



Financial Inclusion and Assam Gramin Vikash Bank: A Review of Performance

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ABSTRACT

The establishment of Regional Rural Banks (RRBs) is one of the major steps taken by Government of India to make the financial system all inclusive. RRBs can reach the doorstep of the poor rural people who do not have access to formal financial services in the form of savings, loans, insurance, remittance facilities etc. Assam Gramin Vikash Bank (AGVB), the largest RRB in North east India, ranks at the top in the Country in terms of number of districts covered. Following the directives of RBI, AGVB has been taking different initiatives towards financial inclusion. In the present paper, an attempt is made to overview the initiatives undertaken and progress made so far in the field of financial inclusion by AGVB. The paper is descriptive and analytical in nature with secondary sources of database.

KEYWORDS

financial inclusion, RRBs, AGVB

I. Introduction

Banking services are by nature like public goods. Therefore, each citizen of a nation should have access to the minimal banking services without discrimination. Every citizen of India has the right to have access to these goods. However, the empirical evidence shows that countries with large proportion of population excluded from the formal financial system; also show higher poverty ratios and higher inequality (Thorat, 2008). Especially the disadvantaged section of the population usually fails to have access to the services of formal financial institutions. Due to this fact the exercise of financial inclusion has come into limelight.

Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups (Leeladhar, 2005). The Rangarajan Committee (2006) defines financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost.

In India, financial inclusion has been embedded as an objective of economic policy since independence (RBI, 2013). The country has taken several steps towards financial inclusion. Some of these include the creation of State Bank of India in 1955, nationalisation of commercial banks in 1969 and 1980, initiation of the Lead Bank Scheme in 1970, establishment of Regional Rural Banks (RRBs) in 1975, introduction of SHG-Bank Linkage Programme in 1992, formulation of Kisan Credit Card (KCC) scheme in 2001, etc. However, since 2005, financial inclusion has been an explicit policy endeavour of RBI. Various policy initiatives have been undertaken by both the RBI as well as the Government of India (Gol) to ensure universal financial access such as like-

- Introduction of 'No-Frills' accounts
- Relaxing 'Know Your Customer' (KYC) norms
- Issuance of General Purpose Credit Card (GCC)
- Introduction of Business Correspondent (BC) and Business Facilitator (BF) Models, etc.

II. Assam Gramin Vikash Bank: A Profile

The RRBs were established to meet the excess demand for institutional credit in the rural areas, particularly among the economically and socially marginalized sections. Assam Gramin Vikash Bank (AGVB) is the only restructured RRB of the North

East Region of India. It was formally launched on the 16th of January 2006. It is an amalgamation of erstwhile Pragjyotish Gaonlia Bank, Lakhimi Gaonlia Bank, Cachar Gramin Bank and Subsansiri Gaonlia Bank, all sponsored by United Bank of India. The head office of the Bank is situated at Guwahati, Assam. The operational area of AGVB consists of the entire area of operation of the aforesaid four pre-amalgamated RRBs which covers 25 districts out of 27 districts in the State of Assam, barring only the two hill districts, viz. Karbi Anglong and Dima Hasao. The AGVB, which enjoys the status of Scheduled Bank, ranks at the top in the Country in terms of number of districts covered.

III. Objective

The main objective of the paper is to overview the initiatives undertaken and progress made so far in the field of financial inclusion by Assam Gramin Vikash Bank.

IV. Methodology and Data

The present paper is a descriptive and analytical in nature and makes use of secondary sources of data. The relevant secondary data have been collected mainly from the Annual Reports of AGVB, the data bases of Reserve Bank of India (RBI), National Bank for Agricultural and Rural Development (NABARD), different journals, etc. The internet sources have also been referred. The period of the study is six years starting from 2006-07 to the year 2011-12.

V. Discussion and Findings

In keeping with the directives of the RBI to banks to review their existing practices to align them with the objective of financial inclusion, AGVB has also been performing in the same line under the Financial Inclusion Scheme launched by the Gol. Its implementation is being monitored by the Committee on Financial Sector Plan for N.E. Region.

VI. Area of Operation

The establishment of RRBs was essentially for taking banking to the doorsteps of rural masses. AGVB is the only amalgamated RRB of the N.E. Region. It continues to be the largest bank in the state of Assam in terms of branch network. The area of operation of the bank covers 25 districts out of 27 districts of the State. Up to March 2012, the bank has 369 branches. As many as 75% branches of the bank are located in rural areas, 21% in semi-urban areas and only 4% branches are in urban areas (Table- 1 and Chart- 1). However there

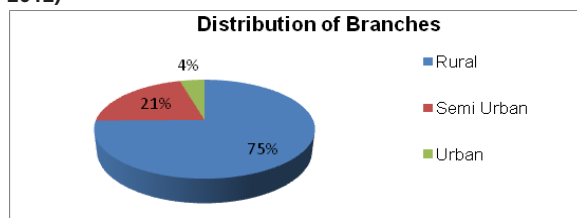
exists regional variation of the distribution of branches. While Sonitpur and Nagaon district lead in branch expansion, districts like Chirang, Hailakandi, Kokrajhar are lagging behind in this respect.

Table-1: Population group wise distribution of branches (up to March 2012)

Regional Office	Name of District	Area wise Branches			Total Branches
		Rural	Semi Urban	Urban	
1. Nalbari	1. Nalbari	14	03	--	17
	2. Baksa	11	--	--	11
	3. Barpeta	11	05	--	16
	4. Darrang	11	02	--	13
	5. Udalguri	09	02	--	11
2. Golaghat	6. Golaghat	10	02	--	24
	7. Jorhat	12	03	02	17
3. Silchar	8. Nagaon	22	08	--	30
	9. Cachar	15	--	04	19
	10. Karimganj	13	04	--	17
4. Lakhimpur	11. Hailakandi	05	03	--	08
	12. Lakhimpur	11	05	--	16
5. Guwahati	13. Dhemaji	06	03	--	09
	14. Sonitpur	27	04	--	31
	15. Kamrup	12	02	01	15
6. Kokrajhar	16. Kamrup (M)	02	--	09	11
	17. Marigaon	11	01	--	12
7. Dibrugarh	18. Kokrajhar	07	02	--	09
	19. Bongaigaon	07	02	--	09
	20. Chirang	05	01	--	06
	21. Goalpara	10	02	--	12
Total	22. Dhubri	08	05	--	13
	23. Dibrugarh	08	05	--	13
	24. Tinsukia	03	05	--	08
	25. Sivsagar	18	04	--	22
Total		276 (75)	77 (21)	16 (4)	369 (100)

Source: AGVB Annual Reports (The figures in the brackets are the percentage to the total bank branches)

Chart- 1: Area wise Distribution of Branches (up to March 2012)



Source: AGVB Annual Reports

V.II. Opening No-Frills Accounts

In order to expand the reach of banks to the unreached, RBI directed banks to open no-frills savings bank accounts to bring into the banking fold even without any initial amount of deposits. Banks have also been advised to provide small amount of overdrafts to such accounts. Through this procedure, banks have been able to reach out to people having very low income also to become bank customers. All the branches of AGVB have actively participated in opening of no frill accounts of the under privileged households. It has 135722 no frills accounts of which 1380 no frills accounts have been offered overdraft amounting ₹690 thousand as on March 2012. Though cumulative numbers of no frill account has become 2072722, there is seen great fluctuation of annual growth rate of N/F accounts (Table- 2). While 351% positive annual growth is seen in the year 2008-09, in the very next year 94% negative growth rate is also seen.

Despite the regular growth of N/F accounts, a very little of them (from 1 to 5 percent) avail the facility of overdraft.

Table- 2: Growth and Overdraft to No-Frills Account

Year	No Frills A/C opened*	No. of No Frills A/C offered overdraft #	Amount of overdraft (₹ in thousands)
2006-07	24164	794 (3)	361
2007-08	56956 (135)	2797 (5)	1273
2008-09	256928 (351)	4427 (2)	2014
2009-10	147146 (-94)	2235 (2)	1016
2010-11	155143 (5)	1288 (1)	740
2011-12	135722(-13)	1380 (1)	690

Source: AGVB Annual Reports

* Figures in the bracket indicate the annual growth rate (%) of no frills accounts

Figures in the brackets indicate the percentage of the no frills accounts offered overdraft against the total in the respective year.

V.III. Kisan Credit Card (KCC)

In order to increase the credit flow for crop loans by providing timely, adequate, cost effective and hassle free short term loans to farmers, KCC scheme was introduced in the year 1998. During 2011-12 the Bank had drawn a plan to cover all eligible farmers under the fold of KCC (Crop Loan) and could issue 101587 numbers of KCCs with credit limit of ₹3102195 thousands. At the end of March 2012, the outstanding advances against 230975 numbers of KCCs were ₹7576080 thousands. The cumulative disbursements under KCCs up to 31.03.2012 were ₹10673413 thousand against 353283 nos. of KCCs (AGVB 7th Annual Report). The issuance of KCCs is seen to be increasing year after year (Table- 3). The social institutions like Farmers' Clubs, SHGs and Govt. line departments have been involved in successful implementation of the scheme. The growing of crop on a commercial scale has also drawn the idea of aggressive marketing in the post production stage and thereby leading to the diversification of agro based activities.

Table-3: Year wise Progress of KCCs

Year	KCC issued	Amount of credit (₹ in thousands)	Amount outstanding (₹ in thousands)
2006-07	11225	197868	730523
2007-08	18880	315882	926367
2008-09	41019	1203860	875912
2009-10	51079	1417982	1399510
2010-11	62309	2074957	5382520
2011-12	101587	3102195	7576080

Source: AGVB Annual Reports

V.IV. General Credit Card (GCC)

As a part of Financial Inclusion, Bank introduced the GCC Scheme during 2006-07. The performance of the Bank under this scheme appears to be encouraging. The scheme is mainly targeted for providing credit support to the under privileged section of the society, without any hassles of complicated documentation and collaterals. During 2011-12, Bank could issue 7711nos. GCCs involving an amount of ₹175982 thou-

sand. Nos. of Cumulative Cards issued comes to 53407 with outstanding amount of ₹868698 thousand. However there is fluctuation in the annual growth of GCCs issued and the amount of credit. In the year 2007-08 and 2011-12, negative annual growth of GCCs is seen (Table- 4). There is also seen negative annual growth in the amount of credit sanctioned despite a positive growth of GCCs in a year 2009-10.

Table- 4: Year wise Progress of GCCs

Year	GCC issued	Amount of credit (₹ in thousands)	Amount outstanding (₹ in thousands)
2006-07	9420	188475	231754
2007-08	5546	85629	287383
2008-09	8979	217209	421155
2009-10	10142	165568	626842
2010-11	11609	261546	883124
2011-12	7711	175982	868698

Source: AGVB Annual Reports

V.V. Promotion of Self Help Groups (SHGs)

As a result of promotional measures taken by NABARD,

plenty of SHGs have been formed in the rural areas. The RBI also advised the banks to consider lending to the SHGs as a segment of priority sector advances and integrate it with the mainstream credit operations. The aim of this is to link the poor and disadvantaged with formal financial system. AGVB is actively associated in promotion and credit linkage of SHGs in its area of operation, since its inception. The scheme for credit linkage of SHGs continued to receive priority.

Up to 31-03-2012, Bank has formed as many as 138473 SHGs involving 1661676 members. As on 31 March 2012, AGVB has formed 11666 deposit linked SHGs and 139992 members have been covered. The Bank has provided credit assistance to 15398 SHGs amounting ₹790117 thousand during the year 2011-12 (Table-5). Cumulative number of Credit linked SHGs has registered around 160 percent increase from 44930 in March 2007 to 116661 in March 2012. The credit limit has increased by around 275 percent from ₹1138316 thousand to ₹4276699 thousand during the same period.

Many of the SHGs have availed credit from the Bank for the second or subsequent times and have been able to qualify themselves as the micro enterprises and thereby entitled for larger size of credit for establishment of their own enterprises for economic sustainability. This is a good indicator of the indirect efforts made by banks to reach out to the unreached, particularly to the women.

Table-5: Progress of Deposit Linked and Credit Linked SHGs

Year	Deposit Linkage (Amount ₹ in thousands) Under SGSY			Credit Linkage (Amount ₹ in thousands)					
				Under SGSY		Direct SHGs		Total Credit Linked SHGs	Total Amount
	No	Amount	Members Covered	No	Amount	No	Amount		
2006-07	9086	24144	105032	5041	244708	6573	114176	11614	358884
2007-08	10554	14368	126000	4165	246743	6280	118394	10445	365137
2008-09	15025	30563	180300	6277	371520	5865	126426	12142	497946
2009-10	14703	33668	176436	7748	418900	8360	160801	16108	579701
2010-11	14385	17862	172620	7959	693435	9679	212047	17638	905482
2011-12	11666	14799	139992	7433	598577	7965	191540	15398	790117

Source: AGVB Annual Reports

V.VI. Finance to Joint Liability Groups (JLGs)

The concept of financing JLGs has been introduced in AGVB during the year 2005-06 forming 332 groups with credit support of ₹25484 thousand. During 2011-12, Bank could form 7099 JLGs with credit support amounting to ₹126122 thousand (Table- 6). Growth recorded is an impressive 480 percent in terms of number of groups formed. Up to 31-03-2012, a total of 14453 (cumulative) JLGs have been financed covering 57802 beneficiaries.

Table-6: Progress of Financed JLGs

Year	No. of JLGs formed	Amount of Credit Support (₹ in thousands)	No. of Beneficiaries
2006-07	1557	38420	7918
2007-08	1571	50099	13595
2008-09	1419	36407	17415
2009-10	955	46203	22852

2010-11	1224	97307	27748
2011-12	7099	126122	57802

Source: AGVB Annual Reports

V.VII. Business Correspondents (BCs) and Business Facilitators (BFs)

In order to ensure greater financial inclusion and increased banking outreach, RBI permitted banks to utilize the services of civil society organizations, Farmers' Clubs, non-government organizations (NGOs), post offices etc. as intermediaries in extending financial and banking services through the adoption of BC and BF models. NABARD also encourages banks to promote Farmers' Clubs in rural areas under the Farmers' Club Programme.

AGVB has started Financial Inclusion programme through BC model with population over 2000 in the allotted 816 villages. The Bank has been playing a vital role in formation of Farmers' Clubs in the State. Considering Farmers' Clubs as the most acceptable and effective intermediary agency for smooth flow of agricultural credit to potential borrowers, a good number of Farmers' Clubs were opened in phases and are being managed with the active support of the respective

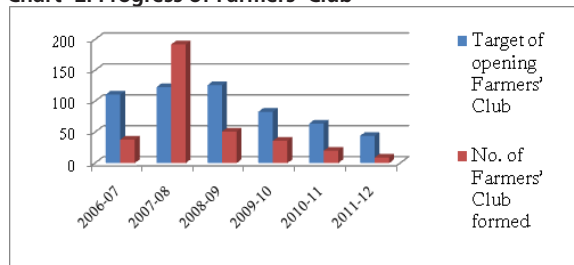
branches. These Farmers' Clubs have conducted a number of programmes concerning agricultural activities, micro finance etc. Some of the clubs are promoting SHGs also. As on 31.03.2012 as many as 472 Farmers Clubs are functioning in the area of operation of the Bank (Table- 8 and Chart- 2). But the numbers of Farmers' Club formed is becoming less year after year baring the year 2007-08. During 2011-12, only 9 new Farmers' Club was formed.

Table- 7: Year wise progress of Farmers' Club

Year	Target of opening Farmers' Club	No. of Farmers' Club formed
2006-07	111	38
2007-08	123	192
2008-09	126	51
2009-10	83	36
2010-11	64	20
2011-12	44	09

Source: AGVB Annual Reports

Chart- 2: Progress of Farmers' Club



Source: AGVB Annual Reports

V.VIII. Financial Literacy and Awareness Programme

Building financial capability through financial literacy is a key component of financial inclusion (Joshi, 2013). Through financial education individuals can identify and use appropriate financial products and services in order to build and preserve their assets over time. It makes people better informed, better educated and more confident, able to take greater responsibility for their financial affairs and able to play a more active role in the market for financial services.

NABARD has suggested various designs of awareness programmes and extends financial support for organizing them. During 2011-12, various branches/offices of the Bank has organised 658 nos. of Awareness Camps/Customer Meets. Such awareness camps helped the Bank in initiating formation of SHGs. SHG-Bank linkage camps organized by the Bank have enabled the Bank to bring in many SHGs into the fold of Bank credit. The Bank has also organized a good numbers of borrower's education programmes for the KCC borrowers in association with Farmers Clubs. During the financial year 2011-12, a total of 816 villages with population over 2000 were taken up by the Bank for conducting Financial Literacy programmes with financial support under Financial Inclusion Fund of NAB-

ARD. To conduct the programmes in the allotted villages, Bank engaged six NGOs in consultation with NABARD.

V.IX. Micro Insurance

Micro-insurance is a key element in the financial services package for the poor people. It is seen that the poor faces more risks than the rich. However they are more vulnerable to the same risk. Therefore, micro insurance should provide greater economic and psychological security to the poor.

Bank has made necessary arrangement for extending micro insurance products to the disadvantaged group of customers, through tie-up arrangement with Bajaj Allianz Life Insurance Company Ltd. The Bank marketed 34,031 nos. of Micro Insurance Policies with aggregate premium of ₹49,503 thousand during the year 2011-12. Further, in Rangati Misamora Village under Lakhimpur district, 100% families were covered under micro insurance through Narayanpur Branch. Thus, lower income group people including members of SHGs, JLGs, marginal and landless labourers, etc, can avail insurance benefits through micro insurance by paying a vary nominal amount of premium.

V.X. Coverage of Villages

Under the Financial Inclusion Plan of Govt. of India, banks are required to extend Banking Services to all the villages with population of above 2000, by establishing a physical branch or by using ICT solution through Business Correspondent (BC) model, by March 2012. Accordingly, SLBC has allocated such villages to various banks operating in the State. AGVB has been allocated 816 nos. such villages and all villages have been covered as on 31-03-2012 under the Financial Inclusion Plan.

V.XI. Credit Deposit Ratio

The Credit Deposit (CD) Ratio of the Bank has improved to 53.28% as against 47.36% as on 31.03.2011. As a result of Bank's consistent effort, 12.50% growth of CD ratio is registered. However, much improvement is needed in this area.

VI. Suggestion and Conclusion

Being the largest RRB of Assam, the AGVB has great responsibility to include all those needy and poorer groups of people into the ambit of banking network. It should provide doorstep banking services to them as an incentive so that other people also join its financial inclusion programme. What is needed to promote financial inclusion programme is to launch massive awareness campaign/programmes. In order to get maximum coverage, FLCCs may be set up at panchayat and town levels. The Bank may provide counselling and debt management services free of charges to its poor customers so that no additional burden is put on them. The Bank should recruit BCs to bridge the gaps between the bank branch and customers. Provision of ATM will also help the need of the customers. However, proper fund must be provided for the successful implementation of financial inclusion programmes. To make financial inclusion drive successful, cooperation of mass people with the Bank is needed. Then only it will be win-win position for both the AGVB and unbanked people of the region.

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