A STUDY ON PRESENT SCENARIO OF FINANCIAL INCLUSION IN INDIA

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Abstract

Financial inclusion is one of the rising features in the socio – economic development of the country. Financial Inclusion programs have become a vital part of an economy which is necessary not only in under developed and developing countries but also developed countries for sustainable growth. In India Pradhan Mantri Jan Dhan Yojana is one of the flourishing financial inclusion programs by Government of India which provides social and financial safety to the underprivileged section of the population. Pradhan Mantri Jan Dhan Yojana scheme is national main concern of every Indian citizen can easily open bank account. This idea is mostly helpful to all the income people and can easily be opened and constantly managed in banking sector. This paper aims to know the various strategies adopted by RBI for strengthening the inclusion. This paper is based on the secondary data collected from the different sources. Lack of financial literacy and Low and irregular income affects the growth rate of financial inclusion in India.

Key words: Financial inclusion, Barriers, India, RBI, Economy,

INTRODUCTION

India is a developing country and is having around 121crore people as its population. The mass of the population of India is dwelling in rural and semi-urban areas where farming & related activities are their most important sources of income. Majority of the people are still working in unorganized sectors. They earn their wages on daily basis. If they go to work, they would get salary otherwise they do not. They frequently face risks and doubts in their lives. People in rural are generally finding it difficult to access financial services from the formal financial institutions. All the financial institutions are spotlighting their business operations only in marketable areas where they have the complete infrastructure and gain profit. Rural area's population density is low and is always suffering from poor infrastructure facilities.

Financial inclusion refers to the release of financial services in a suitable manner and at a reasonable cost to vast sections of underprivileged and low income group population. It refers to a customer having access to a variety of formal financial services.

OBJECTIVES

1. To identify the role of banks towards financial inclusion in India.
2. To know the strategies adopted by RBI for strengthening financial inclusion.
3. To identify the challenges to be faced by the country for strengthening financial inclusion.

OBJECTIVES AND THEIR ACHIEVEMENTS

Role of Banks towards financial inclusion in India:

Banks in India are an integral part of financial system in India. The well developed Indian banking system plays an important role in economic development of our country. The nationalization of banks, establishing of new banks with better forms and policies and introduction of the numerous facilities and amenities of the Indian banks are significant features of the banking services of India. Financial inclusion is a major agenda for the RBI. Without financial inclusion, banks cannot reach the unbanked. It is also a major step towards increasing savings and achieving balanced growth. In rural areas where accessibility is a problem, banks are using the microfinance network and business correspondents and facilitators to bring more people under the ambit of banking services. The whole process of financial inclusions will not be possible without the contribution of banks. Banks are the key players of India's financial system.

Axis bank is a key player in the financial inclusion space since 2006 with respect to disbursal of Governments Grants covering 6795 villages across 9 states and 19 districts. The states covered are Andhra Pradesh, Karnataka, Haryana, Punjab, Chhattisgarh, Bihar, Jharkhand, Meghalaya, and Orissa.

STRATEGIES ADOPTED BY RBI STRENGTHENING FINANCIAL INCLUSION.

In India, RBI has initiated several measures to achieve greater financial inclusion. Some of these steps are as under:

No- Frill Accounts:

RBI asked banks to offer no-frills saving account which enables excluded people to open a savings account. This account requires no or negligible balance leading to lower costs both for the bank and individual.

Usage of Regional Language:

RBI asked banks to provide all the material related to opening accounts, disclosures etc in the regional language.

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 centers with a population of less than 50,000 under general permission, subject to reporting.

CHALLENGES TO SPREAD FINANCIAL INCLUSION.

It is quite clear that the task of covering a population of 1.27 billion with banking services is extremely large. Both demand side factors (customers) and supply side factors (banks and other financial institutions) are responsible for financial inclusion. Banks and other financial institutions are largely expected to reduce the supply side constraint.

Demand Side Challenges

- Low literacy levels,
- Lack of awareness about financial products,
- Irregular income,
- Lack of trust in formal banking institutions etc.

Supply Side Challenges

- Non- availability of branches in rural areas.
- High rules and regulations
- High bank charges
- Limited number and types of financial service providers.

CONCLUSION

From the above study, it can be concluded that India is at reasonable level regarding financial inclusion as compared to other countries regarding number of branches, ATM'S, bank credit, and bank deposits. RBI have accepted various approaches such as no frill account, use of regional languages, simple KYC norms etc to strengthen financial inclusion. By looking at the various milestones attained by Axis bank regarding financial inclusion, it can be said that the banking sector plays a critical role in endorsing financial inclusion. To deal with up with the challenges to extend financial inclusion, there is a necessitate of practical and sustainable business models with focus on service providers for proficient handling of low value, large volume transactions and appropriate regulatory and risk management policies that ensure financial inclusion.

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