International Journal of Engineering Technology Science and Research
IJETSR
www.ijetsr.com
ISSN 2394 – 3386
Volume 5, Issue 1
January 2018

Financial Inclusion and India 2030

Dr. V.Harileela,
Head, School of Management Studies,
Chaitanya Bharathi Institute of Technology, Hyd.

ABSTRACT

Purpose:*The objectives of this paper are a) to evaluate the Financial Inclusion policies of Government of India and its challenges b) to evaluate the strategies adopted by banks, regulatory bodies and other government initiatives so far to achieve financial inclusion c) to identify the opportunities and challenges faced to empower the beneficiaries further with impeccable policies of financial inclusion.*

Approach: *This study is based on the results of a survey conducted on 200 beneficiaries of financial inclusion policies of Government of India and also on a study of secondary data relating to Formal and Informal Sources of Credit - By Rural Households, Position of households availing banking services, CRISIL Financial Inclusion Index (Inclusix), Progress in banking services, PradhanMantri Jan-DhanYojana, Number of Branches Opened (including RRBs), number of branches of Scheduled Commercial Banks (SCBs) Bank Group and Population Group wise Number of Functioning Branches, BSBD (Basic Savings Bank Deposit Account) Accounts Opened, Kisan Credit Cards (KCC) Issued, General Credit Cards (GCC) Issued, Expansion of ATM Network, Self-Help Group (SHG)- Bank linkage, Comparative growth in credit extended by Bank and NBFC, Financial Literacy Camps.*

Findings*: The results from statistical analysis of the secondary data indicate that the beneficiaries feel insecured with frequent changes in the policies of Government of India. There is no evidence of having a long term vision say for 2030, though there have been initiatives for short term growth. There is a need for widening, broadening and deepening the impact of financial inclusion policies through deployment of analytics and big data, proactive and comprehensive policies in place of incremental approaches. The study concludes with a multi-pronged strategy towards this direction.*

Practical implications: *It enables the policy makers to think about a long term action plan to empower the beneficiaries of financial inclusion policies leveraging the technology such as cloud, big data etc.*

Originality/value: *Although there does exist literature on Financial Inclusion and Government policies, not much literature is available on the personal experiences of the beneficiaries of the financial inclusion schemes. Also a comprehensive evaluation of the infrastructure for financial inclusion is not well attempted. This way, this study may serve as a point of reference for future studies in this area of concern.*

Key words: Financial inclusion, Micro Finance, Jan DhanYojana, Inclusix, Self Help Group.

INTRODUCTION

In terms of Financially Excluded Households, India ranks second in the world. Loans are not available to about 135 million households in India even today. There are many reasons for financial exclusion in India, from the demand side are lack of awareness, low income, poverty and illiteracy while from the supply side is distance from branch, branch timings, cumbersome documentation and procedures, unsuitable products, language, staff attitudes etc. India needs strong measures for the financial inclusion of the poor and the marginalized.

More than half the world's adult population does not use any form of formal financial service. In spite of the network of bank branches, only 27% of total farm households use formal sources of credit.Financial inclusion contributes towards growth in income thus alleviating poverty and growth with inequity. With financial inclusion in place, more economic resources get linked to the formal economic system and this results in overall economic growth and development, specially in the developing nations like India.Financial inclusion and financial literacy have been important policy goals for quite some time. The Comprehensive Financial

Inclusion Plan (CFIP) is a path-breathtaking initiative, if implemented well, will catapult India to poverty-free India.

Financial Inclusion Financial inclusion is an effective tool for poverty reduction. With reduction in poverty, at least a part of the huge amount of public resources spent on provision of basic needs for the poor can be used for other purposes. It not only miniisespilferage of funds but also brings into the mainstream economy major funds which are otherwise lost to the unaccounted black economy. Financial inclusion opens up access to a large market. This will attract global market players and foreign investment, increasing employment and business opportunities in developing countries. Thus financial inclusion is a must for inclusive economic growth.

Financial Inclusion is considered to be the core objective of many developing nations since there is direct link between the financial exclusion and the poverty prevailing in developing nations.

FINANCIAL INCLUSION INFRASTRUCTURE – RBI POLICY INITIATIVES

In India, RBI initiated several measures while adopting bank led model to achieve greater financial inclusion in the country. RBI has adopted conducive regulatory measures for achieving the targeted goals and also provided infrastructure in terms of institutional support to banks in accelerating their financial inclusion efforts. Various financial inclusion initiatives are:

Basic Saving Bank Deposit (BSBD) accounts: Reserve bank of India directed all banks to open BSBD accounts with common features 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.

Relaxed And Simplified Know Your Customer (KYC) Norms: The requirements for opening of bank accounts are relaxed and these include: for small accounts balances not exceeding Rs.50,000 and aggregate credits in the accounts not exceeding Rs.1,00,000 a year. In addition, banks use a unique identification number (UID) i.e. Aahar Card as a proof of both identity and address.

Simplified Branch Authorization Policy To address the issue of uneven spread bank branches, domestic Scheduled commercial banks (SCBs) are allowed to freely open branches in Tier 2 to Tier 6 centers with a population of less than 1 lakh under general permission, subject to reporting. In the 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 towns, subject to certain conditions.

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 centers.

Physical branches Banks aredirected to allocate at least 25% of the total number of branches to be opened during a year to unbanked rural centres, besides the use of the business correspondents for improving the penetration of banking services and financial inclusion rapidly.

Financial Inclusion Plan (FIP): Public and private sector banks have Financial Inclusion Plan (FIP)targets which are self-set in nature in respect of rural brick and mortar branches opened, BCs employed, which includes the coverage of un-through electronic payment channels and facility of providing ATM card.

Relaxed and simplified know your customer (KYC) norms: Today, the requirements are relaxed and simplified by RBI for opening of bank accounts, especially for small accounts whose balances are not exceeding Rs.50,000 and aggregate credits in the accounts not exceeding Rs. one lakh a year. In addition, banks are permitted to use Aadhar Card as a proof of both identity and address.

Simplified Branch Authorization Policy For ensuring that bank branches are spread evenly, domestic Scheduled commercial banks (SCBs) are permitted to freely open branches in Tier 2 to Tier 6 centers with a population of less than 1 lakh under general permission, subject to reporting. In the North-Eastern Sates and Sikkim domestic SCBs are permittedopen 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 towns, subject to certain conditions.

Financial Literacy Centres (FLCs): All the rural branches of scheduled commercial banks organize outdoor Financial Literacy Camps every month, to facilitate financial inclusion through provision of two essentials i.e. 'Financial Literacy' and easy 'Financial Access'.Several awareness camps / choupals, seminars and lectures are being organized even today.

Opening of no-frills accounts: While the basic banking demands that there should not be accounts with no or very low minimum balance, banks are encouraged to provide small overdrafts where necessary.

Leveraging technology: Technology is having the potential to address to the issues of outreach and credit delivery in rural and remote areas in a viable manner. Banks are encouraged to make efficient use of information and communications technology (ICT), so as to provide doorstep banking services through the BC model where the accounts can be accessed by even illiterate customers by using biometrics, thus ensuring the security of transactions and enhancing confidence in the banking system.

Credit cards: To help the poor and the underprivileged sections with easy access to credit, credit cards are issued up to Rs.25,000at the rural and semi-urban branches. This is in the nature of revolving credit entitling the holder to withdraw up to the limit sanctioned.

SampoornVittiyaSamaveshan Government of India envisages to extend coverage of basic financial services all excluded households. In the first phase, universal access is provided to all the beneficiaries through sub-service areas (SSAs). Each SSA will consist of 100-1,500 families in a cluster of villages. Each SSA will be serviced by a BC agent (BCA) whose task it will be to facilitate account opening and smooth banking operation.

Today, the households are more focused rather than geographical areas. It is proposed to offer reasonable need-based credit facilities (such as overdraft facilitiesetc) for all such accounts which are considered satisfactory in terms of the adhering to payment schedules. A smart card (RuPay card) is issued to enable customers to operate their accounts even without BCs with appropriate suitable awareness.

In the second phase, a pension scheme will be introduced to all those identified in the unorganised sector. Microfinance products are offered to these through government-owned insurance companies.

Prime Minister's Jan-DhanYojana (PMJDY) As part of this, almost 22 crore bank accounts were opened within 20 months of its launch in August 2014, accounting for a cumulative balance of almost Rs 37,000 crore in these accounts. This brought more than 15% of the unbanked population to banking fold. The purpose of this scheme was to ensure that the benefits, such as subsidies,are directly credited to their accounts.

LITERATURE REVIEW Rangarajan C (2008), "Report of the Committee on Financial Inclusion", Financial inclusion can be defined 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.

Michael Chibba (2009) observes financial inclusion is an inclusive development and poverty reduction strategy.

Raghuram G. Rajan (2009 refers financial inclusion as means to gain an access universally to a wide range of banking products in addition to insurance and equity products at a reasonable cost.

Reserve Bank of India (2006), considers financial inclusion as the "provision of affordable financial services" to those who have been left unattended or under-attended by formal agencies of the financial system. allpayments and remittance facilities, savings, loan and insurance services are covered under this category.

Mandira Sharma and JesimPaise (2008) suggest the use of index of financial inclusion developed in levels of human development and financial inclusion in a country move closely with each other, although a few exceptions exist. Financial inclusion can be strengthened if income is increased, physical and electronic connectivity and information is improved, the road network is strengthened, telephone and internet usage is improved.

Oya Pinar Ardic*et al* (2011) analyses the state of access to deposit and loan services as well as the extent of retail networks, and discusses the state of financial inclusion mandates around the world. The findings indicate that there is yet much to be done in the financial inclusion arena since fifty-six percent of adults in the world do not have access to formal financial services.

Carboet. al. (2005) says that financial exclusion as broadly the inability of some societal groups to access the financial system.

RaghuramRajan (2014) , the formerGovernor of the Reserve Bank of India said financial inclusion is a means of reaching out to the unsophisticated, who are easier to be preyed upon. Working on both their financial protection and financial literacy should be the priority.

Levine (1997) tested empirically the neo-classical view and observe that countries with larger banks and more vigorous stock markets nurture faster over consequent decades even after controlling for many other factors underlying economic growth. Likewise the strategic imperative is access to finance by all sections of the society (Levine 1997, Pande and Burgess 2003)**.**

Finance can also play a dominant role in poverty diminution. A well developed financial system diminishes information and transaction costs, sway saving rates, investment assessments, technological innovation, and long-run development rates (Beck *et al.* 2009).

Binswanger and Khandker (1995) and Pande and Burgess (2003) consider that Indian rural branch expansion program appreciably lowered rural poverty, and enlarged non-agricultural employment. A key objective in development economics is to work out ways to lift people out of poverty.

Admittance to finance has been seen as a significant factor in enabling people to convert their production and employment activities and to regress poverty, according to Aghion 1997; Banerjee 2001; Banerjee & Newman 1993, Pande& Burgess 2003 andYunus 1999.

National Committees for Financial inclusion were set up as part of public policy in the recent past by many countries such as Government of India (2008), the United Kingdom (UK) (2006), International organizations like the United Nations (2006), World Bank (2008, 2009).

Honohan (2007) projected the fraction of the adult population through official financial intermediaries using the information on number of banking and MFI accounts for more than 160 countries, and then correlated with inequality and poverty.

Sarma (2008) constructed anFinancial Inclusion Index using cumulative banking variables like total number of accounts, figure of bank branches and sum of credit and deposit as percentage of GDP for 55 countries.

Mehrotra*et al.* (2009) also constructed an index for financial inclusion using related kind of cumulative indicators like number of rural offices, figure of rural deposit accounts, amount of rural deposit and credit for 16 major Indian states.

World Bank (2008) developed a compound measure of access to financial services i.e. the percentage of adult population that has an account with a financial intermediary for 51 countries.

World Bank (2009) evaluated the alliance between access to banking services, as measured by the number of bank accounts per thousand adults in every country, and a number of otherfactors like transactions offered at banks and regulations espoused by country authorities thatmay influence banking access for 45 countries.

Beck *et al.* (2009) examined the accessibility of abundant data on many aspects of the financial system, although systematic indicators of inclusiveness of financial sector are missing.

Bhole and Mahakud (2009) observe that financial inclusion as delivery of financial services at an affordable cost to the vast section of disadvantaged and low income groups

Bhatia Navin and ChettarjeeArnab (2010) felt that there are miles to go before it becomes a reality in the urban population.

Das Prasun Kumar (2010) reiterated that the objective of financial inclusion is to extend the scope of activities of the organized financial system, to include within its ambit people with low income and the unreachable through the formal financial system to make them partner of economic growth of the country.

Sadhan Kumar Chattopadhyay (2011), AmidzicGoran, Massara Alexander and Mialou Andre (2014, February) concluded that there is general recognition among policy makers that financial inclusion play a significant role in sustaining employment, economic growth and financial stability.

Pai D. T (2012) explained how financial literacy, the knowledge required for managing personal finance, is more an integral part of the financial inclusion. It is not onlyjust about imparting the financial knowledge and information, but also about changing the behaviour in the financial pattern and activities of individuals. It is because the ultimate goal of the financial literacy is the empowerment of people to take action by them that are in their self interest. They are in a better position to decide what they want and feel empowered in meaningful way when the people know about the financial products available and when they are able to evaluate the merits and demerits of each product for their specific needs.

Chakroborty. K.C (2013) analysed the measures for financial inclusion taken across the country. He observed that apart the civil society and all other stakeholders need to be involved so that the efforts of Government can be strengthened to spread financial literacy.

Objectives The objectives of this paper are The objectives of this paper are a) to evaluate the Financial Inclusion policies of Government of India and its challenges b) to evaluate the strategies adopted by banks, regulatory bodies and other government initiatives so far to achieve financial inclusion c) to identify the opportunities and challenges faced to empower the beneficiaries further with impeccable policies of financial inclusion.

Methodology and Approach: This study is based secondary data relating to Formal and Informal Sources of Credit - By Rural Households, Position of households availing banking services, CRISIL Financial Inclusion Index (Inclusix), Progress in banking services, PradhanMantri Jan-DhanYojana, Number of Branches Opened (including RRBs), number of branches of Scheduled Commercial Banks (SCBs) Bank Group and Population Group wise Number of Functioning Branches, BSBD (Basic Savings Bank Deposit Account) Accounts Opened, Kisan Credit Cards (KCC) Issued, General Credit Cards (GCC) Issued, Expansion of ATM Network, Self-Help Group (SHG)- Bank linkage, Comparative growth in credit extended by Bank and NBFC, Financial Literacy Camps.

DATA ANALYSIS

Formal and Informal Sources of Credit - By Rural Households Banks and cooperative societies constitute the formal sources of credit. Landlords, moneylenders, traders, relatives, friends and other sources of credit constitute the informal sources of credit. Since *t*wo-fifth of the rural households' depends on informal credit, there is large scope for financial inclusion in rural areas. The new financial sector initiatives, in the form of prompt and innovative policy responses, prioritize financial inclusion, financial education as well as financial literacy. Table 1 shows the access to Formal and Informal sources of credit.

Table 1: Access to Formal and Informal Sources of Credit-By Rural Households

Years	Formal Sources	Informal Sources
1951	3.9 %	69.7 %
1961	9.5 %	60.8 %
1971	22.3 %	36.9 %
1981	56.6 %	16.9 %
1991	47.6 %	15.7 %
2002	51.8 %	29.6 %
2011	70.3%	53.0%
2012	75.9%	45.9%
2013	76.1%	42.8%
2014	76.7%	40.3%
2015	78.2%	42.0%

Interpretation 51.4% of farmer households are financially excluded from both formal and informal sources. Of the total farmer households, only 27% access formal sources of credit; one third of this group also borrowed from non-formal sources. Overall, 73% of farmer households have no access to formal sources of credit. However, there has been overall improvement in access to formal sources of credit by the rural households. The formal sources increased from 3.9 % in 1951 to 51.8% in 2002 and to 78.2% in 2015. The informal sources decreased from 69.7 % in 1951 to 29.6 in 2002. However, from 2011 there is a fluctuation in access to the informal sources which increased to 42.0% by 2015. The reason for the fluctuation is because the households resort to take loan from multiple sources, causing high indebtedness and exposing themselves to high risk. These are indications of widening, deepening and broadening the financial inclusion policies.

Position of households availing banking servicesRBI has underlined the need to focus on spreading the reach of banking services to the households of India.The rural population of India remains significantly under-penetrated, and it is essential to leverage technology to reach this unbanked population. The position of households availing banking services are shown in the below Table 2.

Table: 2 Position of households availing banking services.

	As per Census 2001			As per Census 2011		
Households	Total number of households	Number of households availing banking services	Percent	Number of households availing banking services	Number	Percent
Rural	138,271,559	41,639,949	30.1	167,826,730	91,369,805	54.4
Urban	53,692,376	26,590,693	49.5	78,865,937	53,444,983	67.8
Total	191,963,935	68,230,642	35.5	246,692,667	144,814,788	58.7

Interpretation 58.7% of households are availing banking services in the country. However, as compared with previous census 2001, availing of banking services increased significantly on account of increase in banking services in rural areas. This implies that more efforts are needed to be put through.

International Journal of Engineering Technology Science and Research
IJETSR
www.ijetsr.com
ISSN 2394 – 3386
Volume 5, Issue 1
January 2018

CRISIL Financial Inclusion Index (Inclusix)CRISILInclusix is a comprehensive index for measuring the progress of financial inclusion in the country, down to the district-level. It measures financial inclusion on the three critical parameters of basic banking services - branch penetration, deposit penetration, and credit penetration. The index uses parameters that focus only on the 'number of people' whose lives have been touched by various financial services, rather than on the 'amounts' deposited or loaned.

Chart 1: Financial Inclusix Index

Table 3: CRISIL-Inclusix

Year	**Inclusix Score**
2009	35.4
2010	37.6
2011	40.1
2012	42.8
2013	50.1

Interpretation: The CRISIL Inclusix indicate that there is an overall improvement in the financial inclusion in India. Continued progress in banking services and addition of MFIs into the index computation helped the all-India CRISIL Inclusix register a score of 50.1 at the end of fiscal 2013. The index value stood at 42.8 at the end of fiscal 2012. CRISIL –Inclusix (on a scale of 100) increased from 35.4 in March 2009 to 37.6 in March 2010 to 40.1 in March 2011 to 42.8 in March 2012 and to 50.1 in March 2013.11.7 crore new savings accounts & 18.8 crore number of loan accounts in India opened in a year. As CRISIL Inclusix increased to 50.1 in 2013, denotes that the level of Financial Inclusion is ‘Above Average’.

Progress In Banking Services: Banks are instruments for developing internal as well as external trade. The banks, by opening branches in rural and backward areas can promote the process of monetisation (conversion of debt into money) in the economy. The progress in banking services plays an important role in achieving balanced development in different regions of the country. The following Table 4 shows the progress in banking services.

Table 4: Progress in Banking Services

Years	**Bank Branches**	**Credit Accounts**	**Deposit Accounts**
2010	6.3	7.8	13.5
2011	8.3	1.7	11.5
2012	5.6	8.3	12.6
2013	8.4	-2.0	16.8
2014	8.9	-1.3	17.2
2015	9.1	1.1	17.8

Interpretation Savings accounts registered the fastest growth in the last 4 years.11.7 crore new savings accounts were opened in fiscal 2015, resulting in an annual increase of 17.8 per cent. Bank branches also registered fastest growth in the last 4 years. It increased from 6.3 in 2010 to 9.1 in 2015. Growth in credit accounts, however, exhibited a mixed trend. Agricultural accounts increased by 15.7 per cent in fiscal 2013, total credit accounts witnessed a decline for the first time in the past 4 years on account of a decline in small-borrower accounts.

PradhanMantri Jan - DhanYojana PradhanMantri Jan-DhanYojana (PMJDY) is National Mission for Financial Inclusion to ensure access to financial services, namely Banking Savings & Deposit Accounts, Remittance, Credit, Insurance and Pension in an affordable manner. This financial inclusion campaign was launched by the Prime Minister Narendra Modi on 28 August 2014. The following table 5 shows the status of PMJDY scheme on 20.01.2016

Table 5: Status of PMJDY Scheme on 20.01.2016 (Figures in crores)

Financial Institutions	Rural	Urban	Total	% of Zero-Balanced accounts
Public Sector Bank	8.91	7.10	16.01	31.78
Regional Rural Bank	3.12	0.51	3.63	26.24
Private Banks	0.45	0.30	0.74	39.80
Total	12.47	7.91	20.38	31.09

Interpretation The Government has accorded high priority to agricultural credit. Credit flow to the agriculture sector has consistently exceeded the target set by the government for both the general banking sector and commercial banks. As per the study, the Public sector banks are more in number i.e., 16.01 when compared to other institutions.

Number of Branches Opened (including RRBs): As a further step of economic development, the opening of branches in rural areas was made so as to improve banking penetration and financial inclusion. The following table 6 show the number of bank branches opened to promote the financial inclusion.

Table 6: Number of functioning branches of Public Sector Banks - Population Group wise

As On	Rural	Semi Urban	Urban	Metropolitan	Total
31.03.2011	20658	16217	13450	12612	62937
31.03.2012	22379	17905	14322	13244	67850
31.03.2013	24243	19642	15055	13797	72737
31.03.2014	27547	21952	16319	14644	80462
31.03.2015	29634	23549	17387	15325	85895

InterpretationThere is a significant increase in the number of branches in the entire group. Rural and Semi-Urban areas showed greater increase in number in opening of branches when compared to Urban and Metropolitan. This significant change shows the efforts made by the government and other financial institution to improve the financial inclusion in the country.

Numberof branches of Scheduled Commercial Banks (SCBs): Commercial banks are a very important source of finance and credit for industry and trade. The banks, by opening branches in rural and backward areas promote the process of monetisation (conversion of debt into money) in the economy.

Table 7: Population Group wise number of branches of Scheduled Commercial Banks (SCBs)

As On	Rural	Semi Urban	Urban	Metropolitan	Total
31.03.2011	33923	23089	17629	16255	90896
31.03.2012	36546	25834	18879	17274	98533
31.03.2013	39816	28546	19935	18092	106389
31.03.2014	45293	31530	21532	19275	117630
31.03.2015	48557	33766	23036	20498	125857

Interpretation Due to RBI's concerted efforts, the number of branches of Scheduled Commercial Banks increased manifold from 90896 in March 2011 to 1,25,857 in March 2015, spread across length and breadth of the country. In rural areas, the number of branches increased from 33923 to 48557 during March 2011 to March 2015. As compared with semi-urban and urban areas, number of branches in rural areas increased more rapidly.

Bank Group and Population Group wise Number of Functioning Branches: Banks are the most important provider of finance and the largest and fastest growing financial intermediaries in India. The following table 8 shows the Bank group and Population group wise number of functioning branches as on March 31/2015.

Table 8: Number of Functioning Branches as on 31.03.2015

Bank Group	**Rural**	**Semi Urban**	**Urban**	**Metropolitan**	**Total**
SBI & its Associates	8029	6593	4304	3622	22548
Nationalised Banks	21228	16428	12604	11325	61585
Other Public Sector Banks	377	528	479	378	1762
Private Sector Banks	4302	6457	4521	4698	19978
Foreign Banks	8	12	57	247	324
Regional Rural Banks	14613	3748	1071	228	19660
Grand Total	48557	33766	23036	20498	125857

InterpretationAs per the study, there is a significant increase in the number of functioning branches of all the groups. Rural areas have more number of branches i.e., 48,557 when compared to other population group. Nationalised banks branches are seen more in rural areas whereas private sector branches are more in metropolitan area. Foreign banks and other sector banks are less in number when compared with other bank.

BSBD (Basic Savings Bank Deposit Account) Accounts Opened The Basic Savings Bank Deposit Account allows the customer to bank with a zero minimum balance requirement. All the existing 'No-Frills' accounts opened by the banks are now converted into BSBDA in compliance with the guidelines issued by RBI. RBI also advised banks to provide small overdrafts in BSBD accounts

Table 9: Number of BSBD Accounts

Years	Number in Millions
March 2010	73.45
March 2011	104.76
March 2012	138.50
March 2013	182.06
March 2014	187.29
March 2015	193.21

Interpretation The number of BSBD accounts opened increased from 73.45 million in March 2010 to 182.06 million in March 2013 and to 193.21 million in March 2015. Accordingly up to March 2013, 3.95 million BSBD accounts availed OD facility of Rs. 1.55 billion. The significant increase shows that the initiations reach the large sections of the financially excluded Indian population.

Kisan Credit Cards (KCC) Issued A Kisan Credit Card is a credit card to provide affordable credit for farmers in India. It was started by the Government of India, Reserve Bank of India (RBI), and National Bank for Agriculture and Rural Development (NABARD) in 1998-99 to help farmers access timely and adequate credit.

Table 10: Number of Kisan Credit Card

Years	**Number in Million**
March 2010	24.31
March 2011	27.11
March 2012	30.24
March 2013	33.79
March 2014	41.72
March 2015	50.02

InterpretationAs per the study, total number of KCCs issued to farmers increased from 24.31 million to 50.02 million with a total outstanding credit of Rs.2622.98 billion by March 2015. Awareness about the scheme is also a significant contributor in predicting inclusion and positive effect on inclusion.

General Credit Cards (GCC) Issued General credit card was issued by RBI to increase flow of credit to individuals for entrepreneurial activity in the non-farm sector. Scheme for issuing GCC to their constituents in rural and semi-urban areas based on the assessment of income and cash flow of the household similar to that prevailing under normal credit card. Banks have been advised to introduce this facility up to Rs. 25,000/- at their rural and semi-urban branches.

Table 11: Number of General Purpose Credit Card

Years	**Number in Million**
March 2010	1.4
March 2011	1.7
March 2012	2.1
March 2013	3.6
March 2015	6.1

Interpretation As per the study, there is an increase in the number of general credit card by March 2015. Banks had provided credit aggregating to 6.1 million GCC. This increase ensure greater flow of entrepreneurial credit to individuals, particularly to borrowers of small means.

Expansion of ATM Network: ATM enables the customers of a financial institution to perform financial transactions, particularly cash withdrawal, without the need for a human cashier, clerk or bank teller. Expansion of ATM networks were made available to ensuring sufficient coverage to unbanked areas

Table 12: ATM Network- By Population Group

Years	Rural	Semi-Urban	Urban	Metropolitan
2010	5196	14478	19763	20716
2011	7155	18082	24062	25206
2012	8639	22677	31006	33364
2013	11564	27710	36111	38629
2014	25792	44408	49829	46833
2015	37516	56132	61553	58557

Interpretation There is an increase in the growth of ATMs in all the four population group. The number of rural ATMs increased from 5,196 in March 2010 to 37516 in March 2015. The number of branches in rural group is less when compared to other population groups.

Self-Help Group (SHG)- Bank linkage: The Self Help Group (SHG) - Bank Linkage Programme is the strategy for delivering financial services to the poor in a sustainable manner. It was observed that the poor tended to come together in a variety of informal ways for pooling their savings and dispensing small and unsecured loans at varying costs to group members on the basis of need. The following Table 13 shows the Region-wise SHG bank linkage at the end of March 2015.

Table 13: Region-wise SHG-Bank linkage (end March 2015)

Regions	**Share (%) in Total (As on March 31, 2015)**		
	No. of SHGs	**Loans to SHGs (Rs. crore)**	**Average Loans per SHG (Rs.)**
Northern	2,30,740	851	36,899
North Eastern	1,19,520	327	27,364
Eastern	6,72,626	2,372	35,268
Central	4,05,707	1,501	36,990
Western	3,74,561	1,320	35,254
Southern	16,74,811	15,896	94,915
All India	**34,77,965**	**22,268**	**64,027**

Interpretation: While the Southern Region accounted for 71.4 per cent of the total loans to SHGs, the share of North-Eastern Region was just about 1.5 per cent implying that adequate credit is not being routed through SHGs in these regions. As the regions vary in geographical area and population, the number of SHGs is normalised by the population of the region and SHG per lakh population has been taken as a better indicator of SHG spread in the respective regions

Bridging the credit gap Non-Banking Financial Companies (NBFCs) constitute an integral part of the financial inclusion agenda. The sector is characterised by the financial intermediaries, penetrating into areas that are otherwise unbanked or under-banked. NBFCs play a key role in inducting informal sector borrowers into the formal financial system and therefore, assume a meaningful role in shaping borrowers financial behaviour.

Table 14: Comparative growth in credit extended by Bank and NBFC

Year	Credit extended by Bank	Credit extended by NBFC
Sept 2013	18.2	17.9
Dec 2013	14.8	13.3
March 2014	14.3	13.3
June 2014	13	12
Sept 2014	8.6	15.1
Dec 2014	9.8	16
March 2015	8.6	15.5
June 2015	8.4	15.1

From the Table 14, it is evident that loans and advances extended by NBFCs-NDSI posted significant growth at 15.5 per cent during 2014-15, in contrast to the slowdown in commercial bank's non-food credit during the same period. Strong growth in credit extended by the NBFC - Infrastructure finance companies (IFCs), microfinance companies and loan companies contributed to growth in the loan portfolio of NBFCs-ND-SI. It increases the potential market size without affecting borrowers' servcing ability and improves operating efficiency of NBFC-MFIs

Financial Literacy Camps Apart from direct initiatives, the Reserve Bank's efforts to expand financial literacy channelled through banks. Financial Literacy creates demand for financial products & services, thereby accelerating the pace of financial inclusion as it enables the common man to understand the needs and benefits of the products and services offered by the banks. The following Table 15 gives the activities undertaken by Financial Literacy Centres.

Table 15: Activities Undertaken by Financial Literacy Centres

Particulars	**2013-14 (April-March)**	**2014-15 (April-March)**
No. of operational FLCs	942	1,181
No. of activities conducted*	56,985	84,089
Total no. of participants*	3,826,068	5,238,358
No. of participants opened accounts after attending the camps	NA	1,442,546
No. of participants already having accounts while attending camps	NA	2,890,204

As at end March 2015, 1,181 FLCs were operational in the country, up from 942 as at end March 2014. During the period April 2014 to March 2015 1,442546 participants opened accounts after attending camps organised by the FLCs and rural branches of banks.

Findings & Conclusions

- In order to expand the credit and financial services to the wider sections of the population, a wide network of financial institution is required.
- The financial status of the rural households had improved due to the improvement in access to formal credit institutions.
- Number of households availing banking services has improved significantly which shows the improvement in the financial institutions to extend their services and reach the individuals.
- The total credit accounts witnessed a decline in past four years when compared to the deposit accounts. Greater credit availability for households has been associated with lower saving rates and a resulting higher leverage. Standard economic models seek to explain movements in the saving rate primarily in terms of movements in household net worth, as measured by the value of assets minus debt.
- The various initiations undertaken by the financial institution such as BSBD, Kisan credit etc. has reached the large sections of the financially excluded Indian population. This leads to the development of economy.
- Adequate credit is not being routed through SHGs in other regions when compared to southern region. Lack of availability of adequate and timely credit, high cost of credit, collateral requirements, limited access to equity capital, etc leads to lesser growth in the development.
- Strong growth in credit extended by the NBFC - Infrastructure finance companies (IFCs), microfinance companies and loan companies contributed to growth in the loan portfolio.
- Activities undertaken by Financial Literacy Centers created demand for financial products & services offered by the banks thereby accelerating the pace of financial inclusion as it enables the common man to understand the needs and benefits of the products and services which leads to the growth in the economy.
- With the help of financial inclusion, banking technology has progressed at a faster rate and realized that even poor sector can contribute towards a pool of financial resources. However, India is still lagging behind in the process of providing financial services to the masses with nearly half the households remaining unbanked, and nearly ninety percent villages not having bank branches.

CHALLENGES : Money lenders continue to attract the underprivileged and the banks need to minimize the role of the traditional money lenders by devising under-privileged friendly schemes, banking products and policies. Finding resources for spreading financial literacy programmes has become an uphill task. Banks require various documents of proof regarding persons' identity, income, birth certificates, etc, but many of the poor people generally lack these documents and thus are devoid of these services. Due to high distance between the bank and residence, poor infrastructureetc, low income level,informal languages, formalities in banking procedure people are not comfortable in using financial services continue to be daunting challenges for achieving higher rate of financial inclusion.

FINANCIAL INCLUSION AND INDIA 2030: A MULTI-PRONGED STRATEGY

Like many other emerging countries, India also requires a long term vision, say for 2030 which has become a strategic imperative. India requires a multi pronged strategy to achieve this vision: a) extending accessfinancial services including payment services to the so called “the bottom of the pyramid” segment India b) devising Inclusive financial services, beyond banking products. c) empowering the target segment through financial awareness and consumer education d) localizing the payment, clearing and settlement systemsd) Local Ownership of Commercial Banks e) devising appropriate financial regulation and regulatory interventions so that the financial system remains stable, which is the prerequisite to pursue the financial inclusion agenda. f)promoting a concerted effort so that there is an institutional environment with clear lines of accountability and coordination between Government, regulators, financial institutions, and other key stakeholders g) developing alternative and sustainable business models. h) providing an enabling environment, which does not compromise financial stability taking support from the Government programmes and initiatives.All in all these need a coherent coordination framework at the National level.

The words of the former UN Secretary-General, Kofi Annan (2003) still hold relevance, though there has been significant improvement in the recent past. *"The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people improve their lives."*

References

1. Chattopadhyay, S. (2011) Financial Inclusion in India: A case-study of West Bengal.
2. Dr. VighneswaraSwamy and Dr. Vijayalakshmi, 2010, Role of Financial Inclusion for Inclusive Growth in India- *Issues & Challenges*.
3. Financial Inclusion and Banks: Issues and Perspectives", *RBI Monthly Bulletin*, November 2011.
4. "Financial Literacy and Consumer Protection – Necessary Foundation for Financial Inclusion", *RBI Bulletin*, May2012.
5. FICCI Report on Promoting Financial Inclusion, 2013
6. Anupama Sharma, SumitaKukreja, An Analytical Study:Relevance of Financial Inclusion For Developing Nations
7. Role of Financial Institutions in Financial Inclusion, Mr. Joseph Massey, MD & CEO, MCX Stock Exchange, FICCI's Banking & Finance Journal, Issue: 4, October-2010.
8. Financial Inclusion – RBI Initiatives A Presentation by Dr. K.C. Chakrabarty, DeputyGovernor, RBI At 'National Seminar on Launching a National Initiative' for Financial Inclusion' organised by DFS, GOI at New Delhi on September 18, 2009.
9. Das Prasun Kumar (2010, June), " TheUpscalling Technology to Build Inclusive Financial System In India" Journal of Education and Policy studies, Volume. 2(5).
10. Chakrabarty K.C. (2011), Keynote address on Financial Inclusion, Mumbai, September.
11. Levine R. (1997) Financial development and economic growth: views and agenda. Journal of Economic Literature 35(2): 688-726.
12. Beck, T., R. Levine and N. Loayza (2000), "Finance and the Sources of Growth", Journal of Financial Economics 58: 261-300.
13. KhandkerandBinswanger [1995] The impact of formal finance on the rural economy of India. Journal of Development Studies. Vol. 32, (2), pp. 234-265.
14. Mehrotra, N. Puhashendhi, V., Nair, G. and Sahoo, B. B. (2009). Financial inclusion -An overview. Occasional Paper-48. Department of Economic Analysis and Research, National Bank for Agriculture and Rural Development, Mumbai.
15. Sarma, M., and Pais, J. (2011). Financing inclusion and development. Journal of International Development. 23, 613-628.
16. Rangarajan, C. (2008), Report of the Committee on Financial Inclusion, National Bank for Agriculture and Rural Development (NABARD), Mumbai, January.
17. Todaro, M. P. and S. C. Smith (2003). Economic Development, Eight Edition, Singapore: Pearson.
18. The Financial inclusion gets a boost with Jan DhanYojana, The Economic Times,May 11, 2016 Kofi Annan Address, United Nations (2003)