INDIAN GOVERNMENT INITIATIVES FOR FINANCIAL INCLUSION

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ABSTRACT
In order to accomplish the ultimate aim of financial inclusion for inclusive development in India, this research analyzes the strategies used by different Indian banks throughout the course of the previous several years. The data used in this study came from a variety of sources, including research publications, articles, RBI reports, NABARD reports, and internet databases. The progress of the country may be more equal and inclusive if more people have access to its resources. To ensure that low-income people and other marginalized people may have access to even the most fundamental financial services, the term "financial inclusion" refers to the timely and cost-effective provision of such services.

KEYWORDS Financial inclusion, Government Initiatives, India, Financial service
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INTRODUCTION

When the economy is expanding rapidly, as it is now, Participation from individuals of different backgrounds is crucial. Small and marginal farmers, as well as the impoverished and unemployed, often lack access to financial services, which is considered as a key barrier to economic development in developing countries. Recent innovations in banking technology have shifted the industry away from a reliance on manned branches and toward a decentralized network that includes ATMs, credit/debit cards, online money transactions, internet banking, etc. The issue is irrelevant, however, since only a minority of people have access to this kind of technology. In India and across the globe, significant populations lack access to banking and financial services, as shown by several studies and surveys.

In order for the Indian economy to grow, particularly when aiming for sustainable development, as many people as possible from all walks of life should be involved as possible. A lack of financial education and knowledge among the rural population is hindering the growth of the economy, even if most people in the nation do not have access to formal loans. The country's economic growth is threatened as a result. Notwithstanding these constraints, the banking sector has created innovative technologies like ATMs, credit cards, the internet, and debit cards to facilitate consumer transactions. Even though the emergence of such financial technology influenced urban culture, the bulk of the rural people is still left out of the official banking system because of their lack of awareness of and access to these innovations. If more people had access to banking, the country's economic and social development might go more smoothly and sustainably. It aids in the liberation of the poor, the disadvantaged, and women by providing them with the resources they need to become economically independent and knowledgeable enough to make sound choices about their money. In addition, the financial inclusion exercise aims to make financial services more accessible to rural residents and businesses so that they may make the most of their money to invest in things like business possibilities, education, retirement savings, insurance, etc. Financial services have yet to reach a significant portion of India's rural population.

LITERATURE REVIEW

Chetan DUDHE (2020) A new paradigm for economic development, Financial Inclusion 2017 is emerging as a key factor in the fight against poverty. When people have access to public banking services, we say that they are financially included. Due to the terms and circumstances, it is affordable for the privileged. The government of India can help close the income divide in the country. Financial institution growth, economic expansion, and economic development are the present situation's cornerstones. This report is a recent analysis of how financial inclusion and economic development have fared over the last decade. Multiple regression models are the primary statistical method used in this article's analysis of secondary data.

Shrabani Mukherjee et.al (2019) This research aims to uncover critical bottlenecks that limit the efficacy of the strategy by examining the current state, effects, and limitations of the "inclusion" process in India's rural banking sector. Using principal component analysis, This study aims to standardize a measure of financial inclusion, with a focus on SHGs, across 20 of India's most populous states between 2008 and 2012. Financial inclusion is a primary focus, but we also want to see how it correlates with other aspects of state-level development, such agricultural and industrial expansion and access to quality early and secondary education. Financial inclusion, according to a prior panel data research, boosts agricultural development and primary school education. Nevertheless, an empirical study presented here challenges such bidirectional causation.

Ashish Baghla (2018) Banking institutions have continued to use the term "Financial Inclusion" as a catchphrase throughout the last several years. The phrase refers to efforts to make financial services more accessible to those who live in locations where they are not currently able to use them, whether because of geography, a lack of necessary infrastructure, or other factors. Changes made in India recently are in line with helping the country's underprivileged and marginalized populations improve their lot. P.M. Modi's motto, "SABKA SAATH SABKA VIKAS," which translates to "All Lives, All Lives Developed" is accurate in this sense. The problems of corruption and the widening wealth inequality must be addressed before this can happen. Access to low-cost banking and insurance products is at the heart of the concept known as "financial inclusion." Although there are a few obstacles standing in the way of financial inclusion in India, the situation may be rectified with the help of corrective actions taken by the government. In the end, this will help achieve the goal of the campaign, which is to promote both inclusive growth and balanced development.

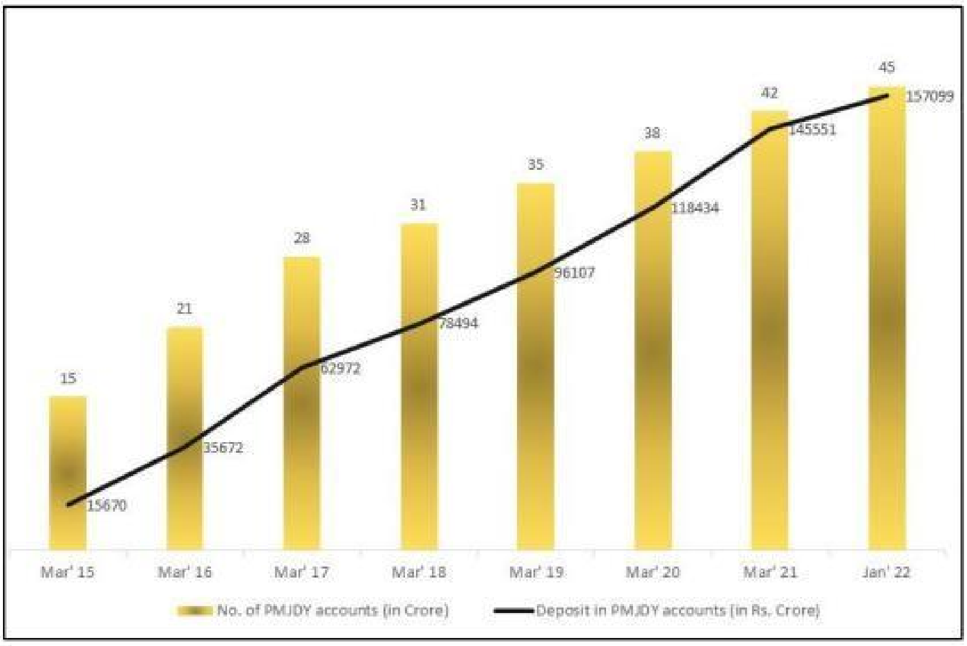
Abheek Barua, Rajat Kathuria et.al (2016) During the last decade, India's goals for financial inclusion have shifted from an emphasis on lending to a more general interest in financial services. This article offers a survey of the financial institutions in India, including banks and microlenders, together with the related regulatory framework and delivery methods, that are important to the emerging paradigm of financial inclusion. A Review of the Mor Committee's Recommendations, along with an explanation of the existing status of financial inclusion and the regulatory adjustments needed to make the new architecture for inclusion practical. The article continues with a discussion of potential distribution channels and the current state of regulatory framework. It evaluates the importance of the envisioned appropriateness aim, the difficulty of updating consumer protection legislation, and the need of enhancing financial literacy. The report goes on to examine the specific situation faced by micro, small, and medium-sized businesses.

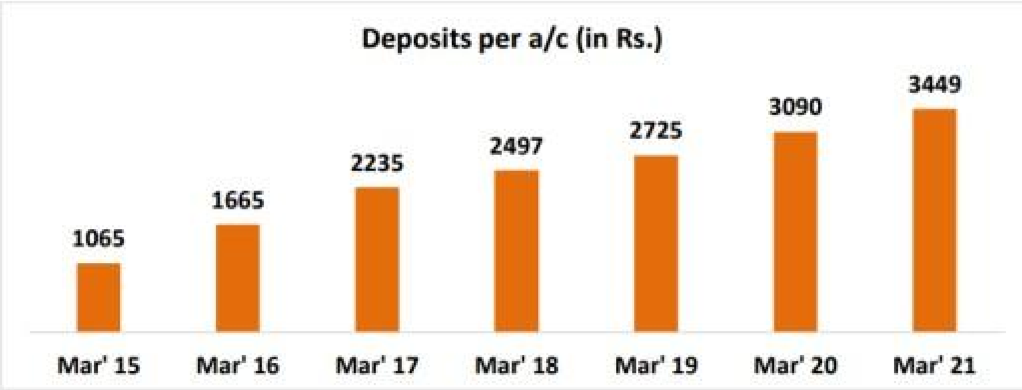
Mehta L et.al (2015) In its 12th five-year plan (2012-2017), India plans to reach a growth goal of 9% by focusing on quicker, sustainable, and more inclusive development, which it terms "financial inclusion," a fundamental shift in how economies expand. While over 403 million people in India have bank accounts, over 40% of the country's huge population still lacks even the most basic financial services. RBI has been working tirelessly to address this issue via measures including expanding access to banking services, nationalizing financial institutions, creating Regional Rural Banks, and more. During the "Pradhan Mantri Jan Dhan Yojna" plan, 15 million bank accounts were established, and INR 105.9 billion was deposited, as part of the great Indian Budget. To increase the number of Indians who have access to banking services, the government should create low-cost bank models. Western financial inclusion programs may serve as a model. Just 2% of Indians have credit cards, while 18% use debit cards, and Research shows that for every 14,000 individuals in the nation, there is only one bank branch. This article's goal is to look at the ways in which various financial elements have affected the US economy.

FINANCIAL INCLUSION

Since it facilitates more equitable economic development, the government places a premium on broadening access to financial services. It is significant because it gives the poor a way to transfer their savings into the mainstream financial system and send money back to their family in the countryside while also rescuing them from predatory lenders charging exorbitant interest rates. The government is dedicated to expanding access to financial resources for those who have been historically excluded. Prime Minister Narendra Modi of India has made expanding access to banking services a top priority for his country.

The Pradhan Mantri With the goal of "banking the unbanked,""securing the unsecured,""financing the underfunded," and "helping unserved and underserved regions," the government launched the Pradhan Mantri Jan Dhan Yojana (PMJDY) in August 2014 as part of the National Mission for Financial Inclusion (NMFI). 3 By of January 26, 2022, 44.58 billion people would have benefited from the scheme's efforts to increase financial inclusion by creating bank accounts. March 2015 had an average deposit of Rs 1065 per account, whereas March 2021 will have an average deposit of Rs 3449.





In March of 2014, 27 percent of all savings accounts were held by women. Yet, as of 31.3.2021, 55.40% of all Jan Dhan accounts are held by women thanks to PMJDY. This means that PMJDY has contributed much to the goal of financial inclusion for women.

FINANCIAL EXCLUSION IN INDIA

It is estimated that 35% of people in India are bank account holders, putting the country's account penetration rate somewhat behind the rest of the developing world. Andhra Pradesh and the National Capital Region (NCR) report almost 50% of adult residents with a formal account, whereas Gujarat, Kerala, and Maharashtra have about 40%, and Bihar, Orissa, and Rajasthan record less than 30%. According to 2011 census estimates, there are around 1.22 billion people living in India, and of them, 65% of adults do not have access to official financial services. Of Indians above the age of 15, the World Bank found that just 35.2% had an account with a formal financial institution. Just 9% of the population uses credit accounts, but 55% of the population has a bank account, indicating the widespread use of deposit accounts. The average number of people per bank branch is 14,400, according to some estimates. Just 18% of Americans use debit cards, whereas fewer than 2% of Americans use credit cards. The number of commercial bank branches in India, including RRBs and SCBs, has remained at just 48000 despite increase during the reform era, despite the fact that the nation is home to 6 lakh villages in need of banking services. One bank branch serves the whole cluster of 12.5 communities. Unbanked people in India and other BRICS countries cited difficulties opening bank accounts as a reason for not using them.

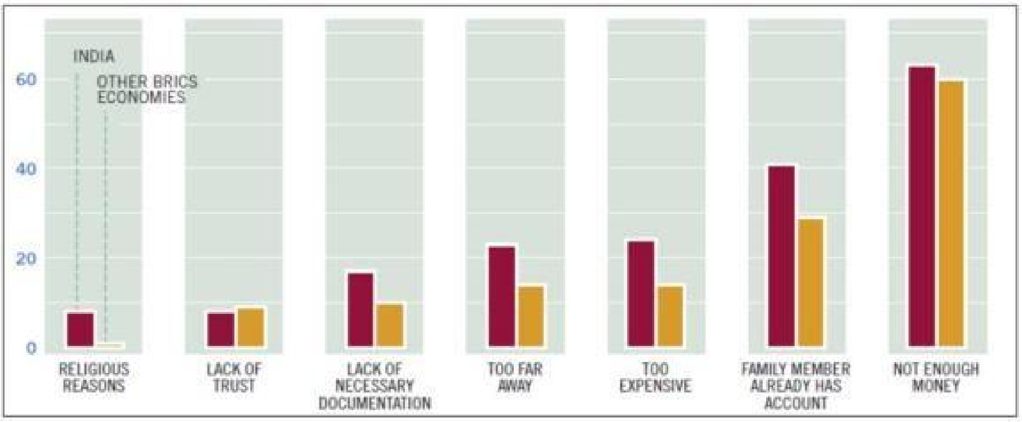


Figure 1 Self -reported barrier to use of formal accounts

Sixty-three percent of people who do not use formal financial institutions do so because they do not have enough money to open an account. Having a friend or family member who already has an account was the second most common reason (41%). Twenty percent or more of unbanked respondents in each BRICS country cited factors such as distance, expense, and lack of essential papers.

As a result, ensuring access to financial services is now a priority for economies at all stages of development. We can fix the problem of financial exclusion by implementing a process of financial inclusion.

INITIATIVES TAKEN BY RBI/GOVERNMENT OF INDIA FOR FINANCIAL INCLUSION

The Reserve Bank of India (RBI) and the government of India have dedicated countless years to expanding access to banking services. The Reserve Bank of India and the Government of India have taken many measures to increase inclusion in the country's financial system:

1. 'No-Frills' Accounts: With the goal of reaching more people and helping them improve their financial standing, banking institutions were urged to provide "no frills" accounts with low or no minimum balances and fees in November 2005.

2. Simpler KYC Norms: In order to make it easier for people to create bank accounts, the Reserve Bank of India (RBI) has relaxed the "Know Your Customer" (KYC) regulations, notably for accounts with balances of less than Rs. 50,000 and annual credit limits of Rs. 1,00,000. Moreover, financial institutions should not need clients to have introductions before establishing bank accounts. Aadhar Cards may be used as a form of identification and a proof of residence at financial institutions.

3. Business Facilitator (BF) and Business Correspondent (BC) Models: Microfinance institutions, NGOs, SHGs, retired bankers, government retirees, and others were all able to participate as BCs or BFs in the provision of financial and banking services after RBI relaxed regulations in 2006.

4. Financial Literacy Program: With the aim of educating the general people on basic banking ideas and services, the Reserve Bank of India (RBI) has initiated a number of Financial Literacy Programs. The Reserve Bank of India funds financial education and counseling organizations (FLCCs). Overall, FLCCs want to help people by imparting knowledge about money management and credit to them at no cost.

5. General Credit Card (GCC): In an effort to ensure that those in rural and semi-urban areas have access to credit as well, banks were urged in December 2005 to consider introducing a general-purpose credit card facility up to '25,000 at their branches. The scheme's goal is to provide clients of banks with easy access to credit based on cash flow assessment, without requiring collateral or dictating the nature of the loan's final use.

6. Financial Inclusion Plan: Financial Inclusion Plans (FIPs) approved by their boards were requested from public and private banks alike commencing in April 2010 for a duration of three years. The Central Bank of India monitors these forecasts on a monthly basis.

7. Simplified branch authorization: Universal authorisation is granted to domestic Scheduled Commercial Banks (SCBs) to open branches in Tier 2 to Tier 6 locations with a population of less than 1 lakh, with the goal of redressing the unbalanced distribution of bank branches. Domestic SCBs do not need approval from the Reserve Bank of India to operate branches in the North-Eastern States or in Sikkim. To further liberalize, domestic SCBs (other than RRBs) were given blanket authorization to build branches in Tier 1 centers under certain stipulations.

8. Use of promotion of ICT (Information and Communication Technology) in banking: The financial inclusion approach relies heavily on Technology in order to promote people's use of banking services. The Reserve Bank of India (RBI) and the Government of India are pushing for commercial and cooperative banks to use cutting-edge technologies like ATMs, micro-ATMs, mobile banking, electronic banking, smart cards, Aadhar Enabled Payment Systems (AEPS), etc. to expand their service offerings to the general public.

9. Creation of funds for financial inclusion: To support research and development, marketing, and ongoing maintenance of financial inclusion initiatives, as well as technological innovation in the financial inclusion sector, the federal government established the Financial Inclusion Fund and the Financial Inclusion Technological Development Fund. NABARD has set up a '50,000 crore fund to enhance its re-finance operations to short-term cooperative lending institutions.

CONCLUSION

One of India's top priorities is expanding access to banking services, that's why the government and the Reserve Bank of India, India's central bank, have been cooperating. Despite a lot of

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progress and more recognition for many parts of the economy, there is always room for improvement, the vast bulk of the rural people has not been brought into the ambit of financial inclusion. So, it is imperative for banks, the government, and other connected organizations to work together to provide access to banking services for the economically excluded.

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