



Changing Scenario Of Financial Inclusion : A Review Of Literature

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KEYWORDS

Indian Banking System:

In India to reaches till mass of the people is the challenging task. First fundamental step for development found out in the year 1904 with The cooperative Societies Act.¹ Further to that in the year 1969 major 14 banks were nationalized and established RRB-Regional Rural Banks act in the year 1975. To support rural segment establishment of National Bank for Agricultural and Rural Development (NABARD) was in the year 1982. Indian government adopts philanthropic view point for development. .

Major phases in economy:

In the year 1970 -80 some moments towards financial inclusion was started which focused on satisfaction of credit requirement of small sector of economy.

In the year 1990 till 2005 liberalization moments which gratis all limits for development and explore boundaries for glocal business.

Rangarajan Committee (2008) labels " Financial Inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost"¹.

Road Map of Financial Inclusion (FI):

In Indian economy different policy initiates for financial inclusion which are discussed as under.

- 1969 :Nationalization of Banks
- 1975: Establishment of Regional Rural Banks (RRBs)
- Prescription of priority sector targets
- Lending to weaker sections at concessional rates
- Introduction of Lead Bank Scheme
- Service Area Approach
- Self Help Groups (SHGs) -Bank linkage programme
- Relaxation in branch licensing norms
- Setting up of RSETI/FLCCC
- Appointment of Dr. C. Rangarajan Committee
- Engaging Banking Facilitators/Banking Correspondents

In the year 2014 on 15th August, prime minister of India Mr. Narendra Modi announced a major socio economic initiative of central government, named 'The Pradhan Mantri Jan-Dhan Yojana'.

"It is an ambitious attempt at extending formal financial services in a country where only 58.7 per cent of an estimated 24.67 crore households avail themselves of banking services." This initiative aims to make available formal financial services to the grass-root level.

purposes of the study :

- To recognize different dynamics of financial inclusion.
- To undertake the experiential research based on variables acknowledged throughout the study of review of literature.

Research methodology

This research paper is based on secondary data. For this purpose various journals , RBI reports and respective data, websites were referred

Review of literature :

In the Washington this report (2006) elucidated in '*Banking Correspondents contributions to the provision of the bank services in Brazil*' as "The Brazilian banking system is characterized by the presence of large, private financial conglomerates, State banks and smaller private banks. Until 1989, the system was notable for its specialized nature; each institution could only act in specific segments of the market. But, from then on, Brazil saw the advent of the multiple banks, which permitted to act simultaneously in different market segments, accompanied by a reduction in the minimum capital requirements for their constitution. The high inflation registered over the last two decades and the large -scale economies achieved by the major conglomerates has led to the development of systems for clearing, collections, liquidation and electronic transfer of funds which stand out for their high standards of efficiency."ⁱⁱ

Jones H., Williams M. and Thorat Y.(2007) emphasized in a paper '*Rural Financial Institutions and Agents in India: A Historical and Contemporary Comparative Analysis*' as "Late 19th century concerns with rural unrest and indebtedness in India led to a policy approach involving moneylender regulation, and replacement of moneylender finance through institutional credit provision in various forms. Moreover, nationally, the share of informal finance in rural household debt has actually increased at the start of the 21st century".ⁱⁱⁱ

Swain P.K. and Singh B. (oct.2008) represented thoughts in '*Financial Inclusion of Rural Markets: Understanding the Current Indian Framework*' as "History bears the testimony to the relationship between development of financial markets and economic growth, thus leading to the reduction of poverty on a larger scale. But unfortunately, financial systems in India till date have not seen enough in uplifting the lives of the bottom of the pyramid masses because providing basic financial services such as bank accounts, credit, and insurance have a higher cost for those people."^{iv}

Rath B. , Ramji M. and Kobishyn A. (2009) advocated in detail on collaboration of Public Sector Banking with technology solution provided. Detail case study of small town and its success over continuous efforts to make it success would be provided over here later on. To avail benefit by the pyramid level of the economy association of Banking Correspondent Service ((BCS), to National Rural Employment Guarantee Act (NREGA) canalized through Banking Correspondent (BC). With the financial literacy and basic awareness success to Banking Correspondent Service (BCS), surely possible.

Yeung S. (2011) acknowledged in paper '*The Role of Banks in Corporate Social Responsibility*' as "This paper reviews literatures on management, quality management, banking industries, and Corporate social responsibility (CSR) activities. The four factors are: internal management – implementing meaningful strategy and process and people management; external management – accountability for creditability and consideration of stakeholders. This study can help banking managers understand what should be done for the benefit of customers and the community for

sustainability.”^v

Ramasubbian H. and Duraiswamy G.(2012) explained in ' *Humanities and Social Sciences "The Aid of Banking Sectors in Supporting Financial Inclusion - An Implementation Perspective from Tamil Nadu State, India"* as "This paper surveys and analyzes the issues pertaining to implementation of financial inclusion in economically down trodden districts of Tamil Nadu, India. The outcome of analysis was verified against standard Financial Inclusion (FI) metrics such as Human Performance Index which suggests that the phenomenon of Financial Inclusion undertaken by Reserve Bank of India (RBI) regulations. "^{vi}

Paramasivan C. and Ganeshkumar V. (2013) discussed on proper mechanism which channelizes all resources from top to bottom in financial inclusion in India. Major hurdle to convert unorganized saving to investment is the absence of branch density in a geographic location. In absence of branch density, a concept which is developed for an unplugged mass, is Banking Correspondent Service (BCS), and proper mechanism converts concept to a system in economy. With basic awareness of the system people mobilize their own saving to investment in to the economy.

Cámara N., Tuesta D. and Urbiola P. (2015) embodied on banking correspondent service in their paper '*Extending access to the formal financial system: the banking correspondent business model*' as "New ways of understanding banking, technological improvements, and regulation yield new means of interaction between customers and banks through outsourcing agreements. Also, we provide the first harmonized database with information about the number of banking correspondents by country, which helps in measuring access to the formal financial system. "^{vii}

Report on '*Financial Inclusion And Integration Through Mobile Payments And Transfer*' as "Adoption of particular models is not a sufficient condition for the success of mobile payment programs. Wherever there are adequate critical success factors, mobile payment programs are successful, as the case of M-PESA in a few East African countries. Regional real time gross settlement (RTGS) systems with a mobile switch would have helped further and enabled landlocked small economies in the tripartite arrangement to benefit further from low-cost mobile money services across borders."

For future action :

In last 69 years of independence still Indian economy is not able to provide basic infrastructure facility to rural area. This paper focus on the dynamics as : increase transaction cost, distance , insufficient microfinance institutions, income level saving habit , vicious circle of poverty , lack of informal sources , lack of literacy adequacy and lack of financial literacy too. With Financial inclusion it would possible to develop such dynamics and able to improve better financial structure which serves to all."^{viii}

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