

Financial Inclusion: The State Bank of India Experience

Bhatta NMK, Thaker K (IIM Indore) & Ghosh SK (SBI)

Abstract

This paper discusses nuances of implementing financial inclusion in India where the huge rural population is yet to come into the financial system and enjoy the benefits of governmental schemes specially designed for them. The paper analyses the challenges involved in implementing financial inclusion in a vast, diversified country like India where financial literacy is extremely low and people fall into the clutches of loan sharks, ultimately pushing them towards drastic steps like suicide etc. The state run public sector bank, State Bank of India, one of the largest public sector banks across the globe, has worked out several strategies and leveraged advanced technologies to take banking and the financial system to every nook and corner of the country. They further supplemented their efforts by increasing financial literacy through setting up of several financial literacy centres across the country. Their continued focus on the development of innovative technologies enabled seamless merging of the rural populace with their urban counterparts while availing banking services. Field research and a series of in-depth interviews were conducted with top and working level leadership of SBI on challenges faced by them in traversing this path to expand their rural footprint, and how they collaborated with local NGOs and microfinancing institutions (MFI) to reach some of the most difficult geographic terrains like Arunachal Pradesh, Jammu & Kashmir, Andaman and Nicobar Islands. The paper articulates key insights to understand the importance of financial inclusion in a developing economy and also identifies the complexities and factors influencing its successful implementation. The paper can serve as a guide for developing economies in strategizing their own methodologies in implementing financial inclusion.

Introduction

Financial Inclusion is Easy availability of all banking services in appropriate forms to all needy people and affordable cost, reasonable time and adequate quantity

Along with land labor and capital, Financial inclusion is equally important factor of sustainable and balanced economic and social development

Financial inclusion leads to empowerment of lower class, social inclusion and lowers inequality and brings inclusive growth

Enhance effectiveness of Govt. Direct Benefit Schemes

Financial illiteracy, rural and dispersed population, low income and high reach out cost are the key challenges

Genesis of FI – Confluence of:

- . Economic Policy
- . Demography
- . Information Technology

Enabled GOI and RBI realize FI is viable and scalable

Enabling factors:

- ~ No frills bank accounts
- ~ Simplifying KYC – Aadhar
- ~ Institutional member & trust with Rural banking experience
- ~ Leverage on branch, ATM and BC& CSP
- ~ Collaborate with SHG-Micro Finance and Cooperatives-geographically challenging
- ~ Alliance with technology firms and educational institutes
- ~ Commitment – social and national interest
- ~ Technology – especially Mobil banking technology with CBS
- ~ Intensive, Low cost and appropriate Technology
- ~ Financial Literacy – 35000 camps and 25 lakhs participants
- ~ REITS-Rural self employment training schools
- ~ Customer friendly and flexible banking
- ~ Women – accounts

Performance on FI (2015)

- . 48 million JD account – 40 million RuPay cards (Guinness word record)
- . Over 2.5 million financial literacy
- . Settled Over 0.15 Rural youth
- . By January 2015, India become fully banked
- . Enabled Govt. to effectively transfer Rs 510 bn subsidy to 154 mn beneficiaries without leakages
- . Saved considerable public resource
- . Value of transaction handled by SBI thru BC and CSP increased 71% to Rs 390 bn

Findings: Key Factors of Success

- ~ Technology
- ~ Institutional Experience & network
- ~ Customer friendly and flexible
- ~ Collaborative-outreach
- ~ Innovative
- ~ Financial literacy
- ~ Scalability of technology

Future Challenges

- . Funding Accounts
- . Covering farmers
- . Connectivity
- . Viability of BC
- . Business related risk
- . Full KYC compliance

Conclusion

The study reviews the FI practices in different countries, challenges of FI in India and the approach SBI used to successfully implement it. The key success factors are adoptable technology, innovation, flexibility, customer orientation, collaboration, cost effectiveness, financial literacy, commitment, institutional experience etc.