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A REVIEW OF INITIATIVES AND CURRENT STATUS OF FINANCIAL INCLUSION IN INDIA

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ABSTRACT

Financial inclusion is bringing the excluded mostly the marginalized and underprivileged section of the society under the ambit of formal financial system. This paper aims to investigate the present status of financial inclusion in India and initiatives taken by RBI and Government of India for improving financial inclusion. Major indicators such as credit growth, growth in saving accounts and numbers of accounts opened under Pradhan Mantri Jan Dhan Yojana has been taken for the study. This research work primarily based on secondary data and data has been collected from reports of Reserve Bank of India (RBI), NABARD, Global Findex data (World Bank) and Ministry of Finance. Major finding indicated that Government of India and RBI has taken various initiatives to strengthened financial inclusion and its shows positive and valuable changes of banks objectives achieving widespread financial inclusion is possible. In spite of many initiatives taken by the government and its agencies for financial inclusion of the excluded populous there has not been much prominent witness. This requires training of banks staff and managers as well as business correspondents and efforts therefore should be made at the grass root level.

Keywords: Financial inclusion, Government initiative, PMJDY, Public and Private sector banks

Introduction

It is expected that the year 2018 could be a turning point for India in its effort to make available access to a wide range of financial services to all its citizens. But the history of financial inclusion in India is actually much older than it really came into public interest and caught attention of many and let major researchers fall into its bandwagon. This is manifested by actions of the RBI and the Government when the nationalization of the banks, lead bank schemes, incorporation of regional rural banks, service area approach and formation of Self help groups were initiated with a motive of taking banking services to the masses. But the effort could not lead to sincere results and despite the wide expansion of brick and mortar infrastructure, large section of masses could not be addressed to its basic financial needs. Globally, 38 % of adults remain unbanked and India is home to 21 % of the world's unbanked adults and about two-thirds of South Asia's (World Bank, 2014). India is reveled in being called as an "emerging market". But to qualify for such a label she needs financial inclusion at a decent significant percentage. The micro lending so called micro finance has to be made available to masses at an affordable rate. It has been observed that countries which has micro finance business culture has more congenial environment for financial inclusion. And the countries that have the culture of microfinance for quiet long time also have better institutional infrastructure to look into other financial aspects too. Financial inclusion starts with having a bank account but it doesn't stop there—only with regular use do people fully benefit from having an account and digitizing payments such as to make payments of wages and government transfer into accounts which can increase the number of accounts with adults (World Bank, 2014). NABARD opines, "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." With a view to increasing banking access and promoting financial inclusion a national mission on financial inclusion named as Pradhan Mantri Jan Dhan Yojana (PMJDY) was announced by Hon'ble Prime Minister on 15th August, 2014. The scheme was formally launched on 28th August, 2014 at national level by Hon'ble Prime Minister. Achievements under PMJDY as on 17.02.2016 - 20.87 crore accounts have been opened under PMJDY out of which 12.79 crore accounts are in rural areas and 8.08 crore in urban areas and deposits of

Rs. 32730.72 crores has been mobilized and 17.36 crore RuPay Debit cards have been issued under PMJDY (Ministry of Finance, annual reports 2015-2016.

Literature Review

Kumar et al., (2007) investigated the performance of rural credit and factors affecting the choice of credit sources. The study was based on the Debt and Investment Survey of NSSO, conducted in 48th round and 59th round. The study identified that performance of rural credit delivery has improved since the indicator of dependence of non institutional sources of finance showed considerable reduction. The share of non institutional sources of rural credit has declined from 91 per cent in 1951 to 44 per cent in 1991-92 and a dramatic achievement was noticed in the increase of share of institutional sources of rural credit from less than 9% in 1951 to 56% in 1991-92. The study found that rural households continued to depend upon informal sources such as money lenders, traders, landlords etc.

Honohan & King, (2009) the present paper has been designed to analyze reasons and impacts of financial access out a cross country nations. The author created a framework for determining the level of financial access based on surveyed results across demographic profile. The paper results suggested that financial access is significantly different with area, income level and education of respondents. Financial access is greater in urban areas and is higher among males and educated people.

Mehrotra et al., (2009) highlighted the supply and demand side barriers to financial inclusion. The supply side barriers to financial inclusion arise from various factors such as poor banking infrastructure, low outreach by existing institution, lengthy form filling/ account maintaining formalities, security based lending procedures etc. The demand side constraints are related to factors such as poor physical infrastructure (road, bridges, and irrigation structures) etc, low financial literacy high costs of services etc. While addressing supply side constraints is part of the public accountability of the banks and policy construction bodies, tackling the demand side constraints calls for successful partnership of government with banks, controlled agencies, NGO etc.

Bhanot et al., (2012) explained the financial inclusion in north-east India by using the logistic regression model. The purpose of this paper was to explore the factors which are crucial in formative the degree of financial inclusion in organically isolated areas. The study also aims to provide suggestive measures for banks to tap unexplored markets. The study highlighted that access to banking services in north-east India is very low. The significant contribution of SHG awareness in linking the marginalized with the formal banking institutions is revealed.

Financial information from various sources has helped to increase inclusion. The stand-alone effect of variables such as area terrain, receipt of government benefits and vehicle ownership is non-significant.

Dangi & Kumar, (2013) made an effort to identify the present status of financial inclusion in India and the major factors affecting access to financial services. The study results highlighted that a large number of individuals and rural people are largely depends upon informal financial system for their financial needs. Public sector banks and Regional Rural Banks play a key role in the financial inclusion process. The study identified major factors such as psychological and cultural barriers, structural procedural formalities and limited literacy affects the access to financial services.

Demirgue et al., (2013) the author conducted the study into 98 developing countries for measuring the gender differences in use of financial services. The global findex database was used for data collection and descriptive statistics and multivariate regression was used for data analysis. The study highlight that there is significant gender gap in account ownership and use of credit and saving products. The study also explored that the extent to which economy-wide legal inequity against women and gender norms can help enlighten this gender gap. As a result of disparity treatment women may have less capability than men to own, manage, control, or inherit assets and property, which in turn less access women's for financial services. The comparatively low use of financial products by women may enlarge their helplessness to income shocks and reduce their ability to invest, save, and plan for the future. Civilizing women's access to finance may want more fair treatment under the law, as well as changes to product and easier access to financial service providers.

Sharma & Kukerja, (2013) the present paper has been designed to explore the need and implication of financial inclusion for financial and social progress of society and to study the access of rural people to bank branches and numbers of ATM's opened in those areas. The study showed that the numbers of business correspondents have increased and numbers of rural banking branches have increased. The study concluded that India being the developing nation having a large number of rural sector still far behind in providing the basic facility of opening of number of bank branches in the rural areas.

Garg & Agarwal, (2014) in this paper, the author has tried to understand the extent of financial exclusion and financial inclusion importance for overall development of society. This study focuses on approaches adopted by RBI and Government of India for improving financial inclusion in the country. The study found that various approaches such as different banking products, technology led approaches and various regulatory initiatives taken by banks and Government of India for financial inclusion.

Morgan & Pontines, (2014) the exploratory paper examines the relationship between financial stability and financial inclusion. The study used descriptive statistics and correlation for measuring the relationship. The study found that there is positive relationship between financial stability and financial inclusion. And the subsidiary finding of the study is that higher per capita GDP tends to increase financial stability while a higher ratio of private bank credit to GDP reduce financial stability.

Tamilarasu A., (2014) analysed the role of banking sector on financial inclusion and the study investigated that commercial banks, schedule commercial banks and regional rural banks numbers are reduced during the period between (2008-2013) and bank offices have been increased in almost all the areas. Aggregate deposits and credit granted of banks showing the increasing trend and ATM’s machine installation are showing the increasing trend in almost all the places on the campus and off campus.

Demirg-Kunt et al., (2015) the paper discussing the Global Findex Database 2014, the study conducted with the aim to study ownership of accounts, access to financial institution accounts, saving, credit and financial resilience of more than 140 economies. The study found that 62% of adults worldwide have an account at a bank or another type of financial institution or up from 51% in 2011. Account access differs extremely between high-income and developing countries in the aggregate: 89% of adults in high-income countries, but only 24% in low-income countries, details that they have an account at a recognized financial institution.

Kumar & Mishra, (2015) the present paper undertakes to study the access of a banking product among males and females and the reasons for non access of a banking product. A sample of 300 respondents was used for the study and data analyzed through descriptive statistics. The study found that financial access varies through gender. Various factors affects the financial access such as lower level of income and remoteness of the branches and high cost of maintain a bank account need to be looked into with much more care and prominence. Most of the people still have agriculture as their main cause of income and the informal and unorganized banking still plays a most important role to activate the savings of rural women. The reasons for savings and banking frequency also disclose that people are not much into banking practices or banking habits. Adding to its lack of awareness also leads to underuse of financial interfaces and financial services.

Sharma D., (2016) conducted a study with the objective of to assess the nexus between the vast dimensions of financial inclusion and economic development of the emerging Indian economy. The author uses vector auto-regression (VAR) models and Granger causality test to analysed the main research question in Indian context. The study identified that there is a positive association between economic growth and various dimensions of financial inclusion, specifically banking access, ease of use of banking services and procedure of banking services in terms of deposits. Granger causality analysis reveals a bi-directional causality between geographic outreach and economic development and a unidirectional causality between the number of deposits/loan accounts and gross domestic product.

Objectives of the study

1. To identify the various initiatives taken by RBI and Government of India to ensure maximum financial inclusion.
2. To explore the present status of financial inclusion in India

Research methodology

The present research work is descriptive in nature and purely based on secondary data. The secondary data have been collected from various sources including Journals, reports of RBI, NABARD and Ministry of finance and the other sources being internet, articles, newspapers etc. Data has been analyzed using tabulation in Microsoft's-Excel 2007 and growth rate of SCBs and individuals savings accounts with SCBs is computed by using Compound Annual Growth Rate (CAGR). The data has further analysed using descriptive statistics such as percentage.

Results and Discussion

Table 1. Measures taken by RBI and Government of India year wise

Year	*Measures taken*
1969-1980	*Nationalization of commercial banks, Development of RRBs and rural and semi urban branches, lead bank scheme launched*
1980-1990	*Branch licensing policy, establishment of NABARD, rural, urban and semi urban branches of PSBs, adoption of service area approach*
1998	*Kisan credit cards*
2004-2006	*No frill accounts & low minimum balance along with small overdraft facility and banks are allowed to engage BCs as retail agents for providing banking services. First time use of the term financial inclusion and business correspondent model.*
2008	*Guidelines for mobile banking transactions were issued and due to the need of proper supervision BC were not allowed to be located more than 15 kms from the bank branch. Establishment of financial inclusion fund with a corpus of 500 crore for enhancement of financial inclusion of weaker sections.*
2009	*Guidelines for mobile banking were amended and also the transaction limit was increased with more tight security norms. Banks were asked to take part in RBI's program of financial inclusion and financial literacy to commute the 160 unbanked villages into having 100% financial inclusion.*
2010	*All domestic commercial banks public and private sector have drawn a board approved three year Financial Inclusion Plan starting April 2010. The Financial inclusion plan consist of number of banking correspondents outlets opened, number of Kisan credit cards and general credit cards issued, number of bank branches opened in unbanked villages with population more than or less than 2000.*
2010	*RBI and TRAI entered into an agreement to rollout mobile banking. In September 2010, RBI has allowed for profit organizations, listed companies excluding NBFCs under the companies act 1956 were also allowed to act as BCs.*
2011	*TRAI announced that the mobile tariffs for financial services will be fixed and would be kept below the market prices to enhance its affordability*
2011	*Aadhaar enabled bank accounts were allowed by RBI to facilitate routing of MGNERGA and other social benefits directly to the beneficiary's account through EBT (electronic benefit transfer)*
2012	*Aadhaar Card was allowed to be used as both identity and address proof for the purpose of opening bank accounts.*
2012	*Government introduced Sub Service Area (SSA) for deep penetration of banks and makes banks accessibility within reach.*
2013	*RBI permitted to use e-KYC (Know your customer) to ease the bank accounts opening.*
2014	*The Prime minister launched the Pradhan Mantri Jan Dhan Yojana (PMJDY) with the slogan of 'Sab Ka Sath Sab Ka Vikas' a national mission on finnacial inclusion has the objective of covering all households in the country with banking facilities. RBI also issued guidelines for scaling up of business correspondents model.*
2015	*RBI issued guidelines to banks for opening of financial literacy centers especially in rural areas and functional guidelines for conducting camps by FLCs. As on March 2016, 1,384 FLCs were operational in the country for improving financial literacy level.*
2016	*With the introduction of new technological approaches such as National Payments Corporation of India (NPCI), National Unified USSD Platform (NUUP), USSD-based mobile banking a person can use basic banking facilities such as transfer funds, payments, balance enquiries, merchant payments, etc through a normal phone.*

Present status of Financial Inclusion in India

Table 2. Credit growth of scheduled commercial banks

Credit accounts (₹ million)					Credit outstanding (₹ billion)			
Particulars	**2006**	**2010**	**2015**	**CAGR (%)**	**2006**	**2010**	**2015**	**CAGR (%)**
Rural	29	36	50	6.4	1,261	2,493	5,982	18.9
Semi-urban	21	27	41	7.4	1,514	3,200	7,600	19.6
Urban	13	16	21	5.8	2,458	5,585	11,039	18.2
Metropolitan	23	40	33	4.1	9,905	22,174	44,170	18.1
All India	86	119	145	6.0	15,138	33,452	68,791	18.3

Source: RBI report of the committee on medium- term path on financial inclusion

Table 2 shows the credit growth of scheduled commercial banks in India during 2006 – 2015. The number of credit accounts of SCBs in India increased at a CAGR of 6.0 per cent and the rate of growth was higher for only semi-urban and rural areas. During 2006-2015 the credit outstanding of SCBs decreased at a CAGR of 18.3 percent, the rate of credit outstanding was low for metropolitan areas.

Table 3. Growth in individuals savings accounts with SCBs

Saving accounts (in millions)					Amount Outstanding in saving accounts (in billions)			
Particulars	**2006**	**2010**	**2015**	**CAGR (%)**	**2006**	**2010**	**2015**	**CAGR (%)**
Rural	104	167	384	15.6	962	1,703	3,601	15.8
Semi-urban	85	136	320	15.9	1,124	2,155	4,470	16.6
Urban	68	97	186	11.8	1,246	2,381	4,541	15.5
Metropolitan	71	100	180	10.9	1,838	3,731	6,476	15.0
All India	329	500	1,070	14.0	5,170	9,970	19,088	15.6

Source: RBI report of the committee on medium- term path on financial inclusion

Table 3 describes the growth of individuals saving accounts with SCBs and the table shows that there is higher branch expansion in semi-urban and rural areas; the compound annual growth rate (CAGR) is 15.9 and 15.6 percent. This shows that there are good efforts done by banks for inclusive growth in remote and rural areas. The table also highlights the individuals saving outstanding amount and there is decrease in CAGR rate in all areas except semi-urban areas.

Table 4. Growth and progress of all banks in India Including RRBs till march 2016

Particulars	March 2010	March 2015	March 2016	Progress April 2015 - Mar 2016
Rural Branches	33,378	49,571	51830	2259
Rural Banking through BCs	34,316	504,142	534477	30335
Rural Banking Outlets –Total	67,694	553,713	586307	32594
Urban banking through BCs	447	96,847	102552	5705
Basic Savings Bank Deposit A/c through branches (No. in millions)	60.2	210.3	238.2	27.9
Basic Savings Bank Deposit A/c through branches (Amt. in ₹ billion)	44.3	365.0	474.1	109.1
Basic Savings Bank Deposit A/c through BCs (No. in millions)	13.3	187.8	230.8	53.0
Basic Savings Bank Deposit A/c through BCs (Amt. in ₹ billion)	10.7	74.6	164.0	89.4
BSBDAs Total (No. in millions)	73.5	398.1	469.0	70.9
BSBDAs Total (Amt. in ₹ billion)	55	439.5	638.1	198.6
Overdraft facility in BSBDAs (No. in millions)	0.2	7.6	8.0	0.4
Overdraft facility in BSBDAs (Amt. in ₹ billion)	0.1	19.9	14.8	(5.1)
Kisan credit cards (No. in millions)	24.3	42.5	47.3	4.8
Kisan credit cards(Amt. in billion)	1,240.1	4,382.3	5130.7	748.4
General credit card(No. in millions)	1.4	9.2	11.3	2.1
General credit cards (Amt. in billion)	35.1	1,301.6	1493.3	191.7
ICT A/Cs BC Transaction (No. in million)*	26.5	477.0	826.8	349.8
ICT A/Cs BC Transactions (Amt. in ₹ billion)*	6.9	859.8	1686.9	827.1
*: During the financial year.				

Source: RBI Report on trend and progress of banking in India 2015-2016

Table 4 describes the financial inclusion growth and progress of all banks in India including RRBs and the table shows that there is great progress under various heads shown in table during 2015-2016. Banks did commendable work under the branch expansion approach in rural areas. Banks done very well in their product approach under financial inclusion plan banks GCCs and KCCs distribution amount increased with great amount as shown in table 4. It can be seen from the table that banks have been greatly relying on BCs to broaden the banking network in the rural and remote areas under FIPs. Due to combined efforts of RBIs and government of India, banking outlets in villages increased manifold from 67,694 in March 2010 to 5, 86,307 in March 2016. The number of KCCs (no. in millions) increased from to 24.3 during March 2010 to 47.3 in March 2016 and the number of GCCs (no. in millions) increased from to 1.4 during March 2010 to 11.3 in March 2016.

Table 5. No. of accounts opened in Pradhan Mantri Jan Dhan Yojana(PMJDY) in India up to June 28, 2017.

Particulars	**Rural/semi-urban accounts**	**Urban accounts**	**Total accounts**	**Rupay Debit Cards issued**	**Balance in accounts (In lac)**
Public Sector Bank	127516750 (73.60%)	105886598 (90.76%)	233403348 (80.51%)	179961929 (80.27%)	5052204.92
Regional Rural Bank	40078004 (23.13%)	7077783 (6.067%)	47155787 (16.26%)	35580470 (15.87%)	1157179.09
Private Banks	5644524 (3.25%)	3694221 (3.16 %)	9338745 (3.22%)	8650091 (3.85%)	204082.43
Grand Total	173239278 (100%)	116658602 (100%)	289897880 (100%)	224192490 (100%)	6413466.44

Source: Department of financial services, Ministry of Finance

Table 5 describes the number and percentages of accounts opened by banks under the PMJDY till June 2017. The table shows that Private sector banks have opened 56,44,524 number of accounts in rural and semi- urban areas and 36,94,221 number of accounts in metro cities till June 28, 2017 but public sector banks have opened 12,75,16,750 number of accounts in rural and semi- urban area and 10,58,86,598 number of accounts in urban areas which is almost twice of private sector banks. On the overall in rural and semi-urban areas (73.60%) accounts were opened by public sector banks and (3.25%) accounts were opened by private sector banks. Out of total Rupay debit cards 80.27% issued by public sector banks and (15.87%) Rupay debit cards are issued by regional rural banks while only (3.85%) Rupay debit cards issued by private sector banks.

Table 6. Distribution of accounts opened by Public sector banks under PMJDY scheme in India up to June 28, 2017

Name of Bank	Rural accounts	% of Rural accounts	Urban accounts	% of Urban accounts	Rupay Debit Cards	% of Rupay Debit Cards
Allahabad Bank	5445097	4.27%	1217822	0.52%	5176444	2.87%
Andhra Bank	1622271	1.27%	795228	0.34%	1936384	1.07%
Bank of Baroda	7983945	6.26%	12720040	5.44%	19333931	10.74%
Bank of India	8287684	6.49%	9244690	3.96%	16429140	9.12%
Bank of Maharashtra	3425815	2.68%	1099320	0.47%	904689	0.50%
Canara Bank	4490319	3.52%	2075275	0.88%	4272694	2.37%
Central Bank of India	7658556	6.00%	2001246	0.85%	7215767	4.00%
Corporation Bank	1362098	1.06%	1338948	0.57%	2548086	1.41%
Dena Bank	3190340	2.50%	906358	0.38%	2570247	1.42%
IDBI Bank Ltd.	463249	0.36%	361609	0.15%	667418	0.37%
Indian Bank	2176812	1.70%	1086635	0.46%	3227745	1.79%
Indian Overseas Bank	959668	0.75%	4309416	1.84%	4069901	2.26%
Oriental Bank of Commerce	2279147	1.78%	4038296	1.73%	3709982	2.06%
Punjab & Sind Bank	493274	0.38%	752684	0.32%	720624	0.40%
Punjab National Bank	14070719	11.03%	16711892	7.16%	13476381	7.48%
State Bank of India	44499449	34.89%	98996693	42.41%	69463873	38.59%
Syndicate Bank	2999775	2.35%	4375458	1.87%	3799068	2.11%
UCO Bank	3156262	2.47%	5842898	2.50%	3946065	2.19%
Union Bank of India	5464198	4.28%	6932462	2.97%	4898227	2.72%
United Bank of India	6666070	5.22%	11028151	4.72%	10133222	5.63%
Vijaya Bank	822002	0.64%	1462041	0.62%	1462041	0.81%
Sub Total	**127516750**	**100**%	**233403348**	**100**%	**179961929**	**100**%

Source: Department of financial services, Ministry of Finance

Table 6 reports the number and percentages of accounts opened by public sector banks under the PMJDY till June 2017 and the table shows that State bank of India and Punjab National bank are on the top of the list into public sector banks with 4,44,99,449 and 1,40,70,719 number of accounts in rural and semi- urban areas. In urban areas Bank of Baroda and State bank of India both banks have opened highest number of accounts in comparison to other public sector banks. In issuance of Rupay debit cards under the PMJDY more than 70% of total Rupay debit cards have been issued by United Bank of India, State Bank of India, Bank of Baroda, Bank of India and Punjab national bank.

Table 7. No of Accounts opened in Private sector banks under PMJDY scheme in India up to june 28, 2017

Name of bank	**Rural accounts**	**% of rural accounts**	**Urban accounts**	**% of Urban accounts**	**Rupay Debit Cards issued**	**% of Rupay cards**
Axis Bank Ltd	107849	1.91	613516	16.60	641608	7.41
City Union Bank Ltd	15761	0.27	67798	1.83	70805	0.81
Federal Bank Ltd	385820	6.83	80746	2.18	412641	4.77
HDFC Bank Ltd	331288	5.86	1438922	38.95	1769532	20.45
ICICI Bank Ltd	3152992	55.85	380003	10.28	3532995	40.84
IndusInd Bank Ltd	41888	0.74	400619	10.84	418080	4.83
Jammu & Kashmir Bank Ltd	1329078	23.54	134846	3.65	1159082	13.39
Karur Vysya Bank Ltd	24112	0.42	155899	4.22	162486	1.87
Kotak Mahindra Bank Ltd	108131	1.91	72390	1.95	132994	1.53
Lakshmi Vilas Bank Ltd	49182	0.87	127749	3.45	175517	2.02
RBL bank	59787	1.05	35520	0.96	95307	1.10
South Indian Bank Ltd	30756	0.54	178519	4.83	64637	0.74
Yes Bank Ltd	7880	0.14	7694	0.20	14407	0.166
Private Banks	**5644524**	100	**3694221**	**100**	**8650091**	**100**

Source: Department of financial services, Ministry of Finance

Table 7 describes the number and percentages of accounts opened by major private sector banks under the PMJDY till June 2017 and the table shows that ICICI Bank Ltd. and Jammu & Kashmir Bank Ltd have opened highest number of accounts in comparison to other private sector banks in rural and semi- rural areas while in urban areas HDFC Bank Ltd on the top of the list into private sector banks with 1438922 number of accounts. Almost 75% of total Rupay debit cards have been issued by HDFC Bank Ltd, ICICI Bank Ltd and Jammu & Kashmir Bank Ltd.

Conclusion

Financial inclusion plan and Pradhan Mantri Jan Dhan Yojana (PMJDY) in India has been started with the aim of to provide basic banking facilities to all households in the country through branch expansion mode or non-branchless mode (BCs). The statistics discussed in the paper calls for provision of banking services to all the people in an equitable manner and to qualify from an emerging economy to the developed nation the country needs to take serious measures to ensure financial inclusion. The most appropriate delivery model for different geographical regions given their unique characteristics needs to be still identified. The tendency to borrow from non institutional sources at higher interest rates prevails among the people. Even today majority of the population is still served by the unorganized sectors; one can get into knowing the causes which make people go for such resorts than counting upon the banking sector.

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