Financial Inclusion Plan in India and its Broader Perspectives

Sujoy Kumar Dhar.

Faculty Member, IBS Business School, Kolkata.

Salt Lake City, Kolkata -700091, West Bengal, India

sujay@ibsindia.org

Abstract: *The major focus of the Union Budget for the financial year 2011-12, 2012-13 and 2013-14 was to achieve the larger aim of the financial inclusion. It focuses on the poor who do not enjoy the formal financial institutional support and get them out of the clutches of local money lenders. The branchless banking is an innovative concept where account can be opened and operated without going to bank branch. The profiles of Business Facilitator and Business Correspondent have been created so that they can work as the agent of the banks who are directly dealing with poor villagers. But the circle of financial inclusion cannot be completed unless and until both awareness as well as participation of rural population will increase in capital market products along with money market instruments.*

The objective of the study is to identify the difficulties that Government of India is facing to implement the concept of financial inclusion. Simultaneously, this research work will focus on developing the marketing strategies of the financial instruments to the rural population where a signification portion of the population are suffering from poverty, inequality, unemployment, illiteracy and superstition. Another dimension of the study is to develop the investor awareness programs even in remote villages by which maximum retail participation in capital market can be ensured. Since socio-economically they are most vulnerable portion of the society so it is the part of ethical, moral and social responsibility for every stakeholders of the nation so that they can be protected from the risk of mis-selling by some unscrupulous persons.

The methodology used for preparing the study is based on secondary information available from several research articles prevalent in the different reputed national and international journals that show how the process of distributive justice is being ensured in different nations over the period of time. Similarly data has been collected from the RBI database, Annual reports of RBI and SEBI as well as the different published reports. The proposed intellectual output will give a direction how maximum benefit can be provided to the maximum number of persons so that fruits of growth can be distributed in an equitable way. A productive society can incorporate the inequalities provided maximum benefit can be ensured to the most downtrodden portion of the population. Otherwise India will be separated from Bharat where Metropolitan cities of India will enjoy the brand equity of shining India as a significant share of the fruits of the growth of the economy will be appropriated by a very few beneficiaries and remaining output will be left for the semi-urban, rural population of the nation.

Keywords: budget, inclusion, growth marketing, mutual funds, rural India, SEBI.

Introduction: The concept of the financial inclusion has become the centre of focus in India for a long period of time. The aim of the financial inclusion is to cater the basic financial services offered by the banks to the unbanked population of the nation. The Reserve Bank of India and the Ministry of Finance, Government of India has designed multidimensional strategies for the successful implementation of the inclusive sustainable development of the country. Still there is a huge gap between the actual and the desired standard or benchmark in the perspectives of achieving the inclusive growth. Just opening more and more new branches of the scheduled commercial banks in the remote area will not suffice the basic purpose of financial inclusion. The strategy of financial inclusion will not be able to produce the desired outcomes unless and until the issue of social inclusion is addressed properly. Simultaneously it is high time for the Union Government as well as its different financial regulatory bodies to rethink whether just offering a basket of the different money market instruments to the common mass will satisfy their goal. The cycle of the financial inclusion remains incomplete so long the product and services of both the money market as well as the capital market can be made accessible to the all stakeholders of the nation.

Background Story: The major focus of the union budgets, for the last four financial years 2010-11, 2011-12, 2012-13 as well as 2013-14 was to achieve the larger aim of the financial inclusion. As per the Union budget of 2010-11, it was recommended that both the Government and RBI would work together to provide appropriate banking facilities to areas having population in excess of 2000 by March, 2012 (Dhar, 2010). A major thrust had been given to the financial inclusion in the budget placed for the year 2011-2012 as 27% higher target was set for direct agricultural loans. The proposal of 3% interest subvention for timely loan repayments (lesser interest burden helpful for asset qualification) channelized the greater funding in the segment (Dhar, 2011). The concept of financial inclusion is focusing on the distributive justice. Rawls was the proponent of “Justice as fairness”. According to his difference principle, a productive society can incorporate inequality but the maximum benefit should be provided to the most vulnerable section of the society (Velasquez, 2007). Majority of the developing nations including India are facing the challenge from the low level equilibrium trap. The model of low level equilibrium trap attempts to integrate population and development theory by recognizing the interdependence between population growth, per capita income and national

 ISBN: 978-81-923777-9-7

income growth. Rapid population growth may not permit a rise in per capita income sufficient to provide savings necessary for the required amount of the capital formation for growth. If population growth outstrips the capacity of industry to absorb new labour, either urban unemployment will go up or rural underemployment will be exacerbated, depressing productivity in the agricultural sector which is not all a desirable outcome for an agro based economy like India. Rise in per capita income is accompanied by population growth in excess of income growth holding down per capita income to the subsistence level. It has been argued that if a low level equilibrium trap exists, a critical minimum effort will be required to escape from it. This is so called critical minimum effort thesis which refers to the effort needed normally measured by investment requirements to raise per capita income to that level beyond which the further growth of per capita income will not be associated with income depressing forces exceeding income raising forces (Thirlwall, 1994).

The sustained rise in per capita income is no doubt a necessary condition for enhancing GDP growth of the nation but it is not sufficient to ensure the inclusive development. The development can be interpreted as the sustained increase in standard of living of the nation. The Human Development Index is a composite statistics of life expectancy, education and income indices used to rank the nations. Life expectancy Index is used to measure the life expectancy at birth. Education index incorporates mean years of schooling and expected years of schooling. The mean years of schooling implies years that a 25 years old person has spent in school. The expected years of schooling implies that a 5 years old child is expected to spend with the institutionalized education. The Income index is measured by the per capita Gross National Income. In a nutshell, it can be said that the Human Development Index is the cube root of the product of Life Expectancy Index, Education Index and Income Index (Haq, 1990). Therefore the higher growth rate will not be automatically translated to the development unless and until successful implementation of Financial inclusion is properly taking place. Reaching into the simplistic assumption that the crisis of the financial exclusion is restricted only to the rural area will be a great mistake, as the poorer section of the urban population is also victim of same deprivation. Taking into account these harsh realities into consideration, the Government of India is now continuously harping on the prerogative of inclusive growth. In the sphere of the financial inclusion, Indian PSU banks are much ahead than its private peers in terms of their contribution. The PSU banks are offering banking services which is 62.2% of the total banked rural population in India and it is followed by the Regional Rural Banks as they are offering 33.84% services. Private players are offering service which is restricted to only 4.62% of the aggregate banked rural population and foreign players are almost nonexistent in the rural market as they are serving 0.02% of the rural population which is availing basic banking service (Annexure-I).

Research Gap: Several research based articles have been authored on Rural Banking (Moschini Giancarlo, 2008; Dongre,2010; Jackson V. P, 2011; Whitelaw,2011). Similarly numerous intellectual outputs have been produced in the domain of financial inclusion (Jones, 2006; Kumar, 2008; Michael, 2009; Bihari, 2011). But the objective of preaching, professing and propagating the agenda of the financial inclusion is to spread the banking facilitates to each and every corner of the nation. Confining the scope of the financial inclusion only in terms of banking services will not be able to satisfy the broad perspective of the inclusive growth. The real financial inclusion will be materialized only if the poorer section of the society can avail the facility of consuming both the money market as well as capital market instruments. This area has been neglected for a long period of time as hardly any research publication is made taking into account these perspectives so far my knowledge goes.

Objectives:

- Defining the scope and direction of the financial inclusion plans.
- Analyzing the possible reasons of the financial exclusion in India.
- Critically scrutinize the extent of achievement of the Government of India after 65 years of independence in pursuing the goal of the financial inclusion.
- Explore the opportunities to create the awareness about the utilities of the several instruments of money market and capital market in the mind of downtrodden section of the society.

Literature Survey: The Regional Rural banks or the Grameen Banks(GB) are playing a crucial role to combat against the financial exclusion .The most conventional banks grant credit based on collateral assets, GB give loans without any kind of collateral. GB has been successful in overcoming the problems of informational asymmetry often found in rural financial markets. This bank replaces collateral by peer pressure and social sanctions. The extremely poor can get small loans at GB if they form groups of five people. Each member of the group receives an individual loan; however, they are mutually responsible for all five credits. The bulk of GB's borrowers are women who constitute the weakest social group among the rural poor. Lending money to women has largely enhanced recoverability for GB's loans (Hassan, 1997). It is often argued that the financial sector in low-income countries has failed to serve the poor. The failure of the formal and informal financial sectors to provide affordable credit to the most disadvantaged portion of the society is often viewed as one of the main factors that reinforce the vicious circle of economic, social and demographic structures that ultimately cause poverty (Chowdhury, 2005).

The successful application and implementation of the financial inclusion strategies can only break this downward vicious circle. "The roles and status of persons in rural environment

ISBN: 978-81-923777-9-7

differs substantially from those in urban India. Individuals such as Sarpanchs, caste leaders, medical practitioners, retired military personnel and priests enjoy a higher status and their purchase decisions seem to have a significant influence on others." (Kashyap,2009). The conventional meaning of the financial inclusion is to bring more and more people under the umbrella of the banking services. But the stepping stone of the inclusive growth is the awareness generation about the services offered by the banks and financial institutions among the non banked population. Therefore the major challenge the banks are facing during the time period of ice breaking exercise when they have to make their products and services familiar in the mind of the poor villagers. The critical success factor for the banks lies in their ability to market their products, services, vision, mission and policies in front of the layman villagers who have hardly any idea about the banking framework or institutionalized credit.

Rural marketing is trickier as well as challenging in comparison to marketing in urban areas. The target customers are highly qualified, adequately informed about the product and much exposed to both the print as well as electronic media in urban marketing. In majority of the cases, the marketers need not face many challenges to convince the customer about their products, provided marketers are knowledgeable enough to demonstrate the key features as well as the core competitive advantage of their products. "Rural marketers have to skillfully communicate with a much larger but scattered audience characterized by variations in language, culture and life styles. Their poor message comprehension and low media exposure only add to the problem of communication through mass media." (Krishnamacharyulu, 2006). The promotion of products, services, processes or concepts are not easy because to attract the attention of rural customers, customization is required to a significant extent. Often companies are targeting urban market in order to play safe. According to Ajith Paninchukunnath, "when a marketing firm sees only the urban market to participate, in a country where rural markets are dominantly present is called Urban Myopia (UM). The intensity of UM is so high that in spite of facing acute problems in urban markets like low market share, brand polygamy by consumers, competition from private labels, declining margins, companies still refuse to look beyond urban markets" (Paninchukunnath ,2010). "Adoption of a long-term perspective which focuses on developing the economic base of consumption and distribution, building demand for the products and services offered by marketers, as well as enhancing consumers' ability to afford them are the major key factors for success in financial inclusion. It requires fostering entrepreneurial skills to establish the networks to promote and distribute the products to consumers in outlying areas" (Craig, 2011). Thus, the efficient supply chain management is also required for successful rural marketing. The infrastructure should be supportive enough which will reduce the distribution bottlenecks, a major threat for both the rural target customer and marketer.

Factors responsible for exclusion: The major impediment to financial inclusion is the psychological stigma of the rural villagers which is originated from their socio economic background. In most of the cases, they are not educated enough to sign their own names. Therefore often they are unable to overcome their mental block or inbuilt resistance for which they are unable to open up in front of the executives of a bank. The local rural moneylenders and financial intermediaries are more approachable to them as these illiterate villagers are able to relate themselves with those intermediaries despite the fact that they are being exploited like anything by those moneylenders. The exploitation initiated with the extension of credit at an exorbitantly higher rate of interest. Often the credit is provided without any proper documentation process which enables the unscrupulous money lenders to exaggerate the loan amount. They have to keep mortgage their agricultural land as well as residential property. Since they are unable to repay the loan during their entire lifetime, often the next generation has to carry a huge debt burden in their shoulder which they have received in the form of inheritance from their ancestors. It creates a vicious circle of debt trap and getting rid from this long term becomes really difficult or almost impossible. At the extreme case, the situation goes beyond the control and the farmers have to commit suicide. Committing of suicide by the farmers across the nation are becoming the regular headline in both print and electronic media because of the considerations they are getting by selling their agricultural produce is abysmally low to fulfill their basic needs for survival. Simultaneously the farming profession is the most vulnerable towards the risk arises due to the volatility of the monsoon season. In spite of the fact that the Government of India is trying to compensate the farmers by buying their agricultural produces at the Minimum Support Price still it is much lesser with respect to the requirement of the farmers to earn their livelihoods. The most unfortunate fact is that the farmers with low income are not eligible to apply for a loan. Most of the excluded consumers are not aware of the facilities provided by the banks. Moreover, the banks give more impetus to meet their financial targets and benchmarks as they are acting as the profit maximizing institutions and to meet their target, the banking players usually provide major focus and emphasis on the generation of larger accounts. It is neither profitable nor favourable for the banks to provide small loans where the default risk is quite high, leading to the accumulation of Non Performing Assets (NPA) and bad debts as it is detrimental to the interest of the shareholders of the banks.

Concept of inclusion in changed circumstances: Gradually the scenario is changing as the Government of India had taken initiatives to promote the financial inclusion as a policy prescription. The financial inclusion does not imply just opening a savings account for the unbanked population. Opening the savings account can be used as the starting point to penetrate to the poor villagers and promote the banking services and its mode of operations. Gradually banks offer its diversified product portfolio which is composed of general purpose credit cards, artisan credit cards offering collateral-free small loans, Micro insurance, Micro pension, Third party insurance to target rural customers. The RBI has instructed to the banking players to simplify the KYC (Know your customer) norms for opening a 'No frill' account[1] which can be viewed as part and parcel of the strategy to promote the financial inclusion agenda.

ISBN: 978-81-923777-9-7

The branch banking as well as the brick and mortar structure are often criticized for its high operational cost, inability to provide adequate timely credit facility, inappropriate technology, inadequate coverage, mechanism of faulty delivery, absence of the appropriate business models, limited working hours and discriminatory attitude of the bankers where the basis of discrimination is viewed as the profile and the socio economical background of the customers. The Automated Tailor Machine (ATM) plays a major role to eliminate all these subjective biases and the major advantage of ATMs is services offered round the clock 24x7. Therefore the number of ATMs is one of the major key success variables to successfully implement the financial inclusion. India is lagging far behind than the world average benchmark with respect to providing the ATM facilities to the citizens of its nation. In India, per one lakh population, the number of ATMs is 8.9 which are abysmally low in respect to the world average 33.9. (Annexure-II).

After 65 years of independence, if the report card of the nation is to be analyzed, nobody can deny the fact that telecommunication sector is the one which penetrated in Indian market to a significant extent. The people who are belonging to the lower income group such as rickshaw puller, Auto drivers, maidservants, sweepers, gate keepers are also having their own mobile phone. As a result, mobile banking transactions have increased at a rapid space in India. (Annexure- III). The branchless banking is one of the revolutionary innovations in the field of banking where the provision has been created to open and operate the account without physically going to the branch of the bank. The banks have to recruit their business representatives in the rural area. These representatives are selected from the local communities who have the significant influence to the villagers and they are authorized by the banks to act as the Business Facilitators[2] and Business Correspondents[3].

Concept of Micro Finance: The concept of the Microfinance is the brainchild of Muhammad Yunus, Professor of Economics at Bangladesh University. At the outset, he started with individual finance model; the approach of Micro Finance changed its dimension quickly to "group approach". There are generally two types of groups covered under micro finance. They are (1) Self Help Group (SHG)[4] and (2) Joint Liability Group (JLG)[5]. When the self help groups are able to successfully operate for more than 3 years span of time, they get the status of NGO. Swarnajayanti Gram Swarojgar Yojana is an employment programme designed to stimulate self-employment activities and it ensures that every assisted Below Poverty Line (BPL) family – *swarojgari* - is able to earn a minimum monthly income of Rs 2,000 within three years. It aims to achieve this objective by encouraging these families to engage in income-generating activities and by providing assistance through a combination of wages, technical capacity building and a package of financial assistance that includes institutional credit and subsidy. In 1999, SGSY was formed from a merger and restructuring of the Integrated Rural Development Programme (IRDP) and allied skills generation programmes, namely Training for Rural Youth for Self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), Supply of Toolkits in Rural Areas (SITRA), Ganga Kalyan Yojana (GKY) and Million Wells Scheme (MWS), (Shekhar, 2010-11).

Due to excessive external as well as internal borrowing, the West Bengal has become the one of the major debt ridden states in India where the debt burden of West Bengal was Rs 2,115.9 billion,(Marapakwar, 2012). The Self help groups are also suffering from liquidity crisis. Banks disbursed Rs 32637 per SHG on an average in West Bengal against the national average of Rs 72000.[6]

The problem is not confined to the state of West Bengal; the same problem is more or less prevalent in the entire eastern region of India. The eastern region of India is lagging behind with respect to the rest of the nation in terms of performance in financial inclusion. (Annexure-IV)

In microfinance activities, PSU banks are almost enjoying monopoly power as private players. As per the data of March 2012, 94.5% loans had been disbursed by the PSU banks for microfinance schemes where only 5.5% loans was disbursed by the private sector banks (Annexure-V). Though the banks are targeting to enhance their CASA deposits to reduce their long term liability as to facilitate their Asset Liability Management, it has been observed that individuals are much prone to the term deposit irrespective of the nature of the banks (Annexure-VI).

The Banking Reform Bill, 2012: On December, 2012 both the houses of the Parliament in India passed the much awaited banking amendment bill. According to this bill, nonbanking business players are also entitled to apply for the banking license from the RBI. It also recommended for raising the cap on voting rights in public sector banks from 1% to 10%. It has restricted foreign shareholding in any form to 49%. Private Banks in India can have up to 74% foreign shareholding today. It enabled the nationalized banks to raise capital by issuing of preference shares or rights issue. It would also enable them to increase or decrease the authorized capital with approval from the Government and RBI without being limited by the ceiling of a maximum of Rs. 3000 crore. The bill allowed any person to acquire 5% or more shares or voting rights in a banking company subject to RBI's approval. For private banks, the cap on voting right has been increased to 26%. This Bill has strengthened the regulatory powers of Reserve Bank of India (RBI). The bill empowered RBI to supersede the board of directors of a banking company for a period of six months if its modus operandi is detrimental to the interest of the depositors. The apex body of the money market of India has received 26 application from different Government as well as private business houses which includes the L&T Finance, the Tata Group, Reliance Capital, Aditya Birla Nuvo, Bajaj Finserv, Videocon, IDFC, Muthoot Finance, India Bulls, Bandhan, Bangalore based Janalakshmi Microfinance, Noida based little known Smart Global Ventures, Gurgaon based advisory services firm INMACS Management, UAE Exchange of India: a remittance and foreign exchange service firm, India Infoline, LIC Housing Finance, Religare, Edelweiss, Magma Finance, SREI Infrastructure Finance Corporation, IFCI, The Department of Post (Government of India), Tourism Finance Corporation of India, Suryamani Financing(part of Kolkata based Pawan Kumar Ruia Group), JM Financial, Shriram Finance. The new

ISBN: 978-81-923777-9-7

banking bill, 2012 can be viewed as a masterstroke by the Central Government to eradicate the curse of the financial exclusion (Buisness Standard, 2013).

Hurdles faced by the Indian Banks: The strength of the Indian banking sector is proved as its weakness which is no doubt a major area for concern. The Indian banking sector has always operated in a bit conservative manner which was proved as its major area of strength during the final year 2008-09 when the entire globe suffered a financial slow down due to subprime crisis in USA. The major western financial institutions such as Merrill Lynch, Lehman Brothers, AIG and Washington Mutual suffered from liquidity crisis. Many foreign financial organizations went for bankruptcy. Neither any Indian banks had subprime exposure nor did a single Indian bank go for bankruptcy because Indian banking sector is highly regulated sector. The strict monitoring, regulation and supervision by RBI paid a huge dividend by creating resilience during the time of global meltdown.

On the other hand, due to same feature of strict regulation, the major challenges faced by the Indian banks are emerging threats from the shadow banking[7] players. The institutions such as the Non Banking Financial Companies (NBFCs), chit fund players, Nidhi companies, local money lenders and indigenous banks are coming under the purview of shadow banking as these institutions are functioning almost equivalent to the banks but strict regulations are not stipulated to them as they are not banks by nature. The shadow banking players are alluring the financially illiterate depositors by promising to provide higher rate of return than the banks. The greedy depositors are trapped by these shadow bankers and deposit their hard earned money to the different schemes offered by them. The recent Sarada group financial scam added a new dimension where after investigation it was discovered that on 31st December, 2012, Rs 1.8crores was deposited in the Dakshin Barasat branch of the Saradha group (Dutta, 2013).

The fallout of Sarada group is directly pinpointing to the factual premise that in spite of having huge potentiality of deposit mobilization in suburban and rural area, the banking sector of India failed to utilize and appropriate it to the greater interest of the country. The citizens of the nation had to pay a huge penalty for the inefficiencies of the banking players as if this amount of fund could have been brought into Indian banking system, it would enhance GDP of the nation to a significant extent. The indepth analysis of such financial catastrophe shows the major lapses in the policy making procedures of the Government of India as it prioritized financial inclusion bypassing the root cause of the disease which is nothing but social exclusion. According to Byrne, social exclusion should be considered as ‘a necessary and inherent characteristic of unequal post-industrial capitalism founded around a flexible labour market’. He opined that the socially excluded are a reserve army of labour in the Marxist sense, continually changing places (Byrne, 1999). The RBI should rethink the entire issue and responsibility of the banks should not be limited to provide the quality service to its existing customers or potential customers but they have to spread the message of basic awareness of banking and financial services to the common mass of the nation without taking into account the possible conversion rate.

The majority of the Indian banks have successfully implemented Basel II norms. Taking the lesson from the Subprime crisis, it is concluded by the Basel Committee of Banking Supervision that Basel II has overpriced the default risk and underpriced the liquidity risk. To create a safeguard against the liquidity risk, Basel III has emerged. In order to conform to the International Standard of Basel III norms, huge amount of capital is required. Assuming an annual credit growth rate from financial year 2012 to financial year 2021 at 20 percent and the annual risk weighted asset growth rate at 22 percent, tier I capital requirement for the public sector banks for the same period will be Rs. 9,60,000 crore. Due to the high fiscal deficit of the nation, it is almost impossible for the Government of India to infuse the equivalent amount of capital in public sector banks. Simultaneously the Government is not at all willing to dilute its stake less than 51% strategically (Dasgupta, 2013).

Role of Capital Market in Financial Inclusion; a New Dimension: The Security Exchange Board of India is willing to enhance retail participation in the capital market on a continuous basis. The upward swing of Indian capital market can be interpreted as the outcome of a reflected glory because the upward movement of the market index is taking place due to the excessive inflow of funds contributed by the Foreign Institutional Investors to appropriate the interest rate arbitrage profit, not due to strong fundamental of the domestic companies (Annexure- VII). Depending too much on FII is neither advisable nor sustainable solution to develop a sound capital market as FIIs are pursuing short term profit maximization motto. FIIs do not have any long term commitment like Foreign Direct Investment (FDI). Once recession takes place in the global economy, they immediately liquidate their position to protect their home turf which creates a knee jerking effect for the domestic nation. The Indian capital market has undergone through a pathetic experience twice during the time of subprime crisis and Euro Zone crisis. If the domestic capital market can be made as self sustainable and self sufficient, the all on a sudden crash in the capital market can be prevented to a significant extent. In order to reduce the overdependence on Foreign Funds, the SEBI has to win the trust and confidence of the common people which was broken to a significant extent due to different capital market fraud and scams which include Harshad Meheta Scam, Ketan Parekh Scam, corporate governance failure in Satyam which was recognized as the cash rich blue chip IT player. As a regulatory body of the Indian capital market, SEBI is liable to ensure effective and efficient corporate governance framework, easy accessibility of information and better redressal of grievances of the investors. As per the recommendation of Kumar Mangalam Birla Committee, SEBI clause 49 has been created by which SEBI can maintain a close supervision and strict vigilance over the corporate governance practices of all listed companies in the Indian Capital market (Annexure- VIII).

Prior to the dematerialization of shares, it was difficult for retail investors to buy the equity shares as they have to purchase shares in lot for which, large amount of fund was required. If they were willing to sell their shares, they had to sell the entire lot and share certificates were required to be preserved properly. After the dematerialization of shares,

ISBN: 978-81-923777-9-7

individual can buy or sell any number of shares and shares can be stored in the electronic format with the help of International Securities Identification Numbers (ISIN). Thanks to the demat account, denomination required to invest in the share of a company has become very less. This has created an opportunity for the middle class household to participate in the domestic capital market.

Efforts of SEBI to market their product in rural area: The purchasing power of rural and urban population has gradually grown up as the Government is incurring huge expenditure in the social sector projects such as hundred days work, mid day mill, availability of basic food grains through the proper channels of the Public Distribution System. As a result the 'rising middle class' will account approximately to one third of the population in the next 20 years in India(Annexure-IX). SEBI has started its initiatives to penetrate in the Indian rural market by introducing more and more awareness creating campaigns. SEBI has realized that investment in banking products may not be the default choice for the middleclass (Annexure -X). SEBI has taken multifold strategies to achieve its target of enhancing the retail participation in Indian capital market. SEBI has already started its investor empowerment program which can be broadly classified into two categories- Investor education and financial education. SEBI has designed an investor friendly website (http://investor.sebi.gov.in) which can be seen as part of its effort for promoting its campaigns. Simultaneously SEBI is conducting different workshops and seminars with the collaboration of brokerage firms and mass media (Annexure –XI).

Everybody is willing to earn a good return from their savings but since they are not technical persons, they don't know the rule of the game. According to Warren Buffet, risk comes from not knowing what a person is doing. The risk mitigation is only possible when investors are well informed about the global as well as national capital market. SEBI has started its full swing financial education programme by creating a pool of resource persons in association with National Institutes of Securities Market (NISM). SEBI has adopted an innovative approach to reach to the common people. They are selecting certain professionals from academics through a rigorous selection process. The selected Academicians are provided one week residential training for once. At the successful completion of the training programme, those academicians are designated as SEBI certified Financial Resource Persons. These resource persons are eligible to conduct the workshops as the representative of SEBI in different regions of India to spread the financial literacy. No fee is charged from the participants of the workshop and at the end of the workshop, hardcopies of SEBI materials are distributed at free of cost to all the participants. A token honorarium is provided by SEBI to the Resource persons per workshop and this expense is incurred from the Investor Protection Fund of SEBI. The SEBI has already prepared different teaching modules for different target groups such as Investment planning for retirement(Senior citizen), Investment planning for executives(monthly take home salary more than Rs 25000), Investment planning for home makers, financial planning for young investors(college students), Financial education for middle income group (monthly take home payment less than Rs 25000) and financial education for school children. SEBI has its own game plan for selection of the resource persons from the teaching community. They know it very well, specifically in the villages, the common uneducated or less educated mass respect the teachers and they treat them as their role models. To provide the maximum benefit to the larger section of the society, SEBI has prepared its study materials in different regional languages such as Bengali, Gujarati, Urdu, Punjabi, Assamese, Telugu, Tamil, Marathi apart from English and Hindi. SEBI has focused on grievance redressal system by creating Investor Grievance redressal Cell (IGRC), SEBI Complaint Redressal System(ScoRes). With the help of ScoRes, investors can upload and register their complaints against any brokers, sub brokers, intermediaries or any companies in the website of SEBI directly (Dhar, 2013).

Challenges: The residents of the remote villages are often very shy and introvert by nature. They are not willing to interact in front of a financial resource person. The illiteracy, superstition, ignorance are the common features of Indian rural community which are the major impediment the resource persons are facing when they are organizing workshops to enhance the awareness about the capital market instruments. As per the Simple Keynesian Macro Economic model, the marginal propensity to consume is higher for a poor family rather than a richer household. Hardly any fund is left in the hands of villagers for saving purposes after meeting their daily consumption expenditure. Since they are most vulnerable section of the society, they are frequently becoming victims of mis-selling and ponzi schemes. A Ponzi scheme is a fraudulent investment arrangement whereby unsuspecting investors give cash and property to the lead figure of the arrangement, who then misappropriates some or all of the funds, but reports to the investors that the fund made profits. The purported income being reported and even paid to investors comes from amounts received by the leader from later investors. The arrangement usually falls apart when a large number of investors want to withdraw their investments at the same time, especially during times when there is not enough new money being supplied by new investors (Mannino, 2009).

According to Mr. Warren Buffet, risk arises from not knowing what a person is doing. It is very easy to convince the poor villagers and a section of unscrupulous money lenders are utilizing this opportunity to exploit their simplicity and ignorance. The chit fund players are quite active in the rural and semi urban segment. The chit funds and their mode of operations have created a major dispute over a period of time.

The RBI's advisory (Cir: No 9/ 12.05.001/2009-10) was issued on September 16,2009 warned that quite often some unscrupulous firms open bank account country wide to collect small cash deposits. These firms also manage to get a huge number of cheque books issued and pay post dated cheques to the depositors. They usually target those banks which have already successfully implemented the Core Banking Solution. The very nature of the scheme is that repayment is only possible if there is a continuous flow of fresh deposits of increasing values. Therefore at some stage deposit is bound to be stifled and post dated cheques will bounce. The RBI cautioned the banks to be careful in opening such account specifically if large number of cheque books is required by them. It also instructed to all the banks to make random

ISBN: 978-81-923777-9-7

checks and promptly report any unusual operation (Sen, 2013).

Conclusion: The SEBI has already taken a series of steps to promote the capital market products such as equity shares, mutual fund, bond and debentures in the rural areas. All these actions are taken with the aim of creating a basic awareness and familiarity about the capital market in the minds of villagers. Still there are many things yet to be done to meet the underlying objectives of marketing the risky capital market products. SEBI can provide the necessary advices to all the depository participants or the brokerage houses to open their branches in villages. Like no frill account, SEBI should provide the necessary guidelines to the brokerage houses to open a demat account for the poorer section of the population at free of cost. The rural residents will not be required to maintain a minimum cash balance in their savings accounts. The brokerage houses, sub brokers and dealers should be instructed to charge a lower rate of brokerage from the poor villagers. This loss of revenue can be compensated by charging higher brokerage from the High Net worth Individuals and Qualified Institutional Buyers. The price discrimination is ethical if it follows the distributive[8], retributive[9] and compensatory[10] justice. It will be a mistake if a simplistic conclusion can be drawn that all the rural villagers will start to subscribe and trade in equity shares even if all the above-mentioned conditions are fulfilled. Initial ice breaking exercise can be done through mutual fund as it is safer than equity and it is subject to the market risk only. Mutual fund is a suitable option for the rural residents since no premium is charged in New Fund Offer (NFO) and it is issued at par. In case of IPO of equity shares, issue price includes huge share premium which the downtrodden section of the society cannot afford. The Systematic Investment Plan (SIP) is suitable option for rural retail investors. Certain predetermined amount of money is deducted in every month from the savings account of the investor if the investor opts for SIP. Investor of SIP can hedge the risk of market volatility. Instead of making the entire payment at one go, here payment is made over a long period of time on installment basis.

SEBI has already proposed to increase the expense ratio by 30 basis points (0.3%) if the mutual funds are able to increase their reach to smaller towns in India and increase their contribution to 30%. In short, if mutual fund is able to get more than 30% of its Asset Under Management (AUM) from other than top 15 cities in India, they can charge a 30 basis points expense ratio higher than its current expense ratio. Lower contribution means proportionately lower expense ratios. Registration fees are waived for all the distributors of mutual fund registering for the first time in the categories of Individuals (including Senior Citizen) and new cadre of Distributors during the period from February 1, 2013 to June 30, 2013. The strategy of offering AMFI Registration Number (ARN) at free of cost can be viewed as the deliberate effort of SEBI to implement the ultimate motto of rapid penetration strategy in the untapped rural and semi rural market (AMFI, 2013).

Collecting the database of remote villagers is another challenge. The Government of India has already taken some positive steps to achieve the goal for collecting the necessary information. Unique Identification Authority of India (UIDAI) started to enroll people in 16 states, while National Population Registration (NPR) Project did the job in the rest of the nation mostly costal and border areas. The States and UTs are Andhra Pradesh, Chandigarh, Daman and Diu, Goa, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Delhi, Pondicherry, Punjab, Rajasthan, Sikkim and Tripura. While NPR was aiming to capture 15 fields, UID was capturing five fields in its data. Aadhaar is voluntary and NPR is mandatory. Both agencies are expected to accept Aadhaar numbers given by each other in order to avoid duplication in biometric record taking. NPR data will prevail in case of discrepancy. The Government is determined to provide the cash subsidy to ensure there should not be any scope of free ridding. Therefore, Dr Manmohan Singh Led UPA II Government passed the resolution that everybody has to purchase basic food grains and LPG at market price. The subsidy amount will be reimbursed by the Government at the respective bank accounts of the individuals depending on their entitlements. Already the Central government has made Permanent Account Number (PAN) mandatory for all the citizens of the nation. Once the Aadhaar number allotment is over across the nation, the subsidy amount will be transferred to the respective Aadhaar account (Dhar, 2013). Since the Government is emphasizing on providing the direct cash subsidy to the poor, the entire network of PDS will be ineffective in the near future. The millions of dealers of PDS supply chain can be used to capture the database of the BPL population. If the Asset Management Companies (AMCs) have to penetrate in the rural market, product simplification is the only solution. SEBI has to make KYC form much simpler as too much of technicalities will ultimately defeat the basic purpose of inclusion. In order to appropriate the huge demographic dividend of rural India, the focus should not be on selling a product but providing a solution in the financial planning framework of a person. It is true that providing basic baking services to the unbanked populations is the necessary condition for financial inclusion. It can be said without any ambiguity that the Scheduled Commercial Banks in India is playing a major role(Annexure-XII). The different financial regulatory bodies such as RBI, SEBI, IRDA, Pension Regulatory Funds are required to keep the long term vision in order to build the nation with sound economic growth and sustainable development. The dream of real financial inclusion will be materialized only when the entire population of the nation will be able to become beneficiary from the different financial reforms made by the several financial regulatory bodies of the country. Despite all the odds, obstacles and resistances it can be concluded unambiguously that the goal of the effective financial inclusion of the Government of India will be achieved to a significant extent if all these dimensions are taken into consideration.

ISBN: 978-81-923777-9-7

Annexure –I The reach of the Indian Banking sector

a) **Position of households availing banking services in India**

Serial Number	**Nature of households (As per Census 2001)**	**Total number of households (As per Census 2001)**	**Number of households availing banking services (As per Census 2001)**	**Percen (As per Census 2001)**	**Total number of households (As per Census 2011)**	**Number of households availing banking services (As per Census 2011)**	**Percent (As per Census 2011)**
1	Rural	138,271,559	41,639,949	30.1	167,826,730	91,369,805	54.4
2	Urban	53,692,376	26,590,693	49.5	78,865,937	53,444,983	67.8
	Total	191,963,935	68,230,642	35.5	246,692,667	144,814,788	58.7

Source: RBI

b) **Number of branches of Scheduled Commercial Banks as on 31st December, 2012**

Serial Number	**Bank group**	**Rural**	**Semi-urban**	**Urban**	**Metropolitan**	**Total**
1	Public Sector Banks	22812	18422	14454	13502	69190
2	Private Sector Banks	1701	4974	3665	3755	14095
3	Foreign Banks	8	9	63	248	328
4	Regional Rural Banks	12451	3190	865	158	16664
	Total	36972	26595	19047	17663	100277

Source: RBI

C) **Number of functioning branches of Scheduled Commercial banks during last three years**

As on	**Rural**	**Semi-urban**	**Urban**	**Metropolitan**	**Total**
March 31, 2010	32525	20776	16678	15342	85321
March 31, 2011	33800	22961	17563	16293	90617
March 31, 2012	34671	24133	18056	16799	93659
December 31, 2012	36972	26595	19047	17663	100277

Source: RBI

d) **Number of branches of Scheduled Commercial Banks opened during last three years**

Population group	**2009-10**	**2010-11**	**2011-12**
Rural	974	1280	2051
Semi-urban	1704	2186	2479
Urban	1398	890	1065
Metropolitan	1116	958	908
Total	5192	5314	6503

Source: RBI

ISBN: 978-81-923777-9-7

e) **No. of bank branches of SCBs over the years**

Number of scheduled commercial bank branches as on 31st December, 1969	8,826
Number of scheduled commercial bank branches as on 31st March, 1990	59762
Number of scheduled commercial bank branches as on 31st March, 2012	93659

Source: RBI

Annexure –II a) **Comparative Analysis between the Different Nations on the Basis of ATM Penetration**

Serial Number	Name of the nation	Number of ATM per 1 lakh population (in the year of 2011)
1	Australia	166.92
2	Brazil	119.63
3	France	109.8
4	Russia	152.9
5	Mexico	45.77
6	India	8.9
7	World Average	33.9

Source: RBI

a) Share of Indian population group in increment of ATMs in financial year 2012

Serial number	**Nature of population**	**Percentage**
1	Metropolitan	38
2	Urban	33
3	Semi Urban	22
4	Rural	7

Source: RBI

b) Number of ATMs in the country as on 30th September, 2012

Bank group	**Rural**	**Semi-urban**	**Urban**	**Metropolitan**	**Total**
Public Sector Banks	6926	15638	20075	17934	60573
Old Private Sector Banks	615	2356	2046	1489	6506
New Private Sector Banks	1739	6146	10703	14718	33306
Foreign Banks	33	22	254	1052	1361
	9,313	24,162	33,078	35,193	101,746

Source: RBI

Annexure-III Mobile **banking transactions for banks in India (2012)**

Serial number	**Month**	**Number of mobile banking transaction for banks**
1	April	3178405
2	May	3346743
3	June	3437074
4	July	3705690
5	August	3968226
6	September	38797614
7	October	4437205
8	November	4720871
9	December	5221007

Source: RBI Data

ISBN: 978-81-923777-9-7

Annexure –IV **A comparative analysis between the Performance of Eastern Region of the Nation as well as Performance across the Nation with reference to financial inclusion**

Serial Number	Particulars	2001(All India Figure)	2011(All India Figure)	2012(All India Figure)	2001 (Eastern region figure)	2011 (Eastern region figure)	2012 (Eastern region figure)
1	Household availing banking services (%)	35.2	58.7	-	28.8	47.3	-
2	Population per bank of branch (%)	15.6	13.3	12.5	19.5	18.1	17.3
3	No of accounts per thousand (credit)	51	100	106	37	54	54
4	No of accounts per thousand (Deposit)	416	609	734	321	476	540
5	Per capita credit outstanding	5.2	33.7	39.1	2	12.1	13.9
6	Per capita deposit outstanding	9.2	42.5	49.4	5.5	22.8	26.5

Source: RBI data

Annexure- V **All India Position of different Public Sector Commercial Banks in Microfinance Activities in March, 2012.**

Serial Number	Name of the banks	No. of SHGs	Total Loans Disbursed	No. of SHGs under Swarnajayanti Gram Swarojgar Yojana	Total Loans Disbursed under Swarnajayanti Gram Swarojgar Yojana	No. of SHGs Exclusively for women	Total Loans Disbursed To Women SHGs (Amount ` Rs lakh)
1	Allahabad Bank	8479	12191.56	6573	8174.13	6299	7560.30
2	Andhra Bank	76504	173765.00	583	717.20	76504	173765.00
3	Bank of Baroda	21293	22173.40	4802	5811.08	13742	14590.75
4	Bank of India	22080	19958.93	10948	6623.99	19305	15066.09
5	Bank of Maharashtra	8276	9555.71	8167	9468.54	7474	8426.04
6	Canara Bank	37121	57521.41	6805	9676.29	30853	47895.53
7	Central Bank of India	35868	20705.64	9016	9358.03	28380	15311.88
8	Corporation Bank	13029	22558.45	836	807.03	12816	22133.97
9	Dena Bank	4712	3369.66	0	0	0	0
10	IDBI Bank	3209	9411.69	412	7115.85	3127	9324.95
11	Indian Bank	12321	11283.86	2302	5424.86	12199	11172.65
12	Indian Overseas Bank	33469	71393.00	7082	7632.00	31316	49924.00
13	Oriental Bank of Commerce	735	826.02	390	419.22	529	569.28
14	Punjab National Bank	15371	25793.00	10557	15073.23	13374	20226.00
15	Punjab & Sind Bank	593	621.03	305	264.21	426	442.37
16	State Bank of Bikaner & Jaipur	659	2191.00	414	1242.00	414	1244.00
17	State Bank of Hyderabad	40812	68890.00	944	1053.00	40812	68890.00
18	State Bank of India	151415	274965.0	7564	15941.00	130310	232439.00
19	State Bank of Mysore	7365	34292.65	220	1028.64	6640	30893.95
20	State Bank of Patiala	548	899.60	275	465.40	260	302.25
21	State Bank of Travancore	5505	11338.67	1228	1914.31	5114	10544.02
22	Syndicate Bank	16053	35935.38	957	1756.41	15372	33629.58
23	UCO Bank	11399	11418.37	6014	5172.21	8587	9409.24
24	Union Bank of India	20819	12783.46	938	1079.38	17974	11074.54
25	United Bank of India	16653	10294.95	12596	7820.76	16027	9897.30
26	Vijaya Bank	6962	15389.03	1186	2167.00	6665	13050.52
	Total	571250	939526.46	101114	126205.78	504519	817783.21

Source : (NABARD, 2012)

ISBN: 978-81-923777-9-7

a) All India Position of different Private Sector Commercial Banks in Microfinance Activities in March, 2012

Serial Number	Name of the banks	No. of SHGs	Total Loans Disbursed	No. of SHGs under Swarnajayanti Gram Swarojgar Yojana	Total Loans Disbursed under Swarnajayanti Gram Swarojgar Yojana	No. of SHGs Exclusively for women	Total Loans Disbursed To Women SHGs (Amount ` Rs lakh)
1	AXIS Bank	15	18.24	15.00	18.24	14	18.04
2	Capital Local Area Bank	0	0	0	0	0	0
3	City Union Bank	963	1541.52	226.00	231.90	0	0
4	Catholic Syrian Bank	36	71.73	28.00	55.07	0	0
5	Dhanalakshmi Bank	3109	13994.96	1135.00	3665.18	2985	7407.80
6	Federal Bank	877	2646.68	308.00	539.11	793	1839.01
7	HDFC Bank	16611	26000.80	0	0	16611	26000.80
8	ICICI Bank	5153	6335.43	3.00	7.43	5152	6332.43
9	ING-Vysya Bank	1334	2537.00	533.00	1117.38	458	944.83
10	Jammu & Kashmir Bank	371	151.99	347.00	146.42	0	0
11	Karnataka Bank	433	525.84	33.00	43.31	377	439.68
12	KBS Bank	14	7	0	0	14	7
13	Nainital Bank	88	91.56	46.00	65.83	51	52.59
14	Ratnakar Bank	48	32.96	8	3.63	40	24.7
15	South Indian Bank	223	318.06	35.00	90.60	87	136.22
16	Tamilnad Mercantile Bank	282	404.25	34.00	t31.40	191	299.34
	Total private sector banks	29557	54678.02	2751	6015.50	26773	43501.81
	Total of All Pub. Sec. Com. Banks	571250	939526.46	101114	126205.78	504519	817783.21
	Grand Total of Commercial Banks	600807	994204.49	103865	132221.27	531292	861285.02
	Share of PSU banks	95.08%	94.5%	97.35%	95.45%	94.96%	94.95%

Source : (NABARD, 2012)

Annexure –VI **Composition of deposits in percent as in March, 2012**

Serial number	Bank groups	Demand deposit (%)	Savings bank deposit (%)	Term deposit (%)
1	Public Sector Undertaking Banks	7.7	24.3	68
2	Old Generation Private Sector Banks	8.2	18.3	73.5
3	New Generation Private Sector Banks	16.3	25.1	58.6
4	Foreign banks	28.9	15.1	56

Source : RBI trends and progress 2012

Annexure –VII **Investment by Foreign Institutional Investors in India**

Year	Gross Purchase (` crore)	Gross Sales (` crore)	Net Investment (` crore)	Net Investment (US $ mn.)	Cumulative Investment (US $ mn
1992-93	18	4	13	4	4
1993-94	5,593	467	5,127	1,634	1,638
1994-95	7,631	2,835	4,796	1,528	3,167
1995-96	9,694	2,752	6,942	2,036	5,202
1996-97	15,554	6,980	8,575	2,432	7,635
1997-98	18,695	12,737	5,958	1,650	9,285
1998-99	16,116	17,699	-1,584	-386	8,899
1999-00	56,857	46,735	10,122	2,474	11,373
2000-01	74,051	64,118	9,933	2,160	13,532

ISBN: 978-81-923777-9-7

2001-02	50,071	41,308	8,763	1,839	15,372
2002-03	47,062	44,372	2,689	566	15,937
2003-04	1,44,855	99,091	45,764	10,005	25,943
2004-05	2,16,951	1,71,071	45,880	10,352	36,294
2005-06	3,46,976	3,05,509	41,467	9,363	45,657
2006-07	5,20,506	4,89,665	30,841	6,820	52,477
2007-08	9,48,018	8,81,839	66,179	16,442	68,919
2008-09	6,14,576	6,60,386	-45,811	-9,837	59,081
2009-10	8,46,438	7,03,780	1,42,658	30,251	89,333
2010-11	9,92,599	8,46,161	1,46,438	32,226	1,21,559
2011-12	9,21,285	8,27,562	93,725	18,923	1,40,482

Source: SEBI Annual Report for 2011-12

Annexure-VIII **CLAUSE 49 BY SEBI**

FORMAT OF QUARTERLY COMPLIANCE REPORT ON CORPORATE GOVERNANCE

Clause of Listing Agreement	Particular	Status of compliance (Yes/No)	Remarks
(I)	Board		
(IA)	Board composition		
(IB)	Compensation of Non Executive Director		
(IC)	Provision of Board		
(ID)	Code of conduct		
(II)	Audit Committee		
(IIA)	Independent and qualified Audit Committee		
(IIB)	Audit Committee Meeting		
(IIC)	Role of Audit Committee		
(IID)	Power of Audit Committee		
(IIE)	Review of information by Audit Committee		
(III)	Subsidiary company		
(IV)	Disclosure		
(IVA)	Necessary disclosure regarding Related party transaction		
(IVB)	Disclosure of Board		
(IVC)	Proceed from equity/preference/debenture		
(IVD)	Remuneration of Directors		
(IVE)	Management disclosure		
(IVF)	Shareholder disclosure		
(V)	CEO/CFO certification		
(VI)	Corporate Governance Report		
(VII)	Compliance		

Annexure –IX **Rise in Middle Class**

Serial Number	Years	Indian Middle Class household (in million)	Individuals (in million)	Percentage (%)
1	2011	31.4	160	13.1
2	2015-16	53.3	267	20.3
3	2025-26	113.8	547	37.2

Source- National Council for Applied Economic Research (NCAER)

ISBN: 978-81-923777-9-7

Annexure –X **Investment pattern**

Period	**Currency (%)**	**Bank Deposit (%)**	**Non Banking Deposits (%)**	**Life Insurance Funds (%)**	**Provident Fund and Pension Fund (%)**	**Claims on Government (%)**	**Share & debenture (%)**	**UTI (%)**	**Trade Debt (%)**
1970	13.9	45.6	3	9	19.6	4.2	1.5	0.5	2.7
1980	11.9	40.3	4.6	7.5	17.5	11.1	3.9	2.2	0.9
1990	10.3	34.7	6.8	10.1	18.8	9.5	7	3.8	(1)
2000	9.6	44.7	1.3	17.4	12.4	11.1	4.1	(0.5)	0
2000-05	8.9	37.8	2	14.7	15.1	19.5	2.8	(0.9)	0
2005-11	10.7	49.9	1.7	19.9	10.3	3.5	4.3	(0.2)	0.4

Source: Report of the Working Group on Savings during the twelfth five year plan (2012-13 to 2016-17)

Annexure –XI **Initiatives by SEBI to attract the retail investors**

a) Regional Seminars Conducted by SEBI during 2011-12

Region	**Head office**
HO	20
ERO	9
NRO	8
WRO	2
SRO	6
Total	45

Source: SEBI Annual report for 2011-12

b) Trends in Awareness Programs/Workshops Conducted by SEBI

Region	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
HO	3	4	13	25	9
ERO	0	0	0	18	35
NRO	1	0	3	31	72
WRO	0	8	10	28	19
SRO	11	14	14	47	43
Total	15	26	40	149	178

Source: SEBI Annual report for 2011-12

c) **SEBI has a dedicated web site (http://investor.sebi.gov.in) which contains the relevant information for investors. The website provides study material in different languages on various topics like issue of securities, investing in derivatives, CIS, dealing with brokers and sub brokers, investing in mutual funds, buyback of securities, redressal of grievances etc**.

d)**SEBI OECD International Conference on Investor Education-The SEBI- OECD International Conference on Investor Education, "Towards a more inclusive and secure financial world", was held in Goa on 3-4 February 2012, co-organised by Organisation for Economic Cooperation**

e) **School Programs Conducted by SEBI during 2011-12**

Year	**No. of Schools Covered**	**No. of Teachers trained**	**No. of Students Covered**	**No. of training the trainer Programs Conducted**
2008-09	151	230		8
2009--10	10	161	3,876	5
2010-11	31	110	4,311	2
2011-12	360	631	50,946	12
Total	552	1132	59133	27

Source: SEBI Annual report for 2011-12

ISBN: 978-81-923777-9-7

Annexure –XII **Progress of the Scheduled Commercial Banks in Financial Inclusion Plan (excluding RRBs) (Amount in ` billion)**

Particulars	**March 2010**	**March 2011**	**March 2012**	**Variation March 2012 over March 2010**
No. of BCs/BC Agents deployed	33,042	57,329	95,767	62,725
Number of banking outlets in villages with population above 2,000	27,353	54,246	82,300	54,947
Number of banking outlets in villages with population less than 2,000	26,905	45,937	65,234	38,329
Total number of banking outlets in villages	54,258	1,00,183	1,47,534	93,276
Of which				
a) Through branches	21,475	22,662	24,701	3,226
b) Through BCs	32,684	77,138	1,20,355	87,671
c) Through Other Modes	99	383	2,478	2,379
Urban Locations covered through BCs	433	3,757	5,875	5,442
No-Frill accounts				
Number (millions)	50.3	75.4	105.5	55.2
Amount (` billions)	42.6	57.0	93.3	50.7
Overdraft availed in No Frill Accounts				
Number (millions)	0.1	0.5	1.5	1.4
Amount (` billions)	0.1	0.2	0.6	0.5
Kisan Credit Card (KCC)				
Number of Accounts (millions)	15.9	18.2	20.3	4.4
Outstanding amount (` billions)	940.1	1237.4	1651.5	711.4
General Purpose Credit Card (GCC)				
Number of Accounts (millions)	0.9	1.0	1.3	0.4
Outstanding amount (` billions)	25.8	21.9	27.3	1.6
ICT Based Accounts through BCs				
Number of Accounts (millions)	12.6	29.6	52.1	39.5
Number of transactions during the year (millions)	18.7	64.6	119.3	183.9

Source: RBI Annual Report 2011-12

ISBN: 978-81-923777-9-7

Endnotes

[1]. No frill account is best suited for people with small means. In such accounts, minimum balance can be zero. However most of the banks insist a deposit of Rs 10 at the time of opening a no frills saving account. Such accounts are not closed by banks even if the balance becomes nil. In order to open a no frill account, voter card, ration card and two copies of photograph is needed. The Certificate from Panchayet Pradhan regarding the identity and address of the individual will be sufficient if the person does not have the following cards.

[2] Business Facilitator helps the laymen villagers in opening of bank account, explaining the norm of saving, loans etc to customers, repayment of bank loan, understanding how to avail all other services of bank.

[3]Business Correspondents can do everything what BF can do, moreover they can handle cash transactions on behalf of bank. Transactions are secured as the figure print/signature is recorded by the bank during the opening of an account. The BC will verify your finger print on a scanner machine before handing over the withdrawn amount.

[4]A self-help group (SHG) is a village-based financial intermediary usually composed of 10-15 local men and women. A Self-Help Group (SHG) is a registered or unregistered group of micro entrepreneurs having homogenous social and economic backgrounds; voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund and to meet their emergency needs on the basis of mutual help. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. This system eliminates the need for collateral and is closely related to that of solidarity lending, widely used by microfinance institutions..

[5]Mostly in the rural areas there are large group of villagers who are subdivided into small groups. Group lending refers specially to arrangements by individuals without collateral who get together and form groups with the aim of obtaining loans from the lender. The special feature is that the loans are made individually to group members, but all in the group face the consequences if any member runs into serious repayment difficulties. The fundamental idea behind this is “group responsibility” (sometimes called as “joint liability”) coupled with regular meetings which can help these people more.

[6]ETIG database as on 21st June, 2010

[7]In International perspective the term shadow banking has different dimensions. The European big Banks usually do not accept the deposits of small denominations. Therefore individual household can not direct open his account in the bank. The can open their account in the different Credit Unions. Each Credit Union accumulates the deposits collected by multiple households and then transfers the fund to the big banks. These credit unions are known as shadow bankers.Often developed nation like Japan where liquidity is very high, they are allowing the business players to run a bank and companies can invest their collected deposit from the banks into their own business. For example, Sumitomo Bank of Japan invests its entire collected deposit in its own business. The similar thing is applicable for Mitsubishi bank. These are also known as shadow bankers.

[8]Distributive justice implies benefit and burden of the society should be distributed in equitable manner among all the individuals who are identical in all respects.

[9]Retributive justice provides the right to punish the person who has done something wrong.

[10]Compensatory justice implies right to get compensation by the wrong doer.

ISBN: 978-81-923777-9-7

Bibliography

AMFI. (2013). *Associations of Mutual Funds in India*. Retrieved August 3, 2013, from AMFI: http://www.amfiindia.com/

Andrews, C. (2007). "Service learning: applications and research in business". *Journal of education for Business , 83* (1), 19-26.

Author, N. (n.d.). *Association of Mutual Funds in India* . Retrieved August 3, 2013 , from AMFI : http://www.amfiindia.com/

Bansal, C. (2005). Corporate Governance in the Financial Organisation . In C. Bansal, *Corporate Governance : Law Practice and Procedures with Case Studies* (pp. 512-543). New Delhi : taxmann Allied Services (P) Limited .

Barnes, L. B. (1994). *Teaching and the Case Method :Text Cases & Readings* . Boston,Macssachusetts: Harvard Business School Press .

Bihari, S. C. (2011). "GROWTH THROUGH FINANCIAL INCLUSION IN INDIA". *Journal of International Business Ethics , 4* (1), 28-41.

Bowman, D. (1988). *The Captive Press* . Melbourne: Penguine .

Byrne, D. (1999). *Social Exclusion.* Buckingham: Open University Press.

Chowdhury, M. J. (2005). 'The impact of micro-credit on poverty:evidence from Bangladesh'. *Progress in Development Studies , 5* (4), 298–309.

Commisison, P. (2011, January). Press Note . *Poverty Estimates* . New Delhi , New Delhi , India : Government of India, Planning Commission .

Craig, C. S. (2011). "Empowering Rural Consumers in Emerging Markets". *International Journal of Emerging Markets , 6* (4), 382-393.

Cyphert, D. (2006). "Real clients, real management, real failure: the risks and rewards of service learning". *Business Communication Quarterly , 69* (2), 185-9.

Dasgupta, A. a. (2013). *Indian Banking -the Engine for Sustaining India's Growth Agenda* . Kolkata : KPMG.

Datar, S. M. (2011). Rethinking the MBA: business education at a crossroads. *Journal of Management Development , 30* (5), 451-462.

Debapratim, P. (2011). *Case Based Learning.* Hyderabad: IBS Hyderabad.

Dhar, S. K. (2011). " Union Budget of India for 2011-12: Its Scope and Direction". *Prism India , VIII* (II), 11-14.

Dhar, S. K. (2010). "The Union Budget 2010-11: The Financial and Political Faces". *Prism India , VII* (II), 12-15.

Dhar, S. K. (2010). 'Financial Inclusion: Call of the Day'. *Prism India , 7* (3), 21-24.

Dhar, S. K. (2013). *Marketing the Financial Services to the Unbanked Population* . Deutschland: LAMBERT Academic Publishing .

Dhar, S. K. (2013 , May 20). Working Paper . *Marketing and Providing the Banking Services to the Unbanked Population - Is it Necessary and Sufficient Condition for Financial Inclusion?* Social Security Reserchers Network (SSRN) .

Dongre, Y. a. (2010). "Building Access to Healthcare in Rural India: Possibility and Feasibility of Low-Cost Medicine". *International Journal of Pharmaceutical and Healthcare Marketing , 4* (4), 396-407.

Dutta, S. (2013 , April 27). *'Cheat' fund: The inside story of Sudipto Sen & Saradha group* . Retrieved June 8, 2013 , from Zeenews.com : http://zeenews.india.com/blog/cheat-fund-the-inside-story-of-sudipto-sen-and-saradha-group_6281.html

Eeckhout, J. a. (2010). 'MATCHING IN INFORMAL FINANCIAL INSTITUTION'. *Journal of the European Economic Association , 8* (5), 947-988.

Fernando, A. (2012). Ethical Issues in Financial Management. In A. Fernando, *Business Ethics and Corporate Governance* (2 ed., pp. 178-197). New Delhi: Pearson.

Ferri, P. a. (2010). 'Financial Fragility, the Minskian Triadand Economic Dynamics'. *International Journal of Political Economy , 39* (9), 70-82.

Ghoshal, S. (2005). "Bad management theories are destroying good management practices". *Academy of Management Learning and Education , 4* (1), 75-91.

Haq, M. U. (1990). *Human Development Index*. Retrieved August 3, 2013 , from HDI : http://en.wikipedia.org/wiki/Human_Development_Index

Hassan, M. K.-G. (1997). The experience of the Grameen Bank of Bangladesh in community development. *International Journal of Social Economics , 24* (12), 1488 - 1523.

Higgins, D. C. (2011). Learning to make sense:what works in entrepreneurial education ? *Journal of European Industrial Training , 35* (4), 451-462.

Hudon, M. (2008). 'Norms and values of the various microfinance institutions'. *International Journal of Social Economics , 35* (1/2), 35-48.

Jackson, M. J. (2011). Quality as a gap analysis of college students' expectations. *Quality Assurance in Education , 19* (4), 392-412.

Jackson, V. P. (2011). A qualitative examination of decoupling, recoupling and organizational survival of rural retailers. *Qualitative Market Research: An International Journal , 14* (4), 410-428.

 ISBN: 978-81-923777-9-7

JONES, P. A. (2006). Giving Credit where it’s Due:Promoting Financial Inclusion through Quality Credit Unions. *Local Economy , 21* (1), 36-48.

Kapoor, M. A. (2007). *Chit Funds as an Innovative Access to Finance for Low-income Households.* Massachusetts: Institute for Financial Management and Research.

Kashyap, P. a. (2009). *The Rural Marketing Book.* New Delhi: Biztantra.

Kotler, P. L. (2007). *Marketing Management , A South Asian Perspepctive* (12 ed.). Delhi: Pearson Education.

Krishnamacharyulu, C. a. (2006). *Rural Marketing Text and Cases.* New Delhi: Dorling Kindersley.

Kumar, B. a. (2008). Financial Inclusion and Inclusive Develoment in SAARC Countries with Special Reference to India. *Vilakshan, XIMB Journal of Management , 90* (3), 794-812.

Macfarlane, B. (2004). *Teaching with Integirty: The Ethics of Higher Education Practice.* London and New York: Roultledge Falmer.

Mannino, L. L. (2009). 1RS Offers Rehef for Investors of Fraudulent Investment Schemes. *Revenue Procedure* , 84-90.

Marapakwar, P. (2012 , November 1). 'At Rs 2.53L cr, Maharashtra most debt-ridden state'. *The Times of India* .

Michael, C. a. (2009). Financial Inclusion, Poverty Reduction and the Millennium Development Goals. *European Journal of Development Research , 21* (2), 213-230.

MOSCHINI GIANCARLO, L. M. (2008). GEOGRAPHICAL INDICATIONS AND THE COMPETITIVE PROVISION OF QUALITY IN AGRICULTURAL MARKETS. *American Agricultural Economics Association , 90* (3), 794-812.

Mukhopadhyay, L. (2013, May 4). ' Lagni Sanstha Niye Televissione Bose Baktalla Charun'. *Khabar Tinsha Paishattee Din* , p. 5.

NABARD. (2012). *Status of MicroFinance in India 2011-12.* Mumbai: Micro Credit Innovations Department.

Paninchukunnath, A. (2010). "3P Framework: Rural Marketing in India". *SCMS Journal of Indian Management* , 54-67.

Rhee, R. J. (2009). The Madoff Scandal, Market Regulatory Failure and the Business Education of Lawyers. *The Journal of Corporation Law* , 363-391.

Roy, R. (2012). Media and Bad Money . *Changing World of Finance* (pp. 9-15). Kolkata : Department of Comemerce,Serampore College in collaboration with ICAI .

Sabanayagam, P. (2000). *REPORT OF SABANAYAGAM COMMITTEE ON NIDHIS.* Chennai: Central Government of India .

Sanyal, R. (2003). “The capstone course in business programs: teaching the application of international business research skills”,. *Journal of Teaching in International Business , 15* (2), 53-64.

Sen, S. (2013 , May 7). 'Banks under Scanner for Sarada Transactions' . *The Times of India* , p. 4.

Shekhar, S. (2010-11). *SWARNAJAYANTI GRAM SWAROJGAR YOJANA.* Delhi: IFMR Foundation.

Standard, B. (2013, July 2). Business Standard . *26 in Queue for Bank License* , p. 1.

Tanaka, T. a. (2010). *ROSCA as a Saving Commitment Device for Sophisticated Hyperbolic Discounters:Field Experiment from Vietnam.* Russell: Foundation for Advanced Studies on International Development.

Thirlwall, A. (1994). *Growth and Development* . Honkong : Macmillan Press Ltd .

Upadhyay, S. (2010). Financial Inclusion - An Effective Tool for Economic Planning. *Prism India , 7* (4), 18-21.

Velasquez, M. G. (2007). *"Business Ethics:Concepts and Cases "* (6 ed.). New Delhi: Prentice Hall of India Private Limited.

Weber, J. W. (2011). Enhancing business education through integrated curriculum. *Journal of Management Development , 30* (6), 558-568.

Whitelaw, S. E. (2011). "Developing Social Marketing Capacity to Address Health Issues". *Health Education , 111* (4), 396-407.

Wilson, M. (2008). “Service learning benefits and opportunities for business programs”. *Business Education Digest , 17*, 54-64.

ISBN: 978-81-923777-9-7