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Financial Inclusion in Gujarat: A Study on SLBC (State Level Banking Committee)

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ABSTRACT:

In Gujarat, a state with a variety of economic and demographic issues, this study examines the crucial role played by the State Level Banking Committee (SLBC) in advancing financial inclusion. The study highlights strategies to improve underprivileged populations' access to financial services in rural and semi-urban areas, with a particular focus on the SLBC's offerings. The research analyses the state of financial inclusion in Gujarat today and assesses the advancements made possible by noteworthy initiatives and digital banking programs meant to close the financial divide. The results show significant progress in spreading banking penetration and improving financial literacy, but they also highlight ongoing issues like regional disparities and technological impediments to wider financial services accessibility. In the end, this study sheds light on the intricate relationships between financial inclusion and Gujarat and emphasizes the necessity of stakeholder collaboration in order to guarantee fair access to financial resources. The state can attain comprehensive financial inclusion that empowers people and promotes economic growth by implementing focused interventions and maintaining a persistent commitment.



Keywords: Financial inclusion, SLBC, Digital banking

INTRODUCTION:

Financial inclusion has become a critical aspect of economic development, particularly in developing countries such as India. This concept involves ensuring that individuals and businesses, irrespective of their income levels or geographical location, have access to affordable and essential financial services, including savings accounts and credit, insurance, and payment systems. The significance of financial inclusion lies in its potential to alleviate poverty, promote economic growth, and empower marginalized communities by integrating them into the formal financial system. In India, the government, along with the Reserve Bank of India (RBI), has undertaken substantial measures to advance financial inclusion throughout the nation. One of the primary instruments employed at the state level to execute these initiatives is the state-level banking committee (SLBC). The State Level Bankers' Committee (SLBC) serves as an essential inter-institutional forum established to enhance coordination among various financial institutions within a state. Formed in April 1977, it was created to facilitate the joint implementation of development programs and policies aimed at promoting financial inclusion and economic growth at the state level. The SLBC is pivotal in addressing banking development issues and ensuring that financial services reach underserved populations.

Gujarat, one of India's most economically advanced states, has a diversified economy that runs from industrial hubs to rural districts, creating both potential and obstacles for achieving broad financial inclusion. The SLBC aspires to ensure that financial services reach even the most disadvantaged groups by initiating a number of projects and cooperating with diverse partners.

The SLBC develops District Credit Plans to boost productivity, production, and job prospects in rural areas, particularly among the poorest residents. The goal is to help these people rise beyond the poverty level. Additionally, the goal of the SLBC is to encourage the balanced development of various districts and blocks within districts.



Significance of SLBC in financial Inclusion

State Level Bankers' Committees (SLBCs) have emerged as critical players in the advancement of financial inclusion in recent times, especially in light of India's efforts to build a more inclusive financial system. To improve underprivileged populations' access to financial services, SLBCs are essential venues for coordinating efforts between banks, governmental bodies, and non-governmental organizations (NGOs). As part of their complex role, they facilitate credit planning, encourage digital financial literacy, and make sure financial products are customized to fit the needs of different communities. The Financial Inclusion Framework (SLBC) has been implemented with a number of important initiatives. In 2010, the "Swabhimaan" campaign was initiated with the goal of offering banking services to more than 74,000 villages that had more than 2,000 residents. A five-kilometer radius around every village should have access to banking, according to the National Strategy for Financial Inclusion (NSFI) 2019–2024, which was released more recently. Additionally, government-sponsored initiatives like MUDRA and Stand-Up India, as well as programs like the Self-Help Group (SHG) Bank Linkage Model, have played a significant role in closing credit gaps for MSMEs, marginalized communities, and government-sponsored agriculture. A scientific approach to credit planning and ongoing monitoring of the projects' results are recommended for SLBCs in order to further increase their efficacy.

LITERATURE REVIEW:

(Gokhru, 2023) this study focused on the impact of Self-Help Groups (SHGs) on women's financial inclusion in India. Statistical tests showed that the Financial Inclusion scheme did not significantly affect the saving habits of respondents. However, the study highlighted that SHGs can help integrate women into mainstream financial services, especially in rural areas vulnerable to financial fraud.

(Sheetal Gehlot, 2023) this paper discusses the importance of financial inclusion in India, focusing on providing financial services to all sections of society. It highlights the benefits of financial inclusion at both macro and micro levels, such as increasing credit availability,



reducing inequality, and promoting savings. The study also addresses the progress, challenges, and recommendations for further enhancing financial inclusion in India.

(Yadav, 2023) in her paper “FINANCIAL INCLUSION IN RURAL ECONOMY: EXPERIENCES AND THE WAY FORWARD” research aim is to investigate the current state of financial inclusion in rural economies and evaluate the effectiveness of related policies, particularly in non-urban areas. The Reserve Bank of India (RBI) and the Government of India (GoI) have made significant efforts to enhance banking accessibility and promote financial inclusion by ensuring all adult citizens have bank accounts. The research seeks to answer questions such as: Have banking services reached rural areas? Have disadvantaged and low-income groups in rural areas benefited from banking facilities for their financial transactions? What factors influence access to financial services? The study employs an empirical research strategy to measure the extent of financial inclusion, with its scope limited to rural and unbanked areas of Gujarat's Kachchh district.

(Ramesh, 2022) his study explored the financial inclusion measures implemented by the Indian government, focusing on initiatives like the Pradhan Mantri Jan Dhan Yojana (PMJDY), Direct Benefit Transfer (DBT), digital payment systems, small finance banks, and financial literacy campaigns. It discusses the objectives, implementation strategies, achievements, and challenges of these measures, emphasizing the transformative impact on marginalized populations. The study underscores the importance of collaborative efforts among government bodies, financial institutions, technology enablers, and civil society organizations for sustainable financial inclusion.

(Arun, 2021) in his studies role of technology in promoting financial inclusion in India. It highlights the importance of leveraging technology, such as mobile banking, ATMs, electronic payments, and business correspondent models, to reach unbanked populations. The paper emphasizes the need for innovative technological solutions to overcome barriers to financial services access and achieve greater financial inclusion.



(Bambuwala & Shukla, 2017) the literature review highlights significant strides in financial inclusion initiatives in rural Gujarat, driven by programs like PMJDY and the BC model. However, persistent challenges such as financial illiteracy, inadequate banking infrastructure, and gender disparities continue to hinder progress. The review underscores the necessity for targeted improvements in financial literacy, infrastructure expansion, and strategic operational enhancements to achieve comprehensive financial inclusion.

(Nanjibhai, R. D., & Ranparia, B., 2013) stated that Banking sector-led initiatives, including account opening campaigns, mobile banking services, and financial literacy programs have played a crucial role in advancing financial inclusion. Government policies such as the Jan Dhan Yojana scheme and Direct Benefit Transfer programs have significantly supported these efforts. Despite progress, challenges remain, including infrastructure limitations, barriers to technology adoption, and cultural obstacles. The impact of financial inclusion initiatives in Gujarat has been notable, with improvements in savings behaviour, credit accessibility, and economic empowerment indicators.

OBJECTIVE:

1. To analyse the various financial inclusion initiatives implemented by the banking sector in Gujarat.
2. To evaluate the progress and current status of financial inclusion in Gujarat.

RESEARCH METHODOLOGY:

The majority of the data used in this study came from secondary sources. The secondary data came from websites, economic surveys, papers, journals, State Level Banker's Committee papers, NABARD Supplementary Statements. The study's primary data was gathered through informal conversations with a range of bank executives, NABARD officials, business correspondents, etc. Talks about different approaches have only taken place in Gujarat. These conversations included consultations with relevant banking personnel from top and middle management.



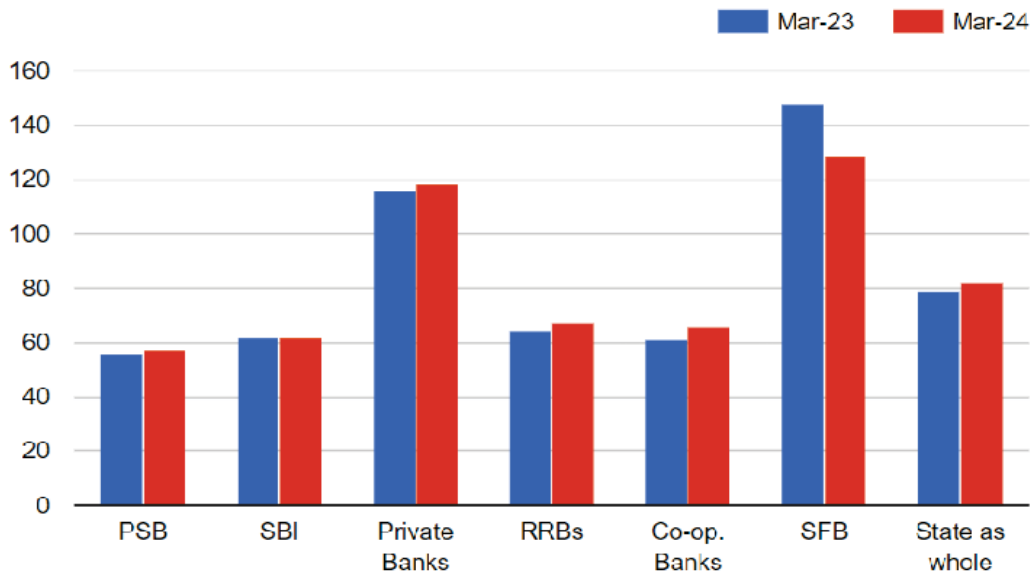
RESULTS AND DISCUSSION:

Banking/Financial Sector Profile of Gujarat State:

The banking and financial sectors of Gujarat are characterized by strong and diverse institutions that contribute greatly to the state's economic development. This sector consists of public, private, regional rural, and cooperative banks, providing wide-ranging financial services. The State has made significant progress in promoting financial inclusion and has taken various delivery models to reach unbanked populations, including business correspondents. In addition, the banking landscape is supported by a strong emphasis on loans in the priority sector, especially in agriculture and micro, small and medium-sized enterprises (SMEs).

Banking Profile of The State		Public Sector	Private Sector	RRBs	Cooperative Bank	Total
	banks	12	21	3	18	54
branches	4917	2901	289	241	8348	
Branch Network		Rural	Semi Urban	Urban	Total	
		1669	2172	4507	8348	
Banking parameters (in lakhs)	Total Deposits	Total Advances	C.D. Ratio	Advances to Priority Sector	Percentage of Priority Sector advances to total advances	
	124277289	101621571	81.77	50709264	49.9	
		Advances to Weaker sections	Share in total Advances (%)	Agriculture Advances	Share in Total Advances (%)	
	25316063	24.91	13256356	13.04%		

Bank group-wise CD Ratio



Sources: SLBC

The table compares the credit-deposit ratios of different banking groups between March 2023 and March 2024. Public Banks (PSBs) and SBI showed a slight increase in CD ratios, from about 60 percent in March 2023 to about 65 percent in March 2024, indicating a conservative approach to lending. The CD ratio of private banks has fallen from 110 percent to 95 percent, reflecting the aggressive lending, but with moderate measures. Regional rural banks (RRBs) and cooperative banks maintain a stable CD ratio of between 60 and 65 per cent, demonstrating consistent lending practices. Small financial institutions (SFBs) have the highest CD ratios, but the CD ratio has declined significantly from 150% to 120%, showing a reduction in lending or an increase in deposits. Overall, the state as a whole has experienced a moderate increase, ranging from 70 percent to 75 percent. Small financial banks (SFBs) have the highest CD ratio, which means that they are most effective in converting deposits into loans and that they manage a large percentage of deposits compared to their loans.

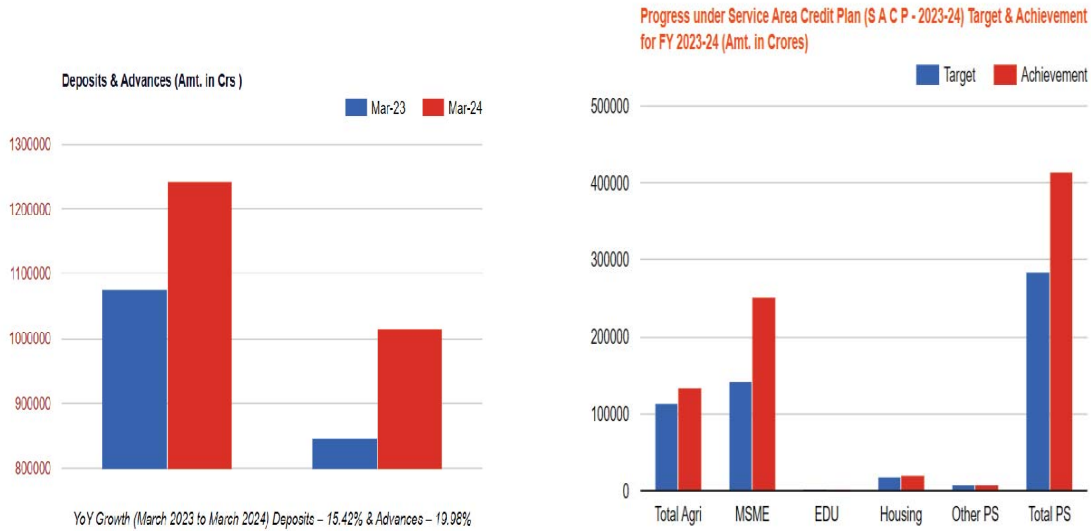


CHART -2 & 3

Sources: SLBC

The second chart compares the target and actual credit payments in different sectors under the Service Area Credit Plan (SACP) for the period 2023-24. The MSME sector significantly exceeded its credit target, surpassing its target of 220,000 crores against a target of 180,000 crores, highlighting its priorities. The agricultural sector also did well, almost achieving its target of 120,000 crores. However, the education and housing sectors experienced slightly less success, reflecting the lower focus or demand. Overall, the total credit allocations to the priority sector exceeded the target, driven mainly by strong performance in MSME loans. The third chart highlights strong overall financial performance, both deposits and advances show considerable growth. Higher rate of loan growth (19.98%) compared to deposit (15.42%) suggests that banks are actively using more deposits to extend credit, which may support economic activity and expand their loan portfolio. The growth strategy focuses on increasing profitability by lending while maintaining strong deposit growth.



Key Financial Inclusion Initiatives by SLBCs

- Opening bank branches in unbanked villages and setting up CBS based bank branches in unbanked rural area.
- Reviewing business correspondents' operations and removing hurdles/problems
- Increased digital payment methods, providing connectivity, installing ATMs and PoS machines, implemented electronic receipts and electronic payments
- Financial literacy included in the curriculum
- Financial literacy initiatives undertaken by banks, especially digital financial literacy
- Awareness created about various schemes, subsidies, facilities like crop insurance and renewable energy
- Monitoring Loan Disbursement
- Verified performance under Annual Loan Scheme and Priority Sector Loans
- lending to government sponsored schemes like DAY-NRLM, NULM, PMEGP, MUDRA, Stand-Up India
- Leveraging technology to promote effective stakeholder coordination through digital dashboards and MIS monitoring
- Promoting a decentralized approach by engaging gram panchayats, civil society and NGOs to accelerate financial inclusion
- Collect data electronically and leverage geospatial information technology for robust monitoring with focus on emerging districts, North Eastern region and left-wing extremist affected districts
- Develop a monitoring framework and GIS dashboard by March 2022

FINDINGS:

- In FY 2022-23, bank deposits in Gujarat reached ₹10.76 lakh crore, up 11% over the previous fiscal.
- Six of the top ten districts with the highest deposits are in the center and in the south Gujarat contributes 33.26% of the total deposits. The major districts include Vadodara, Anand, Bharuch, Surat, Navsari and Valsad.



- Major cities like Ahmedabad, Vadodara, Surat, Rajkot and Gandhinagar account for 62% of the total deposits with Ahmedabad alone holding 28.8% at ₹3.1 lakh crore.
- Smaller centers witnessed a significant inflow of NRI- Deposits driven by higher interest rates (up to 7.5%) following repo rate hikes by the Reserve Bank of India.
- The Gross Non-Performing Assets for Micro, Small and Medium Enterprises (MSMEs) fell 10% from ₹9,326 crore in FY2022 to ₹8,432 crore in FY2023, indicating improved repayment options.
- Advances to MSMEs increased by 17%, from ₹ 2.13
- NPAs of banks in Gujarat fell to ₹35,850 crore in the first quarter of FY2024, down 16% from ₹42,700 crore in the same quarter of fiscal 2023, touching a three-year low of ₹10,000.
- Progress in priority sectors, including MSMEs, stood at ₹4.33 lakh crore, indicating a strong focus on these sectors.
- SLBC aims to provide banking access to every village within 5 km, in line with the objectives of the National Strategy for Financial Inclusion (NSFI).
- Regular quarterly meetings of the SLBC are critical for discussing bank performance and addressing public policy issues.
- Overall economic performance has improved, resulting in better corporate profits and improved loan repayment ability of companies.

RECOMMENDATION:

To ensure a unified approach in credit planning and service delivery, SLBCs should strengthen their coordination with government agencies and non-governmental organizations. Enhancing access to financial services can be achieved through this coordination by helping to customize financial products to the unique requirements of marginalized communities.

Providing people with the tools they need to make effective use of the financial services that are available requires a strong emphasis on digital financial literacy. SLBCs ought to start offering training courses that teach people about online transactions, digital banking tools, and managing personal finances.



By putting data-driven strategies into practice, credit planning can help pinpoint service delivery gaps and underprivileged industries like agriculture and micro, small, and medium-sized businesses (MSMEs). This strategy will make resource allocation more efficient and improve the results of financial inclusion programs.

SLBCs should make sure that a wide range of financial services, such as investment products, credit, insurance, and savings, are provided. Addressing the various needs of low-income households and promoting economic empowerment require this expansion. It's critical to set up a strong framework for keeping an eye on the results of financial inclusion initiatives.

CONCLUSION:

One of the key organizations in Gujarat's quest for financial inclusion is the State Level Bankers' Committee (SLBC). Its initiatives aim to "connect people" to a wider range of financial services that will economically empower them, rather than just increasing the number of bank accounts. This strategy is especially important in a state where a sizeable section of the populace, particularly in rural areas, is still unbanked or underbanked. To successfully implement the Financial Inclusion Plan, the SLBC has worked hard to coordinate efforts among diverse stakeholders, including governmental organizations and financial institutions. Gujarat has made significant strides in this direction, indicating a real desire on the part of the government and banking organizations to promote a financial ecosystem that is inclusive. Millions of bank accounts have been opened thanks to programs like the Pradhan Mantri Jan Dhan Yojana (PMJDY), greatly expanding access to banking services. Though these are encouraging developments, it is important to remember that the main objective of financial inclusion is still to guarantee that everyone, especially members of underserved communities, has access to suitable financial products and services without becoming a victim of dishonest business practices.

Even with these developments, problems still exist. There is still great concern about the possibility of vulnerable populations being taken advantage of by unofficial lenders. To protect against such practices, banks that operate in Gujarat must constantly review and reorganize their strategies. This entails making sure that their operations are transparent as well as actively



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interacting with communities to foster awareness and trust about financial services. Increased financial literacy campaigns and outreach initiatives are necessary, especially in rural areas where there is often a lack of knowledge about banking products. Furthermore, by filling in the gaps in financial literacy and accessibility, the SLBC needs to concentrate on improving the efficacy of its initiatives. The dearth of financial literacy centers in rural areas currently hinders efforts to inform prospective customers about the banking services and products that are available. Through the establishment of additional centers and focused outreach initiatives, the SLBC can aid in closing this knowledge gap and equipping people with the skills necessary to make wise financial decisions. In summary, even though Gujarat has made great progress toward inclusive growth thanks to the SLBC's initiatives, a lot more work needs to be done. All parties involved in financial inclusion must have an unwavering commitment as they navigate its complexities. By encouraging teamwork, guaranteeing moral behavior in banks, and placing an emphasis on outreach and education.



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