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**ANDHRA BANK  
HEAD OFFICE::HYDERABAD  
PRIORITY SECTOR POLICY DEPARTMENT**

Lr No. 666/19/FI/201

Date: 30.01.2008

To

**The Dy. General Manger,  
College of Agricultural banking,  
University Road,  
PUNE - 411 016**

CAB NO. 549/09.08.002/2007-08	
CAB NO. 666/19/FI/201	
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Dear Sir,

**Reg: Centre for Financial Education & Inclusion.**

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We refer to your letter CAB No. 549/09.08.002/2007-08 dated 15.01.2008 and furnish in the annexure the material information regarding various initiatives that have been taken by our Bank in the field of Financial inclusion with particular reference to promoting financial education and inclusion.

Yours faithfully,



[ G Ranga Rao ]

Dy.General Manager

Encl: a/a

## Financial inclusion

It is the delivery of Banking services to the common man at an affordable cost to the vast sections of disadvantaged and low-income groups. It includes insurance, social security systems, pensions, and money transfers etc. **Financial inclusion** should be viewed as availability of Banking and payment services to the entire population without discrimination of any type.

### Salient features of the Scheme of arrangement for Financial inclusion:

1. Opening of Savings bank a/cs ( no-frills a/cs)
2. Strengthening SHG lending.
3. Mapping indebtedness of the farmers and to identify the unindebted farmers.
4. Coverage of Tenant farmers/share croppers.
5. Defaulters cleansing mechanism
6. Appointment of Business facilitators/ Business Correspondents.
7. IT connectivity.
8. Insurance Products.
9. Issue of General Purpose Credit Cards (GCC).

1. **Opening of Savings bank a/cs ( No frills accounts):** As a Lead Bank, accomplished 100% coverage of house holds in the entire district of Srikakulam ( Andhra Pradesh State) and Ganjam district ( Orissa State). Bank has also completed 100% coverage of house holds in the districts of **Ranga Reddy, Nizamabad and Nellore**. In other districts of A.P. the task will be completed by June, 2008.
2. **Strengthening of SHG lending:** Bank has introduced liberalized financing models to SHG lending. Minimum loan amount to be financed to SHG has been enhanced such that a new SHG group can now avail a loan of Rs 1.75 lakhs; SHGs in 3rd Dose stage can now avail a loan limit of Rs 5.00 lakhs subject to their eligibility. The performance of Bank in SHG lending is Rs 708.80 crores covering 127924 groups. Bank has also introduced a new scheme '**Mahila Sowbhagya**' i.e Debt swapping for SHGs which enable the rural women to institutionalize at very low interest rates their outside borrowings taken at exorbitant interest rates. The progress in extending the loans under the scheme is Rs 43.61 crores covering 1856 beneficiaries.
3. **Mapping indebtedness of the farmers and to identify the unindebted farmers:** To protect the Country's backbone, Bank has launched a new scheme " **Kisan Rakshak**" i.e. Debt Swapping for farmers which is similar to the one designed for SHGs. Farmers can now avail loans at normal rates, to repay their outside loans taken at exorbitant interest rates. So far an amount of Rs 3.80 crores was disbursed covering over 220 farmers under the scheme.

4. **Coverage of Tenant farmers/Share Croppers:** Bank has ensured due care in covering the tenant farmers while financing to the new farmers. Out of the total new farmers covered of 80,987 the share of tenant farmers is 8% i.e 6481 which is far more than the suggested level by the Hon'ble Finance Minister i.e 2.5%. Besides, these land less ryots have been encouraged to form Groups so as to enable them to avail loans under Rythu Mithra Group finance( RMGs). Bank has financed to 4870 RMGs with a loan amount of Rs 64.36 crores.
5. **Defaulters cleansing mechanism:** Special One Time Settlement Scheme (OTS) on the lines of RBI guidelines is implemented to enable the small borrowers to clear up their dues and become eligible to avail new loans. The scheme has benefitted over 4370 beneficiaries during the year who have repaid their dues to the tune of Rs 7.53 crores.
6. **Appointment of Business facilitators/Business Correspondents:** Bank has implemented the Business Correspondent ( B.C) model ( as per RBI guidelines) for payment of Social Security Pensions and Wages to Rural Employment Guarantee Scheme ( NREGS) beneficiaries through '**Smart Cards**'. A pilot Scheme of **Smart Card System** of payments was implemented in Warangal district of A.P. State, by Govt. of A.P. and our Bank has implemented the scheme in **Geesukonda mandal**. Through the scheme, the identified members are availing their services at their door steps in rural areas. The scheme is now expanded to other villages as well as in Municipal Corporation area of in Warangal district. Govt. of A.P. has now rolled out the Smart Card Scheme in 6 other districts of A.P. State. Both RBI and Govt. of A.P are directly monitoring the scheme.
7. **I.T Connectivity:** The Smart Card scheme involves payments to the members at their door step both off line/on line through the involvement of Business Correspondent. The scheme operates on Information Technology initiatives and the needed technology is being implemented by Bank. The other IT connectivity initiatives taken up by the Bank are ATMs ( 588) Mobile ATMs (3) and one Biometric ATM etc.
8. **General Purpose Credit Cards (GCCs):** Financial inclusion also endeavours to issue a general purpose credit card to all those who were under inclusion to avail consumption credit requirements to the tune of Rs 25,000/-. It is proposed to issue the Cards to each of the account holders.
9. **Financial Literacy cum Credit Counselling Centre:** As a Convenor of State Level Bankers Committee of A.P State, our Bank has opened one Financial Literacy cum Credit Counselling Centre at Srikakulam of A.P. for the benefit of the rural people. The Centre functions for the benefit of rural people in improving their awareness about various Banking products, procedures involved for availing the same. It is proposed to open one such centre in each district by March, 2009.

10. **Rural Development Training Institutes:** Bank has established 9 Rural Development Training Institutes on **RUDSETI** model in 3 States. These Institutes are imparting need based training programmes for the benefit of rural people i.e farmers, SHG members, unemployed youth, artisans etc on free of cost. So far these Institutes have imparted needed training to over 70,000 people in nearly 2000 training programs.
11. Andhra Bank took lead in establishing a **State Level Rural Development Training Institute** i.e A.P. Bankers Institute of Rural and Entrepreneurship Development (**APBIRED**) with joint sponsorship of Govt of A.P., NABARD, and 5 leading Public Sector Banks viz., Andhra Bank, Canara Bank, Indian Bank, Indian Overseas Bank and State Bank of Hyderabad. **It is first of its kind in the entire country.** The Institute is designed to take up training programmes of higher standard for the benefit of rural unemployed youth, farmers, SHGs, artisans, etc.,

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### **Financial Literacy-cum-Counselling Centre:**

Keeping in view the recommendations of the Working Group, RBI has rightly advised the State Level Bankers Committees to set up, on a pilot basis, a financial literacy-cum-counselling centre in any one district in the State coming under their jurisdiction. The Lead Banks concerned were advised to set up such centres in other districts. **Andhra Bank as a convener of SLBC of A.P** set up **first Financial literacy-cum- counselling centre** in Srikakulam district of Andhra Pradesh State. It is also proposed to open one such centre in each district of A.P. State by March, 2009.

Besides Banks have established **Rural Development Training Institutes** with a main objective of imparting need based training programs for enriching the knowledge of the rural masses. Andhra Bank has established 9 such Institutes on the RUDSETI model which are actively taking part in the direction of Counselling and educating the masses. Farmers are given inputs on the latest technical know how; Self Help Groups are concentrated on capacity building activities; rural youth on employment generation programs besides making them aware of the various Banking facilities for their well being etc. Andhra Bank, as a convener of SLBC of A.P also took initiative in establishing a **State Level Rural Development Institute**, which is **first of its kind** in the entire country. The Institute was established with joint sponsorship of Govt of A.P. NABARD and five leading public sector Banks in the State. The Institute has commenced its training programs and its objective is also oriented on counselling the down trodden and making aware of the avenues available for improving their living standards.

**Financial education** is considered an important element for promoting financial inclusion and ultimately financial stability. Financial education would benefit the financially excluded by enabling them to understand the benefits and the ways to join the formal financial system. It could also benefit the financially-included by helping them make informed choices about the products and services available in the market to their best advantage.

Keeping the regulatory, operational and other aspects in focus, financial inclusion is a complex issue which cannot be solved alone by Banks. Financial inclusion in a large scale is possible only if the Banks join hands with like minded partners in their initiative. The Business correspondent model as introduced by RBI, enables such partnerships to evolve. However, the **major concerns** are---

5. As there is no proven and tested model, the initial take off may be slow till sufficient experience is gathered.
6. It is essential that the programme is viable to all the partners.
7. Risk management, operations, registration, credit etc are a major issues.
8. Cash management by the Business Correspondents is also an issue which can affect reputation of the Bank.

With experience gained over a period of time the above concerns can be sorted out and standards can be laid down.

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