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Role of Financial Inclusion

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Abstract India is a developing country and there are various instruments of inclusive growth and development of India . For sustained growth, maximum participation in development of nation from all sections must be done. The banking services play a vital role in development of our nation and these services must be provided to each and every citizen without any discrimination. The well functioning and inclusive financial system is linked to the fastest and equitable growth. As our honorable apex court of India made a comment in sarcastic way that India has been divided into India and Bharat. The Bharat signifies Rural India and this section requires much more attention as they are not much aware about their role in development of our nation. Financial inclusion is one of the major instruments to attain inclusive growth and development of a nation. Financial inclusion is the delivery of financial services at an affordable cost to vast section of disadvantaged and low income groups. It enables to reduce the gap between rich and poor population. Financial access can surely improve the financial condition and living standard of the poor and the deprived section. So, RBI has been continuously stimulating the banking sector to extend the banking network both by setting up of new branches and installation of new ATMs. In India, financial inclusion first featured in 2005, when it was introduced by Dr. K.C. Chakrabarty, the Chairman of Indian Bank. Reserve Bank of India's vision for 2020 is to open nearly 600 million new customers' accounts. Mangalam Village in Tamil Nadu became the first village in India where all households were provided banking facilities. After 2014 when Sh. Narender Modi's goverment comes into power, financial inclusion proves to be a successful victory. The landmark scheme in this aspect is Jan Dhan Yojana of 2014. In this paper, we are discussing the role and importance of financial inclusion . And we are also throwing lime light on the government initiatives or measures and challenges faced during the implementation of financial inclusion.

Keywords:- Inclusion, Jan Dhan, Banking, Growth.

I. INTRODUCTION

India has strong memorials of constituting Indian banking system more advance, reliable and transparent. After independence, the major ambition of the Government and the Reserve Bank of India had been to develop a sound reliable body in banking system which could maintain economic development and transforming banking into technical banking era through advancement in productive sector. In that manner, the Government and RBI certained to use the banking system as an important tool to change the Indian economic system. The planning strategy recognized the critical role of the availability of credit and financial services to the public at large in the development of the country. That essence of making availability of financial services to poor enterprises leads to financial inclusion. In recognition of this role, financial inclusion plays very important role for improving the living conditions of poor farmers, rural area. In this context formal banking channels, NABARD, self help group is very important to support financial inclusion. The authorities modified the policy framework from time to time and estimate the needs of financial services in various segments.

The recent developments in banking technology have transformed traditional banking system into financial service advancement supplemented by other channels like Automated Teller Machines (ATM), Credit/Debit Cards, Internet Banking, smart cards, kiosk banking etc in rural India. However, is that access to such technology is restricted only to certain segments of the society. With an increased range of personal finance options for segments of high and upper middle income population and a significantly large section of the population who lack access to even the most basic banking services. These large section of people, particularly, those living on low incomes, cannot access mainstream financial products such as bank accounts, credit, remittances and payments services, financial advisory services, insurances facilities, etc.

II. LITERATURE REVIEW

Charan Singh(2014) concluded that despite 67 years as an independent nation, India is still lagging behind in the

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process of providing financial services to the masses with nearly half the households remaining unbanked, and nearly ninety percent villages not having bank branches. He found that the lack of awareness and financial literacy are the main causes for the low penetration of financial services and also gives the recommendation that target the above issues and suggest a way forward for sustainable inclusive growth like Preference should be given for a physical branch, Methods of financial literacy need to be changed, Encouraging banking habits amongst the unbanked masses etc.

C.Paramasivan, V.Ganesh Kumar(2013) said that Branch density in a state measures the opportunity for financial inclusion in India. Literacy is a prerequisite for creating investment awareness, and hence intuitively it seems to be a key tool for financial inclusion. But the above observations imply that literacy alone cannot guarantee high level financial inclusion in a state. Branch density has significant impact on financial inclusion. It is not possible to achieve financial inclusion only by creating investment awareness, without significantly improving the investment opportunities in an india.

Arjun ram meghwal (2017) studies the initiatives taken by government to give special emphasis on the financial inclusion of every person of the country. One of the most crucial of the several steps taken by this government is JAM- Jan Dhan, Aadhar & Mobile. The government is committed to its target of increasing the inclusion of every household in the financial system so that the masses can get all the legitimate benefits arising out of the growth of the country.

The Pradhan Mantri Jan DhanYojana aims to make sure that every Indian has a bank account. The zero-balance accounts come with several benefits such as insurance &RuPay cards to withdraw money. These accounts will also be used to make Aadhar-based Direct Benefit Transfers.

III. RESEARCH METHODOLOGY

Methods used for elaboration of this research paper is specified in theoretical sense, for this data is collected from journals, magazines, internet etc. deep literature is also done to know about the role of financial inclusion.

RESEARCH PROBLEM

Financial inclusion is a broad term which covers the access to financial services by rural India. It engages in growth orientation and advancement of an economy of a country like- India. So, with this aim in view, the present paper focuses on the part played by financially included sections towards growth or progress of Indian economy through taking care of major issues like financial illiteracy, poor banking system etc.

WHAT IS FINANCIAL INCLUSION?

Financial Inclusion is about delivery of banking services at an affordable cost to vast sections of disadvantaged, In first step is to facilitate people in getting basic facilities like food, shelter and clothing to the people and then comes the provision of bank account, wherein they can save whatever little they can. Financial Inclusion can be thought of in two ways. One is exclusion from the payments system –i.e. not having access to a bank account. The second type of exclusion is from formal credit markets, requiring the excluded to approach informal and exploitative markets.

DIMENSIONS OF FINANCIAL INCLUSION

The level of financial inclusion in India can be measured based on three tangible and critical dimensions under the following heads:

1. **Branch Penetration:** Penetration of a bank branch is measured as number of bank branches per one lakh population. This refers to the penetration of commercial bank branches and ATMs for the provision of maximum formal financial services to the rural population.
2. **Credit Penetration:** Credit Penetration takes the average of the three measures: number of loan accounts per one lake population, number of small borrower loan accounts per one lakh population and number of agriculture advances per one lakh population.
3. **Deposit Penetration:** Deposit penetration can be measured as the number of saving deposit accounts per one lakh population. With the help of this measure, the extent of the usage of formal credit system can be analyzed.

IV. ROLE OF FINANCIAL INCLUSION

It is a necessary requirement for acquiring growth with equity in Indian economy, protects the poor from the clutches of selfish or greedy moneylenders and helps to mobilize the savings of the poor into the formal financial intermediation and channels them into investment Financial inclusion and financial deepening have an important role to play in promoting economic growth and reducing poverty and inequality, while mitigating systemic risk, adjust transparency and maintaining financial stability. We can explain these important frames in following points

Economic Growth: Local financial development enhances the probability that an individual starts a business, increases industrial competition, and promotes growth of firms[12]. The relaxation of bank branch restrictions boosts bank-lending quality and accelerates real per capita growth rates. For a household, financial development offers better and cheaper services for saving money and making payments, by allowing firms and households to avoid the cost of barter or cash transactions, cutting remittance costs, and providing the opportunity for asset accumulation and consumption smoothing.

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Poverty and Inequality: Financial development not only promotes economic growth but also helps in dividing it more evenly. Certain forms of financial development, particularly those that broaden access to finance, can benefit the poor disproportionately by increasing capital flow and increasing efficiency of capital allocation thereby reducing inequality. By targeting financial market imperfections such as asymmetric information, costs associated with transactions and contract enforcement, creating enabling conditions for financial markets and instruments to develop, governments can not only spur growth and also help to ensure it is distributed more evenly. Better access to credit by the poor enables them to pull themselves out of poverty by investing in their human capital and microenterprises, thus reducing aggregate poverty. Financial depth has a significant impact on poverty reduction through channels such as entrepreneurship and the inter-state migration of workers towards financially more developed states.

Financial Stability: Promoting financial stability and mitigating systemic risk depends on how broad based the access to financial services is, and how it is managed within the regulatory and supervisory framework, especially in terms of financial integrity and consumer protection. Greater financial inclusion, by providing individuals, households, and small firms with greater access to financial risk-managing tools can enhance resilience and stability of the real economy and thus also the financial system that serves it. Greater access to bank deposits can make the deposit funding base of banks more resilient in times of financial stress.

The role of financial services is to help customers maximize the benefit from the human and other resources they possess while minimizing the impacts of adverse shocks on their lives. Financial products do this by a crucial interaction with the "natural" financial flows of the household to ensure positive effects on micro stability.

V. CHALLENGES

Barriers to financial access Banking and financial institutions are providing services to low income groups in many ways. But, there are some factors which create barriers for vulnerable groups to access the financial products and services provided. The major constraints found are less education, illiteracy, high proximity from their living area to service institutions, low density of population, poor channel design and low product quality .The above constraints represent all the major constraints on accessing financial services by the weaker individuals as well as rendering of services by financial institutions. In case of firms, especially Small and Medium Enterprises, access to finance is not very easy which creates hurdles for their growth. The reason for including the financially excluded region was made as a debate and the reasons for economic imbalance were considered; found that it can be rectified by building proper financial systems. Objectives on the access to financial services among different countries. This study was focused on the importance of finance for economic well-being in rural area.

VI. GOVERNMENT INITIATIVES

Pradhan Mantri Jan Dhan Yojana (PMJDY): Hon'ble Prime Minister announced Pradhan Mantri Jan Dhan Yojana as the National Mission on Financial Inclusion in his Independence Day address on 15th August 2014, to ensure comprehensive financial inclusion of all the households in the country by providing universal access to banking facilities with at least one basic bank account to every household, financial literacy, access to credit, insurance and pension facility. Under this, a person not having a savings account can open an account without the requirement of any minimum balance and, in case they self-certify that they do not have any of the officially valid documents required for opening a savings account, they may open a small account. Thus, PMJDY offers unbanked persons easy access to banking services and awareness about financial products through financial literacy programmes. In addition, they receive a RuPay debit card, with inbuilt accident insurance cover of Rs. 1 lakh, and access to overdraft facility upon satisfactory operation of account or credit history of six months. Further, through Prime Minister's Social Security Schemes, launched by the Hon'ble Prime Minister on 9th May 2015, all eligible account holders can access through their bank accounts personal accident insurance cover under Pradhan Mantri Suraksha Bima Yojana, life insurance cover under Pradhan Mantri Jeevan Jyoti Bima Yojana, and guaranteed minimum pension to subscribers under Atal Pension Yojana.

PMJDY was conceived as a bold, innovative and ambitious mission. Census 2011 estimated that out of 24.67 crore households in the country, 14.48 crore (58.7%) had access to banking services. In the first phase of the scheme, these households were targeted for inclusion through opening of a bank account within a year of launch of the scheme. The actual achievement, by 26th January 2015, was 12.55 crore. As on 29.3.2017, the number of accounts has grown to 28.17 crore. Further, in 2011, only 0.33 lakh SSAs had banking facility and through provision of Bank Mitras in 1.26 lakh branchless SSAs, banking services were extended throughout rural India. The inclusive aspect of this is evident from the fact that 16.87 crore (60%) of PMJDY accounts are in rural areas and 14.49 crore (over 51%) PMJDY account holders are women.

The deposit base of PMJDY accounts has expanded over time. As on 29.3.2017, the deposit balance in PMJDY accounts was Rs. 62,972 crore. The average deposit per account has more than doubled from Rs. 1,064 in March 2015 to Rs. 2,235 in March 2017.

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The Bank Mitra network has also gained in strength and usage. The average number of transactions per Bank Mitra, on the Aadhaar Enabled Payment System operated by Bank Mitras, has risen by over eightyfold, from 52 transactions in 2014-15 to 4,291 transactions in 2016-17.

From Jan Dhan to Jan Suraksha: For creating a universal social security system for all Indians, especially the poor and the under-privileged the Hon'ble Prime Minister launched three Social Security Schemes in the Insurance and Pension sectors on 9th of May, 2015.

Pradhan Mantri Jeevan Jyoti Bima Yojana: The PMJJBY is available to people in the age group of 18 to 50 years having a bank account who give their consent to join / enable auto-debit. Aadhar is the primary KYC for the bank account. The life cover of Rs. 2 lakh is for the one year period stretching from 1st June to 31st May and is renewable. Risk coverage under this scheme is for Rs. 2 lakh in case of death of the insured, due to any reason. The premium is Rs. 330 per annum which is to be auto-debited in one installment from the subscriber's bank account as per the option given by him on or before 31st May of each annual coverage period under the scheme. The scheme is being offered by the Life Insurance Corporation and all other life insurers who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose. As on 31st March, 2017, cumulative gross enrollment reported by banks subject to verification of eligibility, etc. is over 3.10 crore under PMJJBY. A total of 62166 claims were registered under PMJJBY of which 59118 have been disbursed.

Pradhan Mantri Suraksha Bima Yojana (PMSBY): The Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join / enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis. Aadhar would be the primary KYC for the bank account. The risk coverage under the scheme is Rs. 2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability. The premium of Rs.12 per annum is to be deducted from the account holder's bank account through 'auto-debit' facility in one installment. The scheme is being offered by Public Sector General Insurance Companies or any other General Insurance Company who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose. As on 31st March, 2017, cumulative gross enrolment reported by Banks subject to verification of eligibility, etc. is over 9.94 crore under PMSBY. A total of 12,534 Claims were registered under PMSBY of which 9,403 have been disbursed.

Atal Pension Yojana (APY): APY was launched on 9th May, 2015 by the Prime Minister. APY is open to all saving bank/post office saving bank account holders in the age group of 18 to 40 years and the contributions differ, based on pension amount chosen. Subscribers would receive the guaranteed minimum monthly pension of Rs. 1,000 or Rs. 2,000 or Rs. 3,000 or Rs. 4,000 or Rs. 5,000 at the age of 60 years. Under APY, the monthly pension would be available to the subscriber, and after him to his spouse and after their death, the pension corpus, as accumulated at age 60 of the subscriber, would be returned to the nominee of the subscriber. The minimum pension would be guaranteed by the Government, i.e., if the accumulated corpus based on contributions earns a lower than estimated return on investment and is inadequate to provide the minimum guaranteed pension, the Central Government would fund such inadequacy. Alternatively, if the returns on investment are higher, the subscribers would get enhanced pensioners benefits.

Pradhan Mantri Mudra Yojana: The scheme was launched on 8th April 2015. Under the scheme a loan of upto Rs. 50,000 is given under sub-scheme 'Shishu'; between Rs. 50,000 to 5.0 Lakhs under sub-scheme 'Kishore'; and between 5.0 Lakhs to 10.0 Lakhs under sub-scheme 'Tarun'. Loans taken do not require collaterals. These measures are aimed at increasing the confidence of young, educated or skilled workers who would now be able to aspire to become first generation entrepreneurs; existing small businesses, too, will be able to expand their activates.

Stand Up India Scheme: Government of India launched the Stand Up India scheme on 5th April, 2016. The Scheme facilitates bank loans between Rs.10 lakh and Rs.1 crore to at least one Scheduled Caste/ Scheduled Tribe borrower and at least one Woman borrower per bank branch for setting up greenfield enterprises. This enterprise may be in manufacturing, services or the trading sector. The scheme which is being implemented through all Scheduled Commercial Banks is to benefit at least 2.5 lakh borrowers. The scheme is operational and the loan is being extended through Scheduled Commercial Banks across the country. Stand Up India scheme caters to promoting entrepreneurship amongst women, SC & ST category i.e those sections of the population facing significant hurdles due to lack of advice/mentorship as well as inadequate and delayed credit

Pradhan Mantri Vaya Vandana Yojana: Based on the success and popularity of Varishtha Pension Bima Yojana 2003 (VPBY-2003), Varishtha Pension Bima Yojana 2014 (VPBY-2014) schemes, and to protect elderly persons aged 60 years and above against a future fall in their interest income due to the uncertain market conditions, as also to provide social security during old age, This is implemented through Life Insurance Corporation (LIC) of India. As per the scheme, on payment of an initial lump sum amount ranging from a minimum purchase price of Rs. 1,50,000/- for a minimum pension of Rs 1,000/- per month to a maximum purchase price of Rs. 7, 50,000/- for maximum pension of Rs. 5,000/- per month, subscribers will get an assured pension based on a guaranteed rate of return of 8% per annum, payable monthly.

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VII. CONCLUSION

By concluding this paper we can say that While financial inclusion have facing the variety of issues, with the exception of studies, the focus is on finding out the relationship between financial inclusion with awareness, digital technology and constraints to access. Moreover, at the present global scenario, technology is found to be a determining factor in the ultimate performance of financial inclusion policy, regardless of the context or the participants of the study with relevant to this topic. Financial inclusion is the hope for financial development in banking sector, which will lead to growth in Indian economy through increasing the level of awareness on financial system among peoples and affordable system of credit to maintain the whole financial system management efficient for this banks needs to enact policies time to time for reach the cost effective services to wide range of peoples. Government is also taking interest in this context to accelerate growth in economy. Commercial banks have to draw line between different practices through accessing financial inclusion strategy. Technology could be important tool in providing banking products in remote areas. Banks, in this case, needs to renovate the structure of traditional technology into more technical which creates opportunity for traditional users to use technology. There should be programs to initiate more of community participation by starting training for the rural people and have an improved workforce so that challenges can be overcome.

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