

FINANCIAL INCLUSION

National Pilot Project for Financial Inclusion (NPPFI)

Limited access to affordable financial services such as savings, loan, remittance and insurance services by the vast majority of the population in the rural and urban areas is believed to be the constraint to the enlargement of the livelihood opportunities and empowerment of the section. Hence, financial inclusion is concluded to be the critical factor for inclusive growth and ultimately ensuring sustainable overall growth in the country.

Reserve Bank of India's initiative – Reserve Bank of India during its mid-term review policy announced during October 2005 advised the Financial Institutions to initiate all possible measures to ensure financial support to the hitherto unbanked population. RBI Governor stressed the need for the banks to reach the unreached at his special address to Bankers in Pondicherry on 21.11.2005. State Level Bankers Committee accepted to implement the National Pilot Project in Financial Inclusion from 01.01.2006 to 31.12.2006.

Salient Features of the Project:

Objective:

- ❖ To cover the entire population of Union Territory for opening zero or low balance account.
- ❖ To sanction overdraft to all eligible persons for consumption needs.
- ❖ To sanction General Credit Card (GCC)/Kisan Credit Cards (KCC) for economic activities.
- ❖ 75% of the population has to be brought under overdraft /KCC/GCC

Opening of SB accounts - All the eligible willing individuals of age group 18 to 70 are allowed to open savings bank account. Simplified KYC norms and documentation may be followed. Bank branches have to ensure that entire population of the allotted areas are covered without any omission.

Sanction of Overdraft - Overdraft is sanctioned to all eligible needy persons. The OD may be a minimum of Rs.500/- to a maximum of Rs.5000/- . The rate of interest is around PLR.

Issue of General Credit Card - General Credit cards are issued to traders, self employed persons and others apart from individuals having Kisan Credit Cards. A maximum limit of Rs.2.00 lacs is allowed based on the activity and its feasibility / viability of the proposed project.

Line of Credit to SHGs - General Line of Credit may be provided to the Self Help groups having a good track record. This will enable in the reduction of transaction cost as well as providing flexibility in the credit delivery system.

Insurance products - All the account holders will be covered by various Insurance products to provide social security. IT connectivity

Technology up gradation such as implementation of core banking solution is an important initiative to be taken by banks for taking the project to rural and interior areas. This should be accelerated in order to implement the project within the time frame. Since BSNL is now expanding the connectivity in rural areas, the implementation of Financial Inclusion is subject to availability of the connectivity.

One of the successes of Financial Inclusion is enumerated hereunder:

NERAVY EXPERIENCE UNDER NPPFI

'Neravy' village in Karaikal Region of Union Territory of Puducherry has a branch of Indian Bank. A rural area where the people depend for their livelihood mainly on agriculture, labour, wage employment and trading on a small scale. We could see in the village, houses without even walls, not to speak of computer or TV. Not that the people were poor because they were reluctant to work hard, but they remain poor on account of sharing more than sixty percent of their hard-earned money to the usurers who charge very high rate of interest (as high as 120%). The Bank wanted to release them from the clutches of the usurers and see that they enjoy the full benefits of their hard work. The financial inclusion project of the RBI came in handy. Credit counseling was carried out in the village explaining the various benefits of Institutional finance vis-a-vis local moneylenders.

The project facilitates the banks to provide overdraft facility on savings bank accounts up to Rs.5000/- for consumption purposes and general credit card facility based on the business activity upto Rs.25000/- for productive purposes. We explained to the people how much they could save through the bank's assistance as against loans taken from money lenders as shown in the following working

Private Money Lender

Amount of loan = 10000

Interest taken = 1500

Net loan given = 8500

Repayable in 100 days at the rate of Rs.100 a day. This interest works out to about Rs.5475 per annum

Bank's Finance

Amount of Loan = 10000

Net loan given = 10000

Repayment Rs.300 per week (As against Rs.700 per week in the previous case.)

Total Interest charged by the bank is about Rs.1200/-

The poor understood that about Rs.4275/- could be saved. They readily and happily agreed to the bank proposal to avail loan from the bank. Accordingly, more than 3151 customers have been benefitted and weekly recovery of loan is about Rs.8.00 lakh, which is increasing as more needs are met. On every weekend, the manager himself personally goes to the villages, a distance of around ten kilo meters and collects the money from the customers thus saving them the trouble of losing productive man-days, should they come to the bank. On account of availing formal credit by the villages, the money lenders have been reduced to only one as against 13 numbers earlier.

The most heartening fact in this effort is that the people have come out of the clutches of moneylenders and the majorities are now coming forward to avail institutional credit. The concept has brought happiness to the hundreds of people living in the generally poverty-stricken villages.

The Neravy model is being replicated in Melsathamangalam village, a service area village of Ariyoor branch in Puducherry and Molappakam village of Kariamanickam branch.

SCHEME DETAILS – NPPFI-GCC

Name of the Scheme	➤ General Credit Card - National Pilot Project for Financial Inclusion
Target Group	➤ Small artisans, traders, self employed persons and other entrepreneurs etc., (for sole proprietors only)
Facility	➤ General Credit Card
Purpose	➤ To carry on/improve the existing economic activity.
Eligibility	➤ The beneficiary eligible under the scheme should have opened SB account under National Pilot Project Scheme operating in selective wards/villages in Union Territory of Pondicherry and not availed any credit facility
Limit	➤ Minimum limit of Rs.5000/- and maximum limit of Rs.25000/- per individual, including credit requirement for consumption purposes (not to exceed 10% of the total limit.)
Margin	➤ Nil
Rate of Interest	➤ BPLR/Around BPLR as may be decided by individual banks.
Security	➤ Nil
Validity	➤ NPPFI-GCC is valid for 3 years subject to satisfactory operation of the account and renewal on yearly basis. The operation should be regular.
Repayment	➤ Renewal once in a year.
Application Form	➤ Application for advance to Retail Trade/Small business
Documents	➤ As applicable for Swarojgar Credit Card
Operational guidelines	➤ The banks will have absolute freedom to select the client. ➤ The client should have opened SB account under the NPPFI. ➤ Cash withdrawals allowed by means of cheque. ➤ Beneficiaries under the scheme would be covered under suitable Insurance Scheme.
Issue of cards	➤ All the beneficiaries under the scheme will be issued with a laminated photo identity card.
Implementing branches	➤ All Bank branches in Union Territory of Pondicherry implementing the scheme of National Pilot Project on Financial Inclusion.

SCHEME DETAILS – NPPFI-OD

Name of the Scheme	➤ National Pilot Project for Financial Inclusion Overdraft (NPPFI-OD)
Target Group	➤ Small farmers/ Marginal farmers ➤ Agricultural Labourers/other Labourers ➤ Salaried persons not enjoying any other credit facilities ➤ SHG members, Kisan Credit Card (KCC)/General Credit card (GCC) holders whose consumption credit needs are taken care separately are not eligible under this scheme
Facility	➤ Over draft facility for consumption purposes
Eligibility	➤ The beneficiary eligible under the scheme should have opened SB account under National Pilot Project Scheme operating in selective wards/villages in Union Territory of Pondicherry.
Limit	➤ Minimum limit of Rs.500/- and maximum limit of Rs.5000/- per individual depending on income earned and repaying capacity. ➤ For pure consumption (without any activity for agricultural labourers limit may be Rs.500/- maximum per individual to start with. ➤ If the beneficiary is having any activity say Diary, Goat rearing, self-employment, small/petty micro trade which are not / could not be covered in any of formal bank scheme the OD limit may be a maximum of Rs.5000/-
Margin	➤ Nil
Rate of Interest	➤ BPLR/ around BPLR as may be decided by individual banks
Security	➤ Nil
Validity	➤ NPPFI-OD is valid for 3 years subject to satisfactory operation of the account and renewal on yearly basis. The operation should be regular.
Repayment	➤ Renewal once in a year. The account must be brought to credit balance atleast once in a year.
Application Form	➤ Simplified Application form
Documents	➤ As applicable for clean overdraft limit.
Operational guidelines	➤ The banks will have absolute freedom to select the client. ➤ The client should have opened SB account under the NPPFI. ➤ Beneficiaries under the scheme would be covered under the Personal Accident Insurance Scheme (PAIS). Premium to be borne by the account holder
Implementing branches	➤ All Bank branches in Union Territory of Pondicherry implementing the scheme of National Pilot Project on Financial Inclusion.

MICRO INSURANCE SCHEMES

Jana Shree Bima Yojana with Life Insurance Corporation of India Ltd.

With the increasing thrust for SHG Bank linkage, provision of insurance cover serves as a value addition. The insurance cover (Life as well as Accident) provided along with SHG loans comes in handy as it aims mainly to mitigate the distress of the borrowers besides taking care of the credit risk.

One such scheme is Group Insurance Scheme specially meant for Members of the Self-Help Groups under the name Jana Shree BimaYojana (JBY) promoted by LIC of India.

Salient features of the scheme are as follows:

Objective: To provide Group Insurance for the members of SHGs (existing and new borrowers) between ages 18 years and 59 years and below the poverty line.

Benefits: In the event of death of the members sum insured of Rs.30000/- will become payable. In the event of death by accident or partial/total disability due to accident the following amount will become payable.

- . On death due to accident Rs. **Rs.75,000**
- . Permanent total disability due to accident Rs. **Rs.75,000**
- . Loss of 2 eyes or 2 limbs or one eye and one limb in an accidentRs. **Rs.75,000**
- . Loss of one eye or one limb in an accident Rs. **Rs.37,500**

Premium: Annual Premium Rs. 200/- per member. Out of this Rs.100/- is borne by Social Security Fund established by Govt. of India with LIC.

Member Spouse coverage: Assured coverage of Rs. 5000/- in the event of death of the spouse of the member on paying an additional premium of Rs.25/- per member per annum will become payable to cover the risk of the member spouse, if willing. Hence effective premium is only Rs.125/- per annum per member.

Add on benefits: The children of the members covered under JBY scheme will be given **scholarships** on selective basis under **Shiksha Sahaya Yojna scheme**. Maximum of two children studying in classes 9, 10, 11 & 12 will be paid a monthly scholarship **of Rs100/- per student payable on quarterly basis. This is only an add on benefit as on date. No separate premium is charged.**

Servicing: The scheme is centralized at LIC of India, Chennai.

Universal Health Care Policy for BPL and Non BPL families:

Govt. of India has launched a Mediclaim Policy for BPL families under the name "NEW UNIVERSAL HEALTH CARE" Policy announced by the Hon'ble Union Finance Minister in the Budget 2004 with **substantial Govt. Subsidy.**

M/s United India Insurance Co. Ltd. who are one of the General Insurance Companies administering the scheme. As a special case, the Insurance Company has agreed to extend the cover to the Urban/ Metro BPL families also. The scheme can be offered to **Non-BPL families also**, but without the Government subsidy.

THE NEW SCHEME PROVIDES FOR THE FOLLOWING:

1. Reimbursement of Hospital Expenses
2. Room, Boarding expenses, Nursing expenses
3. Surgeon, Anaesthetist, Medical Practitioner Consultant Fees
4. Pathological Test Report Charges
5. Medical/Surgical Treatment taken at any Nursing Home / Hospitals as inpatient in India
6. Diseases /Illness/ Accident

AGE LIMIT: Between 5 and 65 years

(3 months kid up to 5 years children (Provided one or both parents are covered)

THE POLICY CONTAINS THREE SECTIONS:

Section I: Hospital expenses per illness up to a maximum of Rs. 15,000/- with a maximum of Rs. 30,000/- per year per person or family, all claims put together in a year.

Section II: On the Death of the earning Head of the family, Nominee will be paid up to a maximum of Rs. 25,000/- .

Section III: If the earning Head of the Family is hospitalised due to accident / illness /disease for which there is valid claim under section / disability compensation @ Rs.50/ per day up to a maximum of Rs. 750/- in a policy year with a time excess of 3 days.

The scheme also provides reimbursement towards hospitalisation expenses for illness/diseases or injury sustained by the insured person:

MAJOR EXCLUSION OF THE SCHEME:

1. All pre-existing diseases
2. Any disease other than those specified in the policy contracted by the insured person during the first 30 days.
3. Cost of spectacles and contact lenses, hearing aids
4. Dental treatment of surgery
5. War risk

PREMIUM:

Annual Premium net of Govt. Subsidy for Below Poverty Line (BPL) families:

Category	Rate	Premium for APL families	Govt. subsidy for BPL families	Net premium for BPL
Individual person	@Re.1 per day	Rs.365	Rs.200	Rs.165
Family(members up to 5)	@Re.1.50 per day	Rs.548	Rs.300	Rs.248
Family(members up to 7)	@Rs2.0 per day	Rs.730	Rs.400	Rs.330

The scheme can be offered to Non BPL/APL families also with out subsidy.

NAIS & PAIS

FEATURES OF NATIONAL AGRICULTURAL INSURANCE SCHEME (NAIS)

Implementing agency	Agricultural Insurance Company of India Limited(AICIL)
Implemented through:	All commercial Banks/ Co-operative Banks / RRBs
Crops covered:	All food crops, oilseeds, commercial and horticultural crops
Risk cover:	Crop failure on account of natural calamities, pests and diseases
Types of farmers:	All farmers including share croppers, tenant farmers growing notified crops in the notified areas are eligible for coverage.
Option:	<p>The scheme is compulsory for loanee farmers and voluntary for non-loanee farmers</p> <p>Whenever the Branch disburses loan for an insurable crop, additional loan towards insurance premium charges shall also be granted.</p> <p>The bank branches should collect the premium both for loanee and non-loanee farmers and remit the same to their respective nodal branches</p> <p>The premium by the Nodal Branches should be remitted to "Agriculture Insurance Company of India Ltd.",Chennai</p>
Premium:	It varies from crop to crop and depends upon the category of farmers
Notification:	At the beginning of each cropping season, the State level Co-ordination committee on crop insurance will notify the crops and areas
Cut off date:	The cut off dates for remitting the premia are periodically informed to the controlling offices / nodal Bank /Branches by the Agriculture Insurance Company of India Ltd.(AICIL) and its Branches.
Premium subsidy:	10% subsidy in premium is allowed in respect of Small and marginal farmers (i.e. farmers with a land holding of less than 2 hectares) and only premium net of subsidy needs to be remitted by the Branches.
Loss assessment/ settlement:	<p>The scheme provides comprehensive risk insurance against yield losses viz 1)Natural fire and lightening 2) Storm, Hailstorm, Cyclone, Tempest, Hurricane, Tornado, etc., 3) Flood and Inundations 4)Drought and dry spells 5)Pests and diseases, etc.,</p> <p>The claim assessment procedure and parameters involved in estimation of claims shall be the same for loanee and non loanee farmers as also for the type of crops insured.</p> <p>The State Govt. will conduct Crop Cutting Experiments(CCEs) to assess the crop yield and provide the data to AICIL.</p>

PERSONAL ACCIDENT INSURANCE SCHEME TO COVER KISAN CREDIT CARD HOLDER

Hon'ble Finance Minister, Government of India in his budget speech had mentioned that '**Personal Accident Insurance Package**' will be provided to the KCC holders and premium will be shared by the card issuing institution and the beneficiaries in the ratio of 2:1

Accordingly, NABARD in consultation with representatives of Insurance Companies, Bankers and Government of India has finalised the personal accident insurance scheme for KCC holders for uniform implementation by all banks.

Salient features of the scheme are as under;

1. **Scope of Cover** - This scheme covers all the Kisan Credit Card Holders against death or permanent disability within the country.
2. **Persons Covered** - All KCC holders upto the age of 70 years.
3. **Risk coverage** - The benefits under the scheme are as under;
 - Death due to accident caused by outward, violent and visible means: Rs.50,000/-
 - Permanent total disability: Rs.50,000/-
 - Loss of two limbs or two eyes or one limb and one eye: Rs.50,000/-
 - Loss of one limb or one eye: Rs.25,000/-
4. **Period of Master Policy** - Valid for a period of 3 years.
5. **Period of Insurance** - Insurance cover will be in force for a period of one year from the date of receipt of premium from the participating Banks in cases where annual premium is paid. In case of three year cover, the period of insurance would be for three years from the date of receipt of premium.
6. **Premium - Out** of the Annual premium of Rs.15/- per KCC holder, Bank has to pay Rs.10/- and Rs.5/- has to be recovered from IBKC holder.
7. **Operational procedure** - The servicing of the business will be undertaken by the four Insurance Companies on zone-wise basis- United India Insurance Co Ltd covers Andhra Pradesh, Karnataka, Kerala, Andaman and Nicobar, Pondicherry, Tamil Nadu and Lakshadweep.
Implementing branches have to remit the Insurance premium on a monthly basis along with the list of farmers to whom IBKC cards have been issued during the month.
8. **Claims Procedure - In case of death, disablement claims & death due to drowning:**
Claim administration will be done by the designated office of the Insurance Companies **Separate procedure to be followed.**