

AVENUE FOR INCLUSIVE GROWTH FINANCIAL INCLUSION**Ms. Monika Bansal**

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ABSTRACT

Growth and prosperity of every citizen can led a country on the path of success. For the overall growth and development of any country inclusive growth is required. Finance is that exclusive factor which has the power to be sole barometer of upliftment of an economy. Financial activities and financial institutions are that vigorous pillar of an economy, growth of which is the key driver for achieving the inclusive growth of any nation. The term “Financial Inclusion” is attributed basically providing financial services to deprived, poor and vulnerable groups of society. The financial inclusion is not new for India, its roots are deep behind about many years ago but initially the perspective towards this was narrow. At that time it was only confined to opening new branches in the unbanked areas of country. With the passage of time, RBI and Government of India has taken so many stony steps to support and strengthen the financial inclusion such as starting up of no frills accounts, providing banking services through the business correspondents, ease of KYC, Electronic benefit transfer etc.. The shining star among all the efforts for inclusive growth is the launch of Pradhan Mantri Jan Dhan Yojna. This paper is an effort to know the overall concept of financial inclusion. The prime objective of this paper is to study what has been done in India for inclusive and sustainable development through financial inclusion.

Keywords: Financial Inclusion, Inclusive Growth, Financial Services, Government of India

INTRODUCTION

We are living in the 21st century and have seen 68 years of independence but the bitter truth is that we have not been able to provide access to financial services to every citizen of nation. A big number of our population even don't have access to banking services and even don't know about it. Government of India and RBI has worked in tandem for strengthening the financial inclusion for inclusive growth of country. Financial inclusion can be viewed as lop sided effort which requires efforts in many directions such as providing access to financial services to the weak & poor sections of society, making available the financial services for all the activities & for all the sectors and lastly, providing financial services in such a way that can promote the equitable regional development in every manner. All our efforts in this direction should be inclusive not exclusive. Financial inclusion is a road which will take India towards the way of development. Inclusive financial growth will help in reduction of poverty, will promote the habit of savings, and help in mobilization of funds that will generate employment opportunities, will reduce the vicious circle of poverty and thereby, help in achieving inclusive and sustainable growth. It's not at all about opening a bank account for the person who don't have, rather it's about providing access to all the financial services at an affordable cost to all the citizens without any biasness & in transparent and legal way. Providing access to excluded sections of society not only boosts the growth of country but it's also advantageous for everyone such as individual, producers, exporters etc. Although numerous milestones have been a part of journey of financial inclusion in India but still Indian banking industry has not able to penetrate the core of every village and town.

RBI FINANCIAL INCLUSION VISION 2020

Reserve bank of India is living with a very abundant and rich vision. It targets to open approximately 600 million new customer's accounts and service them through variety of channels by leveraging on IT.

OBJECTIVES OF STUDY

- ✓ To study the concept of financial inclusion.
- ✓ To comprehend the relationship of financial inclusion and inclusive growth.
- ✓ To know about the various initiatives taken by Government and RBI in this direction.
- ✓ To analyze the obstructions in the path of financial inclusion.
- ✓ To analyze the present status of financial inclusion in India.

RESEARCH METHODOLOGY

Research is basically a search for knowledge. This research paper is an effort to search more and more information regarding the topic. This paper is completely conceptual one whose base is the secondary sources of information. Information for this topic namely “ **Avenue for inclusive growth - Financial Inclusion** ” has been taken from various official websites, research papers, newspapers etc.

INCLUSIVE GROWTH

The term ‘Inclusive Growth’ is directly related with economic development of country. It’s a long term perspective which is a demand of sustainable economic growth. It refers to that type of growth which is for and by all the segments of society. It’s that concept which calls for equitable opportunities for all the economic participants of a country. This term makes sure that everyone tastes the benefits of growth regardless of their gender, caste, color, creed and religion. According to World Bank, **“The growth is said to be inclusive when the growth to be sustainable in the long run and it should be broad based across the sector and inclusive of large part of countries labor force”**. So for sustainable economic development and inclusive growth, financial inclusion is the only weapon.

NABARD & FINANCIAL INCLUSION

The term financial inclusion was used for the first time in April 2005 in the annual policy statement presented by the then governor of RBI (Y. Venugopal Reddy). The “Committee on Financial Inclusion” under the chairmanship of Dr. C. Rangarajan was constituted by Government of India in order to strengthen and widen the financial inclusion in India. The committee submitted its final report to then honorable union finance minister on 4 Jan 2008. The committee on financial inclusion has defined financial inclusion as **“The process of ensuring access to financial services and timely and adequate credit where needed by the vulnerable groups such as weaker sections and low income groups at an affordable cost.”**

The two funds namely Financial Inclusion Fund (FIF) & Financial Inclusion Technology Fund (FITF) were set up as per the recommendations of committee. These two funds were established with NABARD which will act as co-coordinating agency of initiatives of financial inclusion with financial inclusion department as nodal department. But in the year 2015, RBI merged the two funds to form a single FIF and announced that new financial inclusion Fund (FIF) will be administered by the reconstituted advisory board constituted by Government and the new FIF will be maintained by NABARD.

INITIATIVES FOR FINANCIAL INCLUSION

- 1) **No Frill Accounts** – In the year 2005, RBI has introduced the new type of account i.e. no frill accounts so as to provide basic banking facilities to poor and disadvantageous sections of society to enhance financial inclusion. This type of account facilitates the maintenance of account without or with very low and minimum balance. But later in 2012, RBI instructed the banks to

replace the no frill account with the “Basic Saving Bank Deposit Account”. RBI said, “This account will be free from the requirements of minimum balance and no charge will be levied for non operation of this.”

- 2) **Swabhiman** – This financial inclusion scheme was aimed at providing financial services to the poor and an excluded section was initiated by Government of India on 10 Feb, 2011. The main objective behind this was to bridge the gap between rural and urban India .This was launched by Smt. Sonia Gandhi, the chairperson of United Progressive Alliance Party in presence of Shri Pranab Mukerjee, then Union Finance Minister & Shri Namo Narain Meena, then Union Minister of State for Finance. With a view to bring the large number of rural masses in ambit of financial services, Swabhiman envisaged to provide basic banking services to unbanked villages with a population of 2000 and above by March 2012.
- 3) **Relaxation of KYC Norms** – In order to boost up the financial inclusion, RBI has issued several guidelines for relaxing the KYC (know your customer) norms. This has made easy for a person to open his/her account.
 - Presently, one can open his/her account by submitting a single proof for identity and address verification. Separate documents are not required for this. Passport, Driving License, Voters identity card, PAN Card, Aadhar card and job card issued by NREGA are **Officially Valid Documents** as they contain the proof of address and identity of a person.
 - No separate proof of address is required for current address
 - No separate KYC documentation is required while transferring account from one branch to other branch of the same bank.
 - Apart from this, even the person who don’t have any officially valid document can have **“small account with bank”**
 - & many more relaxations are there....
- 4) **Use of business facilitators and correspondents** – With the intention of providing the financial services to the unaccessed or underprivileged masses, RBI has extended the banking/financial services through the services of business facilitators and correspondents. RBI has permitted the banks to use the services of NGO’s, SHG’s, MFI’s etc as per their wish, for providing services to their present and potential customers. The services that can be provided through business facilitators include identification of borrowers and fitment of activities, collection and preliminary processing of loan applications including verification of primary information etc...
- 5) **Branch authorization policy** – Relaxation in branch authorization policy has given a sound thrust to the process of financial inclusion in India. This initiative has provided much operational freedom to the banks which will certainly increase the level of financial services to the poor. The instructions regarding merger / closure / shifting / part shifting / opening of extension counters/ reporting requirements have been much reviewed.

- 6) **RuPay Card** – In order to promote financial inclusion, National Payments Corporation of India (NPCI) has launched Indian Domestic Card Scheme RuPay. The main objective behind this was to fulfill the RBI's desire to have domestic, open loop & multilateral system of payments in India. RuPay Card competes with MasterCard and Visa in India. RuPay was launched with the intention to minimize the overall transaction cost & to develop the products expeditious for financial inclusion.
- 7) **Mobile Banking** - One more initiative that has been boon for the financial inclusion is the mobile banking. Mobile banking is all about performing financial transactions on a mobile handset. The basic advantage of mobile banking is that it provides 24*7 hours access to beneficiaries and also helps in reduction of overall transaction cost. Owing to the benefits, RBI has told the banks to make all possible efforts to promote the usage of mobile banking.
- 8) **Direct Benefit Transfer** – This was a path breaking initiative for promoting financial inclusion in India. As per this, the beneficiaries will be having the amount of various subsidies and schemes directly in their bank accounts. It covers various scholarships schemes, housing subsidy for beedi workers, stipend for SC/ST for coaching, micro credit to women, cooking gas cylinders subsidy etc...
- 9) **Pradhan Mantri Jan Dhan Yojna (PMJDY)** – In order to accelerate the growth of financial inclusion in India, Prime Minister Sh. Narendra Modi on 15-aug-2014 gave a strong jerk to the alternatives of financial inclusion by announcing PMJDY. It's a mission which has been thundered from red fort to shatter the vicious circle of poverty and to involve the excluded sections to growth by providing them access to financial services like banking saving & deposit account, remittances, credit, insurance & pension in an affordable way. Out of several initiatives, this step has been a step of immense prominence and even has been recognized by the **Guinness Book of World Records** for spectacular achievement and success.
- The PMJDY gave a very catchy and rhythmic slogan "**Mera Khata Bhagya Vidhata**". This scheme bestows so many benefits to the beneficiaries. This scheme has brought so many changes in the outlook of earlier initiatives like Swabhiman. This is basically based on six pillars-
- Ensuring universal access to banking facilities
 - Providing basic banking accounts with overdraft facility & RuPay debit Card to all the households
 - Organizing financial literacy programmes with the intention to make people aware about how to use the financial services being made available for them in best way.
 - Creation of credit Guarantee Fund
 - Providing micro insurance. Micro insurance policies are special type of insurance policies provided by IRDA to promote insurance coverage among the economically weak and excluded sections of society
 - Unorganized sector pension scheme like Swavalamban. This pillar relates to old age income security.

20.87 Crore Accounts opened so far...
Rs. 32,730.72 Crore Deposits
1.26 Lac Bank Mitras
9.35 Crore Suraksha Bima Policies
2.94 Crore Jeevan Jyoti Bima Policies
And still counting goes on.....

FINANCIAL INCLUSION INDEX

On 25th June, 2013, in order to measure the current status of financial inclusion in India, India's leading Credit Rating and Research Company CRISIL came up with an index. The index – Inclusix- along with a report on financial inclusion was released by then, finance minister of India, Sh. P. Chidambaram at a program held at New Delhi. CRISIL Inclusix is based on three parameters namely, branch penetration, deposit penetration and credit penetration on a scale of 0 to 100. Some important conclusions were drawn from the study of CRISIL. These are as follows:

- ✓ The Inclusix score was 35.4 in 2009 but it was 40.1 in 2011. Although it was quite low but there were also positivity in this direction.
- ✓ One of the key drivers of financial inclusion is deposit penetration and the number of saving accounts 624 million is almost 4 times the number of loan accounts i.e. 160 million.
- ✓ During the time span of 2009-11, 618 out of 632 districts showed improvement in financial inclusion index.
- ✓ The report showed that Puducherry, Chandigarh, Kerala are the top three states and Union territories. Apart from this, Pathanamthitta (Kerala), Karaikal (Puducherry) and Thiruvananthapuram (Kerala) were the top three districts.

CRISIL Inclusix is most important and widely covered index that provide the information regarding status of financial inclusion from every nook and corner of country.

BARRIERS TO FINANCIAL INCLUSION

After the efforts of so many years, the fact is we are still waiting to have a good number of financially inclusive people. We are getting the results but they all are not satisfactory. There are several reasons for this. Some are demand side barriers while others are supply side barriers. Some of them are as follows-

- 1) **Lack of financial literacy** – Financial inclusion and financial literacy are very much related to each other. Up to great extent, the success of financial inclusion depends upon financial literacy. In India, large chunk of population don't know about the financial services customized for them. Even after so many efforts financial education among the people is very poor.

- 2) **Narrow minded and conservative approach** – Although we are living in the 21st century, but we cannot deny and ignore the fact that the people in most of the villages in India don't want to use the financial services. They don't think necessary to have a bank account or to avail the services meant for them.
- 3) **Complexity** – Although Government of India & RBI have taken so many measures for relaxing the norms and formalities associated to the opening of accounts but still so many terms and conditions attached to products such as requirements to maintain minimum balance and many other often dissuade people to be part of financial services.
- 4) **Level of income** – Although financial services are tailored for poor people to break the vicious circle of poverty but the people striving for basic necessities of life find it hard to access the financial services.
- 5) **Gender issues and Age factor** – In India, position of women is still undermined. It's not at all easy for her to have access to credit due to lack of any asset to put as security. Apart from this, most of the financial services are framed for middle age people not for young and old.

CONCLUSION

Indian economy is one of the most vivacious, dazzling economy out of the world other economies. We have a strong banking and insurance back. But the fact is that inspite of this we are lacking somewhere. Not every citizen of our country is in the circle of economic development. A big number of our population even don't have access to banking services and even don't know about it. We cannot deny the fact that our country has done a lot in this direction but still we are not up to mark. Our five year plans has specifically laid down focus on inclusive growth and the edifice of inclusive growth is based on the financial inclusion. Financial inclusion is delivery of financial services to the financially excluded segments of country. However studies have proved that we are improving on high note with the help of so many plans and schemes initiated by RBI & Government of India but still lot more is required to be done in this direction.

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