IOSR Journal of Economics and Finance (IOSR-JEF)
e-ISSN: 2321-5933, p-ISSN: 2321-5925.Volume 6, Issue 3. Ver. II (May.-Jun. 2015), PP 70-81
www.iosrjournals.org

Financial Inclusion in India – A Road Map towards Growth of Initiatives and Achievements

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Abstract: *Finance has become an essential part of an economy for development of the society as well as economy of nation. For, this purpose a strong financial system is required in not only in under-developed countries and developing countries but also developed countries for sustainable growth. Through Financial inclusion we can achieve equitable and inclusive growth of the nation. Financial inclusion stands for delivery of appropriate financial services at an affordable cost, on timely basis to vulnerable groups such as low income groups and weaker section who lack access to even the most basic banking services. In this paper, the researcher attempts to understand financial inclusion and its importance for overall development of society and Nation's economy. This study focuses on approaches adopted by various Indian banks towards achieving the ultimate goal of financial inclusion for inclusive growth in India and analyses of past years progress and achievements. The relevant data for this study has been collected with the help of from various Research journals, Articles, reports of RBI, reports of NABARD and online resources.*
Key words: *Financial inclusion, Financial Exclusion, Business correspondents, KCCs, GCCs.*

I. Introduction To Financial Inclusion

The process of economic growth, especially when it is on high growth line, must attempt to take participation from all sections of society. Lack of access to financial services for small/ marginal farmers and weaker sections of the society has been recognized as a serious threat to economic progress, especially in developing countries.

The recent developments in banking technology have transformed banking from the traditional brick-and-mortar infrastructure like staffed branches to a system supplemented by other channels like automated teller machines (ATM), credit/debit cards, online money transaction, internet banking, etc. The moot point, however, is that access to such technology is restricted only to certain segments of the society. Many of research reports and surveys clearly show that large numbers of population does not have an access to basic banking and financial services not only in India but also whole world. This is termed "financial exclusion." These people, particularly, those living on low incomes, cannot be access

Main stream financial services and products such as bank accounts which are used for making payments and keeping money, remittances, affordable credit, insurance and other financial services, etc.

The concept of Financial Inclusion is not a new one. It has become a catchphrase now and has attracted the global attention in the recent past. Lack of accessible, affordable, and appropriate financial services has always been a global problem. It is estimated that about 2.9 billion people around the world do not have access to formal sources of banking and financial services. India is said to live in its villages, a convincing statement, considering that nearly 72% of our population lives there. However, a significant proportion of our 6,50,000 odd villages does not have a single bank branch to boast of, leaving swathes of the rural population in financial exclusion.

Objectives of the study:
This research paper has four main objectives:
1. To understand the financial exclusion and its extent.
2. To understand the financial inclusion and its importance.
3. To find out the approaches adopted by banks, steps taken by the regulatory bodies and various government initiatives to achieve financial inclusion.
4. To analyze the past years performance and achievements towards reaching out to the unbanked areas under financial inclusion.

II. Research Methodology

The present study is descriptive in nature. The data used for the study is secondary in nature and has been collected from RBI bulletin, annual reports of RBI and Ministry of Finance, GOI, Report on trend and progress of banking in India, various reputed journals, newspapers, and websites of RBI, NABARD (National Bank for Agricultural and Rural Development), and Ministry of Finance, Government of India (GOI).

III. Review Of Literature

Sustained growth of the nation and its continued prosperity depend critically on universal financial services covering all people. Further, empirical evidence shows that inclusive financial system significantly raises growth, alleviate poverty and expand economic opportunity.(Dr. Joji chandran,2008). Financial inclusion means the provision of affordable financial services, *viz.*, access to payments and remittance facilities, savings, loans and insurance services by the formal financial system to those who tend to be excluded (Thorat, 2006). Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. Unrestrained access to public goods and services is the *sine qua non* of an open and efficient society. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy (Leeladhar, 2006).

Concept of Financial Exclusion:

In India, The Report of the financial inclusion in January 2008 by C Rangarajan, Financial exclusion is defined as restricted access to financial services to certain segment of the society. Generally, this large section of the population comprises individuals or family falling into low income groups, which are not able to access even the most basic banking services like bank accounts, credit, insurance, financial advisory services and payment services. So basically, financial exclusion is the situation where certain group of population is excluded or unable to access low cost an appropriate mainstream financial products and services.

Extent to financial exclusion in globally:

The World Bank's Global Findex database reveals that between 2011 and 2014, 700 million adults worldwide became account holders. The number of adults without an account—the unbanked—dropped by 20 percent to 2 billion. Globally, 62 percent of adults have an account, up from 51 percent in 2011.

Extent of Financial Exclusion –India

India ranks 2nd in the world in terms of financially excluded households after China.

India is place of the largest unbanked population where, only 35 percent adults having an account in financial institutions which shows that percentage of account penetration in India just below rest of the developing world. And around 145 million people are excluded from banking .About 50 percent of adult's reports in Andhra Pradesh and Delhi NCR and 40 percent in Gujarat, Kerala, and Maharashtra having a formal account but Bihar, Orissa, and Rajasthan reports less than 30 percent account penetration. As per data available from Census 2011, India is having population of around 1.22 billion and 65 per cent of adults across the country are excluded from the formal financial system. As per the report of World Bank, In India, only 35.2 percent adults above the age of 15 years have an account at formal financial institutions. 55 percent population has deposit accounts and only 9 percent population have credit accounts with formal financial institutions. Reports show that there is one bank branch per 14,000 persons. Just 18 percent are debit card holders and less than 2 percent are credit cards holders. In India, despite expansion of bank branches post reform period, the total branches of commercial banks including RRB‟s and SCB‟s has still stood only 33495 in a country to provide service to 6 lakh villages. So there is only one bank branch over the 12.5 villages. In India and other BRICS economies unbanked respondents reported obstacles to access formal accounts. And only a little less than 20% of the population has any kind of life insurance and 9.6% of the population has non-life insurance coverage

Financial Inclusion:

Concept and Definition of Financial Inclusion:

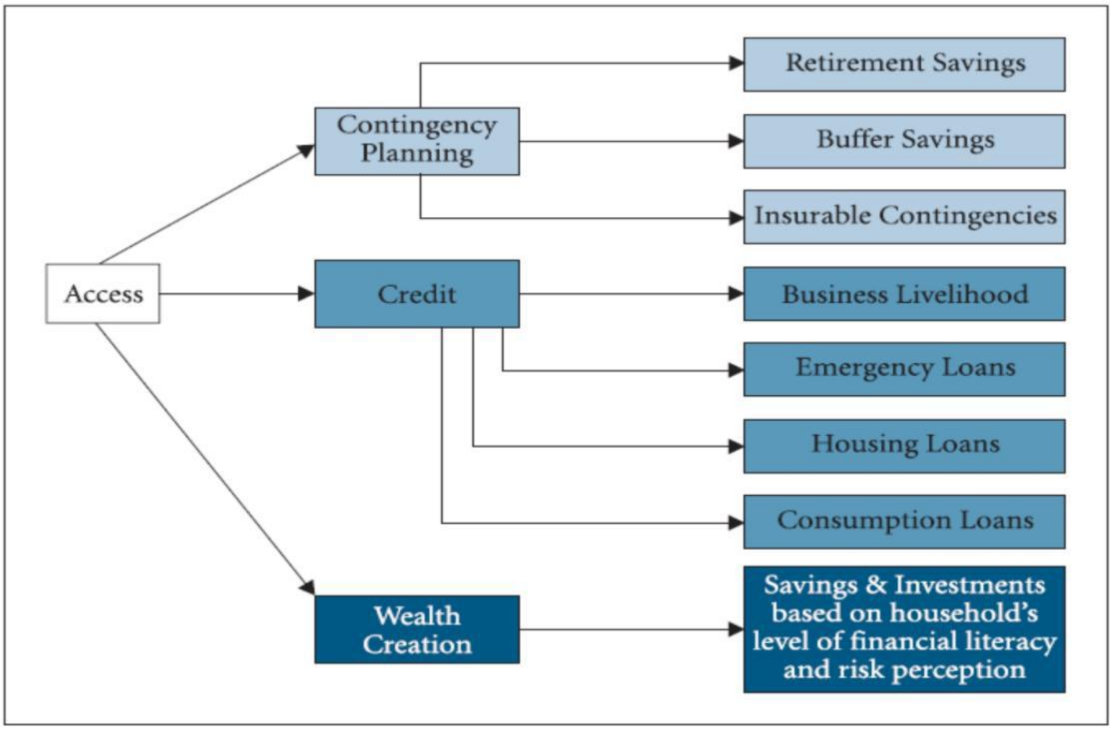
Financial inclusion is one of the most important aspects in the present scenario for inclusive growth and development of economies. The financial inclusion term was first time used by British lexicon when it was found that nearly 7.5 million persons did not have a bank account. But financial inclusion concept is not a new one in Indian economy. Bank Nationalization in 1969, establishment of RRBs and introduction of SHG- bank linkage programs were initiatives taken by RBI to provide financial accessibility to the unbanked groups.

According to committee on Financial inclusion headed by Dr. C. Rangarajan defined financial inclusion as *"The process of ensuring 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* Financial inclusion does not stand for delivery of financial services for all at all cost. But it means that the delivery of financial services and products at affordable costs of excluded sections of population and low income groups. It plays a crucial role to remove away the poverty from the country. Financial inclusion is to provide equal opportunities to vast sections of population to access mainstream financial services for better life, living and better income. It provides path for inclusive growth.

Financial inclusion can be described as the provision of affordable financial services, viz saving, credit, insurance services, access to payments and remittance facilities by the formal financial systems to those who are excluded. So, financial inclusion refers to access to vast range of financial product and services at affordable cost. It not only includes banking products but also other financial services such as loan, equity and insurance products.

Households need access to finance for several purposes like creating buffer, retirement, saving to hedge against unpredictable situations and take products for insurable contingencies. Household also needs access to credit for livelihood creation, housing, consumption and their emergencies. Finally households require financial services to access a wide range of saving and investment products for wealth creation but it is all depends upon their level of financial literacy.

Figure 2: Household Access to Financial Services



Source: A Hundred Small Steps a Report of the Committee on Financial sector reforms by **Raghuram G. Rajan**

<u>Importance of financial inclusion</u>:

Easy access to financial services will allow the population leaving in lower strata, to save money safely and help in preventing concentration of economic power with a few individuals, thus mitigating the risks that the poor could face as a result of economic shocks. Therefore, providing access to financial services is becoming an area of concern for the policymakers as it has far reaching economic and social implications.

In India, The single most frequently used source of loan for medium Indian household is still moneylender. Large parts of our financial system are still hampered by political intervention and bureaucratic constraints, limiting their potential contribution. India's poor, many of who work as agricultural and unskilled semi skilled wage laborers and low salaried workers are largely excluded from the formal financial system. Even micro and small enterprises, find it difficult to have an access to formal sources of finance and thus are largely excluded from financial system. Over 40% of India working population earn but have no saving. Financial inclusion provides protection to poor from the control of the spurious money lenders.

<u>Factors Affecting Access To Financial Services</u>

Some of the major factors affecting access to financial services are:-

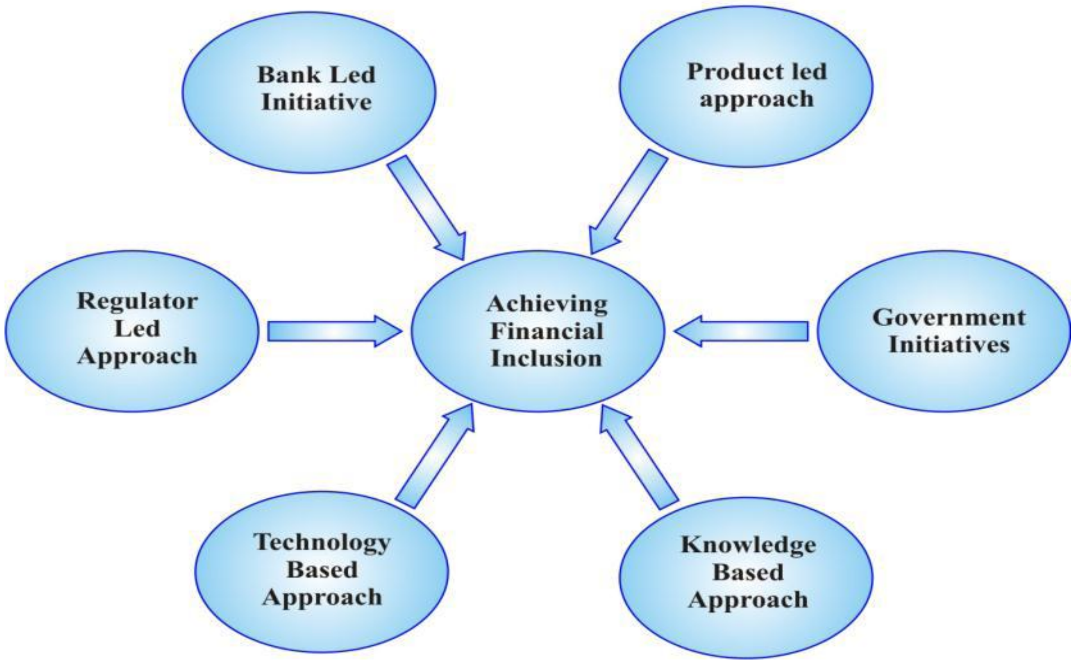
- **<u>Psychological and cultural barriers</u>-**Many people willingly excluded themselves due to psychological barriers and they think that they are excluded from accessing financial services. A very general psychological barrier can be easily noticed when older people find it difficult to use ATMs which is the most convenient form of banking today.
- **<u>Legal identity</u>-**Lack of legal identity like voter Id, driving license, birth certificates, employment identity card etc. is also a major factor affecting access to financial services.

- **Level of income** -Low income people generally have the attitude of thinking that banks are only for the rich people.
- **Various terms and conditions**-Since banks are profit making organizations they discourage the non-profitable customers (poor) by the minimum balance requirements. While getting loans or at the time of opening accounts, banks place many conditions, so the uneducated and poor people find it very difficult to access financial services.
- **Structural procedural formalities**-It is very difficult for people to read terms and conditions and account-filling forms due to lack of basic education.
- **Limited literacy**- Lack of financial literacy and basic education prevent people to have access to financial services. Financial literacy involves encouraging people to use various financial products through various economic agents like NGOs (Non-Profit Organizations), MFIs and Business Correspondents etc. People do not know the importance of various financial products like insurance, finance bank accounts, cheque facility etc.
- **Place of living**-Commercial banks operate only in profitable areas. Banks set their branches and offices only in the commercial areas. Therefore, people living in under-developed areas find it very difficult to go for any bank transaction in other areas again and again. Hence, they do not go for any banking services.
- **Social security payments**-In those countries, where the social security payment system is not linked to the banking system, banking exclusion has been higher.
- **Types of occupation**-Many banks have not developed the capacity to evaluate loan application of small borrowers and unorganized enterprises and hence tend to deny such loan requests.
- **Attractiveness of the product**-Both the financial services/products (savings accounts, credit products, payment services and insurance) and how their availability is marketed are crucial in financial inclusion.

Various approaches to achieve financial inclusion:

In India, various measures taken by banks, GOI and RBI for financial inclusion plan. Figure 3 highlighted currently adopted financial inclusion approaches.

Figure 3: Financial Inclusion : Currently adopted Approaches



Product Based Approach: Reserve bank of India has been proactive, liberal and supportive while making policies so as to enable financial institutions to come up with innovative products for enabling a common man to get the benefit of the financial inclusion plan. Some products developed for fulfillment of this approach have been mentioned in this paper.

(i). No- Frills Account (NFAs):- This concept was introduced by RBI in November 2005 to provide access to basic baking services by financially excluded peoples. Under this approach banks open accounts with zero balance or very minimum balance requirement for the under-privileged. In 2012, the banks under RBI guidelines came-up with a better version of the no-frill accounts where they would open Basic Savings Bank Deposit Accounts (BSBDAs) for all individuals with the facility of debit card, cheque book, internet banking, overdraft limits at minimal charges. However, the number of transactions could be restricted so as to prevent misuse of such accounts.

(ii). Kisan Credit cards (KCCs):- Under this scheme banks issue smart cards to the farmers for providing timely and adequate credit support from single window banking system for their farming needs. During 2012-13 (up to December 2012), public and private sector banks issued 1.2 million smart cards as KCCs.

(iii). General Purpose Credit Cards (GCC) :- In 2005 Reserve bank of India, issue guidelines to banks that to provide General Purpose Credit Card (GCC) which facilitate credit up to Rs.25000/- without any collateral requirement for rural and semi urban people based on assessment of household cash flows. Now as per the revised guidelines in Dec."2013 under this approach bank also fulfill Non- farm entrepreneurial credit requirement of individuals (e.g. Artisan Credit card, Laghu Udyami Card, Swarojgar Credit Card, Weaver's Card etc) There will be no ceiling on the loan amount as long as the loan is for the purpose of non-farm entrepreneurial activity and is otherwise eligible for classification. as priority sector. Security norms will be applicable as per Reserve Bank guidelines on collateral free lending for micro and small units issued from time to time.

(iv). Saving account with Overdraft facility: - Banks have been advised to provide overdraft (OD) facility in saving account and also Small Overdrafts in No-frills accounts. The setting up of the limit for the same would be done by banks considering the transaction in the account. This would help the customer to get easy access to the credit at lower rates.

Bank Led approach:

(I). Self Help Group - Bank Led Initiative (SLBP):- The SLBP or Self Help Group – Bank Linkage Programmes has been the major institutional based innovation in India for enabling access and covering the gap of reaching financially excluded population of the country in the last two decades. In this model, the banks involve themselves with a group of local people with the idea of enabling them to pool up their savings. The same is deposited with the bank against which the bank also provides a certain amount of credit facility. The group takes a decision to whether to lend to any member of the group. The bank provides the framework, accounting services and support to the group to manage their deposits and lending. Thus the model has an approach of savings first, lending later. The banks do not have a risk in such lending as the borrowers reputation and peer pressure in the group would reduce the risk of bad loans considerably. However, the model has some issues that affect the program

(a). Inadequate outreach in many regions.
(b). Delays in opening of SHG accounts and disbursement of loans.
(c). Impounding of savings by banks as collateral.
(d). Non-approval of repeat loans by banks even when the first loan was repaid.
(e). Multiple memberships.
(f). Borrowings by SHG members within and outside SHGs.
(g). Adverse consequences of unhealthy competition between NGO promoted SHGs.
(h). Government promoted/subsidy oriented SHGs and limited banker interface.
(i). Monitoring of the SHGs.

While the basics of the SHGs being savings led credit product remain true even today, recent developments have given rise to the need for relook in the approach and design of this fairly successful model leading to SHG - 2.

The basic features of SHG - 2 are
(a). Voluntary savings apart from compulsory savings
(b). Allowing the sanction of a cash credit / overdraft system of lending for SHGs for a longer operational tenure, and
(c). Graduating selected members of the group that have entrepreneurship potential into a joint liability groups for borrowing larger amounts.

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(ii). Business Facilitators (BFs)/Business Correspondents (BCs):- The BC/BF model is a model which based on information and communication technology (ICT). In this model the intermediaries or BC/BFs are technologically empowered by the banks to provide the last mile delivery of financial products and services. Initially created by the banks themselves and later with improvisations and RBI policy support, the model on the back of innovative technologies is bridging the connectivity gap between the service seekers, i.e., under-served public, and the service providers, i.e., the banks. However, a number of issues both for the partner banks and also for the regulators have surfaced since the start of this model. Some of them being

a. Profitability of the BFs/BCs
b. Banks and their BFs/BCs are exposed to huge risk of cash management
c. The training and hand-holding of the BFs/BCs to enhance the trust level of the end customers
d. Adoption of technology
e. Compatibility and integration of technology used by the banks and their BFs/BCs.

Based on above facts, the banks have started coming up with the concept of ultra small branches to provide support and supervise work of certain number of BFs/BCs. Also banks could have in-house model where BF/BC outfits could be a subsidiary with its own structure but under closer supervisory control.

Regulatory Approach:

i. **Simplified KYC Norms**: **-** Under current KYC norms, a customer has to provide number of documents for opening an account as per RBI guidelines. However, the people living in rural areas face problem in fulfilling these norms. To enable banks to tap in this huge opportunity of rural banking in unbanked areas and to meet the objective of financial inclusion, RBI has relaxed a number of norms for accounts opened by people who plan to keep balances not exceeding Rs.50, 000 and whose total credit in all the accounts taken together is not expected to exceed Rs.100, 000 in a year. Small accounts can now be opened on the basis of an introduction from another account holder who has satisfied all the KYC norms.

ii. **Simplified bank saving account opening**: **-** The account opening form has been simplified to ease the opening of account by the poorer sections, street hawkers and other migratory laborers of the society.

iii. **Bank branch authorization**: **-** RBI has permitted banks to open branches without taking authorization, thus deviating from its normal norms, in tier 3 to 6 city, towns, or villages. This would enable the government, regulator and the banks to speed up the drive for financial inclusion and this make available the financial services to the unbanked population of the country.

Technology Based approach:

i. **Mobile Banking** :- One of the most remarkable developments in terms of innovation in order to harness the full power of technology, the banks have tied up with mobile operators to provide financial services like bill and utility payment, fund transfer, ticket booking, shopping etc. Some examples of this model are m-Pesa by Vodafone and Airtel Money.

ii. **ATM based banking: -** In some states, the state government has taken initiatives for providing kiosk based model for access to financial services. Also banks have used the technology to enable their ATMs to virtually act like a 24x7 branches.

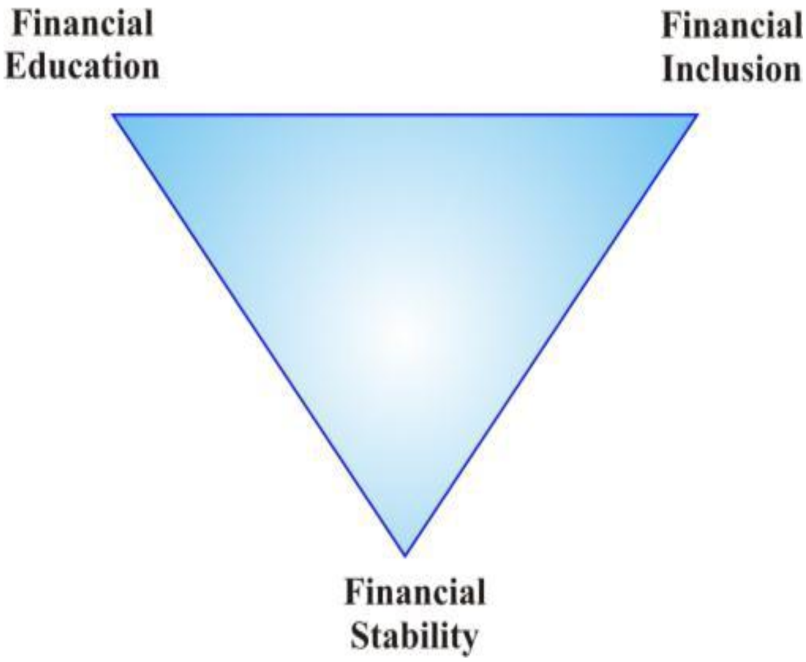
iii. **Branchless Banking: -** Some of the leading banks have come up with this concept where there would be an online system with chat facility assisting the person to make use of various electronic machines for depositing and withdrawing cash and cheques. However this initiative is in a very initial stage and has a limitation in terms of initial Cost for banks and literacy / knowledge for the rural population and hence this concept is currently limited to urban and semi-urban areas.

iv. **Aadhaar Enabled payment services**: **-** In this system, any Indian citizen having an Aadhaar number updates his account with the same. All accounts having aadhaar number updated are to be reported to RBI, which in turn reports it to various government departments. While making payments to people for working under initiatives like MGNREGA or various subsidy schemes, the departments use this information for directly crediting the money to the beneficiary's account. This not only reduces the delay in the benefits being received by the end user, but also reduces the chances of corruption in the distribution of the benefits under schemes. Also the unique biometric identification data stored in the Aadhaar database is expected to empower a bank customer to use Aadhaar as his/her identity to access various financial services. A pilot scheme in four districts of Jharkhand state is currently being carried out under which MGNREGA wages to labourers are credited to their Aadhaar enabled bank accounts.

Knowledge Based Approaches

Financial education, financial inclusion, and financial stability are three elements of an integral strategy to empower people to make effective use of the financial services network. While financial inclusion works from supply side, financial education feeds the demand side by promoting awareness among the people regarding the needs and benefits of financial services offered by banks and other institutions. These two strategies together promote greater financial stability.

Figure 4: The Financial Tripod



i. Financial Stability Development Council (FSDC) has explicit mandate to focus on financial inclusion and financial literacy simultaneously.
ii. RBI had issued guidelines on the financial literacy Centre's (FLC) on in June 2012 for setting up FLCs. It was advised that the rural branches of scheduled commercial banks should increase efforts through conduct of outdoor Financial Literacy Camps at least once a month. Accordingly, 718 FLCs had been set up as at end of March 2013. A total of 2.2 million people had been educated through awareness camps / choupals, seminars and lectures during April 2012 to March 2013.

RBI initiatives to promote financial inclusion were as follows:

1. Use of local language in application forms;
2. Know-Your-Customer (KYC) norms for small accounts with balances not exceeding INR 50,000.
3. Appointment of Rural Intermediaries, i.e., Business Facilitators (BFs), who provide education regarding financial products and collect documents on the bank's behalf, and Business Correspondents (BCs) who provide deposit collection and money lending;
4. Adoption of Information and Communications Technology (ICT);
5. Adoption of Electronic Benefit Transfer (EBT): banks have been advised to implement EBT by leveraging Aadhaar card scheme under which social benefits will be transferred electronically to the bank account of the beneficiary, thus reducing transaction costs and corruption;

6. Domestic commercial banks have been permitted to freely open branches in smaller towns and cities with a population of less than 50,000;
7. Banks have been mandated to allocate at least 25% of the total number of new branches to rural areas, with populations of up to 9,999 each.
8. The issue of Rupay cards.
9. Advised all banks to open Basic Saving Bank Deposit (BSBDA) accounts with minimum common facilities such as no minimum balance, deposit and withdrawal of cash at bank branch and ATMs, receipt/ credit of money through electronic payment channels, facility of providing ATM card.
10. Simplified Branch Authorization Policy, to address the issue of uneven spread bank branches, domestic SCBs are permitted to freely open branches in Tier 2 to Tier 6 centers with population of less than 1 lakh under general permission, subject to reporting. In North-Eastern Sates and Sikkim domestic SCBs can open branches without having any permission from RBI. With the objective of further liberalizing, general permission to domestic scheduled commercial banks (other than RRBs) for opening branches in Tier 1 centers, subject to certain conditions.
11. Compulsory Requirement of Opening Branches in Un-banked Villages, banks are directed to allocate at least 25% of the total number of branches to be opened during the year in un-banked (Tier 5 and Tier 6) rural centre's.
12. Intermediate brick and mortar structure, for effective cash management, documentation, redressal of customer grievances and close supervision of BC operations, banks have been advised to open intermediate structures between the present base branch and BC locations. This branch could be in the form of a low cost simple brick and mortar structure consisting of minimum infrastructure such core banking solution terminal linked to a pass book printer and a safe for cash retention for operating larger customer transactions.
13. **Simplification of Savings Bank Account Opening Form-**To ease the opening of bank account by the migratory labour, street hawkers and other poorer sections of the society, "Simplified Account Opening Form" has been designed. Banks have been requested to put in place a system to enable the customer to fill the account opening form on an „online" mode. This form contains sections for Small Accounts, Accounts with Introduction and Basic Saving Bank Deposit Account.
14. SHG Bank linkage model 18. SHG (Self Help Group) bank linkage programme piloted by NABARD in 1992 with 500 SHGs of rural poor has now transformed into the world's largest microfinance initiative with over 7.4 million SHGs representing 97 million rural households becoming part of the movement. This has been the predominant form of lending to women as 84% of SHGs are women SHGs as on March 31, 2014. The scale of the program is huge given savings of women SHGs in banks stands at over Rs 80 billion as on March 31, 2014 and bank loan outstanding against women SHGs is over Rs 360 billion as on March 31, 2014. The emphasis of the SHGF program is now to shift towards livelihood opportunities to SHG members apart from the expanding outreach across the country.

Recent Measures By RBI And GOI

1. During Phase I, 74,414unbanked villages with population more than 2,000 were identified and allotted to various banks through SLBCs for coverage through various modes, 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 2,493 branches, 69,589BCs and 2,332 through other modes.
2. As reported by the banks under their financial inclusion plans nearly 2,48,000 BC agents had been deployed by banks as on March 31, 2014 which are providing services through more than 3,33,000 BC outlets. Nearly 117 million basic saving bank deposit accounts (BSBDAs) opened through BCs remained outstanding as on March 31, 2014.
3. **"Swabhimaan"- the Financial Inclusion-** Under "Swabhimaan"- the Financial Inclusion Campaign launched in February 2011, banking facilities to over 74,000 habitations having a population of 2,000 and above have been provided by engaging over 62,000 business correspondent agents (BCAs) and opening branches. About 3.16 crores Financial Inclusion accounts have been opened till March, 2012. Further, Public Sector Banks and Regional Rural Banks (RRBs) have operationalized over 43,000 Ultra Small Branches so far. In pursuance to the announcement made by Finance Minister in Budget speech 2012-13, this campaign is being extended to about 45,000 Habitations with population of more than 1,000 in North-Eastern and hilly States and with 1600-2000 population in other states.
4. **Setting up of Ultra Small Branches (USBs):** Considering the need for close supervision and mentoring of the Business Correspondent Agents (BCAs) by the respective banks and to ensure that a range of banking services are available to the residents of such villages, Ultra Small Branches (USBs) are being set up in all villages covered through BCAs under Financial Inclusion.

   A USB would comprise of a small area of 100-200 sq. feet where the officer designated by the bank would be available with a lap-top on pre-determined days. While the cash services would be offered by the BCAs, the bank officer would offer other services, undertake field verification, and follow up the banking transactions. The periodicity and duration of visits can be progressively enhanced depending upon business potential in the area. A total of over 50,000 USBs have been set up in the country by March, 2014.

5. **Direct Benefit Transfer (DBT) -** The objective of DBT Scheme is to ensure that money under various developmental schemes reaches beneficiaries directly and without any delay. The scheme has been launched in the country from January, 2013 and has been rolled out in a phased manner, starting with 26 welfare schemes, in 43 districts. The scheme is now being extended to additional 78 districts and additional 3 schemes from 1st July, 2013 and would be extended to the entire country in a phased manner. The Government has also started the transfer of cash subsidy for domestic LPG cylinders to Aadhaar linked bank accounts of the customers with effect from 1st June 2013, in 20 pilot districts. About 75 lakh beneficiaries would be benefitted in these districts. The scheme nick named "PAHAL" (Pratyaksth Hastatarit) is the largest cash transfer program in the world, which aims at directly transferring cash subsidy on cooking gas into the bank accounts has transferred around Rs. 2262 crores till April 2015.
6. Under Pradhan Mantri Jan Dhan Yojana (PMJDY), an ambitious programme on financial inclusion launched by Hon'ble Prime Minister on 28-08-2014, as on 31-01-2015, 12.54 crore accounts have been opened out of which 7.50 crore RuPay Debit cards have been issued till 31.01.2015. Despite of Rs. 10499.62 crore has been mobilized.
7. Under Pradhan Mantri Mudra Yojana has proposed the creation of Micro Units Development Refinance Agency (MUDRA bank) with a refinance corpus of Rs. 20000 crores and credit guarantee corpus of Rs. 3000 crores. Its main focus areas are on lending to business activities which are mainly engaged in micro/ small business units.
8. Under Pradhan Mantri Jeevan Jyoti Bima Yojana has offered a renewable one-year life cover of Rs.2 lakh to all savings bank account holders in the age group of 18-50 years, covering death due to any reason, for a premium ofRs.330 per annum.
9. Under Pradhan Mantri Suraksha Bima Yojana has offered a renewable one-year accidental death-cum-disability cover of Rs.2 lakh for partial/permanent disability to all savings bank account holders in the age group of 18-70 years for a premium of Rs.12 per annum.
10. The GOI has inducted a program Named "Atal Pension Yojana" It's main focus is on the unorganized sector and provide subscribers a fixed minimum pension of Rs.1000, Rs. 2000, Rs.3, 000, Rs.4, 000 or Rs.5, 000 per month, starting at the age of 60 years, depending on the contribution option exercised on entering at an age between 18 and 40 years.

IV. <u>Financial Inclusion Status</u>

Table IV.7: Financial Inclusion Plan-Summary Progress of all Banks including RRBs

Particulars	Year ended March 2010	Year ended March 2013	Year ended March 2014	Progress April 2013 - March 2014
1	2	3	4	5
Banking Outlets in Villages – Branches	33,378	40,837	46,126	5,289
Banking Outlets in Villages – Branchless Mode	34,316	2,27,617	3,37,678	1,10,061
Banking Outlets in Villages –Total	67,694	2,68,454	3,83,804	1,15,350
Urban Locations covered through BCs	447	27,143	60,730	33,587
Basic Savings Bank Deposit A/c through branches (No. in million)	60.2	100.8	126.0	25.2
Basic Savings Bank Deposit A/c through branches (Amt. in ₹ billion)	44.3	164.7	273.3	108.6
Basic Savings Bank Deposit A/c through BCs (No. in million)	13.3	81.3	116.9	35.7
Basic Savings Bank Deposit A/c through BCs (Amt. in ₹ billion)	10.7	18.2	39.0	20.7
BSBDAs Total (No. in million)	73.5	182.1	243.0	60.9
BSBDAs Total (Amt. in ₹ billion)	55.0	182.9	312.3	129.3
OD facility availed in BSBDAs (No. in million)	0.2	4.0	5.9	2.0
OD facility availed in BSBDAs (Amt. in ₹ billion)	0.1	1.6	16.0	14.5
KCCs – (No. in million)	24.3	33.8	39.9	6.2
KCCs – (Amt. in ₹ billion)	1240.1	2623.0	3684.5	1061.5
GCC- (No. in million)	1.4	3.6	7.4	3.8
GCC - (Amt. in ₹ billion)	35.1	76.3	1096.9	1020.6
ICT A/Cs-BC- Transaction - (No. in million) (During the year)	26.5	250.5	328.6	328.6
ICT A/Cs-BC- Transactions - (Amt. in ₹ billion) (During the year)	6.9	233.9	524.4	524.4

Note: Figures in column 5 might not tally due to rounding off of numbers.

Financial Inclusion Status Report For The Year 2013 – 2014

1. The number of banking outlets has gone up to nearly 3, 84,000. Out of these, 1, 15,350 banking outlets were opened during 2013-14.
2. Nearly 5,300 rural branches were opened during the last one year. Out of these, nearly 4,600 branches were opened in unbanked rural centres (Tier V and Tier VI centres).
3. Nearly 33,500 BC outlets were opened in urban locations during the year taking the total number of BC outlets in urban locations to 60,730 as at the end of March 2014.
4. More than 60 million basic savings bank deposit accounts (BSBDAs) were added during the last year taking the total number of BSBDAs to 243 million.
5. With the addition of 6.2 million small farm sector credits during 2013-14, there are 40 million such accounts as on March 31, 2014.
6. With the addition of 3.8 million small non-farm sector credits during 2013-14, there are 7.4 million such accounts as on March 31, 2014.
7. Nearly 328 million transactions were carried out in BC-ICT accounts during the last year as compared to 250 million transactions during 2012-13.

Financial Inclusion Activities carried out by SBI and Other Commercial Banks

State Bank of India is an Indian multinational, Public Sector banking and financial services company. It is a government-owned corporation with its headquarters in Mumbai, Maharashtra. As of December 2013, it had assets of US$388 billion and 17,000 branches, including 190 foreign offices, making it the largest banking and financial services company in India by assets.[4][5]

Highlights of Financial Inclusion BY SBI

- The Bank has set up 45,487 BC Customer Service Points (CSPs) through alliances both at National and Regional level.
- The Bank is offering various technological enabled products through Business Correspondent (BC) channel, such as, Savings Bank, flexi RD, STDR, Remittance & SB-OD facilities.
- The Bank has achieved 100% coverage in 31,729 villages during FY14. The cumulative coverage has gone up to 52,260 villages.
- 11,423 BC outlets have been set up in Urban/Metro centre's which cater to the requirements of migrant labourers, vendors, etc. During FY14, 226 lac remittance transactions for Rs. 9,983 crore were registered through BC channel.
- During FY 14, Bank has opened 1.50 crore Small accounts with simplified KYC.
- The transactions volume through BC Channel has grown to Rs. 22,525 cr. during FY 14 as against Rs. 13,033 crore during FY13.
- With a view to facilitate transactions through alternate channels, the Bank has issued 24 lac FI Rupay ATM Debit Cards to FI customers.
- Linking of villages to branches through CSPs in a Hub and Spoke model has been launched and 69,749 villages have been linked so far. A facility of depositing loan repayments at 31,919 BC outlets has also been enabled.
- Under Direct Benefit Transfer (DBT) Scheme, the Bank has handled 27.41 lac transactions amounting to Rs. 505 crore as Sponsoring Bank in addition to 7.1 lac transactions amounting to Rs. 98.61 crore as Receiving Bank. Overall 1.36 crore accounts linked with Aadhaar across the country.
- SBI is the sole Sponsoring Bank for DBT for LPG transactions which are processed centrally for all the three Oil Marketing Companies. Over 8.98 crore transactions amounting Rs 5,393 crore processed.
- 4.46 lac SHGs credit linked with credit deployment of Rs. 5,134 crore. Our market share in SHGs is 22%.

Role of Federal Bank in Promoting Financial Inclusion Plans

1. **The Opening Up Of (BSBDA) Basic Savings Bank Deposit Accounts.**
2. **Financial Literacy Centre's And Financial Education Programmes**

Financial literacy programmes intends to provide basic banking knowledge to people across various corners of the life. The financial literacy classes are organized and conducted by the branches. The bank has conducted the following programs in FY 2014.

- Financial literacy and education programmes, were held at 12 villages allotted to bank, with special focus on Government schools and aided higher secondary schools. These classes are intended to provide lessons on basic banking concepts to school children.

- Conducted workshops at Alappuzha and 60 other centers across Kerala to educate the rural folks on financial services offered by banks and the advantages availing those schemes.
- Base level financial literacy training provided to Kudumbasree groups* were conducted by bank's Branches (*Kudumbasree Groups are Community Development Societies promoted by the Govt. of Kerala under its Poverty Eradication Scheme).
- 121 BF/BC agents have been engaged for conducting a smooth financial inclusion programmes.
- Trainings were conducted by bank in association with partnerships of NGOs for Business Correspondents/Business Facilitators at identified locations.
- ICT (Information & Communication Technology) product has been christened as "FEDJYOTHI." FEDJYOTHI is smart cards based solution in which customers are able to make transactions and are facilitated with the field using hand-held terminals, aptly called micro ATMs, by Business Correspondent agents. FEDJYOTHI card issued to each customer is stored with information on the latest balance, last few transactions and customer biometric and demographic information.
  (As on 31.01.2014 the bank has enrolled more than 21,000 customers under Fedjyothi scheme and smart cards have been issued to them.)
- Farmer's Club - Farmers' Clubs are grass root level informal forums of farmers. Such Clubs are organized by bank's rural and semi-urban branches with the support and financial assistance of NABARD for the benefit of the village farming community/rural people. The Grama Jeevan branch has formed a farmers club which includes farmers from the village who are engaged in dairy farming, poultry farming, vegetable farming, rubber growing etc.

V. Challenges And Future Of Financial Inclusion Plans

1. **ATM variants:** Currently the banking industry is feeling the heat of cost crunch in expansion of not only branches but also in its ATM network. In order to reduce the cost of setting up of an ATM the banks can adopt solar panel technology instead of electricity, and also setting up of an ATM in places where the population is below 2000 in near future.
2. **CBS becoming CBS:** Currently, all the banks have a core banking solutions and the branches are connected to CBS. But this CBS (core banking solution) serves only limited purpose. Many services extended by the banks to their customers are beyond their CBS like gold coin distribution, locker facility, etc., Perhaps a drive should be initiated where this CBS (core banking solution) will get transformed into real CBS (complete banking solution). This new CBS will help the banks to achieve cross selling by taking care of allied activities.
3. **Conversion of 'no frill account ' to regular saving bank account :** As per report, more than 60 million ' no frill accounts' has been opened by the banking system. But only 2.5 millions are active and 57.5 million out of total accounts opened have become inactive. This very high rate of inactive 'no frill account' is alarming.
4. **Limited purpose branch:** Currently bank branches deliver all sorts of services from the same premises. Corporate accounts, terms deposit accounts and saving bank accounts all are served from same premises, e-stamping, sale of precious mental coins, sale of mutual funds, stock market transaction, sale of insurance products and many more activities happen from these branches. **It seems that in the years to come,** with more number of branches, some sort of segmentation will have to take place and some bank branches in the city will provide limited number of services. Limited purpose branches will be opened in a big way, may be only for account opening purpose and nurturing the account for initial one year can be made in the upcoming years.
5. **Electronic pass book:** In urban areas, account holder are used to printed pass book and bank statement at regular intervals, quarterly or monthly. Some of the banks have started electronic statements and e mailers as an option for account holders. It seems that in the years to come, the physical pass book in the urban centers will get replaced by electronic pass book in the form of smart card or pen drive or some other electronic storage device.
6. **Insurance inclusion:** Inclusion data of 2010 reveals that life insurance touches only 10% people in India whereas non life insurance touches even less than 1% non life insurance takes care of unplanned expenditure whereas life insurance takes care of either old age or of the financial needs of the left outs in case of any eventuality to the earning members of the family.

Perhaps a few years down the line, the government, and regulators will have to initiate a drive for insurance inclusion. Because micro-insurance is un-viable insurance companies are not interested in coming up with tailor made micro-insurance schemes, but with the support of the government they might venture into this.

7. Financial inclusion plans must be mandatory for both urban and the rural class.

8. Fixing of BC's in each point of SSA villages.
9. Focusing the financial literacy and convergence of schemes like pensions, micro insurance.
10. Monitoring the kisan credit cards by both central and state governments.
11. Induction of accounts on line 'on CBS of banks, which enables provision of Ru Pay Card to each account holder giving him freedom to operate anywhere.

VI. Conclusion

For achieving complete financial inclusion and for inclusive growth, the RBI, Government, NABARD and the implementing agencies will have to put their minds and hearts together so that the financial inclusion can be taken forward and accelerate growth in the economy as its top beyond the expectation. But while implementations there are intricacies present in society by all means. In order to overcome these intricacies there should be effective planning in financial inclusion plans and at most care be taken in framing financial inclusion regulation policies, which enables the implementation process in more effective and efficient manner in the country, moreover access to financial services should be made through SHGs, MFI's and even through MSME's. The present day Government has been incepting enormous programs in financial inclusion plans with a motive of providing access to financial services to all classes of society at an amicable amount. Thus, financial inclusion is a big road map in 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.

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