ABSTRACT

India has achieved increasing economic growth rate during the last 15 years. The Indian economy grew by 8 to 9.6 per cent during 2010-2015. Although growth is an indicator of economic progress, today’s concern all over the world is inclusive growth. Inclusive growth implies involving all the sections of the society in the growth process and reaping the benefits of growth. Among all factors which influence inclusive growth, financial services assume greater importance. Financial inclusion refers to delivery of financial services at an affordable cost to the disadvantaged and vulnerable sections of the society. In this context, the role of banks needs no emphasis. This paper examines the concept of financial inclusion and analyses the role of selected commercial banks in delivering financial services to the disadvantaged and vulnerable people in the society and thereby fulfilling the objective of inclusive finance. It gives recommendations to the banking sector for contributing towards inclusive growth in India.

Keywords – Financial Inclusion,

INTRODUCTION

As India celebrates its 68th year of independence and succeeds in carving a niche for itself in a tuff and competitive global economy. It is worth making note of the progress made by the largest democratic nation in the world. Today India is the fourth largest economy having a growth rate of 8.5% and proudly counts that there are one million millionaires in our country. As the whole world is watching us its is time we stop and think about that India which is still struggling to survive, that India is none other than the vast number of people that belong to the lower, middle class, socially weak and economically backward areas. They continue to remain excluded to a very large extent without even having to taste the basic privileges and services provided by the financial sector.

Today in the banking sector we get to witness the two extremes. Where at one end we have those who are financially included, they are active participant in the financial system and utilize the services rendered and they have at their disposal a wide range of products and services. And at the other extreme we are left with those who are deprived of any financial service, there are denied access to even the basic financial services provided.

If this is left unchecked and ignored then according to analysts this margin between the privileged and the deprived will only continue to widen, then one day in the not so distant future this financial exclusion would become a greater financial challenge to the economy as a whole. To extend the benefits of financial inclusion and implement effectively the recommendations of the Rangarajan Committee, banks have an enormous role to play. Both the nationalized banks as well as private banks. They should make financial inclusion as their objective depending on which the financial services should be carried on. The aim of this paper is to examine the extent of financial inclusion the steps taken towards financial inclusion and analyze the challenges of financial inclusion and thereby analyze the impact of financial inclusion on the weaker sections of the society.

CONCEPT OF FINANCIAL INCLUSION

Financial inclusion can be defined as’ providing affordable access to basic banking products and banking services, loans, remittances, insurances, etc. to the hitherto excluded and often underprivileged sections of the society.”

NATURE OF INCLUSION

Financial inclusion denotes delivery of financial products and other financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The various financial services including saving, credit, insurance, payments and remittances. The objective of financial system is to extend the scope of activities of the organized financial system to
include within its ambit people with low income, through granted credit, attempts must be to lift the poor from one levels to another so that they come out of poverty.

THE COMMITTEE ON FINANCIAL INCLUSION

Most people take access to basic financial services for granted. They obtain credit operate bank accounts however for large sections of the society such financial services seems inaccessible. It is unfortunate to note that at one extreme we have those who have access to credit; savings and investments while one on the other hand we have those who struggle to open a simple bank account. They find it difficult to undertake simple financial transactions and very often they do not know who to turn for advice and assistance. With a view to include the neglected sections of the society into the fold of formal financial system and provide access to commercial banking services, government of India has constituted a committee on financial inclusion under the chairmanship of DR.C RANGARAJAN on June 22, 2013

The committee has defined financial inclusion as “the process of ensuring access to financial services and timely and adequate credit where needed by the vulnerable groups such as weaker sections and low income groups at an affordable cost.”

The main aim of this committee are: (a) to study the degree of financial exclusion; (b) to identify the reasons for financial exclusion among the rural areas; and (c) to suggest appropriate strategy to reach out to the previously neglected sections of the society; and (d) suitable measures to be undertaken by the financial sector

The major recommendations of the Committee include: Launching of a national rural financial inclusion plan (FRFIP) with an aim of providing access to comprehensive financial services, including credit to at least 50% (around 55.8 million) of the financially excluded rural cultivators /non cultivators households, by 2012 through rural/semi urban branches of commercial banks and regional rural banks. The remaining households to be covered by 2015A national mission on financial inclusion (NAMFI) is proposed to be constituted comprising of representative from all stake holders to aim at achieving universal financial inclusion within a specific time frame.

The Committee also recommended Constitution of two funds with NABARD—(1) The financial inclusion promotion & development fund (FIFP); (2) The financial Inclusion Technology Fund (FITF) and (3) Both these two funds will have an initial corpus of Rs 500 cores each contributed by GOI/RBI/NABARD

The financial inclusion promotion program (FIPF) will focus on: (i) Farmers services centers; (ii) Promoting rural entrepreneurship (iii) Self help groups and their federation (iv) Aiding in the adaptation of technology (v) Promotion of resources centers and (vi) Capacity building of business facilitators and correspondents. And also to (vii) Deepen the outreach of micro finance programs through financing SHG setting up of a risk mitigation mechanism for lending to small marginal farmers/ share cropper/tenants farmers.,(viii) Micro finance – non banking finance companies (MF-NBFC) could be permitted to provide thrift credit, micro-insurance, remittance and other financial services up to a specified amount to the poor in rural areas. (ix) The MF-NBFC’s may also be recognized as business correspondents of banks for providing only savings and remittance services and also act as micro-insurance agents.

FINANCIAL INCLUSION THROUGH BANKING SERVICES:

The Indian banking sector as improved dramatically over the past few years The banking sector of this day and age offers customers a wide range of innovative financial products and services like automated teller machines (ATM) creditcards, debitcards, internet banking and of course online transfer of money and many more facilities but unfortunately all these services are designed for the middle and upper class sections of the society.

But just like every coin has two sides, the other side of this successful story is that there are still some areas which still require attention by the banking sector. Accessing such facilities is beyond the reach of poor people. There are concern that still vast sections of the population especially the underprivileged citizens of the society are yet to taste the basic inputs of banking. The banking sector from time to time has taken up the challenge of banking the un-banked. Keeping in mind the urgent need for financial inclusion. The RBI while recognizing the concerns with regards to the banking practices that intended to neglect some sections of society urged the banks to review their vital role in financial inclusion and adopt practices to would align with the objective of financial inclusion.
RBI INITIATIVES FOR FINANCIAL INCLUSION:

For the first time the word financial inclusion was used in the Annual policy for 2006 were banks were asked to open no frills or a basic banking account to all those desirous of opening a bank account. A decentralized approach was advocated through targeting 100% financial inclusion district by district involving the bank and the government officials. Another important policy measure in Jan 2006 was to allow banks to adopt the agency model (Business model /Business correspondent model) for achieving greater outreach through intermediations /agents. In order to improve access and use of the accounts, banks will have to offer the services much closer to the customer either through mobiles banking, satellite office using intermediaries like SGH/MFI or through business counterparts to increase access or reduce cost.

Banking sector

India occupies only 2.4 per cent of the world’s land area but supports over 16 per cent of the world’s population. About 70 per cent of the Indian population lives in the villages. The rural India is yet to see the light of development and the results of planning process. On one hand due to liberalization, privatizing and globalization of Indian economy, there is a sea of changes in the banking field today. While on the other hand besides profit, social responsibility is also one of the prime agenda of commercial banks. The fact remains that until the basic infrastructure facilities reach to each and every citizen of the country there cannot be true progress. One of the important purposes of Indian planning is socialism and upliftment of poor. The downtrodden and poverty ridden mass has been excluded socially and financially even in independent India when planning and development process was basically meant for them they should have been the beneficiaries of development. The banking sector, despite the fact that it has 67,000 ranches, does not lend to large sections of the Indian people. The average population per branch office is about 16000 its estimated that only 27% of cultivators have access to institutional credit. About 22% of cultivators get credit from money lenders and the remaining 51% don’t get any credit at all. Hence, financial inclusion drive is necessary which aims at reaching out to more people who deserve credit and who cannot get access to credit. In keeping with the directives of the RBI, banks have to review their existing facilities to align with the objective of financial inclusion.

I. FINANCIAL INCLUSION - STATE BANK OF INDIA.

SBI to launch smart cards: In an attempt to reach to the rural population, STATE BANK OF INDIA is launching smart cards in west Bengal. Under this every user will be given a biometric smart card. The amount of money lent out to the customers will be twice the amount of savings. For this purpose banks will hire special correspondents who will interact with the customers. The micro finance initiative has already been initiated in select areas of Andhra Pradesh, Karnataka, Mizoram. IT enabled devices and biometric scanners coupled with smart cards will provide banking services to the non banking areas of the state as a first step towards fulfillment of this task as much as nine commercial and private banks will be given various districts with two blocks each with the aid of the following banks.

Centurion bank of Punjab, Apex bank, State bank of indoor, bank of India Central bank of India Narmada, And axis bank have reacted positively to the Reserve bank of India’s (RBI) call to a total financial inclusion and have decided to participate in the project.

SBI will lead financial inclusion in Madhya Pradesh: As part of the financial inclusion project, the public sector enterprise, state bank of India has embarked on an ambitious journey of attaining 100 percent inclusions in 15 areas of MADHYA PRADESH.

Comprehensive drive plan: SBI has plans to launch a comprehensive drive to open new accounts in rural areas and inform people about this unique initiative. Today SBI have a wide network of over 1.5-lakh post offices spread across the country, out of which almost one lakh post offices are located in rural areas.

Department of Posts - SBI Tie-Up To Help Rural Banking: With the help of the Department of Posts the Union government’s aim of extending the banking facilities in the rural hinterland is now being achieved, thanks to its tie-up with the country’s leading banker State Bank of India to provide latter’s products and services through its wide network of post offices spread across the country. This project was started in July this year from villages in five States - Karnataka, Andhra Pradesh, Tamil Nadu, Maharashtra and Jharkhand - extending facilities being offered by the State Bank of India to its customers through post offices. Any SBI account holder can carry out various transactions like depositing money or its withdrawal from designated post offices these services are available in Rajasthan, Madhya Pradesh and Kerala.
also, gradually covering all our rural post offices. Smart cards are being issued to account holders having all their information and banking details that are acceptable at post offices. The rural post offices are being electronically connected to nearest SBI branches, making it unique model of rural banking. From simple transactions like depositing and withdrawing money, The idea is to gradually offer all the SBI products and services to rural people, including various types of loans; ATM, debit and credit cards; and savings products like bonds, recurring and fixed deposits. Soon, villagers would also be able to deposit gold to get short-term loans on very marginal rate of interest. This experiment has so far been very successful as more and more villagers are now coming to post offices for their banking-related work.

**SBI-INDIA -post alliance: SBI-INDIA -post alliance was launched by chief general manager state bank of India Chandigarh circle. Through this alliance the banks aim to reach out to the poor population in the non banked areas. This national alliance has already been successful at Jaipur, Tirupati Bangalore, Ranchi, Madurai and Nagpur.**

The objective of state bank of India in the present day is to ensure financial inclusion of the whole population; irrespective of areas and sectors there are two ways of achieving (1). through the brick and mortar rural branches, (2) outsourcing all the functions to business correspondents in a particular area like a state or a particular area with the help of business correspondents.

SBI’s answer to financial inclusion is the SBI TINY PROJECT. Which can in simple term be defined as a’ BANK IN A BOX’. The entire set up consists of a cell phone which serves as a POS machine a figure print reader and a tiny printer, all of which can be packed in a 10inch by 10 inch box. All of these work on rechargeable Batteries. SBI’s tiny accounts (no frills) accounts are opened on the smart cards, the smart card is a kin to the e-purse and stores information about the customer the account number, fingers prints as well as account balance the smart card can hold up to 16 accounts including loan accounts, this is highly secure as it works on a biometric validation of the customer.

**Future plans:** In the next year SBI is planning to focus on the micro small and medium, enterprises and will make an effort to double its exposure in the housing loan sector State bank of India has entered into an alliance with India post to provide banking facilities to the people in the rural Punjab.

**II. FINANCIAL INCLUSION - CANARA BANK**

The Bank has made dramatic progress under financial inclusion in the recent past, the bank has mobilized 5.87 lakh No-frill accounts, it is only through Unrelenting efforts of the Bank that 13 lead districts could fall under Total Financial Inclusion, viz., Palakkad, Malapuram, Wynad, Calicut and Trissur in Kerala and Davangere, Shimoga, Chitradurga, Hassan, Kolar, Chikballapur, Bangalore (Rural) and Bangalore (Urban) in Karnataka.

**Total inclusion plan:** The Bank has covered 1639 villages across the country under Total Financial Inclusion. These villages have been taken up for Second Phase of Financial Inclusion, addressing total financial needs. In the state of kerala, canara bank as a convener of the State Level Bankers’ Committee became the first State in the country to achieve Total Financial Inclusion on 24th December 2007. Under *CanaraGraminVikasVahini* 50 vans with multi-media equipment have been deployed in 50 districts across India for creating awareness on banking facilities among rural masses. By providing,

- Access to no-frills banking account for making and receiving payments.
- A savings product suited to the needs of the poorer sections of the society.
- Money transfer facilities
- Provision for small loans and overdrafts for personal and commercial purpose
- And access to facilities like micro-finance and micro-insurance

With the launching of multilingual Biometric-voice enabled ATMs during September 2007, the number of such ATMs increased to 8 locations across India. Canara Bank is the first bank in the country to launch mobile Biometric-voice enabled ATM in Bangalore rural. The Bank has also launched a pilot program of issuing Smart Cards to villagers in remote areas. Banking transactions are undertaken using smart cards by business correspondents with the use of biometric voice enabled hand-held machines.

**III. FINANCIAL INCLUSION: IDBI LTD**

1. **SABKA SAVINGS BANK ACCOUNT: IDBI LTD launched its no frills SABKA account to make banking services accessible** to a vast majority of the unbanked population, with this new savings product
the average balance requirement has been considerably reduced to Rs 250 in the rural and semi – urban branches which means a larger segment of the people can now enjoy core banking facilities and the conveniences of banking. This will also enable the customers to access IDBI ATM and the branches and give them the comfort of the 24*7 banking facility through phone banking and mobile banking. There will be an active focus to make this account available in the rural areas and semi urban areas in order to promote the cause of financial inclusion.

2. Launch of mobile branch: With a view to enable rural growth and financial inclusion IDBI launched a mobile branch, the first of its kind in Maharashtra; CMD IDBI had inaugurated the mobile bank on July 30 2007. The mobile branch consists of a kissan ATM operated on a bio-metric system this would enable the farmers and rural people to operate their accounts with just a thumb impression. The mobile bank would provide banking services like (a) Opening of accounts. (b) Cash deposits and withdrawals. Further more the bank is planning to provide the complete services in the rural areas.

3. Entrepreneurial Development Fund: Most of the entrepreneurs lack initial capital required for setting their own units, though they might have the requisite skills. The setting up of EDP is a step to provide the initial capital to the entrepreneurs who have the technical skill but lack financial resources. The objective of the bank is to provide financial assistance to the entrepreneurs, whose financial resources to promote enterprises is limited

IV. FINANCIAL INCLUSION: PUNJAB NATIONAL BANK

In December 2006 PUNJAB NATIONAL BANK (PNB) introduced the family linkage banking program (FLBP) in all the 57 lead districts. The bank has adopted four districts in the state of Punjab and Haryana for total financial inclusion the bank has already linked around 3, 70,000 households’ 100% linkage has been reported in 1730 villages. Under 100% financial inclusion initiatives, five districts in Haryana have already been covered by December 31, 2007 and the remaining by 2008.

NO-FRILLS ACCOUNT: The bank has introduced no-frills account, namely ‘PNB MITRA SAVINGS ACCOUNTS’ with zero/minimum balance. By June the bank has opened 2.5 lakh no-frill accounts General Credit Cards for providing loans up to 25,000/- per borrower for consumption purpose were introduced by the bank by June 21,500 general credit cards were provided.

Financial literacy: As per RBI’s directives, the bank opened financial literacy cum credit counseling in Gurdaspur district in Punjab and Yamunanagar district in Haryana. Financial education had been provided to rural and urban poor to manage their money and to avail financial services. Besides a training center was started with the association of state institute of rural development (SIRD) Government of Assam.

100% financial inclusion: Under the 100% financial inclusion initiatives districts in the Haryana have already been covered, eleven more districts are proposed to be covered by December 31, 2007 and the remaining by March 31, 2008. PNB’s “innovative” actions for farmers: Formation of “PNB FARMERS WELFARE TRUST’’ In the year 2000, the bank started a pioneer missionary project ‘PNBFarmers’ welfare trust, totally committed to the development and progress of the farming sector and the rural population, without any commercial motive. Under the trust, the training is imparted free of cost by the PNB FARMER TRAINING CENTER (FTC) By March 2007 the following eight FTC’S have been established in different states in about eight acres of land, free of cost, by the state government. The services provided by FTC’s are: (1) Educating the farmers about the bank’s various deposits & credit schemes; (2) Helping the farmers’ adoption of modern agriculture technologies(3) Helping farmers in enhancing productivity by making use of inputs like water, fertilizers etc(4) Long duration training to ladies in sewing/cutting, so that they can gain employment,(5) Helping the farmers in getting finance from banks either directly or through formation of self help groups (SHG),(6) Encouraging visits by the farmers to different Agriculture universities/ colleges/GOVT Farms etc.(7) Long duration training to rural youth in computer is provided so that they can get gainful employment. The bank has tied up with RAJEEV GANDHI COMPUTER saksharta mission for computer training;

Future plans (PNB): The aim of this bank is to open one million bank accounts by 2008; covering 30000 villages and 15 million people under financial inclusion by March 2010 and introduce new products to the rural people like health insurance, micro insurance and pension etc.

V. FINANCIAL INCLUSION: UNION BANK
Union bank is making available a basic banking ‘no-frills’ account either with nil balance or very low minimum balance as well as charges that would make such accounts accessible to vast sections of the society. Introduction of general credit /Bhumeen green cards etc in order to liberate rural population from the clutches of money lenders and to provide easy loans with all the necessary flexibility, the union bank has introduced general credit cards schemes for customers in the rural and semi-urban areas. These cards operate like kissan credit cards and hassle free credit facilities are provided without instances on security.

**Formation of Farmers club:** Farmers club are formed by group of farmers with an objective for the development of the farmers through credits technology transfer, awareness and capacity building with a view to retain the existing clients. There is a need for strengthening bank customer relationships.

**100% banking habits villages:** In order to strengthen the coverage of every household of the village by giving them access to banking services more number of villages should be brought under 100% banking habits.

**Village knowledge centers:** Union bank has introduced the concept of village knowledge centers (VKC) for mutual benefit of the farmers and the bank. this a unique initiative by the banks to empower the local population in the rural areas VKC are small units attached to rural branches of the bank each center is equipped with a computer and a internet facility.

Presently 198 VKC have been established by the bank across the country.

**Financial literacy:** Financial education is the process in which people improve their knowledge and understanding of the use of financial products and services alongside with taking banking to the need and the need to improve itself in the task of creating financial the bank took up the task of creating awareness’ among the poor, the bank set up financial education services centers-union mitra at 51 selected VKC.

The bank provides the following services in the union bank.

- Guidance on opening a bank account.
- Information on the products of the bank including interest rates and charges.
- Information on managing savings and likely venue of investments.

**ROLE OF BANKS**

For the successful fulfillment of financial inclusion and development Banks need to reposition themselves if at all a sincere attitude is adopted for uplifting the downtrodden. In India the focus of financial inclusion at present is confined to ensuring a bare minimum access to a savings account without any frills. It is only through voluntary efforts, by the banking sector itself in evolving various strategies to bring within the ambit of the banking sector the poorer sections of the society. It is absolutely essential for the banks to focus on the inclusion of rural population into the financial services spectrum according to the estimates more than 35% of the country’s population is currently living under below poverty line. Government as well as non government organizations from time to time took up the task of eradicating these problems but were never that successful.

**THE CHALLENGES OF FINANCIAL INCLUSION:**

Lack of awareness and understanding of the various financial services and its attendance policy and processes among the economically backward population are important factors to be considered in financial inclusion:(1) The problems faced by the poor people are: (a) Unemployment; (b) Illiteracy (c) Lack of appropriate credit facilities designed for the poorer sections of the society. (d) Literacy is crucial for financial inclusion to be successful(3) Today in India around 30% of the total populations of farmers have access to the institutional credit. Poorer and weaker section of the society to a large extent is excluded from the basic banking structure. Despite the various efforts under taken by the government many individuals struggle to have access to basic financial products such as bank accounts, credit, insurance and financial advice.

**Recommendations:**

The banks should make financial inclusion as their objective depending on which the financial activities should be carried on.

i) The banks should realize that the financial products of savings, access to credit institutions needs to be designed based on the needs of the poor.
ii) The banks should see to it that timely availability of credit to the poor needs to be ensured

iii) Financial institutions should create awareness about the various financial services and products.

iv) Banks should offer financial products beyond credit/saving like micro-insurance and micro-finance.

v) Financial procedure should be simplified and user friendly to attract poor.

vi) The financial products of savings and credit needs to be designed based on the needs of the poor. Especially services related to the insurance, education, health and livelihood promotions are very important in the development of the poor.

CONCLUSION

Financial inclusion is not a onetime process; it is an ongoing process. It is a huge project which requires concerted and team efforts from all the stake holders, the Government, financial institutions, the regulators the private sector and the community at large if financial inclusion is to be achieved truly it requires the passionate involvement dedication and commitment of all the stake holders. It requires a major change in the mind set of all the parties involved and at the same time the role played by technology is vital in bringing about integration of social and economic classes. Accessibility, affordability, appropriateness and benefits determine how deep financial inclusion penetrates the social fabric of the rural section.

To conclude banks have a deeply felt commitment to financial inclusion and has been pioneering in the use of business correspondents model to achieve this purpose. A dedicated team of specialized and trained officers across the country are working exclusively on the various initiatives of the bank on financial inclusion and financial literacy. With the advent of technology and market linkage initiatives by the bank, the scale, the viability and sustainability of financial inclusion has been reduced to a large extent Banks should continue to make efforts towards financial inclusion through financial literacy, 100% financial inclusion program, introduction of smart cards etc in the race for finance inclusion. Financial inclusion an a large scale is possible only if the banks join hands with the likeminded partners in their initiative. Only through this can true financial inclusion take place.

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