



Present Scenario of Financial Inclusion In India

M.P.Desai

Head, Department of Accountancy, Udhna Citizen Commerce College, Surat.

KEYWORDS

1. Introduction

Inclusive growth refers to both the pace and pattern of economic growth. It emphasizes on productive employment rather than on income redistribution. This is why inclusive growth is termed as a long run approach as it helps the deprived sections of the society to gain some standing of their own. Financial inclusion is a part of inclusive growth as it focuses on delivering financial services at much affordable costs to the under-privileged sections of the society.

Strong financial institutions are the pillars of economic growth, progress and success of modern economics. Lack of accessible and appropriate financial services has always been a global problem. The significance of an inclusive financial system is widely accepted not only in India, but it also becomes a policy priority in many countries. Financial access can really boost the financial condition and standards of life of the poor. So, RBI has been constantly encouraging the banking sector to develop the banking network both through setting up of new branches, installation of ATMs, and implementation of Business Correspondent (BC) model by influence upon the information and communication technology (ICT). Next step in this series is the launching of Pradhan Mantri Jan Dhan Yojna.

2. Objectives of the study:

To study the present scenario of financial inclusion of rural and urban households.

3. Financial Inclusion in India

3.1 Definition of Financial Inclusion

The RBI has defined financial inclusion as "the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players". Financial inclusion also encompasses the broadening of financial services to those people who do not have access, the deepening of financial services for people who have minimal access, and greater financial literacy and consumer protection so that those who are offered the products can make appropriate choices.

3.2 Background of Financial Inclusion:

The concept of Financial Inclusion is not a new concept, the concept was first introduced by the Reserve Bank of India in 2005 and Branchless Banking through Banking Agents called Banking agents or Bank Mitra (Business Correspondent) which started in the year 2006. In the year 2011, the Government of India gave a serious push to the program by undertaking the "Swabhimaan" campaign to cover over 74000 villages, with population more than 2,000(as per 2001 census).

The Reserve Bank continued efforts to create a conducive and enabling environment for access to financial services to extend door step banking facilities in all the unbanked villages in a phase-wise manner. During Phase I, 74,414 unbanked villages with population more than 2,000 were identified and allotted

to various banks through SLBCs for coverage through various models, that is, branches, BCs or other modes such as ATMs and satellite branches etc. All these unbanked villages have been covered by opening banking outlets comprising 2, 4393 branches, 69,589 BCs and 2,332 through other models. In Phase II, under the roadmap for provision of banking outlets in unbanked villages with population less than 2,000, about 4,90,000 unbanked villages have been identified and allotted to banks for coverage in a time bound manner by March 31, 2006.

3.3 Financial Inclusion: Current Status – India

The census of 2001 shows that only 35.5 percent of household sector access the banking services. 30.1 percent of rural household and 49.5 percent of urban sector households access the banking services. Share of urban sector is more than the total average availability of banking services.

According to the census of year 2011 as shown in above graph availability of banking sector increased to 58.7 percent for total household sector. 54.4 percent of rural sector access the banking facilities and 67.8 percent of urban access banking facilities.



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 | 6.9 | 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 | 77.62 |
| 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 | 83.6 | 11.29 | 77.95 | 78.79 | 95.37 |
| 12 | Malaysia | 6.32 | 33.96 | 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 | Switzerland | 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

Table 2 : Financial Inclusion Progress in India

| | Year ended March 2010 | Year ended March 2011 | Year ended March 2012 | Year ended March 2013 | Year ended March 2014 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Banking Outlets in Villages-Branches | 33,378 | 34811 | 37471 | 40837 | 46,126 |
| Banking Outlets in Villages-Branchless Mode | 34,316 | 81397 | 144282 | 227617 | 3,37,678 |
| Banking Outlets in Villages-Total | 67,694 | 116208 | 181753 | 268454 | 3,83,804 |
| Urban Locations covered through BCs | 447 | 3771 | 5891 | 27143 | 60,730 |
| Basic Savings Bank Deposit A/c through branches (No. in million) | 60.19 | 73.13 | 81.20 | 100.80 | 126.0 |
| Basic Savings Bank Deposit A/c through branches (Amt. in billion) | 44.33 | 57.89 | 109.87 | 164.69 | 273.3 |
| Basic Savings Bank Deposit A/c through BCs (No. in million) | 13.27 | 31.63 | 57.30 | 81.27 | 116.9 |
| Basic Savings Bank Deposit A/c through BCs (Amt. in billion) | 10.69 | 18.23 | 10.54 | 18.22 | 39.0 |
| Basic Savings Bank Deposit Accounts Total (No. in million) | 73.5 | 104.76 | 138.5 | 182.07 | 243.0 |
| Basic Savings Bank Deposit Accounts Total (Amt. in billion) | 55.0 | 76.12 | 120.41 | 182.91 | 312.3 |

Source: Table IV.7, RBI Annual Report, 2011-12, 2012-13, 2013-14

Above table shows that 67,694 total banking outlets in the village at the year ended March 2010 which increased to 383804 at the year ended March 2014. It reveals that 316110 banking outlets increased between March 2010 and March 2014 in the village.

Above table also shows that at the year ended March 2010 73.5 million Basic Saving Bank Deposit Accounts opened and Rs.55 billion total Basic Savings Bank Deposit were in the banks, which increased to 243 million total Basic saving Accounts and Rs.312.3 billions total Basic saving Deposit at the year ended 2014. So total 169.5 million Basic Savings Bank Deposit Accounts opened between 1st April 2010 and 31st March 2014.

6. Conclusion:

The study made an attempt to convey about assessment of financial inclusion efforts in our country. The study included a brief introduction of the subject and provided significant definitions of Financial Inclusion. Thereafter background of financial inclusion and financial inclusion progress in India. The study found that, although India has adopted several measures to advance financial inclusion, an estimated 40 percent of its population is still without access even to basic financial services. Financial inclusion of the unbanked masses is a critical step that requires political will, bureaucratic support and determined effort by RBI. It is expected to utilize the untapped potential of the bottom of pyramid section of Indian economy.

Financial inclusion is, therefore, not just an economic imperative for India, but also a socio-political one.

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