

# Empowering Financial Inclusion- a Review of Initiatives and Achievement

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## Abstract

Access to finance by the deprived and weaker groups is multifaceted. This is due to varied reasons like lack of banking facilities, lack of knowledge about funds and schemes available for them, lack of a regular or considerable income and most prominently, meeting financial targets by banks.

Therefore, The Reserve Bank sustained its focus on ensuring accessibility of banking services to all sectors of people across the country, and strengthening the credit delivery system to furnish the needs of all industrious sectors of the economy, particularly manufacturing, agriculture, and micro and small enterprises sectors. To organize credit delivery and encourage financial inclusion, a number of initiatives were taken during 2017-18. This paper will highlight the usefulness of various initiatives like revamping the lead bank scheme, priority sector lending specially to agriculture, flow of credit to Micro and Small enterprises, Relief measures to natural calamities. The ultimate objective of all these facilities is to provide the financial support to the big section of the hitherto financially excluded population.

**Keywords:** Financial Inclusion, Financial Literacy, Lead Bank Scheme, Credit Delivery, etc.

## I. Introduction

In spite of India's economic growth rates higher than the majority of developed countries in recent years, but still a greater part of the country's population remains unbanked. Financial Inclusion is a comparatively new socio-economic notion in India that intend to change this provision and providing financial services to the underprivileged at affordable costs, who might not or else be aware or conscious about these services.

The Reserve Bank has constant focus on making availability of banking services to all sections of people throughout the country, and further strengthening the credit delivery system to furnish the needs of all dynamic sectors of the economy, above all, agriculture, and micro and small enterprises sectors. In order to develop credit delivery and encourage financial inclusion, many initiatives were taken during 2017-18. Some of these initiatives consist of review of guidelines on lending to the priority sectors with a prominence on improved flow of credit to employment concentrated sectors, refurbishing the Lead Bank Scheme (LBS) to ensure financial development and also implementing innovative scheme to financial literacy to get across more people under financial inclusion. Further, some of the key recommendations of the Committee on Medium-Term Path on Financial Inclusion (2015) were executed which includes Business Correspondent (BC) registry portal and BC certification course and launching of the CCCs scheme in co-ordination with Small Industries Development Bank of India (SIDBI) for MSMEs. Initiatives were also undertaken to give a boost to financial literacy such as pilot projects for Financial Literacy and also use of a variety of tools for spreading of financial awareness messages.

The first bi-monthly monetary policy for 2018-19, stated about a 'one size fits all' approach for delivering financial education to a mixture of target groups and this education should be customized. To fulfill this

objective, a tailored financial literacy content for five target groups (viz., school children, farmers, small entrepreneurs, self-help groups and senior citizens) that can be used by the trainers in financial literacy programmes.

## II. Objectives of the Study

1. To converse about theoretical facet of “Financial Inclusion”
2. To recognize the level of financial inclusion in India.
3. To study RBI policy initiatives and their level of success for financial inclusion.
4. To identify the implication of financial inclusion.

## III. Research Methodology

The study aims to understand the role of financial inclusion for ensuring availability of adequate credit delivery system to all dynamic sectors of the economy, above all, agriculture, and micro and small enterprises sectors. In order to develop credit delivery and encourage financial inclusion, many initiatives were taken during 2017-18. Some of these initiatives consist of review of guidelines on lending to the priority sectors with a prominence on improved flow of credit to employment concentrated sectors, refurbishing the Lead Bank Scheme (LBS) to ensure financial development and also implementing innovative scheme to financial literacy to get across more people under financial inclusion.

These measures undertaken by RBI led to a new possibility of hopes undertaken in this study. The design of research study is exploratory. Data is collected primarily through secondary sources such as research papers, magazines, journals; newspapers etc. different websites especially RBI and Government of India website have been consulted in this regard.

## IV. Analysis

### Priority Sector Credit delivery

The priority sector lending (PSL) is an instrument which seeks to provide an admittance to credit to the susceptible sections of the society, as they are deprived of these facilities due to lack of credit worthiness. The priority sector includes small value loans to farmers for agriculture and allied activities, poor people for housing, micro small and medium enterprises, students for education, other low income groups and weaker sections. The increased performance of scheduled commercial banks (SCBs) for priority sector lending (PSL) targets is given in Table 1.

(₹ billion)			
End-March	Public Sector Banks	Private Sector Banks	Foreign Banks
1	2	3	4
2017	19,889 (39.5)	7,110 (42.5)	1,238 (36.4)
2018	20,723 (39.9)	8,046 (40.8)	1,402 (38.3)

Note: Figures in brackets are percentages to adjusted net bank credit (ANBC) or credit equivalent of off balance sheet exposures (CEOBE), whichever is higher, in the respective groups.  
Source: Priority Sector Returns submitted by SCBs.

To surpass the targets in lending to different categories under the priority sector, Priority Sector Lending Certificates (PSLCs) scheme was introduced. It allows market mechanism to drive the PSL by leveraging the relative strength of different banks. For instance, a bank which is having proficiency in lending to small and marginal farmers can surpass targets and obtain benefits by selling the over-achieved credit target through PSLCs. The PSLC platform showed active contribution from all the suitable entities including Urban Co-operative Banks (UCBs) and Small Finance Banks (SFBs) during 2017-18. Total trading volume of PSLCs has increased to Rs.1843.3 billion in 2018 as against Rs. 498.0 billion at end-March 2017. Among the four PSLC categories, the highest trading was observed in the case of PSLC-general with the transaction volumes being Rs.796.72 billion and PSLC-small and marginal farmer of Rs.696.22 billion, respectively.

### Flow of Credit to Agriculture

Agriculture credit is always been se by Government of India every year. The Government has fixed the target of Rs.10, 000 billion for agricultural credit during 2017-18 and Rs. 11000 billion for 2018-19. As on March 31, 2018, commercial banks have accomplished 124.6 per cent of their target whereas co-operative banks and regional rural banks (RRBs) gained 96.4 per cent and 100.7 per cent, respectively (Table 2).

**Table 2: Targets and Achievements for Agricultural Credit**

(₹ billion)								
Year	Commercial Banks		Co-operative Banks		RRBs		Total	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
1	2	3	4	5	6	7	8	9
2016-17	6,250	7,998	1,500	1,428	1,250	1,232	9,000	10,658
2017-18 *	7,040	8,772	1,560	1,504	1,400	1,410	10,000	11,685

\* Provisional

Source: NABARD

### The Kisan Credit Card (KCC)

The Kisan Credit Card (KCC) scheme intends to offer a sufficient and well-timed institutional credit to farmers with simplified procedure. The scheme is executed by SCBs, RRBs and co-operative banks. It comprises both short-term crop loan and term loan components. The progress on the scheme for the last two years is presented in Table 3.

<b>Table 3 : Kisan Credit Card (KCC) Scheme</b>			
(Number in million, Amount in Rs. billion)			
<b>Year</b>	<b>Number of Operative KCCs</b>	<b>Outstanding Crop Loan</b>	<b>Outstanding Term Loan</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
2016-17	23.37	3,851.89	498.13
2017-18*	23.53	3,911.34	419.80

\*: Provisional.

Source: Public Sector Banks and Private Sector Banks.

### Relief Measures for Natural Calamities

Periodical occurrences of natural calamities cause wide-spread damage to both properties and standing crops with a heavy toll of human lives in some parts of the country. The destruction caused by such natural calamities calls for immense remedial efforts by all agencies (including banks). During 2017-18, five states, viz., Andhra Pradesh, Rajasthan, Odisha, Madhya Pradesh and Gujarat, declared natural calamities. A dedicated gateway was developed to detain the data on relief procedures extended by banks (Table 4)

<b>Table 4: Relief Measures for Natural Calamities</b>				
(Number in million; Amount in ₹ billion)				
<b>Year</b>	<b>Loans restructured/ rescheduled</b>		<b>Fresh finance/ Relending provided</b>	
	<b>No. of accounts</b>	<b>Amount</b>	<b>No. of accounts</b>	<b>Amount</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
2017-18*	0.10	11.88	0.48	13.68

\*:Provisional.

Source: State Level Bankers Committees (SLBCs).

### Credit Flow to Micro and Small Enterprises (MSEs)

The MSME sector has come out as a highly dynamic sector of the Indian economy over the last five decades. This sector has played a vital role in not only providing huge employment opportunities and escalating exports but also in promoting industrialization of rural and unprivileged areas, thereby falling regional socio-economic imbalances. Therefore, the Reserve Bank and government of India has taken various measures for facilitating the flow of credit to MSMEs over the last few years have resulted in an increase in credit flow to MSEs (Table 5)

**Table 5: Credit Flow to MSEs**

Year	Number of Accounts (million)	Amount Outstanding (Rs. billion)	MSE credit as per cent of ANBC
1	2	3	4
2016-17	23.2	10,701.3	14.3
2017-18	25.9	11,493.5	14.6

Source: Priority Sector Returns submitted by SCBs.

### Revamping the Lead Bank Scheme (LBS)

The LBS was in progress for economic development of the districts/states by creating synchronization among banks and government agencies. To understand the usefulness of the scheme and for providing suggestive measures for its improvement RBI constituted a Committee of Executive Directors. The Committee strong-willed to bring changes in the scheme which consists of reformation of the State Level Bankers' Committees (SLBCs) by bifurcating policy with operational issues.

Now, operational issues would be looking forward by sub-committees and a steering sub-committee. They will decide on the prime agenda of SLBC; a consistent approach to supervise websites of the SLBCs including direct compilation of data through respective CBS of all participating banks. A revised agenda of CBS-enabled banking outlets at the unbanked rural centres (URCs); operations of Business Correspondents; Direct Benefit Transfer (DBT); digital modes of payments; digitization of land records; financial literacy initiatives and discussion on improving rural infrastructure. As of June 2018, 20 public sector banks and one private sector bank have been assigned lead bank responsibility in 714 districts across the country.

### Certified Credit Counsellors (CCCs) Scheme

As announced in the first bi-monthly monetary policy statement for 2016-17 on April 5, 2016, a structure for official approval of credit counsellors is organized by the Reserve Bank and launched the CCCs scheme in July 2017. The SIDBI is acting as a registering authority of CCCs, has issued operational guidelines on the scheme. The CCCs are supposed to counsel the MSMEs in preparing business proposals, financial statements and also share information with MSMEs on appropriate credit instruments accessible in the market. As on June 30, 2018, 512 credit counselling institutions and 13 certified credit counsellors are registered with the SIDBI.

### Financial Inclusion Plans (FIPs)

In order to have a premeditated and planned approach to financial inclusion, banks have been recommended to arrange Board-approved Financial Inclusion Plans (FIPs). These FIPs confine banks on parameters such as the number of branches and BCs outlets, Basic Savings Bank Deposit Accounts (BSBDAs), overdraft facilities availed in those accounts, Kisan Credit Cards (KCCs) transactions and General Credit Card (GCC) accounts through the Business Correspondent-Information and Communication Technology (BC-ICT)

channel. The growth made on these parameters are accounted by banks as at end-March 2018 is set out in Table

<b>Table 6: Financial Inclusion Plan (FIP): a Progress Report</b>			
<b>Particulars</b>	<b>End-March 2010</b>	<b>End-March 2017</b>	<b>End-March 2018**</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Banking Outlets in Villages – Branches	33,378	50,860	50,805
Banking Outlets in Villages>2000-BCs	8,390	1,05,402	1,00,802
Banking Outlets in Villages<2000- BCs	25,784	4,38,070	4,14,515
Total Banking Outlets in Villages – BCs	34,174	5,43,472	5,15,317
Banking Outlets in Villages – Other Modes	142	3,761	3,425
Banking Outlets in Villages –Total	67,694	5,98,093	5,69,547
Urban locations covered through BCs	447	1,02,865	1,42,959
BSBDA - Through branches (No. in Million)	60	254	247
BSBDA - Through branches (Amt. in ₹ Billion)	44	691	731
BSBDA - Through BCs (No. in Million)	13	280	289
BSBDA - Through BCs (Amt. in ₹ Billion)	11	285	391
BSBDA - Total (No. in Million)	73	533	536
BSBDA - Total (Amt. in ₹ Billion)	55	977	1,121
OD facility availed in BSBDA's (No. in million)	0.2	9	6
OD facility availed in BSBDA's (Amt. in ₹ Billion)	0.1	17	4
KCC - Total (No. in Million)	24	46	46
KCC - Total (Amt. in ₹ Billion)	1,240	5,805	6,096
GCC - Total (No. in Million)	1	13	12
GCC - Total (Amt. in ₹ Billion)	35	2,117	1,498
ICT-A/Cs-BC-Total Transactions (Number in million)	27	1,159	1,489
ICT-A/Cs-BC-Total Transactions (Amt. in ₹ billion)	7	2,652	4,292
**:			Provisional.
Source: As reported by banks.			



## Strategy for Financial Inclusion

In order to methodically increase speed of financial inclusion in the country, the National Strategy for Financial Inclusion document is being confirmed under the guidance of FIAC. It is necessary to promote the drive created by the Reserve Bank's financial inclusion policies, the government's Jan Dhan programme. Based on a cross-country analysis, the document would present a vision and mission for making certainty and sustainable financial inclusion in the country with easy accessible, affordable and appropriate financial services to the complete population.

With the inter-linkages of financial inclusion, financial literacy and consumer protection framework, the following pillars have been recognized in the document:

- (a) Mounting sufficient physical and digital infrastructure to provide essential access points and connectivity;
- (b) Designing appropriate authoritarian framework that balances modernization and risks in the financial sector to facilitate financial service providers for universal access;
- (c) Concentration on increasing financial knowledge amongst various target for appropriate choices;
- (d) Fostering an effective robust grievance redressal mechanism to defend the customers' rights and well-timed redressal of their grievances;
- (e) Nurturing an suitable scientific assessment tools to determine the extent and issues in financial inclusion; and
- (f) Forming a co-ordination instrument among all the significant stakeholders.

## Financial Literacy Week 2018

In order to build consciousness at a large scale on financial Inclusion, the Reserve Bank had decided to organize one week in a year as 'Financial Literacy Week' from 2017. Financial literacy week was observed during June 4-8, 2018 with the idea of "Consumer Protection". The week concentrated on four consumer protection messages, viz., 'Know your Liability for illegal Electronic Banking Transactions', 'Banking Ombudsman', 'Practices for Safe Digital Banking' and 'Risk versus Return'. This week various activities are involved like exhibit of financial literacy material in bank branches, ATM, bank websites and conduct of camps by the FLCs.

At the end of March 2018, 1,395 FLCs are working in the country. During the year ended March 2018, 1,29,280 financial literacy related activities are conducted by the FLCs as against 96,315 activities during the preceding year.

## Agenda for 2018-19

Going ahead, in order to determine efficacies, the Reserve Bank would take the subsequent steps on credit delivery and financial inclusion: (a) establishing a framework for credit delivery to tenant farmers; (b) compilation of FIP data with ADEPT to facilitate automatic and timely removal from CBS of banks; (c) Proper evaluation of pilot CFL project by an self-governing agency and (d) intensification of BC Model through the "Train the Trainers" programme.

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