

A Case Study of Financial Inclusion in Urban Co-Operative Bank of Kolhapur District

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Abstract:

The positive results are found towards financial inclusion in case of factors like total membership, deposits, working capital, short term loans amounts, number of saving deposit account, number of saving and current deposits, no. of accounts of priority sector- small scale industries, small business and education loans, weaker sections, small scale industries, education loans, the SC under priority sectors, women – small scale industries and small business. It has adopted new financial scheme such as no frill account, Special fixed deposits, and SHGs bank account etc. to attract customers. It has helped a lot to priority sector. In case of individual, partnerships, societies, deposits accounts during the study period also showing positive remarks for financial inclusion of the Kallappa Anna Awade Ichalkaranji Janata Sahakari Bank Ltd. Therefore, the hypothesis of the study is proved that “Urban co-operative bank in Kolhapur District are playing a significant role in the process of financial inclusion in semi urban area”.

Keywords: Financial Inclusion, Self-Help Groups, Know Your Customer, No Frill Account, Below Poverty Line.

1. Introduction:

The Reserve Bank of India was set up a Commission (Khan Commission) in 2004 to look into Financial Inclusion. It is implemented by the Reserve Bank of India and Central Government Since 2005. Financial Inclusion is the inclusion of Vast Sections of disadvantaged and low income groups under banking services at an affordable cost. Government of India constituted a committee to enhance financial inclusion in India on 22th June 2006. The Committee presented its report in January 2008. Committee on financial inclusion has initiated a mission called National Rural financial inclusion plan. It has set targets to increase financial inclusion (FI) in the country across regions and across institutions (Bank, Rural Regional Bank etc.)

A Committee on Financial Inclusion (2008). Under the Chairmanship of Mr. C. Rangarajan was setup to suggest measures to increase financial inclusion (hence called the Rangarajan Committee on financial inclusion). Financial Inclusion first featured in 2005 as a pilot project in Union Terrorist (UT) of Pondicherry by K.C. Chakrabarty, the Chairman of Indian Bank. Under the Financial Inclusion

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programme, the Mangalam village became the first village in India Where all households were provided banking facilities. In addition, Know Your Customers (KYC) Norms were relaxed for people intending to open accounts with annual deposits of less than Rs.50, 000. Reserve bank of India's vision for 2020 Stress then opening nearly 600 million new accounts and services through a variety of channels by leveraging on it. RBI's latest currency and finance section released recently points out that globally over two billion people are excluded from access to financial services.

2. Meaning of Financial Inclusion :

The Rangarajan's Committee has defined the term 'Financial Inclusion' as: "Financial Inclusion may be defined as 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".

No universally accepted definition of financial inclusion is available in general: "Financial Inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups".

3. RBI Initiatives:

- I) No frill accounts.
- II) Issue of General Purpose credit card.
- III) One time settlement scheme.
- IV) Use of Business facilitators and correspondents.
- V) Credit counseling centers.
- VI) Use of information Technology to external outreach.
- VII) Introduction of customer friendly products.
- VIII) Development of suitable Manpower at Branch level.
- IX) Establishment of village knowledge centers.

4. Objective of the study:

Following are the objective of the present study:

- I) To study the initiatives taken by the RBI with regard to financial inclusion.
- II) To review the role of urban co-operative banks in the financial inclusion.
- III) To examine the performance of selected Kallappanna Awade Ichalkaranji Janata Sahakari Bank Ltd (KAIJSB) in Kolhapur District in the process of financial inclusion.
- IV) To examine the extent of coverage and use of an innovative products introduced by selected UCBs in Kolhapur District in the process of financial inclusion.

5. Hypothesis:

The overall hypothesis of the study is as under:

Kallappanna Awade Ichalkaranji Janata Sahakari Bank in Kolhapur District is playing a significant role in the process of financial inclusion in semi urban area".

6. Research Methodology:

This study is conducted with the use of following methodology:

6.1 Sources of Data:

The analysis is mainly based on secondary sources of the data. The statistical data on relevant information were collected from the annual reports of sample bank, publications by the bank, additional information were also collected from the reference books, journals government publication, internet, study articles, seminars as well as major research study reports, magazines and internet literature etc.

6.2 Data Interpretation:

Keeping in the view, the objective of the study, the appropriate statistical techniques such as average, Compound growth rate, percentage were used to get relevant statistical inferences required for the study. The data were processed with the help of computer software viz. MS-Excel etc.

6.3 Period of the Study:

The Indian Government has adopted the policy of financial inclusion in the year of 2005. Therefore, the Present study covers Five years period from 2006-07 to 2010-2011.

7. Performance of Kallappanna Awade Ichalkaranji Janata Sahakari Bank in the Financial Inclusion:

Kallappanna Awade Ichalkaranji Janata Sahakari Bank Ltd., is a well-known bank in South-Eastern Maharashtra, with its inception on 7th February 1963, the bank was named as Ichalkaranji Janata Sahakari Bank Ltd., Ichalkaranji. It soon consolidated its position in the banking sector under the capable guidance and supports of Kallappanna Awade (Dada) along with the co-operation of his the then colleagues considering the shortcomings of loan crusade in the contest of growing needs of the people.

RBI granted its banking license as an Urban Co-operative Bank in April 1982 and scheduled status in 2000, to give due recognition of Mr. Kallappanna Awade (Dada), the bank was renamed as “**KALLAPPANNA AWADE ICHALKARANJI JANATA SAHAKARI BANK LTD. ICHALKARANJI (SCHEDULED BANK)**” in July 2007. Also recently, RBI has granted multi-state status to the bank on the merger of Navkalyan Co-operative Bank, Hubali (Karnataka State).

To make it more user friendly, the bank has introduced various money transfer modern services viz. Real Time Gross Settlement (RTGS), and National Electronic Fund Transfer (NEFT).

The bank has also provided the facilities like centralized clearing, at par cheque facilities and ATM BANKS to fulfill the changing the needs and expectation of the customers. Due to BANKS network, the customer can withdraw money from 10,000 ATMs of 35 branches across the country. The bank is consistently adapting itself to the latest technologies and introduced the services like SMS banking, Mobile banking, and Internet banking.

7.1 Financial Performance:

KAIJSB is concerned in monetary transaction, bank has to maintain and update a number of documents. For the successful running of a KAIJSB not only books of accounts are taken into consideration but also Member, Paid up Capital, Total Reserve, Own Funds, Deposits, Loans & Advances, Working Capital, Gross Profit, Net Profit and Per Employee Business taken into consideration. Financial performance of the bank depends upon the smooth function of the bank.

Table No. 1: Financial Performance of the Bank (Rs. In Lakh)

Sr. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	CGR
1	Member	20688	24921	30680	35608	41158	18.92
2	Paid up Capital	742.40	860.17	1045.11	1332.65	1642.87	22.50
3	Total Reserve	5339.52	5339.52	5416.06	5585.14	5821.84	2.20
4	Own Funds	6030.43	6199.69	6461.17	6917.79	7464.71	5.50
5	Deposits	54142.69	56488.18	63832.5	71880.23	80332.88	10.90
6	Loans & Advances	31571.16	32299.25	37384.5	41993.96	52467.77	13.60
7	Working Capital	63508.43	66649.36	73894.83	83754.27	96628.09	11.30
8	Gross Profit	448.37	413.39	483.34	660.44	1153.47	26.60
9	Net Profit	107.42	179.37	180.39	319.96	505.02	44.40
10	Per Employee Business	216.42	209.9	222.94	261.78	315.44	10.20
Note: 1)CGR= Compound Growth rate 2) Absolute Figure Source: Kallappanna Awade Ichalkaranji Janata Sahakari Bank Annual Report (2006-07 to 2010-11)							

The above table shows financial performance of the KAIJSB. Members are increased every year and it shows the inclusion of priority sector is CGR is 18.92 per cent. The figures of paid up capital and total reserve show sound financial position of the bank as CGR of paid up capital CGR is 22.50 per cent and CGR of total reserve is 2.20 per cent. Own funds and deposit amount are increased during the study period CGR is 5.50 per cent and 10.90 per cent respectively. The increasing amount of loan and advances every year show that bank has made better business during the study period as CGR is 13.60 per cent indicates it. CGR 11.30 per cent show increase in working capital. During the study period bank shows outstanding financial performance as net profit of the bank is increased five times than it was during 2006-07 its CGR is 44.40 per cent. In case of gross profit it is increased almost three times with CGR is 26.60 per cent. Upward trend of per employee business indicates the better financial performance of the bank its CGR is 10.20 per cent. It indicates promising situation of the bank.

7.2 No Frill Accounts:

The RBI has urged the banking community to introduce the no-frills account to bring a large section of under-privileged people into the banking net the no-frills bank accounts will, therefore, be an innovative instrument to introduce the concept of banking to the under-privileged and reduce credit rationing for this section of people. The proposed no-frills account is a win-win opportunity for banks to cater to such a segment and attract profitable customers as part of their unsecured campaign. As the individual bank

would have the privilege to design these no-frills accounts, the basic characteristic would involve zero or a very low balance with limited transaction facilities. Type of no frill accounts are Individual, Proprietor, Partnership, Society, Local body and others. The following table no. 2 shows no frill accounts of Kallappanna Awade Ichalkaranji Janata Sahakari Bank.

Table No. 2: Classification of No Frill Saving Accounts of KAIJSB

Sr. No.	Years	Individual	Proprietor	Partnership	Society	Local Body	Other	Total
1	2006-07	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	2007-08	74 (100)	0.00	0.00	0.00	0.00	0.00	74 (100)
3	2008-09	108 (100)	0.00	0.00	0.00	0.00	0.00	108 (100)
4	2009-10	3561(99.92)	2 (0.06)	0.00	0.00	0.00	1(0.03)	3564 (100)
5	2010-11	202 (99.02)	0.00	0.00	2 (0.98)	0.00	0.00	204 (100)
	Total	3945	2	0	2	0	0	3950
	CGR	325.90	7.18	0.00	14.87	0.00	0.00	326.77

Note: 1) The data is the No Frill Account Holders. 2) The figures in bracket show percentage.

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3) CGR= Compound Growth Rate 4) Absolute Figure

Source: compiled from the financial statement of KAIJSB.

Table No. 2 shows the No Frill saving accounts of Kallappanna Awade Ichalkaranji Janata Sahakari Bank during the study period. Especially the facility is availed by individuals since 2007-08 that shows upward trend and the highest figures is recorded during 2009-10. This shows the financial inclusion of priority sector in the activities of bank. The No –Frill Accounts total CGR is 326.77 per cent. It means that financial inclusion growth is high through the No Frill Saving Accounts.

7.3 Social Profile of SHGs:

The purpose of forming SHGs is to make financial services available to those who are otherwise likely to be by passed by the formal banking system. This reduces the dependence of the members of the group on moneylenders who generally charge exorbitant rates of interest. The SHGs provide the women a launch

pad to gain confidence, skills and power to promote their interests. By making credit available, the selected bank provides opportunities to people belonging to the weaker sections to start income generating activities and empower themselves by improving their economic status. KAIJSB contributes not just to easier interaction of SHGs, but also to so other communication and facilitating equal chance of self-expression for SHGs. More preference was also given by bank to various socio-economic SHGs of women, belonging to APL and of BPL.

Table No.3: Classification of APL & BPL of Self-Help Groups in KAIJSB

Sr. No.	Years	Self- Help Groups		Total
		BPL	APL	
1	2006-07	NA	NA	NA
2	2007-08	NA	NA	NA
3	2008-09	0.00	373(100)	373(100)
4	2009-10	9(5.66)	150(94.34)	159(100)
5	2010-11	0.00	170(100)	170(100)
	Total	9 (1.28)	693(98.72)	702 (100)

Note: 1) The data is the APL & BPL Self-Help Groups 2) The figures in bracket show percentage.
 3) APL= Above Poverty Line 4) BPL= Below Poverty Line 5)N.A.= Not Available 6) Absolute Figure

Source: compiled from the financial statement of KAIJSB.

The bank has provided facility of saving bank account to the self- help groups of APL and BPL. The table 3 shows that this facility is availed by most of the groups from APL where as there is less response from BPL groups.

8. Findings of the study :

- 1) The performance of the bank is satisfactory for the financial inclusion of priority sector. It is increasing trend all financial factor by KAIJSB.
- 2) It has adopted new financial scheme such as No Frill Account, special fixed deposit, SHGs bank account, etc. to attract the customers. It has helped a lot to priority sector.
- 3) Units like SHGs and BPL are given priority by the bank.
- 4) It is observed that the KAIJSB has sanctioned loan to SHGs (BPL and APL).
- 5) Like other commercial banks, it’s also have introduced ATM, SMS Banking, and E- Banking facility to the customers; it has helped priority sector for easy and rapid banking transactions.

9. Suggestions:

- 1) As Reserve Bank of India provides financial inclusion policy to commercial bank and National banks, certainly it should provide such policy to urban co-operative banks with its rules and regulations.
- 2) Utilize the services of MFI, NGO, SHGs, and business facilitator etc. to extend the financial inclusion at reasonable cost.

3) Government should provide Grants :

For the financial development of UCBs governments should provide all types grants. UCBs are not strong like scheduled commercial banks. They need more financial help from Government like nationalized banks. If the government provides grants to the UCBs then earning sources of banks will increase, and they will do occupational work. Thus it is suggested that Government has to provide financial support for overall development of UCBs.

4) UCBs should open No Frill Account:

No Frill Account plays an important role in financial inclusion. Because it caters the need of not only middle-class people but also people belonging to economically backward classes; so UCBs should be encouraged by RBI rules and regulation to open such accounts.

- 5) To increase financial inclusion of women bank should promote the various schemes for women only.

- 6) To strengthen financial inclusion policy of the government. Urban co-operative banks should undertake public awareness Programme. Ultimately it is the duty of the social workers, politicians and NGOs to make people aware in this respect. Massive awareness Programme should be undertaken as a joint venture of bank and NGOs. It will certainly helpful for the financial inclusion of priority sector. The focus of the Programme should be the participation of economically backward classes, SC, NT, ST, OBC and women in bank activities.

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