

Financial Inclusion in India: A case study of Canara Bank

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Abstract: In a country like India where approximately 70% of the total population resides in rural areas, the concept of financial inclusion plays a crucial role in the overall economic development of a country. The government of India along with RBI and other financial institutions is constantly making efforts to ensure the access of basic financial services to every individual of the country which is the ultimate motive of financial inclusion. The purpose of this paper is to highlight the basic features of financial inclusion and also to analyse the developments in the area of financial inclusion in India with special reference to the initiatives taken by Canara Bank, one of the leading public sector banks of the nation.

Keywords: Banks, Financial Inclusion, Initiatives, Progress

I. Introduction

Background of Canara bank:

Canara Bank was founded by Shri Ammembal Subba Rao Pai, a great visionary and philanthropist, in July 1906, at Mangalore, then a small port town in Karnataka. The bank was nationalised by the government in 1969 and since then its growth has been phenomenal. Over the years the bank has attained the status of a national player in terms of geographical reach and clientele segments. With an unbroken record of profits since its inception, the bank has several firsts to its credit such as:

- Launching of Inter-City ATM Network
- Obtaining ISO Certification for a Branch
- Articulation of 'Good Banking' – Bank's Citizen Charter
- Commissioning of Exclusive Mahila Banking Branch
- Launching of Exclusive Subsidiary for IT Consultancy
- Issuing credit card for farmers
- Providing Agricultural Consultancy Services

Over the years, the Bank has been scaling up its market position to emerge as a major 'Financial Conglomerate' with as many as nine subsidiaries/sponsored institutions/joint ventures in India and abroad. As at March 2015, the Bank has further expanded its domestic presence, with **5682 branches** spread across all geographical segments. Keeping customer convenience at the forefront, the Bank provides a wide array of alternative delivery channels that include **8533 ATMs**, covering 4021 centres. The bank also has offices abroad in London, Hong Kong, Moscow, Shanghai, Doha, Dubai, and New York.

Canara Bank offers a host of banking and value added services to its customers, which include Personal Banking Services, Corporate Banking Services, NRI Banking Services and Priority & SME Credit Services. The Bank also launched Canara Bank RuPay Debit Card, Canara Club Card – Debit, Canara Secured Credit Card, Canara Elite Debit Card, Canara Bank Platinum Rupay Cards, Platinum Rupay Card

and EMV Chip Cards under debit and credit cards. Online Savings Bank and PPF account opening were introduced during the year. The Bank made several value additions under internet banking and mobile banking services.

Other than its remarkable developments in the area of commercial banking, it has also marked its significance in various corporate social responsibilities namely, serving national priorities, promoting rural development, enhancing rural self-employment through several training institutes and *spearheading financial inclusion objective*. Promoting an inclusive growth strategy, which has been formed as the basic plank of national policy agenda today, is in fact deeply rooted in the bank's founding principles. **"A good bank is not only the financial heart of the community, but also one with an obligation of helping in every possible manner to improve the economic conditions of the common people"**. These are the insightful words of the founder that continues to lay the foundation for banking activities.

Financial Inclusion in India – An Overview

According to the Planning Commission (2009), *financial inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products.*

GOI (2008) defines Financial inclusion 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.*

According to Chakraborty (2011), *financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of society including vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players.*

In simpler sense, Financial Inclusion ensures that the range of appropriate financial services is available to every individual and that the individual understands and accesses those services.

Financial Inclusion is certainly not a new concept. With the nationalisation of 14 commercial banks in 1969, branches were opened in large number across the nation, even in areas that were until then unreached by banks. However, in the Indian context, the term 'financial inclusion' was used for the first time in April 2005 in the Annual Policy Statement presented by Y. Venugopal Reddy, Governor, Reserve Bank of India. Later on, this concept gained ground and came to be widely used in India and abroad. While recognizing the concerns in regard to the banking practices that tend to exclude rather than attract vast sections of population, banks were urged to review their existing practices to align them with the objective of financial inclusion.

The Reserve Bank of India (RBI) has, over the years, undertaken numerous initiatives such as introduction of priority sector lending requirements for banks, establishment of regional rural banks (RRBs), and self-help group – bank linkage programs to augment the availability of financial services to the poor and marginalised segments of the society. In the last few years, RBI has adopted a bank-led model for achieving financial inclusion and removed all regulatory bottle necks in achieving greater financial inclusion in the country. Further, for achieving the targeted goals, RBI has created conducive regulatory environment and provided institutional support for banks in accelerating their financial inclusion efforts.

Financial Inclusion Initiatives

- Advised all banks to open **Basic Saving Bank Deposit (BSBD)** accounts with minimum common facilities such as no minimum balance, deposit and withdrawal of cash at bank branch and ATMs, receipt/credit of money through electronic payment channels, facility of providing ATM card.
- **Relaxed and simplified KYC norms** to facilitate easy opening of bank accounts, especially for small accounts with balances not exceeding Rs. 50,000 and aggregate credits in the accounts not exceeding Rs. one lakh a year. Further, banks are advised not to insist on introduction for opening bank accounts of customers. In addition, banks are allowed to use Aadhar Card as a proof of both identity and address.
- **Simplified Branch Authorization Policy**, to address the issue of uneven spread bank branches, domestic SCBs are permitted to freely open branches in Tier 2 to Tier 6 centres with population of less than 1 lakh under general permission, subject to reporting. In North-Eastern States and Sikkim domestic SCBs can open branches without having any permission from RBI. With the objective of further liberalizing, general permission to domestic scheduled commercial banks (other than RRBs) for opening branches in Tier 1 centres, subject to certain conditions.
- **Compulsory Requirement of Opening Branches in Un-banked Villages**, banks are directed to allocate at least 25% of the total number of branches to be opened during the year in un-banked (Tier 5 and Tier 6) rural centres.
- **Opening of intermediate brick and mortar structure**, for effective cash management, documentation, redressal of customer grievances and close supervision of BC operations, banks have been advised to open intermediate structures between the present base branch and BC locations. This branch could be in the form of a low cost simple brick and mortar structure consisting of minimum infrastructure such core banking solution terminal linked to a pass book printer and a safe for cash retention for operating larger customer transactions.
- Public and private sector banks had been advised to submit board approved three year Financial Inclusion Plan (FIP) starting from April 2010. These policies aim at keeping self-set targets in respect of rural brick and mortar branches opened, BCs employed, coverage of un-banked villages with population above 2000 and as well as below 2000, BSBD accounts opened, Kisan Credit Cards (KCCs), General Credit Cards (GCCs) issued and others. RBI has been monitoring these plans on a monthly basis.
- Banks have been advised that their **FIPs should be disaggregated and percolated down up to the branch level**. This would ensure the involvement of all stakeholders in the financial inclusion efforts.
- In June 2012, revised guidelines on **Financial Literacy Centres (FLCs)**. Accordingly, it was advised that FLCs and all the rural branches of scheduled commercial banks should scale up financial literacy efforts through conduct of outdoor Financial Literacy Camps at least once a month, to facilitate financial inclusion through provision of two essentials i.e. 'Financial Literacy' and easy 'Financial Access'. Accordingly, 718 FLCs have been set up as at end of March 2013. A total of 2.2 million people have been educated through awareness camps / choupals, seminars and lectures during April 2012 to March 2013.

An inclusive financial system is one of the top most priorities of India as it is believed to be instrumental in the equitable growth of the nation. Although India has adopted several measures to advance financial inclusion, an estimated 40 percent of the population is still deprived of access even to basic financial services. One of the critical factors in the successful implementation of a program is effectively tracking its

progress, so that cause corrections can be undertaken, if necessary. “If you can’t measure it, you can’t manage it,” management consultant Peter Drucker once said.

II. Review of literature

Apurva A. Chouhan (2013) gave an overview of financial inclusion in India. She concluded that India is at moderate level regarding financial inclusion as compared to other countries regarding number of branches, ATMs, bank credit and bank deposits. By doing a case study on financial inclusion initiatives by Axis Bank, she tried to conclude that banking sector is playing a crucial role in promoting financial inclusion in the nation.

Dr. Anupama Sharma & Ms. Sumita Kukreja (2013) analytically studied the relevance of financial inclusion for developing nations. They highlighted the basic features of financial inclusion, and its need for social and economic development of the society. They concluded that undoubtedly financial inclusion is playing a catalytic role for the economic and social development of society but still there is a long road ahead to achieve the desired outcomes.

Roy (2012) studied the overview of financial inclusion in India. The study concluded that banks have set up their branches in the remote corner of the country. Rules and regulations have been simplified. The study also said that banking industry has shown tremendous growth in volume during last few decades.

Dr. Namita Rajput & Ms. Shelly Oberoi analyzed the financial inclusion in India through the lens of Crisil Inclusion Index with respect to state orientation. They developed a composite index of financial inclusion for each state using wide range of indicators.

Mehrotra *et al.* (2009) also developed an index for financial inclusion using related kind of cumulative indicators like number of rural offices, figure of rural deposit accounts, amount of rural deposit and credit for 16 major Indian states.

Sadhan Kumar Chattopadhyay in a working paper for RBI on Financial Inclusion in India: A case-study of West Bengal (2011), According to the study there has been an enhancement in outreach activity in the banking sector, but the success is not noteworthy. An index of financial inclusion (IFI) was also constructed in the study using data on three magnitudes of financial inclusion such as banking penetration (BP), accessibility of the banking services (BS) and usage of the banking system (BU). The paper presents an analogous picture between different states on the basis of IFI rankings.

Dr. A. Tamilarasu (2014) analysed the role of banking sectors on financial inclusion development in India. According to him, Financial Inclusion has not yielded the desired results and there is long road ahead but no doubt it is playing a significant role and is working on the positive side.

Chandan Kumar & Srijit Mishra made an attempt to measure and understand financial inclusion by looking at supply of (banking outreach indicators such as number of deposit and credit accounts, number of bank branches, average deposit and credit amount per account and credit utilized) and demand for (indicators of household level access such as the proportion of households having saving, credit and insurance facilities from formal as also informal sources) financial services.

In the RBI Speech (2013) on Assessment of Financial Inclusion in India by Shri P. VijayaBhaskar, the concept of financial inclusion was explained in brief along with the identification of important policy initiatives of RBI. Stakeholder-wise issues in financial inclusion were also identified in the speech.

CrisilInclusix (2013) brought about the importance of financial inclusion in a country like ours where a large section of population still lives outside the ambit of formal financial services. CrisilInclusix developed a comprehensive measure of financial inclusion in the form of an index and by way of this index evaluated the state of financial inclusion in our country.

III. Research Methodology:

The data for present study has been collected primarily from secondary sources. The secondary data was acquired from various Newspaper Articles, Journals, Annual Reports of Reserve Bank of India (RBI) & Canara Bank, Economic Surveys & Internet. Year wise comparison of different parameters of financial inclusion has been done for Canara Bank to assess the role as well as the progress of bank made in the area of financial inclusion.

IV. Objectives:

- To highlight various initiatives taken by Canara Bank in the area of financial inclusion.
- To assess the progress of the bank in its contribution to the policy of financial inclusion.

V. Results & Findings : A case study of Canara Bank:

The Bank firmly believes that Financial Inclusion is an important enabling factor in the country's goal of an inclusive growth. The bank commits itself to earnest efforts by the entire community of CANBANK MEN AND WOMEN in this task of Total Financial Inclusion. It continues to be an active participant in all the Government Sponsored Financial and Self Employment Schemes for poverty eradication. Canara bank has been on a fast track mode in terms of branch expansion in its quest to be a leader in the Indian Banking-landscape. The growth plans encompass a whole range of perspectives-global business, robust growth to live up to the commitment to its stakeholders and, not least of all, relevance to the society in general.

Financial Inclusion Initiatives by the Bank:

1. Pradhan Mantri Jan-Dhan Yojana:

Pradhan Mantri Jan-Dhan Yojana is a National Mission for Financial Inclusion to ensure access to financial services, namely Banking Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. This financial inclusion campaign was launched by the Prime Minister of India, Mr. Narendra Modi on 28 August 2014. He had announced this scheme on his first Independence Day speech on 15 August 2014.

Facilities provided under Jan Dhan by the bank:

- Deposit/Withdrawal facility at your own place/village.
- Remittance facility across the country.
- Credit facility depending upon customer's necessity.
- Overdraft facility upto Rs. 5000.

- Accidental insurance upto Rs. 1 lakh.
- Monthly pension under National Pension Scheme.
- Banking facility at your door steps through bank mitra.
- Accounts without initial deposit.
- Need not visit bank branch.
- No minimum balance required under SB Account.
- Safety and attractive interest for your deposit account.

Canara Bank has been an active participant in promoting the government's scheme of Jan-Dhan. A large number of accounts have been opened by the bank since the launch of the scheme.

Table 1: Accounts Opened Details as On 20.12.2017 (All figures in Lacs)

Bank	Rural	Urban	Accounts	Rupay Debit Cards	Balance in Accounts	Number of Accounts with Zero balance
Canara Bank	46.10	21.32	67.43	42.59	186125.63	24.74

Source: Prime Minister's Jan Dhan Yojana, Bankwise Statistics , www.pmjdy.gov.in

2. Number of branches opened:

Due to the concerted efforts of bank, the number of branches has increased by manifold over the past few years. The bank has been successful in expanding its branch network to large number of semi-urban and rural areas thereby, ensuring coverage to a large section of population.

Table 2: Composition of Branch Network

Category	Number of Branches				
	31.03.2013	31.03.2014	31.03.2015	31.03.2016	31.03.2017
Metropolitan	811	894	1004	1019	1228
Urban	795	928	1111	1142	1138
Semi-Urban	1055	1484	1756	1815	1936
Rural	1062	1444	1804	1865	1773
Overseas	5	5	7	8	8
Total	3728	4755	5682	5849	6083

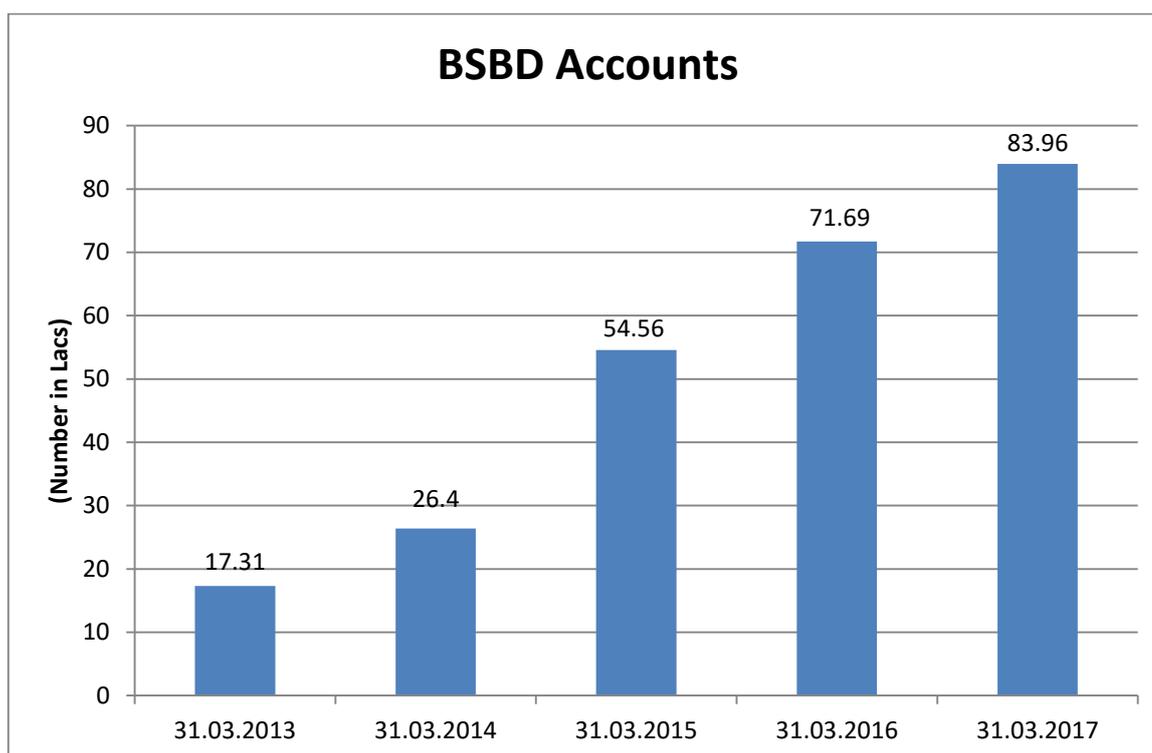
Source: Canara Bank Annual Report for each year.

3. Villages covered:

The number of banking outlets in villages with population more than 2000 as well as less than 2000 increased consistently. During the year 2016-17, the bank has covered all the allotted 10,049 unbanked villages across the country. This includes 1624 villages with a population of more than 2000 and 8425 villages with a population of less than 2000. The Bank opened 270 Financial Inclusion (FI) branches during the year in unbanked villages, taking the total tally of FI branches to 806 under branch model.

4. Basic Savings Bank Deposit Accounts:

The Bank opened 12.27 lakh BSBD accounts during the year 2016-17, taking the tally of BSBD accounts as at March 2017 to 1.66 crore with an outstanding deposits of Rs 4678 crore.



Source: Canara Bank's Annual Report for each year.

5. Credit Linkage:

Financial deepening is yet another endeavour by the Bank in providing various other facilities, like, In-Built Overdrafts (IODs), Kisan Credit Cards (KCCs), General Credit Cards (GCCs), Differential Rate of Interest Scheme (DRI), Self Help Groups (SHGs), Micro Credit Groups (MCGs), Micro Insurance and Micro Pension under Canara Naye Disha Scheme. Improvement in the above credit linkages during the year 2016-17 is as under

- **IODs** - In built overdraft facility permitted to 4.48 lakh beneficiaries, amounting to Rs 74.26 crore.
- **KCCs** – The number of KCCs issued increased from 5.85 lacs to 7.26 lacs in the year 2016-17, amounting to Rs 10020 crore. As at March 2017, the credit outstanding under KCCs was at Rs.15470 crore.
- **DRIs**- During the year, the Bank financed 7033 persons under DRI Scheme, with total assistance of 99 crore. DRI outstanding at the end of year was 1.71 lakh accounts, with a balance of 172 crore.

• **SHGs** - 31754 SHGs were formed during the year 2016-17 and credit linked 40070 SHGs, with credit of Rs 1239 crore. The outstanding SHGs at the end of the year stood at 1.21 lakh accounts, with a balance of Rs. 2500 crore.

6. **Micro Insurance:**

The Bank provided life coverage to 97280 BSBD account holders under Micro Insurance Policy during the year 2016-17. The number of beneficiaries under the Insurance Policy this year has increased substantially from 81240 BSBD account holders in the year 2015-16 and 70320 group members in the year 2014-15.

7. **Micro Finance Branches:**

The Bank has opened 18 Micro Finance branches in urban centres. These branches mobilized a total business of Rs. 600 crore as at March 2017.

8. **Canara Gramodaya Scheme:**

On 19th November, 2013, the Bank's Founder's Day, a new Scheme called 'Canara Gramodaya' was launched for holistic development of 63 villages and 3 slums adopted by the Bank for bringing in socio-economic and cultural changes through credit and non-credit support. It has successfully been implemented by the bank since then.

9. **Financial Literacy Centres:**

The Bank has set up 70 FLCs to provide financial education to common man. So far, these FLCs have educated and counselled 45 lakh persons since inception. The Bank has conducted various Financial Literacy activities as under:

- **Comic book:** A comic book on "Money and Savings" was brought out in 9 languages and distributed to 2 lakh people through the rural and semi urban branches to reach the rural students and the farming community.
- **Financial Literacy for the school children:** Imparted financial literacy to the school children of Govt. Primary schools through simple games using tablet PCs by engaging an NGO. The children learnt about the bank, money and savings while playing the games, which was appreciated by both teachers and parents.
- **Financial Literacy through 'Yakshagana':** 20 Yakshagana plays were organized to spread financial literacy to the villagers in the districts of Shivamogga and Uttara Kannada, benefiting 4500 villagers.
- **Canara GraminVikasVahini Vehicles:** Canara GraminVikasVahini Vehicles in 38 potential districts across the country have been deployed to create awareness about bank's products and banking facilities among the rural households.

Many more such programs were conducted by the bank during the year to spread awareness about financial services amongst the masses.

10. **Implementation of Direct Benefit Transfer(DBT) Scheme:**

Bank has successfully launched modified DBTL from November 2014. 428 lakhs transactions amounting to Rs. 1216 crores have been processed under modified DBT/DBTL during the year 2016-17. The bank opened SB accounts of the DBT beneficiaries provided by the Lead Bank and seeded their accounts with their Aadhar numbers. These Aadhar numbers were also mapped with NPCI data to facilitate direct transfer

of social entitlements to the beneficiaries' accounts. The bank also ensured adequate number of access points, i.e. branch, ATM, cash dispenser etc to enable the beneficiaries to easily withdraw the money as per their convenience. Under DBT LPG implementation, the bank achieved number one position in Aadhar seeding of LPG customers in Kerala.

VI. Limitations of the study:

Every research has got certain limitations and the proposed research would also not be an exception to this fact. One of the major limitations is that the data collected under the research is not based upon primary sources rather secondary sources of data. Even though data has been collected from reliable secondary sources such as authenticated websites, journals, publications etc, still it is likely to have some error or bias. Another limitation of the study is that only a few initiatives taken by the bank could be analysed in this study due to various constraints. Many other indicators of the progress of financial inclusion such as expansion of biometric ATMs, credit to MSMEs, insurance policies and few others were left out of the present study.

VII. Conclusion:

Financial inclusion is one of the many initiatives of the government to promote equitable growth in the nation. In a country like India, having such vast and geographically scattered population, financial inclusion definitely plays a crucial role in reaching out to the weaker and deprived sections of the society and thus, ensuring inclusive growth of the nation. Canara Bank is one of the many commercial banks who are actively pursuing the agenda of Financial Inclusion. From the above statistics, it is understood that the bank is striving towards a more inclusive growth by making financial products and services available to financially excluded and marginalised sections of the society. Despite the significant role played by the bank in the area concerned, there is still scope for better performance and thereby yielding the desired results. There is a long road ahead and the bank should consistently make efforts to reach the desired destination.

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