



The
Bengal
Chamber

P R E S E N T S



12th June 2010

Outreach
2010

Financial Inclusion for the Common Indian

ITC Hotel-The Sonar- The Luxury Collection,
JBS Haldane Avenue, Opp. Science City, Kolkata 700046

Outreach 2010

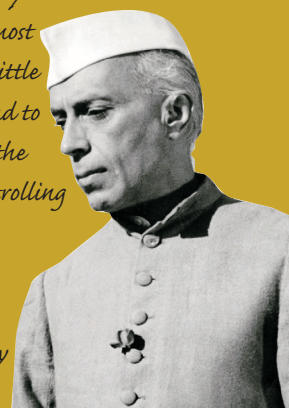
Financial Inclusion for the Common Indian

Sixty-three years after Pandit Nehru outlined the future economic strategy for independent India, the nation has metamorphosed from being a 'mixed economy' to one, which has such strong fundamentals that in spite of the worst global recession in decades, economic growth has been least compromised with.

We still rely on our Five Year Plans, which lend shape to the developmental goals over a five year period and in keeping with Pandit Nehru's vision, our Plans have evolved progressively from reaching macroeconomic development objectives to charting programmes dedicated to employment generation and reducing inequality. Inclusive growth is, therefore, a keyword for progress.

The focus is on financial inclusion, which is premised on the aspect of delivery of financial and banking services (and indeed of employment opportunities) at an affordable cost to the vast sections of disadvantaged and low income groups. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. Availability of such services to the entire population without discrimination is the prime objective of public policy.

“ The stream of life goes on in spite of famine and war, full of its inherent contradictions, and finding sustenance even in those contradictions and the disasters that follow in their train. . . The idea of planning and a planned society is accepted now in varying degrees by almost everyone. But planning by itself has little meaning and need not necessarily lead to good results. Everything depends on the objectives of the plan and on the controlling authority, as well as, of course, the Government behind it. . . Increase of production is essential, but obviously by itself it does not take us far and may even add to the complexity of our problems. ”



Jawaharlal Nehru, *The Discovery of India*, 1946

2010 About Outreach

A large number of Indians do not have access to any sources of finance – formal or informal. In response, the Reserve Bank of India has brought in certain guidelines about opening of accounts for the underprivileged, which are referred to as no-frills accounts where the balance could be close to zero or very low. But that is not enough. Essentially, financial inclusion is a topic which goes beyond just bank accounts; it is all about access to financial instruments. Now that's where India needs to improve with the aid of technology and interplay of financial services, products and markets.

Indeed, poverty must be seen as deprivation of basic capabilities rather than merely as lowness of income and viewed in this light, financial inclusion is all about financial empowerment, which will ultimately transform into inclusive growth.

For India Inc., the most important aspect is that in the age of ICT and new developments with far-reaching consequences in banking and financial services, the costs of financial transactions have reduced

substantially thereby increasing competitiveness and efficiency of financial institutions. Most importantly, it enables the bank and financial institution to take any product or service to the general masses. Today, we all should understand that consumers and individuals at the bottom of the pyramid of the Indian economy are bankable and there is tremendous potential for the business growth of financial institutions by providing banking and financial services to the hitherto underbanked and unbanked population. What we need right now is the appropriate business delivery model which will facilitate taking the banking services to the doorsteps of the people at a lesser cost.

The Bengal Chamber's Outreach 2010 will bring to board the ground realities of this ambitious programme that the Government has launched and how together – Government, Industry, Commerce, Civil Society and Financial Institutions – we can all make a difference. The objective is to address financial inclusion not as a social development goal, but as a viable and very promising business expansion and growth plan for stakeholders.

1 The Opportunity – A Very Sound Business Model Going Much Beyond Social Responsibility Projects



Given that there exists a huge untapped market for financial service providers, the challenge now lies in taking greater advantage of new technologies and information-based systems and expanding the coverage of the Indian banking and financial system to under-served markets in rural and semi-urban areas. **The use of Smart Card technology, mobile ATMs, coverage of post offices under electronic payments networks in remote areas could play significant roles in providing financial services to unbanked and underbanked people.**

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Investments – Business Prospects

There are many companies playing in the bottom-of-the-pyramid market and there are numerous Funds focused on investing in such companies. There are examples where such funds have even achieved a final close of **\$90 million** raising commitments from leading foreign investors. The Funds, apart from microfinance institutions, also invest in firms that enable the provision of financial services to the poor. These include companies in areas like housing finance, business correspondents to banks and technology companies in this sector.



In spite of the financial crisis, the interest in the Micro Finance Institution (MFI) sector has been consistent. Short-term cash flow pressure has not translated into a shift in the way investors view MFIs.

With the Indian microfinance institutions growing at a rapid pace of 100%-200% year-on-year, the sector has attracted a lot of attention from mainstream investors. Earlier, investors in the space were mainly development finance institutions like International Finance Corp. (IFC), an arm of the World Bank, and government-owned banks. But, now, **the sector is seeing interest from pension and other funds.**

In fact, the prospects are so good that several MFIs have announced their plans to go public, which would give liquidity to their investors.

Banking – Business Prospects



Rural India is very vast; there are close to 370 cooperative banks, 96 Regional Rural Banks (RRBs) with 14,000 branches, and in addition there are 25,000 farmers' clubs. In spite of this network, more than 50 percent of the population doesn't have access to formal financial services. Many nationalized banks have opened a number of branches in villages and all the deposits from the rural areas are collected and, wherever possible, lending is also done. Yet, despite growth possibilities, financial inclusion isn't easy. There are many roadblocks, including business viability, challenges of infrastructure and reach in vast, sparsely populated areas, illiteracy, lack of structured information, etc.

“...technology has tremendously augmented the banks' ability to reach out to this new market. The most popular channels to reach the unbanked are mobile phones, the internet and ATMs. Of these, mobile banking is considered to be the most viable option as mobile penetration in India is growing rapidly and millions of subscribers are added every month. Biometric and low-cost rural ATMs, which can tackle the illiteracy challenge ...”

Technology service providers have to play a leading role especially since most often there is no connectivity and electricity. There is no guarantee that hand-held devices will be available, which can be taken offline and data uploaded and accessed by the bank. **Yet, that there is a huge market waiting to be tapped especially in the context of increased competitiveness between Indian banks and foreign banks, must be acknowledged.** One of the major challenges that banks in India would face is **competition**

from international banks, especially in a scenario in which the banking sector is going through a recession. In such a case, **Indian banks will have to insulate themselves from a business point of view, which means that taking banking services to the rural hinterland is a great option.**

However, technology has tremendously augmented the banks' ability to reach out to this new market. **The most popular channels to reach the unbanked are mobile phones, the internet and ATMs.** Of these, mobile banking is considered to be the most viable option as mobile penetration in India is growing rapidly and millions of subscribers are added every month. Biometric and low-cost rural ATMs, which can tackle the illiteracy challenge, are also being tried out along with unique projects like **mobile van banking** project serving village clusters and equipped with CDMA and GSM chips and routers.



Despite all the challenges, the business potential and the driving need to find new markets is translating into a determination on the part of Indian banks to reach the unbanked.

2 Need for Financial Inclusion – Some Facts on Financial Exclusion



In India, data gathered in 2007 showed that as many as 139 districts suffered from massive financial exclusion, with the adult population per branch in these districts being above 20,000 and only 3% with borrowings from banks. On the assumption that each adult had only one bank account (which does not hold good in practice, so that actual coverage is likely to be worse) on an all India basis, 59% of the adult population in the country had bank accounts.

41% of the population was, therefore, unbanked. In rural areas the coverage was 39% against 60% in urban areas. The unbanked population was higher in the poorer regions of the country. Credit markets had much more exclusion, as the number of loan accounts constituted only 14% of the adult population. In rural areas, the coverage was 9.5% against 14% in urban areas. Out of 203 million households in the country, 147 million were in rural areas. 51.4% of farm households had no access to formal or informal sources of credit while 73% had no access to formal sources of credit. As per NSS 59th round data, only 37% of the urban self-employed had access to credit.



3 India – Towards an Inclusive Future



It is encouraging that policymakers in India have focused exclusively on the principle of inclusive development and focused on sustainable development in keeping with the Millennium Development Goals of the United Nations. The National Rural Employment Guarantee Act, 2005 designed to provide at least 100 days of guaranteed employment every year to each household in rural

areas whose adult members volunteer to do unskilled manual work, can be cited as an example.

The Eleventh Plan provides an opportunity to restructure policies to achieve a new vision based on faster, more broad-based and inclusive growth. It is designed to reduce poverty and focus on bridging the various divides that continue to fragment our society. ***The Approach paper to the Plan mentions that a key element of the strategy for inclusive growth must be an all out effort to provide the mass of our people the access to basic facilities such as health, education, clean***

drinking water etc. These public services would go much beyond impacting welfare since access to these services may not improve if only the per capita income goes up.

RBI has been giving adequate attention and has stepped in whenever it felt that the banking community as a whole had missed out or not given the desired attention to certain areas. This is the reason why the Reserve Bank is placing a lot of emphasis on financial inclusion. Cooperative banks and regional rural banks, being local level institutions, are well suited for achieving financial inclusion.

The use of IT solutions for providing banking facilities

at people's doorsteps holds the potential for scalability of the financial inclusion initiatives. Many pilot projects have been initiated in various States using smart cards for opening bank accounts with bio-metric identification. Here, the link to mobile or hand held connecting device ensures that the transactions are recorded in the bank's books on real time basis. The outcome of these pilot projects has been promising. **However, we have to now ensure that the gains and lessons from these pilot projects are translated into an achievable, affordable and implementable plan on a pan India basis to leverage the benefits of inclusive growth. Otherwise all the hard work in recent years would fizzle out without many tangible benefits.**

4 Why Outreach 2010 ?



"Regenerating local communities includes making sure people living there have good access to financial services"

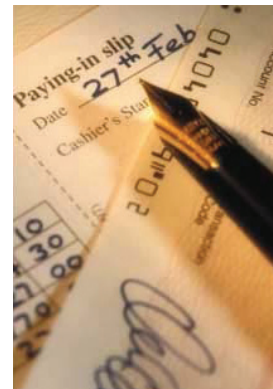
The Bengal Chamber's Outreach 2010 programme would examine not just the contours and scope of financial inclusion policies in India as outlined above, but would delve deep into the consequences of financial exclusion and types of financial inclusion. The programme, to be held on the lines of a Summit, would also provide the forum for sharing experiences on financial inclusion projects from around the world.

Most importantly, the objective would be to bring to

board the tremendous opportunities that exist for players looking to cater to the unbanked and underbanked and underserved segments of the population.

If over half the adult population of India is excluded from formal financial services, there has to be something in the manner of design and delivery of financial services which doesn't match with the needs of the currently excluded segments. The growth of microfinance over the last decade is proof of the fact that financial services can be delivered to the poor and underserved, albeit the starting point being a 'different mindset'.

The idea is not to critique the present financial system for its failures, but to build on the advances in banking systems and information technology and synergize these with the core learnings of microfinance. This will help us build a model for near-universal financial inclusion.



5 Why Bengal Chamber ?



The Bengal Chamber of Commerce and Industry, a 156-year-old institution, and India's oldest institution of its kind, has, for the last one and a half centuries, been witness to the momentous events that have shaped India's industrial and social character. Donning its multiple roles as catalyst, initiator, facilitator, business

partner and service provider, the Chamber has helped Governments, both at the Centre and State in crafting pioneering and significant legislations.

The Chamber has always recognized the fact that in the new environment of society, industry and business, the need for Corporates to internalize and demonstrate their responsibilities to the society in which they operate is no longer a matter of debate. From being the chief relief distributor during the Great Bengal Famine of 1943 to adopting a Rural Development Programme in a cluster of twenty villages near Kolkata from 1977 to 1985 to initiating a movement on Corporate Citizenship and Social Responsibility, the Chamber has taken CSR as one of the guiding principles for business operations.

Given this background, the Chamber will provide the **most appropriate forum for thought leaders from the Government, economists, academia, financial services, banks, industry and entrepreneurs to brainstorm on how to include the poorest of the poor in the amazing growth story that is India of today.**

“Inclusiveness is brought about only when a number of different sets of institutions come together for a common mission. Outreach 2010 will bring all such stakeholders – banks and financial institutions, MFIs, insurance companies, NBFCs – together with the Government, Academia and Industry to discuss and appreciate the power of this collaborative model to deliver to and reach the large number of masses by providing comprehensive financial services and financial advice. Such collaborations will also ensure that financial inclusion is not looked upon as a social obligation, but as a viable business model over time.”



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Naturally, the success of a programme of such dimensions depends as much on the strength of the faculty as on the financial substructure. **With sound finances, we shall not only be able to meet the costs of organizing, but would also be able to focus on how to ensure the best takeaways from the summit for the delegates.**



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PLATINUM Sponsor	Rs. 5 lacs	<ol style="list-style-type: none">1. Organization to be recognized as the event co-promoter.2. Display of organization logo on the main seminar banner.3. Insertion of sponsor brochures in the delegate folder.4. Display of the sponsor's own banner (nos. 4).5. Logo in Chamber's promotional material (if logo is provided to Chamber in advance).6. Nominations of 20 invited delegates.7. Two speaker / panel member slots in the programme schedule.
GOLD Sponsor	Rs. 3 lacs	<ol style="list-style-type: none">1. Display of organization logo on the main seminar banner.2. Insertion of sponsor brochures in the delegate folder.3. Display of the sponsor's own banner (nos. 2).4. Logo in Chamber's promotional material (if logo is provided to Chamber in advance)5. Nominations of 15 invited delegates.6. One speaker / panel member slot in the programme schedule.
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EVENT Supporter	Rs. 1 lac	<ol style="list-style-type: none">1. Display of organization logo on the main seminar banner.2. Logo in Chamber's promotional material (if logo is provided to Chamber in advance).3. Nominations of 5 invited delegates.

It would be our privilege to receive your support and we would be grateful to you for this kind gesture. The Chamber would, of course, acknowledge your contribution through our event promotion activities.

For any queries, please write to:

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