

“FINANCIAL INCLUSION INITIATIVES BY RBL BANK”

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Abstract:

Availability of equal access to the resources of the society for all inhabitants could justify real development of the society and economy as a whole. Financial resources are one of the crucial resources, which entail requisite literacy to execute financial transaction. Typically higher and middle income class of population is found to be having better access to financial resources and thus, financial decision making as compared to lower income group of people. Banks being important part of financial service industry has major role to play to reach out to maximum population of the country and to stride true economic growth. RBL bank over the period has taken substantial steps to motivate and include especially financially deprived people into main stream banking and for this purpose the bank has aimed at unbanked and under banked regions of India. RBL bank has created separate segment known as “Development Banking and Financial Inclusion” (DB&FI) to cater to such areas. Through dedicated business correspondents (BCs) the bank is trying to reach out to these people and get them into main stream banking and spreading financial literacy. The bank has launched various programs¹ including micro banking, micro insurance, micro loans (Joint Liability Group programs) and so on. With the continuous efforts, the bank has been achieving new heights in terms of adding new customers to its database year on year basis. The researcher aims at understanding various offering of RBL bank under DB&FI and the performance of the same over the period. For this purpose, data available in the public domain through bank's annual reports or website will be used and also couple of employees will be interviewed to get more clarity on the subject.

Key Words:

Development Banking and Financial Inclusion, Business Correspondents, Microfinance

Introduction:

For this study RBL bank (formerly known as Ratnakar bank) has been considered as a representative of banking industry in India since in terms of coverage and reach through financial inclusion initiatives, the bank has been doing phenomenal. It was founded in 1943 and subsequently grown as a successful private sector bank, which has also won Asiamoney best bank award for micro finance in 2019.⁹ Bank's micro finance (DB&FI portfolio) has grown at a CAGR of 64% and it has added nearly 4 lacs new customers in its database through these initiatives.¹ Recognizing need of financial literacy which is an essential ingredient to support any financial inclusion drive, RBL bank has been also concentrating on financial literacy programs especially for women. The researcher will study various initiatives of DB&FI and will also try to analyse performance of the same over the period.

Literature Review:

1. Joseph (2014)³ The researcher analysed responses from 100 respondents to find out level of financial literacy and financial inclusion. Further, the researcher also studied state wise financial exclusion in India. The analysis revealed that availability of access to financial resources is not sufficient but actual usage by the population for whom it's meant for is necessary. The researcher also mentioned that there is lot of scope available for achieving desired financial inclusion.
2. Desai (2016)⁴ The study detailed about financial inclusion and the efforts made by different bodies in India towards achieving the same. The findings observed nearly 40% of Indian population is still deprived of access to basic financial services and lot of

support from the regulators is required along with efforts of banking industry in India to attain desirable outcome of financial inclusion initiatives.

3. Ozili (2018)⁵ The researcher studied the impact of digital finance on financial inclusion and stability. Along with advantages such as easy and quick access to financial products and services leading to faster decision making ability, reduction in circulation of fake money, quicker receipts and payments and convenience the issues like required security of digital sources, internet connectivity and usage of mobile phones and gazettes can not be overlooked.
4. Dr. Bagli (2012) The researcher studied state wise performance in terms of financial inclusion initiatives. The research indicated that the marginalized groups of population are financially excluded. Moreover, their unawareness towards available financial products and services and also the banking officials have been found unaware about needs of this section of the society. Hence, literacy drive is recommended by the researcher.

Objectives:

Available literature has mostly concentrated on overall financial inclusion and requirements of the population in India and importance of financial literacy to achieve the same. Certain literature was found about government schemes for financial inclusion and response of population towards the same. General responses from the society have been ascertained by many researchers. Hence, the study here has tried to look at the financial inclusion from banking perspective and thus, chosen RBL bank as a representative of entire banking industry in India since, the bank has been awarded as best bank for micro finance as per Asiamoney 2019. Accordingly, below objectives have been framed.

1. To understand concept of financial inclusion and exclusion
2. To analyze initiatives of RBL bank towards financial inclusion
3. To study performance of bank's initiatives over the period

Conceptual Framework:

1. **Financial Inclusion and Exclusion:** It is a process to confirm access to financial products and services, which are important for all the sections of the society including the poor or weaker section at an affordable cost. RBI introduced this concept in 2005 through banking agents or banking mitra concept. Government of India further took this forward in 2011 through Swabhimaan campaign to cater to nearly 74000 villages with population of more than 2000⁴ (data as per 2001 census). Financial exclusion as opposed to inclusion has major impact on the GDP of India to the extent of one percent GDP loss due to exclusion⁶ [RBI, Working Paper Series (DEPR): 8/2011]
2. **Business Correspondents (BC):** These are bank representatives who help the customers at remote locations for banking transactions. RBI has specified certain guidelines regarding appointment of BC⁸ and also the scope of work for BC. RBL has nine dedicated BCs to cater to all the states in India. As of December, 2019, RBL bank is having 804 BC branches (as at end of 2018)¹⁰ catering to financial inclusion related requirements in India
3. **RBL bank's Development Banking and Financial Inclusion program through BCs network¹¹:**

Product and Services offering:

- Microfinance – Predominantly deals with term loans and working capital finance
- Micro-banking – Involves micro enterprise loans, agricultural loans such as crop loans, allied loans including dairy loans etc.
- Micro-enterprise finance – Typically deals with asset finance
- Micro savings and remittances – Involves domestic remittances, no frill savings accounts and flexible recurring deposits
- Insurance – Includes life and health insurance and also general insurance
- Personal banking products – These are normal banking products and channels such as savings account, current and deposit accounts, loans etc.

Technical support for financial inclusion:

- Dedicated core banking software to support financial inclusion initiatives and products
- Micro ATM devices
- Partnership with several fintech companies to provide infrastructure facilitating transactions near base locations at nominal bank charges
- TAB based banking service supporting end to end process at client location

Financial literacy drive:

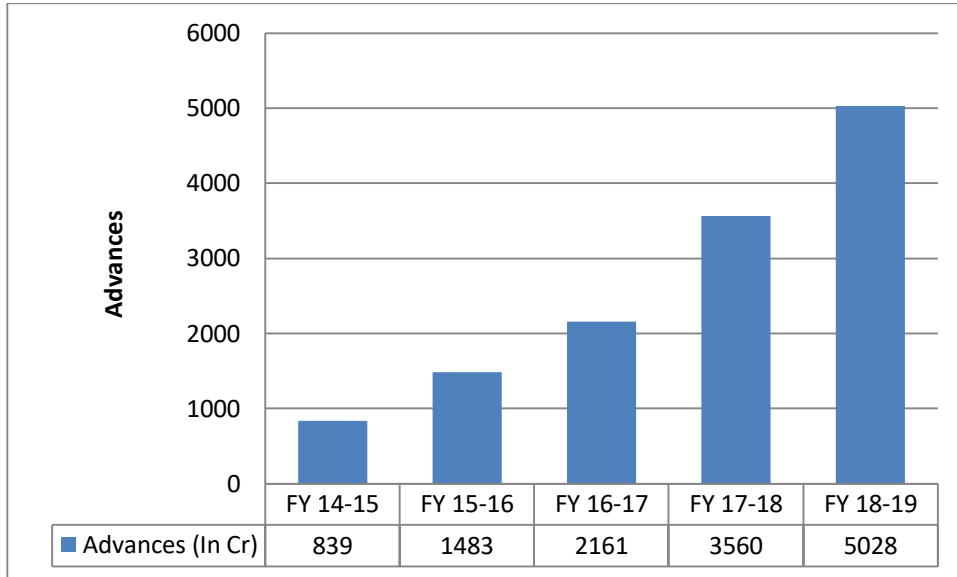
Financial inclusion is not possible without financial knowledge and hence, spreading financial literacy is an essential element in the whole process of financial inclusion. RBL bank has done tie up with Swadhaar Finaccess to provide financial literacy program Saksham in Maharashtra, Rajasthan and Gujarat in December, 2016. Through class room training and focus group discussion, the program educates the audience about their existing credit situation and educates them about available banking facilities. With this initiative the bank has claimed completion of nearly six thousand training programs involving more than one lac women clients by end of FY 2017-18.

Analysis and Findings:

Advances (Rs. in crores) under Financial Inclusion initiatives ¹²

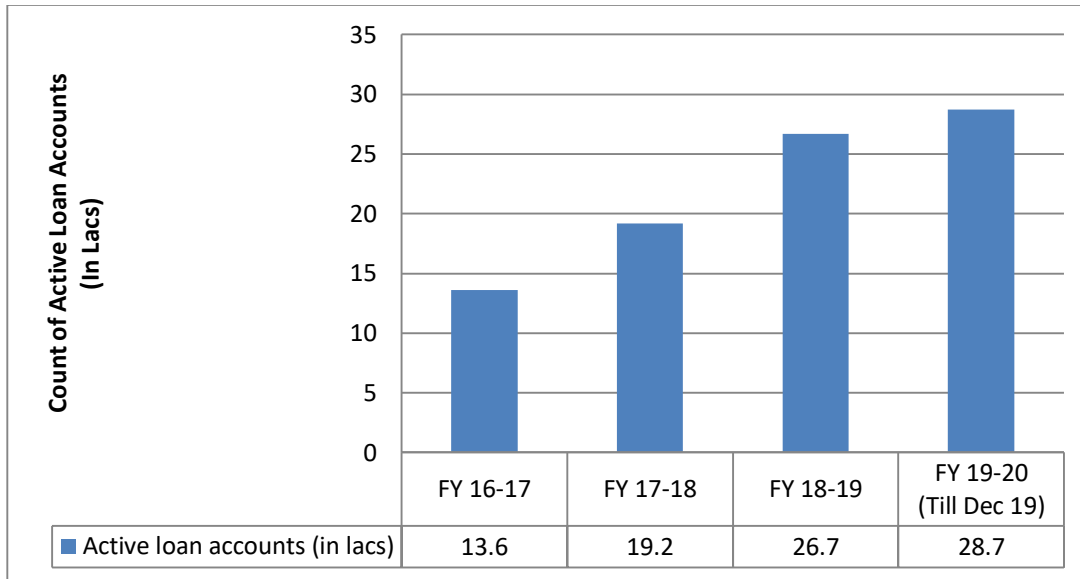
Year	Advances (In Cr)
FY 14-15	839
FY 15-16	1,483
FY 16-17	2,161
FY 17-18	3,560
FY 18-19	

	5,028
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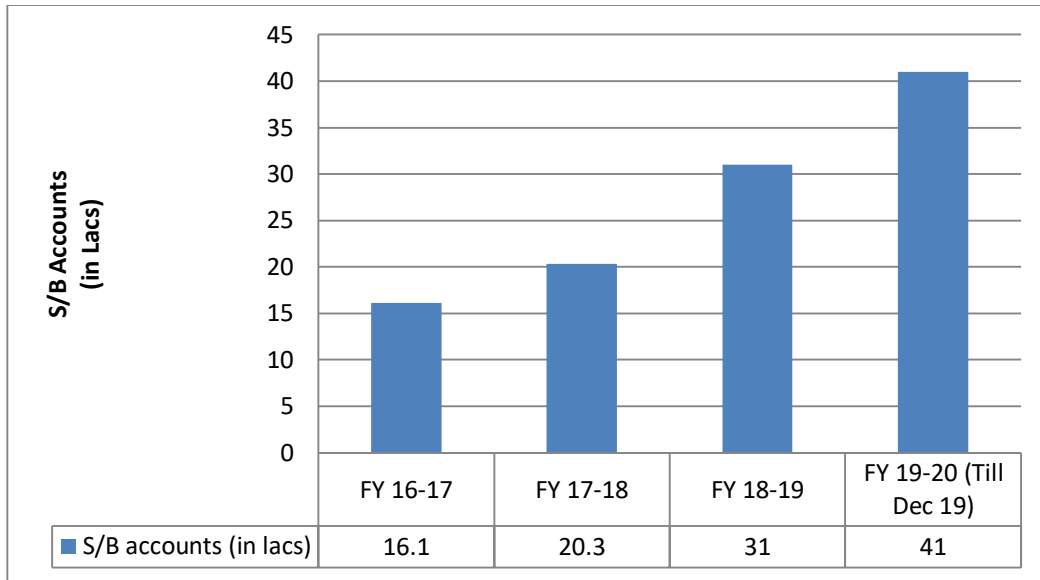
Number of active loan accounts

Year	Active loan accounts (in lacs)
FY 16-17	13.6
FY 17-18	19.2
FY 18-19	26.7
FY 19-20 (Till Dec 19)	28.7



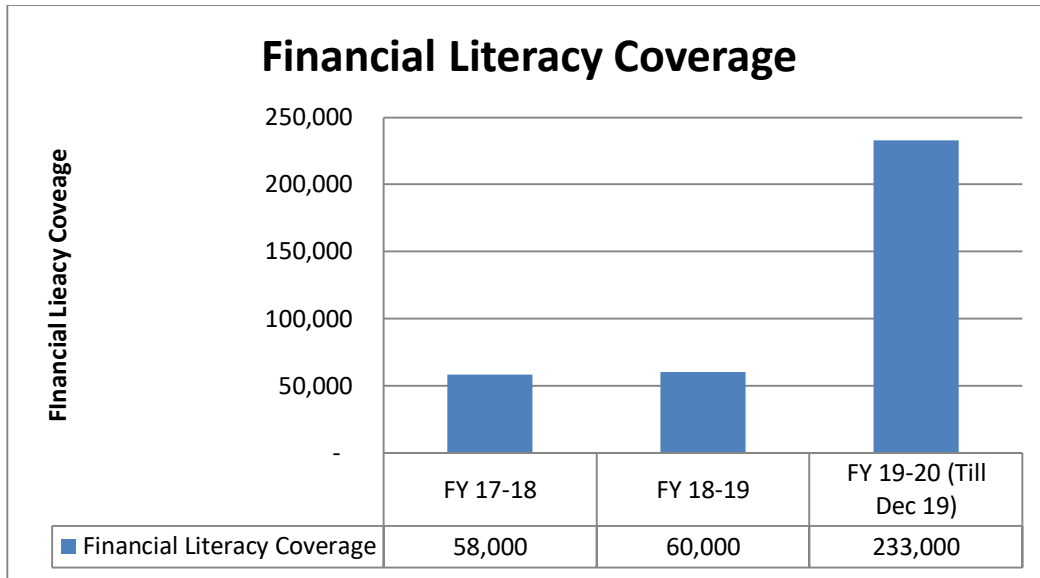
Number of Saving Bank Accounts

Year	S/B accounts (in lacs)
FY 16-17	16.1
FY 17-18	20.3
FY 18-19	31
FY 19-20 (Till Dec 19)	41



Financial Literacy Coverage

Year	Financial Literacy Coverage
FY 17-18	58,000
FY 18-19	60,000
FY 19-20 (Till Dec 19)	233,000



(Data Source: Bank’s annual reports, investors’ presentation reports, sustainability reports for respective years)

It’s quite evident from above analysis that over the period RBL bank’s initiatives towards financial inclusion have been accepted well by the target population. The growth in lending, savings accounts and financial literacy level has been dominant in proving success of financial inclusion initiatives of the bank.

Conclusion:

The results are clearly indicating efforts of the bank towards financial inclusion and positive response of Indian population towards the same. The study is restricted to assessment of financial inclusion initiatives of RBL bank only leaving behind further scope to illustrate initiatives of other organizations and regulatory authorities and response of the population towards the same.

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