ROLE OF BANKING SECTORS ON FINANCIAL INCLUSION DEVELOPMENT IN INDIA – AN ANALYSIS

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ABSTRACT

Financial Inclusion growth is possible only through proper mechanism which channelizes all the resources to all the direction of the customers. It is an innovative concept which makes alternative techniques to promote the banking habits of the rural people. Because India is considered as largest rural populations in the world and belongs to agriculture activities, financial inclusion is aimed at providing banking and financial services to all people in a fair, transparent and equitable manner at affordable cost. Households with low income often lack access to bank account and have to spend time and money for multiple visits to avail the banking services, be it opening a savings bank account or availing a loan, these families find it more difficult to save and to plan financially for the future. This paper is an attempt to discuss the overview of financial inclusion in India.

KEY WORDS: financial inclusion, reserve bank of India, financial institutions.

Introduction:

Financial inclusion is the recent concept which helps achieve the sustainable development of the country, through available financial services to the unreached people with the help of financial institutions. Financial inclusion can be defined as easy access to formal financial services or systems and their usage by all members of the economy. The committee on financial inclusion, of government of India, has defined financial inclusion as the process of ensuring timely access to financial services and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost (Rangarajan Committee, 2008).

The process of financial inclusion consists of ensuring bank accounts to each household and offering their inclusion in the banking system (Reddy, 2007). Access to financial services promotes social inclusion, and builds self-confidence and empowerment. In an address Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at the National Finance Conclave 2010, has mentioned that financial inclusion is no longer a policy choice but it is a policy compulsion today. And banking is a key driver for inclusive growth.

Financial Inclusion in India:

The Reserve Bank of India setup a commission (Khan Commission) in 2004 to look into Financial Inclusion and the recommendations of the commission were incorporated into the Mid-term review of the policy (2005-06). In the report RBI exhorted the banks with a view of achieving greater Financial Inclusion to make available a basic "no-frills" banking account.
In India, Financial Inclusion first featured in 2005, when it was introduced, that, too, from a pilot project in UT of Pondicherry, by Dr. K. C. Chakraborthy, the chairman of Indian Bank. Mangalam Village became the first village in India where all households were provided banking facilities. These intermediaries could be used as business facilitators (BF) or business correspondents (BC) by commercial banks. The bank asked the commercial banks in different regions to start a 100% Financial Inclusion campaign on a pilot basis. As a result of the campaign states or U.T.s like Pondicherry, Himachal Pradesh and Kerala have announced 100% financial inclusion in all their districts. Reserve Bank of India’s vision for 2020 is to open nearly 600 million new customers' accounts and service them through a variety of channels by leveraging on IT. However, illiteracy and the low income savings and lack of bank branches in rural areas continue to be a road block to financial inclusion in many states. Apart from this there are certain in Current model which is followed. There is inadequate legal and financial structure. India being a mostly agrarian economy hardly has schemes which lend for agriculture. Along with Microfinance we need to focus on Micro insurance too.

**Review of Literature:**

Michael Chibba (2009) noted that Financial Inclusion is an inclusive development and Poverty Reduction strategy that manifests itself as part of the emerging FI-PR-MDG nexus. However, given the current global crises, the need to scale-up Financial Inclusion is now perhaps more important as a complementary and incremental approach to work towards meeting the MDGs than at any other time in recent history.

Joseph Massey (2010) said that, role of financial institutions in a developing country is vital in promoting financial inclusion. The efforts of the government to promote financial inclusion and deepening can be further enhanced by the pro-activeness on the part of capital market players including financial institutions. Financial institutions have a very crucial and a wider role to play in fostering financial inclusion. National and international forum have recognized this and efforts are seen on domestic and global levels to encourage the financial institutions to take up larger responsibilities in including the financially excluded lot.

Oya Pinar Ardic et al (2011) explained that using the financial access database by CGAP and the World Bank group, this paper counts the number of unbanked adults around the world, analyses the state of access to deposit and loan services as well as the extent of retail networks, and discusses the state of financial inclusion mandates around the world. The findings indicate that there is yet much to be done in the financial inclusion arena. Fifty-six percent of adults in the world do not have access to formal financial services.

**Role of Banking Sectors on Financial Inclusion development in India:**

The number of commercial Banks in a country provides an opportunity for the people of that country to participate in the formal financial system and to utilize financial services of formal financial system. Larger the number of commercial banks, larger the scope for bringing people in to formal financial system provided if banks provide suitable financial products and services.
Table – 1: Number of Commercial Banks in India

<table>
<thead>
<tr>
<th>Banks / years</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of commercial banks</td>
<td>173</td>
<td>170</td>
<td>167</td>
<td>167</td>
<td>173</td>
<td>155</td>
</tr>
<tr>
<td>Scheduled commercial bank</td>
<td>169</td>
<td>166</td>
<td>163</td>
<td>163</td>
<td>169</td>
<td>151</td>
</tr>
<tr>
<td>Of which RRBs</td>
<td>90</td>
<td>86</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td>64</td>
</tr>
<tr>
<td>Non scheduled commercial bank</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

**Source:** Statistics relating to commercial banks at a glance RBI

The table :1 shows that the number of commercial banks in India between March 2008 and 2013, it clearly states that the in the year 2008 it was 173, in the year 2009 it was showing a slight decreasing trend (170) the same trend followed by the year 2010 it shows that 167 commercial banks in India, the same trend followed by the next year(2011) also, but in the year 2012 it has been increased to 173, unfortunately in the year 2013 again it has come down to 155. In case of scheduled commercial bank also showing as the decreasing trend from the year 2008- 2013, the same trend followed by the RRBs also, but the trend of the Non-scheduled bank is the steady trend since 2008 to 2013.

Chart-1 – Showing the number of commercial banks in India between (2008 and 2013)

Table –2 Number of bank offices in India:

<table>
<thead>
<tr>
<th>Areas / years</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Rural</td>
<td>30927</td>
<td>31598</td>
<td>32529</td>
<td>33868</td>
<td>36503</td>
<td>39439</td>
</tr>
<tr>
<td>(b) Semi-Urban</td>
<td>18027</td>
<td>19337</td>
<td>21022</td>
<td>23299</td>
<td>26144</td>
<td>28691</td>
</tr>
<tr>
<td>(c) Urban</td>
<td>15566</td>
<td>16726</td>
<td>18288</td>
<td>19046</td>
<td>20650</td>
<td>21720</td>
</tr>
<tr>
<td>(d) Metropolitan</td>
<td>14267</td>
<td>15236</td>
<td>16364</td>
<td>17806</td>
<td>19080</td>
<td>19961</td>
</tr>
<tr>
<td>All India level of bank offices</td>
<td>78787</td>
<td>82897</td>
<td>88203</td>
<td>94019</td>
<td>102377</td>
<td>109811</td>
</tr>
<tr>
<td>Trend percentage</td>
<td>100.00%</td>
<td>105.20%</td>
<td>111.95%</td>
<td>119.33%</td>
<td>129.94%</td>
<td>139.37%</td>
</tr>
<tr>
<td>Actual increasing percentage</td>
<td>Base</td>
<td>5.20%</td>
<td>11.95%</td>
<td>19.33%</td>
<td>29.94%</td>
<td>39.37%</td>
</tr>
</tbody>
</table>

**Source:** Statistics relating to commercial banks at a glance RBI

**Note:** Number of bank offices includes Administrative Offices. 2) Classification of bank offices according to population, for years is based on 2001 census.

Table: 2- explains about the number of bank offices in India from 2008 – 2013, it clear from the above table that the number of bank offices have been increased since 2008 to 2013, the increasing trend is as 5.20 per cent, 11.95 per cent, 19.33 per cent, 29.94 per cent and 39.37 per cent for the years 2009, 2010, 2011, 2012, 2013 respectively
Table: 3 -Population per offices:

<table>
<thead>
<tr>
<th>Years</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Populations per office</td>
<td>15000</td>
<td>15000</td>
<td>14000</td>
<td>13000</td>
<td>13000</td>
<td>12000</td>
</tr>
</tbody>
</table>

**Source:** Statistics relating to commercial banks at a glance RBI

The above table -3- shows that the populations per office is decreasing trends year after year continually since 2008 – 2013, It was 15000 population per office in the year 2008, but in the year 2013, it shows that only 12000 populations per office,

**Chart-2- Showing the populations per offices:**

The above chart as well is the proof for the decreasing trend of the populations per office

Table: 4- Aggregate deposits and credit level of scheduled commercial bank (Rs. billion)

<table>
<thead>
<tr>
<th>Deposits and credits /Years</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Demand deposits</td>
<td>26726.30</td>
<td>33110.25</td>
<td>38472.16</td>
<td>45662.64</td>
<td>52837.52</td>
<td>60881.55</td>
</tr>
<tr>
<td>(b) Time deposits</td>
<td>5243.10</td>
<td>5230.85</td>
<td>6456.10</td>
<td>6417.05</td>
<td>6253.30</td>
<td>6622.99</td>
</tr>
<tr>
<td>Aggregate deposits</td>
<td>31969.40</td>
<td>38341.10</td>
<td>44928.26</td>
<td>52079.69</td>
<td>59090.82</td>
<td>67504.54</td>
</tr>
<tr>
<td>Bank credit</td>
<td>23619.13</td>
<td>27755.49</td>
<td>32447.88</td>
<td>39420.83</td>
<td>46118.52</td>
<td>52604.59</td>
</tr>
<tr>
<td>Per cent of credit allowed</td>
<td>73.88%</td>
<td>72.39%</td>
<td>72.22%</td>
<td>75.69%</td>
<td>78.04%</td>
<td>77.93%</td>
</tr>
</tbody>
</table>

**Source:** Statistics relating to commercial banks at a glance RBI

**Note:** Aggregate deposits, bank credit of Scheduled Commercial Banks in India are as per "Form-A" return under Section 42(2) of the Reserve Bank of India Act, 1934

From the above table -4- it is pragmatic that the deposit level and credit level are increasing style for all the years, in case of aggregate deposit level in the year 2008, it was 31969.40 billion rupees where as in 2013 it has mount up to 67504.54 billion rupees as the same style the credit also shows the increasing style in the year 2008 it was 23619.13 billion rupees , in the year 2013 it has rose up to 52604.59, but in case of the credit allowed through it shows both increasing and decreasing style of all the year but the decreasing level of percentage is very low as the final result it shows as the increasing trends,
Chart-3- Aggregate deposits and credit level of scheduled commercial bank

The above chart is the readymade proof for the deposits and credit level of scheduled commercial banks from the year 2008 – 2013.

Table -5- Total number of ATMs:

<table>
<thead>
<tr>
<th>Number of ATMs / Years</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of ATMs</td>
<td>34789</td>
<td>43651</td>
<td>60153</td>
<td>74505</td>
<td>95686</td>
<td>114014</td>
</tr>
<tr>
<td>Trend percentage</td>
<td>100.00%</td>
<td>124.47%</td>
<td>172.91%</td>
<td>214.16%</td>
<td>275.04%</td>
<td>327.73%</td>
</tr>
<tr>
<td>Increasing level of ATMs</td>
<td>Base %</td>
<td>24.47%</td>
<td>72.91%</td>
<td>114.16%</td>
<td>175.04%</td>
<td>227.73%</td>
</tr>
</tbody>
</table>

Source: Statistics relating to commercial banks at a glance RBI

The above table -5- be evidence for the total number of ATMs for the study period between 2008 and 2013, it shows that all the year the ATMs numbers are increasing in a good difference, the percentage of the increasing also very high for all the years, it evidence the growth percentage as 24.47 per cent, 72.91 per cent, 114.16 per cent, 175.04 per cent, 227.73 per cent, for the years 2009, 2010,2011,2012,2013, respectively,

Chart-4- Total Number of ATMs:

The above chart has explained clearly that the number of ATMs is increasing year to year for the use of the customers
Findings:
From the above analysis the following findings have been identified:

✓ Number of commercial bank, scheduled commercial bank, RRBs and non scheduled commercial banks number are reduced during the period between 2008 and 2013.
✓ Total number of the bank offices have been increased in almost all the areas (urban, semi-urban, suburban, rural and metropolitan) the increasing trend also shows the high rate of increasing during the study period between 2008 and 2013,
✓ Population per office is showing all the years from 2008 to 2013 steadily the decreasing trends only,
✓ Aggregate deposits and credits granted are all the years increasing, the granting credit by the banking sectors shows the increasing trend forever, the per cent rate also very high year to year,
✓ Numbers of ATMs machine installations are showing that the banking sectors are installing the ATMs in almost all the places on campus and off campus,

Suggestions and recommendations:
Based on the above findings the followings suggestions and recommendations have been suggested for the further improvements of the financial inclusion services of the banking sectors in India,

✓ Number of commercial bank may be increased in India, though maximum population in India are using the banking services, if the banking sectors opened banks in the remote and rural areas all the people can utilize the services of the banking sectors at the level best for the improvement of the life standard of the themselves,
✓ The banking sectors have to liberalized the security level of the borrower to borrow money from the bank in an easiest way, they banking sectors have to announce the new schemes offered by them to all the citizen of India for the proper utilization of the fund,
✓ Though many of the banks are providing the technical services to the customers, most of the customers are not aware of the services provided by them, hence the banking sectors have to create the awareness to the members and the customers about the services provided by them, hence the banking populations can use all the financial and non-financial services of the all the banks in India,
✓ All the banks are installing the ATMs in all the places, but some time the RBI is changing the policies and instructions for the using of the ATMs, many of the ATMs are not in good conditions for immediate use, some time it says that, sorry the operations are failed, many ATMs some time it is giving the receipts rather money, there may be a high technical implementations for the smooth use of the ATMs and proper training to the guardian of the ATMs center and to give the practical knowledge to the rural and remote customers regarding the usages and the services available in the banking sectors,

Conclusion:
For standing out on a global platform, India has to look upon the inclusive growth and financial inclusion is the key for inclusive growth. There is a long way to go for the financial inclusion to reach to the core poor according to K.C.Chakrabarty RBI Deputy Governor “Even today the fact remains that nearly half of the Indian population doesn’t have access to formal financial services and are largely dependent on money lenders”. Mere opening of no-frill bank accounts is not the purpose or the end of financial inclusion while formal financial institutions must gain the trust and goodwill of the poor through developing strong linkages
with community-based financial ventures and cooperative. Financial Inclusion has not yielded the desired results and there is long road ahead but no doubt it is playing a significant role and is working on the positive side

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