

## FINANCIAL INCLUSION INITIATIVES TAKEN BY GOVERNMENT OF INDIA

Pawandeep Kaur Bindra\*

Anukrati Chauhan\*\*

Krati Sharma\*\*

Neha Tomar\*\*

Nishi Singh\*\*

### **Abstract**

The aim of this research paper is to highlight regarding the abstract aspects of economic inclusion, indicate the explanations for money exclusion, and feature the measures taken by Reserve Bank of India for advancing money inclusion and also the act of banks toward financial inclusion. This study is predicated on secondary information collected from completely different publications, journals, and news paper and websites. Government of India and various private and public sector banks has taken numerous initiatives like gap of essential accounts, relaxation on know-your client norms, participating business correspondents for promoting money inclusion. The study concludes by stating that with joint effort of all the stakeholders we can improve financial literacy scenario in India.

\* **Assistant Professor, Banasthali Vidyapith**

\*\* **Student, Banasthali Vidyapith**

## 1. Introduction

Financial Inclusion or Inclusive Financing is the transfer of financial services at economical costs to different sections of low income segments of society. The concept of financial inclusion is not recent in Indian. The concept has been general in India from past 44 years. Beginning with the nationalization of commercial banks in 1969 and 1980, addition step taken was the establishment of Regional Rural Bank in 1975 and banking sector reforms after 1991. The result of these three major procedure changes, the no. of branches of trade banks has raised from 8252 in June 1969 to 102343 in 2013. There are also problems of access to finance: credit, poverty and indebtedness have not been sufficiently examined. Financial literacy is required for the long term achievement of the objective of financial inclusion. It is required to bring up the poor and detriment people by providing them the personalized financial products and services. It leads to inclusive growth encompassing the deprived and marginalized section. In 1980s the Prime Minister Late Shri Rajiv Gandhi started that of every one rupee spent on development only 15 paise reached the poor.

In the Indian context, the term 'Financial Inclusion' was used for the first off in April 2005 in the Annual Policy statement presented by Y. Venugopal Reddy, the Governor, Reserve Bank of India wherein he had expressed deep concern on the boycott of wide sections of the population from the legal financial system. In the Khan Committee Report the RBI exhorted the banks with a possibility of achieving improved financial inclusion to make available a basic "no frills" banking account. In Jan, 2006 the Reserve Bank of India has permitted commercial bank to utilize the services which are offered by non-governmental organization.

One of the most important national objectives of the country is to promote financial inclusion. In Reserve Bank of India and government is to promote financial inclusion in India. From the last five decades India has taking many steps which includes nationalization of banks, building up of co-operative and rural banks and scheduled commercial bank. The prime objective of these initiatives is to provide financial services.

Indian Government and RBI have taken various step to include vast segment of unbanked people to mainstream banking such as Micro Finance – Self Help Group Model (1992), Kisan Credit

Card (1998), Basic Accounts (2004), and Business Facilitators (2006,2009) swabhimaan (2011) financial inclusion model but the way of financial inclusion is continuous to be challenging NSSO data revealed that 45 million rural people in the nation 51%, out of a total of 89 million domestic people do not approach credit , one of the two from institutional or non institutional origin. The prime objective of the financial inclusion for unbanked people is to open bank account at vulnerable.

In simple words financial inclusion stands for including the people lying on the minimum layer of our social pyramid into the financial mainstream.

### **1.1 Role of Government of India in improving financial inclusion**

Government of India to ensure vulnerable section of society has taken member of steps in order to get access to financial services and products, which includes setting up of regional rural banks, co-operative banks and state bank of India, promotion of self help groups etc, other than these efforts, in India, almost 1/2 of the country is non-banked and where only 55% of the populace have saving accounts and 9% have credit accounts with banks. India has the highest member of domestic sector (145million) expelled from the banking sector. There was only 1 bank branch per 14,000 citizens. Only a little less any kind of life insurance and 9% of the society has non life insurance inclusion, less than 2% had debit cards. The financial products and services which are offered by the banks is to assess the level of financial inclusion among the vulnerable section of the difficulties which are faced by banks and NGO-Financial inclusion is the method of assuring admission to suitable financial products and services needed by vulnerable group such as lower section and the low income group at an economical cost in a fair and transparent behavior.

## **2. Literature review**

OECD (2005) defines financial literacy as a combination of awareness, skills, and behaviour necessary to make sound financial decisions and which ultimately leads to achievement of individual well being.

Chauhan (2013) worked on studying the conceptual framework of financial inclusion. She had taken case study of Axis Bank where she highlights that how bank had opened more than 35 lakh

no frill accounts in rural areas of Nashik, Darjeeling and Sikkim through POS. The bank had also offered various customized products under FI scheme.

Garg and Agarwal (2014) have highlighted various initiatives taken up by banks for financial inclusion and they have analyzed the progress of financial inclusion by using reports of RBI and NABARD. They have given seven approaches to achieve financial inclusion in nation like bank led approach, technology based approach and regulator led approach etc.

Purohit (2015) also highlights the importance of financial literacy and various initiatives. Banasthali Vidyapith under its project CFPTRW (Centre for Financial Planning, Training and Research for Women) has collaborated with PRIME (Promotion of Research in Indian Management and Ethos) also has taken many initiatives for making people financially literate.

### 3. Objective of the study

1. To know the initiatives taken by Government of India for Financial inclusion.
2. To assess the level of Financial Inclusion among the vulnerable sections of the society
3. To study the vulnerable section and offer suggestions for overall development of vulnerable section of the society through financial inclusion.

### 4. Research Methodology

**4.1 Nature of study:** Exploratory study

**4.2 Type of Data and sources:** Largely based on the secondary data, collected from various journals, newspapers, RBI website, and website of other banks. The specific and significant sources of data have been taken from research papers. In addition some primary data has been collected by interviewing bank officials.

**4.3 Data Variables:** The researcher targeted to collect data about number of household covered, number of branches opened, number of wards covered under PMJDY, RBI authorization policy and various financial inclusion initiatives taken by the government of India.

**4.4 Analysis and showcasing:** Using percentage pattern, and illustrated using tables and graphs.

## 5 Findings About The Initiatives Taken Up By Government Of India

- **RBI Branch Authorization Policy:** keeping in mind the end goal to build up the saving money system in non-banked zones, common consent has been conceded by Reserve Bank of India to family units private and public sector banks to open versatile branches or Administrative Offices or customer service point known as Service Branches.
- **Swabhimaan Scheme:** is campaign of Government of India which was organized with an aim of providing banking services to rural masses. This was proposed to cover 20000 villages under this and to offer banking products and services like bank accounts, credit facilities, remittances by using the services of business correspondents also known as Bank sathi. Other facilities are also offered like FD, RD, KCC, GCC, overdraft facilities, micro insurance etc.
- **RuPay Card:** RuPay is an Indian domestic card launched by National Payments Corporation of India to fulfill the desire of RBI to have domestic and multilateral systems of payment in India. the promoters of these cards are six public sector banks that includes SBI, BOB, UBI, PNB, BOI and Canara Bank and with support of two major private sector banks ICICI Bank and HDFC Bank. RuPay card become mostly popular with introduction of Jan Dhan accounts and that ultimately leads to financial inclusion in country. These RuPay cards work on all deal terminals, for making online buy, on ATM This card give the adaptability of installment choices to every one of the clients.
- **Pradhan Mantri Jan-Dhan Yojana (PMJDY):** The administration of India has laid extraordinary accentuation on money related incorporation it has been made as a key target for the nation. The monetary allowance discourse for 2014-15 has set of focus to accommodate budgetary records to each family unit by august 2015. Further in Independence day discourse, our honourable Prime minister, launched the Pradhan Mantri Jan-Dhan Yojana Scheme. It was propelled after the declaration on August 28 , on the initiation day itself 1.5 crore financial balances were opened and promote duplicated to 7.5 crore crosswise over India inside 3 months. The PMJDY has endeavored endeavors of RBI for of advancing money related consideration by opening premise zero-equalization accounts alongside the overdraft office of Rs 5000 which are accessible for different record holders.

## Pradhan Mantri Jan-Dhan Yojana

(Accounts opened on April 6, 2016)

All figures in crores

NAME OF THE BANK	URBAN	RURAL	TOTAL	RUPAY CARD	AADHAR	BALANCE IN A/C	ZERO BALANCE ACCOUNT %
Public sector Bank	9.55	7.48	17.03	20	8.08	28849.20	26.84
Region rural bank	3.30	0.55	3.85	2.80	1.16	6360.60	22.98
Private Bank	0.50	0.31	0.81	8.75	0.31	1993.24	39.78
Total	13.21	8.30	21.51	31.55	9.55	37203.04	26.65

**Source:** Information is based upon the data as submitted by different banks/SLBCs

**Table: 1.1**

- **Direct Benefits Transfer (DBT):** This plan appeared since January 2013, in the main stages there were 25 welfare plan in 43 regions and later on it reached out to extra 78 regions and right now DBI have been extending by 35 plan over the whole nation. Across the nation this plan was taken off in 291 locale in six stages from 1st June 2013. Its prime targets was controlling spillages in the circulation framework by the itemized investigation of the plan leave, development and review reports customer input and collaborations, partners would suggested that DBTL is extremely productive approach to dispense appropriations
- **Branches of Bank** - Increase in number of branches is foremost measure in financial inclusion. RBI had taken immense measures to increase the number of branches of banks.

- Growth of Bank Branch chain:** The expansion in the no. of branches opened by Public Sector Banks and Private Sector Banks. Below mentioned excel denotes on the significant increase of number of branches from financial year 2011-12 to 2014-15.

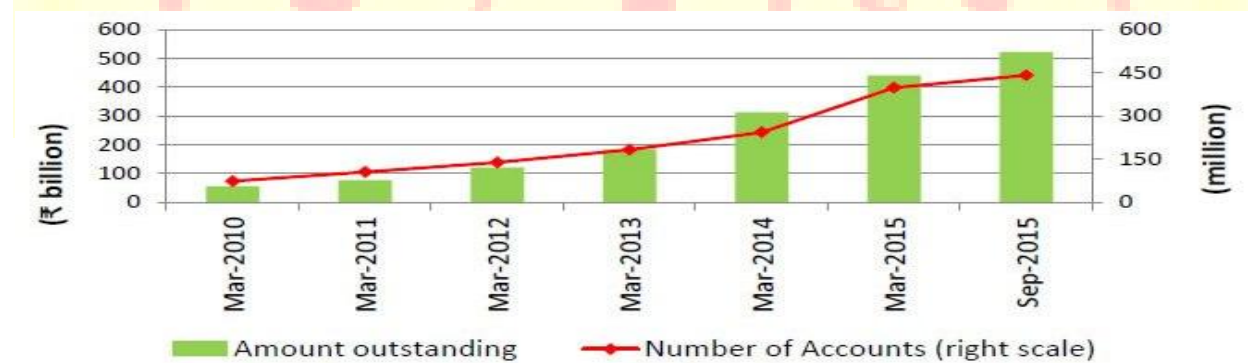
AS ON	RURAL	SEMI URBAN	URBAN	METRO	TOTAL
31.03.2011	20659	16218	13451	12613	62941
31.03.2012	22370	17906	14323	13245	67844
31.03.2013	24245	19643	15056	13798	72742
31.03.2014	27548	21953	16310	14645	80456
31.03.2015	29635	23540	17388	15326	85889

**Table: 1.2 Source:** RBI Statistics

This table shows there is increase in the number of branches since 2011 to 2015 at different sections of the society.

- NO FRILL ACCOUNT:** Since November 2005, RBI requested that the business bank open the investment accounts with "NO FRILL". It alludes to the sparing record either with nil or most minimal equalization. There will be no different charges included in opening and keeping up the records. This was made with the honorable goal of making the records available to boundless area of the unbanked populace. From March 2010 to September 2015 there is significant increase in number of no frill accounts.

**PROGRESS IN NO FRILL ACCOUNT**



**Figure: 1.1 Source:** RBI, Census of India

- KISAN CREDIT CARDS:** KCC Scheme intends to give budgetary backing to rancher to meet their distinctive monetary prerequisite, including the buy of seeds and data for farming. Account holders under this plan are allotted a card and a pass book which contains certifications. The KCC give a credit extension to 3 year. The rancher is having adaptable reimbursement choice.
- GENERAL PURPOSE CREDIT CARD (GCC):** GCC plan for non-farming customers of banks in country and semi-urban territories. Ladies are given inclinations while conveying GCC. The upper roof of the credit is RS 25,000.

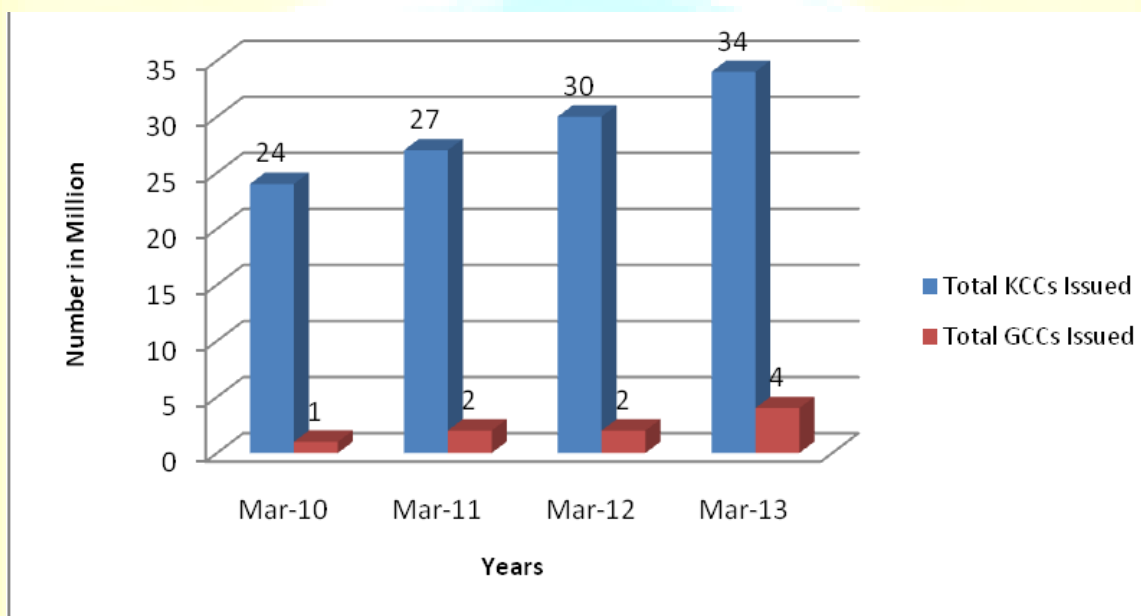


Figure: 1.2

### No of KCC and GCC Issued

### Locale Wise Financial Inclusion in India

India, when seen through its diverse locales, one can discover difference. In the district examination Northern (80%), Southern (66%) trailed by Western (60%) is over the National normal of 59% grown-up populace having sparing record. The Eastern area (34%) North eastern locale (37%) and Central district (52%) is having not as much as national normal of 59% grown-up populace having sparing record.



### TOP 10 STATES IN FINANCIAL INCLUSION

	Inclusix score	Rank
KERALA	80.4	1
DELHI	78.8	2
GOA	74	3
ANDHRA PRADESH	64.8	4
TAMIL NADU	64.8	5
KARNATAKA	61.4	6
HIMACHAL PRADESH	58.4	7
PUNJAB	56.8	8
UTTARAKHAND	52.4	9
HARYANA	49.3	10

**Table: 1.3**

**Source:** RBI Report

## 6. Conclusion and Recommendations

It is vital for Government of India to adopt holistic approach to curb the problem of financial exclusion. This can be only possible by having partnership with banks, SHGS, NGOS and other stakeholders with a target of imparting financial awareness to our citizens of country by imparting them the basic knowledge of money management, debt counseling, savings, investments and credit. Technology also plays an important role in this drive of achieving financial inclusion in an cost effective manner. It also attracts global players to invest in Indian market which ultimately leads to increase in employment and growth.

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- Rbi site <https://www.rbi.org.in/scripts/AnnualReportPublications.aspx>

