

## Chapter – 13

### International experiences in Financial Inclusion

#### Key Learning Areas

13.01 An interesting feature which emerges from the international practice is that the more developed a society is, the greater is the thrust on empowerment of the common person and low-income groups.

13.02 The experiences in financial inclusion are unique to each country. Only limited country-wise experiences are documented and available in public domain. Hence, for the purpose of drawing lessons on financial inclusion, restricted survey of select country experiences are drawn. An attempt has been made in the following paragraphs to categorise these learnings over a few broad parameters :

#### **Products (including Credit Side) :**

- Basic Banking Account (BBA),
- Post Office Card Account (POCA) – (United Kingdom - UK; USA),
- Piloting of concept of Savings Gateway (Government funded match of all money saved by those on low income employment, up to a certain limit. Government is making a matching contribution of up to a maximum of £ 25 per month) - (UK),
- Credit unions offered functional flexibility for providing affordable credit with simultaneous tightening of legal provision to ensure investor safety (UK),
- Free encashment of Government cheques (even for non-customers) – (Canada),
- “MZANSI” – a low cost card-based savings account with easy availability at accessible outlets like merchant points-of-sale, post offices, etc. (South Africa),
- Introduction of a savings based demand driven sustainable microfinance programme called PATMIR where savings have precedence over credit (Mexico),
- Product differentiation by end-use and target segments (Bangladesh – Grameen Bank).

#### **Demand Side :**

- Developing proposals for delivering a significant increase in the capacity of free face-to-face money advice targeted in areas of high financial exclusion (UK),
- Recognition that the most financially excluded would benefit from face to face money advice and set up by Government of a support fund of £ 45 million for the same (UK),
- Banks contributing to a Money Advice Trust (UK),
- Face to face money advice provided by identified counseling points, viz., citizen advice bureaus, community development groups, etc. (UK).

#### **Outreach Considerations / Sustainability Aspects :**

- Set up of a Financial Inclusion Fund with corpus of £ 120 million to offer 3-way access to banking services, affordable credit and money advice (UK),
- Set up of Financial Inclusion Task Force for monitoring (UK),
- Formulation of enabling legislation : Community Reinvestment Act (CRA) prohibits discrimination by banks against low and moderate-income households

- (USA); the legislation on Access to Basic Banking Services Regulations ensures that all citizens could obtain personal bank accounts without any difficulty (Canada); the Bank Act makes the access to bank accounts a legal right (France),
- MoU between the Federal Government and financial institutions on financial inclusion to ensure the access to affordable banking services by all citizens (Canada),
  - Benevolent regulation that enables a level playing field for all entities in micro finance from a compliance and regulatory perspective. Subsidies, promotional schemes, etc. were avoided and the range of financial products was broadened (Bolivia),
  - Regulatory framework along with strengthening institutional capacity, supervision thru' autonomous supervisory committees (Mexico),
  - Institutional restructuring coupled with deregulation of the banking sector and removal of restrictions on credit and interest rates. Supervision delegated while building mainline supervisory capacity in Bank of Indonesia (BI) - (Indonesia).

**Delivery Mechanisms :**

- Sensitising HR by promoting awareness, providing information and imparting training (UK),
- Support to financial sector development in a three step process : Undertaking a financial sector assessment, adoption of a national level inclusion plan and finalizing strategy for its implementation by various stakeholders and hand-holding the institutions while implementing the plan adopted (Regional programme : Building Inclusive Financial Sectors in Africa - BIFSA),
- Existing rural outlets converted to commercial units (BRI model – Indonesia).

**Commonalities Observed in the Various Approaches Applicable in the Indian Context :**

- Identification and geographical demarcation of excluded areas - and segments of society - formulating suitable policy to facilitate inclusion,
- Regulation is a must, even if it is “regulation by exception”,
- Strategy to be adopted thru' interaction with stakeholders,
- Inclusive efforts have a cost - to be met by Government and banks,
- Institutional reforms are a must - for only strong institutions can serve social mandate in full,
- Effective participation and coordination among Government, private service providers, financing banks and members of civil societies,
- Adopting technology to widen outreach in excluded areas,
- Enacting legislation mandated to increase levels of inclusion,
- Product development and differentiation to meet the varying demands of excluded segments,
- Financial counseling and advisory services thru' identified touch points,
- Improving absorptive capacity of excluded segments.

For country-wise details, please see Annexure X