

A STUDY ON FINANCIAL INCLUSION STRATEGIES OF COMMERCIAL BANKS IN TIRUNELVELI DISTRICT.

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ABSTRACT

The nationalization of commercial banks in 1969 was, therefore, a landmark in the history of Indian banking and seen as an opportunity to bring these in a big way in the areas of financial inclusion to provide a strong background for economic development though commercial banks are playing an effective role in rural development, they are faced with a number of problems and a large segment of the rural economy is still beyond the reach of the organized commercial banks (joshi 1997). A vast segment of india's population exists on the margin of india's financial system. But, the banker concentrated on the big profit yielding customer segments. many areas not focused such as farmers, landless laborers, self employed and unorganized sector enterprises, urban slum dwellers migrants ethnic minorities and socially groups senior citizen and women. To resolve these problems the present research work is undertaken to study the financial inclusion strategies of leading commercial banks in tirunelveli district. The strategies adopted by the commercial banks for financial inclusion are accessed by their employees responses. On the basis of their reponses it is concluded that financial inclusion and inclusive growth are no longer just policy choices , but are policy imperatives, which would determine the long term fincial stability and sustainability of the economic and social order going forward.

FINANCIAL INCLUSION STRATEGIES OF COMMERCIAL BANKS

INTRODUCTION

The Banking system is the backbone of Indian Economy. The new economic policy of Liberalization, Privatization and Globalization (LPG) bring paradigm shift in banking system. It forces the banking industry to become more proactive, dynamic and service oriented than profit oriented. Financial inclusion is the important strategy of bank to provide financial service at affordable costs to the section of disadvantaged and low income segments of society. The Reserve Bank of India (RBI) set up the Khan Commission in 2004 to look into financial inclusion and the recommendations of the commission were incorporated into the mid-term review of the policy (2005-2006). As per the recommendation of the commission, Public sector banks are requested by the RBI to go the extra mile with their financial inclusion efforts. While the RBI has asked them to provide basic banking service to all no banked villages with a population of over 2,000 by March 2012, the bank are gearing up to cover even villages with population of between 1,000 and 2,000. It was noted that the co-operatives alone, though they had increased their coverage since 1950, both in terms of membership and finance provided, would not be in a position to meet the increasing requirements of credit. The nationalization of commercial banks in 1969 was, therefore, a landmark in the history of Indian banking and seen as an opportunity to bring these banks in a big way in the areas of financial inclusion to provide a strong background for economic development.

STATEMENT OF THE PROBLEM

A vast segment of India's population exists on the margin of India's financial system. But, the banker concentrated on the big profit yielding customer segments. Many areas not focused such as farmers, landless laborers, self-employed and unorganized sector enterprises, urban slum dwellers, migrants, ethnic

minorities and socially groups, senior citizen and women. The reason for his phenomenon is financial inclusion is a complex issue. The banking sector should face the problem of accessibility, inadequacy of credit and bad debt. But the commercial banks are advised by RBI to use advanced technology and recruit more efficient people to achieve financial inclusion in order to compete private banks. In this context, it is essential to know whether the strategies of the public sector banks really reach the outreach. Because, the financial inclusion could contribute sufficiently to improve the well-being of the citizen, besides, the developing country like India can get developed society by self-reliance and self development of the communities. Though commercial banks are playing an effective role in rural development, they are faced with a number of problems and a large segment of the rural economy is still beyond the reach of the organized commercial banks (Joshi 1997). To resolve these problems, the present research work is undertaken to study the financial inclusion strategies of leading commercial banks.

SCOPE OF STUDY

There are various types of banks which operate in our country to meet the financial requirements of different categories of people. On the basis of function, the banks can be classified into five categories Viz. Central Bank, Commercial Bank, Development Bank, Co-Operative Banks and Specialized banks. It has been universally accepted that Commercial Banks have a vital role to play in the progress of an economy irrespective of its status as developed or underdeveloped (Rajithakumar and Sarangadharan 2003). Hence, this study has focused only the Commercial Banks located in Tirunelveli District.

OBJECTIVE

- ▶ The main objective of this study is to know the strategies adopted by the commercial bank for financial inclusion

RESEARCH METHODOLOGY

Research Design	Empirical Study
Population	Employees of Leading Commercial Bank (SBI, Canara Bank, I.O.B) in Tirunelveli District
Sample Size	<ul style="list-style-type: none"> ✚ SBI – 20 Employees ✚ Canara Bank – 20 Employees ✚ I.O.B - 20 Employees
Sampling Techniques	Convenient Sampling
Source	Primary Data
Instrument	Mobile
Statistical Tools used	Percentage Analysis and Graph
Period of Study	December 2017 to January 2018

FINANCIAL INCLUSION STRATEGIES OF COMMERCIAL BANK

Percentage Analysis

The main aspire of financial inclusion plan is delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. To attain this objective now commercial banks are taking innovative steps with the directive from RBI. Besides, commercial banks are considering financial inclusion as a business opportunity in an overall environment that facilitates growth. The various financial inclusion strategies are navigating by commercial banks includes linkage model, agent banking, client empowerment, ICT enabled services and simplification of rules and regulation like no frill account relaxation of KYC and low interest rate ceiling. The implementation of financial inclusion strategies will be successful when it is really implemented by the banks. The strategies adopted by the commercial banks for financial inclusion are accessed by their employees' responses and it is given in Table 1

TABLE 1
STRATEGIES OF COMMERCIAL BANKS FOR FIANCIAL INCLUSION

S.No.	Strategies	Yes	No
1	Association with FLCC/ FSS/ SFDA	22 (36.67%)	38 (63.33%)
2	Association with N.G.Os	45 (75%)	15 (25%)
3	Awareness Camp organized for Financial Inclusion	35 (58.33%)	25 (41.67%)
4	Bancassurance	40 (66.67%)	20 (33.33%)
5	Biometric ATM	-	60 (100%)
6	Business Correspondent Model (Smart Card System / General Credit Card)	30 (50%)	30 (50%)
7	Core Banking	43 (71.67%)	17 (28.33%)
8	ICT enabled Services (Mobile Banking / E- Banking)	35 (58.33%)	25 (41.67%)
9	Issue of Kisan Credit Card	38 (63.33%)	22 (36.67%)
10	Microfinance via MFI	44 (73.33%)	16 (26.67%)
11	No Frills Account	53 (88.33%)	7 (11.67%)
12	Respite of KYC regulation and interest rate	49 (81.67%)	11 (18.33%)

Source: Primary data

Note:

FLCC -Financial Literary and Counseling Centre
 FSS – Farmers Service Societies
 SFDA – Small Farmers Development Agency
 NGO – Non –Government Organization
 ATM – Automated Teller Machine
 ICT - Information and Communication Technology
 MFI – Micro Finance Institutions
 KYC -Know Your Customer

FINDINGS

- ✚ 63.33% of the bank employees said that their bank has not association with FLCC/FSS/SFDA
- ✚ 75% of the respondents have accepted that their bank has association with NGOs to disseminate the service and the reaming have not association with NGOs.
- ✚ Majority of the respondents (58.33%) have accepted that they are arranging awareness camp to educate customers and implement financial inclusion effectively.
- ✚ Two Third of the bank employees accepted that they are offering Bacassurance.
- ✚ All the respondents (100%) invariably expressed that their bank have not offered Bio-Metric ATM.
- ✚ Regarding Business Correspondent Model strategy exactly half of the response is positive.
- ✚ 71.67% of the respondents have accepted that they are offering core banks services .
- ✚ Nearly 60% of the respondents said that their bank is offering ICT enabled services.
- ✚ 63.33% positive response towards Issue of Kissan Credit Card.
- ✚ The highest positive response (88.33%) got for No Frills Account and the relaxation of KYC and interest rate takes second place.

SUGGESTIONS

The following are the suggestions recommended from this study

- ✓ The banks should work in association with FLCC/FSS/SFDA to know the customers and they should offer all forms in the regional language of the customers.
- ✓ They should maintain the same relationship with NGOs because that is the right channel to attain financial inclusion.
- ✓ The banks must create awareness among the people concerning the Significance of banking services by advertisement and financial inclusion campaign.
- ✓ ATMs are one of the most cost effective ways of reaching the rural poor. Thus, new Biometric ATMs have to be established to assist the customers who are unable to Memorize PIN and change for security purpose.
- ✓ Technology can play a major role in reducing the cost of availing financial services. Thus, banks should adopt advanced technology to open up new avenues for service delivery.
- ✓ The government should include financial literacy in the curriculum of schools and colleges. The government should also raise the Financial Inclusion Fund and a Financial Inclusion Technology Fund to reach banking services to the unbanked areas. The government should pay all the social security payments through the bank account of the beneficiary.

CONCLUSION

Financial inclusion becomes a major prerequisite to poverty alleviation. Reserve Bank of India's vision for 2020 is to open nearly 600 million new customers' accounts and service them through a variety of channels by leveraging on information technology. Financial inclusion and inclusive growth are no longer just policy choices, but are policy imperatives, which would determine the long-term financial stability and sustainability of the economic and social order, going forward. We need to ensure that all of us are collectively willing to walk that extra mile to ensure that our fellow countrymen get easy access to the financial system and are able to leverage this access to improve their economic and social well-being. Finance and banking systems are very strong. It is time to focus on people at the bottom of the pyramid and align all sections with the systems that have been put in place. It is concluded that there are lots of untouched and unexplored areas for fulfilling social and professional commitments.

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