A Study on Financial Inclusion in India
Imtiyaz Hussain Ganaie¹ & Tajamul Khursheed Bhat²
¹-²Researcher Scholar, School of Economics Devi Ahilya University Indore – 452001(M.P)
Email:Imtiyazhussain58@gmail.com

Introduction

Financial inclusion has been given a high-priority in present times in India and with the considerable progress has been made over the years, India remains a long way from universal financial inclusion. In India the term ‘financial inclusion’ was used for the first time in April 2005 in the Annual Policy Statement presented by Y. Venugopal Reddy, Governor, Reserve Bank of India. Further, this concept gained ground and came to be widely used in India and abroad. It is a process by which financial services are made accessible to all sections of the population. It is a conscious attempt to bring the un-banked people into banking. The Report of the Internal Group to Examine Issues relating to Rural Credit and Microfinance (Khan Committee) in July 2005 drew strength from this announcement by Governor Y. Venugopal Reddy in the Annual Policy Statement for 2005-06 wherein he had expressed deep concern on the exclusion of vast sections of the population from the formal financial system. Mangalam, became the first village in India where all households were provided banking facilities. Norms were relaxed for people intending to open accounts with annual deposits of less than Rs. 50,000. General credit cards (GCCs) were issued to the poor and the disadvantaged with a view to help them access easy credit. RBI also permitted commercial banks to make these services for the micro-finance institutions, non-governmental organizations and other civil society organizations as mediators for providing financial services. These mediators could be used as business facilitators or business correspondents by commercial banks. Banks in different regions asked commercial banks to achieve 100% financial inclusion. The bank asked the commercial banks in different regions to start a 100% financial inclusion campaign, with the result of the campaign, states or union territories like Pondicherry, Himachal Pradesh and Kerala announced 100% financial inclusion in all their districts. Reserve Bank of India’s vision for 2020 is to open nearly 600 million new customers
accounts and service them through a variety of channels by leveraging on IT. However, illiteracy and the low income savings and lack of bank branches in rural areas continue to be a roadblock to financial inclusion in many states and there is inadequate legal and financial structure. RBI also initiated the requirement that banks provide no frills accounts, improve the outreach of banking services through business facilitator and business correspondent models, and set up the goal for banks to provide access to formal banking to all 74,414 villages with the population of over 2000 was largely achieved as of end March 2012 (99.7%). The goal towards Financial Inclusion has accordingly been refined in June 2012, in the next Financial Inclusion plan 2013; banks are required to prepare a road map to cover all unbanked villages with population of less than 2000 with services. The Financial Inclusion Plan (FIP) of the bank, is also on underway to provide financial and basic banking services to those areas where there is no concept of banking system and banking services, including those areas which are far-flung and the remotest parts of the state. Bank has already brought the 536 villages, with greater than 2000 population, under the orbit of financial inclusion by opening of business units and providing BC. Coverage in all the villages. Out of 3271 below 2000 population villages scheduled to be covered by the end of March 2016, 1696 villages have been rolled out for extending ICT (Information Communication Technology) based financial services, which is well above the target of 1600 villages set for FY 2013-14. The government of India recently announced “Pradhan Mantri Jan Dhan Yojna” a national financial inclusion mission the main aim of this programme is to provide bank accounts to those people who have no any bank account and its target was to provide bank accounts to at least 75 million people by January 26, 2015. To achieve this milestone, it’s important for both service providers and policy makers to have readily available information outlining gaps in access and interactive tools that help better understand the context at the district level.

Keywords: Financial inclusion, RBI, Pradhan Mantri Jan Dhan Yojna.

Review of literature

Ramkumar. V (2007) concluded that the financial inclusion is not a onetime effort; it is an ongoing process. It is a huge project which requires concerted and team
efforts from all the stake holders the Government, financial institutions, the regulators, the private sector and the community at large. From the irregular attempts of today dispersed across the nation, it should gather momentum and grow in geometric proportions and develop into a focused and effective movement. If this is to be achieved, it requires the passionate involvement, dedication and commitment of all stake holders. Accessibility, affordability, appropriateness and benefits determine how deep financial inclusion penetrates the social fabric of the village. It requires a major mindset change in the minds of every individual involved banker, bureaucrat, and regulator and therefore, creating awareness at all levels. At the same time, the role of technology in the whole scenario cannot be undermined either. It has to be admitted that today, more than even before, technology plays a vital role in bringing about integration in society of all social and economic classes. Financial inclusion can empower even the poorest person and bring about a dramatic change in his fate.

World Bank report (2008) “Financial inclusion, or broad access to financial services, is defined as an absence of price or non-price barriers in the use of financial services. It also asserts that financial inclusion does not necessarily provide for borrowing of unlimited funds for all households and firms for a nominal fee. The report also restated that the credit worthiness of the customer when providing financial services needs to be necessarily verified. Similarly “the ‘access to’ and ‘use of’ financial services has to be demarcated by the policy makers, here access essentially refers to the supply of services, whereas use is determined by demand as well as supply”.

Tejani Rachana (2011) stated that there is lot of opportunity for the commercial banks to explore the rural unbanked areas. The number of kissan credit cards issued and the amount of credit granted under it is also showing a waning trend. Commercial banks should seize this opportunity rather than looking at it as a social obligation.

Chakrabarti Manas (2012) concluded the Financial inclusion is now accepted as a significant for achieving inclusive growth, which itself is required for ensuring overall sustainable growth. Recognizing the importance of inclusive growth in India, efforts are being taken by the Government of India (GOI) and RBI to
make the financial system more comprehensive. As a supporting agent for the commercial banks and the co-operatives, RRBs are serving a class of clientele belonging to the rural poor like rural artisans, petty shopkeepers, small traders, village entrepreneur and people engaged in service sector and also people belonging to the lower income group in these rural areas, physically handicapped persons and widows as well. ” The focus of financial inclusion is on promoting sustainable development and generating employment for a vast majority of the population especially in the rural areas. Therefore, RRB network will have to be leveraged for benefiting the people of the rural areas through broader banking services; and in West Bengal, these institutions take a long stride towards inclusive economic growth by promoting various financial products meant for broader financial inclusion. These banks are playing a significant role in ensuring sustainable development through financial inclusion. However, there is a long way to go for the financial inclusion to reach to the core poor and according to K. C. Chakraborty, Deputy Governor of RBI, “Even today the fact remains that nearly half of the Indian population doesn’t have access to formal financial services and are largely dependent on money lenders”.

H.N Archana (2013) analyzed that the financial exclusion is a manifestation of social exclusion. All the five year plans have an objective of Financial Inclusion. As Financial Inclusion is a vital component of the inclusive growth envisaged for the overall development of the economy, both public and private sectors are working in tandem to leverage the strengths and drive for financial inclusion. The performance of RRBs in India improved in the post-merger period. Even though number of RRBs decreased, the branch net work has been increased. During post-merger period, there has been increased number of districts covered by the RRBs. Total capital funds have been increased tremendously after amalgamation took place in the year 2005-06. Though there is variety of programmes to alleviate poverty and empower rural people, SHGs have done well in the country. The Plan provides a new vision of inclusive MFIs and Commercial Banks have played a pivotal and are the possible combinations of formal and non-formal institutions that are involved in channeling funds for loans to poor families.
Methodology
Research methodology plays an important part in any investigation. In the present study mostly secondary data have been used. Secondary data have been collected from various interim and annual reports presented by Govt. of India. In addition to this, data have also been collected from various journals and articles; the research is also based on the referred sources-published and unpublished. This study is descriptive. The whole study depends on secondary sources; include websites, annual reports of govt. of India.

Objectives
1. To study progress of financial inclusion plan in India.
2. To study the financial inclusion initiatives taken by Banking System.

In the year 2010, all the public and private sector banks adopted board-approved financial inclusion plans (FIPs) for next three years which started in April 2010 to march 2013. RBI advised to all SCBs, to incorporates FIPs with their business strategy to financially nurturing to all excluded population in India. RBI and SCBs have adopted a structured approach to achieve financial inclusion through FIPs containing self set targets with measurable and monitorable outcomes. Below table showing last three years considerable performance in the path of financial inclusion in India.

Progress under Financial Inclusion plans, all SCBs and including RRBs.

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Banking Outlet in Villages&gt; 2,000</td>
<td>37,949</td>
<td>66,605</td>
<td>112,288</td>
<td>119,453</td>
<td>81,504</td>
<td>214.8</td>
</tr>
<tr>
<td>2</td>
<td>Banking Outlet in Villages&lt; 2,000</td>
<td>29,745</td>
<td>49,603</td>
<td>69,465</td>
<td>149,001</td>
<td>119,256</td>
<td>400.9</td>
</tr>
<tr>
<td>3</td>
<td>Banking Outlet in Villages –Branches</td>
<td>33,378</td>
<td>34,811</td>
<td>37,471</td>
<td>40,837</td>
<td>7,459</td>
<td>22.3</td>
</tr>
<tr>
<td>4</td>
<td>Banking Outlet in Villages –BCs</td>
<td>34,174</td>
<td>80,802</td>
<td>141,136</td>
<td>221,341</td>
<td>187,167</td>
<td>547.7</td>
</tr>
<tr>
<td>5</td>
<td>Banking Outlet in Villages -Other Modes</td>
<td>142</td>
<td>595</td>
<td>3,146</td>
<td>6,276</td>
<td>6,134</td>
<td>4319.7</td>
</tr>
<tr>
<td>6</td>
<td>Banking Outlet in Villages –Total</td>
<td>67,694</td>
<td>116,208</td>
<td>181,753</td>
<td>268,454</td>
<td>200,760</td>
<td>296.6</td>
</tr>
<tr>
<td>7</td>
<td>Urban Locations covered through BCs</td>
<td>447</td>
<td>3,771</td>
<td>5,891</td>
<td>27,143</td>
<td>26,696</td>
<td>5972.3</td>
</tr>
</tbody>
</table>
No. of Branches, BCs and other modes of banking outlets in villages

In the above table shown No. of Branches, BCs and other modes of Banking outlets in villages, RBIs take intensively efforts in financial inclusion areas, the number of bank branches including RRBs increased of from 33,378 in March 2010 to 40,837 in March 2013. Banking outlets through BCs has been also increased from 34,174 in March 2010 to 2,21,341 in March 2013 and other modes of banking outlets in villages has increased rapidly from March 2010 to march 2013.

Basic Savings Bank Deposit Account (BSBDA) opened through branches and BCs

The number of BSBD accounts opened has been increased from 60 million in March 2010 to 101 million in March 2013 through the expansion of bank branches and BSBBD accounts which was opened by BCs has increased from 13 million in March 2010 to 81 million in March 2013. RBI also advised to all banks to provide small overdrafts facilities in BSBBD accounts. Therefore up to March 2013, 4 million BSBBD accounts availed OD facility of 2 billion.

Kisan Credit Cards (KCC) and General Credit Cards (GCC) Issued

Under FIPs RBI advised to banks to issue smart cards to farmers for availing timey
and adequate credit facilities, up to March 2013 Banks has been issued 34 million KCCs and provided credit. Banks also provide GCCs to Non-farm entrepreneurs to fulfill their credit needs as per revised guidelines in Dec.13. Up to March 2013 banks had issue 4 million GCCs.

Number of Branches and ATMs in India

The following table shows the number of the commercial bank branches in India, and has been divided into Rural, Semi-Urban, Urban and Metropolitan as on March 2013.

<table>
<thead>
<tr>
<th>Bank Group</th>
<th>Rural</th>
<th>Semi-Urban</th>
<th>Urban</th>
<th>Metropolitan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector Banks</td>
<td>23286</td>
<td>18854</td>
<td>14649</td>
<td>13632</td>
<td>70421</td>
</tr>
<tr>
<td>Private Sector Banks</td>
<td>1937</td>
<td>5128</td>
<td>3722</td>
<td>3797 (26.04%)</td>
<td>14584</td>
</tr>
<tr>
<td>Foreign Banks</td>
<td>8</td>
<td>9</td>
<td>65</td>
<td>249 (75.23%)</td>
<td>331</td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td>12722</td>
<td>3228</td>
<td>891</td>
<td>166 (0.94%)</td>
<td>17007</td>
</tr>
<tr>
<td>Total</td>
<td>37953</td>
<td>27219</td>
<td>19327</td>
<td>17844</td>
<td>102343</td>
</tr>
</tbody>
</table>

Source: compiled from GK Today.

In above table we find out the percentage share of commercial banks branches in India which includes public sector banks, private sector banks, foreign banks and regional rural banks and each category has its own share that is categorized as rural, semi-urban, urban and metropolitan. The percentage of commercial bank branches in rural areas is 37.08%, semi-urban its share is 26.60%, urban 18.88% and in metropolitan 37.44%. The highest percentage of all bank groups in India of commercial bank branches are in rural areas (37.08%).

In 2009, the number of total bank branches in the country stood at 80,200. The following table shows the growth of the branches in the country in the last five years.

<table>
<thead>
<tr>
<th>As on</th>
<th>Rural</th>
<th>Semi-Urban</th>
<th>Urban</th>
<th>Metropolitan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31,2009</td>
<td>31476</td>
<td>19126</td>
<td>15273</td>
<td>14325</td>
<td>80200</td>
</tr>
<tr>
<td>March 31,2010</td>
<td>32493</td>
<td>20855</td>
<td>16686</td>
<td>15446</td>
<td>85480</td>
</tr>
<tr>
<td>March 31,2011</td>
<td>33905</td>
<td>23114</td>
<td>17599</td>
<td>16419</td>
<td>91037</td>
</tr>
<tr>
<td>March 31,2012</td>
<td>36356</td>
<td>25797</td>
<td>18781</td>
<td>17396</td>
<td>98330</td>
</tr>
<tr>
<td>March 31,2013</td>
<td>37953</td>
<td>27219</td>
<td>19327</td>
<td>17844</td>
<td>102343</td>
</tr>
</tbody>
</table>
Source: compiled from GK Today

From the above table it is clearly shown that there is lot of progress in bank branches from march 2009 to march 2013 in rural, semi-urban, urban and metropolitan. In 2013 the total bank branches in the country was 80200, this number was 85480, 91037, 98330 and 102343 in March 2010, 2011, 2012 and 2013.

As of March 2013, the number of ATMs in India is as follows

<table>
<thead>
<tr>
<th>Bank Group</th>
<th>Rural</th>
<th>Semi-Urban</th>
<th>Urban</th>
<th>Metropolitan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector Banks</td>
<td>8552</td>
<td>18445</td>
<td>22518</td>
<td>20137</td>
</tr>
<tr>
<td>Old Private Sector Banks</td>
<td>786</td>
<td>2760</td>
<td>2354</td>
<td>1684</td>
</tr>
<tr>
<td>New Private Sector Banks</td>
<td>2214</td>
<td>6484</td>
<td>10995</td>
<td>15842</td>
</tr>
<tr>
<td>Foreign Banks</td>
<td>30</td>
<td>21</td>
<td>224</td>
<td>966</td>
</tr>
<tr>
<td>Total</td>
<td>11564</td>
<td>27710</td>
<td>36111</td>
<td>38629</td>
</tr>
</tbody>
</table>

Source: GK Today.

In the above table its shows the number of ATMs in public sector banks, old private sector, new private sector banks and foreign banks which are divided into rural, semi-urban, urban and metropolitan. If we see the public sectors banks, the ATMs in these groups there is lot of difference in establishment of ATMs in rural, semi-urban, urban and metropolitan. Total number of ATMs in public sector banks, old private sector, new private sector banks and foreign banks is 11564. If we the number of these ATMs in semi-urban, urban and metropolitan which is 27710, 36111 and 38629 which is too high as comparison to rural area. This shows that lot of rural areas far from these facilities.

Other important information about branch banking in india is as follows:

- In the end of march 1990 there were just 59,762 commercial banks in India, and stands at 1,02,343 end of march 2013, Out of the 1,02,343 branches of scheduled commercial banks (SCBs), 37,953 (37%) bank branches are in the rural areas and 27,219 (26%) in semi-urban areas, constituting 63% of the total numbers of branches in semi-urban and rural areas of the country.
- The Nationalised banks have around 4 times the number of branches of the private sector banks in India.
- Per cent of ATMs to Branches stands maximum for the foreign banks.
The number of ATMs in Private sector banks is almost equal to the number of ATM in Nationalised banks, but half of the public sector bank ATMs. This indicated the high number of ATMs of the SBI group.

There are six lack village in india as per 2001 census. The Average population per bank branch (APBB) as on 31.3.2013 stands at 12,100. The Average population per branch office was 64,000 in 1969.

As per Census 2011, 58.7% households (67.8% urban and 54.4% rural) are available banking services in the country. Thus, a significant proportion of the households, especially in rural areas, are still outside the formal fold of banking system. (NET)

Initiatives taken by RBI:

The Reserve Bank in pursuit of its commitment to financial inclusion took several initiatives to expand the reach of formal banking facilities in the country to all. The roadmap to provide banking outlets in unbanked villages with less than 2,000 populations has been drawn and allotted to banks. Acknowledging the problem of financial exclusion in metropolitan cities, the Lead Bank Scheme was extended to 16 metropolitan districts. Having created a robust infrastructure for promoting access, the focus of the next stage of the financial inclusion plans is on stepping up usage of bank accounts. Policies have enhanced financial inclusion by addressing imperfections in the supply of financial services and increasing demand for financial services through financial literacy initiatives that raise awareness and lead to more responsible use of finance.

The Reserve Bank has taken various steps to improve flow of credit to all the productive sectors of the economy. The main challenge is to bring those sections of society that are financially excluded into the ambit of the formal financial system. Various initiatives have been taken in this area including the rollout of enhancing the scope of the business correspondent (BC) model, improving credit delivery procedures with respect to the micro and small enterprises (MSE), financial inclusion plans (FIPs), sector and encouraging the adoption of information and communication technology (ICT) solutions.

Opening of no-frills accounts: No Frills accounts is offered with minimum zero balances, relaxed know our customer norms (KYC) and minimum charges to the low income population to expand the outreach of
financial access. As well make such accounts accessible to vast sections of the population. RBI have the issued the norm and banks had been advise to provide small overdrafts in such accounts.

Relaxation on know-your-customer (KYC) norms: RBI released the KYC norms for the opening of bank accounts in August 2005, also simplified the procedures of opening such accounts. The banks were also permitted to take any evidence as to the identity and address of the customer to their satisfaction. It has now been further relaxed to include the letters issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number.

Engaging business correspondents (BCs): In 2006, RBI permitted banks to engage business facilitators (BFs) and BCs as intermediaries for providing financial and banking services at doorsteps, especially cash in-cash out transactions, thus addressing the last-mile problem. In September 2010, profit companies have also been allowed to be engaged as BCs. In the grass-root level, the Business correspondents (BCs), with the help of Village Panchayat (local governing body), has set up an ecosystem of Common Service Centres (CSC). CSC a computer connected to the internet that provides e-governance or business services to rural citizens.

Use of technology: Recognizing that through technology the issues or problems of outreach and credit delivery in rural and remote areas will be solved, banks have been advised to make effective use of information and communications technology (ICT), to provide doorstep banking services through the BC.

Adoption of EBT: Banks have been advised to implement EBT by leveraging ICT-based banking through BCs to transfer social benefits electronically to the bank account of the beneficiary and deliver government benefits to the doorstep of the beneficiary, thus reducing dependence on cash and lowering transaction costs.

Financial literacy centre’s: In compliance to RBI directive, the bank operationalised financial literacy cum credit counseling centre’s in the country to provide information about financial inclusion, banks are advised to organize more and more awareness programmes through financial literacy programmes.
Khidmat Centre’s: It is an alternative delivery mechanism for financial services which strengthens the formal financial channels. All basic banking services offered by RBI would be available to its customers Khidmat Centre’s. RBI has introduced the concept of Common Service Centre (CSC) and advised to banks to establish Khidmat Centre. Any person between the age of 18 to 27 who is graduate having knowledge of computer and having a owned or rented premises can become the entrepreneur for the CSC. These Common Service Centre’s or Khidmat Centre’s will offer the following services like, Photostat, digital photography, copy of land record, date of birth certificate, death of certificate, lodge FIR, ration card, deposit small sum of money, with drawl small sum of money, loan application form, saving account opening forms, Most important many information about bank schemes and products. It is very beneficial for the customers. Many old age pensioners has to come to bank premises for withdrawal of just Rs.200/- or Rs.400/- from their old age pension account which was difficult for them and they also to pay transport charges. Now they will get the money from the CSC at their village. Previously if a laborer wanted to deposit the money in the account in the bank he had to make a loss of his one day wages of Rs100/- to Rs.150/-. Inspite this he had to give fare in the bus. But now he has no need to suffer from the loss, he can deposit the cash at the CSC when he find suitable time, may be at lunch break.

GCC: With a view to helping the poor and the disadvantaged with access to easy credit, banks have been asked to consider introduction of a general purpose credit card facility up to ‘25,000 at their rural and semi-urban branches. The objective of the scheme is to provide hassle-free credit to banks’ customers based on the assessment of cash flow without insistence on security, purpose or end use of the credit. This is in the nature of revolving credit entitling the holder to withdraw up to the limit sanctioned.

Simplified branch authorization: To address the issue of uneven spread of bank branches, in December 2009, domestic scheduled commercial banks were permitted to freely open branches in tier III to tier VI centres with a population of less than 50,000 under general permission, subject to reporting. In the north-eastern states and Sikkim, domestic scheduled commercial banks can now open branches in rural, semi-
urban and urban centres without the need to take permission from RBI in each case, subject to reporting.

**Opening of branches in unbanked rural centres:** Banks are advised to open bank branches where there are no any bank branches in rural as well in urban areas in the country so as to improve penetration and financial inclusion quickly. Accordingly, banks have been mandated in the April monetary policy statement to allocate at least 25% of the total number of branches to be opened during a year to unbanked rural centres.

**Pradhan Mantri Jan Dhan Yojana:** The scheme was formally launched on 28 August 2014 with a target to provide 'universal access to banking facilities' starting with Basic Banking Accounts with overdraft facility of Rs.5000 after six months and RuPay Debit card with inbuilt accident insurance cover of Rs. 1 lakh and RuPay Kisan Card & in next phase, micro insurance & pension etc. will also be added On the inauguration day of the scheme, 1.5 Crore (15 million) bank accounts were opened.

**Conclusion:**

From the above analysis it is concluded that there is a lot of progress in financial inclusion. The number of kisan credit cards issued shows an increasing trend and the amount of credit granted under it is also showing a increasing trend. The number of KCC and amount disbursed in the country is showing increasing trend from 2010 to 2013 not in KCC there is also progress in progress in No. of Branches, BCs and other modes of banking outlets in villages, Kisan Credit Cards (KCC) and General Credit Cards (GCC) Issued, Number of Branches and ATMs in India. There is also progress in ATMs in public sector banks, old private sector, new private sector banks and foreign banks which are divided into rural, semi-urban, urban and metropolitan. RBI has taken lot of steps and to provide financial services to those areas which are not yet to be connected with the banking system, and with the help of RBI initiatives people of country take benefits from the banking sector and also can be connected with it. Thus, financial inclusion will lead to financial development in our country which will help to accelerate economic growth.
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