ASSOCHAM INDIA

APAS
ashvin parekh advisory services

Social Banking Excellence Awards 2018

Message from Mr. Ashvin Parekh

Ashvin Parekh Advisory Services LLP (APAS) is proud to present the Knowledge report for the ASSOCHAM 14th Social Banking Excellence Awards 2018. APAS has been associated with this initiative for the last 3 years as a knowledge and evaluation partner and has been constantly striving to make it better, with this being the fourth year.

The awards lay emphasis on recognizing the efforts of banks of all classes – cooperative banks, RRBs, small, medium and large banks, to enhance their efforts in contributing to agriculture, other categories of priority sector lending, government schemes, etc., to applaud and cherish the social banking models created and developed by banks over the years.

As always, the evaluation of nominations was an enriching experience. This year, we received 73 nominations from 27 banks. The participation was more from public sector banks and RRBs. Private sector banks and cooperative banks nominated in fewer numbers. Based on size, there were less nominations in Medium Bank class. In terms of categories, Agriculture and Priority sector lending categories received higher nominations, compared to Technology and Best social bank categories. We shall strive to increase the number of nominations received next year by encouraging more banks to participate. Overall, it was interesting to see the kinds of efforts that the banks have put in towards social banking.

The event specifically focuses on creating a platform where the socially oriented banking is recognized and applauded. The problems in such kind of banking are discussed and solutions are arrived at.

As the knowledge and evaluation partner, APAS is committed to highlighting these requirements from both the sides, namely bankers and borrowers. In order to fulfill this in an effective way, both APAS and ASSOCHAM are eager to have your feedback and suggestions.

As always, it has been an enjoying experience in developing this report. I would like to thank the team from ASSOCHAM, led by Shri Rajesh Kumar Singh, for their continued support, and my colleagues – Sujana Hari, Ankita Narnaware, Harsh Mirpuri, Kalpesh Mantri and Rishank Dabra, for assisting me in developing this report.

ASSOCHAM INDIA

APAS ashvin parekh advisory services

Table of contents:

Sr. No	Title
1.	Agriculture Banking
2.	Priority Sector lending
3.	Technology in social banking
4.	Government Schemes

Agriculture Banking in India

Economics of Agriculture funding

Post-independence, Indian economy has progressed greatly from being dependent on agriculture to becoming a consistent food exporter. The gradual reforms in the agricultural sector (following the broader macro-reforms of the early 1990s) spurred some unprecedented innovations and changes in the food sector driven by private investment. These achievements must be understood and captured in light of policy, investment and growth perspectives, in a futuristic frame. Agricultural growth rate has improved in recent years (averaging about 3.5 percent since 2004/05), but at a long-term trend rate of growth of 3 percent, agriculture has underperformed

relative to its potential. The effects of reformistic agenda have not been sufficiently scaled up to influence sector's long-term growth rate.

A large proportion of the population in India is rural based and depends on agriculture for a living. Enhanced and stable growth of the agriculture sector is important as it plays a vital role not only in generating purchasing power among the rural population by creating on-farm and off-farm employment opportunities but also through its contribution to price stability.

The importance of investment for productivity and growth cannot be understated. Capital formation from agriculture and agriculture growth, labor productivity is well connected. Public investments have effectively increased after 2003-04. Whereas earlier, 1980s and 90s had witnessed a negative rate of growth of flow of funds to agriculture. This was the outcome of concerted efforts through major programs in the 11th 5-year plan. Post 2004-capital diversion to the sector, the trend has emerged towards a flat curve. Private sector has also increased since mid-1990s, occupying almost 20 percent of agricultural GDP, which now extends to almost 80 percent of the total investment in the sector. Despite the positive development, agriculture as a sector remains highly dependent on both private and public sector investments.

In India, although the share of agriculture in real GDP has declined below one-fifth, it continues to be an important sector as it employs 52 per cent of the workforce. The growing adult population in India demand large and incessant rise in agricultural production. When we consider the contribution of agriculture to the total economy, we can see the trend continues to decline for both public and private investments. In order to encourage investments through private sector, emphasis should be made on encouraging returns, policy reforms and adequate environment for investment in agriculture. In case of public investment, perhaps the policy announcement could be backed up by adequate funds. The trend of public and private sector investments and gross capital formation as contributed by agriculture sector has been captured in the figure below:

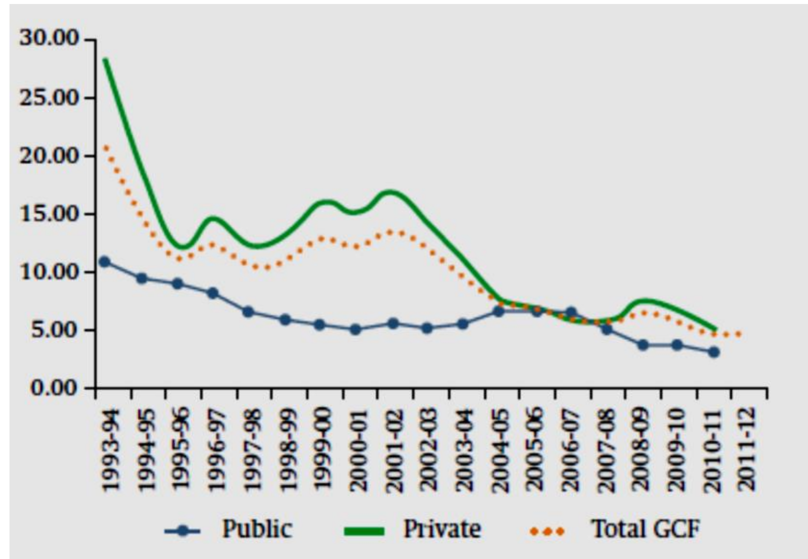


Fig 1.1: Share of agriculture in gross capital formation

Growth of agriculture sector:

Since the beginning of economic reforms in 1991, growth in agricultural GDP has shown high volatility. It has fluctuated from 4.8 percent per annum in the Eighth Five Year Plan (1992-96) to a low of 2.4 percent during the Tenth Plan (2002-06) before rising to 4.1 percent in the Eleventh Plan (2007-12). The growth of agriculture sector has been retained at 4% in 12th year plan (2012-17).

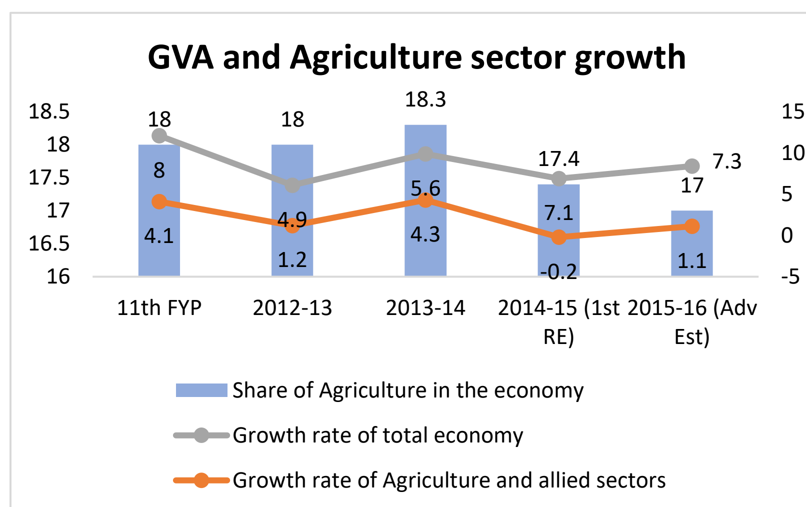


Fig 1.2: GVA and Agriculture Sector Growth

Capitalizing on Global Trade Opportunities for agriculture:

India has emerged as a significant exporter of rice, cotton, meat, oil meals, pepper and sugar. Export competitiveness has been developed in certain specialized agriculture products like basmati rice, guar gum and castor. The Indian government has taken many steps since the last 70 years to boost agriculture and agricultural exports and that is the reason why agriculture sector had a growth rate of around 2.7% in the last 50 years. Total agricultural exports from India grew at a CAGR of 16.45 per cent over FY10-18 to reach INR 2,67,470 crores in FY18. This amounts to 10.5% of total export that Indian does. Between Apr-Oct 2018 agriculture exports were INR 1,51,270 crores. During the period, top five exported commodities were marine products (INR 29,260 crores), basmati rice (INR 17,360 crores), buffalo meat (INR 15,400 crores), spices (INR 12,880 crores) and non-basmati rice (INR 12,390 crores).

During 2014-15, agricultural exports was to the tune of INR 2,29,996 crores, as compared to INR 1,22,188 crore of agricultural import bill. The increase in value of agricultural exports was mainly on account of higher exports of marine products, basmati and non-basmati rice, meat and meat preparations, cotton, oil meals, spices and guar gum. Imports of vegetable oils, pulses, cashew nuts, spices, sugar and cotton have also registered an increase during the period.

Indian agricultural/horticultural and processed foods are exported to more than 100 countries/regions; chief among them are the Middle East, Southeast Asia, SAARC countries, the EU and the US.

The Agriculture Export Policy, 2018 was approved by Government of India in December 2018. The new policy aims to increase India's agricultural exports to USD 60 billion by 2022 and USD 100 billion in the next few years with a stable trade policy regime.

India's agricultural exports over the years is shown in Fig 1.4 below:

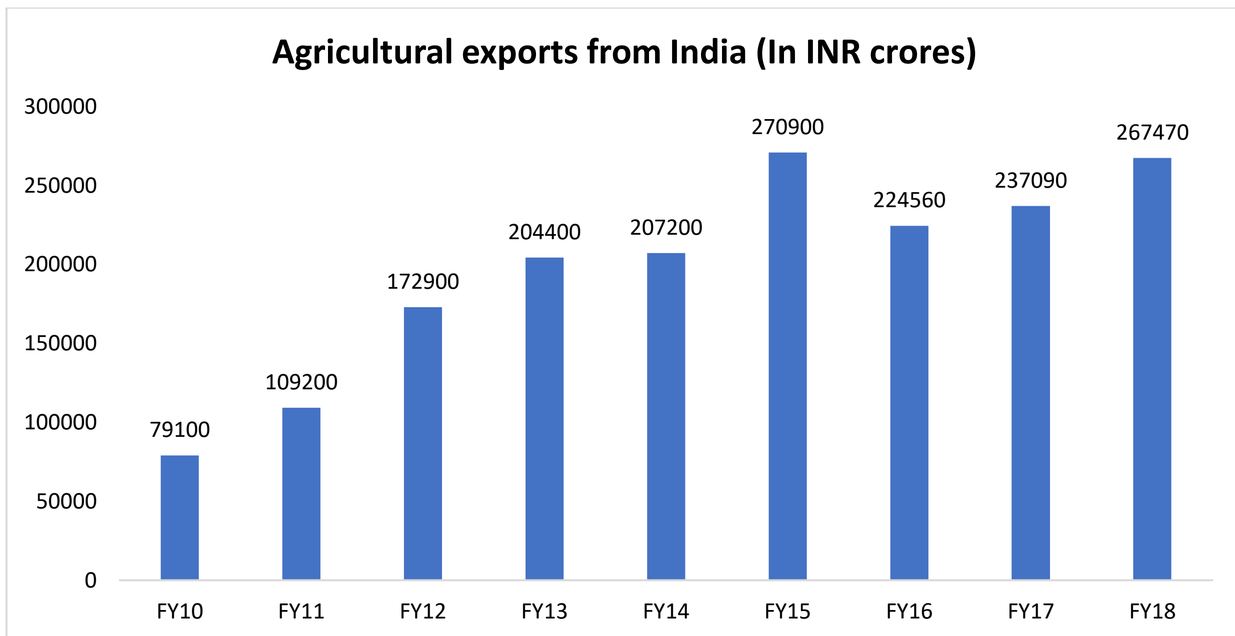


Fig 1.3: India's agricultural exports

Employment in Agriculture:

Post a review of income generation from agriculture, we take a look at the employment generation and other related impact in this section. As a country develops, its economic activity draws away from agriculture and native economic activities. Therefore, India has seen a similar trend in the past few years. The percentage of agricultural workers in the total workers in the country has come down from 58.2 per cent to 54.6 per cent during 2001 to 2011 (Census, 2011). The NSSO report on Employment and Unemployment Situation in India (68th Round) also states that the accepted wisdom that employment in agriculture declines with the increase in economic growth and development. It should be noted that, the decrease in agricultural employment has not been in proportion with the increase in employment in other section of economy. The share of agriculture and allied sector in GDP has come down sharply from 52 per cent in 1951-52 to around 17 per cent in FY18, whereas, share in workforce remained high at around 55 per cent. The slow pace of structural transformation in agriculture can be attributed to lack of non-farm employment opportunities in rural areas to absorb a larger proportion of the workforce from agriculture. The resultant high level of dependence on agriculture makes the sector more

vulnerable, as any drop in agricultural production, can affect incomes and expenditure of large number of population and have a direct impact on poverty.

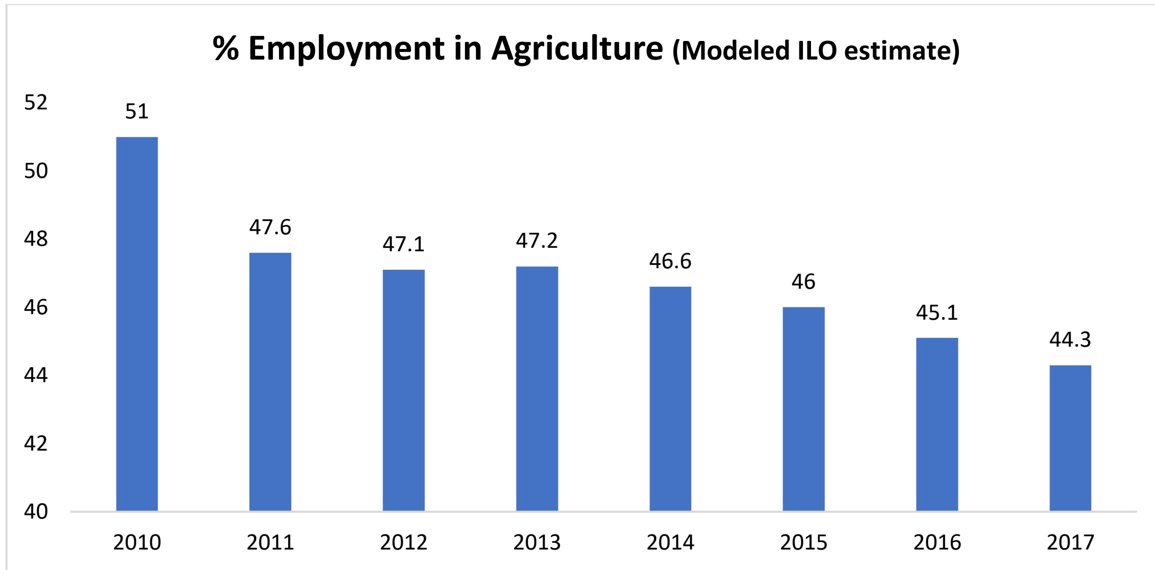


Fig 1.4: Employment generated by agriculture as % of total employment

Broad-basing Agricultural Credit

Three main factors that contribute to agricultural growth are increased use of agricultural inputs, technological change and technical efficiency. With savings being negligible among the small farmers, agricultural credit appears to be an essential input along with modern technology for higher productivity. An important aspect that has emerged in last three decades is that the credit is not only obtained by the small and marginal farmers for survival but also by the large farmers for enhancing their income. Hence, since independence, credit has been occupying an important place in the strategy for development of agriculture. The agricultural credit system of India consists of informal and formal sources of credit supply. The informal sources include friends, relatives, commission agents, traders, private moneylenders, etc. Three major channels for disbursement of formal credit include commercial banks, cooperatives and micro-finance institutions (MFI) covering the whole length and breadth of the country. The overall thrust of the current policy regime assumes that credit is a critical input that affects agricultural/ rural productivity and is important enough to establish causality with productivity. Therefore, impulses in the agricultural operations are sought through intervention in credit.

Policy initiatives revolving around replacing the informal sources of lending to farmers by formal sources and to support enhancement of production and incomes, have been made. Over the decades, the agricultural credit system has improved through various efforts such as cooperative credit societies at various levels, expansion of rural branches of commercial banks, and setting up of regional rural banks. Between 2009-10 and 2016-17, institutional credit to agriculture increased from INR 4,21,509 crores to INR 10,48,222 crores, registering a compounded annual growth rate of around 13 per cent. It is noteworthy that the flow of agricultural credit has not just increased over the years but has consistently exceeded the target.

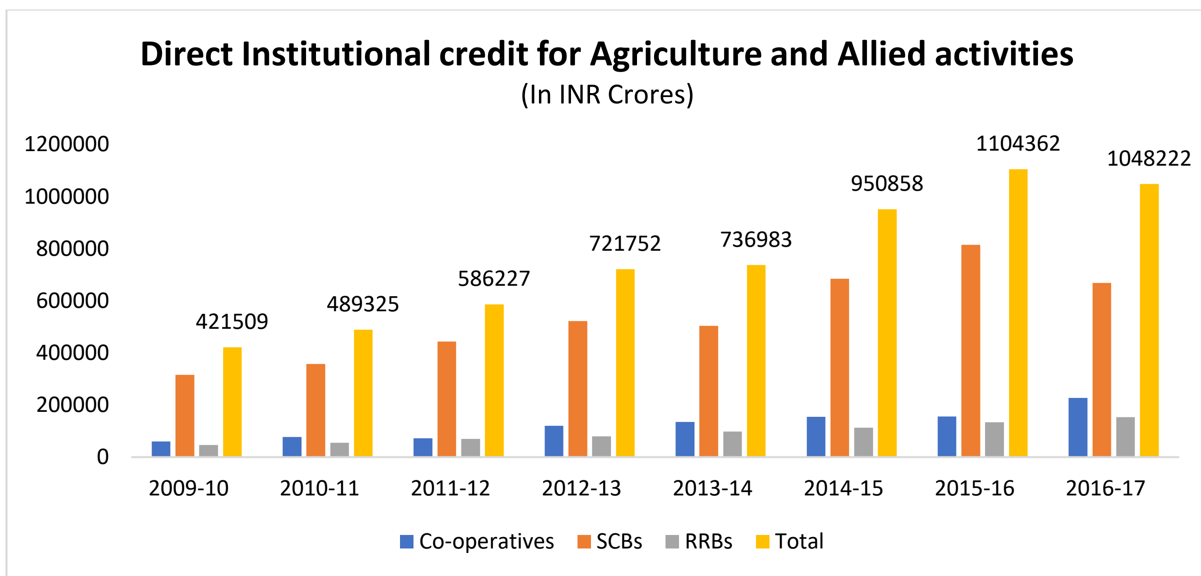


Fig 1.5: Total direct institutional credit for agriculture and allied activities

Cost of funding:

Non-institutional sources of funding have consistently retained a higher share in funds flow to agriculture, despite the efforts of banks and NBFCs to reach out to the farmers in rural and remote areas, and also higher interest rate charged by them.

As much as 71 per cent of the outstanding dues from non-institutional sources attracted interest rates of more than 15 per cent in 2013 whereas the corresponding figure for institutional sources was only 10 per cent. Further, outstanding debt at rates above 30 per cent was as much as 34

one per cent for non-institutional sources and only one per cent for non-institutional sources. It is, however, significant that non-institutional agencies also grant loans at zero per cent rate of interest and the share of interest-free debt in the outstanding debt was almost 18 per cent and 18.3 per cent in 2002 and 2013, respectively. The graphs below depict the spread of quantum of loans along with the interest rate range charged by institutional and non-institutional sources of funds:

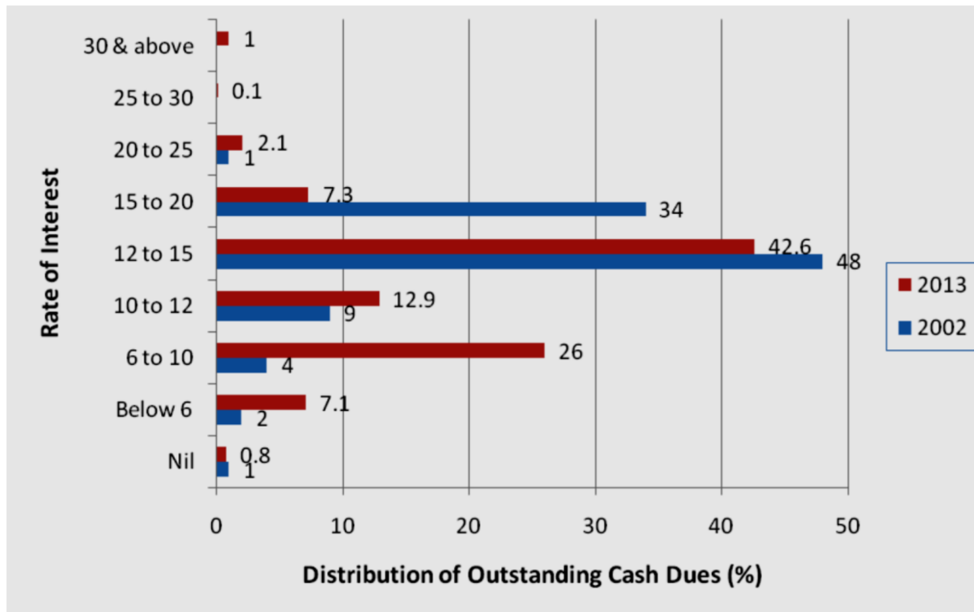


Fig 1.6: Interest rates with outstanding cash from institutional agencies

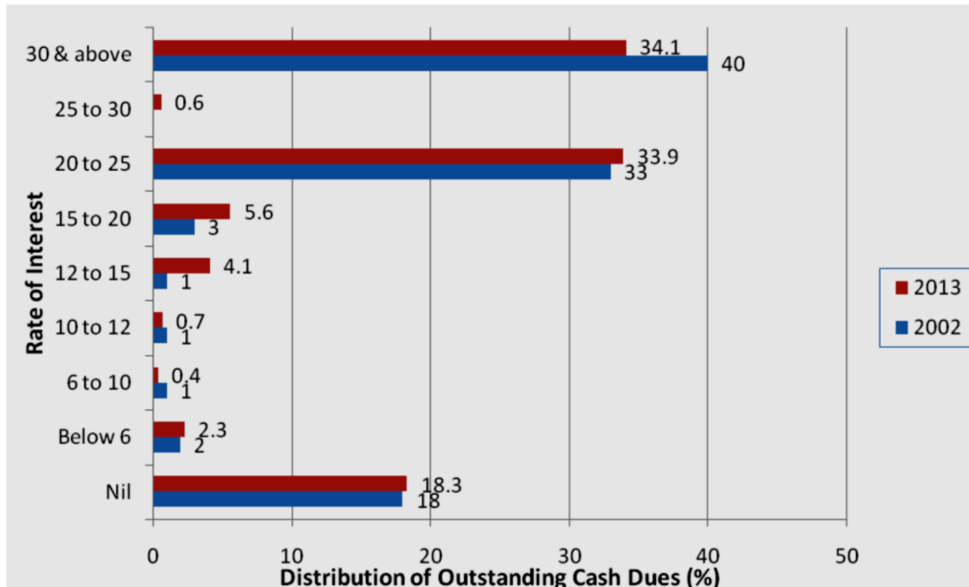


Fig 1.7: Interest rates with outstanding cash from non-institutional agencies

Trends in Institutional Credit

Institutional credit to farmers comprises of co-operative banks, commercial banks and regional rural banks and takes the form of either short-term or long-term credit. In addition, there is substantial lending for agriculture related activities, which is deemed to constitute indirect financing of agriculture. Short-term agricultural credit or crop loans constitute of loans provided to cultivators to procure inputs such as fertilizer and seeds needed for seasonal agricultural operations, while long-term credit comprises of investment in fixed assets, such as irrigation pumps, tractors, agricultural machinery, plantations and those related to dairying, fishing and poultry. Short-term credit is also meant to cover the cost of hired labor as well as a part of the consumption needs of poorer farmers. Indirect finance of agriculture includes loans to input dealers, loans for setting up agri-clinics and agribusiness centres, loans to microfinance institutions, loans to dealers in agricultural machinery and drip and sprinkler irrigation systems, loans for construction and running of cold storage units, irrespective of their location, loans to food and agro-processing units, and diverse other activities related to agriculture. There has been a manifold increase in the volume of direct agricultural credit advanced by institutional agencies in the last four decades or so. Between 2009-10 and 2015-16, the volume of short-term

institutional credit from rose from INR 2,37,003 crore to INR 8,20,287 crore, that of long-term credit from INR 1,84,506 crore to INR 2,79,554 crore. The figure below explains growth of institutional short and long term credit flow to agriculture.

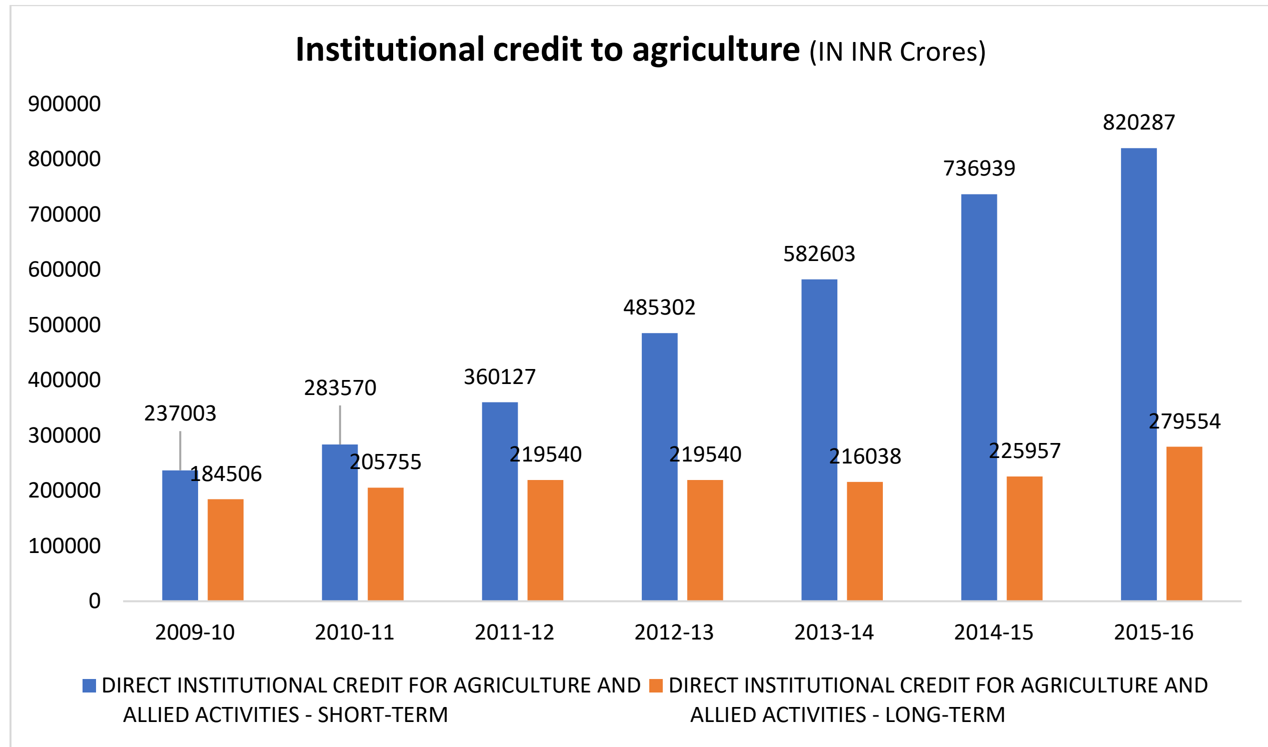


Fig 1.8: short-term credit and long-term credit as a percentage of agricultural GDP

Trends in agricultural credit growth

There are three distinct features of the growth in agricultural credit, which have had a major role in determining the extent of increase in credit supply as well as its distribution within the agricultural sector. These features are discussed separately in the sub-sections below.

The Role of Indirect Finance

As we can see, a significant proportion of the increase in total bank credit to agriculture in the 2000s was accounted for by indirect finance to agriculture. Of the total increase in credit supply to agriculture between 2000 and 2011, about one-third was contributed by indirect finance. In the decade of the 1990s and after, the share of indirect finance in total agricultural finance has consistently risen. Between 1985 and 1990, there was a fall in the share of indirect finance in

total agricultural finance; the share began to rise after 1990 to reach 15.5 per cent in 2000, 23.9 per cent in 2005 and 25.5 per cent in 2007. Thus, while the share of indirect finance in total agricultural finance had begun to rise in the 1990s, its increase in the 2000s was considerably faster.

Factors contributing to the growth of agricultural credit

Rural branches of commercial banks

Enactment of the Co-operative Credit Societies Act (1904) introduced institutional financing in rural areas through co-operative banks and started providing affordable financial services to farmers for agricultural purposes. Commercial banks did not appear on the rural scene until after independence. Post-independence, the nationalization of banks act, paved the way for a greater push in banking, whose effects were reflected on formalization of credit flow to rural areas to some extent, by opening up branches in rural areas. The spread of banking to unbanked areas

received focused attention after nationalization. Apart from the adoption of a branch licensing policy to serve this objective, the Lead Bank Scheme was launched under which a 'lead bank' was designated for each district to take the lead role in surveying the credit needs of the population and developing banking and credit facilities. The 11 banks were also mandated to ensure that rural and semi-urban branches maintained a credit deposit ratio of 60 per cent. As a result, of the 10,543 branches opened in the period between June 1969 and December 1975, as many as 5,364, or more than 50 per cent, were in rural areas. Between 1976 and 2014, the number of rural branches of commercial banks increased from 7690 to 44,699. During this period, commercial banks became the lead institutional credit agency, accounting for 73 per cent of credit flows in 2012-13. Obviously, the increase in the number of bank branches and the fall in the branch/population ratio helped improve the access of farmers to commercial banks and helped increase credit volumes.

Year	Number of rural branches of SCBs
2010	31845
2011	33315
2012	35931
2013	39199
2014	44676
2015	48140
2016	50561
2017	49836
2018	50478

Fig 1.9: Year-wise rural branches

Establishing Regional Rural Banks (RRBs)

In order to widen the reach of institutional credit, particularly among small and marginal farmers, the government also decided to establish Regional Rural Banks (RRBs) in 1975. The branches of RRBs served to improve further the farmers' access to credit. The number of RRBs as of today, stood at 56 with a network of around 15,000 branches throughout the country, although it

accounts for only around 10 per cent of total agricultural credit flow. RRBs have contributed to the growth of institutional credit flow not just to agriculture but to priority sector lending as well.

Agricultural lending under priority sector lending

The government, along-with regulator was of the view that commercial banks should play a developmental role in the country. The Reserve Bank of India moved to improve the availability of farm loans from commercial banks to neglected areas in 1972 by introducing the requirement that banks allocate a proportion of aggregate bank advances to priority sectors. The banks were advised to increase their share to 33.5 per cent of adjusted net bank credit (ANBC) or the credit equivalent amount of off-balance sheet exposure (OBE), whichever is higher, by March 1979. This was later revised upwards to 40 per cent in March 1985. The original target was set to be 40 per cent for priority sector lending and the sub-target of 18 per cent for agriculture which still remain valid. However, the target for agriculture now applies not only to direct lending to farmers but indirect financing as well, with a sub-target of 4.5 per cent. Indirect agricultural loans include loans up to INR 5 crore to dealers/sellers of agricultural inputs, loans for setting up of agri-clinics and agribusiness centres, loans to customs service enterprises who provide tractors, bulldozers, well-boring equipment, threshers, combines for being hired by farmers, loans up to INR 5 crore to co-operative societies of farmers for disposing of the produce of members, loans for construction and running of storage facilities including cold storages, and loans to MFIs, NGOs and RRBs for on-lending to farmers. Even the outstanding deposits under RIDF, warehouse Infrastructure Fund, Short-term Co-operative Rural Credit Refinance Fund and Short-term RRB Fund with NABARD are treated as indirect agriculture loans. The targets and sub-targets are strictly enforced on banks. Scheduled commercial banks, which fall short of achieving the agricultural sub-target, are allocated targets for contribution to the Rural Infrastructure Development Fund (RIDF), established with NABARD, by the Reserve Bank of India. These amounts are determined on the basis of the shortfall in achievement of the sub-target for agriculture; the rate of interest payable to them by the RIDF is also related to the deficit as shown in Fig 1.14. It will be seen that the banks incur a substantial penalty for underperformance and the level of such penalty rises with the level of shortfall.

Shortfall in agriculture lending target for domestic commercial banks	Rate of interest (%)
Less than two percentage points	Bank rate minus 2 percentage points
Between two and five percentage points	Bank rate minus 3 percentage points
Between five and nine percentage points	Bank rate minus 4 percentage points
Above nine percentage points	Bank rate minus 5 percentage points

We can see that directed lending by commercial banks under priority sector lending has been a critical factor contributing to the expansion of agricultural credit. It must be acknowledged, however, that the inclusion of indirect financing within the scope of lending to agriculture would have released the pressure on banks for direct lending to farmers.

Self-Help Groups (SHG)-Bank linkage Program

The SHG-Bank Linkage Program is an important part of the strategy for delivering financial services to the poor in a sustainable manner. Under this program, SHGs come together and gain financing access through banks by pooling in their resources. The pilot project was started by NABARD in 1992 as a partnership model between SHGs, banks and NGOs. The regulator approved guidelines to banks to enable SHGs to open accounts. This was conjoined with a commitment by NABARD to provide refinance and promotional support to banks for the SHG-Bank Linkage Program. In the initial years, the scheme progressed slowly but picked up gradually.

Particulars	2016-17		2017-18		% Change	
	Number of SHGs	Amount (INR Crores)	Number of SHGs	Amount (INR Crores)	Number of SHGs	Amount
Loans disbursed	1,898,120	38,781	2,261,132	47,186	19.1	21.7
Loans outstanding	4,848,287	61,581	5,020,358	75,598	3.5	22.8

Savings of SHGs with banks	8,576,875	16,114	8,744,437	19,592	1.9	21.6
NPA level %	6.5		6.12			
Average loan per SHG	INR 2.04 lakhs		INR 2.09 lakhs			

Fig. 1.10: Progress of SHG-Bank linkage program

Special Agriculture Credit Plan

With a view to ensuring that the flow of credit to agriculture increases substantially, RBI advised banks in 1994-95 to prepare an action plan for disbursement of credit to agriculture. Accordingly, each bank prepares a Special Agricultural Credit Plan (SACP), segregated into quarterly targets, which is monitored by the RBI. Earlier, the SCAP mechanism was applicable only to the public-sector banks but it was extended to private sector banks in 2005-06.

Initiative for increasing Agricultural Credit-2004

In June 2004, the central government announced a series of measures aimed at increasing agricultural credit over three years, starting with a credit growth of 30 per cent for 2004-05. The measures taken by the Reserve Bank and the Indian Banks Association in respect of commercial banks and by NABARD in view of co-operative banks and the RRBs included debt-restructuring and fresh loans to farmers affected by natural calamities, one-time settlement for small and marginal farmers, fresh finance to farmers whose earlier debts had been settled and relief measures for farmers indebted to non-institutional source of credit. This initiative fared well for the actual disbursement of credit and exceeded the three-year target. Encouraged by the expansion of credit, the central government fixed targets for subsequent years as well. The target increased at an annual compound growth rate of 21 percent in the period beginning from 2004 to 2014.

Banking correspondents:

The outreach of agriculture credit to farmers by covering them through bank accounts is one of the most important factors that have led to the recent expansion of agricultural credit. According to RBI data (2013), 68.8 per cent of rural households and 79.5 per cent of urban households had bank accounts. As part of the financial inclusion program, the government had launched the Swabhiman scheme in 2011 to extend the reach of banking in rural areas initially to approximately 74,000 habitations with a population of more than 2,000. It aimed to provide branchless banking services in the remotest areas through banking correspondents, making use of technology. Another significant step in this direction was the introduction of Jan Dhan Yojna to provide access to banking facilities to all households and almost every household has a bank account (PMJDY, Ministry of Finance). The government has already introduced the Benefit Transfer of LPG (DBTL) Scheme where consumers receive LPG cylinders directly in their bank accounts. Such financial inclusion programs enable rural households to be covered by mainstream banking, reducing further their dependency on non-institutional sources of finance.

Kisan Credit Cards

The Kisan Credit Cards Scheme, introduced in August 1998, is an innovative credit delivery mechanism to meet the credit needs of the farmer. Apart from providing short-term and term loans, a certain component of KCC also covers consumption needs. An important feature of the scheme from the outset was that once the documentation to establish the bona fide and assets of beneficiaries is done, they could approach financial institution for simple and hassle-free sanction of credit from the second year onwards. Further progress was made in later years and now the passbook has been replaced by a plastic card, and the Kisan Credit Card is an ATM enabled debit card. Under the earlier system, disbursal of short-term credit to agriculture was mostly through demand loans and cash credit, which permitted withdrawals mainly through debit vouchers, saving accounts and through bankers' cheques. However, the traditional system of loan disbursement through passbooks were replaced by ATM-enabled debit cards with facility for withdrawal/disbursement of loan. The main objective is to develop a cashless eco system by enabling the farming community to avail of banking facilities. Its use has spread over the vast

institutional credit framework involving commercial banks, RRBs and co-operatives. According to the RBI, 2.35 crore Kisan Credit Cards are being actively used up as on March, 2018.

In order to discourage distress sale of crops by farmers, the benefit of interest subvention has been made available to small and marginal farmers having Kisan Credit Card for a further period of up to six months (post-harvest) on the same rate as available to crop loan against negotiable warehouse receipts. In order to ensure that all eligible farmers are provided with hassle-free and timely credit for their agricultural operations, the Government has introduced the Kisan Credit Card Scheme, which enables them to purchase agricultural inputs such as seeds, fertilizers, pesticides, etc., and draw cash to satisfy their consumption needs. The KCC Scheme has since been simplified and converted into ATM enabled debit card with, inter alia, facilities of onetime documentation, built-in cost escalation in the limit, any number of withdrawals within the limit, etc., which eliminates the need for disbursement through camps and mitigates the vulnerability of farmers to middlemen. The main objectives of the Scheme are: to meet the short term credit requirements for cultivation of crops, post-harvest expenses, produce marketing loan, consumption requirements of farmer household, working capital for maintenance of farm assets and activities allied to agriculture, like dairy animals, inland fishery, etc. Investment credit requirement for agriculture and allied activities like pumpsets, sprayers, dairy animals, etc. The State Governments were advised to launch an intensive branch or village level campaign to provide Kisan Credit Card to all the eligible and willing farmers in a time bound manner. KCCs have now been converted into Smart Card cum Debit Cards to facilitate its operation through ATMs. The cumulative number of KCCs as on 31 March, 2018 and the outstanding loan amount is given in Fig 1.11 below:

Agency	Total operative KCC accounts (in '000)	Amount outstanding (INR crores)
Commercial banks	23528	433110
Cooperative banks	33495	124480
Regional rural banks	12193	113360
Total	69216	670950

Fig 1.11: KCC Account data

Joint liability group (JLG):

A Joint Liability Group (JLG) is an informal group comprising 4 to 10 individuals coming together for the purpose of availing bank loan on individual basis or through group mechanism against mutual guarantee. The JLG mode of financing serves as collateral substitute for loans to be provided to the target group, i.e., small, marginal, tenant farmers, oral lessees, share croppers, etc. It builds mutual trust and confidence between the bank and the target group and minimizes the risks in the loan portfolio for the banks through group dynamics, cluster approach, peer education and credit discipline. The objective of the JLG mode of financing is to provide food security to vulnerable section by enhanced agriculture production, productivity and livelihood promotion. JLGs can also easily serve as a conduit for technology transfer, facilitating common access to market information, training and technology dissemination in activities like soil testing, training and assessing input requirements, etc.

The Scheme for financing of Joint Liability Groups of Tenant Farmers was started by NABARD in 2005-06. The scheme was extended to non-farm sector from 2009 onwards. Thus, JLGs consists of those of farmers and also non-farmers. The exclusive scheme for Bhoomi Heen Kisan was launched by Government of India during the Union Budget Announcements - 2014-15, with a target for financing 5 lakh Joint Farming Groups of “Bhoomi Heen Kisan” through NABARD.

Conclusion:

Institutional vs. non-institutional credit: Despite an impressive growth in institutional credit since 1951, the dependence of farmers on non-institutional sources for agricultural credit remains as high as 36 per cent in 2013. There was a steep fall in the share of non-institutional sources in the total outstanding agricultural credit from 89.8 per cent in 1951 to 33.7 per cent in 1991. However, in the next decade, non-institutional sources wrested back some of their lost share, which stood at 38.9 in 2002. In 2013, there was a small decline in their share of outstanding loans but, at 36 per cent, it was still above the 1991 level. A rising trend in the share of private moneylenders from 17.2 per cent in 1981, 17.5 per cent in 1991, 26.8 per cent in 2002 and 29.6 per cent in 2013 can be seen.

Role of Commercial Banks: There has been a huge increase in credit flows from institutional sources in recent decades. The direct agricultural credit flow at current prices from all institutional agencies has increased drastically. Within institutional sources, scheduled commercial banks have registered an increase in their lending operations with their share in direct credit flows rising from 25 to almost 70 per cent during the period 1975-76 to 2016-17 while the share of co-operative banks has gone down from 75 to 17 per cent during the period. The share of RRBs has also increased from less than 0.13 to 10 per cent. Co-operative banks have yielded their dominant position as the provider of loans to the agriculture sector to commercial banks.

Priority sector lending

The priority sector lending (PSL) mechanism seeks to provide an access to credit for those vulnerable sections of the society, who are often deprived of it due to their perceived lack of credit worthiness. Small value loans to farmers for agriculture and allied activities, micro small and medium enterprises, poor people for housing, students for education, other low-income groups and weaker sections are included under the priority sector. Social infrastructure and renewable energy sectors are also covered under the priority sector. Priority sector lending could also be perceived as another step towards financial inclusion. Thus, the regulator has accommodated financial inclusion has an important objective in the priority sector lending. Since

the introduction of norms on priority sector lending as an important adherence norm for the banks, several reforms have been introduced in the guidelines for PSL lending. With the current Government's onus being on financial inclusion and digital transformation, these reforms have taken a carved a different shape than their previous ways of improvisation. The Government imperative of financial inclusion reflected in the regulatory directions to the Banks, including incentives for such financial inclusion. In an eventful previous year, Government steps such as demonetization and introduction of Goods and Services Tax (GST), compelled a non-inclusive population to move towards banking system.

The revision of Bankruptcy norms by introduction of Indian Bankruptcy Code (IBC) has also been seen as an important development in the banking sector. Although the developments on the IBC front are being seen right now only for large companies, these reforms are expected to percolate to the small companies' level. With the introduction of such reforms, the process for realization of shareholders' value has become very easy, specifically in dysfunctional organizations. The Indian judiciary and banking regulator are striving hard to smoothen the process for bankruptcy filing.

This section of report covers the bank-based lending infrastructure, role of MSMEs in the economy, way forward for development of lending to SMEs and MSMEs and way forward for financial inclusion.

I. A brief history: Infrastructure shifts in the funding mechanism

Changing contours of banking infrastructure:

India’s banking system has grown rapidly over the years. Over the last decade, India has witnessed a credit boom, with the share of credit–gross domestic product (GDP) increasing from 35.5% in 2000 to 51.0% in 2013, the bulk accounted for by bank lending.

	1951	1961	1971	1981	1991	2001	2011	2014
Aggregate deposits (% of GDP)	8 (7.9)	17 (10)	59 (12.8)	380 (26.1)	1925 (33.8)	9629 (44.4)	52080 (66.9)	85331 (67.9)
Aggregate credit (% of GDP)	5 (5)	13 (7.7)	47 (10.1)	254 (17.5)	1164 (20.4)	5114 (23.6)	39420 (50.6)	67352 (52.8)
Branches				35707	60220	65919	90918	116450
ATM							74505	160055

Traditionally, banks have not considered the poor to be a viable market. Post the nationalization of banks, most commercial banking institutions have been reluctant to serve them and MSMEs because of perceived high risks, high costs involved in small transactions, low relative profitability, and inability to provide the physical collateral usually required by such institutions. In technical terms, problems of adverse selection and information asymmetries make it difficult for financial institutions to screen and to monitor credit decisions.

To address the gap between banks and poor customers, scanty supply of funds and to provide financial services to low-income clients, MFIs emerged. Although their character has undergone a shift from the time that they commenced operations, MFIs have improved their risk management frameworks along with being available to their customer segment. The pioneer MFIs operated as nonprofit, nongovernment organizations with a strong social focus. They developed new credit techniques; instead of requiring collateral, they reduced risk through group guarantees, appraisals of household cash flow, and small initial loans to test clients. Today, however, MFIs have changed from nongovernment organizations to nonbanking finance companies (NBFCs), and there has been a modification in how they raise finance. Once primarily donor-led, MFIs are now increasingly funded by banks and private and shareholder equity. These institutions, by revising their lending frameworks have been able to upgrade their profitability standards, eventually realizing shareholders' value.

Currently, the regulated microfinance market in India has over 30 million clients, served by nearly 50 regulated institutions with a gross loan portfolio of about $7 billion, reflecting growth of 61% over 2013–14 (MicroMeter 2015). The 10 largest MFIs account for 75% of the total industry loans. MFIs have a network of 10,553 branches, with 80,097 employees across 32 states and union territories. MFI activity is only set to grow, especially because only 8% of adults have loans from formal financial institutions. Only 35% have bank accounts, of which more than half are inactive or semi-active (World Bank 2015).

A detailed outlay of banking institutions below explains the paradigm of their models of functioning and also fundamental strengths and weaknesses in each model:

Small Banks:

Globally, small banks have been seen as a crucial link in the process of financial inclusion. This belief has led to the creation of a range of structures in India's financial system, such as regional rural banks, united community banks, and local area banks. These are locally governed and funded out of the local deposit base. They were created in the mid-1970s and 1980s largely on the back of regulatory advantage of lower capital adequacy norms as subsidiaries of sponsor commercial banks. Yet by the end of 1990s, most turned out to be unviable. The number of regional rural banks has dwindled from 196 to 62 over the years. Further, only four of six local area banks in India, licensed by RBI, are functioning, with the rest shut down primarily due to mismanagement.

Global evidence regarding the performance of small banks is mixed. Small banks in developing countries (e.g., Ghana and Nigeria) have solvency problems. The United States model is also beginning to develop cracks, mainly due to the failure of such banks to keep pace with the advancement in banking technology. Regional banks in Germany and Switzerland, on the other hand, are backed by an effective risk management structure and have thus been able to survive.

Although small banks do possess certain benefits in the form of low-cost, customized services per local needs and near absence of contagion effects, they are vulnerable to capture and concentration risk, owing to localization of their operations and political influence. There are

other risks of commodity price volatility and weather vagaries, which create the need for a high capital adequacy ratio. Moreover, small banks cannot experience economies of scale, as they are expected to operate within specified limits. They also lack the capacity to finance big projects.

Smallness or localization does not present a strong case for their creation based on regulatory forbearance. The licensing of new banks should instead be driven by the level playing field principle, and if a local NBFC or other candidate for a license has the financial strength or eligibility, it should be given a license. Indeed, 8 of the 10 entities granted a license for small finance banks by RBI recently are MFIs. The key reason to convert into a small finance bank is access to deposits; they will also be able to offer a wider range of loan products to customers. The converted companies must follow the pricing structure of banks, which is linked to their base rate.

Microfinance Institutions

MFIs who did not receive a small bank license or did not apply also remain integral to the objective of inclusion. After a turbulent year in 2010, the microfinance industry in India has undergone some significant changes in regulations and operations. The crisis of 2010 stemmed from extremely high and often usurious interest rates, coercive debt collection practices, and multiple lending. All three problems related to the interface between the borrower and MFI. In 2011, RBI mandated clear communication of lending rates, tenure of loans, repayment flexibility, and the need to create a customer redress mechanism. MFIs have retained their priority sector lending status, while RBI has recently introduced self-regulatory initiatives such as the Industry Code of Conduct and development of a credit bureau toward responsible microfinance.

An area where self-regulated organizations could be immediately effective is in aligning interest charges of members with their costs. This would lead to price differentials across NBFCs that would both exert downward pressure on interest charges and lead to greater operating efficiency in the system. While the more efficient may see a temporary drop in margins, it would benefit them in the long term. Less-efficient companies would see a loss in business volume, while the fitter should see their losses in margins offset by a rise in volume.

II. Improving financial inclusion:

The Reserve Bank continued its efforts towards fulfilling the financial inclusion agenda during the year. In this direction, several new initiatives were undertaken during 2017-18.

Revamping the Lead Bank Scheme (LBS)

The LBS was started to ensure economic development of the districts/states by establishing co-ordination between banks and government agencies. In view of changes that have taken place in the financial sector over the years, the Reserve Bank constituted a Committee of Executive Directors of the Bank to study the efficacy of the scheme and suggest measures for its improvement.

The Committee's recommendations were discussed with various stakeholders and based on their feedback, it has been decided to bring changes in the scheme which include

1. Streamlining functioning of the State Level Bankers' Committees (SLBCs) by bifurcating policy and operational issues whereby operational issues would be addressed by specific

sub-committees and a steering sub-committee would decide on the primary agenda items for the SLBC

2. A standardized approach to manage websites of the SLBCs including direct collection of data through respective CBS of all participating banks and a revised agenda for SLBC meetings for more focused reviews on setting up of CBS-enabled banking outlets at the unbanked rural centres (URCs)
3. Operations of BCs; digital modes of payments including connectivity; Direct Benefit Transfer (DBT); financial literacy initiatives; digitization of land records; and discussion on improving rural infrastructure/credit absorption capacity.

Small Finance Banks (SFBs) under the Lead Bank Scheme

SFBs are required to participate in their respective locations, in various fora under the LBS, i.e., SLBC, District Consultative Committee (DCC)/ District Level Review Committee (DLRC) and Block Level Bankers' Committee (BLBC) as regular members from 2018-19 and also be part of the credit planning exercise.

Assignment of Lead Bank Responsibility

Under the LBS, one bank in each district is assigned the leadership role and acts as a consortium leader to coordinate the efforts of the banks in that district, particularly in matters such as branch expansion and credit planning to meet the credit needs of the district. The assignment of lead bank responsibility to designated banks in every district is done by the Reserve Bank. As of June 2018, 20 public sector banks and one private sector bank have been assigned lead bank responsibility in 714 districts across the country.

Committee on Medium-Term Path on Financial Inclusion

The Committee on Medium-Term Path on Financial Inclusion (Chairman: Shri Deepak Mohanty, Executive Director), 2015 sought to propel the economy to a medium-term sustainable inclusion path. Drawing upon the recommendations of the Committee, the Reserve Bank focused on strengthening the mechanism for effective credit delivery to the productive sectors of the economy.

Some of the major recommendations that were implemented during 2017-18 include the following:

(a) BC registry portal has since been launched to enable domestic SCBs, excluding RRBs, to upload data pertaining to BCs deployed by them. Subsequently, on stabilisation of the database, facility of using BC tracker for public shall be made available;

(b) a basic certification course for BCs has commenced. The translation of the syllabus into different languages is also under process; and

(c) The CCC scheme for MSMEs which could help bridge the information gap, and thereby help banks to make better credit decisions was launched during 2017-18.

Financial Inclusion Plans (FIPs)

In order to have a planned and structured approach to financial inclusion, banks have been advised to prepare Board-approved Financial Inclusion Plans (FIPs). These FIPs capture banks' achievements on parameters such as the number of outlets (branches and BCs), Basic Savings Bank Deposit Accounts (BSBDAs), overdraft facilities availed in those accounts, transactions in Kisan Credit Cards (KCCs) and General Credit Card (GCC) accounts and transactions through the Business Correspondent-Information and Communication Technology (BC-ICT) channel. The progress made on these parameters as reported by banks as at end-March 2018 is set out in Table IV.6.

Penetration of Banking Services

The Reserve Bank has taken several steps to provide banking facilities in the unbanked villages in the country. The use of information technology (IT) and intermediaries has made it possible to increase outreach, scale and depth of banking services at affordable cost. Upon issuance of revised guidelines on branch authorization policy on May 18, 2017 clarifying on 'banking outlet', SLBC convenor banks were advised to consider opening of a CBS enabled banking outlet or a part time banking outlet in the villages with population less than 2000 that still remain unbanked.

Table IV.6: Financial Inclusion Plan (FIP): a Progress Report

Particulars	End-March 2010	End-March 2017	End-March 2018**
1	2	3	4
Banking Outlets in Villages – Branches	33,378	50,860	50,805
Banking Outlets in Villages>2000-BCs	8,390	1,05,402	1,00,802
Banking Outlets in Villages<2000- BCs	25,784	4,38,070	4,14,515
Total Banking Outlets in Villages – BCs	34,174	5,43,472	5,15,317
Banking Outlets in Villages – Other Modes	142	3,761	3,425
Banking Outlets in Villages –Total	67,694	5,98,093	5,69,547
Urban locations covered through BCs	447	1,02,865	1,42,959
BSBDA - Through branches (No. in Million)	60	254	247
BSBDA - Through branches (Amt. in ₹ Billion)	44	691	731
BSBDA - Through BCs (No. in Million)	13	280	289
BSBDA - Through BCs (Amt. in ₹ Billion)	11	285	391
BSBDA - Total (No. in Million)	73	533	536
BSBDA - Total (Amt. in ₹ Billion)	55	977	1,121
OD facility availed in BSBDAs (No. in million)	0.2	9	6
OD facility availed in BSBDAs (Amt. in ₹ Billion)	0.1	17	4
KCC - Total (No. in Million)	24	46	46
KCC - Total (Amt. in ₹ Billion)	1,240	5,805	6,096
GCC - Total (No. in Million)	1	13	12
GCC - Total (Amt. in ₹ Billion)	35	2,117	1,498
ICT-A/Cs-BC-Total Transactions (Number in million)	27	1,159	1,489
ICT-A/Cs-BC-Total Transactions (Amt. in ₹ billion)	7	2,652	4,292

***Provisional.

Source: As reported by banks.

The guidelines on Branch Authorization Policy mandate banks to open at least 25 per cent of the total number of banking outlets opened during a financial year in Unbanked Rural Centres (URCs) (i.e., tier 5 & tier 6 centres). SLBC convenor banks were advised that while opening new banking outlets in URCs, banks should give priority to URCs having population above 5000 (i.e., tier 5 centres). To facilitate banks in doing so, SLBCs were also advised to compile and maintain an updated list of all URCs in the state and review the progress in SLBC meetings.

National Strategy for Financial Inclusion

In order to systematically accelerate the level of financial inclusion in the country in a sustainable manner, the National Strategy for Financial Inclusion document is being finalized under the aegis of the FIAC to take forward the momentum generated by the Reserve Bank's financial inclusion policies, the government's Jan Dhan programme and the emerging advancements in the field of digital technology.

With an increased understanding of the inter-linkages among financial inclusion, financial literacy and consumer protection framework, the following strategy pillars have been identified in the recommendations:

(a) developing adequate physical and digital infrastructure in the country through providing necessary access points and connectivity;

(b) designing suitable regulatory framework that balances innovation and risks in the financial sector to enable financial service providers to come up with innovative ways to ensure universal access to financial services;

(c) focus on increasing financial awareness among various target groups in order to enable prospective customers and new customers to make suitable choices;

(d) putting in place structures for a robust grievance redressal mechanism to protect the customers' rights and have a timely redressal of their grievances;

(e) designing of appropriate scientific assessment tools to granularly measure the extent and issues in financial inclusion; and

(f) fostering an effective co-ordination mechanism among all the relevant stakeholders.

III. Role of MSME in Indian economy:

The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavors through business innovations. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. As per the data available with Central Statistics Office (CSO), Ministry of Statistics & Program Implementation, the contribution of MSME Sector in country's Gross Value Added (GVA) and Gross Domestic Product (GDP), at current prices for the last five years is as below:

(Figures in INR crores)						
Year	MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (%)
2011-12	2583263	-	8106946	31.86	8736329	29.57
2012-13	2977623	15.27	9202692	32.36	9944013	29.94
2013-14	3343009	12.27	10363153	32.26	11233522	29.76
2014-15	3658196	9.43	11481794	31.86	12445128	29.39
2015-16	3936788	7.62	12458642	31.6	13682035	28.77

Financial GAP in MSME Sector

Despite banks adopting a more progressive outlook in lending to MSMEs, there is still a significant financial gap of INR 20.9 trillion ($418 billion, according to MSME census and RBI data, 2013-2014). After exclusions in the debt demand (62 percent of the overall demand) and the equity demand (from MSMEs structured as proprietorship or partnership), there is still a demand-supply gap of INR 3.57 trillion ($71.4 billion), which formal financial institutions can finance in the near term. This is the demand-supply gap for approximately 11.3 million enterprises. While a large number of these already receive some form of formal finance, they are significantly underserved with only 40-70 percent of their demand currently being met. The micro, small, and medium enterprise segments respectively account for INR 2.25 trillion ($45 billion), INR 0.5 trillion ($10 billion) and INR 0.18 trillion ($3.6 billion), of the debt gap that is viable and can be addressed by financial institutions in the near term. Micro and small enterprises together account for 97 percent of the viable debt gap that can be addressed by financial institutions in the near term.

IV. Way forward to development of lending to SMEs and MSMEs

Considering all the above mentioned factors, the development of lending to SMEs and MSMEs can be enhanced further at structural and ground-level base by inculcating following measures:

- Enhance debt access to non-banking finance companies focused on these units and give perks for participation in the sector
- Create an IT-enabled platform to track MSME receivables to facilitate securitization of these trade receivables
- Give credit guarantee support for MSME finance to non-banking finance companies
- Mechanisms to leverage other sources such as factoring can potentially help MSMEs liquidate receivables faster, and possibly afford them an opportunity to leverage their creditworthiness to avail financing

- Endorse establishments to syndicate finance and give advisory support to MSMEs in rural and semi-urban areas
- Embark on further research activities to have better understanding of financing patterns of services enterprises in the MSME sector
- Bolster the MSME credit information bureau and expand the scope of the information
- Bureau to collate and process important transaction data

V. Way forward to enhance financial inclusion:

It is an important role given by the Reserve Bank of India (RBI) to the banks for providing a specified portion of the bank lending to few specific sectors like agriculture or small scale industries. This is essentially meant for an all round development of the economy as opposed to focusing only on the financial sector. Thus overall ways to enhance financial inclusion are as follows:

- **Setting up of the "Ultra Small Branches":** These are non-brick-mortar branches, the purpose of which is to reduce the infrastructural costs in setting up branches in rural areas. Under this initiative, the banks will appoint banking correspondent who will deal with all cash transactions and other routine work in that area. A bank officer will visit this ultra-small branch once a week and connect this business correspondent to the banks' core banking solution (CBS) through a secured network enabling data access and transfer between the small branch and the bank.
- **Opening of no-frills accounts:** Basic banking no-frills account is with nil or very low minimum balance as well as charges that make such accounts accessible to vast sections of the population. Banks have been advised to provide small overdrafts in such accounts.
- **Relaxation on know-your-customer (KYC) norms:** KYC requirements for opening bank accounts were relaxed for small accounts in August 2005; thereby simplifying procedures by stipulating that introduction by an account holder who has been subjected to the full KYC drill would suffice for opening such accounts. It has now been further relaxed to include the letters issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number.

- **Engaging business correspondents (BCs):** In January 2006, RBI permitted banks to engage business facilitators (BFs) and BCs as intermediaries for providing financial and banking services. The BC model allows banks to provide doorstep delivery of services, especially cash in-cash out transactions, thus addressing the last-mile problem.
- **Use of technology:** Recognizing that technology has the potential to address the issues of outreach and credit delivery in rural and remote areas in a viable manner, banks have been advised to make effective use of information and communications technology (ICT), to provide doorstep banking services through the BC model where the accounts can be operated by even illiterate customers by using biometrics, thus ensuring the security of transactions and enhancing confidence in the banking system.
- **General-purpose Credit Card (GCC):** With a view to helping the poor and the disadvantaged with access to easy credit, banks have been asked to consider introduction of a general purpose credit card facility up to Rs 25,000 at their rural and semi-urban branches. The objective of the scheme is to provide hassle-free credit to banks' customers based on the assessment of cash flow without insistence on security, purpose or end use of the credit. This is in the nature of revolving credit entitling the holder to withdraw up to the limit sanctioned.
- **Simplified branch authorization:** To address the issue of uneven spread of bank branches, in December 2009, domestic scheduled commercial banks were permitted to freely open branches in tier III to tier VI urban centers, subject to reporting. In the north-eastern states and Sikkim, domestic scheduled commercial banks can now open branches in rural, semi-urban and urban centers without the need to take permission from RBI in each case, subject to reporting.
- **Opening of branches in unbanked rural centers:** To further step up the opening of branches in rural areas so as to improve banking penetration and financial inclusion rapidly, the need for the opening of more bricks and mortar branches, besides the use of BCs, was felt. Accordingly, banks have been mandated to allocate at least 25% of the total number of branches to be opened during a year to unbanked rural centers.

- **Opening of intermediate brick and mortar structure**, for effective cash management, documentation, and redressal of customer grievances and close supervision of BC operations. Banks have been advised to open intermediate structures between the present base branch and BC locations. This branch could be in the form of a low cost simple brick and mortar structure consisting of minimum infrastructure such core banking solution terminal linked to a pass book printer and a safe for cash retention for operating larger customer transactions.
- **The concept of differential banks:** The RBI introduced the concept of "Payment Banks" and "small banks" to attract serious players and push financial inclusion. It allowed corporate houses, including telecom players and retail chains, to set up payment banks, and also gave them the option of forming joint ventures with commercial banks. The guidelines had expanded the scope of activities for providing third-party products and services, such as mutual funds, insurance and pension. This would open avenues to earn fee income. The guidelines have also allowed sending and receiving remittances from multiple banks and international remittances and permitted payment banks to function as business correspondents of other banks. We will discuss this sub-topic in the subsequent section.

ASSOCHAM INDIA

APAS ashvin parekh advisory services

Technology

Key Facets of Technology in Banking in India

Today, Banking sector in India is aggressively adopting new technologies than others sectors and even other financial services companies. The key drivers for new technology investments include costs, security, and privacy and the ability to automate processes and improve the customer experience.

• More than 3/4ths of the organizations in India are leveraging social media as major marketing tool to reach out to customer, gain customer loyalty, provide services, and educate the end users based on customer statuses, stories and videos.

• Today, the most commonly used IT tools focus on infrastructure, cyber security and data centers, and social media management and marketing tools. The SMAC of today, Internet of Things (IoT), and unified communications and collaboration (UCC) will get the biggest investment boost in the coming two years.

• Banks are leveraging the power of big data analytics to enhance customer relationships. Analytics helps them to identify customers' buying habits, enhance customer loyalty, and enables them to deliver better insights for marketing campaigns.

• eCommerce, social media, and digital marketing have been becoming the biggest sources of revenues. Firms prefer to invest in infrastructure and data centers and mobility to help reduce costs across the organization.

• Ensuring network stability and reliability, dealing with security threats, and aligning IT with business strategies are the top IT challenges for the companies.

Major Trends in Digital Technologies

The key for comprehensive transformation across the entire spectrum of operations and strategy are Digital technologies.

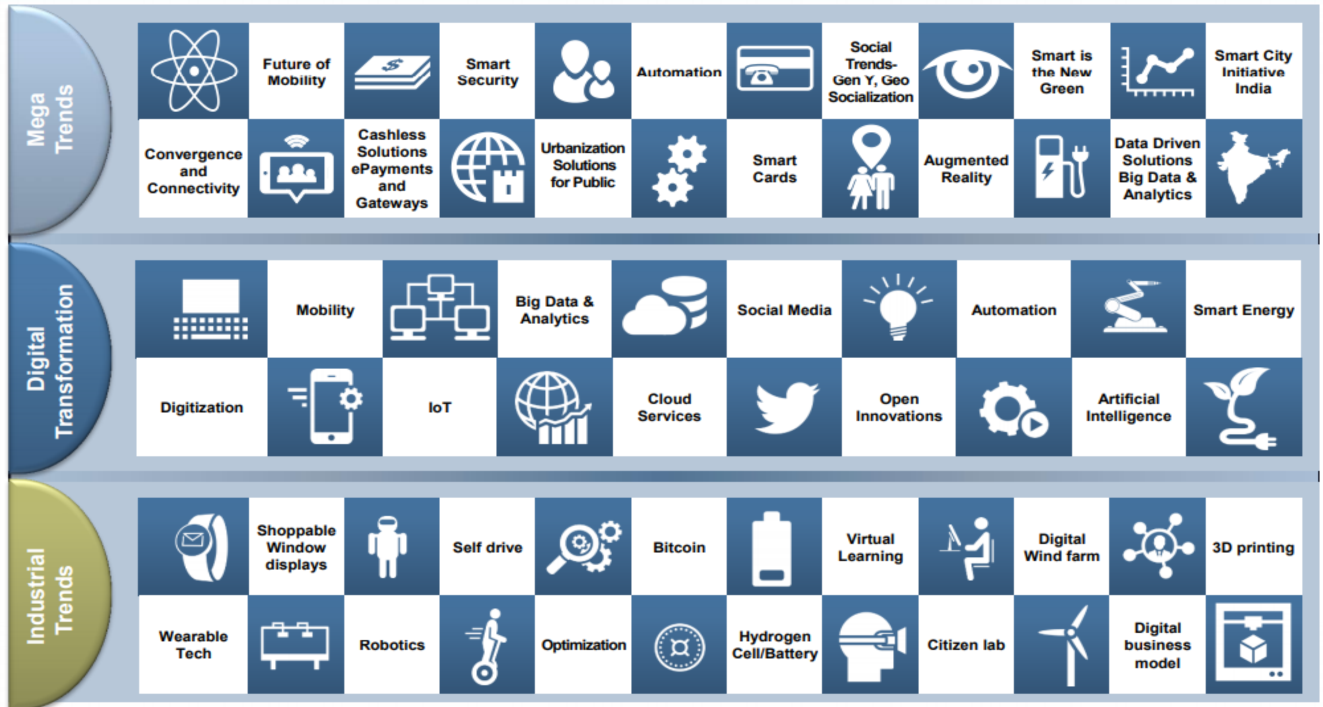
Digital transformation is defined as a set of activities that will lead to business processes transformation, stakeholders empowerment, and providing new digital avenues to provide new revenue models for the businesses.

Some of the upcoming technologies that will be the driving force of the digital transformation include-

- Smart Cards
- Social TrendsGen Y, Geo Socialization
- Augmented Reality
- Smart is the New Green
- Data Driven Solutions Big Data & Analytics
- Smart City Initiative India
- Convergence and Connectivity
- Future of Mobility
- Cashless Solutions ePayments and Gateways
- Smart Security
- Urbanization – Solutions for Public
- Automation

Digital Transformation driving force of Major Trends

IT enabled sectors such as banking and automation driven sectors such as manufacturing, and oil and gas are being impacted across the verticals by Industry specific trends.



Digital Technologies impacting business areas

New Technologies have the capability to empower an enterprise with benefits across operational effectiveness, profitable business structures, and improving customer experience.

- **Operational Effectiveness**

- Process digitization: High level of automation can help enterprises to refocus their people on more strategic tasks.
- Business flexibility: The systems should be agile enough to adapt themselves quickly on the real-time data to cope with the changing market trends.
- Empowering the stakeholders: The empowerment of the stakeholders can be done through collaboration and networking across the value chain that will reduce redundancies and facilitate the proliferation of best practices.

➢ Business Structures

- Digitally enabled businesses: There can be improvement of communication and reduction of organizational silos through digital platforms enabled business processes. There can also be improvement in the reach of traditional products and services through digital wrappers for traditional products.
- Digital products and services: With proliferation of devices and communication technology, digital products and services are introduced to complement traditional products.
- Globalization: Collaboration through Digital technologies will allow businesses to remain proactively responsive and gain global synergies.

➢ Customer Experience

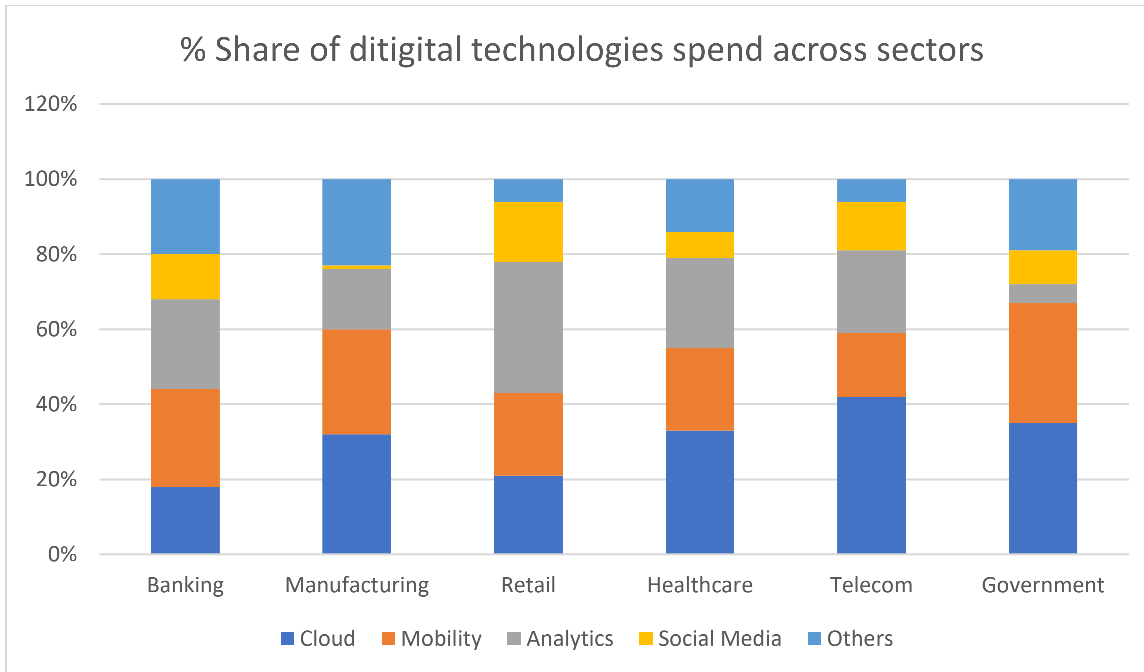
- Revenue Growth: Digital tools help in providing customized services to customers through customer insights available from various touch points.

• Customer touch points enhancement: Digital solutions and social networks have increased the number of contact points with customers. The customer data is analysed to facilitate targeted marketing to enhance customer experience.

• Omni-channel customer usage: Customers will be encouraged to adopt the new digital channels through uniform customer experience across various platforms.

Top Technologies' Penetration across Sectors

To enable global data transactions across the entire spectrum of the business, Enterprises have to frame a clear IT investment and adoption strategy. Of all the latest technologies currently deployed, cloud and mobility show the highest uptake.

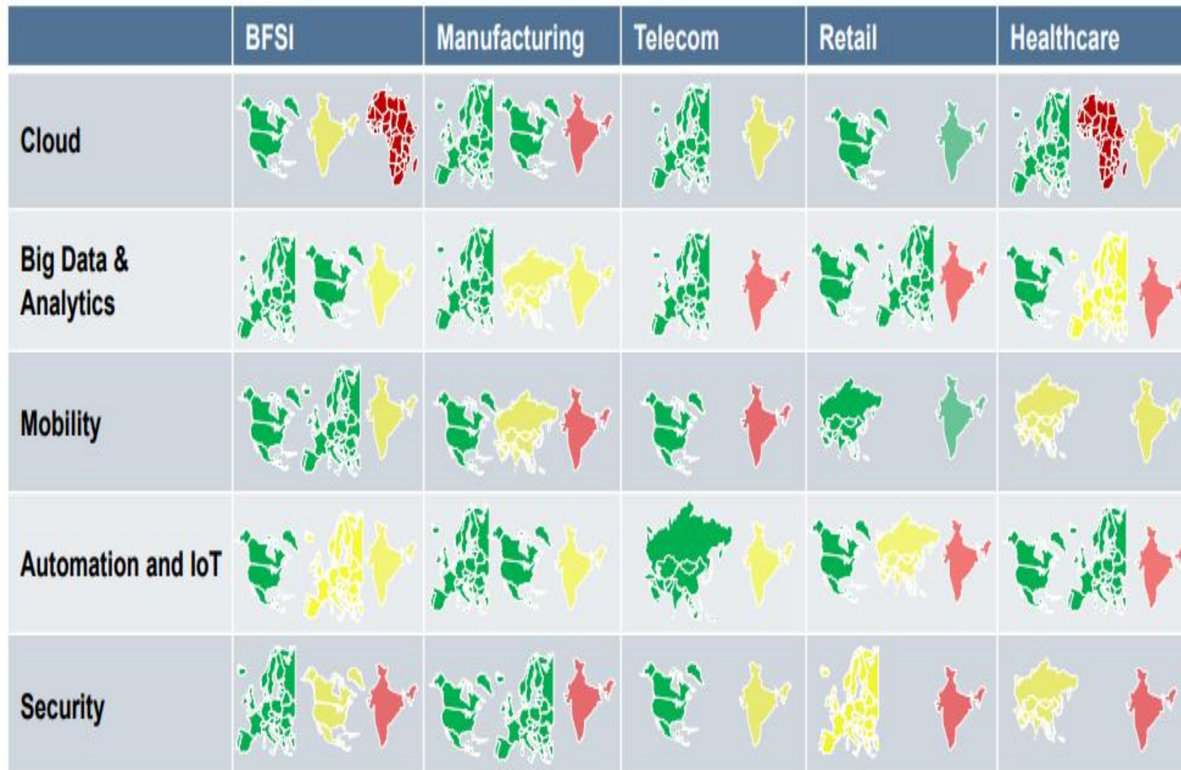


Banking Sector contributed the largest in the share of digital technologies spend across sectors. This is one of the sector which has reasonable distribution across different technologies such as Cloud, Mobility, Analytics, Social Media and others.

This signifies that the banking sector spends on digital is not concentrated and is well distributed which reduces the dependence on one particular technology in banking sector and therefore reduces the risk for the banking sector in terms of value addition.

Digital Technologies Penetration Globally

Today, we are witnessing Digital disruption across different levels and different geographies, and India is emerging as a zone of opportunity.



- Marketplaces are growing beyond B2C, fueled by the innovations of Amazon business, Appdirect (marketplace as a service) powered by analytics & the cloud; this is specifically witnessing traction in NA, EU, and APAC.

• Digital India schemes has had a great impact on the digital disruption In India and this brings along favourable factors towards digital disruption. There is a presence of a huge population under 35 and device savvy, and most importantly presence of mammoth brands such as Swiggy, Zomato, and Flipkart, with more than 1500 startups in 2018 who are creating a huge potential

for digital transformation. Specific areas are social media , mobility, analytics and cloud are driving such a large retail-driven economy.

Indian Economic Trends

Indian economy will largely experience robust growth over the course of the next ten years or so, making India a relatively large and stable growth center, from an economic point of view.

- India had USD 44 billion in FDI in 2016 alone.
- India is the world's Largest IT sourcing destination, and Indian IT services market generated USD 160 million in 2017-18.
- Indian IT talent supply is growing at 12% YoY since 2007.
- India is expected to be USD 15 trillion economy by 2025, the 3rd largest nation by GDP in 2025.
- There have been 20+ new cities added to the centre of innovations for various industries since 2007.
- The Indian eCommerce industry was worth USD 31 billion in 2016.
- In India, it is estimated that approximately 700 million people in India will have access to mobile Internet by 2020.
- India ranks third in the world with more than 4,500 startups in the global startup ecosystem.
- There have been 980 million mobile subscribers in 2017-18. India is the Second largest smartphone market in the world.
- It is expected that USD 200 billion will be the contribution of the mobile industry by 2020. Nearly 300 million 4G connections are expected by 2020.
- It is further expected that By 2025, both B2B & B2C ecommerce in India will be worth exceeding USD 1 Trn.
- Mobile gaming industry in India expected to exceed worth a consolidated USD 2 billion by 2025.

Indian Digital Economy Trends

Key Statistics on India's digitization trends:

Number of Internet Users in India 450 Million

Number of Social Media Users in India 250 Million

Smartphone Penetration 30%

Mobile Users 980 Million

- There will be influx of new applications in the technology and these new applications of Internet could account for 15–20% of the Indian GDP growth by 2025.
- There will be a formidable growth of 10-35% YOY Growth across different sections and sectors of the economy rom eCommerce to government services, based on technology adoption.
- In SMEs, 35% of the growth is factored/attributed to investment in mobility.
  Companies with the strongest growth find that enterprise mobility has a big impact on revenues.
- Revenues of the companies will be impacted by the top 3 technologies such as Social media management and marketing tools, eCommerce and mCommerce, and digital marketing solutions.
- eCommerce will witness a 5-fold growth in the next 5 years, with key improvements coming from retail, healthcare, and transportation sector.
- Bring your own devices (BYOD) is a key trend that will be witnessed in the enterprises with expectations that Seventy-five percent of the Indian enterprises will allow their employees to bring their own mobile devices and these enterprises have seen 60% increase in cloud adoption in the past 3 years.
- The Indian IoT market is expected to be worth USD 25 billion by 2025. The significant push would be from banking and financial services, telecom, automotive, and manufacturing industries.

India's Banking Sector

The Banking sector of India is in the accelerated mode in terms of digital transformation with the implementation of automation, data analytics, and security from a business, cost and compliance perspective.

The 2 phases of India's Banking sector are shown below-

BFSI Objective, 2000–2014

Core Banking Services

BFSI Objective in 2020

Cashless and Digital Banking

Areas of Implementation		Activities	Cloud	Mobility	Analytics	Security	IoT
Banking	Core	Internal process Mgmt.	High	High	Medium	High	Medium
		Network Management	High	Medium	Medium	High	Medium
	New Process	Virtual Banking	High	Medium	Medium	High	Medium
		Customer Experience	Medium	Medium	High	High	High
		Data Management	High	Low	High	High	Medium

High Impact

Medium Impact

Low Impact

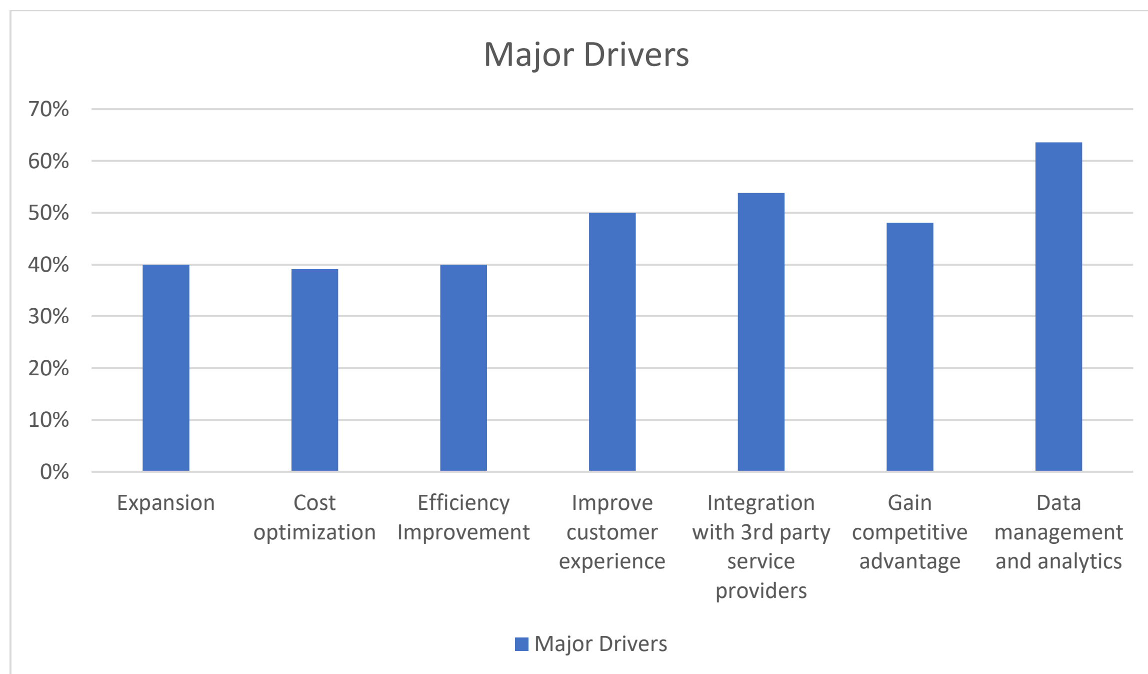
The mobile revolution in India has been successful in terms of bringing forth the need as well as the possibility for the making sure that several futuristic technologies such as cloud computing, Big Data, context aware computing for developing smart banking applications to deliver a richer user experience and become widespread in India.

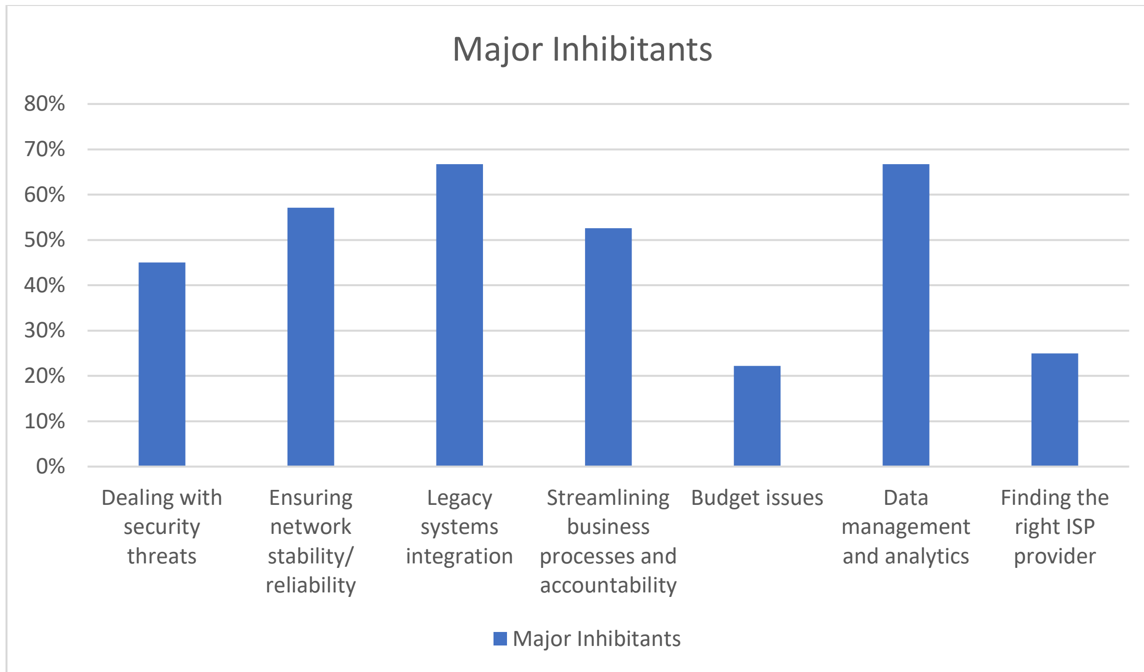
- In enabling an omni channel banking environment, the traction in the digital payment technologies have been playing a key role in a cost efficient and reliable manner.

- In banking, data warehousing has been done for long resulting in large repositories of unstructured data. In the recent past, technology has helped banks to leverage this data with minimal incremental manpower and computing cost.

- To ensure progress in the area of digital banking, banks today are employing several new age technologies such as facial recognition, fingerprint recognition, ergonomic inputs, and voice biometrics for facilitating secure authentication of banking transactions.

Major Drivers in Implementing Digital Technology in the BFSI Sector





Key investment areas in Technology for Banking

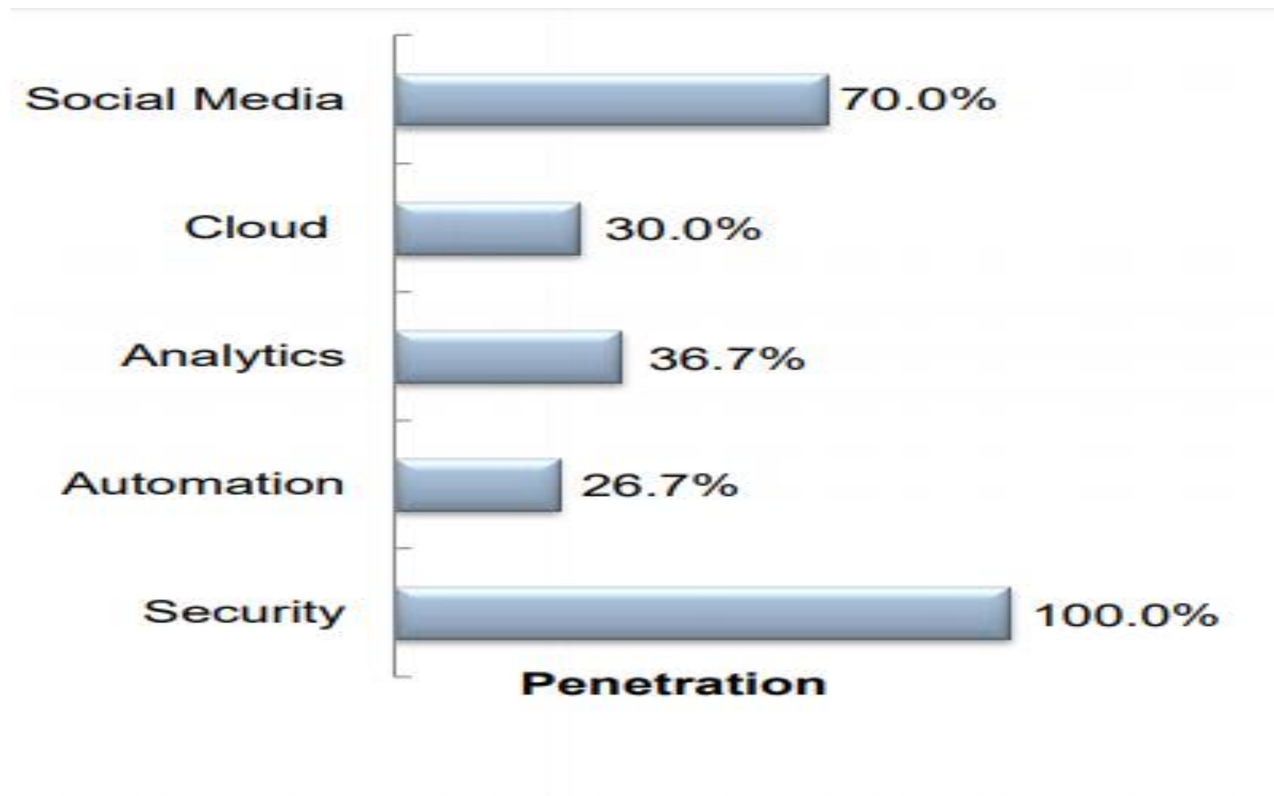
Fintech, going virtual that revolve around customer experience management are some of the key areas of investments in technology in the BFSI sector that is driving the growth.

The BFSI sector is expected to increase its IT budget by 15% in 2019.

- One of the key progress that has happened in digitization in India is through the 'Digital India' campaign. The 'Digital India' campaign has the potential and has been progressing well to transform the Indian banking sector. More than 12,000 rural post office branches have been linked to payment banking that signifies the progress made through Digital India campaign initiative.

- Earlier, banks used to have process management solutions to improve and streamline their customers' experience instead of enhancing their end point security. But, with the advent of mobile technologies, end-users' thrust on banks' security have pushed banks to adopt technologies such as fingerprinting, two factor authentications for customer safety and

compliance. For example, American Express has leveraged Apple touch ID to authenticate the user to execute mobile transactions.



Banking on Social Media

To enhance customer experience and increase customer interaction with banks, they are using social media platforms like Facebook, twitter, Instagram, and LinkedIn to even allow banking via social media.

To improve brand value, marketing initiatives and promotions, assess customer experience and increase engagement, banks have been using Social media to predominantly do that. In the last 3 years, banks have used social media platforms such as Twitter and Facebook as mediums to transact; Pockets by ICICI and Kotak Mahindra's KayPay are two key examples.

- The problems that exist in the social media include those that exist from a security concern point of view and those that exist from a lack of seamless delivery.

• Insurance companies are benefitting from the use of social media management and marketing and digital marketing tools.

• HDFC, ICICI Bank, Yes Bank, Axis, and SBI are ranked the highest in terms of social media engagement and HDFC has the highest fan following followed by Yes Bank.

• The Twitter, Facebook and YouTube engagement of these banks is increasing rapidly with most of the banks posting 3–4 times a day on these platforms.

Banking on Cloud Technologies

• The solutions such as human capital management, lead management (which tends to fluctuate in volume) and email services find their application in cloud technologies that is enhancing the efficiency and coordination of the enterprises.

• Typically, customer profiles and sensitive data are maintained on internal databases to prevent leakage of data.

- Cloud computing has been restricted in its widespread application due to Security concerns of enterprises as the data storage of the companies are present on the shared services platform rather than on an inhouse platform. However, to optimize performance, agility and flexibility in banking, and in order to transform smart banking, the dependence on cloud computing will exponentially increase in the coming times.
- Moreover, big data analytics adoption and in order to reduce dependency on storage on hardware devices and to reduce OPEX there will increase in cloud adoption in future.

Big Data and Analytics in Banking

Big Data Analytics has become a focal point of Indian Banks to understand customer insights and customer experience on the banking platforms. Social Media analytics is a new area of focus in the banking sector.

Analytical applications spend from the Total IT budget

To engage customers and enhance customer relationships, Banks are leveraging the power of analytics. Analytics help to identify customers' buying habits, enhance customer loyalty, and deliver better insights to design marketing campaigns.

• RBI is encouraging banks to use Business Intelligence and analytics solutions to enable higher levels of accountability, transparency and automated data flow, which has been one of the first regulations to drive data analytics dissemination.

• Data analytics is playing an important role in determining both the impact and the likely culprit of attacks, with internal security (focusing on monitoring employees) featuring as a key element of cyber security programs.

• To identify advanced zero day attacks and identify the behaviour aberrations within the smart banking solutions and networks, Predictive threat analytics has emerged as a new security intelligence innovation.

Banking on Automation

Automation in the banking sector in India today is getting traction in the operational and transactional processes in the back-end systems and have some level of self service built into the customer service tools.

Applications of Automation solutions

The Automation applications of banking include Marketing solutions like CRM, Automated Accounting systems, Auto threat deduction and notifications in Point of sale automation.

Automation and digitization in banking sector is increasing to reduce the layers between the customers and the banks and further objective is to pare costs. Self service kiosks, automated business process functions at a minimum have helped banks reduce up to 100 processes. Banks such as ICICI with the help of their in-house SW robotics team is trying to automate several processes in order to enhance efficiency and reduce costs.

• Trivial tasks which require tough change management and that are highly cost inefficient are addressed through Automation at the core level by assisting employees.

• Banks are more aggressively embracing IoT than insurance and other financial services companies. Security, privacy, and costs are top concerns, but the ability to improve the customer experience and automate processes are key drivers for IoT investment.

Banking on Digital Transformation

The Banking sector is expected to be having a first mover advantage in digital transformation with the and bandwidth from the CSP front and the right level of regulation/policy on the security front.

• Aligning Business strategies with IT, assurance on network reliability and stability, dealing with the security threats and related issues are the top IT challenges for respondents are faced in the current scenario.

- In 2016, the top driver for IT investments is the need to reduce operational costs—by a wide margin. However, in 2 years, financial firms will also be focused on expanding into new markets, boosting creativity and innovation.

• It is expected that the Information Technology Investments core focus in the coming time will change from reducing operations costs to gaining a competitive advantage.

• Banks invest 30% more in application for customer services over insurance companies and the intra company digital attitude in banking is higher than in insurance companies.

- The measurement of the positive outcomes of the investments in digital transformation are measured in terms of lower IT operational expenditure cost, reduced cost for serving customers, reduced data center power consumption, reduced cases of critical incidents, and reduced time to launch applications with high uptime and negligible downtime.

Banking on Cybersecurity

Due to the increasing amount of data and privacy concerns and with the increasing number of incidents in the banking technologies, the cybersecurity has become a critical issue for addressing the banks technology robustness. Beyond the aspect of compliance, banks need to up the ante by investing in security systems.

There is still a sense of inhibition among CIOs/CTOs of banks about the comprehensive digital transformation initiative. The inherent belief is that they will open the doors to credit card fraud, identity theft, and account skimming through digitization. In a hyper competitive scenario in Banking, the cybersecurity is still not going beyond the basic need for secure transactions and privacy and there are still a lot of issues beyond the transactions as there is a lot of data sharing in the internal banking systems which have to be protected from the customer standpoint.

• To increase and enhance end user experience it is essential that there is Deployment of comprehensive cyber solutions that covers all banking solutions, systems and procedures.

• Of the security budgets, 69% is allocated to cyber security, 7% to logical access, and the rest to physical security.

• One of the critical issues and aspects that have to be managed effectively by the banks is the customer data management and the security as the introduction of the IT Act 2000 has given an impetus to it.

• Moreover, to take security more seriously, RBI introduced guidelines in 2015 that have mandated the need for secure transactions across the mobile and electronic payments landscape.

Role of IT/ITES Vendors in Banking Digital Transformation

It is imperative that since there is increasing Connectivity across the entire spectrum of banking, , IT/ITES vendors need to provide solutions to enhance network performance, reduce latency, increase bandwidth, and optimize and support network services,.

Vendors' key focus recommendation by Technology Area

Social Media

- For enhancing better customer experience it would be good if the vendors develop platform to integrate media and digital marketing tools
- Usage of Whatsapp, Instagram and Facebook platforms for direct and indirect banking services

Cloud

- Enhancing usage of SaaS for core and non-core operations
- Integration of the Smart banking solutions within the cloud systems

Analytics

- Development of customer analytics Platforms
- Real time fraud detection management

Cyber security and Automation

- Automation and Cyber security roadmap should be prepared by the vendors
- Automating non-core solutions and insurance claims

Technology Banking cases- HDFC Bank

- Requirement: Helping the underprivileged.
- Task: Established missed call banking that requires the underprivileged to give missed call to a customer care number. The executive will then call them and assist them in their local language.
- Impact: There has been an increase in the number of customers from rural and underprivileged background.
- Requirement: To Enable digital and easy loan application process for existing customers.
- Task: One-minute loan process has been enabled on HDFC website for account holders.
- Impact: Loan processing has been fastened and simplified. Customer retention, engagement and satisfaction has improved.

- Requirement: Establishing technology solutions for the tech savvy and enabled consumers.
- Task: In addition to Mobile banking, Internet banking, , application to enable banking with the Google Glass and other IoT devices has also been developed.
- Impact: There has been customer engagement throughout different digital banking platforms with the agility as new device prevalence with tech enabled solutions is convenient.

Government schemes

There have been many schemes which have been launched by the current central government in the area of social banking. Some of these are mentioned below.

1. Pradhan Mantri Jan Dhan Yojana (PMJDY):

In his first Independence Day speech in 2014, Prime Minister Narendra Modi announced the Pradhan Mantri Jan Dhan Yojana (PMJDY). It is a national mission to bring comprehensive financial inclusion of all households in the country.

Under this scheme, any individual above the age of 10 years and not having a bank account can open a bank account without depositing any money.

The scheme was to ensure the access to financial services such as basic savings bank and deposit accounts, remittance, credit, debit cards, insurance and pension in affordable manner. The scheme was mostly targeted to the people belonging to the Below Poverty Line, but is beneficial to everyone who does not have a bank account.

The scheme has been a great success. As on February 6, 2019, a total of 34.26 crore bank accounts have been opened so far under the scheme. Out of these, 20.28 crore accounts have been opened in rural and semi urban areas and 13.97 crore accounts have been opened in urban areas. Out of the total, the number of female beneficiaries is 18.19 crore. 26.85 crore RuPay cards have been issued to the PMJDY accounts. A total amount of INR 90,217.4 crores has been deposited in these accounts.

Three Jan Suraksha schemes, namely Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY) were launched together on May 9, 2015.

2. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY):

PMJJBY is a government backed term life insurance scheme aimed at increasing the penetration of life insurance cover in India. It goes a long way in ensuring a safe financial future for the policy holders and comes with the lowest cost on a yearly basis.

Under this scheme, the policy holder can get a life insurance cover of INR 2 lakhs with an annual premium of just INR 330, excluding GST. All Indian citizens between 18 to 50 years of age and having a savings bank account are eligible to avail the scheme.

It offers a renewable one-year term life cover, covering death due to any reason, including suicide and murder.

The cover period for those subscribing is June 1 of each year to May 31 of the subsequent year.

As on April 23, 2018, a total of 5.3382 crore policies have been sold, 1,00,881 claims have been received and 92,089 claims have been disbursed under the scheme.

3. Pradhan Mantri Suraksha Bima Yojana (PMSBY):

PMSBY is a government backed accident insurance scheme aimed at increasing the penetration of accidental insurance cover in India. It targets social security through insuring accidental deaths and partial or permanent disabilities. A large population of India lives in rural areas and these people do not have access to insurance schemes. PMSBY is an initiative to cater to this population so that they can enjoy the insurance benefits at minimum contributions.

Under this scheme, the policy holder can get an accidental insurance cover of INR 2 lakhs with an annual premium of just INR 12, excluding GST. All Indian citizens between 18 to 70 years of age and having a savings bank account are eligible to avail the scheme.

It offers a renewable one-year accidental death cum disability cover.

The benefits are as follows

Sr. no.	Benefits	Sum insured (INR Lakhs)
1	Death	2
2	Total and irrecoverable loss of both eyes or loss of use of both hands or feet or loss of sight of one eye and loss of use of hand or foot	2
3	Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot	1

The cover period for those subscribing is June 1 of each year to May 31 of the subsequent year.

As on April 23, 2018, a total of 13.5107 crore policies have been sold, 22,294 claims have been received and 16,644 claims have been disbursed under the scheme.

4. Atal Pension Yojana (APY):

APY is aimed at increasing the number of pension scheme beneficiaries across the country. It ensures old age pension to those who are not covered under any other pension or social security scheme. This way, those people who are working in private unorganized sectors and enjoying no pension scheme would be covered and can ensure a healthy and comfortable old age.

This scheme is especially targeted to the private unorganized sector, but is open to all Indian citizens between the ages of 18 to 40 years. The beneficiary has to make a contribution for at least 20 years before he/she can get a pension after attaining an age of 60 years. The scheme provides a monthly pension of INR 1000 to INR 5000 per month based on the contribution amount.

It is based on defined benefit for providing guaranteed minimum monthly pension.

The central government would also contribute 50% of the total contribution or INR 1000 per annum, whichever is lower, to each eligible subscriber, for a period of 5 years, i.e. from FY 2015-16 to 2019-20, who have joined APY before March 31, 2016 and who are not members of any statutory social security scheme and who are not income tax payers.

In case of premature death of Subscriber (death before 60 years of age), spouse of the subscriber has been given an option to continue contributing to APY account of the subscriber, for the remaining vesting period, till the original subscriber would have attained the age 60 years.

In case of death of both subscriber and spouse, the entire pension corpus would be returned to the nominee. If the accumulated corpus based on contributions earns a lower than estimated return on investment and is inadequate to provide the minimum guaranteed pension, the Central Government would fund such inadequacy. Alternatively, if the actual returns during the accumulation phase are higher than the assumed returns for minimum guaranteed pension, such excess will be passed on to the subscriber.

With a view to provide flexibility to the subscribers of APY with seasonal or irregular income, besides the monthly mode of payment, quarterly and half yearly modes of payment of contributions have been provided in the Scheme. Further, in case of default in payment of contribution, a subscriber may regularize the account by paying the overdue amount along with a minimal charge to obtain the guaranteed pension.

The Pension Fund Regulatory and Development Authority (PFRDA) has informed that the report of PFRDA and CRISIL on ‘Financial security for India’s elderly’ has, inter-alia, mentioned designing of a pension policy exclusively for women where contributions could be from the women’s families. Some tax relief to the savings held in the form of pension has also been mentioned.

As on August 6, 2018, the total number of subscribers under the scheme is 1,09,66,981, out of which, 43,87,993 subscribers are women.

5. Sukanya Samriddhi Yojana (SSY):

Sukanya Samriddhi Yojana (SSY) was launched on January 22, 2015 as a part of the 'Beti Bachao, Beti Padhao' campaign. It is an ambitious small deposit savings scheme for the girl child. It lays special emphasis on financial empowerment of the girl child.

Under this scheme, a savings account can be opened in the name of the girl child and deposits can be made for 14 years. Parents of any girl child below 10 years of age can open a savings account for their daughters and operate it. After the girl reaches 18 years of age, she can withdraw 50% of the amount for marriage or higher study purposes. After the girl reaches 21 years of age, the maturity amount can be withdrawn, including the interest at rates decided by the government every year. The current interest rate is 8.5%.

The investments and returns are exempt from section 80C of Indian Income Tax Act. The scheme offers a high rate of return, even higher than PPF. A maximum investment of INR 1.5 lakhs per

year can be made, while minimum deposit amount is INR 1000 per year. In case of more than one girl child, parents can open another account on a different name, but only for 2 girl children. The only exception is if the parents have twins and another girl child.

The scheme has been a great success. Until June 30, 2018, more than 1.39 crore accounts have been opened across the country, securing an amount of INR 25,979 crore.

6. Stand Up India:

Government of India launched the Stand Up India scheme on 5th April, 2016. The Scheme facilitates bank loans between INR 10 lakhs and INR 1 crore to at least one Scheduled Caste/ Scheduled Tribe borrower and at least one Woman borrower per bank branch for setting up greenfield enterprises. This enterprise may be in manufacturing, services or the trading sector. In case of non-individual enterprises, at least 51% of the shareholding and controlling stake should be held by either an SC/ST or woman entrepreneur. The scheme, which is being implemented through all Scheduled Commercial Banks, is to benefit at least 2.5 lakh borrowers. The scheme is operational and the loan is being extended through Scheduled Commercial Banks across the country.

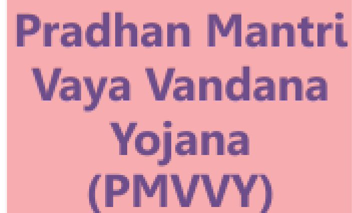
Stand Up India scheme caters to promoting entrepreneurship amongst women, SC & ST categories i.e. those sections of the population facing significant hurdles due to lack of advice/mentorship as well as inadequate and delayed credit. The scheme intends to leverage the institutional credit structure to reach out to these underserved sectors of the population in starting greenfield enterprises. It caters to both ready and trainee borrowers.

To extend collateral free coverage, Government of India has set up the Credit Guarantee Fund for Stand Up India (CGFSI). Apart from providing credit facility, Stand Up India Scheme also envisages extending hand-holding support to the potential borrowers. It provides for convergence with Central/State Government schemes. Applications under the scheme can also be made online on the dedicated Stand Up India portal (www.standupmitra.in).

As on 19th February 2019, INR 15,112 crores has been sanctioned in 69,930 accounts and INR 8275 crores has been disbursed in 53,782 accounts so far.

103 banks with 1,33,236 branches are currently active on the portal.

7. Pradhan Mantri Vaya Vandana Yojana (PMVVY):



Government of India launched the Pradhan Mantri Vaya Vandana Yojana (PMVVY) on 4th May 2017 to provide social security during old age and to protect elderly persons aged 60 and above against a future fall in their interest income due to uncertain market conditions. The scheme enables old age income security for senior citizens through provision of assured pension/return linked to the subscription amount based on government guarantee to Life Insurance Corporation of India (LIC).

The scheme provides an assured return of 8% per annum for 10 years. The differential return, i.e. the difference between return generated by LIC and the assured return of 8% per annum would be borne by Government of India as subsidy on an annual basis. Pension is payable at the end of

each period during the policy tenure of 10 years as per the frequency of monthly/quarterly/ half-yearly/yearly as chosen by the subscriber at the time of purchase.

Minimum purchase price under the scheme is INR 1,50,000 for a minimum pension of INR 1,000 per month and the maximum purchase price was INR 7,50,000 for a maximum pension of INR 5,000 per month. The scheme is exempted from Goods and Services Tax (GST). The scheme was open for subscription for a period of one year, from 4th May 2017 to 3rd May 2018.

The Union Cabinet, chaired by Prime Minister Shri Narendra Modi, has given its approval for extending the investment limit from INR 7.5 lakhs to INR 15 lakhs, as well as extension of time limits for subscription from 4th May 2018 to 31st March 2020 under the scheme as part of government's commitment for financial inclusion and social security.

Further, as a boost to the social security initiatives for senior citizens, the investment limit of INR 7.5 lakh per family in the existing scheme is enhanced to INR 15 lakh per senior citizen in the modified PMVVY, thereby providing a larger social security cover to the Senior citizens. It will enable up to INR 10,000 pension per month for senior citizens.

As of March 2018, a total number of 2.23 lakh senior citizens are being benefited under PMVVY. In the previous scheme of Varishtha Pension Bima Yojana-2014, a total number of 3.11 lakh senior citizens are being benefited.

8. Pradhan Mantri Awas Yojana (PMAY):

Pradhan Mantri Awas Yojana (PMAY) was launched by Prime Minister Narendra Modi on June 25, 2015. PMAY or Housing for All by 2022 is an ambitious housing development project from the central government that aims to provide about 5 crore affordable homes in urban and rural areas across the country. It is divided into two parts – PMAY Urban and PMAY Gramin.

Under PMAY Urban, the Credit Linked Subsidy Scheme (CLSS) is a home loan scheme which offers affordable home loans for people belonging to the Economically Weaker Section (EWS), Low Income Group (LIG) and Middle Income Groups (MIG) 1 and 2 of the society.

First time home buyers i.e. households who do not own, at present, any pucca residential house in India and wish to buy a dream home for their stay may avail the benefit under this scheme.

An interest subsidy on the home loan will be available for a tenure of 20 years or the actual term of the loan, whichever is lower.

Female property ownership is mandatory for EWS/LIG category and not mandatory for MIG category.

Scheme grid

Category	Annual household income (INR)	Interest subsidy (%)	Subsidy calculated on maximum loan amount of INR	Maximum interest subsidy (INR)	Maximum carpet area of the property (sq. m.)
EWS	Up to 3 lakhs	6.5%	6,00,000	2.67 lakhs	60
LIG	3 lakhs to 6 lakhs	6.5%	6,00,000	2.67 lakhs	60
MIG-1	6 lakhs to 12 lakhs	4%	9,00,000	2.35 lakhs	120
MIG-2	12 lakhs to 18 lakhs	3%	12,00,000	2.30 lakhs	150

As on August 23, 2018, the government had sanctioned 53.79 lakh houses.

9. Pradhan Mantri Fasal Bima Yojana (PMFBY):

Pradhan Mantri Fasal Bima Yojana (PMFBY) was introduced on 14th January 2016, in a move aimed at reducing agricultural distress and at farmers' welfare, without having to affect hefty hikes in the Minimum Support Prices (MSP) of agricultural products prices due to Monsoon fluctuations induced risks. The PMFBY Scheme operates on the basis of 'Area Approach' i.e., Defined Areas for each notified crop for widespread calamities.

PMFBY will provide a comprehensive insurance cover against failure of the crop, thus helping in stabilising the income of the farmers and encourage them for adoption of innovative practices.

The objectives of the scheme are

- To provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests & diseases
- To stabilise the income of farmers to ensure their continuance in farming
- To encourage farmers to adopt innovative and modern agricultural practices
- To ensure flow of credit to the agriculture sector

The Scheme can cover all Food & Oilseeds crops and Annual Commercial/Horticultural Crops for which past yield data is available and for which requisite number of Crop Cutting Experiments (CCEs) will be conducted, being a part of the General Crop Estimation Survey (GCES).

The scheme is compulsory for loanee farmer obtaining Crop Loan /KCC account for notified crops. However, it is voluntary for Other/non loanee farmers who have insurable interest in the insured crops.

The Maximum Premium payable by the farmers will be 2% for all Kharif Food & Oilseeds crops, 1.5% for Rabi Food & Oilseeds crops and 5% for Annual Commercial/Horticultural Crops.

The difference between premium and the rate of insurance charges payable by farmers shall be shared equally by the Centre and State.

The seasonality discipline shall be same for loanee and non-loanee farmers.

The scheme will be implemented by AIC and other empanelled private general insurance companies. Selection of Implementing Agency (IA) will be done by the concerned State Government through bidding.

Number of enrolments by farmers during kharif 2018 was 3.33 crores. Premium collected by insurance companies rose to INR 25,046 crore in 2017-18 (including rabi and kharif crop seasons).

10.Pradhan Mantri Mudra Yojana (PMMY):

Pradhan Mantri Mudra Yojana (PMMY) is a scheme launched by the Hon'ble Prime Minister on April 8, 2015, for providing loans up to INR 10 lakh to the non-corporate, non-farm small/micro enterprises. These loans are classified as MUDRA loans under PMMY. These loans are given by Commercial Banks, RRBs, Small Finance Banks, Cooperative Banks, MFIs and NBFCs. The borrower can approach any of the lending institutions mentioned above or can apply online through Mudra portal. Under the aegis of PMMY, MUDRA has created three products, namely, 'Shishu', 'Kishore' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth.

Shishu: This stage would cater to entrepreneurs who are either in their primitive stage or require lesser funds in order to get their businesses started. It covers loans up to INR 50,000.

Kishor: This section of entrepreneurs would belong to those who have already started their business and want additional funds to mobilize their business. It covers loans up to INR 5,00,000.

Tarun: If an entrepreneur meets the required eligibility conditions, he/she could apply for loan for up to INR 10 lakhs. This would be the highest level of amount that an entrepreneur could apply for a startup loan.

As on February 15, 2019, for FY 2018-19, number of loans sanctioned under the scheme is 3,73,39,752, with amount sanctioned INR 2,02,865.31 crore and amount disbursed INR 1,95,222.61 crore.

References

https://www.pmjdy.gov.in/account

http://www.jansuraksha.gov.in/Performance.aspx

http://pib.nic.in/newsite/PrintRelease.aspx?relid=181824

https://factly.in/sukanya-samriddhi-scheme-these-states-are-doing-well/

https://www.standupmitra.in/

http://pib.nic.in/newsite/PrintRelease.aspx?relid=179065

https://economictimes.indiatimes.com/wealth/borrow/heres-how-to-calculate-the-money-you-will-save-on-buying-a-house-under-pradhan-mantri-awas-yojana/articleshow/57269557.cms

https://pmfby.gov.in/

https://www.livemint.com/Politics/nF2FiK4pHIjCzud5oMuphI/Enrolment-under-PMFBY-crop-insurance-scheme-sees-steep-decli.html

ADB Working Paper – WP 568

RBI working paper on credit delivery to Priority sector

NABARD Annual report 2017-18

RBI statistics

http://agriexchange.apeda.gov.in/IndExp/PortNew.aspx

http://commerce-app.gov.in/eidb/searchq.asp?fl=ecomcntq.asp

http://pib.nic.in/newsite/PrintRelease.aspx?relid=181634

https://www.newgenapps.com/blog/tech-trends-banking-insurance-finance-tech-solutions

https://www.ey.com/in/en/industries/financial-services/banking---capital-markets/ey-banking-on-technology-india-banking-industry

Frost and Sullivan Report on Digital Technolgy in BFSI

About APAS

Ashvin Parekh Advisory Services LLP (APAS) was founded in June 2013 and is headquartered in Mumbai, the finance capital of India. APAS is a leading financial advisory firm, providing a wide range of consulting services to a diversified client base, including financial conglomerates, business houses, banking companies, life, general and health insurers, financial institutions, regulators and the government.

Our focus is primarily on business development through advisory services in strategy, processes and people areas. In strategy areas, we focus on diversification, strategic alliances, mergers and acquisitions and business restructuring. We also offer services in the areas of transformation and value creation. In the operation strategy areas, we also render services in product and product design, intermediation and distribution areas, business risk management and governance aspects of the management.

In keeping with the services we offer, we have experts in business and transaction advisory areas. We have teams drawn from the industry to offer services to our clients in business and operation areas in the financial services space.

We have teams focusing on the new banking reforms including the formation of the new banking companies arising out of the new licenses. We offer operational support in the areas of financial inclusion, holding company structures and project management services. We also have focus on the new reforms in the areas of subsidiarisation of foreign banks. In addition, we also conduct high level diagnostic studies for public sector and private sector banks.

Disclaimer:

By reading this report, the reader accepts the disclaimer written herewith. Ashvin Parekh Advisory Services LLP (APAS) has drafted the report which intends to provide information about Social Banking. APAS has obtained the information from publicly available sources. APAS has taken due care and caution in preparation of the report. The report does not contain any kind of investment advice and should not be treated as one providing it. APAS does not guarantee the completeness and accuracy of the information. APAS is not responsible for any kind of omissions, or errors resulting from the use of such information as mentioned in the report. APAS is not be liable to the reader in respect of any losses arising out of any event or events beyond our reasonable control. The report does not contain any information from confidential data provided by any client to APAS.