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A STUDY ON FINANCIAL INCLUSION WITH SPECIAL REFERENCE TO LAKSHMI VILAS BANK AT PODAKUDY

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ABSTRACT

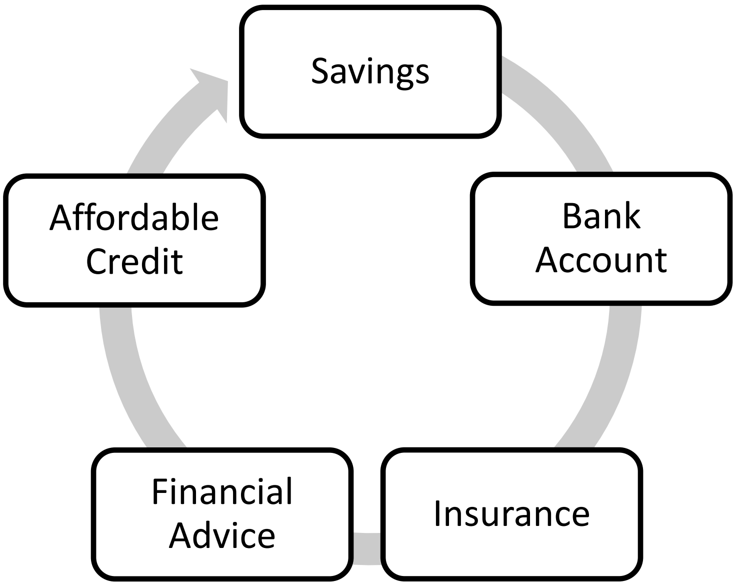
Financial Inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. The main focus of financial inclusion in India is to promote sustainable development and generating employment in rural areas for the rural population. There are many factors affecting access to financial services by weaker section of society in India. Several steps have been taken by the Reserve Bank of India and the Government to bring the financially excluded people to the fold of the formal banking services. In order to overcome such barriers, the banking sector emerged with some technological innovations such as automated teller machines (ATM), credit and debit cards, internet banking, etc. Though introduction of such banking technologies brought a change in the urban society, a majority of the rural population is still unaware of these changes and is excluded from formal banking. The 100 per cent financial inclusion drive is progressing all over the country.

Keywords*: *Financial Inclusion, Sustainable Growth, Bank, RBI, Internet banking

I. INTRODUCTION

Even after 60 years of independence, a large section of Indian population still remains unbanked. This malaise has led generation of financial instability among the lower income group who do not have access to financial products and services. However, in the recent years the government and Reserve Bank of India has been pushing the concept and idea of financial inclusion. As the majority of the rural population is still not included in the inclusive growth, the concept of financial inclusion becomes a challenge for the Indian economy. Since 2005, many concerted measures are initiated by the Reserve Bank of India and Government of India in favor of financial inclusion but the impact of these did not yield satisfactory results.

Financial inclusion enables improved and better sustainable economic and social development of the country. 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 penetration of financial services 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.



II. MEANING

Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable.

III. DEFINITION

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.

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.

IV. OBJECTIVES OF FINANCIAL INCLUSION

Financial inclusion is a long term strategy, but to achieve its objectives we need to keep in mind what are the key areas it should address:

- It should provide access to basic financial services like banking etc.
- The usage of financial services should address needs of the poor.
- The financial product should be affordable.
- Quality of product and services.

V. ROLE OF FINANCIAL INCLUSION

- It helps to reduce cost of the product.
- Reduces transaction cost.
- Improves quality of the product.
- Helps in increasing choices and flexibility to customer.

VI. DIMENSIONS OF FINANCIAL INCLUSION

The level of financial inclusion in India can be measured based on three tangible and critical dimensions. These dimensions can be broadly discussed under the following heads:

6.1. Branch Penetration

Penetration of a bank branch is measured as number of bank branches per one lakh population. This refers to the penetration of commercial bank branches and ATMs for the provision of maximum formal financial services to the rural population.

6.2. Credit Penetration

Credit Penetration takes the average of the three measures: number of loan accounts per one lakh population, number of small borrower loan accounts per one lakh population and number of agriculture advances per one lakh population.

6.3. Deposit Penetration

Deposit penetration can be measured as the number of saving deposit accounts per one lakh population. With the help of this measure, the extent of the usage of formal credit system can be analysed.

VII. FINANCIAL INCLUSION: ISSUES AND CHALLENGES

It also simplifies the procedure of opening the bank account. No introduction/security to be insisted.

- Opening Bank Branches in remote and rural areas should be liberalised by RBI.
- Institutionalise the agency system that can bring the bank services at the door step of customer on a commission basis like commission agents/ daily collector's etc. Authorised by Banks.

- Telecom Service providers and Banks should together workout and implement Mobile Banking simple solutions.
- RBI should allow entrepreneurs to invest in new product innovation in financial innovation.
- Mobile Banking should be encouraged/incentivised as a smart way of sending and depositing money in rural areas.

There should be special discounted charges for banking services in rural areas like Telephone calls originating in Rural Telephones.

VIII. OBJECTIVES OF THE STUDY

❖ To measure the financial inclusion and performance of the branch.

❖ To study the availability of financial services to the customer.

❖ To analyse the usage of banking services by customers.

❖ To study the growth of credit facilities and deposits penetration

IX. REVIEW OF LITERATURE

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.

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 for 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.

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-10.1

RESULTS OF PERCENTAGE ANALYSIS OF AVERAGE BALANCE MAINTAINED BY THE CUSTOMERS DURING THE STUDY PERIOD FROM 2014 TO 2017

AVERAGE BALANCE	NO OF ACCOUNTS & PERCENTAGE							
	2014		2015		2016		2017	
	Nos	%	Nos	%	Nos	%	Nos	%
BELOW 10000	1447	76.6	1902	78.3	1631	73.7	1838	74.8
ABOVE 10000	441	23.3	525	21.6	582	26.2	618	25.1
TOTAL	**1888**	**100**	**2427**	**100**	**2213**	**100**	**2456**	**100**

Source: Secondary Data

INFERENCE

It is inferred from the above table is that in 2014, 76.6% of accounts maintained below 10000 and 23.3% of accounts maintained above 10000.

In 2015, 78.3% of accounts maintained below 10000 and 21.6% of accounts maintained above 10000.

In 2016, 73.7% of accounts maintained below 10000 and 26.2% of accounts maintained above 10000.

In 2017, 74.8% of accounts maintained below 10000 and 25.1% of accounts maintained above 10000.

It is concluded that 78.3% of accounts maintained below 10000 is the highest percentage (2015) and 26.2% of accounts maintained above 10000 is the highest in 2016.

TABLE-10.2

RESULTS OF PERCENTAGE ANALYSIS OF NO.OF ACCOUNTS OPENED AND WITH ZERO BALANCE DURING THE PERIOD FROM 2014 TO 2017

ACCOUNTS OPENED	NO OF ACCOUNTS & PERCENTAGE							
	2014		2015		2016		2017	
	Nos	%	Nos	%	Nos	%	Nos	%
TOTAL NO.OF ACCOUNTS	4318	100	5159	100	5447	100	5814	100
ACCOUNTS WITH ZERO BALANCE	28	0.64	5	0.09	1	0.01	9	0.15

Source: Secondary Data

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INFERENCE

It is inferred from the above table that in 2014, 28 accounts are opened with zero balance, in 2015, 5 accounts are opened with zero balance, in 2016, 1 account was opened with zero balance, in 2017, 9 accounts are opened with zero balance.

It is concluded that in 2014 maximum no. of accounts opened under zero balance, in 2016 minimum no. of account opened with zero balance.

TABLE-10.3

RESULTS OF PERCENTAGE ANALYSIS OF SAVINGS BANK ACCOUNT WITH INTERNET BANKING DURING THE STUDY PERIOD FROM 2014 TO 2017

ACCOUNT DETAIL	NO OF ACCOUNTS & PERCENTAGE							
	2014		2015		2016		2017	
	Nos	%	Nos	%	Nos	%	Nos	%
SAVINGS BANK ACCOUNT	2560	100	2978	100	3154	100	3310	100
SB ACCOUNTS WITH INTERNET BANKING	2200	85.9	2597	87.2	2763	87.6	3001	90.6

Source: Secondary Data

INFERENCE

It is inferred from the above table that In 2014, 85.9% of customers having internet banking, In 2015, 87.2% of customers having internet banking, in 2016, 87.6% of customers having internet banking, in 2017, 90.6% of customers having internet banking.

The usage of internet banking in SB account is increasing from 2014-2017 percentage of 85.9% to 90.6 %.

TABLE-10.4

RESULTS OF PERCENTAGE ANALYSIS OF CURRENT ACCOUNT WITH INTERNET BANKING DURING THE STUDY PERIOD FROM 2014 TO 2017

Source: Secondary Data

ACCOUNT DETAIL	NO OF ACCOUNTS & PERCENTAGE							
	2014		2015		2016		2017	
	Nos	%	Nos	%	Nos	%	Nos	%
CURRENT ACCOUNT	55	100	48	100	53	100	60	100
CURRENT ACCOUNT IN INTERNET BANKING	32	58.18	33	68.75	38	71.6	39	65

INFERENCE

It is inferred from the above table that in 2014, 68.75% of customer having internet banking in current account, in 2015,71.6% of customer having internet banking in current account, in 2016,65% of customer having internet banking in current account .

It is concluded that maximum no.of customers using internet banking of current account in the year 2017 i.e. 71.6%.

TABLE-10.5

RESULTS OF PERCENTAGE ANALYSIS OF TYPES OF LOAN DURING THE STUDY PERIOD FROM 2014 TO 2017

TYPES OF LOAN	NO OF ACCOUNTS & PERCENTAGE							
	2014		2015		2016		2017	
	Nos	%	Nos	%	Nos	%	Nos	%
AGRI LOAN	5	41.6	6	50	15	31.2	19	61.3
HOUSING LOAN	3	25	2	16.6	3	6.25	3	9.6
PERSONAL LOAN	4	33.3	4	33.3	30	62.5	9	29
TOTAL	**12**	**100**	**12**	**100**	**48**	**100**	**31**	**100**

Source: Secondary Data

INFERENCE

It is inferred from the above table that in 2014 Agri loan holds the highest of 41.6%, in 2015 Agri loan holds the highest of 50%, in 2016 personal loan holds the highest of 62.5 % and in 2017 Agri loan holds the highest of 61.3 %.

XI. CONCLUSION

The Lakshmi Vilas Bank provides better services to the customer. Based on my thesis, from 2014 to 2017 the financial inclusion is gradually increasing especially in rural areas. In last couple of years they have opened new many branches and they should open many more. The bank should concentrate more on financial services such as ATM, Internet banking, debit card and credit card. Bank has provided their customer net-banking facilities effectively because the transactions are done fast. Hence the major objectives of financial inclusion as should provide access to basic financial services like banking, usage of financial services, affordable financial product to the poor are providing satisfactorily in this rural area through this bank.

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