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Steps Taken by Reserve Bank of India and Government of India Intended for Financial Inclusion

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ABSTRACT

Financial inclusion is very emerging issue of present banking activities. Government of India and Reserve Bank of India is taking priority actions for the growth and promotion of financial inclusion in India with the help of banking system. This study is primarily based to know the steps taken by Government of India and Reserve Bank of India for the success and growth of financial inclusion as well as the problems in front of the success of financial inclusion in India. This is a secondary data based exploratory and descriptive study. Data and facts used in this study accessed by using annual reports of RBI and government's publications. Percentage and graphical method used to show the results of concerned data more effectively. Hence, this study clearly depicts the steps and difficulties related to financial inclusion in India.

KEYWORDS: *Steps for Financial inclusion, problems on the path of financial inclusion, facts with the help of RBI and Government's Initiatives*

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INTRODUCTION

In Indian economy still more than half population lives in rural areas and depends on the agriculture and allied activities for their livelihood. Rural population basically depends upon the moneylenders & big zamindars for their financial requirements and gets exploited by them. Therefore, greatest need of the formal financial spread in the country to save majority of the population by this exploitation and providing them equal opportunity for financial procurement. Financial inclusion is related with the availability of formal banking and financial services even to the poor, slum area people and villagers at lower cost. According to World Bank *"Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.[1]"* In India by the year 2000 financial inclusion comes into existence after that Khan commission in 2004 thrown some brightness. Y. Venugopal Reddy, RBI's Governor expressed special attention in the year 2005 of banks for the implementation of financial inclusion in India. Banking and finance are the most important part for the development of a country. When a country is in the stage of development like as India then the need of banking arises more. The accessibility of formal finance helps to maintain the equality and justice, especially for the poor and slum people. However, government and the central bank (RBI) are taking various initiatives to promote financial inclusion in India. Dangi and Kumar (2013) states complete financial inclusion in India can be attained if RBI, government of India and other concerned bodies put their greatest efforts in this direction. World's large population lives in India. Poor and slum people are not much aware about the formal banking and financial services. Lot of other problems corruption, lack of awareness, low rate of literacy, etc also are the hurdles in the success path of financial inclusion in the country. Vaidya et. al. (2018) studied about the factors effecting to financial inclusion and noticed various factors as number of bank branches, literacy rate, credits by the banks, deposits in the bank by public, etc. more availability of bank branches and bank account of people can resolve the issues. Use of technology in the banking system also favors the growth of financial inclusion. Because the ease and quick manner of financial transaction attracts people more towards banking rather than other informal source of finance. Aaluri et. al. (2016) stressed on the technological involvement and improvements for better results of financial inclusion. Mobile banking, e-cash transactions can bring the country ahead in the progress road of financial inclusion. Growth of a country can also achieved with speedy & efficient financial inclusion programs, because financial inclusion promotes the circulation of funds in formal manner with justice & equality as well as enhances the saving habits among the people. Sharma (2016) stated that banking network is increasing in

India to a greater extent in every part of the country. That can improve the financial position of the nation. However lack of awareness among the people is the major problem for financial inclusion. Reserve Bank of India and Government of India is also taking keen interest. With the involvement of RBI and Government of India, financial inclusion achieved greater heights in the context of financial inclusion with the help of banks.

REVIEW OF LITERATURE

Dev (2006) studied various facts and problems related to financial inclusion in India. In this study the loans and credit to the farming sector and self help group involvement for financial inclusion mainly focused. This study concluded banking sector has major contribution for financial inclusion especially with credit and advisory services. Srinivasan (2007) studied about the involvement of banking in financial inclusion and found that the spread of banks really a difficult and costly issue. Agrawal (2008) studied the need of financial inclusion in India and favored financial inclusion as one of the major step for poverty eradication. Bhanot et. al. (2012) studied financial inclusion in remote areas by collecting primary data. This study conclude the poor status of financial inclusion in north east parts of the country, many factors as the information availability of formal finance, education level plays important role. Only Banks and the policy making body for financial inclusion can enhance the position of financial inclusion. Paramasivan and Ganeshkumar (2013) conducted study to know financial inclusion in India. This study concluded financial literacy, spread of bank branches and making people aware about financial schemes by the banks can promote more the financial inclusion in India. Gandhi (2013) concluded the strong regulation and proper involvement of banks can take financial inclusion on greater heights in his study conducted to know financial inclusion in India. Bihari and Samal (2014) framed study to know the truth of financial inclusion in India. This study noticed the major role of Banks, government and NABARD for the improvement of financial inclusion in India. This study completed with the conclusions emphasized the working of IDBI Bank, State bank of India, Canara Bank and Bank of Baroda for the growth of financial inclusion. Proper uses of technology in banks, financial awareness, strong regulation, etc are the major suggestion of this study for more favorable results in concern of financial inclusion. Vijaya and Karibasaveshwara (2015) studied about financial inclusion in India. This study resulted that Reserve Bank of India had taken various steps for the improvement of financial inclusion in the country with the help of bank related programs. Reddy (2017) conducted the study based on 55 countries with the help of 12 variables associated with financial inclusion. To find the results regression model significantly used. This study resulted and concluded redress of problems, supervision, government initiatives & involvement, insurance especially lower income people, etc are majorly linked with financial inclusion progress. Sakariya and Ruparel (2018) conducted study to check position of banks for the promotion of financial inclusion. This study considers different factors related to financial inclusion. Efficient understanding can enhance financial inclusion in the country. Pham et al (2019) framed this research study to check the financial inclusion with the help of the progress in different nations and index for financial inclusion. The conclusions drawn in this study showed the bank's key role for financial inclusion.

RESEARCH METHODOLOGY

This is an exploratory & descriptive study based on the use of secondary data. Government publication, Reserve Bank of India Reports, Reports by Ministry of Finance are the main source of information for the completion of this study. To draw the meaningful results significant tools as per the availability of the data are adopted. Financial Inclusion Plans significantly studied to explore the results. In this concern data of different states of the country as well as initiatives by RBI & Government analysed to achieve the objectives for making the results more evident.

Objectives of the Study:

- To study the steps taken by Government of India and Reserve Bank of India for the success of financial inclusion in India.
- To study the difficulties in front of financial inclusion in India.

RESULTS AND ANALYSIS

Various steps taken by Reserve bank of India and Government of India

- No-Frills Account/Basic Savings Bank Deposit Account: Reserve Bank of India initiated 'no-frills' accounts in the year 2005 for the basic banking facilities to the poorer with no charges related to non activation or non-operation and be opened at zero balance. Regional Rural Banks advised by RBI to provide overdraft facility to the accountholder. In 2012, as per RBI's notification all no-frills accounts converted into Basic savings bank deposit account (BSBDA). At the end of March 2012 there were 139 million no-frills bank account was operating in the banks with Rs 120 billion deposits. After that, BSBD account opening started instead of no-frills accounts.

- Easy KYC: Know Your Customer (KYC) is related to check the authentication of accountholders. Reserve Bank of India (RBI) initiated the basic norms of KYC to guide all the commercial banks in India during the year 2002. RBI has taken more initiatives during year 2014 to build easier & simple KYC norms to improve banking in association to financial inclusion. Now, operation of bank account transfer in the similar branch, address change related issues are very easy to handle by the accountholder.

- Easy Branch Authorization: By the year 2005 it become easier for the banks to open new bank branches without much more formalities as per the directives of RBI to promote financial inclusion. Banks are free to open new bank branches in north-east parts of the country without RBI's approval. To develop unbanked regions, RBI advised to the banks open 25 % branches in the unbanked or under banked areas.

Table: 1 COMMERCIAL BANKS: BANK OFFICES (bank branches inclusive of administration offices)

Year	Rural	Semi-urban	Urban	Metropolitan	Total
31/03/ 2015	45,145	35,277	24,420	26,677	1,31,519
31/03/ 2016	48,258	37,972	26,044	28,250	1,40,524
31/03/ 2017	49,866	39,422	27,347	29,658	1,46,293
31/03/ 2018	50,858	40,089	27,723	29,638	1,48,308
31/03/ 2019	51,649	41,578	28,610	30,213	1,52,050

Source: Database on Indian Economy

- Financial literacy Initiatives: In this concern, RBI improved its website by providing all information in 13 languages, beside this several animated stories and features added to understand the basics of banking issues. National Strategy on financial literacy formed and Commercial banks are also advised to establish financial literacy centres. By the year 2012, basics of financial inclusion inserted in the syllabus of NCERT, CBSE and various state boards. At the end of March 2019, 1,483 Financial Literacy and Credit Counseling Centres (FLCCs) working whereas only 252 was at the end of the year 2011.
- Financial Inclusion Plan (FIPs): Reserve Bank of India suggested to the banks for framing financial inclusion plans by March, 2010 for 3 years, then again for 3 years by March 2013 & March, 2016. Financial inclusion plans formed by the banks are related with formulation of future banking activities that can enhance the position of financial inclusion especially by serving the un-banked part of the country.

Table: 2 FINANCIAL INCLUSION PLANS – (Scheduled Commercial Banks)

Particulars	March-2010	March-2013	March-2017	March-2019	Net Change
Banking Branches in Villages	33378	40837	50860	52489	19111
Banking Outlets in Villages - Branchless Mode	34316	227617	547233	544666	510350
Village Banking Outlets – Total	**67694**	**268454**	**598093**	**597155**	**529461**
Urban locations covered through BCs	447	27143	102865	447170	446723
Basic Savings Bank Deposit A/c through branches (No in millions)	60.19	100.8	254	255	194.81
Basic Savings Bank Deposit A/c through branches (`billions)	44.33	164.69	691	878	833.67
Basic Savings Bank Deposit A/c through BCs (No in millions)	13.27	81.27	280	319	305.73
Basic Savings Bank Deposit A/c through BCs (`billions)	10.69	18.22	285	532	521.31
BSBDA Total (No in millions)	**73.45**	**182.06**	**533**	**574**	**500.55**
BSBDA Total (` billions)	**55.02**	**182.92**	**977**	**1410**	**1354.98**
OD facility availed in BSBDA (No in millions)	0.18	3.95	9	6	5.82
OD facility availed in BSBDA (`billions)	0.1	1.55	17	4	3.9
KCCs (No in millions)	24.31	33.79	46	49	24.69
KCCs (`billions)	1240.07	2622.98	5805	6680	5439.93
GCCs (No in millions)	1.39	3.63	13	12	10.61
GCCs (`billions)	35.11	76.34	2117	1745	1709.89
Source: Reserve Bank of India, Annual Reports					

- Business Facilitators/Correspondents Model: As per the recommendation of Thorat's committee (2006), RBI advised to the banks to use this system of banking especially in the small areas where the openings of bank branches are not feasible. In different financial inclusion plans RBI stressed on this model to facilitate financial inclusion more effectively. At the end of March 2018, total 6,58,276 such banking points operating in different villages of the country that were only 34,621 by the end of the year 2011.
- Emphasis on General Credit Cards and Kisan Credit Card: To satisfy the general credit requirements, general credit card and to serve the farmers for farming financial needs, kisan credit card more emphasized by RBI. Launch of RuPay card with the help of National payments Corporation of India (NPCI), cost cutting advantage also earned by the banking system. Number of ATMs also established.

Table: 3 Number of KCCs and GCCs users

Particulars	March, 2010	March, 2014	March, 2016	March, 2019
KCCs (No in millions)	24.31	39.9	47	49
KCCs (` billions)	1240.07	3684.5	5131	6680
GCCs (No in millions)	1.39	7.4	11	12
GCCs (` billions)	35.11	1096.9	1493	1745

Source: Annual Reports, RBI

- Involvement of RRBs, SFBs, IPPBs: These are initiated by RBI with the help of government to provide banking services especially to the marginal farmers and MSMEs. Regional Rural Banks (RRBs) started in India during 1975 to facilitate the banking services for the rural part of the country. According to the NABARD's report, now 56 RRBs with 21,747 branches working in India. First Small Finance Bank (SFBs) established during the year 2016. Use of large network of post offices, India Post Payment Banks (IPPBs) started by the year 2018 with involving 650 post offices at the beginning.

Table: 4 Number of Households Availing Banking Services in India

2001	2011	Net Change	% Change
68230642	144814788	76584146	112.24
Source: Census of India 2011			

- Digital Payment Systems: Cashless transactions promoted by National Payments Corporation of India (NPCI) in India for the success of financial inclusion. It includes various arrangements such as Aadhar Enabled Payment System (AEPS), Debit Cards, Credit Cards, Unstructured Supplementary Service Data (USSD), Unified Payments Interface (UPI), Mobile Wallet, Immediate Payment Service (IMPS), Internet banking, Point of Sale (PoS), etc. to facilitate transactions in cashless mode.

- Direct Benefits Transfer Schemes (DBT): By the year 2013 government make an arrangement with the help of banks to transfer monetary benefits as like subsidy directly to the account of beneficiaries. This scheme proved good to reduce corruption and direct reach of the benefits to the accountholders.

- Pradhan Mantri Jan Dhan Yojana (PMJDY): This is the foremost important step of the government of India to make sure the bank accounts for all. By the year 2014 this scheme was launched with zero balance bank account and various another facilities. By May 2019, 358 million bank accounts opened under this scheme.

- Jan Dhan to Jan Suraksha Initiative: This scheme launched as a bundle of various schemes in 2015 as insurance service and pension benefits to all people of the country. Three schemes namely Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY) are the part of Jan Dhan to Jan Suraksha.

- MUDRA Scheme: Micro Units Development & Refinance Agency Ltd (MUDRA) Scheme started in the year 2015 by Government of India. This scheme involves credit assistance for small businesses in three manners as Shishu loan up to Rs 50,000, Kishor loan Rs 50,000 to Rs 5,00,000 and Tarun loan for Rs 5,00,000 to Rs 10,00,000. During the year 2018-19 total 3,21,722 crore loans distributed under this scheme.

Difficulties in front of financial inclusion in India

According to Global Findex Report (2014), long documentation process, non-availability of financial institutions at near, Unwillingness to open bank account, lack of savings, Religious issues, etc. Kale and Chobe (2016) studied and concluded various problems associated with financial inclusion as low level of financial literacy, not proper awareness among the people for financial products & services, cost of banking activities are not affordable. However, RBI taking various steps to overcome the issues. Chaudhary and Tuli (2019) pointed out the availability of formal finance at reasonable cost, reduction in the loan documentation, financial literacy and special attention on rural areas can enhance the position of financial inclusion. Thus, lack of awareness for formal financial services, heavy credit documentations, unwillingness of the people, low rate of financial education and literacy, poor infrastructure as compared to large population, lack of availability of nearby formal financial institution, poor saving habits, lack of the availability of collateral for taking loans, etc are the major difficulties on the path of financial inclusion in India. Government of India, Reserve Bank of India with the help of commercial banks enhancing the status of financial inclusion in India by special attention on these problems.

CONCLUSION

In today's scenario financial inclusion is very emerging focuses area of banking activities. Arrangement of formal financial services for every section of the society is the primary focus of financial inclusion. Government of India and Reserve Bank of India is taking priority actions for the growth and promotion of financial inclusion in India with the help of various steps - No-Frills Account/Basic Savings Bank Deposit Account, Easy KYC, Easy Branch Authorization, Financial literacy Initiatives, Financial Inclusion Plan (FIPs), Business Facilitators/Correspondents Model, Emphasis on General Credit Cards and Kisan Credit Card, Pradhan Mantri Jan Dhan Yojana (PMJDY), Jan Dhan to Jan Suraksha Initiative, MUDRA Scheme, Active Involvement of RRBs, SFBs, IPPBs, Digital Payment Systems, Direct Benefits Transfer Schemes (DBT), etc. Formal financial arrangement can be managed by proper implementation of financial inclusion in the country. However, many difficulties - lack of awareness, heavy documentations, unwillingness, lack of financial literacy, poor infrastructure, lack of availability of nearby formal financial institution, poor saving habits, etc also restricting the path of financial inclusion in India. Proper implementation, effective administration and special attention on rural and backward section can provide favorable results in connection of financial inclusion.

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