Bank And Financial Inclusion In India

DR. Peeyush Prakash

Head and Associate Professor , commerce Department Dav college kanpur (U.P.), India

Abstract: Government has planned to have inclusive growth in the country as mere growth in GDP is no enough. This requires financial inclusion for masses of the country. Weaker section of the society. which, is excluded from the growth process, has also to be part of this process. It requires banks to take various measures to make financial inclusion a success. 'Business Correspondent Model' has been quite successful in this regard.

Today, the emphasis is not only on rapid growth but inclusive growth. There are countries which have grown faster but there is no substantial reduction in poverty rate. They should focus specifically on the inclusion of growth strategy i.e., on equality of opportunities for individuals to grow. What is needed is proper growth. The low-income group and weaker section of the society should not be excluded from the process of growth. In India, recently, there has been more emphasis on inclusive growth and Government policies are being drawn keeping it in mind.

Inclusive growth requires, besides other areas of growth, the development of financial inclusion at a greater pace so that sustainable growth of the country, as a whole, may be possible and inequality in income may be reduced considerably.

According to D. Subbarao, Governor of Reserve Bank of India, "financial inclusion is not merely opening of bank accounts.

The account must be made operational to provide benefits beyond deposit of money like availability of credit, remittance facility and overdraft among others".

The coverage of banking services may be measured by average population served' her branch. It has been found that the branch penetration, deposit and credit activity are much less than the benchmark, as suggested by OECD.

There is rural-urban gap also from the point of bank penetration. The benchmark and achievement from the point of branches for 100] 000 people, deposit accounts for 1000 people and loan accounts per 1000 people in the country may be seen from the following table.

TABLE-1
EXTENT OF EXCLUSION

Access to finance	2001	2008	Benchmark (OECD)
Demographic branch penetration (branches per 100000 people)	6.4	6.6	10.69
Deposit accounts per 1000 people	417	467	976-1671
Loan accounts per 1000 people	51	89	248-513

Source : Getting Finance in South Asia 2010, World Bank, quoted by R.B.I. Thus, it appears that during 2001-08, there is no significant change in these regards.

As compared to benchmark the actual achievement is much less.

We also find considerable disparity across various states of the country regarding average population (in thousand) per bank branch. It may be clearly seen from the following table :

TABLE -2
Average................Branch

States	Average population per bank branch
Chandigarh, Goa	4000
Lakshwadeep	6000
Himachal Pradesh	7000
Delhi, Punjab, Sikkim, Kerala	8000
Uttarakhand, Puduchery	9000
Karnataka, Daman and Diu	10000
Haryana, Mizoram, Andaman and Nicobar island, Dadar and Nagar Haveli, Tamil Nadu	11000
Jammu & Kashmir, Meghalaya, Gujarat, Andhra Pradesh	13000
Maharashtra	14000
Orissa	15000
Arunachal Pradesh	16000
Rajasthan Tripura	17000
Jharkhand, West Bengal] Madhya Pradesh	18000
Chhatisgarh, Uttar Pradesh	20000
Assam	22000
Bihar	25000
Nagaland	26000
Manipur	33000

Source : Reserve Bank of India

If we analyse the above table we find that situation of 13 states, including Chandigarh, Goa, Uttarakhand and Pondichery among others, is quite satisfactory as the average per thousand population per branch is between 4000 to 9000. In Karnatak, Daman and Duu. 1000 people are covered per bank branch whereas Chhatisgarh and Uttar Pradesh the number is 20000. In 17 other states, it is in between 10000 to 20000 people. At the bottom is Manipur it is 33000 Nagaland 2600. and Bihar 25000. It may be noted that these states face more serious law and order problems. The two states that have made maximum progress over the last decade, in this respect, are Tripura and Madhya Pradesh covering on an average 5000 more people per branch. Smaller states have done better. Moreover, in the southern states the situation is quite satisfactory state

economics and higher education levels.

Banks have been carrying on branch expansion in rural areas with a view to extend scope for financial. The following table depicts the position of rural branches in the country.

Table - 3
Banks' Rural Branches

	Bank Group	as on 30.06.2003	as on 30.06.2008
1	State Bank of India & its associates	5486	5399
2	Nationalised Banks	13651	13231
3	Regional Rural Banks	12003	111516
	Total of public sector banks	31140	30146
4	Other Indian scheduled Commercial Banks Commercial Banks	1121	10053
5	Foreign banks all scheduled banks	32261	31199
6	Non-scheduled banks	5	11
7	All Commercial Banks	32266	31210

The opinion of N.C. Khulbe, General Manager of Bank of India is that "Some money lenders charge villager as high on 5 per cent interest. it is a business opportunity for banks. The emphasis is on credit delivery. The credit worthiness of a small borrower is usually very high". Thus, banks would be able to gain much from financial inclusion.

Today, banks are opening no-frill accounts which is becoming quite popular among the poor people of society. The banks also see it as a growing business opportunity

Thus, we find that banks would have to take rural measures for financial inclusions. For banks, it makes business sense to get involved in it as in the long run it is going to be profitable for them. They have to help the Government in achieving the object of inclusive growth which would help all weaker sections and low income people of the country.

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