International Journal of Multidisciplinary Research and Development
Online ISSN: 2349-4182, Print ISSN: 2349-5979, Impact Factor: (RJIF 5.72)
www.allsubjectjournal.com
Volume 3; Issue 3; March 2016; Page No. 56-64

Policies and initiatives of financial inclusion in India

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Abstract

Although some of the initiatives like establishment cooperative banks towards the goal of achievement of efficient financial services in India started before the period of independence but the formal initiation of the concept of financial inclusion in India was seen in 1904 when co-operative banks were established for the social and economic development of rural economy and in 1969 when 14 banks were nationalized and in 1970, the lead bank scheme was introduced with a view to growth and development of priority/ needy sections. and recently, the core developmental philosophy of Pradhan Mantri Jan Dhan Yojana scheme was launched in August 28, 2014 for providing universal access of banking services and to remove the drawbacks of swabhimaan compaign.

Keywords: Policies, financial inclusion

Introduction

Financial exclusion describes the situation in which the certain groups of population are unable to access the financial services, such as bank accounts, post office services, pension schemes, insurance, credit and financial advisory services. According to Leyshon and Thrift (1995), financial exclusion may be described as the those processes that serve to prevent certain social groups and individuals from gaining access to the formal financial system. According to Carbo *et al*. (2005), financial exclusion act as broadly the inability (however occasioned) of some societal groups to access the financial system. According to Conroy (2005), financial exclusion may be defined as a process that prevents poor and disadvantaged social groups from gaining access to the formal financial systems of their countries. According to Mohan (2006), financial exclusion describes the lack of access by certain segments of the society to appropriate, low-cost, fair and safe financial products and services from mainstream providers. There are several causes for financial exclusion. The demand side causes of financial exclusion may include lack of awareness, low income or assets, social exclusion, illiteracy among the population and the supply side causes of financial exclusion are such as distance from branch, branch timings, cumbersome documentation and procedures, unsuitable products, language barrier and attitudes of administrative staff. Through the concept of financial inclusion is not a new financial concern, it has gained the enough attention in recent past years with a view to finance the financially excluded peoples in India. The chapter has presented and underlined the various initiatives undertaken by Government of India and Reserve Bank of India till now together at one place. The basic aim of Government of India and RBI's policies and initiatives is to provide the financial services to financially excluded population (marginal farmers, landless laborers, self-employed and unorganized sector enterprises, urban slum dwellers, migrants, ethnic minorities and socially excluded groups, senior citizens and women etc.) in India. There are several major steps taken by Indian governments and RBI for financial inclusion. Some of the important initiatives taken by Indian government and RBI in recent past years were nationalization of banks in 1969, strengthen the branch network of SCBs (Scheduled Commercial Banks), Co-operative banks and RRBs (Regional Rural Banks), introduction of mandated priority sector lending, lead bank scheme, self-help groups, facilitating BCs/BF models, zero balance BSBD accounts, Pradhan Mantri Jan Dhan Yojna etc. The present chapter is organized to underline and highlight the basic concerns and issues of those initiatives in brief.

According to Rangarajan committee (2008), "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."

According to the committee on financial sector reforms (Chairman: Dr. Raghuram G. Rajan), "Financial inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products."

Review of Literature

Subbarao (2009) focused on solution of the barriers that caused due to financial exclusion especially in rural and backward areas. The author analyzed the challenges of day to day life such as water, sanitation, electricity, transportation, entrepreneurship, quality of life of whole population and these can be resolved though the injection of financial inclusion. The study found that as per the data of NSSOs in 2003, nearly 51 per-cent farming households did not access the credit both from formal and informal sources of finance; and it was the main cause for poverty in rural areas. The author concluded that the challenges and hindrance of financial inclusion in the form of cost, inappropriate technology and lack of awareness level can be eliminated and resolved with the help of mobilization of savings into investments and availed loans to the poor at an affordable cost in order to improve their quality of life. Kamath (2010) found that there would be a great requirement to conduct the cost- benefit analysis in order to analyze the cost and benefits of bank accounts opened by the households. If households gained the more benefits as compared to cost then it would indicate the economic development of developing countries like India. It was also found that in Gulbarga district, there were so many households who opened their accounts in banks but at present they did not remember these bank accounts, hence it was the case of financial exclusion. Therefore, the study suggested that in order to eliminate this drawback of inefficient usage, the financial literacy training should be offered by government to strengthen the BPL families. Rajan (2014) reviewed that RBI Governor underlined five P's regarding financial inclusion viz; Product, Place, Price, Protection and Profit; which are the important part of the plans of the government and RBI for inclusive growth. It was put that the overall success of financial inclusion in India can be possible if the government would pay the reasonable commissions on regular basis and the banking institutions would charge the reasonable amount of transaction cost for efficient and reliable products (financial services in physical and electronic form) especially accessed by weaker sections of the society, besides that, customer grievance redressal system should be strengthened. Paramasivan and Ganeshkumar (2014) suggested that government should open the new branches especially in priority sectors of the country so that the backward and rural regions of India can be flourished in a right direction and operating timing of branches should be in accordance to daily wage earners, because they face loss of wages for a day. Various financial literacy programmes must be adopted in educational institutions in order to increase the awareness level regarding financial inclusion. It was also found that within a short time period, the concept of financial inclusion in Puducherry worked in a positive and with the help of 186 branches of 38 banks, efficient financial services to weaker and unreached groups were being provided. Basu (2014) explored the various causes of financial exclusion in the form of demand side factors (lack of awareness level, irregular income, lack of financial literacy and social exclusion) and supply side factors (geographical distance from the branch, language problem, unsuitability of financial products, timing of branch and attitudes of the administrative staff). It was found that the ratio of accessing the financial services in Kerala and Bihar was 89 per- cent and 33 per- cent respectively which stated that Kerala was better than Bihar in accessing the financial services. The researcher also found that as per RBI, the operations of private sectors banks were very low as compared to that of public sectors banks because more than 87 per- cent of no frill accounts were opened in public sectors banks which showed slow progress in the functioning of private sector banks. The study suggested that the government should adopt the efficient Electronic Benefits Transfer Schemes and conduct the awareness programmes in order to enhance the financial inclusion drive. Dharmaraj and Subramanian (2014) resulted that in Tamilnadu, the structure of cooperative credit and primary initiative of financial inclusion drive were working in the positive direction in order to support the each and every stakeholder but the progress of BC/BF models was very low in rural areas because of lack awareness, illiteracy and absence of grievance redressal mechanism. The author concluded that the concept of financial inclusion had been successful, in overall, obtaining the inclusive growth in the Tamilnadu State. The author suggested that the government should enhance the financial literacy and awareness programmes to strengthen the progress of BC/BF models in rural areas. Aggarwal (2014) found that there could be a strong interrelationship between the financial inclusion and economic development through the collective efforts of the government, banks, Microfinance institutions and NGOs. They concluded that the government should adopt the financial literacy awareness programmes, advanced and innovative technologies, bank branches opened in rural regions, no-frill accounts, and use of regional language with a view to achieve the objective of financial inclusion and to improve the formal financial system.

Objectives of the Study

The main objective of the present study is to present the various policies and initiatives of financial inclusion in India.

Research Methodology

The present study is primarily based on secondary data. The data for the study has been collected from published reports of RBI, GOI statistics, statistical returns of Scheduled Commercial Banks, websites of ministry of finance, NABARD, SIDBI and microfinance, report of Rangarajan Committee (2008), various journals and various Ph.D Thesis has also been taken into consideration.

Policies and Initiatives of Financial Inclusion in India

The various policies and initiatives of GOI and RBI are as follows:

Establishment of Co-Operative Banks

Co-operative banks were formally established in 1904. The fundamental objective of these banks was to enhance the social and economic development of rural economy in the light of financial inclusion. They play an important role in disbursement of credit (agriculture and non- agriculture) to rural population in India. In rural areas, they finance under farming, milk, cattle and personal finance and on the other hand, in urban areas, co-operative banks finance under self-employment, small scale units, home finance and also personal finance in order to enhance the financial inclusion drive. At present, co-operative credit institutions including societies are also occupying indispensable place in Indian banking system especially in rural areas.

Nationalization of Banks

After a long time, the concept of financial inclusion was again injected in 1969, when 14 banks and in 1980, 6 more banks were nationalized. These nationalized banks are consistently good sources of financial services in Indian economy. The fundamental objective of the concept of nationalization of banks was to ensure the access of banking services in both rural and urban areas. The total number of commercial banks in India is depicted in the following table:

Table 3.1: Number of commercial banks in India

Year	No. of commercial banks in India
1969	89
2004	291
2005	288
2006	222
2007	183
2008	175
2009	170
2010	169
2011	169
2012	173
2013	155

Source: Basic statistical returns, RBI.

Lead Bank Scheme

The lead bank scheme was introduced in 1970 and the basic purpose of this scheme was to enhance flow of banking services to priority/ needy sections and other sections of Indian economy by fulfilling the social responsibility towards development and growth of rural economy especially. As on June 2014, the responsibility of lead bank scheme have been assigned to twenty five public sector banks and one private sector bank and these banks have availed their services in 671 districts of the country for providing better and adequate flow of credit to all sections of the society. The Government of India and Reserve Bank of India have set up Block Level Bankers' Committee (BLBC) at block level, District Level Review Committee (DLRC) and District Consultative Committee (DCC) at district level and State Level Bankers' Committee (SLBC) at state level for supervising the performance of loan plans under the lead bank scheme.

Priority Sector Lending

The scheme of priority sector lending was started by RBI in May 1971 for financing the priority sectors (agriculture and small scale industries). The basic aim behind this scheme was to meet the credit needs of those sections of Indian economy that unable to access affordable and timely credit because of regional inequality. As per RBI guidelines issued in February 1, 2014 on Priority Sector Lending, the priority sectors include small and marginal farmers, SC and ST, beneficiaries under Swarna Jayanti Shahri Rozgar Yojana, credit to SHGs etc. Under this scheme, the weaker and low income groups have been allowed to take loans for agricultural purpose (up to Rs.20 lakh), small scale industrial loans (up to Rs. 50,000), education loan (up to Rs. 10 lakh) and housing loan (up to Rs. 15 lakh) with a view to enhance the priority sector and make it viable for economic development.

Establishment of Regional Rural Banks

Regional Rural Banks were established on September 26, 1975 and started their working on October 2, 1975 with the formation of Prathama Grameen Bank. The fundamental objective of establishment of RRBs was to enlarge the institutional credit both for agriculture and rural sector of India. RRBs mobilize the deposits (term and savings) from rural and semi- urban areas and then ensure loans and advances to especially marginal farmers, agricultural workers and other priority segments of the Indian society. The area of operation of RRBs is limited to few districts in the states. The proportion of share capital of RRBs has 50 per-cent in the hands of Government of India, 15 per-cent of State government and rest 35 per-cent in the hands of sponsor banks. The RRBs help in achieving the mission of financial inclusion through covering 525 districts as on march 31, 2006. The performance indicator of RRBs in India is depicted in the following table:

Table 3.2: Performance of RRBs in India

Indicators	2004	2005	2006
No. of RRBs	196	196	133
No. of districts covered	518	523	525
No. of branches	14446	14484	14494
Deposits (in crores)	56350	62143	71329
Loans outstanding (in crores)	26114	32870	39713
Credit –Deposit ratio (in percentage)	46	53	56

Source: Rangarajan committee (2008)

Self Help Groups (SHGs) – Bank Linkage Model

The SHG - Bank Linkage Model is a very efficient scheme for delivery of financial services to poor and low income segments of Indian economy in a sustainable way. SHG is a homogeneous group of micro entrepreneurs that voluntarily contribute and collect their small regular savings and built a fund for delivering micro credit to needy poor rural people. The SHG - Bank Linkage Programme was started and initiated by NABARD (National Bank for Agriculture and Rural Development) in 1989 as Action Research Project. As per Rangarajan Committee, in SHG, more than ninety per-cent of members are female and rest of the members are male. This programme was initiated to extend the formal credit system and to eliminate the dependency on informal sources like moneylenders. In 1992, a pilot project was launched by NABARD to spread the coverage of SHG promoted by NGOs, banks and other agencies under this project and initiated it by way of refinancing facility. In November 1994, RBI constituted a working group consisting NGOs, functionaries, consultants, academians, bankers and NABARD for SHGs and NGO's actions in rural areas. The banks have been allowed to enable SHGs to open bank accounts and to provide cost effective, flexible and transparent credit facility from formal banking system in rural areas. NABARD provides the refinance facility and promotional assistance to banks for SHG - Bank Linkage Programme. Through this model, the problem of recovery of loans and high transaction cost in dealing with small borrowers is resolved by providing portfolio quality. This model is very helpful for women empowerment and poverty reduction. The following table reveals statistical information about the growth of this programme:

Table 3.3: Total number of SHGs availed in India

Year	No. of SHGs financed (in lacs)	Cumulative no. of SHGs financed (in lacs)
2001-2002	1.98	4.61
2002-2003	2.56	7.17
2003-2004	3.62	10.79
2004-2005	5.39	16.18
2005-2006	6.20	22.38
2006-2007	6.87	29.25

Source: Rangarajan Committee, 2008

Kisan Credit Card (KCC)

The scheme of Kisan Credit Card (KCC) was started by the collaborative efforts of Government of India, RBI, commercial banks, NABARD, regional rural banks and co-operative banks in August 1998. This scheme enhances and strengthens the credit delivery mechanism and to make availability of timely and adequate credit to farmers for their productive purposes. This scheme has fairly fulfilled the credit needs of farmers in the form of cash loans facility (short term crop loans and working capital loans for agricultural and allied activities) and term loans facility. This scheme has been further revised by RBI in May 11, 2012 and the purpose of this revision was to simplify the procedure of revolving cash credit needs, term loan requirement at reasonable terms and to enhance the benefit of crop insurance to farmers. The premium on crop insurance can be paid to the farmers through the medium of KCC account. The operations of KCC scheme can be performed through branches, cheques, BCs, withdrawals through ATM (Debit cards) and mobile based transactions. The growth in the numbers of KCC is shown in table 4.7:

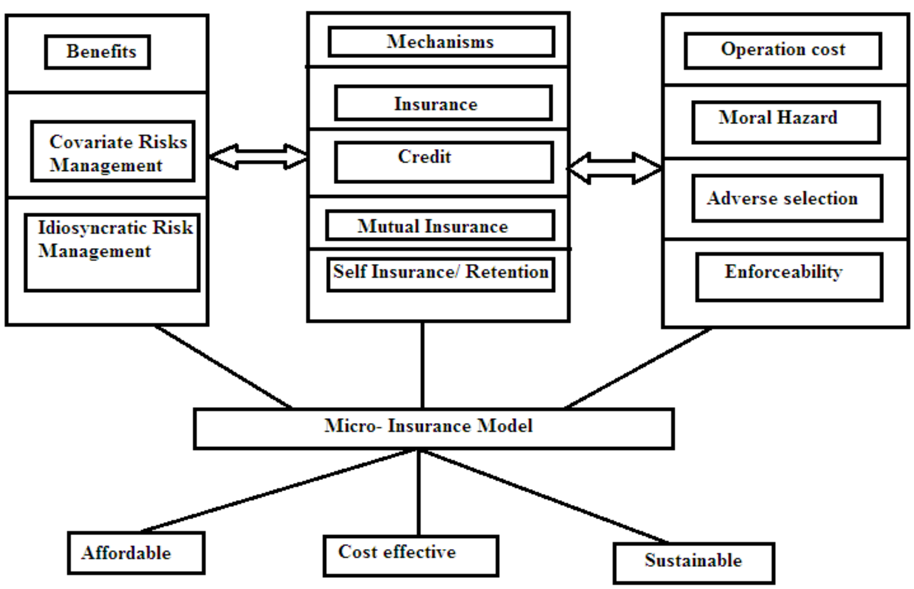
Table 3.4: No. of Kisan Credit Card

Year	No. of Kisan Credit Card (in millions)
2010	24.31
2011	27.11
2012	30.24
2013	33.79
2014	33.9

Source: RBI Annual Report 2013-2014

Micro Insurance

The concept of micro insurance is very efficient tool in promoting wider coverage of insurance facility (general or life insurance) among financially vulnerable groups of Indian economy. A consultative group on micro insurance formed by Government of India in 2003, to review existing insurance schemes and micro insurance organization in the form of capital requirements, licensing, monitoring etc. that group was formed to provide simple, efficient, flexible and affordable micro- insurance products to people. As on October 2004, Regional Rural Banks have also been allowed to conduct insurance business as a corporate agent without taking any risk in reference to increase the network of micro insurance products. Then, in 2005, according to Insurance Regulatory and Development Authority Regulations, NGOs, MFIs and SHGs have also been permitted to act as micro insurance agents in order to avail their cost effective and sustainable insurance services in rural areas. Micro insurance is a good mechanism of financial services package for low income groups that provides low cost insurance products to poor as it reduces multiple risk faced by poor people. It provides greater psychological and economical security in overcome two types of risks, viz., idiosyncratic risk (specific to household) and covariate risk (draught, epidemic, etc.). Micro insurance is a key element in conjunction with micro savings and micro credit in having objective of poverty reduction and achievement the goal of financial inclusion. The following diagram shows the mechanism of micro insurance:



Source: Rangarajan Committee, 2008

Fig 3.1: Mechanism of micro insurance

Opening Of No-Frill Accounts/ Basic Saving Bank Deposit Accounts (BSBD)

The concept of no- frill accounts was introduced by Reserve Bank of India on November 11, 2005. The primary objective of this initiative was to make availability of basic savings accounts with nil or minimum balance requirement because it was found that a large number of financially excluded peoples were facing many problems in fulfilling the requirements of basic savings bank deposit accounts, hence, in this regard, RBI has initiated this effort via banks. This initiative of RBI has proved to be an effective step of the banking system with a view to make easy availability and accessibility of these accounts to weaker sections of the Indian economy. Through this initiative, banking institutions have been advised to charge the transparent and reasonable cost on transactions like withdrawal of cash at bank branch and ATM, credit of finance through electronic payment channels and facility on providing ATM card etc. for helping in expanding the accessibility of bank accounts to weaker sections of the Indian society. All the banking institutions have also been advised to provide the small overdraft facility to vast section of the population in order to enhance the financial inclusion drive. Banks have also been advised to print all the banking documents and forms in regional language so that every local person can easily understand and fill those documents conveniently. The status of total number of BSBD accounts during 2010-2014 (picture of Five years) in India is depicted as under:

Table 3.5: Number of BSBD accounts

Year	No. of BSBD accounts (in millions)
2010	73.45
2011	104.76
2012	138.50
2013	182.06
2014	243

Source: RBI Annual Report, 2013-2014

GENERAL CREDIT CARD (GCC)

The scheme of General purpose Credit Card (GCC) was introduced by Reserve Bank of India on December 27, 2005. With a view to provide the hassle free credit to poor and disadvantaged section of the society, banks have been advised to enhance General Purpose Credit Card (GCC) facility up to Rs. 25,000 at their rural and semi- urban branches. The main objective of this initiative is to provide credit facility without any security and to charge reasonable and appropriate interest from GCC holders. GCC may be in the form of a card or in the form of passbook. Fifty per-cent of the GCC loans are treated as a part of Priority Sector Lending or indirect agriculture financing. The GCC scheme has been revised during Financial Inclusion Plan (FIP) in May- July 2013 and fundamental objective of this revision is to promote the accessibility of credit to individuals for entrepreneurship activities in the non-agriculture sector. The year wise description of total number of GCCs as under:

Table 3.6: Number of General Credit Card

Year	No. of General Credit Card (in millions)
2010	1.4
2011	1.7
2012	2.1
2013	3.6
2014	7.4

Source: RBI Annual Report, 2013-2014

Improvement in Remittance System

The rural and poor people require a remittance system (payment and settlement system) to transfer of money to their family in such a situation when the household resides in another workplace and when his family need to remittance money due to several purposes, hence, in this regard government and RBI have permitted banks many facility to customers for sending money to their family, friends and relatives whenever they required. There are various guidelines given by government and RBI from time to time regarding efficient remittance system needed by rural people especially in the form of hassle free accessibility of accounts, timely delivery of remittances needs and affordable services and receipt of delivery status. At present, various new and innovative technologies regarding banking operations have also been introduced for increasing the speed, cost effectiveness and efficiency in remittance system. These computerized technologies are NEFT (National Electronic Fund Transfer), RTGS (Real Time Gross Settlement System), ECS (Electronic Clearing System), mobile banking, card based remittances products i.e. ATM and e- kiosks etc. NEFT (National Electronic Fund Transfer) scheme was introduced in 2005 as a national level electronic fund transfer system on one- to one basis from any account with bank branch to another. RTGS (Real time Gross settlement) system provides the individually and continuously settlement facility of bulk funds transfer on the basis of order by order or instruction by instruction of the user. Electronic Clearing System (ECS) is an electronic medium of transfer of money from one bank account to another bank account and the primary requirement of ECS (Electronic Clearing System) is that bank account should be checkable for cheque transactions. E- kiosks scheme is adopting in villages as a remittance system to fulfill the needs of poor people.

Business Facilitators (BFs)/Business Correspondents (BCs)

The concept of BFs/ BCs was introduced by RBI in January 2006. Banks have been allowed to use the services of NGOs/SHGs, Micro Finance Institutions (MFIs), Post Offices, Insurance agents, Village Knowledge Centers, Agri Business Centers, IT enabled rural outlets of corporate entities, NBFCs not accepting public deposits and other civil societies or community based organizations as intermediaries in the form of BFs/BCs with a view to ensure greater outreach of financial and banking services to financially excluded and needy sections of Indian society in a cost effective manner. Banks have also been allowed to engage the retired officials, viz., retired government employees, postmasters, ex-servicemen, retired teachers and retired bank employees as BFs/BCs. The scope of eligibility criteria of entities working as BFs/BCs has been reviewed by RBI from time to time. BFs provide their services in the form of identification of borrowers, collection of loan applications, creating awareness regarding education, saving products, pension products; debt counseling, follow up recovery, processing and submission of applications to banks and giving advice on managing money. On the other hand, the activities performed by BCs may be in the form of disbursal of small value credit, recovery of principle and collection of credit, collection of small value deposits, sale of micro insurance products, mutual fund products and pension products; receipts and delivery of small value remittances and other payment instruments. Reasonable fee or commission is paid by banks to BFs/BCs in consideration of rendering their services. The banks are also providing the facility of redressal of customer grievance through BFs/BCs. Table 4.8 reveals statistical information in this regard.

Table 3.7: ICT based BC accounts

Year	No. of ICT based BC accounts (in millions)
2010	26.52
2011	84.16
2012	155.87
2013	250.46
2014	328.6

Source: RBI Annual Report, 2013-2014

Financial Literacy and Credit Counselling Centres (FLCCs)

As on May 10, 2007 (Annual Policy Statement, 2007-2008), the SLBCs (State Level Bankers Committee) convener banks were advised to set up 'Financial Literacy and Credit Counseling Centre' in any one district on the basis of pilot study and then after conducting this pilot study, this course is applied in all districts in Indian states. The primary goal of FLCCs is to provide free financial education and awareness to people of rural and urban areas regarding financial products and services and understanding the benefits of formal financial institutional source of credit. In March 2011, banks have reported the establishment of 225 credit counseling centres in various states if India. On June 2012, Financial Literacy Centres and Scheduled Commercial Banks have been advised to enhance their efforts in financial education for conducting financial literacy camps in each month. In March 2013, 718 Financial Literacy Centres have been set up. Up to March, 2013, nearly 2.2 million people have been educated by conducting various awareness programmes (camps/choupals, lectures and seminars) in order to strengthen the financial inclusion drive through these counseling centres across the country.

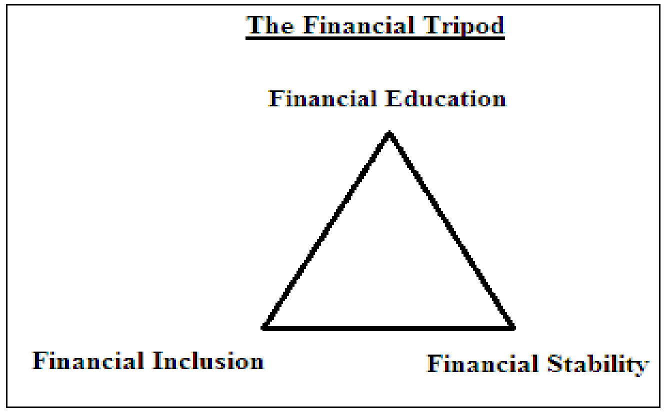
Table 3.8: Activities conducted by FLCCs

Activities undertaken by Financial Literacy Centres	2013	2014
No. of outdoor activities conducted	40,838	56,985
No. of persons participated in outdoor activities	17,33,198	31,78,425
No. of persons participated in indoor activities	4,83,980	6,47,643
Total no. of persons participated in outdoor and indoor activities	22,17,178	38,26,068

Source: RBI Annual Report, 2013-2014

Financial Literacy Program

Financial illiteracy is one of the main reason for financial exclusion because financial illiteracy leads to lack of awareness towards various financial services among people. The Reserve Bank of India has undertaken several measures for improving the financial literacy and credit counseling among the Indian population. The Reserve Bank of India has undertaken a project entitled "Project Financial Literacy" and the fundamental objective of this project is to spread the valuable information regarding the central bank and general banking concepts to various targeted groups, including, school children, college students, women, rural and urban poor peoples, defense personnel and senior citizens. This effort has been proved to be a great initiative in November 2007, RBI has introduced a multilingual site on 'Financial Education' in 13 Indian languages (Assamese, Bengali, English, Hindi, Gujrati, Kannada, Malayalam, Marathi, Oriya, Punjabi, Tamil, Telgu, Urdu) in order to create the awareness about banking services among common people and children. Financial literacy programmes are being launched in each and every state with the greater involvement of the state government and State Level Bankers' Committee (SLBC). Financial education, financial inclusion and financial stability are considered as three main pillars of an integral strategy, as shown in the following figure below.



Source: www.rbi.org.in

Fig 3.2: Three main pillars of an internal strategy

The concept of financial inclusion acts on the behalf of supply side for providing access of various financial services to peoples and on the other hand, financial education relates with the demand side in order to promote the awareness of financial services among Indian population being provided by banking and other institutions so that these two strategies are resulting in the form of enhancing greater financial stability. So in this regard, FSDC (Financial Stability Development Council) has been set up for focusing collective efforts on financial inclusion and financial stability.

Mobile Banking

In October 2008, the Reserve Bank of India issued guidelines regarding mobile banking for extending the banking services to entire population. Because of rapid growth in the network of mobile phones, banks have explored the extensive use of mobile phones as an alternative mechanism of delivering of banking services so as to achieve the goal of financial inclusion. The mobile banking transactions could help the beneficiaries in the form of accessing and utilization their bank accounts regularly. Mobile banking also promotes the users for non- monetary transactions like balance enquiry etc. As per RBI guidelines, banks have significantly provided information based services to customers in the form of balance and transaction enquiry, stop payment instruction of cheques, location of nearest ATM or branch, transfer of funds form one bank account to another etc.

Relaxation and Simplification of KYC Norms

The 'Know Your Customer' norms provide the facility of simplified process of opening of bank accounts on easy terms and conditions with balance not exceeding Rs. 50,000 and total credit in all the accounts not exceeding Rs. 1,00,000 in a year, with a view to financially enhance the low income people lives both in rural and urban areas. Now, small bank accounts can also be opened on the basis of another account holder who have fulfilled and satisfied the conditions of KYC norms as per RBI guidelines. In addition to this, banking institutions have also been allowed to use Aadhar card as a documentary proof i.e. proof of identity and proof of residential address for opening of regular bank accounts. Earlier, only ration card, voter ID, driving license, ID from employer or approved person, etc. were required for this purpose.

Simplified Branch Authorization

To consider the issue of unequal spread of bank branches (since December 2009), domestic Scheduled Commercial Banks (SCBs) have been allowed to freely open branches of banks in Tier II to Tier VI centres having population of less than one lakh under general permission, subject to just reporting. In addition to this, in North- Eastern States and Sikkim, domestic Scheduled Commercial Banks (SCBs) can open branches without taking the prior permission from central bank (Reserve Bank of India). As depicted in the following table, the number of branches of SCBs has been increased from the period 2006 to 2013 in rural, semi-urban, urban and metropolitan areas.

Table 3.9: Branches of Scheduled Commercial Banks

Years	No. of Branches				Total
	Rural	Semi – urban	Urban	Metropolitan	
2004	29674	5040	300	18	35032
2005	29569	5041	303	18	34931
2006	28333	5811	402	31	34577
2007	28203	5834	403	31	34471
2008	28281	5863	402	33	34579
2009	28366	5887	395	33	34681
2010	28552	5915	395	33	34895
2011	28980	5952	387	34	35353
2012	30666	6092	389	35	37182
2013	32609	6186	384	34	39213

Source: Basic statistical returns, RBI from the period of 2004-2013.

Opening Of Branches in Unbanked Rural Areas

To address the financially excluded rural population, one more initiative has taken by RBI in the form of expansion and opening of branches in rural locations with a view to improve the condition of banking system and enhance the financial inclusion drive. All the banking institutions are required (Monetary Policy Statement 2011-12) to allocate at least 25 per-cent of the total number of bank branches to be opened during a year in unbanked rural (Tier V and Tier VI) areas. As depicted in the following table, the number of bank branches has been increased from the period 2010 to 2012 in villages.

Table 3.10: Opening of branches in rural areas

Year	No. of branches (Village with population more than 2000)	No. of branches (Village with population less than 2000)
2010	27,353	26,905
2011	54,246	45,937
2012	82,300	65,234

Source: RBI Annual Report 2011-2012

Electronic Benefit Transfer

In August 2011, Burman committee has been set up by Reserve Bank India for appropriate implementation of Electronic Benefit Transfer Framework by Central Government and State Government and that committee recommended "one district – one bank model" to be used for proper implementation of EBT. On the basis of pilot study, this implementation was done in Haryana, Karnataka, Andhra Pradesh, Himachal Pradesh, Orissa, Chhattisgarh, Uttarakhand, Bihar and Punjab etc. with a view to attain greater coverage of Financial Inclusion Plan. EBT users require opening their accounts in banks for taking the benefits of regular banking transactions. The Reserve Bank of India advised the state government to enhance the facility of transferring government benefits through electronic medium and used the ICT (Information and Communication Technology) based solutions in order to provide doorstep facility of financial transactions in rural and urban areas.

Swabhimaan

The scheme of swabhimaan has been introduced by Smt. Sonia Gandhi (chairperson of UPA) on February 10, 2011. The scheme of Swabhimaan is operated by Indian Banks' Association (IBA) and Ministry of Finance, GOI with a view to provide banking services in rural areas only. This compaign provides banking services in those villages whose population is more than 2000. This scheme facilitates the various financial services in rural areas in the form of opening of bank accounts; need based credit and remittances facilities. The fundamental objective of this compaign is to fulfill credit needs of small and marginal farmers especially. Under this scheme, the banks provides financial services like deposit, withdrawals and remittances facility by using the medium of Business Correspondents (BCs), having objective to increase the outreach of banking services in rural areas. Now, this scheme is very helpful for the large number of migrant workers in urban areas in order to safely transfer their money to their family, friends and relatives lives in far villages.

Technology and Financial Inclusion

Expansion in ATM network is a very good indicator for inclusive growth towards the financial inclusion drive. The basic aim behind increasing the number of ATMs is to provide the cost efficient financial services with the help of entire banking system in all sectors of Indian economy. As depicted in the following table, the number of ATMs has been increased during 2010-2013 in rural, semi-urban, urban and metropolitan areas.

Table 3.11: Number of ATMs according to population group

Population group	No. of ATMs			
	2010	2011	2012	2013
Rural	5,196	7,155	8,639	11,564
Semi-urban	14,478	18,082	22,677	27,710
Urban	19,763	24,062	31,006	36,111
Metropolitan	20,716	25,206	33,364	38,629
Total	60,153	74,505	95,686	1,14,014

Source: Reports on Trends and Progress of Banking in India (RBI).

Micro Finance Institutions (MFIs)

Micro Finance Institutions play an important role in poverty reduction and inclusive growth in India. MFIs act as institutional source of finance for providing financial assistance to rural poor, in order to enable them easy accessibility of credit. According to Microfinance Services Regulation Bill, MFIs have been allowed to provide their financial services to individuals an amount up to Rs. 50,000 for establishing small and tiny enterprise, allied activities and an amount up to Rs. 1, 50,000 for housing purpose. MFIs are primarily based on the concept of Grameen Banks in order to make accessibility of rural credit. The organization of Micro Finance Institutions is explained in table 4.11:

Table 3.12: Organization of MFIs

Type of entities	Non - Profit	Mutual benefit trust	For- Profit
Association	Cooperative Society under Society Registration Act, 1860	Cooperative which can just a savings and credit cooperative or be further licensed as cooperative bank.	Association of persons (AOP)
Trust under Indian Trust Act, 1920	Charitable trust	Mutual benefit trust	Investment trust
Company under Indian Companies Act, 1956	Section 25 company	Mutual benefit trust, section 620 A Nidhi Company	Company which is further either NBFC or a bank

Source: Rangarajan Committee, 2008 RBI has also allowed certain NBFCs to act as NBFCs-MFIs for providing specialized credit in the form of micro loans to rural poor for attaining the objective of financial inclusion.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

The core developmental philosophy of Pradhan Mantri Jan Dhan Yojana scheme is “sab ka sath sab ka vikas”. The scheme of Pradhan Mantri Jan Dhan Yojana has been launched on August 28, 2014 with a view to provide universal access of banking services and to remove the drawbacks of swabhimaan compaign. The main purpose behind this scheme is to ensure access of financial services like availability of opening of basic saving bank accounts, need based credit, mobile banking, insurance, pensions and remittance facilities to financially excluded sections both of urban and rural areas of the Indian economy with the effective and efficient use of technology. The total number of accounts opened under PMJDY is depicted in the following table:

Table 3.13: Accounts Opened under Pradhan Mantri Jan Dhan Yojana

(As on Jan 31, 2015) (Figures in Lacs)

Banks	No. of accounts (in lacs)			No. of accounts with zero balance (in lacs)
	Rural	Urban	Total	
Public sector banks	533	451.47	984.48	655.41
Regional Rural Banks	184.89	32.98	217.87	159.35
Private banks	32.26	20.12	52.38	29.97
Total	750.15	504.57	1254.73	844.73

Source: www.pmjdy.gov.in

Conclusion & Suggestions

The concept of financial inclusion play a prominent role in the functional and geographical coverage of financially excluded in order to access adequately financial services from the organized financial system. But even after introducing the various policies and initiatives by the government and RBI, still there is an imperative requirement of creating efficient, appropriate and technology based credit and financial services delivery system in order to remove the drawback of financial exclusion. So in this regard there is a great need to fulfill the credit requirements of marginal and sub-marginal farmers in the rural areas for sustainable and inclusive growth in India. Along with all the stakeholders (banks and other financial institutions) should also put their collective efforts in improving and enhancing the earnings capacity of the poorer sections of the society in reference to reduction of poverty. The government should implement such a policy for the whole financial sector which considers the role of the stakeholders especially on NGOs with a view to economic development of the country. To achieve the mission of financial inclusion in real sense, the contribution and relevance of co-operative banks are also indispensible as they have good network of their outlets covering almost all strata of the society. Hence, it may be said that co-operative banks should be considered at least as complementary banking institutions to further the banking services mainly to the unbanked people of our population and later on people should be motivated and encouraged to use banking and financial services at regular level, so that, efficiency of Indian human capital can be improved and made competitive at global level. Along with all the stakeholders from supply side of financial inclusion (banks and other financial institutions) should also put their collective efforts in improving and enhancing the earnings capacity of the poorer sections of the society in reference to reduction of poverty. The government should implement such a policy for the whole financial sector which considers technological advancements in financial literacy, capacity building and awareness programmes especially in rural areas and to increase the role of the stakeholders especially on NGOs with a view to economic development of the country.

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