RESEARCH PAPER | Management | Volume : 3 | Issue : 3 | March 2013 | ISSN - 2249-555X

# Financial Inclusion in India: A Theoritical Assesment

KEYWORDS: Business Correspondents (BCs), Financial Inclusion, Low – Income Groups

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**ABSTRACT** *Access to finance by the poor and vulnerable groups is a prerequisite for poverty reduction and social cohesion. More than 150 million poor people have access to collateral – free loans. However, there are still large sections of the world population that are excluded from the financial market. In India half of the poor are financially excluded from the country's main stream of banking sector. Financial inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The various financial services include credit, savings, insurance and payments and remittance facilities. The paper discuss about the current status of Financial Inclusion in India and the World general, highlight the measures taken by the Government of India and RBI for promoting financial Inclusion and highlight the linter-linkages between Socio – Economic welfare and Financial Inclusion. In India, the apex body RBI takes various inclusive steps for implementing the Financial Inclusion program. These steps include Opening of No – Frill Accounts (NFA), Relaxation of KYC norms, Engaging Business Correspondents (BCs), opening of branches in unbanked rural centers, Financial Literacy Programmes etc. The study also deliberates about inter-linkages between socio economic welfare and financial inclusion. The socio-welfare programmes like the NREGA, Direct Cash transfer, National Old Age pension Scheme are focused on implementing financial inclusion. This is primarily because it helps to ensure electronic cash transfers.*

## INTRODUCTION

Poverty is not merely insufficient income, but rather the absence of wide range of capabilities, including security and ability to participate in economic and political systems. The large numbers from Rural and semi-Urban are required to be provided with much needed financial assistance in order to sail them out of their conditions of poverty. Accordingly, there is felt a need for policy support in channeling the financial resources towards the economic upliftment of resource poor in any developing economy. Access to finance, especially by the poor and vulnerable groups is a prerequisite for employment, economic growth, poverty reduction and social cohesion. By giving them an opportunity to have a bank account, to save and invest, to insure their homes or to partake of credit, their by enhancing them to interrupt the chain of poverty.

The banking Industry in India has recognized this imperative and has undergone certain fundamental changes over the last two decades. Reforms since the early nineties in the banking sector have facilitated increasing competition, the development of new generation private sector banks as well as technological breakthrough in diverse financial products, services and delivery channels. With the recent developments in technology, both delivery channels and access to financial services have transformed banking from the traditional Brick – and – Mortar infrastructure to system supplemented by other channels like Automated Teller System (ATM), Credit / Debit Cards, Internet banking, online money transfer etc. The banking system in India today has perhaps the largest outreach for delivery of financial services. Apart from the old-fashioned financial products viz. deposits, loans and money transfer, bank branches are also serving as an important conduit for delivery of mutual funds, other capital market and insurance products.

## OBJECTIVES OF THE STUDY

- To examine the current status of Financial Inclusion in India and the World general.
- To highlight the measures taken by the Government of India and RBI for promoting financial Inclusion
- To highlight the linter-linkages between Socio – Economic welfare and Financial Inclusion.

## FINANCIAL INCLUSION: AN OVERVIEW

The term financial inclusion needs to be interpreted in a relative dimension. Depending on the stage of development, the degree of financial inclusion differs among countries. For example, in a developed country nonpayment of utility bills through banks may be considered as a case of financial exclusion, however, the same may not (and need not) be considered as financial exclusion in an underdeveloped nation as the financial system is not yet developed to provide sophisticated services. Hence, while making any cross country comparisons due care needs to be taken.

A World Bank[1] report states, "Financial inclusion, or broad access to financial services, is defined as an absence of price or non-price barriers in the use of financial services." It recognizes the fact that financial inclusion does not imply that all households and firms should be able to borrow unlimited amounts or transmit funds across the world for some fee. It makes the point that creditworthiness of the customer is critical in providing financial services. The report also stresses the distinction between 'access to' and 'use of' financial services as it has implications for policy makers. 'Access' essentially refers to the supply of services, whereas use is determined by demand as well as supply. Among the non-users of formal financial services a clear distinction needs to be made between voluntary and involuntary exclusion. The problem of financial inclusion addresses the 'involuntarily excluded' as they are the ones who, despite demanding financial services, do not have access to them.

"Financial Inclusion may be defined as the process of 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"[2]

**The access to finance could be divided into four segments:**

- The proportion of the population that uses a bank or bank like institution
- Population which uses services from non – bank" other

formal" financial institutions, but does not use bank services.
- The population which only uses services from information financial service providers.
- Percentage of population transacting regularly through formal financial instrument and,
- The population which uses no financial services.

**Importance of Financial Inclusion**
- It mobilizes savings that promote economic growth through productive investment.
- It promotes financial literacy of the rural population and hence guides them to avoid the expensive and unreliable financial services.
- This helps the weaker sections to channelize their incomes into buying productive resources or assets.
- In the situations of economic crisis, the rural economy can be a support system to stabilize the financial system. Hence, it helps in ensuring a sustainable financial system.

**FINANCIAL INCLUSION IN INDIA AND THE WORLD**
A financial inclusion survey was conducted by World Bank team in India between April-June, 2011 which included face to face interviews of 3,518 respondents. The sample excluded the northeastern states and remote islands representing approximately 10 per cent of the total adult population.

**Table I: Key Statistics on Financial Inclusion in India: A Survey**

| | Share with an account at a formal financial institution | | | Adults saving in the past year | | Adults originating a new loan in the past year | | Adults with a credit card | Adults with an outstanding mortgage | Adults paying personally for health insurance | Adults using mobile money in the past year |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | All Adults | Poorest income quintile | Women | Using a formal account | Using a Community based method | From a formal financial institution | From family or friends | | | | |
| India | 35 | 21 | 26 | 12 | 3 | 8 | 20 | 2 | 2 | 7 | 4 |
| World | 50 | 38 | 47 | 22 | 5 | 9 | 23 | 15 | 7 | 17 | 7 |

Source: Asli Demirguc - Kunt and Klapper, L. (2012): 'Measuring Financial Inclusion', Policy Research Working Paper, 6025, World Bank, April.

The results of the survey suggest that India lags behind developing countries in opening bank accounts, but is much closer to the global average when it comes to borrowing from formal institutions. In India, 35 per cent of people had formal accounts versus the global average of 50 per cent and the average of 41 per cent in developing economies (Table I).

Based on the announcement made in the Budget Speech of the Finance Minister for 2012-13 as well as the Annual Monetary Policy of the Reserve Bank for the year 2012-13, banks have been advised that they may set up intermediate brick and mortar structures (in rural centres) between the present base branch and BC locations, so as to provide support to a cluster of BCs (about 8-10 BCs) units at a reasonable distance of about 3-4 kilometres. Such branches should have minimum infrastructure, such as a Core Banking Solution (CBS) terminal linked to a pass book printer and a safe for cash retention for operating large customer transactions and would have to be managed full time by bank's own officers/ employees. It is expected that such an arrangement would lead to efficiency in cash management, documentation, redressal of customer grievances and close supervision of BC operations.

**Financial Inclusion Plan of banks**
The Reserve Bank had advised all public and private sector banks to prepare and submit their board approved financial inclusion plans (FIPs) to be rolled out in 3 years from April 2010 to March 2013. These FIPs contained self-set targets in respect of opening of rural brick and mortar branches, deployment of business correspondents (BCs), coverage of unbanked villages through various modes, opening of no-frills accounts, Kisan Credit Cards (KCCs) and General Credit Cards (GCCs) to be issued etc.

Table II: Progress of SCBs in Financial Inclusion Plan (excluding RRBs)
(Amount in billion)

| Particulars | Mar-10 | Mar-11 | Mar-12 | Variation March 2012 over March 2010 |
|---|---|---|---|---|
| No. of BCs/BC Agents deployed | 33,042 | 57,329 | 95,767 | 62,725 |
| Number of banking outlets in villages with population above 2,000 | 27,353 | 54,246 | 82,300 | 54,947 |
| Number of banking outlets in villages with population less than 2,000 | 26,905 | 45,937 | 65,234 | 38,329 |
| Total number of banking outlets in villages | 54,258 | 1,00,183 | 1,47,534 | 93,276 |
| Of which | | | | |
| a) Through branches | 21,475 | 22,662 | 24,701 | 3,226 |
| b) Through BCs | 32,684 | 77,138 | 1,20,355 | 87,671 |
| c) Through Other Modes | 99 | 383 | 2,478 | 2,379 |
| Urban Locations covered through BCs | 433 | 3,757 | 5,875 | 5,442 |
| No-Frill accounts | | | | |
| Number (millions) | 50.3 | 75.4 | 105.5 | 55.2 |
| Amount (billions) | 42.6 | 57 | 93.3 | 50.7 |
| Overdraft availed in No - Frill Accounts | | | | |
| Number (millions) | 0.1 | 0.5 | 1.5 | 1.4 |
| Amount (billions) | 0.1 | 0.2 | 0.6 | 0.5 |
| Kisan Credit Card (KCC) | | | | |
| Number of Accounts ( millions) | 15.9 | 18.2 | 20.3 | 4.4 |
| Outstanding amount (` billions) | 940.1 | 1237.4 | 1651.5 | 711.4 |
| General Purpose Credit Card (GCC) | | | | |
| Number of Accounts (millions) | 0.9 | 1 | 1.3 | 0.4 |
| Outstanding amount (` billions) | 25.8 | 21.9 | 27.3 | 1.6 |
| ICT Based Accounts through BCs | | | | |
| Number of Accounts (millions) | 12.6 | 29.6 | 52.1 | 39.5 |
| Number of transactions during the year (millions) | 18.7 | 64.6 | 119.3 | 183.9 |

The progress by commercial banks (excluding RRBs) since the launch of FIPs clearly indicate that banks are progressing in areas like deploying BCs, opening of banking outlets, opening of no-frills accounts, grant of credit through KCCs and GCCs (Table II). The penetration of banks in rural areas has increased sharply in two years of the FIP implementation.

With a view to encouraging transactions in no-frill accounts, banks were advised to provide small overdrafts (ODs) in such accounts, which helped in a strong growth of such accounts. The impact of Information and Communication Technology (ICT) based BC model in facilitating door step delivery of services can be seen from the ascending trends of transactions.

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**Financial Inclusion Initiatives in different countries**

| Country | Legislation instrument / Policy Scheme | Objectives |
|---|---|---|
| United Kingdom | Social Exclusion Unit (SEU), 1997 | To reduce social exclusion of which financial inclusion is an integral part |
| | Policy Action Teams (PATs) | To look in an integrated way at the problems of poor neighborhoods |
| | Financial Inclusion Task Force | 1. Access to banking, access to affordable credit.<br>2. Access to face-to-face money advice |
| | Financial Inclusion Fund | 1. Access to banking services<br>2. Access to affordable credit<br>3. Access to money advice |
| United States of America | The Community Reinvestment Act, 1977 | 1. Prohibits discrimination by banks against low and moderate income neighborhoods<br>2. To make mortgage loans to lower-income households<br>3. Banks are rated every three years on their efforts in meeting community credit needs |
| | Matched Savings Scheme (MSS) 1997 | 1. Prohibits discrimination by banks against low and moderate income neighborhoods<br>2. Matching money has to be spent on one of a range of prescribed uses such as education, business or home purchase |
| France | Banking Act, 1984 | 1. Any person with French nationality has the right to open an account with any bank<br>2. If refused the aggrieved person can apply to the Banque de France to designate a bank that should open an account |
| | French Banker's Association (Basic Banking Service Charter of 1992) | Committed to providing; Affordable account, Cash Card, Free access to a cash machine, Distance payment facilities, Bank Statement and Negotiable number of cheques. |
| Australia | Australian Bankers Association (ABA) Code of Practice, 1995 | 1. Generic Account was introduced in 2002<br>2. Staff to give information about suitable accounts to low income customers<br>3. Face-to-face banking services even after branch closure through alternative means such as franchising<br>4. Three months written notice to customers before closing any Branch |
| | Rural Transformation Centre Programme (RTCP) | 1. To provide banking and other transaction services to communities without banking facilities<br>2. Using existing stores and post offices or stand-alone centres.<br>3. Install Electric Point of Sale (EPOS) equipment in post offices |
| Belgium | Charter of Basic Banking Services, 1996 | 1. Provide a basic bank account with no minimum balance and without overdraft facilities<br>2. Credit transfers, direct debits, and deposit and withdrawal facilities.<br>3. If refused, customer must be informed the reasons, i.e., laundering, bad credit history, etc. |
| | Basic Banking Act, 2003 | Sanctions if principles of Charter on Basic Banking Services, 1996 are not applied |
| Canada | Access to Basic Banking Services Regulations, 2003 | 1. Personal bank accounts to all Canadians regardless of employment or credit history and with minimum identification requirements.<br>2. Banks/FIs to encash government cheques at no charge |

Source: Role of Financial Inclusion for Inclusive Growth in India - Issues & Challenges

**FINANCIAL INCLUSION IN INDIA – RBI MEASURES**

"Financial inclusion has been a challenge to the rural development initiatives undertaken by the government of India. It is sad to know that since ages, albeit the central bank has taken several measures on this front, the situation continues to be gloomy. In this article, let us understand the loop holes in these initiatives that act as impediments to the development of the India's rural sector and also to the development of Indian economy. Before we proceed further, let us understand the connotation of this term."[3]

The Reserve Bank of India (RBI), which became an official member institution of the Alliance for Financial Inclusion in 2012, 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). In the report RBI exhorted the banks with a view of achieving greater financial inclusion to make available a basic "no-frills" banking account. In India, financial inclusion first featured in 2005, when it was introduced by K C Chakraborthy, the chairman of Indian Bank. Mangalam Village became the first village in India where all households were provided banking facilities. Norms were relaxed for people intending to open accounts with annual deposits of less than Rs. 50,000. General credit cards (GCCs) were issued to the poor and the disadvantaged with a view to help them access easy credit. In January 2006, the Reserve Bank permitted commercial banks to make use of the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions, and other civil society organizations as intermediaries for providing financial and banking services. These intermediaries could be used as business facilitators or business correspondents by commercial banks. The bank asked the commercial banks in different regions to start a 100% financial inclusion campaign on a pilot basis. As a result of the campaign, states or union territories like Puducherry, Himachal Pradesh and Kerala announced 100% financial inclusion in all their districts. Reserve Bank of India's vision for 2020 is to open nearly 600 million new customers' accounts and service them through a variety of channels by leveraging on IT. However, illiteracy and the low income savings and lack of bank branches in rural areas continue to be a roadblock to financial inclusion in many states and there is inadequate legal and financial structure.

In India, RBI has initiated several measures to achieve greater financial inclusion, such as facilitating no-frills accounts and GCCs for small deposits and credit. Some of these steps are:

Opening of no-frills accounts: Basic banking no-frills account is 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.

Relaxation on know-your-customer (KYC) norms: 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

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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 Authority of India containing details of name, address and Aadhaar number.

Engaging business correspondents (BCs): In January 2006, RBI permitted banks to engage business facilitators (BFs) and BCs 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. India map of Financial Inclusion by MIX provides more insights on this.

Use of technology: Recognizing that technology has the potential to address the issues 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 communications technology (ICT), to provide doorstep 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.

Adoption of EBT: Banks have been advised to implement EBT by leveraging ICT-based banking through BCs to transfer social benefits electronically to the bank account of the beneficiary and deliver government benefits to the doorstep of the beneficiary, thus reducing dependence on cash and lowering transaction costs.

GCC: 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 25,000 at their rural and semi-urban branches. The objective of the scheme is to provide hassle-free credit to banks' customers based on the assessment of cash flow without insistence on security, purpose or end use of the credit. This is in the nature of revolving credit entitling the holder to withdraw up to the limit sanctioned.

Simplified branch authorization: To address the issue of uneven spread of bank branches, in December 2009, domestic scheduled commercial banks were permitted to freely open branches in tier III to tier VI centers with a population of less than 50,000 under general permission, subject to reporting. In the north-eastern states and Sikkim, domestic scheduled commercial banks can now open branches in rural, semi-urban and urban centers without the need to take permission from RBI in each case, subject to reporting.

Opening of branches in unbanked rural centers: 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 in the April monetary policy statement to allocate at least 25% of the total number of branches to be opened during a year to unbanked rural centers.

**Financial Literacy Initiatives – RBI**
Financial Literacy is considered an important adjunct for promoting financial inclusion, consumer protection and ultimately financial stability. Financial inclusion and financial literacy need to go hand in hand to enable the common man to understand the need and benefits of the products and services offered by formal financial institutions. In India, the need for financial literacy is even greater considering the low levels of literacy and the large section of the population that are still out of the formal financial set-up. Financial literacy has assumed greater importance in recent years as financial markets have become increasingly complex and the common man finds it very difficult to make informed decisions. Further, in view of higher percentage of household savings in our country, financial literacy can play a significant role in the efficient allocation of household savings and the ability of individuals to meet their financial goals. The outreach programmes by the Reserve Bank has helped in spreading awareness and improving financial literacy in recent years

**Outreach Programme of the Reserve Bank**
The outreach programme of the Reserve Bank involves top management - Governor, Deputy Governors and Executive Directors who visit villages across the country. They encourage banks, financial institutions and local government to boost economic activities by involving rural masses in particular. They interact with the villagers to understand their problems and expectations, at the same time they also tell them about Reserve Bank's policy initiatives and what they can expect of the Reserve Bank. During the outreach visits, messages on advantages of being linked to formal banking sector and functions and working of Reserve Bank are disseminated through lectures, skits, posters, short films, pamphlets, distribution of comic books on financial literacy (Raju and the Money Tree, Money Kumar etc.), quiz competitions and essay competitions for school children, kiosk at the venue where besides providing information, notes and coins are exchanged. The target groups included students, Self-Help Group (SHG) members, villagers, farmers, NGOs, bankers, government employees, senior citizens, housewives, panchayat members, daily wage earners and defense personnel.

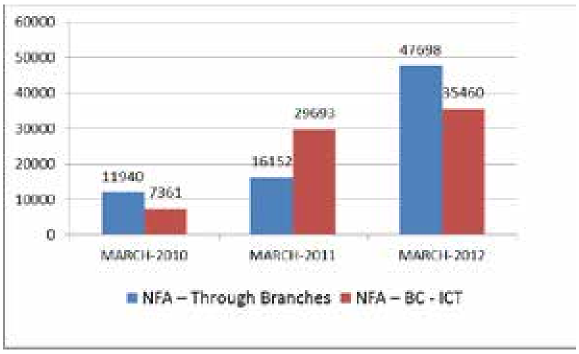


**Chart 1: No – Frill Accounts**

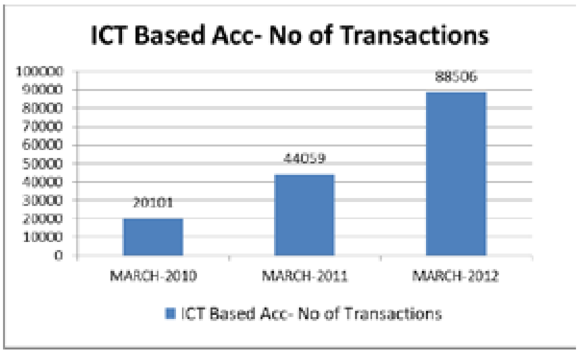


**Chart 2: ICT Based Accounts – No of Transactions**
Source: RBI Data: Credit Delivery and Financial Inclusion

During last 3 years, outreach visits have been undertaken by Reserve Bank's top executives in 115 villages spread throughout the country. An analysis of the progress of financial inclusion in these villages indicates 73 per cent of the villages are getting banking services through ICT based BC model whereas remaining villages are covered through brick and mortar branches. The number of accounts, especially no-frill accounts has increased multifold (Chart 1). The transactions are being done through business correspondent in user friendly way by using smart cards on hand held devices. The social benefits are getting credited directly to their bank accounts. The outreach programmes of the Reserve Bank have thus helped in improving the overall welfare in many small villages.

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**SOCIO-ECONOMIC WELFARE AND FINANCIAL INCLUSION**

The socio-welfare programmes like the NREGA, Direct Cash transfer, National Old Age pension Scheme are focused on implementing financial inclusion. This is primarily because it helps to ensure electronic cash transfers.

The overall profiles of the customers of the financial services can be studied as:

| | |
|---|---|
| FINANCIALLY INCLUDED | EXCLUDED BY BANKS (Urban Poor) |
| SELF EXCLUDED (Rural Non – Poor) | EXCLUDED BY THE BANKS ( Rural Poor) |

The Main observation from the figure[4] that the beneficiaries of these socio-welfare programmes are in lose-lose situation as neither are the banks interested in covering them and neither are they interested to have a bank account, posing a bigger challenge for the Government. While the reason for the unwillingness on part of the beneficiaries can be attributed to lack of financial literacy and lack of services in the vicinity, the aversion of the banks to include these people needs a proper understanding.

**The advantages involve:**

1. The payment process gets more simplified and convenient.
2. It reduces the cost of making the payments to the beneficiaries.
3. The process gets more transparent by checking the occurrence of fraud in the money or duplicate and fictitious beneficiaries.
4. It is because of this reason that Nandan Nilekani, head of the Unique Identification Authority (UIDAI) recently advised that the government make electronic payments for amount exceeding Rs. 1000.

Despite the efforts, the truth is that the performance was miniscule to what was expected. The predominant factors which affect the financial inclusion in the aspect of Socio – Economic welfare is

**1) No-Frill Accounts (NFA)**

- ❖ The major challenge for the banks was that the villagers could not provide the minimum cash balance which was otherwise required to open a bank account. To address this bottleneck, the NFA were provided which had a minimum balance requirement of Rs. 67 and also had a provision for overdraft.
- ❖ The NFAs hurt the bottom-line of the banks because the profits they could earn by lending the deposits in the NFAs suffered due to

1) Miniscule minimum balance requirement which was far below the viable limit of Rs.2000-3000
2) The 'overdraft provision'. It was estimated that the banks lost amount to the tune of Rs.13.4 for every transaction, Rs. 50.45 for opening the account. Thus, the services provided by the banks were unsatisfactory.

- ❖ In 2011-12, the number of NFA accounts counted 50.6 million amounting Rs. 53,860 million. But only 20% of these accounts were actually in use while majority of them were inactive.

**2) Electronic Benefit Transfer (EBT)**

- ❖ This was under the state Government's mandate as a part of the NREGA and Pension Scheme programme. This was also a measure to check the pilferage of the money. Under this, the EBT accounts were provided that were used by State Government to directly transfer the amount into the beneficiaries' account. The EBT, unlike NFA had just the function of cash withdrawal available for the account holders.
- ❖ The issue here was that of "flat fee". The banks were not paid enough by the state government (only 2% of the amount transferred) and the effect was further cascaded with banks paying lesser to the BCs (generally 1.75%). So the margins left with the banks were very small.

**3) The Business Correspondent (BC) Model**

This model suffered from many loopholes which affected the overall economics of this sector.

- ❖ The flat fee (or the revenue) for this segment was limited to 1.75% and also had no reasoning for the figure set forth. The low earnings showed upon the services delivered by them.
- ❖ To keep their margins, the BC companies reduced the employee force which led to infrequent services as the beneficiaries per BC increased. Due to delayed showing up of the BCs, the villagers refrained to keep money with them as it became an unreliable source to park money.
- ❖ The Attrition rate of BCs is around 70-80%. This simply means that till a new agent is not appointed, the village loses the access to the financial services.
- ❖ This also had an adverse effect on the associated Government welfare programmes. For example: The payments under NREGA were supposed to reach the beneficiary within the stipulated period of 15 days but these were intentionally delayed by the BCs to earn interest on the payments.
- ❖ To check these malpractices, the government ordered the payments of pensions within first 4 days of the month. That meant huge employee requirements in the beginning of the month. So many of the BCs started to outsource these activities to meet the workload, which in turn meant further cost elevation.

**4) Non BC model: Mobile Payments forums of India (MPFI)**

The RBI has appointed the 'Working Group on Mobile Banking' to study the feasibility of Mobile banking in India focusing on parameters like technology, regulation, supervision, security etc. This model simply removes the BC from the system and the role is implemented by the customer himself with the aid of the mobile phone. In January 2011 the number of mobile phone users in India was nearly 771.18 million. Also, nearly 9 million mobile users are added annually. (Source: Telecom Regulatory Authority of India (TRAI). Leveraging this data, the Near Field Communication (NFC) technology enabled mobile phones can enable its users to carry out banking transactions. These include:

1. Transferring of the funds
2. Money transfer
3. Ticketing (IRCTC, bus, taxi, air etc)
4. Payments like insurance premiums, credit cards or utility bills
5. Other transactions like mobile top ups, merchant payments, DTC recharge etc.

**Conclusion**

Access to financial services such as savings, insurance and remittances are extremely importance for poverty alleviation and development. In order to achieve the goal of total financial inclusion, policy makers, MFIs, NGOs and regulators have to work together. The issue of financial inclusion has received large importance in India during the recent years. India had invested considerable amount of resources in expanding its banking network with the objective of reaching to the people. During the last 40 years huge infrastructure has been created in the banking sector. However, this large infrastructure that has penetrated even remote rural areas has been able to serve only a small part of the potential customers. While India is on a very high growth path, almost at the two-digit level, majority of the people are out of the growth process. This is neither desirable nor sustainable for the nation. We also know that one of most important driving forces of growth is institutional finance. Therefore, it is now realised that unless all the people of the society are brought under the ambit of institutional finance, the benefit of high growth will not percolate down and by that process majority of the population will be deprived of the benefits of high growth. Thus financial inclusion is not only socio-political imperative but also an economic one.

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