

## **Performance of Banks under Financial Inclusion and the Reasons for Slow Progress- A Study of Rural Area of Udaipur District in Rajasthan**

**Gaurav Suwalka<sup>1</sup>**

### **ABSTRACT**

Financial Inclusion assumes paramount importance in our country where 65 percent population lives in rural area, engage in agriculture and allied activities with large numbers of them are poor. The aim of Financial Inclusion is to promote sustainable development and generate employment for a vast majority of population especially in the rural area. The banks' role is vital in mobilizing savings and providing credit in rural area. Though our country's economy is growing at around 7 percent, the growth is not inclusive of rural people. Majority of rural people are financially excluded (Kainth, 2010). The performance of banks in rural area is not satisfactory. The present study was conducted in rural area of Udaipur District in Rajasthan with the aim of finding out the reasons for poor performance under Financial Inclusion. Sample size of 120 rural people and 12 bankers were kept as respondents. Many reasons were opined by the rural people and bankers. The important ones are not attending to the rural people, not interacting with them for lack of time, not financing the needy rural poor, dormancy of accounts, lack of infrastructure, distance from branches, illiteracy and frequent need of credit by rural people.

**Keywords:** Financial Inclusion, Rural Area, Performance, Reasons.

### **INTRODUCTION**

Financial inclusion and inclusive growth are inter-related and inter-dependent. For growth to be inclusive, all people should have access to financial services. In India, we can see that growth is hampered by financial exclusion, which is just the opposite of inclusion. Many times, banking services are not delivered adequately specially in rural areas. The services which normally come under financial inclusion include credit, savings, insurance, payment and remittance facilities (Sundara Rajan, 2009). Financial Inclusion is likely to connect the masses to banks with significant benefits. When we say about Financial Inclusion, we cannot ignore growth aspect, especially for India. Financial Inclusion is a necessary requirement for acquiring growth with equity. Credit at reasonable cost protects the poor from the clutches of selfish and greedy moneylenders. It mobilizes the savings of the poor into the formal financial intermediation and channelizes them into investment. Insurance to their lives and pension schemes are considered vital for them. Government is also giving more emphasis on Financial Inclusion. The programme is in focus since 2006 in India but the economic condition of majority of rural people shows no significant

improvement. Hence, it was felt necessary to study the performance of banks under Financial Inclusion and the reasons for slow progress of the same.

### **METHODOLOGY**

The present study was undertaken in Udaipur district of Rajasthan state. The district comprises of 19 development blocks, from which two development blocks viz. Girwa and Sarada were selected purposively as these blocks are having more population of scheduled caste (SC) and scheduled tribes (ST).

The performance of banks in Udaipur district and in the selected village was analysed under Financial Inclusion to find the reasons for poor performance. Total six villages were selected randomly from these blocks. Rural people from each village were selected proportionately for making sample size of 120 respondents. Six banks working in these selected villages were taken with sample size of 12 respondents from bank officials. The rural people & bankers responded with 10 reasons separately for the slow progress of Financial Inclusion. The reasons were given Mean Percent Score (MPS) and prioritized one to ten.

**RESULTS AND DISCUSSION**

**Performance of banks in Udaipur district and selected rural area**

Table 1 revealed that banks are confining themselves to opening of basic savings bank accounts. The performance under opening of accounts under Pradhan Mantri Jan Dhan Yojna (PMJDY) is 37 percent in the district as a whole and 29 percent in the selected villages. 22 percent of people have been provided with RuPay debit cards in the district whereas only three percent of rural people have been provided with RuPay debit cards in selected villages. Performances under most of the other parameters like permitting overdraft in no fill accounts, Pradhan Mantri Suraksha Beema Yojna (PMSBY), Pradhan Mantri Jeevan Jyoti Beema Yojna (PMJJBY), Atal Pension Yojna (APY) and Financial Literacy Campaign are dismal. Only 21 percent of adult population in the district as a whole and 11 percent in selected rural areas have access to bank credit. Hence the performance under the programme is far from being satisfactory.

**Table 1: Performance under financial inclusion programme (As at 31 December, 2015) All figures in lacs**

Parameters of Financial Inclusion	Performance in Udaipur district*			Performance in selected area**		
	Eligible Population	Coverage	Achievement (%)	Eligible Population	Coverage	Achievement (%)
Accounts under PMJDY(No.)	12	4.4	37	0.68	0.20	29
Issue of RuPay Debit Card (No.)	12	2.7	22	0.68	0.02	3
Overdraft in no frill accounts (No.)	12	NIL	NIL	0.68	NIL	NIL
PMSBY (No.)	10	0.47	4.7	0.12	0.01	8
PMJJBY(No.)	10	1.79	17	0.12	0.01	1
Atal Pension Yojna	12.5	NIL	NIL	NIL	NIL	NIL
Financial Literacy Centres(No.)	NIL	0.001	NIL	NIL	NIL	NIL
Access to credit facilities (No.)	12	2.5	21	0.68	0.08	11

Source: \* Lead Bank Office, Udaipur,\*\* Concerned bank branches in villages.

**Reasons for poor performance as opined by rural people**

**Table 2: Reasons given by rural people for slow progress under Financial Inclusion**

Reason	n=120		
	(f)	MPS	Rank
Bankers are always busy, they have no time to listen to and help the rural people.	108	90	I
Bankers are interested in achieving targets only, no concern with rural development.	85	70	VI
Credit needs of the rural people are frequent, banks do not provide credit whenever needed & hence go to non conventional source of credit.	98	82	II

Banks require collaterals for most of the loans. There is no security to offer in with most of the rural people	96	80	IV
Rural People are illiterate in general and financially illiterate in particular. Do not know bank schemes of credit. There is lengthy process & paper work in banks.	86	72	V
Bank officials do not teach about bank schemes, they do not have much interaction with local people.	84	71	VII
Banks are reluctant to finance agriculture, allied activities for the fear of NPAs.	73	61	X
There is lack of infrastructure in rural area. Roads and means of transport are needed. Electricity is not provided even for many hours.	75	63	VIII
Banks prefer already rich people to finance as they want to achieve the targets any how and be sure of recovery.	97	82	III
The bank branches are far from most the villages and the rural people find it difficult to visit the branch.	74	62	IX

It is evident from Table 2 that 90 per cent of respondents feel that bankers are not having time to listen to the rural people and they are always busy. 82 per cent of the respondents feel that banks do not cater to the frequent credit needs & the people have to go to non-conventional sources of credit, also prefer already rich people to finance. The other reasons though important, ranked last were Banks' reluctance to finance agricultural activities and distance of bank branches from rural people.

**Table 3: Reasons given by bankers for slow progress of Financial Inclusion**

Reason	n=120		
	(f)	MPS	Rank
Find no time for frequent visits to rural areas and interaction with them.	7	75	I
Lack of literacy in general and financial illiteracy in particular.	7	58.3	III
Reluctant to finance agriculture, village industries, petty business in rural areas for fear of NPA	7	58.3	III
Rural people do not operate accounts regularly, many times even no balance for annual premium of Rupees 12 in Pradhan Mantri Suraksha Beema Yojna (PMSBY)	8	66.6	II
There are no viable enterprises in rural area for finance. No. schemes to finance for consumption loans & difficulty in meeting their frequent needs.	8	66.6	II
People are leaving agriculture, traditional occupation & migrating to town & cities in search of labour.	8	66.6	II
Lack of infrastructure- road, electricity, means of transport in rural area.	7	58.3	III
Lack of collaterals with rural people, norms on collaterals need relaxation.	7	58.3	III
More banking correspondents are needed. People are not interested in becoming BC as earnings are not sufficient.	8	66.6	II
Branches are located at distance from most of the villages in command. Rural people find it difficult to visit branch.	7	58.3	III

**Reasons for poor performance as opined by bankers**

Table 3 revealed that most of the bankers (75%) find no time for frequent visits to rural areas and to have interaction with rural people. 66.6 percent of bankers feel that dormancy of the accounts, lack of viable enterprises in rural areas, shifting from agricultural activities & migration to towns, lack of banking correspondents (BCs) are other reasons for slow progress. Majority of the bankers (58.3%) count on other reasons like illiteracy of

rural people, fear of slippage of loans to non- performing asset (NPA) and lack of infrastructure in rural area. It could, thus, be inferred that the process of Financial Inclusion is facing a numbers of hurdles on its way. An urgent solution is needed for the ambitious programme to succeed.

### CONCLUSION

It is concluded from the aforesaid discussion that there are certain reasons on the part of bankers which are slowing the progress of Financial Inclusion. The most important is not attending the rural people and lack of visits to the areas. 90 per cent of the rural people & 75 percent of bankers concur with this reason. Another important reason is frequent need of credit by rural people which is supported by 82 per cent of rural people and 66.6 per cent of bankers. The government and the banks need critical review of the programme and take urgent remedial steps.

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