



Financial Inclusion in India

CURRENT SCENARIO & INITIATIVES

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Abstract

The term 'Financial Inclusion' has stayed a popular word in the beyond couple of years among the financial business.. Financial inclusion or access is a component of financial development, along with **depth, efficiency, and stability**. Financial development is important for economic growth, and financial inclusion in particular, has a bearing on equity as well. In India, the reforms done in past few years are consistent with the growth and development of poor and disadvantaged groups. The slogan "SABKA SAATH SABKA VIKAS" by P.M. Modi is true in this sense which aims at Balanced Development of all people. It will be possible only when the issues related with corruption and huge gap between poor and rich will be reduced. The term financial inclusion focuses on providing the financial services such as banking and insurance to all people at affordable rates. There are few problems coming in the path of financial inclusion but it is sure that if some corrective measures are adopted by the authorities, then financial inclusion can be achieved in India to the fullest.

Introduction:

Financial inclusion means extending basic banking services at affordable prices to the low income and disadvantaged groups. The Purpose of Financial Inclusion is to connect the excluded with the formal banking system in order to help them obtain an understanding of the financial services available and equipping them with the confidence to make informed financial decisions. Rangarajan committee on financial inclusion defines it as "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." Financial inclusion evolved from a need to provide low-income people with financial services that can positively influence their personal financial health and growth.

Objectives of the Study:

- To review the present status of the financial inclusion in India in particular and the world general.
- To highlight the measures taken by the Government of India and RBI for promoting financial Inclusion.

Research Methodology

Research Type: Descriptive Research

Type of Data/Data Source used: Secondary Data/Data source.

The present study is based on **secondary data**. Basically, the required information has been derived from Articles from Newspapers, Magazines and Journals, and from the various related web-sites which deal directly or indirectly with the topics related to the Financial Inclusion in India After searching the important web-sites, relevant information was analyzed to address the objectives of present study.

Limitations of the study

1. The study is based on published data and information. No primary data is being collected.
2. Every consideration has been taken to captivate subjective and right information; still optional information has gathered for the reasons other than issue nearby.
3. The objectives, nature and methods used to collect secondary data may not be appropriate to the present situation.
4. Secondary information might be inadequate in exactness, or they may not be totally current or reliable.
5. Time constraint remained the major limitation in the study
6. Prior to utilizing optional information, assess them on previously mentioned factors. So, it consumes the same time as the primary data.

Financial Inclusion

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way. The concept of financial inclusion was first introduced in India in 2005 by the Reserve Bank of India.

Having the option to approach an exchange account is an initial move toward more extensive monetary incorporation since a transaction account permits individuals to store cash, and send and get payments.

Objectives of financial inclusion

The objectives of financial inclusion are to provide the following:

- A basic no-frills banking account for making and receiving payments
- Saving products (including investment and pension)
- Simple credit products and overdrafts linked with no-frills accounts
- Remittance, or money transfer facilities
- Micro insurance (life) and non-micro insurance (life and non-life)
- Micro pension

Integration of Financial Services

As mentioned above Jan Dhan–Aadhaar–Mobile (JAM) trinity has a positive impact on the banking sector and financial inclusion in the country. Jan Dhan accounts are no-frills accounts which can be opened with ease. These accounts are linked to Aadhaar numbers of the individuals, which in turn is linked to the Direct Benefit Transfer (DBT) scheme. With the launch of JAM services, there has been a significant improvement in terms of targeted and accurate payments. They have also helped in weeding out duplication of entries, and bringing down the reliance on cash mode of payments.

Since its pan-India roll out in 2014, 488 schemes and services from 63 ministries have been brought under the DBT (DBTM 2019). Similarly, until March 2020, the total number of beneficiaries under Aadhaar-enabled services had been 436.98 crores (DBTM 2019).

Financial Inclusion In India

Everyone should be facilitated with the banking services for achieving the inclusive growth of each sector of the economy. Since 2005, concerted efforts have been made by Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) to extend financial inclusion across India. Around 80 percent population have access to bank accounts in 2018 in India as compared to the 53 percent in 2013. Out of bank accounts opened during 2014 to 2017, the number of Jan Dhan Accounts opened in India is about 28.17 crore, constituting almost 55 percent of the accounts opened globally during this period. The Government initiated the National Mission for Financial Inclusion (NMFI), namely, Pradhan Mantri Jan Dhan Yojana (PMJDY) in August, 2014 to provide universal banking services for every unbaked household, based on the guiding principles of banking the unbanked, securing the unsecured, funding the unfunded and serving unserved and underserved areas. The number of Scheduled Commercial banks is increasing over a period of time.

Region Wise Number of Functioning Offices of Commercial Banks as at end of the quarter

Quarter Ended	Northern Region	North Eastern Region	Eastern Region	Central Region	Western Region	Southern Region	All - India
June 2021	27,915	4,890	26,460	31,091	23,612	43,900	157,868
March 2021	28,138	4,900	26,340	31,159	23,696	44,183	158,416
December 2020	28,192	4,925	26,345	31,175	23,710	44,020	158,367
September 2020	28,346	4,914	26,237	31,170	23,903	43,865	158,435
June 2020	28,202	4,865	26,093	31,109	23,860	43,736	157,865
March 2020	28,049	4,785	25,805	30,821	23,722	43,416	156,598
December 2019	27,902	4,770	25,630	30,637	23,553	43,133	155,625
September 2019	27,815	4,758	25,580	30,440	23,321	42,699	154,613
June 2019	27,576	4,736	25,419	30,234	23,060	42,342	153,367
March 2019	27,470	4,725	25,350	30,162	22,740	42,179	152,626
December 2018	27,308	4,706	25,267	30,055	22,504	41,769	151,609
September 2018	27,233	4,716	25,211	29,978	22,482	41,644	151,264
June 2018	27,072	4,631	24,883	29,552	22,283	41,367	149,788
March 2018	27,040	4,623	24,807	29,443	22,131	41,114	149,158

Table 1: Region Wise Number of Functioning Offices of Commercial Banks (Mar2018-June2021)

Source: RBI (Database on Indian Economy)

Financial Inclusion Initiatives by Government and RBI

1) Jan Dhan-Aadhar-Mobile (JAM) Trinity

- The combination of Aadhaar, PMJDY, and a surge in mobile communication has reshaped the way citizens access government services.
- As per the estimates in March 2020, the total number of beneficiaries under **Jan dhan Yojna** have been more than 380 million.
- By significantly changing the concept of individual identity, Aadhaar has not only brought about a secure and easily verifiable system but also easy to obtain as well to help in the financial inclusion process.
- The government has also launched many flagship schemes to promote financial inclusion and provide financial security to empower the poor and unbanked in the country.

2) Expansion of financial services in Rural and Semi-Urban Areas

Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) have taken initiatives to promote financial inclusion in rural areas.

- These include the opening of bank branches in remote areas.
- Issuing Kisan Credit Cards (KCC)
- Linkage of self-help groups (SHGs) with banks.
- Increasing the number of automated teller machines (ATMs)
- Business correspondents model of Banking, etc.

3) Promotion of Digital Payments

With the strengthening of the **Unified Payment Interface (UPI)** by NPCI, digital payments have been made secure, compared to the past. The Aadhar-enabled payment system (AEPS) enables an Aadhar enabled bank account (AEBA) to be used at any place and at any time, using micro ATMs. The payment system has been made more accessible due to offline transaction-enabling platforms, like **Unstructured Supplementary Service Data (USSD)**, which makes it possible to use mobile banking services without internet, even on a basic mobile handset.

4) Enhancing Financial Literacy

(a) The Reserve Bank of India has undertaken a project titled "**Project Financial Literacy**". The Objective of the project is to disseminate information regarding the central bank and general banking concepts to various target groups, including, school and college going children, women, rural and urban poor, defence personnel and senior citizens.

(b) **Pocket Money** is Securities and Exchange Board of India (SEBI) and National Institute of Securities Markets (NISM's) flagship programme aimed at increasing financial literacy among school students. The objective is to help school students understand the value of money and the importance of saving, investing and financial planning.

Concluding Remarks

In the past few years, the government has been very attentive for financial inclusion. About 2.2 million people have been brought under formal banking system in every year by implementing Jan Dhan Yojna launched by PM Modi. Several other schemes are also adopted and they are working well. But the fact is government is still having a number of challenges in the last mile to achieve inclusive growth and to attain balanced development. For achieving comprehensive financial inclusion, the first step is to achieve credit inclusion for the disadvantaged and vulnerable sections of our society. The state has to play an important role in financial markets. In developing countries, both market and government as institutions have their limitations, but it is necessary to design more government policies that are attentive to those limitations.

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