FINANCIAL INCLUSION - A CASE STUDY OF APGVB

***K.Varadha Raju*[1]**

ABSTRACT

With the progress of the Indian economy, especially when the focus is on the achievement of sustainable development, there must be an attempt to include maximum number of participation from all the sections of the Society. Financial inclusion takes into account the participation of vulnerable groups such as weaker sections of the society and low income groups, based on the extent of their access to financial services such as savings and payment account, credit insurance, pensions etc. The study focused on what is the position of APGVB bank in financial inclusion. And analysing the facts of financial inclusion in APGVB bank after analysing the fact and figures it can be concluded that undoubtedly financial inclusion is planning a catalytic role for the economic and social development of society but still there is a long road ahead to achieve the desired out comes.

Keywords: Financial Inclusion, Self-Sustainability, Financial Literacy

INTRODUCTION: Financial inclusion enables improved and better sustainable economic and social development of the country. It helps in the empowerment of the underprivileged, poor and women of the society with the mission of making them self-sufficient and well informed to take better financial decisions. The penetration of financial service in the rural areas of India is still very low. The factors responsible for this condition can be looked at from both supply side and demand side and the major reason for low penetration of financial services is, probably, lack of supply. The reasons for low demand for financial services could be low income level, lack of financial literacy, other bank accounts in the family, etc. On the other hand, the supply side factors include no bank branch in the vicinity, lack of suitable products meeting the needs of the poor people, complex processes and language barriers. Since 2005, the Reserve Bank of India (RBI) and the Government of India (GOI) have been making efforts to increase financial inclusion. Measures such as SHG-bank linkage program, use of business facilitators and correspondents, easing of Know Your Customer (KYC) norms, electronic benefit transfer, separate plan for urban financial inclusion, use of mobile technology, bank branches and ATMs, opening and encouraging ‘no-frill-accounts’ and emphasis on financial literacy have played a significant role for increasing the use of formal sources for availing loan/ credit. Measures initiated by the government include, opening customer service centers, credit counselling centers, Kisan Credit

[1] Assistant Professor, Department of Management Studies, Swami Ramananda Tirtha Institute of Science & Technology, Nalgonda, India

Card, Mahatma Gandhi National Rural Employment Guarantee Scheme and Aadhar Scheme. And recently our Pradhan Manthri " Narendra Modi" was newly introduced some new scheme called Pradhan Manthri Jandhan Yojana (PMJDY), Pradhan Manthri Suraksha Bima Yojana (PMSBY), Pradhan Manthri Jeevan Joythi Bima Yojana (PMJBY), Atal Pension Yojana (APY), Ultra small braches. (USBs). These renewed efforts are more focused than the earlier measures which were more general in nature having a much wider scope. Though the measures were initiated earlier, their impact on the rural population needs to be analysed and reframed in order to understand the present scenario in the rural areas.

Objectives of the paper:

- To **understand** about the financial inclusion.
- To know about financial inclusion schemes and impact on the basic saving accounts.
- To know about the performance of financial inclusion in selected branches of APGVB.

RESEARCH METHODOLOGY: The study was carried during July 2016 to December 2016 under APGVB bank in different villages under Nalgonda region. The primary data was collected by interviewing rural people having basic Bank accounts in APGVB. A sample of 100 respondents was considered for the present study. A structured questionnaire with each question contributing to the research objectives of the study was used for the collection of primary data and secondary data was collected from the APGVB sources.

DEFINITIONS OF FINANCIAL INCLUSION:

According to the Planning Commission (2009), Financial inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products. The household access to financial services includes access to contingency planning, credit and wealth creation. Access to contingency planning would help for future savings such as retirement savings, buffer savings and insurable contingencies and access to credit includes emergency loans, housing loans and consumption loans. On the other hand, access to wealth creation includes savings and investment based on household's level of financial literacy and risk perception

GOI (2008) defines Financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. The meaning of financial inclusion is delivery of financial services to the low income groups especially the excluded sections of the population with the provision of equal opportunities. The main target is the access of financial services for better standard of living and income.

According to Chakraborty (2011), Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of society including vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players. This issue started gaining importance recently in the news media. However, as is the case with several issues in India, financial inclusion has remained a pipe dream with a majority of Indians continuing to lack access to banking service.

LITERATURE REVIEW: Few studies are available on financial inclusion and business correspondence .The researcher has tried to review the following.

RBI (2005) proposed financial inclusion based on the business facilitators/ business correspondent model, adapting the Brazilian success story in India. In 2005, efforts were made enabling banking services to reach the rural areas through credit facilities. While the banking network started expanding in the rural areas, there were still a majority of the population in rural areas without having access to banking services. The reasons behind these are: declining productivity of the rural branches of SCBs, digression of RRBs from their social objective of reaching out to the masses and the fragility of the cooperative credit structure. The report also identified supply and demand side reasons for the lack of penetration of banking services in the rural areas. The report mainly focused on further acceleration of efficient and effective delivery of credit to the rural farm and non-farm sectors and in order to achieve this, the suggestions provided by the committee in the report were broadly based on the three models such as business facilitator model, business correspondent model and microfinance model.

CRISIL (2013) measured the extent of financial inclusion in India in the form of an index. It makes use of the non-monetary aggregates for calculating financial inclusion. The parameters used by the CRISIL Inclusix took into account the number of individuals having access to various financial services rather than focusing on the loan amount. The three parameters of the index were branch, deposit and credit penetration. These parameters were updated annually and based on the availability of data, additional services such as insurance and microfinance were added. The key findings of the report were as follows: one in two Indians has a savings account and only one in seven Indians has access to banking credit; CRISIL Inclusix at an all-

India level stood at a relatively low level of 40.1 for 2011 (on a scale of 100). In short, CRISIL gave ground-level information regarding the progress of financial inclusion in the country's rural and also in urban area.

RBI (2014a) focused on the provision of financial Services to the small businesses and low income households. Among the main motives of the committee included designing principles for maximum financial inclusion and financial deepening and also framing policies for monitoring the progress in the development of financial inclusion in India. Thus, in order to achieve the goal of maximum financial inclusion and increased access to financial inclusion the committee proposed the following measures: provision of full-service electronic bank account; distribution of Electronic Payment Access Points for easy deposit and withdrawal facilities; provision of credit products, investment and deposit products, insurance and risk management products by formal institutions. The main findings of the report highlighted the following key issues. First, the majority of the small businesses were operating without the help of formal financial institutions. Second, more than half of the rural and urban population did not have access to bank account. Third, savings in terms of GDP have declined in 2011-12. To address these issues, the Committee recommended that each individual should have Universal Electronic Bank Account while registering for an Aadhar card. The committee also proposed for setting up of payments banks with the purpose of providing payments services and deposit products to small businesses and low income households. Also banks should purchase portfolio insurance which will help in managing their credit exposures. Further, the Committee recommended for setting up of a State Finance Regulatory Commission where all the state level financial regulators will work together. For the interest of the bank account holders, the committee recommended for the creation of Financial Redress Agency (FRA) for customer grievance redress across all financial products and services which would coordinate with the respective regulator.

RBI (2014b) presented a report to study various challenges and evaluate alternatives in the domain of technology that can help large scale expansion of mobile banking across the country. The report divided the challenges into 2 broad categories – Customer enrollment related issues and Technical issues. Customer enrollment related issues include mobile number registration, M-PIN (mobile pin) generation process, concerns relating to security as a factor affecting on-boarding of customers, education of bank's staff and customer education. On the other hand, technical issues include access channels for transactions, cumbersome transaction process, and coordination with MNOs (Mobile Network Operators) in a mobile banking eco-system. The report has a detailed comparison of four channels of mobile banking - SMS (Short Message Service), USSD (Unstructured Supplementary Service Data), IVRS (Interactive Voice Response System) and Mobile Banking Application, and evaluates each one of them based on accessibility, security and usability. To resolve the different problems identified, the report suggests to develop a common mobile application, using SMS and GPRS channels, for all banks and telecom operators. The aforementioned application should enable the user to perform basic mobile banking operations such as enquiring his/her account balance, transfer and remittance of money. The application is expected to be developed in such a way that it provides a simple menu driven, interactive interface to the user. Such an application can be developed by combined efforts of telecom operators and banks. The application can be embedded on all new SIM cards, so that any person buying a new card has a pre-installed application. For customers already using SIM cards, the application can be transferred "over the air" (OTA) using a dynamic STK (SIM Application Tool Kit) facility.

Schemes for opening of 100% no frills accounts.

Our country is with diverse socio-economic condition along with diverse agro climatic conditions. This diversity is prominent in many aspects of life including financial services. The lack of financial services has impact on economic conditions of people and also on the economic growth of the country. Financial exclusion symptom and cause of property. A large section of poor still depend on informal source of savings. In unbanked area, people will have no access to financial services including savings, money transfer, pensions, credit, insurance etc., through any type of formal financial sector organization such as bank post offices, non-banking financial institutions, cooperatives, credit union. NGOs etc.

Financial inclusion does not mean to bring people in the fold of financial sector for savings(or) credit only. If should include insurance, social security system, pension , money, transfers etc., the basic objectives being to bring people out of non- institutional framework and combat the menace of poverty it is the delivery of banking services at an affordable cost to the vast sections of disadvantage and low- income groups.

The banking industry has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvement in all the area relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include vast segment of the population especially the underprivileged sections of the society into the fold of basic banking services. Internationally also efforts are being made to study the causes of financial exclusion and designing strategies to ensure financial inclusion of the poor and disadvantaged. All out effort are being made as financial inclusion can truly lift the financial condition and standards of life of the poor and the disadvantaged.

The following sectors of people, who have been excluded from financial services from formal financial institutions, required to be bring into financial inclusion:

- Poor people with little (or) no assets.
- People in lower end segment.
- Labourers.
- People living in semi-urban slums.
- Tenant farmers (oral tenancy), sharecroppers, marginal farmers with smaller holdings.
- SC/ST/Minority people with little means.
- Some people earlier might have linked to banking system, now they are away from the system due to various reasons. Ex: many of the small loan accounts are written off, the particular borrower (or) his /her family members are deprived of further credit.
- Destitute etc.

Key components of financial exclusion:

- ➢ No savings.
- ➢ No insurance.
- ➢ No assets.
- ➢ No bank accounts.
- ➢ No affordable credit.
- ➢ No access to money advice.

The financially excluded typically lack the range of choice of credit option available to most people instead, they may be forced to resort to the alternative credit market paying interest rates often over 100 percent.

Salient features of the scheme of arrangement for financial inclusion:

1. Opening of saving bank accounts (no- frills accounts – with zero balance.
2. Issue of general purpose credit card (GCC).
3. Defaulters cleansing mechanism.
4. Strengthening SHG lending.
5. Appointment of business facilitators / business correspondents.
6. IT connectivity.
7. Insurance products.

8. Coverage of tenant farmers / share croppers.
9. Mapping indebtedness of the farmers and to identify the unindebted etc.

PRADHAN MANTRI 'JAN DHAN YOJANA' (PMJDY):

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is national mission for financial inclusion to ensure access to financial services, namely, banking/saving & deposit account, remittance, credit, insurance, pension in an affordable manner. PMJDY focuses on coverage of households as against the earlier plan which focused on coverage of villages. It focused on coverage of rural as well as urban areas. Earlier plan targeted only villages above 2000 population while under PMJDY whole country is to be covered by extending banking facilities in each sub services area consisting of 1000-1500 households such that facility is available to all with in a reasonable distance , say about 5km. In the scheme of Pradhna Mantri Jandhan Yojana people will open the joint accounts also.

THE PRADHAN MANTRI SURAKSHA BIMA YOJANA (PMSBY):

In this concept the bank has entered in to MOU with National insurance company for pradhan mantri suraksha bima yojana (PMSBY) and obtained a master policy bearing No 550100421510000015 for providing accidental insurance of Rs 2.00 Lac for the saving bank account holders of the bank in the age group of 18-70 years with a annual premium of Rs. 12/- (rupees twelve only) per annum, to be paid through 'AUTO DEBIT' system. The enrolment cum application forms are bring sent to you.

The 'pradhan mantri suraksha bima yojana was rolled from the 1st June
2015. the scheme will be one year cover, renewable from year to year. Accidental insurance scheme offering accidental death and disability cover for death or disability on account of an accident.

PRADANA MANTRI JEEVAN JYOTHI BEEMA YOJANA (PMJBY)

The pradhan manthri jeevan jothi bima yojana (PMJBY) is also one of the financial inclusion scheme. bank has obtained a master policy bearing No. 76001002256 from the SBI life insurance for Pradhan Manthri Jeevan Joythi Bima Yojana (PMJBY) providing life insurance coverage of Rs. 2.00 Lacs for the savings bank account holder s of the bank in the age group of 18-50 years with a premium of Rs. 330/- (rupees three hundred thirty only) per annum, to be paid through "AUTO DEBIT " system.

The enrolment of eligible and willing saving bank account holders for the above insurance scheme is commenced from 01. 05. 2015. The formal launching of the schemes scheduled on 09. 05. 2015. By Hon'ble prime minister of India.

Ultra small branches (USBs)

The bank have to advise that for furthering financial inclusion in un banked rural areas, the Govt. of India / Reserve bank of India have instructed the bank to establish 'Ultra small branches' (USBs) in rural area centres from where business correspondents (BCs) can conduct operations on behalf of banks. In a bid to further drive the agenda for financial inclusion, union finance minister in his last budget speech has proposed setting up of ultra small branches which will provided rural masses with a more robust set of banking services.

RESULTS

- **15845 numbers of customers interested to open bank savings accounts under pradhan mantra jandhan yojana of financial inclusion scheme in nalgonda branch of APGVB.**
- **15478 numbers of customers to open bank savings account under the financial inclusion scheme of pradhan mantri suraksha bima yojana.**
- **14587 numbers of customers to open bank saving accounts under the financial inclusion scheme of pradhana mantra jeevan joythi bima yojana.**
- **10244 numbers of customers to open savings accounts under the financial inclusion scheme of Atal pension yojana.**
- **In the APY 26 to 30 age group persons was highly respond to open bank savings accounts.**
- **74 ultra-small branches open under financial inclusion schemes**
- **The financial inclusion schemes of PMJDY, PMSBY, PMJBY, APY. Was performed 85%, 75%, 76%, and 89%.**