

ACHIEVEMENTS OF SCHEDULED COMMERCIAL BANKS IN FINANCIAL INCLUSION

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ABSTRACT

Financial inclusion will help the financially excluded segments like the poor, socially under privileged, disable, old as well as children, women, uneducated, ethnic minorities, unemployed, low income self employed, agricultural and industrial labourers, marginal farmers, landless labour and those employed in the organized sector. The objective of the paper is to study the growth of selected financial inclusion variables of Scheduled Commercial Banks (SCBs) in India. The scope of this study is limited to four selected financial inclusion variables.

Key words: BCS, BSBDA, Kissan Credit Card

INTRODUCTION

Finance is a powerful intervention for economic development. Access to finance, especially for the poor, is empowering because financial exclusion often leads to broader social exclusion. Yet, formal finance does not appear to have adequately permeated vast segments of our society, although progress is being made. The report of a World Bank study in April 2012, which had shown half of the world's population held accounts with formal financial institutions. The study said only nine per cent of the population had taken new loans from a bank, credit union or microfinance institution in the past year. In India, only 35 per cent have formal accounts versus an average of 41 per cent in developing economies. Latest figures indicate that there are over 110,000 business correspondents employed, which is not a large number in context of the number of banked villages, as per the report of Reserve Bank India.

STATEMENT OF THE PROBLEM

Financial Inclusion in the Indian context is need for the following reasons:

- Only 37.2% of bank branches are located in rural areas; only 40% of the population has bank accounts leaving the majority 60% without access to formal banking channels
- Out of over 6 lakh villages in the country, hardly 30,000 villages have bank branches
- 51.4% of farm households out of 203 million households have no access to any source of credit –formal or informal
- 73% of farm households have no access to formal sources of credit

So there is a need to study the effective implementation of financial inclusion plans in India.

SCOPE OF THE STUDY

The scope of this study is limited to four selected financial inclusion variables such as Urban Locations covered through BCS, Total Basic Savings Bank Deposit Account (BSBDA), Kissan Credit Card issued and ICT Based Accounts -through BCS.

OBJECTIVES OF THE STUDY

To study the growth of selected financial inclusion variables of SCBs in India.

PERIOD OF THE STUDY

In order to study the growth of selected financial inclusion variables of SCBs in India, a period of six years from 2009-10 to 2014-15 is taken.

METHODOLOGY

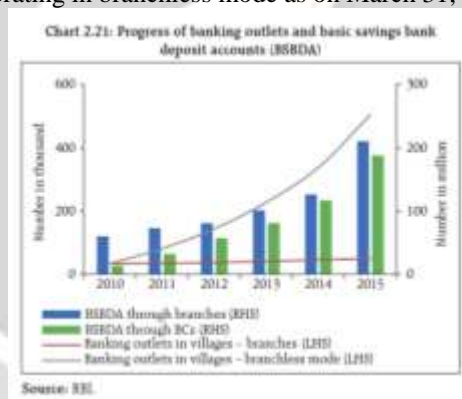
The secondary data required for this study is compiled from report on Trends and Progress of Banking in India 2012-13 issued by the RBI.

PLAN OF ANALYSIS

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

ANALYSIS AND INTERPRETATIONS

Dominance of Business Correspondents in the rural areas can be gauged from the fact that almost 91 per cent of the banking outlets were operating in branchless mode as on March 31, 2015.



Urban Locations covered through Business Correspondents (BCS)

TABLE 1
Urban Locations covered through BCS

Year	Urban Locations through BCS	Increase/ Decrease	Growth Rate in %
2009-10	00447	---	----
2010-11	03,771	03,324	743.62
2011-12	05,891	02,120	056.22
2012-13	27,143	31,252	530.50
2013-14	60,730	33,587	123.74
2014-15	96,847	36,117	059.47
Compound Annual Growth Rate - 185.82%			

Source: Report issued by RBI

Table 1 focuses on the business correspondents through which the bank operation extended to urban locations during the study period. The no. of urban locations covered under BCs varied from 447 in 2009-10 to 96,847 in 2014-15. There is an increase of 10.87 times during the study period of six years in annual growth of urban locations with a compound annual growth rate of 185.82 per cent.

Total Basic Savings Bank Deposit Account (BSBDA)

Given the boost provided by the Pradhan Mantri Jan Dhan Yojana during the period, considerable banking penetration has occurred, particularly in rural areas. However, significant numbers of banking outlets operate in branchless mode through business correspondents (BCs)/facilitators.

TABLE 2
Total BSBDA (Amount in Billion)

Year	Total BSBDA	Increase/ Decrease	Growth Rate in %
2009-10	055.0	---	----
2010-11	076.0	021.0	38.18
2011-12	120.0	044.0	57.89
2012-13	183.0	063.0	52.50
2013-14	312.3	129.3	70.66
2014-15	439.5	127.2	40.73
Compound Annual Growth Rate - 3.74%			

Source: Report issued by RBI

It is understood from Table 2 that the amount of BSBDA increased to 439.5 billion in 2014-15 from 55 billion in 2009-10. It increases 7.99 times in 2014-15 when compared to 2009-10. The annual increase and growth rate are also increasing during the study period. The compound annual growth rate of BSBDA is registered as 3.74 per cent during the period of six years.

Kissan Credit Card issued

TABLE 3
Kissan Credit Card issued (Nos. in Million)

Year	KCC issued	Increase/ Decrease	Growth Rate in %
2009-10	24.0	---	----
2010-11	27.0	3.0	12.50
2011-12	30.0	3.0	11.11
2012-13	34.0	4.0	13.33
2013-14	39.9	5.9	17.35
2014-15	42.5	2.6	06.52
Compound Annual Growth Rate - 12.60%			

Source: Report issued by RBI

Table 3 highlighted the issue of KCC which ranged from 24 million in 2009-10 to 42.5 million in 2014-15. But the growth rate of KCC reduced to 6.52 per cent in 2014-15 from 12.50 in 2010-11. There is a continuous increase in amount of KCC issued during the study period except in 2014-15. A Compound Annual Growth Rate of 12.60 per cent is achieved by SCBs with regard to issue of Kissan Credit Card.

ICT Based Accounts -through BCS

Banks have been advised to make effective use of Information and Communications Technology (ICT), to provide doorstep banking services through the BC model where the accounts can be operated by even illiterate

customers by using biometrics. It is also helpful to transfer social/Govt. benefits electronically to the bank account of the beneficiary and thus reducing dependence on cash and lowering transaction costs.

Table 4
Growth of ICT Based Accounts –through BCs (Nos. in million)

Year	ICT Based a/cs –through BCS	Increase/ Decrease	Growth Rate in %
2009-10	027	---	---
2010-11	084	57	211.11
2011-12	156	72	85.71
2012-13	250	94	60.26
2013-14	329	79	31.60
2014-15	477	148	44.98
Compound Annual Growth Rate - 71.73%			

Source: Report issued by RBI

Table 4 narrates the growth of ICI based accounts opened through BCs increased 17.67 times during 2014-15 while compared with 2009-10. There is a continuous annual increase during the study period except in 2013-14. Here also the growth rate is not up to mark. The compound annual growth rate is registered as 71.73 per cent during the study period.

FINDINGS

- There is an increase of 10.87 times during the study period in annual growth of urban locations covered under BCs.
- Total BSBDA increases 7.99 times in 2014-15 when compared to 2009-10.
- There is a slight increase in amount of KCC issued. But this may be increased to a greater extent through the continuous efforts take by SCBs.
- The growth of ICI based accounts opened through BCs is increased 17.67 times during 2014-15 while compared with 2009-10.

CONCLUSION

The SCBs tries its level best to improve the financial inclusion in India. But the real success lies on the part of the public who voluntarily come forward to utilize the services of bank. So there must be a change in the minds of public that leads to financial exclusion.