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Chittoor Dist. (A.P.)***Abstract**

India possessed all the elements for success in the competition a wide range of institutional types, well-developed financial markets, a good regulatory framework, and large scale and high-quality authentication and transaction platforms. Access to financial services to low-income households and small businesses is not a new goal for India. may be noticed that 90 percent of small businesses have no links with formal financial institutions and 60 percent of the rural and urban population do not even have a functional bank account. And, while the bank credit to Gross Domestic Product (GDP) ratio in the country as a whole is a modest i.e. 70 percent, in a large state such as Bihar, it is even lower at a mere 16 percent. This has left a large part of the economy dependent on the informal sector for meeting its credit needs. On the savings front, difficulties of access combined with an absence of a positive real return on financial savings, has accelerated the move away from financial assets to physical assets and unregulated providers.

Keywords: Financial institutions, Financial markets, Access to financial services, Financial institutions.

Introduction

The main objective of financial policy is providing right to use to financial services to all categories of peoples, financial services of country is impacts upon the inflation, growth and unemployment advancement in payment system improves the link between firm's Government and customers. Keeping all this thinks in minds financial regulators need to draft financial deepness and inclusion without damaging the competency, effectiveness and solidity of the financial system. The report of the Rajan committee (2009) highlighted three parameters of financial inclusion those are inclusion, growth and stability.

Universal Bank Account

The Reserve Bank of India and Government of India are targeted that every individual who crossed the age of 18 years. Should have individual bank accounts. By the end of December 2015.

Current status

The World Bank's survey implies that only forty percent of the Indian population has one bank account. It is very miserable overall with only fifty percent of the urban households and below forty percentages of rural households having individual bank accounts. The scenario of urban individual of accessing of bank account is above the age of 20 years. ⁽¹⁾

Everywhere access to payment services and deposit products at Reasonable charges

Reserve bank of India targeted as on 1.1.2016 that every individual household can be easily access of payment of amounts, deposits and remittance of funds to anywhere within the 15 minutes of walkable distance to reach banks . Each such points facilitate the account holders to deposit, withdraw and transferring in a safe environment at affordable charges for all the services. ⁽²⁾

Current status

The following payment access points are available to individuals those are bank branches, Business correspondents and automated teller machines those were about 10 lakh merchant point of sale (POS) in the India as on the 31st march 2013. At present different services providers are changing different parentages of remittance changes for the services of RS 5000. More by the Indian post charges 1% of the total amount of remittance. Business correspondents charging one percentage of total money remittance. ⁽³⁾

Table 1 Indicative cost of transaction to the customer

For a domestic remittance of Rs.5000 through various channels

Money Order, India Post	1%
Business Correspondent of SBI	3%
Airtel Money	1%

Interest Rates Offered on Deposits on November 29, 2013

Maturity	Nominal Rate	Inflationary Expectation	Real Rate
Savings deposit rate	6.00%	12.14%	-6.24%
Term deposit rate > 1 year	8.15%	12.14%	-1.22%
Fixed deposit for 360 days	8.30%	12.14%	-2.34%
Fixed deposit for 720 days	10.00%	12.14%	-1.34%

Sufficient Access to Affordable Formal Credit

The RBI and Government of India targeted that by the end of 31st December 2015. All groups income households and business peoples would have to easily access to organized lenders for the purpose of getting credits and offering the all categories of credit products at low rate of interest. It is estimated that credit may be at least 15% of GDP by the end of 2015. It may be increase every year by 15% with the target of 60% by January 2020⁽⁴⁾.

Current status

Agriculture still has detachment to reach the 60% access mark even though it is about 15% mark manufacturing micro small medium enterprise (MSME) has the above 60% of financial depth, whereas service sector micro small medium enterprise (MSMEs) have a long way to reach 60% target. In a survey found that 80% of micro enterprises have a bank accounts but only 10% of account holders using short term or long term loans and only 2% of enterprise are approaching for working capital loans from banks⁽⁵⁾.

Credit to GDP for sectors that contribute 1% or more to GDP, 2012-13

Sectoral GDP (Rs. Crore)	Sectoral Credit (Rs Crore)	Credit to GDP	Percentage
GDP at Current prices, 2012-13	92,31,546	Gross Bank Credit of Scheduled Commercial Banks	39,51,524 49.0%
GDP of Agriculture and allied activities	17,12,246	Credit to Agriculture	4,39,852 29.9%
GDP of Industry	22,18,660	Credit to Industry	20,40,242 85.5%
GDP of Services	55,44,520	Credit to Services	25,51,568 40.0%
GDP contribution of Industry MSMEs	5,12,589	Credit to Industry MSMEs	2,75,193 54.9%
GDP contribution of Service MSMEs	11,02,682	Credit to Service MSMEs	2,54,856 26.5%

The aim of affordability has been understood to mean that clients with common risk involved in the accessing loans at similar rates after amending for normal levels of transactions charge. Gold loans are the very lowest risk group of loans. Table 4 implies comparative spread on these loans depending on the channels that are used. Table 5 implies same type of implementation for border categories of loans.⁽⁶⁾

Table 4 Gold Loans

Customer Class	Loan to value	Interest Rate	LTV Adjusted Interest Rate ³⁵	Spread to Risk Free Rate ³⁶
Able to Access	78%	10%	11%	3.36%
Able to Access NBFC	55%	26%	35%	25.18%
Unable to Access Bank or NBFC	75%	66%	67%	58.33%

Table 5 Other Loans

Customer Class	Loan-to-Value	Interest Rate	Adjusted Interest Rate net of expected loss	Spread to Risk Free Rate ³⁸
Personal Loan Borrower	6.60%	20.00%	14.30%	3.45%
SHG Borrower	8.10%	26.00	17.46%	7.10%
JLG Borrower	0.50%	28.00%	27.50%	15.35%
Money Lender Borrower	1.00%	55.00%	54.20%	45.56%
Home Loan Borrower	0.85%	11.50%	10.56%	2.20

Low accessing of credit due to various cause it is due to high transaction costs miss predicting of credit risk, and variation in the cost of funds faced by various services in the formal system there is vast distance to pass through prior to the objective of typically can be satisfied⁽⁷⁾.

Universal Access to Range of Deposit and Investment products at Reasonable charges:

By the end of 31st December 2015 every low-income householder and SMEs would have the facility to access to providing that have capacity to recommend them appropriate investment and deposit

products and paying normal charges for these kinds of survive. It is estimated that overall deposits and investments are at least 14% of the GDP. This ratio is increases consecutively by 12% with the aim to achieve 55% by the year of 2020.

Current status

Majority of the deposits in urban areas having excess of twenty percent of deposits to GDP ratio, only less than 50 of customer is the ultimate target mark of 65%. It is substandard in the case of rural about 36% of the districts in rural haves excess of 14% of deposits to GDP ratio with only 4% being over the ultimate target mark of 55%.

Table 6

Retail investments in other significant channels		
Channel	Investment Corpus /AUM	As a % of GDP for the year
Schemes offered at India Post	Rs.7,06,895Crore	8.562%
Employees Provident Fund	Rs.4,13,312 Crore	5.236%
NPS	Rs.30,124 Crore	1.000%
Mutual Funds (Retail)	Rs.1,80,500 Crore	2.022%

Schemes of various investment channels are occupying this percentage of investment according to their advantages. Post office deposits schemes covers about 9% of GDP, employee provident fund scheme covers 5% of deposits in GDP, NPS 1%, and Mutual funds approximately 2%.

Universal Access to Range of Insurance and Risk management products at Reasonable charges

By the end of 2015 all the low-income group household and small business want to be easily access the insurance and tackle the risk. It encourage to individuals savers and small business enterprises to invest more by insuring of their products or business they can easily overcome. If there is any uncertainty situated in their business. It is targeted that insurance should be at least 30 of GDP ratio. This ratio would increases every year by 10.5% with the goal that it reaches 75%by2020.

Current situation

In India it charges high when comparing with other counters in terms of average insurance premium to GDP, as in Table 7. (8)

Table 7**Insurance premiums as a % of GDP, 2011**

Countries	Life Non-Life Total	Non-life	Total
Australia	3.0%	2.1	5.1%
UK	7.9%	3.0%	10.9%
USA	4.3%	5.2%	9.2%
India	4.1%	1.2%	5.2%
Brazil	2.3%	1.5%	3.8%
Russia	0.7%	2.7%	3.4%
Bangladesh	0.6%	0.3%	0.9%

Charges for products sold by insurance companies through their distributor channels vary based on the kind of product. Indicative charges are given in Table 8.

Table 8**Charges for various insurance policies**

Annual term life insurance policy	3-0%-8.6%
Single premium Life Insurance policy	4% of the single premium
General Insurance such as Personal Accident Insurance, Property Insurance	Up to 20% of premium

Right to Suitability

Each low-income groups and small business enterprise have right to lawfully protect to be accessible only suitable financial services. The customer will be required to give informed consent of his / her have right to look for legal redress. If they believe that due course to establish appropriateness was not followed or was gross *neglected*.

Current status

The current system of regulation that governs the sale finance products and services⁽⁸⁾

Conclusion:

Even where there is good progress on this front, a large Proportion of the bank accounts do not have full-service electronic capabilities. At least one of the deposit products accessible to every resident through the payment access points would offer a positive real rate of return over the consumer price index.

Almost all of these are operational in the urban areas and while they are not yet full service since they do not have remittance and cash-in capabilities and limited cash-out capabilities (regulation permits only up to Rs. 1,000), they have a density of 25 per 10,000 in urban areas and could be permitted to offer a wider range of payments services to their consumers

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