

Financial inclusion: A case study of perambra regional co-operative bank perambra

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Abstract

Background/Objectives: The banking sector in India has made tremendous improvement over the last few years. Even though many sections especially weaker and vulnerable groups of the society were financially excluded. Financial exclusion has decreased the extend of the financial services of banking sector. Financial inclusion ensures availability of banking services at an affordable cost. Even though the commercial banks towards the aim of financial inclusion they fail to deliver credit facilities far along the rural areas. The cooperative banks which is deeply rooted inside local areas and communities involved in rural development ensure the financial inclusion as a way for rural orientation. The present study mainly focused on the analysis of Credit Deposit Ratio, Non-Performing Assets and the financial inclusion of Perambra Regional Cooperative Bank.

Methods/Statistical analysis: The study is based on the secondary data which is collected from Bank circulars, Annual reports, and various publications such as Economic Survey, Kerala Economic Review, newspapers and magazines. For the analysis of data, simple statistical techniques like, percentage, average, tables, diagrams etc. were extensively used.

Findings: The study shows that Perambra regional cooperative bank has its role to play in including the people to the banking services by providing more credits and enhancing the habit of savings of the people. Besides this the increments of the NPA is an issue to be considered

Improvements /applications: strict measures should be undertake to recover loan and to reduce NPA and writing off loans should not be encouraged as it promote the nonpayment of loans.

Keywords: financial inclusion, Credit Deposit Ratio, Non-Performing asset

1. Introduction

Finance is the life blood of every economy. A sound financial system is indispensable to sustain a high and stable rate of growth. Finance has been attributed as the brain of an economic system. Indian economy is recognized as one of the fastest moving economies of the world. Despite this rapid growth rate, it continues to suffer from poverty, unemployment and many other socio-economic problems. To accelerate the economic growth and make sustainable the benefits of the growth should be trickle down to the poor and downtrodden sections of the society. Over the years the issue of financial inclusion has caught the attention of many governments, economists, policy makers, programmers and academics [1]

The NSS data reveal that 45.9 million farmer households in India that is 51.4 % of the nearly 89.3 million totals do not have access to credit either from institutional or non –institutional sources. Nearly 51% do not have access to any credit, formal or informal more importantly, despite the vast network of rural branches, only 27% of the total farm households are indebted to formal sources. Among them one third also borrow from informal sources. There are parts of the country where more than 95% of the farm households do not get any credit from institutional or non-institutional sources (NSSO 2005) [2]. Thus apart from the fact that extend of exclusion itself is large; it is very widely across regions, social groups and asset holdings. It should also note that the prevalence of financial exclusion is the highest among the poor, weaker and disadvantaged sections of the society .In such a context the term financial inclusion relevant.

The Report of the Committee on Financial Inclusion (Jan 2008) gives the definition of financial inclusion as the process of ensuring access to financial services timely and adequate credit where needed by vulnerable groups such

as weaker sections and low income groups at an affordable cost[3]. Financial inclusion refers to the process of extending financial products and services at an affordable cost to the weaker and vulnerable sections of the society in a visible and fair manner. The range of products and services include a number of no frill banking accounts, saving products, access to small loans and overdrafts, credit facilities, money transfer facilities, life and non-life insurance, financial counseling and advisory services. Its strategies include micro finance and Self Help Group linkages, provision of technical support and creation of share.

The essence of financial inclusion is to ensure delivery of financial services which include bank accounts for savings and transactions purposes, low cost credit for productive, personal and other purposes, financial advisory services, insurance facilities etc. In India, the basic tool of financial inclusion is having a saving for current account with a bank. In general there are two sides of financial inclusion, i.e., demand and supply side. The demand sides of financial inclusion are education, health, irrigation, power, roads, transport, etc. supply side of financial inclusion includes availability of timely finance at affordable rate of interest. This will require good reach of the financial institutions in remote areas, effective use of modern telecommunications and computer facilities [4].

The importance of co-operative banks has soared in recent years with the emergence of financial inclusion as a key of public policy in India. According to International Co-operative Alliance Statement of co-operative identity, a co-operative is an autonomous association of persons united voluntarily to meet their common, economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. It is based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity [5].

The policy makers have been focusing on financial inclusion of Indian rural and semi-rural areas primarily for three most important pressing needs:

1. **Creating a platform for inculcating the habit to save money** – The absence of savings makes lower income category to be vulnerable a lot. Presence of banking services and products aims to provide a critical tool to inculcate the habit to save.
2. **Providing formal credit avenues** – Availability of adequate and transparent credit from formal banking channels shall allow the entrepreneurial spirit of the masses to increase outputs and prosperity in the countryside.
3. **Plug gaps and leaks in public subsidies and welfare programmes** – A considerable sum of money that is meant for the poorest of poor does not actually reach them. While this money meanders through large system of government bureaucracy much of it is widely believed to leak and is unable to reach the intended parties. Government is therefore, pushing for direct cash transfers to beneficiaries through their bank accounts rather than subsidizing products and making cash payments.

Cooperative banks in India play a very important role in financial system. Co-operative banks have completed 100 years of existence in India. The beginning of the Kerala State Co-operative Bank Ltd. dates back to early 20th century. It is the model for cooperative banking structure in the country. Co-operative banks in India can be classified into urban cooperative banks and rural cooperative credit institutions, in which each of them can be again divided into long term and short term. The long term credit institution includes state cooperative banks, central cooperative and primary agricultural societies. The short term credit institution includes state cooperative agricultural & rural development banks and primary cooperative banks.

The below table shows the financial inclusion in India according to the CRISIL Index.

Table 1. Financial Inclusix of India

Year	Inclusix
2009	35.4
2010	37.6
2011	40.1

Source: CRISIL[6]

The CRISIL Inclusix indicates that there is an overall improvement in the financial inclusion in India. CRISIL Inclusix (on a scale of 100) increased from 35.4 in March 2009 to 37.6 in March 2010 and to 40.1 in March 2011.

Financial Inclusion in India and Kerala

Table 2. Financial inclusion in India and Kerala

Parameter	Kerala	India
Deposit (crores)	279655	7931104
Advances	192010	6086879
Percapita deposit (actuals)	84000	65535
Percapita advances (actuals)	57700	50300
CDR	68.66	76.75

Source: state level bankers committee, 2014

The above table shows that the total deposits of Kerala is Rs. 279655 crores as compared to India of Rs.7931104. The CDR for Kerala is 68.66 which is less than the India as a whole which is 76.75 as per the 2014 data by state level bankers committee.

Performance of cooperative banks in Kerala

Kerala is set to become the first state in the country to achieve cent percentage financial inclusion. The formal announcement in this respect is expected to be made. There are a total of 127 villages in the state and about 40% of country's population have bank accounts.

Table 3. Banking statistics of district cooperative bank in Kerala

Sl No.	Name of district	No. of PACB's affiliated	No. of branches	Deposits	Investment	Advances
1	Trivandrum	121	75	393540	156520	260358
2	Kollam	127	58	228149	101424	151126
3	Pathanamthitta	104	59	147264	53440	102430
4	Alappuzha	184	55	190143	66256	128680
5	Kottayam	141	59	262174	113762	154314
6	Idukki	73	48	152523	36910	159714
7	Ernakulam	188	57	542752	269013	231141
8	Thrissur	154	48	445182	193123	105846
9	Palakkad	99	44	269532	151593	131431
10	Malappuram	120	53	256229	107485	169015
11	Kozhikode	108	53	281815	113925	194432
12	Wayanad	31	31	136457	23591	96108
13	Kannur	144	59	356548	166920	169695
14	Kasargod	63	40	107346	47131	64628
	Total	1657	739	3769654	1601093	2168918

Source: State level bankers committee, 2014

As per State level bankers committee, the total number of cooperative banks in Kerala is 739 as at December 2014. Trivandrum is the district with high number of cooperative banks and Wayanad places the lowest position in number. While considering the deposits of banks it can be understood that Ernakulam ranks first in amount of deposit of Rs. 542752 and Kasargod places the last position with an amount of Rs.107346. Ernakulam also ranks first in case of investment of Rs.101424 and it is Wayanad in the last position in investment of Rs.23591.

cooperative banks in India is attributed to mainly their functions for rural reach and are better than private banks as they do not pursue the goal of profit maximization. Cooperative banks can play a bigger role than scheduled commercial banks in achieving financial inclusion. A large section of the financially excluded population inhabits rural areas; financial exclusion is widespread in urban and semi-urban areas as well. These problems are best addressed by the cooperative banks. The study concentrates on the financial inclusion of cooperative bank in Kozhikode district by giving special reference to Perambra Regional Cooperative Bank situated in Perambra

2. Materials and Methods

The study Financial Inclusion: A Case Study On Perambra Regional Cooperative Bank is conducted on the basis of secondary data which is collected from annual reports of the bank, bank circulars, various official publications such as RBI, NABARD, Government of India, Planning Commission, Economic Survey, Kerala Economic Review, newspapers, magazines and various journals like Southern Economist, Economic and Political Weekly, RBI Bulletin etc. For the analysis of data, simple statistical techniques like, percentage, average, tables, diagrams etc. were extensively used.

3. Results and discussion

The study has been undertaken in Perambra regional cooperative bank to analyze the financial inclusion, non-performing assets and the credit deposit ratio of cooperative bank. Data mainly collected through secondary source. The deposit of the bank mainly includes fixed deposits, Savings deposits, Current deposits, Recurring deposits and other deposits. The data collected are given below;

1. Total Deposits of the Bank

Table 4. Deposits of the bank

TOTAL DEPOSITS	
YEAR	DEPOSITS
2009-10	292789790
2010-11	357351606
2011-12	393072275
2012-13	415914163
2013-14	466838343

Source: Annual report of the bank

The above table shows the total deposits of the bank. From the table, it is clear that the total deposit of the bank has increased over the years. During 2009-10 it was 292789790 and increased to 466838343.

2. Fixed Deposits of the Bank

Table 5. Fixed deposits

FIXED DEPOSITS			
YEAR	FIXED DEPOSITS	TOTAL DEPOSITS	%OF FIXED TO TOTAL DEPOSITS
2009-10	237252475	292789790	81.03167634
2010-11	292414272	357351606	81.82816786
2011-12	322935017	393072275	82.15665096
2012-13	339494935	415914163	81.62620204
2013-14	379146871	466838343	81.21588055

Source: annual report of the bank

From the table 5 it is clear that the fixed deposit of the bank has increased from Rs.237252475 in 2009-10 to 379146871 in 2013-14. The percentage of fixed deposits to total deposits showed a slight change in each year.

2. Savings Deposits of the Bank

Table 6. savings deposits of the bank

SAVINGS DEPOSITS OF THE BANK			
YEAR	SAVINGS DEPOSITS	TOTAL DEPOSITS	%OF SAVINGS DEPOSITS TO TOTAL DEPOSITS
2009-10	39953524	292789790	13.64580507
2010-11	48804499	357351606	13.65727709
2011-12	51095721	393072275	12.99906512
2012-13	58048954	415914163	13.95695534
2013-14	68385482	466838343	14.64864295

Source: Annual report of the bank.

From the table 6 it is clear that a savings deposit of the bank has increased over the years. The saving deposits were Rs. 39953524 In 2009-10 and it increased to Rs. 68385482 in 2013-14. The percentage of the savings deposit to total deposit has showed an increasing trend from about 13.65 in

4. Current Deposits of the Bank

2009 to 14.65 in 2013. Table.7. Current deposits of the bank

CURRENT DEPOSITS OF THEBANK			
YEAR	CURRENT DEPOSIT	TOTAL DEPOSITS	%OF CURRENT DEPOSIT TO TOTAL DEPOSIT
2009-10	259232	292789790	0.088538606
2010-11	229515	357351606	0.06422666
2011-12	379310	393072275	0.096498793
2012-13	552984	415914163	0.13295628
2013-14	395255	466838343	0.084666353

Source: Annual report of the bank.

From the table 7 it is clear that, the savings deposits of the bank has decreased from 259232 in 2009-10 to 229515 in 2010-11 and increased up to 2012-13 to a total amount of 552984. After 2012 the savings deposit decreased to 395255 in 2013-14. The percentage of the current deposit to total deposits showed a slight decrement over the years.

5. Other Deposits of the Bank

Table.8. Other deposits of the bank

OTHER DEPOSITS			
YEAR	OTHER DEPOSITS	TOTAL DEPOSITS	%OF OTHER DEPOSITS TO TOTAL DEPOSITS
2009-10	15324559	292789790	5.233979983
2010-11	15903320	357351606	4.450328397
2011-12	18662227	393072275	4.747785124
2012-13	17817290	415914163	4.283886336
2013-14	18910735	466838343	4.050810154

Source: Annual report of the bank

As per the above table 8, other deposits of the bank has increased over the years. It was increased from 15324559 in 2009 to 18662227 in 2011 and slightly increased to 18910735 in 2013. Even though the deposits has increased the percentage of other deposits to total shows a declining trend over the years.

6. Borrowings of the Bank

Table.9. Borrowings of the bank

BORROWINGS	
YEAR	AMOUNT
2009-10	10412230
2010-11	37933154
2011-12	36632647
2012-13	46000561
2013-14	24271695

Source: Annual report of the bank

As per the above table 9, it is clear that the borrowings was Rs. 10412230 in the year 2009-10. It increased to 46000561 in 2012-13 and again decreased to 24271695 in 2013-14.

7. Loans Provided For the Members

Table 10. Loans to members

LOANS TO MEMBERS	
YEAR	AMOUNT
2009-10	255118448
2010-11	333067422
2011-12	391886944
2012-13	427715119
2013-14	439191888

Source: Annual report of the bank

From the table 10 it is clear that amount of the loan provided for the bank has increased over the years from 25511848 in 2009-10 to 439191888 in 2013-14.

8. Membership of the Bank

Table 11. Membership of the bank

MEMBERSHIP			
YEAR	WOMEN MEMBERS	MALE MEMBERS	TOTAL
2009-10	4163	7418	11581
2010-11	4764	7279	12043
2011-12	4889	7499	12388
2012-13	5009	7699	12708
2013-14	5124	8169	13293

Source: Annual report of the bank

As per the table11 the total membership of the bank has increased from 11581 in 2009-10 to 13293 in 2013-14. The no of male and female members of the bank showed an increment over the years. In 2013-14 the bank has 13293 members out of which 5124 were females and 8169 were male members

9. Cost of the Management

Table 12. Cost of the management

COST OF MANAGEMENT				
YEAR	SALARY	RENT	OTHER EXPENSES	TOTAL
2009-10	3450590	98160	3157716	6706466
2010-11	6537469	69870	5908379	12515718
2011-12	6470426	147210	5389874	12007510
2012-13	5142375	86860	527088	5756323
2013-14	5448140	108472	7905678	13462290

Source: Annual report of the bank

As per the above table 12 it is clear that the total cost of management of the bank has increased throughout the years except of 2012-13. The cost was Rs. 6706466 in 2009-10 and it increased to 13462290 in 2013-14. The cost of the bank regarding salary was Rs.3450590 for the year 2009 which increased to 5448140 in 2013. For the case of rent the cost of the bank is Rs.98160 in the year 2009 and 108472 in the year 2013. Other expense of the bank has increased from 3157716 in 2009 to 7905678 in 2013.

10. Non-Performing Assets of Short Term and Long Term Loans Of The Bank

Table 13. Non- Performing Assets of the bank

NON PERFORMING ASSETS		
YEAR	SHORT TEREM	MEDIUM TERM
2009-10	16035188	33347520
2010-11	17778745	36728854
2011-12	15215557	35768507
2012-13	52480032	7373891
2013-14	12986404	41515580

Source: Annual report of the bank

As per the table 13 the NPA for short term loan has decreased from 16035188 in 2009-10 to 12986404 in 2013-14. But the NPA for Medium term has increased over the years from 33347520 in 2009-10 to 41515580 in 2013-14.

11. Non-Performing Assets for Non Agricultural Medium Term Loan and Non Agricultural Surety Loans

Table 14. Non-Performing Assets

NON PERFORMING ASSETS				
YEAR	NAMTSL	NAMT	OTHERS	TOTAL
2009-10	9133483	32955346	14798162	56886991
2010-11	18925695	25554941	3639067	48119703
2011-12	7866584	28558548	17077302	53502434
2012-13	6625516	28973989	14785891	50385396
2013-14	9923891	39776157	9506909	59206957

Source: Annual report of the bank

The table 14 shows that the NPA for non-agricultural medium term surety loan and non-agricultural medium term loan has increased over the years. NPA for other types of loan declines. The total NPA of the bank for last 5 years has increased steadily from 2010-11 to 2013-14.

12. Credit Deposit Ratio

Table 15. Credit Deposit Ratio

CD RATIO			
YEAR	ADVANCES	DEPOSITS	CDR
2009-10	255118448	292789791	87.13365556
2010-11	333067422	357351877	93.2043298
2011-12	391886944	393072276	99.69844426
2012-13	427715119	415914164	102.8373535
2013-14	439191888	466838344	94.07793804

Source: Annual report of the bank

From the table 15, the CDR of the bank has increased from 87.13 in 2009-10 to 102.84 in 2012-13 and decreased to 94.08 in 2013-14. By analyzing the table it is clear that the total loans exceed the total deposits for the year 2012-13 as against remaining years.

13. Net Profit / Loss of the Bank

Table 16. Net profit/ loss of the bank

NET PROFIT/LOSS		
YEAR	NET PROFIT	NET LOSS
2009-10	0	22303418
2010-11	0	4667072
2011-12	4870668	0
2012-13	7468418	0
2013-14	2471066	0

Source: Annual report of the bank

From the table 16, it is clear that in the first two years the bank has suffered a loss of 22303418 in 2009-10 and again a loss of 4667072 in 2010-11. From 2011-12 onwards the bank has experienced profit. But it was declining over the years to 2471066 in 2013-14.

4. Summary and conclusion

Access to finance by the poor and vulnerable groups is a prerequisite for poverty reduction and social cohesion. This has to become an integral part of our efforts to promote inclusive growth. In fact, providing access to finance is a form of empowerment of the vulnerable groups.

The major findings revealed from the study are as follows:

- The main deposits of the bank include fixed deposits, savings deposits and current deposits.
- The total deposit of the bank has increased over the years.
- The fixed deposits also increased and its share to total deposit has showed moreover a steady nature.
- The savings deposits showed an increment over the years and its percentage to total deposits has increased to the last year.
- The current deposit of the bank has also increased.
- The total borrowings of the bank decreased in 2013 when comparing with last three years.
- Loan provided by the bank for its member has increased in each year.
- Not only has the total membership of the bank but also the number of both male and female members increased over the years.
- The total cost of the bank regarding salary, rent, and other expenses has increased for the years.
- The NPA for short term loan has decreased from 1603588 in 2009-10 to 12986404 in 2013-14.
- The NPA for Medium term has increased over the years from 33347520 in 2009-10 to 41515580 in 2013-14.

- The NPA for non-agricultural medium term surety loan and non-agricultural medium term loan has increased over the years. On the other hand the NPA for other types of loans declined.
- The credit deposit ratio is increasing over the years. It shows that the advances exceed the deposits of the bank for 2012.
- Bank incurred loss for the first two years but it made profit for the next two years and it declined for the last year.

The pattern of deposits, loans and the number of members shows the extend of the outreach of the banks. The coverage of the cooperative bank to vast sections of the society guarantees the financial inclusion of the area under study. The deposits of the cooperative bank increases in each year. The total credits provided by the bank to the deposits also increases which is a positive sign of attainment of its gain of financial inclusion. Even though the non-performing assets is a constraint to the financial inclusion the study reveals that the bank has an increase in NPA for medium term loans. The bank mainly concentrates on the short term and medium term loans there is minor chance for the problems with high NPA. Thus it can be concluded that the cooperative banks has a major role in achieving financial inclusion to a large extend.

5. Suggestions

- Give more publicity to concentrate the saving deposit from the customer.
- Bank should ensure that the loans are utilized for the set purposes.
- Banks should encourage the people to open account instead of taking membership of the bank.
- Should follow strict measures to recover the loans.
- Measures to reduce NPA should undertake.
- Political interference should not be entertained.
- Writing off loan should not be done as it encourages non repayment of the loan.
- ATM facility should provide for making the people inclusive of the banking services.
- Promote more financial literacy programmes.
- Encourage the saving habits among the people.

The challenges of achieving more inclusive growth can be met by policies that encourage easier and affordable access to financial services. For achieving this goal, there is a strong need for unrestrained and unfettered access to public goods and services. Co- operative banks have a greater role took play in achieving financial inclusion by covering the grass root sections of the rural area. So the expeditious role played by co-operative banks in achieving inclusive growth through financial inclusion has a greater relevance for further studies.

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