



## **RURAL PLANNING AND CREDIT DEPARTMENT**

### **Meeting on IT Enabled Financial Inclusion & Review of 100% Financial Inclusion in Kerala**

A meeting to explore the modalities for promoting IT-enabled Financial Inclusion was held on July 23, 2008 at Reserve Bank of India, Thiruvananthapuram. The meeting was chaired by Shri. S. Ramaswamy, Regional Director. List of participants is annexed.

Shri R.N.Panigrahi, GM extended a warm welcome to all the senior officials from Government of Kerala and senior executives from the banks and NABARD, and said that the first phase of achieving 100% financial inclusion in the State was over and we had to take the process forward. This meeting was specifically convened to explore the feasibility of implementing IT-enabled financial inclusion by making payment to the beneficiaries of NREGP, social security pensions and other payments of Government by using smart card through banking correspondents. He said that no frills accounts opened by banks should not be dormant. They should remain operative accounts. The banking system should be utilized fully to make disbursements under Government welfare schemes in a cost effective manner. By leveraging technology, the risk of handling cash could be minimized and double payment and impersonation could be avoided.

Shri S. Ramaswamy, Regional Director, welcomed Shri L.C. Goyal, IAS (Principal Secretary, Finance), Shri S.M. Vijayanand, IAS (Principal Secretary, Local Self Government) and Smt. Sarada Muraleedharan, IAS (Executive Director, Kudumbasree), Shri M.K. Nanjunda, General Manager, State Bank of Travancore, Shri Niranjan Parsha, General Manager, State Bank of India, Shri K.N. Acharya, General Manager and SLBC Convenor, Canara Bank and senior bankers once again. He stated that this was a very important meeting with the senior officials of Government of Kerala, since the start of the financial inclusion process. These issues had earlier been discussed in the SLBC meetings also. He requested for taking the process forward by leveraging information technology. He opined that the project could initially be implemented on a pilot basis in one or two districts. Based on the experience, the project could be extended to other

districts also. He requested the senior officials from Government to share their views on the potentials for implementation of the project.

Shri S.M. Vijayanand, IAS, Principal Secretary, Local Self Government, said that the State had got a rare advantage because of Kudumbashree which covered 40% of the population on the lower end and exclusion must be less than 1% outside Kudumbashree, which constituted mostly tribal families. He said that under NREGP, 24 lakh families had registered and the bank accounts opened by them would be around 34 lakh. He said that Kerala had got the largest number of social security pensioners in the country numbering around 15 lakh people. Recently the Government had decided to disburse these pensions through bank accounts only. Then he requested that Kudumbashree could be used in the financial inclusion project as it had got more than two lakh volunteers and through Neighbourhood Groups (NHG) we could achieve 100% financial inclusion of people. Regarding using of IT for making payments, he said that he had a discussion with Finance Minister and his department had been asked to pilot the project in one or two districts. On the question of cost sharing he felt that a viable model could be worked out. Experience in Wayanad had shown that the money disbursed under NREGP was not withdrawn immediately and remained as deposits with banks. In the State as a whole, this may result in savings and deposit of Rs.300 crore with the banks. Also, the insurance companies in the State had asked Kudumbasree to be their Business Correspondent. The banks could consider making them as Business Correspondent as well. He further said that Government of India was pressing hard for setting up RUDSETI model training institutes in all the districts and State Government would provide land for the purpose. While GOI would provide cost of infrastructure upto Rs.1.00 crore, the running cost had to be borne by the banks. The State Government had already written to all the district collectors and would soon hold a Video Conference for further discussion.

Shri L.C.Goyal, IAS, Principal Secretary, Finance, said that the State Government and the Finance Department were fully committed to widening and deepening the process of financial inclusion. He assured full support from the State Government. He wanted regular and credible access to finance by the people at the cutting edge. It should be ensured that the accounts opened should remain operative. He wanted a road-map for the IT enabled financial inclusion in the State and the meeting

could discuss about it. For this purpose, he suggested constitution of a small group. This project should effectively be implemented, so that financial inclusion becomes a real powerful vehicle for inclusive growth and reduction of level of poverty in the State.

Smt. Sarada Muraleedharan, IAS, Executive Director, Kudumbashree, stated that this project assumed importance in connecting the people to banks in a holistic way. She briefed about the new schemes of the State Government in the field of micro finance, health insurance, etc. Beneficiaries of these schemes have been issued cards similar to smart cards. This meeting could discuss about the possibilities of linking of these beneficiaries with their cards to the banks, instead of using new smart card. She felt that there was no point in having multiplicity of cards.

Shri L.M. Ganesan, Asst. General Manager, made a power point presentation on IT enabled financial inclusion for the benefit of the forum, including the details of projects implemented in Andhra Pradesh and Karnataka.

Shri M.S.G. Nair, DGM, NABARD, also made a presentation regarding guidelines on Financial Inclusion Fund and Financial Inclusion Technology Fund. He requested the forum to discuss about the ways and means for utilization of these funds for the proposed IT project in the State.

Shri. Mathur K. Najunda, GM, SBT and Shri Babu Ganesh, Sr.Manager, Union Bank of India, informed the forum that their banks started implementing this IT payment project in a small way in Idukki district and they requested that they may be allowed to continue the process.

After a detailed discussion, the forum arrived at the following decisions :

1. Shri S.M. Vijayanand, Principal Secretary, Local Self Government, suggested implementation of the pilot project in two districts viz. Wayanad and Kollam and representatives from Kerala IT Mission, Information Kerala Mission, NIC and Kudumbashree could be included in the committees.
2. RD suggested that a Special Committee may be constituted under the Chairmanship of SLBC Convener for preparing a detailed project report on the various

I.T. applications and solutions available, and shortlisting a panel of vendors providing such solutions. The project report would take into account the views expressed in this meeting and the presentations made by RBI and NABARD. After further deliberations, it was decided that the constitution of the Committee may be as under :

- |   |   |                       |
|---|---|-----------------------|
| (i) General Manager, Canara Bank<br>(SLBC Convenor)               | - | Chairman and Convenor |
| (ii) General Manager (RBI)  | - | Co-Chairman           |
| (iii) Secretary (Information Technology),<br>Government of Kerala | - | Co-Chairman           |
| (iv) GMs/DGMs (IT) of all the<br>six lead banks and SBI           | - | Member                |
| (v) Representative of NIC   | - | Member                |
| (vi) Representative of Information<br>Kerala Mission              | - | Member                |
| (vii) Representative from Kudumbasree                             | - | Member                |

SLBC Convenor may formally constitute the Committee. The Committee may submit its report within a period of one month of its constitution. General Manager, Canara Bank (Convenor, SLBC), Shri K.N. Acharya, agreed to the proposal.

The meeting thereafter came to a close.

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Review of 100% Financial Inclusion in Kerala**

**List of Participants**

<b>Sr.No.</b>	<b>Name (S/Shri)</b>	<b>Designation</b>	<b>Name of bank</b>
<b>RBI</b>			
1.	S. Ramaswamy	Regional Director	RBI, Thiruvananthapuram
2.	R.N. Panigrahi	GM	-do-
3.	K.D. Joseph	AGM	-do-
4.	Antony John	AGM	-do-
4.	D. Asainathan	AGM	-do-
5.	L.M. Ganesan	AGM	-do-
<b>State Government</b>			
1.	S.M. Vijayanand, IAS	Principal Secretary (Local Self Government)	Government of Kerala
2.	L.C. Goyal, IAS	Principal Secretary (Finance)	-do-
3.	Smt. Sarada Muraleedharan, IAS	Executive Director (Kudumbasree Mission)	-do-
4.	Smt. J.S. Valsala	Deputy Secretary (Planning & EA)	-do-
5.	K.B. Sankaran	Joint Development Commissioner (Rural Development)	-do-
<b>Banks</b>			
1.	K.N. Acharya	General Manager	Canara Bank (Convenor, SLBC)
2.	M.S.G. Nair	Dy. General Manager	NABARD
3.	P.J. Menon	AGM	-do-
4.	Niranjan Parsha	General Manager	State Bank of India
5.	M.K. Nanjunda	-do-	State Bank of Travancore
6.	N.S. Bose	Chairman	SMGB
7.	Itty Thomas	General Manager	NMGB
8.	G. Ramanathan	Dy. General Manager	Syndicate Bank
9.	Xavier Thomas	Asst. General Manager	Indian Overseas Bank
10.	E.S. Alexander	Asst. General Manager (RB)	State Bank of India
11.	Biji P. Jacob	Chief Manager (SYS)	State Bank of Travancore
12.	M.C. Sreenivasan	Divisional Manager	Canara Bank
13.	S. Suresh	Chief Manager	Indian Bank
14.	Santhosh Kumar S	Senior Manager	Canara Bank (SLBC)
15.	Babu Ganesh	-do-	Union Bank of India
16.	P. Balasundaran	-do-	Indian Overseas Bank