REVIEW OF RESEARCH
ISSN: 2249-894X
IMPACT FACTOR : 5.7631(UIF)
VOLUME - 13 | ISSUE - 8 | MAY - 2024

FINANCIAL INCLUSION INITIATIVES IN INDIA: A THEORETICAL FRAMEWORK

Meenakshi
Research Scholar, Department of Sociology,
Kurukshetra University, Kurukshetra, Haryana (India).

ABSTRACT :

Indian economy has faced various problems like poverty, unemployment, inequality, financial exclusion etc. To this end, sustainable and inclusive growth requires a strong formal financial system. Through financial inclusion we can achieve equitable and inclusive growth in the Indian economy. Financial inclusion refers to providing timely and appropriate financial services at affordable prices to low-income groups and vulnerable sections, such as those who do not have access to basic banking services. In the present research, the researcher has explored the theoretical framework of financial inclusion and its needs for socio-economic development. This study focuses on various initiatives taken by the Government of India and RBI to achieve the ultimate goal of financial inclusion for inclusive growth in India.

KEY WORDS: *Financial Exclusion, Financial Inclusion, Inclusive Growth.*

INTRODUCTION

After independence, the Indian financial system has witnessed huge growth due to the nationalization of the Reserve Bank of India, enactment of the Banking Regulation Act, nationalization of commercial banks and the adoption and supported regulatory framework and new economic policy of information technology. The Government of India and the RBI are very concerned about the development of the financial services sector and improvements in product and services that enable the poor to benefit from technology innovations, including those aimed at inclusiveness and economic growth in the long run. The banking sector or industry is one of the important components of the financial services sector in India. The banking industry has shown tremendous growth during the last few decades. Despite significant improvements in all areas related to financial viability, profitability and competitiveness, there is concern that the bank may not be able to include a large section of the population, especially the underprivileged section of the society, in the fold of basic banking services have found. Financial inclusion is the availability of banking services at an affordable cost to disadvantaged and low-income groups. In India, the basic concept of financial inclusion is to have a savings or current account in any bank. It is the delivery of credit and other financial services such as savings, credit, insurance and payment and remittance facilities. Financial inclusion "is the process of ensuring access to timely and adequate financial services to vulnerable sections and low-income people. In short, financial inclusion means "access to savings, credit/credit and remittances for the entire population or country" (Rangarajan, 2008). In a more broad way, it can be said that financial inclusion means inclusion of the excluded population and delivery of banking services and credit at an affordable cost to vast sections of lower income groups. This includes access to financial products and services by the common man such as savings and checking facilities, financial advice, debit and credit card access, overdraft facilities, micro credit during emergencies, insurance including medical insurance, all types of commercial loans and electronic funds transfer etc.

HISTORICAL BACKGROUND

Financial involvement from various countries such as the U.S. (1997), Germany (1996) and the UK. (2005). With this background it clearly appears that formal financial participation is a modern crop of modern banking and non-banking institutions. 'Every Man Current Banking in Germany', Financial Inclusion through Task Force in the United Kingdom, U.S. Community Reinvestment (through the 1977 Act) programme, a UK-initiated Taskforce for Financial Partnerships, launched a low-cost banking operation under the polis of 'Mzansi' in South Africa in 2004. Financially excluded people were given the opportunity to come into the stream of formal financial services. As far as the greater background of financial calculations in India is concerned, one has to go into the short history of the financial institutions once established for various financial services in the formal organized sector such as nationalization of RBI (1949), State Bank of India (1955). , Nationalization of Commercial Banks (1969 and 1980), Pioneer Banking Schemes (1970), Regional Rural Banks (1975), Establishment of NABARD (1982), SHG Bank Linkage Program and Kisan Credit Card Scheme (2001) etc. In 2004, the Khan Commission was appointed by the Reserve Bank of India and the recommendations of this Commission were considered in the mid-term review of 2005-06 to reach financial inclusion. In India, financial inclusion appeared in 2005 with greater dedication of banks to rural services. In 2005, Indian Bank Chairman Shri K.C. Chakraborty launched the 'All Domestic Banking Facilities' scheme in Mangalam village. Additionally, another committee on financial inclusion was constituted by the Government of India in 2006 under the chairmanship of C. Rangarajan. The committee submitted its report on January 4, 2008 and recommended a strategy for financial inclusion and easier delivery of micro finance to the poor and low income group of society in urban and rural areas as well as greater coverage of small loans. After that a comprehensive financial inclusion scheme 'Pradhan Mantri Jan Dhan Yojana' was announced by our honorable Prime Minister Narendra Modi in his first Independence Day speech on 15th August, 2014. But the scheme was formally operationalized on August 28, 2014. The Committee on the Medium Term Pathway for Financial Inclusion (Chairman: Shri Deepak Mohanty, RBI, 2015) has set out a vision for financial inclusion, which is "Convenient access to a basket of basic formal financial products and services including savings, remittances, credit, government-backed insurance and pension products to small and marginal farmers and low-income households through social cash transfers with adequate security at reasonable costs." “To provide the service in addition to increasing the access of small and marginal enterprises to formal finance with greater reliance on technology to progressively supplement, cut costs and improve service delivery”.

NEED FOR FINANCIAL INCLUSION IN INDIA

The Government of India and the Reserve Bank of India have given great importance to increasing the coverage of financial inclusion. Some of the requirements of financial inclusion in the Indian economy are given below:

1. Covering all unbanked population and providing formal financial services to the entire population.
2. To increase the contribution of banks in the national GDP of the country.
3. To provide credit support to the agriculture sector which is the backbone of the Indian economy.
4. To end coverage of informal financial sector like moneylenders
5. To provide financial literacy to the underprivileged and poor/low income group people.
6. To provide employment opportunities to the poor or low income group population.
7. To develop strategies and programs for development of banking and credit infrastructure in unbanked and rural areas.

Various initiatives taken by the Government of India for financial inclusion

1. **No Frills Account**: This scheme was launched by RBI in **2005-2006** for the underprivileged with zero or low bank balance and charges. Under the above scheme, account opening with zero deposit was allowed and the maximum facility amount was Rs.**10,000** and there were no ATM charges.
2. **KYC**: It was introduced by RBI in **2005** to reduce the procedural difficulties involved in opening a bank account. Under this scheme, banks are allowed to take any evidence to identify the address of customers to their satisfaction.
3. **BF and BC Model**: The main objective of this scheme introduced by the Ministry of Finance and RBI to improve the accessibility of banking sectors in the Indian economy is to provide financial assistance to various intermediaries like NGOs, SHGs, MFIs, post offices, insurance agents and village knowledge centers etc. And to provide banking and financial services to the public through this medium, as on **31** March **2018**, Outlets (BCs) were opened in **5,15,317** villages and other channels in **3425** villages.
4. **Kisan Credit Card Scheme**: It was introduced by RBI in **2001**. This scheme provides short-term loan facility to farmers at low interest rates based on their land. A total of **46** million KCCs were issued to farmers by the government.
5. **General Credit Card Scheme**: The objective of this scheme is to provide hassle free credit facility up to Rs. **25,000** to poor and low income people by rural and urban bank branches without any security based on their cash flow assessment. Under this scheme, the government has distributed **12** lakh GCC and an amount of Rs. **1498** billion to the needy class till March **31**, **2018**.
6. **Branch Expansion**: According to this scheme, banks are mandated by RBI to open at least **25** percent of the total new branches opened during a year in unbanked and rural areas. As of March **31**, **2018**, a total of **5,69,547** bank branches were opened by various banks in villages in India.
7. **Branch Authorisation**: Under the scheme, in the North-Eastern States and Sikkim, scheduled commercial banks are authorized to open branches in rural, semi-urban and urban areas with population less than **50,000**.
8. **Banking services in every unbanked village with population more than 2000**: Banks have prepared a blue print to provide banking services in every unbanked village with population more than **2000** by March, **2012**. There are **1,00,802** branches in this region.
9. **Use of IT**: Financial inclusion basically focuses on the use of information technology to spread access to banking facilities and services. The Government of India and RBI have issued guidelines and norms for the use of IT in the banking sector for offering services like ATM, mobile banking, internet banking, smart cards, digital payment platforms and UPI services.
10. **Financial Literacy Programme**: To enhance financial inclusion, RBI launched a 'Financial Literacy Programme' with the intention of disseminating information about common banking concepts to target groups including school and college going students, women, rural and urban poor.
11. **Pradhan Mantri Jan Dhan Yojana**: Hon'ble Prime Minister, Narendra Modi, in his maiden Independence Day speech on August **15**, **2014** announced a comprehensive financial inclusion scheme named 'Pradhan Mantri Jan Dhan Yojana'. But, the scheme was formally operationalized on August **28**, **2014**. The scheme seeks to provide financial independence to unbanked Indians through a two-phase plan. The first phase focuses on providing every individual a free zero balance bank account and RuPay debit card that allows electronic payments across all Indian banks with the aim of increasing financial literacy among the poor. On the first day, one crore accounts were opened in about **80,000** government camps. Under this scheme, account holders will get Rs.**100000**. Accident insurance and overdraft benefit of Rs.**5,000** after six months is also provided. The second phase of the scheme began on August **15**, **2015**, focusing on providing micro finance and pension schemes for people in the unorganized sectors. Under this scheme, **34.01** crore accounts have been opened with deposits of ₹**89,257** crore in a short period of five years till **30** January **2019**.

12. **Pradhan Mantri Jeevan Jyoti Bima Yojana**: This scheme is a government-backed life insurance that was mentioned in the **2015** budget speech by Finance Minister Arun Jaitley in February **2015**. But, it was formally launched by Prime Minister Narendra Modi on May **9, 2015**.
13. **Pradhan Mantri Suraksha Bima Yojana**: This scheme provides a renewable one-year accidental death-cum-disability cover of Rs **2** lakh for partial/permanent disability to all those who have a savings bank account in the age group of **18-70** years. Is. Under this scheme, a total of **13.516** crores were enrolled and claims totaling Rs **16800** crores were disbursed till May **1, 2018**.
14. **Atal Pension Yojana**: This scheme is a social security scheme launched by the government. It focuses on the unorganized sector and offers customers Rs 1000. 2000, Rs. 3,000, Rs. Rs 4,000 5,000 per month, starting from the age of 60 years, provides a fixed minimum pension.
15. **India Post Payments Bank**: Another step to deepen financial inclusion in the country is the launch of India Post Payments Bank (IPPB) in September **2018**. IPPB is also taking advantage of the vast network of the Department of Posts with **1.55** lakh post offices. More than 3 lakh postmen and Gramin Dak Sevakas have been selected for this scheme to take forward the initiative of financial inclusion in the country.

CONCLUSION

Financial inclusion is the delivery of banking and financial services at affordable prices to low income groups and disadvantaged sections of the population through the formal financial sector. Basically, financial inclusion is the engine to achieve the goal of inclusive growth in the Indian economy. It has a multiplier effect in boosting overall economic output, eliminating poverty and income inequality. An inclusive financial system involves stability, integrity and equitable development. For these purposes, the Government of India and the RBI have launched various major schemes to enhance financial inclusion since independence to reduce the problem of financial exclusion, poverty and equality. After studying various financial inclusion initiatives or schemes, the present study has found that financial inclusion schemes offered by the Government of India, RBI and other financial institutions are more helpful in increasing the coverage of financial inclusion in the Indian economy. In the Indian economy, sustainable and socio-economic growth for all can be achieved by financial inclusion. The present study also found that Pradhan Mantri Jan Dhan Yojana proved to be a milestone in achieving the goals of financial inclusion in India.

REFERENCES:

1. Alam Iqbal, Badar (2012), "Financial Inclusion through Micro-Finance", The Management Accountant, Vol. 47, No. 1, pp. 41-44.
2. Arora, Sangeeta and Meenu (2010), "Microfinance Intervention-An Insight into Related Literature with Special Reference to India", American Journal of Social and management Sciences, Vol. 1, No. 1, pp. 44-54.
3. Arya, P.K; Mishra, Himanshu, and Upadhyay, Aakash (2015), "Prospects and Problems of Financial Inclusion in India", IJRCM, vol. 5, Issue- 2, pp. 83-88.
4. Bagli, Supravat and Dutta, Papita (2012), "A Study of Financial Inclusion in India", RIJEB, Vol. 1, Issue No. 8, pp. 1-18.
5. Bagli, Supravat and Dutta, Papita (2013), "Financial Inclusion of Rural Women: A Study on Self-Help-Groups in Bandura District, West Bengal", Economic Affair, Vol. 58, Issue 1, pp. 11-19.
6. Bakshi, Prakash (2012), "Financial Inclusion- BC/BF Model- What is New", The Journal of Indian Institute of Banking and Finance, April-June, Vol. 83, No. 2, pp. 5-11.
7. Chakarvarty, K.C. (2009), "Banking: Key Driver for Inclusive Growth", RBI Monthly Bulltin, September.
8. Chakrabarty, K.C. (2012), "Financial Literacy and Consumer Protection – Necessary Foundation for Financial Inclusion", RBI Monthly Bulletin, May, pp. 919-923.
9. Joshi, Deepali Pant, (2011), "Financial Inclusion, Financial Deepening and Economic Growth", Yojana, June, Vol. 55, pp – 13-17.

10. Kamath, Rajalaxmi (2007), "Financial Inclusion vis–a–vis Social Banking", Economic and Political Weekly, April 14, Vol. 42, No. 15, pp. 1334-1335.
11. Mathew, PM (2008), "MF and Financial Inclusion", Yojana, January, Vol. 52, pp. 17-20.
12. Mehrotra, Nirupam (2009), "Financial Inclusion: An Overview", Occasional Paper, NABARD.
13. Rangarajan, C. (2008), "Report of the Committee on Financial Inclusion", Government of India, Report on Currency and Finance.
14. www.rbi.org.in
15. www.cmie.com
16. www.doe.gov.in