

## **Swaminathan J: Reaching the unreached – ensuring last mile connectivity of banking services**

Keynote address by Mr Swaminathan J, Deputy Governor of the Reserve Bank of India, at the Conference of Lead District Managers and District Development Managers, Hubballi, 20 September 2024.

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Regional Director of RBI for Karnataka, Smt. Sonali Sen Gupta; Chief General Manager, NABARD, Shri KVSSLV Prasada Rao; Chief General Manager, Canara Bank and Convenor, SLBC Karnataka, Shri K.J. Shrikanth; Area Heads of Union Bank of India and Bank of Baroda, senior executives from banks; Lead District Managers (LDMs); District Development Managers (DDMs); LDOs and other officers of RBI, present here. Ellarigu Namaskara and a very good morning to all.

Let me begin by complimenting Bengaluru Regional Office of the Reserve Bank of India for organising this conference with an apt theme - Reaching the Unreached – Ensuring Last Mile Connectivity of Banking Services. The theme reminds us that financial inclusion is an ongoing journey. While significant progress has been made in this journey, there is still some distance to be traversed. I must also thank the Bengaluru Regional Office for selecting this place, Hubballi, for this conference, a place where I served as a young officer of State Bank of India, some thirty years ago – which brings back lots of nostalgic memories of the basic banking that we used to do over three decades ago.

India's journey towards inclusive development after independence has been marked by several initiatives aimed at reducing poverty and improving living standards. Measures like expanding access to essential services such as education, healthcare and sanitation, and creating productive employment opportunities for all sections of the population have seen tremendous progress. Ensuring that the benefits of economic growth are shared by all segments of society, including marginalised groups has been the cornerstone of these initiatives. It has been a multifaceted journey with significant achievements in terms of economic growth, poverty alleviation, improvements in education and health care, etc.

In the relatively early days of this journey, the Lead Bank Scheme was institutionalised in 1969 and since then the Scheme has served as an important tool in enhancing credit flow to the sectors that have been identified as national priority and to the underserved population of the country, boosting economic growth at all levels, e.g., block level, district level and state level.

Over more than half a century since its inception, the Scheme has evolved in line with the development agenda for the country. The Lead Bank Scheme relies on a co-ordinated approach at all levels amongst banks, financial institutions and the government machinery for effective delivery of banking services to all sections of the economy. This co-ordinated approach has yielded significant results in terms of expanding banking access and improvement in the flow of priority sector credit.

More recently it has also led to the expansion of digital payments with SLBCs taking the lead role in the objective of making every district in the country digitally enabled. I am happy to note that 354 districts are now digitally enabled. Ten states including Karnataka and six Union Territories have achieved 100 per cent coverage of districts under this initiative.

Indeed, the Lead Bank Scheme can be a powerful tool to bring about transformative change. As LDMs, DDMs and LDOs, you are the very pillars on which this scheme rests, playing a crucial role in driving financial inclusion at grassroots level. Your efforts in extending banking services and credit access to underserved regions would undoubtedly bring immense satisfaction to all involved. Having served as the Convenor for the SLBC in Telangana, I can personally attest to the deep fulfilment that comes from making a tangible difference in people's lives through the LBS fora.

A common question we face is, are we doing enough? How much more remains to be done? In 2021, the Reserve Bank introduced the Financial Inclusion Index (FI-Index), which tracks progress across 97 indicators in three key dimensions: (i) Access (ii) Usage (iii) Quality. The Index which was at 53.9 in March 2021 now stands at 64.2 for March 2024 as a testimony to the efforts that has been put in by all of you.

India has made significant strides in enhancing 'access' to banking and financial services, reaching even the most remote areas. However, there is still considerable ground to cover in deepening financial inclusion. This requires greater focus on promoting 'usage' and improving the 'quality' of services. In both these critical areas, the role of Lead District Managers from the banks and District Development Managers from NABARD is indispensable.

In this context, I would like to outline a few key expectations.

## **Know your district well**

Firstly, it is imperative that you cultivate a deep understanding of your respective districts-so, you should truly 'Know Your Districts' well. This knowledge will form a solid foundation for comprehensive district profiles, covering a wide range of critical data. Such profiles could include detailed demographic information, agricultural trends, banking penetration and activities, industrial profiles, and the various performance metrics under the Annual Credit Plans (ACP).

Knowing your districts well, you can leverage upon data analytics and field surveys to gain insights into economic activities, local credit needs, and barriers to credit access. A holistic understanding of your district will enable you to identify gaps in financial inclusion, assess the credit needs of different sectors, and design targeted strategies for intervention. It will also help you to identify the root causes of the various issues observed in your districts. By staying attuned to your districts, you can provide invaluable feedback to the SLBCs, enabling the formulation of targeted and effective credit plans, and foster sustainable economic growth and development.

Formulation of targeted and effective credit plans, a bottom up approach

Secondly, building upon your strong understanding of your district, the formulation, monitoring, and implementation of Credit Plans must follow a granular bottom-up approach.

The principal phase of credit planning is done by DDMs by preparing the Potential Linked Credit Plans (PLPs) for all the districts in the State by mapping credit potential under Priority Sector Lending (PSL). The preparation of PLPs involves assessment of block-wise and sector-wise potential. LDMs conceptualise the block credit plans at the grassroots level which aggregate into district credit plans, ultimately converging to shape the comprehensive state-level Annual Credit Plan. While doing so, target setting for credit disbursement needs to be aspirational while being realistic. LDMs must take into account the scope for lending indicated in the Potential Linked Plan as well as the past record of achievement in credit disbursement while formalising the credit plans for the blocks and districts under their charge.

## **Address the gaps**

Thirdly, we need to address the remaining gaps. Although credit delivery to priority sectors has progressed over time, there is still significant work to be done especially with regard to Micro, Small and Medium Enterprises. Similarly, nearly half of Self-Help Groups (SHGs) are yet to be linked to formal credit, and a large proportion of small and marginal farmers still lack access to bank financing. Therefore, we must factor in the credit requirements of these segments in PLPs as well as in block and district-level credit strategies.

MSMEs are crucial to India realising her demographic dividend. One of the key requirements in this regard is increasing the female labour participation rate. Various studies<sup>1</sup> have shown that businesses with at least one women founder have a more inclusive work culture, employ more women than men and generate more revenue. However, less than 20 per cent of MSMEs are owned by women. Women entrepreneurs often encounter major hurdles, such as limited access to funding, societal barriers, and challenges in obtaining affordable finance.

It is therefore crucial to bridge the gender gap. At the district level, this can be addressed by offering support to women-led enterprises through government-sponsored programmes and tailored banking schemes for women-owned businesses. Additionally, efforts must be made to raise awareness among potential women entrepreneurs about these opportunities and provide them with necessary guidance and support.

## **Financial literacy**

Fourthly, we need to bolster financial literacy. Strengthening the supply-side is crucial, but holistic financial inclusion also necessitates demand-side initiatives. Financial literacy stands as a fundamental building block. It is not just about access, it is about empowering individuals to make informed choices. Financial literacy is the ability of people to understand and effectively use various financial skills, including personal financial management, budgeting, and investing.

Members of public should be made aware of various financial products available to them, be it social security products such as insurance and pension schemes, which will cover their risks or loan products with significant subsidies that will enable them to undertake productive economic activities. A special focus needs to be given to Digital Financial Literacy for improving public confidence in undertaking digital transactions. This will enable banks to explore avenues for wider adoption of fintech, to provide seamless and frictionless credit.

At the block level, financial literacy is being promoted through Centres for Financial Literacy (CFLs), established by NGOs with funding support from the RBI, NABARD, and banks. The reach of CFLs has expanded significantly, with 2,421 CFLs now operating across almost every block in the country. In Karnataka alone, 79 CFLs and 177 Financial Literacy Centres (FLCs) are spreading awareness of financial products at the grassroots level. LDMs must play a crucial role in ensuring that FLCs perform their functions effectively, supporting CFLs, participating in CFL camps, and facilitating the linkage of financial services while overseeing the proper conduct of these camps.

In conclusion, I encourage you to give your best, set exemplary standards, and become pioneers in developmental activities, ensuring continued progress of your districts and the State of Karnataka.

As you may be aware, the Reserve Bank of India is celebrating 90 years of its foundation this year. Looking ahead to the next decade, our journey towards RBI@100, we have formulated strategies aimed at positioning the Reserve Bank as a model central bank of the Global South. One of our key objectives is to deepen financial inclusion by enhancing the Accessibility, Availability, and Quality of financial services for all segments of society. I urge each of you to actively support us in realizing this vision by contributing to inclusive growth, ensuring that no one is left behind in accessing essential financial services, and fostering economic empowerment at the grassroots level.

I would like to leave you with a quote from Rashtrakavi Kuvempu (an extract from his epic work "Malegaalli madumagau"):

Illi yaaroo mukhyaralla  
No one is precious here

Yaroo amukhyaralla  
No one is unimportant here

Illi ellakkoo ide artha  
Everything has significance here

Yavudoo alla vyartha  
Nothing is useless

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Neerellevo theertha!  
All the water is holy!

In the context of today's gathering, it would mean: All groups of people are equally important and should be financially included; every effort taken for financial inclusion is meaningful and nothing goes wasted.

With this I would like to end with my best wishes to each one of you. Thank you!

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<sup>1</sup> Jaitly, S., Thangallapally, L. S., & MicroSave. (2022). Decoding Government support to women entrepreneurs in India. In NITI Aayog, [www.microsave.net](http://www.microsave.net) [Report]. <https://www.niti.gov.in/sites/default/files/2023-03/Decoding-Government-Support-to-Women-Entrepreneurs-in-India.pdf> (last accessed on September 16, 2024)