

Financial Inclusion Program of Various South Indian Bank in a Selected 10 Villages

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Abstract: The term Efficiency refers to getting maximum output with the limited resources (i.e.) capability of producing the maximum result and targets achieved with the limited resource of what had got. In the study that we are going to find the “Efficiency Of Financial Inclusion Program Of South Indian Bank By Comparative And Trend Analysis On The Selected Villages that are Included In this Program”. The Main Motto of Financial Inclusion is “Every Household should get financial services”. In India, RBI launched this program in 2004 by setting up Khan Commission, from that several banks started this event. In that South Indian Bank started this program in 2010. In this study we are going to find its progress, growth, effectiveness of the program by comparing the progress of selected villages covered in by financial inclusion program of SIB from Tamil Nadu.

I. Introduction

Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable. An estimated 2.5 billion working-age adults globally have no access to the types of formal financial services delivered by regulated financial institutions. For example in Sub-Saharan Africa only 24% of adults have a bank account even though Africa's formal financial sector has grown in recent years. It is argued that as banking services are in the nature of public good; the availability of banking and payment services to the entire population without discrimination is the prime objective of financial inclusion public policy.

Goals: The term "financial inclusion" has gained importance since the early 2000s, a result of findings about financial exclusion and its direct correlation to poverty

Financial Inclusion Initiatives Of South Indian Bank

Financial Inclusion

Financial Inclusion (FI) is the process of ensuring access to financial services, including timely & adequate credit where ever needed, to the vulnerable groups, such as weaker sections and low income groups at an affordable cost. In other words, it is the process of providing banking services at an affordable cost to the all vast sections of disadvantaged and low income groups. Financial Inclusion is not only a regulatory directive but also a viable business proposition.

Business Correspondent Model of Financial Inclusion

In order to extend the banking services to the un-banked / under-banked villages in the country, the bank has initiated a branch-less banking model, by appointing eligible individuals as Business Correspondents. The Business Correspondent (BC) will be an agent of the bank appointed on contract basis and will be authorized to undertake transactions on behalf of the bank, including collection of small value deposits, disbursement of small value credit, sale of micro insurance and other financial products.

In order to ensure secure, hassle-free and cost effective transactions through BC model, RBI has recommended the banks to adopt the BC models, supported by Information and Communication Technology (ICT). In other words, Information Technology is used to reach the rural masses and to bring them under the banking fold.

Products and Services

Areas focused in financial inclusion are

- Account opening and closing
- Cash and Cheque accepting and dispensing
- Cheque accepting
- Loan account opening and servicing
- Term/ Recurring deposits
- Rural employment (by appointing BC's)
- Cash and Credit a/c's

- Bill payments
- Sale and Services of insurance products
- Pension and Govt Payments
- Funds Transfer
- Balance Enquiry, Mini Statements
- Transaction Receipt
- UID integration
- Customer enrollment/ Biometric
- Simplifies Know your Customer process

Pre-requisites for the Success of Financial Inclusion

- Appropriate Technology
- Appropriate and Efficient Delivery model
- Mainstream banks determination and involvement
- Strong Collaboration among Banks, Technical Service Provider, BC Services

South Indian Bank FI Initiatives

As part of the Financial Inclusion initiatives, Bank engages Business Correspondents (BCs), who in turn extend basic banking services to the people in the said locations. Bank has formulated an exclusive smartcard based Savings Bank A/c with built in OD facility “**South Indian Bank Financial Inclusion Smart Card (SIB FINS Card) A/c**”. This product is tailor made to suit the special requirements of this sector of customers and can hold up to 10 accounts / banking services of the customer. The different types of accounts that can be held in the SIB FINS Card are recurring deposit, term deposits, loan accounts, etc.

The account opening process includes capturing the biometric information of the customers wherein the 10 fingerprints of the customers are captured. SIBFINS Cards which are issued to the customers contain the biometric as well as demographic information of the customers. The machine that is being used by the Business Correspondents to conduct small value transactions is called Hand Held Terminal (HHT). The terminal is equipped to handle contactless as well as chip based cards. The BC cards are contactless cards and the customer cards are chip based cards.



Specimen of HHT

The BC Model supports two factor authentications in the form of biometric & card recognition. Deposits can be carried out with just the card but in case of withdrawals, the fingerprint of the customers is verified with the finger prints stored in the card. Only if the fingerprint matches, will the device permit for withdrawal. A receipt is generated as confirmation to the deposit / withdrawal transactions that the customers undertake with the BCs.



FI Workflow

(a) Due Diligence in BC appointment

- Age should not exceed 45 at the time of selection, continuation subject to annual review of the performance.
- Should have completed at least SSLC and be conversant in English & local language.
- Should be well established, enjoy good reputation and stature and have the confidence of the local people.
- Should be a permanent resident of the area in which he / she is about to serve.
- Complete KYC norms to be followed before appointment

(b) Activities of BCs/CSP

- Collecting deposits, allowing withdrawals, etc from the local people
- Daily records of End of Day (EOD) and Beginning of Day (BOD) transactions
- Reconciliation of cash on a daily basis
- No. of visits undertaken by the BC in villages
- Feedback from villagers regarding BC performance
- Maximum of T+1 settlement with the branch

Transaction limits in SIBFINS Cards

FINS CARD A/cs are meant for the marginal farmers / traders & low income group people, who are denied of the basic banking services. ATM card, Mobile Banking & Net Banking facilities are not available to FINS CARD customers. A/cs are opened subject to simplified KYC norms and the limits are mentioned in the table given below. We have also implemented a Master Terminal concept, wherein the customer can also visit the base branch for doing the smartcard based transaction.

Transaction limits	At field through Business Correspondent	At Branch through Master Terminal
Max. No. of Transaction	3	-
Max. Amt. of Deposit in a single transaction	2500	5000
Max. Amt. of Deposit in a day.	7500	15000
Max. Amt. of Withdrawal in a single transaction	1000	5000
Max. Amt. of Withdrawal in a day.	3000	15000

The maximum balance in the A/c can't exceed Rs.50,000/- at a time and the total deposit in a year is limited to Rs. 1 lakh. We also extend OD up to Rs. 500/- in these 'no frills A/c s' where, transactions for 3 months are completed. This will be extended at a fixed rate of 12% interest.

Presently, we have been opening accounts for beneficiaries who are eligible for receiving benefits under different Government Schemes. The accounts that are normally opened for receiving credits in respect of benefits / subsidies in Tamil Nadu & Andhra Pradesh are mostly SIBFINS card accounts. The transfer of subsidies to the beneficiary accounts will commence shortly.

In short, Financial Inclusion is an essential pre-condition for economic development, ushering greater economic and social equity. As banking services are for public good, it is essential that banking and payment services are available to the entire population without discrimination which is ensured through the Financial Inclusion Project of the Bank.

1.4 need For The Study

The main purpose of the study is to tell what is financial inclusion and its workings, what are its uses etc towards the financial inclusion initiatives

Processes Do By South Indian Bank as FI Initiation are

- States covered in financial inclusion program of South Indian bank are Kerala, Tamil Nadu, Andhra Pradesh and Chhattisgarh.
- Till now, 141 villages, 3 ultra small branch, 145 rural branches were started for financial literacy under financial inclusion program of south Indian bank
- Now there are 111 business correspondents were appointed for those 141 villages
- Totally 24,732 customers were covered in this financial inclusion program
- In Tamilnadu they have covered 86 villages in this program

Even though these are done most of the villages were not gaining any banking services, to find this irregularity I have chosen 10 villages in Tamilnadu covered by South Indian bank and studying their proceedings of this Financial Inclusion program.

1.5 Objectives Of The Study

Primary

To analyze the usage of financial inclusion program in the selected villages covered by South Indian bank in Tamilnadu.

Secondary

1) To find the necessary steps taken by South Indian Bank in order to overcome the financial drawbacks of financial inclusion

2) To identify the awareness of financial inclusion among the people (selected villages)

II. Review Of Literature

Financial inclusion – A Step towards Inclusive Growth

B Sujatha and G Shusma

The authors tell about the need for financial inclusion. They also tell the need for financial inclusion and its contribution towards the Growth of economic development. They highlight the strategies, policies and initiatives taken, the degree of financial inclusion in India and other parts of the world and the future outlook.

Taking Banking Services to the Common man – Financial Inclusion

V Leeladhar

The author indicates the scope of financial inclusion can be expanded in two ways – statutory enactments and voluntary efforts made by the bank to reach the bottom of the pyramid. The author speaks about the international and the Indian experiences in promoting financial inclusion. The author also suggests a few steps to achieve financial inclusion. Banks need to re-design their strategies to incorporate specific plans to promote financial inclusion and make it a profitable business. The value addition “**No – frills Banks Accounts: Financial Inclusion is Good Economics**” stresses that the no – frills savings bank account introduced by several commercial banks has all the potential to revolutionize India’s rural agricultural economy.

Financial Inclusion: Reaching the Unreached

K C Charabarthi

The Three step process of financial inclusion – providing access to financial products and services, provision of various financial products and services which are available in a fair and equitable manner, and credit counseling. Access to banking, affordable credit and free market advice are the major tools deployed abroad in financial inclusion. There is a value addition “**Financial Inclusion calls for New Initiatives**” which recommends the development of new mechanisms to ensure that poverty is not exacerbated by lack of access to financial services. The poor need not only capital but also real services for their economic activities.

Financial Inclusion - How to Succeed

R H Sharma

The author lists the different types, the drivers and the consequences of financial exclusion and covers the UK and the US scenarios. The article concludes with the initiatives taken in India to accelerate financial inclusion and stresses that banks should not just consider financial inclusion as a corporate social responsibility but also consider as a business opportunity.

Challenges of Inclusive Banking

V P Shetty

The author discusses the difficulties in promoting inclusive banking, steps taken by the RBI and the role of technology in financial inclusion. Banks need to adopt an innovative, customer friendly approach to increase their effective reach so that the share of organized finance increases. The article concludes that besides banking, insurance companies too would be required to target Bottom of Pyramid Customers to achieve inclusive banking and ,in turn, to achieve inclusive growth.

Journal of Business Management & Social Sciences Research

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Indian microfinance has continued growing rapidly towards the main objective of financial inclusion, extending outreach to a growing share of poor households and to the approximately 80 per cent of the population, which has yet to be reached directly by the banks. Micro finance is the new fad in the Indian financial system. It is growing rapidly and getting a lot of attention from financial institutions, non-governmental organisations (NGOs) and the Government, as an instrument of financial inclusion that can

transform the lives of the poor. A vibrant and developed micro-finance sector can significantly impact economic development and distribution of wealth.

III. Research Methodology

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. Research methodology typically involves a full breakdown of all the options that have been chosen by a company in order to investigate something. This would include the procedures and techniques used to perform the research; as well as any of the terminology and explanations of how these methods will be applied effectively.

Sl no	Branch name	No. Of Bc's	No. Of a/c opened during 2010-14	No. Of a/c opened during 2013-14	No. Of card issued during 2010-14
1	ATHANI	1	406	251	406
2	KANIYALAPATTI	9	4311	3114	4311
3	GOPANUR PUDUR	5	754	458	754
4	PAPPAMPETTY	4	1059	709	1059
5	ARUMUGAPETTAI	2	185	131	185
6	DAMAL	4	2624	1265	2624
7	DHEEVANUR	6	2140	1218	2140
8	PADUR	1	126	73	126
9	PALLAPALAYAM	1	719	476	719
10	GOBICHETTIPALAYAM	1	289	217	289

3.1 Statement of the Problem

The Problem which company faced in this program as it newly implied one it is really difficult to explain about the program to the target audience, the Rules of RBI given them a drastic challenge to the employees who work in this program. The work which is undergone in these programs has to be done in urban areas where some of them don't have adequate facilities to run it. So the Bank has to ensure the facilities for them.

3.2 Research design:

The research design followed in this study is Analytical in nature.

Analytical Research answers questions why, how, when and by whom the incident happened. It provides suitable reason. It is an In-depth Study.

3.3 Sources of data:

This study has only used secondary data's and the main source is through internet and other internal statements like that of balance sheets, ledgers, annual report, etc. of the south Indian bank

3.4 Period of the Study:

This study was conducted during the year 2013-15

3.5 Tool used for data analysis

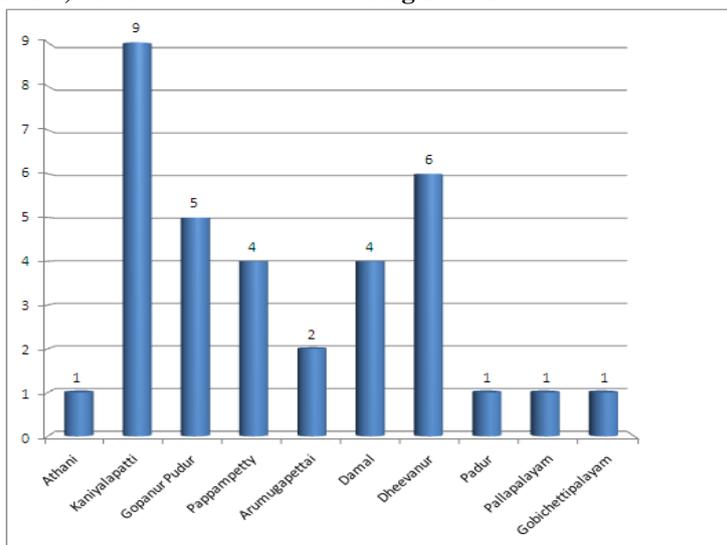
Comparative Analysis The item-by-item comparison of two or more comparable alternatives, processes, products, qualifications, sets of data, systems, or the like.

3.6 Limitations of the study

- Time was not sufficient to analyse the full program, so only specific rural areas are selected randomly for analysing (Time Consuming)
- The study is purely based on secondary data
- Due to secrecy, Bank didn't provide some of the Confidential data
As the financial inclusion program is newly started by the bank i.e. the FI program started by the bank was on 2010 so it is difficult to collect the data
- The study is based on one financial year i.e. 2013-2014.

IV. Analysis And Interpretation

4.1 Table showing no. of BC's appointed, No. of A/c opened during 2010-14, No. of A/c opened during 2013-14, and No. of card issued during 2010-14.

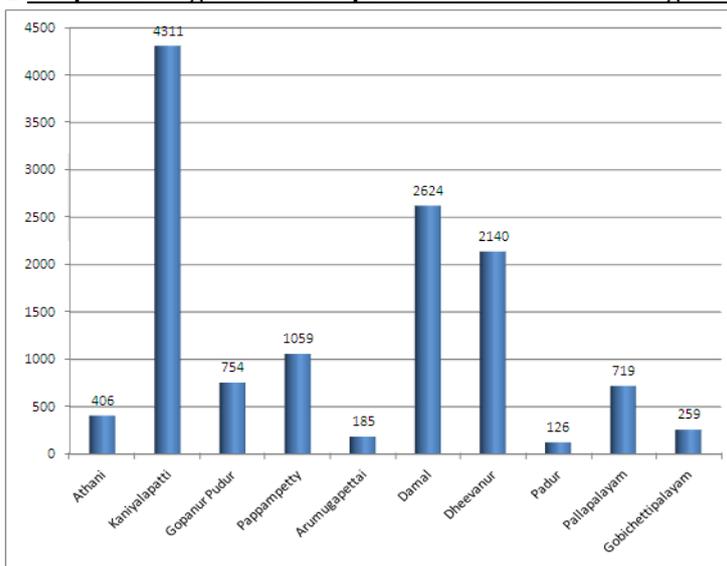


4.1.1 Graph showing No. of BC's appointed in each branches during 2010-14

Interpretation

From the study of above Diagram it is clear that Kaniyalapatti Branch have most number of Business Correspondence i.e. 9 and Dheevanur branch have second highest number of BC's due to high population and vast area. Athani, Padur, Pallapalayam and Gobichettipalayam are the branches which have least number of BC's due to low population

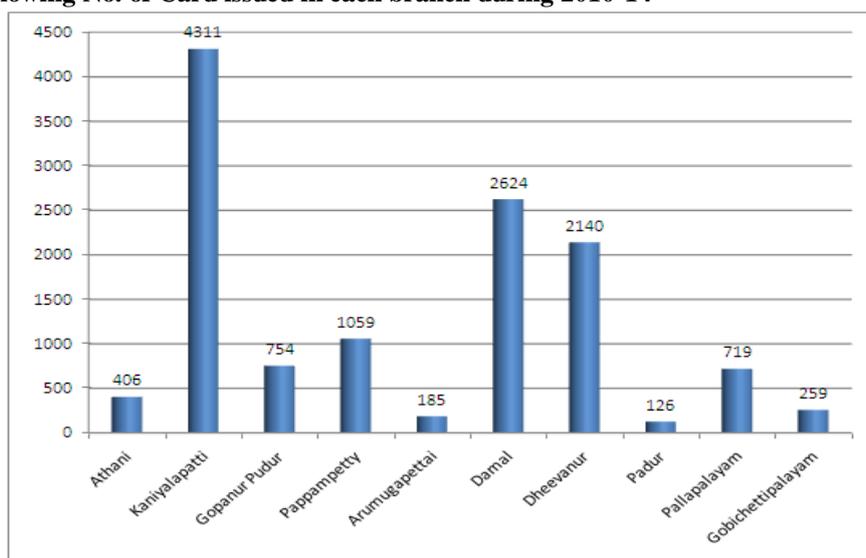
4.1.2 Graph showing No. of A/C opened in each branch during 2010-14



Interpretation

From the above Diagram it is clear that Kaniyalapatti Branch have highest number of accounts opened during 2010-14 because of more BC,s covering the village Damal and Dheevanur branches are in the second and third positions with 2624 and 2140 respectively. The lowest number of accounts opened is in Padur Branch with 126 due to the least amount of BC and low population.

4.1.3 Graph showing No. of Card issued in each branch during 2010-14

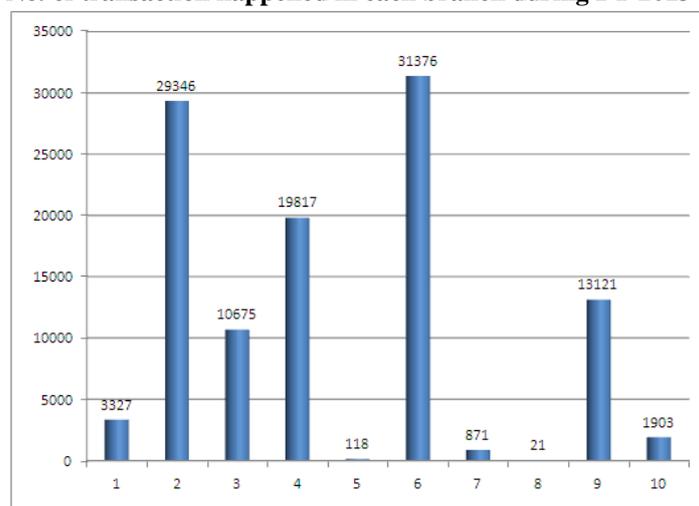


Interpretation: From the above two Diagrams it is clear that accounts opened and card issued are the same.

4.12 Table showing No. of transaction happened and transaction amount in each branch during FY 2013-14

SL NO.	BRANCH	NO. OF TRANSACTION	TRANSACTION AMOUNT
1	ATHANI	3327	2731519
2	KANIYALAPATTI	29346	19731318
3	GOPANUR PUDUR	10675	9938411
4	PAPPAMPETTY	19817	14533214
5	ARUMUGAPETTAI	118	11416
6	DAMAL	31376	20162147
7	DHEEVANUR	871	502474
8	PADUR	21	6138
9	PALLAPALAYAM	13121	10903512
10	GOBICHETTIPALAYAM	1903	1751719

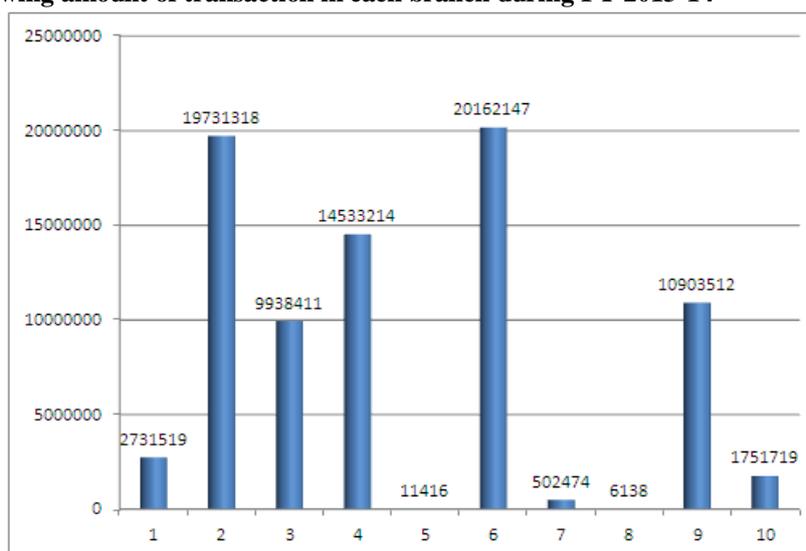
4.12.1 Graph showing No. of transaction happened in each branch during FY 2013-14



Interpretation

From the comparison it is clear that Damal is the branch in which SIB's Financial Inclusion Program is most effective. With 4 Business Correspondence the number of transaction happened was 31376 because they showed high level interest on saving money. Padur Branch have the least number of transactions happened because they don't show any interest in saving money.

4.12.2 Graph showing amount of transaction in each branch during FY 2013-14



Interpretation

From the above graph it can be infer that Damal branch has highest amount of transaction happened i.e. Rs 20162147 due to more transactions happened. And Interpretationkaniyalapatty branch also have transaction near to that due to highest no of accounts opened. The lowest transaction was happened in Padur branch due to least no of accounts opened.

V. Findings From The Study

- Even though Kaniyalapatti branch has highest no's of acc's and BC's Dhamal branch has highest no of transactions and highest amount of cash has been transacted so people in Dhamal has the highest level of financial awareness than all other villages.
- Although Dheevanur branch has more BC's and acc's than Dhamal branch it has less no of transactions and transaction amount comparing to some villages so people in Dheevanur wants more financial awareness.
- From the tables which shows the acc's opened in year on quarterly basis villages which has sudden increase in opening acc's are Kanniyalapatti, Gopanurpudur, Dhamal, Pallapalayam, and villages which has a gradual increase is Gobichettipalayam, Papampatty.
- The villages which decreased in opening acc's are Athani, Arumugapettai, Padur.
- The villages which neither increased nor decreased in Dheevanur.
- The villages which has least no of BC's are Athani, Padur, Pallapalayam, Gobichettipalayam.
- The Padur branch has least no of BC's, acc's, no of transactions and cash transacted so Padur has needed more awareness, the Bank need to take necessary steps to improve its standard.
- The villages which are highly benefited in financial inclusion program are Kanniyalapatti, Gopanurpudur, Dhamal, Pallapalayam, Gobichettipalayam, Papampatty.
- The villages which need improvement in the financial inclusion program are Athani, Padur, Pallapalayam, Gobichettipalayam, Dheevanur.
- The villages which have no of BC's have high no of acc's
- So BC's were playing a crucial role in canvassing people to save money
- Most villages showed a growth in 3rd quarter only and many were gained from the program
- It is due to reach of the program which is known at 3rd quarter only
- This is due to involvement of Bank Employees, BC's, and the awareness created by them
- The Living standard of these people really increased and villages have a downfall in opening acc's
- The main reasons for this backwardness are Less Awareness, Less no of BC's appointed, Unaware on Technological Aspects, Fear on BC's working, Less population density, Not interested to save money, etc.

VI. Suggestions And Conclusion

Just oral speeches alone won't attract people to save money in Bank they need some new methods to canvas people and Bank should appoint more BC's to that villages which has less no of acc's. It should lively demonstrate the workings of this program. Then it will induce better remuneration for the BC's that will attract more of them to work for the bank .Bank also should offer more other banking services to the village people e.g.

loan, insurance etc. It should work fast in acc's opening process and Overdraft limit for an account holder should be increased. Bank should increase the maximum no of transactions for an account holder in a day and FINS card usage should be extended on ATM's also. It can find BC's from NGO's when there is shortage of BC's.

Conclusion

According to the report United Nations Organization (UNO), Nearly 2.5 million people all over the world doesn't get any banking or financial services. According to the 2011 census of India, 72% is covered by villages. 68.84% of Indians (around 833.1 million people) live in 640,867 different villages, the size of these villages varies considerably. 236,004 Indian villages have a population less than 500, while 3,976 villages have a population more than 10,000. Nearly 6,50,000 villages doesn't get any single bank branch. The World Bank Finder Survey found that 35% of Indian adults had access to formal bank accounts. According to the NSSO's 59th round survey, 73% of farmer households do not have access to formal sources of credit. According to a study conducted by CRISIL, the number of self-employed people decreased by 25.5 million between 2005 and 2010. The NSSO study shows the employment in agriculture has been stagnant between 2000 and 2012.

This program Financial Inclusion helps to improve both, by accepting money for depositing and lending as loan to others, and employing BC's in villages eradicates rural and urban unemployment. Due to this activity the living standard of the people living in those villages is increased. It creates the banking services at all nook and corner of the country. Door to door banking services is made in this program.

My Statement is Financial Inclusion program is really useful for the people lives in these under privileged communities. It acts as an intermediary to the development of our country.

It is concluded my research with the statement that South Indian Bank's Financial inclusion program is efficient. They attain maximum output with the resources they have with them. In that Kaniyalapatti and Dhamal are the villages has shown the highest output in terms of A/c opening and revenue.

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