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Modes of Financial Inclusion

Shallu Aggarwal
Research Scholar, Department of Commerce, Indira Gandhi University, Meerpur, Rewari

Abstract
Finance has become prerequisite for an economy for development of the society as well as economy of nation. For, this purpose a strong financial system is required in not only in under-developed countries and developing countries but also developed countries for sustainable growth. Through Financial inclusion we can achieve equitable and inclusive growth of the nation. Financial inclusion stands for delivery of appropriate financial services at an affordable cost, on timely basis to vulnerable groups such as low income groups and weaker section who lack access to even the most basic banking services. Meaning of Financial Inclusion and modes of Financial Inclusion explains in this study. The relevant data for this study has been collected with the help of from various Research journals, Articles, reports of RBI, reports of NABARD and online resources.

Key words: Financial inclusion, financial services.

Introduction

Financial Inclusion is delivery of banking services at a reasonable cost to the vast sections of disadvantaged and low income groups. It includes access to formal financial system such as financial institutions, markets and instruments, like savings, loans, remittances and insurance services, at affordable prices. A committee on financial inclusion was formed under the chairmanship of C.Rangarajan and the committee 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"

The financial services include the entire range - savings, loans, insurance, credit, payments etc. The financial system has to provide its function of transferring resources from surplus to deficit units but both deficit and surplus units are those with low incomes, poor background etc. By providing these services, the aim is to help them come out of poverty. So far, the focus has only been on delivering credit.

Review of Literature

Rangarajan C (2008), "Report of the Committee on Financial Inclusion", Financial inclusion can 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.

Bhatt (2009) Financial Inclusion currently is seen as at least member of a family having a bank account. It is a drive that went the poor to get linked with formal banking institution, however there are several issue that need attention; opening a bank account is only the beginning and not the end of Financial Inclusion.

Rao (2010) described banker perception in their paper he suggested that banks/ RBI should conduct awareness camps about financial inclusion to the bank staff. The negative thought of "Financial Inclusion is not profitable" should be erased from the minds of operating functionaries. Financial Inclusion is

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not always only social banking. There is lot of potential to get business form the people at the bottom.

Kodan et.al(2011) defined in their paper made an exhaustive examination of the status of financial inclusion in the seven northern states of India. As per their research 51% of farm households at all India level and 76.72% of farm household in NER are financially excluded.

Modes of Financial Inclusion

- **Nationalization of commercial banks:**

The process of financial inclusion will not be actual possible without the genuine contribution of Indian banks. Banks are the key pillars of India's formal financial system. Public have deep faith in banks. Share of bank deposits in the total financial assets of households has been continuously increasing. Banks enjoy considerable goodwill and access in the rural regions.
As per Mamatha(2015), there are 32600 branches in rural India (about 50% of total), and 14400 semi-urban branches. 196 exclusive Regional Rural Banks in deep hinterland are present. Rural and semi-urban bank accounts constitute close to 60% in terms of number of accounts.After the nationalization of banks in India, the branches of thepublic sector banks rose to approximately 800% in deposits and advances took a huge jump by11,000%.

- **SHG – Bank linkage programs:**

The SHG-Bank linkage program, in India, which commenced in 1992, has grown phenomenally. The SHG-bank linkage model draws motivation from the co-operative movement and involves a strong effort to move away from traditional reliance on refinance from financial institutions and envisages making the rural poor self-supporting. This is indeed a mixture of flexibility and responsiveness of an informal system and financial back-up of a formal financial system.
Self Help Groups play a very significant role in the process of financial inclusion. SHGs are groups of people who get together and pool money from their savings and lend money among themselves. The SHG is given loans against the group members‟ guarantee. Peer pressure within the group helps in improving recoveries.

- **"No Frills" Bank Accounts:**

The process of financial inclusion received advance momentum in 2005, when banking system were advised to make available a basic banking "no-frills‟ account with very low or nil minimum balances as well as try to expand the outreach of such no-frills accounts to vast sections of the society. The low cost or free of cost account is universally considered to be very helpful for low income groups in expanding the access of banking services. Similar types of accounts, though with different names, have also been extended by banks in various other countries with a view to making financial services accessible to the all individual of the country.

- **Simplification of Know Your Customer(KYC) Norms :**

As per the direction of banks have simplified norms of Know Your Customer for opening accounts, so that low income and poor people can access.
Banks are required to provide a choice of a 'no frills account' where the minimum balance is nil or very small but having restrictions on number of withdrawals, etc., to facilitate easy access to bank accounts.
Further, in order to ensure that an individual who belongs to low income group both in urban and rural areas do not face difficulty in opening the bank accounts due to the cumbersome process.

- **Mobile Banking:**

One of the most remarkable developments in terms of innovation in order to utilize the full power of technology, the banks have tied up with mobile operators to provide financial services like bill and utility payment, fund transfer, ticket booking, shopping etc. Some examples of this model are Paytm, m-Pesa by Vodafone and other mobile companies.

- **Kisan Credit Card:**

KCC was started by the Government of India, Reserve Bank of India (RBI), and National Bank for Agricultural and Rural Development (NABARD) in 1998-99 to help farmers‟ access timely and adequate credit. The kisan credit card is a credit card to provide affordable credit for farmers in India. It allows farmers to have cash credit facilities without going through time consuming bank credit screening processes repeatedly. Repayment can be rescheduled if there is a bad crop season, and extensions are offered for up to four years. The card is valid for three years and subject to annual renewals. Withdrawals are made using slips, cards, and a passbook.

- **General Credit Card:**

GCC besides the KCCs, which were introduced in 1998, banks were advised in 2005 to consider introduction of a General Credit Card (GCC) facility up to Rs.25,000 at their rural and semi-urban branches. Under GCC, based on the assessment of household cash flows, the limits are sanctioned without insistence on security or purpose. The credit facility is in the nature of revolving credit entitling the holder to withdraw up to the limit sanctioned. Based on assessment of household cash flows, the limits are sanctioned. Interest rate on the facility is completely deregulated.

Conclusion

For standing out on a universal platform India has to look upon the inclusive growth and financial inclusion is the key for inclusive growth .There is a long way to go for the financial inclusion to reach to the core poor according to K.C.Chakrabarty RBI Deputy Governor “Even today the fact remains that nearly half of the Indian population doesn‟t have access to formal financial services and are largely dependent on money lenders”.

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