

A Study on Comparative Performance of Financial Literacy Centres (FLC) in Rampur District, Uttar Pradesh

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Executive Summary

Financial Literacy Centres are the building blocks that initiate the financial literacy activities at the ground level for effective financial inclusion and ultimately achieving consumer protection and financial stability. Reserve Bank of India brought in many improvements in financial literacy programmes in the country and revamped the Financial Literacy and Credit Counselling Centres in to Financial Literacy Centres in 2012. Based on these guidelines, Lead Banks, RRBs and DCCBs have set up district level and block level FLCs in their branches.

2. Rampur district is one of the agriculturally prosperous districts in western Uttar Pradesh. But literacy rate of the district is only 53% as compared to 57% of UP. As we understand, literacy is very critical for ensuring financial literacy especially for the poor and financially deprived classes. At the same time, the good banking network is in place in the district with Rampur DCCB, Prathama Bank and commercial banks. In order to see the performance of FLCs operated by these agencies vis-à-vis RBI guidelines, a comparative study of the FLCs sponsored by Lead Bank, Prathama Bank and DCCB, Rampur was undertaken keeping Rampur as representative district.

3. The study focused on performance of FLCs, best practices adopted by FLCs for spreading awareness on financial literacy and sustainability of their functioning. The inputs received from FLC counsellors, clients of the bank, branch managers, LDM, bank management, RSETI and other stakeholders, besides data from secondary sources were reference material for the study.

4. The guidelines issued by RBI have been broadly followed by the sponsoring banks in **setting of FLCs. All the FLCs studied are housed in bank's own premises. This approach** facilitated reducing the recurring cost for running the FLCs. In terms of conduct of camps, availability of literature, innovative approaches etc., FLCs have performed well. The impact made by these FLCs in terms of facilitating opening of PMJDY accounts, insurance etc. has **been noteworthy and also been lauded by the bank's management. But** there are other limiting factors which are coming in the way of effective functioning of these FLCs. These include – low remuneration, lack of support for conveyance, conducting generalized camps rather than specific, target oriented ones, inadequate coordination of FLCs with other stakeholders, FLCs mostly selling/ creating awareness on their own bank products, capacity building issues particularly for the persons directly hired from the field among others.

5. In order to enhance the performance of FLCs, the major suggestions emerged from the study are:

- Setting up of block level FLCs as done by DCCB by all banks rather than district level ones.
- Reasonable remuneration and other support to counsellors on the pattern of Prathama bank.
- For sustainability of FLCs, banks may support them out of their CSR window. For DCCBs and RRB, support out of Financial Inclusion Fund (FIF) of NABARD for additional 2 years is an option which can be explored.
- Good coordination among FLCs across agencies and periodical review of progress at block/ district level.
- Capacity building of counsellors on an on-going basis.
