

## FINANCIAL INCLUSION PLANS (FIPS) – GROWING ROOTS IN THE LIGHT OF ‘GOOD GOVERNANCE’ OF RBI

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### ***Abstract:***

This study is an effort to investigate the status of financial inclusion in India. This paper is the clear demonstration on financial Inclusion's role in the growth of Indian financial/banking sector progress. Mobilization and circulation of funds/finance is the primary requirement of development of an economy. Especially, in case of Indian economy it becomes more essential because India is a developing country, growth in the banking and financial services can put India into a fast globalize growing path of success and development. Financial inclusion is becoming the 'the growing roots' in Indian banking with providing economic as well as easier banking and financial services to poor and slum peoples of the economy. RBI and other reputed government institutions like as NABARD, SIDBI, etc are also playing very dominant role for the successful implementation of this system. This paper is a clear picture regarding the status of financial inclusion in India. This paper covers RBI efforts, financial inclusion's position in different states of India and performance of various Indian banks for the on the basis of comparison of their actual achieved targets with their given targets. This study is mainly based on the secondary data and descriptive in nature, the data for the study is collected from the website of ministry of finance and little information also from RBI's website. The collected data shall be studied with the help of graphical method and suitable statistical tool. This paper also contains of the movements of RBI as governance of the FIPs.

**Keywords:** Financial inclusion, Good initiatives for financial inclusion plans, core evidences from Indian economy, present problems and possibilities.

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**INTRODUCTION:**

Banking and financial services play very crucial role in the growth and development of an economy. It is more essential in case of economy like as India, which is rural based economy. This concept gets popularity from the year 2000. Financial inclusion is concerned with providing financial and banking services on lower costs to low section and slum people of society.

*"Financial inclusion may 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<sup>1</sup>."*

Financial inclusion can be a great weapon to overcome the financial backwardness as well as the establishment of good governance. In India most of population are related with lower section, if their basic financial needs can be satisfied with the help of financial help under financial inclusion to increase employment, then the large portion of society can opt an regulated and lawful path it may become a great way to develop 'good governance'. Proper financial inclusion plans can help to obtain magical results with appropriate planning and application of plans especially, economically backward areas like as Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh. Effective Financial inclusion plans can uplift of living standard of peoples then, it become easier to apply good governance in the nation. This paper covers analysis regarding efficiency of different banks as well as performance of financial inclusion plans in different states, with RBI initiatives.

**REVIEW OF LITERATURE:**

The various available literatures on financial inclusion clear about the financial inclusion plans. Bihari (2011)<sup>2</sup> studied growth in Indian economy through financial inclusion plans. This study attempts index of financial inclusion (IFI) model for financial inclusion plans progress even in between different countries. Swamy and Vijayalakshmi<sup>3</sup> studied about the role of financial inclusion for growth in India as well as issues and challenges related with financial inclusion in India. The study suggested for financial inclusion plan progress through coordination between banks, government and people. Band, Naidu and Mehadia (2012)<sup>4</sup> argued about opportunities and problems in the path of success of financial inclusion plan. This study is based upon the human index, RRBs and SHG role in financial inclusion progress. Authors suggested better coordination in between different banks, NGOs, etc for better improvement of financial inclusion plans. Bihari

(2011)<sup>5</sup> analyzed financial inclusion plans in the light of global practices, eleventh five year Indian plan and banks performance as well as no frill account. This study suggested financial literacy and quality improvement in no frill account can achieve financial inclusion plans growth.

### RESEARCH METHODOLOGY:

#### (I) Objectives of the study:

1. To explore the inter-connectivity among financial inclusion plans and governance of RBI.
2. To find out the of state-wise progress financial inclusion in India.
3. To examine the performance of different banks for financial inclusion plans.

#### (II) Scope of the study:

The scope of the study is limited; this study is related to examine the relationship among good governance and financial inclusion. This study also includes the role of financial inclusion with special reference of state-wise and bank-wise performance.

#### (III) Sample for the study:

This study is a secondary data based exploratory and descriptive study. The sample of the present study includes financial inclusion plan progress data. This study covers the progress of financial inclusion plans progress up to the date of November 30, 2011.

#### (IV) Data Collection and Statistical Tools:

Data for the study collected from secondary source. Data for the study is collected from website of ministry of finance and RBI's website as well as from journals and research papers. After this, data is analyzed with the help of graphical and percentage method.

### FINDINGS OF THE STUDY:

#### 1. RBI's Good Governance and financial inclusion:

Governance includes a proper way of working with appropriate systems, policies and framework which governed by law and it always affects the way of working of society and peoples. It provides direction to people to move on right path in a proper structured manner. Good governance also includes the relationship between all sections of society. In this context, *the first documented use of the word "corporate governance" is by Richard Eells (1960, pg. 108) to*

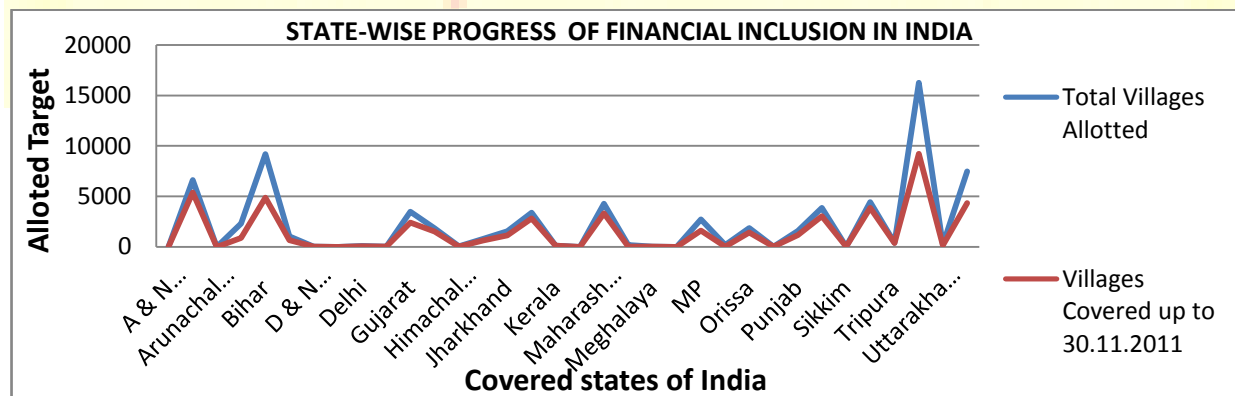
denote "the structure and functioning of the corporate polity"<sup>6</sup>. Financial inclusion and governance are also interrelated, if small financial needs are satisfied with effective financial inclusion plans then people can think about pure system and processes and they and they also try to overcome corruption, it may be best sign for application of 'good governance'. If the basic requirements of finance are satisfied by financial inclusion plans then good governance become possible, because it makes possible peoples job oriented they not use corruption-oriented activities.

**Movements by RBI for the success of Financial Inclusion Plans (FIPs):**

RBI is the prominent player of Indian banking sector. RBI is the governance of FIPs success. As good governance of FIPs, RBI is taking many initiatives.

1. RBI offered a special scheme for domestic scheduled commercial banks to open freely their branches, having less than 50,000 population size.
2. RBI has also directed to banks to start banking with 'no-frills account' with the facility of low or zero balances and with fewer charges which enable to low income people to open bank accounts.
3. In 2007, RBI launched the website as 'good governance' for FIPs to spread information about basic banking as well as financial literacy to the different sections of the society.
4. In 2008, RBI allowed to different banks to permute FIPs they can use the services of retired bank employees and retired government employees as Business Correspondent (BCs).
5. In 2008, RBI also issued special criterion for the enhancement of 'Mobile Banking' to improve the position of FIPs.
6. RBI is also initiating financial institutions like as NABARD, SIRD, etc especially, to identify those areas which are untouched or backward from FIPs.

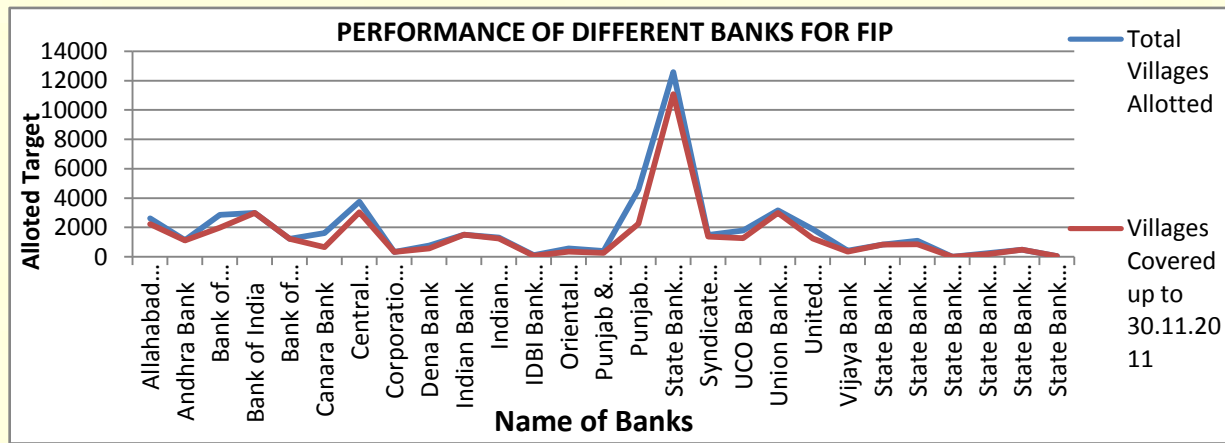
**2. STATE-WISE PROGRESS OF FINANCIAL INCLUSION IN INDIA:**



**Exhibit: 1** (STATE-WISE PROGRESS OF FINANCIAL INCLUSION IN INDIA)

As per shown on the basis of the objective of the study, exhibit 1 clearing that performance of FIPs on an average basis in different states of India is representing good results. Excepting few states like as Assam, Bihar, UP, Daman & Diu, Manipur, Mizoram and Nagaland in other states FIPs are performing well. Few States like as Goa, Kerala, Puducherry, Sikkim and Tripura are the best performers in FIPs (See Annexure Table 1). It is showing results of the governance of the RBI.

**3. PERFORMANCE OF DIFFERENT BANKS FOR FIP:**



**Exhibit: 2** (PERFORMANCE OF DIFFERENT BANKS FOR FIP)

Exhibit 2 indicates that, few banks like as Andhra Bank, Bank of India, Bank of Maharashtra, Corporation Bank, Indian Bank, Syndicate Bank, Indian Overseas Bank, State Bank of Bikaner and Jaipur, State Bank of Travancore, State Bank of Patiala and Union Bank of India are the best performers which are showing through the achievement in their targets (See Annexure Table 2). On the other hand few banks like as Canara Bank and Punjab National Bank are performing poor role.

**Present Problems and Future Possibilities:**

There are various causes for the underdevelopment of FIPs in India; these issues are related with mainly lack of awareness and literacy rate as well as poor infrastructure facility in India. Besides these loopholes of the failure various positive ways also has been seen during the study. RBI the governance of the FIPs is taking many initiatives like as increasing awareness among peoples and society, technological advancement through mobile banking and also focusing for financial literacy programs for the success of the FIPs.

**Conclusion:**

Financial inclusion plans are the important plans for the growth and development of the Indian economy. Enhancement in growth rate can be obtained through financial and banking facilities circulation. RBI the central body of Indian banking system is playing very dominant role for the successful implementation of the FIPs. RBI is the main governing body of FIPs success and maintenance. Governance is the main focus for the success of any system. On the basis of results and findings of whole study, it can be state that governance of RBI is really good because India is a developing country having many problems illiteracy, backwardness, etc. but besides this RBI is performing very tremendous role for the success of FITs in India.

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**Annexure:****Table: 1****(STATE-WISE PROGRESS OF FINANCIAL INCLUSION IN INDIA)**

Sr. No.	Name of the State	Total Villages Allotted (1)	Villages Covered up to 30.11.2011 (2)	Percentage of covered villages (3) = (2)/(1)*100
1	A & N Islands	9	8	88.89
2	Andhra Pradesh	6640	5389	81.16
3	Arunachal Pradesh	11	6	54.55
4	Assam	2327	892	38.33
5	Bihar	9213	4877	52.94
6	Chhattisgarh	1050	682	64.95
7	D & N Haveli	30	18	60.00
8	Daman & Diu	7	3	42.86
9	Delhi	110	63	57.27
10	Goa	41	41	100.00
11	Gujarat	3502	2409	68.79
12	Haryana	1838	1508	82.05
13	Himachal Pradesh	48	37	77.08
14	J&K	795	643	80.88
15	Jharkhand	1541	1135	73.65
16	Karnataka	3395	2836	83.53
17	Kerala	120	120	100.00
18	Lakshadweep	0	0	0.00
19	Maharashtra	4292	3330	77.59
20	Manipur	186	36	19.35
21	Meghalaya	39	21	53.85
22	Mizoram	14	3	21.43
23	MP	2736	1609	58.81
24	Nagaland	196	47	23.98
25	Orissa	1877	1419	75.60
26	Puducherry	42	42	100.00
27	Punjab	1576	1181	74.94
28	Rajasthan	3883	3055	78.68
29	Sikkim	43	41	95.35
30	Tamilnadu	4452	3874	87.02
31	Tripura	419	369	88.07
32	UP	16270	9236	56.77
33	Uttarakhand	216	159	73.61
34	West Bengal	7486	4348	58.08
	<b>Total</b>	<b>74404</b>	<b>49437</b>	<b>66.44</b>

**Source: SLBC BANKS**

Table: 2 (PERFORMANCE OF DIFFERENT BANKS FOR FIP)

Sr. No.	Name of the Bank	Total Villages Allotted (1)	Villages Covered up to 30.11.2011 (2)	Percentage of covered villages (3) = (2)/(1)*100
1	Allahabad Bank	2617	2223	84.94
2	Andhra Bank	1144	1109	96.94
3	Bank of Baroda	2852	1979	69.39
4	Bank of India	2992	2992	100.00
5	Bank of Maharashtra	1215	1215	100.00
6	Canara Bank	1615	660	40.87
7	Central Bank of India	3741	3031	81.02
8	Corporation Bank	336	336	100.00
9	Dena Bank	756	563	74.47
10	Indian Bank	1511	1511	100.00
11	Indian Overseas Bank	1298	1250	96.30
12	IDBI Bank Limited	119	72	60.50
13	Oriental Bank of Commerce	574	344	59.93
14	Punjab & Sind Bank	400	261	65.25
15	Punjab National Bank	4575	2235	48.85
16	State Bank of India	12585	11072	87.98
17	Syndicate Bank	1493	1373	91.96
18	UCO Bank	1797	1256	69.89
19	Union Bank of India	3159	2987	94.56
20	United Bank of India	1871	1241	66.33
21	Vijaya Bank	408	345	84.56
22	State Bank of Bikaner and Jaipur	830	830	100.00
23	State Bank of Hyderabad	1084	858	79.15
24	State Bank of Indore	0	0	0.00
25	State Bank of Mysore	250	175	70.00
26	State Bank of Patiala	474	469	98.95
27	State Bank of Travancore	35	35	100.00
	<b>Total</b>	<b>49731</b>	<b>40422</b>	<b>81.28</b>

Source: Banks