

# Chapter - 3

## National Rural Financial Inclusion Plan

### Strategy for Improving Financial Inclusion by Formal Credit Sources

3.01 The Committee is of the view that the overall strategy for financial inclusion, especially amongst the poor and disadvantaged segments of the population should comprise :

- Ways and means to effect improvements within the existing formal credit delivery mechanism.
- Suggest measures for improving the credit absorption capacity especially amongst the marginal and sub marginal farmers and poor non-cultivator households.
- Evolve new models for extending outreach.
- Leverage on technology solutions to facilitate large scale inclusion.

3.02 In Chapter II, the severity of exclusion has been examined from the angle of access to credit using data from NSSO 2003 study and the BSR reports of RBI. However, for triggering a mechanism of financial inclusion, the RBI has initiated a number of measures for achieving 100% financial inclusion in identified districts with particular emphasis on districts having a large SC/ ST population. A brief account of these initiatives are indicated in Annexure XI.

### National Rural Financial Inclusion Plan (NRFIP)

3.03 The analysis in Chapter II clearly brings out the magnitude of severity of exclusion from the angle of access to credit. The Committee is clear that the task of financial inclusion must be taken up in a mission mode as a financial inclusion plan at the national level. Derived data from the NSSO Study shows that 64.95 million cultivator households and 46.6 million non-cultivator households respectively do not have access to formal financial services. While banks could target 100% coverage in respect of a No Frills basic bank account, a more realistic and clear target at the national level would be to provide access to comprehensive financial services, including credit, to atleast 50% of such households, say 55.77 million by 2012 thru' rural/ semi-urban branches of Commercial Banks and Regional Rural Banks. The remaining households, with such shifts as may occur in the rural/urban population, have to be covered by 2015.

3.04 In this context, the Committee notes that under the package for Doubling Flow of Agricultural Credit, commercial banks and RRBs were assigned a target of 100 new farmers to be covered per rural / semi-urban branch in the last two years. This target was achieved, indeed exceeded. Taking heart from this, the Committee is of the view that the semi-urban and rural branches of commercial banks and RRBs may set for themselves a minimum target of covering 250 new cultivator and non-cultivator households per branch per annum, with an emphasis on financing marginal farmers and poor non-cultivator households.

3.05 The national targets would have to be disaggregated State-wise with adequate emphasis on districts having a large percentage of population not accessing bank credit, as indicated in the following table :

**Analysis of State-wise Extent of Exclusion and Plan for Covering Excluded Households**

Sr. No.	States / region	Formally excluded cultivator HHs (in 00)	Non cultivator HHs (in 00) *	Total HHs (in 00) *	50% coverage by 2012 (in 00) *	Total rural & semi urban branches of CBs + RRBs *	Per branch coverage over 5-years (no. of HHs) *	Per branch coverage p.a. (no. of HHs) *	
	<b>Northern Region</b>								
1	Haryana	11594	State-wise details not indicated in the NSSO Report	11594	5797.00	972	596	119	
2	Himachal Pradesh	7334		7334	3667.00	766	479	96	
3	Jammu & Kashmir	9162		9162	4581.00	648	707	141	
4	Punjab	11442		11442	5721.00	1783	321	64	
5	Rajasthan	42505		42505	21252.50	2538	837	167	
	<b>Total</b>	<b>82037</b>		<b>82037</b>	<b>41018.50</b>	<b>6707</b>	<b>612</b>	<b>122</b>	
	<b>North Eastern R.</b>								
6	Arunachal Pradesh	1217		1217	608.50	69	882	176	
7	Assam	24360		24360	12180.00	1042	1169	234	
8	Manipur	2114		2114	1057.00	55	1922	384	
9	Meghalaya	2541		2541	1270.50	147	864	173	
10	Mizoram	719		719	359.50	69	521	104	
11	Nagaland	670		670	335.00	72	465	93	
12	Tripura	1805		1805	902.50	148	610	122	
13	Sikkim	500		500	250.00	56	446	89	
	<b>Total</b>	<b>33926</b>		<b>33926</b>	<b>16963.00</b>	<b>1658</b>	<b>1023</b>	<b>205</b>	
	<b>Eastern Region</b>								
14	Bihar	65426		65426	32713.00	3078	1063	213	
15	Jharkhand	25645		25645	12822.50	1223	1048	210	
16	Orissa	28571		28571	14285.50	1913	747	149	
17	West Bengal	51531		51531	25765.50	2762	933	187	
	<b>Total</b>	<b>171173</b>		<b>171173</b>	<b>85586.50</b>	<b>8976</b>	<b>954</b>	<b>191</b>	
	<b>Central Region</b>								
18	Chattisgarh	20277		20277	10138.50	816	1242	248	
19	Madhya Pradesh	42656		42656	21328.00	2533	842	168	
20	Uttar Pradesh	139051		139051	69525.50	6032	1153	231	
21	Uttaranchal	8543		8543	4271.50	740	577	115	
	<b>Total</b>	<b>210527</b>		<b>210527</b>	<b>105264.00</b>	<b>10121</b>	<b>1040</b>	<b>208</b>	
	<b>Western Region</b>								
22	Gujarat	25469	25469	12734.50	2222	573	115		
23	Maharashtra	32607	32607	16303.50	3261	500	100		
	<b>Total</b>	<b>58076</b>	<b>58076</b>	<b>29038.00</b>	<b>5483</b>	<b>530</b>	<b>106</b>		
	<b>Southern Region</b>								
24	Andhra Pradesh	33613	33613	16806.50	3537	475	95		
25	Karnataka	28711	28711	14355.50	3101	463	93		
26	Kerala	8385	8385	4192.50	2725	154	31		
27	Tamil Nadu	21797	21797	10898.50	2979	366	73		
	<b>Total</b>	<b>92506</b>	<b>92506</b>	<b>46253.00</b>	<b>12342</b>	<b>375</b>	<b>75</b>		
<b>28</b>	<b>Group of UTs</b>	<b>1295</b>	<b>1295</b>	<b>647.50</b>	<b>559</b>	<b>116</b>	<b>23</b>		
	<b>Grand Total</b>	<b>649540</b>	<b>466000</b>	<b>1115540</b>	<b>557770.00</b>	<b>45846</b>	<b>1217</b>	<b>243</b>	

\* In the State-level targets appropriate allowances have to be made for non-cultivator households, once detailed figures are available.

3.06 It may be observed that the per branch annual coverage envisaged under the plan is quite high in certain States of the North-Eastern, Eastern and Central regions.

The various recommendations made by the Committee have kept this in view for providing the needed support including financial assistance on a region-specific basis to banks operating in the above regions.

3.07 The strategy for achieving the above goal would comprise mapping out on a State-wise / district-wise basis, rural households having no access to formal sources of credit. The Committee is of the view that this task should be assigned to the District Level Consultative Committees (DLCC) of Banks on a priority basis, with instructions to proceed with the mapping exercise on a block-wise / district-wise basis, within the next 4 months. This should be dovetailed with the work being done by the monitoring mechanism set up at the district level for implementation of the recommendations of the CD Ratio Committee. The task would require, *inter alia*, the lead bank and the district administration placing appropriate personnel and material at the disposal of the DLCCs so that the task can be completed at the earliest. At the end of the exercise, each DLCC should be in a position to draw up block-wise / village-wise maps of households not having access to formal credit sources. This information should be disseminated widely and transparently by the DLCC in the district. Thereafter, at the State-level, a financial inclusion document (State Level Rural Financial Inclusion Plan – SLRFIP) should be prepared jointly by the State Level Bankers' Committee (SLBC) and NABARD, for arriving at the target of financial inclusion for the State. The target should clearly indicate the number of rural households not having currently any access to formal sources of credit and based on the mapping, indicate the number of households that will be provided such access by 2012. With a minimum target coverage of 50% of currently excluded, States will be free to set themselves higher targets.

3.08 The target will thereafter be allocated institution-wise, with each bank - commercial banks and RRBs. Other institutions like cooperative banks, NBFCs and MFIs may also be asked to join in the task of financial inclusion with self-set targets. Target setting by itself will not be sufficient. There is a need to bring about coordinated efforts of all the above players. Appropriate support instruments for achieving these targets have to be designed. The progress in implementation shall be reported and monitored at the DLCC and SLBC.

#### **National Mission on Financial Inclusion**

3.09 With a view to firming up the implementation of the recommendations of the Committee, it is proposed that GoI may consider constituting a National Mission on Financial Inclusion (NaMFI) comprising representatives from all stakeholders. The purpose of the Mission shall be to aim at achieving universal financial inclusion within a specific time frame. The Mission should be responsible for suggesting the overall policy changes required for achieving the desired level of financial inclusion, and for supporting a range of stakeholders – in the domain of public, private and NGO sectors - in undertaking promotional initiatives. Govt. may decide on appropriate representation from all stakeholders in the Mission.