

## A STUDY OF HDFC BANK LTD.'S FINANCIAL INCLUSION ACTIVITIES – ITS REACH AND POPULARITY.

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**Abstract :** Financial inclusion can be broadly defined as providing universal access to a wide range of financial services at a reasonable cost. To quote Mr. Franklin Roosevelt, “The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough to those who have too little.”

Financial exclusion has been predominant in rural areas mainly due to poor infrastructure, financial illiteracy, lack of customized financial products etc.

Thus, this paper aims to study how HDFC bank, coupled with RBI directives and Pradhan Mantri Jan Dhan Yojna has taken banking sector to the unbanked areas.

**Keywords:** HDFC Bank , Financial Inclusion , Popularity , financial services .

### 1 INTRODUCTION

Financial inclusion essentially means providing financial services at affordable costs to low-income segments of the society. In India, financial inclusion first featured in 2005, when it was introduced by K.C.Chakraborty, Chairman of Indian bank.

The commercial banks were permitted by Reserve bank of India to use services of non-governmental organisations, self-help groups (NGO's / SHG's), micro-finance institutions and other civil society organisations as intermediaries for providing financial and banking services.

RBI' vision 2020 is to open nearly 600 million new customer accounts and service them through a variety of channels leveraging on Information Technology.

On August 28, 2014, the Government announced 'Pradhan Mantri Jan Dhan Yojna'. The main aim of this scheme is to provide universal banking facilities to all. Its key features are:

- ◆ Basic banking accounts with overdraft facilities of Rs.5000 after 6 months.
- ◆ RuPay Debit card with inbuilt accident insurance cover of Rs. 1 Lakh.
- ◆ RuPay Kisan card
- ◆ Micro-insurance and Pension etc.

To support this governmental initiative, HDFC bank has integrated its corporate social responsibility activities with sustainable development. At the Skoch Financial inclusion awards 2013, HDFC bank was named Organisation of the year for its initiatives in micro-credit, micro-savings, micro-insurance, capacity building, financial literacy and Self-help group linkage.

Significance of the study: The significance of this study is that through this paper the importance of developing rural India and the role of banks and financial institutions in doing the same is emphasised. The case study of HDFC bank proves to be an excellent example to others in the same sector to promote inclusive growth of the nation.

**OBJECTIVES OF STUDY:**

- 1) To know the products offered by HDFC for the purposes of financial inclusion.
- 2) To know the popularity of the products among the weaker sections of society.
- 3) To analyse the reach of these activities.

**METHODOLOGY:**

Information is collected through secondary data and using secondary sources like Newspapers, Articles, Reports, reference books, websites, etc:

**ANALYSIS OF SECONDARY DATA**

**About HDFC bank:**

HDFC (Housing Development Finance Corporation) Bank Ltd, was founded by Mr. Hasmukhbhai Parekh. It was incorporated in August 1994 after receiving approval from Reserve bank of India to set up a bank in the private sector as a part of RBI's liberalisation of Indian banking industry in 1994. It commenced operations as a Scheduled commercial bank in January 1995. Today HDFC bank Ltd. has as many as 3844 branches across India out of which nearly 1900 branches are in semi-urban or rural areas. Since September 1994, Mr. Aditya Puri has been the Managing Director of HDFC Bank Ltd. HDFC Bank is one of the first new generation private sector banks to enter the microfinance sector four years back. Enthused by its experience and considering the huge positive impact on generation of livelihoods, financial empowerment to the rural women and poverty alleviation, HDFC bank has rapidly adopted different business models for providing rural micro credit in unbanked areas to achieve the larger socio-economic objective of inclusive growth through financial inclusion.

**INTEGRATING FINANCIAL INCLUSION WITH CORPORATE SOCIAL RESPONSIBILITY:**

The Managing Director of the bank, Mr. Aditya Puri says, "We want to give back to the society by creating long term solutions, rather than providing short-term relief."

Today, HDFC Bank is a 'one stop shop' financial services provider. It focuses on understanding customers' needs, and has created a comprehensive range of world class products. It emphasises on operational excellence which allows it to present the right product to the right person at the right time. As per the Reserve Bank of India (RBI), on an all India basis 41 per cent of the adult population is unbanked. In rural areas the unbanked figure is still higher at 61 per cent.

HDFC bank Ltd. has made a conscious strategy to disperse micro credit, thrift, insurance, remittance and other financial services where it is needed the most. The bank has formulated this SHG-Bank linkage programme using the services of the BCs to bring in more clientele under financial inclusion and started implementing the same from September 2006. Through its CSR programme, the Sustainable Livelihood initiative, the bank has brought more than 2.5 million families from below poverty line to above poverty line. Through this initiative HDFC aims at covering 10 million households. As of March 31, 2014, it has brought 9.5 million households under the banking fold.

**Products offered by HDFC bank that are aimed at Financial Inclusion:**

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No.	Products	Features
1	HDFC bank basic saving A/c – Farmers	<ul style="list-style-type: none"> <li>- Zero initial Pay-in and zero Average monthly balance.</li> <li>- Unlimited cash deposits</li> <li>- Maximum 4 free cash withdrawals per month</li> <li>- No charges for inter-branch cash transactions upto Rs.50000 per day.</li> <li>- ATM card / Debit card</li> </ul>
2	Kisan club savings A/c (Residents involved in farming and owning agricultural land)	<ul style="list-style-type: none"> <li>- Option 1: Initial pay-in and Half Year balance (HYB) requirement of Rs.10000 for urban branches and Rs.5000 for semi-urban and rural branches.</li> <li>- Option 2: HYB nil if account opened with initial pay-in of Rs.10000 or Rs.5000. Fixed deposit maintenance of Rs.50000.</li> <li>- International Debit card</li> </ul>
3	Kisan Gold card	<ul style="list-style-type: none"> <li>- Can be used for buying agricultural equipment.</li> <li>- Covers crop production requirements, post-harvest and domestic consumption requirements.</li> <li>- Free personal accident insurance cover of Rs.2 lakhs.</li> <li>- Daily withdrawals upto Rs.15000 at ATM's and Rs.25000 at merchant outlets.</li> <li>- Retail Agri Loan available with faster sanction and disbursal. Tenure of upto 84 months.</li> </ul>
4	Tractor loan (Loan for farmers and non-farmers)	<ul style="list-style-type: none"> <li>- Fast loan sanction and disbursal</li> <li>- Processing fee of 2% of loan amount.</li> <li>- Pre-payment charges: 4% before 12 months and 2% after 12 months from the date of disbursement.</li> </ul>
5	“Bharosa Gold Loan” For Rural Markets	<ul style="list-style-type: none"> <li>- It offers a loan amount of up to 140% of gold's valuation.</li> <li>- The customer is given a detailed valuation certificate mentioning a) the itemized description of Gold, b) weight and c) amount lent.</li> </ul>

(Arathiyas / Commission Agents of Agri Commodities Fertilizer, Pesticides Dealers / Distributors Large Traders dealing in Agri Commodities (Wholesalers / Retailers) Food Processors / Agri Commodity Processors/ Agri Input Manufacturers)

### OTHER ACTIVITIES UNDER THE PURVIEW OF FINANCIAL INCLUSION:

**1) Micro-insurance** – The bank's existing Business Correspondents are being used in the process for providing micro insurance services to rural customers of the bank. The types of insurance covers offered are: SarvGrameen Bachat Yojana, Weather insurance, Crop insurance, Kisan Sarva Suraksha Kawach, Rainfall Index Insurance and cattle insurance.

**2) Finance to Farmers** - In Punjab, HDFC bank along with Punjab Grains Procurement Corporation Ltd (PUNGRAIN) facilitates payment to its commission agents dealing in agriculture products spread over 350 mandis, through installation of Point of sales (POS) machine in the mandis. Almost Rs.200 crore finance is provided to farmers till date for adopting efficient agricultural techniques such as drip irrigation for optimum usage of the scarce water resources that are available to them.

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Other innovative services offered are, Milk-to-money, medical equipment funding etc.

**3)Financial Literacy** – to inculcate financial literacy, HDFC bank has utilized Self Help groups. The field staff conducts sessions on need for opening bank A/c's, developing savings habit etc.

### KEY INITIATIVES UNDERTAKEN ARE:

(i)"Power of Banking" programme which aims to cover Government/ Government-aided/ Private school students between the age group of 11 and 15 years. Till 2013, 3365 students have been covered in 6 locations.

(ii)Financial literacy projects in 600 schools across Andhra Pradesh and Odisha, inculcating social and financial habits among students aged 8 to 14. So far 63200 students studying in Government schools have been reached.

(iii)Timespro partnered with HDFC Bank to co-develop the content of the training course, titled 'The Modern Banker' programme, aiming at graduates under the age of 25 years.

(iv)Rural Financial Literacy Initiative in Sawantwadi in the Sindhudurg district of Maharashtra. Training camps were setup in 4 branches in the Sindhudurg district, reaching out to just over 85 villages in the region. The camps enabled both adults and school children to attain a conceptual understanding of financial products and services.

(v)Rural Financial Literacy Initiative in Maharashtra at the village of Dhok Sanghvi, near Ranjangaon (Pune). HDFC Bank used the Financial Literacy Guide & posters, as the standard curriculum while conducting these camps. It is also the first to translate the curriculum into Marathi.

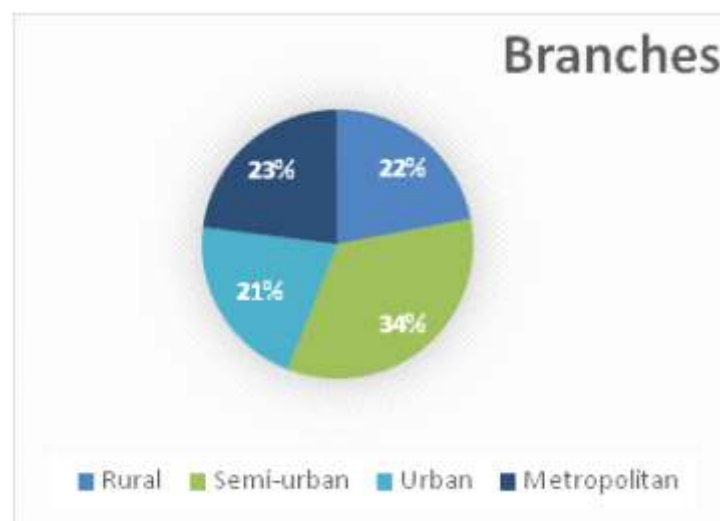
**4)Technology-** Using technology, HDFC bank has created a "Hub and Spoke" model with the help of its business correspondents. Under this model, the bank's rural or semi urban branch ("the hub") caters to surrounding village locations. These are also known as mini-branches. (A mini branch comprises 2 or 3 persons catering to a village in an unbanked or under banked location.) The village epicentre town referred to as "the spoke". In 2007, in Maharashtra and Gujarat seven hub branches supported a total of 22 spokes. This has now been extended AP, TN and UP and currently stands at 19 hubs and 46 spokes.

A 2-member mini-branch has been located in the unbanked village of Lonkhairi in the Kamptee Taluka of the Nagpur district of Maharashtra state. The branch caters to the local population of just over 2,000. The 350 families in this largely agricultural economy have hitherto had no access to formal banking services.

**5)Targeting "financial inclusion" in BIMARU** - 11000 families belonging to the BIMARU (Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh) states were brought under financial inclusion by providing them No Frill saving accounts besides credit linkage.

**6)Sustainable Livelihood Initiative** - Sustainable Livelihood Initiative (SLI) model has helped empower thousands of people, particularly women in the rural parts of the country. It provides occupational training, financial literacy, credit counselling, livelihood finance and market linkages and bring people into the banking fold. The initiative has brought positive social change in the lives of approximately 26.67 lakh families.

**Summary:** Presence of HDFC Bank Ltd.



Progress made by HDFC Bank Ltd. under Pradhan Mantri Jan Dhan Yojna – December 2014

Particulars	As on Dec. 2014	Plan for March 2015
No. of villages / wards reached	407	957
No. of SHG/JLG credit linked	5990	12500
No. of households covered	49948	110000
Loans disbursed (Rs.in Lakhs)	70.26	132
No of Basic Savings Bank Deposit A/c's opened	38291	80000
No. of Micro Recurring Deposit A/c's opened	1797	4400
No. of members covered under micro insurance	36962	90000
No. of Financial literacy and Credit counselling (FLCC) programmes conducted	5093	11250
No. of members participated	43404	104500

HDFC Banks SLI performance – India

Particulars	Performance
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