



## PRESENT SCENARIO OF FINANCIAL INCLUSION IN BIHAR

## Commerce

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## ABSTRACT

Financial inclusion is believed to be the game changer to achieve inclusive growth by including hitherto excluded poor into the formal financial sector. It is an attempt towards social justice which intends to bring marginalized people into the mainstream economy. It is both, an opportunity and a challenge to financial system. Development experience evidences a strong correlation between financial access and economic growth. In the process of development they are supplementary to each other. Financial exclusion traps poor people in the vicious circle of poverty. In this present paper a modest attempt has been made to depict the present scenario of financial inclusion in Bihar.

## KEYWORDS

## INTRODUCTION

Population of a state is an important macro-economic variable which has a substantial role in determining its development indicators. According to 2011 census, Bihar's population was 104.1 million which is 8.6 percent of total Population of India (1210.6 million). The demographic scenario in Bihar, as can be seen from the table, is not similar to that of India as a whole. In the first place, the decadal rate of growth of population (during the period 2001 and 2011) was reported to be 25.1 per cent in Bihar, against 17.6 percent for India. Bihar is yet to experience the demographic transition, as experienced by most other states, and overcome the social and economic barriers attached to high rate of growth of population. Secondly, the density of population (1106 persons per sq. km) in Bihar is much higher than that of India (382 persons per sq km). Such enormous pressure of population of land put up a major challenge of development for Bihar. Here one may also not that decadal increase in urbanization in Bihar has been only 0.8 percent, against a much larger increase (3.4 percent) in India. As regards sex ratio, it is lower in Bihar (918) than in India (943); but fortunately the child sex ratio in Bihar (935) is higher than the national average (919).

## Banking in Bihar: An Overview

Till March 2016, of the total of 6661 branches of commercial banks in Bihar, 55 percent were located in rural areas, compared to 60 percent in 2011. In comparison with a record of 638 branches opened during 2013-14, the year 2015-16 saw only 364 new branches, with only 44 branches (12 percent) opened in rural areas, 224 branches (62 percent) in semi-urban areas, and 96 branches (26 percent) in urban areas. Bihar accounted for only 4.8 percent of all the bank branches in the country in June 2016, though its share in country's population was about 8.6 percent.

There has been a significant growth of Rs. 26,376 crore (13.9 percent) in the total deposits in Bihar in 2014-15 over the previous year. Simultaneously, the credit in 2014-15 has also expanded by Rs. 10,400 crore, implying a high growth of 16.7 percent, but much less than 25.6 percent growth witnessed in the previous year. Bihar's share in the total deposits of Scheduled Commercial Banks remained the same (2.4 percent) in 2013-14 and 2014-15, and its share of credit improved marginally from 1.0 percent to 1.1 percent in this period. But, it is to be noted that the total bank credit in Bihar accounts for just about 1 percent of the total bank credit in the country, while Bihar accounts for 8.6 percent of India's population.

As on September 2016, the aggregate deposits of all banks in Bihar were Rs. 2,38,384 crore, against a credit of Rs. 99,454 crore, resulting in a CD ratio of 41.7 percent, higher than the 36.7 percent in 2011-12, but lower than 47.4 per cent in 2014-15. Even though there has been some improvement in the CD ratio in recent years, its low level continues to plague the banking scenario in Bihar.

From Table 1, it can be noted that Bihar accounted for only 4.8 percent of all the bank branches in the country in June 2015, though its share in country's population was about 8.6 percent. This share has nearly been

the same over the past few years.

**Table 1: Distribution of Branches of Commercial Banks among States**

States	No. of Branches	Percentage Share in all-India Branches	Percentage share in all-India population
Assam	2127	1.6	2.6
Bihar	6301	4.8	8.6
Gujarat	7286	5.5	5.0
Haryana	4440	3.4	2.1
Himachal Pradesh	1476	1.1	0.6
Jharkhand	2793	2.1	2.7
Karnataka	9478	7.2	5.0
Kerala	6220	4.7	2.8
Madhya Pradesh	6036	4.6	6.0
Maharashtra	11896	9.0	9.3
Odisha	4448	3.4	3.5
Punjab	6084	4.6	2.3
Rajasthan	6484	4.9	5.7
Tamil Nadu	9923	7.5	6.0
Uttar Pradesh	15886	12.1	16.5
Uttarakhand	1931	1.5	0.8
West Bengal	7363	5.6	7.5
All India	131694	100.0	100.0

Source: Statistical Tables Relating to Banks in India (2014-15), RBI

## Financial Inclusion in Bihar: Present Scenario

A Roadmap for Financial Inclusion was prepared by the banks in Bihar in consultation with the state Government and approved by District Level Co-ordination Committees (DLCC), as per the guidelines issued by the Reserve Bank of India. It aimed to expand banking outlets by way of new branches and through any of the available ICT-based models, including Business Correspondents (BCs) in the villages having a population of more than 2000 by March 2012. Accordingly, 9213 villages were identified and allotted to the banks for providing banking facilities. Of this 2124 villages were covered during 2010-11 and by March 2012, all but 36 of the identified 9213 villages were covered. The remaining 36 villages were to have been covered by the end of 2012-13.

However, the target for the scheme was subsequently revised during 2012-13 and it was proposed to cover all villages with a population of 1600 or more in the scope for financial inclusion. Another major of the state government in the direction of financial inclusion was the decision to open at least one account in every family, in order to enhance the reach of banking services to all families. By the end of 2012-13, a total of 3052 such villages were identified and planned to be covered. The Reserve Bank of India had instructed to provide banking facilities in all the unbanked villages in Bihar, irrespective of population criterion by March, 2016 (instead of the earlier deadline of August, 2015).

**Table 2: Roadmap of Financial Inclusion (September 2015)**

Sl. No.	Name of Bank	Number of Alloted Village	Number of Banking Outlets opened through			
			Bank Branch	Banking Correspondent	Other Modes	Total
<b>Scheduled Commercial Banks (SCBs)</b>						
1	State Bank of India	3719	33	3686	0	3719
2	Central Bank of India	2207	14	2193	0	2207
3	Punjab National Bank	3855	16	3839	0	3855
4	Canara Bank	621	18	603	0	621
5	UCO Bank	1467	0	1460	7	1467
6	Bank of Baroda	582	41	541	0	582
7	Union Bank of India	346	0	346	0	346
8	Bank of India	1123	0	1123	0	1123
9	Allahabad Bank	937	20	917	0	937
10	Andhra Bank	13	0	0	13	13
11	Corporation Bank	5	0	4	0	5
12	Dena Bank	10	10	0	0	10
13	Indian Bank	121	0	121	0	121
14	Indian Overseas Bank	27	0	26	0	27
15	Oriental Bank of Commerce	47	3	44	0	47
16	Syndicate Bank	73	18	31	23	73
17	United Bank of India	428	0	419	8	428
18	Vijaya Bank	7	0	7	0	7
19	IDBI	1	0	1	0	1
	Total for SCB	15589	173	15361	51	15589
<b>Private Bank</b>						
1	ICICI Bank	3	1	2	0	30
2	Jammu Kashmir Bank	3	0	0	3	3
3	HDFC Bank	1	0	1	0	1
	Total Private Bank	7	1	3	3	7
<b>Regional Banks</b>						
1	Madhya Bihar Gramin Bank	4547	219	4328	0	4547
2	Bihar Gramin Bank	1792	35	1757	0	1792
3	Uttar Bihar Gramin Bank	5408	24	5384	0	5408
	Total for RRBs	11747	278	11469	0	11747
	Total for Bihar	27343	452	26833	54	27343

**Source: Economic Survey 2016-17, Finance Department, Government of Bihar, Patna, February, p. 279**

Table 2 presents the number of villages allotted to each bank under this Roadmap and it further shows that its target has been fully achieved by September, 2015. Out of 27.3 thousand villages that were financially included, the majority (98.1 percent) were included through Banking Correspondents, new bank branches accounted for 1.7 percent of the villages, and other modes 0.2 percent of the villages. Among the three types of banks, private banks had an insignificant role in this plan for financial inclusion. The Scheduled Commercial Banks had the largest role, which together extended banking facility to 15.6 thousand villages (57.0 percent) and the Regional Rural Banks played that role for 11.7 thousand villages (43.0 percent).

#### Financial Literacy Initiatives

Financial Literacy Centers (FLCs) are functional in all the districts in the State. 152977 persons participated in 2029 camps organized by the FLCs during the fourth quarter of FY 2014-15. As per instructions received from the Government of India, all rural branches are to conduct at least one financial literacy camp in each month and Financial Literacy Guide, Diary & Poster, designed by RBI, is to be used by the branches in the camp to explain the basic financial issues.

Finally it is desirable to examine the determinants of Financial Inclusion so as to undertake appropriate policy measures for bringing about a more inclusive society in terms of the assets to financial services. Several socio-economic factors simultaneously determine the potentiality of borrowers of formal financial institutions. Broadly, the process of financial inclusion is conditioned upon a number of factors: some are social, some are economic, some are demographic and some are institutional (Kuri and Laha, 2011). All these are inherent in the case of Bihar too.

#### CONCLUSION

The promotion of financial system should reach the person which is possible through technology, a viable tool that provides financial access in quick and most effective way. The best existing tool is Automated Teller Machine operated everywhere in the nation. Banks should give wide publicity to the facility of no frills account. Technology can be a very valuable tool in providing access to banking products in remote areas. But ATMs still are not considered user friendly by the people who are illiterate and non user of technology. Banks, in this case, needs to reengineer the design of existing technology which creates opportunity for traditional users to use technology.

The post liberalization period witnessed tremendous growth and diversification of operations and ownership of banks along with increased competitiveness leading to improved efficiency and systematic resilience. However, the existing banking practices have been found excluding rather than attracting vast and underprivileged sections of the society and more so of rural hinterlands, despite several privileges bestowed on the banks in respect of mobilization of public deposits on highly leveraged basis. Hence, the Government and the RBI have, of late, been seized with this sorry state of affairs.

Thus, banks need to redesign their business strategies to incorporate specific plans to promote financial inclusion of low income group treating it both a business opportunity as well as a corporate social responsibility. It may appear in the first instance that taking banking to the sections constituting the bottom of the pyramid, may not be profitable but it should always be remembered that even the relatively low margins on high volumes can be a very profitable proposition. Financial inclusion can emerge as commercial profitable business. Only the banks should be prepared to think outside the box.

The objective of financial inclusion is to provide financial resources to the consumers at affordable rates. In view of the increasing complexity of financial inclusion, there may be a need to consider a roadmap as well as a regulator.

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