achieve this goal." He cited the examples of the national e-Governance Action Plan that envisages setting up of 100,000 Common Services Centers and companies like Microsoft wanting to enable 50,000 such centers under Project *Saksham*. Financial services for the underserved could be a key content for these centers.

Several banks in India are imparting financial education to people so that they can manage their money better and also understand the financial services better. For example, Union Bank of India is reaching out to farmers through 101 Village Knowledge Centers. These centers train farmers on how to use modern methods of farming and help them connect to the markets through AGMARKNET. They are also encouraged to open bank accounts and avail of banking facilities. "In just 10 months, it has made an impact. We have empowered farmers, women as well as



landless laborers who have had no access to bank at all. Our intention was to pass on the knowledge to the community and in return we got substantial business. So it's a win-win situation," said Mr. M. V. Nair, CMD, Union Bank of India.

The Punjab National Bank is also involved in a similar exercise through its Farmer's Training Colleges spread across the countries. Technology is helping farmers access AGMARKNET for a whole range of solutions related to their crops, sowing pattern, or harvesting methods and even marketing. In fact Kisan Call Centers have experts who advise them in case their produce has been affected by any disease. "Technology is helping us reach out to the digitally and financially excluded. Our efforts have not only benefited farmers but also their families. While women at home have picked up skills like tailoring, the children have received computer education," said Mr. S. C. Gupta, CMD, Punjab National Bank.

As a result of these efforts people who were not creditworthy until recently have formed self-help groups and are accessing bank credit. Experts estimate more than 80% of such beneficiaries are women with recovery rates of over 98%.

State Bank of India has started supporting such Self Help Groups in backward areas like Kalahandi in Orissa and Bichpuri in Uttar Pradesh. There are more than 70 Lakh beneficiaries throughout the country with total lending exceeding Rupees 1,800 Crore. The credit ranges from Rupees 14,000 rupees to Rupees 3 Lakhs. People have started living better lives and farmers do not go hungry anymore. Women who were in *Purdah* are an awakened lot. They are productive and have become self-sufficient. "Our experience with funding Self Help Groups has been extremely rewarding which has led to capacity building and economic empowerment" said Mr. T. S. Bhattacharya, Acting Chairman, State Bank of India.

Actually, various agencies have started participating in financial inclusion movement, a fact that has been appreciated by the government. Hon'ble Finance Minister, Mr P Chidambaram said, "It is important to have intermediaries and catalysts, may be state government and the NGOs, may be others who can form these groups, train them and then bring them to the banking system. Banks themselves have undertaken the responsibility in a limited way of promoting self- help groups, which is a great success. Recovery rates are very high, close to 98%. So, I think the prudential norms and regulatory issues do not come in the way of banks reaching out".

NABARD started the project of Watershed Development in Kachhighati in Aurangabad District during the mid-90s and the project was completed in 2000. It has transformed an arid, rocky and barren land into a landscape full of greenery. The project has seen the strong involvement of various NGOs who have mobilized huge local participation. "The results in Kachhighati are remarkable. As many as 29 wells have been recharged and the water table has risen to as high as 6 meters. Average income of the farmers has shot up sevenfold to Rupees 20,000 per annum. Most important reverse migration has started," informed Dr. Y. S. P. Thorat, Chairman, NABARD. Women Self Help Groups have been funded to undertake capacity building exercise. Women have started earning through activities like goat rearing, dairy farming and vermicompost making. They have also been given loans to buy cooking gas connections.

Speaking on the occasion Ms. Usha Thorat, Deputy Governor, Reserve Bank of India said, "The key factor is how are you going to reduce the cost of operations, and how are we going to use technology to be able to do extensive volumes while maintaining the integrity and the confidence of the financial system. People should feel comfortable with technology. The acceptance of it is equally a capacity building issue."

Rounding up Mr. Kochhar said, "Technology is a key driver in the banking industry. It gives impetus to new business models and processes that stimulate distribution channels that target the underserved. Banks and financial institutions can certainly derive maximum advantage from the investments into technology and improve operational efficiencies reducing transaction costs."



About Skoch:

Skoch is a strategy and management consultancy company with work in eleven countries. In India, Skoch actively works towards ICT led improvement of citizen delivery systems and for competitive advantage of the country across segments. These include governance, banking, financial services, health, education and infrastructure amongst others. Skoch team traverses the country to create knowledge repositories of what works and actively engages with all stakeholders from policy makers to ordinary citizens to share this knowledge for advancement of India through learning from best practices.

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