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IMPACT OF INDIAN COMMERCIAL BANKS IN FINANCIAL INCLUSION

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ABSTRACT India is a developing country in financial inclusion sector. Commercial banks play a vital role in the economic development of a country like India. Indian economy in general and banking services in particular have made rapid strides in the recent past. However, large ratios of Indian population are very week in the terms of economic. Particularly the most sensitive groups, like weaker sections and low income groups are unaware and unknown for this services even the most basic opportunities and services provided by the financial sector. They have not much more knowledge about banking system. To address the issue of such financial exclusion in a holistic manner, it is essential to ensure that a holistic approach of financial services is available to every individual. A predominant role is being played by financial inclusion policy for inclusive growth all over the world to transform financially excluded population, vis-a-vis one third is populated in India is also unaware of these facilities. Financial inclusion is originated from the initiatives of United Nations, which extensively reported the key goals of the policy as access to cover a wide range of financial services at all sector at any payable cost, which started its operation effectively in India in the year 2015-16.

KEYWORDS : financial inclusion programme, commercial banks, financial inclusion, India.

INTRODUCTION

In the context of the Government of India and the Reserve Bank of India have been making mutual efforts to promote financial inclusion as one of the important and major national objectives of the country. With the help of mutual concern they make better policy in the reference of untouched population. Some of the major policy made in the last five decades including - nationalization of banks, enhancing the bank branch network of scheduled commercial banks, co-operatives bank and regional rural banks, introduce their mandated priority of this sector select on the targets groups, others bank scheme benefit, formation of self-help groups, permitting BCs/BFs to be appointed by banks to provide door to door delivery of banking services in financial inclusion, zero balance BSBD accounts, and JANDHAN yojana etc. The fundamental objective of all these initiatives is to provide the financial services to the large section of the hitherto financially excluded Indian population.

Various financial experts argue that bank account is the most basic step of bringing such people under financial mainstream. So the primary and main objective of this yojana is open the bank account of that population which section of people have no account in any bank. These people have remained aloof from financial and banking mainstream and they do not possess bank account, do not have any knowledge about financial inclusion and saving of their money are unable to reap benefits on whatever large or small amount of money they have at their disposal. In simple language financial inclusion becoming stand position of that people lying on the lowest status level of our social pyramid into the financial mainstream.

Financial inclusion is work for enhancing to the poor, untouched and needy people by providing them the customized financial products and services. This leads to inclusive growth encompassing the deprived and marginalized sections. This study intends to look at the changes occurred in conditions of India by considering the appropriate variables to test. Back in the 1980's, at the time of Prime Minister Late Shri Rajiv Gandhi says that in the context of every one rupee spent on development only 15 paise reach at the poor people. Reserve Bank of India set up the Khan Commission in 2004 to look into financial inclusion and the recommendations of the Commission were incorporated into the mid-term review of the policy (2005-06) and urged banks to review their existing practices to align them with the objective of financial inclusion. In 2005, the Planning Commission found that the government spends on the Targeted Public Distribution System only 27 paisa reaches to the poor. However, they have progress is far from satisfactory level as evidenced by the World Bank Index Survey (2012). According to the survey findings, only 35 percent of Indian adults had access to a formal bank account and 8 percent borrowed formally. Only 2 percent of adults used an account to receive money from a family member living in another area and 4 percent used an account to receive payment from the Government. In the introduction of a universal and targeted public distribution system (PDS), the policy for employment in rural areas began through the National Rural Employment Guarantee Scheme (NREGS), the implementation of the project to bring the population under a Unique Identification Number (AADHAR) and the Direct Benefit Transfer (DBT) Scheme in 2015 are the most recent measures by the government to realize inclusive growth targets. The NDA government focus on the NREGA scheme and they pass amount Rs. 48 thousand crore. The present study attempts to assess the financial inclusion in India and analyses the trends and patterns of economic inequality across Indian states. The basic problem here is to make understand the dynamics of growth in the country which is resulting in regional imbalances and propose measures for alleviating the problem.

REVIEW OF LITERATURE

According to Rao,N,N,D,S,V(2010)3, in his research paper, "Financial inclusion- Banker's perspective", done with the objective of suggesting a suitable structure to implement financial inclusion, advocated to the banks/RBI should conduct awareness camps about financial inclusion to the bank staff. And also he found out that banking to the poor is not poor banking. There is lot of potential to get business from the people at the bottom, as amply shown by the self help group movement in the past ten years or more. It should be imbibed in the minds of operating functionaries.

According to Dr. Rao S,K, in his article(2010)4, "Nationalization of banks – An anchor for financial inclusion", had substantiated that the act of nationalization of banks way back in 1969 has contributed towards achieving inclusive growth within the country. He uses data mainly from the publication of RBI to underline the fact that banking development after nationalization has paved the way for penetration of banking into rural and unbanked areas. He also points out that, despite nationalization and massive branch expansion, the challenges of financial inclusion could not be fully met by the banking sector alone and there is need for identifying new channels to achieve full inclusive growth in the country.

According to Dr. Swamy, V and Dr. Vijayalakshmi (2010)5, in their article, "Role of financial inclusion for inclusive growth in India-issues and challenges" claimed that importance of financial inclusion arises from the problem of financial exclusion of nearly three billion people from the formal financial services across the world. India has 135 million financially excluded households, the second highest number after China. Through graduated credit, the attempt must be to lift the poor from one level to another, so that they come out of poverty. They identified twenty one steps for twenty first century financial inclusion. There is a need for co-ordinated action between the government and others to facilitate access to bank accounts among the financially excluded.

According to Badajena, S, N and Prof. Gundimeda, H (2010)6 "Self help group bank linkage model and financial inclusion in India" this research is conducted to study the impact of self help group linkage programme in achieving financial inclusion across sixteen states for the period 2008. The researchers found out that in spite of the increased spread of formal banking network in the recent past, access to basic financial services are still beyond the reach of large sections of society. Self help group bank linkage model exhibits the potential to provide an alternative mechanism to extend financial services to large unbanked sections of the society.

OBJECTIVE OF THE STUDY

1. Financial inclusion with commercial banks in India.
2. Analysis of the trend and patterns of digital financial inclusion.
3. To understand the dynamics growth in the country.
4. To study the Direct Benefit Transfer in financial inclusion.

Phases Of Financial Inclusion :(Evolution and sustainable growth of Commercial Banks)

A. 1950-1970: consolidation of the banking sector and facilitation of Industry and Trade.
B. 1970-1990: focus on channeling of credit to neglected sectors and weaker sections.
C. 1990-2005: focus on strengthening the financial institutions as part of financial sector reforms.
D. 2005- 2015: financial inclusion was explicitly made as a policy objective.

Growth in Outreach 1951-91

This financial inclusion position start and become famous in 1951-52, commercial banks came a long way with a substantial spread of 32,224 branches in rural and semi-urban areas comprising 68% of their total outlets as on 31 March 1991. The outstanding deposits of such branches at Rs.67,855 crore as on the same date constituted around 35% of their total deposits, while loans outstanding at Rs. 43,797 and crore section 36% of outstanding credit. The agricultural advances of the commercial banking system aggregated Rs.16,687 crore and constituted 14% of total advances in March 1991. The rural branch vis-a-vis semi-urban branches of commercial banks are covered 17.6 crore deposit accounts while the number of loan accounts serviced aggregated 3.7 crore. This is a starting level of introducing the financial inclusion in India.

Growth during 1991-92 to 2003-04

In the period of 1991-92 has seen a fairly rapid expansion of credit to agriculture and other growing sector. Growth rate indicate that the flow of credit to agriculture by commercial banks and RRBs taken together increased to Rs. 60,022 crore in 2003-04.This implies annual growth rate of this sector was 22.2%. In fact, as compared with commercial banks (including RRBs), the flow of credit from the cooperative sector was much slow rate in this period. The compounded annual growth rate of credit for agriculture from cooperative services and institutions was only 13.7%. Further, the proportion of agriculture credit to total credit became decrease because the main root problem was the rapid growth in non-agriculture credit. The Government took some major initiatives during this period to enhance in the agriculture production and boost in productivity through enhanced credit flow and by way of building agricultural infrastructure, particularly irrigation and connectivity in rural areas.

The Self Help Group – Bank Linkage Programme was start at the level of top most project by NABARD in 1992. It led to the evolution of a set of RBI approved guidelines to banks to enable SHGs to transact with banks. Initially there was slow rate of progress in this programme up to 1999 as only 32,995 groups were credit linked during the period1992 to 1999. After that the programme has been growing rapidly and the cumulative number of Self Help Groups financed increased from 4.61 lakhs on 31 March 2002 to 10.73 lakhs on 31 March 2004 and further enhance to 29.25 lakh groups as on 31 March 2007. In this period the growth in financial inclusion very fast.

Financial inclusion with commercial banks in India:

This dynamic thinking given the opportunity to financial access varies widely around the world, and that expanding access remains an important challenge face even in advanced economies, it is clear that there is much for policy to do in this area. It is not enough to say that the policy will provide. Policy may failures related to information gaps, flow of information, the need for coordination on collective action, and concentrations of poor people to give, mean that banks in India everywhere have an extensive role in supporting, regulating, and sometimes directly intervening in the provision of financial services.

Financial inclusion is one of the top most policy priorities of the Government of India. Ever since the NDA government has come into power in 2014 in the centre, one of the most visible aspects of the governance has been agenda of social inclusion of which financial inclusion is an integral part. NDA government focus on the opening account in the bank with ***'Pradhan Mantri Jan Dhan Yojana'.*** This scheme become very successful in the plan of financial inclusion in whole India. By 1 February 2017, over 27 crore (270 million) bank accounts were opened and almost Rs. 665 billion were deposited under this scheme. Taking cue from the state proclivity towards inclusive growth agenda, the Reserve Bank of India (RBI) has taken a proactive role in ushering the enabling environment for expediting financial inclusion across length and breadth of the country through bank led model. To reach out at 400 million plus unbanked population take profitability is the single most important challenge faced by the different financial banks and multi stakeholders, particularly banks and delivery channels.

Statistical report on financial inclusion:

Number of no-frill accounts	4.15crore (as on June 30th 2009)
Number of rural bank branches	31727 constituting 39.7% of total bank branches(as on June 30, 2009)
Number of ATMS	47953 (as on July 31, 2009)
Number of POS	522148(as on July 31, 2009)
Number of Cards	173 million (as on July 31, 2009)
Number of KCC	76 million(source: CMIE publication 2007-08)
Number of GCC issued by PSBs	152824(as on March 31, 2009)
Number of mobile phones	403 million(as on April 30, 2009)- out of which 187 million (46%) do not have a bank account (source: Cellular operators Association of India)

Source: paper presented by deputy governor, RBI (at September 18, 2009)

Digital financial inclusion

The financial lives of affluent households are entrenched in digital financial system which facilitates the process of their economic activity cheap and ease to remit or receive money. Their money is transacted in digital, by click of a button. Conversely, poor people are not availing this system, as they store their valuables by means of physical assets like cash, precious metals and/ or livestock.

The process of financial inclusion has three aspects which are referred as clouds by Reference. It was stated that first aspect is physical cash cloud which is operated by the existing poor people, a

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traditional cash management system. Secondly, virtual account operated through e- money and thirdly neither physical nor virtual but psychological, where people plan their financial life through thought process of brain. Blending traditional and virtual clouds reveals access and mixture of virtual and psychological cloud leads to usage of financial system.

It is evident that the extension of payments through digital platforms offers the opportunity to connect the needy with service providers. Nevertheless, this system will not automatically pull in the people to save the money but it pave the way to embed the systems of automated financial process like deposits, scheduled reminders and other financial activities.

Digital financial inclusion highly insists on poor people because it directly reaches for the welfare of needy through appropriate channels and provides access to basic account, payment connections to peers, institutions, governments and enhanced financial services.

Number of ATMs in the country as on 31st March, 2013

	Rural	Semi-Urban	Urban	Metropolitan	Total
Public Sector Banks	8552	18445	22518	20137	69652
Old Private Sector Banks	768	2760	2354	1684	7566
New Private Sector Banks	2214	6484	10995	15842	35535
Foreign Banks	30	21	244	966	1261
Total	**11564**	**27710**	**36111**	**38629**	**114014**

Source: RBI at September 18, 2013

Direct Benefit Transfer (DBT)

For the rapid development of Indian economy the major component is DBT Scheme is to ensure that money under various developmental schemes reaches beneficiaries directly and without any delay. DBT Scheme is powerful project which is provided by financial institution. The scheme has been launched in the India from January, 2013 and has been rolled out in a phased manner, starting with 26 social welfare schemes, in 43 districts all over India. The scheme is now being extended to additional 78 districts and additional 3 schemes from 1st July, 2013 and would be extended to the entire country in a phased manner. The Government has also started the transfer of cash subsidy for domestic LPG cylinders to Aadhaar linked bank accounts of the customers with started from 1st June 2013 in all districts of State. Near about 75 lakh people got beneficiaries would be benefitted in these districts.

Banks play a key role in implementation of DBT and this involves four important steps, viz.

(i) Opening of accounts of all beneficiaries.
(ii) Register of bank accounts with Aadhaar number and uploading on the NPCI.
(iii) Undertaking funds were transfer using the National Automated Clearing House - Aadhaar Payment Bridge System (NACH-APBS).
(iv) Strength of banking infrastructure to enable beneficiary to withdraw money.

Banks are ensuring that all beneficiaries have a bank account. All Public Sector Banks (PSBs) and RRBs have made provision for Aadhaar seeding in the CBS. All PSBs have also joined the Aadhaar Payment become role as a Bridge of National Payments Corporation of India (NPCI). Banks are also issuing debit cards to beneficiaries. Banks have also started this routine to enhance the banking infrastructure and providing business correspondents in areas, which were so far unsaved.

Banks have also been advised to provide the ATM in all the financial bank branches in selected districts and issuance Debit Card to all beneficiaries for him / her to withdraw the money as per his convenience.

CONCLUSION

For the success of the financial inclusion initiative what is important is to provide banking services at an affordable cost to the disadvantaged and low income group. Commercial banks have to perform a vital role in this regard. However the road towards 100% financial inclusion is yet to complete. Important areas of financial inclusion performed by commercial banks are: 1. Financial literacy, 2. Credit counseling, 3. BC/BF model, 4. KYC norms, 5. KCC/GCC, 6. No-frill accounts, 7. Branch expansion, 8. Mobile banking, 9. E-Banking, 10. Direct Benefit Transfer (DBT) and other measures such as micro insurance, micro- credit etc. this financial scheme helps of population for involving in the literacy level for enhancing the knowledge of financial inclusion in India.

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