

IV

CREDIT DELIVERY AND FINANCIAL INCLUSION

Initiatives for improving credit delivery and expanding the reach of financial inclusion during the year were catalysed by the release of the National Strategy for Financial Inclusion (NSFI) document for the period 2019-24, envisaging convergence of efforts of all stakeholders towards achieving the goals of financial inclusion. Efforts towards financial literacy were sustained by the development of a “Train the Trainers” module for capacity building of Business Correspondents (BCs), expanding the Centres for Financial Literacy to tribal blocks and deepening the digital payment ecosystem.

IV.1 The Reserve Bank’s mission is to improve the availability of formal financial services in unbanked areas with the goal of ensuring access to financial services for all. Agriculture and micro, small and medium enterprises (MSMEs) are key sectors for which the flow of institutional credit remains a top priority. Efforts towards achieving this objective are guided by the recommendations of the Expert Committee on MSMEs and an Internal Working Group (IWG) to review agricultural credit.

IV.2 A National Strategy for Financial Inclusion (NSFI) document for the period 2019-24 has been prepared under the aegis of Financial Inclusion Advisory Committee (FIAC). This document was approved by the Financial Stability Development Council (FSDC) and it was released in January 2020.

IV.3 In pursuance of the NSFI strategy, several initiatives were undertaken by the Reserve Bank during the year. First, Pilot Centres for Financial Literacy (CFLs) are being run by banks in collaboration with non-Government organisations (NGOs) to strengthen financial literacy in a structured and coordinated manner. Second, a two-tier Train the Trainers programme “Skill Upgradation for Performance of Resources-BCs” (SUPER-B) was rolled out to build the capacity and skills of Business Correspondents (BCs), for effectively delivering financial services

at the grass-root level. Third, the Reserve Bank advised all State/Union Territory Level Bankers’ Committees (SLBCs/UTLBCs) in October 2019 to identify one district in their jurisdictions and allot it to a member bank with a significant footprint, with a view to expanding and deepening of the digital payment ecosystem in the country. The endeavour is to make the district 100 per cent digitally enabled within one year.

IV.4 Against this backdrop, the rest of the chapter is organised into three sections. The implementation status of the agenda for 2019-20 is presented in Section 2. It also covers the performance of credit flow to priority sectors and developments with respect to financial inclusion and financial literacy. The Agenda for 2020-21 is provided in Section 3. The chapter has been summarised at the end.

2. Agenda for 2019-20: Implementation Status

Goals Set for 2019-20

IV.5 In last year’s Annual Report, the Department had set out the following goals under *Utkarsh*:

- Extension of the Pilot Centre for Financial Literacy (CFL) project to 20 tribal blocks of Rajasthan, Jharkhand and Madhya Pradesh, and will run for a period of two years (Para IV.6);

- The various recommendations made by the Expert Committee on MSME (Chair: Shri U. K. Sinha) will be examined for implementation (Para IV.7); and
- The Reserve Bank constituted an Internal Working Group (IWG) in January 2019 to review agricultural credit (Chair: Shri M. K Jain, Deputy Governor). The recommendations of the Working Group will be examined for implementation (Para IV.8).

Implementation Status of Goals

IV.6 The Pilot Centre for Financial Literacy (CFL), which was set up across 80 blocks in 9 states as an initiative between the banks and NGOs to strengthen financial literacy in a structured and coordinated manner, was extended to 20 tribal blocks across the three states of Madhya Pradesh, Jharkhand and Rajasthan to strengthen financial literacy in tribal areas.

IV.7 The Expert Committee on MSMEs had made 37 recommendations, of which 15 pertain to the Reserve Bank. Among them, video-based Know Your Customer (KYC) norms was implemented in January 2020.

IV.8 The IWG made 29 recommendations, of which 10 pertain to the Reserve Bank, 13 to government, 4 to the National Bank for Agriculture and Rural Development (NABARD) and 2 to banks. Recommendations pertaining to introduction of suitable management information system (MIS) for monitoring purposes, short-term crop loans eligible for interest subvention through *Kisan Credit Card (KCC)*, financial literacy awareness drives for small and marginal farmers, review of scale of finance for crop cultivation, financing farmer producer organisation (FPO) and collaborations with agri-tech companies/start-ups

so as to provide access to credit in an integrated, timely and efficient manner to the farmers have been implemented so far.

CREDIT DELIVERY

Priority Sector

IV.9 The performance of scheduled commercial banks (SCBs) in achievement of priority sector lending targets shows that though a growth was observed in credit in absolute terms, the lending to priority sector as a percentage of adjusted net bank credit (ANBC) or credit equivalent of off-balance sheet exposures (CEOBE) declined across bank groups *vis-à-vis* last year (Table IV.1).

IV.10 Priority Sector Lending Certificates (PSLCs) and the platform to enable trading in these certificates on the core banking solution (CBS) portal (*e-Kuber*), indicates an active participation from all the eligible entities during 2019-20. Total trading volume recorded a robust growth of 43.1 per cent and stood at ₹4.68 lakh crore, on top of the growth of 77.6 per cent in the previous year. Among the four PSLC categories, the highest trading was observed in the case of PSLC-general and PSLC-small and marginal farmer with the transaction volumes being ₹1.70 lakh crore and ₹1.46 lakh crore, respectively, during the year.

Table IV.1: Performance in Achievement of Priority Sector Lending Targets

(₹ Crore)			
End-March	Public Sector Banks	Private Sector Banks	Foreign Banks
1	2	3	4
2018-19	23,05,978 (42.55)	10,18,994 (42.49)	1,54,337 (43.41)
2019-20*	23,14,242 (41.05)	12,72,745 (40.32)	1,67,108 (40.81)

*: Provisional.

Note: Figures in parentheses are percentage to ANBC or CEOBE, whichever is higher.

Source: Priority Sector Returns submitted by SCBs.

Table IV.2: Targets and Achievements for Agricultural Credit

₹ Crore)

Year	Commercial Banks		Rural Co-operative Banks		RRBs		Total	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
1	2	3	4	5	6	7	8	9
2018-19	792,000	954,823	165,000	152,340	143,000	149,667	1,100,000	1,256,830
2019-20*	972,000	1,061,215	202,500	149,694	175,500	162,857	1,350,000	1,373,766

*: Provisional.

Source: National Bank for Agriculture and Rural Development (NABARD).

Review of Priority Sector Guidelines

IV. 11 Bank credit to registered NBFCs (other than MFIs) for on-lending to agriculture (term loan component) up to ₹10 lakh per borrower, and to MSME up to ₹20 lakh per borrower was made eligible for classification as priority sector lending under the categories of agriculture and MSMEs. In respect of Housing Finance Companies (HFCs), the limit of on-lending was increased from ₹10 lakh to ₹20 lakh per borrower. The above guidelines came into effect from August 13, 2019. On-lending by NBFCs/HFCs is allowed up to five per cent of an individual bank's total priority sector lending on an average basis. These guidelines, after a review in March 2020, have been made applicable up to March 31, 2021 and will be reviewed thereafter.

IV. 12 Bank credit to the export sector is eligible for priority sector classification, subject to various limits. In order to provide a boost to the sector, the sanctioned limit for classification of export credit under priority sector lending (PSL) was increased from ₹25 crore to ₹40 crore per borrower and the existing criteria of units having turnover of up to ₹100 crore was dispensed with for all domestic SCBs and small finance banks (SFBs), with effect from September 20, 2019.

Flow of Credit to Agriculture

IV. 13 The Government of India (GoI) fixes the agricultural credit target every year for commercial banks, regional rural banks (RRBs) and rural

co-operative banks. During 2019-20, against the target of ₹13.5 lakh crore, banks have achieved ₹13.7 lakh crore (101.8 per cent of the target), of which commercial banks, RRBs and rural co-operative banks achieved 109.2 per cent, 73.9 per cent and 92.8 per cent of their respective targets (Table IV.2).

IV. 14 The *Kisan Credit Card (KCC)* provides adequate and timely bank credit to farmers under a single window for cultivation and other needs, including for consumption, investment and insurance (Table IV.3).

Relief Measures for Natural Calamities

IV. 15 Currently, the National Disaster Management Framework of the Government of India covers 12 types of natural calamities under its ambit, viz., cyclone; drought; earthquake; fire; floods; tsunami; hailstorm; landslide; avalanche; cloud burst; pest attack; and cold wave/frost. Accordingly, the Reserve Bank has mandated banks to provide relief where the crop loss

Table IV.3: Kisan Credit Card (KCC) Scheme

(Number in Lakh, Amount in ₹ Crore)

Year	Number of Operative KCCs	Outstanding Crop Loan	Outstanding Term Loan
1	2	3	4
2018-19	236.3	4,13,670.4	41,409.0
2019-20*	241.5	4,23,587.8	46,555.8

*: Provisional.

Source: Public Sector Banks and Private Sector Banks.

assessed was 33 per cent or more in the areas affected by these natural calamities. The relief measures by banks, *inter alia*, include restructuring/rescheduling existing loans and sanctioning fresh loans as per the emerging requirement of the eligible borrowers. During 2019-20, natural calamity/riots or disturbances was declared by six states, viz., Odisha, Maharashtra, Kerala, Karnataka, Jammu and Kashmir and Rajasthan. While Kerala and Karnataka witnessed crop losses due to floods in August 2019, Rajasthan was affected by drought during August-October 2019. Maharashtra also experienced excessive rainfall/flood during July-August 2019. Cyclone *Fani* in May 2019 caused widespread devastation in Odisha, while disturbance occurred in Jammu and Kashmir in August 2019. The fresh loan of ₹32,639 crore was provided by banks to affected persons during 2019-20, while loan of ₹13,296

Table IV.4: Relief Measures for Natural Calamities

(Number in Lakh, Amount in ₹ Crore)

Year	Loans Restructured/ Rescheduled		Fresh Finance/ Relending Provided	
	No. of Accounts	Amount	No. of Accounts	Amount
1	2	3	4	5
2018-19	3.90	10,349	5.50	10,983
2019-20*	9.04	13,296	10.06	32,639

*: Provisional.

Source: State Level Bankers Committees.

crore was restructured/rescheduled by banks during the same period (Table IV.4).

IV. 16 The IWG had recommended that in order to curb the misutilisation of interest subsidy, banks should provide crop loans to farmers eligible for interest subvention only through KCC mode (Box IV.1). Accordingly, banks were advised (in

Box IV.1

Report of the Internal Working Group to Review Agricultural Credit and Implications for Agriculture Sector

Agriculture plays a significant role in the development of the Indian economy in terms of its contribution to the overall GDP and employment generation. There are several issues and challenges that impact the sector's performance such as access to credit, regional disparity in availability of credit and issues related to credit culture due to loan waivers. The Reserve Bank announced the setting up of an 'Internal Working Group to Review Agricultural Credit' in the Sixth Bi-Monthly Monetary Policy Statement for 2018-19 (February 7, 2019) to address these issues.

The Working Group's report is available on the Reserve Bank's website. Its recommendations include digitisation of land records; adoption of a technology portal for improving credit delivery; review of priority sector lending guidelines and the process of allocation of rural infrastructure development funds (RIDF) by NABARD to address regional disparity; and, setting up separate targets for working capital and term loan towards allied activities under ground level credit. The IWG also recommended steps to curb misutilisation of the

interest subvention scheme; increased extension of KCC to farmers engaged in allied activities; bringing efficiencies in fixing scale of finance for crop cultivation, animal husbandry and fisheries; strengthening farmer producer organisations through augmenting the corpus of the government guarantee fund; setting up a database; instituting a credit guarantee scheme for the agriculture sector; and addressing the consumption needs of farming households.

Out of 29 recommendations, six recommendations pertaining to introduction of suitable MIS for monitoring purposes, short-term crop loans eligible for interest subvention through KCC mode, financial literacy awareness drives for small and marginal farmers, review of scale of finance for crop cultivation, FPO financing models and collaborations with agri-tech companies/start-ups so as to provide access to credit in an integrated, timely and efficient manner to the farmers have been implemented during 2019-20.

Source: RBI

consultation with the Ministry of Agriculture and Farmers' Welfare, GoI) that all loans eligible for interest subvention and prompt repayment incentive (PRI) should be converted to KCCs by March 31, 2020, which was extended to June 30, 2020 due to COVID-19 pandemic.

Bank Credit to the MSME Sector

IV. 17 Scheduled commercial banks are the major source of formal credit for MSMEs. Increasing credit flow to the MSMEs has been a policy priority for the Reserve Bank and Government. However, along with general credit deceleration, the growth of bank credit to MSMEs also decelerated to 2.34 per cent in 2019-20 (14.08 per cent a year ago) [Table IV.5].

Progress in Implementation of Recommendations of Expert Committee on MSMEs

IV. 18 The Expert Committee on MSMEs made 37 recommendations. The major ones requiring implementation by the Government of India are introduction of comprehensive and holistic MSME code, creation of government-sponsored Distressed Asset Fund and Fund of Funds (FoF) to support Venture Capital/Private Equity firms investing in the MSME sector, reporting of invoices to Information Utility set up under Insolvency and Bankruptcy Board of India (IBBI) for close monitoring of delayed payment cases and creation

of permanent account number (PAN) as unique identifier for non-corporate entity. Further, the Committee had recommended for increasing credit guarantee cover to the extent of 75 per cent of the amount in default (50 per cent at present), and also increase in the limit for collateral-free loans to ₹20 lakh for lending to MSEs and SHGs from ₹10 lakh at present. Both these recommendations, under the Scheme of Credit Guarantee Fund for Micro Units (CGFMU), were notified on April 16, 2020. Furthermore, the integration of three Trade Receivables Discounting System (TReDS) platforms with Government e-Marketplace (GEM) portal was done since February 2020 by the Government. Other recommendations are being considered by the Government of India. Major recommendations pertaining to the Reserve Bank are use of priority sector shortfall funds to create a low cost lending window for state governments for infrastructure projects in clusters, introduction of additional weightage for MSMEs credit in the aspirational districts under priority sector lending, introduction of MSME Lending Innovation Sandbox, video-based KYC, revision of limit for regulatory retail to ₹7.5 crore from ₹5.0 crore, increasing the limit for non-collateralised MSE loans to ₹20 lakh from ₹10 lakh at present. The recommendation relating to video-based KYC has been implemented in January 2020. Other recommendations are under consideration.

Table IV.5: Bank Credit to MSMEs

(Number in Lakh, Amount in ₹ Crore)

Year	Micro Enterprises		Small Enterprises		Medium Enterprises		MSMEs	
	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding
1	2	3	4	5	6	7	8	9
2018-19	255.60	6,59,102.4	23.03	6,38,030.8	2.60	1,97,419.2	320.68	15,10,650.5
2019-20*	352.90	7,16,962.3	23.26	6,33,624.9	3.52	1,95,487.0	379.69	15,46,074.2

*: Provisional.

Source: Priority Sector Returns submitted by SCBs.

Interest Subvention Scheme for MSMEs - Modifications in Guidelines

IV.19 On November 2, 2018, the Government of India had announced a 2 per cent interest subvention for MSMEs on fresh or incremental loans up to ₹100 lakh extended by the banks during 2018-19 (*viz.*, November 2, 2018 to March 31, 2019) and 2019-20. Accordingly, the Reserve Bank had issued guidelines to SCBs in February 2019, under which, all MSMEs having valid *Udyog Aadhaar* Number (UAN) and GST Number are eligible under the scheme. The Government of India has relaxed the guidelines for availing interest subvention, *viz.*, permitting trading activities without UAN, acceptance of claims in multiple lots, submission of statutory auditor certificate by June 30, 2020, settling claims based on internal/concurrent auditor certificate, dispensing requirement of UAN for units eligible for GST. The revised guidelines in this regard were issued by the Reserve Bank on February 5, 2020.

FINANCIAL INCLUSION

Assignment of Lead Bank Responsibility

IV.20 The assignment of lead bank responsibility to a designated bank in every district is done by the Reserve Bank. As at end-June 2020, 12 public sector banks and one private sector bank were assigned lead bank responsibility in 726 districts across the country.

Penetration of Banking Services in Unbanked Rural Centres

IV.21 The use of information technology (IT) and intermediaries in the form of Information and Communication Technology (ICT) based models including BCs, ATMs and mobile vans has increased outreach, scale and depth of banking services at an affordable cost. Payments Banks have also been included under the Lead Bank

Scheme (LBS). As on September 30, 2019 (as reported by SLBCs across the country), 4,87,496 (99.2 per cent) out of 4,91,490 identified villages across the country with population less than 2,000, have been provided with banking services. Out of the 8,687 identified villages with population more than 5,000; 8,200 (94.4 per cent) have been provided with banking services.

Deepening of Digital Payments Ecosystem

IV.22 With a view to expanding and deepening of digital payments ecosystem in the country, the Reserve Bank advised all SLBCs/ UTLBCs in October 2019 to identify one district in their respective States/UTs and allot the same to a member bank having a significant footprint. The allotted bank will endeavour to make the district 100 per cent digitally enabled within one year. SLBCs/ UTLBCs were advised in January 2020 to devise a time-bound roadmap for all branches of member banks (public sector banks, private sector banks, regional rural banks, small finance banks and payments banks) located in the identified district(s) for on-boarding merchants/traders/ businesses/ utility service providers to facilitate full digital transactions by October 2020.

Constitution of Sub-Committee of SLBC/UTLBC on Digital Payments

IV.23 As per the recommendation of the High-Level Committee on Deepening of Digital Payments (CDDP) constituted by the Reserve Bank (Chair: Shri Nandan Nilekani) in January 2019, all SLBC/UTLBC convener banks were advised in August 2019 to set up a Sub-Committee on Digital Payments. It will endeavour to encourage digitisation of payments and enhance financial inclusion through digitisation in their respective States/UTs by undertaking initiatives such as: (i) mapping of financial institutions and streamlining of

bank accounts for facilitating direct benefit transfer; (ii) identification of shadow areas and realignment of banking correspondents; (iii) dedicated financial literacy initiatives to promote digital payments; (iv) leveraging of reach and technical expertise of payments banks to cover the gap of provision of basic banking facilities; (v) monitoring of person to person (P2P) points, debit card floats, Point of Sale (PoS) positioning to enhance effectiveness of digital financial architecture; (vi) ensuring availability of adequate digital infrastructure at all wholesale grain *mandis* and village *haats* so as to introduce digital transactions for the benefit of the rural customers; and (vii) monitoring of Government to Merchant (G2M), Government to Person (G2P), Person to Government (P2G) and Merchant to Government (M2G) transactions. The

Sub-Committee will assess levels of digitisation and find solutions to increase penetration.

Financial Inclusion Plan

IV.24 The Financial Inclusion Plans (FIPs) provide a structured and planned approach to financial inclusion with a commitment at the highest echelons within banks in terms of Board-approved FIPs. The Plan captures self-set targets of the banks on parameters such as number of outlets (branches and BCs), Basic Savings Bank Deposit Accounts (BSBDAs) opened by bank branches and BCs, overdraft facilities availed in those accounts, transactions in KCC, General Credit Card (GCC) accounts and transactions through the BC-ICT channel. The progress made on these parameters is reported to the Reserve Bank by banks on a monthly basis (Table IV.6).

Table IV.6: Financial Inclusion Plan: A Progress Report (End-March)

Particulars	2010	2019	2020*
1	2	3	4
Banking Outlets in Villages- Branches	33,378	52,489	54,561
Banking Outlets in Villages>2000-BCs	8,390	1,30,687	1,49,106
Banking Outlets in Villages<2000-BCs	25,784	4,10,442	3,92,069
Total Banking Outlets in Villages – BCs	34,174	5,41,129	5,41,175
Banking Outlets in Villages – Other Modes	142	3,537	3,481
Banking Outlets in Villages –Total	67,694	5,97,155	5,99,217
Urban Locations Covered Through BCs	447	4,47,170	6,35,046
BSBDA - Through Branches (No. in Lakh)	600	2,547	2,616
BSBDA - Through Branches (Amt. in Crore)	4,400	87,765	95,831
BSBDA - Through BCs (No. in Lakh)	130	3,195	3,388
BSBDA - Through BCs (Amt. in Crore)	1,100	53,195	72,581
BSBDA - Total (No. in Lakh)	735	5,742	6,004
BSBDA - Total (Amt. in Crore)	5,500	1,40,960	1,68,412
OD Facility Availed in BSBDAs (No. in Lakh)	2	59	64
OD Facility Availed in BSBDAs (Amt. in Crore)	10	443	529
KCC - Total (No. in Lakh)	240	491	475
KCC - Total (Amt. in Crore)	1,24,000	6,68,044	6,39,069
GCC - Total (No. in Lakh)	10	120	202
GCC - Total (Amt. in Crore)	3,500	1,74,514	1,94,048
ICT-A/Cs-BC-Total Transactions (No. in Lakh) #	270	21,019	32,318
ICT-A/Cs-BC-Total Transactions (Amt. in Crore) #	700	5,91,347	8,70,643

* Provisional. #: Transactions during the year.

Source: FIP returns submitted by banks.

Monitoring of Progress of Financial Inclusion (MPFI)

IV.25 In order to align the Reserve Bank's policies with the vision outlined in the National Strategy for Financial Inclusion (NSFI) document for the period 2019-24, the FIP template has been revised and rechristened as "Monitoring Progress of Financial Inclusion (MPFI)" to capture more granular data and qualitative aspects on the ground level. Data under MPFI will be automated through Automated Data Extraction Project (ADEPT) of the Reserve Bank.

Recent Initiatives Undertaken for the BC Model

IV.26 With a view to strengthening the BC framework and deepening financial inclusion, a framework for graded certification for BCs was issued to Indian Banks' Association (IBA) for further implementation. Accordingly, domestic SCBs, including SFBs, have been advised to complete the BC certification process being conducted by Indian Institute of Banking and Finance (IIBF) in a time-bound manner by December 31, 2020. Payment banks have been advised to complete the BC certification process on a staggered timeline, based on the number of BCs. As reported by IIBF, during the year 2019-20, more than ninety-five thousand BCs have been certified.

Train the Trainers Programme for Capacity Building of Business Correspondents

IV.27 A two-tier Train the Trainers (ToT) programme titled 'Skill Up-gradation for Performance of Resources – Business Correspondents (SUPER-B)' for capacity building and skill upgradation of the BCs was designed to deliver financial inclusion effectively at the grass-root level. In the first tier held in three phases,

trainers, officials/faculties of the SCBs and Lead District Officers (LDOs) from the regional offices of the Reserve Bank were trained. Banks have been advised to complete the tier-II of the programme, which entails training of rural branch managers who, in turn, will handhold and sensitise the BCs attached to their branches. As on July 31, 2020, nearly 39,000 rural branch managers were trained in the second leg of the programme.

FINANCIAL LITERACY

IV.28 The mid-line survey¹ forming part of the impact assessment of the pilot project on CFL was completed during 2019-20. The observations/findings of the mid-line survey are as under:

- a. The mid-line survey suggests broader reach of the CFL programme and more substantive engagement of respondents;
- b. "Active" participation, viz., face-to-face meetings or trainings, yields better results both for financial literacy and for increasing use and uptake of products, notably savings bank accounts; and
- c. The willingness to use the grievance redressal mechanisms and faith that these grievances will be quickly and satisfactorily resolved show marginal improvements, and is evident more specifically with those who have "active" exposure to the awareness programmes.

IV.29 The survey has also suggested that financial literacy can be improved by broad-based exposure and leveraging network-based transmission of such information and knowledge. However, encouraging product use and uptake of financial products and services, needs more focused, targeted and sustained efforts with

¹ Mid-line survey means data collected midway to estimate the impact of phased randomisation.

handholding for greater impact.

Activities Conducted by Financial Literacy Centres (FLCs)

IV.30 As at the end of March 2020, 1,467 Financial Literacy Centres (FLCs) were operational in the country. During 2019-20, 1,48,444 financial literacy related activities were conducted by the FLCs, up from 1,45,427 activities undertaken during the previous year.

Observing Financial Literacy Week 2020

IV.31 The Financial Literacy Week (FLW) is an initiative of the Reserve Bank to promote awareness among masses/various sections of the population on key topics through a focused campaign every year. During 2019-20, FLW was observed during February 10-14, 2020 on the theme of MSMEs. Content in the form of posters/leaflets and audio visuals on aspects relating to formalisation, collateral free loans, discounting of receivables, rehabilitation of stressed units and timely repayment were prepared, in order to build awareness and disseminate financial literacy messages on the MSME sector. Banks were advised to display the posters and content in their rural bank branches, FLCs, ATMs and websites. The Reserve Bank also undertook a centralised mass media campaign during February 2020 to disseminate essential financial awareness messages to MSME entrepreneurs.

The Second National Strategy for Financial Education (NSFE: 2020-25)

IV.32 The National Strategy for Financial Education (NSFE) prepared under the aegis of the Technical Group on Financial Inclusion and Financial Literacy (TGFIFL) [Chair: Deputy Governor in charge of FIDD, RBI] with members from the Government of India and the Financial Sector Regulators (RBI, SEBI, IRDAI and

PFRDA) was approved by the Sub-Committee of the Financial Stability and Development Council (FSDC-SC) chaired by Governor, RBI. The NSFE for period 2020-25 intends to realise the vision of a financially aware and empowered India by helping the people of the country to develop adequate knowledge, skills, attitudes and behaviour which are needed to manage their money better and to plan for the future. The strategy recommends adoption of a multi-stakeholder approach to achieve financial well-being of Indians. The recommendations laid down in the strategy will be implemented by the National Centre for Financial Education (NCFE) in consultation with various stakeholders and periodically monitored by the TGFIFL under the FSDC-SC during the period of the strategy (2020-25).

Impact of COVID-19 on Credit Delivery and Financial Inclusion

IV.33 The challenges that beset progress of financial inclusion due to the outbreak of COVID-19 are unprecedented and necessitate a multipronged approach from all stakeholders concerned. The impact of the pandemic brought to the fore the crucial role played by the alternate delivery channel, particularly BC model, catering to the needs of vulnerable section of the society. Business Correspondents have been extending banking services to the last mile and with announcement of disbursing cash benefits to beneficiaries by Government of India under *Pradhan Mantri Garib Kalyan Yojana*, operations at BC points, particularly cash withdrawals have witnessed significant surge. Several steps were taken by banks to facilitate delivery of financial services at BC outlets by way of enhancing overdraft limit in settlement accounts, providing financial support to BCs for meeting cost towards hygiene, transportation, insurance cover and also

regularly educating BCs on the precautionary guidelines.

IV.34 In order to safeguard the interest of farmers, interest subvention and prompt repayment incentive for short-term loans have been continued to the extended period of moratorium. To incentivise banks, the funds availed by banks under the TLTRO 2.0 scheme which are deployed in specified securities issued by small and mid-size NBFCs and MFIs were exempted from ANBC for the purpose of determining priority sector targets/sub-targets. Similarly, under the special liquidity facility for mutual funds (SLF-MFs), the face value of securities acquired under the SLF-MF and kept under HTM category was allowed to be deducted while computing the ANBC.

3. Agenda for 2020-21

IV.35 For the year, the Department would undertake the following measures towards enhancing credit delivery and financial inclusion:

- Review of Train the Trainer (TOT) programme for capacity building of BCs and Business Correspondent Registry (*Utkarsh*);
- Develop on-line financial literacy modules for specific target audience (*Utkarsh*);
- Complete the end-line impact assessment survey of the pilot project on CFL (*Utkarsh*);

- Monitor implementation of the recommendations of the “Expert Committee on MSMEs” and “Internal Working Group to Review Agricultural Credit” (*Utkarsh*);
- Monitor implementation of the National Strategy for Financial Education (NSFE); and
- Review of guidelines of priority sector lending.

4. Conclusion

IV.36 In sum, the recommendations of the Expert Committee on MSMEs and the Internal Working Group on agriculture credit had set the agenda for the year, to undertake various measures to improve inclusiveness and also enhance flow of credit to these sectors. Initiatives, viz., BC Registry, BC Certification and Train the Trainers would strengthen the BC model in the long-term. Further, the implementation of the strategy adopted under the NSFI document would, *inter alia*, strengthen financial literacy, expand and deepen digital payment system and improve MIS to monitor banks’ progress in the financial inclusion sphere. Going ahead, while the focus will be to implement the remaining recommendations of the above-mentioned reports, a comprehensive review of the extant guidelines on priority sector lending will also be taken up in the ensuing year.