

1. Title of Initiative:

Financial Inclusion Project in Tribal Area

Credit availability and proper saving mechanism are very important inputs for economic development. In order to cater to the challenges of introducing such formal systems and possible linkages for effective implementation and viability of the system in rural areas esp. in tribal extensions, District Administration with the help of Tribal Development Department, Government of Gujarat intended to develop a model of “**Financial Inclusion Project in Tribal Area**”.

Sabarkantha District Profile: Sabarkantha is a district in Northeast of Gujarat with its administrative headquarters at Himmatnagar. The concentration of Scheduled Tribes is comparatively high in Gujarat, where they comprise 14.76% of State’s population. **Sabarkantha constitutes of 13 blocks out of which 4 are identified as “ITDP Blocks”** under Integrated Tribal Development Programme (ITDP) namely **Khedbrahma, Vijaynagar, Bhiloda and Meghraj**. It is one of the six districts in Gujarat currently receiving funds from Backward Regions Grant Fund Programme (BRGF). With approx. 58.11 % of its population as ST, the district profile is listed below:

Table 1: Sabarkantha District Profile



Total Area	739012 Hectares
Cultivable Area	456832 Hectares
Irrigated Area	230370 Hectares
Population	20,83,416 (Census 2001)
Panchayat	736
Revenue Villages	1372
Literacy Rate	76.6%
ITDP Blocks	Khedbrahma, Vijaynagar, Meghraj, Bhiloda
Population in ITDP Blocks	6,79,580 (Census 2001)
Literacy Rate in ITDP Blocks	52.83%

2. Ministry Department/Organization where the Initiative was implemented:

The initiative has been started by District administration of Sabarkantha in association with Dena Bank in two ITDP blocks viz. Khedbrahma and Vijaynagar. The project is funded with the help of Tribal Development Department, Government of Gujarat through Development Support Agency of Gujarat (D-SAG) under Article 275(1) of the Constitution of India, which is meant for development of Infrastructure in remote tribal areas.

3. Background of the Initiative:

Scheduled Areas in Gujarat have some of the most backward blocks of the State. Ministry of Human Resources Development has concluded that 26 out of 43 are also educationally backward talukas. ITDP blocks in Sabarkantha have been identified as “Low Literacy Blocks” by the Cowlagi Committee.

When all ITDP blocks are considered together, the government spends a sizeable amount of money towards the development of these areas. There is thus the need for a reliable mechanism for parking the investible surplus through an efficient savings bank mechanism that can be easily operated and accessed.

While banking services in urban areas involve low operating costs and high deposits, banks perceive that operating in scheduled areas involve high operating costs, low deposits and low recovery; and that these areas are vulnerable to notorious activities, making them the least lucrative choice for *brick-mortar banks*. Thus, banks adopt *Business-Correspondent Model* to extend banking services in remote areas. However, the presence of human interface lacks transparency and efficiency with subsistent cash leakages.

According to the study by McKinsey & Company in 2010 on ‘Inclusive Growth and Financial Security’, transaction costs, administrative and overhead costs, and leakages are the three main sources of inefficiencies. Transaction costs account for 15 to 20% of total losses and as much as 75-80% account leakages. Thus, both the government and intended beneficiaries suffer losses. The government incurs a loss when it makes payments to people who are not the intended recipients. Beneficiaries lose when they fail to receive their full entitlement because part of it is illegally extracted by some intermediaries.

To illustrate the situation of example of one village is here,

Lambadiya is a big village in Khedbrahma block which is 25kms from the taluka headquarters. The village is spread over 10-12kms constituting several hamlets. These hamlets are scattered and isolated owing to their restrictive locations. The area is characterized by high illiteracy and poverty rates lacking even the basic amenities like secondary school, bank etc. However, an analysis of cash transfer shows that as much as Rs. 56 lacks is directed to the village in the FY 2011-12 only through MGNREGA scheme. The cash transfer through various pension programmes, IAY, scholarships would shoot the amount to atleast Rs.2 to 3 crores per year.

Realizing the need of the hour, District Administration of Sabarkantha took the initiative to develop a holistic model which dovetails the urban banking services in the scheduled areas with already available technology of ATMs. The aim is to achieve a “win-win” situation wherein every stakeholder (implementing bank, TDD and related state departments and beneficiaries) works in close coordination fulfilling the need of an efficient credit delivery mechanism in these areas.

4. Motivator for the project Initiative:

District administration in association with Dena Bank conceptualized the “**Dena Adhaar Scheme**” to extend banking facilities to ITDP blocks of Sabarkantha district. Under the scheme, “*No frill*” accounts with an overdraft facility of Rs. 2,000 are opened for every household in the project area.

5. Purpose and Priority of the Initiative:

The major objectives of the initiative are:

a. To provide direct access to banking services in the scheduled areas through a large number of easily accessible ATMs:

Owing to the inefficiency and lack of transparency in the existent BC-Model adopted by banks for remote areas, the priority of the initiative is to offer direct banking services similar to those in urban areas. It aims at creating a holistic approach which addresses the concerns of the banks and helps them to expand in these areas.

b. To park the investible surplus through an efficient savings bank mechanism:

Various livelihood interventions, wage employment and considerable cash transfers through scholarships and pension programmes have been initiated under ‘Chief Minister’s 10 Point Programme’. In first three years of implementation, the income level of the farmers has improved considerably, 1,31,000 individuals have been imparted skill training, major livelihood projects amounting to Rs. 2,000 crore have been started which are expected to cover 3.25 lakh ST families. Thus, the volume of income generated through these schemes can be parked through an efficient savings bank mechanism and pooled in the economy.

c. To improve outreach and efficiency of existing cash transfer programmes of the State Government:

Wage disbursement under various government schemes is generally done through postal services which have administrative limitations like time delay of 7-10 days, upper cap of Rs.15,000 per day on distribution of money by postmaster etc. Involvement of human element while routing payments to the poor increases the chances of leakages and people end up paying their rightful wages to intermediaries.

d. To cater to the large quantum of credit needs which remain unfulfilled owing to scattered habitation:

Generally banks are available at block level and people have to travel around 10-60kms resulting in loss of a man-day wage and travel cost as and when requirement arises. Due to the cost and time ineffectiveness, they are forced to keep the disposable income in hand and not invest it further or in absence of cash they have to borrow from non institutional sources like landlords etc. which pushes them in indebtedness trap.

e. To create credit history of borrowers: The system will also create the credit history of every borrower so that those having good repayment records are able to graduate to larger

production loans by dealing directly with the commercial banks and hence are linked to mainstream banking facilities with time.

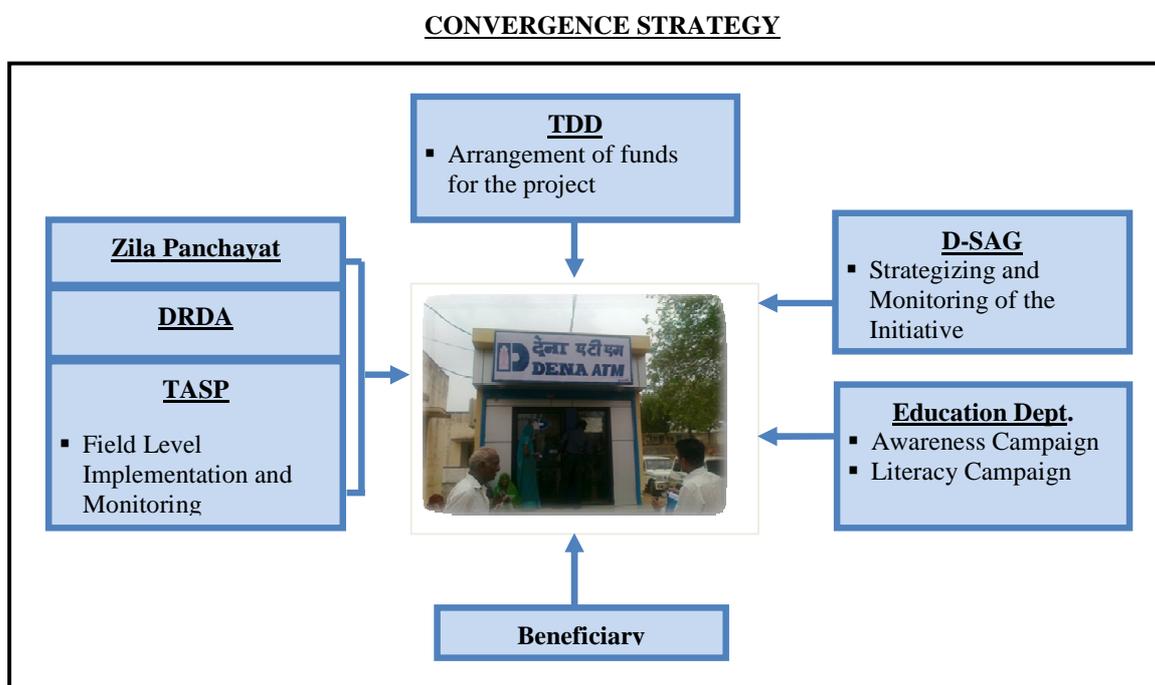
6. Date of implementation of the Initiative:

The 1st phase of the initiative is rolled out in Khedbrahma and Vijaynagar blocks of Sabarkantha district. The MoU with Dena Bank was signed on 22nd February, 2011. First ATM machine was installed in Poshina village on 6th April, 2011.

7. Strategies adopted for bringing about the transformation and positive impact:

The Unique Selling Proposition (USP) of the initiative is the “**Convergence**” of a number of stakeholders at every stage of implementation.

The diagrammatic view of the strategy is as follows:



Various strategies adopted are as follows:

a. Dena Adhaar Scheme:

- Account opening of each and every family of the project area to link each and every family with the formal banking system.
- Provision of 2 ATM cards to each family as migration for livelihood is high in these areas. This will help the member staying at village to withdraw in absence of migrating member.
- Facility of inbuilt Rs. 2,000 as overdraft with each and every account without any other formality. The overdraft limit can be used to address issues of emergency credit needs.

b. Provision of installation of 10 Biometric ATMs per block and one ATM covering 2000 population :

- a. Presence of a bank branch or a satellite branch near the ATM Centre is a must.
- b. Biometric ATMs can be used by illiterate people with ease and offer secure transaction as well as reduces human interference in cash disbursement.
- c. **Provision of Limited Banking Correspondents for disbursement of money and recovery of loans:**
 - No Banking Correspondents are engaged for cash disbursement and deposits to ensure transparency in transaction.
 - To recover the loans extended to the people and facilitate related procedures.
- d. **Arrangement to route Government Cash Transfers to all accounts opened under the project:**
 - To cover every Government cash transfer schemes (IAY, MGNREGA, Pension Schemes, Salary etc.) for easy cash transfer through EFMS.
 - To ensure minimal human interference thereby curbing corruption practices at grass root level.
- e. **Training and Awareness campaign:**
 - The biggest challenge for the initiative is high rate of illiteracy. In order to tackle this problem, a massive drive has been undertaken by the Education Department wherein its “Preraks” teach basic reading and writing skills and also raise awareness about the initiative.
- f. **Implementation Plan:**

Initially a series of meetings were held with all stakeholders to work out a concrete strategy for implementation of the initiative. Special meetings were held with banks in order to convince them to pursue their banking operations in scheduled regions and finally the 1st phase of the initiative was rolled out with Dena Bank.

 - *In the 1st phase of the initiative, around 50,000 accounts were opened and debit cards were issued to literate population. Accounts of MNREGA beneficiaries were linked to Electronic Fund Management System.*
 - *The 2nd phase of the initiative aims at creating a technological platform for collection of biometrics of the target beneficiaries and provision of Biometric enabled ATM Card to link illiterate population as well. Every government cash transfer schemes will be diverted to the beneficiaries account.*

8. Role of Stake Holders:

- a. **Role of Government (Tribal Development Department/ D-SAG)**
 - Bear 50% of capital cost (cost of ATM machines) and 100% recurring cost (cost of construction of ATM sites, provision of 3-phase electricity and security).
 - Arrangement to route all Government Cash Transfer Money wherever possible.
- b. **Role of District Administration**
 - Facilitate banks in account opening, distribution of passbooks etc. through district machinery like Gram Rozgar Sevak (GRS).
 - Monitor each aspect of project implementation and provide guidance and support wherever required.
 - Ensure Government cash transfer through the accounts opened in the project.

- Awareness generation through IEC for the project and ensure its sustainability.
- District administration with the help of Education Department appointed “Preraks” (field level teachers) at village level to teach basic reading and writing as well as raise financial literacy

c. Role of Bank

- Account opening of each family and provision of two ATM cards under the project area.
- Bear 50% capital cost of ATMs and arrangement of security.
- Provide facility of inbuilt Rs. 2,000 as overdraft with each and every account without any other formality.
- Facilitate district administration in every aspect of the initiative.
- Role of Banking Correspondents for disbursement of loans would be limited to disabled or old aged beneficiaries. Here the Government Cash transfer benefits for disabled or old aged beneficiaries will be disbursed via BCs.

9. Positive Features of the Initiative:

- a. To ensure easy accessibility of ATMs for the village community, bank has opened ATMs within the 5-10 km range of distance. This not only saves their valuable time and money but also provides them with 24X7 availability of money and inculcates saving habit.
- b. Penetration of banks in rural areas has not only reduced hurdles of the community but also opened prolific market for bankers. Increasing use of ATM centers shown its acceptance and also ensures its sustainability for long run.
- c. The ATMs installed by Dena Bank support use of Biometric ATM Cards thus it can be used with ease by the illiterate population. (Dena Bank is the first bank in Gujarat to successfully install biometric ATMs. These are already functional in Chhala and Balva villages near Gandhinagar.)
- d. The ATM kiosks also have an inbuilt facility of Mobile Recharge which is frequently availed by these people.
- e. Generally, all the earnings are transferred to the account of the male head of the family which limits the use of ATMs for women. Opening of separate bank accounts for female beneficiaries has ensured that their rightful money is paid only to them which can be utilized as per their family requirements.
- f. Convergence of MREGA scheme to the bank accounts of the beneficiaries has reduced the human interface, addressed the limitations of postal services and introduced transparency in the credit delivery mechanism.
Other schemes which can use these accounts for cash transfer are: Am Admi Vima Yojna; Indira Awas Yojana (IAY); Total Sanitation Campaign (TSC); Swarnajayanti Gram Swarozgar Yojana (SGSY); Mission Mangalam; Integrated Watershed Management Programme (IWMP); and Schemes under Tribal Area Sub Plan (TASP).

- g. Overdraft facility in “**Dena Adhaar Scheme**” has empowered the beneficiaries to use the amount in case of seasonal shocks, medical emergency or even for consumption needs. Assistance of Rs. 2000/- not only helps them in their adverse situations but also saves them from the clutches of voras, money lenders etc. which extend loans at high interest rates.
- h. Here the most important thing is community’s involvement throughout the project implementation. Community has decided the locations for ATM installation, methodology to raise awareness and financial literacy among them.

10. Output from the Initiative:

a. Current Status of ATM Centres located under the Initiative:

#.	Block Name	ATM Centre	Presence of a Bank Branch after ATM Project
1	Khedbrahma	Agiya	Khedbrahma Branch
2		Poshina	8 km from Dantral Branch
3		Lambadiya	Satellite Branch
4		Naka	2 km from Laxmipura Branch
5		Laxmipura	Functional Branch
6		Kotda	Functional Branch
7		Delvada	8 km from Lambadiya Branch
8		Kheroj	8 km from Dantral Branch
9		Matoda	Functional Branch
10		Khedva	Khedbrahma Branch
1	Vijaynagar	Chithoda	Functional Branch
2		Pal	Functional Branch
3		Chiteriya	2 km from Pal Branch
4		Vijaynagar	Functional Branch
5		Androkha	5 km from Antarsumba Branch
6		Rajpur	5 km from Vijaynagar Branch
7		Kodiyavada	2 km from Pal Branch
8		Parosada	8 km from Antarsumba Branch
9		Kanadar	5 km from Chithoda Branch
10		Kalvan	8 km from Antarsumba Branch

b. Current Status of the Initiative:

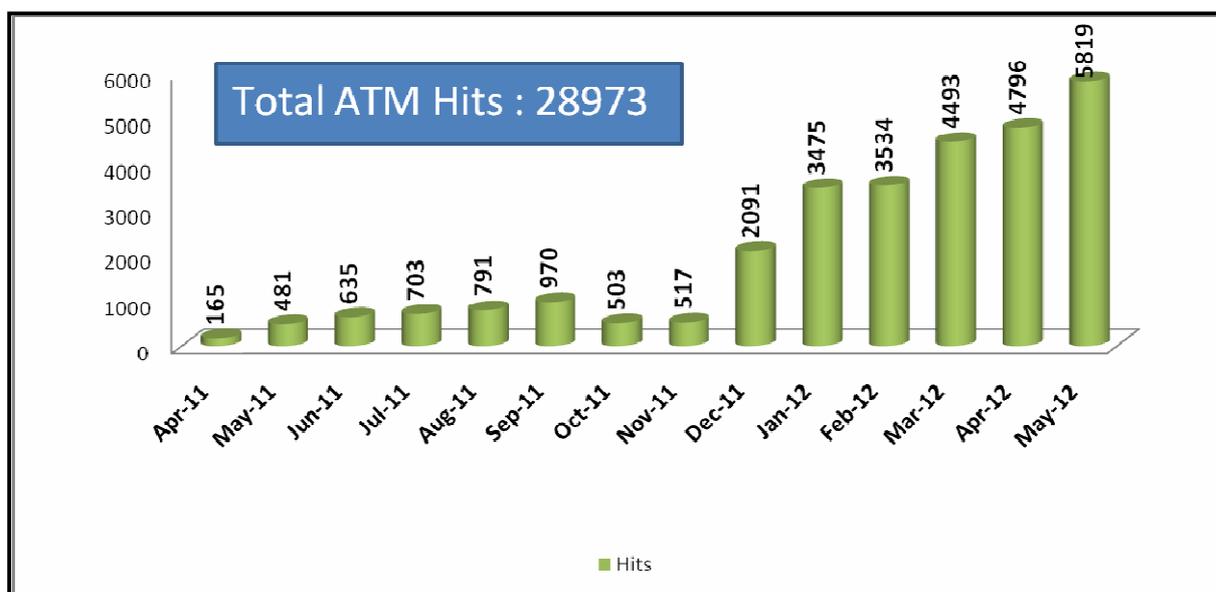
Name of Block	No. of ATM Working	No. of Covered Panchayat	No. of Covered Village	No. of Covered Person	No. of Open Bank Account
Khedbhrma	3	28	101	106259	31827
Vijaynagar	3	31	85	39504	16393
Total	6	93	242	201065	48220

c. 973 beneficiaries have utilized the Overdraft Facility in order to meet their emergency requirements in case of medical emergency, to meet their consumption needs, seasonal shocks etc. The OD limit has empowered the beneficiary by extending assistance in situations of dire need which are repayable at nominal rates.

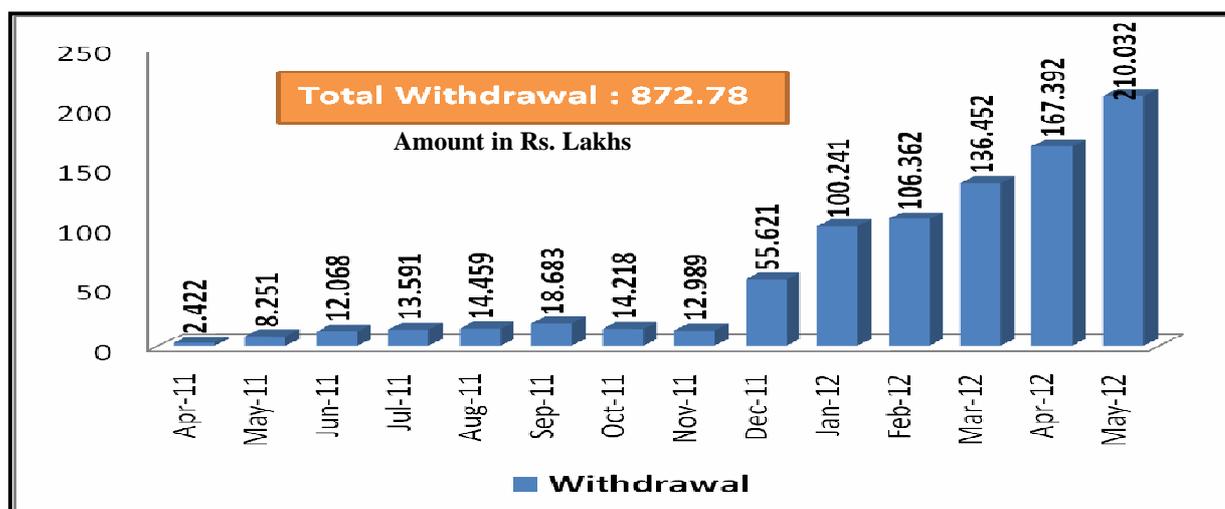
d. Current status of “Functional ATMs” after the implementation of the Initiative:

#.	Block Name	ATM Centre	Population Covered	Accounts Opened	Passbooks Distributed	ATM Cards Issued
1	Khedbrahma	Agiya	6101	1167	1167	442
2		Poshina	41410	4839	4839	1276
3		Lambadiya	17603	4716	4716	1443
1	Vijaynagar	Pal	1986	582	582	243
2		Chiteriya	1374	345	345	345
3		Chithoda	1422	1032	1032	542

e. Status of Total Number of Transactions under the Initiative:



f. Status of Amount of Transaction done under the Initiative



g. *Given the sheer volume of business in these areas shows that the initiative will be viable without any funding and will be able to breakeven in two years of its implementation. Looking upto the success of the initiative IDBI Bank has also come forward and signed the MoU to implement the project in Bhiloda and Meghraj blocks of Sabarkantha district.*

11. Comparative Analysis showing possible Outcomes from the initiative:

(For Khedbrahma and Vijaynagar Block)

#.	Parameter	Before Implementation	After Implementation
A.	Key Result Areas		
	Total ATMs Functional	0	6
	Total Accounts Opened	Very less number of accounts in the area covered under the project	48220
	Total Passbooks Distributed		47844
	Total ATM Cards Distributed	0	4600
	No. of beneficiaries who have utilized Overdraft Facility	0	973
B.	Key Performance Indicators		
	Travelling Distance to nearest bank branch	10-60 km	5-10kms as satellite branches have been opened at ATM centres
	Travelling Time	1 day including the to and fro travel time and time to avail banking facilities.	20mins
	Travelling Cost	A man-day wage is lost	Rs.10-Rs.50

	Total Number of Hits	0	28973
	Total Cash Withdrawn	0	2.10 crore
	Total Cash Deposited	0	5,43,58,230
	Total MNREGA Beneficiaries linked	0	22827
C.	Key Socio-economic Impact Parameters		
	Sources of Loan	Non Institutional sources like voras, landlords etc. at higher interest rates	Institutional Sources at the bank interest rate and since every beneficiary has a bank account they can avail this facility
	Risks Involved	These areas are risky and hence people cannot travel with cash in late evenings	Cash availability is 24X7 at their nearest ATM Centre so no need to travel which is cost effective and time effective
	Turn around time of cash flow (Cash Reach to Beneficiaries)	10-15 days through postal services	As soon as the wages are transferred to the respective accounts
	Other Advantages	Nil	<ul style="list-style-type: none"> • Use of Overdraft Facility, • Use of ATM kiosks for Mobile Recharge

12. Uniqueness of the Initiative:

Through this initiative, the district administration has experimented bringing an existing technology of 15 years i.e. ATMs to these scheduled areas which are often considered to be backward in technology. The aim of the initiative is to break the information asymmetry associated with the population in scheduled areas regarding acceptance of new technology, awareness and knowledge. **Also, Vijaynagar block is the pilot block of Gujarat to implement the NEFT system for wage disbursal under MGNREGA Scheme.** The initiative is also cost viable and scalable considering the sheer volume of funds directed in remote areas.

This initiative is an example of successful dovetailing of urban amenities to scheduled areas.