FINANCIAL INCLUSION: Powered by TCS BαNCS

TCS provides training, devices and
TCS BαNCS Core Banking to participants

By **K. Krishna Kumar**, Head – Banking, India, Tata Consultancy Services

With annual GDP growth in the range of eight to nine percent, India continues to be one of the fastest-expanding economies in the world, as well as one of the most populous. Yet with almost half of the population living and working outside of formal banking networks, India's economic potential remains relatively untapped.

The Indian government, through its ambitious "Swabhimaan" Financial Inclusion program, has set the goal of ensuring that every citizen has a bank account by the end of 2013. By including the entire population within the country's banking networks, a wide spectrum of opportunities will arise in support of personal savings, financial stability for families, and commercial success for enterprises and small businesses.

The daunting challenge at hand is to provide banking services to almost half of the population across an incredibly di-verse terrain in terms of geography, language, and culture. India has 600,000 villages, and only 73,000 of these have a population exceeding 2,000 people. These larger villages are to be covered by the Financial Inclusion initiative by March 2012.

To promote widespread enrollment, national and state governments will directly deposit into these accounts those funds related to programs such as the National Rural Employment Guarantee Act (NREGA), fertilizer subsidies, and payments designated to promote literacy. With every citizen having a bank account, such disbursements can be made directly and without unnecessary intermediaries.

Several of India's most prominent Regional Rural Banks (RRBs) have turned to TCS to implement Financial Inclusion within their designated regions.

TCS BαNCS

TCS, as the most respected and trusted commercial brand in the Indian marketplace, is the largest implementation partner to banks in India for the Financial Inclusion initiative. Drawing upon a well-earned global reputation as a trusted implementation partner for organizations around the world, TCS has a central role in making "Swabhimaan" a reality for the Indian people in three main areas:

1 Business Correspondents

TCS hires, trains, manages, and oversees "Business Correspondents" (BCs) in designated villages and towns. These BCs act on behalf of the banks to originate and service bank accounts. Through the BCs, local people can obtain banking services, including cash deposits and withdrawals, without the need to travel to a distant branch. BCs are trusted people, often working for non-governmental organizations, who take on the added responsibility of becoming the area banker.

TCS is already on track to register over 16 million new accountholders in the next three years.

TCS understands the fundamental importance of the BC, and has set up a complete ecosystem to ensure that BCs are properly selected, insured, trained, and equipped.

2 "Bank-in-a-Box" Handheld Terminals

TCS provides each BC with supporting technology that provides "financial services in a box" – a small point-of-sale terminal that includes smartcard read/write capability, biometric customer authentication, a printer, and a speaker.

Enrollment is a simple process involving on-the-spot creation of a smartcard, which is secured using biometric identifiers including fingerprint and voice recognition technology. Once enrolled, individuals can withdraw and deposit funds from their accounts using the BC as the bank's representative.

For example, if a person wants to withdraw 100 rupees, the BC first authenticates the identity of the accountholder, and then debits the account and hands over the cash along with a printed receipt. Similarly, deposits are credited to the account and confirmed with an updated balance. To support universal access, each printed receipt is confirmed through a voice interface available in any one of India's many spoken languages.

3 C-EDGE Core Banking

Financial institutions can take on a high volume of new customers using TCS BαNCS Core Banking, made available through C-EDGE, a joint venture between TCS and State Bank of India.. C-EDGE provides a low-cost, easy-to-implement "Application Service Provider" (ASP) delivery model offering the flexibility and scalability of TCS BαNCS Core Banking.

The joint venture offers participating financial institutions a full range of TCS BαNCS Core Banking services, including term deposits, loans and overdrafts, cash credits, and agricultural credits and subsidies, and "CASA" current account savings accounts. C-EDGE also relies upon the full-featured reporting capabilities of TCS BαNCS, with support for standard accounting and interest computations, statutory reporting, internal reporting, and monitoring and reporting of non-performing assets.

C-EDGE operates a high-performance data center with fully redundant operations, backed by a 24x7 support team offering technical and banking domain skills. Level-one support is provided to participating banks near their own premises, and a Mumbai-based team of 70 full-time employees handles the management of C-EDGE operations, including report distribution, help desk operations, dedicated account management, and transaction monitoring.

C-EDGE provides RRBs with TCS BαNCS Core Banking at a low, predictable monthly rate, with predictability on costs and access to the technical and business expertise of the joint venture. Through C-EDGE, RRBs can meet expanding customer needs, conform to regulatory norms, and maintain efficient operational footprints, while welcoming large numbers of new customers into the mainstream of the Indian economy. ∎

FINANCIAL INCLUSION:
BANK OF INDIA EXPANDS RURAL BANKING

Almost 3,000 villages to receive banking services at their doorsteps

By **Prem Kumar,** New Growth Market India 1.0 Sales, Tata Consultancy Services

For almost 32 years, Mr. A. P. Ghugal has been a bank officer at Bank of India, working throughout the country variously as a branch manager, department head, and zonal manager in four of India's six geographic zones. Now, as General Manager of Financial Inclusion for Bank of India, Ghugal is heading up the largest customer acquisition effort ever undertaken by the bank.

Bank of India has been given a mandate to service about four percent, or 2,992, of the larger villages. Considering that Bank of India currently operates approximately 3,450 traditional branches, the Financial Inclusion initiative represents the most extensive organic growth in Bank of India's history.

In each of these 2,992 villages, designated local Business Correspondents will be assisting people to open new accounts, capturing their demographic and biometric information using handheld "bank-in-a-box" devices.

Many people reside over 20 kilometers away from the nearest branch, and just to receive government benefits or to conduct banking transactions, they have to waste one full day traveling, plus pay for transportation, explains Ghugal. "We are in a position to provide banking services to customers at their doorsteps, per their convenience, and free of charge."

The benefit of branchless banking is not limited to those customers who are new to the banking system. "More than 50 percent of the rural population already has a relationship with the formal banking system through the brick-and-mortar model," says Ghugal. "With the assistance of Business Correspondents and the technology supporting the Financial Inclusion model, we will be providing services to existing customers as well as new customers."

"One hundred percent of the population from the villages we serve will be able to receive banking services," adds Ghugal. "We will provide all banking services, whether it's opening savings or term deposit accounts, transferring money, extending new credit, or purchasing micro-insurance, mutual funds, or gold coins."

To ensure the success of the program, Bank of India will be imparting formal training to Business Correspondents, who must be natives of the village in order to take on that role. The bank has also empanelled "channel management partners," each of whom will oversee 20 Business Correspondents. In the role of back-office support, Bank of India's traditional branch managers will provide business correspondents in the field with credit analysis and know-your-customer compliance.

FAST FACTS

- Bank of India started operations in 1906
- Bank of India operates approximately 3,450 branches across all states and territories in India, and 29 branches and representative offices abroad
- In 2010, rural areas represented 11 percent of domestic deposits
- Global business mix (deposits plus advances) over USD$89 billion, with assets of USD$61 billion
- For over a decade, Bank of India has been using TCS BαNCS Treasury, which has enabled the bank to increase efficiency by 33 percent, reduce time to market, and improve decision-making ability.

AT A GLANCE

Company: Bank of India

Headquarters: Mumbai

Business Challenge: To enroll customers in designated areas into India's Financial Inclusion program, and provide ongoing support through a branchless banking model.

Solution: TCS BαNCS Core Banking solution delivered through C-EDGE joint venture; handheld "Bank-in-a-Box" device for Business Correspondents; and training and ongoing support.

However, universal enrollment is the necessary first step. "We believe in simplifying financial services, and the most important thing is to take these simplified services to the people, so that financial inclusion can be accepted by the people at the earliest possible time without any mistakes and without any deviation," says Ghugal.

Bank of India also recognizes the critical importance of financial education, including credit counseling and financial literacy. "Without financial education, financial inclusion will not be successful," remarks Ghugal.

In time, the foundation of financial inclusion using the branchless banking model will open the way to a cashless rural economy. "Someone who wants to buy fertilizer or even consumer goods can simply transfer funds from their own account to the account of the seller," notes Ghugal.

As a core participant in the country's Financial Inclusion program, Bank of India expects to not only foster economic growth and create the conditions for increased wealth, but also build sustainable businesses for future generations.

"Naturally, implementing technology and creating infrastructure will require some investment," says Ghugal. "In the initial period, the returns may not be that much, but once things have stabilized, banks will definitely benefit, as will our customers."

"When we visit villages, we have made it a point to take TCS people with us to make presentations to the branch managers about how the machines are to be operated, how transactions should take place, and the importance of the branchless banking model," explains Ghugal. "I strongly believe that it's best for our technology providers to be present whenever we talk to the zonal managers, branch managers and business correspondents."

"We have very good interactions through our cooperation with TCS," says Ghugal. ∎