



FINANCIAL INCLUSION IN TAMILNADU: A BANKERS' INITIATIVES TO BREACH THE SOCIETY

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Abstract

This paper is an attempt to know the road map for extending the banking facilities and to study the performance of banks for selected financial products in Tamilnadu. It was suggested that building of trust and understanding, removal of barriers and socio-economic distances are important components towards successful financial inclusive strategies. Without creation of inclusive society, financial inclusion cannot sustain its own existence. Financial Inclusion today a buzz word for policy makers. Access to banking for the unbanked populace is the main aim of policy makers. The researcher has suggested in this paper financial inclusion process can be speeded up and made more effective in providing various financial products and services. It improves efficiency, accuracy, transparency and outreach which led to accelerate the pace of development of the nation. Accessibility of bank network is very important for inclusive growth. So, State bank group and RRBs should take steps to extend the bank branches for semi urban and rural population in Tamilnadu. And District wise penetration of bank branches is very necessary for financial inclusion and sustainability development.

Key words: Financial Inclusion, Branch Expansion, Inclusive growth, Banking Development.

Introduction

Financial inclusion can be described as the delivery of banking and other financial services to the society. Unrestrained access to public goods and services is essential for an open, inclusive, and efficient society. According to Dr. K.C. Chakrabarty, Deputy Governor, Reserve Bank of India, financial Inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players.

The importance of access to financial products and services, in particular stressing access to banking, the benefits of having access to banking will help tackle some of the problems faced by individuals / society. There is universally accepted definition of financial inclusion. Financial Inclusion is generally defined in terms of exclusion from the financial system. The working or operational definitions of financial exclusion generally focus on ownership or access to particular financial products and services. The goals of financial inclusion can be met largely by initiative of banking sector to cut across various strata of society, regions, gender and income and encourage the public to embrace banking habit. Also, Reserve Bank of India, as the chief regulator has intervened for the success of financial inclusion by various enactments, financial literacy drives, leveraging technology etc.

Recent development plays an important role in improving financial inclusion because of the following reasons:

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

FI is one of an important way towards inclusive growth. It helps in the overall economic development of the people/society. It is also considered to be a business opportunity for the formal financial institutions and help them in penetrating into unbanked areas. The following initiatives were undertaken by the Reserve Bank of India over the last four decades:

Initiatives taken during 1960s and 1970s

- Focus on increasing credit to the underprivileged group and weaker sections of society.
- Implementation of the rural banking ecosystem (eg: RRBs, rural and semi-urban branches)
- Development of the social contract with banks
- Launched Lead Bank Scheme for rural lending

Initiatives taken during 1980s and 1990s

- Branch licensing policy focus on expansion of commercial bank branches in rural areas.
- To provide refinance to banks and providing credit to agriculture established National Bank for Agriculture and Rural Development (NABARD).
- SHG-Bank Linkage Program launched by NABARD.



Initiatives taken during 2000s

- Financial Inclusion was introduced for the first time in RBI Annual Policy Statement 2005-06 and a policy namely “Financial Inclusion Policy”.
- Cent percent financial inclusion drive launched.
- Restrictions on ATMs deployment removed.

Review of literature

Pratima Trivedi (2014) estimated that financial system in a country is the back born of the economy. This research paper tries to find out level of financial literacy in our country and steps initiated for making population financially literate. And this status of FL, in the authors’ point of view there is an urgent need for improvement of FL. And she noted that knowledge helps to build the confidence and to create proper behavior and attitude. Then only successful implementation of FI plan can be achieved.

Sayantani Banerjee (2014) emphasized the need of Financial Inclusion for social development. Access to basic banking services provides congenial conditions for growth of individuals, households and private institutions. Also, social factors like unemployment, illiteracy are closely connected to the success of financial inclusion. Thus a sustainable social development can be simultaneously achieved alongside Financial Inclusion. And the author concluded that India’s challenges are multifarious; a geographically diverse growing population, corruption, an off apathetic general populace, lack of proper infrastructure, rapid urbanization, in accessibility of health care facilities and unavailability of basic financial services.

Annamalai (2014) has remarked the Basic concept of financial inclusion is that minimum one account per every citizen should be opened with any bank and delivery of banking services at an affordable cost to the vast sections of people. Tribal people constitute a vast majority of financial excluders in the country. Such access is especially powerful for the tribal groups as it provides those opportunities to build savings, make investments, deposit, loan, bank over draft facilities, and awareness. To examine the financial inclusion services provided by the banks and its awareness of the selected sample of the tribal village people vis-à-vis the Government policy. Financial inclusion is reducing the dependence on non-banking channels for remittance of funds. The real inclusive growth not only requires to bring people into banking population but to make sure the awareness of the financial services reaches to all tribal societies, poor and uneducated people, so that the main objectives of improving their standard of living can be achieved. The study concluded that, the financial inclusion awareness of tribal community region after its implementation, though the scheme had a strong social mission of financial inclusion, the mission had not been fully translated into satisfactory action on the ground that the scheme was not fully included.

IFC bulletin (2015) stated that financial inclusion is a fundamental issue for governments and policymakers around the world. It is estimated that, at the beginning of the 2000s, half of the world’s adult population had no account at a formal financial institution, and three quarters of poor people were unbanked. Financial inclusion can be measured along several main dimensions. One dimension refers to accessibility and corresponds to the range of financial services that are available to, or that can be mobilized by, peoples. A second dimension measures usage, i.e. the extent to and ways in which people actually make use of the services they can access. A third dimension refers to the quality of the services, i.e. how well they fit with the needs of people. Yet another, fourth dimension assesses how financial inclusion can actually influence the decisions of economic agents and increase economic well-being.

Objective of the study

- To know the road map for extending the banking facilities for financial inclusion in Tamilnadu.
- To study the performance of banks for selected financial inclusion products in Tamilnadu.

Data and Sources of Data

The data used in the study are secondary in nature. It is collected from different sources like state level bankers committee report, Financial inclusion Committee report, Reserve bank of India Bulletin.

Statistical Tools used

- Percentage analysis
- Mean
- Multiple bar diagram



Analysis and Findings

Road Map for financial Inclusion

The Reserve Bank of India has advised the sub-committee of the District Consultative committee (DCC) to draw up the road map to extend the banking services to every village with a population of over 2000, if the banking penetration is better in a state the population criteria has been suitably reduced. DCC has sent the list of identified villages to the State Level Bankers Committee. It takes steps to expand the banking facilities to cover the unbanked population.

District wise allocation of villages having population more than 2000 and less than 2000

Si. No	Name of Districts	No. of Villages allocated	
		Population of over 2000	Population of under 2000
1	Kanchipuram	184	429
2	Tiruvallur	183	309
3	Cuddalore	219	419
4	Villupuram	349	957
5	Vellore(vr)	121	222
6	Tiruvannamalai	270	532
7	Salem	203	176
8	Namakkal	89	163
9	Dharmapuri	101	155
10	Erode	104	162
11	Coimbatore	136	79
12	The Nilgiris	32	183
13	Thanjavur	218	519
14	Nagapattinam	209	215
15	Tiruvarur	135	363
16	Tiruchirappalli	158	186
17	Karur	75	57
18	Perambalur	34	31
19	Pudukkottai	142	265
20	Madurai	160	215
21	Theni	41	32
22	Dindigul	177	47
23	Ramanathapuram	17	323
24	Virudhunagar	153	347
25	Sivagangai	80	283
26	Tirunelveli	191	186
27	Thoothukkudi	122	403
28	Kanyakumari	39	38
29	Chennai	-	-
30	Krishnagiri	158	463
31	Ariyalur	125	58
32	Tiruppur	160	59
	TOTAL	4385	7876
	Mean	141	254

Source: Secondary Data

The above table shows that there are 4385 villages in Tamilnadu with a population of more than 2000 and 7876 villages with a population of less than 2000 who do not have formal banking services in their area. The average number of villages



allocated population over 2000 is 141 and 254 villages are allocated for under population to expand banking facilities. The Villupuram district has 349 and 957 villages do not have banking facilities in population more than and less than 2000. followed by Thiruvannamalai district with 270 and 532 villages. The bankers has been taking efforts to provide banking services in any one of the form such as mortar branch, mobile banking, ATMs, Business correspondent model etc...to reach the unreachd.

No. of FI villages where banking services are provided under Financial Inclusion through Banking groups

Sl.No	Groupwise Consolidation of Banks	No. of FI villages where banking services are provided under Financial Inclusion	Percentage
1	State Bank Group	2537	20.69
2	Nationalised Banks	8054	65.69
3	Other Public Sector Banks	0	0.00
4	Private Sector Banks	749	6.11
5	Regional Rural Banks	921	7.51
6	Foreign Banks	0	0.00
	Total	12261	100

Source: Secondary Data

Table reveals that 20.69% of villages were allocated to State Bank group, 65.69% villages were allocated to Nationalized banks, and 6.11% and 7.51% of villages were allocated to private sector banks and regional rural banks respectively. But there has no villages allocated to other public sector bank and foreign banks. So it has cleared that Nationalized banks and State bank groups has been contributing major share in promoting Financial inclusion in Tamilnadu.

Group-wise Spread of Bank Branches in Tamilnadu as of March 2016 is given below:

Sl.No	GroupWise Consolidation Banks	No.of Bank Branches in different population group					Percentage %
		Rural	Semi Urban	Urban	Metro	Total	
1	State Bank Group	341	460	311	237	1349	14
2	Nationalised Banks	1693	1611	1114	734	5152	52
3	Other Public Sector Banks	15	45	31	20	111	1
4	Private Sector Banks	702	1093	564	453	2812	28
5	Regional Rural Banks	298	205	22	0	525	5
6	Foreign Banks	0	0	4	18	22	0
	Mean	508	569	341	244		

Source: Secondary Data

The above table interpret about the bank branch expansion in Tamilnadu.9971 bank branches has been working for the population of Tamilnadu.52% of branches are nationalized bank.14% bank branches has been working under the State bank group, 28% and 5% of bank branches has been working under Private sector banks and RRBs. Other public sector bank and foreign banks spread 1% and 0% respectively in the state of Tamilnadu. Average no of bank branches in the rural, Semi Urban, Urban and Metropolitan population is 508, 569, 341 and 244 respectively. It has clearly mentioned in the above table Semi urban population have more number of bank branches.

Performance of selected financial Products

Review on banking developments in Tamilnadu

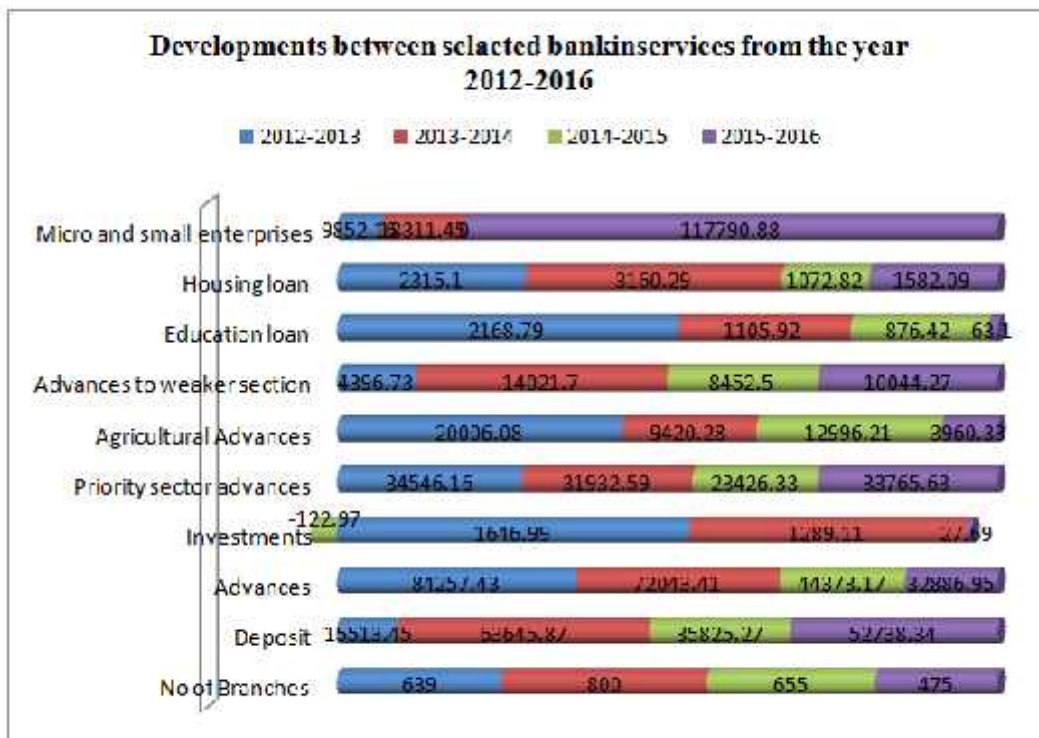
S. No	Parameters	2012	2013	2014	2015	2016
1	No of Branches	7402	8041	8841	9496	9971
2	Deposit	429072.09	444585.54	508231.41	544056.68	596795.02
3	Advances	449262.27	533519.70	605563.11	649936.28	682823.23



4	Investments	3178.32	4825.31	6114.42	5991.45	6019.14
5	Priority sector advances	176509.53	211055.69	242988.28	266414.61	300180.24
6	Agricultural Advances	78241.15	98247.23	107667.51	120663.72	124624.05
7	Advances to weaker section	51053.07	55449.80	69471.50	77926.00	87970.27
8	Education loan	11871.22	14040.01	15145.93	16022.35	16085.45
9	Housing loan	23867.54	26182.64	29342.93	30415.75	31997.84
10	Micro and small enterprises	58722.19	68574.35	86885.80	0.00	117790.88

Source: Secondary data

The progress of selected parameters from the year 2012-2016 has shows in the above table and the below bar diagram indicates yearly variation of the parameters. In the year 2012-2013 Number of Branches, Deposit, Advances, Investments, Priority sector advances, Agricultural Advances, Advances to weaker section, Education loan, Housing loan, Micro and small enterprises has increased 639, 15513.45, 84257.43, 1646.99, 34546.16, 20006.08, 4396.73, 2168.79, 2315.1, 9852.16 respectively . In the year 2013-2014 has increased 800, 63645.87, 72043.41, 1289.11, 31932.59, 9420.28, 14021.70, 1105.92, 3160.29, and 18311.45. From the year 2014-2015 Number of Branches, Deposit, Advances, Priority sector advances, Agricultural Advances, Advances to weaker section, Education loan, Housing loan has inc 655, 35825.27, 44373.17, 23426.33, 12996.21, 8452.50, 876.42, 1072.82 has increased, investment is decreased in this year -122.97 and there is no micro and small enterprises loan in this year. From the year 2015-2016: 475, 52738.34, 32886.95, 27.69, 33765.63, 3960.33, 10044.27, 63.1, 1582.09, and 117790.88 has increased.



Findings

1. DCC draw up the road map to extend the banking services in Tamilnadu. From the Tables it has found out that there has 4385 villages in Tamilnadu with a population of more than 2000 and 7876 villages with a population less than 2000. And more no of villages has allocated to the area with a population of less than 2000 and 12261 village has



allocated to different bank groups and nationalized banks and State bank groups has been contributing major share for financial inclusion.

2. It is observed that 9971 bank branches has been working for Tamilnadu population out of that 52% of bank branches are nationalized banks, 28% bank branches are private sector banks and 18% of bank branches are State bank group. And the result state that more number of banks has allocated for semi urban population.
3. Banking developments shown in the study is indicate that from the year 2012-2016 there is a positive branch expansion in Tamilnadu but there has fluctuations. In the year 2013-2014 800 new branches were opened but in the year 2014-2015 and 2015-2016 only 655 and 475 branches were opened. So it is found out that there is expansion but not in an equal way. Deposit outstanding also high in the year 2013-2014 this also positively increasing. An advance has also positively fluctuation but the total quantity is negatively fluctuating. Priority sector advances, Agricultural Advances And Advances To Weaker Section Investment is increased in the year 2012- 2014.but in the year 2014-2015 there has a negative variation again it is variated in the year 2015-2016. Priority sector advances, Agricultural Advances, Advances to weaker section, Education loan, Housing loan and Micro and small enterprises performance positive in nature.

Suggestion and Conclusion

Accessibility of bank network is very important for inclusive growth. So, State bank group and RRBs should take steps to extend the bank branches for semi urban and rural population in Tamilnadu. And District wise penetration of bank branches is very necessary for financial inclusion and sustainability development.

In the Indian context, Reserve bank has always sought to balance the risk of partnerships and product innovations with the ability to achieve greater penetration in a safe, secured and prudentially sound manner. The underlying belief is that only sound and strong institutions can promote financial inclusion in a sustainable manner and, towards this end, prudent regulations have to be in place to achieve inclusion while protecting financial stability and consumer interest.

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