

FINANCIAL INCLUSION: A STEP TOWARDS THE PROGRESSIN BANKING SECTOR

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ABSTRACT

Financial inclusion refers to the delivery of the financial service at an affordable cost to vast sections disadvantages, weaker and lower income group of the society. In any nation, financial sector is the backbone of any economy and it plays a major role in the economic development of developed and underdeveloped countries. Purpose of this paper is to better understanding of infrastructure facilities and strong channels system for covering each individual under financial system. However, due to social-cultural barriers, the predominance of certain values and belief towards the financial services, still women do not have choice and freedom to access formal financial service because of the culture constraints. Women face limited control over their spending unless basic skills of digital financial products are developed which reflects women's preference.

Key words: Financial inclusion, Financial sector, Bank account, Digital Financial services, Jan Dhan Yojana

1. Introduction:

Financial inclusion may be defined as the 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. All over the World, financial inclusion is considered as a key driver of economic growth and poverty alleviation. Providing access to formal financial services can enhance the job creation, reduction in economics shocks and increase investment in human capital. However, with lack of access to formal financial services, firms and individuals need to rely on available limited resources or rely on informal sources of finance to meet their financial needs. Hence, financial inclusion can support for more inclusive and sustainable socio-economic growth for all (Rangarajan Committee).

It is a dynamic concept in nature with different concepts and, the main objective of the financial inclusion is to promote gender equality and equal participation of women in the formal financial system.

In India, only 35 per cent of adult populations have the account in formal financial institution, which indicated that the percentage of account penetration is below the rest of the developing nation. According to Census data 2011, India with population 1.22 billion, only 65 per cent of the adult population was excluded from the financial system, 35.2 per cent adults above the age of 15 years had a banking account, and there is only one bank branch over 12.5 villages in India (Garg and Agarwal, 2014).

2. Review of Literature:

Literature review plays a crucial role for finalization and delimitation of the research problem and provides the gap, which can be attempted in this study by the researcher

Manji (2010) examined the linked between financial service and poverty elimination. Commercial banks played the important role in third world countries to promote the financial inclusion. Implementation of land reforms in Tanzania and Uganda achieved gender equality in land right. Despite all this, financial inclusion strengthens the position of commercial lenders in these countries and enables them to protect the women's fragile access to land.

Dangi et al. (2013) analysed the role of the RBI and government policy measures and future prospective of financial inclusion in India. For this study, secondary data have been used and a current study found that rural household of India doesn't have access to banking and other financial services. However, to achieve the financial inclusion, various programmes need to be conducted for customer awareness such as

E- banking training, mobile banking training and educational training and micro financial institution needs to function under single regulator.

Garg et al. (2014) examined the relationship between financial inclusion and development of society and nation economy. Financial inclusion helps to achieve equitable and inclusive growth. For this study, data have been collected from secondary sources. Through the financial inclusion, regulators have created a regulatory environment to keep the interest of stakeholders and suggested that government policies need to be addressed at ground level.

Mondal (2015) analysed the relationship between Financial Inclusion and poverty and how Financial Inclusion can help to reduce poverty in India. For this study, data have been collected from secondary sources such as Ministry of Rural Development, Planning commission; journal etc. and research technique such as simple average methods have been applied. For this analysis, the period was taken from the year 1993-94 to 2011-12 and the result was found that since 2005 rate of poverty had been declined at 3-fold rate. Hence, financial inclusion is offering incremental and complementary solutions to eliminate poverty, which can further help to promote the inclusive development in India.

Shettar (2016) examined the role of banks to extend the financial inclusion through no frill account, financial literacy, expansion of ATM network. The data has been collected from the secondary sources. The study concluded that financial inclusion played the successful role to eliminate the poverty from the country. But large number of population and rural household do not access banking and financial service where rural men and women use less banking account as compared to the urban people.

Hendriks (2019) studied that digital finance service helps to achieve women's economic empowerment and reduced the gender gap through financial inclusion. In many countries, using mobile account for cash transfer helps to reduce the cost of accessing the money. Further study suggested that digitisation of G2P transfer payment will help to overcome the demand side and supply side barriers faced by women.

PTI (2020) reported "Pradhan Mantri Jan-Dhan Yojana Women hold more than 50 per cent of the accounts" stated that more than 50 per cent bank accounts were held by the women beneficiaries but gender wise no data was available on account holders on the PMJDY site. Under PMJDY, till 9 September 2020, 40.63 Crore accounts were opened out of which 18.29 Crore opened by men and 22.44 Crore were opened by the women. In the current financial year deposits in those accounts rise by 8.5 per cent by 1.30 lakh Crore. However, maximum bank accounts were opened by the Public Sector Banks under PMJDY with amount Rs. 1,00,869.65 Crore. Regional Rural Banks have 7.24 Crore beneficiaries with total amount Rs. 25,508.05 Crore and Private sector banks scored very miniscule amount of Rs. 3,981.83 Crore and only 1.27 Crore beneficiaries.

3. Research Questions:

1. What is the level of understanding of financial inclusion in India?

4. The main objective of the present study is following:

1. To review the current status of financial inclusion in India.

5. Understanding the Significance of Financial Inclusion in India

- Lack of savings among the poor, the poorer strata of society has been under a constant financial strain, which in turn renders them weak. The penetration and availability of banking services and product service as a crucial tool that builds a foundation for the development of saving habit among poor. Once financial inclusion initiatives are implemented and individuals start moving away from conventional means of saving in gold, land, etc.,
- Capital formation is also predicted to increase. The vast majority of people rely on unofficial sources of credit like family, acquaintances, and moneylenders. By providing sufficient and clear credit from banks and other reputable financial organizations, this can be reduced to a minimum dependence on informal sources of money (Ghose, 2014).
- In order to provide universal banking services for every unbaked household in accordance with the fundamental principles of banking, the government launched the National Mission for Financial Inclusion (NRFI), also known as the Pradhan Mantri Jan Dhan Yojana (PMJDY), in August 2014.

Table 5.1: Increase in Banked Adult Population at World Level

Year	Percentage
2011	51
2014	62
2017	69

Source: World Bank Report 2020

Table 5.1 presents the percentage share of increment of adult population around the world. In 2014, an estimated 2 billion adults lacked access to transaction accounts and were excluded from the financial

system. So, in this response world bank with private and public sector partners set an ambitious target to achieve Universal Financial Access by 2020. According to the world bank report 2020, the number of unbanked adult populations has decreased with the passage of time. The above table shows the increase in the banked adult population from 2011 to 2017. In the above table, the result shows that the percentage of adults increased from 51 percent to 69 percent at a global level. Hence this shows at the world level the inclusion of the adult population in the banking mainstream.

Table 5.2: Pradhan Mantri Jan - Dhan Yojana Beneficiaries (Beneficiaries as on 14/09/2022)

(All figures in Crore)

Bank Name / Type	Number of Beneficiaries at rural/semi-urban centre bank branches	Number of Beneficiaries at urban metro centre bank branches	Number of Rural-Urban Female Beneficiaries	Number of Total Beneficiaries	Deposits in Accounts (In Crore)
Public Sector Banks	23.03	13.69	20.22	36.71	134161.07
Regional Rural Banks	7.45	1.18	4.98	8.63	34135.59
Private Sector Banks	0.70	0.60	0.71	1.31	4896.06
Grand Total	31.18	15.47	25.92	46.65	173192.72

Source: PMJDY.GOV.IN

Table 5.2 shows the performance of PMJDY in terms of, deposit balance and average deposit balance, and rural-urban female beneficiaries. It is observed under major parameters, consistent progress has been observed under PMJDY over the years. Since its inception, over 31.18 crore new accounts have been opened under the various banking institute. Branches. Maximum number of beneficiaries are associated with public sector banks branch and less beneficiaries are connected with private sector bank. Total number of beneficiaries are 46.65 crores. However, Rs. 173192 crores have been deposited by the newly banked people in the formal banking system. Beneficiaries in urban metro cities are 15.47 crore. From the above analysis we can conclude that large number of beneficiaries has increased in rural areas as compared to urban areas.

However, rural-urban females were 25.92 crores linked with the banking mainstream. Hence above table shows the inclusion of women in the banking main stream.

The journey of financial inclusion in India has moved gradually with the restructuring of policies from time to time. Its purpose is to provide access to formal financial services which can enhance job creation, reduction in economic shocks, and increase investment in human capital. With the passage of time, banking sector initiatives accelerated the growth of financial inclusion with more inclusion of unbanked women in the mainstream. Being dynamic in nature it promotes gender equality and equal participation of women in society. An increase in bank accounts and deposits shows the significance increase in financial inclusion is high. Hence, financial inclusion becomes successful to achieve its goal and successfully enhanced the understanding of financial literacy among rural women.

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