Abstract

Ever since India's independence in 1947, the biggest priority for the nation has been its economic growth, education for all and financial inclusion for the vast population of the country. While India has made some noteworthy progress but on the aspect of financial inclusion, progress has not been satisfactory. It has been largely accepted that inclusive growth cannot happen without financial inclusion. It can be measured in terms of access to institutions. Financial inclusion means connecting all individuals, including those living in the remotest of rural areas, to a well-functioning financial system. It is a broad term used to describe the provision of savings and loan services to the poor in an inexpensive and easy to use form. It includes opening of bank accounts for those that have never had one, and allowing people to send and receive money easily. The main objective is ensuring access to formal credit for people who depend on informal means for their financial needs and also financial education to ensure that the poor and marginalised make the best use of their money. According to the Reserve Bank of India, just over 50% of Indian adults held an account with a financial institution, compared to close to 70% of adults in various BRICS economies, and an even higher percentage of adults in the US and UK. Similarly, in 2014, 6% of Indian adults had borrowed from a formal financial institution in the past 12 months compared with 10% or more in other BRICS economies. As of 2014, there were only 18 ATMs per 100,000 adult population in India against over 65 in South Africa and over 180 in Russia. Similarly, 10% of individuals aged 15 years and above had made payments through debit cards in India as against approximately 40% in South Africa.
1. INTRODUCTION
Financial inclusion is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable. An estimated 2 billion working-age adults globally have no access to the types of formal financial services delivered by regulated financial institutions. The prime objective of financial inclusion is the availability of banking services to the entire population without discrimination.

RBI describes financial inclusion as “the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players.”

2. OBJECTIVES OF THE STUDY
The objectives of the study are:
- To understand the need and importance of Financial Inclusion.
- To know about its meaning, framework and applicability.
- To study the steps taken by government for implementing Financial Inclusion.
- To lay emphasis on road ahead for getting the momentum.

3. RESEARCH METHODOLOGY
This research is based on secondary data. Information has been sourced from various newspapers, government notifications, and press releases etc. and research is descriptive in nature. Data presented in the form of tables and analyzed in form of percent trends and chart.

4. GOALS OF FINANCIAL INCLUSION
Financial Inclusion is a positive indicator for growth and development. Policymakers all over the world are pushing for greater financial inclusion because it is seen as welfare enhancing for the poor. Governments especially in poor countries like India are pushing to get more and more people under the formal financing umbrella as there is increasing evidence that direct cash transfers into bank accounts cuts leakages. The United Nations defines the goals of financial inclusion as follows:

- access at a reasonable cost for all households to a full range of financial services, including savings or deposit services, payment and transfer services, credit and insurance;
- sound and safe institutions governed by clear regulation and industry performance standards;
- financial and institutional sustainability, to ensure continuity and certainty of investment; and
- Competition to ensure choice and affordability for clients.
5. HISTORICAL JOURNEY OF FINANCIAL INCLUSION

Financial Inclusion is not an old concept. It has come into the existence about a decade ago. On December 2003, Kofi Annan, United Nations Secretary General said that most people in the world still lack access to sustainable financial services including savings, credit or insurance and together we can build inclusive financial sectors to help people to improve their lives.

On April 2005, Y. Venugopal Reddy, the then Governor, Reserve Bank of India presented the concept of financial inclusion in the Annual Statement Policy. The Report of the Internal Group to Examine Issues relating to Rural Credit and Microfinance (Khan Committee) in July 2005 exhorted the banks with a view to achieving greater financial inclusion to make available a basic "no-frills" banking account.

The Alliance for Financial Inclusion (AFI) founded in 2008 is the world's largest and most prominent network of financial inclusion policymakers from developing and emerging economies who work together to increase access to appropriate financial services for the poor and lift 2.5 billion impoverished, unbanked citizens out of poverty. The AFI Network has grown to more than 105 institutions from 88 member nations from 2008 to 2013.

Recently on April 2013, Alfred Hannig, Executive Director, Alliance for Financial Inclusion (AFI) said that financial inclusion has been recognized as an important part of economic development.

6. STEPS TAKEN IN SUPPORT OF FINANCIAL INCLUSION

For achieving greater financial inclusion in India, government has taken various steps. Of the many schemes and programmes pushed forward by RBI, the following need special mention:

(a) Opening of no-frills accounts: RBI exhorted the banks and stressed the need to make available a basic banking 'no frills' account either with 'NIL' or very minimum balances as well as charges that would make such accounts accessible to vast sections of the population. Banks have been advised to provide small overdrafts in such accounts.

(b) Relaxation on Know-your-customer (KYC) norms: KYC requirements for opening bank accounts were relaxed for small accounts in August 2005. The banks were permitted to take any evidence as to the identity and address of the customer to their satisfaction.

(c) Engaging business correspondents (BCs) for making banking reachable: In January 2006, RBI permitted banks to engage business facilitators (BFs) and business correspondents (BCs) as intermediaries for providing financial and banking services. The BC model allows banks to provide doorstep delivery of services armed with suitable technology. Business Correspondents provide affordability and easy accessibility to this unbanked population.
(d) **Use of technology:** Recognizing that technology has the potential to address the issues of outreach and credit delivery in rural and remote areas in a viable manner, banks have been advised to make effective use of information and communications technology (ICT), to provide doorstep banking services through the BC model where the accounts can be operated by even illiterate customers by using biometrics, thus ensuring the security of transactions and enhancing confidence in the banking system.

(e) **Adoption of EBT (Electronic Benefits Transfer):** To plug the leakages that are present in transfer of payments through the various levels of bureaucracy, government has begun the procedure of transferring payment directly to accounts of the beneficiaries. This “human-less” transfer of payment is expected to provide better benefits and relief to the beneficiaries while reducing government’s cost of transfer and monitoring.

(f) **GCC (General Purpose Credit Card):** With a view to helping the poor and the disadvantaged with access to easy credit, banks have been asked to consider introduction of a general purpose credit card facility up to ₹25,000 at their rural and semi-urban branches. The objective of the scheme is to provide hassle-free credit to banks’ customers based on the assessment of cash flow without insistence on security purpose or end use of the credit.

(g) **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 centres with a population of less than 50,000 under general permission, subject to reporting. In the north-eastern states and Sikkim, domestic scheduled commercial banks can now open branches in rural, semi-urban and urban centres without the need to take permission from RBI in each case, subject to reporting.

    Reserve Bank said that every village with a population over 5,000 should have a bank branch by March 2017 and asked the State Level Bankers’ Committee (SLBC's) to identify such villages without a bank branch in their state. Earlier in 2012, State Level Bankers’ Committee (SLBC) Convenors were asked to prepare a roadmap to provide banking services in all unbanked villages with population less than 2,000.

(h) **Pradhan Mantri Jan Dhan Yojana**

    Indian Prime Minister Narendra Modi announced this scheme for comprehensive financial inclusion on his first Independence Day speech on 15 August 2014. The scheme was formally launched on 28 August 2014 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 in next phase, providing social security schemes i.e., Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti
Bima Yojana & Atal Pension Yojana. On the inauguration day of the scheme, 1.5 Crore (15 million) bank accounts were opened.

Recently on Aug 28, 2015 government has celebrated the anniversary of Pradhan Mantri Jan Dhan Yojana (PMJDY). According to the press note released on this occasion, Banks have opened 17.74 Crore accounts under PMJDY with deposit of more than 22000 crores, Aadhaar has been seeded in 41.82% of account opened under PMJDY, to ensure universal banking access more than 1.26 lakhs Bank Mitras have been deployed with on-line devices capable of e-KYC based account opening and interoperable payment facility, 131012 Mega Financial Literacy camps were organized by banks under PMJDY in coordination with various agencies and 89876 Financial Literacy counters, to spread awareness on PMJDY, use of RuPay cards, 147418 students in 2567 schools/collage were imparted training on Financial literacy from September 2014 to April 2015. The government is pushing financial inclusion through the Jan Dhan, Aadhaar and Mobile (JAM) trinity and use of innovative delivery channels, such as mobile wallets. RBI has also granted an 'in principle' approval to 10 small banks and 11 payment banks, which is expected to deepen the inclusion process.

(i) MUDRA Yojana

Underlining that financial inclusion is the government's core focus, Under Pradhan Mantri MUDRA Yojana (PMMY), loans between Rs 50,000 and Rs 10 lakh are provided to small entrepreneurs as an initiative to fund the unfunded. Financial inclusion is at the core of the government's focus, which is to create job-creators, not job-seekers," Modi said, adding that the strength of a pyramid depends on its base and the people at the base need to be empowered so that they can strengthen the Indian economy.

7. NEED OF FINANCIAL INCLUSION IN INDIA

Higher penetration of formal financial services is a positive developmental indicator. Policymakers all over the world are pushing for greater financial inclusion because it is seen as welfare enhancing for the poor. A government especially in poor countries like India where the vast majority of the population is still very poor, financial inclusion is of great significance to them. For the poor, access to finance and ensuring the optimum utilization of the resources they possess is a major challenge. Economic and societal uncertainties mean volatility in their income can have an adverse reaction on the financial stability. This exposes the poor to the dodgy moneylenders, which in turn can lead to debilitating debt trap.

In a speech last year the RBI, Deputy Governor, S S Mundra says, "according to census 2011, out of 24.67 crore households in the country, only about 14.48 crore or 58.70 % households had access to banking services. Further, of the 16.78 crore rural households, only about 9.14 crore or 54.46 % households were availing of banking services."
Capital formation in the country is also expected to be boosted once financial inclusion measures materialize, as people move away from traditional modes of parking their savings in land, buildings, bullion, etc. Availability of adequate and transparent credit from formal banking channels shall allow the entrepreneurial spirit of the masses to increase outputs and prosperity in the countryside. Government is, pushing for direct cash transfers to beneficiaries through their bank accounts rather than subsidizing products and making cash payments. This laudable effort is expected to reduce government’s subsidy bill (as it shall save that part of the subsidy that is leaked) and provide relief only to the real beneficiaries.

8. ACHIEVEMENTS UNDER FINANCIAL INCLUSION

In January 2006, The Reserve Bank of India asked the commercial banks in different regions to start a 100% financial inclusion campaign. RBI 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 or business correspondents by commercial banks. Mangalam became the first village in India where all households were provided banking facilities.

Table 1: Analysis of banking facility availed by households

<table>
<thead>
<tr>
<th>Households</th>
<th>As per Census 2001</th>
<th>As per Census 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total no of Households</td>
<td>No. of Households availing Bank Services</td>
</tr>
<tr>
<td>Urban</td>
<td>138,271,559</td>
<td>41,639,949</td>
</tr>
<tr>
<td>Rural</td>
<td>53,692,376</td>
<td>26,590,693</td>
</tr>
<tr>
<td>Total</td>
<td>191,963,935</td>
<td>68,230,642</td>
</tr>
</tbody>
</table>

![Analysis of Banking Facilities availed by households](image)

Neha Jain :: Financial Inclusion - A Way Towards Inclusive Growth In India
As on December 9, 2015, 195.2 million accounts have been opened and 166.7 million RuPay debit cards have been issued under the Prime Minister’s Jan Dhan Yojana, which was launched on August 28, 2014," the central bank said in its half-yearly report on the operations and performance of scheduled commercial banks. The report said most of these accounts are in rural areas, thus considerably increasing banking penetration, and a significant number of banking outlets -- a whopping 91 per cent -- operate in branchless mode via business correspondents or facilitators.

The RBI report said as many as 92.6 million beneficiaries have been enrolled under the Pradhan Mantri Suraksha Bima Yojana and 29.2 million have been enrolled under Pradhan Mantri Jeevan Jyoti Bima Yojana, while 1.3 million account holders have been enrolled under Atal Pension Yojana, as of December 16, 2015. As on March 31, 2015 around 83 per cent of debit cards were issued by state-run banks, while around 80 per cent credit cards have issued by private sector banks (57.2 per cent) and foreign banks (22.4 per cent).

"Till June 2015, more than Rs 4,273 crore have been routed through these accounts towards payment of wages under MNREGA and transfer of cooking gas subsidy amounting to Rs 17,446 crore has been done through Jan Dhan accounts till July 2015," the finance ministry said. The ministry said that under the Pradhan Mantri Mudra Yojana (PMMY), banks have disbursed Rs 45,948.28 crore as on November 2015 which has benefited 66 lakh borrowers.

9. WHAT MORE TO BE DONE IN THE WAY OF FINANCIAL INCLUSION

For achieving the set targets, installation of more ATMs in rural and semi-urban centres will create more touch points for customers. Also, there is need for interoperability of micro ATMs to facilitate the usage of cards by customers in semi-urban and rural areas across any bank micro ATM and BC. For this, micro ATMs has to be connected to National Financial Switch. In some of the areas, mobile connectivity may not be commercially viable to start with, but the telecom service providers may be encouraged to use their corporate social responsibility funds for this purpose. Banks should be encouraged to give loans micro finance companies since these differentiated institutions have a strong understanding of individual sector needs, an ability to assess risk appropriately, typically through proximity-based strategies, and to customise their offerings to suit specific needs.

10. CONCLUSION

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 roadblock to financial inclusion in many states and there is inadequate legal and financial structure.
Financial literacy is the way which can lead the economy to the path of prosperity and to achieve what has been targeted. While it may seem unimaginable to think that the poor would stand to benefit from technology due to their lack of technological skills, nothing can be further from the truth. It has been proven time and again that if it's simple and effective, technology is a big enabler for the poor. Banking correspondent services that are operating across far flung villages in the country has proved that technology can go a long way to bridge the divide. Financial literacy through the use of technology has to be based on three principles:

- To effectively use the power of mediums like a computer, mobile and Internet to enable people to have the skills, knowledge or information about financial instruments,
- Secondly, we must ensure people then have the ability to critically understand the content they have received through digital means,
- And lastly apply it to the best of their knowledge and capacity.

11. REFERENCES