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Financial Inclusion through Banks in India

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ABSTRACT

Even after 67 years of independence, a massive section of our Indian population still ruins unbanked. This gloominess has led generation of financial volatility and pauperism among the lower income group who do not have access to financial products and services of the banking sector. So Government of India and Reserve Bank of India has been pushing the concept and idea of financial inclusion. In this background present study is selected to know present status of financial inclusions through Banks. To achieve the aforesaid the data is gathered from secondary sources i.e. from Department of Financial Services, Ministry of Finance, and Government of India. From the present study it is found that the number of accounts has been increasing from 5.45 per cent in 1992 to 12.25 percent in 2010. However, it has registered the growth rate of accounts in 2009 at 18.84 per cent rural areas. The number of accounts in rural area during 2010 is about 30 per cent which is higher than that of semi urban 26 per cent urban 21 per cent and metropolitan 23 per cent respectively. it is also found that The direct institutional credit of RRBs has been the strong support for agriculture and allied activates in rural areas. Outstanding loans of scheduled commercial banks accounted for 71 per cent share, and only 18 per cent loans by cooperative banks and 11 per cent share of loans by RRBs respectively. Annual growth rate of outstanding credit by RRBs has been continuously increasing during 1990-91 to 2009-10. In the present study it is also found that A maximum, of 73 per cent outstanding loans are covered by PACS during 2009-10, nearly 16 per, cent share is covered by SCARDBs and only 11 per cent PCARDBs respectively and SCBs Direct Finance to Farmers according to size of, land holdings in India. Number of accounts of the farmers' up to 2.5 acre constitutes 36 per cent of the total, the farmers with 2.5 acre to 5.0 acre land who possessed 30 percent of accounts and the farmers above 5 acres comprised of 34 per cent during 2008-09 in India

Keywords--- Financial Inclusion, Commercial banks, RRBs

I. INTRODUCTION

Financial Inclusion is an integral part of the growth process. It is critical for achieving inclusive economic growth and only such a growth is sustainable. It is an acknowledged fact that Indian economy is one of the fastest growing economies in the world. (GDP growth rate was 4.9 percent in 2013 – 2014 in India as against global growth rate of 3.1 per cent). Majority of the population in India resides in rural areas. According to 2011 census, total population of India is 121, 01, 93,422 crores. Out of which, the rural population is 83, 30, 87,662 and the urban population is 37, 71, 05,760. Thus development of rural India is a key for economic development. Credit is one of the very important inputs of economic development. The timely availability of credit at an affordable cost has a big role to play in contributing to the well being of the weaker sections of the society. Proper access to finance to the rural people is a key requisite to employment, economic growth and poverty alleviation which are primary tools of economic development. Micro Finance, Self –Help Groups and Financial Inclusion are the three dimensional approach to eliminate poverty and ensure rural development. Micro Finance has emerged as a powerful tool for financial inclusion, which links low income groups with banks.

But in India, Micro Finance is dominated by the SHGs. It is a bank linkage programme. Through a cost effective mechanism it aims at providing financial services to the unreached poor. So SHGs are playing a very important role in the process of financial inclusion.

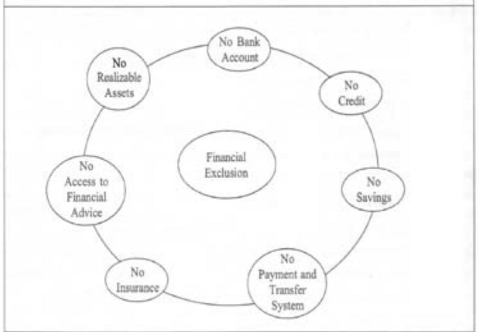
II. FINANCIAL EXCLUSION

To understand the concept of financial inclusion, it is necessary to know the meaning of financial exclusion. Financial exclusion refers to a situation where people encounter difficulties in accessing and/or using financial services and products in the mainstream market that are appropriate to their needs which enable them to lead a normal life in the society. The poor, socially under-privileged, disabled, old as well as children, women, uneducated, ethnic minorities and unemployed are financially excluded in India.

III. EXCLUSION

It has been found that financial services are used only by a section of the population. There is demand for these services but they have not been provided. Mostly, the excluded regions are rural and poor, where people live in harsh climatic conditions and hence, consequently

Figure 1: Features of Financial Exclusion in India



It is difficult to provide these financial services. The features of financial exclusion are detailed in Figure 1.

As per Census 2001, in India only 36% of the people use some kind of banking services. The Boston Consulting Group Report on financial inclusion in India also affirms that financial exclusion reflects the stark socioeconomic divide that characterizes the emerging markets (Sinha and Subramanian, 2007). Among the excluded are the huge groups of viable customers for the banking sector, whose potential has been greatly undermined.

IV. FINANCIAL EXCLUSION: THE GLOBAL SCENARIO

Financial exclusion is an issue even in developed economies. Even in USA, 9% of the population does not have bank accounts. According to Mohan (2006), in Sweden, for example, lower than 2% of adults did not have an account in 2000, and in Germany, the figure was about 3%. Countries with high levels of inequality record higher levels of banking exclusion. To accentuate, in Portugal, about 17% of the adult population had no account of any kind in 2000. In the United Kingdom, the government has established a framework for ensuring improved financial inclusion, by setting up a Financial Inclusion Fund of 120 million pound sterling over three years along with a Financial Inclusion Task Force to oversee its progress. It is said that a platform for collaboration between local governments and the financial institutions has also been set up in order to ensure that everyone has easy access to financial services and that such inclusion corresponds with the needs of local economic development. The extent of financial inclusion in some selected countries is presented in Table 1.

Table 1: Extent of Financial Inclusion in Some Selected Countries

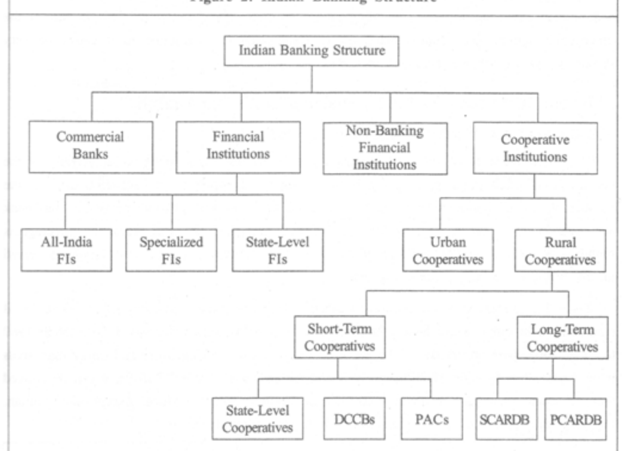
Country	Percentage of Population with an Account
USA	91
Denmark	99
Europe	89.6
Botswana	47
Brazil	43
South Africa	31.7
Namibia	28.4
Mexico	21.3

Source: Mohan (2006)

V. STRUCTURE OF INDIAN BANKING

Indian banking industry today is quite robust and strong to be able 'to take on the challenges of achieving greater financial inclusion (see Figure 2). The ubiquitous challenge in Indian banking today is to extend banking services to the country's vast rural hinterland. This challenge is driven not merely by the desire/need for business growth, but also by the government's social mandate, which endeavors to get the unbanked people out of the clutches of traditional moneylenders and into the organized banking system. There are close to 370 cooperative banks, 96 Regional Rural Banks (RRBs) with 14,000 branches in rural India, and in addition to that there are more than 25,000 farmers' clubs. More than 50% of the population, in spite of this huge network, does not have access to formal financial services.

Figure 2: Indian Banking Structure



In the Annual Policy of the RBI for 2004-05, the Governor, Y V Reddy observed, "There has been expansion, greater competition and diversification of ownership of banks leading to both enhanced efficiency and systemic resilience in the banking sector" (Reddy, 2005).

Financial Inclusion

Financial Inclusion is a delivery of banking services at affordable cost to vast sections of disadvantaged and low income groups.

Micro Finance

"Micro Finance refers to small savings, credit and insurance services extended to socially and economically disadvantaged segments of the society.

Self Help Groups

SHG means small, economically homogeneous and affinity groups of rural and urban poor, voluntarily formed to save and contribute to a common fund to be lent to its members as per group decision and for working together for social and economic uplipment of their families and community.

Rural Development

Rural Development has been described as a challenge for a mission to fight against poverty, illiteracy, stagnancy, unemployment, ill-treatment and various socio-economic backwardness. According to Prof. Mohamad Yunus, rural development is primarily concerned with addressing the needs of the rural poor in matters of sustainable economic activities.

VI. REVIEW OF LITERATURE

The review on financial inclusion and some of the related studies.

- **Usha Thorat (2006)** in his study on financial inclusion has the provision of affordable financial services viz access to access to payments, and remittance facilities, savings, loans, insurance services, by the formal financial system to those who tend to the excluded.
- **Virmani (2006)** in his study aggregate growth ravaged about 5.5 percent during 1980-81 to 1994-95 and has accelerated further to an average of 6.8 percent. During 1995-96 to 2006-07 this article shown that the interstate difference in poverty rate can be largely explained by different per capital GDP agricultural growth and the share of the bottom 40 per cent at the population in consumption.
- **Bird Sall (2007),** in his study on inclusive growth is now well accepted as the key economic goal for developing countries. There are variations in its definition and characterization these are some of the approaches to inclusive growth adopted in the literature.
- **Ali and Hwason (2007),** this focus on inclusive growth is growth that not only creates new economic opportunities, but also one that ensures equal access to the opportunities created for all segments of society. Particularly for the poor.
- **Carbo et al (2007),** this study about the denial of financial services and the conditions that lead to depriving and individual or a group form the benefits of these services is called financial exclusion. It can be of any type like access exclusion, condition, exclusion, price exclusion marketing exclusion or self – exclusion. It also depicts social deprivation or social standing. It can be due to many social, and economic factors viz., low household incomes expensive source of credit, no savings and no insurance coverage. This takes us to the issue of financial inclusion.
- **Honohan (2007),** here attempted to measure come aspects of financial inclusion estimated the fraction of the adult population using formal financial intermediaries using the information on number of banking and MFI accounts for more than 160 countries, and then correlated with inequality (Gini coefficient) and poverty.
- **Sarma (2008)** this study on cross country analysis as argued before there is a wide range of financial, services such as deposit credit, insurance money transfer etc. that appears to be important for economic growth and development. Unlike as in case of HDI there is no consensus in the literature on which set of attributes/variables are important to measures financial inclusion. In this study, we consider some selected indicators of access to and use of banking services.
- **World Bank (2008)** , report study was on financial inclusion states broad access to financial services is defined as on absence of price or non price barriers in the use of financial services.
- **C.Rangarajan Committee (2008)** this study on working definition **for financial** inclusion, financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.
- **Surayanarayana M.H (2008)** in his study estimates indicate that the growth process between 1993-94 and 2004-05 by passed the majority was not inclusive at the national level, the inclusive co-efficient is higher for the rural sector than for the urban and attempts to define the concept and aims to develop measure of inclusion.
- **Lanchoviahcina and Lundstrom (2009),** in this study on inclusive growth involve a long term perspective. It focuses on the generation of productive employment instead of direct income redistribution, in order to increase the incomes of excluded groups, some redistribution schemes may however be necessary in the short terms
- **Pal and Vaidya (2010),** in this study covered that we not here that although India had a low density of Bank branches at that time the performance in the last two dimensions seems to be reasonable good. Analyzing data from 1981 to 2007 found that the patterns of changes in different dimensions. The diversified picture of India's banking performance along different dimensions; it becomes necessary to get a comprehensive picture of the situations. This in turn necessitates the constructions of an overall index of financial inclusion this indicator is a measure of the extent of banking performance.

VII. NEED FOR FINANCIAL INCLUSION

In most developing countries, a large segment of society, particularly low income people, have very little access to financial services, both formal and semiformal. As a consequence, many of them have to necessarily depend either on their own or high cost informal sources of finance such as moneylenders. This is particularly true for the sporadic financing requirements of low income households for nonproductive consumption purposes and other emergency requirements such as medical expenditure. Benefits of growth, therefore, tend to concentrate in the hands of those already served by the formal financial system.

Despite the rapid spread of banking over the years, significant segment of the population, predominantly in the rural areas, is excluded from the formal financial system. It is well-known that poor people, potential entrepreneurs, small enterprises and others are excluded from the financial sector, which leads to their marginalization and denial of opportunity for them to grow and prosper. Therefore, access to a greater proportion of the population to the organized financial system should be high on the agenda of the Government of India. The key issue, however, is how to mainstream the institutional sources so as to achieve wider coverage in terms of extending credit.

There are also a large number of households with low income and small savings, which need to be mobilized. Apart from the rural areas, there is significant degree of financial exclusion in urban areas as well. The cost of financial exclusion is recognized to be enormous for the society as well as for individuals, particularly in terms of inability to realize full potential due to financial constraints.

The recent developments in banking technology have transformed banking from the traditional brick-and-mortar infrastructure like staffed branches to a system supplemented by other channels like automated teller machines (ATMs), credit/debit cards, internet banking, online money transfers etc. However, the access to such technology is restricted only to certain segments of the society.

The essence of financial inclusion is trying to ensure that a range of appropriate financial services is available to every individual and enabling them to understand and access those services. Apart from the regular form of financial intermediation, it may include a basic no-frills banking account for making and receiving payments, a savings product suited to the pattern of cash flows of a poor household, money transfer facilities, small loans and overdrafts for productive, personal and other purposes, insurance (Life and non-life) etc. While financial inclusion, in the narrow sense, may be achieved to some extend by offering any one of these services, the objective of comprehensive financial inclusion would be to provide a holistic set of services encompassing all of the above.

VIII. OBJECTIVES OF THE STUDY

1. To understand the Concept of Financial Inclusion and its importance.
2. to study the present status of India's Financial Inclusion
3. Studying the relationship between Financial Inclusion Index and socio economic variables.
4. To offer suitable suggestions based on finding of the study.

IX. SCOPE OF THE STUDY

The present study is confined to Financial Inclusion in India through banks only. The banks which includes scheduled commercial banks, RRBs, District banks, Direct Institutional Credit for Agriculture and Allied Activities, Primary Agricultural Credit Societies, State Cooperative Agriculture and Rural Development Bank and Primary Cooperative Agricultural and Rural Development Banks

X. DATA COLLECTION

This study is based on the secondary data. The secondary data as to been collected from Reserve bank of India reports, statistics of Indian economy and economic survey of India and economy survey of Karnataka NABARAD reports etc.,

XI. DATA ANALYSIS

TABLE No. 2

Accounts and Deposit of Scheduled Commercial Banks – According To Population Group

(Amount in Rupees Crore) (No. Of Accounts in Thousands)

Year	Rural				Semi – urban		Urban		Metropolitan	
	No. of Accounts	AGR	Amount outstanding	AGR	No. of Accounts	Amount outstanding	No. of Accounts	Amount outstanding	No of accounts	Amount outstanding
1991	108876		31009.80		98084	41439.17	80889	49140.02	67342	78979.37
1992	114808	5.45	35749.70	15.29	101949	46591.38	83449	552893.40	69553	99476.73
1993	117814	2.62	41409.73	15.83	104023	35384.61	87256	63934.92	70618	116921.21
1994	121299	2.96	49331.14	19.13	108502	63035.46	93032	74248.54	74046	137361.38
1995	109944	-9.36	51819.62	5.04	108129	71464.36	88828	84128.74	83134	171761.42
1996	112904	2.69	61313.17	18.32	109416	83187.34	88452	95565.57	81238	186053.47
1997	116693	3.36	73769..70	20.32	110129	98045.13	88645	112577.67	81112	216163.87
1998	120060	2.89	86706.41	17.54	110705	115644.26	88536	134897.34	80731	259220.60
1999	1122660	2.17	102697.07	18.44	112376	136052.49	89533	160181.05	81339	299238.47
2000	125852	2.60	120539.19	17.37	114109	161972.42	89831	188936.44	83023	349944.64
2001	131723	4.67	139431.36	15.67	116400	186188.00	92769	217832.75	87137	405981.19
2002	133000	0.97	159423.46	14.34	117394	214990.39	94622	255478.10	94975	493501.37
2003	136733	2.81	176502.39	10.71	117537	241756.68	96099	290503.36	95711	567433.27
2004	138760	1.48	195081.71	10.53	120651	268216.92	99571	330295.74	98176	717679.01
2005	141908	2.27	213104.11	9.24	125198	295685.40	101376	374831.03	98310	863133.51
2006	139570	-1.65	226061.18	6.08	121664	302212.81	106172	430813.23	117692	1132087.02
2007	149663	7.23	253013.69	11.92	132808	359395.14	113422	532592.21	123306	1454043.47
2008	168034	12.27	303423.04	19.92	148361	430279.71	128021	657699.02	137241	1858544.40
2009	199695	18.84	363910.19	19.93	169725	529758.39	142272	822913.61	150611	2205398.63
2010	224155	12.25	420337.72	15.51	189457	614047.18	152323	944992.24	168934	2581651.91

Interpretation

Table 2 represents the deposits. Of scheduled commercial banks accordance with population. The penetration of accounts and deposits in rural is also an important factor of financial inclusion. The number of accounts has been increasing from 5.45 per cent in 1992 to 12.25 percent in 2010. However, it has registered the growth rate of accounts in 2009 at 18.84 per cent rural areas. The number of accounts in rural area during 2010 is about 30 per cent which is higher than that of semi urban 26 per cent urban 21 per cent and metropolitan 23 per cent respectively. In case of deposits, metropolitan registered the highest share ie.59 percent, which is followed by 23 percent in urban, 13 percent in semi-urban and only 9 per cent in rural areas. The outstanding deposits in rural areas have been at the level of stagnation i.e. 54.29 percent in 1992 and it has slightly increased 15.51 percent in 2010. The maximum percentage increase took place at 20.23 percent in 1997, nearly 19.92 per cent in 2008 and 19.93 percent in 2009 respectively. The lowest rate of growth registered at 5.04 percent during 1995.

Table No. 3

Table showing important banking indicators of Regional Rural Banks outstanding

(Rupees crore)

Year	**Demand Deposits**	**Time deposits**	**Aggregate Deposits**	**AGR**	**Bank Credit**	**AGR**
1990-91	941	3619	4560		3497	
1991-92	1044	4227	5271	15.59	3951	12.98
1992-93	1093	5277	6370	20.85	4451	12.66
1993-94	1394	6651	8045	26.30	5024	1.87
1994-95	2115	8433	10848	34.84	6201	23.43
1995-96	2475	10895	13370	23.25	7289	17.55
1996-97	2947	14025	16971	26.93	8544	17.22
1997-98	3805	17173	20977	23.60	9687	13.38
1998-99	4688	20740	25428	21.22	11016	13.72
1999-00	5105	24946	30051	18.18	12663	14.95
2000-01	6098	29897	35995	19.78	15211	20.12
2001-02	7305	35189	42494	18.06	18033	18.55
2002-03	8513	39131	47644	12.12	21359	18.44
2003-04	10727	42663	53390	12.06	25057	17.31
2004-05	12757	45529	58286	9.17	31651	26.32
2005-06	17355	46840	64195	10.14	36050	13.90
2006-07	20003	61617	81620	27.14	48420	34.31
2007-08	21022	73390	94412	15.97	57417	18.58
2008-09	24353	89475	113828	20.57	64011	11.48
2009-10	28710	107104	135814	19.32	79086	23.55
2010-11	33663	12039	156702	15.38	94626	19.65

Source: *Reserve Bank of India NABARD.*

Interpretation:

Table No. 3 envisaged the important indicators of Regional Rural Banks and its outstanding deposits and credit for rural development. It shows the time deposits are higher than that of demand deposits. The annual growth of aggregate deposits over a period of 20 years from 1991-92 to 2010-11 have registered at nil increasing level indicating extent of stagnation of deposits in RRBs for rural development. This shows even though they are meant for development, deposits rate are not satisfactory in terms of bank credit of RRBs, a continuous increasing level from 12.98 per cent in 1991-92 to 19.65 per cent in 2010-11 and the highest growth has recorded at 34.31 per cent in 2006-07 and the lowest in 2008-09. Therefore, the credit of RRBs has been increasing level due to several governmental efforts to extend credit facilities to rural people in India.

Table No. 4

Direct Institutional Credit for Agriculture and Allied Activities

(Short-term and Long-term) (Rupees-crore)

Year	**Loans Issued**				**RRBs**				**Loans outstanding**							
	Co-operatives	**AGR**	**SCBs**	**AGR**		**AGR**	**Total**	**AGR**	**Co-operatives**	**AGR**	**SCBs**	**AGR**	**RRBs**	**AGR**	**Total**	**AGR**
1990-91	4819		4676		335		10133		1 053 1		17032		175		29316	
1991-92	5797	20.29	4806	2.78	596	77.91	11538	13.25	12176	15.62	16981	-0.30	1984	13.18	31142	6.23
1992-93	6484	11.85	4960	3.20	698	17.11	12530	8.60	13769	13.08	18288	7.70	2206	13.19	34263	10.02
1993-94	8484	30.85	5400	8.87	752	7.74	15013	19.82	15316	11.24	19113	4.51	2560	16.05	36988	7.95
1994-95	9876	16.41	7408	37.19	1083	44.02	18773	25.04	16810	9.75	20920	9.45	3009	17.54	40738	10.14
1995-96	12483	26.40	9274	25.19	1381	27.52	23692	26.20	19126	13--78	23427	11.98	3467	15.22	46020	12.97
1996-97	13254	6.18	10675	15.11	1748	26.57	26345	11.20	20556	7.48	26327	12.38	4038	16.47	50921	10.65
1997-98	14159	6.83	11537	8.07	2103	20.31	28656	8.77	21390	4.06	28445	8.04	4683	15.97	54518	7.06
1998-99	15099	6.64	14663	27.10	2515	19.59	32697	14.10	22199	3.78	29819	4.83	5389	15.08	57408	5.30
1999-00	25678	70.06	16350	11.51	2985	18.69	45534	39.26	41950	88.97	33442	12.15	5991	11.17	81383	41.76
2000-01	27295	6.30	16440	0.55	3966	32.86	48187	5.83	46135	9.98	38270	14.44	7249	21.00	91654	12.62
2001-02	30569	11.99	18638	13.37	4546	14.62	54195	12.47	52110	12.95	45106	17.86	8286	14.31	105502	15.11
2002-03	34040	11.35	25256	35.51	5879	29.32	65175	20.26	59064	13.34	53804	19.28	10261	23.84	123129	16.71
2003-04	40049	17.65	36203	43.34	7175	22.04	83427	28.00	71403	20.89	68103	26.58	11721	14.23	151228	22.82
2004-05	45009	12.38	48367	33.60	11927	66.23	105303	26:22	78822 -	10.39	95519	40.26	16709	42:56	191050	26.33
2005-06	48123	6.92	80599	66.64	15300	28.28	144021	36.77	82327	4.45	135603	41.96	21510	28.73	239439	25.33
2006-07	54019	12.25	115266	43.01	20228	32.21	189513	31.59	89443	8.64	169018	24.64	27452	27.62	285913	19.41
2007-08	57643	6.71	113472	-1.56	23838	37.85	194953	2.87	65666	-26.58	202796	19.98	33216	21.00	301678	5.51
2008-09	58787	1.98	160690	41.61	26499	11.16	245976	26.17	64045	-2.47	256119	26.29	37367	12.50	357531	18.51
2009-10	74938	27.47			34640	30.72			76480	19.42	309442		46282	23.86		

Interpretation

Table No. 4 presents the institutional credit for agriculture and allied activates both in short and long term. As high as 70 per cent growth rate in loans issued registered in 2005-06 by scheduled commercial banks and 77 per cent in 1991-92 and 66.23 per cent in 2004-05 by Regional Rural banks. The direct institutional credit of RRBs has been the strong support for agriculture and allied activates in rural areas. Outstanding loans of scheduled commercial banks accounted for 71 per cent share, and only 18 per cent loans by cooperative banks and 11 per cent share of loans by RRBs respectively. Annual growth rate of outstanding credit by RRBs has been continuously increasing during 1990-91 to 2009-10

Table No. 5

Loans and Advances of PACS, SCARDBs and PCARDBs

(Numbers in million; Amount in crore)

Year	**PACS**				**SCARDs**				**PCARDBs**			
	Loan	AGR	**Outstanding**	AGR	**Loan**	AGR	**Outstanding**	AGR	**Loan**	AGR	**Outstanding**	AGR
1	3	4	5	6	7	8	9	10	11	12	13	14
1990-91	4311		6486		384		1348		376		2014	
1991-92	5575	29.32	8177	26.07	300	-21.88	30	-97.77	444	18.09	2143	6.41
1992-93	6223	11.62	10245	25.29	415	38.33	1906	6253.33	542	22.07	2480	15.73
1993-94	7158	15.02	9399	-8.26	469	13.01	2091	9.71	612	12.92	2701	8.91
1994-95	8312	16.12	9996	6.35	566	20.68	2500	19.56	651	6.37	2709	0.30
1995-96	10552	26.95	12980	29.85	1798	217.67	6857	174.28	1219	87.25	4098	51.27
1996-97	11292	7.01	13345	2.81	2151	19.63	8016	16.90	1455	19.36	4936	20.45
1997-98	12137	7.48	13994	4.86	2295	6.69	9182	14.55	1593	9.48	5840	18.31
1998-99	12743	4.99	14894	6.43	2437	6.19	10442	13.72	1692	6.21	6819	16.76
1999-00	23662	85.69	28546	91.66	2532	3.90	11598	11.07	1818	7.45	7575	11.07
2000-01	25698	8.60	34522	20.93	2586	2.13	12596	8.60	1866	2.64	8276	9.27
2001 -02	30770	19.74	40779	18.12	2746	6.19	14110	12.02	2045	9.59	10005	20.89
2002-03	33996	10.48	42411	4.00	2962	7.87	15333	8.67	2151	5.18	10809	8.04
2003-04	35119	3.30	43873	3.45	2942	-0.68	16221	5.79	2197	2.14	11336	4.88
2004-05	39211	11.65	48785	11.20	2291	-22.13	17404	7.29	2506	14.06	12633	11.44
2005-06	42920	9.46	51779	6.14	2907	26.89	17678	1.57	2296	-8.38	12870	1.88
2006-07	49613	15.59	58620	13.2	2436	-16.20	18644	5.46	1970	-14.20	12179	-5.37
2007-08	57643	16.19	65666	12.02	2221	-8.83	18327	-1.70	1822	-7.51	11800	-3.11
2008-09	58787	1.98	64045	-2.47	2585	16.39	16279	-11.17	2045	12.24	11229	-4.84
2009-10	74935	27.47	76480	19.42	3205	23.98	16999	4.42	2465	20.54	11512	2.52

Interpretation:

Table No. 5 represents loans and advances of Primary Agricultural Credit. Societies, State Cooperative Agriculture and Rural Development Bank and Primary Cooperative Agricultural and Rural Development Banks in the country. A maximum, of 73 per cent outstanding loans are covered by PACS during 2009-10, nearly 16 per, cent share is covered by SCARDBs and only 11 per cent PCARDBs respectively.

As for as annual growth rate of Primary Agricultural Credit Societies are; concerned, a maximum of 91.66 per cent registered in 1999-2000, but overall - 'period' of 20 years it is not conducive growth for agriculture and rural development. So far as SCARDBs and PCARDBs are demonstrated very well in the first 10 years, latter there, role in extending loans and an advance has been at declining trend.

Table: 6: Schedule Commercial Banks Direct Finance to Farmers According to Size of Land Holdings (Outstanding) Short-Term and Long-Term Loans (Number of accounts in thousands; Amount in crore)

Year (end-June)	Up to 2.5 Acres			Above 2.5 acres			Above 5 Acres			Total		
	Number of Accounts	Amount	AGR	Number of Accounts	Amount	AGR	Number of Accounts	Amount	AGR	Number of Accounts	Amount	AGR
1	2	3	4	5	6	7	8	9	10	**11**	**12**	13
1990-91	6137	2895	- -	4346	2870	-	3563	6624	--	**14045**	**12389**	-
1991-92	6063	3239	11.88	4439	3050	6.27	3669	7058	6.55	**14170**	**13346**	7.72
1992-93	6057	3437	6.11	4460	3328	9.11	3878	7444	5.47	**14395**	**14210**	6.47
1993-94	6007	3595	4.60	4282	3411	2.49	3637	7902	6.15	**13926**	**14908**	4.91
1 994-95	5463	3889	8.18	4047	3659	7.27	3492	.8359	5.78	**13002**	**15906**	6.69
1995-96	5557	4326	11.24	4255	4295	17.38	3461	9265	10.84	**13273**	**17885**	12.44
1996-97	5296	4894	13.13	4219	5033	17.18	3575	10469	13.00	**13090**	**20396**	14.04
1997-98	4890	5058	3.35	4034	5442	8.13	3354	11752	12.26	**12278**	**22252**	9.10
1998-99	4408	5511	8.96	3711	5680	4.37	3389	12651	7.65	**11507**	**23842**	7.15
1 999-00	4544	6185	12.23	3777	6445	13.47	3379	14719	16.35	**11700**	**27349**	14.71
2000-01	4600	7215	16.65	3689	7308	13.39	3555	16963	15.25	**11844**	**31486**	15.13
2001-02	4902	8759	21.40	3961	9686	32.54	3394	19083	12.50	**12257**	**37529**	19.19
2002-03	4749	9813	12.03	4092	11316	16.83	3835	23831	24.88	**12676**	**44961**	19.80
2003-04	6086	14805	50.87	4806	13974	23.49	4377	28786	20.79	**15268**	**57565**	28.03
2004-05	7299	20499	38.46	5874	20759	48.55	5274	37218	29.29	**18447**	**78476**	36.33
2005-06	8239	29719	44.98	6677	29255	40.93	6321	52769	41.78	**21237**	**111743**	42.39
2006-07	9954	37336	25.63	7548	37815	29.26	6985	64810	22.82	**24487**	**139961**	25.25
2007-08	11345	46457	24.43	9512	46631	23.31	8739	80956	24.91	**29596**	**174044**	24.35
2008-09	11708	60199	29.58	9570	59792	28.22	10884	99349	22.72	**32162**	**219340**	26.03

Source: National Bank for Agriculture and Rural Development, National Federation of State Co-operative Bank

Interpretation:

Table no. 6 represents SCBs Direct Finance to Farmers according to size of, land holdings in India. Number of accounts of the farmers' up to 2.5 acre constitutes 36 per cent of the total, the farmers with 2.5 acre to 5.0 acre land who possessed 30 percent of accounts and the farmers above 5 acres comprised of 34 per cent during 2008-09 in India. In the same manner, the direct finance to farmers also expressed that a maximum of the farmers above 5-acre landholders attained 46 percent of the share of finance and the group of farmers up 2.5 acre and farmers between 2.5 acre to 5.0 acre have the share of 27 per cent each. Up to 2.5-acre farmers, accounts are more but attained less share of finance by the SCBs during 2008-09, but a continuous increase. of growth rate in finance has registered positively. Even in case of the farmers between 2.5 acre to 5.0 acre who are more in the share of accounts than in direct finance and its growth rate continuously increasing trend. In case of the farmers above 5 acres who are more share in finance than that of number of accounts.

XII. CONCLUSIONS

The institutional credit play, more significant role to promote the economic activities in agriculture and allied activities in rural areas. The evidence shows that increasing demand can be seen in terms of penetration of number of accounts in the banks. The log linear regression analysis reveals that inducing rural households through formation and nurturing self help groups, RRBs, SCBs, COOBs, providing credit facilities for agriculture and rural development activities would positively influence financial inclusion from credit facility and other rural, development programme perspectives. Collectively, all the independent variables influence on the size of financial inclusion with reference to loans and credit explaining 97 per cent of variation, Primary Agriculture Credit Societies. State Cooperative Agriculture and Rural Development Bank explaining 73 per cent variation, and credit on the size of land holding at 74 per cent variation respectively.

There is need to establish Financial Literacy and Credit Counseling Centers to provide free financial literacy, education and credit counseling in rural and semi urban areas. Revival of Rural Co-operative Credit Structure is a need to improve the legal and institutional reforms in a democratic self reliant and efficient functioning to improve the quality financial services.

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