ROLE OF FINANCIAL INSTITUTION IN FINANCIAL INCLUSION IN INDIA- A CASE STUDY OF JHARKHAND STATE

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ABSTRACT

The Indian monetary system is crucial to the country's long-term sustainable growth. The growth of a country's economy is directly tied to the stability of its monetary system. When money is put to good use and new employment are created, it's because of the efforts of banks and other financial organisations. There is a pressing need for a strong and effective rural banking system in Jharkhand, where over 70% of the population resides in rural areas and where around 37% of the population lives below the poverty line. If they had access to banking, they could better control their budgets and protect themselves from the unexpected. To help more people have access to stable financial options, the state government has initiated a variety of initiatives. Pradhan Mantri Jeevan Jyoti Yojana, Pradhan Mantri Suraksha Beema Yojana, and Atal Pension Yojana are only few of the national government's social security programmes designed to protect the economically vulnerable. More individuals can participate in savings plans since they are available online and at local rural banks. The financial system as a whole has also developed. This research demonstrates how crucial banks are to development in Jharkhand.

Keyword:- Financial Institutions, Development, Programmes.

INTRODUCTION

Financial institutions, financial markets, and monetary tools are the three parts of a complete monetary system. The term "financial structure" is used to describe the interplay of several elements inside the monetary system. Commercial banks, development financial institutions, mutual funds, insurance companies, investment enterprises, and stock exchanges are all part of the formal financial system in India, which is regulated by the Securities and Exchange Board of India and the Reserve Bank of India. Commercial banks are the most prevalent kind of financial institution, however foreign banks and private banks also play an important role. Some urban areas are home to UNIT banking co-ops as well, despite the fact that most co-ops are found in more rural areas. A similar service provided by NBIFS, a government-owned post office that does not perform landing operations, is the mobilisation of deposits. In addition, India has a robust system of national and state development banks that support many industries, such as production, building, and exports. There are also a variety of banking institutions, including the Government Investment Corporation (GIC), the Government Technology Investment Corporation (GTC), the United Technologies Investment Corporation (UTI), the Life Insurance Company of the United States (LIC), and their respective subsidiaries, as well as numerous mutual fund, investment and lending firms and equipment leasing and hire purchase companies. The National Bank for Agriculture and Rural Development (NABARD), the Industrial Bank of India (IDBI), the Export-Import Bank of India (EXIM), and the National Housing Bank (NHB) are all examples of "apex banks" in their respective sectors. There are four significant companies in the term-lending industry: IDBI (now a commercial bank), ICICI (which merged with ICICI Bank), IFCI (which ceased operations), and IRBI. They provide businesses access to medium and long-term funding options. This research examines the relevance and impact of financial institutions and the financial market.

FINANCIAL INCLUSION INITIATIVES

- It is recommended that all banks provide Basic Savings Bank Deposit (BSBD) accounts with common characteristics such having no minimum amount, being able to withdraw cash from any bank's ATM, and receiving money through electronic payment channels and obtaining an ATM card.
- For bank accounts with balances under Rs. 50,000 and yearly credit limits under Rs. 30,000, Know Your Customer (KYC) procedures have been reduced and simplified. There should be no need for a personal introduction when opening a new account with a financial institution. Aadhar Cards may also be used to verify your identity and address at some banks.
- To address the issue of uneven branch distribution, domestic SCBs are given the green light to open offices in Tier 2-6 locations with populations of less than 1 lakh, with general authorisation and subject to reporting. It is not necessary for domestic SCBs to get permission from the Reserve Bank of India (RBI) before opening branches in the North-Eastern States or Sikkim. Domestic scheduled commercial banks (other than RRBs) have been given blanket licence to open branches in Tier 1 locations as part of the ongoing liberalisation process.
- At least 25% of a bank's annual branch openings must be in unbanked (Tier 5 and Tier 6) rural hubs, as per the "Compulsory Requirement of Opening Branches in Un-banked Villages."
- In order to improve cash management, paperwork, customer issue resolution, and strict control of BC operations, it has been recommended that banks set up intermediate brick and mortar facilities between their present base branch and BC locations. This branch may take the form of a low-cost, rudimentary brick and mortar facility fitted with key equipment like a core banking solution terminal linked to a pass book printer and a safe for cash retention to accommodate larger customer transactions.

INCLUSIVE DEVELOPMENT IN INDIA

The 12th Five-Year Plan of the Government of India emphasises "Faster, More Inclusive, and Sustainable Growth," highlighting the need of including the broader population in economic planning. That which offers equitable opportunities for economic participants throughout economic development with benefits carried by all segments of society is what is meant by the phrase "inclusive growth." If India's huge agricultural sector, which employs the country's majority of the population, is bolstered, more people may profit from the country's economic progress. Components of inclusive growth include both financial inclusion and spending in the social sector. The former involves expanding access to and distribution of credit in order to alleviate poverty and unemployment. The latter works to improve people's lives by giving them easier access to things like better healthcare, cleaner environments, and more nutritious food. By investing more in social services and other types of financial inclusion, rural communities may improve equitable participation in the economic process and more evenly distribute the advantages of development among the poor and disadvantaged.

OBJECTIVES OF THE STUDY

This research is based on role of financial institution in financial inclusion of Jharkhand and to do research the following objectives are disposed:-

- To analyse the performance of financial Institution in development of Jharkhand.
- To investigate the role of financial institution in disbursement of loan to the people of Jharkhand.
- To analyse the key indicators for development of financial institution in Jharkhand.

RESEARCH METHODOLOGY

Researchers relied heavily on secondary sources like published articles and scholarly monographs while compiling their findings. Data from the Jharkhand Government's economic survey report formed the backbone of this study. The study relies heavily on in-depth interviews with economic exporters as its primary source material..

ANALYSIS AND INTERPRETATION

Table 1: Indicators of Financial Institution (Banking) of Jharkhand (as at September-end)

1.	Deposit	128163.93	146956.73	168852.39
2.	Credit	61540.98	68449.93	77152.36
3.	Credit as per place of utilization & RIDF	11238.65	20773.20	26120.12
4.	Total Credit	72779.63	89223.13	103272.48
5.	CD Ratio (%)	56.78	60.71	61.16
6.	Priority Sector Advances (PSA)	31047.89	34853.71	42316.26
7.	Share of PSA to Total Advances(%)	50.45	50.91	54.84
8.	Agricultural Advances	10848.88	12198.61	13164.08
9.	Share of Agricultural Advances to Total Advances (%)	17.62	17.82	17.06
10.	Micro & Small Enterprises Advance	11665.60	13476.32	19170.47
11.	Share of Micro & Small Enterprises to Total Advances (%)	18.95	19.68	24.84
12.	Advances to Weaker Section	10305.35	13644.32	14916.92
13.	Share of Weaker Section Advances to Total Advances (%)	16.75	19.93	19.33

14.	DRI Advances	27.88	34.23	48.40
15.	Share of DRI Advances to Total Advances of Last March(%)	0.04	0.05	0.06
16.	Advances to Women	11834.09	13958.90	12707.59
17.	Share of advances to women in Total advances (ANBC)(%)	19.23	20.39	16.47
18.	Advances to Minorities	4446.21	6184.68	5600.30
19.	Share of Advances to Minorities under PSA (%)	14.32	17.74	13.23
20.	N.P.A	3639.21	4253.88	4532.51
21.	Percentage to Gross-Credit	5.91	6.21	5.87
22.	Branch Net-Work (in no.)- Rural	1373	1449	1493
23.	Semi-Urban	691	724	759
24.	Urban	633	673	701
25.	Total	2697	2846	2953
26.	ATM installed in Jharkhand	2485	2665	3054

Sources: SLBC report of Jharkhand

Deposits and loans, the lifeblood of the banking system, rose steadily over the years in Jharkhand, hitting a new high of Rs.168852.39 crore at the end of September 2016 (an increase of 15% year-over-year). Deposits as a percentage of credit rose from 60.71 percent to 61.16 percent (including RIDF deposits) during the same time period. There was a decline in the CD ratio of scheduled commercial banks from September 2015 to September 2016, from 46.93% to 46.11%. The growth rate for private banks is around 1%. However, RRBs have seen their CD ratio fall from 41.53 percent to 38.83 percent within the same time period. The CD ratio at cooperative banks fell from 23.08 percent to 21.21 percent over the same time period.

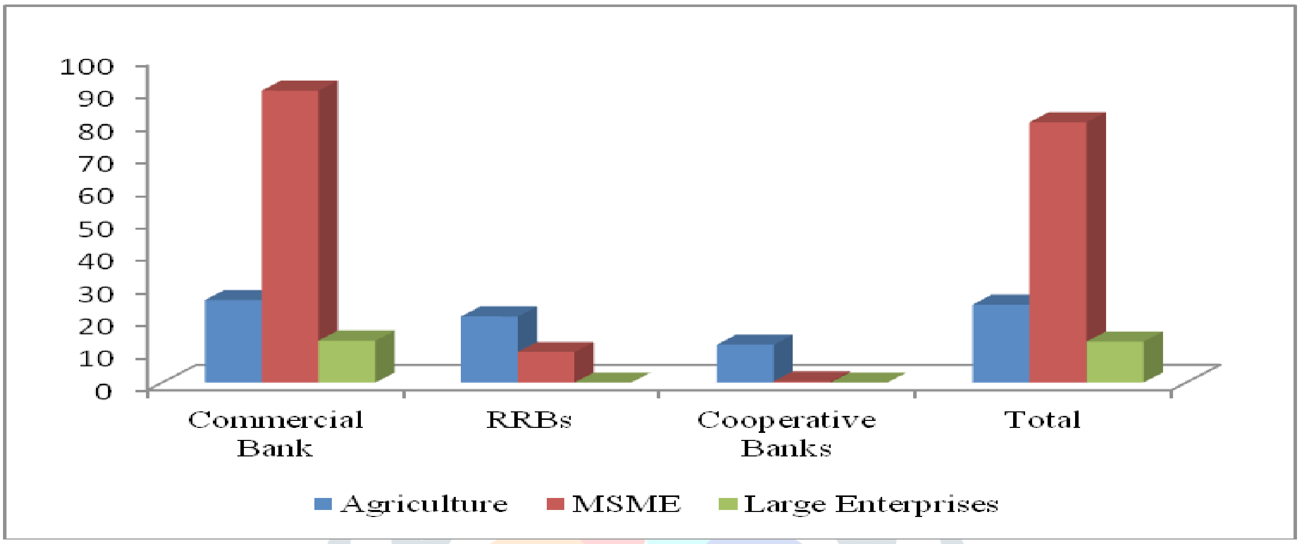
According to recent stats, the CD ratio fell to 60.61 percent at the end of March 2016 from 61.51 percent a year earlier. When the CD ratio fell below 60% in 2013 and 2014, the SLBC became quite worried. When these government initiatives were put into operation, things began to improve. The March 2015 CD ratio of around 61.51 percent was the highest seen in the preceding five years. Even though the aggregate CD ratio in Jharkhand is still more than 60%, there is still room for loan growth in the banking sector..

COMPLETION OF THE CALENDAR YEAR'S CREDIT PLAN

According to the most recent SLBC Report, commercial banks have only achieved 25.4% of their agricultural ACP goal, in contrast to their MSE ACP goal of 89.8%. RRBs and cooperative banks have been affected particularly severely. During the fiscal year, cooperative banks achieved 11.6 percentage points of their ACP aims in agriculture and 0.39 percentage points of their MSE objectives, while RRBs achieved just 20.32 percentage points.

It's alarming that RRBs haven't distributed more of their loan money to vital industries like agriculture. It's probable that cooperative banks (NPS) are more apt to fund lower-priority sectors. There remains room for growth in the MSE sector, even if evidence suggests that commercial banks are providing a fair amount of credit to MSEs and NPSs. Lack of current land records, strict restrictions on land mortgage, a short window in which crop insurance is available, and a shaky security environment and recovery atmosphere all work together to slow down disbursement in the agricultural sector. There has been a recent uptick in the digitization of title papers. According to the minutes from the most recent SLBC meeting (which took place in the quarter ending in June 2016), only 136 of the state's 263 Circles have been digitised. Improved collateral land use and easier access to financing for the agricultural sector are two possible outcomes of digitising land records.

Figure 1 Achievement under Annual Credit Plan (At the end of September 2016)



Sources: SLBC report of 2016

FINANCING TO MICRO SMALL AND MEDIUM ENTERPRISES

Table 2: Financing to Micro & Small Enterprises (MSE) (Priority Sector)

1	**Micro Enterprises**		Accounts	2.59	3.88
			Amount	7125.11	10620.15
	a.	Manufacturing Sector	Accounts	0.43	0.51
			Amount	1644.85	2065.18
	b.	Service Sector	Accounts	2.16	3.37
			Amount	5480.26	8554.97
2	Small Enterprises		Accounts	0.91	0.91
			Amount	6351.19	8550.33
	a.	Manufacturing Sector	Accounts	0.23	0.25
			Amount	2795.29	3017.98
	b.	Service Sector	Accounts	0.68	0.66
			Amount	3555.9	5532.35
3	Total Micro and Small Enterprises (MSE Sector)		Accounts	3.5	4.79
			Amount	13476.3	19170.48
4	**Medium Enterprises**				

a.	Manufacturing Sector		Accounts	0.03	0.03
			Amount	1014.57	1201.78
b.	Service Sector		Accounts	0.27	0.28
			Amount	601.6	739.44
c.	Total of Medium Enterprises		Accounts	0.3	0.31
			Amount	1616.17	1941.22
Total MSME			Accounts	3.8	5.1
(Priority Sector Advances)			Amount	15092.47	21111.7
5	a.	Share of Credit to Micro Enterprises in total credit to MSE sector	Percent share of amounts (Stipu- lation: 60%)	52.87%	55.40 %
	b.	Share to credit to MSE sector in NBC/ANBC	Percent share ofamount	19.68%	24.84 %

Source: SLBC, Jharkhand,

The percentage of total MSE credit that was in the hands of micro enterprises as of September 30, 2016 was just 55.40 percent, falling short of the 60 percent threshold established by the Reserve Bank of India's Guidelines. The credit outstanding position increased from Rs. 15092.47 crore at the end of 2015 to Rs. 21111.7 crore at the end of 2016 due to loans made to MSE. The total amount of credit extended to medium-sized firms increased from Rs.16,1618.2 lakhs to Rs.19,412.11 lakhs within the same time frame.

Table 3: Coverage under CGTMSE (Collateral Free Loans Up to Rs 1.00 Crore in MSME)

MSE up to Rs. 1.00 Crore						Coverage under CGTMSE					
Manufacturing		Service		Total		Manufacturing		Service		Total	
A/C	Amt	A/C	Amt	A/C	A/C	A/C	Amt	A/C	Amt	A/C	Amt
62	4508	334	11247	396	157755	19	1448	73	3018	92	4466

Source: 57th SLBC, Jharkhand

Micro and small businesses (MSEs) often struggle to get bank loans due to a lack of adequate collateral. The "Credit Guarantee Fund Trust for Micro and Small Enterprises" (CGTMSE) was established by the Government of India and SIDBI to deal with this problem. According to CGTMSE rules, as of January 9, 2017, MSE loans up to Rs. 2 crores (before it was Rs. 1 crore, has been upgraded to Rs. 2 crores from January 9, 2017) would be covered for entrepreneurs who have credible Projects/proposals but lack appropriate collateral security to give. There are over 3,96,000 MSE loan accounts in Jharkhand, all of which have balances below Rs. 1 Crore. About 23%, or 92,000 credit accounts, are now part of the CGTMSE programme. The percentage of MSEs using microcredit is 55.4%, which is 4.6% below than the threshold of 60% established by the Reserve Bank of India.

CONCLUSION

Our findings show that agricultural settings with widespread financial inclusion and investment in the social sector have multiple beneficial implications on national economies. In a developing nation like India, marked by agricultural over-dependence and extreme inequality, financial inclusion has the potential to deliver a much-needed boost to economic development and equitable growth.

Jharkhand's financial institutions are vital to the state's progress. Loans are provided by financial institutions to help agribusiness and micro, small, and medium-sized businesses expand and thrive. Many important indicators for the growth of Jharkhand's financial institutions are already documented and accessible for review.

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