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***FINANCIAL INCLUSION A PILLAR FOR INCLUSIVE GROWTH OF INDIA***

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***Abstract***

The image of the successful nation is reflected by its bottom of the pyramid portion. The fortune of many industrialist and developing nations is to overcome this obstacle and to make our bottom of the pyramid section self-sufficient by the Financial Inclusion definition mushroomed up with its rural segment and the section that is almost ignored by many formal financial sections of society. As per the World Bank Financial Inclusion is “the poor households have access to useful and reasonable financial products ,services that congregate their desires – transactions, savings, credit and insurance – deliver in a accountable way.” It is important to view the term Financial Inclusion as a relative dimension. The degree of financial inclusion varies between countries, depending on the stage of growth. It is shocking that India ranks second in the world after China in terms of financially excluded households. The central bank has also given high importance to financial inclusion in the inclusive growth phase of the economy. The paper focuses to understand the concept of Financial Inclusion ,the bottom of pyramid section, the challenges the financial Inclusion concept face in developing nation, its growth,the indicators of Financial Inclusion .

*Key Words: Financial Inclusion, bottom of pyramid, Micro credit, Monitoring of Financial Inclusion Progress(MFPI)*

**Introduction**

The term inclusion means the act of including as part of a party, list, etc., or an individual or object, someone or something. The term Financial Inclusion implies that the poor strata of society are included, which can not be funded for any reason, whether it is their illiteracy, non-awareness or formalities required by the formal institution. The government of developing countries is focused on giving the bottom of the pyramid segment financial strength to make them self-sufficient. World Bank Financial Inclusion is “the poor households have access to useful and reasonable financial products ,services that congregate their desires – transactions, savings, credit and insurance –

deliver in a accountable way. It is important to view the term Financial Inclusion as a relative dimension. The degree of financial inclusion varies between countries, depending on the stage of growth. It is shocking that India ranks second in the world after China in terms of financially excluded households. The central bank has also given high importance to financial inclusion in the inclusive growth phase of the economy.

### **Objectives of the study**

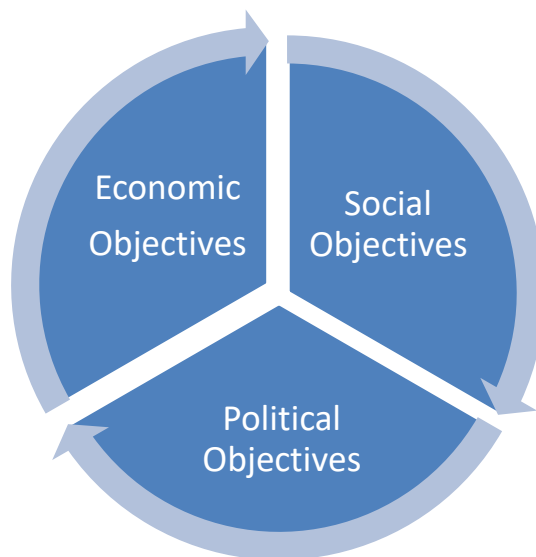
- 1) To study & understand the conceptual framework of Financial Inclusion..
- 2) To explore the present scenario of financial inclusion of rural and urban households.
- 3) To highlight the measures taken by the Government of India and RBI for promoting Financial Inclusion.
- 4) To see whether there is sustainability of Financial Inclusion for the Bottom of Pyramid

### **Research Design & Methodology**

For the purpose of the study, the secondary sources have been tapped. Secondary sources consist of relevant books, journals, articles, magazines, newspaper reports etc. The existing literature on the subject will be reviewed. The data used in this Research paper is retrieved from the RBI website and various reports submitted to the Government of India for Financial Inclusion, Grameen Bank Reports, Economic Intelligence Service, Center for Monitoring Indian Economy, Banking Statistics of India, newspapers, journals and Internet. In this paper, graphs and tables are used to provide the relevant information in a better way.

### **Objectives of Financial Inclusion**

There has been a many objectives related to the need for financial Inclusion such as



- **Economic Objectives:**

For the equitable growth in all the sections of the society leading to a reduction of disparities in terms of income and savings the financial inclusion can serve as a boom for the underdeveloped and developing nations.

- **Mobilisation of Savings**

If the weaker sections are provided with the facility of banking services the savings can be mobilised which is normally piled up at their households can be effectively utilised for the capital formation and growth of the economy.

- **Larger Market for the financial system**

To serve the requirements and need of the large section of society there is a surgent need for the larger market for the financial system which opens up the avenue for the new players in the financial sector and can lead to growth of banking sector also.

- **Social Objectives**

Poverty Eradication is considered to be the main sole objective of the financial inclusion scheme since they bridge up the gap between the weaker section of society and the sources of livelihood and the means of income which can be generated for them if they get loans and advances.

- **Sustainable Livelihood**

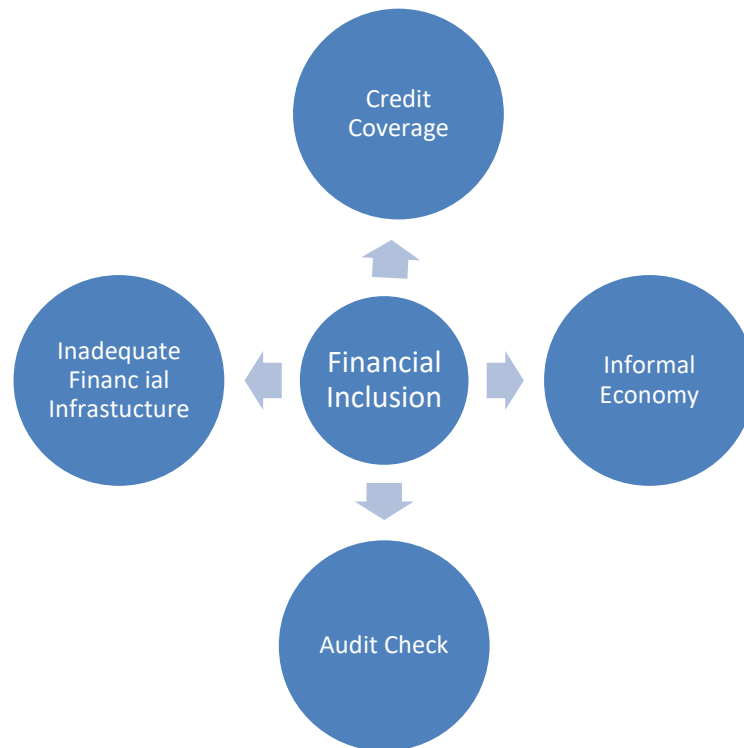
Once the weaker section of society got some money in loan form they can start up their own business or they can support their education through which they can sustain their livelihood. Thus financial inclusion is turn out to be boom for the low income households.

- **Political Objectives**

There are certain other political objectives which can be achieved with the wider inclusion of lower strata in the society and an effective direction can be given to the government programmes.

### **Financial Inclusion Problems in India**

The main focus so far is on the significance and challenges of the analysis, but it is also important to put some light on the FI's challenges before doing any research. The following points illustrate the challenges facing FI in India:—



## Informal Economy

There are less than 20% of workforce employed in the organized sector, getting employment and income data for the majority employed in this sector is almost impossible. The situation is same for tax payer as only 1.7% of the Indian population is a regular income-tax payer. Most of the businesses also managed their financial records informally.

- **Credit bureau coverage**

Credit bureau coverage issue is highly important for emerging economies like India because most of the credit seekers are new to credit and haven't approached a formal lending institution before. The Credit Bureau coverage is less than 45% reason to this is the applicants get rejected due to the lack of historical data on past loan performances.

- **Inadequate infrastructure**

The public infrastructure of India is improved. The number of commercial bank's branches has nearly doubled from 71,685 in 2006 to over 138,850 in 2016 but still the number is low.

- **Weak contract enforcement**

The lack of confidence of public authorities in contract enforcement abilities has been dissuading institutional lenders from lending to masses at large scale. They found it challenging to collect the installments in case of defaulting customers, which results in increasing the cost of collections and recovery.

## **Financial Inclusion in India- Current Status**

The Financial Inclusion Plans (FIPs) include a systematic and designed approach to financial inclusion with a commitment to Board-approved FIPs at the highest levels within banks. The Plan defines banks' self-set goals on criteria such as number of outlets (branches and BCs), simple savings bank deposit accounts (BSBDAs) opened by bank branches and BCs, overdraft facilities used in those accounts, KCC (Kisan Credit Card) transactions, GCC (General Credit Card) accounts and transactions-

<b>Financial Inclusion Plan: A Progress Report (End-March)</b>		
<b>Particulars</b>	<b>2019</b>	<b>2020</b>
Banking Outlets in Villages-Branches	52,489	54,561
Banking Outlets in Villages>2000-BCs	1,30,687	1,49,106
Banking Outlets in Villages<2000-BCs	4,10,442	3,92,069
Total Banking Outlets in Villages-BCs	5,41,129	5,41,175
Banking Outlets in Villages – Other Modes	3,537	3,481
Banking Outlets in Villages – Total	5,97,155	5,99,217
Urban Locations Covered Through BCs	4,47,170	6,35,046
BSBDA - Through Branches (No. in Lakh)	2,547	2616
BSBDA - Through Branches (Amt. in Crore)	87,765	95,831
BSBDA - Through BCs (No. in Lakh)	3,195	3,388
BSBDA - Through BCs (Amt. in Crore)	53,195	72,581
BSBDA - Total (No. in Lakh)	5,742	6,004
BSBDA - Total (Amt. in Crore)	1,40,960	1,68,412
OD Facility Aailed in BSBDA's (No. in Lakh)	59	64
OD Facility Aailed in BSBDA's (Amt. in Crore)	443	529
KCC - Total (No. in Lakh)	491	475
KCC - Total (Amt. in Crore)	6,68,044	6,39,069
GCC - Total (Amt. in Crore)	1,74,514	1,94,048
ICT-A/Cs-BC-Total Transactions (No. in Lakh) #	21,019	32,318
ICT-A/Cs-BC-Total Transactions (Amt. in Crore) #	5,91,347	8,70,643
<i>*Provisional. #: Transactions during the year.</i>		
<i>Source: FIP returns submitted by banks.</i>		

### **Monitoring of financial inclusion progress (MPFI)**

The FIP template has been updated and rechristened as 'Monitoring Progress of Financial Inclusion (MPFI)' to capture more granular data and qualitative aspects at the ground level in order to align the policies of the Reserve Bank with the vision outlined in the National Strategy for Financial Inclusion (NSFI) document for the period 2019-24. The MPFI data is automated by the Automated Data Extraction Project (ADEPT) of the Reserve.

### **Latest interventions carried out for the BC Model**

A framework for graded certification of BCs has been given to the Indian Banks' Association (IBA) for further implementation in order to improve the BC framework and to deepen financial inclusion. Therefore, domestic SCBs, including SFBs, have been advised by the Indian Institute of Banking and Finance (IIBF) to complete the BC certification process in a time-bound manner by 31 December 2020.

### **Train the Trainers Program for Business Correspondent Capacity Building**

For capacity building and skill upgrading of the BCs, a two-tier Train the Trainers (ToT) programme entitled 'Skill Up-gradation for Resource Performance-Business Correspondents (SUPER-B)' was planned to efficiently deliver financial inclusion at the grass-root stage. Trainers, officials/faculties of the SCBs and Lead District Officers (LDOs) from the Regional Office were held in the first tier in three phases. Trainers, SCB officials and Lead District Officers (LDOs) from the Reserve Bank's regional offices were educated. Banks were advised to complete the Tier II programme, which includes training rural branch managers who, in turn, would handle and raise awareness of the BCs associated with their branches. As of 31 July 2020, in the second phase of the programme, almost 39,000 rural branch managers have been trained.

### **Conclusion**

The study is basically done for an attempt to convey about the efforts of the Financial Inclusion plan in India and the changes that occur after the plans implemented. The study provide the meaning of Financial Inclusion, objectives ,its challenges and also the government initiatives to promote Financial Inclusion in India. FI growth is also necessary for the sustainable development and equal distribution of wealth. But it is unfortunate that most of the Tribal areas in India lacks in basic necessities, so they are socially as well as economically weak. Most of the people having access to banking services have no or little knowledge about the banking facilities that created a chaos. It is the job of RBI and Government of India to create awareness at all levels. Therefore the FIP template has been updated and rechristened as 'Monitoring Progress of Financial Inclusion (MPFI)' to capture more granular data and qualitative aspects at the ground level

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