



Effectiveness of The Financial Inclusion Programme: A Case Study of Syndicate Bank

NAGARAJA

LECTURER, MILAGRES COLLEGE, KALLIANPUR-576114, UDUPI DISTRICT AND TALUK, KARNATAKA

KEYWORDS :

Introduction:

Financial inclusion has become one of the most critical aspects in the context of inclusive growth and sustainable development in the developing countries like India (Verma and Singh, 2014). Even after 60 years of independence, a large section of Indian population still remains unbanked. In India out of 19.9 Crore households, only 6.82 crore households, have access to banking services. As far as rural areas are concerned, out of 13.8 crore households in India, only 4.86 crore households have access to banking services. In urban areas only 49.52% of households have access to banking services. Over 41% of adult people in India do not have bank account (Madurai, 2011). This malaise has led generation of financial instability and pauperism among the lower income group who do not have access to financial products and services (Bhandawat, 2013). However, in the recent years 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. The 100 per cent financial inclusion drive is progressing all over the country (Madurai, 2011). Against this background, an attempt has been made to study the effectiveness of the financial inclusion programme at a micro level.

Objectives of the study:

The objective of the present study is to highlight the effectiveness of the financial inclusion programme at a micro level, that is, at the branch level of a nationalised bank.

Review of literature:

Thapar (2013) says more than 50% of the bank branches in Punjab have started implementing the program in areas with population of at least 2000. But still more effort is needed to open more branches within rural areas to provide access of banking services within these areas and for having 100% financial inclusion. Sharma and Kukreja (2013) suggest in their article that mere opening of no-frill bank accounts is not the purpose or the end of financial inclusion while formal financing institutions must gain the trust and goodwill of the poor through developing strong linkages with community-based financial ventures and cooperatives. 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. Paramasivan and Kumar (2013) mention that the branch density has a significant impact on financial inclusion. The branch density in a state measures the opportunity for financial inclusion in India. Literacy is a prerequisite for creating investment awareness, and hence it seems to be a key tool for financial inclusion. But, literacy alone cannot guarantee high level financial inclusion in a state. It is not possible to achieve financial inclusion only by creating investment awareness, without significantly improving the investment opportunities in India. Unnikrishnan (2012) analyses the barriers to effective financial inclusion and the measures to be taken to overcome the barriers and enable inclusive growth. The study concluded by identifying the variables that helps the people financially and stating the importance of social inclusion in relation to financial inclusion. In this context, an attempt has been made to study the effectiveness of the financial inclusion programme at a micro level by choosing a particular branch of Syndicate bank.

Research Methodology:

The study mainly depended upon the primary data. However, some

secondary sources of data were also consulted for the purpose of gathering background information supporting the study. Relevant primary data was collected from the manager and officers of the Kallianpur branch of nationalised Syndicate bank personally. The State of Karnataka, particularly the region comprising the coastal districts of Dakshina Kannada and Udupi is called as the cradle of banking in India (Sharma, 2005). Four well-known nationalised banks originated in these coastal districts, and interestingly, Syndicate bank was established in the Mooduthonse (Kallianpur) village of Udupi district and Syndicate bank is the lead bank for the Udupi district. These two coastal districts have one among the best distribution of banks in India - a branch for every 500 persons (Sharma, 2003). That is why, the researcher has considered the present branch as the best sample for this case study. The relevant primary data was also collected from the Panchayat Development Officer (PDO) and the Panchayat secretary for the purpose of this study.

Results and Discussion

Theschemeslike PradhanMantri Jan DhanYojana (PMJDY), PradhanMantriJeevanJyotiYojana (PMJJY), PradhanMantri Jan SurakshaYojana (PMJSY) and Atal Pension Yojana (APY) have been a great success in Syndicate Bank. Syndicate bank has covered all the villages and has made every possible effort to make sure that all households coming under its fold, open the bank accounts through the support of their Business Correspondents (BCs) and the local Panchayath. Syndicate bank has clearly surpassed the target under the unbanked village coverage scheme for the financial year 2013-14 by covering 1787 villages as against the target of 850 villages. The bank has surpassed the annual target under the saving bank deposit account opening in unbanked villages. It has surpassed the target for the appointment of Business Correspondents (BCs) as on 31.03.2014 by appointing 1948 BCs as against the target of 1920 BCs and the target for opening Rural branches by opening 131 rural branches against the target of 75 branches. These measures have clearly show that the syndicate bank has taken serious measures to bring unbanked people under banking services. The officers at Kallianpur branch have visited all the schools and colleges around Kallianpur to open students' accounts.

Financial Inclusion in Kallianpur Branch:

PradhanMantriJhanDhanYojana(PMJDY):

Prime Minister Sri NarendraModilaunched the national mission on financial inclusion named as PradhanMantriJhanDhanYojana(PMJDY) on 28th August 2014. The PMJDY shall provide a basic bank account to every family, which till now, has no bank account. It is a no frill account, which can be opened by producing the minimum KYC details with photo. This scheme aims to provide security to those families who cannot afford direct insurance. In Kallianpur village, 3138 JhanDhan accounts have been opened in syndicate bank branch as on 31st October 2015 but 1800 accounts show zero balance to their credit and the bank has sent intimation to all those having zero balance in their JhanDhan accounts, but many of intimations get returned to the bank because of incorrect address given by them. Many people have opened their bank account under this Yojana with the presumption that all will get Rs.5000 overdraft. Because of financial illiteracy they have blindly opened their bank account and they are not at all operating their accounts. There are a few people in this village they still do not have bank accounts. The branch and Panchayat have not undertaken any programme to attract those unbanked people. Even though it was clearly mentioned in the guidelines of this Yojana that a person already having bank account need not open one more account, many

of the existing customers have opened these accounts resulting in holding of multiple accounts by these individuals. 3138 accounts are opened in this branch during JhanDhan campaign and it was difficult for the bank to deliver the passbook and Rupay Cards. People had wrong assumption that everybody will get overdraft facility without interest but when they came to know the facts many did not turn up to collect passbook and Rupay card. Even though the passbook and card have been delivered to customers, the operations in these accounts are not satisfactory. In fact, many have not yet started operating these accounts at all.

PradhanMantriJeevanJyothiYojana (PMJJY):

This scheme offers a life insurance cover of Rs. 2,00,000 for death due to any reason payable to the nominee on death of insured, for a single premium of Rs. 330 per annum. The scheme is valid for one year cover and it is renewable from year to year. All the savings bank account holders, in the age group of 18 to 50 years are entitled to join this scheme. Risk In Kallianpur branch 190 account holders (100 Male and 90 Female) are the beneficiaries of this scheme as on 30 November 2015.

PradhanMantriJeevanSurakshaYojana (PMJSY):

This is an accident insurance scheme offering accidental death and disability cover for death or disability on account of accident. Risk coverage amount is Rs. 200000 on death, Rs. 200000 on irrecoverable loss of both eyes or loss of use of both hands or feet or loss of sight of one eye or loss of use of one hand or foot. The scheme is valid for one year cover and it is renewable from year to year. Premium payable is Rs. 12 per member which will be deducted from savings bank account on the 1st of June every year. 2.80% of the total account holders of the Kallianpur branch are participating in this scheme (481 accounts – 208 Male and 273 Female) as on 30 November 2015.

Atal Pension Yojana (APY):

The government of India is concerned about the old age income security of the working poor and is focused on encouraging and enabling them to save for their retirement. To address this risk among the workers in the unorganised sector and to encourage them to voluntarily save for retirement, the government has announced a new scheme called Atal Pension Yojana in the budget for the year 2015-16. Under this scheme, there is a guaranteed minimum monthly pension for the subscriber ranging between Rs 1000 to Rs 5000 per month. The benefit of minimum pension is guaranteed by the government. The government also contributes 50% of subscriber contribution or Rs. 1000 per annum, whichever is lower. All the citizens of India aged between 18-40 years are eligible for APY scheme. Unfortunately, only 12 people (less than 0.10 % of the total account holders) are using this Yojana in Kallianpur branch. It shows the labour class account holders are in this scheme, and many are labour class account holders they are less bothered about pension and even the bank has not undertaken any measures to attract the people.

Prime Minister Mudra Yojana:

Micro Unit Development and Refinancing Agency Ltd (MUDRA) has been opened with the objects of 'finding the unfunded' and 'formalizing the informal'. MUDRA aims at providing finance / refinance to last mile financial institutions like commercial banks/RRB/ Co-operative banks, etc. which are in the business of financing micro enterprises in manufacturing, trading and services sectors in rural and urban areas. As per this scheme, the eligible banks can avail refinance for loans given to micro units disbursed on or after 08/04/2015 upto Rs. 10 lakhs per unit from MUDRA. Non-farm enterprises in manufacturing, trading and service sectors whose credit needs are below Rs. 10 lakhs and given to income generating activities will be known as Mudra loans. Upto Rs. 50,000/- loan amount is classified as "Shishu", Rs. 50,001 to Rs 5 lakhs loans termed as "Kishore" and from Rs 5 lakhs to 10 lakhs loans are classified as "Tarun". Only 12 people are beneficiaries of this scheme as on 30 Nov 2015 in the Kallianpur branch.

SHG and JLG:

Self Help Group are believed to be most effective tool for delivering credit and are often considered as an alternative loan delivery system with minimal defaults. This scheme is effective for delivering the credit particularly to rural for their economic and social development. Joint Liability Groups are informal group comprising 4 to 10 individuals coming together for the purpose of availing bank loan either in sin-

gle or through group mechanism against mutual guarantee. Generally the members of JLG would engage in a similar type of economic activity in the Agriculture and Allied sector. The members would offer a joint undertaking to the bank that enables them to avail loans. JLG members are expected to provide support to each other in carrying out occupational and social activities. In Kallianpur, only 8 groups are actively involving in banking activities they are taking joint loans and repaying through instalments.

Summary of the Research Findings:

Here is a brief summary of the research finding:

Self-employed people are making the use of banking services and operating their accounts frequently compared to labour class category. Approximately 230 business accounts are there in this branch.

Branch has maximum number of customers in the middle class category. So, there is significant potential for expanding banking business and having more deposits as middle class people tend to save more for their future.

The branch has opened 5,463 no frills accounts of their customers but it is not very effective for the coverage of more population under financial inclusion programme because of RBI's conditions.

The major challenge faced by the branch is lack of awareness among the potential customers and also lack of ability of the customers to produce their identity proof with the bank branch.

Customers are preferably using ATM facilities (10,700 holders), mobile banking (1,200 account holders) and credit card (36 account holders) facilities for making payments as it is more convenient for them.

The branch bankers feel that the financial inclusion programme has not reduced the dependence of money lenders by the people to some extent.

Suggestions:

The researcher would like to make the following suggestions for enhancing the financial inclusion program at the branch level:

The bank should do regular surveys in villages for understanding the financial needs of the people.

Bank should collect feedback from its customers about their services.

Telecom service providers and bank should work together to improve mobile banking services which should be encouraged.

The government should make it binding for the local authority and the bank to conduct some awareness programme in their locality.

NGOs and social organisations should, in collaboration with bank and local government, conduct street plays in rural areas to create awareness.

Conclusion:

The study concludes that the Syndicate bank is meeting the guidelines of the RBI for opening branches in areas with population above 2,000 by offering no frills account and by simplifying KYC norms, but still a lot is desired to be done to achieve progress in the financial inclusion programme. Bank needs to create more awareness about banking services among rural people. The local panchayat too, has to effectively join hands to achieve complete financial inclusion. Financial inclusion may be a social responsibility in the short run but it will turn out to be a huge business opportunity in the long run. Financial inclusion of the unbanked masses is expected to unleash the hugely untapped potential of the bottom of pyramid section of Indian economy. Perhaps, financial inclusion can begin the next revolution of growth and prosperity in our country.

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