A STUDY ON FINANCIAL INCLUSION PLANS OF SCHEDULED COMMERCIAL BANKS IN INDIA

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ABSTRACT

Though the Reserve Bank of India takes the more initiatives effectively, still globally, an estimated 2.5 billion working-age adults have no access to formal financial services, as delivered by regulated financial institutions. The scope of this study is limited to financial inclusion plans (FIP) such as Banking Outlets In Villages, No-Frills Accounts /Basic Savings Bank Deposits Account (BSBDA) and General Purpose Credit Card (GCC) for a period of six years from 2009-10 to 2014-15.

Key words*: Financial inclusion, BSBDA, GCC*

INTRODUCTION

In India, providing access to formal financial services and products has been a thrust of banking policy for several decades. The current thinking at the global level has also had its echo in India, with policymakers at various levels undertaking a wide range of measures to include the excluded or the under - served within the fold of formal finance. Accordingly, the Government and the Reserve Bank of India (RBI) have undertaken a whole host of innovative and dedicated measures to drive forward the financial inclusion agenda. The big push towards financial inclusion in India has emanated from the Pradhan Man-triJan Dhan Yojana (PMJDY) in August 2014 and the Jan Dhan Aadhaar Mobile (JAM) trinity articulated in the Government's Economic Survey 2014-15 as well as the special thrust on financial inclusion by the Financial Stability and Development Council (FSDC) that includes a Technical Group for dedicated attention to this issue. Thus, the inclusion drive has gone beyond the confines of various financial regulators and assumed the character of a broader national development policy goal.

Driven by the Government and financial regulatory initiatives, there has been substantial progress during the past decade in terms of financial inclusion indicators - be it in terms of branch penetration, account density or even credit and deposit numbers. Mobile telephony as a low -cost vehicle of communication and Aadhaar as unique biometric identifier have expanded rapidly. This will also aid focused and targeted distribution of benefits to the intended recipients, so as to improve the efficacy of distribution and minimize leakages.

STATEMENT OF THE PROBLEM

Notwithstanding positives, several challenges remain to be addressed. First, in spite of the emphasis on supply, it does not appear to have adequately matched the demand. Nearly 35 per cent of the accounts across all banks were zero -balance accounts as on November 2015. Second, there are still substantial differences in exclusion across regions. Third, a significant gap in financial inclusion across gender persists. Fourth, interest -free banking remains an unaddressed concern. Fifth, access to finance for micro and small enterprises (MSEs) remains a major impediment. Sixth, technology does not appear to have been harnessed to the fullest extent in order to further the cause of financial inclusion. The above problems will be solved only when the FIPs are effectively implemented by banks. So Scheduled Commercial Banks (SCBs) have drawn a Board approved three year FIP starting April 2010. This paper tries to analyze the growth of three selected elements from FIPs of SCBs in India.

SCOPE OF THE STUDY

This study limits its scope to three selected elements from FIPs of SCBs (including Regional Rural Banks) in India such as Banking Outlets in Villages, No-Frills Accounts and General purpose Credit Card (GCC) facility.

OBJECTIVES OF THE STUDY

To analyze the growth of selected FIPs of SCBs in India.

PERIOD OF THE STUDY

In order to analyze the growth of selected FIPs of SCBs in India, a period of six years from 2009-10 to 2014-15 is taken into consideration.

METHODOLOGY

This study is purely based on secondary data compiled from report on Trends and Progress of Banking in India 2014-15 issued by the RBI.

PLAN OF ANALYSIS

For the purpose of analysis, tools like percentages, annual growth rates and compound annual growth rates are used.

ANALYSIS AND INTERPRETATIONS

I. BANKING OUTLETS IN VILLAGES

(i) Business Correspondents (BCs)

In January 2006, the RBI permitted banks to engage Business Facilitators (BFs), who provide education regarding financial products and collect documents on the bank's behalf, and BCs who provide deposit collection and money lending. The list of eligible individuals and entities that can be engaged as BCs is being widened from time to time.

(ii) Bricks and Mortar Branches

In order to step up new branches in rural areas so as to improve banking penetration and financial inclusion rapidly, there is a need for the opening of more bricks and mortar branches. Accordingly, banks have been mandated to allocate at least 25% of the total number of branches to be opened during a year to unbanked rural centres.

TABLE 1
Banking Outlets in Villages (in Nos.)

Year	Banking Outlets in Villages through				Total Nos.
	BCs	% to Total	Bricks & Mortar Branch	% to Total	
2009-10	34,316	50.69	33,378	49.31	67,694 (---)
2010-11	81,397	70.04	34,811	29.96	1,16,208 (71.67 %)
2011-12	1,44,282	79.38	37,471	20.62	1,81,753 (56.40 %)

2012-13	2,27,617	84.79	40,837	15.21	2,68,454 (47.70 %)
2013-14	3,37,678	87.98	46,126	12.02	3,83,804 (42.97 %)
2014-15	5,04,142	91.05	49,571	08.95	5,53,713 (44.27 %)

Source: RBI Reports (*Growth Rate in percentage is given with in bracket)*

Table 1 presents the number of banking outlets in villages through BCs, bricks and Motor branch and other modes. The percentage of BCs to total has increased from 50.69 to 91.05 whereas the percentage of bricks and mortar branch has decreased from 49.31 to 08.95. But the number of branches in all the two modes increases steadily. The total banking outlets in villages increased to 5,53,713 during 2014-15 from 67,694 during 2009-10. There is an increase of 8.18 times within a period of six years. But the annual growth rate decreased from 71.67 per cent to 42.97 per cent.

II. No-Frills Accounts / BSBDA (Basic Savings Bank Deposits Account)

No-frills account or BSBDA is a bank account with nil or very low minimum balance as well as charges, which make such accounts accessible to vast sections of the population.

TABLE 2
No-Frills Accounts (Nos. in million)

Year	**No-Frills Accounts Through**				**Total Nos.**
	BCs	**% to Total**	**Bricks and Mortar Branch**	**% to Total**	
2009-10	15	20.00	60	80.00	75 (---)
2010-11	32	30.48	73	69.52	105 (40.00 %)
2011-12	57	41.01	82	58.99	139 (32.38 %)
2012-13	81	44.51	101	55.49	182 (30.94 %)
2013-14	117	48.15	126	51.85	243 (33.52 %)
2014-15	188	47.24	210	52.76	398 (63.79 %)

Source: RBI Reports (*Growth Rate in percentage is given with in bracket)*

Table 2 briefs on the number of no-frills accounts opened through BCs and Bricks and Mortar Branch. The percentage of BCs to total has increased continuously whereas the percentage of bricks and mortar branch has decreased throughout the study period except in 2014-15. The number of accounts opened through BCs increases 12.53 times during 2014-15 when compared to 2009-10. The total number of no-frills accounts rises from 75 during 2009-10 to 398 during 2014-15. During the study period, 323 new no-frills accounts are opened. There is continuous annual growth but the annual growth rate in percentage is not satisfactory.

Banks have been advised to provide small overdrafts in No-frills account or BSBDA. The details regarding the same are given in Table 3.

TABLE 3
Growth of No-Frills Accounts Availed OD Facilities (Nos. in million)

Year	**No-Frills Accounts with OD**	**Increase/ Decrease**	**Growth Rate in %**
2009-10	0.2	---	---

2010-11	1.0	0.8	400.00
2011-12	3.0	2.0	200.00
2012-13	4.0	1.0	033.33
2013-14	5.9	1.9	047.50
2014-15	7.6	1.7	028.81
	Compound Annual Growth Rate - 97.39%		

Source: RBI Reports

Table 3 highlights the growth of no-frills accounts which are availing overdraft facilities. The number of accounts increased to 7.6 million in 2014-15 from 0.2 million in 2009-10. But the growth rate in percentage suddenly decreased to 28.81 per cent in 2014-15 from 400 per cent in 2010-11.

III. General purpose Credit Card (GCC)

With a view to helping the poor and the disadvantaged with access to easy credit, banks have been asked to consider introduction of a GCC facility up to `25,000 at their rural and semi-urban branches. The objective of the scheme is to provide hassle-free credit to banks' customers based on the assessment of cash flow without insistence on security, purpose or end use of the credit. This is in the nature of revolving credit entitling the holder to withdraw up to the limit sanctioned.

TABLE 4
Growth of General purpose Credit Card (Nos. in million)

Year	GCC	Increase/ Decrease	Growth Rate in %
2009-10	1.0	---	---
2010-11	2.0	1.0	100.00
2011-12	2.0	0.0	---
2012-13	4.0	2.0	100.00
2013-14	7.4	3.4	85.00
2014-15	9.2	1.8	24.32
	Compound Annual Growth Rate - 56.67%		

Source: RBI Reports

It is clear from Table 4 that the growth of GCC starts with 1 million in 2009-10 and ends with 9.2 million during 2014-15. The growth rate in percentage is highly fluctuating during the study period. During the 2011-12 there is no annual increase in number of GCC. The compound annual growth rate is registered as 56.67 per cent during the study period.

FINDINGS AND SUGGESTIONS

- During the study period, on an average to total, 77.32 per cent of banking outlets are opened in villages through BCs. It implies that the SCBs should concentrate on Bricks & Mortar Branch for opening more number of banking outlets in villages.
- In case of no-frills accounts, the contribution of bricks and mortar branch to total has decreased every year. In order to improve this percentage, necessary steps should be taken by SCBs.
- The highest annual growth of 3.4 million is achieved during 2013-14 for GCC.

CONCLUSION

The RBI has taken several initiatives to make financial inclusion high on the agenda of Indian banking in the recent years. The medium-term strategy for banks would need to continue with a multi-facet approach with activities woven around linking of bank finance with self-help groups through microfinance institutions or otherwise. Though the annual growth rate of selected three elements analyzed are positive, they are not up to the satisfaction level. In India, financial inclusion still remains a substantially unfinished agenda.