ISSN :2319-7943
Impact Factor : 1.5326

ROLE OF CO-OP. BANK IN FINANCIAL INCLUSION IN INDIA

Prof. S. R. Dhere

Head & Associate professor , Department of Commerce ,
Laxmibai Bhaurao Patil Mahila Mahavidyalaya, Solapur.

Abstract :-

Financial inclusion is important because it is necessary condition for sustaining equitable growth. In India marginal's and weaker sections are excluded from main stream of the economy. To achieve sustainable development, all sections of the people need to be come into main stream. The process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. Financial inclusion gives a big push to agricultural sector and marginalized people. The instrument of financial inclusion can be used properly by banking sector in agricultural sector. Then both are interlinked or interrelated. Co-operative banks have rural experience and very good network in rural areas and also having rural orientation. This study attempts to find out the role co-operative banks in financial inclusion in the post reform period.

Key Words:- Financial inclusion, Financial exclusion, banking sector, co-operative banks, Banking Access, Endogenous growth theory, Credit Flow.

INTRODUCTION

Financial Inclusion is imperative for inclusive growth of India where more than 25 % of its population resides in abject poverty. The Approach paper to the Eleventh Five Year Plan released by Planning Commission, Government of India (2006) rightly makes a policy thrust towards faster and more inclusive growth. The Indian Government has a long history of working to expand banking services to the hitherto unbanked areas. Nationalization of the major commercial banks in 1969, establishment of Regional Rural Banks in 1975, formation of Self-Help Groups have played an important role in activating and accelerating the "Financial Inclusion", though the expression "inclusive growth" has recently become fashionable but the promotion of equity has always been the part and parcel of India's policy goals. The key drivers for such growth is a well developed and inclusive financial system, which makes growth broad-based and sustainable by bridging the gap between the sections of society that are financially excluded within the ambit of the formal financial system, providing them financial literacy and strengthening credit delivery mechanisms for achieving inclusive growth in India. The RBI guideline to banks shows that 40% of their net bank credit should be lent to the priority sector consisting mainly of agriculture, small scale industries, retail trade etc. As more than 80% of our population depends directly or indirectly on agriculture, therefore, 18% of net bank credit should go to agriculture lending. According to Census 2011, out of 1.22 billion Indian population, sixty five per cent of adults across the country are excluded from the formal financial system. Over the past eight years, RBI has mandated and worked with financial institutions to open almost 100 million so-called no-frill accounts targeting the poor. The Reserve Bank of India has set up a high level committee on October, 2012 to ensure accessible financial services and to increase the speed of financial inclusion in India. The Committee is called Financial Inclusion Advisory Committee (FIAC), to be headed by RBI Deputy Governor. Recent simplification of KYC norms is another milestone in this regard but still there is a long road ahead to achieve the desired outcomes.

Please cite this Article as : Prof. S. R. Dhere , "ROLE OF CO-OP. BANK IN FINANCIAL INCLUSION IN INDIA " : Tactful Management Research Journal (Feb ; 2014)

OBJECTIVES OF THE STUDY

- To examine the extent of inclusiveness of India's growth
- To assess the performance of Rural Cooperatives towards financial inclusion in India
- To make a comparative analysis of the Agency wise trends of Institutional credit to Agriculture.
- To analyze the percentage of Households availing banking services in rural and urban areas in India. To examine Agency-wise Kisan Credit Cards issued in India.
- To elaborate on the initiatives taken by NABARD and RBI for achieving financial inclusion through cooperative banks in India

DATA BASE AND METHODOLOGY

From an annual average growth rate of 3.5 percent during 1950 to 1980, the growth rate of the Indian economy accelerated to around 6.0 percent in the 1980s and 1990s. In the years 2005-06 and 2006-07, Indian economy experienced a robust economic growth rate of 9.5 percent and 9.32 percent, respectively whereas during the last four years from 2010-11 to 2013-14 the economy witnessed a great fall from 8.91 percent in 2010-11 to 4.74 per cent in 2013-14 almost halved during the above period.

DATA ANALYSIS AND INTERPRETATION

TABLE 1: REAL GDP % CHANGE:

YEARS	REAL GDP(% CHANGE)	YEARS	REAL GDP(% CHANGE)
1995-96	7.29	2004-2005	7.05
1996-97	7.97	2005-2006	9.48
1997-98	4.30	2006-2007	9.57
1998-99	6.68	2007-2008	9.32
1999-2000	8.00	2008-2009	6.72
2000-2001	4.15	2009-2010	8.59
2001-2002	5.39	2010-2011	8.91
2002-2003	3.88	2011-2012	6.69
2003-2004	7.97	2012-2013	4.47

*data projected for 2013-14 Source: Planning commission

Interpretation of Table No-1

The above Table-1 represented the real GDP percent change per annum as shown by a Moving Average Trend (2 per.). There is seen an increasing trend from 1995 to 2010 and thereafter fluctuations with sudden decline in the years 2000 and 2008. The Real GDP per cent change dropped too low to 4.47 per cent in the year 2012 with a slight rise to 4.74 per cent in 2013.

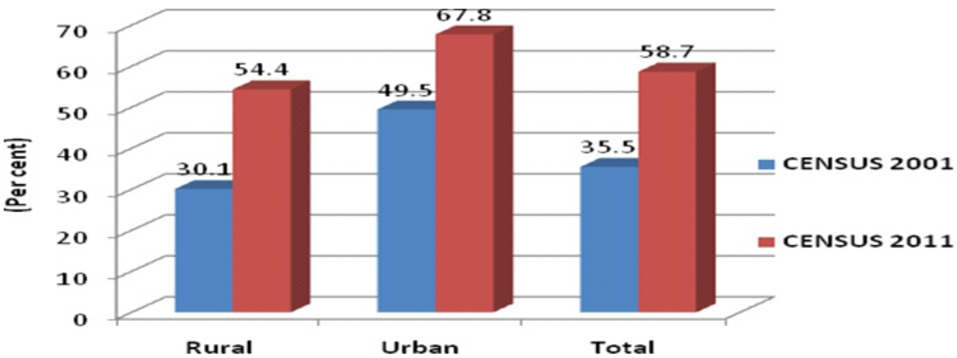
TABLE 2: HOUSEHOLDS AVAILING OF BANKING SERVICES

Particulars	Percentage of Households availing Banking services	
	Census 2001	Census 2011
Rural	30.1	54.4
Urban	49.5	67.8
Total	35.5	58.7

Source: Census of India

Table-2 depicts that only 58.7% of households are availing banking services in the country according to census 2011 indicating a significant increase in services largely on account of increase in banking services in rural areas as compared to census 2001 which recorded 35.5 percent households availing banking services.

CHART 2: AVAILING OF BANKING SERVICES



Source: Department of financial services, GOI

The above chart-2 depicts that in rural areas the percentage of households availing banking services have increased from nearly 30.1 % in census 2001 to 54.4 % in census 2011.Similarly the urban areas recorded a significant increase in the household availing banking services from 49.5 percent in 2001 to 67.8 percent in 2011.

3. KISAN CREDIT CARDS ISSUED

The Kisan Credit Card (KCC) scheme introduced in August 1998 has emerged as an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle free manner. The scheme was revised in 2012 to room for ATM enabled debit card, operation through wider delivery channels including branch/cheque facility / Business Correspondents/ATM (debit card)/mobile handsets, inbuilt cost escalation for assessing limits, wider coverage under crop loans, moving towards accessing online land record and creation of charge etc. Agency-wise Kisan Credit Cards issued since inception up to 2011-12 is given in following table.

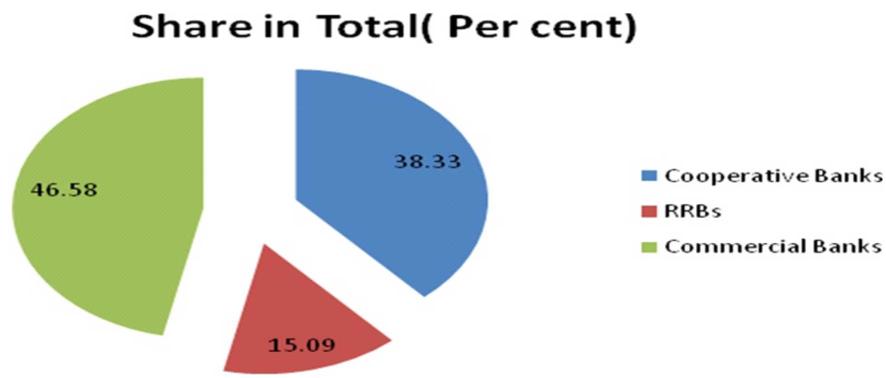
TABLE-3:AGENCY-WISE KISAN CREDIT CARDS ISSUED

(As on 31st March 2012) (in millions)

S.No	Year	Cooperative Banks	RRBs	Commercial Banks	Total
1	1998-99	0.16	0.01	0.62	0.78
2	1999-00	3.6	0.17	1.37	5.13
3	2000-01	5.61	0.65	2.39	8.65
4	2001-02	5.44	0.83	3.07	9.34
5	2002-03	4.58	0.96	2.7	8.24
6	2003-04	4.88	1.28	3.09	9.25
7	2004-05	3.56	1.73	4.4	9.68
8	2005-06	2.6	1.25	4.17	8.01
9	2006-07	2.29	1.41	4.81	8.51
10	2007-08	2.09	1.77	4.61	8.47
11	2008-09	1.34	1.41	5.83	8.59
12	2009-10	1.74	1.95	5.31	9.01
13	2010-11	2.81	1.78	5.58	10.16
14	2011-12*	2.96	1.99	5.12	10.07
	Cumulative#	43.66	17.19	53.06	113.91
	Share in Total (%)	38.33	15.09	46.58	100

Source: NABARD Annual Report 2011-12

*: Data for commercial banks upto 31st December 2011 # : Since inception of the Scheme, ie., August 1998



CONCLUSION

The study asserts that cooperative banks play a vital role in the progress of financial inclusion in India by increasing accessibility of goods and services in the hitherto unbanked areas and providing opportunities for employment and income generation in the rural areas thus promoting inclusive development of rural areas in the country. Rapid pace of economic growth is necessary for substantial poverty reduction but this growth should be sustainable and broad-based across the sectors in the long run. Cooperative banks promote modernization by facilitating the dissemination of new technologies and processes and balance the need for profitability with the broader economic and social development needs of their members and the larger community. They mobilize self-help and motivate people to make better use of their self help potential thus offering an economic future for youth in rural areas. Today, financial inclusion calls for concerted action through emphasis on NABARD's developmental initiatives like offering no-frills account, simpler Know Your Customer norms, and easier credit facilities (such as the General Credit Cards scheme) thereby tapping the unbanked rural population and increasing banking penetration.

REFERENCES

[1] Government of India (2006). Towards Faster and more Inclusive Growth - An Approach to 11th Five Year Planning Commission.
[2] Kelkar, V. (2010). Financial Inclusion for Inclusive Growth. ASCI Journal of Management, 39(1), 55- 68.
[3] Rangarajan Committee (2008).Report of the Committee on Financial Inclusion. Government of India.
[4] NABARD (2013), Annual Report 2012-13, National Bank for Agriculture and Rural Development, Head Office, Mumbai.
[5] RBI (2014), Annual Report 2013-14, Reserve Bank of India, Head Office, Mumbai.