₹ 200 ISSN - 2249-555X

Volume : 1 Issue : 7 April 2012

Indian Journal Of Applied Research

Journal for All Subjects

www.ijar.in

Listed in International ISSN Directory, Paris.

ISSN - 2249-555X

Indian Journal of Applied Research

Journal for All Subjects

Advertisement Details

Position	B/W (Single Color)	Fore Color
Full Inside Cover	₹ 6000	₹ 12500
Full Page (Inside)	₹ 5000	-

Subscription Details

Period	Rate	Discount	Amount Payable
One Year (12 Issues)	₹ 2400	Nil	₹ 2400
Two Year (24 issues)	₹ 4800	₹ 200	₹ 4600
Three Year (36 issues)	₹ 7200	₹ 300	₹ 6900
Five Year (60 issues)	₹12000	₹ 600	₹ 11400

You can download the Advertisement / Subscription Form from website www.ijar.in. You will require to print the form. Please fill the form completely and send it to the **Editor, INDIAN JOURNAL OF APPLIED RESEARCH** along with the payment in the form of Demand Draft/Cheque at Par drawn in favour of **INDIAN JOURNAL OF APPLIED RESEARCH** payable at Ahmedabad.

1. Thoughts, language vision and example in published research paper are entirely of author of research paper. It is not necessary that both editor and editorial board are satisfied by the research paper. The responsibility of the matter of research paper/article is entirely of author.
2. Editing of the Indian Journal of Applied Research is processed without any remittance. The selection and publication is done after recommendations of atleast two subject expert referees.
3. In any condition if any National/International University denies accepting the research paper published in IJAR, then it is not the responsibility of Editor, Publisher and Management.
4. Only the first author is entitle to receive the copies of all co-authors
5. Before re-use of published research paper in any manner, it is compulsory to take written permission from the Editor-IJAR, unless it will be assumed as disobedience of copyright rules.
5. All the legal undertaking related to Indian Journal of Applied Research is subject to Ahmedabad Jurisdiction.
7. The research journal will be send by normal post. If the journal is not received by the author of research papers then it will not be the responsibility of the Editor and publisher. The amount for registered post should be borne by author of the research paper in case of second copy of the journal.

Editor,
Indian Journal Of Applied Research
8-A, Banans, Opp. SLU Girls College, New Congres Bhavan, Paldi,
Ahmedabad-380006, Gujarat, INDIA
Contact.: +91-9824097643 E-mail : editor@ijar.in

INDEX

Volume : 1 | Issue : 7 | April 2012 ISSN - 2249-555X

Research Paper Management

Financial Inclusion - Role Of Banking Industry

* Dr. K. Marutha Muthu **Ms.T. A.Tamilselvi

* Assistant Professor, Periyar University, Salem, TamilNadu

** Research Scholar, Periyar University, Salem, TamilNadu

ABSTRACT

In most developing countries, the vast majority of the population particularly low-income group people have very little access to financial services, both formal and semi-formal. As a consequence, many of them have to necessarily depend either on their own or high cost informal sector sources of finance such as moneylenders. The term financial inclusion needs to be understood in a broader perspective to mean the provision of the full range of affordable financial services, viz access to payments and remittance facilities, savings, loans, financial advisory services and insurance services by the formal services system to those who tend to be excluded from these services. Financial inclusion, the remedy for financial exclusion, is a process of facilitating and ensuring formal and affordable broad range formalized financial services/ products is easily accessible with hassle –free and at affordable costs to all sectors /segments of the vast unreached population where needed, including the vulnerable such as weaker sections and low-income groups, un-banked in far-off remotest villages, either as individuals or as groups. The financial products for the vulnerable clients may have the following categories like-

- Deposits products
- Credit products
- Micro-insurance products (life and non-life)

Keywords :

Introduction

In most developing countries, the vast majority of the population particularly low-income group people have very little access to financial services, both formal and semi-formal. As a consequence, many of them have to necessarily depend either on their own or high cost informal sector sources of finance such as moneylenders. The term financial inclusion needs to be understood in a broader perspective to mean the provision of the full range of affordable financial services, viz access to payments and remittance facilities, savings, loans, financial advisory services and insurance services by the formal services system to those who tend to be excluded from these services. Financial inclusion, the remedy for financial exclusion, is a process of facilitating and ensuring formal and affordable broad range formalized financial services/ products is easily accessible with hassle –free and at affordable costs to all sectors /segments of the vast unreached population where needed, including the vulnerable such as weaker sections and low-income groups, un-banked in far-off remotest villages, either as individuals or as groups. The financial products for the vulnerable clients may have the following categories like (i) deposits products, (ii) credit products, and (iii) micro-insurance products (life and non-life)

Objectives of financial inclusion

1. To take banking services to everybody to meet their entire savings, credit and remittance needs initially
2. To cater to the needs for all other financial products and services subsequently
3. One of the fundamental aims of comprehensive financial inclusion is to increase the outreach of the formalized well-functioning banking system to reach the unreached poor population and the unbanked areas.
4. To provide banking services to entire population residing in urban and metro areas through a functional approach
5. To involve stakeholders like non-government organization (NGOs), industry associations, mutual fund companies, and society at large.

Importance of financial inclusion

1. It is a necessary condition for sustaining equitable growth
2. It protects the poor people from the clutches of usurious moneylenders.
3. It will make possible for the governments to make payments under the social security schemes like National Rural Employment Guarantee programme (NREGA) through bank accounts of the beneficiaries, by electronic transfers. This will minimize transaction costs including leakages.
4. It provides an avenue for bringing the savings of the poor into the formal intermediation system and channels them into investment.
5. The large number of low cost deposits will offer banks an opportunity to reduce their dependence on bulk deposits and help them to better manage both liquidity risks and asset-liability mismatches.

Measures by RBI and GOI towards financial Inclusion

Banks The Reserve Bank of India (RBI) and the Government of India (GOI) have been making efforts to increase banking penetration in the country. Some of these measures are

1. Cooperative movement
2. Setting up of state bank of India
3. Nationalization of banks
4. Lead bank scheme
5. RRBs
6. Service Area Approach
7. Self Help Groups

More over, the government of India has also expressed its explicit concern on the issue of overall inclusion in the development process through its various initiatives such as the Rural Employment Guarantee Scheme, the Bharat Nirman programme, the sarva shiksha abhiyan.

Initiatives taken by RBI /Government for financial inclusion

1. Concept of no-frills accounts

Basic banking no-frills accounts with nil or very low minimum balance as well as charges that make such accounts accessible to vast sections of the population. Banks have been advised to provide small overdrafts in such accounts.

2. Relaxation on know-your-customer(Kyc) norms for opening of no-frill accounts

Kyc requirements for opening bank accounts were relaxed for small accounts in august 2005, thereby simplifying procedures by stipulating that introduction by an account holder who has been subjected to the full kyc drill would suffice for opening such accounts . the banks were also permitted to take any evidence as to the identity and address of the customer to their satisfaction .It has now been further relaxed to include the letters issued by the unique Identification Authroity of India containing details of name ,address, and Aadhaar number

3. Business correspondents(BCs) and business facilitators(BFs) Model

The Reserve Bank permitted banks to engage BCs and BFs as intermediaries for providing financial and banking services. The BCs and BFs as intermediaries for providing financial and banking services. The Bc model allows banks to provide doorstep delivery of services, especially cash in cash-out transactions, thus addressing the last-mile problem. The list of eligible individuals and entities that can be engaged as Bcs is being widened from time to time. With effect from September 2010, for –profit companies have also been allowed to be engaged as BCs.

4. Introduction of general credit cards

With a view to helping the poor and the disadvantaged with access to easy credit , Banks have been asked to consider introduction of a general purpose credit card facility Up to Rs.25,000 at their rural and semi-urban branches . The objective of the scheme is to provide hassle-free credit to banks' customer based on the assessment of cash flow without insistence on security, purpose or end-use of the credit.

5. Use of technology and micro credit

Recognizing that technology has the potential to address the issue of outreach and credit delivery in rural and remote areas in a viable manner, banks have been advised to make effective use of information and communication technology (ICT), to provide door step banking services through the BC model where the accounts can be operated by even illiterate customers by using biometrics, thus ensuring the security of transactions and enhancing confidence in the banking system.

1. Creation of funds for financial inclusion

Financial inclusion fund and financial inclusion Technology Development fund were created by Central Government for meeting the costs of development, and promotional and technology interventions. A fund of Rs. 5,000 crore in NABARD was also created to enhance its re-finance operations to short term cooperative credit institutions.

1. New branches in unbanked rural centres

To further step up the opening of branches in rural areas so as to improve banking penetration and financial inclusion rapidly, the need for the opening of more bricks-and –mortar branches, besides the use of BCs, was felt . Accordingly, banks have been mandated to allocate at least 25% of the total number of branches to be opened during a year to unbanked rural centres.

2. Banking services in unbanked villages with a population of more than 2000

Banks were advised to draw up a road-map to provide banking services in every unbanked village having a population of over 2000 by march2012. The reserve bank advised banks that such banking services need not necessarily be extended through a brick-and mortar branch, but could also be provided through any of the various forms of ICT-based models. About 73,000 such unbanked villages were identified and allotted to various banks through state-level bankers' committees.

3. Plan of banks for financial inclusion

The Reserve bank advised all public and private sector banks to submit a board –approved, three-year financial inclusion plan(FIP) started April 2010. These plans broadly include self-set targets in respects in respect of rural brick-and mortar branches opened; BCs employed; coverage of unbanked villages with a population above 2,000 , as also other unbanked villages with population below 2,000 through branches; BCs and other modes; no-frills accounts opened , including through BC-ICT ; kisan credit cards(KCCs) and general credit cards(GCCs) issued; and other specific products designed by them to cater to the financially excluded segments.

4. Consolidation of Regional rural Banks(RRBs)

The central Government has kicked off a major consolidated exercise among RRBs which will play an important role in the country's scheme of financial inclusion.

Conclusion

An inclusive growth will act as a source of empowerment and allow people to participate more effectively in the economic and social process. Banks that have global ambitions must meet local aspirations. Financial access will also will attract global market players to our country that will result in increasing employment and business opportunities.

Sara Publishing Academy
Indian Journal Of Applied Research
Journal for All Subjects

Editor,
Indian Journal Of Applied Research
8-A, Banans, Opp. SLU Girls College,
New Congres Bhavan, Paldi, Ahmedabad-380006.
Contact.: +91-9824097643 E-mail : editor@ijar.in

Printed at Unique Offset, Novatsing Rupam Estate, Opp. Abhay Estate, Tavdipura, Shahibaug, Ahmedabad