

**RBI GOVERNOR’S PRE-POLICY CONSULTATION MEETING
WITH TRADE BODIES, MARCH 5, 2024
POLICY SUGGESTIONS OF INAFI INDIA**

1. CENTRES OF FINANCIAL LITERACY (CFL) AND BANKING FOR ALL:

The financial literacy initiative of RBI through CFLs has been rolled out across the country covering all the blocks with exclusive focus on rural context. Over time, as the CFL initiative is extended to cover all the revenue villages (from the current coverage mandate of 50% villages) in the blocks, public at large are being connected to the banking system. This facilitates access to five fundamental financial services through a single window – SCRIP (Savings, Credit, Remittance/payments, Insurance/Investments, Pension). In particular, it is worth mentioning that due to CFLs’ programmes, large segments of population is now taking insurance and pension services under the PM social security schemes through the Banks. The banking system under the regulatory gaze need to gear up to fulfil the vision of “**Banking for All**” through FL. The literacy initiative needs to be expanded to urban contexts also by DEA Fund. In fine, holistic financial inclusion would be advanced by expanding and deepening the CFLs and other financial literacy initiatives.

2. MICRO CREDIT ECO SYTEM: RELEGATION OF BANKS BY MFIs:

It is a matter of concern that MFIs have emerged as the largest micro credit purveyor and the Banks seem to cede the ground in quiet

acquiescence. As the recent data indicates, the micro credit portfolio of MFIs is of the order of 37% vis-à-vis banks at 33%. This is not a good augury from the client/consumer perspective as there is a wide disparity in the cost of borrowing with MFIs charging near usurious rate of about 30% as against the Banks' pricing of 12-13%. What should remain in the shadow of Banks is now overshadowing the banking system. This trend needs to be reversed and a regulatory monitoring and correction is required to be put in place. The FIDDs of RBI Regional Offices is well placed to play an active role in concert with the CFL initiative.

INTERNATIONAL WOMEN'S DAY 8TH MARCH, 2024:

3. CELEBRATING THE WOMEN AND THEIR CULTURE OF SAVINGS:

Savings has been an inherent culture of women in our country context through the habit of thrift. If anything, SHGs of poor women have demonstrated the power savings in such a splendid manner that the SHGs have emerged as micro banks for savings and deploying their savings as credit. Indeed, they have dispelled the myth that poor cannot save. Many SHGs are having robust savings balance of more than a lakh since its inception. There has been a slew of initiatives from Governments and a regulatory policy facilitation through the banking system has long been overdue. There is a long felt need to give credit to this virtuous culture of savings by women.

As the theme of this year's **International Women's Day is Investing in women**, time is ripe RBI does its part to recognize this marvellous culture and facilitate through banking system for payment of interest in the savings accounts at two percent above the prevailing inflation in a dynamic manner.

4. COERCION OF MFIs BY BANKS TO BECOME MEMBER OF SRO IN THE MICRO CREDIT SECTOR:

Many of smaller MFIs (including not-for-profit) are facing many strange situations when they approach the banks for credit lines. They have been asked to become member of SRO in MF sector to become eligible to seek loan from the respective banks. For many MFIs, SRO themselves remain suspect when it comes to protection of micro credit clients. Furthermore, the choice of becoming a member of SRO should be of free will and rest with the MFIs and there cannot be any compulsion on whatever grounds to become a member of SRO. RBI would do well to address this aberration with the sense of urgency and advise banks suitably.