Original Research Paper Commerce

Financial Inclusion in India – A Look

Bilas S. Kale Research Scholar

Dr. Chandrasekhar N. Chobe Department of Commerce, Dr. Babasaheb Ambedkar Marathwada University, Aurangabad- 431004.

ABSTRACT

Reserve Bank of India's vision for 2020 is to open nearly 600 million new customers' accounts. The government should encourage the banks to adopt financial inclusion by means of financial assistance, financial literacy, advertisement, awareness program, etc. to achieve the aim of 11th plan of Inclusive Growth.

The availability of quality financial services in rural areas is extremely important for the growth of the economy as this will enable the large number of rural households to fund the growth of their livelihoods. The growth of the economy is dependent on the growth of the rural market in the country. Therefore greater financial inclusion in these segments is imperative. The main objective of this study is to review various papers on the how financial inclusion serves as a means of inclusive growth and to study the initiatives taken by Government and Reserve Bank of India for strengthening financial inclusion in the country. The study is based on secondary data collection.

Financial inclusion plays a major role in inclusive growth of the country. It is estimated that globally over 2.5 billion people are excluded from access to financial services of which one third is in India. The origins of the current approach to financial inclusion can be traced to the United Nations initiatives, which broadly described the main goals of inclusive finance as access to a range of financial services including savings, credit, insurance, remittance and other banking /payment services to all 'bankable' households and enterprises at a reasonable cost. In India, financial inclusion first featured in 2005, when it was introduced by Dr. K.C. Chakrabarty, the Chairman of Indian Bank. Mangalam Village becomes the first village in India where all households were provided banking facilities.

KEYWORDS Financial Inclusion, Financial Services, Jan-Dhan Yojana

Introduction:

Financial inclusion and financial literacy have been important policy goals for quite some time. The Finance Minister has emphasised inclusion in the budget speech. At various fora, the Reserve Bank of India (RBI) and senior government officials had been hinting at a "big-bang" action plan for financial inclusion to be announced by Prime Minister Narendra Modi in his Independence Day address to the nation. There were reports of the authorities getting ready with a Comprehensive Financial Inclusion Plan (CFIP) or Sampoorn Vittiya Samaveshan in Hindi, which will be breathtaking in scope and extremely ambitious. The Prime Minister did not disappoint. The Pradhan Mantri Jan-Dhan Yojana, which figured prominently in his speech, heralded the new plan of action. It will be based substantially on the CFIP. Details are, however, awaited. There is a long history of financial inclusion in India. It has traditionally been understood to mean opening new bank branches in rural and unbanked areas. Nowadays, however, financial inclusion is seen to be something more than opening bank branches in unbanked areas to take formal financial services across the length and breadth of the country. In the context of the various shortcomings in delivering subsidies, direct transfers using technology have been thought of. The beneficiary needs to have at least one bank account. Since in a logistics point of view it is impossible to open that many physical branches — the brick and mortar type — the accent will be on opening electronic accounts. Technology adaptation would be a key feature in this scheme for financial inclusion.

The RBI has, in the recent past, taken several steps to further inclusion. Very recently, it circulated for public comment two sets of draft guidelines for issuing licences to payment banks and small banks. These niche banks with lower entry-level norms than for normal commercial banks are meant to further inclusion. While it will take a while for these banks to come up, it is obvious that the RBI is betting on them to provide banking services to those who remain outside the purview of formal banking.

Overview of Literature:

The researcher has studied financial inclusion with its various aspects in Indian Context. Lokhande, M.A. (2014) concluded that the root causes of financial exclusion of the masses are: uncertainty of income, lower rate of return on investment in traditional economic activities such as farming, artisanship and husbandry in case of rural people and underemployment in urban areas. The credit-deposit ratio in rural areas remains lower because of negative income from farm and non-farm activities. Raihanath. M. P and K.B. Pavithran (2014) observed that 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. Shah, P. and Dubhashi, M. (2015) suggested that Banks should give wide publicity to the facility of no frills account. Technology can be a very valuable tool in providing access to banking products in remote areas. ATMs cash dispensing machines can be modified suitably to make them user friendly for people who are illiterate, less educated or do not know English. Garg, S. and Agrawal, P.(2014) pointed that the concern of banks about profitability is to be addressed by the regulator as the entire process of financial inclusion would be a kind of social work in the first few years. The concerns of the government about the reach, feasibility and implementation of government policies to the last mile needs to be addressed. The easy availability of financial services to the last mile user, the people in tier 3 to tier 6 in entirety needs to be addressed. Bagli. S. and Datta, P (2012) focused that the mass financial literacy and awareness among the marginalized sections of people are absolutely necessary to achieve financial inclusion. Juxtaposed with this, financial institutions will have to be socially responsible as well as approachable to achieve complete financial inclusion. Rajput, N. (2015) disclosure that the financial inclusion has enough capacity for economic growth, raising standard of living of people, equality etc. On the basis of above schemes and projects we can conclude that a day will come when all Indians have their bank accounts and everyone will take part in financial inclusion. Lokhande, M.A. (2009) suggested that the Women groups should be given responsibility of running Anganwadi, fair price shops so that they become permanent entities. The banks and the respective NGOs should nourish and develop the SHGs by providing financial assistance; organizing skill based training programmes in rural as well as semi urban areas. A.Tamilarasu (2014) concluded that the banking sectors have to liberalized the security level of the borrower to borrow money from the bank in an easiest way, they banking sectors have to announce the new schemes offered by them to all the citizen of India for the proper utilization of the fund. Singh, A. B. and Tandon, P. (2015) disclosed that the access to financial services such as savings, insurance and remittances are extremely important for poverty alleviation and development. Dangi, N. and Kumar, P. (2013) suggested that there should be proper financial inclusion regulation in our country and access to financial services should be made through SHGs and MFIs. Thus, financial inclusion is a big road which India needs to travel to make it completely successful. Miles to go before we reach the set goals but the ball is set in motion. Shabna Mol. TP (2014) observed that there are certain problems like lower financial literacy, lack of awareness, the cost of transaction and customer acquisition is high and it is not at all cost-effective. RBI has taken various initiatives to strengthened financial inclusion. Information and communication technology offers the opportunity for the banks to improve financial inclusion for the unbanked people.

Objectives of the study:
To know the concept of financial Inclusion.

To study the present situation of financial inclusion in India.

Methodology: The research paper is based on collection and analysis of the secondary data. The secondary data is composed of the literature available in different scholarly research articles belonging to several national and international journals prevalent in Ebscohost and Emerald. Secondary data is collected and analyzed from the Annual report of Reserve Bank of India.

Present situation of Financial Inclusion in India:
Financial Inclusion is an important priority of the Government. The objective of Financial Inclusion is to extend financial services to the large hitherto un-served population of the country to unlock its growth potential. In addition, it strives towards a more inclusive growth by making financing available to the poor in particular.

Table 1 Position Of Households Availing Banking Services

	As per census 2001			As per census 2011			
Households	Total numbers of Households	Number of Households availing banking services	Percent	Number of households availing banking services	Number	Percent	
Rural	13,82,71,559	4,16,39,949	30.10	16,18,26,730	9,13,69,805	54.40	
Urban	5,36,92,376	2,65,90,693	49.50	7,88,65,937	5,34,44,983	67.80	
Total	19,19,63,935	6,82,30,642	35.50	24,66,92,667	14,48,14,788	58.70	

Source: census, 2001 to 2011.

From the above table 1 shows that the census of 2001, while 30.10% of rural peoples households and 49.50% urban peoples households are contributing in financial inclusion in as per census 2001 and 54.40% households of rural and 67.80% households are contributing census 2011 respectively

Table 2 Bank Branches and ATMs in India
(i) Expansion of Bank Branch network: The number of branches opened by Public Sector Banks (PSBs) and Scheduled Commercial Banks (SCBs) during last five years: Number of functioning branches of Public Sector Banks - Population Group wise:

As on	Rural	Semi Urban	Urban	Metropolitan	Total
31.3.2011	20,658 (33.00%)	16,217 (26.00%)	13,450 (21.00%)	12,612 (20.00%)	62,937 (100.00%)
31.3.2012	22,379 (33.00%)	17,905 (26.00%)	14,322 (21.00%)	13,244 (20.00%)	67,850 (100.00%)
31.3.2013	24,243 (33.00%)	19,642 (27.00%)	15,055 (21.00%)	13,797 (19.00%)	72,737 (100.00%)
31.3.2014	27,547 (34.00%)	21,952 (27.00%)	16,319 (20.00%)	14,644 (18.00%)	80,462 (100.00%)
31.32015	29,634 (34.50%)	23,549 (27.42%)	17,387 (20.24%)	15,325 (18.00%)	85,895 (100.00%)

Table 2 shows that the 33.00% highest of Rural PSBs ATMs and 20.00% Metropolitan PSBs AMTs in 2011 and 34.50% of Rural ATMs are highest in this year and 18.00% Metropolitan ATMs are in lowest ATMs in 2015 respectively.

Table 3 Operating branches of Banks in (as on March 31, 2015)

Bank Groups	Rural	Semi Urban	Urban	Metropolitan	Total
SBI & its Associates	8029 (35.61%)	6593 (29.24%)	4304 (19.09%)	3622 (16.06%)	22548 (100.00%)
Nationalized Banks	21228 (34.47%)	16428 (26.68%)	12604 (20.47%)	11325 (18.39%)	61585 (100.00%)
Other Public Sector Banks	377 (21.40%)	528 (29.96%)	479 (27.18%)	378 (21.45%)	1762 (100.00%)
Private Sector Banks	4302 (21.53%)	6457 (32.32%)	4521 (22.63%)	4698 (23.52%)	19978 (100.00%)
Foreign Banks	8 (2.47%)	12 (3.70%)	57 (17.59%)	247 (76.23%)	324 (100.00%)
Regional Rural Banks	14613 (74.33%)	3748 (19.06%)	1071 (5.45%)	228 (1.16%)	19660 (100.00%)
Grand Total	48557 (38.58%)	33766 (26.83%)	23036 (18.30%)	20498 (16.29%)	125857 (100.00%)

Source: Indian bank system.

Table: 4- explains about the number of bank offices in India from 2011 – 2015, it clear from The above table that the number of bank offices have share since 2011 to 2015, the share is as 38.58% of Rural, 26.83% of Semi urban, 18.30% of urban and 16.29% respectively.

Conclusion:

Financial inclusion has been made an essential part of the banking sector policy in India. RBI is furthering financial inclusion in a mission mode through mixture of strategies like liberalization of regulatory guidelines, innovative products, encouraging use of technology for achieving sustainable financial inclusion. Financial inclusion is the entryway for achieving inclusive growth in India. All the commercial banks including cooperative banks are vigorously involved in financial inclusion process through opening of new branches in rural and urban areas. This study has developed a composite index of financial inclusion for each state using wide range of indicators. There are certain problems like lower financial literacy, lack of awareness, the cost of transaction and customer acquisition is high and it is not at all cost-effective. RBI has taken various initiatives to strengthened financial inclusion.

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