



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
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January 31, 2013

To Chairman/CMDs of Scheduled Commercial Banks  
(including RRBs)

Dear Sir

**Financial Literacy Material**

Please refer to our [circular RPCD.FLC.No.12452/12.01.018/2011-12 dated June 6, 2012](#) regarding revised guidelines on the Financial Literacy Centres (FLC), in terms of which it was advised that FLCs and all the rural branches of scheduled commercial banks should scale up financial literacy efforts through conduct of outdoor Financial Literacy Camps at least once a month, to facilitate financial inclusion through provision of two essentials i.e. 'Financial Literacy' and easy 'Financial Access'.

2. As advised therein, we have now prepared a comprehensive Financial Literacy Guide containing Guidance Note for Trainers, Operational Guidelines for conduct of Financial Literacy Camps & Financial Literacy Material as also a Financial Diary and a set of 16 posters as explained below. To start with, the entire material has been prepared in Hindi and English. It will also be translated in other Indian languages in due course of time.

- The Financial Literacy [Guide](#) contains operational guidelines which clearly spell out the manner in which Financial Literacy Camps should be conducted so as to synchronise it with providing financial access and thus linking the financially excluded section with the banking system. The objective of Financial Literacy material is to aid creating financial awareness and educate common people on management of money, importance of savings, advantages of saving with banks, other facilities provided by banks and benefits of borrowing from banks. ***This guide is a ready reckoner for trainers involved in Financial Literacy and Financial Inclusion.***
- The Financial [Diary](#) has been prepared for distribution to the target audience with the objective of enabling them to keep a record of their income and expenses leading to better financial planning and understanding of how they spend.
- The [posters](#) with simple and appealing slogans, which communicate the messages of money management, savings, borrowings and basic banking products pictorially, may be displayed prominently before, during and after the Financial Literacy Camps.

3. Keeping in view of the extent of exclusion, banks need to conduct these Financial Literacy Camps in a mission mode, with the ultimate objective of making financial inclusion a viable business model by capturing the untapped business opportunities. In accordance with the objectives as stated above, it is necessary to evaluate the effectiveness of financial literacy efforts in linking the excluded segment to the banking system. SLBCs/DCC would review the financial literacy efforts undertaken by FLCs and rural branches under their jurisdiction, as a regular agenda item in the SLBC/DCC meetings. The details of FLCs along with contact details should be published on the respective SLBC website. Similarly Banks' Head Offices would review the effectiveness of financial literacy efforts undertaken by their FLCs and rural branches. A structured monitoring mechanism both for FLCs and rural branches would be put in place shortly.

4. Banks' Top Management including CMDs should ensure that all the rural branches and FLCs prepare a calendar for conduct of Financial Literacy Camps in the beginning of the year. They should give wide publicity to the financial literacy drive by attending some of the Financial Literacy Camps conducted by rural branches and FLCs during their outreach visits. In order to ensure consistency in the messages reaching the target audience of financially excluded people during the Financial Literacy Camps, it is necessary for banks to use the Financial Literacy Guide as a standard curriculum to impart basic conceptual understanding of financial products and services. They may also consider converting the contents of this guide into plays, skits, videos, films etc, for use in the Financial Literacy Camps. If necessary, they may get the material published in vernacular languages as well, in consultation with us. For any further details, we may be contacted by [email](#).

Yours faithfully

(C D Srinivasan)  
Chief General Manager

Encls: As stated above

| Related Press Release |                                                          |
|-----------------------|----------------------------------------------------------|
| Jan 31, 2013          | <a href="#">RBI releases Financial Literacy Material</a> |

## **Financial Literacy - Guidance note for trainers**

1. The objective of conduct of financial literacy camps is to facilitate financial inclusion through provision of two essentials i.e. literacy and easy access. It should aim at imparting knowledge to enable financial planning, inculcate saving habits and improve the understanding of financial products leading to effective use of financial services by the common man. Financial literacy should help them plan ahead of time for their life cycle needs and deal with unexpected emergencies without resorting to debt. They should be able to proactively manage money and avoid debt traps. In order to ensure that the knowledge provided through awareness results in inculcating banking habits, literacy inputs need to be synchronized with access to financial services so as to enable the common man to use the information effectively to gain control over financial matters. It should also result in enhancement of their economic security aided by use of banking services.
2. The banks as providers of financial services, have an inherent gain in the spread of financial inclusion and financial literacy, as it would help them capture the untapped business opportunities. Small customer is the key and banks should harness the business opportunities available at the bottom of the pyramid. Hence banks must view the financial literacy efforts as their future investments. Banks must provide a bouquet of banking services comprising of a small overdraft facility, variable recurring deposit account, KCC, remittance facilities to the account holders in order to make the accounts transactional. People should be encouraged to make transactions in these accounts so that the cost of maintaining the accounts is recovered to make it a viable and profitable business of the banks. The provision of adequate credit is also important not only in the interest of the customer, but also for the banks as the income earned through interest earned would make the exercise a commercially viable proposition. Banks must provide credit at a competitive though non exploitative rate but certainly not at a subsidised rate.
3. Creating awareness and knowledge about various products and providing these products at their doorstep would be the first step in capturing the accounts. The objective of Financial Literacy Guide is to create awareness and educate masses in a lucid manner about management of money, importance of savings, advantages of saving with banks, other facilities provided by banks and benefits of borrowing from banks. This guide is a ready reckoner for trainers involved in Financial Literacy and Financial Inclusion. It should be used

as a standard text to be imparted to excluded people during the monthly financial literacy camps. In line with the objective of bringing the unbanked people into the banking fold, the strategy of conducting the literacy programs should also incorporate opening of accounts in camp mode followed by close monitoring of usage of accounts. In addition, a granular review would help in identifying the factors inhibiting the frequent use of accounts. The strategy should also include sorting out all such issues at the earliest. Moreover, while organizing financial literacy events, the involvement of Local Government officials and other prominent persons in the villages is also highly recommended. The banks may also consider associating NGOs with proven track record in the field of financial Literacy. However the contents of this guide should be used as a standard text to be imparted to financially excluded people during the monthly financial literacy camps.

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## **Conduct of Financial Literacy Camps- Operational Guidelines**

All the Financial Literacy Centres and rural branches should prepare an annual calendar of locations for conduct of outdoor Financial Literacy Camps. At every location, the program should be conducted in three stages to be spread over a period of three months comprising of three sessions of minimum two hours each plus a visit to ensure timely delivery of cards. Suitable premises or open place for conduct of program should be identified in advance. Banks may customize the program depending upon the requirement of a particular location and available resources. In all circumstances, the underlying objective of the conduct of program should be to bring the maximum number of participants into the banking fold.

### **First Session**

- ◆ The first session would mainly focus on creating awareness on financial concepts, personal finance and management of money amongst the people. For this purpose, bank should organize a camp for a group of villagers. Advance publicity should be given in the village about the conduct of the camp to ensure good attendance by the villagers.
- ◆ The work of organizing the camp should be taken up beforehand with the involvement of prominent persons of the area like village sarpanch, school teachers or any other person having good rapport with the villagers. Suitable arrangements may be made at the place identified for the conduct of the program. All the charts and play cards should be placed before the arrival of the participants.
- ◆ Prepare a list of participants with details of name, age, occupation etc.
- ◆ Topics to be covered should be financial planning, budgeting, savings, how to maintain financial diary, advantages of saving with banks, the concept of a Business Correspondent, difference between formal and informal sources of borrowing, purpose and cost of borrowing, different types of borrowing etc, as given in the guide.
- ◆ Distribute a financial diary to each of the participants. Explain how to use the financial diary for preparing the budget and maintaining periodical accounts. Reiterate the advantages of maintaining the diary. Ask them to use diary at home for preparing their budget and writing income and expenses for one month. Advise them to bring the diary when they come for the next session.

- ◆ At the end of the first session, the date for holding the second session to be announced and villagers to be informed that the Business Correspondent shall be introduced to the villagers during the second session. The fact that accounts will be opened through the BC should be conveyed to the villagers. The villagers must be made aware of the documents required to open the accounts and they should be asked to bring all these documents in the next session. Clear message should be that all the participants need to attend the second session.
- ◆ Paste all the charts for permanent reading at a suitable place like village panchayat or sarpanch or school.

### **Second Session (Fortnight after holding of first session)**

- ◆ Take attendance. Find out the reasons for absence of the participants, if any. Introduce the Business Correspondent to the villagers and explain in detail the relationship of the BC with the bank, advantages of operations through BC, details of deposit and credit products and other services that would be available through the BC.
- ◆ Give a demonstration of the working of the ICT device to the participants and explain how each of the features work, e.g. how it works when a deposit/withdrawal is made, etc.
- ◆ Check the financial diary. Find out whether they had any difficulty in writing the diary. Advise them of corrections, if required. Advise them to write it regularly every month.
- ◆ Explain the features of the account such as number of deposits/withdrawals that can be made in a month, limits on deposit/withdrawal if any, the amount of applicable charges, the modus operandi of crediting of social benefits directly into the account, types of remittances which can be made/received through the accounts.
- ◆ Start enrollment for the opening of accounts.
- ◆ At the end of the enrollment, advise them regarding the approximate time within which the account would be opened and that they would get the cards for operating the account. Advise them that they should start using the accounts for day to day needs immediately after getting the cards.

- ◆ *After 15 days of the second session, branch officials should visit the village to ensure delivery of cards to the villagers. They will also make sure that the BC has started operations and villagers are able to make transactions.*

**Third Session (2 months after holding of second session)**

- ◆ Hold a meeting of villagers who had enrolled for account opening during the previous session. Interact with the villagers and the BC.
- ◆ Ask them about any difficulty faced in the operation of the accounts or in using the ICT based system and seek suggestions for improvement of the same.
- ◆ Review the usage of accounts to find out whether there are any issues impeding the usage of accounts.

**Subsequently, follow up the transaction levels through a regular reporting system.**

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