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CAB Calling

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Mohandas Karamchand Gandhi (fondly, Gandhiji) led the Dandi March from Sabarmati Ashram in Ahmedabad to Dandi, a small coastal village in Navsari district of Gujarat. As Gandhiji and 78 other people walked the 240 miles (390 kms.) to Dandi, growing numbers of Indians joined them along the way. The 'Dandi March' ended after a 24-days walk to produce salt without paying the salt tax. When Gandhiji broke the salt laws at 6:30 am on April 6, 1930, it sparked largescale acts of civil disobedience against the British Raj. The campaign had a significant effect on changing world and British attitudes towards Indian sovereignty and self-rule and motivated large numbers of Indians to join the freedom struggle for the first time. The Great Dandi March that sought solution in salt emanated from 'helplessness' perpetrated by the British Raj. Salt was a deeply symbolic choice, an item of daily use and it could resonate with all classes of citizens far more than abstract demands for greater political rights.

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मुख्य संपादक की कलम से

From the Desk of Editor-in-Chief

प्रिय पाठकगण,

सीएबी कॉलिंग के इस अंक में चार महत्त्वपूर्ण विस्तृत लेख शामिल हैं। मैं आपको इन लेखों का संक्षिप्त पूर्वावलोकन देना चहुंगी।

सर्वप्रथम, 'भारत में वित्तीय समावेशन और आर्थिक विकास' शीर्षक वाला लेख देश में वित्तीय समावेशन की स्थिति और प्रगति के उपलक्ष्य में है। इसमें स्वयं सहायता समूह-बैंक लिंकेज कार्यक्रम, किसान/जनरल क्रेडिट कार्ड, गांवों में बैंकिंग आउटलेट, व्यापार संवाददाता मॉडल और पीएमजेडीवाई में वृद्धि के बारे में चर्चा की गई है। लेखक ने इस लेख में वित्तीय समावेशन से संबन्धित विभिन्न चुनौतियों पर चर्चा की है और सभी के लिए वित्तीय समावेश सुनिश्चित करने के लिए कुछ सुझाव भी दिए हैं।

दूसरा लेख पीयर-टू-पीयर (P2P) ऋण के क्षेत्र में आनेवाली चुनौतियों और अवसरों से संबन्धित है। पीयर-टू-पीयर ऋण की लोकप्रियता समूचे विश्व में बढ़ रही है। यह पद्धति दोनों ही पक्षों - ऋण देनेवाले तथा ऋण लेनेवाले - के लिए लाभकारी सिद्ध हो सकती है। ऋण देनेवाले को अधिक ब्याज मिलने की संभावना रहती है। साथ ही, इस पद्धति से अपवर्जित और अल्पसेवा प्राप्त क्षेत्रों में स्थित लोगों तक वित्तीय सेवाएँ पहुँचने में भी सहायता मिलती है। इस लेख में पीयर-टू-पीयर ऋण के इतिहास और यांत्रिकी के अलावा, इस व्यापार मॉडल के फायदे और नुकसान पर भी चर्चा की गई है। यह लेख पीयर-टू-पीयर ऋण व्यापार का एक वैश्विक परिप्रेक्ष्य देता है।

तीसरा लेख वित्तीय साक्षरता केंद्रों (FLCs) के स्थायित्व से संबंधित है । वित्तीय साक्षरता केंद्र वे इकाई हैं जो ज़मीनी स्तर पर वित्तीय साक्षारता के कार्यकलापों को को प्रारम्भ कर प्रभावी वित्तीय समावेशन, उपभोक्ता

Dear Readers,

This issue of CAB Calling contains four feature length articles. Allow me to give you a brief preview of these articles.

The first article titled Financial Inclusion and Economic Growth in India dwells on the status and progress of financial inclusion. It discusses about the growth in SHG-Bank Linkage Programme, Kisan/General Credit Cards, banking outlets in villages, Business Correspondent model and PMJDY. In this article, the authors have discussed the various challenges to financial inclusion and made certain suggestions to ensure financial inclusion for all.

The second article is on challenges and opportunities in Peer-to-Peer (P2P) lending. P2P lending is slowly gaining traction across the globe and there are several advantages of P2P lending for both borrowers and lenders in terms of higher return potential and increased access to credit for excluded and the underserved segments. In this article, apart from the history and mechanics of P2P lending, the pros and cons of the business model have also been discussed.. The article gives a global perspective of the business of P2P lending.

The third article is regarding the sustainability of financial literacy centres (FLCs). FLCs are the building blocks that initiate the financial literacy acitivities at the ground level for effective financial inclusion and ultimately achieving consumer protection and financial stability. The article is a

संरक्षण व वित्तीय स्थिरता में वृद्धि करने में सहायक होती हैं । यह लेख वित्तीय साक्षरता केंद्रों के कार्यनिष्पादन, वित्तीय साक्षरता और उनके कामकाज के स्थायित्व पर जागरूकता फैलाने के लिए वित्तीय साक्षरता केंद्रों द्वारा अपनाई गई सर्वोत्तम प्रथाओं के अध्ययन पर ध्यान केंद्रित करता है।

चौथा लेख हिंदी भाषा में है। यह लेख देश में प्रभावी भुगतान और निपटान प्रणाली होने के महत्व को उजागर करता है। लेखक ने विभिन्न भुगतान उत्पादों और एक कुशल भुगतान प्रणाली का वित्तीय स्थिरता, मौद्रिक नीति प्रसारण और राजकोषीय नीति पर प्रभाव के बारे में चर्चा की है।

ऊपरोक्त के अलावा एक लघु–लेख बैंकिंग उद्योग में प्रतिभा प्रबंधन के लिए एक साधन के रूप में उभरती 'मूल्यांकन केंद्र' प्रणाली पर है। इनके अतिरिक्त, चार पुस्तकों की समीक्षा और हमारे नियमित विषय, जैसे कि कॉलेज से संबंधित महत्वपूर्ण परिपत्रों का सार और ' कैम्पस कैप्सूल ' भी सम्मिलित हैं। यह सभी आप को निश्चित रूप से एक परिपूर्ण पठन का अनुभव देंगे।

– मधुमिता सरकार देब

study focused on performance of FLCs, best practices adopted by FLCs for spreading awareness on financial literacy and the sustainability of their functioning.

The fourth article in Hindi deals with the importance of having an effective payment and settlement system in the country. The author has discussed about various payment products and the impact of an efficient payment system on the financial stability, monetary policy transmission and fiscal policy.

In addition to the above, there is an article-in-brief on Assessment Centre as a tool for talent management in banking industry.

Four book reviews and our regular items such as gist of important circulars related to banking regulation, cooperative banking regulation, banking supervision and financial inclusion and development and the 'campus capsule' are sure to give you a wholesome and fulfilling reading experience.

- Madhumita Sarkar Deb

Feature Articles

Financial Inclusion and Economic Growth in India

Dr. B. B. Sahoo*

Abstract

According to 2011 Census report, India is home to around 83.3 crore people living in nearly 6.40 lakh villages. Further, 21.7 crore people are living below poverty line in rural areas according to the Poverty estimates of 2011-12. Financial inclusion has the ability to uplift financial conditions and improve the standards of living of the poor and the weaker sections of the society. In this connection, access to financial services is a key element for coming out of poverty. But it is not viable for banks to reach all the villages and all the people through a brick-and-mortar model. This is where technology can play a pivotal role to make branchless banking a reality. Using mobile banking, micro-ATM and Business Correspondent model, banks may reach the unreached and bank the unbanked. The paper has made an attempt to study the status and progress of financial inclusion in India and also estimate the relationship between financial inclusion and economic growth using a multiple regression model.

Key words: Financial Inclusion, Brick-and-Mortar model, Multiple Regression model

Introduction

Financial inclusion is widely recognized as one of the important drivers of economic development. More particularly, it has the ability to uplift financial conditions and improve the standard of living of the poor and the disadvantaged. According to the *Global Findex Database 2014*[1], more than half of the world's adult population did not have bank account. Certain segments of the population experience difficulties in obtaining appropriate access to financial services such as savings account, debit card, insurance facilities and they depend on high cost informal sources such as money lenders for their financial needs. Of late, the GDP growth rate in India is one of the highest in the world. But the benefits of growth have not trickled down from urban areas to rural areas and from the rich to the poor. Even after seven decades of independence, large sections of underprivileged population are outside the formal banking system. Understanding the importance of financial inclusion of the people living in unbanked areas, both the Government of India and the Reserve Bank of India have been giving top priority on providing financial access to the poor and other disadvantaged sections of the

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[1]The Global Findex Database 2014, Measuring Financial Inclusion around the World, World Bank

society[2]. In spite of various measures, many people in unbanked areas do not get banking services. Due to high operating cost, high maintenance cost, small ticket size transactions and growing Non Performing Assets, the banking sector has been facing difficulties in financing the weaker sections and low income groups.

Banking services are in the nature of public good. Therefore, it is essential that banking services must be made available to the entire population without any discrimination. The Government of India and the Reserve Bank of India have been undertaking several initiatives for extending financial inclusion. As a result, there has been a great progress in expanding financial inclusion in recent years. In this context, the paper intends to study the following:

- Status and progress of financial inclusion in India
- Relationship between financial inclusion and economic growth
- Suggestions for improving the quality of financial inclusion

II. Methodology

The study was based on secondary sources of information. The main sources of information were reports and publications of RBI, Ministry of Finance, Government of India, research articles, journals and magazines. The various websites of RBI, Ministry of Finance, Ministry of Agriculture, etc., were also visited for collection of data. Gross Domestic Product is an important indicator exhibiting the development and growth of a country and also a basic measure of a country's overall economic performance. Therefore, many researchers have taken GDP as an indicator of financial inclusion[3]. The Financial Access Survey conducted by the International Monetary Fund (IMF) has also shown that deposits in African commercial banks increased five-fold while GDP per capita grew by 40 percent[4] between 2004 and 2013. As there is no standard measure of financial inclusion, in the present study, economic growth has been proxied as Gross Domestic Product at market price and the number of bank branches, number of Automated Teller Machines (ATMs) and Credit Deposit Ratio (CDR) of scheduled commercial banks were taken as the Financial Inclusion Variables (FIVs). In the regression analysis, GDP was taken as dependent variable and the FIVs were taken as independent variables. Thus, the relationship between economic growth and financial inclusion variables had been established through a regression model.

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[2]Concerted efforts have been made by the Government of India and the Reserve Bank of India to enable access of the poor to financial products and services from mainstream financial institutions through introduction of SHG-Bank Linkage Programme, Joint Liability Groups, Basic Savings and Deposit Accounts, Simplified KYC norms, Use of Intermediaries, General Credit Cards, Financial Literacy Drive, Use of technology, Opening of bank branches in unbanked areas, Financial Inclusion Plan, Direct Benefit Transfer, etc.

[3]Iqbal Badar Alam and Sami Shaista (2017) - '*Role of banks in financial inclusion in India*', Contaduria y Administracion 62 (2017) 644-656 http://www.contaduriyadministracionunam.mx/; Chithra, N., & Selvam, M (2013)- Determinants of financial inclusion: An empirical study on the inter-state variations in India.

[4]Financial Inclusion and GDP Growth Report, September 2015, International Monetary Fund.

Data analysis

Simple ratio, percent and compound annual growth rate were used for data analysis. But for studying the impact of financial inclusion on the rural economy, multiple regression model has been performed. The period under consideration for the analysis was from 2010-11 to 2016-17. By applying Ordinary Least Square (OLS) method, the analysis has been done. The variables used in the model were as under:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu$

Where, Y, the Dependent variable = Gross Domestic Product

X_1 = Total number of bank branches

X_2 = Annual growth rate of ATMs

X_3 = Credit Deposit Ratio

μ = Error terms

III. Results, Discussions and Analysis

Access to financial sources by rural households

Rural credit markets in India are characterized by the coexistence of both formal and informal sources of finance and the market is fragmented. The primary sources of institutional credit are Commercial Banks, Regional Rural Banks and Cooperative Banks and the sources of non-institutional credit are money lenders and friends & relatives. Table 1 presents the share of institutional and non-institutional sources in the total debt outstanding of rural households in different years from 1951 to 2013. It is evident from the table that the share of rural informal credit in total outstanding debt has been decreasing over the years with various financial inclusion initiatives of the Government and the Reserve Bank of India. But the pace of the decline is very slow. It is also observed that although the share of informal credit in total outstanding debt decreased from 92.8 percent in 1951 to 36.0 in 1991, it further increased to 42.5 percent in 2002 and then to 44.0 percent in 2013. That means, even today, a substantial segment of the rural households are still dependent on money lenders, relatives and friends.

Table 1: Institutional and Non-Institutional debt outstanding of rural households (Percent)

Year	Institutional debt outstanding	Non-Institutional debt outstanding
1951	7.2	92.8
1961	14.8	85.2
1971	29.2	70.8
1981	61.2	38.8
1991	64.0	36.0
2002	57.1	42.5
2013	56.0	44.0

Source: All India Debt and Investment Survey (AIDIS), NSSO Survey, Various Rounds

Status & Progress of Financial Inclusion

Financial inclusion efforts seek to ensure that all households and businesses, regardless of income level, have access to and can effectively use the appropriate financial services they need to improve their lives. The benefits of financial inclusion are not only limited to individuals but also to the economy as a whole. Financial inclusion is considered essential for fostering economic growth in a more inclusive manner. By reducing extreme poverty and building prosperity, it helps accelerate economic progress. Understanding its importance, the Government of India (GoI), the Reserve Bank of India (RBI), NABARD and such other institutions have been undertaking several initiatives to bring the poor and unbanked people into the fold of formal financial system. While the Government has introduced various Social Security Schemes such as Prime Minister Jan Dhan Yojana (PMJDY) and Atal Pension Yojana (APY), the RBI has introduced 'no-frills' accounts, eased KYC norms for opening accounts, allowing banks to offer more products and supportive measures to achieve sustainable and scalable financial inclusion. Further, the RBI in April 2015 revised the Priority Sector Guidelines and included a clause for financing small and marginal farmers to the tune of 8 percent of the banks' adjusted net bank credit. Similarly, NABARD's Self Help Group Bank Linkage Programme (SBLP), Kisan Credit Card scheme, financing and refinancing cooperative banks, regional rural banks and commercial banks are some important initiatives for the financial inclusion drive. The status and progress of financial inclusion in the country are as under:

Growth in Self Help Group Bank Linkage Programme (SBLP)

In the early 1990s, Self Help Group Bank Linkage Programme (SBLP) emerged in response to the gap in availability of banking services for the un-served rural population. This SHG programme is a strong intervention in financial inclusion for the people living at grass roots level. The movement, now in its 26th year, has emerged as a powerful intervention to extend formal financial services to those who were earlier un-served. The SBLP programme is one of the effective tools for poverty reduction. It provides access to financial services that can help to reduce poverty by promoting opportunities and facilitating empowerment. This movement has shown that lending to the poor is feasible and when small loan products are offered to the poor even without collateral, they repay the dues on time. Table 2 presents the details of year-wise number of SHGs with savings linkage, credit disbursed and loans outstanding from 2010-11 to 2016-17. The total number of SHGs linked with banks in the country stood at 85.77 lakh with savings aggregating Rs. 16,114 crore as on 31 March 2017. Further, 48.48 lakh SHGs had loans outstanding aggregating Rs. 61,581 crore. It can be observed from the table that NPA level, which was 4.7 percent in 2010-11, increased to 6.5 percent in 2016-17.

Table 2: Year-wise Self Help Groups - savings linked and loans outstanding, along with NPA level

(Number in Lakh, Amount in Rs.Crore and NPA in %)

Year (End-March)	Savings linked		Loans outstanding against SHGs		
	Number	Amount	Number	Loans o/s	NPA level
2010-11	74.62	7016.30	47.87	31221.16	4.7
2011-12	79.60	6551.41	43.54	36340.00	6.1
2012-13	73.18	8217.25	44.51	39375.30	7.0
2013-14	74.30	9897.42	41.97	42927.52	6.8
2014-15	76.97	11059.84	44.68	51545.46	7.4
2015-16	79.03	13691.39	46.73	57119.23	6.4
2016-17	85.77	16114.23	48.48	61581.30	6.5
CAGR (%)	2.3	14.9	0.2	12.0	--

Source: NABARD's Annual Report, Various years

Growth in Kisan/General Credit Cards

Table 3 presents the details of year-wise Kisan Credit Cards (KCCs) and General Credit Cards (GCCs) issued by the scheduled commercial banks from 2010 to 2017. It is evident from the table that the number of KCCs issued by the scheduled commercial banks increased from 24.3 million in 2010 to 46 million in 2017 at an annual rate of 9.5 percent. Similarly, amount per account increased from Rs.510 to Rs.1262 at an annual rate of 13.8 percent. Thus, the total amount in 46 million KCC accounts as on 31 March 2017 was Rs.5,805 billion. On the other hand, the number of General Credit Cards (GCCs) increased at an annual rate of 37.5 percent from 2010 to 2017 and during the same period, per account amount increased at an annual rate of 30.6 percent.

Table 3: Year-wise KCC and GCC

(No in Millions and Amt in Rs.)

Year	Kisan Credit Cards		General Credit Cards	
	Number	Amt/Ac	Number	Amt/Ac
2010	24.3	510.3	1.4	250.71
2011	27.1	590.4	1.7	206.47
2012	30.2	684.9	2.1	199.05
2013	33.8	776.0	3.6	211.94
2014	39.9	923.4	7.4	1482.30
2015	43.0	1019.1	9.0	1446.67
2016	47.0	1091.7	11.0	1357.27
2017	46.0	1262.0	13.0	1628.46
CAGR (%)	9.5	13.8	37.5	30.6

Source: Annual Report, Various Issues, Reserve Bank of India

Table 4: Banking outlets in villages

Year	Branch mode	Branchless mode	Total
2010	33378	34316	67694
2011	34811	80802	115613
2012	37471	141136	178607
2013	40837	227617	268454
2014	46126	337678	383804
2015	49571	504142	553713
2016	51830	534477	586307
2017	50860	547233	598093
CAGR (%)	6.2	48.5	36.5

Source: Annual Report, Various Issues, Reserve Bank of India

Growth in banking outlets in villages

According to 2011 Census of India, 68.8 percent of Indians live in 6,40,867 villages. The Government's focused thrust and supportive action plan has resulted in a significant growth in the number of banking outlets in rural areas. The financial agencies, fuelled by new technologies and communication infrastructure, have been offering banking facilities to the rural customers even in unbanked villages through branchless mode. Table 4 presents growth of banking outlets in villages from 2010 to 2017. The number of banking outlets in villages, which was 67,694 in 2010, increased to 5,98,093 in 2017 at an annual rate of 36.5 percent. It is interesting to observe that due to the recent advancement of technology and communication infrastructure, branchless mode banking outlets increased very fast even in remote villages. For example, while banking outlets through branch mode increased at an annual rate of 6.2 percent from 2010 to 2017, it increased at an annual rate of 48.5 percent through branchless mode. Further, banking outlets through branchless mode, which was only 50.7 percent in 2010, increased to 91.5 percent in 2017.

Growth of Business Correspondent model

The RBI in January 2006 issued guidelines allowing banks to employ intermediaries such as Business Correspondents[5] (BCs) and Business Facilitators (BFs). Accordingly, the BCs are permitted to carry out banking transactions on behalf of the bank as agents. The Business Facilitators, on the other hand, facilitate the banks to carry out their transactions and pursue the clients' proposals, but they do not transact on behalf

[5]Business Correspondents (BCs) are individuals/entities engaged by a bank for providing banking services in unbanked / under-banked areas. The BC works as an agent of the bank and substitutes for the brick and mortar branch of the bank. The words Business Correspondent, Customer Service Point and Kiosk Operator are used interchangeably and they refer to the work of the Business Correspondents.

of the bank. Since then, the business correspondent (BC) model in India has witnessed many regulatory and policy changes so as to make it more effective and efficient. The programme has been doing well in financial inclusion. But it is a cause of concern that the number of dormant accounts has also been rising.

Table 5 presents the details of year-wise transactions in the BC accounts from 2010 to 2017. As on 31 March 2017, 27 million transactions with an amount of Rs.7 billion were made. But by the end of March 2017, the number of transactions and amount of transactions were 1159 million and Rs.2652 billion respectively. Thus, the annual rate of growth in number of transactions and per account amount transacted from 2010 to 2017 were 64.3 percent and 37 percent respectively. The amount transacted per BC account, which was Rs.2.59 as on 31 March 2010, increased to Rs.22.88 as on 31 March 2017. Figure 1 shows the growth trend of the number of transactions and amount of transactions in the BC accounts from 2010 to 2017.

Table 5: Year-wise transactions in BC accounts

(No in Millions and Amt in Rs.Billion)

Year	Number	Amount	Rs./ Account
2010	27.0	7.0	2.59
2011	84.2	58.0	6.89
2012	155.9	97.1	6.23
2013	250.5	233.9	9.34
2014	328.6	524.4	15.96
2015	477.0	859.8	18.03
2016	827.0	1159.0	14.01
2017	1159.0	2652.0	22.88
CAGR (%)	71.1	133.5	36.5

Source: Annual Report, Reserve Bank of India, Various Issues

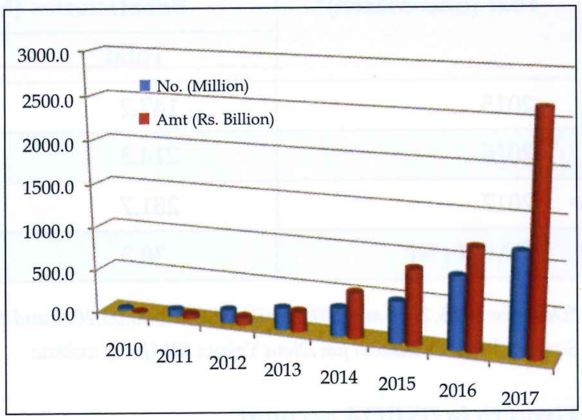

Figure 1: Trends in transactions in BC accounts

Growth in PMJDY account

For extending formal financial services such as Banking Savings & Deposit Accounts, Remittances, Credit, Insurance and Pension in an affordable manner to the excluded people, the Government of India launched Prime Minster Jan Dhan Yojana (PMJDY) on 28 August 2014. On the inauguration day, 15 million bank accounts were opened under the scheme. The major features of the scheme include: (i) the facility to open a basic savings bank deposit (BSBD) account in any bank branch or BC outlet; (ii) accidental insurance cover and life insurance cover; and (iii) an overdraft (OD) facility after satisfactory operation of the account for six months. Since the inception of the scheme, 281.7 million accounts had been opened by March 31, 2017. The Government of India has initiated routing of subsidy payments and also introduced insurance and pension products for BSBD account holders including for those accounts opened under PMJDY. To ensure increased activity in these accounts, the efforts that needed to be taken include: (i) rolling out direct benefit transfer (DBT) for all Central and State Government payments; (ii) offering appropriate credit products (farm and non-farm sector) after due diligence; (iii) strengthening the BC network; and (iv) increasing awareness through financial literacy initiatives.

Table 6 presents the details of the accounts and deposits amount in PMJDY accounts as on end March of the last three years. It can be observed from the table that the number of accounts under PMJDY as on 29.03.2017 was 281.7 million with deposit amount of Rs.629.7 billion. Thus, deposits per account, which, was Rs.1065 as on 01.04.2015, increased to Rs.2236 as on 29.03.2017. It can also be observed that around 60 percent of the beneficiaries are from rural and semi-urban areas.

Table 6: Details of accounts and deposits amount under PMJDY scheme

Year (End-March)*	Beneficiaries (Million Number)		Deposits in accounts (Rs. Billion)
	Total	Rural Areas	
2015	147.2	87.8	156.7
2016	214.3	131.7	356.7
2017	281.7	168.7	629.7
CAGR (%)	38.3	38.6	100.5

Dates for 2015, 2016 and 2017 are 01.04.2015, 30.03.2016 and 29.03.2017 respectively

Source:: Pradhan Mantri Jan Dhan Yojana (PMJDY) website

Growth in BSBDA account

The financial inclusion programmes in India became more focused with the introduction of 'No-Frills Account (NFA)' in 2005. Under the scheme, the NFA offers minimum banking facilities to the account holders by having a zero balance. Later, in 2012, the No Frill Accounts were replaced with Basic Savings Bank Deposit Account (BSBDA) with the objective of strengthening the efforts for furthering Financial Inclusion drive. All the accounts opened earlier as 'no-frills' account were then renamed as BSBDA. Table 7 presents the details of no-frills account/BSBD account from 2010 to 2017. Under the scheme, a total of 533 million accounts with savings deposit of Rs.977 billion were opened by the end of March 2017.

It is important to observe here that the annual growth rate in number of accounts under branchless mode at 54.5 percent was much higher than that under branch mode at 22.8 percent, which is mainly because of digital/technological revolution. On the other hand, the annual growth in savings amount per account under branchless mode was only 3.7 percent, when it was 20.4 percent under branch mode, which was mainly because of trust factor of the account holders. But slowly and steadily, savings amount per account has been rising. Figure 3 shows the growth trends of accounts and amount per account through BSBDA from 2010-11 to 2016-17.

Table 7: Details of year-wise number and deposits amount of BSBD accounts

Year (End-March)	Number (Million No.)			Amount per Account (Rs./Account)		
	Branch mode	Branchless mode	Total	Branch mode	Branchless mode	Total
2010	60.2	13.3	73.5	7.4	8.0	7.48
2011	73.1	31.6	104.7	7.9	5.8	7.27
2012	81.2	57.3	138.5	13.5	1.8	8.69
2013	100.8	81.3	182.1	16.3	2.2	10.04
2014	126.0	116.9	242.9	21.7	3.3	12.86
2015	210.0	188.0	398.0	17.4	4.0	11.06
2016	238.0	231.0	469.0	19.9	7.1	13.60
2017	254.0	279.0	533.0	27.2	10.3	18.33
CAGR (%)	22.8	54.5	32.7	20.4	3.7	13.7

Source: Annual Report, Various Issues, Reserve Bank of India

Other measures for financial inclusion

Adoption of Electronic Benefit Transfer (EBT): Banks have been advised to implement EBT by leveraging Aadhaar & BCs to transfer social benefits electronically to the bank account of the beneficiary and deliver government benefits directly without a middle-man, thus reducing dependence on cash and lowering transaction costs.

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.

Simplified branch authorization: RBI permitted domestic commercial banks to freely open branches in smaller towns & cities with a population of less than 50,000 with general permission

Opening of branches in rural areas: To further step up the opening of branches in rural areas, banks have been mandated in the recent monetary policy to allocate at least 25% of the total number of branches to be opened during a year in rural areas.

IV. Impact of Financial inclusion on Growth of the Economy

Financial inclusion is important for GDP growth and reducing inequality and poverty. It influences an individual's ability to a start business. Improved access to finance can affect distribution of capital, open up income earning opportunities and self-reliance for the micro enterprises and the poor households and hence positively impact economic development of a nation. A well-developed financial system, accessible to all, reduces information and transaction costs, influences savings rates, investment decisions, technological innovation, and the long-run growth rates. It offers savings, credit, payment, and risk management products to people with a variety of needs. By allowing a wide variety and easily accessible financial services, poor people are likely to benefit. Table 8 presents year-wise GDP, number of ATMs and Credit Deposit Ratio of scheduled commercial banks from 2010-11 to 2016-17. It can be observed from the table that during the period between 2010-11 and 2016-17, when the annual growth rate of GDP was 12.4 percent, it was 7.2 percent for number of bank branches and 18.7 percent for number of ATMs in the country.

Table 8: Year-wise GDP, Bank branches, ATMs and CD Ratio from 2010-11 to 2016-17

(GDP in Rs.Billion, Bank branches in Numbers, ATMs and Credit Deposit Ratio in percent)

Year	Gross Domestic Product	No. of Bank Branches	ATM Growth rate	Credit Deposit Ratio
2010-11	75479.12	90919	74505	76.5
2011-12	87363.29	98612	95686	78.6
2012-13	99440.13	106584	114014	79.1
2013-14	112335.22	117996	160055	78.9
2014-15	124451.28	126643	181398	78.3
2015-16	136820.35	133499	199099	78.2
2016-17	151837.09	138059	208354	73.7
CAGR (%)	12.4	7.2	18.7	--

Source: Hand Book of Statistics on Indian Economy and other publications of Reserve Bank of India

Table 9 presents the model summary of the regression analysis. In the model, the independent variables such as number of bank branches, number of ATMs and CD Ratio were taken as the Financial Inclusion Variables (FIVs) and through the regression analysis, a relationship between financial inclusion and economic growth of the economy had been established. The R^2 value at 99% indicates a high correlation between dependent and independent variables. The F-value of the model was found to be significant, which suggests that the regression model is statistically significant. It is evident from the table that number of bank branches had been positively influencing the economic growth. Although CD Ratio was found to be negatively associated with economic growth, it is not statistically significant as p-value is 42 percent. Different tests such as Shapiro-Wilk test, Breusch-Pagan / Cook-Weisberg test, Durbin's alternative test and Breusch-Godfrey LM test were conducted to understand normalcy of the distribution of residues, heteroscedasticity and auto-correlation in the distribution. The residuals are normally distributed and there was no heteroscedasticity and auto-correlation in the distribution. The model is also free from multicollinearity as the VIF values are less than 10 for the independent variables. Thus, the regression model establishes a positive relationship between economic growth and Financial Inclusion Variables (FIVs).

Table 9: Summary findings of the regression analysis

Variables	Coefficients value	t-Value	p-Value
Constant	(-) 21065.65	--	--
Bank Branches (X_1)	1.56*	13.81	0.00
ATM growth rate (X_2)	19.97	(-) 1.09	0.85
Credit Deposit Ratio (X_3)	(-) 623.91	(-) 2.360	0.42
R2	0.99		
Adj R2	0.98		
F value	135.39*		0.000

Equation:: $Y = (-)\ 21065.65 + 1.56X_1^* + 19.97\ X_2 - 623.91X_3$

**Significant at 5% level*

Note below

Residuals are normally distributed { Shapiro-Wilk W test for normal data; prob = 0.07}

No heteroscedasticity in the distribution {Breusch-Pagan / Cook-Weisberg test; P value = 0.94}

No auto-correlation {Durbin's alternative test P value = 0.71}and {Breusch-Godfrey LM test, P value=0.55}

Source: Software used for analysis was STATA 13.0

V. Challenges to Financial Inclusion

Ensuring effective financial inclusion in India is a challenge as nearly one-fourth of the population is illiterate and below poverty line. The major challenges to financial inclusion are as under:

Of late, Business Correspondent model is considered as one of the effective modes of financial inclusion. It has shown that access to formal financial institutions has allowed the poor families to expand business, manage risks and expand consumption. But as the BCs are catering services to low-income customers with low volume transactions, they are not able to make enough income to maintain their families. This may be one of the reasons why the attrition rate in BC is very high. Therefore, as an occupation, it may not be a viable option for the educated youth. This may hamper the progress of BC operation. Secondly, the BC is a bank-in-person and is authorized to perform transactions on behalf of the bank. Therefore, he should be well-conversant with financial products and services. Further, he should be in a position to effectively present the bank and banking products and services to potential customers. Thirdly, in most of the BC outlets, cash withdrawal is more than double of cash deposits, but in many cases, cash limit allowed to the BC is restricted to the amount in his *Settlement Account*. As a result, the BC often faces difficulties in allowing clients for withdrawals up to a certain limit. Fourthly, many accounts opened with the BC remain idle without any transaction. For maintaining such dormant accounts, the BC does not get any commission from the bank. *Fifthly*, each BC is issued only one *code number* for making banking transactions. As a result, he can operate his transactions/business from only one computer, which limits the business of the BCs. Sixthly, some BCs remain attached to fraudulent activities/transactions, which is mainly because of weak monitoring and visit by the bank to the BC outlets.

Self Help Group is another mode of financial inclusion. The SBLP programme has made in-roads in unbanked areas. But the spread of the programme, especially in the North-East Region is not up to the mark. Secondly, even after 26 years of the SHG movement, many SHG members are experiencing difficulties in getting bank loan and repeat finance facilities. There has been a digital revolution in the financial services industry now.

Even today, many people do not get banking facilities mainly due to infrastructure bottlenecks such as technology, extension and lack of financial literacy and awareness. Lastly, although most of the farmers in the country have been served with Kisan Credit Cards, all such cards have not yet been converted into electronic cards. The Government and the banking sector may seriously work on creating infrastructure base such as digital and physical connectivity, uninterrupted power supply etc, for meaningful financial inclusion in rural areas.

VI. Suggestions

BC outlets act as teller-counters for banks and carry out transactions on behalf of banks, with less cost. Banks can market more products through the BCs. BCs also enable banks to provide doorstep banking services. Due to the personal touch of the BC with the beneficiaries, volume of business and recovery performance of the bank improve. Besides transaction related works, the unit also takes up Business Facilitator job for the bank by influencing customers for their financial products. Therefore, banks may consider offering fixed salary, including hike, in commissions and incentives to the BCs, which will reduce the attrition level and attract educated people to join the bank as BC. Secondly, the bank must take steps to gradually update skill and knowledge of the BC on handling kiosk, related technology and various banking products. The bank should train him and update his knowledge. This clarity will drive the Operator to make the customers aware about the various financial products of the bank and their utility. The banks will also get benefit in terms of potential customers, business opportunity and better recovery for their loans.

Thirdly, the bank may allow higher limit above the assigned cash limit based on the past history, performance and suitability of the BC. Fourthly, the bank may create mass awareness in public forum through advertisement and electronic media. Fifthly, the bank may consider issuing multiple code numbers to the BC based on his volume of business, transactions and past record. Sixthly, the BC does financial transactions on behalf of the bank. Thus, any mistake or fraud at BC level may ruin the image of the bank. Therefore, the bank must make periodic visits and monitoring of the outlets, which will reduce forgery at BC level. Regular visit by the bank to the BC outlets also gives confidence and trust to the clients of the BC. Lastly, it is suggested that the banks may allow more banking activities such as small loan products and Self Help Group and Joint Liability Group financing for the BCs.

Financial inclusion for all is a necessity, but to achieve the goal, it is important that ATM network is enhanced to cover unbanked and unreached areas. All the KCC and GCC accounts may be converted to electronic credit cards. The banks may explore the possibility of issuing multipurpose cards which could function as debit cards, KCC and GCC as per the requirements in rural areas. Mobile banking facilities may be expanded to rural areas.

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Challenges and Opportunities in Peer to Peer Lending

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Abstract

Peer-to-Peer lending, or P2P lending in short, is one of the many ways in which fintech is revolutionising the world of finance. Its origins can be traced back to the launch of two companies, Zopa in UK in 2005, and Prosper in USA in 2006. Globally, P2P lending has been growing year-on-year, both in terms of volume and number of players, with USA, UK and China emerging as the biggest P2P markets. Though nascent in India, it is slowly gaining traction and currently, there are more than 50 P2P online platforms operating in the country. There are several advantages of P2P lending for both the borrowers and lenders, in terms of higher return potential and increased access to credit for excluded and underserved segments. The P2P lending landscape in India is forecasted to grow into a multi-billion dollar industry in the coming few years. To ensure transparency and orderly growth of the sector, Reserve Bank of India came out with a regulatory framework in October 2017, classifying the P2P companies as "Non-Banking Financial Company – Peer to Peer Lending Platforms" (NBFC-P2P).

Key words: P2P lending, Fintech, Regulatory framework

Introduction

The global digital revolution that has impacted various industries such as retail, media, transport and B2B commerce is now sweeping the financial services industry. In this avatar, it is called fintech. Crypto currencies, blockchain technology, artificial intelligence, robotics and other technologies are changing the face of finance. This is only to be expected, since enhancements in computing power, connectivity, mass data storage, and advanced analytical tools can easily and efficiently be applied to financial services. Moreover, digital transformation in other sectors has increased the trust and comfort levels of consumers with customisable tech-based financial solutions, leading to increased demand and rapid adoption. These developments, coupled with the 2008 financial crisis which led to a trust deficit in financial institutions, have created an opportunity for the less regulated, technology enabled non-bank entities to thrive.

One of the ways in which fintech is making significant impact on the world of finance is by enabling fintech-based lending. **Peer-to-Peer lending, or P2P lending,** as it is often called, is a successful model for alternate financing internationally. Though nascent in India, it is slowly gaining traction and becoming popular, in sync with the global fintech revolution.

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Disclaimer: The views and opinions expressed in this paper are those of the author and do not represent the official position of his employer, Reserve Bank of India. The usual disclaimer applies.

Terminology

The term 'peer-to-peer', like many other recent additions to the financial lexicon, originates from the world of computer science, more specifically, computer networking. In a P2P network, a computer can act as either a client or a server to other computers on the network, without connecting to a centralised server. More generally, the term 'peer-to-peer' describes the interaction between two parties without the need for a central intermediary, for example, file-sharing of music (Napster), movies (Torrent), images or even games. Internet and other technologies are empowering the process of disinter mediation, giving fillip to an array of P2P activities across the globe.

'Peer-To-Peer Lending', in layman terms, means lending and borrowing of money between two or more people without any intermediaries such as banks or financial institutions. Usually, a person who has surplus money (Lender) lends it to another person (Borrower) who needs money urgently for a certain period of time. The amount borrowed must be repaid after a term or tenor, together with interest as agreed upon. These activities are carried out using the facility of an online portal called the 'P2P platform'.

Peer-to-Peer Lending may, thus, be defined as the use of an electronic platform that acts as an online financial match-maker, matching individual borrowers (including Micro and Small Enterprises) looking for comparatively cheaper loans with the savers (lenders) who are looking for a higher rate of return and are willing to offer unsecured loans.

In financial literature, P2P Lending is also referred to as ***"Direct Lending", "Social Lending", "Personal Lending", "Marketplace Lending", "Crowd Lending" or "Crowdfunding"***. While there are subtle differences in the meaning and usage of some of these terms internationally, they have been largely ignored for the purposes of better understanding in this paper. Further the words 'savers', 'investors' and 'lenders' have been used interchangeably in this paper.

History of P2P lending

The origin of P2P lending can be traced back to two companies, *Zopa* in UK in 2005, and *Prosper* in USA in 2006. China's first P2P lender *Paipaidai*, was launched in 2007. These platforms facilitated this form of lending, whereby retail borrowers and lenders could bypass banks and deal directly with each other via an online marketplace. More recently, institutions have begun investing in bundles of loans, causing the activity to be named more precisely as 'market-place lending' (MPL).

Till early 2016, *Prosper* claimed more than 2 million members and total lending activity of USD 6 billion on its platform, while *Zopa* reported GBP 1.4 billion worth of lending activity to 114,000 borrowers by around 53000 lenders (p2pfa.org.uk). In the years since *Zopa and Prosper* were first launched, various other companies have successfully launched their own marketplaces. There has also been an expansion of several other alternative financial services operating outside of conventional banking and capital markets such as crowdfunding, which is where a sum of money is raised for a specific project by lots of smaller contributions from individuals (the crowd).

Figure 1: The Difference between P2P Platforms and Banks
Source: Deloitte

Table 1: Comparison of bank and P2P lending models

Sl. No.	BANK lending model	P2P lending model
1	Banks act as intermediaries between savers and borrowers	P2P platforms directly match lenders with borrowers via online platforms
2	Banks pay interest on deposits and earn interest by lending money to consumers and businesses	P2P platforms do not earn any interest as they do not lend themselves
3	Banks generate income by managing spreads between the interest earned on loans and interest paid on deposits	P2P platforms make money from fees and commissions from both borrowers and lenders
4	Banks take risk onto their balance sheets, which necessitates the holding of capital to absorb potential losses	P2P platforms do not need to hold any extra capital besides Net Owned Funds (specified by RBI) to absorb any losses
5	Depositors have limited control or visibility over how their money is used	P2P platforms offer transparency and control to lenders through disclosure about borrowers, and at times, even by giving a choice of borrowers

The Mechanics of P2P lending

Traditionally, individuals and small businesses who want a loan, apply to the bank which would then check their credit history to determine the eligibility for the loan and the applicable rate of interest. This sometimes results in certain applicants either getting rejected due to poor/thin credit history or being charged higher interest rates. *This is where P2P lending comes in.*

On P2P platforms, individuals can register as lenders or borrowers as per their requirements, by paying a nominal fee and then undergoing a Know-Your-Customer (KYC) verification process in terms of personal, financial and professional information provided. When a borrower approaches the platform for a loan, the credit risk assessment of the loan proposal is done. The borrower is assessed on multiple parameters such as credit history, education, job stability, income details and other behavioural patterns, and graded (for example, from A to F) based on creditworthiness. Once the proposal is approved, the details of the borrower are uploaded on the website.

An automated system proposes the loan period, loan amount and interest rate against each borrower's profile, which is indicative of the borrower's capability to proficiently repay the loan. The investors can then review the borrower profile and choose whether and how much they want to invest in the loan proposal. They can make offers to fund the borrower's requirement which are accepted on first come first serve basis. Both borrowers and lenders can strike deals with multiple members. As a result, lenders can fund a portion of the total loan requirement of multiple borrowers and borrowers can raise money from multiple lenders.

Once an agreement is reached between the borrower and the lender, a formal contract is signed by them and a digital copy is shared with all lenders/investors. The loan amount is then transferred to the borrower's account using the *escrow mechanism* and the borrower makes periodic EMI repayments over the agreed time period, through an online process, which can be tracked via his/her unique account on the platform.

The interest rate set by the platform is usually higher than the savings rates available to the lender but lower than the rate on a traditional loan available to the borrower. It also depends on the borrower's risk profile, and the range could be 12% to 36%.The decision to lend is entirely at the discretion of the lender and the platform does not guarantee any loans (Source: Faircent, i-lend, Rupaiya Exchange).

Platforms can offer higher returns because of lower operating costs owing to a fully online model and by deducting fees from the loan repayments made.

In this manner, the online portal develops credit models for loan approval and pricing, verifies borrower identity, performs borrower credit history check, processes the payments, ensures legal compliance and markets the concept of P2P lending.

Benefits of P2P lending

There are a number of advantages of P2P lending over banks for both the borrowers and lenders, which can lead to new opportunities.

<u>For borrowers:</u>

i. Access to credit for excluded and underserved segments
ii. Quick, hassle-free and 24x7 loan application process
iii. Fast online loan approval and disbursal
iv. Cheaper interest rates
v. Unsecured loans
vi. Flexibility in use of funds
vii. No prepayment penalties and generally less stringent conditions

<u>For lenders:</u>

i. Access to higher returns than existing investments options for savings
ii. Access to alternative investments (beyond stocks, bonds and FDs)
iii. Risk diversification – by allowing lenders to diversify their loan portfolio across different risk rated borrower-categories and loan-categories
iv. Sense of community/ social good and responsible lending directly to peers in need

<u>Drawbacks of P2P lending</u>

<u>For lenders:</u>

i. Higher risk of default by borrowers
ii. Absence of the safety net of DICGC insurance
iii. Risk of platform closure/failure
iv. Risk of fraud

v. Risk of illiquidity - long-time horizons (up to 36 months)
vi. Risk of cyber-attack, identity theft, money laundering, and data protection violations
vii. Information asymmetry, lack of transparency in disclosure of risks

For borrowers:

i. Higher interest rates (up to 36%), if their credit rating is below average
ii. Getting a loan is not guaranteed
iii. Only limited borrowing possible
iv. Some sites have high fees, including origination fees
v. Confusing choices- too many lenders at times. (So, Financial Education is a prerequisite)

P2P Lending: A Global Perspective

Globally, P2P lending has been growing year-on-year, both in terms of volume and number of players, with USA, UK and China emerging as the biggest P2P markets. However, this fast growth in the P2P sector has often been accompanied by problems ranging from frauds, defaults and platform closures.

Internationally, peer-to-peer lending is partially or fully regulated in five different ways. These are:

1. Exempt/ unregulated
2. Platforms regulated as 'intermediaries'
3. Platforms regulated as 'banks'
4. Dual regulation, i.e. federal and state-level (The USA model)
5. Prohibited

At present, the sector is regulated in many countries such as Australia, Canada, China, New Zealand, United Kingdom, France, Germany, Italy, USA and now even in India. Financial Conduct Authority (FCA), Securities and Exchange Commission (SEC), and China Banking Regulatory Commission regulate P2P lending in UK, USA, and China, respectively. Of late, these countries have started tightening the regulations to contain frauds and defaults.

P2P Lending in UK: In UK, the P2P market has seen active investor participation and the volumes have grown rapidly from a relatively low base. For example, P2P lending in the UK has doubled every year in the past four years with the stock of loans exceeding and £2 billion in 2015. (Peer-to-Peer Finance Association, 2015). It now makes an important contribution (13% in 2015) of the supply of new loans to small enterprises (those with turnover of GBP 1 million or less) (ECRI, 2017). Some of the key market players are *Funding Circle*, *Zopa*, *Ratesetter* and *Thin Cats*.

P2P Lending in USA: P2P industry in USA is estimated to be around \$20 billion in 2016, up from \$18 billion in 2015. Compared to the UK, the US P2P lending is much more focussed on consumer credit. The US industry has evolved away from the original concept of directly linking individual lenders and borrowers, to becoming a mechanism for the sale of loans to institutional investors. The oldest and largest platforms *Prosper* and *Lending Club*, were originally established to offer consumer lending and refinancing of student loans. Other platforms focussing on consumer lending are *Avant* (focussing on personal loans) and *SoFi* (specialising in refinancing of student loans). The leading

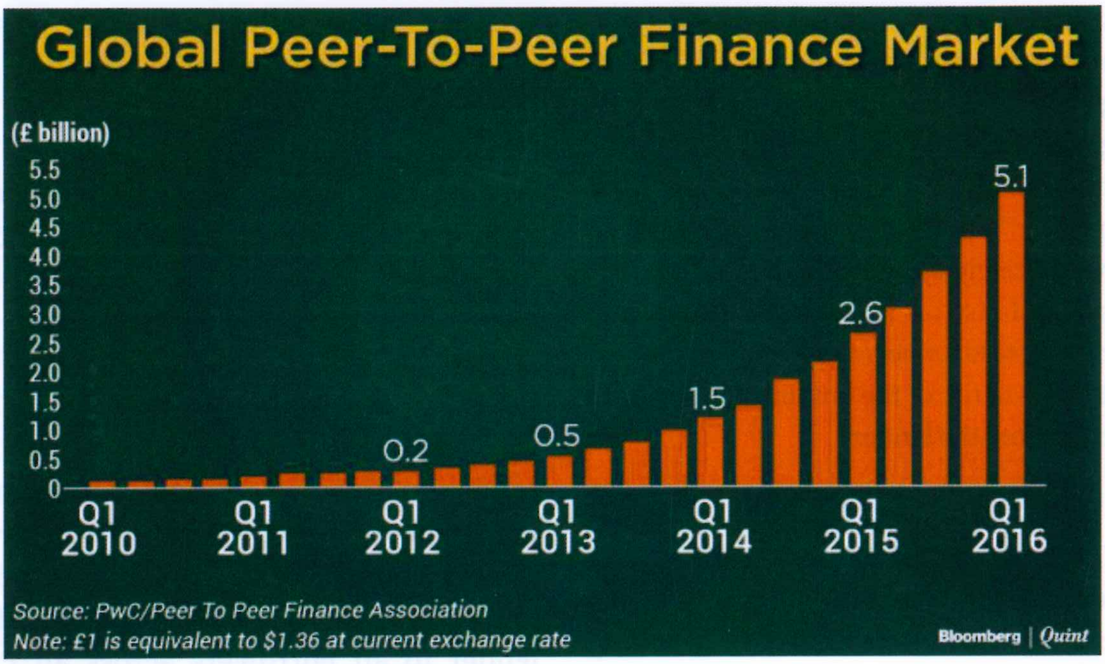

Figure 2: Platforms like these do due diligence and use algorithms to evaluate a borrower's risk profile.

(Photo Courtesy: Bloomberg Quint)

providers of market place loans for small business are *OnDeck*, *CAN Capital* and *Kabbage*.

P2P Lending in China: Globally, China has the largest market size of P2P lending, and as of 2017, there were more than 2400 P2P platforms in China. The trading volume in 2015 touched $67 billion which is many times more than UK and USA combined together. However unlike USA and UK, the China P2P market is dominated by large number of small and medium size firms.

Global cumulative lending through P2P platforms at the end of Q1 of 2016, had reached 5.1billion GBP, from 2.2 million GBP in 2012.

India and P2P lending

Currently at a nascent stage, the P2P lending landscape in India is forecasted to grow into a USD 5 Billion plus industry by 2023 (source: PwC report 2017). The sector's origins actually date back to 2012, when the first P2P Lending company *i-Lend* was launched. Currently, there are more than 50 P2P online platforms operating in India, with an estimated loan book of atleast USD 25 million (source: RBI's consultation paper on P2P lending). *Faircent*, *Lendbox*, *Loanmeet*, *i-lend*, *Rupaiya exchange*, *i2iLending*, *i2iFunding*, *Lendenclub*, *Monexo*, *India Money Mart*, *LoanBaba*, *CapZest*, *AnyTimeLoan*, *Cashkumar*, and *PeerLend.in* are some of the players creating a buzz in the Indian market. Apart from collecting and authenticating personal, professional and financial details of borrowers, many of the platforms employ big data enabled algorithms to arrive at credit scores of the borrowers by operating credit bureau reports and data from social media platforms. Given the recent RBI guidelines, P2P companies will now come under the purview of the regulator, and will need to obtain NBFC–P2P license.

A web survey reveals that currently, the interest rates charged by Indian P2P lenders range from 12% to 36% p.a. for amounts ranging from a minimum of Rs. 10,000/- to a maximum of Rs.5,00,000/- for tenors of one month to 36 months, depending upon borrower-category and whether the loan is a personal loan or a business loan. The processing fees for borrower could vary from Rs. 1,000/- to 6% of the amount funded, and nil to 1% from the lender.

RBI Guidelines for P2P lending

On October 4, 2017, the Reserve Bank of India issued Master Directions prescribing the regulatory framework for P2P Lending Platforms, classifying them as "Non-Banking Financial Company - Peer to Peer Lending Platform" (NBFC-P2P).

RBI defines a peer to peer lending platform as an intermediary providing the services of loan facilitation, via online medium or otherwise, under a contract, to the participants who have entered into an arrangement with that platform, to lend on it or to avail of loan facilitation services provided by it. All NBFC-P2Ps must be incorporated in India, have a robust IT system, and must obtain a Certificate of Registration (CoR) from the bank. The applicable prudential guidelines include (i) maximum leverage ratio of 2 times, (ii) minimum net owned funds of Rs.2 crores, (iii) maximum tenor of loans of 36 months; and (iv) cap on aggregate exposure of a lender to all borrowers across all P2P platforms (Rs.10 lakhs), cap on a borrowers' aggregate loans across all platforms (Rs.10 lakhs), cap on exposure of single lender to a single borrower (Rs.50,000).

Table 2: Summary of the scope of activities under the guidelines for NBFC-P2P:

Dos	Don'ts
➢ Act as an intermediary and provide an online marketplace to the participants	➢ Not raise deposits
➢ Undertake due diligence of participants	➢ Not lend on its own
➢ Undertake credit assessment and risk profiling of the borrowers and disclose the same to their prospective lenders	➢ Not provide or arrange any credit enhancement or credit guarantee
➢ Undertake documentation of loan agreements	➢ Not permit any secured lending on its platform
➢ Provide assistance in disbursements and repayments of loan amount	➢ Not hold on its balance sheet, funds received from lenders or borrowers
➢ Provide services for recovery of loans	➢ Not cross sell any product except for loan specific insurance products
➢ Submission of data to CICs	➢ Not permit international flow of funds
➢ Ensure adherence to legal requirements applicable to the participants	➢ No cash transactions are allowed

The guidelines also prescribe transparency and disclosure requirements for the lenders and borrowers, besides credit assessment methodology, data protection, grievance redressal mechanism, and portfolio performance. The funds transfer between participants is to be done through escrow account mechanism operated by the Trustee appointed by the bank, and arrangements have to be made to ensure that loan agreements facilitated on the platform will continue to be managed and administered by a third party, if the NBFC-P2P ceases to carry on the P2P activity.

Opportunities for P2P lending in India

India as a country has traditionally been a huge peer-to-peer borrowing and lending market, served by the individual moneylenders for quick loans, and even today Indians customarily rely on informal sources like friends, family members and business partners for their borrowing needs. With fintech innovations and smartphone penetration, this hitherto offline crowdfunding market is now evolving online, on a larger scale, as a promising P2P lending marketplace.

The combination of increasing digital penetration in the country and high unmet financial demand from individuals and small enterprises who face difficulty in obtaining finance from traditional banking and NBFC system has opened up a world of opportunities for the sector.

The Harvard Business Review (HBR) in its Digital Evolution Index 2017, has projected that India, with its 462 million internet users, represents a digital economy which has arguably the greatest market potential for global players. In January 2018, India's leading peer-to-peer lending companies came together to form the Association of P2P Lending Platforms. This first-of-its-kind association aims to act as a representative for the country's P2P lending industry, work in conjunction with the government and regulatory authorities in matters of compliance, and to further the cause of financial inclusion in the country by promoting P2P lending.

Table 3: Estimated Outstanding Credit demand and Supply of MSMEs

(Rs. crore)

Year	Total Demand	Total Supply	Credit Gap in absolute terms	Credit gap as % of total demand
2010-11	2092500	737161	1355339	65
2011-12	2308384	874482	1433902	62
2012-13	2541574	1038948	1502626	59
2013-14	2803628	1237539	1566089	56
2014-15	3089863	1477928	1611935	52
2015-16	3405845	1769659	1636186	48
2016-17	3757755	2124644	1633111	43

Source: Report of the Private Sector Investment for MSME Sub Group under Working Group for the 12th Five Year Plan (2012-2017)

Despite the increase in flow of finance to the MSME sector, there is still a considerable credit gap which needs to be bridged. Most SMEs require capital infusion, particularly during the early phases of their growth. However, due to reasons like low-credit scores, thin files, lack of collateral, etc. entrepreneurs are often unable to access the funds they need to set up or grow their business from institutional lenders. This is where online P2P lending platforms step in. By seamlessly connecting borrowers in need of funds directly with lenders over a digital medium, these platforms earn opportunities to transform the process of financial intermediation. The facilitation of cost-effective and quick credit allows MSME businesses to scale up their operations, which in turn, can lead to greater job creation and drive overall economic growth. In addition, it creates the incentive for traditional entities to innovate, reduce cost and increase efficiency.

P2P lending is also emerging as a lucrative asset class for Indian investors, offering an alternative and profitable investment option. Unlike mutual funds, which may offer a high average rate of return of 12 per cent, P2P lending allows investors to earn even higher gross returns. For example, the average returns earned by investors on *Faircent.com* range between 18 per cent and 22 per cent, after adjusting for defaults in the last two and a half years. (Average default rate for *Faircent* in 2016 was 2.5%). Moreover, with a month-on-month return, lenders can reinvest their income in additional loans and earn higher, compounded returns.

Borrowers on online P2P lending platforms are listed according to yield and risk categories such as low, medium, high etc. and lenders can ensure consistent returns and profits by creating a portfolio comprising a range of categories. Diversifying the portfolio by investing across different types of loans and borrower categories can help mitigate risks to ensure a steady flow of returns.

The online aspect of peer-to-peer lending and equity crowd-funding gives the platforms more flexibility to update their operations and adapt marketing and design quickly to an evolving business model. Companies are looking to expand their footprint to more cities. For example, *Faircent* currently operates in 173 cities but plans to expand to 500 cities in next 18 months.

Another related multiplier effect could be market testing and validation of alternate credit scoring models, and the credit score sharing across the platform which can create a new market for all the financial institutions, by bringing in hitherto financially excluded segments.

The rapid growth of P2P lending platforms has led to ambitious projections about the extent to which they can capture market share from banks. With the sector having come under the purview of RBI, it is expected that there will be greater transparency leading to higher credibility and confidence amongst participants, which would help in its orderly growth in the future.

The Challenges

Despite its many advantages, P2P Lending comes with its own share of challenges, foremost being the risk of bad investment or loan delinquency. The risk of counterparty default is higher due to the unsecured nature of lending and riskier borrower profiles. Moreover, recovery is also difficult as the loans are collateral-free. Credit risk is increased by the absence of any guarantee or liquidity support for lender protection, which can act as a deterrent for potential investors. Different platforms have different measures for bad loans, and try to provide for them by way of added risk premium and higher interest rates. In the UK, for instance, *Quakle* had to stop operations due to a near-100% default rate in 2011. *Lending Club's* default rate is reported to be 9.8% on riskier investments. Lack of proper regulations and increasing numbers of P2P lenders in China have given way to some fraudulent companies, most famous among them being *Ezubao*, which according to a report in The New York Times, swindled investors of USD 7.6 billion during two years of operations.

In the Indian context, these risks can become amplified because of the poor digital financial literacy and deficient customer due diligence (KYC). Out of a population of 1.3 billion people, only 300 million have PAN cards, which makes the task of verification quite difficult, although things are improving with the growing coverage and usage of Aadhar Card. Millennials are the most active lenders and borrowers on these platforms. It is estimated that more than half of all users of P2P platforms are 30-40 years old, who largely borrow to improve lifestyle, i.e to start their new venture, purchase accessories, or a new vehicle etc. This can potentially increase the risk of defaults, as no income generating assets are created from the proceeds of the loans.

Due to the anonymous nature of the P2P Lending market, the lender at times has virtually no hard information on the borrower, except the interest rate assigned by the lending platform based on risk. This leads to an over-reliance on the credit risk models used by the platforms and necessitates constant vigilance of the investment. Also, the ability to accurately assess the creditworthiness of the borrowers, especially those without a credit history, based on credit models using surrogates like social media etc. and high-end analytics, on a large scale is yet to be validated across business cycles.

Another challenge for the sector is the lack of awareness about this new funding opportunity amongst the borrowers and investors. Among the target clientele which can benefit the most, a lot of people are still ignorant of this convenient alternative for lending and borrowing needs.

Rapid scaling up of P2P Lending platforms can be a challenge in India, where the borrower market is relatively opaque and recovering from wilful defaulters can be a challenge since the platforms are not necessarily equipped with any systematic way to deal with defaults and update lenders.

Sustainability and credibility of the P2P operators with respect to financial, operational and reputation risks is a big challenge for the industry that comprises mainly of the fintech start-ups, many of whom have no prior experience of financial world. On top of that, there is the issue of intense competition in the Indian financial system from commercial and cooperative banks, traditional chit funds, microfinance entities, small finance banks and NBFCs engaged in low ticket size retail segment.

Indian platforms have some way to go in catching up with their US and UK counterparts in terms of convenience and safety features like automated investing, E-contracts, Escrow accounts, EMI statement, interest income statements, CIC reporting, platform level loan statistics etc. With the increasing focus on automation and innovation, P2P Platforms may need to seek periodic assurance on the effectiveness of their processes and internal controls from both a business and an IT perspective.

It is possible to argue that the growth of P2P Lending can negatively impact financial stability, as it would be difficult to monitor a largely distributed base of lending platforms. In developed nations, there have been cases of frauds causing wide-spread losses. Additionally, the platforms, with little skin in the game but with impressive data of high returns and low defaults in the past, may attract lenders and lead to reduction in underwriting standards.

Prof Jan Kregel of the Levy Economics Institute has commented in this context that: "The new payments systems have the ability to evade or distort regulation on financial institutions, and p2p lending systems replace due diligence of banks with algorithms. The regulation of this system is thus critical."

Conclusion

Peer-to-peer lending is a prime example of how, by facilitating simple, fast, and tech-enabled customised banking services, fintech is driving disruption in the institutional lending space by forcing the incumbents to reconsider the old business models and delivery mechanisms and move towards adopting a more technology-driven and consumer-centric approach to retail banking.

Despite its drawbacks, P2P lending is gaining traction, and with growing experience and track record, validation of credit scoring, correlation with default rates, the trust factor will build up leading to more active platforms. In India, the potential for the industry is huge, based on the simple fact that there are millions of financially excluded people in the country, who are denied credit from the formal sources.

So far, the P2P Lending business seems to be riding piggyback on the growth of the consumer lending boom. It is early days yet and consolidation might happen in the sector. Up until now, P2Ps seem to be complementing rather than competing with banks and it is likely that cooperation may lead to a win-win outcome for both.

In summary, P2P lenders have a great opportunity to disrupt small lending, but it would depend to a great extent on successfully developing reliable business processes, standardisation and addressing the risk management challenges through a collaborative industry-wide approach.

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Sustainability of Financial Literacy Centres - A Comparative Analysis

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Abstract

Financial Literacy Centres (FLCs) are the building blocks that initiate the financial literacy activities at the ground level for effective financial inclusion and ultimately achieving consumer protection and financial stability. In the backdrop of Reserve Bank of India Guidelines on improving financial literacy programmes in the country, the performance of FLCs of different banks was taken up for study in Rampur district of Uttar Pradesh. Rampur is one of the agriculturally prosperous districts with good banking network, but lower literacy rate of 53% as against 57% for the state as a whole. The study focused on performance of FLCs, best practices adopted by FLCs for spreading awareness on financial literacy and sustainability of their functioning.

The study found that, the guidelines issued by RBI have been broadly followed by the sponsoring banks in setting up of FLCs. All the FLCs studied were housed in banks' own premises. This approach facilitated reducing the recurring cost for running the FLCs. In terms of conduct of camps, availability of literature, innovative approaches etc., FLCs have performed well. The impact made by these FLCs in terms of facilitating opening of PMJDY accounts, insurance etc. has been noteworthy and also been lauded by the banks' management. But there are other limiting factors which are coming in the way of effective functioning of these FLCs. These include - low remuneration & lack of support for conveyance to the FLC counsellors, conducting generalized camps rather than specific, target-oriented ones, inadequate coordination of FLCs with other stakeholders, FLCs mostly marketing/ creating awareness on their own bank products rather than creating awareness about generic products, capacity building issues particularly for the persons directly hired from the field, among others. For enhancing the performance of FLCs, the study suggests setting up of block level FLCs, capacity building, reasonable remuneration and other support to counsellors, among others. For sustainability of FLCs, banks may support them out of their CSR window.

Keywords: Financial Literacy, Financial Literacy Centres, Financial Planning, Financial Inclusion

1. Background

The Working groups under the chairmanship of Shri C.P. Swarnkar and Shri S.S. Johl, constituted by the Reserve Bank of India (RBI) in the year 2007 emphasized the need for credit and technical counselling for increasing the viability of credit, particularly in the relatively under-developed regions. On the recommendations of the above groups in May 2007, State Level Bankers' Committees were advised by RBI to set up, on a pilot basis, Financial Literacy and Credit Counselling Centres (FLCC). Further, on the basis of the experience gained, the Lead Banks concerned were advised to set up such centres in other districts as well in 2009.

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Various are personal. The usual disclaimer applies.

The initiatives undertaken by banks like Bank of India (Abhay), Bank of Baroda (Grameen Paramarsh Kendras) and ICICI Bank (Disha) paved the way for setting up of counseling centres.

1.1 Revamping FLCCs into Financial Literacy Centre (FLC)

Although efforts were made to hold training camps and create awareness among the masses on the need for saving, planning expenditure and also about various banking facilities, etc., FLCCs had many inherent limitations. A study of the functioning of FLCCs by RBI in the year 2012 revealed the limitations of the model scheme in scaling up the financial literacy efforts in the desired manner such as their limited reach, working as institutions of sponsor banks, serving only walk in clients, limited publicity material, etc.

In view of the findings of the study, with the objective of scaling up financial literacy efforts manifold, RBI decided to revamp the existing FLCC Scheme in the year 2012. While the existing FLCs were allowed to continue to function with a renewed focus on financial literacy, Lead banks were advised to set up Financial Literacy Centres (FLC) in each of the Lead District Manager (LDM) Offices in a time bound manner so as to ensure opening of 630 plus FLCs in all the districts throughout the country. RBI revised the guidelines in January 2016, to align FLCs with the current financial landscape.

In addition to the above, banks were also asked to set up need based FLCs in other locations as well. Further, financial literacy activities were also to be undertaken by all the rural branches of Scheduled Commercial Banks, including RRBs.

1.2 Objectives of FLCs

The primary objectives of FLCs, as defined by RBI, are:

- To provide financial literacy through face-to-face interaction/other available media
- To educate people in rural/urban areas on various financial products & services available from the formal financial sector
- To make the people aware of the advantages of being connected with the formal financial sector
- To formulate debt restructuring plans for borrowers in distress

1.3 Objectives of the Study

In order to assess the performance of FLCs operated by various banks vis-à-vis RBI guidelines and to identify the factors for attaining sustainability of FLCs, this study was carried out in Rampur district of Uttar Pradesh. Though the district is agriculturally prosperous, the literacy rate is only 53%. The FLCs promoted by Bank of Baroda (BoB) – the Lead Bank of Rampur district, Rampur District Central Cooperative Bank (DCCB) and Prathama Bank, Rampur (a Regional Rural Bank sponsored by Syndicate Bank) were covered during the study.

1.4 Methodology of the Study

The methodology adopted for the study was discussion with FLC counsellors, other staff by way of structured questionnaire and feedback from visitors of FLCs. The views of the management of Prathama Bank, Rampur DCCB, Lead District Manager, Rural Self Employment Training Institute (R –SETI) and District Development Manager of NABARD were also obtained. The views of the 18 participants of a camp organised by the Rampur DCCB at Saidnagar village were taken. Some walk-in customers of all the 3 agencies (RRB, DCCB and BoB) and farmers from nearby village Bhamruwa (near Rampur) were also interviewed during the study.

2. Findings

2.1 Management's Positive Approach towards FLCs: The local Management of all the 3 banks had positive views of FLCs. The sponsoring banks viz., BoB and Prathama Bank have set up the FLCs at district level and necessary guidelines have been framed broadly on the basis of RBI guidelines. In case of the DCCB, the FLCs are setup at block level after due approval from the Board of Directors of the Bank and guidelines were made available for running these FLCs. In Prathama Bank, the performance of all its 5 FLCs (for the bank as whole) was reviewed at monthly interval at their Head Office. There is close rapport between FLC and Head Office in DCCB sponsored FLCs. However, since no counsellor is posted at the BoB FLC, no such practise was observed there.

2.2 Infrastructure Facilities in FLCs: RBI guidelines envisage that the FLC, being a part of the lead bank office or a rural branch, should have a separate room/space with a seating capacity of minimum ten members to address walk in customers. Basic amenities like computers/laptops and printers and furniture and fixtures, vehicular support, dedicated Help Line etc. are also to be provided.

All the FLCs studied were located in branch premises. In case of BoB, it was part of RSETI. This arrangement facilitates briefing/ counseling by others in the branch / RSETI in case the counselor is away in the field. There is no rental, electricity or maintenance cost for these FLCs bringing down their recurring cost substantially. But none of the FLCs have large area for seating of visitors as envisaged in the RBI guidelines.

It was observed that all the FLCs had been provided with computer/ laptop and printers. In case of DCCB, all these facilities had been fitted in a mobile van, which goes around in the district as per a pre-planned schedule, along with the counselors. LCD, sound system etc. were being hired whenever needed. (Fig. 1).

Fig.1: Mobile van of DCCB, Rampur with ATM, audio-visual facilities

Mobility was found to be an issue for all the counselors. The counselors of Prathama Bank and BoB, which are district level FLCs, plan their visits with LDM/ DDM/ RSETI Director/ branch manager etc. during camps. The counselors of RRB are eligible for reimbursement of conveyance charges with a ceiling of Rs 1500 p.m. The DCCB counselors, who are at block level, plan their visits along with mobile ATM van during campaigns. For other visits, they depend on public transport.

All the FLCs studied have prominent display boards in their premises. The DCCB has put up display boards on various financial literacy related themes like digital payments, Jandhan-Aadhar -Mobile (JAM), Atal Pension Yojana (APY) etc. which attract public attention from a distance (Fig.2). The FLCs are also equipped with relevant literature - pamphlets, posters, charts, financial diary, etc.

The infrastructure facilities provided to the FLCs are broadly in line with RBI guidelines. However, due to limited transportation support or their dependence for transportation on others at times, counselors are at disadvantage in effective planning of their programmes. The positive side of converging with other stakeholders in the district brings synergy in their approach for effective implementation.

Fig.2: Display Board of DCCB, Rampur

2.3 Human Resource Support: The focus of revised guidelines of RBI is provision of professional human resources for FLCs and their capacity building. It is envisaged to change their behavioural orientation so as to enable them to work as effective trainers along with periodic knowledge upgradation on various banking products and services. Prior Experience in banking/related fields, working knowledge of computers, knowledge of the local language, remuneration at market rates are to be considered.

Fig. 3: FLC Rampur DCCB with Lady Counsellor

All the FLCs are managed by single counselors. Rampur FLC by DCCB is managed by a lady counselor while all others were men. These counselors are well qualified mostly with post graduate degree. It is observed that in RRB and BoB, their own retired officers are appointed as counselors with an age profile of over 60 years. On the other hand, DCCB has appointed candidates from the market on contract basis, who are young, but do not have adequate experience in banking.

Low remuneration is an issue with FLC counselors. It ranges from Rs. 10,000 pm to Rs 15,000 pm. Generally, no other monitory assistance is extended to FLC counselors. In Prathama Bank, conveyance allowances, daily allowance during field visits and mobile talk time are available. One of the reasons for not getting appropriate candidates for FLC is low remuneration. For attracting and retaining the right talent with requisite experience, commensurate compensation is critical. In this direction, Prathama Bank's package appears to be reasonable. The sponsoring banks need to review their policies and consider the FLCs as their ambassadors in brand building, bringing visibility and improved business opportunities.

FLC counselors have undergone capacity building training programmes at BIRD, Lucknow, and other training centres. These programmes mainly focused on improving their professional skills, knowledge inputs on financial inclusion, digital literacy, cashless payments etc. It was shared by the FLC counselors that due to the training, their communication skills improved and they were able to effectively advise the visitors with confidence.

2.4 Activities of FLCs: The operational area of the FLC is the whole district in the case of Prathama Bank and Commercial Banks, however, block is the service area for FLC managed by the DCCB. The walk-in customers for FLCs of DCCB were high at 1200 per year on account of its location at block level, bringing easy access to the users. In case of FLC of Prathama Bank located at district level, the engagement of counsellor in the field made him/her inaccessible to walk-in customers, hence the number of visitors is at 44 per year. Effective functioning of FLC located at district level becomes a challenge for the counsellor with coverage of around 1000 villages with radius of 50 km.

The FLCs conduct camps for general public without giving emphasis on particular target groups like school children, small entrepreneurs, SHG, farmers, senior citizen, migrant labourers, etc. However, in some camps, the school children were covered under exclusive programme by the FLC. It is observed that getting a particular target group of people for a camp is not feasible in rural areas. This has necessitated the FLCs to cover all the topics of Financial Inclusion in one camp making them less effective in creating awareness on particular products. Though the number of camps organized by the FLCs / branches meets the target given in the guidelines, the content, target group, format, etc. are not fully followed.

2.5 Innovative Approaches of Delivery:

FLCs sponsored by Rampur DCCB are using innovative approaches such as magic shows for the financial literacy campaigns (see Box). This has helped them in ensuring better participation in the camp and holding the attention of the public. The use of mobile van with ATM facility by Rampur DCCB helped in demonstrating use of ATM cards without inhibition for the first-time users. The LCD projector and sound system with publicity material for financial literacy in the mobile van gave opportunity to visit interior places and create awareness in the general public.

Fig.4: Financial Literacy through Magic Show

Rampur District Central Co-operative Bank Ltd. through magic shows is capturing the attention of the public for financial literacy programmes. In this innovative approach, the magician through various interesting tricks conveys the importance of money, savings, loans products and their management. In one interesting trick the Magician turned the small pieces of paper into a big ribbon and related the same to small savings turned to big capital for future. This has been found to be very effective tool for communicating with rural masses.

2.6 Financial Diaries: The financial diaries prescribed by RBI for the financial inclusion are being printed by the banks and distributed in the camps. However, their end use is not being monitored at the field level.

The average number of footfall of DCCB FLCs is 1200 per year as against Prathama Bank (44 per year) and 325 per year in case of Bank of Baroda. This may be attributed to the location of FLC. The counsellor of the FLCs located at block level (DCCB) is accessible to public as he/ she can spare more time in the centre rather than in the field. For district level FLCs, the counsellor will be busy with organizing camps (around 150 days), visiting branches etc. resulting in lower foot falls in the FLC.

2.7 Coordination/ Convergence: Since the FLCs are set up by respective banks within their own premises, a close association between branch managers and counselors is observed. In Prathama Bank, as they are at district level, they visit the branches for camps, opening of accounts, mobilizing insurance policies, Aadhaar seeding etc. which are actively supported by respective branch managers. The same thing holds good in case of DCCB as well.

The FLC counselors have close rapport with Lead District Manager (LDM), District Development Manager (DDM), NABARD and other developmental departments of the district. Best efforts are made to associate with them in their programmes for FLC related activities. However, there is no mechanism of reviewing/ reporting of progress/ activities etc. of FLCs by Lead Bank. The District Level Consultative Committee (DCC)/District Level Review Committee (DLRC)/ Block Level Bankers Committee (BLBC) were attended only by FLC of BoB since BoB is the Lead Bank. FLC counselors of RRB and DCCB are not attending these meetings as notices are not sent to them and they are not members of these committees. Thus there is a need to involve all FLCs on board for effective review and monitoring of progress.

FLC counselors closely work with BCs especially in Prathama Bank resulting in better results in terms of account opening, insurance, pension etc.

2.8 Impact of FLCs: Though the benefits are realized by general public in terms of financial awareness due to the intervention of FLCs, it is not a simple task to quantify the same. Some of the benefits are intangible and long term in nature. The ultimate result will be collective effort of FLCs and concerned bank branches in helping the customers.

Table 1: Impact of FLCs

Sr. No.	Particulars	Prathama Bank	Rampur DCCB		Bank of Baroda
			Rampur Block	Saidnagar Block	
1	No. of Branches in the Block / district	71	10	2	25
2	Total no. of Jan Dhan accounts opened	74,573	63,575	29,685	1,30,317
3	No. of accounts enrolled under PMJJBY	33642	46	22	16,354
4	No. of accounts enrolled under PMSBY	48177	93	44	31,708
5	No. of accounts enrolled under APY	4836	2	1	1400

The achievement of FLCs in facilitating opening of Jan Dhan accounts in the district is note- worthy. The maximum number of accounts are opened by BoB, followed by Prathama Bank which are operating at the district level. FLCs of DCCB also made significant contribution in opening of such accounts at their respective blocks.

The performance of the FLC counsellor in Prathama Bank was acknowledged by the bank's management and the counsellors were rewarded with appreciation letter. This reflects the positive approach of the management in recognizing the contributions made by these counsellors in creating financial awareness and increasing business for the bank. This gave encouragement to the FLC counselors to excel further.

2.9 Perception of FLCs by Public: In addition to the information gathered from the FLCs, Banks, LDMs, feedback from general public was also elicited. The views of the 18 participants of a camp organised by the Rampur DCCB at Saidnagar village were taken. Some walk-in customers of all the 3 agencies (RRB, DCCB and BoB) and 2 farmers from nearby village Bhamruwa (near Rampur) were also interviewed during the study.

Almost all the participants of the camp in Saidnagar opined that they were not aware about the FLC existing in their block but were immensely benefited from the camp. This might be due that fact that the FLC is located 7 km away from the village. More publicity for FLCs in their area of operation is needed for better reach. The information like, importance of savings, precaution for use of ATM card, KCC loan etc. would help them in better financial management.

Mr. Md. Isaque, a farmer of Bhamruwa village, Rampur district was involved in business of *Poplar* cultivation and marketing but his business was in doldrums with regulation by the district administration. He could recover from his financial condition with advice of the FLC. Later on, Mr. Isaque had taken KCC loan of Rs 1.00 lakh from Prathama Bank, Panwariya.

In general small retailers and residents near the bank were aware of the existence of FLC and they guided many people to take the service of FLC. Majority of the respondents in the camp indicated that only educated person could take the benefit of ATM card and mobile banking facilities. The illiterate respondents felt inhibited in use of ATM cards.

3. Sustainability of Financial Literacy Centres:

Presently, the annual cost of running an FLC in the district ranges from Rs. 2.10 lakh for DCCBs to Rs. 2.60 lakh for Prathama Bank and Rs. 1.55 lakh for FLCC of BoB. This cost does not include rental value of premises. FLCs setup by Prathama Bank and DCCB were financially supported for the first three years. On withdrawal of support from NABARD, contrary to the NABARD guidelines of continuance of FLC with bank's support, the banks find it difficult to continue on their own.

3.1 Issues related to Sustainability: Discussions with the stakeholders brought out the following issues related to sustainability of FLCs:

i. Non-availability of quality manpower

ii. Un-attractive remuneration to the FLC Counselors

iii. Non availability of mobility and communication support

iv. Non-recognition of contribution of FLCs by bank's management in increasing the business (except Prathama Bank)

v. Absence of supporting counselor

3.2 Model FLC: Based on the study, a model FLC which will be housed in bank premises is suggested. This will provide rent and maintenance free premises for FLC for sustainable functioning. A provision for Assistant Counselor is made so that the activity of the FLC can continue uninterruptedly. The model envisages a capital cost of Rs 1.00 lakh and a recurring cost of Rs 5.75 lakh per year. Broad outline of the model is presented below:

Table 2: Model FLC

Sr. No.	Particulars	Rates	Total (Rs)
A	**Capital Cost**	Computer/Laptop, Printer, Smart Phone/ Furniture	1,00,000
B	**Recurring Cost p.a.**		
i	Salary of FLC Counsellor	Rs 20,000 / month	2,40,000
ii	Salary of Asstt. Counselors	Rs 10,000 / month	1,20,000
iii	Literature (Pamphlets, Flyers, Brochure etc.)	LS	50,000
iv	Electricity, Internet, Phone charges	Rs 2500 / month	30,000
v	Conveyance	Rs 2000 / month	24,000
vi	Field visit allowance	Rs.300/ day, max 10 days p.m.	36,000
vii	Expenditure for organising Camp (2 camps per month/ 24 camps per year)	Rs 3000 / camp	72,000
viii	Misc. expenditure	Rs. 250 p.m.	3000
	Total of Recurring Cost		**5,75,000**

The sponsoring bank may suitably make changes as per the local need and internal policy. The FLCs are essentially cost centres for the banks. In order to support them financially, commercial banks may explore their respective Corporate Social Responsibility (CSR) window while for RRBs and DCCBs, continuation of support out of FIF of NABARD may be considered. This additional time will facilitate the FLCs to run on sustainable basis with their bank's support.

The government departments, both central and state governments, channelizing their funds through Direct Benefit Transfer (DBT) viz., MGNREGS, NRLM, Department of Agriculture etc. may support FLCs in conduct of awareness building programmes, camps etc. in line with Digital Financial Literacy Programme (dFLAP) of NABARD.

4. Suggestions and Recommendations

The major suggestions and recommendations emanated from the study are:

- The operational area of the FLCs should be at the most a block. A district level FLC as in vogue for RRBs and Commercial bank is highly inadequate for covering entire geographical area. Therefore, block level FLCs as in practice for Cooperative bank is more effective.

- It is suggested that DLRC / DCC should allocate blocks to the operating branches for running the FLCs. The BLBC convenor branch may take a proactive role in running the FLC. In case there are more than one FLC in the block, Gram Panchayat-wise allocations could be made by BLBC. Emphasis should be given for villages having more incidence of financial exclusion. This will also address the issue of mobility and transportation for the counsellors.

- Remuneration of FLC commensurate with their experience of the counselors and market forces. This will reduce the attrition rate of FLCs and resulting disruption of activities of FLCs.

- FLCs may be managed by an independent agency like Trust promoted by some Commercial banks. The practice is in vogue in few Commercial Banks like Syndicate Bank's *Gyan-Jyoti*, Bank of Baroda's *Saarathi*. The Trust will operate independently. The funding support for such activity can be from Corporate Social Responsibility (CSR) fund of respective banks. This will also address the sustainability of FLCs.

- The study findings suggest that the FLC may be housed in bank premises for sustainability. For operating the FLC uninterruptedly, a provision for supporting Counsellor is envisaged. The model envisages an initial cost of Rs 1.00 lakh towards establishment and Rs. 5.75 lakh towards running the facility.

- For ensuring sustainable functioning of FLCs, the above suggested FLC model may be adopted by the banks and funding could be explored through CSR window. For DCCBs and RRBs, continuation of support out of FIF for additional 2 years may be considered which will provide some breathing time for these FLCs to stand on their own or exploring other funding models.

- It is reported that public sector banks have spent only 0.51% of the average net profit of the previous three years towards CSR spending. Most of the PSBs have reported 1% of the profit of the previous year as their prescribed CSR budget. This may be made applicable to private and foreign banks as well. A part of this budget can be utilized towards financial literacy programmes by their respective FLCs.

- The government departments, both central and state governments, channelizing their funds through Direct Benefit Transfer (DBT) may support FLCs in conduct of awareness building programmes, camps etc.

- For organising camps and delivery of messages, the innovative approaches such as magic show mentioned in the paper (para 2.5) may be utilized by all FLCs. In addition, puppet show, *nukkad natak*, street plays etc. may also be used as vehicles of effective communication.

- There should be good coordination between FLCs across agencies and a mechanism to be developed so that activities of all the FLCs in the district should be reviewed by LDM /DDM. Since majority of the FLCs are equipped with Laptop and internet facility, a web portal based monitoring mechanism should be put in place for quick monitoring of FLCs.

- The FLC counsellors should have adequate experience in normal banking activity. Therefore, priority should be given to the retired bank employees. If counsellors recruited are fresh from the market, an intensive training may be required to handle the counsellor's job.
- The contours of the finance sector is changing on regular basis which calls for continuous updation of knowledge of counsellors. Therefore, their capacity building may be made an on-going exercise.
- A system of issuing Identity card for counsellor by the respective banks should be put in place. This will give authenticity and identity and also raise morale of the counselors which will result in building the confidence of the counselors.

5. Conclusions

Financial literacy is pre-requisite for meaningful financial inclusion. A financially literate person is a responsible citizen and an asset for the society. The FLCs setup by various banks have started showing some impact in making the masses aware of financial products. But the requirement is too huge and calls for concerted efforts by all stakeholders. Banks need to change their approach towards these centres as cost centres and consider them as creators of opportunities for their products. The investment in setting up of these centres will yield the dividends in the long run and also supplement and complement the business activities of the banks.

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'कम नकद' भारत महत्व और अवसर

आशुतोष उपाध्याय*

I. विषय परिचय

दुनिया में किसी भी अर्थव्यवस्था या समाज के लिए कैशलेस बनना व्यावहारिक रूप से संभव नहीं है, अतः कम–नकद बनना किसी भी देश के लिए (खासकर कम विकसित देशो के लिए) अगला सबसे व्यवहार्य और वांछनीय आर्थिक परिणाम है । भारतीय संदर्भ में, एक 'कम–कैश' आर्थिक प्रणाली हमेशा से भारतीय रिज़र्व बैंक की दीर्घकालिक नीतिगत उद्देश्य रही है। 2001 के बाद से रिज़र्व बैंक द्वारा जारी किए गए विभिन्न विजन दस्तावेजों में इसका प्रमाण मिलता है (*भारत में भुगतान और निपटान प्रणाली – विजन विवरण 2001–03, 2005–08, 2009 –12, 2012–15 और 2018*) । नवीनतम विजन दस्तावेज़ 2018 (भुगतान और निपटान प्रणाली विजन –2018, 23 जून 2016 को जारी) का विजन कथन इस प्रकार है;

"उत्तरदायी विनियमन, मजबूत बुनियादी ढांचे, प्रभावी पर्यवेक्षण और ग्राहक केंद्रितता के माध्यम से भारत में, 'कम–नकद' वाली सर्वश्रेष्ठ श्रेणी की भुगतान और निपटान प्रणाली का निर्माण करना।"

डिजिटल भुगतान प्रणालियों को एक अभूतपूर्व प्रोत्साहन 8 नवंबर, 2016 को भारत सरकार द्वारा 500 और 1000 रुपये के नोटों की बंदी की घोषणा से आया । यह एक ऐसा उपाय था, जिसने रातो रात विलयन में उपलब्ध मुद्रा में से 86%, अर्थात 15.44 ट्रिलियन रुपये को चलन से बाहर कर दिया और जनता को डिजिटल माध्यम से लेनदेन करने के लिए प्रोत्साहित किया।

II. परिभाषा

कम–नकदी समाज को बढ़ावा देने के लिए, जनता और संस्थानो को डिजिटल और पेपर–आधारित भुगतान उत्पादों का अधिक गहराई और विस्तार से उपयोग करना चाहिए, जिन्हें 'भुगतान और निपटान प्रणाली' के रूप में जाना जाता है।

भुगतान और निपटान प्रणाली अधिनियम, 2007 ने एक 'भुगतान प्रणाली' को इस प्रकार परिभाषित (धारा 2 (आई) किया है ;

"भुगतान प्रणाली का अर्थ है एक ऐसी प्रणाली / सिस्टम जो भुगतानकर्ता और लाभार्थी के बीच भुगतान को सुफल बनती है, जिसमें समाशोधन, भुगतान या निपटान की सेवा या ये सभी सेवाएं शामिल हैं, लेकिन जिसमें स्टॉक एक्सचेंज शामिल नहीं है ।"

स्पष्टीकरण– इस खंड के प्रयोजन के लिए, भुगतान प्रणाली में क्रेडिट कार्ड के संचालन, डेबिट कार्ड के संचालन, स्मार्ट कार्ड के संचालन, मनी ट्रांसफर के संचालन या इसी तरह के संचालन को सक्षम करने वाली प्रणाली/ सिस्टम शामिल हैं।

* लेखक आरबीआई में सहायक महाप्रबंधक और कृषि बैंकिंग कॉलेज, पुणे, में संकाय सदस्य के पद पर कार्यरत हैं। लेख में व्यक्त विचार लेखक के व्यक्तिगत विचार हैं । हालांकि सामान्य अस्वीकरण लागू होता है।

उपरोक्त अधिनियम 'निपटान' को इस प्रकार परिभाषित करता है (धारा 2 (एन)

"'निपटान' का मतलब भुगतान निर्देशों का निपटारा जिसमें प्रतिभूतियां, विदेशी मुद्रा या डेरिवेटिव या भुगतान दायित्ववाले अन्य लेनदेन के निपटान शामिल हैं।"

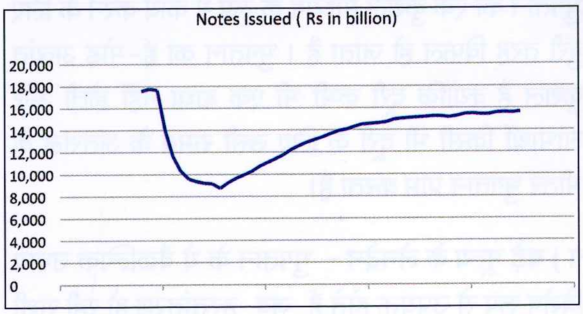
सरल शब्दों में, 'भुगतान' का अर्थ है दो व्यक्तियों या संस्थाओं के बीच भुगतान की प्रक्रिया (एक चेक या कार्ड के द्वारा), जबकि 'निपटान' इन संस्थाओं के बैंक खातों के बीच के धन का निपटान है। उदाहरण के लिए, अगर ए को बी से चेक प्राप्त होता है तो इसे भुगतान कहा जायेगा, लेकिन ए के बैंक को अंततः बी के बैंक से धन प्राप्त होने के बाद ही निपटान कि प्रक्रिया पूरी होगी।

III. आवश्यकता और लाभ –

डिजिटल भुगतान प्रणालियों को दिए जा रहे महत्व के इस दौर में, ये उचित होगा की इस प्रणाली से अर्थव्यवस्था और देश को प्राप्त होने वाले लाभ को समझा जाये;

i) नकद का विकल्प – नकद एक तरल स्नेहक है जो अर्थव्यवस्था में आर्थिक गतिविधियों को संचालित करता है और इसलिए हमारे दैनिक जीवन का अभिन्न अंग है। हालांकि, नकदी का अपना बहुत गंभीर प्रभाव भी होता है. **केनेथ एस. रोगोफ** अपनी पुस्तक में लिखते हैं कि (*The Curse of Cash, Kenneth S. Rogoff, 2016, Princeton, New Jersey, Princeton University Press*) नकदी का एक बड़ा हिस्सा कर चोरी, भ्रष्टाचार, आतंकवाद, नकली नोट, नशीली दवाओं के व्यापार, मानव तस्करी, प्रवासियों का शोषण और मनी लॉन्ड्रिंग में उपयोग होता है. उन्होंने आगे तर्क दिया कि कागज मुद्रा को समाप्त करने से कई वांछनीय प्रभाव पड़ेंगे, जिनमे टैक्स चोरी, काले धन और कम मज़दूरी वितरण में कमी आएगी। भुगतान उत्पाद जैसे चेक, कार्ड, मोबाइल भुगतान प्रणाली आदि नकदी के विकल्प के रूप में कार्य करते हैं और अर्थव्यवस्था में मुद्रा की तीव्रता और उपयोग को कम करने में सहायता करते हैं।

भारत सरकार द्वारा नवम्बर 8, 2016, को घोषित नोट बंदी से संचलन में नोटो की मात्रा में 86% की कमी हो गई थी। संचलन में नोटों की प्रवृत्ति को चित्र 1 मे देखा जा सकता है।



(चित्र 1) – स्रोत– भारतीय रिज़र्व बैंक, मुद्रा प्रबंधन विभाग

यह देखा जा सकता है कि नवम्बर और दिसंबर 2016 में नोट बंदी के कारण, उपरोक्त वक्र में एक भारी कमी आई थी। हालांकि, इसके बाद एनआईसी (NIC–Notes in Circulation) में लगातार बढ़ोतरी हुई है और अब यह 16 ट्रिलियन रुपये के करीब स्थिर होता हुआ दिखाई दे रहा है।

ii) आर्थिक प्रणाली में दक्षता – भुगतान के अधिक से अधिक वैकल्पिक माध्यमों का उपयोग गति, दूरी, मूल्य और लागत के परिपेक्ष्य में आर्थिक प्रणाली की दक्षता बढ़ाने में सहायता करता है।

क) गति – विभिन्न भुगतान उत्पादों के माध्यम से धन की आवाजाही की गति नकदी की चाल से कहीं अधिक है। एक ओर, हमारे पास चेक, ईसीएस (ECS), एनएसीएच (N-ACH) आदि उपकरण हैं, जहां फंड T + 1 के आधार पर स्थानांतरित किया जाता है, या एनईएफटी (NEFT) है जहां फंड को बी + 2 (बैच + 2) के आधार पर स्थानांतरित किया जाता है, जबकि दूसरी तरफ, हमारे पास तेजी से भुगतान करने वाले उत्पाद जैसे, आरटीजीएस (RTGS), आईएमपीएस (IMPS), यूपीआई (UPI) और एनयूयूपी (* 99 #) आदि हैं, जो कि धन का तुरंत हस्तांतरण करते हैं। अतः निधि अंतरण की गति के परिपेक्ष्य में भुगतान के ये विधियां नकदी से अधिक तेज हैं।

ख) भौगोलिक सीमाएं – नकद भुगतान का एक तेज़ और बेहतर तरीका तब होता है, जब लाभार्थी और दाता आमने

सामने हो, लेकिन अगर दूरी दृश्य में आती है, जैसे कि लाभार्थी मान लीजिये 1000 किमी दूर स्थित हो तो, नकद भुगतान का एक कुशल माध्यम के रूप में कार्य करने के लिए बुरी तरह विफल हो जाता है। भुगतान का ई–मोड अत्यंत कुशल है क्योंकि दूरी कभी भी एक बाधा नहीं होती और लाभार्थी किसी भी दूरी के लिए उसी समय के अंतराल के भीतर भुगतान प्राप्त करता है।

ग) बड़े मूल्य के लेनदेन – भुगतान के ये वैकल्पिक उपाय विशेष रूप से उपयुक्त होते हैं, जब हस्तांतरण हो रही राशी का मूल्य अधिक हो। उदाहरण के लिए, अगर मुझे आपको 1 करोड़ रुपये देने होंगे, तो इसे नकद में देने के बजाय (जब तक कि यह काला धन नहीं है), मैं एनईएफटी या आरटीजीएस मे लेनदेन को पसंद करूंगा, क्योंकि नकदी में हैंडलिंग, ट्रांसफ़र और सुरक्षा इत्यादि की लागत शामिल रहती है।

घ) संचालन की लागत – कैश की मुद्रण, परिवहन और नष्ट करने कि लागत होती है, जो कि कर दाताओं के पैसो से, सरकार द्वारा, वहन की जाती है। हालांकि, कागज और ई–उत्पाद भी एक लागत के साथ आते हैं, लेकिन यह नकदी की लागत का एक अंश मात्र है। इसलिए, यह पूरी तरह से प्रणाली को दक्ष और लागत प्रभावी बनाने में मदद करता है।

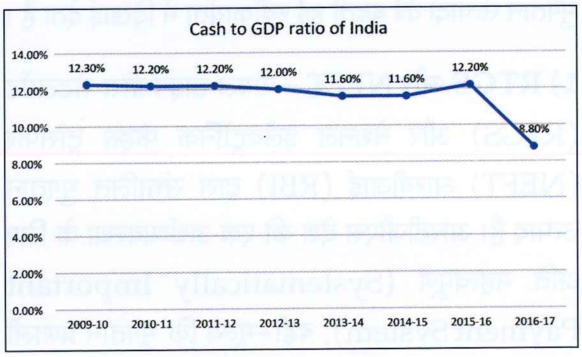
च) सुरक्षा – कानून और व्यवस्था कि दृष्टि से नकद लेनदेन मे सुरक्षा का खतरा हमेशा बना रहता है। जोखिम की तीव्रता एक व्यक्ति के साथ नकदी के मूल्य के सीधे आनुपात मे होती है। पैसे / नकद के लिए लूट, हत्या आदि घटनाओ के उदाहरण न केवल हमारे देश में, बल्कि दुनिया के अधिकांश देशों में एक सामान्य बात है। हालांकि, यह जोखिम भारत जैसे कम विकसित देशों में अधिक गंभीर है।

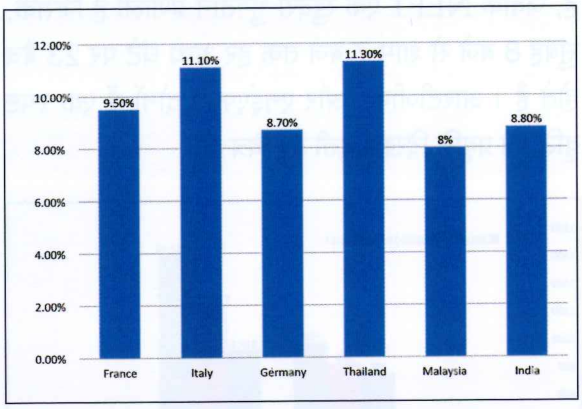
वैकल्पिक भुगतान उत्पाद एक व्यक्ति को सुरक्षा की चिंता किए बिना किसी भी राशि को ले जाने या हस्तांतरित करने में सक्षम बनाता है। यह केन्या, फिलीपींस आदि उच्च जोखिम वाले देशों में भुगतान के वैकल्पिक तरीकों की स्वीकृति और प्रसार के प्रमुख कारणों में से एक है।

छ) वित्तीय स्थिरता – यह आम तौर पर पाया जाता है कि वित्तीय प्रणाली में कोई भी तनाव पहले भुगतान और निपटान प्रणालियों में प्रकट होता है, क्योकि सहभागियों द्वारा मेह्सूस किए जा रहे तरलता तनाव के कारण 'निपटान' पर प्रतिकूल प्रभाव पड़ता है। इसके अलावा, भुगतान प्रणालियों के परस्पर जुड़े होने की प्रकृति की वजह से, ऐसी गड़बड़ियों का अन्य वित्तीय संस्थानों में भी प्रसारित होने की भय बना रहता है, जिसे 'डोमिनो प्रभाव' के नाम में जाना जाता है और इसका वित्तीय स्थिरता पर प्रतिकूल असर पड़ता है। इस कारण से, पर्यवेक्षक संस्थाये चेक वापसी आदि घटनाओ की बारीकी से निगरानी करते हैं, क्योंकि यह भुगतान प्रणाली में भाग लेने वाले व्यक्तियों या संस्थानों मे आर्थिक तनाव के बारे में सुराग देता है। भुगतान प्रणाली व्यवस्थित रूप से महत्वपूर्ण हैं (Systematically important) क्योंकि इनमें से ज्यादातर सिस्टम जो राशि का प्रबंधन करते हैं वो उस देश के सकल घरेलू उत्पाद की तुलना में कई गुना अधिक होती है। उदाहरण के लिए, भारत में सभी भुगतान प्रणालियों द्वारा 2016–17 में संसाधित मूल्य की कुल राशि (वित्तीय बाजारों की समाशोधन सहित) 2,259 बिलियन डॉलर थी (*आरबीआई वार्षिक रिपोर्ट 2016–17, पेज 135*) जो भारत के जीडीपी के 12 गुना के करीब है। दूसरे शब्दों में, भारत की भुगतान प्रणाली हर महीने देश की पूरी जीडीपी को मंथन कर रही थी।

ज) अर्थव्यवस्था का औपचारिकरण – नकद का कोइ ऑडिट ट्रेल नहीं होता है। इसलिए, किसी व्यक्ति या संस्था के पास उपलब्ध या उपयुक्त नकदी की मात्रा का पता लगाना लगभग असंभव है। लेकिन डिजिटल माध्यम से किए गए भुगतान लाभार्थी के खाते में एक डिजिटल पदचिन्ह छोड़ देता है और लेनदेन को औपचारिक रूप देने में मदद करता है। इससे अर्थव्यवस्था में पारदर्शिता बढ़ती है और भ्रष्टाचार और काले धन में कटौती होती है। ये नवम्बर 2016 की नोट बंदी का एक मुख्य उद्देश्य भी था और सरकार द्वारा भुगतान के वैकल्पिक तरीकों को बढ़ावा देने का एक प्रमुख कारण है। भुगतान और निपटान प्रणाली का गहरा और व्यापक उपयोग कर चोरी को कम करने और बेहतर कर–अनुपालन में मदद करता है। इससे सरकार को बेहतर कर राजस्व भी प्राप्त होता है। नकद – जीडीपी

अनुपात को अर्थव्यवस्था के औपचारिकरण का मापदंड माना जाता है। यह देखा गया है कि ज्यादातर विकसित देशों में यह अनुपात काफी कम है । भारत में भी नकद – जीडीपी अनुपात लगातार गिरावट दर्ज कर रहा है और विशेष रूप से नोट बंदी के बाद हमारे देश का नकद – जीडीपी अनुपात कई विकसित देशों के करीब है । इसका प्रमाण नीचे दिए गए चित्र 3 से मिलता है । जबकि भारत का नगत – जीडीपी अनुपात पहली बार 8.8 % के स्तर पर पंहुचा है . ये चित्र 2 से देखा जा सकता है ।





(चित्र 2–चित्र 3)(स्त्रोत– अंतर्राष्ट्रीय वित्तीय सांख्यिकी, IMF, भारत के बारे में डेटा आरबीआई से लिया गया है)

झ) मौद्रिक नीति संचरण – मौद्रिक नीति एक ऐसी नीति है जिसके द्वारा केंद्रीय बैंक ब्याज दरों में परिवर्तन के द्वारा अर्थव्यवस्था में मुद्रा आपूर्ति पर प्रभाव डालता है । मौद्रिक नीति संचरण भुगतान प्रणालियों के लिए महत्वपूर्ण कारणों में से एक है, क्योंकि वह अर्थव्यवस्था और बाजारों के लिए मौद्रिक नीति के संकेतों को कुशलता से ट्रांसमिट करने में महत्वपूर्ण भूमिका निभती है । केंद्रीय बैंक की मौद्रिक नीति संबन्धित करवाही या तो धन की मात्रा (यानी मुद्रा की आपूर्ति) या धन की कीमत (यानी वक्र के लघु अंत में ब्याज दर) को प्रभावित करती हैं । इन दोनों उपायों के लिए उसी दिन के निपटान के साथ (अधिमानतः वास्तविक समय के) एक विश्वसनीय बड़े–मूल्य की भुगतान प्रणाली की आवश्यकता होती है । किसी भी मौद्रिक नीति की प्रभाविकता इस बड़े–मूल्य वाली भुगतान प्रणाली की कार्यक्षमता और सुदृढ़ता पर काफी हद तक निर्भर करती है, जो कि भारत के मामले में आरटीजीएस (R.T.G.S.) है।

अर्थशास्त्र में, "धन की मात्रा का सिद्धांत" पैसे की आपूर्ति और मूल्य में अंतर के बीच के संबंध को दर्शाता है, जो अंततः केंद्रीय बैंकों के मौद्रिक नीति ढांचे की नींव बन जाती है । इरविंग फिशर का प्रसिद्ध एक्सचेंज समीकरण इस संबंध के बारे में बताता है; (*Irving Fisher (1911), The Purchasing Power of Money*) ; (MV=PT)

जहां पर

M मुद्रा आपूर्ति का प्रतिनिधित्व करता है

V समय t पर पैसे की गति को दर्शाता है।

P समय t पर सामान्य कीमत स्तर का प्रतिनिधित्व करता है और

T अर्थव्यवस्था में सकल लेनदेन के वास्तविक मूल्य का सूचकांक है।

उपरोक्त समीकरण के बाएं हाथ के मुल्य से अर्थव्यवस्था में धन की कुल आपूर्ति का पता चलता है, जो कि धन की आपूर्ति और पैसे के वेग का गुणनफल है, जबकि दाहिने हाथ का मूल्य धन की कुल मांग दिखाता है, जो कि वस्तुओं के सकल लेनदेन के वास्तविक मूल्य और उनके सामान्य कीमत स्तर के गुणनफल द्वारा मापा जाता है। यहां, 'M' को मौद्रिक समुच्चय जैसे M_1, M_2 & M_3 आदि से मापा जाता है, जबकि 'V', अर्थात पैसे की गति भुगतान और निपटान प्रणाली द्वारा निर्धारित की जाती है और अंतत इन दोनो परिवर्तनशील चरो के गुणनफल से अर्थव्यवस्था में कुल धन आपूर्ति मापी जाती है । इसलिए अगर मौद्रिक नीति 'M' को नियंत्रित करके मुद्रा आपूर्ति को नियंत्रित करने की

कोशिश कर रही है, लेकिन यदि 'V' (भुगतान गति जो भुगतान प्रणाली द्वारा निर्धरित होती है) पर्याप्त मात्रा में इसका समर्थन नहीं कर रहा है तो मौद्रिक नीति का संचरण काफी हद तक बेमानी और अप्रभावी होगा। इस कारण से, प्रभावी मौद्रिक नीति संचरण में भुगतान और निपटान प्रणाली महत्वपूर्ण भूमिका निभाती हैं ।

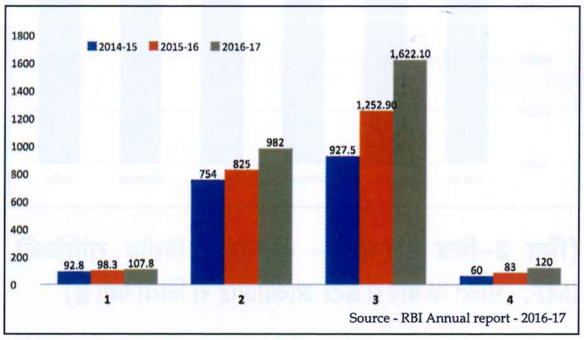
ट) राजकोषीय नीति कार्यान्वयन – भुगतान प्रणाली राजकोषीय नीति के कार्यान्वयन पर भी काफी असर रखती है। सरकारी नकदी प्रवाह और बहिर्गमन की गति और मात्रा सीधे तौर पर भुगतान प्रणाली की क्षमता से प्रभावित होती हैं । भुगतान प्रणाली सरकार की उधार देने और लेने की गतिविधियों में भी महत्वपूर्ण भूमिका निभाती है।

ठ) वित्तीय समावेशन – वित्तीय समावेशन वह प्रक्रिया है जिसमे बैंकिंग / वित्तीय सेवाओं को उचित मूल्य पर, औपचारिक / अधिकृत माध्यमों से द्वारा, बिना बैंकिंग सुविधा प्राप्त आबादी तक पहुचाने का काम किया जाता है। इस तरह के अधिकांश लोग आंतरिक, दूर–दराज़ के इलाको में रहते हैं, जहां बैंकों द्वारा भौतिक ईंट–और–मोर्टार वाली शाखा स्थापित करना या तो संभव नहीं है या व्यवहार्य नहीं है । परंतु प्रौद्योगिकी अर्थात ई – भुगतान प्रणाली की मदद से ऐसी आबादी तक पहुंचना संभव है । ऐसे दूर दराज़ के क्षेत्रों में मोबाइल के बड़े पैमाने पर प्रवेश से यह संभव हुआ है कि ऐसे लोगों तक न केवल पहुचा जा सकें, बल्कि उन्हें मूलभूत बैंकिंग सेवाएं जैसे धन प्रेषण, जमा, माइक्रो क्रेडिट और बीमा आदि भी मोबाइल बैंकिंग सेवाओं के माध्यम से प्रदान की जा सके। भारत में, हाल के दिनों में किए गए अधिकांश नीतिगत पहलों का सबसे बड़ा उद्देश्य वित्तीय समावेश ही रहा है । चाहे वो जन–धन योजना हो , छोटे या भुगतान बैंकों (Small Finance bank or Payment banks) या फिर सार्वभौमिक बैंकों को लाइसेंस देने का निर्णय हो, इन सभी फैसलो का अंतिम उद्देश्य वित्तीय समावेशन ही था। इन संस्थाओं से उम्मीद है कि वे तकनीकी प्लेटफार्मों और भुगतान प्रणालियों की मदद से बैंकिंग सेवाएं ग्राहकों को उपलब्ध करायेंगी । पूर्वी अफ्रीका में स्थित केन्या में एम–पेसा (M-Pesa) का मामला विशेष रूप से भुगतान प्रणाली और मोबाइल बैंकिंग का उपयोग करते हुए आंतरिक क्षेत्रों में वित्तीय समावेश का एक उत्कृष्ट उदाहरण है।

IV. भारत में भुगतान प्रणालियों को अपनाने में रुझान

भारतीय रिजर्व बैंक और भारत सरकार का 'कम नकदी' इस्तेमाल का उद्देश्य काफी सफल हो रहा है। यह ई–भुगतान उत्पादों की बढ़ती हुई स्वीकार्यता में दिखाई देता है ।

1) RTGS और NEFT – रीयल टाइम ग्रॉस सेटलमेंट (RTGS) और नेशनल इलेक्ट्रॉनिक फंड्स ट्रांसफर (NEFT) आरबीआई (RBI) द्वारा संचालित भुगतान उत्पाद हैं। आरटीजीएस देश की एक अर्थव्यवस्था के लिए अति महत्वपूर्ण (Systematically Important Payment System), बड़ी–मूल्य कि भुगतान प्रणाली है, जबकि NEFT एक खुदरा भुगतान प्रणाली है जिसके, सुबह 8 बजे से शाम 7 बजे तक हर आधे घंटे पर 23 बैच होते है । आरटीजीएस और एनईएफटी दोनों में एक स्पष्ट वृद्धि की प्रवृत्ति दिखाई देती है (चित्र 4)



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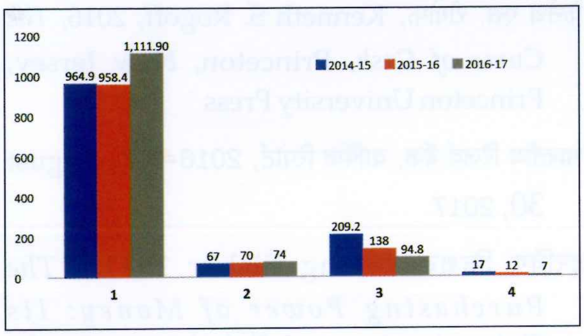
2) कागज आधारित समाशोधन – ये सभी वो भुगतान हैं जो कि चेक, डिमांड ड्राफ्ट, पे ऑर्डर आदि के माध्यम से किए जाते है और उनका समाशोधन चेक ट्रंकेशन सिस्टम (CTS) या गैर एमआईसीआर (NON-MICR) क्लियरिंग हाउस के माध्यम से होता है । इन उत्पादों की मात्रा चित्र 5 मे देख सकते हैं ।



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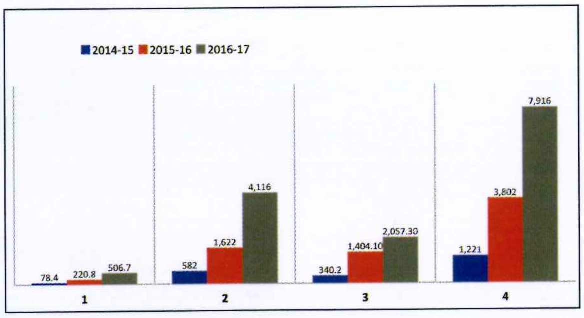
(चित्र 5) सीटीएस के तहत संसाधित किए गए उपकरणों के मात्रा और मूल्य में बढ़ती प्रवृत्ति दिख रही है, जो कि आंशिक रूप से जनता के द्वारा अधिक कागज उपकरणों के उपयोग के कारण है और आंशिक रूप से गैर एमआईसीआर केंद्रों के बंद होने और इसकी उपकरणों की मात्रा का सीटीएस में स्थानांतरित करने के कारण (यह उपरोक्त चार्ट में कम होती हुई प्रवृत्ति दिखाता है) है ।

3) IMPS और NACH – तत्काल भुगतान प्रणाली (आईएमपीएस) एक त्वरित भुगतान प्रणाली है, जबकि राष्ट्रीय स्वचालित क्लियरिंग हाउस (एनएसीएच) एक इलेक्ट्रॉनिक भुगतान प्रणाली है जिसका उपयोग थोक और दोहरावदार भुगतान करने के लिए किया जाता है । डायरेक्ट बेनिफिट ट्रांसफर (डीबीटी) और अन्य सरकारी सब्सिडी का लाभार्थी के खाते में भुगतान इस उत्पाद का उपयोग करके किया जाता हैं। इन उत्पादों को राष्ट्रीय भुगतान निगम (NPCI) द्वारा संचालित किया जाता है ।



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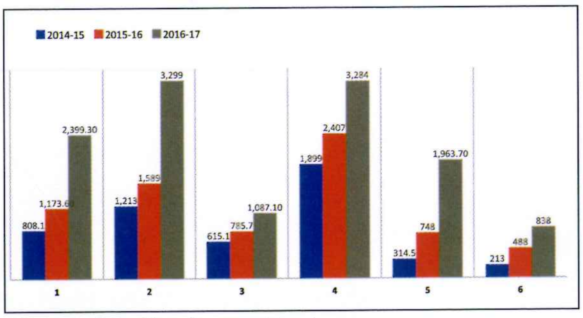
आईएमपीएस और एनएसीएच दोनों ही तीन वित्तीय वर्षों में एक स्वस्थ विकास को प्रदर्शित करते हैं (चित्र 6).

एनपीसीआई ने 11 अप्रैल, 2016 को एक उन्नत भुगतान अंतरफलक (UPI) एक उन्नत फास्ट भुगतान सिस्टम भी शुरू किया है । इसमे 2016-17 में 17.86 मिलियन लेनदेन हुए जिनका मूल्य 69.47 अरब रुपये का रहा। हालांकि, मौजूदा वित्त वर्ष में, यूपीआई ने दिसंबर 2017 तक 506.5 अरब रुपये की मूल्य का 412 मिलियन भुगतान दर्ज किया है।

4) कार्ड और PPIs – डेबिट कार्ड, क्रेडिट कार्ड और प्री-पेड इंस्ट्रुमेंट्स (P.P.I.) के उपयोग की मात्रा में काफी वृद्धि हुई है, जैसा कि निम्नलिखित चार्ट (चित्र 7) में दर्शाया गया है । सभी तीन श्रेणियों में स्वस्थ विकास दर्ज किया गया है।



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V. उपसंहार –

यह ऊपर से देखा जा सकता है कि भुगतान और निपटान प्रणाली किसी भी अर्थव्यवस्था की प्रगति और विकास में एक अति आवश्यक भूमिका निभाती है। विशेष रूप से अनेक महत्वपूर्ण उद्देश्यों जैसे कि, आर्थिक प्रणाली की दक्षता, अर्थव्यवस्था का औपचारिकरण, मौद्रिक नीति संचरण और वित्तीय समावेशन की पूर्ति के संदर्भ में भुगतान और निपटान प्रणाली एक अत्यंत महत्वपूर्ण माध्यम के रूप में उभर के आती है । यह हर्ष का विषय है कि भारत में, भारतीय रिजर्व बैंक और भारत सरकार द्वारा 'कम नकद' अर्थव्यवस्था को बढ़ावा देने के प्रयासों को सफलता प्राप्त हो रही है जो कि भुगतान उत्पादों के उपयोग मे वृद्धि और नकदी – जीडीपी अनुपात में कमी से परिलक्षित होता है । यह बदलाव बहुत ही महत्वपूर्ण है और मध्यम और लंबी अवधि में देश को एक आधुनिक और औपचारिक

अर्थव्यवस्था बनाने में बहुत ही प्रभावशाली भूमिका निभाएगा।

संदर्भ-

भारतीय रिज़र्व बैंक, भुगतान और निपटान विभाग, केंद्रीय कार्यालय, भुगतान और निपटान प्रणाली विजन -2018

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Articles in Brief

Assessment Centre: A Powerful Tool for Talent Management in Banking Industry

Mukesh Kumar*

I. Introduction

An assessment centre is a process where candidates are assessed to determine their suitability for specific types of role. The candidates' personality and aptitudes are determined by a variety of techniques including interviews, group exercises, presentations, examinations and psychometric testing.

Assessment Centre is a method for assessing aptitude and performance; applied to a group of participants by trained assessors using various diagnostic processes in order to obtain information about applicants' abilities or development potential.

The assessment centre is not a place as its name seems to suggest, nor is it a single process or method. Rather, an assessment centre employs multiple assessment methods and exercises to evaluate a wide range of competencies used to make a variety of employment decisions such as selection, career development and promotion.

Assessment centre is a process employing multiple techniques and multiple assessors to produce judgements regarding the extent to which a participant displays selected competencies.

An assessment centre is a means of gathering relevant information, under standardized conditions, about an individual's capabilities to perform a managerial position. An assessment centre puts candidates through a series of group and individual exercises designed to simulate the conditions of a given job and determines if the candidate has the skills and abilities necessary to perform that job. It is done through bringing out the candidate's behaviour relevant to the job, while being observed by a group of assessors. In addition, the assessors judging a candidate's behaviour see all individuals from a common frame of reference in the various assessment activities. These procedures help to insure that the judgments made are relatively free of the many forms of rater bias, are reliable, and can serve as the basis for meaningful predictions of a candidate's potential.

Assessment centre can be used to assess small groups of people at relatively the same time. Many assessment centre exercises resemble work sample tests designed to simulate the actual challenges found on the job.

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II. Essential Elements of Assessment Centre:

a) Predefined competencies (skills) against which you will be assessed.

b) Realistic simulation of the skills required for the role.

c) Fair and unbiased assessment. For example, pooling of data from different assessors.

d) Standardised recording of behaviour, for example score sheets and video.

III. Terminologies commonly used in Assessment Centre[1]

a) Competency: group of behaviours that are specific, observable and verifiable, that can be readily and logically classified together and that are related to job success.

b) Exercise: A simulation or technique designed to elicit behaviours related to performance requirements of the job.

c) Assessor: An individual trained to observe, record, classify and make reliable judgement about the behaviours of those being assessed.

d) Job Analysis: This determines the competencies, attributes and other requirements for job success in the position being evaluated.

e) Simulations: A fictional situation in which the candidate is expected to respond from the perspective of someone in the level being sought. (E.g. group exercise, in-tray, role-play, presentation or fact-finding task.)

IV. History of Assessment Centre

The assessment centre method was developed when people started realising that just asking questions and interviews were not enough to prove a person's suitability. After all, almost everyone will claim to be stress resistant, but only practice can show whether that really is the case. The method originated in military circles. After the First World War, the German army decided to start selecting its officers based on relevant assignments. During the Second World War, the Americans decided to start using this method too and after 1945 assessments were also used by companies. When American companies started establishing in the Netherlands, the assessment centre method was introduced over there.

V. Competencies assessed during Assessment Centre

Assessment centre exercises can be used to measure many different types of job related competencies, including interpersonal skills, oral and written communication, planning and evaluating, and reasoning and problem solving abilities.

A brief overview of various set of competencies is given below:

a) Individual level competencies

Building effective teams, compassion, customer focus, integrity and trust, interpersonal skills, listening, managing relationships, managing vision and purpose, motivating others, negotiating, personal learning and development, valuing diversity etc.

[1] The definitions are from the book: A Preparation Guide for the Assessment Centre Method by Tina Lewis Rowe

b) Operating level competencies

Developing others, directing others, managing and measuring work, managing through processes and systems, organizing, planning, priority setting, time management, timely decision making etc.

c) Strategic level competencies

Creativity, dealing with ambiguity, decision quality and problem solving, strategic agility and innovation management etc.

d) Organising Skills

Organizational agility, presentation skills, written communication, action orientation, drive for results, etc.

Each of these competencies will have a detailed description matching with the organisational objectives. The competencies will then be explained in terms of behavioural indicators which will be observed by the trained assessors. The competencies will then have different proficiency levels based on the levels of participants. An example of one such competency i.e. Effective Listening is given below:

Effective Listening: Practices attentive and active listening; has the patience to hear people out; can accurately restate the opinions of others even when he or she disagrees.

Table 1: Proficiency Level of Effective Listening Competency

Level 1: Basic	Level 2: Intermediate	Level 3: Advanced	Level 4: Expert
Is attentive and listens to others	Listens carefully, paying full attention to the speaker	Has a good reputation for patiently and politely listening to others	Practices attentive and active listening, often paraphrasing the message of the speaker to ensure understanding
Allows others the opportunity to speak	Has the patience to hear people out	Takes time to digest what he or she hears before responding	Makes solid eye contact, intuitively absorbing the gist of the message
Is considerate of the opinions of others	Considers opinions of others even when he or she disagrees	Refrains from interrupting or correcting the speaker, allowing the other person to make his or her point	Accurately restates the opinions of others even when he or she disagrees

VI Exercises used in Assessment Centre

The assessment centre focuses on a set of varied exercises designed to assess the given set of competencies. The exercises are designed to simulate different aspects of the work environment. The assessors closely observe behaviours during exercises, to match these behaviours with the ones required for the role. Following are the commonly used exercises:

a) A frequently used assessment centre exercise is the in-basket test. A typical in-basket test is designed to simulate administrative tasks. During this exercise, applicants are asked to play the role of a person new to the job and are instructed to read and react to a pile of memos, messages, reports, and articles.

b) Leader-less and leader-led group discussion - a group discussion in which applicants are assigned the tasks of solving a problem or a series of problems in a limited amount of time.

c) Management Games to assess natural behaviour of participants in a simulated environment related to the competencies being assessed.

d) Other assessment centre exercises may include public speaking, role play and simulation exercises, personality tests, and structured interviews, competency based interviews, situational judgment tests, fact-finding exercises etc.

Applicant performance is usually observed and evaluated by multiple assessors. While assessment centre can be designed for various types of jobs, they are particularly effective for assessing higher-level managerial and leadership competencies. Assessment centres require extensive experience to develop, considerable logistical planning to set up, and numerous personnel to administer. Highly trained assessors are needed to observe and evaluate applicant performance on the group and individual exercises.

VII. Validity and Reliability of Assessment Centre

Overall, assessment centre scores do a good job predicting occupational success. They have a high degree of criterion-related validity, but the level of predictive validity can vary depending on the purpose of the assessment, the extent of assessor training, and the assessment methods used. Applicants typically react favorably to assessment centre exercises and often perceive the process as being very fair (i.e., as having a high degree of face validity). Exercises simulating actual job tasks provide effective realistic job previews.

VIII. Advantages of an Assessment Centre

a) Assessment centre measures job-related behaviours rather than other characteristics that are not directly related to effective job performance.

b) Assessment centre measures a broader range of knowledge, skills, and abilities than more traditional methods, such as written tests or interviews.

c) Assessment centre is standardized because testing conditions are similar for all candidates. This standardization insures that no candidate receives better or worse treatment than another.

d) Assessment centre is fair regardless of age, gender or race. Unlike some testing programs, research has suggested that a candidate's age, gender, or race has no influence on the assessment ratings received.

e) Candidates typically view assessment centre as a fair promotional method.

f) Assessment centre serves as a learning experience for assessors as well as for candidates. Assessors benefit from their training and experience as assessors; they can serve as a management-training tool that helps assessors improve their observational skills and their ability to accurately evaluate performance. Candidates benefit from the feedback they receive after going through the centre. The assessment centre identifies their strengths and areas in need of improvement.

g) Assessment centre ratings tend to be much more accurate than conventional ratings because the assessment centre provides an opportunity for direct observation of behaviour in a controlled setting with trained assessors.

IX. Assessment Centre in Banking Industry

As per Mint Newspaper dated April 10, 2017, "The Banks Board Bureau recommended five executive directors of public sector banks for top posts in state-run banks. This was for the first time the so-called *assessment centre* exercises were conducted to select the CEOs of India's public sector banks." The news article clearly indicates that assessment centre is not widely used in banking industry in India. An extended version of assessment centre - development centre - is followed in Reserve Bank of India for developing its direct recruit officers in Grade 'B'. The Khandelwal Committee on HR Issues of Public Sector Banks (2010) recommended that as part of leadership development for officers in Scale IV and above, Assessment Centre should be used as a reliable and valid method of assessing the extent to which a given executive has the competence to perform the new tasks and the promotions in executive cadre have to be preceded by a thorough testing of competencies and potential for holding the position to which the employee is being promoted. However, assessment centres are not commonly used in banks in India. Though the process is highly resource intensive, looking at the increased level of complexities in banking industry, there is a case to use assessment centre for the senior management positions.

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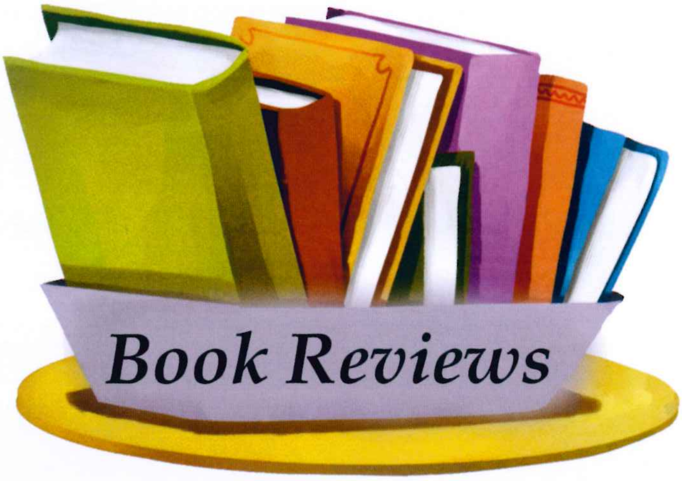
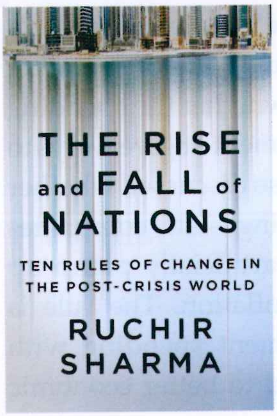

Book Reviews



The Rise and Fall of Nations: Ten Rules of Change in the Post-Crisis World

By Ruchir Sharma, Penguin Random House, UK, 2017; pp 464, Rs 799 (amazon.in)

Ananthi S.*

The Global Crisis of 2007-09, indeed, has jolted the entire world still impacting the financial and economic landscape. Nearly a decade after the crisis, the world has been dissecting the catastrophe to pick up lessons for the future.

What are the signals which foretell whether countries succeed or fail?

The central question, Ruchir Sharma, a New York based fund manager, has worked on in his book, **"The Rise and Fall of Nations: Ten Rules of Change in the Post-Crisis World'**.

Sharma has attempted to analyze the crisis and propose a new framework on what will decide the rise and fall of nations in the next five years. He has narrowed down thousands of factors to just ten thumb rules to portend the fortunes of nations - demographics, reformers, income inequalities, State interventions, geographical concentration of wealth, investment, inflation, currency value, debt levels and media hype.

The striking fact is these predictions are based on short term horizon rather than very long term (20, 30 or 40 years). His approach is pragmatic as prediction longer than five years is meaningless. However, Sharma has indicated even when all the economic vectors lead to a certain direction, unexpected human behavior, say, political change, can shift everything in a heartbeat. For instance, Asian Development Bank was located in Manila in the 1960s because, back then, everyone was absolutely sure that the Philippines was the future star of Asia. Sharma signals early in prologue itself with his narrative of African wildlife as a metaphor for the big cats and herds of finance that the rules are backed up by lucid anecdotes. Each chapter illustrates the relevance of the specific indicator with data cited from across the world.

People Matter; Leaders Matter; Billionaires Matter

The first three chapters focus on the society's human resources, leadership and billionaires.

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The first rule is regarding population growth driving the growth. Both high and low population growth signal danger. Contrary to forecasts that global population will outpace food supply, world over, including India, population growth is slowing down. In assessing which nations may grow, the rule is to check the projections for growth or shrinkage in the working-age population to gauge the baseline gain for growth. Countries that can welcome immigrants will score up as will those that figure out ways to employ elderly workers and women. It has been underscored in the book that "nations are most likely to change for the worse in boom times, when the populace is sinking into complacency, too busy enjoying its good fortune to understand that in a competitive global economy, the need to reform is constant."

Another important issue which has been discussed is about crony capitalism, i.e., inequality killing growth. The rule of good billionaires (through enterprise and risk-taking) and bad billionaires (through corruption) favours the nation with an evolving cast of productive tycoons. The billionaire rule assumes significance at present as inequality has been rising in the world, including China, India and USA and Britain.

It's all about the State and its location and Industries

The State's role (Is the Government meddling more or less?), the geographic sweet spot (Is the nation making the most of its location?) and industries (Is Investment rising or falling as a share of the economy?) dictate the narration of the three next chapters.

Regarding the State's role, Sharma's checklist starts with government spending as a share of GDP and whether the spending is for productive investment or giveaways to spot the outliers. It is also discussed whether the government is using state companies and banks as tools to artificially pump up growth and contain inflation. The rule is more focused government spending with less meddling will lead to better economic and political outcomes.

Another rule is how a location can be advantageous for a country to prosper. Places at the intersecting juncture of key trade routes can be geographic sweet spots. Hong Kong, Singapore and Dubai are well-known examples. In India, there was one such geographic sweet spot: Mumbai (erstwhile Bombay). The city failed to cash in on its locational advantage which it had enjoyed before independence which Colombo and Chittagong have taken over.

In the book it has been stressed that the best investment binges are those that go toward manufacturing, technology and infrastructure. Again talking of India, from 2008 to 2013, the country invested too little and consumed too much, with the result that economic growth slowed down. By the time this process began to be reversed in 2014, more problems emerged.

The Price of Onions – Is inflation high or low?

Citing India, Sharma recalls (and disputes) a former Government official who said (when prices of rising onions and other food items were a political issue) that we shouldn't worry about inflation because rapidly rising prices are normal for a fast growing economy. He says this is one of the biggest myths in economics as most long booms have been accompanied by low inflation.

However, the general rule is low consumer price inflation is an indispensable bolster for steady growth. Any period of high growth may be doomed if it is accompanied by rapidly rising inflation. High growth is far more durable if consumer prices are rising slowly or even if they are falling as a result of a positive supply shock or good deflation. However, deflation in asset prices is almost always a negative sign for the economy and is usually preceded by a rapid run-up in the prices of houses and stocks. In today's globalized world, in which cross-border trade and money flows often tend to restrain consumer prices but magnify asset prices, watching the prices of stocks and houses in as important as tracking the price of onions.

The Kiss of Debt

Sharma interestingly argues that rising debt-levels can be a sign of healthy growth, so long as debt is not growing too much faster than the economy for too long. He makes a point that the pace of increase in debt is the most important and clear sign of a shift for the better or worse and the first signs of trouble often appear in the private sector where credit manias tend to originate. He has further emphasized that as the pace of private credit growth picked up, the scale and likelihood of an economic slowdown increased as well. This is the reason he is worried about China's ability to continue driving the global economy in the coming years due to the nature of private debt growth.

The Cover Story Curse

The book indicates that any country that appears on the cover of *Time* magazine as the "new economic miracle" is likely to have peaked - and will have a bad time of it in the future. It is also argued that mainstream opinion about which nations are rising or falling typically gets the future wrong because it extrapolates the recent trends.

The Good, the Average and the Ugly

In the final chapter, Sharma categorizes the world economies as Good, Average and Ugly aided by the matrix of ten indicators. China is on the way down and obviously too ugly to be weighed upon. Brazil, Canada, Australia, Russia are all ugly as they are at the mercy of the commodity price cycle. They overspend during the price rise and struggle when commodity prices slump. US, Argentina, Mexico end up to be good. India and Pakistan offers bullish hopes but Sharma had some reservations about the quality of government intervention.

No doubt, the book is a well-researched and sincere effort of Ruchir Sharma and his team. It offers the reader a compelling read of all the chapters at one go. However, it suffers from a major flaw. In certain cases, there are certain statements with interesting anecdotes based on his wide travel experience without statistical analysis which might not go well with the academicians. Nevertheless, the book gets a positive nod for its sheer approach and fascinating insights on the subject.

Indeed, the book is a must choice for anyone interested in global economy.

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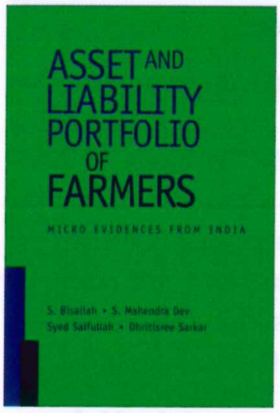

Asset and Liability Portfolio of Farmers Micro Evidences From India

S. Bisaliah, S. Mahendra Dev, Syed Saitullah, & Dhritisree Sarkar
Published by Academic Foundation, New Delhi in association with Indira Gandhi Institute of Development Research (IGIDR), Mumbai.

N. Madhumurthy*

The book 'Asset and Liability Portfolio of Farmers - Micro Evidences from India" is the research findings of authors on the trends of capital accumulation and financial status of farm households based on the data obtained from National Sample Survey Organisation (NSSO) and National Council of Applied Economic Research (NCAER), New Delhi. The National Sample Survey farm households level data is compared between two-time periods i.e., 1991-92 and 2002-03. The NCAER data on the asset-liability portfolio structure of farmer households is analyzed between 1998-99 and 2005-06. The book is a pointer on policy direction on financial inclusion for development agencies/financial institutions with required focus on the asset based sustainable livelihood activities.

Asset - Income Pattern of Farm Households

The authors have analyzed the asset portfolio structure of cultivator households in terms of four major groups viz., Farm Business Assets (FBA), Non-Farm Business Assets (NFBA), House Hold Assets (HHA) and Financial Assets (FA). There are two sets of motives which govern asset-income pattern of farmers. The first one is the risk reduction motive, which is in response to diminishing factor returns called push factors and the second one is profit maximization through diversification of farm activities like crop-livestock mix or non-farm activities which is termed as pull factor. The authors have explored, through the NSSO and the NCAER data, the positive relationship between non-farm income and household welfare as the rural non-farm activities are found to have reduced the variability in the farmer household's income and consumption pattern and at the same time generating enough resources to plough back into their expanded productive activities. Among the different cultivator groups, the percentage share of FBA is the lowest in the case of small farms while it is the highest in large farms. On the other hand, the share of HHA is highest in the case

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of small farms and lowest in the case of large farms. While comparing the asset build up over two -periods of time, the authors inferred that there is a loss in farm assets which is not conducive to agricultural growth. This also explains the reason for farm distress especially in small farms. However, the cultivator households have made small development move towards accumulation of non-farm assets which needs to be stepped up. As far as accumulation of Financial Assets (FA) is concerned, its share is negligible in respect of all farm groups. However, there is a gain in financial assets between the two periods which is a good sign for financial inclusion. With respect to composition of financial assets, gold has the highest share among all the farm groups followed by deposits and savings. The aggregate asset component analysis of farmer households of the different agricultural productivity regions suggests that, the percentage share of livestock in total assets is higher in low productivity region (LPR) than in the High Productivity Region (HPR). This is perhaps due to high dependence of LPR farmer household on livestock for their livelihood. Component analysis in the total FBR suggests the dominant share of land followed by irrigation and of farm machinery.

Impact of Bank finance on the capital accumulation

Authors have examined the impact of outstanding term loan on capital expenditure incurred by cultivator households on land development, irrigation, livestock and farm mechanization during the period of survey. It was found that the outstanding term loan per unit of capital expenditure is high during the second period as compared to the first period. This implies that an increase in the credit intensity is not necessarily followed up by an increase in the capital expenditure which is not conducive for farmers welfare. Among different category of farms, the large farms have higher amount of outstanding term loans per unit of capital expenditure than the small farms. It is seen that total assets, total debt, household, family size, age of the head and education status are found to have positive impact on the total capital expenditure.

Conclusion

The authors in the book, while analyzing the NSSO and NCAER data, brought out certain grey areas in the asset-liability structure of farmers which have major policy implications. There, however, is a need for further in-depth micro level studies on the aspects such of debt intensity and asset accumulation of the farm households. The high propensity to borrow especially by small farmers to meet their expenditure and low level of diversified farm assets such as livestock and non-farm business activities are the areas requiring policy attention. However, the book throws pointers to the financial institutions and policy makers for bringing more convergence in their financial, development and welfare programmes with asset accumulation which will improve the financial status and reduce the vulnerability of the farm households.

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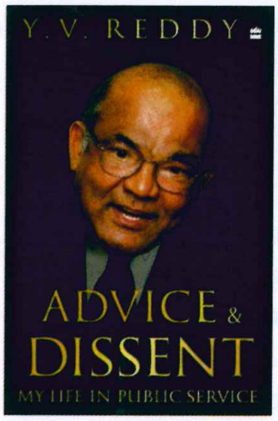

Advice and Dissent: My Life in Public Service

By Y. V. Reddy, 2017; New Delhi: Harper Collins, pp. 480, Hard Cover Rs.470.

Rajib Lochan Sahoo*

The book is based on professional life of Dr. Yaga Venugopal Reddy, the 21st Governor of the Reserve Bank of India (RBI). He served the Bank in capacity of both the Deputy Governor and Governor (September 6, 2003 to September 5, 2008). Dr. Reddy joined Indian Administrative Service in 1964. He worked with the Government of Andhra Pradesh, Government of India and the World Bank. He rose to the position of Secretary (Banking) in Ministry of Finance, Government of India in 1995. He moved to Reserve Bank of India in 1996 as Deputy Governor, and then to International Monetary Fund in 2002 as Executive Director on the Board. He was Chairman of the Fourteenth Finance Commission in 2013-14 and is a recipient of the *Padma Vibhushan*, India's second highest civilian award. Currently, he is Honorary Professor, Centre for Economic and Social Studies (CESS), Hyderabad, India.

The book authored by Dr. Reddy is divided into 29 chapters, most of which covers his professional life spanning 50 years from 1964 till 2014. More than half of the book covers his job in RBI. The narratives brings alive the life and times of a Central Bank Governor and many interesting aspects in the history of the Central Bank, which would not have been known to the lay reader, but for the book. The memoir begins with his birth in 1941 and India attaining independence in 1947. It ends with the submission of his report of the Fourteenth Finance Commission in December 2014. The book shows how an individual growing up in India has been impacted by independence, the integration of Princely States and the periodic general elections. The narrative captures the events like war in 1948, 1962, 1965 and 1971; the economic problems that India faced in 1970s and 1980s; the balance of payment crisis in 1991; the economic reforms post 1991 etc. The book provides a sense of context and shares the diversity of views and judgements surrounding memorable events.

In the beginning of the book, Dr. Reddy narrates his early life and education in which he recollects his participation in dramas and exciting study tours. In one such study tour to New Delhi he had the exciting moment of

*Chief Archivist, Reserve Bank of Archives, Pune.

meeting the first Prime Minister Nehru and taking his autograph. The story of his life brings alive the contemporary socio-economic life.

Dr. Reddy has been largely acclaimed as one among the brightest intellectuals of India. In the book he provides a ringside view of significant events in India's history: the Licence-Permit Raj, droughts, bonded labour, forex controls, the balance of payments crisis, liberalisation, high finance and, finally, the emergence of India as a key player in the global economy. He shares his experience of working closely with some of the architects of India's economic change: Manmohan Singh, Bimal Jalan, C. Rangarajan, Yashwant Sinha, Jaswant Singh and P. Chidambaram. He has also worked closely with transformative leaders like N. T. Rama Rao, as described in a memorable chapter.

Once a journalist asked Y. V. Reddy, 'Governor, how independent is the RBI?' 'I am very independent,' Reddy replied. 'The RBI has full autonomy. I have the permission of my finance minister to tell you that.' Reddy put it lightly, but it is a theme he deals with at length in his book *Advice and Dissent*. He provides an insider's account of decision-making at all levels during his career in public service. Firm and unafraid to speak his mind in his dealings, he nevertheless avoided open discord, and controversies on key policy decisions which reverberate even now. In a book that appeals to the lay reader and the finance specialist alike, he lays out the debate and thinking behind landmark events and initiatives whose benefits reached the man on the street.

Having worked with political leaders at various levels, the author had rich experience of understanding world view of the leaders. The lessons he learned stayed with him and shaped his thinking throughout his career in RBI. His work as Governor of RBI was challenging and fascinating. His narratives are however on some of the important and interesting events as he maintains a fine balance respecting the sensitivities and confidences attached to his position. The expanded end notes rightly supplements the narratives. The book also includes memorable photographs with his family and with top functionaries in the Government.

Dr. Reddy shares his experience as Governor of RBI, his values, judgements and action as Governor, which results directly from the influences that spanned a life time. Thus the book goes beyond the high office of the Governor and looks at his life as a work. The Advice and Dissent is a scholarly work and a must read by persons interested in Indian economy, banking and finance.

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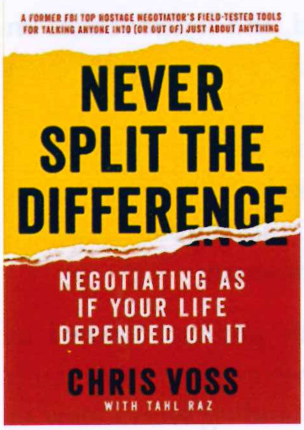

Never Split the Difference Negotiating as if your life is depended on it

By Chris Voss with Tahl Raz, Penguin Random House, UK, pp. 293, hard cover Rs.1,821/-

Cedric Lawrence*

'Never split the difference' in its cover page proclaims "a former FBI hostage negotiator's field-tested tools for talking anyone into (or out of) just about anything." The author's experience as FBI's lead international kidnapping negotiator is shared with the reader to deal with any negotiations whether it is a dialogue with one's spouse or a multi-million business deal. The book is divided into ten chapters. The book opens with the chapter "The New Rules" which is aggressively sub-titled as "How to become the smartest person in any room."

The second chapter "Be a mirror" discusses how to quickly establish rapport in any situation. In this chapter, the author discusses the art of 'active listening'. The initial steps in a negotiation are all about *"how to slow things down and make your counterpart feel safe enough to reveal themselves; to discern between wants (aspirations) and needs (the bare minimum for a deal) ; and to laser-focus on what the other party has to say."*

The third chapter "Don't feel their pain, label it" talks about the beauty of empathy. Imagining oneself in the counterpart's shoes but not necessarily agreeing with the other person's ideas. The outcome of empathy is that your counterpart realises that you are listening and once you listen, they may tell you something that you can use. As negative factors are more powerful than positives in hindering an agreement, these need to be brought out into the open.

The fourth chapter *Beware the 'YES' and master 'NO'* takes one further into deeper territory of negotiating where an apparent 'yes' under duress vaporises later into a 'no'. The author warns one to be wary of a 'yes' which the counterpart may say to you to avoid an uncomfortable situation. A negotiator is successful only when he is comfortable with a 'no' to start with.

The fifth chapter *"Trigger the two words that immediately transform any negotiation"* talks about the sweetest words in a negotiation- 'That's Right'. The counterparty agreeing to your view themselves is the ultimate success rather than a forced 'yes'. The author discusses the Behavioural Change Stairway Model (BSCM) of negotiation which has five

*Deputy General Manager, Reserve Bank of India, and Member of Faculty at College of Agricultural Banking, Pune.

stages - active listening, empathy, rapport, influence, and behavioural change.

The sixth chapter *'Bend their reality'* explains a variety of tools that places limits which are unconsciously accepted by the counterparts. The first lesson he gives in bending reality is that 'don't compromise'. He states that 'compromise' is often a 'bad deal'. The key theme that he is propounding is 'no deal is better than a bad deal'. He is of the view that *"creative solutions are almost always preceded by some degree of risk, annoyance, confusion and conflict."*

'Deadline: Make time your ally' reveals the secrets of how to use a deadline in your negotiations. Time being one of the most crucial variables in any negotiation, the simple passing of time and its counterpart, the deadline, are the pressure points that bring any negotiation to conclusion. He reveals that the effect of a deadline is that irrespective of the fact that it is real and absolute or imaginary or a line drawn on water, it forces the human mind to forfeit all other choices and make one believe that a deal 'now' is more important than a good deal. This is due to natural tendency to rush as the deadline approaches. A true negotiator has to force themselves to resist this urge and exploit the same in your opponent. The author states that 'deadlines are bogeymen of negotiation, almost exclusively self-inflicted figments of our imagination, unnecessarily unsettling us for no good reason.' Stand firm on the principle that 'no deal is better than a bad deal'.

'No such thing as fair' tells us how rationality differs for each of us. The author states "If you approach a negotiation thinking that the other guy thinks like you, you're wrong. That's not empathy; that's projection." He reasons that rationality is a slave of emotion. "We may use logic to reason ourselves toward a decision, the actual decision *making* is governed by emotion." However, he says that the most powerful word in negotiations is "Fair". He states that people comply with agreements where they feel they've been treated fairly and lash out if they don't. The author states that most people will make an irrational choice to let the goodies slip through their fingers rather than accept a derisory offer. "Because the negative emotional value of unfairness outweighs the positive rational value of the money".

The author further describes the three ways in which the 'fair' bomb is used in negotiations, interestingly of which two are 'negative'. The first he says is a judo-like defensive move to destabilise the other side and usually takes the form "We just want what's fair." There is an implicit accusation that immediately triggers feelings of defensiveness and discomfort in the opposite party.

"Bend their reality" talks about how the same outcome can be made to look like a glorious victory or a vicious insult. The author discusses the use of 'loss aversion' to manipulate people. The idea is to anchor the emotions of your counterpart in preparation for a loss and inflame their loss aversion so that they'll jump at the chance to avoid it.

'Establish a range' discusses the risk management strategy to manage making the first offer. The idea is to allude to a range.

The seventh chapter *'create the illusion of control'* is all about making your counterpart have a sense of control. A part of the chapter deals with trouble of unbelief in a negotiation. 'Unbelief' is defined as the active resistance to what the other side is saying, complete rejection. If one cannot overcome unbelief one leads to showdowns as each side tries to impose its point of view.

The eighth chapter *'Guarantee execution'* is all about the practical aspects of implementing an agreement. An agreement with no clarity on 'how' it is to be implemented is useless. It is about sorting out the 'how' part. The deal killers like people behind the scene, liars etc. are comprehensively covered.

The ninth chapter *'Bargain Hard'* discusses different negotiation personalities like analyst, accommodator and assertive. It also covers how to use real anger, show of anger, punches and counter punches in negotiation and the Ackerman bargaining technique.

The tenth chapter *'Black Swan'* talks about unveiling of an event or piece of information, which transforms all existing notions. The author narrates the events leading to a hostage negotiation wherein for the very first time in American history, a hostage was killed exactly on deadline and the advent of 'suicide by cop' phenomenon. He draws on the concept of Black Swan event propounded by Nassim Nicholas Taleb.

The book is written in a simple language and draws its authenticity from the long experience of the author. The book is a source of highly practical information and a must read for improving negotiation skills.

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Gist of Important Circulars

Gist of Important Circulars

Appointment of Statutory Central Auditors (SCAs) - modification of rest period

The Rest and Rotation Policy in appointment of SCAs for banks has been mandated in order that audit functions are looked at afresh, as a new team is likely to examine the issues in a bank from a different perspective. The policy also aims to deter the auditors and auditee from establishing a comfortable relationship that may lead to compromise in strict adherence to audit principles. To address the above and ensure that rest and rotation policy is followed in letter and spirit, it has been decided that, henceforth, an audit firm, after completing its four year tenure in a particular private/foreign bank, will not be eligible for appointment as SCA of the same bank for a period of six years.

DBS.ARS.BC.04/08.91.001/2017-18 dated July 27, 2017

Audit Committee of the Board of Directors - Nomination of Non-Executive Chairman

In view of the bifurcation of the post of Chairman and Managing Director of Public Sector Banks (PSBs) by Government of India into a non-executive Chairman to give an overall policy direction to the bank and a full time executive Managing Director and Chief Executive Officer (MD&CEO) to oversee the day to day functioning of the bank (GOI notification dated April 24, 2015), it has been clarified that in banks where the Board of Directors is chaired by a non-executive Chairman, there will not be any restriction if he/she is also nominated to the Audit Committee of the Board of Directors.

DBS.ARS.BC.01/08.91.020/2017-18 dated July 13, 2017

Customer Protection - Limiting Liability of Customers in Unauthorised Electronic Banking Transactions

A customer's entitlement to zero liability shall arise where the unauthorised transaction occurs in case where i) Contributory fraud/ negligence/ deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer); and/or ii) Third party breach where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, and the customer notifies the bank within three working days of receiving the communication from the bank regarding the unauthorised transaction.

A customer shall be liable for the loss occurring due to unauthorised transactions in cases i) where the loss is due to negligence by a customer, such as where he has shared the payment credentials, the customer will bear the entire loss until he reports the unauthorised transaction to the bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank; ii) where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay (of four to seven working days after receiving the communication from the bank) on the part of the customer in notifying the bank of such a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in Table 1, whichever is lower.

Table 1 Maximum Liability of a Customer under paragraph 7 (ii)

Type of Account	Maximum liability (₹)
• BSBD Accounts	5,000
• All other SB accounts • Pre-paid Payment Instruments and Gift Cards • Current/ Cash Credit/ Overdraft Accounts of MSMEs • Current Accounts/ Cash Credit/ Overdraft Accounts of Individuals with annual average balance (during 365 days preceding the incidence of fraud)/ limit up to Rs.25 lakh • Credit cards with limit up to Rs.5 lakh	10,000
• All other Current/ Cash Credit/ Overdraft Accounts • Credit cards with limit above Rs.5 lakh	25,000

DBR.No.Leg.BC.78/09.07.005/2017-18 dated July 6, 2017

Issue of comprehensive Credit Information Reports (CIRs)

Some CICs are following the practice of offering limited versions of CIRs to Credit Institutions (CIs) based on credit information available in specific modules such as commercial data, consumer data or MFI data. Accordingly, CICs are charging differential rates for such specific reports. As the limited versions of CIRs based on the credit information on a borrower available in a specific module capture only the credit information of the borrower available in the particular module, the lenders may remain unaware of the entire credit history of the borrower, if any, available in other modules. This can adversely affect the quality of credit decisions of the CIs. CICs are, therefore, directed to ensure that the CIR in respect of a borrower, furnished to the CI, incorporates all the credit information available in all modules, e.g. consumer, commercial and MFI, etc., in respect of the borrower. These directions are issued under sub-section (1) of Section 11 of the Credit Information Companies (Regulation) Act, 2005.

DBR.CID.BC.No.79/20.16.042/2017-18 dated August 2, 2017

Section 24 and Section 56 of the Banking Regulation Act, 1949 –Maintenance of SLR and holdings of SLR in HTM category

Currently, the banks are permitted to exceed the limit of 25 per cent of the total investments under HTM category, provided the excess comprises of SLR securities and total SLR securities held under HTM category are not more than 20.5 per cent of NDTL. In order to align this ceiling on the SLR holdings under HTM category with the mandatory SLR, it has been decided to reduce the ceiling from 20.5 per cent to 19.5 per cent in a phased manner, i.e. 20 per cent by December 31, 2017 and 19.5 per cent by March 31, 2018. As per extant instructions, banks may shift investments to/from HTM with the approval of the Board of Directors once a year, and such shifting will normally be allowed at the beginning of the accounting year. In order to enable banks to shift their excess SLR securities from the HTM category to AFS/HFT to comply with instructions as indicated in paragraph 3 above, it has been decided to allow such shifting of the excess securities and direct sale from HTM category. This would be in addition to the shifting permitted at the beginning of the accounting year, i.e., in the month of April. Such transfer to AFS/HFT category as well as sale of securities from HTM category, to the extent required to reduce the SLR securities in HTM category in accordance with the regulatory instructions, would be excluded from the 5 per cent cap prescribed for value of sales and transfers of securities to/from HTM category under paragraph 2.3 (ii) of the Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks.

DBR.No.Ret.BC.90/12.02.001/2017-18 dated October 4, 2017

Banking Facility for Senior Citizens and Differently abled Persons

It has been observed that there are occasions when banks discourage or turn away senior citizens and differently abled persons from availing banking facilities in branches. Notwithstanding the need to push digital transactions and use of ATMs, it is imperative to be sensitive to the requirements of senior citizens and differently abled persons. Banks are therefore required to put in place appropriate mechanism with the following specific provisions for meeting the needs of such customers so that they are able to avail of the bank's services without difficulty.

(a) Dedicated Counters/Preference to Senior Citizens, Differently abled persons

(b) Ease of submitting Life Certificate

(c) Cheque Book Facility

(d) Automatic conversion of status of accounts

(e) Additional Facilities to visually impaired customers

(f) Ease of filing Form 15G/H

(g) Door Step Banking

DBR.No.Leg.BC.96/09.07.005/2017-18 dated November 9, 2017

Introduction of Legal Entity Identifier for large corporate borrowers

The Legal Entity Identifier (LEI) code is conceived as a key measure to improve the quality and accuracy of financial data systems for better risk management post the Global Financial Crisis. LEI is a 20-digit unique code to identify parties to financial transactions worldwide.The LEI for the participants of the OTC derivatives market has since been implemented vide circular RBI/2016-17/314 FMRD.FMID No.14/11.01.007/2-16-17 dated June 01, 2017 in a phased manner. In the Statement on Developmental and Regulatory Policies dated October 4, 2017 it was indicated that LEI system for all borrowers of banks having total fund based and non-fund based exposure of ₹ 5 crore and above will be introduced in a phased manner (extract enclosed). Accordingly, it has been decided that the banks shall advise their existing large corporate borrowers having total exposures of ₹ 50 crore and above to obtain LEI as per the schedule given in the Annex. Borrowers who do not obtain LEI as per the schedule are not to be granted renewal / enhancement of credit facilities. A separate roadmap for borrowers having exposure between ₹ 5 crore and upto ₹ 50 crore would be issued in due course. Banks should encourage large borrowers to obtain LEI for their parent entity as well as all subsidiaries and associates. Entities can obtain LEI from any of the Local Operating Units (LOUs) accredited by the Global Legal Entity Identifier Foundation (GLEIF) – the entity tasked to support the implementation and use of LEI. In India, LEI code may be obtained from Legal Entity Identifier India Ltd (LEIIL), a subsidiary of the Clearing Corporation of India Limited (CCIL), which has been recognised by the Reserve Bank as issuer of LEI under the Payment and Settlement Systems Act, 2007 and is accredited by the GLEIF as the Local Operating Unit (LOU) in India for issuance and management of LEI.

DBR.No.BP.BC.92/21.04.048/2017-18 dated November 02, 2017

Submission of Financial Information to Information Utilities

According to Section 215 of Insolvency and Bankruptcy Code (IBC), 2016, a financial creditor shall submit financial information and information relating to assets in relation to which any security interest has been created, to an information utility (IU) in such form and manner as may be specified by regulations. Chapter V of the Insolvency and Bankruptcy Board of India (Information Utilities) Regulations, 2017, which has come into force with effect from April 1, 2017, has specified the form and manner in which financial creditors are to submit this information to IUs. Further, as per Section 238 of the IBC, 2016 the provisions of the Code shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force or any instrument having effect by virtue of any such law. The Insolvency and Bankruptcy Board of India (IBBI) has registered National E-Governance Services Limited (NeSL) as the first IU under the IBBI (IUs) Regulations, 2017 on September 25, 2017. All financial creditors regulated by RBI have been advised to adhere to the relevant provisions of IBC, 2016 and IBBI (IUs) Regulations, 2017 and immediately put in place appropriate systems and procedures to ensure compliance to the provisions of the Code and Regulations.

DBR.No.Leg.BC.98/09.08.019/2017-18 dated December 19, 2017

Recording of Details of Transactions in Passbook/Statement of Account by Co-operative Banks

Many banks still do not provide adequate details of the transactions in the passbooks and / or statements of account to enable the account holders to cross-check them. In the interest of better customer service, it has been decided that banks shall at a minimum provide the relevant details in respect of entries in the accounts as indicated in the Annex to the circular. The list of the transactions mentioned in the Annex is indicative and not exhaustive. Co-operative Banks shall also incorporate information about 'deposit insurance cover' along with the limit of coverage, subject to change from time to time, upfront in the passbooks.

DCBR.BPD.(PCB/RCB).Cir.No.02/12.05.001/2017-18 dated July 13, 2017

Core Banking Solution (CBS) Requirements for Urban Co-operative Banks (UCBs)

Bank vide circular DCBR.CO.PCB.Cir.No.14/09.18.300/2015-16 dated April 13, 2016 announced the Scheme for providing financial assistance to urban co-operative banks for implementation of Core Banking Solution (CBS). As stated therein, a document dealing with the functional and technical requirements for Core Banking Solution in Urban Co-operative Banks has been prepared by the Institute for Development and Research in Banking Technology (IDRBT) in consultation with the Reserve Bank. The document can be accessed at the IDRBT website under the link http://www.idrbt.ac.in/assets/publications/Reports/CBS_Requirements_for_UCBs.pdf. The document is expected to serve as a reference material for implementing and improving CBS in the banks.

Customer Protection - Limiting Liability of Customers of Co-operative Banks in Unauthorised Electronic Banking Transactions

RBI/2017-18/109

DCBR.BPD.(PCB/RCB).Cir.No.06/12.05.001/2017-18

December 14, 2017

The Chief Executive Officer
All Primary (Urban) Co-operative Banks/
All State Co-operative Banks/
All District Central Co-operative Banks

Madam / Dear Sir,

Customer Protection - Limiting Liability of Customers of Co-operative Banks in Unauthorised Electronic Banking Transactions

Please refer to our circular UBD.BSD.I/PCB/No.45/12.05.00/2001-02 dated May 30, 2002 and para 13 of circular RPCD.CO.RCB.BC.No.36/07.51.010/2014-15 dated October 22, 2014 regarding reversal of erroneous debits arising from fraudulent or other transactions.

2. With the increased thrust on IT enabled financial inclusion and related customer protection issues, and considering the recent surge in customer grievances relating to unauthorised transactions resulting in debits to their accounts/cards, the criteria for determining the customer liability in these circumstances have been reviewed. The revised directions in this regard are set out below.

Strengthening of systems and procedures

3. Broadly, the electronic banking transactions can be divided into two categories:

Remote/ online payment transactions (transactions that do not require physical payment instruments to be presented at the point of transactions e.g. internet banking, mobile banking, card not present (CNP) transactions), Pre-paid Payment Instruments (PPI), and

Face-to-face/ proximity payment transactions (transactions which require the physical payment instrument such as card or mobile phone to be present at the point of transaction e.g. ATM, POS, etc.)

4. The systems and procedures in banks must be designed to make customers feel safe about carrying out electronic banking transactions. To achieve this, banks must put in place:

appropriate systems and procedures to ensure safety and security of electronic banking transactions carried out by customers;

robust and dynamic fraud detection and prevention mechanism;

mechanism to assess the risks (for example, gaps in the bank's existing systems) resulting from unauthorised transactions and measure the liabilities arising out of such events;

appropriate measures to mitigate the risks and protect themselves against the liabilities arising therefrom; and

a system of continually and repeatedly advising customers on how to protect themselves from electronic banking and payments related fraud.

Reporting of unauthorised transactions by customers to banks

5. Banks must ask their customers to mandatorily register for SMS alerts and, wherever available, register for e-mail alerts, for electronic banking transactions. The SMS alerts shall mandatorily be sent to the customers, while email alerts may be sent, wherever registered. The customers must be advised to notify their bank of any unauthorised electronic banking transaction at the earliest after the occurrence of such transaction, and informed that the longer the time taken to notify the bank, the higher will be the risk of loss to the bank/customer. To facilitate this, banks providing e-banking services must provide customers with 24x7 access through multiple channels (at a minimum, via website, phone banking, SMS, e-mail, IVR, a dedicated toll-free helpline, reporting to home branch, etc.) for reporting unauthorised transactions that have taken place and/or loss or theft of payment instrument such as card, etc. Banks shall also enable customers to instantly respond by "Reply" to the SMS and e-mail alerts and the customers should not be required to search for a web page or an e-mail address to notify the objection, if any. Further, a direct link for lodging the complaints, with specific option to report unauthorised electronic transactions shall be provided by banks on home page of their website. The loss/fraud reporting system shall also ensure that immediate response (including auto response) is sent to the customers acknowledging the complaint along with the registered complaint number. The communication systems used by banks to send alerts and receive their responses thereto must record the time and date of delivery of the message and receipt of customer's response, if any, to them. This shall be important in determining the extent of a customer's liability. The banks may not offer facility of electronic transactions, other than ATM cash withdrawals, to customers who do not provide mobile numbers to the bank. On receipt of report of an unauthorised transaction from the customer, banks must take immediate steps to prevent further unauthorized transactions in the account.

Limited Liability of a Customer

(a) Zero Liability of a Customer

6. A customer's entitlement to zero liability shall arise where the unauthorised transaction occurs in the following events:

Contributory fraud/ negligence/ deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer).

Third party breach where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, and the customer notifies the bank within three working days of receiving the communication from the bank regarding the unauthorised transaction.

(b) Limited Liability of a Customer

7. A customer shall be liable for the loss occurring due to unauthorised transactions in the following cases:

In cases where the loss is due to negligence by a customer, such as where he has shared the payment credentials, the customer will bear the entire loss until he reports the unauthorised transaction to the bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank.

In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and the customer notifies the bank of such a transaction within four to seven working days of receiving a communication of the transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in Table 1, whichever is lower.

Table 1 Maximum Liability of a Customer under paragraph 7 (ii)

Type of Account	Maximum liability (₹)
• BSBD Accounts	5,000
• All other SB accounts • Pre-paid Payment Instruments and Gift Cards • Current/Cash Credit/Overdraft Accounts of MSMEs • Current Accounts/Cash Credit/Overdraft Accounts of Individuals with annual average balance (during 365 days preceding the incidence of fraud)/ limit up to Rs.25 lakh • Credit cards with limit upto Rs. 5 lakh	10,000
• All other Current/Cash Credit/Overdraft Accounts	25,000

Further, if the delay in reporting is beyond seven working days, the customer liability shall be determined as per the bank's Board approved policy. Banks shall provide the details of their policy in regard to customers' liability formulated in pursuance of these directions at the time of opening the accounts. Banks shall also display their approved policy in public domain for wider dissemination. The existing customers must also be individually informed about the bank's policy.

8. Overall liability of the customer in third party breaches, as detailed in paragraph 6 (ii) and paragraph 7 (ii) above, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarised in the Table 2:

Table 2 Summary of Customer's Liability

Time taken to report the fraudulent transaction from the date of receiving the communication	Customer's liability (₹)
Within 3 working days	Zero liability
Within 4 to 7 working days	The transaction value or the amount mentioned in Table 1, whichever is lower
Beyond 7 working days	As per bank's Board approved policy

The number of working days mentioned in Table 2 shall be counted as per the working schedule of the home branch of the customer excluding the date of receiving the communication.

Reversal Timeline for Zero Liability/Limited Liability of customer

9. On being notified by the customer, the bank shall credit (shadow reversal) the amount involved in the unauthorised electronic transaction to the customer's account within 10 working days from the date of such notification by the customer (without waiting for settlement of insurance claim, if any). The credit shall be value dated to be as of the date of the unauthorised transaction. Banks may also at their discretion decide to waive off any customer liability in case of unauthorised electronic banking transactions even in cases of customer negligence.

10. Further, banks shall ensure that:

a complaint is resolved and liability of the customer, if any, established and the customer is compensated as per provisions of paragraphs 6 to 9 above, within such time as may be specified in the bank's Board approved policy, but not exceeding 90 days from the date of receipt of the complaint;

where it is unable to resolve the complaint or determine the customer liability, if any, within 90 days, the compensation as prescribed in paragraphs 6 to 9 is paid immediately to the customer; and

in case of debit card/bank account, the customer does not suffer loss of interest, and in case of credit card, the customer does not bear any additional burden of interest.

Campus Capsule

Campus Capsule

I. Conferences and Seminars

Annual Seminar on Policy Issues for UCBs- The College conducts an annual seminar on policy issues for UCBs. The theme of the Seminar this year was "Challenges of Digital Banking and Road Ahead for UCBs". The Seminar was held in the month of October 2017. There were sixty-one participants which included CEOs / Directors / Members / Chairmen of UCBs, two representatives of NAFCUB and a few RBI officers. Shri N.S. Vishwanathan, Deputy Governor delivered the inaugural address. Shri A. P. Hota (former CEO, NPCI), Dr. A. S. Ramasastri (Director, IDRBT), Major General Jalaj Bhola (Chief Signal Officer), and Shri Neeraj Nigam, CGM, DCBR were some of the other speakers who addressed the participants.

Seminar on financing MSMEs for heads of MSME and Priority Sector Divisions of banks- The College organized a two-day Seminar on Financing MSMEs for the Heads of MSME & Priority Sector division of banks on November 27 & 28, 2017. The primary objective of the Seminar was to engage with the MSME heads of banks and other senior functionaries on the ways financial technology, big data and data analytics can be leveraged to increase lending to MSMEs. Speakers included Heads of SME and Risk vertical of Aditya Birla Finance who shared the NBFC perspective on financing MSMEs, CEO of a Fintech NBFC, M/s Tab Capital, who spoke about financing MSMEs through digital means. The seminar included interaction with entrepreneurs who shared the ground-level challenges in engaging with banks in financing entrepreneurial ventures.

II. Training Programmes

Foundation Course on Agricultural Banking (FCAB)

The College of Agricultural Banking conducted second edition of three-week long training programme, Foundation Course on Agricultural Banking (FCAB), from November 13, 2017 to December 02, 2017. This course was designed by the College with the main intention of building capacity as well as aptitude of bankers in agricultural lending by imparting comprehensive knowledge regarding technical aspects of agriculture, agribusiness and agrifinance and creating awareness regarding changes that are taking place in the agrifinance space. The course modules (nine different modules) for the programme were prepared keeping in view the main objective of considering agriculture, agribusiness and agrifinance as a continum and not in silos. The course was attended by 27 bank officials from commercial banks and RRBs. Out of the nine modules, the first module i.e., Emotional and Technical Immersion Seminar (ETIS) was run concurrently throughout the entire duration of the programme. The session plan of FCAB included 57 sessions, out of which, 41 sessions were handled by internal faculties and the remaining were handled by eminent guest speakers. Case exercises on appraisal of a wide ranging agricultural projects like commercial dairy, poultry, rural godowns, hi-tech projects like tissue culture, bio-fertilisers, poly-house, integrated cold storage with pack house and green house projects were included in the programme. The participants were assigned group tasks on various topics/projects and in order to enable the participants to have exposure, field visits had been arranged for those projects/activities.

International Exposure Programme on Agrilending and Agribusiness (Netherlands and Germany) - An International Exposure Programme on Agrilending and Agribusiness was conducted in Netherlands and Germany from August 31 to September 10, 2017, with the objective of providing an exposure to the agri-lending and agribusiness sector in Europe. A total of 19 participants from scheduled commercial banks, Regional Rural Banks, State and District Co-operative Banks and Reserve Bank of India attended the programme. The participants were taken to different organic farms, processing units, flower and dairy markets, marketing outlets and organic certification agencies in Netherlands and Germany. The participants got an opportunity to interact with farmers, entrepreneurs, financing institutions and bankers. They also attended a workshop at ADG (Academy of German Cooperatives), the premier German Cooperative sector training institute (in Montabour) and interacted with the faculty members to discuss the agribusiness and agri-finance scenario in Germany.

Programme on Movable Asset Based Financing (MABF) - The College, in collaboration with the World Bank Group, conducted the first programme on Movable Asset Based Financing (MABF) from Sep 11 - 13, 2017. Twenty participants from commercial banks, Small Finance Banks and RBI (FIDD CO and ROs) attended the programme. The training was delivered by trainers from Commercial Finance Association (CFA), New York, World Bank's training partner for conducting Movables Training across the world. Smt. Surekha Marandi, Executive Director, RBI, delivered the inaugural address over video conferencing.

Programme on Digitisation and Financial Inclusion – Every year CAB conducts two programmes in collaboration with the Centre for International Cooperation and Training in Agricultural Banking (CICTAB), Pune. This year, based on the suggestion given by the College in the meeting of the General Council of CICTAB held in March 2017, the College conducted the first programme on Digitisation and Financial Inclusion in collaboration with CICTAB. Twenty two participants from Nepal, Sri Lanka and India attended the programme.

Customized Training Program on Agrifinancing and Business Development for the Officers of RRBs (Andhra Pragati Grameen Bank)

A customized programme on Agrifinancing and Business Development for the officers of Andhra Pragathi Grameena Bank, Kadapa, Andhra Pradesh was conducted from December 11–15, 2017. A total of forty one officers of the bank attended the programme. The programme focused on new lending avenues for the bank while retaining their character, primarily as lenders to agriculture. As long term finance to agriculture is declining, adequate thrust was put on project financing to agriculture. Besides the regular sessions (covering IRAC, AML/KYC, Priority Sector Lending, Crop Insurance and value chain financing), all other sessions majorly focussed on project financing to dairy, poultry, horticulture, rural godowns and cold storages, etc.

Programme on Financing Hi-tech Agriculture and Cutting Edge Agri Tourism

Programme on Financing Hi-tech Agriculture and Cutting Edge Agri-Tourism was held during September 11-15, 2017 in CAB, Pune. The programme was attended by 11 officers from Public and Private Sector Banks and RRBs. The main objective of the programme was to create awareness about modern farming systems and to provide inputs to the participants on avenues available for financing hi-tech agriculture. Experts from different organisations like NABARD, Horticulture Training Centre (HTC), Centre for Research in Alternative Technologies (CRAFT), Agri Tourism Development Corporation Pvt. Ltd. (ATDC) and Webonise Lab were invited to handle sessions on financing hi-tech horticulture, floriculture, green house / poly house, Agri-biotech projects, hi-tech dairy, poultry projects, food and agroprocessing and alternate farming technologies

III. Reserve Bank of India Archives

Inauguration of Artefacts Display Gallery in RBI Archives

Dr. Viral Acharya, Deputy Governor inaugurated two artefact display galleries in Reserve Bank of India Archives Museum on August 20, 2017. These artefacts displayed in the gallery were gift items received by some former Governors, Deputy Governors and Executive Directors. The gift items have been provided to RBI Archives Museum by the Secretary's Department, RBI Central Office.

Archives Museum

During the period from July to December 2017 RBI Archives Museum was visited by 851 persons which included Dr. Viral Acharya, Deputy Governor and Shri H.R. Khan, former Deputy Governor and participants of various programmes conducted at CAB and RBI Archives, college students and general public.

Research Support and Training programs

RBI Archives extended research facilities to 07 researchers. RBI Archives conducted two training programmes for RBI officers on Archival Policy and Records Management at CAB, Pune.

IV. Financial Literacy Centre Visits

Financial Literacy Counselling Centre at CAB was visited by several participants and students from VAMNICOM, Thakur College of Science & Commerce, SNDT Arts & Commerce College for Women, MIT College, MCE Society Abeda Inamdar College for Girls and CICTAB

V. प्रशिक्षण समन्वय समिति (सीसीटीएच)

संसदीय समिति के सुझावों पर सार्वजनिक क्षेत्र के बैंकों के प्रशिक्षण संस्थानों में हिंदी के प्रगामी प्रयोग के लिए प्रशिक्षण समन्वय समिति (सीसीटीएच) का गठन 1988 में किया गया। इस समिति का सचिवालय सीएबी, पुणे में है। सीएबी के प्रधानाचार्य इस समिति के अध्यक्ष के होते है । सभी सार्वजनिक क्षेत्र के बैंकों द्वारा नामित प्रतिनिधि सीसीटीएच के सदस्य होते हैं।

1988 से सीसीटीएच की बैठकें प्रत्येक तिमाही में आयोजित

की जाती रही है । सीसीटीएच की बैठकों में प्रशिक्षण कार्यक्रमों में हिंदी के प्रयोग में हुई प्रगति की समीक्षा की जाती है, साथ ही, हिंदी के प्रयोग में आगे और अधिक वृद्धि करने के संबंध में निर्णय लिए जाते है । बैठकों में जो निर्णय लिए जाते है उनके कार्यान्वयन के बारे में अनुवर्ती कार्रवाई भी जाती है ।

जुलाई से दिसंबर 2017 के दौरान सीसीटीएच की बैठकों में लिए गए निर्णय निम्नानुसार है:

21 जुलाई 2017 को सीसीटीएच की 105वीं बैठक का आयोजन बैंक ऑफ महाराष्ट्र के सौजन्य से पुणे में किया गया। इस बैठक में यह निर्णय लिया गया कि सीसीटीएच के सदस्य बैंकों के हिंदीतर भाषी संकाय सदस्यों के लिए संकाय विकास कार्यक्रम आयोजित किया जाए ताकि वे अपने बैंक के प्रशिक्षण संस्थानों में हिंदी माध्यम से बेहतर सत्र संचालित कर सकें। सीएबी, पुणे द्वारा पायलट कार्यक्रम आयोजित करने का भी निर्णय किया गया । तदनुसार, 25 से 27 सितंबर 2017 को सीएबी में हिंदी संकाय विकास कार्यक्रम आयोजित किया गया। इस कार्यक्रम में सदस्य बैंकों के हिंदीतर भाषी 24 संकाय सदस्यों ने भाग लिया। इसमें संकाय सदस्यों से बैंकिंग से संबंधित विभिन्न विषयों पर हिंदी में पावर पाइंट प्रेजेंटेशन तैयार करवाए गए और उनकी प्रस्तुती की गई । प्रेजेंटेशन के दौरान पैनल और प्रतिभागियों द्वारा उसकी समीक्षा की गई । समापन के दौरान प्रतिभागियों ने सूचित किया कि यह कार्यक्रम उनके लिए बहुत ही लाभदायक रहा।

23 अक्तूबर 2017 को सीएबी, पुणे में सम्पन्न सीसीटीएच की 106वीं बैठक में यह पाया कि अब तक इस मंच के माध्यम से बहुत कार्य किया जा चुका है। समिति का कार्य आरंभिक स्थिति से काफी आगे बढ़ा है। भारत सरकार ने भी अपनी बैठकें छमाही आधार पर करना शुरू किया है। इन सारी बातों को ध्यान में रखते हुए उपस्थित सभी सदस्यों की सहमति से हिंदी प्रशिक्षण समन्वय समिति (सीसीटीएच) की बैठकें छमाही आधार पर करने का निर्णय लिया गया।

***

'सीएबी कॉलिंग: अंशदान फार्म'

अंशदाता सं. (केवल कार्यालय के उपयोग के लिए)

संपादक
'सीएबी कॉलिंग'
कृषि बैंकिंग महाविद्यालय
भारतीय रिज़र्व बैंक
पुणे - 411016

यदि अंशदाता कार्यक्रम के सहभागी हैं तो कार्यक्रम का नाम

अंशदान दर	एक वर्ष	दो वर्ष
व्यक्तिगत सदस्य (भारत में)	₹ 150	₹ 300
व्यक्तिगत सदस्य (विदेश में)	US$ 20	US$ 35
संस्थागत सदस्यत्व	₹ 250	₹ 400

महोदय,

मैं/हम एक/दो* वर्ष के लिए 'सीएबी कॉलिंग' की सदस्यता का नवीकरण करना/ग्राहक बनना चाहता हूँ / चाहते हैं।

नकद/भारतीय रिज़र्व बैंक के पक्ष में आहरित और मुंबई में देय दिनांक __________ का ₹________ का मांग ड्राफ्ट सं. __________ संलग्न है।

कृपया निम्नलिखित तिमाही से 'सीएबी कॉलिंग' के अंक मुझे / हमें भेजें

जनवरी-जून/ जुलाई-दिसंबर*

नाम (स्पष्ट अक्षरों में) श्री/श्रीमती/कुमारी __________

पता (स्पष्ट अक्षरों में) __________

केंद्र __________ पिन कोड __________

टेलीफोन नं. (कार्यालय)__________(निवास)__________

फैक्स नं.__________ एसटीडी कोड __________

ई-मेल पता __________

अंशदाता सं. (यदि कोई हो तो) __________

दिनांक: ________ 201________

(हस्ताक्षर)

*जो लागू नहीं है उसे काट दें।

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Name of Bank: RBI;
IFSC Code: RBIS0PUPA01 (0 means Zero)

Type of Account: Current
Name of Branch: CAB, Pune

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कृषि बैंकिंग महाविद्यालय/भारतीय रिज़र्व बैंक
विद्यापीठ मार्ग, पुणे - 411 016

नामांकन फॉर्म

1. कार्यक्रम का नाम ______________________________

2. अवधि ____________________ से ____________________ तक

3. नामित अधिकारी का नाम श्री/श्रीमती/सुश्री ______________________________
____

पदनाम ______________________________

4. नामित करनेवाली संस्था का ______________________________

(i) नाम और पता ______________________________

शहर ____________ पिन कोड ____________ राज्य ____________

(ii) फोन नं. (एसटीडी कोड के साथ) ______________________________

फैक्स नं. ______________________________

(iii) ई-मेल पता ______________________________

5. एनईएफटी / भारतीय रिज़र्व बैंक के नाम पर आहरित और मुंबई में देय मांग ड्राफ्ट का ब्यौरा ____________

एनईएफटी (यू.टी.आर. सं) / मांग ड्राफ्ट सं. ____________ दिनांक ____________ राशि ₹____________

मुहर सहित हस्ताक्षर

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Name of Bank: RBI;
IFSC Code: RBIS0PUPA01 (0 means Zero)

Type of Account: Current
Name of Branch: CAB, Pune

टिप्पणी: कृपया नामांकन, पाठ्यक्रम शुल्क के भुगतान के विस्तृत ब्यौरे सहित, फैक्स 020-25538959 द्वारा भेजें अथवा हमारी वेबसाइट https://cab.rbi.org.in से ऑनलाइन भेजें।

COLLEGE OF AGRICULTURAL BANKING
RESERVE BANK OF INDIA
UNIVERSITY ROAD, PUNE- 411 016

NOMINATION FORM

1. NAME OF THE PROGRAMME: ______________________________

2. DURATION From: ______________ To: ______________

3. NAME OF THE NOMINEE: Shri/Smt/Kum. ______________________________

____

Designation ______________________________

4. NOMINATING INSTITUTION: ______________________________

(i) Name & Address: ______________________________

City ______________ Pin ______________ State ______________

(ii) STD code: ______________ Phone No: ______________

Fax No: ______________________________

(iii) Email address: ______________________________

5. DETAILS OF NEFT/DD FAVOURING RESERVE BANK OF INDIA AND PAYABLE AT MUMBAI:

NEFT UTR No./DD No. ______________ Date ______________ Amount ₹ ______________

SIGNATURE WITH STAMP

NEFT Details for Payment:

Name of the Account: Bank's Publications
Account Number: 8691632
Name of Bank: RBI;
IFSC Code: RBIS0PUPA01 (0 means Zero)
Type of Account: Current
Name of Branch: CAB, Pune

NOTE: Nominations may be submitted online through our website https://cab.rbi.org.in; in exceptional circumstances by fax to 020-25538959 or by post (the nomination form is available on our website https://cab.rbi.org.in).

CAB Calling – Call for Papers

1. The *CAB Calling* was first published as a quarterly Newsletter in 1977 by the College of Agricultural Banking (CAB), Pune - one of the training establishment of the Reserve Bank of India. This Newsletter was initiated in response to persistent requests from the participants of various CAB training programs to have continuing liaison and dialogue with the College. The publication, initially, was encapsulating articles, field studies, important developments in agricultural banking and stories of successful agricultural projects. It has been publishing articles in both English and Hindi and open to contributions from the Reserve Bank and banking fraternity.

2. Over the years, the publication has evolved as an embodiment of the requirements for various stakeholders - bankers, financial institution researchers, farmers, entrepreneurs, NGOs and other practitioners. It has been carrying articles on agricultural banking, 'financial inclusion and literacy', inclusive finance, 'customer education and protection', agri-finance, agri-business, cooperative banking, payment banks, rural banking, MSME Financing, etc. Individual articles also focus on such topics as rural credit, cooperative banking, agriculture & MSE financing, project financing, regulatory compliance, financial risk management, ICT based financial service delivery, managing change, personal effectiveness and leadership. Since 2016, CAB Calling has been Published on half-yearly basis.

3. At present, the issues of *CAB Calling* are basically contain the following items.

Feature Articles:

An in-depth, rigorous presentation of an idea, thought or commentary on a topic of contemporary relevance, or one which is currently engaging the attention of the Government, policy makers, bankers, professionals or practitioners.

Articles-in-Brief

These are articles relatively shorter than feature articles but carries less rigor ideas and even commentaries on contemporary issues meant for farmers, entrepreneurs, NGOs and other practitioners.

Book Reviews

CAB Calling welcomes book reviews that are recent and read with interest and contemporary to the readers of Banking fraternity.

Regular Items

This publication also carries regular items like 'gist of important circulars' from the Reserve Bank and 'Campus Capsule' relating to ongoing activities of the College.

4. As a token of appreciation, contributors are remunerated with an honorarium, as under:

Sl. No.	Category	Remuneration	Word Limit
1.	Feature Articles	(a) Maximum ₹4000/- per article (4 pages and above); (b) ₹1,000/- per printed page	4000 – 5000 words approx.
2.	Articles-in-Brief	-do-	2000-4000 words approx.
3.	Case Studies	-do-	1000-2000 words approx.
4.	Book Reviews	₹1,600/- lump sum	1000-2000 words approx.

5. Prospective authors can submit manuscripts to the Editor, CAB Calling, College of Agricultural Banking, Reserve Bank of India, University Road, Pune – 411016. Soft copies can be submitted by email: cabcalling@rbi.org.in

6. Guidance for authors and formatting including 'Letter of Submission' is provided at the end of this publication.

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Guidance for Authors

1. Proposals are invited for unpublished and original feature articles, features-in-brief, research papers, and book reviews (either in English or in Hindi), from practitioners, domain experts, bankers, academics, researchers and scholars on relevant topics.

2. The articles/papers submitted should have a strong emphasis on realistic analysis, development of critical perspectives and use of empirical evidence (except for Book Reviews). It should demonstrate fresh thinking, whose practical application has been thought through in clear and jargon-free language. While the topics vary, it should be possible for the ideas presented to be translated into action. For a book review, the purpose should be to give readers an engaging, informative, and critical discussion of the author's work.

3. The article should be accompanied by a summary (100 to 200 words) and it should answer the following questions:
   a. What is the central message of the article? What are the important, useful, new or counter-intuitive aspects of the idea? Why do readers need to know about it?
   b. How can the idea be applied in banking policy making today?
   c. What research is available to support the argument?
   d. What are the academic, professional sources of work referred to?
   e. What personal experiences have been drawn upon?

4. Preference will be given to articles having an action-bias, whether by way of reporting a best-practice, innovative use of resources or by way of enhancing functional and/or managerial effectiveness. Authors are encouraged to include specific details, examples and actual photos to increase authenticity and credibility. Also encouraged is the use of illustrations which enhance readers' interest while making a point.

5. All CAB Calling articles are expected to give credit to all direct quotations, paraphrased statements, and borrowed ideas. To improve the flow of the prose, we prefer that attributions are incorporated into the text whenever possible. Please be sure to clearly bring out exactly which ideas, and what language, are yours and which ones are drawn from someone else.

6. It is the responsibility of the author to obtain written permission for a quotation from unpublished material, or for all quotations in excess of 250 words in one extract or 500 words in total, from any work still in copyright.

7. Authors must disclose if they have a financial relationship with the organization that sponsored the research. They should also state that they have full control of all primary data and that they agree to allow CAB Calling to review their data if requested.

8. The CAB reserves the right to edit the articles accepted for publication to determine which aspects need to be expanded and which need to be compressed or omitted, to make them interesting to read. Authors can however own copyright for the article, subject to acknowledgment of its first publication in CAB Calling.

9. The CAB reserves the right of use of the published articles for academic purposes, with due acknowledgment of authors' credit.

10. CAB Calling deeply appreciates the time and energy required to prepare an article for our publication, and we are grateful to you for that investment. We are always looking for new and useful ideas that can contribute to human development and the practice of development banking.

11. We wish to assure the authors/contributors that we look into each contribution closely, and, if the idea is compelling, we will do our best to see how best their articles can suit our readers. However, articles which are not published in three successive issues after their submission will normally be treated as not suitable for publication in CAB Calling. The decision regarding whether or not an article will be published rests with the editors.

12. Authors are requested to submit their manuscripts, duly formatted as per guidelines given in the **Annex**, to the office of the Editor. The manuscript must be accompanied by a "Letter of Submission", a sample of which can be found at our website (https://cab.rbi.org.in). Advance copies of the articles can be submitted by email to **cabcalling@rbi.org.in**.

We thank you again for your interest.

Annex: Guidelines for Formatting

Before submitting the manuscript of the articles, authors are requested to follow the guidelines given below:

1. Please attach a short abstract of 100 to 200 words. The abstract should not contain any undefined abbreviations or unspecified references.
2. Title of the article should be as precise as possible.
3. The first page of the manuscript should also contain at least two classification codes according to the Journal of Economic Literature Classification.
4. Particulars of the authors should be given in the footnote before the usual disclaimer on the first page. Symbol * should be used for providing this footnote.
5. Papers, referred to external referees, should acknowledge comments provided by anonymous referees.
6. All subsequent footnotes, if any, should be numbered consecutively. Footnotes should be precise to the extent possible.
7. Manuscripts should be 1.5 spaced, with 1" margins on paper of A4 or letter size.
8. All pages should be numbered consecutively. Roman numerals should be used while ordering the Sections (e.g., Section II). Sections numbers and its title should be centrally aligned.
9. Figures and tables should be numbered consecutively (e.g., Figure 1, Figure 2, Table 1, Table 2, etc.). Figures should be submitted in excel files along with the manuscript. In case of Tables, data source should be clearly mentioned, wherever required.
10. Appendix Tables/Figures, if any, should be given before the list of references.
11. Empirical results should be properly tabulated.
12. References within the text should be cited as illustrated at (a) below.
13. References should appear at the end and should be listed in alphabetical order by author's name.
14. References should be verified carefully. They must correspond to the citations in text. No reference should be missing from the list.
15. If an unpublished article is cited, please include the web site address in the reference list, giving the full "http//" link. The date of access should also be indicated.
16. In case of single author, the reference should appear as illustrated at (b) and © below.
17. In case of multiple authors (e.g., Jörg Rieskamp, Jerome R. Busemeyer and Barbara A. Mellers), the reference should appear as illustrated at (d) below.
18. In case of a book, the reference should appear as illustrated at (e) below.
19. In case of an edited book, the reference should appear as illustrated at (f) below.
20. The length of text for book review should be about 1000-1500 words. The header of your review should include:
    - Author(s) or editor(s) first and last name(s) (please indicate if it is an edited book)
    - Title of book
    - Year of publication
    - Place of publication
    - Publisher
    - Number of pages
    - Price (please indicate paperback or hard cover) if available
    - ISBN

Illustrations:

a. "Several recent papers have sought to directly analyse the impact of an increase in import openness or competitive pressures on inflation in an empirical framework, by employing reduced-form equations and/or industry-level data [Gamber and Hung (2001); Kamin et al (2004); Pain et al (2006); and Chen et al (2007)]."

b. Mishkin, Frederic S. 2006. "How Big a Problem is Too Big to Fail? A Review of Gary Stern and Ron Feldman's Too Big to Fail: The Hazards of Bank Bailouts." Journal of Economic Literature, 44(4): 988–1004.

c. Ausubel, Lawrence M. 1997. "An Efficient Ascending-Bid Auction for Multiple Objects." University of Maryland Faculty Working Paper 97–06.

d. Rieskamp, Jörg, Jerome R. Busemeyer, and Barbara A. Mellers 2006. "Extending the Bounds of Rationality: Evidence and Theories of Preferential Choice." Journal of Economic Literature, 44(3): 631–661.

e. Nordhaus, William D. 1994. Managing the Global Commons: The Economics of Climate Change. Cambridge, MA: MIT Press.

f. Arrow, K.J. et al. 1995. "Intertemporal equity, discounting, and economic efficiency." In Climate Change 1995: Economic and Social Dimensions of Climate Change, Contribution of Working Group III to the Second Assessment Report of the Intergovernmental Panel on Climate Change, eds., Bruce J., Lee H., Haites E. Cambridge, UK: Cambridge University Press,125–44.

(Please furnish the author/lead author's address and contact details and e-mail here)

The Editor, CAB Calling
College of Agricultural Banking (CAB)
Reserve Bank of India
University Road
Pune - 411016, India

Dear Sir,

Letter of Submission - Manuscript entitled ____________________
Disclosure of Potential Conflict of Interest and other Requirements

I am submitting the captioned article in manuscript form to be considered for publication in the CAB Calling. I am the sole author/lead-author of the said manuscript and I am aware of its contents. The name(s) of the co-authors are as under:

2. I certify that the article is unpublished and original and that the manuscript has been formatted in conformity with the guidelines of CAB Calling.

3. I certify that I have obtained written permission for quotation(s) from unpublished material, or for all quotations in excess of 250 words in one extract or 500 words in total, from any work having copyright.

4. I declare that I have a financial relationship with the organization, namely ______________, that sponsored the research on which this article is based.

   Or

   I declare that I have no financial relationship with any organization towards sponsoring of this research on which this article is based.

5. I confirm that I have full control of all primary data and that I agree to allow CAB Calling to review the data if requested.

6. I understand that the decision of the Editor regarding suitability of the article for publication will be final. I further understand that if the article is not published in three successive issues after its submission it will be deemed as not suitable for publication and that no separate communication may be issued in this regard.

7. I understand that the CAB Calling reserves the right to edit the articles accepted for publication and determine and modify aspects that need to be expanded/compressed/omitted, to make them interesting to read. I further understand that the College of Agricultural Banking (CAB) reserves the right of use of the published article for academic purposes, with due acknowledgement of authors' credit.

Yours faithfully,
Author Signature
(Author Name)
Date:
Encl: Article as above

Strike off portions that are not applicable.
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वित्तीय क्षेत्र में क्षमता निर्माण एवं विकास

कृषि बैंकिंग महाविद्यालय (सीएबी) की स्थापना भारतीय रिज़र्व बैंक द्वारा 1969 में ग्रामीण एवं सहकारिता बैंकिंग में प्रशिक्षण प्रदान करने के लिए की गयी थी। तत्पश्चात, भारतीय वित्तीय क्षेत्र की बदलती आवश्यकताओं को पहचानकर, महाविद्यालय ने सूचना प्रौद्योगिकी, मानव संसाधन प्रबंधन, साधारण बैंकिंग और गैर-बैंकिंग वित्तीय सेवाओं जैसे क्षेत्रों में प्रशिक्षण प्रदान करने के लिए अपना दायरा बढ़ाया। महाविद्यालय कई अंतर्राष्ट्रीय संस्थाओं जैसे एफएओ, अपराका, सिकटैब, यूएनडीपी एवं कॉमनवेल्थ सेक्रेटेरिएट के सहयोग से भी प्रशिक्षण कार्यक्रम आयोजित करता आ रहा है। महाविद्यालय ने विकास बैंकिंग में उत्कृष्टता के अंतर्राष्ट्रीय केंद्र के रूप में ख्याति प्राप्त की है। भारतीय वित्तीय क्षेत्र की वर्तमान चुनौतियों के मद्देनज़र महाविद्यालय ने ग्रामीण विकास एवं सहकारी बैंकिंग के अलावा महाविद्यालय, विभिन्न संस्थोओं (राष्ट्रीय व अंतर्राष्ट्रीय) के लिए उनकी विशिष्ट आवश्यकता के अनुसार भी प्रशिक्षण कार्यक्रम आयोजित करता है।

महाविद्यालय, समय की मांग के अनुसार वित्तीय क्षेत्र में क्षमता निर्माण एवं विकास के लिए प्रतिबद्ध है।

Building & Enhancing Capabilities in the Financial Sector

College of Agricultural Banking (CAB) was established by the Reserve Bank of India in 1969 to provide training inputs in Rural and Cooperative Banking. Subsequently, recognising the changing needs of the Indian financial sector, the College has expanded its scope to provide training in other areas like Information Technology, Human Resource Management, General Banking and Non-Banking Financial Services. The College also conducts programmes in collaboration with international agencies like FAO, APRACA, CICTAB, UNDP and the Commonwealth Secretariat. It has earned acknowledgement as an international centre of excellence for development banking. The College also conducts customized taining programmes for institutions, both national and international, as per their specific requirements.

The College is committed to enhancing and building capabilities in the financial sector in tune with the changing times.

College of Agricultural Banking

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