



FINANCIAL INCLUSION: A REVIEW OF CURRENT LITERATURE AND THE FUTURE AHEAD

Sumit Khanna¹ and Dr. Alka Singh²

¹Research Scholar, IMCE, Sri Ramswaroop Memorial University, Lucknow, India.

²Assoc. Prof., IMCE, Sri Ramswaroop Memorial University, Lucknow, India.



ABSTRACT :

There should be no discrimination in providing banking services to the entire population in an economy. However, In India the banking system has not been successful in providing basic banking services to all the segments of the society. The term 'Financial Inclusion' means ensuring basic banking services to all the segments deprived of the banking services at affordable cost. The Government has been working on this since long and has increased its efforts year on year for achieving the task of financial inclusion. Still the levels achieved have not been up to the mark especially in case of the unprivileged and lower segments of the society.

There have been many studies undergone about the various efforts put in for financial inclusion which have tried to find out the causes and effects. This paper is a work of extensive review of the past works done and the studies conducted so that the actual reasons may be accounted and a suitable solution of the problem may be identified.

KEYWORDS : Financial Inclusion, Basic banking services, research on financial inclusion, Indian banking system, Indian economy.

INTRODUCTION

The term 'Financial inclusion' finds its definition from the definition of 'Financial Exclusion'. In India, The Report of the financial inclusion in January 2008 by C Rangarajan states that, financial exclusion may be defined as restricted access to financial services to certain segment of the society. This large section of the population comprises individuals or family falling into low income groups, lacking the access to even the very basic banking services like bank accounts, credit facilities, insurance schemes, financial advisory services and payment services etc.

Though there is no uniformly accepted definition of financial inclusion many have tried to define it in their ways.

Monetary incorporation can be characterized as the way toward guaranteeing opportune access to money related administrations and satisfactory credit required by helpless gatherings at a reasonable expense (Rangarajan Committee, 2008). According to several research reports, for a long time these vulnerable and marginal groups have remained deprived of the basic banking services. *Dr. K. C. Chakrabarty, Deputy Governor, RBI at the National Financial Conclave 2010* mentioned that financial inclusion is no longer a policy choice but is a policy compulsion today.

Planning Commission (2009) committee on financial sector reform mentions that '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.

Report of the Committee on Financial Inclusion in India (Rangarajan, 2008) makes reference to it as a procedure of guaranteeing access to money related administrations and convenient and sufficient credit where required by helpless gatherings, for example, flimsier segments and low-pay bunches at a reasonable expense. Kunt and Klapper (2012) found that only 35 per cent of Indian adults had access to a formal bank account and 8 per cent borrowed formally in the last 12 months. It is identified as a key cause of poverty, together with other issues like illiteracy, lack of access to social benefits and productive assets, so also inadequate healthcare. Also, they estimated that 460 million adults had no formal savings account and 650 million adults (with overlap) did not have any formal source of borrowing.

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. In September 2013, the RBI recharged its money related incorporation command with the development of the Mor Committee on Comprehensive Financial Services for Small Businesses and Low Income Households, whose goal was to give a reasonable vision to monetary consideration. The proposals of the council included arrangement of ledgers to all residents, setting up state account administrative commissions and formation of another element in the money related framework - installment banks (Shamika Ravi and Shruti Gakhar, Brookings India Impact Series, Jan'15).

OBJECTIVES AND METHODOLOGY

In recent times the Govt. of India has initiated many steps to expand the financial services to the marginal sections of the society. Also, there has been a constant effort to promote the awareness about these services and financial literacy amongst the masses. The objective of this paper is to study the current potential, scrutinize the efforts done, find out the root causes of the past failures and identify the loop holes in the present levels of penetration. The authors after the secondary research and a review of the literature available on financial inclusion have described the focus, objectives and finding of some major research works related to India. All these reaches are presented sequentially

LITERATURE REVIEW OF RESEARCH

S.No.	Name of Author (s)	Title of Paper/ Book/Reference	Edition	Findings
1.	T. Vasudha, Padmaraja Usha M, Upender Vennam and Sharda Sampath	The Department of Posts in Financial Inclusion of the Unorganized Sector: A Case Study of SSP Disbursements in Visakhapatnam	IIM Kozhikode Society & Management Review, 6 (2), 2016	Given that no single channel in particular can claim to be perfectly ready for crucial partnerships for financial inclusion activities, GoI is in the process of identifying the most reliable channel or a mix of channels. The disbursement channel should be able to have reach, trust and understanding of the customers (who happen to be at the bottom of the pyramid) along with technological readiness. The experience across the world shows that a large postal network can be an effective channel for disbursement.
2.	K.S. Ranjani and Varadraj Bapat	Deepening Financial Inclusion Beyond Account	Business Perspectives and Research,	Although the banks have succeeded in reaching several people at the lower economic

		Opening: Road Ahead for Banks	3(1), K.J. Somaiya Institute of Management Studies and Research. SAGE Publications, 2015	strata still their credit needs have not satisfied due to borrower's reluctance, fear of rejection, perception about bank's rigidity, stringent documentation. On one hand borrowers are limited by their inability to approach banks & on the other hand, they do not have reliable alternate sources of credit. This creates a clear need gap and borrowers look for institutions that offer them convenience & flexibility. Hence, more efforts are required to increase the usage of the accounts. Banks seem out of their league for several poor people and the products are relatively complex.
3.	Shamika Ravi and Shrutika Gakhar	Advancing Financial Inclusion in India beyond the Jan Dhan Yojna	Brookings India Impact Series, Jan'15	The measures of GOI & RBI emphasize the provision of bank accounts, which is an essential factor, but only a limited one towards achieving financial inclusion in India. Indigenous financial institutions must find a place within the financial inclusion policies of the government. Raising awareness and imparting financial literacy are also critical to the utilization of financial instruments and for better financial decision-making. Technology must be leveraged to bring down the operating costs of these financial instruments which are more expensive in comparison to larger ticket instruments of the mainstream financial sector.
4.	Vandana Dangi	Financial Inclusion: A Saga of Indian Financial System	Asia-Pacific Journal of Management Research and Innovation, 8(2), Sage Publications	The financial system in India has grown rapidly in the last three decades. However, India ranks low when compared with the OECD (The Organisation for Economic Co-operation and Development) countries and select Asian peer group in respect of financial penetration. There is an imperative need to modify the credit and financial services delivery system to achieve greater inclusion. India is struggling to

				entirely eradicate financial exclusion by adapting principles of financial inclusion through larger number of banks, competition and good governance. With regard to financial inclusion, there is a need for collaborative efforts from all stakeholders to leverage technology to bring more people into the banking fold. Financial and economic stability with inclusive growth is not possible without achieving financial inclusion.
5.	Charan Singh, Akanksha Mittal, Akshay Goenka, Cirigani Rahul Pramod Goud, Karthik Ram, Rathi Vaibhav Suresh, Ravi Chandrakar, Ritesh Garg and Ujjaival Kumar	Financial Inclusion in India: Select Issues	IIMB Working Paper 474, Nov'14	India is still lagging behind in the process of providing financial services to the masses with nearly half the households remaining unbanked, and nearly 90% villages not having bank branches. The success of govt. persistent efforts has been rather slow, due to lack of a strong network, lack of awareness, financial literacy and financial instruments not suited to rural residents.
6.	Sonu Garg and Dr.Parul Agarwal	Financial Inclusion in India - a Review of Initiatives and Achievements	IOSR Journal of Business and Management, Volume 16, Issue 6. Ver.1, Jun '14	The efforts of all the stake holders' viz. regulators, govt., FIs and others are not yielding the kind of result expected. They have to create a suitable regulatory environment that would keep the interest of all the stakeholders. A structured expansion and appropriate regulatory norms addressing the bank's concern and inclusion of NBFCs, MFI and SHG in the last mile connectivity of people to financial services could resolve the people's concern. Innovative products, out of the box service models, effective regulatory norms and leveraging technology together are needed.
7.	Dr. A Tamilarasu	Role of banking Sectors on Financial Inclusion Development in India- An analysis	GIIRJ, GALAXY International Interdisciplinary Research Journal, Vol.2 (2), Feb'14	The aggregate of deposits & credits granted have increased. Financial Inclusion has not yielded the desired results and there is long road ahead but no doubt it is playing a significant role and is working on the positive

				side.
8.	Anand S. Kodan (Kablana) and Kuldip S. Chhikara	A Theoretical and Quantitative Analysis of Financial Inclusion and Economic Growth	Management and Labour Studies, SAGE Publications, 38 (1 & 2) 2013	The study observed that there are voluntary & non voluntary dimensions of financial inclusion. All the ratios of financial inclusion are inversely linked to the poverty. The status of India in context of financial inclusion is very low on selected parameters. Also only three states (Chandigarh, Delhi and Goa) have a high financial inclusion position while the rest 90% belong to weak status.
9.	Dr. Anupama Sharma and Dr. Sumita Kukreja	An Analytical Study: Relevance of Financial Inclusion For Developing Nations	International Journal Of Engineering And Science, Vol.2, Issue 6 (Mar'13)	Mere opening of no-frill bank accounts is not the purpose of financial inclusion. Formal financial institutions must gain the trust and goodwill of the poor through developing strong linkages with community-based financial ventures and cooperative. Financial Inclusion has not yielded the desired results.
10.	Radhika Dixit and Munmun Ghosh	Financial Inclusion for Inclusive Growth of India- A Study of Indian States.	International Journal of Business Management & Research, Vol. 3, Issue 1, Mar '13	Financial inclusion is one of the most crucial opportunities which need to be equitably distributed in the country in order to attain comprehensive growth. the efforts taken are not good enough to encounter the staggering issue of financial exclusion. It calls for coordination of all the stakeholders like sectoral regulators, banks, govt., civil societies, NGOs, etc. to achieve the objective of financial inclusion.
11.	Paramasivan Chelliah and V Ganeshkumar	Overview of Financial Inclusion in India	International Journal of Management & Development Studies, Vol. 2, Issue 3, Mar'13	Literacy is a prerequisite for creating investment awareness, hence a key tool for financial inclusion. However, it alone cannot guarantee high level financial inclusion.
12.	Lakshmi Kumar, G. Balasubramanian and Ramesh Subramanian	Technology, Financial Inclusion & Security Markets	NSE (National Stock Exchange)-IFMR (Institute for Financial Management and Research), Chennai,	Tier 2 MFIs have the highest level of technology which they are using for efficiency or scalability to bring about financial inclusion. The Tier 3 institutions are also using some level of technology but still feel confused about upgrading technology and are unaware

			Financial Inclusion 'Research Initiative', Working Paper	about the availability of Tier 2 capital that can be used for technology upgradation. To get Tier 4 MFIs to think about technology seems a daunting task, as they find it unviable and do not see its immediate benefits. The legal structure as well as their diverse spread is a major concern for ensuring financial inclusion.
13.	S.C. Kalia	Financial Inclusion The Road Ahead	Presidential Address at the Second Great Lakes-Union Bank Conference on Financial Inclusion, 12 Aug '11	Meaningful financial inclusion requires concerted efforts from banks and other stakeholders. The goal of inclusive growth would remain incomplete unless awareness about the usage and benefits of financial services is created. There is a <i>knowledge gap</i> in financial education and literacy. The use of technology can also be an enabler in promoting financial literacy and awareness. However, the approach needs to be tailored according to the specific areas.
14.	Frost & Sullivan, NCR Corporation	An NCR Whitepaper on Financial Inclusion landscape in India	NCR Corporation (NYSE: NCR), 2009	Together, policy makers, financial institutions and technology providers can establish a collaborative business model to profitably address the social, moral and economic imperative to bring financial and information services to the masses.
15.	Mandira Sharma	Index of Financial Inclusion	Indian Council for Research on International Economic Relations, Working Paper 215, Jun'08	The paper proposes an Index of Financial Inclusion (IFI) – a multidimensional measure developed in line with well known development indexes such as HDI, HPI, GDI etc as a large number of economies, including several industrial economies have low levels of financial inclusion. This will be beneficial for all the economies as well as researchers for monitoring the progress of financial inclusion over a period of time.

CONCLUSION

It is certainly undoubtful to state that several researchers have successfully conducted their research and contributed through their findings in the area of financial inclusion. They have tried to identify the causes of financial exclusion and suggested ways to improve this. Many of them have also

tried to demonstrate the importance of financial inclusion in the development of an economy especially in case of a diversified country like India. This also shows that being financially included in the economy is a right of every citizen and the Government as well as regulators needs to carry out sufficient steps in achieving this task. It even establishes the fact that digitalizing the economy and improving financial literacy can help tremendously in financial inclusion.

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