# FINANCIAL INCLUSION IN JAMMU & KASHMIR: A STUDY ON BANKER'S INITIATIVES

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**ABSTRACT**

The World economic order witnessed dramatic changes Post World War II and India being a newly Independent Country was faced with more complex issues of illiteracy, poverty, malnutrition, sustainability and underdevelopment; and the prime focus of Government remained Development for Sustainability and Inclusive Growth. In order to combat poverty and to achieve uniform growth all over, various measures have been taken from time to time which include building and strengthening rural cooperative sector, nationalisation and privatisation and expansion of financial sector.

Easy Access to sources of finance is believed to be an important tool to poverty alleviation and inclusive growth. Following the recommendation of Khan Commission-2004, various reformative measures have been taken by Reserve Bank of India and Government of India. Most of the recommendations of the Khan Commission were incorporated into the mid-term review (2005-06) of Reserve Bank of India. In this report, Banks were exhorted upon to take up various strategies in order to achieve Greater Financial Inclusion. Banks throughout the Country scaled up their initiatives to achieve their targets for Financial Inclusion and have succeeded in doing so to a large extent. However, the State of Jammu and Kashmir lags behind other states in its vital Financial Inclusion Indicators; Credit-Deposit Ratio at a meagre 35.71 against the benchmark 60, and Financial Exclusion to the extent of 68% which is highest in the Northern Region. It is in this direction that the present study has been carried out in order to look into the various initiatives taken up by Bankers in the State of Jammu and Kashmir. The present paper also attempts to look into the progress of financial inclusion in the State.

**Keywords**: Financial Inclusion, Microfinance, Access to Finance, Inclusive Growth.

## INTRODUCTION:

Access to Finance is being considered as one of the major tools of development and poverty alleviation. Realising this causality of Access to Financial Services on Inclusive growth, nations throughout the world have been trying hard to achieve the objective of financial inclusion. Similarly Financial Sector reforms in India are driven by the objective of Inclusive growth and unrestrained accessto Finance. Various initiatives and reforms have taken place in this direction since Independence. Anetwork of CooperativeBanks to provide credit for agriculture was developed immediately afterIndependence which was followed by nationalisation of banks and targeted priority sector lending in 1969 and thereafter. With the changing paradigm of the Indian Economy from agrarian to Industrial and subsequently to Services Economy, the focus shifted from subsidised credit and priority sector lending to enterprise driven. However, care was taken that the poor and disadvantaged are not ignored in this journey to economic stability and excellence. Post-liberalisation India (1991 onwards) saw numerous structural changes in the financial sector; interest rate deregulation, de-licencing, privatisation and entry of new entrants changed the financial milieu of the country. Keeping its socialist objectives in mind various steps have been taken by the Government of India post-liberalisation to ensure that the growth in the economy is not unilateral and that the poor get their due share. With subsidised credit and priority sector lending included in the menu, various other initiatives were taken like NABARD's Self Help Group (SHG) - Bank Linkage programme in 1992 which was followed by provision for unsecured credit to farmers via KisanCredit Card (KCC) Scheme in 1998-99. Moreover on the recommendations of the Internal Group of RBI on Rural Credit and Microfinance (popularly known as Khan Committee recommendations, most of which were incorporated in the mid-term review of Reserve Bank of India Annual Policy – 2006-06), guidelines were issued to expand the reach of banking sector with support from Information and Communication Technology (ICT) for spearheading financial inclusion in the country. Financial Inclusion was declared as a top priority and the Banks were exhorted upon to devise strategies to achieve the objective of Financial Inclusion. Banks were asked to scale up their initiatives which include State Level Bankers' Committee (SLBC) allocation of the villages without Bank branches, opening of no-frills account etc. Also the Committee on Financial Inclusion under the chairmanship of Dr. C. Rangarajan (popularly known as Rangarajan Committee - 2008) was set up by the Government of India to look into the issues of financial exclusion. The Committee recognised that the developments in the technology and increasingly sophisticated customer segmentation technology have led to restricted access to financial services for some groups. This divide has grown so wide that 73% of farmer households in the country lack access to finance either from institutional or formal sources of credit. The Committee came out with 179 point strategy to fill the divide of exclusion and it was suggested that in order to build an inclusive financial sector effective improvements within the credit delivery mechanism is needed. Besides, the Committee suggested for improving absorption capacity among the excluded, evolving new models to increase outreach and leveraging on technology for the achievement of twin objectives of inclusive growth and poverty alleviation. The report suggested certain specific measures like opening of no-frills accounts, routing National Rural Employment Guarantee Programme (NREGP) payments through banks, product innovation, issue of general purpose credit card, granting overdraft facilities to Saving Bank (SB) accounts, providing services through bio-metric smart cards, leveraging technology, developing Business Facilitator/Business Correspondents as Intermediaries in delivering financial services, etc. The Committee suggested that Financial Inclusion needs to be taken in a mission mode and devised various ways and means towards this end like; by creating a Financial Inclusion Promotion and Development Fund (FIF) and Financial Inclusion Technology Fund (FITF) with NABARD having contributions from Government of India, NABARD and Reserve Bank of India with an initial corpus of Rs.500 Crore. Since then bankers nationwide have been striving hard to achieve the objectives of Financial Inclusion and so has been true with the state of Jammu and Kashmir. The State of Jammu and Kashmir shows the worst performance in the Northern Region with 68% of its people excluded from access to finance (Report of the Committee on Financial Inclusion, 2008)

## REVIEW OF LITERATURE:

Access to finance or Financial Inclusion has been a part of and rather envisaged and embedded in the credit policies since Independence. The access was mainly concentrated around credit in the earlier decades and the process has passed through various phases of development, through disguised form and without the

Financial Inclusion nomenclature and emphasis (Rao – 2007). However, a new direction was given to this concept by the Committee on Financial Inclusion which remarked that *"Financial Inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost"*. RaghuramRajan Committee – 2007, views Financial Inclusion, broadly, "*as universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products"*.
There are tremendous barriers which hamper percolation of fortunes to the 'bottom of the pyramid' (Subbharao – 2009). Thus the biggest problem for us today is to minimise barriers leading to selective exclusion of few disadvantaged sections of our society. The barriers have grown big from both the demand and supply side; demand side factors are illiteracy, unwillingness and scepticism of the structure and norms of formal financial sector and supply side barriers are non-bankable perception, cumbersome procedures, unsuitable products, staff attitude (Thorat – 2007, Agrawal - 2008). *Financial Inclusion, or broad access to finance, is defined as the absence of price or non-price barriers in the use of financial services* (World Bank -2008). Financial exclusion is a classic case of 'missing markets', the poor avail financial services but face the negative consequences either because the existing cost structure of these services is unaffordable to them or the services are inadequate and ineffective to meet their specific needs [India Development Foundation (IDF) Discussion Paper, 2009]. The banking products do not serve the purpose to these disadvantaged sections because these products are standard which offer least flexibility to meet the purpose of the poor.
Financial Inclusion was taken in a project form on pilot basis by Indian Bank in Mangalam village of Puducherry in 2006, with support from NABARD and RBI. The project was featured with Relaxed KYC norms, support from NGOs, SHGs, students, volunteers, MFIs, and other civil society. Coupled with No-Frills account, low cost life and health insurance were also provided at the time of opening the account (Natarajan and Nirupama, 2010; IDF Discussion Paper – 2011). Financial Inclusion in India is prominent through microcredit through SHGs, no frills accounts (Arulumurugan, 2010), KCC and through business correspondents. Technology has to play an important role in achieving the objective of inclusive growth through financial inclusion.Financial Inclusion will make it possible for governments to make payments such as social security transfers, NREGP, wages into the Bank Accounts of beneficiaries through the Electronic Benefit Transfer (EBT) method (Agrawal, 2008). Realising the importance of technology in delivery of financial services to unbanked areas, a technology driven low cost platform has been designed, which since its implementation is the preferred route for reaching out to the excluded sections of the society. Business Correspondent is proving to be a very cost effective and technology driven channel for delivery of basic financial services and a substantial progress has been achieved in establishing basic financial infrastructure through Business Correspondent model (Prabha et. al., 2012). In the state of Jammu and Kashmir Financial Inclusion Programme was launched well in line with the other states in 2006. The State has witnessed a steady and substantial initiatives taken by the banking institutions towards achieving the objective of financial inclusion, however, among all the institutions, the Jammu and Kashmir Bank has taken a leap forward (Sangmi and Kamili – 2010). The present study is an attempt to look into the various strategies that banks have employed to reach the disadvantaged set of population in the State and to briefly analyse the progress made so far.

## OBJECTIVES OF THE STUDY:

This study has been aimed with following objectives in mind:

1. To briefly examine the various financial inclusion initiatives taken by the banking fraternity in the State.
2. To evaluate the progress and current status of Financial Inclusion in the State.

## METHODOLOGY:

The data for the present study has been collected primarily from secondary sources. The secondary data was obtained from reports, journals, NABARD Supplementary Statements, State Level Banker's Committee Reports, Census 2011, Economic Surveys and websites. The Primary data required for the study was collected from unstructured discussions with various Bank Executives, NABARD Officials, Business Correspondents, etc. The discussions regarding various strategies have been done in Srinagar only. Relevant banking functionaries from top and middle level management were consulted during these discussions.

## RESULTS AND DISCUSSIONS:

## PROFILE OF J&K STATE:

The State has a population of 1,25,48,926 with a population density of 56 and literacy rate 68.74. The State has been divided into three divisions; Jammu with 10 districts, Kashmir with 10 districts and Ladakh with 2 districts (Census 2011). The State has 2 Lead Banks; J & K Bank for all the 10 districts of Kashmir division and district Rajouri and district Poonch of Jammu Division , and State Bank of India for 8 remaining districts of Jammu division and 2 districts of Ladakh Division (83rd JKSLBC Report). The State has 21.63% of its population living Below Poverty Line (Economic Survey 2007-08). In such a scenario, the Banking Profile of the State (exhibited in Table 1) consists of 20 Public Sector Banks having 344 branches, 4 Private Sector Banks with 483 branches, 2 Regional Rural Banks having 289 branches and 8 Cooperative Banks having 241 branches. In total there are 34 banks operating in the State with 1357 branches.

**Table 1:** Banking/Financial Sector Profile of J & K State.

<table>
<tr><th rowspan="3">Banking Profile of the State</th><th></th><th>Public Sector</th><th>Private Sector</th><th>RRBs</th><th>Cooperative Banks</th><th>Total</th></tr>
<tr><th>Banks</th><td>20</td><td>4</td><td>2</td><td>8</td><td>34</td></tr>
<tr><th>Branches</th><td>344</td><td>483</td><td>289</td><td>241</td><td>1357</td></tr>
<tr><th colspan="2" rowspan="2">Branch Network (in Nos.)</th><th>Rural</th><th>Semi-Urban</th><th>Urban</th><th colspan="2">Total</th></tr>
<tr><td>736</td><td>277</td><td>344</td><td colspan="2">1357</td></tr>
<tr><th rowspan="4">Banking Parameters (Amount in Rs. Crores)</th><th>Total Deposits</th><th>Total Advances</th><th>C.D. Ratio</th><th>Advances to Priority Sector</th><th colspan="2">Percentage of Priority Sector advances to total advances</th></tr>
<tr><td>48,394.49</td><td>17,280.51</td><td>35.71*</td><td>10,825.35</td><td colspan="2">62.64%</td></tr>
<tr><td></td><th>Advances to Weaker sections</th><th>Share in total Advances(%)</th><th>Agriculture Advances</th><th colspan="2">Share in Total Advances(%)</th></tr>
<tr><td></td><td>2500</td><td>14.47**</td><td>2167</td><td colspan="2">12.54***</td></tr>
</table>

**Source:** 83rd JKSLBC Report.
*Benchmark 60%
**Benchmark 18%.
***The benchmark figure is 10%.

## FINANCIAL INCLUSION INITIATIVES:

Bankers throughout the Country have been thriving to achieve the allocated targets towards Financial Inclusion and so have been the bankers' of the State of Jammu & Kashmir. Financial Inclusion Programme was taken on pilot basis for 100% Inclusion initially in the district Pulwama (later bifurcated into 2 districts of Pulwama and Shopian) in 2005. Subsequently, 100% Inclusion of the remaining 20 districts in the state has been assigned to the banks in 2008. Banking Community of the State have been working in line with the various strategies pursued elsewhere in the country. Some of the major initiatives in this direction and the progress made in the same are discussed as under:

## NO FRILLS ACCOUNTS:

Pursuant to the RBI guidelines, banks in the state are offering no-frills accounts to its vast majority of excluded population. The basic banking 'no frills' account is offered with zero minimum balances, relaxed Know Your Customer (KYC) norms and minimum charges to the low income population to expand the outreach of financial access. The position of No-Frills Accounts in the State is exhibited in Table 2.

**Table 2: Position of No-Frills A/C's in J & K.** (as on ending Sept. 2011)

| | No. of Branches | No. of no-frills A/Cs opened during quarter | Amount (000's) | Total No. of no-frills A/c's opened since inception | Amount (000's) |
|---|---|---|---|---|---|
| Private Sector Banks | 488 | 65486 | 71511 | 787171 | 1965701 |
| Public Sector Banks | 339 | 4938 | 29793 | 83193 | 251137 |
| Co-Operative Banks | 241 | 1413 | 1972 | 38320 | 14046 |
| Regional Rural Banks | | | | | |
| Grameen Bank | 176 | | 2527 | 124406 | 6448 |
| EllaquaiDehati Bank | 113 | 12235 | n.a. | 116379 | n.a. |
| | | | | | |
| **Total** | **1357** | **84072*** | **105803**** | **1149469***** | **2237332***** |

**Source:** 83rd JKSLBC Report.
*Excluding No. of no-frills A/C's opened by Grameen Bank.
**Excluding the amount with EllaquaiDehati Bank
*** Excluding missing data from Grameen Bank and EllaquaiDehati Bank.

An Introspection of table 2 reveals that during the quarter ending September, 2011, 84072 no-frills accounts were opened with an aggregate amount of Rs. 10,58,03,000 in all these accounts which amounts to an average balance of Rs.126 per account. The cumulative position of all the accounts opened since inception by all the banks shows that a total of 1149469 no-frills accounts have been opened with an average amount of Rs. 1946 per account. Though the aggregate figures are showing a very rosy picture of the progress of no-frills accounts but there are several banks which have not made any progress and also there are accounts which have been opened just for the sake of meeting the allocated targets. A large amount of these no-frills accounts are inoperative and thus these accounts are not serving the purpose of achieving the goal of greater financial inclusion.

## MICRO-CREDIT AND ADVANCES TO WEAKER SECTIONS:

Micro-credit and advances to weaker sections form a significant portion of Priority Sector lending. As against the annual target of Rs.476.41 Crore in favour of 26,005 beneficiaries, banks have disbursed total amount of Rs.108.41 Crore in favour of 6,576 beneficiaries which works out to be 22.75% achievement in financial and 25.28% in physical terms. The total advances outstanding against micro-credit is Rs.353.65 Cr. with total of 41397 Micro-Credit accounts which accounts for approximately 3.2% and 2% of Priority Sector advances and Total advances respectively. Advances to weaker sections form a major portion of priority sector advances; the total amount towards advances to weaker sections is Rs.2500 Cr. outstanding in 239373 accounts. The advances to weaker sections forms approximately 23% of the priority sector advances and 14.46% of the total advances (data as on 30th September, 2011). Table 3 below shows the sector-wise distribution of advances outstanding under micro-credit and advances to weaker sections.

**Table 3:** Status of Micro-Credit and advances to weaker sections (Rs. In Lacs)

| S. No. | Sector | Micro-Credit | | Advances to Weaker Sections | |
|---|---|---|---|---|---|
| | | A/C's | Amount | A/C's | Amount |
| 1 | Public Sector Banks | 14112 | 27795.70 | 62646 | 45165.50 |
| 2 | Private Sector Banks | 24250 | 4954.61 | 118870 | 183899.00 |
| 3 | Regional Rural Banks | 986 | 910.00 | 44999 | 14578.00 |
| 4 | Cooperative Banks | 2049 | 1704.98 | 12858 | 6379.80 |
| **Total** | | **41397** | **35365.29** | **239373** | **250022.30** |

**Source:** JKSLBC Report.

**KISAN CREDIT CARD SCHEME:**

Kisan Credit Card came into existence in 1998-99 as a credit product and as an important tool and a variant of Agricultural Credit Delivery Mechanism, which allowed farmers the required financial liquidity and avail credit when it was absolutely needed. The timely and hassle free access to institutional credit through the medium of Kisan Credit Card has resulted in increasing the agricultural productivity of the beneficiaries (Samantara – 2010). Even though the banks in the J&K have been advised to scale up their initiatives to achieve the targets set for Kisan Credit Card Scheme, the progress of the banks is a dismal 7 percent (as on quarter ending September, 2011). Against the annual target of Rs.416.69 Crore for 64286 beneficiaries, banks in the State have provided an amount of Rs.30.96 Crore to 4,751 beneficiaries which works out to just 7.42% achievement in financial terms and 7.39% achievement in physical terms. (data as on 30th September, 2011) Bankwise implementation of Kisan Credit Card Scheme is shown in Table 4 below.

**Table 4**: Table showing implementation/progress of KCC Scheme in J & K.

| S.N | Name of the Bank | Issued during Q2, 2011 | | Cumulative Position of KCCs issued since inception | |
|---|---|---|---|---|---|
| | | No. of Cards Issued | Amount Disbursed (Rs. In Lakh) | No. of Cards Issued | Amount Disbursed (Rs. In Lakh) |
| 1 | J & K Bank | 223 | 328.13 | 2181 | 3852.12 |
| 2 | State Bank of India | 250 | 78.55 | 392 | 130.24 |
| 3 | Punjab National Bank | 127 | 25.40 | 357 | 117.40 |
| 4 | EllaquaiDehati Bank | 811 | 346.24 | 6481 | 2319.79 |
| 5 | J&K State Coop. Bank | 160 | 82.89 | 2400 | 714.48 |
| **Total** | | **1571** | **861.21** | **11811** | **7134.03** |

**Source:** JKSLBC Report.

**LEVERAGING TECHNOLOGY TO EXPAND OUTREACH**:

Pursuant to the guidelines issued by RBI regarding the provision of banking services in all the unbaked villages having a population of 2000 and above, a time bound comprehensive State Financial Inclusion Plan has been developed. Significant progress in this regard has already been made with 84.5% of the villages having already been covered (as on 30th September, 2011). Out of allocated 795 villages, 622 villages have already been covered as shown in table 5.

**Table 5:** Progress achieved under State Financial Inclusion Plan

| S. No | Name of Bank to which allocated | Target | | | Progress Achieved (September 2011) | No. of villages yet to be covered |
|---|---|---|---|---|---|---|
| | | No. of villages allocated | 2010-2011 | 2011-2012 | | |
| **1** | The J & K Bank | 535 | 133 | 402 | 425 | 110 |
| **2** | State Bank of India | 95 | 19 | 76 | 95 | --- |
| **3** | Punjab National Bank | 35 | 4 | 31 | 6 | 29 |
| **4** | J & K Grameen Bank | 95 | 12 | 83 | 74 | 21 |
| **5** | EllaquaiDehati Bank | 35 | 4 | 31 | 22 | 13 |
| **Total** | | **795** | **172** | **623** | **622** | **173** |

**Source:** JKSLBC Report.

From September 2010 when the villages covered under FIP were just 2, with the bankers' willingness to work in a coordinated way to expand the outreach of banking services, the villages covered by the end of

September, 2011 has reached 622 which is definitely a phenomenal increase. The Banks in the state have properly utilized the low cost technology driven Business Correspondent (BC) model for achieving the targets of financial inclusion. The BC model is one of the most important initiatives of the Reserve Bank of India, which aims at taking banking services to the customers rather than bringing customers to the dispersed and limited banking servicescape without banks having to open bank branches in those areas. Business Correspondent (BC) Model is being considered as the most economical and effective model in the Indian context for reaching the unbanked areas (Prabha – 2011, Lal – 2012). Realising the importance of BC model, Bankers in the State of J & K have paced up their progress through this model which is obvious from the fact that 614villages out of the total of 622 covered villages have been covered through the implementation of BC model.

**SHG-BANK LINKAGE PROGRAMME**:

Self Help Groups are believed to be most effective tool for delivering credit and is often considered as an alternative loan delivering system with minimal defaults. This delivery channel minimizes the cost of operation and transaction for banks and is effective for delivering credit particularly to rural poor for their economic empowerment and social development. SHG-Bank Linkage is one of the oldest programmes currently operating in the Country and emphasis has been laid down on banks throughout the country to scale up this channel for achieving the objective of Financial Inclusion (Rangarajan Committee Report – 2008). The Scheme has been launched in the J&K State way back and a significant progress has been made in this regard, but the Banks are still hesitating in venturing out in this scheme and a lot is yet to be done to achieve the greater objectives of inclusive growth and development. From 1st April, 2011 to 30th September, 2011, a total amount of Rs.338.28 Lakh has been disbursed to 370 Credit Linked SHG's linked during the period; also 364 SHG's have been linked as Savings linked SHG's during the period. The cumulative position of SHG's in the State shows that there are a total of 5782 SHG's formed, 5609 are Savings linked and 4809 are credit linked, and a total amount of Rs.3290.76 Lakh has been disbursed amongst the SHG's since inception. Only 9 Banks are reported to have carried forward the SHG-Bank Linkage Programme and their progress is shown in Table 6.

**Table 6**: Table showing Progress achieved in SHG-BLP Scheme in J & K

As at the End of quarter ended September, 2011 (Amount in Rs. Lakh)

| S. No. | Bank | During the Year (from 1st April 2011 to 30th September 2011) | | | | Cumulative Position | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | SHG's formed during the year | SHG's savings linked | SHG's Credit Linked | Loans disbursed | SHG's formed | SHG's Savings Linked | SHG's Credit Linked | Loans disbursed |
| (A) Public Sector Banks | | | | | | | | | |
| 1. | S.B.I. | 50 | 43 | 71 | 59.98 | 3000 | 2299 | 2227 | 1743.86 |
| 2. | P.N.B. | 32 | 32 | 29 | 5.2 | 320 | 305 | 300 | 101.16 |
| 3. | P & S Bank | 0 | 0 | 0 | 0 | 4 | 3 | 2 | 0.53 |
| Sub-Total (A) | | 82 | 75 | 100 | 65.18 | 3324 | 2607 | 2529 | 1845.55 |
| (B)Private Sector Banks | | | | | | | | | |
| 1 | J & K Bank | 104 | 104 | 104 | 80.53 | 529 | 1247 | 529 | 266.80 |
| Sub-Total (B) | | 104 | 104 | 104 | 80.53 | 529 | 1247 | 529 | 266.80 |
| (C) Regional Rural Banks | | | | | | | | | |
| 1 | J&K Grameen Bank | 41 | 41 | 41 | 37 | 897 | 897 | 897 | 463 |
| 2 | EDB | 77 | 77 | 58 | 90.15 | 397 | 233 | 233 | 492.52 |
| Sub-Total (C) | | 118 | 118 | 99 | 127.15 | 1294 | 1130 | 1130 | 955.52 |
| (D) Central/State Coop. Banks | | | | | | | | | |
| 1 | JCC Bank | 0 | 0 | 0 | 36.35 | 257 | 257 | 257 | 40.62 |
| 2 | ACC Bank | 7 | 7 | 7 | 7.25 | 60 | 50 | 46 | 46 |
| 3 | JKSC Bank | 60 | 60 | 60 | 21.82 | 318 | 318 | 318 | 136.27 |
| Sub-Total (D) | | 67 | 67 | 67 | 65.42 | 635 | 625 | 621 | 222.89 |
| Total | | 371 | 364 | 370 | 338.28 | 5782 | 5609 | 4809 | 3290.76 |

**Source:** JKSLBC Report.

## GOVERNMENT SPONSORED SCHEMES:

The various government sponsored schemes operating in the state are Swarnjayanti Gram SwarojgarYojana(SGSY), SwarnnaJayantiShahariRojgarYojana(SJSRY), Prime Ministers' Employment Generation Programme (PMEGP), Jammu and Kashmir Self Employment Scheme (JKSES) and SC/ST/OBC schemes. Banks in the State, as on 30th September 2011, have achieved in all the 5 schemes mentioned above, a disbursement of Rs.75.11 Crore spread over 5,283 beneficiaries against the annual target of Rs.221.73 Crore for 18,837 beneficiaries which works out to 34% and 28% achievement in financial and physical terms respectively.The scheme-wise distribution is briefly discussed below.

Swarnjayanti Gram SwarojgarYojana (SGSY) has been implemented with an objective to bring the assisted poor families (swarojgaries) above poverty line by providing them income generating assets through a mix of bank credit and subsidy; SGSY is being restructured as NRLM to implement it in a mission mode. Under SGSY, against a target of Rs.37.10 Crore for 7,420 beneficiaries, banks in the State have disbursed an amount of Rs.14.14 Crore to 2,858 beneficiaries as on 30th September, 2011, which works out to achievement of 38% and 38.51% in financial and physical terms respectively.

The objective of SwarnnaJayantiShahariRojgarYojana (SJSRY) to provide gainful employment to the urban unemployed or underemployed through the setting up of self-employment ventures or provision for wage employment. The banks have disbursed an amount of Rs.3.53 Crore to 206 beneficiaries against the annual target of Rs.11.14 Crore for 752 beneficiaries (as on 30th September, 2011), which works out to achievement of 32% and 27% in financial and physical terms respectively.

Under PMEGP Scheme, ending Q2 of 2011, banks have disbursed an amount of Rs.24.82 Crore (62.67%) against the annual target of Rs.39.60 Crore favouring 778 beneficiaries (79%) against the annual target of 974 beneficiaries. Similarly under JKSES, against the target of Rs.119.53 Crore for 6,711 beneficiaries, banks have achieved a disbursement of Rs.31.80 (27%) to 1,277 beneficiaries (19%). Under SC/ST/OBC Scheme, an amount of Rs.0.76 Crore to 164 beneficiaries has been disbursed against the annual target of Rs.14.36 Crore to 2,980 beneficiaries, which roughly works out to 5.3% and 5.5% achievement in financial and physical terms respectively.

## OTHER INITIATIVES:

The new Branch Authorisation Policy of Reserve Bank of India encourages banks to open branches in underbanked states and the underbanked areas of other states (Agrawal – 2008). Bankers in the State of Jammu and Kashmir have been working vigorously in bringing the unbanked areas within the formal banking reach. In this regard, a comprehensive plan has been developed in respect of unbanked blocks and underbanked areas of J&K State declared by Reserve Bank of India. As per the State Consolidated Branch Action Plan, 209 new bank branches are to be opened in these identified areas. Also in terms of bringing the villages having a population more than 1000 and less than 2000 into the fold of banking system, a comprehensive action plan has been framed and all the 1273 such villages have been allocated to the respective banks. J & K Bank is taking a lead in this as well, taking 1030 villages out of 1273 allocated villages.

## MAJOR FINDINGS:

1. Under the State Financial Inclusion Plan, 622 villages from 795 villages have been covered by ending Q2 of 2011.
2. The banks operating in the state have adopted the BC model for delivery of financial services to uncovered villages, 614 out of a total of 622 covered villages have been covered through BC model.
3. The bank credit has been sluggish as represented by the Credit-Deposit Ratio of 35.71 against the benchmark of 60.
4. Advances to Priority Sector and Advances to Weaker Sections are 62.64% and 14.47% respectively, thus showing that banks are keen in furthering credit disbursement to priority sector
5. Micro-Credit and advances to weaker sections comprise of almost 3.2% and 23% of the priority sector respectively.
6. Significant progress has been made in making available no-frills accounts to the excluded sections of the State; 84072 no-frills accounts have been opened in the state during Q2 of 2011
7. Kisan Credit Card Scheme has witnessed a very low achievement of approximately 7% of the targeted Rs.416.69 Crore for 64,286 beneficiaries.
8. SHG-Bank Linkage Programme and other Government Scheme has also seen a tremendous progress in the State.
9. The State banking community has developed a time bound comprehensive action plan for achieving the objective of 100% Financial Inclusion in the State.

## CONCLUSION:

Various efforts by the RBI to further Financial Inclusion aim at 'connecting people' and not just opening accounts (Subbharao – 2009). No doubt, a significant progress has already been achieved in the State of Jammu and Kashmir to achieve the wider objective of Inclusive growth through financial inclusion; even the bankers and the government agencies have shown earnestness in implementing the Financial Inclusion Plan in a coordinated manner. But it is also important to keep in mind that the objective behind all such efforts doesn't get diluted and that Banks operating in the State don't resort to camouflaging tactics. A lot has already been done but a lot is yet to be achieved, so bankers need to keep reforming their plans and ensure that the poor are not left to the clutches of informal sources of finance. There is a need to work in a coordinated way to remove the constraints (both supply side and demand side) in order to achieve the objective of Greater Financial Inclusion for Poverty alleviation, as remarked by General Kofi Annan:

*"The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sector that help people improve their lives."*

*'General Kofi Annan-Former UN Secretary'*

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