

# FINANCIAL INCLUSION IN INDIA

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## **ABSTRACT**

“I dream of a digital India where mobile and E-banking services ensures Financial inclusion”

-Narendra Modi

Financial inclusion is where a common man as well as a businessman can have access to inexpensive financial products and services. Financial inclusion is the availability of financial services to the most vulnerable groups and weaker sections of the country. As banking is beneficial to every individual, it is essential that banking and other payment gateways must be provided to the lower income groups. This study stresses on the various features of financial inclusion and also certain factors affecting the access to financial services. Financial inclusion was mainly implemented with a view to help the people below poverty line. The Financial sector of our country is gaining momentum in providing new services to the population. Financial inclusion is an important method chosen for the growth of the rural population of the country.

## **INTRODUCTION**

Financial inclusion – is referred to as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections , below poverty line, at an affordable cost. The main purpose of financial inclusion was considering the banking service providers because it was felt that the poor people should also have the advantage of rural banks. Financial inclusion not provides banking services but also provides other services that are not related to banks such as insurance policies, etc. An inclusive finance must give banking services to all the needy people. Financial inclusion is a great boon for growth of the weaker sections. It should also show importance in providing job opportunities and also income generating opportunities for the society. The main reason for mentioning that was because once the people have income, they can automatically have access to most of the financial products and services without any assistance from any banking sector.

## **REVIEW OF LITERATURE**

Research conducted at the World Bank has substantiated the hypothesis that “countries with better developed financial intermediaries experience faster declines in measures of both poverty and income inequality” (Beck, Demirguc-Kunt, and Levine, 2004). But in Indian context the experience has been a bit unexpected. This has been revealed by many experts and studies. In 2007 in an speech delivered by Mr. P. Chidambaram at Berlin the same concerns were voiced by him. He said that, “It has been widely recognized and accepted that a high growth rate of GDP has not been of much help to the poor and disadvantaged people of India. There must be systemic changes to make growth more inclusive by devising programs and plans which can cater to the needs of the poor people. Since a large segment of the society is still below the poverty line, making growth inclusive is a big challenge (Speech excerpts Mr. P. Chidambaram, Berlin, 2007). Majority of the rural population is still unbanked. Concerted efforts by GOI & RBI since 1950s and more intensely since 2005, in favor of financial inclusion have been initiated but the impact of these did not yield satisfactory results (Charan Singh et. al. 2014). Discussion on close relationship between financial development and economic growth has been widely

discussed but well developed financial systems have not succeeded to be all-inclusive resulting into detachment of certain segments of the society from the ambit of formal financial system (Sarma 2008)

### **OBJECTIVES OF THE STUDY:**

- The main objective is to study the various features of financial inclusion
- To study the factors affecting access to financial services
- To study the benefits of financial inclusion
- To know the progress of financial inclusion

### **VARIOUS FEATURES OF FINANCIAL INCLUSION:**

- Financial inclusion means a way of procuring a set of financial products and services as well as banking services to the people belonging to the lower strata.
- It works on covering the main banking and other financial initiatives.
- The main feature is to start a bank account and that being the simplest tool for achieving financial inclusion.
- Mangalam village of Puducherry (Union Territory) is the first village to attain hundred percent financial inclusion.
- Financial inclusion not only has banking services as its key area to perform but also other financial services like insurance policies, equity products etc (The committee on Financial inclusion, Chairperson, Raghuram Rajan).
- The main feature is to reach banking services at an inexpensive rate to the people residing in the rural areas.

### **FACTORS AFFECTING ACCESS TO FINANCIAL SERVICES:**

#### **• GENDER DISCRIMINATION**

Here access is limited to women who is dependent on the male or other family members and who does not possess any assets such as land or building or any property on their own. This is considered as one of the most problematic cause for not having access to financial services. Ministers should probe into such matters for the growth of the lower income groups.

#### **• LIFE EXPECTANCY**

The target should be mainly on the younger generation who actively participates in various rural activities. But most people residing in the rural areas are considered to be older generation.

#### **• IDENTITY WHICH IS LEGAL**

Important and valuable documents like the identity cards, birth certificates and other prior records often does not include women minorities from accessing financial services. Again a matter of responsibility from the part of the government.

- HOME TOWN

Distance is one of the main factors against financial inclusion. People residing in rural areas often find it difficult to reach the banks and other financial institutions situated in towns which mainly affects the access to financial services.

- INCOME LEVEL

The financial status of the people does really matter to gain access to financial services. People below poverty line cannot have access to financial services though they are readily available.

### **BENEFITS OF FINANCIAL INCLUSION:**

#### *BENEFITS TO THE PROVIDERS OF TECHNOLOGY*

- It creates a broader market for smart cards
- It acts as a boon to national social agenda
- It helps and looks for new opportunities in business

#### *BENEFITS TO THE SOCIETY*

- It encourages the central and state government to change the subsidies by directly credit to their account
- This will help in fixing the leakage that is likely to cost more than a gazillion every year.

#### *BENEFITS TO THE GOVERNMENT*

- This helps to remove inefficiency from the economic system
- It helps in transferring certain social security like old age pensions, widow pensions etc directly to the bank account through EFT(electronic funds transfer).
- Again the subsidies can be directly transferred to the bank accounts.

#### *BENEFITS TO THE ECONOMY*

- It helps in finding the financial history of individuals
- It helps in achieving rapid growth in the country.
- It also helps in providing higher employment opportunities which will in turn reduce poverty and unemployment.

### **PROGRESS OF THE FINANCIAL INCLUSION:**

PARAMETER OF FINANCIAL INCLUSION	MARCH 2010	MARCH 2016	MARCH 2017
Number of bank branches in villages.	33,708	51,830	50,860

Number of business correspondents	34,174	531,229	543,472
Number of other forms of banking touch points	142	3,248	3,761
Total number of banking touch points	67,694	586,307	598

## RESEARCH METHODOLOGY

Proposed research study is primarily exploratory in nature. It is exploratory because it includes in-depth literature review and secondary data analysis. Secondary data will be collected from various journals, books, magazines and websites. The Study will throw light on the problem of Financial Exclusion plaguing our economy. It will also reveal the conceptual background of Financial Inclusion

## CONCLUSION

Financial inclusion is considered the most important tool for the growth of the economy. People must be given proper awareness about the various digital payment modes and banking services. The Government of India should also take necessary steps to educate the uneducated regarding the various new reforms and technologies that are being developed in our country. It is obvious that any underdeveloped country can emerge as a developed country provided the government and the people are closely knit.

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