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"OVERVIEW OF FINANCIAL INCLUSION IN INDIA"

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ABSTRACT *Financial inclusion is the delivery of financial products and services which allows people to effectively manage their level of income or social status at reasonable cost. Indian economy in banking and general services has made rapid strides in the recent past. In the present economy need high economic growth and participation of all section of society. A large population size particularly the vulnerable groups, weaker sections, low income groups provides a savings bank account or a loan at lowest interest by the financial sectors. The objectives of financial inclusion are to deliver banking services at a reasonable cost to vast sections of income group. Government's decisions to provide essential financial services like-credit, savings, insurance etc it is clear from that Indian growth is not inclusive. Financial inclusion has provided inclusive financial system. The present study is based on various dimensions of financial inclusion and to know the positions of India in financial inclusion compared with other country and find out the strategies implanted by governance of RBI to the financial inclusion.*

KEYWORDS : Financial inclusion, Financial system in India, Financial services.

INTRODUCTION

Financial inclusion in the sense of extending banking products at an affordable cost to the vast sections of disadvantaged and low income groups is not new to India. For more than three decades ,after nationalization of major commercial banks in 1969, total number of branches of scheduled commercial banks increased from 8,321 in the year 1969 to 68, 681 and of *March 2006 and reduction of the average population per branch office from 64,000 to 16,000 during the same period. Therefore these banks have still not been able to reach a vast segment of the population and provide them with banking services. Growth has also not been uniform across all the regions/states of the country and still continues to be wide gaps in the availability of banking services in the rural areas. Financial inclusion is intended to connect people with banks for consequential benefits. Financial system plays its due role in promoting indusive growth which is one of the biggest challenges facing the emerging economies. A well functioning people contribute to development and protect themselves against economic shocks.

MEANING OF FINANCIAL INCLUSION

Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable growth such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players.

DEFINITIONS

Financial inclusion 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 such as at an affordable cost (The committee on financial inclusion C.Rangarajan)

REVIEW OF LITERATURE

Kanta(2014) find out that financial inclusion is not possible in India by the creating investment awareness without significantly improving the investment opportunities. Financial inclusion is the road; India needs to travel becoming a global player. Through the financial inclusion more people access to global market and results in increasing employment and business opportunities.

(Anurag B.singh and Priyanka Tandan) Financial inclusion defined terms of exclusion from the financial system. The financial services include-savings, loans, insurance, credit, payment etc. The financial system has provide its function of transferring surplus units are those with low incomes, poor backgrounds access to financial services such as savings, insurance and development. In order to achieve goal of total financial inclusion, policymakers, banks, MFIs NGOs and regulations have together cooperating with other stakeholder, policymakers who believe that microfinance can help them to speed to financial education progress and allow their citizens to realize the economic potential of microfinance.

Vipin Kumar Aggarwal (2014) studied the overview the growing financial inclusion in India. Positive relationship between financial inclusion and economic growth. Financial services also tend to distribute economic opportunities more broadly, particularly among poorer household and business. India is at moderate level of financial as compared to other countries. Inclusive growth is possible only through proper mechanism which channelizes all resources from top to bottom.

Mohit Kumar and Kushendra Mishra (2014) financial inclusion has measurable results which can definitely guide people to get an access to formal financial system which will help to get out of the poverty trap. USA, KOREA and U.K is a strong country in financial inclusion according to India. The focal point will always resolve around the common people as they are the most informative medium for the transfer of economic surplus.

V.Ganeshkumar(2013)branch density in a state measures the opportunities for financial inclusion. Creating investment awareness and key tool for financial inclusion.

Anupama Sharma and Sumita Kukreja(2013) define the financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker section and low income groups at an affordable cost and also find out the need of financial inclusion in economic objective, mobilisation of savings, larger market for financial system, social and political objective. Accounts with deposits of less than Rs 50,000 and issued General credit cards (GCCs) are issued. RBI permitted commercial bank to make use of the services of non-government organisation (NGOs) micro finance institutions and other civil society organisation. Find out forthcoming plan of banks for financial inclusion- FIPs, KCCs, GCCs.

OBJECTIVE OF THE STUDY

- To compare India with most of the developing countries on financial inclusion.
- To find out the need of financial inclusion in India.
- To know the policy of Reserve Bank of India to support the financial inclusion.
- To find out the challenges to be faced by country supports the financial inclusion.

RESEARCH METHODOLOGY

Research methodology is partly descriptive partly exploratory and partly casual. The present study in based on secondary data and secondary data source is collected with the help of books,

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magazines, RBI reports and NABARD reports etc.

WHY THE FINANCIAL INCLUSION IS IN NEED

There are many objective related to the need of financial inclusion

- Economic objective:- for the growth of all sections of society in terms of incomes and savings, financial inclusion can serve as a boom for the undeveloped and developing nations
- Social objective:- financial inclusion help in reducing the gap between the weaker section of society and rich society to provide loan and advances and also help in reducing poverty
- Political objectives:- financial inclusion also provide effective direction to the government and they make their programmes based on these directions.
- Mobilisation of savings:- financial inclusion provided facility of services and savings of weaker section. Through this, mobilisation of savings effectively utilised for the capital formation and growth of the economy.
- Larger market for the financial system: - financial system open up the avenue for the new players in the financial sectors to serve the requirements and need of large section of society.

INDIA'S POSITIONS ON FINANCIAL INCLUSION IN COMPARISION WITH OTHER COUNTRIES

Table 1: Select Indicators of Financial Inclusion, 2011

S.No	Country	Number of Bank Branches	Number of ATMs	Number of Bank Branches	Number of ATMs	Bank Deposits	Bank Credit
		Per 1000 KM		Per 0.1 Million		as % to GDP	
1	India	30.43	25.43	10.64	8.9	68.43	51.75
2	China	1428.98	2975.05	23.81	49.56	433.96	287.89
3	Brazil	7.93	20.55	46.15	119.63	53.26	40.28
4	Indonesia	8.23	15.91	8.52	16.47	43.36	34.25
5	Korea	79.07	...	18.8	...	80.82	90.65
6	Mauritius	104.93	210.84	21.29	42.78	170.7	77.82
7	Mexico	6.15	18.94	14.86	45.77	22.65	18.81
8	Philippines	16.29	35.75	8.07	17.7	41.93	21.39
9	South Africa	3.08	17.26	10.71	60.01	45.86	74.45
10	Sri Lanka	41.81	35.72	16.73	14.29	45.72	42.64
11	Thailand	12.14	83.8	11.29	77.95	78.79	95.37
12	Malaysia	6.32	33.98	10.49	56.43	130.82	104.23
13	UK	52.87	260.97	24.87	122.77	406.54	445.86
14	USA	9.58	...	35.43	...	57.78	46.83
15	Swtzerland	84.53	166.48	50.97	100.39	151.82	173.26
16	France	40.22	106.22	41.58	109.8	34.77	42.85

Source: Financial Access Survey, IMF; Figures in respect of UK are as on 2010

From the above table 1 it can be observed that in our country, financial inclusion measured in terms of bank density, ATM density, bank credit to GDP and bank deposit to GDP is quite low as compared to other country. As per census 2011, only 68.43% in bank deposit and 51.75% bank credit.

FINANCIAL INCLUSION IN INDIA

India has a long history of banking development. After Independence, the major focus of the government and RBI was to develop a sound banking system which could support planned economic development through mobilization of resources/ deposits and channel them into productive sectors. Government's desires to use at the core of most policies at formulated after independences. In India first in 2005,financial inclusion featured by a pilot project in union territory of Pondicherry by Dr. K.C. Chakraborthy, the chairman of Indian bank.

The organised financial system comprising commercial banks, regional rural bank (RRBs), urban co-operative bank (UCBs), primary agricultural credit societies (PACSs) and post offices creates the needs of financial services for other people.

In addition to this, know your customers (KYC) norms were relaxed for people to open account with annual deposits of less than Rs. 50,000. General credit card(GCCs) were issued to the poor to help them access easy credit. MFIs , self-help groups (SHGs) also meet the financial inclusion services requirements of the people segment, forth more development of institutional framework. In recent years, people focused on new models of expanding financial services involving credit dispensation using multiple channels such as civil society organisation (CSOs), non-government organisation (NGOs), post offices, farmer clubs and panchayats as business facilitors/ correspondents specifics in order to promote financial inclusion in India.

RBI POLICY TO INITATIVES-FINANCIAL INCLUSION

After independence, the major focus of the RBI and government was to develop a effective banking system in India which could support economic development. RBI has also taken several measures to achieve greater financial inclusion in India ,some of these are following measures :

- Easy credit facilities: - RBI has provided information to bank for introducing General Credit Card (GCCs) Rs 25,000 at both rural and semi-urban branches.
- Other rural intermediaries :- RBI are permitted to bank to use other rural organisation like- non- government organisation(NGOs), self-help groups(SHGs), microfinance institutions etc. coming financial inclusion in India.
- Basis savings bank deposit (BSBD):-RBI has advised to banks to offer open accounts with minimum balances, deposit and withdrawal of cash at bank branch and ATM, receipts/credit of money through ATM, providing facility of ATM etc.
- KCC:- RBI promote and spread the Kisan Credit Card(KSSs) facilities and reduce transition cost, these scheme was introduced in 1998-1999, however the use of card was patchy with larger farmer reporting the higher usage.
- Licensing of new banks:- the present round of licensing of new banks is essentially efforts of financial inclusion in India. Innovative business models, aimed to furthering financial inclusion efforts. Financial inclusion being important criterion for procuring new bank licenses(subbarao)
- Opening of branches in un-banked rural centres:- to further step up by opening branches in rural areas so as to improve banking penetration and financial rapidly. At least 25% of the total number of branches to be opened during a year in unbanked rural centres.

CONCLUSION

For standing out on a global platform, India has to look upon the inclusive growth and financial inclusion is the key for inclusive growth. There is a long way to go for the financial inclusion to reach to the poor according to K.C. Chakrabarty RBI deputy governor "Even today to reach the fact remains that nearly half of the Indian population doesn't have access to formal financial services and are largely dependent on money lenders"

In order to achieve to goal of total financial inclusion, banks, MFIs, NGOs and regulations have to work together. Branch density in India measures the opportunities for financial inclusion for creating investment awareness is a key tool for financial inclusion. It is not only by creating investment awareness without significantly improving the investment opportunities in India

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