ABSTRACT

Exclusion from formal finance led to exploitation, lack of confidence, confiscation of collateral, slavery in case of non-repayment, and lack of opportunities for gainful employment and so on. This necessitates inclusion of hitherto financially excluded section of marginalized people into formal financial sector. There is no equal opportunity to everyone to grow and flourish. Though market liberalization and globalization create new opportunities for rapid growth, relative poverty, economic and regional disparities have tended to widen. This situation demands Inclusive growth and financial inclusion for participatory development of the society.

As a solution to the problem of exclusion, the concept ‘Inclusive Growth’ gained enormous importance. Inclusive growth is nothing but economic growth with more inclusion providing each and everyone to participate in and benefit from the growth activities. Financial inclusion is a powerful tool for achieving inclusive growth. It refers to the provision of affordable financial services including access to savings, loans, overdraft facility, payment and remittance facilities, financial advice and insurance services to vast sections of low income groups and disadvantaged. It helps to uplift the poor from the clutches of poverty and also to reduce the widening gap between poor and rich.

In India Reserve Bank India (RBI) had chosen the bank-led model for financial inclusion leveraging on technology. Banks not only have a very large network throughout the nation but also providing varieties of financial products and services suitable to different customers. They are most reliable financial intermediaries which are working under the guidelines of RBI. Through banking system, it is easy to reach the unreached marginalized section of people.

To overcome the regional imbalance and to prioritize lending Lead Bank Scheme was introduced. Lead bank as consortium leader coordinate the activities of banks both at state and at the district allotted to it. It co-ordinates and periodically assesses and evaluates the progress made by banks to reach the targets. Under the guidance of RBI, lead bank leads, guides, and monitors the banking activities of their respective areas.
The present study makes an attempt to review the performance of banks to achieve financial inclusion under Lead Bank system. The study tries to provide clear picture of attempts carried out by the economy at national, state and district level to achieve financial inclusion. To test the efficacy of financial inclusion the study compares the growth of financial inclusion through branch expansion, deposit mobilization and credit penetration before and after financial inclusion. It considers 2005 as reference year as effective financial inclusion mission implemented in that year and found drastic change in branch expansion and moderate improvement in deposit mobilization and credit penetration. Over all, considerable improvement can be noticed under financial inclusion period at all the three levels. The study proved the role of Lead Bank in financial inclusion as higher growth rate is recorded in Karnataka state and Mysore district compared to National level.

The study also tries to analyze the impact of financial inclusion on awareness level, socio- economic and general condition of financially included people. The positive impacts found in the study provide substantial evidence about the effectiveness of financial inclusion which targeted the marginalized section of people to bring them into the mainstream economy.
Opportunities in Banking

“Survival of the fittest - good for the opportunist and bad for the rest, choice is yours.”

Source: Denodia Capital Advisors, 2013