

## An Old Business Driver With Transformed Services: A Way Towards Sustainability And Economic Development

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### ABSTRACT:

In the era of technology driven and majority of the role played by the service industry which is contributes, with around 52 per cent contribution to the Gross Domestic Product (GDP) in 2014-15, has made rapid strides in the past decade and a half to emerge as the largest and one of the fastest-growing sectors of the economy. The services sector is not only the dominant sector in India's GDP, but has also attracted significant foreign investment flows, contributed significantly to exports as well as provided large-scale employment. India's services sector covers a wide variety of activities such as trade, hotel and restaurants, transport, storage and communication, financing, insurance, real estate, business services, community, social and personal services, and services associated with construction.

In this paper the researcher would highlight some aspects of financial inclusion and how it could contribute if we look at it as investment opportunity and not a Corporate Social responsibility.

**Key words:** investment opportunity, Corporate Social responsibility, dominant sector.

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### Introduction

Banking sector played a key role for the Indian economy pre and post-independence. It not only helped and boosted the Industry and agriculture but helped the small and medium sized enterprises. Various specialized Institutes were set up to enhance the economy like –NABARD, RRB's, and LEAD banks .All these are playing as a catalyst role for the economic development. As banking sector is concerned to mass and not a class people to provide services for their needs.

But the reality ground is different when it comes to the services to be provided to the person who really needs it.Did we really reach the end user is the question?

### Review of Literature

According to the Eleventh Plan indicated that the absolute number of poor is estimated to be approximately 300 million in 2004-05. Accordingly, the Eleventh Five Year Plan has adopted "faster and more Inclusive growth" as the key to development paradigm. The significance of this study lies in the fact that India being a democratic republic, it is far more essential on the part of the government to ensure equitable growth of all sections of the society. With only 34% of population engaged in formal banking, India has, 135 million financially excluded households, the second highest number after China. Further, the real rate of financial inclusion in India is also very low and about 40% of the bank account holders use their accounts not even once a month. It is a universal opinion that poor need financial assistance at reasonable costs and that too with uninterrupted pace.

As per Census 2011, 58.7 percent households in the country are availing banking services. There are 102,343 branches of Scheduled Commercial Banks (SCBs) in the country, out of which 37 percent of the bank branches are in the rural areas and 26 percent of the branches are in semi-urban areas. The total constitutes 63 per cent of the total number of branches in semi –urban and rural areas of the country. However, a significant proportion of the households, especially in rural areas, are still outside the formal process of the banking system.

There should be an appropriate policy support in channeling the financial resources towards the economic upliftment in any developing economy. The concept of financial inclusion came into being with the intention to connect people of all categories to appropriate banking and financial services with consequential benefits and ensuring that these steps towards financial inclusion will play a key role to promote inclusive growth of the country. The step towards inclusive growth can be attained through a systematic and well maintained financial system which will create equal and beneficial opportunities to the socially and economically backward people which will further help them to amalgamate better and contribute into the nation's economy and also contribute towards country's advancement.

The Reserve Bank of India (RBI) has comprehended that access to the finance by the weaker section is a precondition for eradication of poverty and bringing social consistency. Therefore, Reserve Bank of India (RBI) has set up Khan Commission in 2004 to take forward the initiative of the financial inclusion. It has implemented its recommendations in its mid-term policy review in 2005-06 which further encouraged the banks to make a target with

an aim of achieving greater financial inclusion. Rangarajan Committee (2008) viewed 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”. Given below is the diagram which briefly portrays the indispensable contents of financial inclusion.



**Source:** Rangarajan Committee Report

The figure above (Figure-1) shows that financial services include saving, loans, insurance, credit, payments etc. These services cater to the primary aim of providing assistance to the weaker section to come out of poverty and gather the benefits of financial inclusion.

Current Government, that is Modi Government is focusing on Financial Inclusion as a top most mission and accordingly he has taken the direction to achieve it. Pradhan Mantri Jan Dhan Yojna was started by the new ruling government under the leadership of Prime Minister (Pradhan Mantri), Shri. Narendra Modi. It aims to reduce poverty by way of financial inclusion which enlists among the top priorities of the government. The common man can avail the Jan Dhan Yojna facility by opening a bank account at any Bank branch or Business Correspondent (Bank Mitra) outlet.

This will also help both the society and end user by- social, governance practices and technologies that create a competitive edge, transform markets, and improve people’s lives. It also helps government to implement reforms that improve the business environment, encourage investments and make it easier to do business, thereby creating jobs and fostering growth plays a critical role in increasing access to finance for households and businesses, not only through its investments and financing, but also through its advisory work, by providing diagnostics, capacity building, and sharing of best practices to its financial intermediary clients. A key aspect of our work is in close collaboration with the World Bank.

Even though Agriculture is the important sector in our country and more productive and helping farmers suffering from natural adversities if followed by the tailor made schemes are made available to the farmers even in certain regions, zones and district we can really help the farmers by guiding them and helping with the help of modern technology and through Development Officers or Block Development Offices.

1. To study how the implementation of financial inclusion brings the development and prosperity.

## Objective of the paper

### Research Methodology

The paper is based on secondary data which is collected through manuals, annual reports, books, periodicals, government documents, articles, research papers and internet.

From the table given below we can observe that the branches have increased and the mission of Financial Inclusion is being implemented successfully.

### No. of branches of Scheduled Commercial Banks opened during five years

Year	Rural	Semi-urban	Urban	Metropolitan	Total
2008-09	706	1290	1046	953	3995
2009-10	1021	1729	1417	1139	5306
2010-2011	1422	2258	919	981	5580
2011-12	2453	2686	1186	982	7307
2012-13	1598	1422	546	451	4017

**Source: RBI**

The banking industry has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services.

Then where it is going wrong and how to increase the customer to access the basic banking facilities? Do we not understand the needs of the customers and requirement which vary from person to person, state to state, region –to – region? Why the banking sector and Government have taken so many years to understand the nerves of the customers or people.

Very few states /region have achieved a good response for financial inclusion. In a country like India due to huge population and socio- cultural diversities and also diverse economic background it is quite difficult to attain inclusive growth across country. And to improve the economic growth of country, inclusive growth is utmost important. The key device to attain inclusive growth is financial inclusion. The aim of financial inclusion is including the excluded in the financial system of the country, and to ensure that their financial & social security needs are taken care of through appropriate financial service providers. The concept of financial inclusion came into being with the intention to connect people of all categories to appropriate banking and financial services with consequential benefits and ensuring that these steps towards financial inclusion will play a key role to promote inclusive growth of the country.

The broad strategy adopted for financial inclusion in India in recent years comprises the following elements:

- a. Encouraging penetration into unbanked and backward areas and encouraging agents and intermediaries such as NGOs, MFIs, CSOs and business correspondents (BCs) to promote the habit of saving and opening bank account.
- b. Use of existing as well as modern technology for promoting financial inclusion.
- c. Directing banks to open a basic banking ‘no frills’ account and promote this scheme of banks so that people feel motivated to open and access bank accounts.
- d. Highlighting on promoting awareness towards financial literacy and credit counselling and
- e. Creating synergy between the formal and informal segments.

These strategies mentioned above undertaken by government as well as by RBI ensures that government and policymakers has taken necessary steps to implement financial inclusion schemes for better penetration and for inclusive growth.

The special recommendations provided to achieve the target under NRFI were the following:

- a. Banks have to strengthen their staff and adopt efficient delivery mechanism in rural and semi-urban branches.
- b. Expand bank branches identifying those areas where financial exclusion is more.
- c. Products and services in the financially excluded areas should be customized and revised as per the needs of that area. Some innovation in products and service offerings should be considered to serve the varied needs.
- d. The existing staff posted to rural branches can be incentivized based on performance parameters which include covering a new household through deposits and loan accounts.
- e. Commercial banks were permitted to use the services of NGOs/SHGs and Micro Finance Institutions and other civil society organizations as intermediaries in providing services through the use of Business Facilitators and Business Correspondents..
- f. Commercial banks should also implement schemes for financing subsidiary farm activities like water shed projects, surface irrigation projects etc. Supplementary activities like dairy, small poultry, sheep-rearing etc. have to be specifically targeted for marginal farmers, tenants and non-cultivator households.

**Conclusion:**

The purpose of this research was to understand the correlation financial inclusion and economic development. Yes, the best example can be self-help group .The researcher broadly presented a view on the concept and emergence of financial inclusion and its needs to percolate to the society. The banks should really work on with the Business Correspondence as to action plan and how it can be achieved.

It should not be treated as Corporate Social Responsibility but a business having huge potential to sustain long in the society .Well planning and tailored product according to the Local Area, Region, State, can be designed accordingly then the Financial Inclusion with financial education or literacy will really achieve the target in true sense.

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