

FAQs on Financial Inclusion

For the use of Bank Employees / BCs/BFs and Call Centre Employees

Financial Literacy

Q. What is saving?

Ans. When income is more than expenses, then we have surplus money known as savings.

Q. Why should one save?

Ans. We should save regularly so that it can be used to meet expenses / exigencies for education, marriage, purchasing farm seeds, purchasing own house, birth, illness, accident, death, natural calamity, old age, etc. During the emergencies only savings could help.

Q Where to Save?

Ans. The money is mainly kept at home in the Gullak. But we would always be worried about its safety. Sometime it may get stolen or we may be tempted to use the money. Also money saved at home does not increase.

Thus the money could be saved in a bank.

Q. Why save in a bank?

Ans. Money kept in a bank is safe, secure and trusted upon.

Q. What are the advantages of having a bank account?

Ans. One can open savings, recurring / fixed deposit accounts. Banks offer loans and many other useful services. The wages / salary drawn can be directly credited to the bank account. All social benefits like MGNREGA wages, pensions, etc. can be directly credited to bank account through EBT. The money kept with the bank can be deposited or withdrawn at convenience. Banks do not charge any fee for depositing money but pays interest on the money deposited.

Besides a bank account gives us an identity which is recognized by other government agencies.

Q. What is interest?

Ans. Interest is the amount earned on the deposit kept with the bank or it is the amount paid when the money is borrowed from the bank.

The interest charged by the bank is much less than the interest charged by the money lender (Sahukar).

Q. What is a BSBDA Account?

Ans. A BSBDA account is Basic Savings Bank Deposit Account which can be opened with simplified KYC document and also with nil balance.

Q. What are the features of a BSBDA ?

Ans. Basic Savings Bank Deposit Account is opened on the basis of simplified KYC norms. Banks would not charge fee for deposit of money any number of times. In addition, banks would not charge for 4 withdrawals during a month. The customer would be provided with a Passbook and an ATM card without any fee. The account can be used for day to day needs like deposit, withdrawal, remittances, direct credit of social benefits, etc.

Q. What is Overdraft, how is it different from other loans?

Ans. Small Overdraft is inbuilt in the saving bank account to take care of the emergent miscellaneous needs. One can withdraw the amount upto the limit of overdraft without going through separate documentation for availing small amount. The customer is required to pay the interest on the amount of overdraft as it is a loan given by the bank. Other loans like KCC and GCC are provided by the banks for a specific purpose of income generating activities.

Q. What is nomination?

Ans. Nomination is a facility that enables a deposit holder to designate an individual, who can claim the amount lying in the bank account in case of death of the account holder. It is always advisable to make nomination in a bank account so that the nominated person can get the amount easily.

Q. What is Know Your Customer (KYC)?

Ans. Banks are required to know particulars of the customer before opening of the Accounts as per KYC regulations. Hence we need to submit necessary KYC documents, i.e., a photograph, proof of identity and proof of residence to the bank along with account opening form. The account can also be opened on the basis of the Aadhaar Card. Persons not having above documents may open the account under relaxed KYC procedure based on MGNREGA job card or self-certification. The accounts opened under relaxed procedure will be treated as small accounts and will be subject to certain limitations.

Q. What is debt?

Ans. Debt is basically a borrowing raised to fill up gap between resources and uses. When expenses are more than the income and we have no savings with us, then there is shortage of money which is covered through borrowing, creating debt.

Q. What is Debt Management Plan?

Ans. It is a plan to assist those who are in financial distress by drawing a suitable repayment plan. The counsellor would assist the customer in understanding the financial budgeting and find a way out to reduce / lessen the burden of debt.

Q. How to manage money?

Ans. Money can be efficiently managed by doing financial planning. As a first step of financial planning, one needs to maintain a Financial Diary to keep accounts of the income and expenses for a given period, say a week or a month.

Q. What is Financial Planning?

Ans. Financial Planning is to help individuals to use their resources against the needs efficiently in short term and achieve their long-term financial goals through investment, asset allocation, risk management, retirement planning, etc.

Q How does it help the customer ?

Ans. It will help the customer **to manage his financial resources as well as to** know the different avenues of investments, liquidity preference, risk tolerance level vis-à-vis risk mitigation etc. to reach the financial goal.

Q. What are the types of loans offered by the banks?

Ans. Banks give various types of loans such as short term loans, long term loans, overdrafts and working capital etc. for agriculture and allied activities, business, manufacturing units , personal loan, housing loans, education loans, business loans, etc. to meet the requirements of the customers.

Q. Why should we repay the loan?

Ans. The banks use depositors' money for lending. If the loan is not repaid, it would affect the bank's capacity to repay the depositors' money in time. This would also affect the banks capacity to lend to borrowers. In case the loans are not repaid on time bank could take possession of the security offered as guarantee for the loan and can initiate legal proceedings for recovering the loan amount along with the interest.

Q. What is SLBC?

Ans. SLBC means State Level Bankers Committee which is an inter-institutional forum at State level ensuring co-ordination between Government and Banks on matters pertaining to banking development. A designated Bank becomes the Convener Bank of a particular State Union Territory.

Q. What is a Lead Bank?

Ans. Each district of the country has been allocated to a specified Commercial Bank which is called as the Lead Bank of the district.

Q. What is the Grievance Redressal Mechanism of banks?

Ans. Banks are regulated entities. Every bank has a Grievance Redressal Officer, the details of which is published in all branches and also on their website. In case of any dispute, one can file our complaint with the Grievance Redressal Officer of that bank. In case the customer is not satisfied with the resolution of the dispute by them, the customer can file our complaint with the Banking Ombudsman of the Reserve Bank of India.

Financial Inclusion

Q. Why should we have Financial Inclusion?

Ans. Major sections of the Indian Economy do not have access to formal banking services. To bring them under the banking purview and provide them banking facilities. Financial inclusion initiatives were under taken since 2005-06.

Bring the excluded section of the Society within the banking purview would enable banks as financial intermediaries to contribute to economic growth through

mobilization and allocation of credits towards various project financing, thereby providing households, businesses to attain their economic goal.

Q. What is Financial Inclusion?

Ans. Financial Inclusion is the process of ensuring access to mainstream financial services and timely and adequate credit to all excluded people vulnerable groups such as weaker sections and low income groups at an affordable cost.

Q. What are the challenges of Financial Inclusion?

Ans. The challenges of Financial Inclusion -

- Poor infrastructure and telecom connectivity in rural areas
- Lack of financial literacy
- Availability of required documents for banking activities
- Limited technology adoption and know-how among the ecosystem partners
- Lack of local support for scalability of banking services

National Mission on Financial Inclusion Plan or Sampoorna Vitteeyea Samaveshan

Q. What is National Mission on Financial Inclusion (NMFI) or Sampoorna Vitteeyea Samaveshan (SVS) ?

National Mission on Financial Inclusion or Sampoorna Vitteeyea Samaveshan ensuring access to financial services with timely and adequate credit to the excluded sections i.e. weaker sections and low income groups.

Q. How is NMFI or SVS different from the existing Financial Inclusion Plan?

Ans. NMFI or SVS focuses on coverage of households as against the earlier plan which focussed on coverage of villages. It focusses on coverage of rural as well as urban areas. New NMFI has an integrated approach for providing banking, insurance and pension products together to the beneficiary. The CFIP or SVS plan is proposed to be implemented as a Mission Mode Project.

Q. How is the NMFI or SVS plan proposed to be implemented ?

Ans. The NMFI or SVS plan is proposed to be implemented as a Mission Mode Project which envisages a comprehensive coverage of all excluded households in the country by a six pillar approach in 2 phases - Phase I from 15 August 2014 to 14 August 2015 and Phase II from 15 August 2015 to 14 August 2018.

Q. What does the first phase of NMFI or SVS propose?

Ans. Phase I of NMFI or SVS proposes the following -

- Universal Access to Banking facilities
- Providing Basic Banking Accounts with overdraft facility of upto Rs.5000/-
- RuPay Debit card with inbuilt accident insurance cover of Rs.1 lakh
- Financial Literacy Programme

Q. What does the second phase of NMFI or SVS propose?

Ans. Phase II of NMFI or SVS proposes the following –

- Creation of Credit Guarantee Fund for coverage of defaults in overdraft accounts

- Micro Insurance
- Unorganized sector Pension schemes like Swavlamban
- Coverage of households in hilly, tribal and difficult areas and coverage of remaining adults in the households and students

Q. What is SSA?

Ans. SSA is a Sub Service Area under Lead bank scheme Service Area Approach under which villages are identified and assigned to bank branches based on their proximity and contiguity. Sub Service Area is a cluster of more than one village wherein up to 1000 to 1500 households are brought under such cluster for providing banking services.

Q. What would be the features of the accounts opened?

Ans. Savings Bank accounts with zero balance would be opened and ATM/Debit (RuPay) cards would be issued to the account holder.

Q. What are the requirements for providing Basic Banking Accounts at household level?

Ans. For every uncovered household, it is required to open one accounts in every household fulfilling the basic KYC requirements.

Q. Is there any Overdraft facility on these accounts?

Ans. Yes. An overdraft facility of upto Rs.5000/- would be provided gradually starting from Rs 1000/- to the customers (preferably to the lady member) after six months of satisfactory performance in the account.

Q. Is there any guarantee provided against defaults in over drafts?

Ans. It is proposed to create a credit guarantee fund with a corpus of Rs.1000 crores which would be housed in National Credit Guarantee Corporation (NCGC) to provide guarantee against defaults in over drafts.

Q. How would the account opening activity be carried out?

Ans. Accounts would be opened for all eligible residents in camp mode. The camps would be organised in co-ordination with the Government and Bank officials and the BC agents and Bank officials would ensure opening of accounts.

Q. Are there any other activities that need to be carried out during these camps?

Ans. Basic financial literacy highlighting benefits of opening of account, availability of credit facility, operating of ATM card and benefits of repayment of the overdraft on time may be provided during these camps.

Q. What is a micro-insurance policy?

Ans. A micro-insurance policy promotes insurance coverage among economically vulnerable sections of society. It can be a general or a life insurance policy with a sum assured of Rs.50,000 or less.

Q. Who can offer micro-insurance policy?

Ans. Micro Insurance facility would be offered by the life insurance as well as general insurance companies. Micro-insurance policy can be offered through the following intermediaries, provided they are authorized and trained to sale insurance

products -

- Non-Governmental Organisations (NGOs)
- Self-Help Groups
- Micro-Finance Institutions
- Most of the entities appointed as BCs, including companies registered under Companies Act, have also been permitted by IRDA for appointment as MI agents to sell Micro-insurance products

Q. What is NPS - Swavlamban ?

Ans. National Pension Scheme - Swavlamban is a co-contributory pension scheme launched on 26/09/2010 to encourage workers in the unorganised sector to save voluntarily for their old age.

Q. Who can subscribe to NPS -Swavalamban?

Ans. A citizen of India, who belongs to the unorganized sector, can open NPS - Swavalamban account based on the following conditions:

- Should be between 18 – 60 years of age as on the date of submission of his/her application by Aggregator.
- Should comply with the Know Your Customer (KYC) process carried out by an Aggregator.
- Subscriber should not be covered under any other social security schemes like Employees' Provident Fund and Miscellaneous Provision Act, The Coal Mines Provident Fund and Miscellaneous Provision Act etc.

Q. What are the benefits of the Swavlamban Scheme ?

Ans. Under the Swavlamban Scheme, the Government would contribute a sum of Rs.1000 per annum in each National Pension Scheme account opened and having a saving of Rs.1000 to Rs.12,000 per annum for a period of 5 years.

Q. What are the challenges faced in SVS ?

Ans. The following are the challenges faces in implementing SVS -

- Limited availability of trained resources and agents
- Limited financial literacy and awareness
- Limited infrastructure and telecom connectivity in remote areas

Business Correspondents / Business Facilitators

Q. What is a Business Correspondents (BC)?

Ans. Business Correspondents are retail agents engaged by banks for providing banking services at locations other than a bank branch/ATM. Basically, BCs enable a bank to expand its outreach and offer limited range of banking services at low cost. BCs, are an integral part of a business strategy for achieving greater financial inclusion.

Q. What are the functions of BC ?

Ans. BCs are permitted to perform a variety of activities which include identification of borrowers, attend to collection of small value deposit, disbursement of small value credit, recovery of principal / collection of interest, sale of micro insurance/ mutual fund products/ pension products/ other third party products and receipt and delivery

of small value remittances/ other payment instruments, creating awareness about savings and other products, education and advice on managing money and debt counseling, etc.

Q. What are the products offered through the BC channel?

Ans. The following products are offered through the BC Channel -

- Small Savings Accounts
- Fixed Deposit and Recurring Deposit with low minimum deposits
- Remittance to any BC customer
- Micro Credit
- General Insurance

Q. Who are eligible to act as BCs ?

Ans. Initially the entities permitted to act as BCs included NGOs/ MFIs set up under Societies/ Trust Acts, Societies registered under Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States; Section 25 companies and post offices. As regards Section 25 companies, it was subsequently clarified that banks can engage such companies as BCs provided the companies are stand-alone entities or Section 25 companies in which NBFCs, banks, telecom companies and other corporate entities or their holding companies do not have holdings in excess of 10%.

The list of persons who can be engaged as BCs was further expanded to include individuals like retired bank employees, retired teachers, retired government employees and ex-servicemen, individual owners of kirana / medical /Fair Price shops, individual Public Call Office (PCO) operators, agents of Small Savings schemes of Government of India/Insurance Companies, individuals who own Petrol Pumps, authorized functionaries of well run Self Help Groups (SHGs) which are linked to banks. Any other individual including those operating Common Service Centres (CSCs) are also allowed to act as BCs of banks.

Q. Are Non-Banking Finance Companies (NBFCs) allowed to act as BCs

Ans. Non-Banking Finance Companies (NBFCs) were not allowed to be appointed as BCs by banks. However the RBI has now permitted to engage non-deposit taking NBFCs (NBFCs-ND) as BCs, subject to the following conditions:

- a) It should be ensured that there is no comingling of bank funds and those of the NBFC-ND appointed as BC.
- b) There should be a specific contractual arrangement between the bank and the NBFC-ND to ensure that all possible conflicts of interest are adequately taken care of.
- c) Banks should ensure that the NBFC-ND does not adopt any restrictive practice such as offering savings or remittance functions only to its own customers and forced bundling of services offered by the NBFC-ND and the bank does not take place.

Q. What is the distance criteria for BCs ?

Ans. With a view to ensuring adequate supervision over the operations and activities of the retail outlet/sub-agent of BCs by banks, every retail outlet/sub-agent

of BC is required to be attached to and be under the oversight of a specific bank branch designated as the base branch and the distance between the place of business of a retail outlet/sub-agent of BC and the base branch as stipulated by RBI earlier was not more than 30 kms in rural, semi-urban and urban areas and 5 kms in metropolitan centres. However the RBI has now removed the distance criteria.

Q. What is the remuneration paid to the BC ?

Ans. The BC remuneration consist of fixed and variable component which is commission based.

Q. Where can the customer access his account under the BC Model?

Ans. Customer can access his account through BC agents or Customer Service Points, USBs, Kiosks, etc. appointed by the BC for servicing the customers.

Q. How does a BC function?

Ans. The BC uses Information and Communication Technology (ICT) based devices such as handheld machines, smartcard based devices, mobile phones, etc. to carry out the banking transactions.

Q. Whether our money is safe if we deposit with BC?

Ans. BC is a mode of providing banking service at the doorstep as bank branch is at a distant area. Depositing money with BC is as good as depositing with a bank branch. The transactions are done through the ICT based devices and accounted in the books of the banks through online mode on real time basis. The customers get immediate verification of their transactions as cash deposited / withdrawn by customers through the BC is acknowledged by issue of a receipt on behalf of the bank.

Additionally, transactions through BCs are done on the basis of our biometrics or a PIN number and thus no one else can do the transactions in our account.

Direct Benefit Transfer

Q. What is DBT?

Ans. DBT – Direct Benefit Transfer is a scheme under which subsidies are directly transferred to the beneficiary accounts. Aadhaar enabled DBT is where subsidies are directly transferred to the Aadhaar Linked accounts of the beneficiaries, through Aadhaar reference.

Q. What is the role of Banks in DBT rollout?

Ans. The Banks are required to:

- Assist concerned Government Departments in ensuring every beneficiary has a Bank account
- Issue of ATM debit cards to all beneficiaries
- Seed Bank accounts with Aadhaar number
- Provide adequate banking infrastructure to enable withdrawal from accounts through various access points, viz. Branch, ATM and Business Correspondent Agents

- Undertake Electronic Fund Transfer into beneficiary accounts based on payment advices received from the concerned Government Departments
- Coordinate with stakeholders for DBT–Government Department, UIDAI, NPCI

Q. How can branches access the DBT portal?

Ans. Branches/LDM's can log onto the DBT portal by accessing **<http://10.4.241.103:1357/Login.aspx>**. The DBT portal can be used to inquire Aadhaar seeding in CBS, status of mapping on NPCI mapper and for authorizing pending PPA files.

Q. What is EBT?

Ans. EBT – Electronic Benefit Transfer is nothing but a Direct Benefit Transfer scheme of the Government under which accounts are opened for beneficiaries of Government schemes like NREGS, SSP as per data provided by the Government. These customers can receive their benefit payment from the Government in these accounts.

Unique Identification (Aadhaar)

Q. What is Aadhaar?

Ans. *Aadhaar* is a twelve digit unique identification number issued by the Unique Identification Authority of India (UIDAI) or National Population Registrar (NPR) to residents of India. (more details at <http://www.uidai.gov.in/>)

Q. What is Aadhaar enabled Bank Account?

Ans. A bank account linked to Aadhaar number of the customer.

Q. Can Aadhaar number be linked to an existing Bank account?

Ans. Yes. Aadhaar Number can be linked to an existing account (SB/CA/BSBDA) of the account holder at the base branch after proper verification. For linking, the primary account holder will carry the Original Aadhaar letter and submit the following documents at branch:

- a) Request letter
- b) Copy of Aadhaar letter, self attested by the customer

Q. What is Aadhaar Payment Bridge System (APBS)?

Ans. It is a payment system offered by the National Payments Corporation of India (NPCI), through which interbank transaction can happen in Aadhaar-linked accounts.

Q. What is Aadhaar Enabled Payment System (AEPS)?

Ans. It enables transactions in Aadhaar enabled accounts by using biometric authentication system of UIDAI. However, transactions relating to customers having accounts with the bank i.e. 'On-us' transactions can be completed by using Bank's own authentication system.

Q. How many accounts can be linked to a single Aadhaar number ?

Ans. One Aadhaar number can be linked to only one Account

Q. Whether a customer can link his/her Aadhaar number to his/her accounts in more than one bank ?

Ans. Yes, but the Aadhaar number linked to the latest one account will be credited directly with benefits/subsidy from government. Therefore, it is advisable to link Aadhaar number to only one account in only one Bank.

Q. What are the benefits linking account with Aadhaar number ?

Ans. Most of the government subsidies / benefits e.g. MGNREGS, LPG subsidy etc. are directly credited to the beneficiary's account based on his/her Aadhaar number. Through Aadhaar number, he can do interoperability transaction that is transaction with other banks. He can also use e-KYC with Aadhaar number.

Q. What is the role of a Financial Literacy Centre (FLC)?

Ans. The main aim of the Financial Literacy Centre (FLC) is to guide people in all aspects of money management and help them to improve financial literacy, have proper control on their finances and properly organize monthly financial commitment, to understand various facts of Finance, help in taking informed decisions

Q. What are the credentials of such Centre?

Ans. FLC centres are established with a view to help all those who are in need of advice on financial management. The services offered at the Centre are absolutely at no cost to the client. More importantly confidentiality is ensured. These centres are also managed by experience ex-bankers, on behalf of banks/Financial Institutions.

Q. How is Counselling available?

Ans. The customer needs to visit the FLC, fill up the data form and submit photocopies of required documents as suggested by the Counsellor. The Counsellor will fix mutually convenient date and time for one to one Counselling session. Mostly the advice is given instantly.

Q. What happens at the Counselling session?

Ans. The Counsellor will review your financial situation in a non-judgmental manner and provide possible suggestions / solutions. He / She will guide you appropriately.

Q. What are benefits of the programme?

Ans. The Counselling session will help the customer in understanding and drawing a most appropriate solution to manage finances. In case of a debt, the counsellor may provide further assistance by contacting the customer's banker to consider the plan and if it fits into the guidelines set out by the banker it will save you from further action, penal interest etc.

Q. What is the cost of the programme?

Ans. It is absolutely FREE.

Q Is counselling confidential?

Ans. Absolutely. The Counsellor will not divulge a client's financial position to anybody.

Q. Do FLC provide loans?

Ans. No. The Centre provides only guidance on financial freedom.

Q. Do the Call Centre collect repayment of debt and pass it on to my bankers?

Ans. No.

DO'S AND DONT'S FOR BCs cum BEs

Do's

- Treat every customer with due respect
- Maintain friendly relations with the Bank's Branch Manager
- Protect oneself well while traveling to and from Bank with cash
- Perform Day End and Settlement as per the terms
- Maintain the cash registers and transaction receipts carefully
- Read the manuals carefully and clarify doubts
- If there is any problem with the terminal or branch, report to Field Supervisor immediately
- Keep the terminal clean, safe, in banking conditions at all time.

Dont's

- Do not discriminate the customers based on religion, caste, creed, political party, family feuds, social status, personal friendship
- Do not charge the customers for any transaction or providing any help
- Do not exploit customers – do not solicit or extract any favour in return for services you provide in cash or kind
- Do not give an impression that you are a benefactor of a customer, you are doing your duty
- Do not encourage informal borrowing or lending
- Do not reveal transaction details of the customers to anybody else
- Do not complete a cash transaction in the terminal until cash actually changes hands
- Do not mix up personal money with Bank's or customers' money
- Do not keep large amounts of cash for long time
- Do not leave the cash or terminals in unsafe places
- Do not keep customer's card or customer's copy of transactions with you.
