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# CONTEMPORARY ISSUES IN FINANCIAL INCLUSION

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**Abstract**

***Financial Inclusion is emerging as a new paradigm in the Indian economy. Financial Inclusion is basically a new term in Indian context which is basically the delivery of financial services mainly to the low income group of the society at very low prices. Main aim of financial inclusion is to reduce the gap between rich and poor. It plays a crucial role in the process of economic growth and advancement of society. It is introduced with the purpose of increasing saving habits of societybecause it is rightly said that, " Donot leave yourself or your family unprotected against the financial storms… Build up savings."It is important for the welfare of the society and advancement of the society. The best two examples of financial inclusion in India are PMJDY( pradhan mantri Jan dhan yojna) and PMMY( pradhan mantri mudra yojna). This paper focuses on the emerging issue , need and importance of financial inclusion in India. This research paper emphasis on the role of banks in financial inclusion, challenges and impacts of financial inclusion on Indian economy.***

## INTRODUCTION

In the Indian context, the term 'financial inclusion' was used for the first time in April 2005 in the Annual Policy Statement presented by Y.Venugopal Reddy,the then Governor, India. Some states or union territories like Puducherry, Himachal Pradesh and Kerala announced 100% financial inclusion in all their districts. he government of India recently announced "Pradhan Mantri Jan Dhan Yojna," a national financial inclusion mission which aims to provide bank accounts to at least 75 million people by January 26, 2015.

## MEANING

The term financial inclusion is new in Indian context. In simple terms, financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. The objective of financial inclusion is to meet the specific needs of users without any discrimination. Financial inclusion wants everybody in the society to be involved and participate in financial management judiciously. The National Bank for Agriculture and Rural Development (NABARD) has been an active player in India's quest towards 100% financial inclusion.

## DEFINITION

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 (The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan).

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## OBJECTIVES OF FINANCIAL INCLUSION

- Financial inclusion aims to build and maintain financial sustainability so that the less fortunate people have a certainty of funds which they struggle to have.
- Financial inclusion intends to increase awareness about the benefits of financial services among the economically underprivileged sections of the society.
- The process of financial inclusion works towards creating financial products that are suitable for the less fortunate people of the society.
- Financial inclusion intends to improve financial literacy and financial awareness in the nation.
- Financial inclusion aims to bring in digital financial solutions for the economically underprivileged people of the nation.
- It also intends to bring in mobile banking or financial services in order to reach the poorest people living in extremely remote areas of the country.

## FINANCIAL INCLUSION SCHEMES IN INDIA

The Government of India has been introducing several exclusive schemes for the purpose of financial inclusion. These schemes intend to provide social security to the less fortunate sections of the society. After a lot of planning and research by several financial experts and policymakers, the government launched schemes keeping financial inclusion in mind. These schemes have been launched over different years. Let us take a list of the financial inclusion schemes in the country:

- Pradhan Mantri Jan Dhan Yojana (PMJDY)
- Atal Pension Yojana (APY)
- Pradhan Mantri Vaya Vandana Yojana
- Stand Up India Scheme
- Pradhan Mantri Mudra Yojana
- Pradhan Mantri Suraksha Bima Yojana (PMSBY)
- Sukanya Samriddhi Yojana
- Jeevan Suraksha Bandhan Yojana
- Credit Enhancement Guarantee Scheme (CEGS) for Scheduled Castes (SCs)
- Venture Capital Fund for Scheduled Castes under the Social Sector Initiatives
- Varishtha Pension Bima Yojana (VPBY)

## IMPORTANCE OF FINANCIAL INCLUSION

- An avenue for bringing the additional savings into the savings into the formal financial channel boosting the collective economic resources;
- Probability of higher incomes coupled with reduction in cash economy can lead to overall economic growth;

- Better possibility of unlocking the economic potential of the people residing in urban centers;
- Possibility of tracking individuals financial history ; better utilization of consumers protection mechanism ; high level of financial literacy;
- Chance to achieve faster growth in the country by way of including the as mainstream of the country.
- It helps in creating a platform for inculcating the habit to save money.

**CHALLENGES TO FINANCIAL INCLUSION**

In India, where nearly one-fourth of population is illiterate and below the poverty line, ensuring financial inclusion is a challenge. The two indicators, poverty and illiteracy, vary widely between different States in India. Further, at present, there are a number of regulatory authorities that have a role to play in financial inclusion – Reserve Bank, National Bank for Agriculture and Rural Development (NABARD), Securities and Exchange Board of India, Small Industries and Development Bank of India, and MUDRA bank. There is a need to fix responsibility on a single regulatory authority to ensure that JDAs are operational. The big challenge to financial inclusion in India is lack of awareness, low income, poverty, poor saving habits, illiteracy etc.

**MEASURES TAKEN BY RBI**

In India, RBI has initiated several measures to achieve greater financial inclusion, such as facilitating no-frills accounts and GCCs for small deposits and credit. Some of these steps are:

**Opening of no-frills accounts:** Basic banking no-frills account is with nil or very low minimum balance as well as charges that make such accounts accessible to vast sections of the population. Banks have been advised to provide small overdrafts in such accounts.

**Relaxation on know-your-customer (KYC) norms:** KYC requirements for opening bank accounts were relaxed for small accounts in August 2005, thereby simplifying procedures by stipulating that introduction by an account holder who has been subjected to the full KYC drill would suffice for opening such accounts. The banks were also permitted to take any evidence as to the identity and address of the customer to their satisfaction. It has now been further relaxed to include the letters issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number.

**Engaging business correspondents (BCs):** In January 2006, RBI permitted banks to engage business facilitators (BFs) and BCs as intermediaries for providing financial and banking services. The BC model allows banks to provide doorstep delivery of services, especially cash in-cash out transactions, thus addressing the last-mile problem.

**CONCLUSION**

Financial inclusion will go a long way in removing poverty and social exclusion. It provides growth – of individuals and businesses - with equality. It provides for security of income and savings, safety through health and life insurance and increased financial awareness. All this will boost businesses, increase GDP and contribute to national economic growth. It also attracts global players to set shop and invest in business opportunities, which again increases employment and growth. It also provide security for income and savings through financial awareness.

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