

“Examining the Financial Inclusion Status in Himachal Pradesh”

Kuldeep Kumar

Associate Professor, IIMT, School of Management,
Gurgaon, Delhi NCR

Abstract: *The present study makes an attempt to examine financial inclusion status in the state of Himachal Pradesh. The paper examines the key initiatives of Govt. of India with respect to financial inclusion. Lastly, the study concludes that, though Himachal Pradesh was well placed in Financial Inclusion but many areas were still not covered due to geographical constraints. The banks should open new branches in these areas or look for Business Correspondents like Lok Mitra Kendras or Gramin Rozgar Sewaks engaged by Rural Development and Panchayati Raj Department in the State to reach every household.*

Keywords: *Lead Bank Scheme, State Level Banker’s Committee, Sampooran Vittiyea Samaveshan (SVS).*

I. INTRODUCTION

The banking industry has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in all the area relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services. There are several factors affecting access to formal banking system in any country. They include culture, financial literacy, gender, income and assets, proof of identity, remoteness of residence, and so on. The Reserve Bank of India has taken several measures since independence to improve access to affordable financial services through financial education, leveraging technology, and generating awareness. The aim of financial inclusion is to promote sustainable development and generating employment for a vast majority of the population especially in the rural areas.

The Government of India has come out with a new holistic plan called "Sampoorna Vittiyea Samaveshan" (Comprehensive Financial Inclusion Plan) to not only give access to banking to 51% unbanked population in this country but also give access to insurance and pension product to all of them. Vakrangee, which has been successfully running more than 5,500 "Fixed BC Outlets" for various Banks in 15 states has the first mover advantage to leverage this move to the fullest.

Vakrangee Limited has been a leading player in the last mile banking since 2011-12 with its first mandate from various PSU Banks and its Regional Rural Banks (RRBs) as "Common BC" in the states of Maharashtra, Rajasthan and Delhi to set up and run "Fixed BC Outlets" in approximately 20,000 Sub-Service Areas. (A sub-service area of banking operation covers 1,000-1,500 households so that every

habitation has access to banking services within 5 km distance.) Also, Vakrangee has tied up with various PSU Banks and their RRBs through "National BC" arrangement to set up and run another 30,000 "Fixed BC Outlets in 12 more states namely Uttar Pradesh, Madhya Pradesh, Chhattisgarh, Bihar, Jharkhand, Punjab, Haryana, UT Of Chandigarh, Himachal Pradesh, Uttarakhand, Goa & Gujarat. These outlets are equipped with Vakrangee in-house application as well as bank prescribed IT/Non-IT hardware including Micro-ATM with authentication through Aadhar as well as Card and V-SAT for real-time connectivity with respective Bank back end to run the day-to-day banking operation. These Outlets are integrated with the core banking solution (CBS) of these Banks so that the customers of the Bank can, on real time, do transaction like account opening, cash deposit, cash withdrawal, fund transfer, Direct benefit transfer (DBT) etc.

In addition Vakrangee also facilitates Loan disbursement, fixed deposit, Credit card issuance activities etc. to the customers of these Banks at these outlets. In a nutshell, these advanced feature of paper less banking, real time banking and inter-operable banking along with e-KYC enabling at these outlets are unique features of Vakrangee outlets and critical to success of last-mile banking. Vakrangee urban/semi urban branches are also furnished with full-fledged ATM after Vakrangee got the WLA license from reserve bank of India for setting up and running minimum 15,000 WLA ATMs across the country since January 2014.

This focused drive by the new central government along with unstinted support from other stake holders like PSU Banks, IBA, State governments, District Administration and other regulatory bodies like Reserve Bank of India, IRDA and PFDRDA shall help not only in executing the project speedily & successfully but also help attain significant CASA

generation for the banks, holistic economic and financial growth of rural India as well as making the direct benefit transfer a great success in the country.

Himachal Pradesh has large financial inclusion as per capita income and literacy rate of the State is quite high as compared to other States. The deposits in various banks are over 50,000 crore in Himachal Pradesh, which is a small hilly State, speaks volume about its financial vibrancy. The SLBC had identified 878 villages for providing banking services through banking correspondents in the state in the first phase up to August 2015. In order to cover cent per cent target under SVS and to make it viable, the demand for banking transactions should be created both in rural and urban areas, and banks should explore mobile banking for low end phones to facilitate withdrawals, payments and transfer of money through banks. The recent report on SLBC indicates that "Banks should provide accessible and affordable financial services, including saving bank accounts, micro credit, financial literacy, micro insurance and social security pension in a phased manner through bank branches and banking correspondents for which a roadmap has been drawn up to 2018."

In December 2005 the Reserve Bank of India (RBI) had issued a circular to all scheduled commercial banks and regional rural banks to make available a basic no-frills bank account (with nil or minimum balance) in order to make it accessible to greater sections of the population. Subsequently several banks announced that they have achieved 100 per cent financial inclusion in some districts. RBI has conducted an evaluation of such districts where 100% financial inclusion is reported to have taken place and presented the results.

The RBI is concerned about the slow progress in financial inclusion and has directed the banks to take several steps to step up the momentum on financial inclusion. There are two concerns here: one, to increase the number of people with bank accounts and two, to make the accounts so opened more operational. The steps suggested by RBI include providing banking services to account holders closer to their homes using a variety of channels including satellite offices, mobile offices, business correspondents, etc. Further RBI also suggests providing General Credit Card (GCC)/small overdrafts along with no-frills accounts to encourage them to actively operate the accounts.

Indian Bank also implemented an urban financial inclusion model in Mumbai (the Dharavi model) almost along similar lines as the Mangalam project i.e. by going to the doorsteps of the slum dwellers and opening bank accounts for them, handing over of passbooks, etc. Technology was used here as well in the form of smart cards which enabled doorstep banking at Dharavi. While commenting on lessons drawn from their financial inclusion experience, M.S. Sundara Rajan, CMD, Indian Bank, notes that for bringing about successful financial inclusion banks have to take proper measures to organise the people into groups for inculcating the habit of thrift which will ultimately enable them to avail of credit facilities (Sundar Rajan,2007).

Another successful experiment of financial inclusion is the provision of solar energy lights by the Aryavart Gramin Bank through innovative financing in the remote villages and hamlets of Uttar Pradesh

(http://www.tatabpsolar.com/press_spotlight.html). The scheme not only helped light homes in the villages of UP but also provided employment to the literate youths in the villages as business facilitators who were trained by the company providing the solar lights for maintenance of the systems. Financial inclusion was successful in this case because it was tied to one of the basic needs of the people. The other instance of successful financial inclusion is in Andhra Pradesh where the Rural Development Department of Government of Andhra Pradesh launched a pilot project in six Mandals of Warangal district for payment of Social Security Pensions (SSP) and National Rural Employment Guarantee Scheme (NREGS) benefits to the beneficiaries. This project involved six banks and used the services of business correspondents for the purpose of making payments to the beneficiaries and other transactions that the beneficiaries might want to conduct with the bank.

The Kisan Mitra Scheme of the Punjab National Bank succeeded in bringing more than 40 villages under 100% inclusion (Chakrabarty, 2007). The Scheme has been helping farmers in formation of Kisan clubs, Self Help Groups and motivating them to undertake vermin compost units, orchard farming and other such activities. As each of these activities would require finance, it is not surprising that PNB has been able to achieve its target of 100% financial inclusion in the villages where the Scheme has been implemented. Drawing on the experience of the various banks, as illustrated above, the factors that have helped in making financial inclusion successful are: motivated bankers, use of technology to reach out to people at their homes (taking care of the distance factor), using the services of business correspondents/business facilitators and tying finance with basic/livelihood needs.

Worldwide, mortgage lending to the marginal sections of the society has proven to be useful in mainstreaming the financially excluded in the formal financial system (RBI, 2008). This further lends support to the importance of linking basic/livelihood needs with finance. The micro-finance movement may not have got the kind of stupendous success that it has had it not helped tap the entrepreneurial skills of its clients. Therefore, linking finance to people's livelihood issues is very critical if banks want to financially include the vast population of our country.

II. OBJECTIVES OF STUDY

The main objectives of the study include:

- ✓ To study the need and significance of financial inclusion for social and economic upliftment.
- ✓ To analyze the current status of financial inclusion in Himachal Pradesh.
- ✓ To evaluate the contribution of financial inclusion initiatives to the development of Himachal Pradesh.

III. DATA AND METHODOLOGY

The secondary data have collected from various sources to analyze the financial inclusion status in the state of Himachal Pradesh. The descriptive and empirical studies are

used to analyze the role of RBI in achieving full financial inclusion in India. References of some articles have also been used to find out the need, scope, and achievement in this direction of financial inclusion in state.

IV. ANALYSIS AND INTREPRETATION

Table 1: Select Indicators of Financial Inclusion, 2011

S.No	Country	Number of Bank Branches Per 1000 KM	Number of ATMs Per 0.1 Million	Number of Bank Branches Per 0.1 Million	Number of ATMs Per 0.1 Million	Bank Deposits as % to GDP	Bank Credit
1	India	30.43	25.43	10.64	8.9	68.43	51.75
2	China	1428.98	2975.05	23.81	49.56	433.96	287.89
3	Brazil	7.93	20.55	46.15	119.63	53.26	40.28
4	Indonesia	8.23	15.91	8.52	16.47	43.36	34.25
5	Korea	79.07	...	18.8	...	80.82	90.65
6	Mauritius	104.93	210.84	21.29	42.78	170.7	77.82
7	Mexico	6.15	18.94	14.86	45.77	22.65	18.81
8	Philippines	16.29	35.75	8.07	17.7	41.93	21.39
9	South Africa	3.08	17.26	10.71	60.01	45.86	74.45
10	Sri Lanka	41.81	35.72	16.73	14.29	45.72	42.64
11	Thailand	12.14	83.8	11.29	77.95	78.79	95.37
12	Malaysia	6.32	33.98	10.49	56.43	130.82	104.23
13	UK	52.87	260.97	24.87	122.77	406.54	445.86
14	USA	9.58	...	35.43	...	57.78	46.83
15	Switzerland	84.53	166.48	50.97	100.39	151.82	173.26
16	France	40.22	106.22	41.58	109.8	34.77	42.85

Source: Financial Access Survey, IMF; Figures in respect of UK are as on 2010

Table 1

Table No.1 shows the country-wise financial inclusion indicator in terms of number of Bank Branches and ATMs per 1000 KM, Per 0.1 Million and Bank Deposits and Bank Credit as %age to GDP. India shows 30.43 and 25.43 number of Bank branches and Number of ATMs Per 1000 KM respectively.

District	%Households with bank accounts (2011)	%Households with bank accounts (2001)	Change over a decade (%points)
Chamba	89.5	45	44.5
Kullu	89.5	55.9	33.6
Lahul&Spiti	91.2	67.9	23.3
Mandi	91.4	48.9	42.5
Hamirpur	92.2	76	16.1
Kangra	93.9	69.1	24.8

SOURCE: SLBCHP.COM

Table 2: Top Districts Of Himachal Pradesh In Banking Access

Table 2 indicates the top districts of Himachal Pradesh in banking access in terms of %age households with bank accounts in the year 2011 over 2001. Chamba district shows maximum change over a decade followed by Mandi and Kullu. The least change over a decade has been noticed with respect to Hamirpur district i.e. 16.1.

S. No	District	Name of Tehsil	Unbanked village	Population as per 2001 Census	Bankwise Allocation of village
1	Bilaspur	Bilaspur Sadar	Khatehr	2049	PNB
2	Bilaspur	-do-	Dhar Tatoh	2895	PNB
3	Bilaspur	Jhanduta	Jhabola	2459	SBI
4	Bilaspur	Ghumarwin	Amarpur	2246	SBI
5	Bilaspur	-do-	Marhana	2315	SBOP
6	Bilaspur	-do-	Barota	2100	SBOP

7	Bilaspur	-do-	Lehri Sarail	2376	SBOP
8	Chamba	Chamba	Sarol	2212	PNB
9	Chamba	Dalhousie	Samleu Uperla	2185	PGB
10	Hamirpur	Hamirpur	Daroga n	2084	PNB
11	Hamirpur	Bhoranj	Dhamrol	2396	PNB
12	Kangra	Indora	Mohtali	2503	PNB
13	Kangra	Jawali	Katholi	2311	PNB
14	Kangra	Indora	Bhapoo	2144	PNB
15	Kangra	Jawali	Sidhpur Ghad	2371	PNB
16	Kangra	Indora	Raja Khas	2030	CBI
17	Kangra	Palampur	Aima	2465	IDBI
18	Kangra	Baijnath	Aweri	2471	SBI
19	Mandi	Sundarnagar	Dugrain	2162	PNB
20	Mandi	Sundarnagar	Bhaur	2196	PNB
21	Mandi	Mandi	Kumi	3525	PNB
22	Shimla	Rampur	Tyawal Manpur	2994	SBI
23	Sirmaur	Paonta Sahib	Manpur Dewrqa	2732	SBOP
24	Sirmaur	Paonta Sahib	Pataliyon	3606	SBI
25	Sirmaur	Paonta Sahib	Misarwala	4027	CBI
26	Sirmaur	Paonta Sahib	Shampur Gorkhuala	4071	HPSCB
27	Sirmaur	Kamrau	Sharli Manpur	2103	SBI
28	Sirmaur	Kamrau	Kando Dugana	2615	HPSCB
29	Sirmaur	Shillai	Gundahan	3354	SBOP
30	Solan	Nalagarh	Thana	2031	SBOP
31	Solan	Solan	Basal	2196	PNB
32	Una	Una	Jakhera	2438	SBI
33	Una	Una	Malahat	2289	SBI
34	Una	Una	Raipur Sahoran	3954	SBI
35	Una	Una	Sanauli	2161	SBI
36	Una	Una	Chatra Khas	2195	SBI
37	Una	Una	Arniala	3779	SBOP
38	Una	Haroli	Badhera	3807	SBI
39	Una	Haroli	Baliwal	2813	SBI
40	Una	Haroli	Pahalkwah	4507	SBI
41	Una	Haroli	Pubowal	2807	SBI
42	Una	Haroli	Polian Beet	2163	SBI
43	Una	Haroli	Bitan	2548	SBI
44	Una	Haroli	Lalehri	3272	SBI
45	Una	Haroli	Nangal Khurd	2385	SBI
46	Una	Haroli	Nangal Kalan	2713	SBI

47	Una	Haroli	Bathri	2225	SBI
48	Una	Amb	Tatera	2077	SBOP

SOURCE: SLBCHP.COM

Table 3: Financial Inclusion Plan Position for villages having population 2000+ in the State of Himachal Pradesh as of March, 2012.

Table 3 shows that the maximum number of unbanked villages situated in district Una. There are seven unbanked villages in each district of Bilaspur and Kangra. The number of unbanked villages is reported less in case of Hamirpur, Chamba and Solan. The maximum number of unbanked villages has been allocated Punjab National Bank and State Bank of India under the Financial Inclusion plan.

S No.	District	No. of Villages
1	Bilaspur	35
2	Chamba	40
3	Hamirpur	27
4	Kangra	167
5.	Kinnaur	10
6.	Kullu	62
7.	L&S	2
8	Mandi	65
9	Shimla	32
10	Sirmour	77
11	Solan	37
12	Una	106
	Total	660

SOURCE: SLBCHP.COM

Table 4: Summary of District-Wise Villages With Population of 1000-2000 (As Per Census 2001) For Financial Inclusion Action Plan in Himachal Pradesh

Table 4 shows district –wise village summary with a population of 1000-2000 for financial inclusion in Himachal Pradesh. The maximum number of villages in district Kangra has been included in Action plan followed by Una and Sirmour district. The recent meeting of SLBC has identified 878 villages for providing banking services through Banking Correspondents in the State in the first phase up to August, 2015.

V. CONCLUSION

The study concludes that, though Himachal Pradesh was well placed in Financial Inclusion but many areas were still not covered due to geographical constraints. Banks should open new branches in these areas or look for Business Correspondents like Lok Mitra Kendras or Gramin Rozgar Sewaks engaged by Rural Development and Panchayati Raj Department in the State to reach every household. Further the study concludes, that in order to cover cent percent target under SVS and to make it viable, the demand for banking transactions should be created both in rural and urban areas. Banks should explore using mobile banking for low end phones to facilitate withdrawals, payments and transfer of money through banks. The banks should provide accessible and affordable financial services including Saving Bank Accounts, Micro Credit, Financial Literacy, Micro Insurance and Social Security Pension in a phased manner through Bank Branches and Banking Correspondents.

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