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Financial Inclusion: Issues and Prospects

PROF. N.S RAO*, MRS. HARSHITA BHATNAGAR**

Strong and robust financial institutions are the pillars of economic growth, development and prosperity of modern economies. Financial Inclusion is emerging as a global hot topic. The importance of an inclusive financial system is widely recognized not only in India, but has become a policy priority in many countries. Financial access can truly lift the financial condition and standards of life of the poor and the disadvantaged. Only 55 per cent of the population have deposit account and 9 per cent have credit accounts with banks. Only 18 per cent had debit cards and less than 2 per cent had credit cards. So, RBI has been continuously encouraging the banking sector to expand the banking network both through setting up of new branches and also through BC model by leveraging upon the information and communication technology (ICT). This article investigates the importance as well as current scenario of the financial inclusion on the basis of facts and data provided by various secondary sources. It is concluded that financial inclusion shows positive and beneficial changes because of intensity change and technology changes. Therefore, sufficient provisions should be in-built in the business model to ensure that the poor are not driven away from banking because the technology interface is unfriendly and also upon customer grievances along with appropriate and effective technology, thus, holds the key for financial inclusion to take place on an accelerated scale.. This requires training the banks frontline staff and managers as well as business correspondents on the human side of banking
Keywords: Financial Inclusion, Financial access, BC Model

Introduction

Strong and robust financial institutions are the pillars of economic growth, development and prosperity of modern economies. To sustain and accelerate the growth momentum, we have to ensure increased participation of the economically weak segments of population in the process of economic growth. Financial Inclusion is the road which India needs to travel towards becoming a global player. Financial inclusion of hitherto excluded segments of population is a critical part of this process of inclusion. Today, there is a national as well as global focus on inclusive growth. Financial inclusion has been one of the top priorities of the reserve bank during the recent years. The banking industry has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services. Financial inclusion can truly lift the financial condition and standards of life of the poor and the disadvantaged. The banking sector has taken a lead role in promoting financial inclusion. Legislative measures have been initiated in so many countries like United States, France etc. The 'Principles for Innovative Financial Inclusion' serve as a guide for policy and regulatory approaches with the objectives of fostering safe and sound adoption of innovative,

*Director, Faculty of Management Studies, JRN Rajasthan Vidhyapeeth University, Udaipur
**Research Scholar, Pacific University, Udaipur and Lecturer, Vidya Bhawan Rural Institute, Udaipur

adequate, low-cost financial delivery models, helping provide conditions for fair competition and a framework of incentives for the various banks delivering full range of affordable and quality financial services. In India almost half the country is unbanked. Only 55 per cent of the population have deposit account and 9 per cent have credit accounts with banks. Only 18 per cent had debit cards and less than 2 per cent had credit cards.

Objectives of study

1. To study the concepts of financial inclusion
2. To ascertain various factors affecting access to financial services, importance of FI and consequences of financial exclusion.
3. To analyze various important regulatory initiatives taken by the Reserve Bank of India to strengthened financial inclusion in India.
4. To study present scenario and future prospects of financial inclusion.

Concept of Financial Inclusion

Financial Inclusion is emerging as a global hot topic. Financial inclusion denotes delivery of credit and other financial service at cost to the vast sections of the disadvantage and low income groups. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low income. "Financial inclusion is 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." - C Rangarajan, Chairman of Committee on Financial Inclusion. "Financial inclusion is expanding access to financial services, such as payments services, savings products insurance products, and inflation-protected pensions."- Raghuram Committee on Financial Sector Reforms (CFSR). It is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general, and vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost in a fair and transparent manner by regulated mainstream institutional players. It is also defined as a delivering of banking services at an affordable cost to the vast section of disadvantaged and low income groups (Dev, 2006).It is a process that ensures the ease of access, availability and usage of the formal financial system for all members of an economy. This definition emphasizes several dimensions of financial inclusion, viz., accessibility, availability and usage of the financial system. These dimensions together build an inclusive financial system (Sarma, 2010). The Center for Financial Inclusion proposes a simple yet multi-dimensional definition of financial Inclusion "Full financial inclusion is a state in which all people who can use them have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients. Financial services are delivered by a range of providers, most of them private, and reach everyone who can use them, including disabled, poor, rural, and other excluded populations". According to Dr. K.C. Chakrabarty, Deputy Governor, Reserve Bank of India "Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players".

Importance of Financial Inclusion

Mr. Dongre said almost half the population of the country was unbanked. This situation could be turned around only by giving importance to financial inclusion. This could be realised and sustained only when community led initiatives facilitated this process. Financial inclusion is important for improving the living conditions of poor farmers, rural non-farm enterprises and other vulnerable groups. The importance of an inclusive financial system is widely recognized in the policy circles, not only in India, but has become a policy priority in many countries. Several countries across the globe now look at financial inclusion as the means of a more comprehensive growth, wherein each citizen of the country is able to use their earning as a financial resource that they can put to work to improve their future financial status, adding to the nation's progress. In advanced markets, it is mostly a demand side issue. Initiatives for financial inclusion have come from the financial regulators, the governments and the banking industry. The banking sector has taken a lead role in promoting financial inclusion (Chakrabarty, 2011). Bringing the vast population of weaker section under banking umbrella, will open up many opportunities for business like it will attract global market players to our country that will result in increasing employment and business opportunities, the growth of our country with equality, to get rid of poverty, financial transactions can be made in a easy and speedy way, people will have safe savings along with other allied services like insurance cover, entrepreneurial loans, payment and settlement facility, boosting up business opportunities to increase GDP and this will be reflected in our national income growth, low cost deposits, credit with wide spread risk, reduction in transaction cost and income leakages. In India where diverse population of 1.3 billion people speaking 23 languages with 71 percent belonging to the rural segment; 27 percent living below poverty line the task of full financial inclusion in India is undoubtedly a difficult one as it requires a high level of penetration by the formal financial system tailor-made in accordance with the need of this diverse society.

Barriers to access financial services

- Psychological and cultural barriers: Many people voluntarily excluded themselves due to psychological barriers and they think that they are excluded from accessing financial services.
- Lack of legal identity: Lack of legal identity like voter Id, driving license, birth certificates, employment identity card etc.
- Level of income decides financial access: Low income people generally have the attitude of thinking that banks are only for the rich.
- Various terms and conditions: While getting loans or at the time of opening accounts, banks place many conditions, so the uneducated and poor people find it very difficult to access financial services.
- Structural/procedural formalities: It is very difficult for people to read terms and conditions and account-filling forms due to lack of basic education.
- Inadequate of education and awareness: financial literacy and lack of basic education prevent people to have access from financial services. Financial literacy concerning the use of various financial products should be encouraged through various economic agents like NGOs, MFIs, and Business Correspondents etc. people don't know the significance of the various financial products like Insurance, Finance, Bank Accounts, cheque facility, etc.
- Geographical remoteness: commercial banks operate only in profitable areas. Banks set their branches and offices only in those commercial areas. Therefore people living in under- developed areas find it very difficult to go for any bank transaction in other area again and again. Hence they don't go for any bank services.

Consequences of Financial Exclusion:

- Hinder nation's growth: Our vast resources in form of money in the hands of people remain unutilised that definitely hinder nation growth.
- Losing growth prospects: People who are not connected with formal financial system lack opportunities to grow in the absence of finance,.
- Loss to bank business: Due to lack of opening of

bank accounts by common people will definitely make loss to the bank business.

- Lack of electronic cash transaction: In this technological world everybody wants to have electronic cash system like debit and credit cards and also Electronic Funds Transfer.
- Loss of opportunities to thrift and borrow: Financially excluded people may lose chances of availing various loan facilities along with various savings schemes to save a part of their livelihood earnings. .
- Unemployment: Nowadays all salary and other financial benefits from various sources like Governments scholarships, any compensation, grants, relief's etc. are paid through bank accounts.
- Cross selling opportunities: People who do not have bank accounts may not go to bank as far as possible. So they lack basic financial auxiliary services like DD, Insurance cover and other emergency need loans, etc.

Regulatory Initiatives taken to strengthened Financial Inclusion

The inclusion growth has registered positive and beneficial changes due to positive change in both the constituents of inclusion growth i.e. intensity change and technology change (Gokarn, 2011). The Government initiated steps for financial inclusion in 2004 by setting a commission headed by Shri H R Khan. Major initiatives were chalked out after the Rangarajan Committee Report in 2008.

- No-frills accounts: No-frills accounts are with nil or very low minimum balance as well as charges that make such accounts accessible to vast sections of the population. Banks have been advised to provide small overdrafts in such accounts.
- Relaxation on know-your-customer (KYC) norms for opening of no-frill accounts: KYC requirements for opening bank accounts were relaxed for small accounts in August 2005. The banks were also permitted to take any evidence as to the identity and address of the customer to their satisfaction. It has now been further relaxed to include the letters issued by the Unique Identification Authority of India containing details of name, address, and Aadhaar number.
- Introduction of General Credit Cards: With a view to helping the poor and the disadvantaged with access to easy credit, banks have been asked to consider introduction of a general purpose credit card facility up to Rs 25,000 at their rural and semi-urban branches. The objective of the scheme is to provide hassle-free credit to banks customers based on the assessment of cash flow without insistence on security, purpose or end-use of the credit
- Business correspondents (BCs) and Business Facilitators (BFs) Model: The Reserve Bank permitted banks to engage BCs and BFs as intermediaries for providing financial and banking services. The BC model allows banks to provide doorstep delivery of services, especially cash-in-cash-out transactions, thus addressing the last-mile problem. With effect from September 2010, for-profit companies have also been allowed to be engaged as BCs.
- Use of technology and Micro Credit: Banks have been advised to make effective use of information and communications technology (ICT), to provide doorstep banking services through the BC model where the accounts can be operated by even illiterate customers by using biometrics, thus ensuring the security of transactions and enhancing confidence in the banking system.
- SHG Bank linkage programme: The credit linkage of Self Help Groups (SHG) and Joint Liability Groups (JLG) by Commercial Banks is one of the

major initiatives to bring low income poor people into the banking stream. The poor people come together and pool the savings of group and dispense small loans for meeting the individual requirements of member.

- Creation of funds for Financial Inclusion: Financial Inclusion Fund and Financial Inclusion Technology Development Fund were created by Central Government for meeting the costs of development, and promotional and technology interventions. A fund of Rs. 5,000 crores in NABARD was also created to enhance its re-finance operations to short term co-operative credit institutions.

- Banking services in unbanked villages with a population of more than 2,000: Banks were advised to draw up a road-map to provide banking services in every unbanked village having a population of over 2,000 by March 2012. The Reserve Bank advised banks that such banking services can be extended through any of the various forms of ICT-based models. About 73,000 such unbanked villages were identified and allotted to various banks through state-level bankers committees.

- Plan of banks for financial inclusion: The Reserve Bank advised all public and private sector banks to submit a board-approved, three-year financial inclusion plan (FIP) starting April 2010. These plans broadly include self-set targets in respect of rural brick and-mortar branches opened; BCs employed; coverage of unbanked villages with a population above 2,000, as also other unbanked villages with population below 2,000 through branches; BCs and other modes; no-frills accounts opened, including through BC-ICT; Kisan Credit Cards (KCCs) and General Credit Cards (GCCs) and other specific products designed by them to cater to the financially excluded segments.

- Consolidation of Regional Rural Banks (RRBs): The Central Government has kicked off a major consolidation exercise among RRBs which will play an important role in the country's scheme of financial inclusion. The number of banks will be cut to 46 from 82 after the merger process. A consolidation of existing rural banks will make them more viable.

- Parameter for performance appraisal of bank staff: Banks were advised by RBI to integrate board approved FIPs (Financial Inclusion plans) with their business plans and to include the criteria on financial inclusion as a parameter in the performance evaluation of their staff.

In the perspective of initiatives taken for extending banking services to the small man, the mode of financial sector development was characterised by Co-operative Movement, Setting up of State Bank of India, Nationalisation of banks, Lead Bank Scheme, Pricing has been made free, etc but still we are not able to strengthened Financial Inclusion plans because of absence of banking technology, reach and coverage, viable delivery mechanism as well as not having a business model and rich have no compassion for poor.

Present scenario of Financial Inclusion:-

Financial inclusion is one of the biggest challenges facing the banking sector today. The Reserve Bank has been encouraging the banking sector to expand the banking network both through setting up of new branches and also through BC model by leveraging upon the information and communication technology (ICT). As a result of all these efforts the status of financial inclusion improved in 2010-11 over the previous year (Table1). Various indicators mentioned below in the table are showing growth in year 2010-11 when compared with the previous year 2009-2010. Still the extent of financial exclusion is shocking.

Table 1: Progress of Financial Inclusion

No.	INDICATORS	2009-10	2010-11
1	Credit-GDP	53.40	54.60
2	Credit-Deposit	73.60	76.50
3	Population per Bank Branch	14000.00	13466.00
4	Population per ATM	19700.00	16243.00
5	Percentage of Population having deposit accounts	55.80	61.20
6	Percentage of Population having credit accounts	9.30	9.90
7	Percentage of Population having debit cards	15.20	18.80
8	Percentage of Population having credit cards	1.53	1.49
9	Branches opened in hitherto unbanked centre's as a per cent of total new bank branches	5.60	9.70

(Source- Report on Trend and Progress of Banking in India for the year ended June 30, 2011, RBI)

To strengthen the financial inclusion drive, almost all banks have made financial inclusion plans (FIPs) to cover villages with population more than and also less than 2000 and Reserve Bank is closely monitoring the implementation of these plans. The progress made under FIPs is provided in Table 2. The total number of villages covered by at least one banking outlet grew at 82 per cent in 2010-11 over the previous year. Importantly, in 2010-11, 47 per cent of the total villages covered under FIPs were villages with population less than 2,000. It can be understood from the table that banks have been heavily relying on BCs to expand the banking network in the unbanked areas under FIPs. In 2010-11, almost 77 per cent of the total villages covered were through BCs. The number of 'no-frills' accounts recorded a growth of 50 per cent in 2010-11 over the previous year. The share of 'no-frills' accounts with overdrafts in the total 'no-frills' accounts improved from 0.3 per cent in 2009-10 to six per cent in 2010-11. The number of Kisan Credit Cards (KCCs) and General Credit Cards (GCCs) witnessed growth of 15 per cent and 49 percent, respectively in 2010-11 over the previous year. (table 2 on next page)

Opening of new bank branches

Expansion of banking network is done through the opening of new bank branches in various regions. The distribution of new branches region wise and population group wise is shown in the table 3. The Southern region, which is already well banked, had the highest share of new bank branches in 2010-11 in comparison to other region whereas north eastern region is still least banked. Out of total new branches opened by SCB, 22 per cent were in rural areas, 42 percent were in semi-urban areas, 17.9% in urban and 18.1 % in metropolitan.

Table 2: Progress Made Under Financial Inclusion Plans

Sr.	Particulars	End-March progress		April 10-March 11
		2010	2011	
1.	Total number of customer service points deployed	33042	58361	25319
2.	Total Villages Covered	54757	99840	45083
3.	Villages Covered – with Population>2000	27743	53397	25654
4.	Villages Covered – with Population<2000	27014	46443	19429
5.	Villages covered through Branches	21499	22684	1185
6.	Villages covered through BCs	33158	76801	43643
7.	Villages covered through other modes (Mobile van and ATM)	100	355	255
8.	Urban Locations covered through BCs	423	3653	230
9.	Number of No-Frill Accounts (in millions)	50	75	25
10.	Number of KCCs outstanding (in millions)	20	23	3
11.	Number of GCCs outstanding (in millions)	6	1	4

(Source- Report on Trend and Progress of Banking in India for the year ended June 30, 2011, RBI)

Table 3 Distribution of new bank branches across regions and population groups (March 2010-April 11)

Regions	No. of new branches	Population group	No. of new branches
Central Region	874 (18.1)	Rural	1,077 (22.3)
Eastern Region	350 (13.5)	Semi Urban	2,011(41.7)
North Eastern Region	97 (2.0)	Urban	865(17.9)
Northern Region	1,120 (23.2)	Metropolitan	873(18.1)
Southern Region	1,263 (26.2)	-	
Western Region	8,22 (17.0)	-	
Total	4,826 (100.00)		4,826 (100.00)

(Source- Report on Trend and Progress of Banking in India for the year ended June 30, 2011, RBI)

In July 2011, banks were advised to allocate at least 25 per cent of the total new bank branches in unbanked rural centres. The bank branches opened in the hitherto unbanked centre's increased from 281 in 2009-10 to 470 in 2010-11 (April-March). Of the total new bank branches opened in 2010-11, almost ten per cent were opened in hitherto unbanked centres as compared with 6 per cent in the previous year. However, in comparison with the latest policy prescription, the share of new bank branches opened in unbanked centre's in 2010-11 was low (table 4) Despite the efforts taken, the population per bank branch (after including branches of RRBs) in North Eastern, Eastern and Central regions continued to be substantially higher than the national average in 2010-11.

Table 4: Bank branches open in hitherto unbanked centre's (April- March)

	2009-10	2010-11
Total number of branches in hitherto unbanked centres	281	470
Percentage of hitherto unbanked centre branches to total new bank branches opened	6 %	10%

(Source- Report on Trend and Progress of Banking in India for the year ended June 30, 2011, RBI)

Table 5: Bank branches opened in hitherto unbanked centre (April-March)

Regions	2009-10	2010-11	Target branches
Central Region	6.0	11.6	25
Eastern Region	10.1	12.6	25
North Eastern Region	16.2	7.2	25
Northern Region	3.9	8.7	25
Southern Region	4.6	10.3	25
Western Region	3.2	6.3	25

(Source- Report on Trend and Progress of Banking in India for the year ended June 30, 2011, RBI)
*Data in percent of total new bank branches opened

Table 6: Region-wise population per bank branch (March 2011)

Region wise	2010-11
Central Region	17260
Eastern Region	18328
North Eastern Region	19255
Northern Region	10077
Southern Region	10043
Western Region	12096

(Source- Report on Trend and Progress of Banking in India for the year ended June 30, 2011, RBI)

Installation of new ATM's.

Off-site ATMs have more significance than on-site ATMs for banking penetration. 44 % ATM were off site out off total net increase in ATMs in 2010-11. 63 % of the net addition of ATMs by new private sector banks and 98 per cent of net addition of ATMs by foreign banks, 41 % by nationalised banks and 49 % by old private sector banks were at off-site locations.

In 2010-11, almost one tenth of the total ATMs were located in rural areas out of which the State Bank group accounted for 44 per cent followed by nationalised banks (38 per cent) (Table 7).Highest population per bank branch is in North-Eastern region which shows that it had the lowest share in the incremental increase in the deployment of ATMs in 2010-11 (Table 8).

Table 7: Number of ATMs of SCBs Located at Various Locations

Bank group	**(At end-March 2011)**				
	Rural	**Semi–Urban**	**urban**	**Metropolitan**	**Total**
Public sector banks	5,872	13,278	16,186	14151	49487
Nationalised Banks	2,7185	6,808	1328	30624	836
State Bank Group	3154	7598	8054	5845	24651
Private sector banks	1262	4784	7576	10029	23651
Old Private Sector Banks	332	1339	1401	1054	4126
New Private Sector Banks	930	3445	6175	8975	19525
Foreign Banks	21	20	300	1026	1367
Total	7155 (9.6)	18082 (24.3)	24062 (32.3)	25206 (33.8)	74505 (100.0)

(Source- Report on Trend and Progress of Banking in India for the year ended June 30, 2011, RBI)

Table 8: Population Group-wise distribution of ATMs (end-March 2011) and Share of Regions in Total Net Increase in ATMs 2010-11

Population group wise distribution of ATM		Total net increase in ATM (Region wise)	Share of regions
Rural * Public sector (82.1), **Private sector (17.6) ***Foreign Bank (0.3)	9.6	Central Region	14.3
Semi urban	24.3	Eastern Region	11.6
Urban	32.3	North Eastern Region	2.1
Metropolitan	33.8	Northern Region	19.3
		Southern Region	33.8
		Western Region	18.9

(Source- Report on Trend and Progress of Banking in India for the year ended June 30, 2011, RBI)

Distribution of Bank Credit and Deposits

The spatial distribution of deposit and credit indicated high level of concentration in the metropolitan regions. Greater Mumbai centre alone accounted for 22 per cent of total deposits and 25 per cent of total credit in 2010-11. The concentration of credit was higher in these centre's as compared with the concentration of deposits (Table 9). Geographical region-wise distribution of credit indicated that more than one third of the total credit belonged to the Western region. The share of North-Eastern region in the total credit was very low at end-March 2011. The population group-wise distribution of credit indicated that 68 % of total credit belonged to the metropolitan region as at end-March 2011. While the semi-urban areas accounted for 9 % of credit as at end March 2011, the rural areas accounted for six per cent of credit. (Table10).

Table 9: Distribution of Deposit and Credit According to Banking Centre's - March 2011

Banking Centers	Credit Share	Deposit Share
Top 10 centers	61.4	50.6
Top 1 centers	25.0	21.8

(Source- Report on Trend and Progress of Banking in India for the year ended June 30, 2011, RBI)

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Table 10: Population group-wise and region wise share in credit (March 2011)

Population group wise share in credit		Share in credit (Region wise)	Share of regions
Rural	5.8	Central Region	6.8
Semi urban	9.0	Eastern Region	7.5
Urban	17.0	North Eastern Region	0.7
Metropolitan	68.2	Northern Region	23.8
		Southern Region	26.6
		Western Region	34.6

(Source- Report on Trend and Progress of Banking in India for the year ended June 30, 2011, RBI)

Coverage of Villages

Banks have, up to June 2011, opened banking outlets in 1.07 lakh villages up from just 54,258 as on March 2010. Out of these, 22,870 villages have been covered through brick-&-mortar branches, 84,274 through BC outlets and 460 through other modes like mobile vans, etc.(Table11)

Opening of No-Frills Accounts

Basic banking no frills account with nil or very low minimum balance requirement as well as no charges for not maintaining such minimum balance, were introduced as per RBI directive in 2005. As on June 2011, 7.91 crores No-frills accounts have been opened by banks with outstanding balance of Rs. 5,944.73 crores. (Table11)

General Credit Cards (GCCs)

Banks have been asked to consider introduction of a General Purpose Credit Card (GCC) facility up to Rs. 25,000/- at their rural and semi-urban braches. The credit facility is in the nature of revolving credit entitling the holder to withdraw up to the limit sanctioned. Interest rate on the facility is completely deregulated. As on June 2011, banks had provided credit aggregating Rs. 2,356.25 crores in 10.70 lakh General Credit Card (GCC) accounts. (Table11)

Kisan credit cards (KCCs)

Kisan Credit Cards to small farmers have been issued by banks. As on June 30, 2011, the total number of KCCs issued has been reported as 202.89 lakh with a total amount outstanding to the tune of 1, 36,122.32 crores. (Table11)

Table11:- Data related to number of villages covered, no frill account, GCC and KCC

Year	Coverage of villages	No frill accounts (Crores)	Number of GCC accounts (Lakh)	Number of KCC accounts (Lakh)
March 2010	54,258	4.93	4.73	176.3
June 2011	1, 07,000	7.91	10.70	202.89
Target March 2012	218574	11.25	37.34	276.59

(Source- Report on Trend and Progress of Banking in India for the year ended June 30, 2011, RBI)

Future of Financial Inclusion

With a view to achieve inclusive growth, the Government, the RBI and the implementing agencies need to put up mind and hearts together to evolve methods and measures to take forward the financial inclusion. Though the BC model at the initial stage may not be commercially viable due to high transaction costs for banks and customers, the appropriate use of technology can help in reducing this. The need is to develop and implement scalable, platform-independent technology solutions which, if implemented on a large scale, will bring down the high cost of operation. Appropriate and effective technology, thus, holds the key for financial inclusion to take place on an accelerated scale. The mass banking with no-frills etc. can become a win-win situation for both. Basically, banking services need to be marketed to connect with large population segments and these may be justifiable promotional costs. The financial institutions, especially the banks, can accelerate the financial inclusion process by increasing enrolment of SHGs through bank linkage programme, Designing appropriate product on the basis of the requirement of a particular group of borrower, leveraging technology to reduce the opportunity cost of financial inclusions in the rural areas, applying business facilitator and correspondent model more intensively, inspecting the infrastructure of rural branches of the banks etc

Suggestions

The MFIs need to operate under and be held accountable to clear regulations that are overseen by a single regulator RBI. In an ecosystem for profit, MFIs can play a credible, responsible and sustainable role. Therefore, there is a need to have financial inclusion regulation in our country. The government had placed a draft microfinance bill in July 2011 that sought to put MFIs outside the purview of state level legislation. It is expected that the bill will be discussed and passed in the winter session. The access to finance for the poor should be available through intermediaries SHGs and MFIs and such others.

Conclusion

Financial inclusion is the road which India needs to travel towards becoming a global player. An people invest and save more and more will remove vicious circle of poverty and unemployment, it also act as a source of empowerment, better control of finance and allow people to participate more effectively in the economic and social process thereby increase per capita income. More financial access will attract more global market players to our country that will result in increasing employment and business opportunities. There are certain problems like lower financial literacy, lack of awareness, the cost of transaction and customer acquisition is high and it is not at all cost-effective. RBI has taken various initiatives to strengthened financial inclusion. Progress achieved by banks is no doubt sustaining their efforts, India is quite confident that the targets set by the banks and objective of achieving universal financial inclusion is attainable. Attempts therefore should be made at the grass root level to implement those ideas keeping in mind the panoramic view of inclusive growth prevailing in India. There is a need of 'Technology with a human touch' which acts as a ladder to achieve our targets. Banks should, therefore, take extra care to ensure that the poor are not driven away from banking because the technology interface is unfriendly. This requires training the banks' frontline staff and managers as well as business correspondents on the human side of banking. Financial service providers should learn more about the consumers and new business models. However financial inclusion is gigantic and enormous task.

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