

## FINANCIAL LITERACY INITIATIVES BY AXIS BANK IN INDIA

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### **Abstract**

The aim of this research paper is to highlight the initiatives taken by Axis Bank to improve level of financial literacy among people of India in backdrop of the survey carried out by Standard and Poor which found that 76% of Indian adults do not understand the key concepts of financial literacy. The paper observes that Axis Bank, one of the fastest growing banks of India has spent more than 523 million rupees and undertaken initiatives that are really creating a meaningful impact and the Bank has taken up the financial literacy efforts quite seriously. The paper concludes by stating that better partnership among stakeholders including the NGOs and Educational institutions, SHG, the central and state governments, financial regulators, financial institutions, civil society, and educationists can improve the financial literacy scenario in India.

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## Introduction

Ever since India's independence in 1947, three major priorities for the nation has been economic growth, education for all and the most important financial inclusion for the vast population of the country. While India has made some noteworthy progress in the past six decades and more, but on the aspect of financial inclusion, progress has not been as desire. Along with the regulation of the banking sector in the country, the Reserve Bank of India (RBI) has been also spearheading the movement for financial inclusion. Accordingly the RBI "describes financial inclusion as the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players."

In a country where the vast majority of the population is still very poor, financial inclusion plays a vital role. For the poor, the major challenge is access to financial resources and ensuring the optimum utilization of the resources. Economic and societal uncertainties mean volatility in their income can have an adverse reaction on the financial stability. This exposes the poor to the unorganized moneylenders, which is turn can lead to debilitating debt trap.

Banks, both private and public, were supposed to play a pivotal role in financial inclusion,. In one of a speech the RBI, Deputy Governor, S S Mundra says, "according to census 2011, out of 24.67 crore households in the country, only about 14.48 crore or 58.70 % households had access to banking services. Further, of the 16.78 crore rural households, only about 9.14 crore or 54.46 % households were availing of banking services."

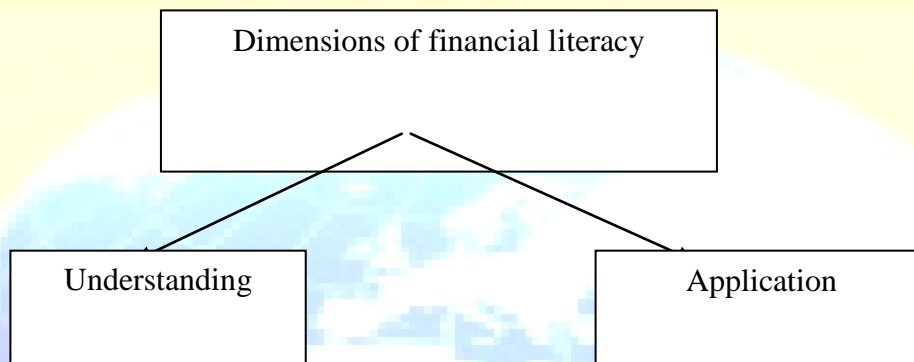
He adds that the statistics on the number of individuals or households that are credit-linked makes for an even more gloomy reading. "The World Bank Findex Survey (2012) points out that only about 35% of Indian adults had access to a formal bank account and a meager 8% borrowed formally in the last 12 months," says Mundra.

### 1.1 Concepts and dimensions of financial literacy

One of the biggest components of financial inclusion is financial literacy. No matter how many banks you open if a person does not know about the financial options that are open to him, policies, schemes, avenues and financial instruments it is of no use. It is important for a person to firstly know what to look for and only then think of the benefits that he can obtain from it? The digital economy can be strongly leveraged to spread financial literacy.

Financial inclusion without financial literacy has no meaning .Both runs hand in hand.

**Figure: 1**



Having understanding of financial knowledge means acquisition of stock of knowledge about financial products and services and on other hand application means have the confidence and ability to execute that financial knowledge. Financial literacy is more about execution just simply having knowledge without application is of no use.

### 1.2 Need of an hour

Financial literacy, and education, plays a crucial role in financial inclusion, inclusive growth and sustainable prosperity of nation. Understanding the key financial products one may need throughout one's life – including bank accounts, insurance, securities market investments like stocks, bonds and mutual funds and retirement planning.

Understanding basic financial concepts like compound interest, present and future value of money, investment return, risk, protection and diversification and so on. Some of the questions play very significant role in managing day to day finance.

- Why Save?
- Why invest?
- Why insure?
- Why insure fully?
- Why save with banks?
- Why borrow within Limits?
- Why borrow from banks?
- What is the difference between saving and investment?
- Why insure fully?
- Why save with banks?
- Why borrow from banks?
- What is the difference between saving and investment?
- Why retirement planning?

CFPTRW, the LinkedIn group (2015) has also insisted on relevance and need of financial literacy through its various posts for the last one year.

## 2. Literature Review

OECD (2005) defines financial literacy as a combination of awareness, acquaintance, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve individual financial well being.

India's first doctoral research in personal finance carried out by Dr Lokanath Mishra (2011) at Banasthali Vidyapith also highlights significance importance steps and status of financial literacy in India.

Purohit (2015) also highlights the importance of financial literacy and various initiatives. Banasthali Vidyapith under its project CFPTRW (Centre for Financial Planning, Training and Research for Women) has collaborated with PRIME (Promotion of Research in Indian Management and Ethos) also has taken many initiatives for making people financially literate. The project has been supported by Bank of America, Ice-trail logistics and Banasthali Alumna. In one of the outcomes, Bhartiya Model of Financial Literacy has been conceptualized as "a small

subset of Purusharth which though cannot be understood in isolation yet it deals with the financial knowledge, behavior, attitude, approach, choice pattern, emotions, mindset and lifestyle keeping in view that Moksh (oneness with God) and not the material wealth is the top priority, for overall happiness of self and everyone”.

*Anthes (2004)* stated that “personal financial literacy is the ability to read, analyze, manage and communicate about the personal financial conditions that affect material well being”. *Huston (2010)* proposed that financial literacy must also include application of financial knowledge ; the argument being that absent demonstrated ability to apply financial knowledge, an individual cannot be regarded as being financially literate.

According to annual MasterCard’s index for financial literacy in terms of overall financial literacy India is at the bottom among 16 countries with 59 index points. This index is based on survey between April 2013 and May 2013 with the correspondents count of 7756 in between age 18-64. This survey is based on 3 aspects money management (50% weightage), financial planning (30% weightage) and investment (20% weightage). On individual parameters India score 76 index points in parameter of financial planning and 58 index points in parameter of investment management.

Standard and poor conducted a survey in 140 countries with 15000 respondents found out that 76% of Indian adults don’t understand the basic financial concepts like risk diversification, inflation , and compound interest.

**3. Objective of the study:** The study aims to highlight various financial literacy initiatives taken up by Axis Bank in India.

#### **4. Research Methodology:**

**4.1 Nature of study:** Exploratory study

**4.2 Type of Data and sources:** Largely based on the secondary data, collected from various journals, newspapers, RBI website, and website of Axis bank. The specific and significant

sources of data have been the BRR Report of Axis Bank in 2014 and 2015 as well. In addition some primary data has been collected by interviewing bank officials.

**4.3 Data Variables:** The researcher targeted to collect data about number of programs conducted by bank for imparting financial literacy among individuals and also number of beneficiaries covered under it along with the amount invested by bank in different parameters.

**4.4 Analysis and showcasing:** Using various tables and graphs.

### 5. Findings about the initiatives taken up by Axis Bank

Axis Bank limited is the third largest private sector bank in India. The bank offers financial services to customer segments covering Large and Mid-Sized Corporates, MSME, Agriculture and Retail Businesses. Lack of financial literacy is hindrance to achieve financial inclusion. One of the largest private sector bank Axis had launched various programs to increase financial literacy among men and women.

The philosophy of bank is ABC i.e advice banking and credit. To address this issue bank launched various programs for both men and women focusing on insurance, savings, investments, credit limits and loans etc.

A) Social commitment under inclusive banking- Through its rural and inclusive bank agenda the bank is committed to cater unbanked area of country. Under this agenda bank used 438 brick and motor branches and 74306 business correspondents. Various focus areas under this are

a) Disbursal of government scheme funds through Electronic Benefit Transfer scheme- The bank expedite the credit of government funds (wages and pensions) into the beneficiaries account and then arrange disbursal of physical cash from channel of business correspondents. Along this bank also provide personal accidental cover to individuals. The bank has disbursed rs 807.65 crores of government benefits through this project in financial year 2013-14 .In the same line, bank facilitates the credit of government benefits into Aadhar linked bank accounts. Since January bank has disbursed rs 86 crore in aadhar enabled accounts.



b) Remittance and payment services: Under this, the focus area of bank is remitting money to relatives, friends and dependents of migrant workers in urban areas. Business correspondent model again plays a very important role in providing this service. Key highlights of initiatives for supporting easy access remittance and payment services during year 2013-14 are-

- 35.18 lac beneficiaries covered from G2C (government to consumer) payments of 973 crores.
- 3924 crores of C2C(consumer to consumer) Transfers handled through 1009 crore remittance transactions.
- 22.77 lac transactions through AEPS ( aadhar enabled payment services) processed 126 crores

➤ Mobile based remittance services-Bank has partnered with various retail chain aggregator suvidhaa infoserve and leading telecom operators Airtel money service limited and idea M commerce to jointly establish a network of mobile enabled services to the unbanked population of country. Bank with help of these mobile service providers provide banking services to unbanked public. By having partnership with suvidha infoserve it has acquired 10 lakh customers and did remittance of around 1700 crores.

➤ The bank has recently secured permission from Odisha government which permits distribution of NREGA (National rural employment generation act) wages through a mobile base solution.

c) Axis Bank Foundation program- a livelihood program to impart basic education about financial aspects to men and women both. Women are encouraged to form SHG for increase in savings and better negotiating power. Some of the impart of these programs are-

- Increase in average monthly income by 30%
- Increase in savings per annum upto rs 10000.
- Women Empowerment- involved in work, decision making, social gathering.
- Additional income spent on education, health, loan and repayment.

3 of 18 programs through which ABF supports women empowerment through specific initiatives are

ABHA- Providing ultra-poor single woman with livelihood assets.

PRADAN- Formation of women SHG and providing sustainable livelihood opportunities to them.

SAKSHAM- Providing livelihood opportunities to both men and women..

ABF has worldwide with over 100 NGOs across the country to reach out more than 5 lakh beneficiaries.

D) Axis Sahyog- a micro lending initiative wherein women groups have to undergone CGT( compulsory group training) on financial aspects to women. The women form joint liability groups to access micro loans from the banks. Currently in six states, Bihar, Madhya Pradesh, Uttar Pradesh, Odisha, Karnataka AND Maharashtra this initiative was launched.

E) Asha Home Loans- with help of this initiative bank meets basic needs of people to own a shelter by imparting loans to LIG( low income group) .this is customized loan to meet the requirement of LIG.

F) Chotta RD- Under this bank promotes small saving habits among community so as to boost their requirements of savings.

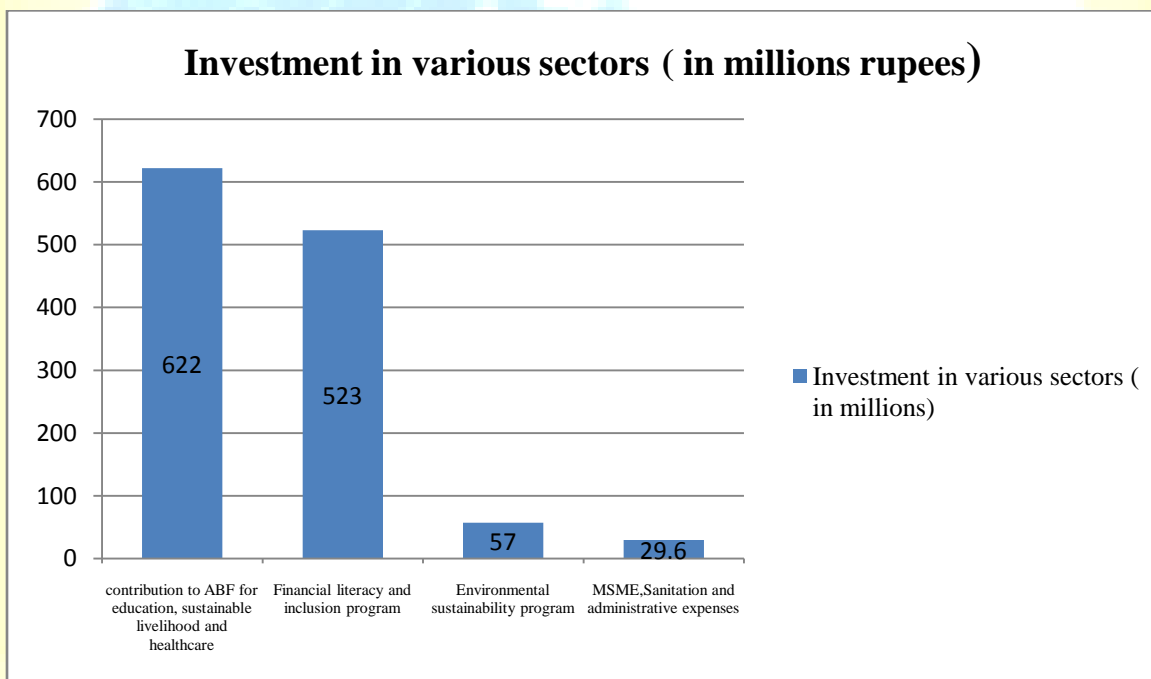
G) E KYC for financial inclusion customers- Under its financial inclusion initiative bank is first in country to offer Aadhar based paperless ekyc accounts for customers offering superior, convenience, ease and speed. These accounts are activated within 24 hours as TAT ( turn around time) for account opening is reduce to 1/10 times than conventional accounts. Through APBS (aadhar payments bridge solution) funding of customer's account and through AEPS servicing of customer's account takes place with the help of biometric handled device managed by business correspondents agents.



H) Customer service point training- CSP is direct interface of bank with financial inclusion customers and it is very important for banks to ensure that these CSP should be aware about financial products and services. The bank has successfully organized a CSP training program at dhamtari through gram training employability training services from 26 to 28 November 2013.

I) Micro loans and insurance-Through BC Model bank had disbursed micro loans to unbanked and under banked areas. Sahayog program had been launched under a direct micro lending initiative. More than 500 villagers have been covered under BC Model and sahyog initiative and bank has created a micro loan book of 180.84 crores as on 31<sup>st</sup> march 2014. low premium insurance cover has been provided to NREGA beneficiaries.

As on 31<sup>st</sup> March 2014 investments of bank under various head are-



**Figure: 2**

Above figure shows that bank rigorously invests for financial literacy and inclusion programs. As bank truly recognize the imperative need of society is to impart knowledge related to financial products and services to community.

J) Business Correspondents-With the objective of ensuring greater financial inclusion and reaching the outreach, Bank has tied up with various BC partners.

BC Partner	State Covered
Airtel M Commerce Services Ltd	Bihar, Delhi, Maharashtra (Mumbai), UP
FINO Paytech	AP, Bihar, Chhattisgarh, Haryana, Jharkhand, Karnataka, Meghalaya, Odissa, Punjab
Idea Mobile Commerce Services Ltd	Bihar, Delhi, Maharashtra (Mumbai), UP
IFMR- Rural Channels & Services Pvt Ltd	Tamilnadu
Manipal Technologies Ltd	AP, Chhattisgarh, Delhi, Meghalaya, Tamilnadu, West Bengal
Sub-K	Assam, Chhattisgarh, Gujarat, Haryana, Karnataka, Maharashtra, MP, Meghalaya, Mezoram, Odissa, Punjab, Rajashthan, Sikkim, Tamilnadu.
Suvidhaa Infosrve Private Ltd	Pan India except J&K, NE states, Lakshadweep and Andaman & Nicobar

**Figure: 3**

K) Farmer's Club- the first private sector bank in India who in association with NABARD forms farmer's club in order to bridge gap between rural consumers and banks. The basic objective of this club is development in rural areas through credit, technology transfer, awareness and capacity building. Bank in joint collaboration with NABARD has also lunched various education programs for farmers. The bank has promoted 124 farmer's club across 12 states of Tamilnadu, Chhattisgarh, West Bengal, Kerala, and Punjab since October 2011.

## 6. Conclusion and Recommendations

All banks have taken various initiatives under their corporate social responsibility but under this each and every bank should give proper weightage to financial literacy. The Bank should collaborate with other stakeholders in this regard and should reach out to general public for making them financially literate. Banks and many other financial institutions have taken various initiatives to make India a financially literate nation. Financial literacy is need of the hour and

with collective effort of banks, RBI and various other institutes this is possible. The above discussions reveal that Axis Bank has performed a good task in financial inclusion and literacy. The various initiatives taken by the bank would pay even richer dividend to the society in the time to come. However, as India grows further, the rural India looks more towards leading banks for financial inclusion and Axis Bank seems to be quite prepared for this under its strong and proactive leadership team.

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