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"FINANCIAL INCLUSION AND STRATEGIES TO REACH INCLUSIVE FINANCIAL GROWTH IN INDIA"

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Abstract : Service Industry plays a vital role in the progress of economy especially in the developing countries like India. In India too, service sector's contribution to the GDP is really commendable. Amongst all services sector, banking industry becomes important in the present days scenario for the development of commercial activities. In banking sector too, the services offered by them to the society are not yet completely reached to all sections of the society. To reach all the sections of the society including the vulnerable group which is excluded from the financial services can be covered through technology which makes the bankers to deliver their service easily. The dream to access financial services to the disadvantaged and marginalized people becomes true with the help of technology. This is an attempt to study about the financial inclusion status and the adoption of strategies to reach inclusive financial growth in India.

Keywords : Financial Inclusion, Technology, Financial Services, Strategies, Vulnerable people.

INTRODUCTION

Indian banking industry shows tremendous progress in delivering its services to the entire communities in the society. To make the inclusive society, it is necessary to accommodate all the groups of the people to be provided financial services with affordable cost. It is possible only through the new technology which can bring down the cost to deliver the services to all the sections of the society. RBI has relaxed various norms to open an account with the bank by an individual to be a part of the formal financial main stream. Use of various technical devices becomes more important to deliver financial services to unreached people.

PROBLEM OF THE STUDY:

In 21st Century, tremendous changes have been taking place in banking industry to deliver financial services to their customers. Financial Inclusion becomes buzzer word in the present context worldwide. To reach financial inclusion, it is mandatory to adopt new technology to deliver all banking services to entire society. Hence, this paper would mainly focus on how technology become important to the bankers to reach financial inclusion and the various strategies adopted to implement the same.

Considering the importance of technology in improving the delivery of financial services to the all the groups of people in the society, the study was planned with the following objectives.

- To study the status of banking services availed by society at large.
- To know the role of technology adoption by banks in the form of ATMs.
- To understand the various Financial Inclusion strategies existing in India.

METHODOLOGY:

The study is based on secondary data. The data are collected from various sources like annual reports of reserve bank, bulletin, books, journals and various internet websites.

LIMITATION:

The study is restricted to secondary data only. The study deals with technology adaption in delivering banking services and the strategies to achieve inclusive financial growth.

OBSERVATIONS:

Access to safe, easy and affordable credit and other financial services by the poor and vulnerable groups, disadvantaged areas and lagging sectors is recognized as a pre-condition for accelerating growth and reducing income disparities and poverty. Access to a well-functioning financial system, by creating equal opportunities, enables economically and socially excluded people to integrate better into the economy and actively contribute to development and protects themselves against economic shocks.

ROADMAP FOR BANKING SERVICES IN UNBANKED VILLAGES:

♦ In the first phase, banks were advised to draw up a roadmap for providing banking services in every village having a population of over 2,000 by March 2010. Banks have successfully met this target and have covered 74398 unbanked villages.
In the second phase, Roadmap has been prepared for covering remaining unbanked villages i.e. with population less than 2000 in a time bound manner. About 4,90,000 unbanked villages with less than 2000 population across the country have been identified and allotted to various banks. The idea behind allocating villages to banks was to ensure availability of at least one banking outlet in each village.

Table No.1 Position of Households Availing Banking Services:

	As per Census 2001			As per Census 2011		
Households	Total number of households	No. of households availing banking services	Percent	No.of households availing banking services	Number	Percent
Rural	138,271,559	41,639,949	30.1	167,826,730	91,369,805	54.4
Urban	53,692,376	26,590,693	49.5	78,865,937	53,444,983	67.8
Total	**191,963,935**	**68,230,642**	**35.5**	**246,692,667**	**144,814,788**	**58.7**

Source: http://financialservices.gov.in/banking/Overviewofefforts.pdf

As per the table no1, the accessing banking services in rural and urban has been increased from 30.1 percent, to 54.4 percent and 49.5 percent to 67.8 percent respectively in the years 2001 and 2011. It is observed from the chart that rural as well as urban people are participating in the financial services with the banking industry with increasing trend over the years.

CRISIL FINANCIAL INCLUSION INDEX (INCLUSIX):

In June 2013, CRISIL first time published a comprehensive financial inclusion index (viz.,Inclusix). For constructing the index, CRISIL identified three critical parameters of basic banking services namely branch penetration, deposit penetration and credit penetration. The CRISIL Inclusix indicates that there is an overall improvement in the financial inclusion in India.
CRISIL –Inclusix (on a scale of 100) increased from 35.4in March 2009 to 37.6 in March 2010 and to 40.1 in March 2011. The all-India CRISIL Inclusix score of 40.1 (on a scale of 100) is relatively low. It is a reflection of under-penetration of formal banking facilities in most parts of the country. The bottom 50 scoring districts have just 2 per cent of the country's bank branches.Deposit penetration (DP) is the key driver of financial inclusion in India. The number of savings bank accounts, at 624 million, is close to four times the number of loan accounts at 160 million.

PRADHAN MANTRI JAN - DHAN YOJANA:

The essence of financial inclusion is to ensure delivery of financial services which include - bank accounts for savings and transactional purposes, low cost credit for productive, personal and other purposes, financial advisory services, insurance facilities (life and non-life) etc.

Table No.2 Pradhan Mantri Jan - Dhan Yojana (Accounts Opened As on 31.01.2015):

S. No	Banking Sector	No of Accounts (In Lacs)			No of Rupay Debit Cards (In Lacs)	Balance In Accounts (In Lacs)	No of Accounts With Zero Balance (In Lacs)
		Rural	Urban	Total			
1	Public Sector Banks	533	451.47	984.48	912.32	817463.04	655.41
2	Regional Rural Banks	184.89	32.98	217.87	149.68	159948.08	159.35
3	Private Banks	32.26	20.12	52.38	45.93	72551.5	29.97
	Total	750.15	504.57	1254.73	1107.93	1049962.62	844.73

Source: http://www.pmjdy.gov.in/account-statistics-country.aspx

Table no.2 expresses the quantum accounts have been opened by all the banking industry with the account holders balances. The scheme has achieved the Guinness Record to achieve the maximum no of bank account holders in the world level. The features of the scheme are;

1.Your bank account of PMDJY will be open in 3 minutes only.
2.There is Rs.5000 loan or overdraft facility.
3.You can recharge mobile phone and railway ticket bookings.
4.The Welcome Card received under PMDJY is a Ru Pay Debit Card.
5.Insurance up to Rs.30, 000.

FINANCIAL INCLUSION AT WORLD LEVEL:

As per the Digital Financial Inclusion in India, The 2014 Intermedia Financial Inclusion Insight (FII) Survey of 45,000 Indian adults found that 0.3% of adults use mobile money, compared to 76% in Kenya, 48% in Tanzania, 43% in Uganda, and 22% in Bangladesh.

ADOPTION OF TECHNOLOGY IN THE FORM OF ATM BY THE BANKING INDUSTRY:

Automated Teller Machine (ATM) is a latest device which gives fast and speedy services to the bank customers across the sphere. Due to the invention of ATM, banking industry is saving maximum time in spite of accepting and withdrawal of cash over the counter. According to the consulting giant Boston Consulting Group's (BCG) report "The Next Billion Consumers" (Sinha & Subramanian,2007) the emergence of more and more profitable business models would lead to a reduction in the cost of manpower, usage of technology for distribution and collaboration across industry models.

Table No.3 Number of ATMs in the country as on 31st March, 2013

Banking Sector	Rural	Semi-Urban	Urban	Metropolitan	Total
Public Sector Banks	8552	18445	22518	20137	**69652**
Old Private Sector Banks	768	2760	2354	1684	**7566**
New Private Sector Banks	2214	6484	10995	15842	**35535**
Foreign Banks	30	21	244	966	**1261**
Total	11564	27710	36111	38629	114014

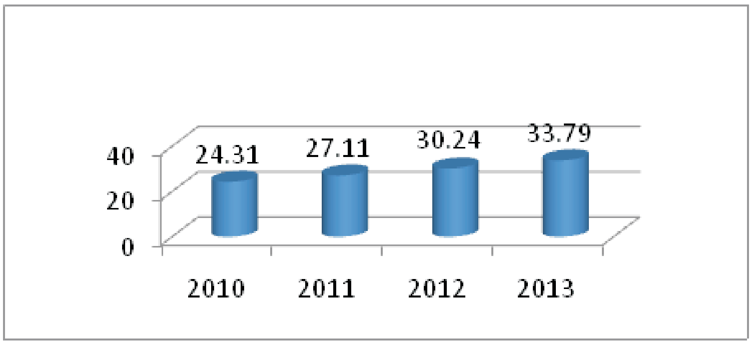
Source: http://financialservices.gov.in/banking/Overviewofefforts.pdf

Table no.3 illustrates that the number of ATMs in the country has increased to 1,14,014 as on 31st March,2013. It is to be noted that public sector banks are very much interested in setting up ATMs as compared to private sector banks. When compared to old and new private banks, new private banks have shown much interest to open as many as ATMs across the nation. Over years, the utilization of financial services has also increased. But the services were denied and not available to urban and rural poor people in India because they were not bankable.

KISAN CREDIT CARDS (KCCS):

Kisan Credit Cards (KCCs) Scheme introduced in 1998-99 as a credit product to allow hassle free revolving credit to farmers by banks in rural and semi-urban areas. Banks have been advised to issue KCCs to small farmers for meeting their credit requirements. Up to March 2013, the total number of KCCs issued to farmers remained at 33.79 million with a total outstanding credit of Rs.2622.98 billion.

Status of Kissan Credit Cards (March 31st)



Source: http://www.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=862

FINANCIAL INCLUSION STRATEGIES:

In order to achieve financial inclusion, government has introduced many schemes to all the sections of the society. They are as follows:

Direct Benefit Transfer (DBT) - The objective of DBT Scheme is to ensure that money under various developmental schemes reaches beneficiaries directly and without any delay. The scheme has been launched in the country from January, 2013 and has been rolled out in a phased manner, starting with 26 welfare schemes, in 43 districts. The scheme is now being extended to additional 78 districts and additional 3 schemes from 1st July, 2013 and would be extended to the entire country in a phased manner.

USSD Based Mobile Banking : USSD based Mobile Banking offers basic Banking facilities like Money Transfer, Bill Payments, Balance Enquiries, Merchant payments etc. on a simple GSM based Mobile phone, without the need to download application on a Phone as required at present in the IMPS based Mobile Banking.

Setting up of Ultra Small Branches (USBs): Considering the need for close supervision and mentoring of the Business Correspondent Agents (BCAs) by the respective banks and to ensure that a range of banking services are available to the residents of such villages, Ultra Small Branches (USBs) are being set up in all villages covered through BCAs under Financial Inclusion.

Swabhimaan Campaign: Under "Swabhimaan" - the Financial Inclusion Campaign launched in February 2011, Banks had provided banking facilities by March, 2012 to over 74,000 habitations having population in excess of 2000 using various models and technologies including branchless banking through Business Correspondents Agents (BCAs).

Business Correspondent Model: With the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, banks were permitted by RBI in 2006 to use the services of intermediaries in providing financial and banking services through the use of Business Facilitators (BFs) and Business Correspondents (Bcs).

Bank – SHG Linkage Model: This is one of the most popular and successful model being incorporated and followed by all public and private sector banks now-a-days. The banks may perform the role of formation of SHGs in the case of the direct linkage model. The banks are also responsible for granting credit to the SHG in a quantum proportional to their savings.

Bank – MFI linkage Model: MFIs are to be seen as the last mile—the connecting link to the rest of the financial sector. They've developed technology that banks do not have. If banks get into the business of organizing groups and all, they won't be able to do it effectively.

MF-NBFC Model: MF-NBFC is new category of Non banking Finance Company in providing microfinance services to the rural, semi-urban and urban poor. MF-NBFC should be defined as a company that provides thrift, credit, micro-insurance, remittances and other financial services up to a specified amount to the poor in rural, urban and semi-urban areas. MF-NBFCs are expected to be larger, with a stronger capital base and more highly regulated than NGOs.

Bank - Post office Model: Apart from savings deposit, money transfer, parcel sending, etc. Post offices are also engaged in new services like granting retail credits or selling insurance products either directly or on behalf of commercial banks. Further financial services can also be offered with public-private partnerships with distribution taken care of post offices.

Challenges Ahead: Even after taking all kinds of measures to increase the financial literacy, still there is a vast section of people are excluded from the main financial stream. This could be possible to achieve by overcoming the following shortcomings:

♦ Literacy awareness programs to be conducted for banking services
♦ Reaching the unreached people is the challenging task to RBI & government.
♦ North-East area to be covered with the help of satellite oriented new technology.
♦ All intermediaries (BC, MF, SHG, NGO, etc.) need to be given time bound task.
♦ Assign responsibility to all Lead Bankers.

CONCLUSION:

The financial inclusion process has been highly activated through central government programs. All banking sectors have been highly devoted to achieve FI by adopting new technology for delivering financial services. Number of FI strategies too initiated by the various bodies to achieve the goals. The role of RBI under the guidance of central government is commendable for taking drastic steps to achieve the inclusive growth.

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