Financial Inclusion: The Role of RBI and Government of India

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Abstract

Financial inclusion is emerging as a new paradigm of economic growth that plays major role in driving away the poverty from the country. It refers to delivery of banking services to masses including privileged & disadvantaged people at an affordable terms & conditions i.e. important priority of the country in terms of economic growth & advancement of society. It enables to reduce the gap between rich & poor people. The RBI & Govt. has been making various efforts to provide financial inclusion in the length & breadth of the country. This paper highlights the various measures taken up & the role of RBI & Government in providing financial inclusion.

Key words: Financial Inclusion, Business Correspondents, Financial literacy, Financial services, Reserve Bank of Bank.

Introduction

Financial inclusion is the recent concept which helps achieve the sustainable development of the country, through available financial services to the unreached people with the help of financial institutions. Financial inclusion can be defined as easy access to formal financial services or systems and their usage by all members of the economy. The committee on financial inclusion, of government of India, has defined financial inclusion as the process of ensuring timely access to financial services and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost (Rangarajan Committee, 2008). The process of financial inclusion consists of ensuring bank accounts to each household and offering their inclusion in the banking system (Reddy, 2007). Access to financial services promotes social inclusion, and builds self-confidence and empowerment. In an address Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at the National Finance Conclave 2010, has mentioned that financial inclusion is no longer a policy choice but it is a policy compulsion today. And banking is a key driver for inclusive growth.

Financial Inclusion in India:

The Reserve Bank of India setup a commission (Khan Commission) in 2004 to look into Financial Inclusion and the recommendations of the commission were incorporated into the Mid-term review of the policy (2005-06). In the report RBI exhorted the banks with a view of achieving greater Financial Inclusion to make available a basic "no-frills" banking account.

In India, Financial Inclusion first featured in 2005, when it was introduced, that, too, from a pilot project in UT of Pondicherry, by Dr. K. C. Chakraborthy, the chairman of Indian Bank. Mangalam Village became the first village in India where all households were provided banking facilities. In addition to this KYC (Know your Customer) norms were relaxed for people intending to open accounts with annual deposits of less than Rs. 50, 000. General Credit Cards (GCC) were issued to the poor and the disadvantaged with a view to help them access easy credit. In January 2006, the Reserve Bank permitted commercial banks to make use of the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions and other civil society organizations as intermediaries for providing financial and banking services.

These intermediaries could be used as business facilitators (BF) or business correspondents (BC) by commercial banks. The bank asked the commercial banks in different regions to start a 100% Financial Inclusion campaign on a pilot basis. As a result of the campaign states or U.T.s like Pondicherry, Himachal Pradesh and Kerala have 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 road block to financial inclusion in many states. Apart from this there are certain in Current model which is followed. There is inadequate legal and financial structure. India being a mostly agrarian economy hardly has schemes which lend for agriculture. Along with Microfinance we need to focus on Micro insurance too.

Objective of the Study

To study the role of RBI and Government of India towards Financial Inclusion.

Review Of Literature

 Anant Jayant Natu, Aashish Bansal, Amrita Kurian, Gurinder Pal Singh Khurana and TanushreeBhushan(2008)2 explored an innovative way of achieving financial inclusion not just in terms of access but in usage as well. It presents the prospect of coupling financial inclusion with social security schemes. The proposed model, currently being pilot-tested in Karimnagar district in Andhra Pradesh by Financial Information Network & Operations Ltd. (FINO), a technology provider, tries to facilitate financial inclusion over the channel and reach created by NREGP. This model can be put into practice in a number of ways. The study also illustrates how technology can facilitate efficient and effective financial inclusion.

 Sameer Kochhar, Chandrashekhar .R, Chakrabarty .K.C, Deepak Phatak .B (2009) 3 focused on various facets of financial inclusion ranging from opening up of no-frills accounts to micro-credit to financial literacy, while emphasizing the role of process changes, technology enablement, capacity building and outreach mechanism. It looks at examples of local bodies, post offices and tele-centres having been used effectively. It also proposes a model of inclusive development, emphasizing that inclusive economics leads to inclusive governance and vice-versa. The book provides a holistic view based on practitioners‟ perspective and grassroots learning.

 HemaDivya.K(2013)4argued that as banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of public policy. The objective of financial inclusion is to deliver banking services at an affordable cost to vast sections of the low-income groups. Indian Finance Minister has set the ball rolling by articulating the Government's decision to provide essential financial services like savings, credit, micro insurance and remittance, for all villages with population over 2,000 by March 2012. Therefore, the present study attempts to find out the impact of financial inclusion on daily wage earners.

Research methodology

This study is based on secondary data that was mainly collected from Report of RBI, Ministry of Finance, Government of India, Reports on trend and progress of banking in India, Newspapers, Research Articles, Research Journals, E-Journals, Books and Magazines. Various websites were also used like RBI, Ministry of Finance, and Government of India (GOI). The period under consideration for the study is twelve years from 2016–20017 to 2018–2019. Data has been analyzed by using Table and Chart.

Financial Inclusion and Indian Banking Network

The Reserve Bank continued its focus on ensuring availability of banking services to all sections of people across the country, and further strengthening the credit delivery system to cater to the needs of all productive sectors of the economy, particularly agriculture, and micro and small enterprises sectors. In order to improve credit delivery and promote financial inclusion, a number of initiatives were taken during 2017-18. Some of these initiatives include revision in guidelines on lending to the priority sectors with an emphasis on enhanced flow of credit to more employment intensive sectors, revamping of the Lead Bank Scheme (LBS) to ensure economic development of districts and also adopting innovative approaches to financial literacy to bring more people under financial inclusion. Further, during the year, some of the key recommendations of the Committee on Medium-Term Path on Financial Inclusion (2015) were implemented including launching of the CCCs scheme in co-ordination with Small Industries Development Bank of India (SIDBI) for MSMEs, Business Correspondent (BC) registry portal and BC certification course. Initiatives were also undertaken to provide fillip to financial literacy such as starting a pilot project on the Centres for Financial Literacy (CFL) and also use of various tools for dissemination of financial awareness messages. The Financial Inclusion and Development Department (FIDD) is the nodal department for the seamless implementation of the Reserve Bank's financial inclusion agenda, and a comprehensive forward looking strategy document on financial inclusion is currently being finalized by the department.

CREDIT DELIVERY

Priority Sector: The priority sector lending (PSL) mechanism seeks to provide an access to credit for those vulnerable sections of the society, who are often deprived of it due to their perceived lack of credit worthiness. Small value loans to farmers for agriculture and allied activities, micro small and medium enterprises, poor people for housing, students for education, other low income groups and weaker sections are included under the priority sector. Social infrastructure and renewable energy sectors are also covered under the priority sector.

Based on the stakeholders' feedback and keeping in view the growing importance of services sector in the economy, it was decided to remove the extant applicable loan limits of Rs50 million and Rs100 million per borrower to micro/small and medium enterprises (services), respectively, for classification under the priority sector. Accordingly, all bank loans to MSMEs, engaged in services as defined in terms of equipment investment under the MSME Development (MSMED) Act, 2006, shall qualify under the priority sector without any credit cap.

In order to bring greater convergence of the PSL guidelines for housing loans with the affordable housing scheme definition under Pradhan Mantri Awas Yojana and to give a fillip to the low-cost housing for the economically weaker sections and lower income groups, it has been decided to revise the housing loan limits for PSL eligibility from the existing Rs 2.8 million to Rs.3.5 million in metropolitan centres (with population of ten lakh and above), and from the existing Rs 2 million to Rs 2.5 million in other centres, provided the overall cost of the dwelling unit in the metropolitan centre and at other centres does not exceed Rs 4.5 million and Rs 3 million, respectively. The performance of scheduled commercial banks (SCBs) in terms of their achievement on priority sector lending (PSL) targets is given in Table -1.

Table 1: Performance in Achievement of Priority Sector Lending Targets

(Rs. billion)

End-March	Public Sector Banks	Private Sector Banks	Foreign Banks
1	**2**	**3**	**4**
2017	19,889	7,110	1,238
2018	20,723	8,046	1,402

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Source: Priority Sector Returns submitted by SCBs.

From the above table it has been found that all banks i.e Private Sector Banks,Public Sector Banks and Forign Banks performed well in achievement of priority sector lending target and comparing to 2017,in 2018 it showed an increasing trend in respect of all schedule commercial Banks.

Credit to Self- Help Group (SHG):A major effort to provide banking services to the weaker and unorganised sector was the Bank Self Help Group Linkage Programme that was launched in early 1990s. The programme was started at the initiative of NABARD in 1992 to link the unorganised sector with the formal banking sector. Under this programme, banks were allowed to open savings accounts for Self-Help Groups (SHGs). SHGs are registered/unregistered entities which usually has a membership of 15 to 20 members from very low income families, usually women. They mobilize savings from members and uses the pooled funds to give loans to the needy members. Under this programme, banks provide loans to the SHGs against group guarantee and the quantum of loan could be several times the deposits placed by such SHGs with the banks. Banks should consider entire credit requirements of SHG members, namely, (a) income generation activities, (b) social needs like housing, education, marriage, etc. and (c) debt swapping".

Lending to SHGs should be included by the banks as part of their lending to the weaker sections. As per the RBI's (May 2016) Priority Sector Lending norms, bank credit to members of SHGs is eligible for priority sector advance under respective categories viz., Agriculture, Micro, Small and Medium Enterprises, Social Infrastructure and Others. The recovery rates of loans are good and banks have found that the transaction cost of reaching the poor through SHGs is considerably lower rather than direct lending by the bank.

Flow of Credit to Agriculture: The Government of India has been fixing the target for agricultural credit every year. During 2017-18, the Government set the target of Rs 10,000 billion for agricultural credit. As on March 31, 2018, commercial banks achieved 124.6 per cent of their target whereas co-operative banks and regional rural banks (RRBs) achieved 96.4 per cent and 100.7 per cent, respectively (Table-.2). The Government has set an agricultural credit target of Rs 11,000 billion for 2018-19.

Table 2: Targets and Achievements for Agricultural Credit

(Rs 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.
Note: Figures might not add up to the total due to rounding off of numbers.
Source: National Bank for Agriculture and Rural Development (NABARD).

Kisan Credit Card

The Kisan Credit Card (KCC) scheme aims to provide an adequate and timely institutional credit to farmers with simplified and flexible procedures. The scheme is implemented 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

Table 3: Kisan Credit Card (KCC) Scheme

(Number in million, Amount in Rs billion)

Year	**Number of Operative KCCs**	**Outstanding Crop Loan**	**Outstanding Term Loan**
1	**2**	**3**	**4**
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.

Credit Flow to Micro,Small and Enterprises (MSEs)

The measures taken by the Reserve Bank for facilitating flow of credit to MSMEs and other steps taken by the government over the last few years have resulted in an increase in credit flow to MSEs (Table 4).

Table-4:Credit flows to MSE

Year	Number of Accounts (million)	Amount Outstanding (₹ 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

Certified Credit Counselors (CCCs) Scheme

As announced in the first bi-monthly monetary policy statement for 2016-17 on April 5, 2016, a framework for accreditation of credit counselors was prepared by the Reserve Bank, and provided to the SIDBI which subsequently launched the CCCs scheme in July 2017. The SIDBI, acting as a registering authority of CCCs, has issued operational guidelines on the scheme. The CCCs are expected to advise the MSMEs in preparing business proposals, and financial documents/ statements. The CCCs would also share information with MSMEs on suitable credit instruments available in the market. In pursuance of greater awareness, the Reserve Bank has advised banks to sensitize their field level functionaries/dealing officials about the scheme. As on June 30, 2018, 512 credit counseling institutions and 13 certified credit counselors were registered with the SIDBI.

FINANCIAL INCLUSION

The Reserve Bank continued its efforts towards fulfilling the financial inclusion agenda during the year. In this direction, several new initiatives were undertaken during 2017-18**.**

Revamping the Lead Bank Scheme (LBS): The LBS was started to ensure economic development of the districts/states by establishing co-ordination between banks and government agencies. In view of changes that have taken place in the financial sector over the years, the Reserve Bank constituted a Committee of Executive Directors of the Bank to study the efficacy of the scheme and suggest measures for its improvement. The Committee's recommendations were discussed with various stakeholders and based on their feedback, it has been decided to bring changes in the scheme which include, inter alia, streamlining functioning of the State Level Bankers' Committees (SLBCs) by bifurcating policy and operational issues whereby operational issues would be addressed by specific sub-committees and a steering sub-committee would decide on the primary agenda items for the SLBC; a standardised approach to manage websites of the SLBCs including direct collection of data through respective CBS of all participating banks and a revised agenda for SLBC meetings for more focused reviews on setting up of CBS-enabled banking outlets at the unbanked rural centres (URCs); operations of BCs; digital modes of payments including connectivity; Direct Benefit Transfer (DBT); financial literacy initiatives; digitisation of land records; and discussion on improving rural infrastructure/credit absorption capacity.

Small Finance Banks (SFBs) under the Lead Bank Scheme: SFBs are required to participate in their respective locations, in various fora under the LBS, i.e., SLBC, District Consultative Committee (DCC)/ District Level Review Committee (DLRC) and Block Level Bankers' Committee (BLBC) as regular members from 2018-19 and also be part of the credit planning exercise.

Assignment of Lead Bank Responsibility: Under the LBS, one bank in each district is assigned the leadership role and acts as a consortium leader to coordinate the efforts of the banks in that district, particularly in matters such as branch expansion and credit planning to meet the credit needs of the district. The assignment of lead bank responsibility to designated banks in every district is done by the Reserve Bank. 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.

Committee on Medium-Term Path on Financial Inclusion: The Committee on Medium-Term Path on Financial Inclusion (Chairman: Shri Deepak Mohanty, Executive Director), 2015 sought to propel the economy to a medium-term sustainable inclusion path. Drawing upon the recommendations of the Committee, the Reserve Bank focused on strengthening the mechanism for effective credit delivery to the productive sectors of the economy. Some of the major recommendations that were implemented during 2017-18 include the following: (a) BC registry portal has since been launched to enable domestic SCBs, excluding RRBs, to upload data pertaining to BCs deployed by them. Subsequently, on stabilisation of the database, facility of using BC tracker for public shall be made available; (b) a basic certification course for BCs has commenced. The translation of the syllabus into different languages is also under process; and (c) The CCC scheme for MSMEs which could help bridge the information gap, and thereby help banks to make better credit decisions was launched during 2017-18.

Penetration of Banking Services: The Reserve Bank has taken several steps to provide banking facilities in the unbanked villages in the country. The use of information technology (IT) and intermediaries has made it possible to increase outreach, scale and depth of banking services at affordable cost. Upon issuance of revised guidelines on branch authorisation policy on May 18, 2017 clarifying on 'banking outlet', SLBC convenor banks were advised to consider opening of a CBS enabled banking outlet or a part time banking outlet in the villages with population less than 2000 that still remain unbanked.

The guidelines on Branch Authorisation Policy mandate banks to open at least 25 per cent of the total number of banking outlets opened during a financial year in Unbanked Rural Centres (URCs) (i.e., tier 5 & tier 6 centres). SLBC convenor banks were advised that while opening new banking outlets in URCs, banks should give priority to URCs having population above 5000 (i.e., tier 5 centres). To facilitate banks in doing so, SLBCs were also advised to compile and maintain an updated list of all URCs in the state and review the progress in SLBC meetings.

National Strategy for Financial Inclusion: In order to systematically accelerate the level of financial inclusion in the country in a sustainable manner, the National Strategy for Financial Inclusion document is being finalised under the aegis of the FIAC to take forward the momentum generated by the Reserve Bank's financial inclusion policies, the government's Jan Dhan programme and the emerging advancements in the field of digital technology.

Apart from an overview of the progress made so far in bringing financial inclusion to the hitherto unserved and underserved sections of the population, the document would also provide a critique on the key issues and challenges that hamper financial inclusion in the country. Based on a cross-country analysis, the document would provide a vision and mission for ensuring sustainable financial inclusion in the country, through provision of easy to use, affordable and appropriate financial services to the entire population.

With an increased understanding of the inter-linkages among financial inclusion, financial literacy and consumer protection framework, the following strategy pillars have been identified in the document: (a) developing adequate physical and digital infrastructure in the country through providing necessary access points and connectivity; (b) designing suitable regulatory framework that balances innovation and risks in the financial sector to enable financial service providers to come up with innovative ways to ensure universal access to financial services; (c) focus on increasing financial awareness among various target groups in order to enable prospective customers and new customers to make suitable choices; (d) putting in place structures for a robust grievance redressal mechanism to protect the customers' rights and have a timely redressal of their grievances; (e) designing of appropriate scientific assessment tools to granularly measure the extent and issues in financial inclusion; and (f) fostering an effective co-ordination mechanism among all the relevant stakeholders.

Financial Inclusion Plans (FIPs): In order to have a planned and structured approach to financial inclusion, banks have been advised to prepare Board-approved Financial Inclusion Plans (FIPs). These FIPs capture banks' achievements on parameters such as the number of outlets (branches and BCs), Basic Savings Bank Deposit Accounts (BSBDAs), overdraft facilities availed in those accounts, transactions in Kisan Credit Cards (KCCs) and General Credit Card (GCC) accounts and transactions through the Business Correspondent-Information and Communication Technology (BC-ICT) channel. The progress made on these parameters as reported by banks as at end-March 2018 is set out in Table 5.

Table 5: Financial Inclusion Plan (FIP): a Progress Report

Particulars	**End-March 2010**	**End-March 2017**	**End-March 2018****
1	**2**	**3**	**4**
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 BSBDAs (No. in million)	0.2	9	6
OD facility availed in BSBDAs (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.			

FINANCIAL LITERACY

Financial literacy is crucial for imparting efficacy to financial inclusion initiatives of the Reserve Bank. In this direction, a number of new initiatives were undertaken during 2017-18.

Innovative Approaches on Financial Literacy: In order to explore innovative and participatory approaches to financial literacy, a block level CFL project was initiated in 2017 by the Reserve Bank across 80 blocks in 9 states. The project is currently being implemented by 6 NGOs in collaboration with 10 sponsor banks. In order to improve the effectiveness of financial literacy camps, FLCs and rural branches of banks were advised to use hand-held projectors to show audio-visuals and posters on financial awareness messages. Reimbursement for hand held projectors and speakers is provided from the Financial Inclusion Fund (FIF) to the extent of 50 per cent of the cost incurred, subject to a maximum of Rs.5,000 per rural branch/FLC.

The National Centre for Financial Education (NCFE) supported by the financial sector regulators has prepared audio visuals on the financial awareness messages provided by the Reserve Bank such as (a) address proof declaration under KYC norms, (b) use of BCs, (c) electronic payment systems (NEFT/RTGS), (d) not falling prey to fictitious emails/calls and ponzi schemes, (e) process of using the unified payment interface through BHIM, and (f) various ways of going digital and cashless. FLCs and rural branches of banks were advised to use the audio-visuals while conducting financial literacy camps.

Initiatives of Government for financial Inclusion

The Government of India has designed several schemes with a financial inclusion objective at heart.Some of the schemes launched by the GOI in this regard include:

Nnational pension scheme (NPS): In 2004, the GOI decided to move from a defined-benefit pension system to a defined-contribution pension system. Apart from offering a range of investment options to employees, the scheme allows individuals to make decisions about where their pension fund is invested, permits limited withdrawal prior to retirement and reduces the total pension liabilities of the Government of India. Initially, NPS was introduced for the new government recruits (except armed forces). With effect from May 1st, 2009, NPS has been provided for all citizens of the country including the unorganized sector workers on voluntary basis. The pension scheme is administered on behalf of the government by the Pension Fund Regulatory and Development Authority (PFRDA).

Swavalamban scheme :The scheme was launched in October 2010 and closed in May 2015 (replaced by Atal pension Yojana scheme on June 1st 2015) was the unorganized sector pension scheme, thought 6 to address the old age income protection need of unorganized/informal sector workers which represent 85% of the working population;

Swarnajayanti Gram Swarojgar Yojana (SGSY): It was launched in December 1999 was a centrally sponsored scheme that followed the mechanism of forming SHGs of rural poor households, providing capacity building training and linking groups to bank. SGSY was formed from a merger and restructuring of the Integrated Rural Development Program (IRDP) and allied skills generation programs, namely Training for Rural Youth for Self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWRCA), Supply of Toolkits in Rural Areas (SITRA), Ganga Kalyan Yojana (GKY) and Million Wells Scheme (MWS);

National Rural Livelihood Mission (NRLM): It was launched in June 2010 by the Ministry of Rural Development expanding nationwide the poverty alleviation program Indira Kranti Patham to take over from the SGSY scheme. With the support of international institutions like the World Bank, this scheme combines handholding, training and capacity building and credit linkage. The handholding component includes external (dedicated professional institutions at the State, district and sub-district levels) and internal support in the form of SHG federations at the village level, and block level and later on at district level.

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS): The scheme was enacted as an Act in the Parliament in September 2005, aims to enhance the livelihood of the rural people by guaranteeing at least one hundred days of wage employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work. The primary objective of the Scheme is to augment the wage employment and the auxiliary objective is to strengthen natural resource management through works that address causes of chronic poverty like drought, deforestation, soil erosion, etc., and thus encourage sustainable development.

Credit Guarantee Fund Trust for Micro and Small Enterprises: It was created in 2000 (initially called Credit Guarantee Fund Scheme for Small Industries (CGFSI) and renamed in 2006) aims to guarantee the availability of bank credit to MSMEs by reassuring the lender that, in the event of a MSE unit (which availed collateral free credit facilities) failing to discharge its liabilities to the lender, the Guarantee Trust would make good the loss incurred by the lender up to 85% of the credit facility. The scheme is open to new as well as existing Micro and Small Enterprises, with a maximum credit cap of Rs. 10 million.

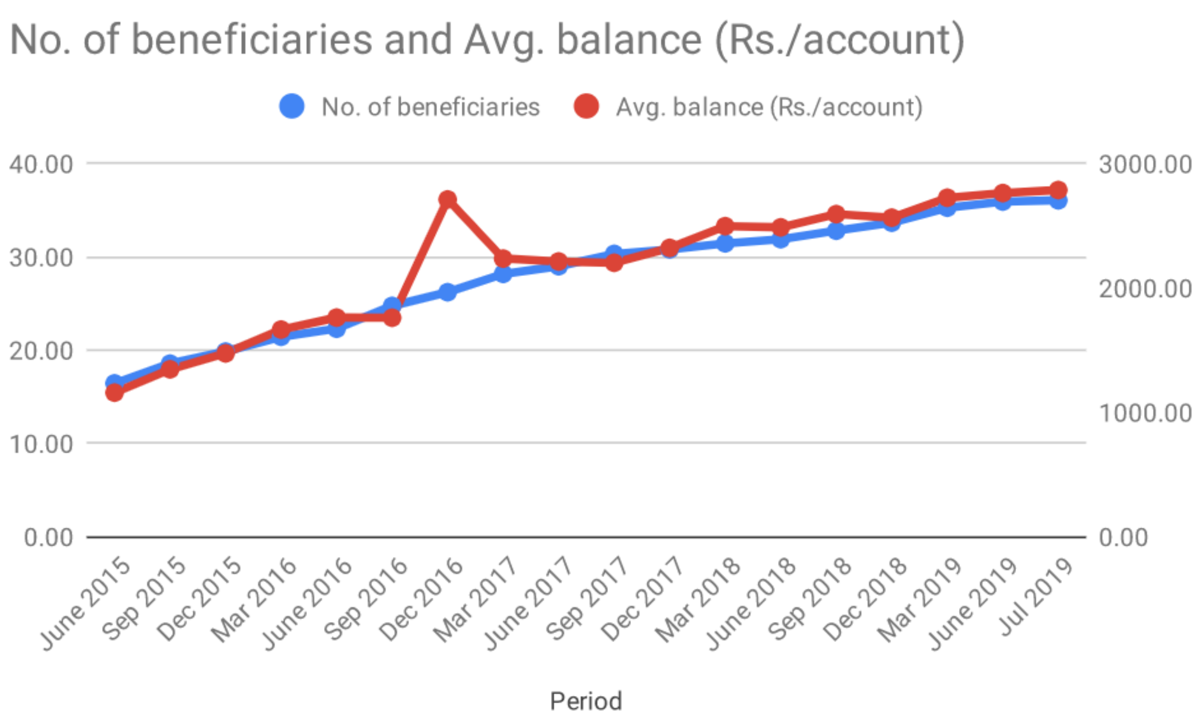
Micro Units Development Refinance Agency (Mudra) Bank: GOI launched the MUDRA Bank on April 8,2015. It is being set up through a statutory enactment and will be responsible for regulating and refinancing MFIs trough Pradhan Mantri MUDRA Yojona. It will cater to the almost 51 million micro and small businesses who employ about 20% of the country’s labour force in the manufacturing, trading and service industries. These individuals are spread all over the country and usually do not have access to institutional credit. MUDRA Bank will be set up with a capital allocation of Rs.20,000 crore and a credit guarantee fund of Rs.3,000 crore. But in the financial year 2018-19 Bad loans under mudra Yojana have jumped almost 53% to Rs.14,930.98 crore as compared to Rs.9,769.99 crore in 2017-18.

Jan Suraksha Scheme: The Jan-Suraksha scheme was announced in February 2015 by Finance Minister and launched in May by Prime Minister. It involves the creation of a universal social security system for all Indians, especially the poor and under-privileged through three key parts: Pradhan Mantri Suraksha Bima Yojana (accident insurance), Prahan Mantri Jeevaan Jyoti Bima Yojana (life insurance) and Atal pension Yojana (pension scheme). Over 63 million Indians have subscribed to the scheme at banks across the country making the Jan Suraksha yet another successful move by the Government.

PRADHAN MANTRI JAN DHAN YOJANA: The Prime Minister of India Mr. Narendra Modi, had announced National Mission for Financial Inclusion to ensure access to financial services, in an affordable manner called Pradhan Mantri Jan DhanYojana(PMJDY). The scheme has been started 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 RuPayKisan Card.

The cumulative account balance in zero balance bank accounts opened under the PM's Jan Dhan Yojana scheme has crossed the Rs. 1 trillion mark on July 3,2019. The average balance in each account now stands at Rs 2,782. However, as on December 2018,23% of accounts were inoperative.

Figure 2:No of beneficiaries andAverage Account Balance under PMJDY:



Source: The Hindu

The number of accounts and the average account balance have steadily increased just after demonetization; there was a surge in the average accounts balance. It rose from Rs.1,760 in September 2016 to Rs.2.711 in December 2016. The highest average account balance of Rs.2,787 was recorded in July 2019.

Unified Payment Interface (UPI): Unified Payment interface is an instant real time payment system developed by The National Payments Corporation of India(NPCI) facilitating interbank transactions.. UPI is an additional layer of payments architecture built on the Immediate Payments System(IMPS) which will allow interoperability between different payments systems. The new interface is designed to enable all account holders to send and receive money from their smart phones with single identifier-Aadhaar Number, mobile number, email ID or virtual payment address- without entering any bank account information. Given the ease with which this enables people to transact digitally, it has the potential to dramatically reduce the use of cash and change the way payments are made in the country. As on March 2019 there are 142 banks live on UPI with a monthly volume of 799.54 million transactions and a value of Rs.1,334 trillion.

Use of Technology

The GOI has also put technology at the center of its initiatives, believing in its role to foster financial inclusion. For instance the PMJDY scheme includes a USSD-based mobile banking service, launched in August 2014, through the gateway provided through National Payments Commission of India (NPCI) to banks, following a recommendation from the Technical Committee on mobile banking. Similarly**,**

Micro ATMs have been rolled out over the country, with the first ATM installed in India in 1987. Several initiatives were led to enhance the ATM technology. A recent innovation is the National Financial Swift (NFS) operated by NPCI that facilitates routing of ATM transactions through interconnectivity between the bank's switches, allowing the customers to use any ATM of a connected bank.

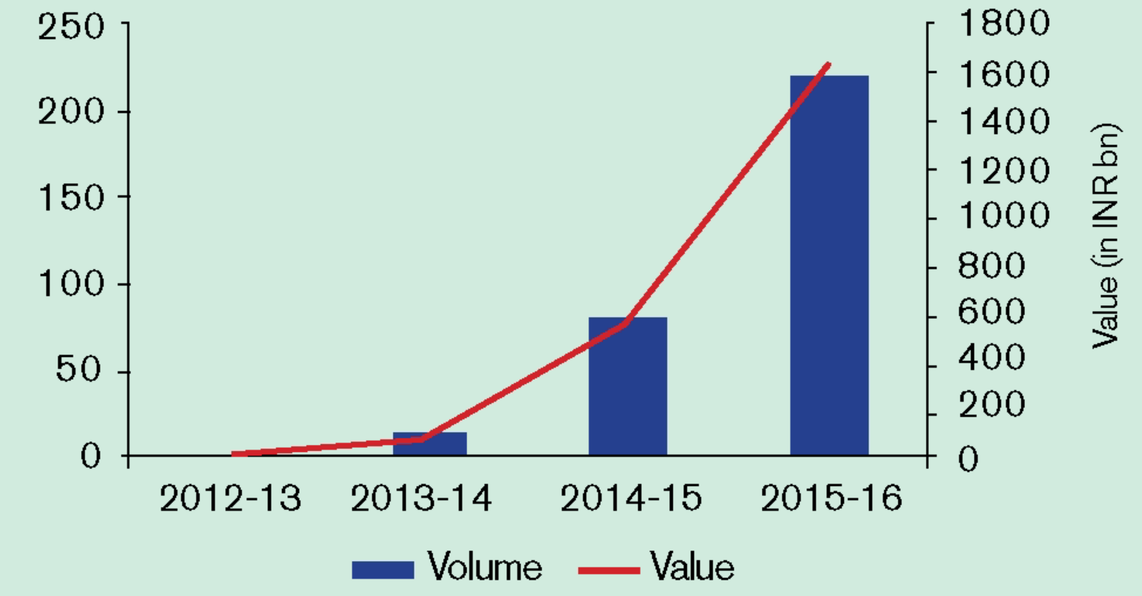
RuPay Cards, launched by NPCI in March 2012, is a new card payment scheme at a lower cost and allowing for more flexibility, customizable to the client needs and including protection of consumer's information principles and options for electronic products. It aims to be an efficient domestic alternative to international product facilitators such as MasterCard and Visa and to enable Indian banks and financial institutions to offer electronic payments.

The Aadhaar-enabled payment systems (AEPS) is now a banking product allowing online inter-operable financial inclusion transactions at the micro ATM or kiosk banking through Business Correspondents. The transactions include withdrawals and deposits along with funds transfers between Aadhaar-enabled card holders. The Aadhaar Payments Bridge System (APBS) enables the transfer of payments from government to Aadhaar-enabled accounts of beneficiaries at banks and post offices.

Direct Benefit Transfers (DBT) program: In January 2013, the GOI launched the DBT program to transform service delivery in India by transferring government benefits and subsidies directly into the hands of residents through the biometric based identification system (Aadhaar), speeding up payments, removing leakages and intermediaries, and enhancing financial inclusion. This program is run through the AEP and APB systems. The DBT initiative includes 35 schemes and among them the **PaHaL (Pratyasksh Hanstantrit Labh) program**: a Direct Benefit Transfer for liquefied petroleum gas (LPG) program. This scheme stimulates bank account opening by linking Aadhaar numbers to an active bank account, a suggested condition to benefit from this government program. The DBTL scheme was launched earlier on June 1st 2013 and covered 291 districts. It required the consumer to mandatorily have an Aadhaar number for availing LPG Subsidy. The government has reviewed the scheme and after examining the difficulties faced by the consumer and modified the scheme prior to launch, giving the possibility for the consumer to directly receive subsidy in his bank account without the use of an Aadhaar number. The modified scheme was re-launched in 54 districts on November 15th 2014 in the 1st Phase and in the rest of the country on January 1st 2015

Immediate Payment Service (IMPS) was launched by the National Payments Corporation of India (NPCI) in November 2010. The NPCI has facilitated inter-bank mobile banking payment enabling real time transfer of funds between bank accounts and providing a centralized inter-bank settlement service for mobile banking transactions.

Figure 1: Immediate Payment Service (IMPS) Trend



Source: Payment system indicator,RBI

Arguably, the most impactful technological invention to expand financial inclusion has been the mobile phone. It is an efficient and cost-effective tool to reach far-flung semi-urban and rural populations. More than 65% of India's population is under the age of 35. These millennial are tech-savvy and comfortable switching to mobiles for P2P transactions, bill payments, etc., leading to a paradigm shift in the uptake of digital access points. **Figure 1** reveal this exponential growth over the last few years.

Conclusion

The Government of India and RBI have been making concerted efforts to promote financial inclusion as one of the important national objectives of the country.RBI has been providing a bouquet of products to meet the needs of different customers for depositing, withdrawals, payment services and so on. The banks have been providing services in combination of brick and mortar branches along with technology driven services to the door steps of the customers. Empowering the rural fellow countrymen has been the talk for few years, the Swabhiman Campaign would be the right way in this direction. The business Correspondents model is like a mobile bank for a financial institution at the doorstep. Jeevan Jyoti Yojana is a good financial life line as some of the families live a hand to mouth existence and the families who have sadly lost an earning member would at least have some money in the hands to tide over the crisis.

Even though enough efforts are being made by all stakeholders viz Regulator, Government, Financial Institutions and others, the efforts are not yielding the kind of result expected. The regulator has to create a suitable regulatory environment that would keep the interest of all the stakeholders.

The concern of the banks about profitability is to be addressed by the regulator as the entire process of Financial Inclusion would be a kind of social work in the first few years. The concern of the Government about the reach, feasibility and implementation of Government policies to the last mile needs to be addressed. The easy availability of Financial services to the last mile users, the people of tier 3 to tier 6in entirety needs to be addressed.

The bank concerns can be addressed by leveraging ICT, designing innovative products and service models. A structured expansion and appropriate regulatory norms addressing the bank's concern and inclusion of NBFCs, MFI and SHG in the last mile connectivity of financial services could resolve the people's concern. Also banks use intensive mobile banking services to the people to deliver banking and financial services to the people.

For achieve targets of FIP, it's needs to empowering MSMEs through provide timely and adequate finance because MSM E's are the best medium for achieving inclusive growth which generate local demand and consumption, provide employment to millions of freshers.

Thus, innovative products, out of the box service models, effective regulatory norms and leveraging technology together could change the landscape of the current progress of the much needed and wanted Financial Inclusion program.

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