

CRITICAL STUDY ON THE ROLE OF RRB IN FINANCIAL INCLUSION: SPECIAL REFERENCE WITH ASSAM GRAMIN VIKASH BANK

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ABSTRACT

Financial inclusion is the process through which financial services are accessed at an affordable rate. In country like India majority of population is still living in rural area. They are deprived from modern facilities and as such they are not included in growth process of the country. People from rural areas are not aware about that and it is the major reason which creates barriers in the growth process. In order to overcome such hinder banks comes with modern technology. Financial inclusion became an important aspect in growth of the country. RBI provides a guideline related financial inclusion so that it can be accessible to all at an affordable price. Since 1995 Regional Rural Banks plays an important role in financial inclusion which promotes sustainable financial growth. Through this research paper we will study the role of RRB's in financial inclusion in special reference with Assam Gramin Vikash Bank.

KEYWORDS: *Financial inclusion, RRB, Assam Gramin Vikash Bank.*

Introduction

Rationale behind the Study

Financial inclusion is a process through which financial services are delivered to all the deprived section of the society and low earner group. It is also known as inclusive financing. For progress of the economy there must be maximum participation of all the deprived sections of people. Due to financial illiteracy a huge number of people are deprived from the process of development. Inclusive financing helps in sustainable economic development process. It enables to reduce the gap between the haves and have not's. In the current scenario financial institutions are the robust pillars of progress, economic growth and development of the economy. Government of India has taken various initiatives for inclusive growth through financial inclusion by the financial intermediaries existing in the financial sector. Banking sector is the most important financial institutions which provide financial services to its customers against some charges at an affordable rate. RRBs (Regional Rural Banks) are one of the varieties of banking industry which established with the objectives of rural development. One of such RRBs is Assam Gramin Vikash Bank (AGVB) operational in the state of Assam with its largest network of 414 branches spread over the 25 districts of Assam. The large network of branches cover a wide area of the state which constitutes the majority population of the state has a great impact in the development of the state by its financial services. In this context, the present paper is an attempt to focus on how the state is growing with AGVB by its varieties of services to its customers. The data for the present paper is collected from the secondary sources. The study area is confined to all the forty eight branches of Silchar Region situated at the three districts of Barak Valley viz Cachar, Hailakandi and Karimganj. The present study analyses the role of AGVB towards the development of Northeast region with special reference to Barak Valley by financial inclusion plan of Government of India

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Literature Review

In order to get acquainted with the matter of financial inclusion and the role of RRB on it the experts of finding of some of the related literature that were reviewed in the process of study are respondents below:

Iqbal and Sami, 2017; Dangji and Kumar, 2013 discussed about the role of banking sector for financial inclusion in India. **Paramasivan and Ganeshkumar (2013)** in their study on overview of financial inclusion in India showed India's position compared to other countries regarding access to financial services and coverage of banking services. While studying the achievements and review of initiatives of financial inclusion in India by Garg and Agarwal (2014), they focused on approaches adopted by various Indian banks towards achieving the ultimate goal of financial inclusion for inclusive growth of India and analysed the past years progress and achievements.

Despite of several studies conducted at national and international level not a single remarkable attempt can be identified on role of AGVB towards financial inclusion of Barak Valley. Thus, there is a need to study on role of AGVB towards development of the Northeast region specially the Barak Valley.

Statement of the Problem

RRBs are enacted by a special ordinance passed in the year of 1976. Since then it is facing lots of challenges unlike other commercial banks for its growth and expansion. Like other RRBs in the country AGVB is also facing various obstacles like low capital base, geographical disadvantages, obsolete technologies in use, etc. for survival in the cut throat competitive era. However, they are the real means of financial inclusion as its service area mainly located in the rural base where majority of the population are far away from the cream of financial services. Thus, it is important to study on the role of AGVB in financial inclusion and the development of the North East Region with special reference to Barak Valley.

Objective

The objective of this study is to analyse the role of AGVB towards development of Barak Valley through financial inclusion.

Conceptual Framework

• Introduction of Regional Rural Banks

The nationalization of the banks in 1969 boosted the confidence of the public in the Banking system of the country. However, in the early 1970s, there was a feeling that even after nationalization, there were cultural issues which made it difficult for commercial banks, even under government ownership, to lend to farmers. This issue was taken up by the government and it set up Narasimham Working Group in 1975. On the basis of this committee's recommendations, a Regional Rural Banks Ordinance was promulgated in September 1975, which was replaced by the Regional Rural Banks Act 1976. Regional Rural Banks came into existence in 1975 with the formation of a Prathama Grameen Bank. The rural banks had the legislative backing of the Regional Rural Banks Act 1976. This act allowed the government to set up banks from time to time wherever it considered necessary.

The RRBs are owned by three entities with their respective shares as follows:

- Central Government 50%
- State government 15%
- Sponsor bank 35%

• History of Assam Gramin Vikash Bank

In Assam all together five RRBs were operational at different point of time beginning with Pragjyotish Gaonlia Bank. The pro-active attitude and the rural bias of these banks culminated not only in the creation of thrift habit among the rural masses but also in the dispensation of credit to such people mostly for priority sector activities. Govt. of India vides Notification No. F.1. (25)/2005 dated 12th January 2006 amalgamated the four Regional Rural Banks sponsored by the United Bank of India in the state of Assam to form Assam Gramin Vikash Bank (AGVB). The erstwhile RRBs amalgamated were: Pragjyotish Gaonlia Bank (Estd 06-07-1976), Lakhimi Gaonlia Bank (Estd 29-07-1980), Cachar Gramin Vikash Bank (Estd 31-03-1981) and Subansiri Gaonlia Bank (Estd 30-03-1982).

Thus, AGVB came into existence from 12th January 2006 covering the areas of operation of the pre-amalgamated RRBs with its Head Office at Guwahati. The Bank covers 25 districts of the State through its strong network of 414 branches till date.

Table1: Business Position of AGVB as on March 31, 2018

Particulars	Amount in crore
Total Deposit	8507.47
Total Advance	3916.32
Total Business	12423.79
Total CD Ratio	46.03
Total NPA	1113.56
Interest Income	630.58
Non-Interest Income	147.14
Interest Expenditure	395.85
Salary Expenditure	153.45
Other Expenditure	317.53
Per Branch Business	30.08

Source: www.cbs.rrbagvb.in

Definition of Financial Inclusion

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.* The household access to financial services includes access to contingency planning, credit and wealth creation. Access to contingency planning would help for future savings such as retirement savings, buffer savings and insurable contingencies and access to credit includes emergency loans, housing loans and consumption loans. On the other hand, access to wealth creation includes savings and investment based on household's level of financial literacy and risk perception.

Tools of Financial Inclusion

In India RBI has initiated several measures to reach the benefits of financial inclusion to rural India. Some of such important measures are:

- **No-frill Accounts:** RBI had introduced "No-frill" accounts in 2005 to provide basic banking facilities to poor and promote financial inclusion. The accounts could be maintained without or with very low minimum balance. However, RBI has asked the banks to convert the existing "no frill" accounts in to "Basic Savings Bank Deposit Accounts (BSBD)."
- **Simplified Know Your Customer (KYC):** To open a bank account, a customer needs to submit a proof of identity and address proof with a recent photograph. The RBI has simplified the Know Your Customer rules, now if one does not have any of these documents for proof of identity, one still can open a bank account known as Small Account by submitting a recent photograph and putting one's signature or thumb impression. Such accounts have some limitations. The balance should not exceed Rs. 50,000 and total credit in one year less than Rs. 1 lakh, total withdrawal and transfers not over Rs. 10,000 a month.
- **PradhanMantri Jan DhanYojana (PMJDY):** It is a financial inclusion programme of Gol that aims to expand and make affordable access to financial services such as bank account, remittances, credit, insurance and pensions. It was launched on 15th August 2014. Under this scheme 1.5 Crore bank accounts were opened on inauguration day, which was recognized by Guinness Book of World Records. By June 2018, over 31 crore bank accounts were opened and over Rs. 792 billion were deposited under the scheme.
- **Atal Pension Yojana (APY):** APY is a government backed pension scheme in India targeted at the unorganized sector. It was introduced by Prime Minister in the year 2015. In APY for every contribution made to the pension fund, the central government would also co-contribute 50% of the total contribution or Rs. 1000 per annum, whichever is lower, to each eligible subscriber account, for a period of 5 years term.
- **Stand up India:** Stand up India was launched by Prime Minister Narendra Modi on 5th April 2016 to promote entrepreneurship among women and SC & ST communities. The scheme offers bank loans of between Rs 10 lakh to Rs 1 Crore for SC and ST communities and women for setting up new enterprises.

- **Mudra Loan:** The Indian government has come up with new loan scheme known as PradhanMantri Mudra Yojana. It has three categories viz. Shishu, Kishor and Tarun. The Shishu loan is issued to applicant with fewer requirements of funds that is up to Rs 50,000. The Kishor Loan is between Rs. 50,000 to Rs. 5 lakh and the Tarun loan is above Rs 5 lakh and up to Rs 10 lakh.
- **Pradhan Mantri Suraksha Bima Yojana (PMSBY):** It is a Government backed accident insurance scheme in India. It was launched by Prime Minister Narendra Modi on 9th May 2015. It is available to people between age group of 18 to 70 years with bank account at annual premium of Rs.12. In case of accidental death or full disability, the payment to the nominee will be Rs 2 lakh and in case of partial disability Rs 1 lakh.
- **Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY):** It is a government backed Life Insurance scheme in India. It is available to people between 18 to 50 years of age with bank accounts. It has annual premium of Rs. 330. In case of death due to any cause the payment to the nominee will be Rs. 2 lakh.
- **Mobile Banking:** A mobile wallet is a way to carry cash in digital format. Customers do not need a debit card, credit card or internet banking password for making payment using a mobile wallet. One requires loading money in wallet via IMPS and using it on the move.
- **National Rural Livelihood Mission (NRLM):** It is a poverty alleviation project. This scheme is focused on promoting self-employment through organization of SHG (Self Help Group). Banks provide loans to these SHG at a concessional rate with government subsidy.

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Analytical Discussion on Progress of Financial Inclusion Plan of AGVB as on March 31, 2018

Table 2 prepares below depicts the number of accounts opened during the financial year 2017-2018 by all the 48 branches under Silchar Region. It can be seen that out of total numbers of accounts (77192), number of Financial Inclusion (FI) account that is 52749 is the maximum which boost up the financial inclusion in Barak Valley.

Table 2: Number of Accounts Opened during the Financial Year

Total no of Accounts Opened during the Year	Saving A/c	FI A/c	Current A/c	Term Deposit
77192	14302	52749	1282	8859

Table 3 depicts the total amount of deposit mobilized and advance disbursed up to the financial year 2017-18. This way the bank is helping the people of this region to channelize their savings and provide loans to those who are in need of it.

Table 3: Business Position of AGVB in Silchar Region

Districts Name	Total Deposit (Rs. in Lakh)	Total Advance (Rs. in Lakh)
Cachar	50719.14	14836.24
Hailakandi	19207.85	6050.01
Karimganj	31528.90	7976.67
Total	101455.89	28862.92

As a tool of financial inclusion, APY, PMSBY and PMJBY plays very important role to implement the dream of inclusive growth. By these schemes citizen of the country insure themselves from uncertainties of life. Table 4 reveals the number of customers who enrolled themselves under these schemes in Barak Valley for the financial year 2017-18. Total of 6975 number of customers enrolled themselves for pension scheme under APY. Total of 31700 numbers of customers enrolled themselves under accidental insurance scheme and 15025 numbers of customer insured their life under Life Insurance Corporation. After independence probably this is the wide coverage of health insurance in India.

Table 4: APY, PMSBY and PMJBY Accounts

Districts Name	APY(No. of A/c)	PMSBY(No. of A/c)	PMJBY(No. of A/c)
Cachar	3325	18490	8141
Hailakandi	1431	5611	3057
Karimganj	2219	7599	3827
Total	6975	31700	15025

Table 5 shows the region wise magnetic stripe card issued during the financial year 2017-18. Bank as a whole total number of Debit card, KCC (Kisan Credit Card) and PMJDY (Pradhan Mantri Jan DhanYojana) card issued are 224665, 111155 and 796955 respectively. Amongst these three categories of magnetic stripe cards the card issued under zero balance account (PMJDY) is the maximum, which indicates that a wide coverage of customers newly opened bank account.

Table 5: Magnetic Stripe Card Issued during the Financial Year 2017-18

Region Name	Debit Card	KCC	PMJDY
Silchar	23677	11106	138613
Guwahati	37711	11857	92455
Kokrajhar	29535	13931	125373
Lakhimpur	30449	16225	108903
Nalbari	32149	19526	126117
Golaghat	41660	22561	155549
Dibrugarh	29484	15949	49945
Total	224665	111155	796955

Priority sector lending is the target set by the Government of India for the public sector banks for the social development of the country. Like other public sector banks, RRBs are also given target for priority sector lending especially because the branches of such banks are mainly located in the rural areas. Table 6 prepares below depicts the sector wise priority sector lending of AGVB in its Silchar region for the financial year 2017-18. It can be seen that out of all the categories, loan sanctioned to MSME (Micro, Small and Medium Enterprises) sector is the highest.

Table 6: Priority Sector Lending during the Financial Year 2017-18

Sector Name	No of A/c	Amount (Rs. in lakh)
Agriculture Loan	32917	11338.32
MSME Loan	8985	14237.66
Education Loan	30	67.24
Housing Loan	179	880.78
Renewable Energy Loan	106	36.9
Other Loans	133	80.02

Non-priority sector lending comprises Mudra loan, advances under Stand -Up India, loans to the women for their financial strength, advances under weaker section and SC/ST categories and others. All these are for strengthening the financial condition of individuals as well as to boost up the entrepreneur for self employment. Table 7 prepares below shows the non-priority sector lending of AGVB for the financial year 2017-18 in its Silchar Region.

Table 7: Non-Priority Sector Lending in Barak Valley for the Financial Year 2017-18

Sector Name	No of A/c	Amount (Rs. In lakh)
Loan under Mudra Yojana	7803	9605.63
Advance to Women	8549	3678.42
Advance under Weaker Section	17377	12066.14
Advance to SC/ST	9843	5775.68
Advance understand Up India	8	175.46

An SHG is a village based financial intermediary committee usually composed of not less than 10 members (Men/Women). Such group provides mutual support for the development of each other with the help of bank loans. The SHGs promotes small savings among its members. Table 8 shows the total number of SHG (Deposit linkage and Credit linkage) supported by AGVB in its Silchar region comprises poor people of Barak Valley. The bank provides advances to this group for their self development as well as through their small savings. This way the bank is helping these needy people by its financial services at an affordable cost. Total numbers of deposit linked SHG is 303 and credit linked is 1122 (Out of which under NRLM is 712 and direct SHG is 410).

Table 8: Self Help Group Account

Current Financial Year (From 01.04.2017 to 31.03.2018)					
Deposit Linkage (SB A/c)		Credit Linkage			
		Under NRLM		Direct SHGs	
No	Amt (in Lakh)	No	Amt (in Lakh)	No	Amt (in Lakh)
303	21.94	712	234.89	410	164.92

Banks are advised to conduct financial literacy camp in backward areas to bring awareness among the un-banked people about the benefits of financial services. The table 9 prepare below reflect the number of financial literacy camp held by AGVB in Silchar region for the financial year 2017-18 for bringing awareness among the people of this region about financial service and its benefits. The total number of persons attended the financial literacy camp is about 4199, out of which 2906 number of persons has Savings bank account and 1562 persons run cashless mode of transaction.

Table 9: Financial Literacy Camp during the Financial Year

No. of Persons attended	Out of which, number of Persons already having SB Account/Using cashless mode of transaction	
	No. of SB Account	Cashless Mode
4199	2906	1562

Findings and Recommendations

The present study analyze the role of AGVB towards development of the North East region especially Barak Valley reveals that up to the last financial year (31.03.2018) the bank has contributed a lot towards development of this region through the various tools of financial inclusion. The bank striving for impetus growth of this area by providing necessary banking services to its customers. But more attention are required to be given for the overall development of this region as the region is still lag behind compared to the other region of the bank. For successful implementation of the financial inclusion plan of the government of India management of the bank have to diversify their banking practices.

Conclusion

Bank plays a crucial role in the economic development and prosperity of any country. Being a systemic institution its performance largely determines the overall performance of the economy. It was thus realized that if banks were to perform well some kind of policy changes and reforms were indispensable. The result of one of such government policy is the RRBs which were enacted under a special act of parliament. One of such RRB is AGVB operating in the state of Assam with its largest network of branches. The present study is an attempt to have a look how the bank is contributing towards development of North East region especially Barak Valley through the financial inclusion plan. The analytical discussion of the present study reveals that the bank is playing a vital role to strengthen the financial condition of the citizen in this locality.

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