

ROLE OF BANKING INSTITUTIONS OF FINANCIAL INCLUSION IN PUDUCHERRY

G. TAMILMOZHI

*Ph.D., Research scholar
Department of Commerce
VISTAS*

Pallavaram, Chennai.

&

Dr.M.VETRIVEL,

*Associate Professor,
Research Guide*

*Department of Commerce,
VELS University (VISTAS),
Pallavaram, Chennai.*

Mail Id: vetrivel.sms@velsuniv.ac.in

Mobile: 9688602879, 9585178221.

ABSTRACT

Financial inclusion is an important tool of inclusive growth. Financial inclusion is concerned with the delivery of banking services at an affordable cost to the vast section of disadvantaged, underprivileged and low income group who tend to be excluded. The present paper attempts to examine the relevance of financial inclusion of inclusive growth in Puducherry. The major issues identified from the survey are infrastructural issues like remote and sparsely populated areas with poor infrastructure and physical access, demand side issues like lack of awareness, low income, absence of collateral security, social exclusion, illiteracy and supply side issues like distance from branch, branch timings, cumbersome documentation and procedures, for opening bank accounts, unsuitable banking products/schemes, high transaction costs, language, attitude of the staff and easy availability of loans from informal sources.

Key words: Financial inclusion, Inclusive growth, Co-operative Bank, RRB.

INTRODUCTION

The aim of financial inclusion is to promote sustainable development and generating employment for a vast majority of the population especially in the rural areas. In the first ever index of financial inclusion to find out the extent of reach of banking services among 100 countries, India has been ranked 50. At present, only 34 per cent of the India's population has access to basic banking services. The latest National sample survey organization survey reports that there are over 80 million poor people living in the cities and towns of India and they lack access to the most basic banking services-such as savings accounts, credit, remittances and payment services, financial advisory services. Low income groups do not have access to the formal banking systems, as they usually do not have the documents needed to open a bank account. As a result, they depend on the informal sector for their savings and loan requirements. Recognizing the importance of inclusive growth in India, efforts are being taken to make the

financial system more inclusive. The Report Committee on financial inclusion headed by Dr. C. Rangarajan (2008) has observed that financial inclusion must be taken up in a mission mode and suggested a National Mission on financial inclusion (NMFII) comprising representation of all stakeholders for suggesting stakeholders in the domain of public, private and NGO section in undertaking promotional initiatives.

FINANCIAL INCLUSION

Financial inclusion mean the delivery of financial services, including banking services and credit, at an affordable cost to the vast sections of disadvantaged and low-income groups who tend to be excluded. The various financial services include access to savings, loans, insurance, payments and remittance facilities offered by the formal financial system. Among the key financial services that are of great relevance here are risk management or risk mitigation services vis-à-vis economic shocks. Such shocks may be an income shock due to adverse weather conditions or natural disasters, or an expenditure shock due to health emergencies or accidents, leading to a high level of unexpected expenditure.

FINANCIAL INCLUSION IN PUDUCHERRY

The economic landscape of India has undergone tremendous change with visible signs of growth momentum in all sectors. However, the benefits have not equitably percolated to different parts of our society. Even after establishment of co-operative banks, nationalization of major commercial banks and creation of Regional Rural Banks, only 59 per cent of adult populations in the country have bank accounts. Only 39 per cent of rural adults have access to accounts while in the urban areas the percentage raises to 60. Only 14 out of 100 adult are having loan accounts on an all India basis. In rural areas it is just 9.5 per cent. The top six metros (Mumbai, New Delhi, Chennai, Kolkata, Bangalore and Hyderabad) alone contribute 45 per cent to total deposit and 56 per cent to credit, indicating lower penetration of banking service in the rest of the country.

The reasons for such low banking penetration can be attributed mainly to low income, unemployment and under employment, low level of awareness, low level of financial literacy, and lack of access to banking facilities in remote areas. Those who have banking habit lack familiarity with vastly available financial products to select those suitable to them. They are left unprotected against decisions they make owing to inadequate financial education. Financial inclusion is receiving due attention in our country as a means to provide access to financial services to all the people in a fair, transparent and equitable manner at affordable cost. There is an imperative need to modify the credit and financial services delivery system to achieve greater financial inclusion.

Financial Services provided by Financial Co-operatives

In Ethiopia, rural based small financial cooperatives provide only basic products that are loans and savings. There are the most important financial services for low-income House Holds, such as:

1. Safe facilities for savings,
2. Enabling savers to smooth consumption,
3. Prepare for emergencies,
4. Gradually accumulate financial resources,
5. Self-finance the purchase of durable goods, and make investments.

TABLE:1

Financial Inclusion by Co-operative Bank

Particulars	No. Branch
No. of Branches	27
Households already having A/C with Banks	124
No. of account opened	31717
Total Number of account	31841
Amount Mobilised (Rs. Lakhs)	241.38

Source: State Level Bankers Committee Report Puducherry (2012).

Table no. 1. Shows that financial inclusion by Co-operative banks during the year, there are 27 branches, and with households opened account 124 branches, no of account opened 31717 branches, total number of account holders 3184, with the amount mobilised amounted to Rs. 241.38 lakhs during the year.

RRB's Potential Role in Financial Inclusion

Post-merger RRBs represent a powerful instrument for financial inclusion. Their outreach vis-à-vis other scheduled commercial banks particularly in regions and across population groups facing the brunt of financial exclusion is impressive, as observed from an analysis of Basic Statistical Returns of RBI and indicated in the following paragraphs. With merger infusing the much the local feel and familiarity they command, RRBs are in a unique position to play a decisive role in financial inclusion.

TABLE: 2

Financial Inclusion by Regional Rural Bank

Particulars	No. Branch
No. of Branches	27
Households already having A/C with Banks	1456
No. of account opened	50652
Total Number of account	52108
Amount Mobilised (Rs. Lakhs)	54.17

Source: State Level Bankers Committee Report Puducherry (2012).

Table no. 2. Indicates that financial inclusion by regional rural bank during the year 2012, there are 27 branches, total no. of account holders 52108, of which mobilised amounted to Rs.54.17 lakhs.

ROLE OF COMMERCIAL BANKS TOWARDS FINANCIAL INCLUSION

The whole process financial inclusion will not possible without the contribution of banks. Banks are the key pillars of India's financial system. Public have immense faith in banks. Share of bank deposits in the total financial assets of households has been steadily rising. Banks enjoy considerable goodwill and access in the rural regions lending to agricultural activities and small scale industry is in the priority sector for lending of the commercial banks.

TABLE:3

Financial Inclusion by Private Sector Bank

Sl. No.	Name of The Bank	No. of Branches	Households already having A/C with Banks	No. of A/C Opened	Total Number of A/C	Amount Mobilised (Rs. Lakhs)
1	ICICI Bank	5	450	3249	3699	10.03
2	Catholic Syriyan Bank	1	1306	165	1471	0.12
3	City Union Bank	2	1245	2597	3842	0.16
4	Federal Bank	2	538	1180	1718	8.06
5	Karnataka Bank	1	391	1223	1614	8.01
6	KarurVysya Bank	2	1024	1756	2780	0.53
7	Lakshmi Vilas bank	3	2376	1892	4268	4.28
8	South Indian Bank	2	1598	434	2032	0.51
9	Tamilnadu Mercantile Bank	2	1071	1691	2762	4.38
10	ING Vysya Bank	1	1201	530	1731	0.43
11	AXIS Bank	1	2400	318	2718	0.66
12	HDFC Bank	4	2300	1229	3529	14.24
13	Indusind Bank	1	800	389	1189	0.57
Total		27	16700	16653	33353	52.00

Source: State Level Bankers Committee Report Puducherry (2012).

Table no. 3. Shows that the financial inclusions of Puducherry as on 31.12.2012, there are 13 banks in private sector bank, Total house hold already opening account 16700 and out of which total no of account opened 16653 lakhs. Total number of account 33353 of which total mobilised amounted to Rs.52.00 during the year.

TABLE:4
Financial Inclusion by Public Sector Bank

Sl. No.	Name Of The Bank	No. of Branches	Households Already Having A/C with Banks	No. of A/C Opened	Total Number of A/C	Amount Mobilised (Rs. Lakhs)
1	State Bank of India	19	423	51259	51682	134.92
2	Allahabad Bank	1	1645	790	2435	0.54
3	Andra Bank	3	708	2383	3091	3.99
4	Bank of Baroda	1	95	3737	3832	2.63
5	Bank of India	5	82	7073	7155	37.45
6	Bank of Maharashtra	1	1343	1205	2548	4.82
7	Canara Bank	5	1488	7282	8770	17.09
8	Central Bank of India	3	1854	4598	6452	6.82
9	Corporation Bank	2	795	4184	4979	23.07
10	Indian Bank	25	601	101004	101605	137.61
11	Indian Overseas Bank	15	196	31932	32128	41.55
12	Oriental Bank of Commerce	1	2508	931	3439	3.50
13	Punjab National Bank	2	229	2130	2359	10.46
14	State Bank of Travancore	1	1108	1660	2768	4.57
15	State Bank of Hyderabad	1	877	1380	2257	1.01
16	State Bank of Mysore	1	278	823	1101	8.79
17	Syndicate Bank	4	151	9409	9560	13.40
18	UCO Bank	7	501	18082	18583	14.53
19	Union Bank of India	3	534	1736	2270	13.82
20	United Bank of India	1	1069	811	1880	0.81
21	Vijaya Bank	2	2104	621	2725	1.14
22	Dena Bank	1	2116	215	2331	0.07
23	IDBI Bank	1	1475	515	1990	0.16
Total		105	22180	253760	275940	482.76

Source: State Level Bankers Committee Report Puducherry (2012).

Table no. 4 reveals that the financial inclusion UT of Puducherry as on 31.12.2012. There are 23 banks in Public Sector Banks. Total house hold opened account 22180 lakhs and out of total no of account opened 253760 lakhs and out of total no of account 275940 lakhs of which total amounted mobilized Rs. 482.76 lakhs.

CONCLUSION

Financial inclusion is a new innovate concepts. It is the aims of banking and financial services to unbanked areas. In rural banks may be equipped with motivated and trained staff having some marketing skills and knowledge an appraisal of small loans. After opening no frill accounting, proper measures may be made to organise them into groups for in calculating the habits of thrift which will ultimately enables

them to avail credit facilities. Financial inclusion can truly lift the financial condition and standards of life of the poor and the disadvantaged. The financial inclusions are play vital role of economic opportunity and improve the living standard for inclusive growth. The state and central government should be awareness on banking services is very important 100 per cent success of financial inclusion.

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