

### Initiatives of Axis Bank for formal financial inclusion

We believe that there is need for a multi pronged strategy to reach the poor for financial inclusion. Micro credit is one of the powerful tools for inclusive growth and we have adopted different strategies to extend micro credit to the marginalized sections of society. The relevant broad initiatives adopted by our Bank for financial inclusion as a strategic business proposition is spelt out hereunder:

#### **1. Partnering with reputed Micro Finance Institutions (MFIs)**

During the financial year 2004-2005, we created an exclusive team at our corporate office to handle MFI lending. We have ensured that we extend support to good organizations across the country. As on November 30, 2007, we have our microfinance presence in 15 states through 71 MFIs and are having an outstanding portfolio of Rs 437.47 crs. By adopting this route we believe that we have extended micro credit to around 8,75,000 beneficiaries (considering average outstanding loan per borrower is Rs 5000/-) across the country. We have started our microfinance program in the northeast India (NEI) during 06-07 and have already assisted three MFIs (two MFIs in Assam and one MFI in Nagaland) in that region as on date. We are taking the initiative in increasing our microfinance presence in NEI. Following table provides the details of our microfinance presence in different states as on November 30, 2007:

(Rs crs)

| Sl. No       | Name of the state | As on 31.03.07 (Rs. crs) | As on 30.11.07 (Rs. crs.) | Percentage    |
|--------------|-------------------|--------------------------|---------------------------|---------------|
| 1            | Andhra Pradesh    | 105.29                   | 178.01                    | 40.69         |
| 2            | Karnataka         | 42.11                    | 41.14                     | 9.40          |
| 3            | Gujarat           | 35.5                     | 71.94                     | 16.44         |
| 4            | West Bengal       | 29.3                     | 36.59                     | 8.36          |
| 5            | Tamil Nadu        | 22.64                    | 44.69                     | 10.22         |
| 6            | Orissa            | 15.69                    | 18.88                     | 4.32          |
| 7            | Kerala            | 8.20                     | 13.53                     | 3.09          |
| 8            | Uttar Pradesh     | 7.14                     | 23.10                     | 5.28          |
| 9            | Delhi             | 1.44                     | 1.87                      | 0.42          |
| 10           | Assam             | 1.41                     | 3.86                      | 0.88          |
| 11           | Maharashtra       | 0.23                     | 0.07                      | 0.02          |
| 12           | Rajasthan         | -                        | 1.51                      | 0.35          |
| 13           | Nagaland          | -                        | 2.03                      | 0.46          |
| 14           | Uttarakhand       | -                        | 0.25                      | 0.06          |
| 15           | Jharkhand*        | -                        | -                         | -             |
| <b>TOTAL</b> |                   | <b>268.95</b>            | <b>437.47</b>             | <b>100.00</b> |

\* The limit sanctioned to the MFI in the state is yet to be disbursed.

## **2. Lending through Self Help Groups**

We had on a pilot basis, extended finance to 50 Self-Help Groups (SHGs) in the state of AP. After having satisfactory experience with them, further assistance has been considered for supporting the already assisted SHGs as well as to explore the possibilities for extending assistance to new SHGs.

## **3. Lending through Government Sponsored Schemes**

We encourage our branches to extend finance under various Government Sponsored Schemes. Many of our branches commenced lending under Government Sponsored Schemes in FY 05-06 and this continued in FY 06-07 also.

## **4. Extending loans under Differential Rate of interest scheme (DRI)**

During 2006-07, we commenced extending loans under DRI scheme. Till November 30, 2007, we have extended 297 loans under DRI scheme. This year we propose to extend 1,200 loans under the DRI scheme. Our strategy is to identify clients through credible developmental organisations and extend loans through them. Under this scheme, our finance so far has been for candle making, minor house repairing, petty trading, purchase of goats etc.

## **5. New initiatives**

Our Bank as part of Govt. Business initiative is already participating in the Financial Inclusion Pilot Project being undertaken in Warrangal District of Andhra Pradesh by Department of Rural Development, Govt. of Andhra Pradesh towards disbursement of wages/ allowances to individual beneficiaries under Andhra Pradesh Rural Employment Guarantee (APREGS) Scheme and Pensioners under Social Security Pension (SSP) Scheme along with five other Public Sector Banks i.e. State Bank of India, State Bank of Hyderabad, Andhra Bank, Union Bank and A.P. Grameen Vikas Bank.

The Project involves issuing of Biometric Smart Cards to the Beneficiaries, which is capable of storing Biometric information about the Accountholder along with photograph and personal details and also serves as an electronic passbook. The project also involves special POS (Point of Sales) machines equipped with a Smart Card Reader as well as Finger Print Reader, which is capable of recording the transactions in online as well as offline mode. Subsequently, the accountholders are to be serviced by the Business Correspondents, appointed by the Bank as per the specified eligibility criteria of RBI (Registered NGOs and Self Help Groups active for Micro Financing in rural areas or Post Offices) through these special POS Machines.

Under the Pilot Project, Axis Bank has been allocated 1 Mandal i.e. Raghunathpally, with 24 villages and approx. 8,900 beneficiaries under the two identified schemes who have been offered Zero Balance Savings Account for providing basic banking facilities through Business Facilitators and Business Correspondents.

The Bank has already identified and enrolled approx. 2400 Social Security Pensioners in all the 24 Villages and is successfully disbursing Pension to the enrolled beneficiaries since April/May 2007. Additionally, the disbursement of funds to the beneficiaries under NREGS already enrolled, has also commenced on a pilot basis in one village.

This IT-enabled Financial Inclusion solution worked out by our Bank conforms to the standards laid down by RBI in its Annual Policy Statement for the year 2007-08 – it follows widely accepted open standards to ensure eventual interoperability among the different systems and is highly secure and amenable to audit.

With the successful launch of the Pilot Project in Warangal and the expertise gained therein, our Bank is looking at providing similar IT-enabled Financial Inclusion solutions in collaboration with Government for disbursements under various Govt. benefit Schemes and other agencies in other rural and remote un-banked areas in various states. The Bank is also looking at extending the concept of Financial Inclusion to urban areas as well for disbursement of small payments to individual beneficiaries, especially for various Govt. Sponsored Schemes.



**ICT-based Transactions at a CSP**