Financial Inclusion: Current Scenario and Future Prospects

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Abstract

Financial inclusion is widely regarded as a key measure of societal growth and well-being around the world. In many countries, including India, providing affordable financial services to everyone, has become a top priority. The G-20 nations have emphasized financial inclusion as a means of achieving gender equality and other sustainable development goals. Equitable and balanced growth of the country can be achieved by promoting financial inclusion. Financial inclusion refers to the timely availability of sufficient financial services at a reasonable cost to disadvantaged groups such as low-income individuals and others who lack access to even basic banking services. Various approaches of financial inclusion along with overview of National Strategy of Financial Inclusion (2019-24) are discussed in this paper. This study also analyses the progress ad achievements of the India and other 10 countries in terms of number of branches, ATMs, bank deposits and credits. The information for this study came from a number of sources, including research papers, publications, RBI Reports, and internet sites.

Keywords. *Financial inclusion, Financial services, Inclusive growth, Reserve Bank of India*

1. Introduction

Before we talk about financial inclusion we should understand the meaning of financial exclusion. In 1999, Kempson and Whyley depicted financial exclusion in wide sense which states that those individuals who have excused enlistment to standard cash related associations and thing till date measures of controllers added their perspectives to portray financial exclusion. Financial exclusion portrays as a condition where individuals don't push toward standard monetary thing and associations, for example, banks records, Master cards and protection procedures, especially home affirmation, planning advance. The impacts of monetary rejection can solidify repugnance from other standard associations, like annuity or saving plans, and can in like way concise responsibility and in addition cut off from key utilities. As per the European Commission, Financial exclusion is "An affiliation whereby individuals experience troubles getting to or utilizing cash related associations and things in the standard market that are genuine to their essentials and connect with them to lead a standard public development in the general populace in which they have a spot."

In India, the Report of Financial Inclusion January 2008 by C Rangarajan, Financial exclusion is characterized as limited admittance to monetary administrations to certain fragment of the general public.

1.1 Concept of Financial Inclusion

Financial inclusion is a relatively new concept that aims to aid the country's long-term growth by making financial services available to unreached citizens through financial institutions. Financial inclusion is described as anyone in the economy having easy availability of formal financial services or programmes. The Government of India's committee on financial inclusion defined financial inclusion as the process of ensuring timely availability of monetary services and adequate credit demanded by vulnerable groups such as the unprivileged sections and low income groups at a reasonable cost (Rangarajan Committee, 2008).

In the year 2004, Khan Commission was set up by Reserve Bank of India to investigate the financial inclusion and of the commission matters were integrated into the mid-term Review Policy (2005-2006). The Reserve Bank of India (RBI) in the report upheld the arrangements with a record in order to achieve higher financial inclusion to give a general with no additional push to convey banking accounts (Paramasivan & Kumar, 2013). Financial inclusion from the outset associated with the year 2005 in India through a pilot project in the alliance space of Pondicherry by Dr. K.C Charkraborthy, who was then the administrator of Indian Bank. It was the Mangalam town which persuaded certification to be the essential town to benefit all financial work environments for each family (Paramasivan & Kumar, 2013).

The Financial Inclusion Committee (2008) offers unmistakable cash related sorts of help that join save holds, moves, affirmation, divides, reimbursement work environments and cash related planning, forewarning associations by the formal monetary framework. Cash related joining isn't just for social target yet its beginning and end aside from a significant technique of banks. United Nation Development Program (2013) depicted financial inclusion as an extensive cash related framework that offers sorts of help to all customers arriving at poor and low remuneration individuals and giving them reasonable monetary associations which suit to their necessities. World Bank in the improvement report of 2012 depicted financial inclusion as the range, quality and transparency of cash related associations to the underserved and monetarily blocked.

2. Literature Review

According to Sarma & Paise (2008), financial inclusion is a topmost approach for many countries' development policies. Although there are a few exceptions, using the financial inclusion index created in levels of human improvement and financial inclusion in a nation move intently together. Income as expected is decidedly identified with the measure of financial inclusion among financial attributes. Further physical and electronic connectedness and data accessibility, as seen by street organization, telephone, and web utilization, likewise add to financial inclusion.

Financial inclusion, according to Chibba (2009), is a strategy for inclusive development and poverty reduction that expresses itself as part of the burgeoning FI-PR-MDG nexus. Given the current global problems, however, the necessity to scale-up financial inclusion as a complementary and gradual strategy to achieving the MDGs is possibly more vital today than at any other time in recent history.

According to Massey (2010), financial institutions play a significant role in increasing financial inclusion in developing countries. The government's measures to promote financial inclusion and deepening can be bolstered by capital market participants' proactiveness, including financial institutions. Financial institutions play an important and expanding role in promoting financial inclusion.

As indicated by Ardic et al. (2011), this paper utilizes the CGAP and World Bank gathering's monetary access data set to tally the quantity of unbanked grown-ups all throughout the planet, break down the condition of admittance to store and credit administrations, just as the degree of retail organizations, and examine the condition of worldwide financial Inclusion commands.

Siddik (2017) found that women from the country spaces of Bangladesh's northern area who checked out money related fuse programs got monetary fortifying. The establishment of the money related fuse measure upheld women's monetary fortifying and improvement. Additionally, the composing included issues and called for system changes to make the cooperation of financial thought and related drives more accessible and supportive.

In his examination, Peterson K. Ozili (2020) gives a thorough layout of continuous revelations on financial inclusion from all through the world. He zeroed in on topics like ideal monetary incorporation, crazy financial fuse, how money related thought can convey crucial risk to the formal financial region, and whether or not money related thought and dismissal are positive for rehashing on account of changes in the economy. Financial consolidation is influenced and affected by the level of money related progression, dejection levels, financial region reliability, the circumstance with the economy, financial training, and regulatory frameworks that differ among nations, according to the fundamental completions of this review.

3. Comparison of India's Position with Other Countries

In underneath table 1, India's status is compared with 10 other countries and it is uncovered that out of per 0.1 million grown-ups inclusion in 11countries (counting India). Most extreme number of 34.27 branches in France, 266.97 number of ATMs in Korea, 92.22 bank credit in Bhutan, 84.51 bank store in Korea. India has 14.58 number of branches, 20.95 number of ATMs, 48.55 bank acknowledge, 63.27 bank store as contrast and other 10 nations.

Table 1: India's Position along with 10 other countries

(Per 0.1 Million Adults) (As per cent of GDP)

Sl. No.	Country	Number of Branches	Number of ATMs	Bank Credit	Bank Deposits
1	India	14.58	20.95	48.55	63.27
2	Austria	11.88	171.96	24.40	27.41
3	Brazil	18.70	101.67	36.21	34.82
4	France	34.27	98.29	41.25	40.02
5	Mexico	13.73	61.54	22.30	24.86
6	Bangladesh	9.00	9.39	41.86	48.32
7	Bhutan	19.31	48.09	92.22	82.91
8	Korea	15.11	266.97	88.75	84.51
9	Philippines	9.20	28.98	34.00	49.41
10.	Germany	10.97	129.89	23.29	31.09
11.	Pakistan	10.41	10.84	20.29	36.31

Source: World Bank, Financial Access Survey (2019).

Table 2: Progress of Financial Inclusion Plan as on March 31, 2020

Sl. No.	Banking Outlets	Amount
1	Rural Branches	54561
2	BC outlets	541175
3	Other modes	3481
4	Total	599217
5	Operations in NFA (2019-20)	(Increase of 27.4%)
6	Overdrafts	529
7	Transactions through ICT based BC outlets 2020	870643
8	KCC credit (CRORE)	639069
9	GCC credit (CRORE)	194048

Source: RBI ANNUAL REPORT 2019-20

From the yearly report of RBI (Table 2), it is discovered that there are 54561 rural branches, 541175 BC outlets, 3481 different modes, 599217 aggregate, increase of 27.4 percent activity in NFA (2019-2020) Rs.529 billion overdrafts, Rs. 870643 crores exchanges through ICT based BC outlets, Rs 639069 crores KCC credit, Rs 194048 crores GCC acknowledge were recorded as on March 2020.

4. Approaches to Achieve Financial Inclusion

The Reserve Bank of India has been valuable, liberal, and solid in its policymaking to encourage money related establishments to cultivate innovative things that will enable to get advantage from the financial thought program. This paper makes reference several things that have been made to execute this methodology.

No Frill Accounts (NFAs):- RBI dispatched this idea in November 2005 to give fiscally troubled people induction to basic getting ready organizations (Garg, and Agarwal, 2014). Banks open records for the abused with no or amazingly low balance essentials under this method. Under RBI rules, banks introduced a predominant transformation of no-ribbon accounts in 2012, in which they opened Basic Savings Bank Deposit Accounts (BSBDAs) for all individuals with charge card, check book, web banking, and overdraft limits at unimportant charges. Regardless, to avoid abuse of such records, the amount of trades may be limited.

Kisan Credit cards (KCCs):- Under this plan, banks issue savvy cards to ranchers to give opportune and adequate credit support for their cultivating needs through a solitary window banking framework. Public and private area banks gave 1.2 million savvy cards as KCCs in 2012-13 (up to December 2012).

General purpose Credit Cards (GCC) :- In 2005, the Reserve Bank of India gave rules to banks to give General Purpose Credit Cards (GCCs), which empower rustic and semi-metropolitan residents to acquire credit up to Rs. 25000/ - without the requirement for guarantee, in light of an appraisal of family incomes.

4.1 Bank Led approach:

Self Help Group: Bank Led Initiative (SLBP : In

India, the SLBP (Self Help Group – Bank Linkage Program) has been the main institutional-based advancement over the most recent twenty years for empowering access and filling the hole in arriving at the nation's monetarily prohibited populace. In this model, banks cooperate with a gathering of neighbourhood inhabitants fully intent on permitting them to pool their investment funds. The equivalent is stored with the bank against which the bank additionally gives a specific measure of credit office. The gathering takes a choice to whether to loan to any individual from the gathering. The bank furnishes the local area with the fundamental structure, bookkeeping administrations, and assets to deal with their stores and loaning. Accordingly, the model takes a reserve funds first, loaning second methodology. The banks are not in danger in this sort of loaning in light of the fact that the borrower's believability and friend pressure locally will altogether decrease the danger of awful advances.

4.2 Technology Based approach:

Mobile Banking: In solicitation to totally utilize the power of development, banks have helped out compact managers to bring to the table financial organizations like bill and utility portion, store move, ticket booking, and shopping. Vodafone's m-Pesa and Airtel Money are two cases of this model.

Banking through booths or ATMs: The state government in specific states has discovered a way approaches to give a stand based model to induction to financial organizations.

5. National Strategy for Financial Inclusion 2019-2024

The RBI's strategy for financial inclusion for India, which was developed in 2019-2024 under the auspices of the Financial Inclusion Advisory Committee, is based on feedback and suggestions from the Government of India, as well as other financial sector regulators such as the Securities Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI), and the Pension Fund Regulatory and Development Authority of India (PFRADAI).

The Reserve Bank of India (RBI) issued the National Strategy for Financial Inclusion on January 10, 2020 and time period for this is 2019-2024. It outlines the vision and goals for India's financial inclusion policies.

Policy's main points:

Financial inclusion is depicted in the report as the tool toward guaranteeing reasonable admittance to monetary administrations.

Other nations' exercises: According to the RBI, in excess of 35 nations, including China, Brazil, and Indonesia, have a public monetary incorporation procedure as of mid-2018. Some of the topics received by various nations:

1. Following a target based framework is one of the standard examples among these countries.
2. Focusing in on explicit endeavors
3. Placing assets into the vital structure for portion systems
4. A strong general arrangement of laws
5. Give uncommon thought to last-mile movement and financial capability.

RBI's six key requirements for a public procedure for financial thought:

1. Monetary organizations are available to everyone.
2. Offering a fundamental extent of money related organizations
3. Ability to bring in cash and cultivate one's capacities
4. Money related guidance and instruction
5. Customer security and change of grievances, and
6. Reasonable Teamwork

Attainable Milestones

1. By March 2020, every town (or estate of 500 families in lopsided areas) inside a five-kilometer clear will move toward banking organizations.
2. By March 2024, each adult will have flexible induction to a financial expert community.

The Reserve Bank of India recommended that Financial Inclusion be determined utilizing three fundamental markers:

1. Estimating access, for example, the quantity of bank offices or ATMs accessible to a given populace;
2. Evaluate use, for example, the level of grown-ups with a bank account, protection strategy, or benefits plan
3. Assess administration productivity, like complaint goal (through the quantity of grievances got and tended to).

6. Conclusion

Inspite of various efforts of all stakeholders, including the regulator, the government, and the measures are not generating the expected results. The regulator must create an appropriate regulatory atmosphere that protects the interests of all stakeholders. The Indian government has made enormous attempts to integrate India's citizens into the banking system. Despite the fact that financial inclusion efforts are progressing, certain parts of the country continue to lag behind. Rapidly evolving technology has also played an important role in bridging the nation's financial divide. People have begun to use ATMs, Immediate Payment Service (IMPS), and mobile banking in greater numbers. In nutshell, India is on its way to achieving financial inclusion at a rapid pace, which can be accelerated by the government, the Reserve Bank of India, and the people of the country working together.

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