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FINANCIAL INCLUSION INITIATIVES IN INDIA

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ABSTRACT

Financial inclusion broadly defined as facility provided to wider section of the population to access financial services at a reasonable and affordable cost, these include not only banking products but also other various financial services such as insurance and equity product, Thus the financial inclusion is nothing but the making an effort of reaching financial services to those people who not able to have access to formal financial service sector and deepening of financial services for people who have minimal financial services and greater financial literacy and consumer protection so that, those who are offered the products can make the right choices. Therefore, we can rightly be said that delivery of financial services including banking services and credit at an affordable cost to the large sections of highly disadvantaged and low- income group of society. The concept of financial inclusion has been prevailing in India for a very long time. Major steps have been taken by both the central and state government and RBI. A greater number of studies have been made on financial inclusion in India, yet some gaps still exits, still there are problems like access to finance, credit, poverty, illiteracy and indebtedness etc., The prime object of the present study is to give a brief understandings about initiatives undertaken by our central and state government and RBI to uplift the poor and largely disadvantaged people by providing them with customized financial products and services.

KEYWORDS: *Banking Services, Financial Inclusion, RBI, Financial Services*

INTRODUCTION

Financial inclusion is not just a recent phenomenon. The earliest efforts for financial inclusion can be traced back to 1904, when the co-operative movement began in the country. Nationalization of 14 major commercial banks in 1969, the introduction of lead bank scheme and establishment RRB'S in 1975 these are all focal events of financial inclusion evolution. Financial inclusion is an increasing access to formal financial services such as having a bank account and using credit and savings facilities of banks. On the other hand financial exclusion occurs when access to financial services is hampered by several constraints, such as illiteracy, distance to a financial institution, lack of banking infrastructure etc,

The central bank of India places greater emphasis on effective credit delivery during the year intensifying its ongoing efforts under the financial inclusion plans further adopting innovative approaches in expanding credit and spreading financial literacy. The major thrust was on operational zing a market mechanism for enhancing priority sector credit, strengthening lynching correspondent (BC) model through BC registry and certification to promote financial inclusion and enhancing financial literacy through a digital focus in literacy camps, experimenting with below camps building of financial literacy week, work is also underway for the formulation of a national strategy for financial inclusion

The role of central bank of India in the area of financial inclusion involves developing policies towards ensuring the availability of banking services at affordable costs for large sections of society who have hitherto been left outside purview of formal financial services due to various factors such as illiteracy, lack of banking infrastructure difficulty in physical access to such services in far-flung areas and perceived lack of creditworthiness recognizing that financial illiteracy is a major cause of the spreading of financial inclusion.

Social investment and across the counter inclusion disclose a significant contest and a unique show to build outstrip sustainable economic system for this purposes RBI has taken several measures and the same has been discussed in this present study.

LITERATURE REVIEW

Banks have played a vital role in meeting credit needs of people in recent years. Many studies have attempted to analyze the role of commercial banks in financial inclusion for the attainment of sustainable development and I also reviewed several books, journals, reports, records. An attempt has been made through this section to review some important research studies.

Finance Minister Pranab Mukherjee (2010) pointed out financial inclusion as a key determinant for sustainable growth, which could unlock the vast hidden potential of savings consumption and investment propensities of the poorer sections of society.

The report committee on financial inclusion headed by Dr. C. Rangarajan (2008) recommended that concepts like this must be taken up as a mission and suggested a National Mission on Financial Inclusion (NMFI) that comprised of representations from all stakeholders regarding suggestions for the overall policy changes required, and supporting stakeholders in the area of public, private and NGO sectors in undertaking promotional initiatives for 100% financial inclusion in India.

Ansari (2007) in her study reveals that reaching the poor whose credit requirements were small, frequent and unpredictable, was found to be difficult. Further, it emphasized on providing credit to the poor to help them meet their basic requirements rather than financial products and services including savings, insurance, etc.. There was a need felt for alternative policies, systems and procedures, savings and credit products, other complementary services and new delivery mechanisms, which would fulfill the requirements of the poor.

NABARD (1999) remarked that regardless of the wide network of rural bank branches in India, which implemented specific poverty alleviation programs sought for generation of self –employment opportunities, a large proportion of the poor continued to remain outside the fold of the formal banking systems.

OBJECTIVES OF THE STUDY

The main objectives of the study include:

- To examine the RBI policy initiatives on financial inclusion.
- To know the role of the major stakeholders in promoting Financial Inclusion

RESEARCH METHODOLOGY

The paper is based on the objective to examine initiatives taken by Reserve Bank of India and Government of India in the field of financial inclusion. The secondary data have been collected from various sources to access the role of Reserve bank of India and Government of India in promoting financial inclusion. Reference of some articles, RBI official website used for this present study and the same has been discussed in the following sections.

SECTION 1: RBI'S Initiatives on Financial Inclusion in India

Financial inclusion initiatives have come from the financial regulators of India, Government, the banking industry and private institutions. Since the year 2005 RBIs has implemented numerous policies and it is more focuses on the structured approach to promote financial inclusion in India.

The following are some of the initiatives regarding for financial inclusion taken by the central bank of India

- RBI recognized the importance of the banking industry as core and instructed all the banks to introduce a bouquet of various financial products like savings, payments, and credit etc.

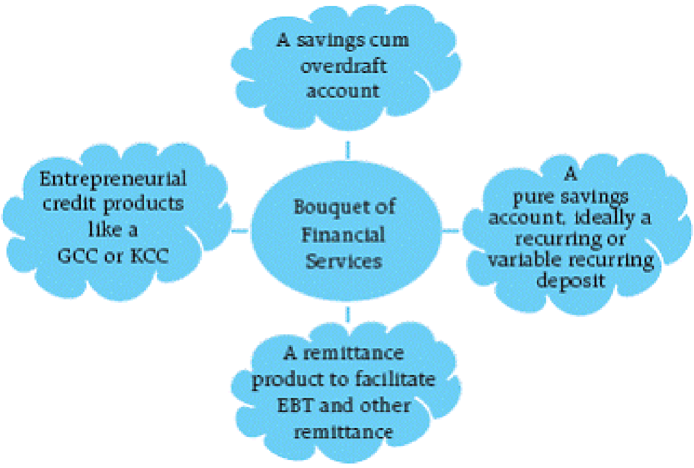

Figure 1

- Encouraged the banks to take lead in providing the financial access to the unbanked population.
- Intimated the regional rural banks to migrate to the core banking system.
- Deregulated regarding fixing of the interest rate on advance basis.
- Domestic scheduled commercial banks are advices permitted to open their branches in tier 2 - tier 6 towns.
- Mandated all the banks to open 25% of branches in the unbanked rural areas of the nation.
- Relaxed know your customer norms (KYC) and minimum documentation for opening no-frills account.
- Encouraged self-help groups-bank linkage programs.
- Set up financial stability and development council (FSDC) to focus on financial inclusion and financial literacy problem.

- Banks are advised to migrate core banking systems (CBS) to provide remittances using electronic payments systems such as Real Time Gross-Settlement System (RTGS), National Electronic Funds Transfer National Electronic Clearing Services (NECS), Immediate Payment Services (IMPS) and Aadhar Enabled Payment Systems (AEPS) etc facilities.
- Liberalized policies regarding the mobile banking guidelines in December 2011 to facilitate funds transfer for remittances and purchases.
- For developing viable, sustainable and affordable banking products and services central bank has constituted a Financial Inclusion Advisory Committee (FIAC) to control the experience and expertise of members who are from central board of the RBI, NGOs, and Civil Society.
- For building financial capability central bank has set up financial literacy centers (FLCs) and mandated the scheduled commercial banks to have least one outdoor financial literacy program for bringing the financial discipline among the adult population of the country.
- Advised all the commercial banks to submit board approved Financial Inclusion Plans (FIPs) to make an integral part of banks corporate plans.
- Provided guidelines for appointing business correspondents where there is no availability of branches, encouraged business correspondents model to promote financial inclusion in the rural area.

SECTION 2: Government of India Initiatives on Financial Inclusion

From past several years, Government of India has introduced many plans and programs towards financial inclusion plan, among them, I have taken few plans as a part of my study.

Pradhan Mantri Jan-Dhan Yojana (PMJDY)

Honorable prime minister of India on 15th August, 2014 announced Pradhan Mantri Jan-Dhan Yojana as a national mission for financial inclusion launched on 28 August 2014 in all the states with an objective to ensure access to various financial services like availability of basic savings bank account, credit, remittances facility, insurance and pension to the excluded population at affordable cost by leveraging technology.

Objectives of PMJDY

- Providing universal access to banking facility is the main objective of PMJDY by mapping each district into subservice area (SSA). By 14th August 2015. A government of India targeting 100% of achievement of the opening of bank accounts across the nation.
- Providing basic banking account with Rupay debit card and overdraft facility based on the credit history of the account holder.
- Financial literacy programs as an integral part of PMJDY to bring the awareness about the usage of the financial services among the beneficiaries.
- Creation of the credit guarantee fund to cover the defaults in overdraft accounts.

- To provide micro-insurance to the willing and eligible beneficiaries.
- To provide pension facility to the unorganized sector at lowest premium.

Table 1: Showing Number of Accounts Opened Under PMJDY as on 30-01-2015

Banks	No of Accounts (In Lakhs)			No of Rupay Debit Cards (In Lakhs)	Balance In Accounts (In Lakhs)	No of Accounts with Zero Balance(In Lakhs)
	Rural	Urban	Total			
Public sector banks	533	451.47	984.48	912.32	817463.04	655.41
Regional rural banks	184.89	32.98	217.87	149.68	159948.08	159.35
Private banks	32.26	20.12	52.38	45.93	72551.5	29.97
TOTAL	**750.15**	**504.57**	**1254.73**	**1107.93**	**1049962.62**	**844.73**

Source: *www.pmjdy.gov.in*

The above table clearly shows that the progress of opening of basic savings bank account. As on 30 January, 2015 across the nation 1,254.73 lakh accounts are opened by the scheduled commercial banks and regional rural banks having deposits of ₹ 10, 49,962.62 lakhs. In terms of Rupay, debit cards stood at 1,107.93 lakhs issued by banks in India. As per the RBI and GOI instructions, public sector banks have taken up PMJDY as a mission mode national agenda and performed well in the opening of savings account, out of 1,254.73 lakh public sector banks opened 984.48 lakh accounts since from the launch of the scheme.

Jandhan Se-Jan Suraksha Yojana

The government of India announced the introduction of a universal social security scheme in the insurance and pension to a large section of people India, especially for the poor and the underprivileged in the budget for the year 2015-16. A large section of India's population have any kind of insurance like health, accidental or life, worryingly as our young population ages, it is also going to be pension less, encouraged by the success of the Pradhan Mantri Jan Dhan Yojana (PMJDY), ***"I propose to work towards creating a universal social security system for all Indians that will ensure that no Indian citizen will have to worry about illness, accidents or penury in old age,"***said finance minister Arun Jaitley in his budget speech on 1st March 2015.

The three social security schemes Pradhan Mantri Jeevan Jyothi Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bhīma Yojana (PMSBY) and Atal Pension Yojana (APY) aimed at providing affordable universal access to essential social security protection in a convenience manner.

Pradhan Mantri Jeevan Jyothi Bima Yojana (PMJJBY)

PMJJBY an insurance scheme offers life insurance cover for death due to any reason at the lowest premium of ₹330 per year. This scheme is for one year later can be renewable year after year. An individual in the age group of 18 to 50 years who has savings account in a bank is eligible to join this scheme. Re-joining the scheme is allowed provided with good health declaration in the prescribed format is another important feature of the scheme. The scheme is administered through LIC and insurance companies, participating banks can engage any life insurance company to implement the scheme.

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

PMSBY is an accident insurance scheme offers accidental death and disability cover for death and disability on account of the accident at the lowest premium of ₹12 per year. This scheme is for one year later can be renewable year after year. An individual in the age group of 18 to 70 year who has savings account in a bank is eligible to join this scheme. The scheme is administered/offered through public sector general insurance schemes (PSGICs) participating banks can engage any life insurance companies to implement the scheme.

Atal Pension Yojana (APY)

To address the risks among the unorganized sector government of India has launched the Swavalamban scheme, but the scheme has not adequately covered due to lack of guaranteed pension benefits at the age of 60. As it is proposed in the budget 2015-16 Government of India launched Atal Pension Yojana, (APY) on 1st June 2015. Under the **Atal Pension Yojana** the subscribers would receive the fixed minimum pension of 1000P.M, 2000P.M, 3000P.M, 4000P.M; 5000P.M at the age of 60 years depending on their contributions, which itself would be based on the age of joining the APY

The minimum age of joining **Atal Pension Yojana** min18 and max 40 years, the therefore minimum period of contribution by any subscriber under APY would be twenty years or more. The benefit of a fixed minimum pension would be guaranteed by the government of India.

Table 2: Showing Summary of APY/PMJJBY/PMSBY as on 11.05.2015

Scheme	Rural Male	Rural Female	Urban Male	Urban Female	Total
APY	14,676	6,951	12,264	7,233	41,124
PMJJBY	5,266,222	2,635,528	4,212,429	2,241,875	14,356,054
PMSBY	15,216,844	7,873,163	16,996,833	8,792,937	48,879,777
Grand Total	20,497,742	10,515,642	21,221,526	11,042,045	63,276,955

Source: *janasuraksha.gov.in*

Section 3: Role of the Stake Holders in Promoting Financial Inclusion

Financial sector development is an important indicator which contributes to the development of the economy. For financial sector stability inclusive sustainable growth has not only impacts the poverty reduction but also contributes to the economy growth. The major stakeholders which are promoting financial inclusion are Government of India, RBI, Banks, state government, Micro Finance Institution, NGOs, and NABARD. Various initiatives taken by these stakeholders addressed the gap and issues in achieving hundred percent financial inclusions. To achieve equitable access to credit and financial services various institutions should play an active role in promoting financial inclusion in India.

Role of the Government

A government of India is playing an active role in promoting financial inclusion. It increased the financial access through Reserve bank of India (RBI) especially by the way of priority sector lending. The National Rural Financial Inclusion Plan (NRFIP) by Government of India has set targets to achieve complete financial inclusion through commercial banks, regional rural banks and co-operative banks, directly advising banks and insurance companies to extend their services to the remote areas, The Self Help Group-bank linkage programmers (SBLP), Kissan Credit card (KCC) scheme for farmers, Rashtriya Swasthya Bima Yojana (RSBY), financing and refinancing of various co-operative banks, regional rural banks and public sector banks that extend credit to rural areas and introduction of Pradhan Mantri jan-Dhan

Yojana (PMJDY) with an objective to provide banking facility to all people, are examples of initiatives of the government towards financial inclusion.

Role of the Reserve Bank of India (RBI)

RBI has initiated several steps during the recent years for promotion of financial access among the unbanked population. RBI has taken financial inclusion as mission and monitoring the progress of financial inclusion in India. Advising and giving directions to the commercial banks, giving guidelines on the implementation of the financial inclusion plan and also taken various policy measures to improve the access to financial services, Created financial inclusion fund for promoting the financial inclusion activities. Setting up of financial literacy centers, RBI provided support for bank branch expansion by liberalizing norms. These are all some of the important role played by RBI towards financial inclusion.

Role of NABARD

The role of NABARD can be grouped into two categories (1) promotional and developmental (2) Financial in the growth of the microfinance sector. A variety of programs have been designed by NABARD for the training of SHGs, NGOs, and banks, Extending grant assistance for promotion of SHGs, NGOs, RRBs and District Central Co-Operative Banks. Grant assistance to NGOs for arranging Micro Enterprise Development Programmed (MEDP), Supporting NGOs for technology up gradation. NABARD has initiated a scheme for supporting SHG federations. Refinance support to commercial banks, RRBs and Co-operative banks against their lending to SHGs.

Role of State Government

The state government appointed a mission director at the state level and one officer of the state government is deputed to monitor the implementation of the financial inclusion programmers, Implementation of the central and state social security programs and schemes through bank accounts. In Karnataka, the State Government through its Women and Child Development Department (WCDD) is continuing this mission through various schemes and programs, State Government with the support of NABARD and other NGOs strengthening the SHGs through capacity building and conducting income generating training programs.

Role of Banks

Banks integrated the financial inclusion plans under their corporate plans. Banks played a vital role in implementing the DBT scheme and PMJDY scheme, Banks set up financial literacy centers and bringing awareness through educating the beneficiaries about the usage of the financial services and financial products, increasing the lending to SHGs and MFIs, opening up of new bank branches in unbanked areas. Under the social banking commercial banks are providing access to banking services and bringing the excluded population into the formal financial system. To reach the remote areas banks are appointing BCs and deploying mobile vans by leveraging technology. Banks are also developing products and services which are affordable, need-based and timely based.

Role of NGOs

Non-governmental organizations are committed for the upliftment of poor and underprivileged people. The voluntary sector has contributed significantly to reducing poverty, deprivation, discrimination and exclusion through awareness, social mobilization, service delivery, and training. They are the effective non-political link between government and people. NGOs are playing a vital role in the formation of Self-Help Groups. NGOs in India were responsible for converting the pilot programmers of Self-Help Group into a mass movement in our country.

Role of MFIs

Micro Finance Institution which has come up to fill the gap between the demand and supply of microfinance which is providing, credit and other financial services and products of very small amounts mainly to the large and poor in rural, semi-urban and urban areas for enabling them to increase their level of income and standard of living

Section 4: Financial Inclusion Plan Progress Report

The Board approved Financial inclusion plans (FIPs) prepared by the domestic scheduled commercial banks, provide a structured and planned approach to financial inclusion. The plans capture self-set targets of the banks on parameters such as the number of outlets (branches and BCs), Basic Savings Bank Deposit Account (BSBDAs) opened by bank branches and BCs overdraft facilities availed in those accounts, transaction in Kissan credit card (KCC) General Credit Card (GCC) accounts and transactions through the BC-ICT channel. The progress made on these parameters is reported to the Reserve Bank of India by banks on a monthly basis and the progress in this regard as on end March 2017 is set out in the following table.

Table 3: Showing Financial Inclusion Plan: A Progress Report (As on 31 March 2017)

Particulars	End-March 2010	End-March 2016	End-March 2017
Banking Outlets in Villages – Branches	33,378	51,830	50,860
Banking Outlets in Villages>2000-BCs	8,390	98,958	105,402
Banking Outlets in Villages<2000- BCs	25,784	432,271	438,070
Total Banking Outlets in Villages – BCs	34,174	531,229	543,472
Banking Outlets in Villages- Other Modes	142	3,248	3,761
Banking Outlets in Villages -Total	67,694	586,307	598,093
Urban Locations covered through BCs	447	102,552	102,865
BSBDA-Through branches (No. in millions)	60	238	254
BSBDA-Through branches(Amt. in ₹ billion)	44	474	691
BSBDA-Through BCs (No. in millions)	13	231	280
BSBDA-Through BCs (Amt. in ₹ billion)	11	164	285
BSBDA-Total (No. in millions)	73	469	533
BSBDA Total (Amt. in ₹ billion)	55	638	977
OD facility availed in BSBDAs (No. in millions)	0.2	9	9
OD facility availed in BSBDAs (Amt. in ₹ billion)	0.1	29	17
KCCs -Total (No. in millions)	24	47	46
KCCs -Total (Amt. in ₹ billion)	1,240	5,131	5,805
GCC-Total (No. in millions)	1	11	13
GCC-Total (Amt. in ₹ billion)	35	1,493	2,117
ICT A/Cs-BC-Total Transactions (No. in millions)	27	827	1,159
ICT A/Cs-BC-Total Transactions (Amt. in ₹ billion)	7	1,687	2,652

CONCLUSIONS

The present study made an attempt to convey about the assessment of financial inclusion initiatives in our country. The study includes a brief introduction of the subject and provided significant definitions of Financial Inclusion too. Thereafter, the key policy initiatives of RBI, programs of Government of India, Role played by major stakeholders of financial inclusion and a progress report on financial inclusion have been explained to assess where we stand at the present juncture.

Finally, 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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