FINANCIAL INCLUSION IN INDIA

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INTRODUCTION

Financial Sector acts as a multiplier and mediator for economic stability. In india a large chunk of society is deprived of access to formal financial services due to which they have to depend on informal sources of finance which bear huge, cost so experts from banking sector & government identified need of some initiatives which can be devoted towards provision of banking services to economically weaker sections of the society In 2005, the retired Governor of Reserve Bank of India (R B I) Shri Y V Reddy joined the term financial inclusion. As a matter of fact he used the word by chance mistaking it for a word used in RBI description as financial exclusion.

India is a country of 1.2 billion people spread across 30 states and eight union territories. There are around 6,49,481 villages and 739 districts in our country. A vast majority of the population especially in our country. A vast majority of the population, especially in rural areas, is excluded from the easy access to finance. India is one country where the Financial Stability and Development council (F S D C) have a specific mandate for financial inclusion & financial literacy. There is a separate technical Group on Financial Inclusion and Financial Literacy under the aegis of FSDC with the representation from all the financial sector regulations. RBI has constituted a Financial Inclusion Advisory committee (FIAC) under the chairmanship of a Deputy Governor from RBI.

OBJECTIVES OF THE STUDY

1. To examine present scenario of financial inclusion in India.
2. To investigate the major factors affecting access to financial services.
3. To study the impact of financial inclusion indicators on growth of Indian economy.

METHODOLOGY

Secondary data has been used for the purpose of the present Study. The date is taken from journal and research papers, news papers, articles, websites and published reports.

DEFINITION OF FINANCE INCLUSION

According to the planning commission (2009) financial inclusion refers to universal access to a wide range of financial services at a reasonable cost. This include not only banking products but also other financial services such as insurance insurance and equity products. The house hold access to financial services includes access to contingency planning credit and wealth creation.

GOI (2008) define financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable group such as weaker sections and low income groups at an affordable cost. The meaning of financial inclusion is delivery of financial services to the low income groups especially the excluded sections of the population with the provision of equal opportunities. The main target is the access of financial services for better standard of living and income.

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ADVANTAGES OF FINANCE INCLUSION

Given below are some of the advantages of financial inclusion.

1. In villages where there are no banks available poor people take loan from moneylenders and rich people who tend to exploit these people by charging higher interest ranging from 15 to 30 percent per year with financial inclusion these people can take loan from banks and also from government through banking.
2. It will also develop a habit of saving among poor people if they have banks or financial institution at nearby place then they can save their money in banks and can really on that money in time of emergency.
3. It will also be beneficial for the government because various schemes meant for poor does not reach the poor because of middle men, but with the banks being present in these areas these limitations can be eliminated.

SCOPE OF FINANCIAL INCLUSION

In India, the focus of the financial inclusion at present

Place of Living : All though effective distance is as much about transportation infrastructure as physical distance, factors like density of population, rural and remote areas, mobility of the population (i.e highly mobile people with no fixed or formal address) insurgency in a location, etc... also affect access to financial services.

Bank Charges : In most of the countries, transactions is free as long as the account has sufficient funds to cover the cost of transactions made, However, there are a range of other charges that have a disproportionate effect on people with low income.

Terms and Conditions : Terms and conditions attached to product such as minimum balance requirements and conditions relating to the use of accounts often dissuade people from using such products / services.

Level of Income : Financial Status of people is always important in gaining access to financial services. Extremely poor people find it difficult to access financial services even when the services are tailored for them perception barriers and income discrimination amoung potential members in group lending programmes may exclude the poorer members of the community.

Types of occupations : Many banks have not developed the capacity to evaluate loan applications of small barrowers and unorganized enterprises and hence tend to deny such loan requests.

Attractiveness of the product : Both the financial service products (Saving accounts, credit products, payment service and insurance) and how their availability is marketed are crucial in financial inclusion.

INITIATIVES FOR FINANCIAL INCLUSION OF INDIA

India has a long history of banking development after independence, the majour focus of the Government and the Reserve bank was to develop a sound banking system which could support planned economic development through mobilization of resources / deposits and channel them into productive sectors, Accordingly, the Government's desire to use the banking system as an important agent of change was at the core of most policies that were formulated after independence. The planning strategy recognized the critical role of the availability of credit and financial services to the public at large in the holistic development of the country with the benefits of economic growth being distributed in a democratic manner. In recognition of this role. The authorities modified the policy from work from time to time to ensure that the financial services needs of various segments of the society were met satisfactory.

Progress till 1990 : Before 1990, Serval initiatives were undertaken for enhancing the use of banking system for sustainable and equitable growth. The included nationalization of private sectors banks, introduction of priority sector lending norms the lead bank scheme, branch licensing norms with focus on rural / semi - urban branches, interest rate ceilings for credit to the weaker sections and creation of specialized financial institution to cater to the requirement of the agriculture and the rural sectors having bulk of the poor population.

SOME INITIATIVES STARTED BY COMMERCIAL BANKS TOWARDS FINANCIAL INCLUSION

Indian Bank : The established an exclusive microsoft branch in Chennai for financial inclusion of lower income people who are migrates from village settelled in different parts of the city by bringing large number of under privileged persons into the banking fold through the concept of SHGS. In the case of SHG'S. In the case of SHG's a line of credit is provided to them giving flexibility, with simplified accounting procedures. The bank proposes to open one more such specialised branch in Chennai and in 10 other metters and urban across.....

Union Bank of India : Village knowledge centers: keeping in view the urgent Requirement to educate the rural inhabitants and farmers in particular, for updating efforts has been initiated by union bank of India by establishing village knowledge center (VKCC) at strategic rural locations, so for the bank has established 198 KVC'S all over the country.

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SELF - HELP GROUP OF INDIA - BANK LINKAGE PROGRAMME

Bank Linkage programmees : An SHG is a group of about 15 to 20 people from a homogenous.

Finding and Suggestions : The Major findings of the study are summarized in this section of the study.

1. Leaves of Awareness and Factors that influenced Investment Behavior.
2. It has been found out that investor's perception towards feasibility of financial services offered by various agencies in rural areas are vediffer from one another.

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3. It is majority of financial benefits are getting by Men the other hand Womens are neglected due to they don't have more properties or assets in their name.
4. Financial Services Awareness and Investment pattern of the rural masses are not effective.

SUGGESTIONS

1. Banks shared know how to best leverage between communications and technology in ways to engage and empower people in the area of financial literacy.
2. More of the intermediates do not spend more time on research. It is very vital that one should build up a proper data base research upon " financial literacy among potential investment population's
3. The financial inclusion programme can become meaning full if parallel work is done on both the demand and supply side.
4. The bank-SHG linkage scheme is of extreme importance in establishing a strong relationship between the organized financial system, like commercial bank, and those people who need credit.

CONCLUSION

Financial Inclusion Access of financial services such as savings, insurance and remittance are extremely important for poverty allevation and development In order to achieve the goal of total financial inclusion, policymakers banks, MFIS, NGOs and regulators have to work together . In addition to cooperating with others shareholders, policymakers who believe that microfinance can help them to speed up financial education programmee that allow their citizens to realize the economic potential of microfinance, Basic Financial literacy programmes can help achieve better results in powerty alleviation.

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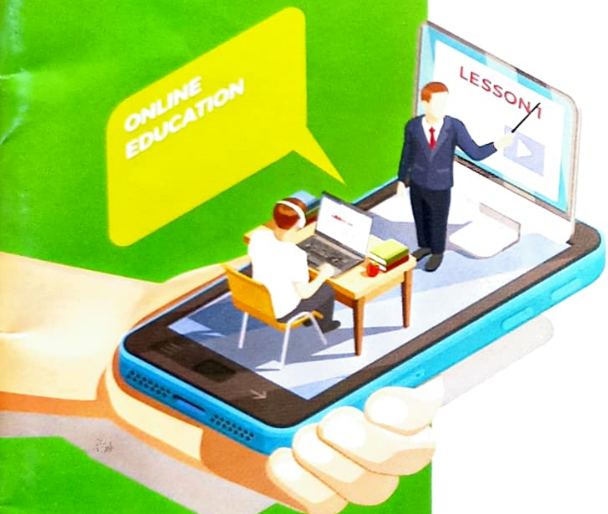

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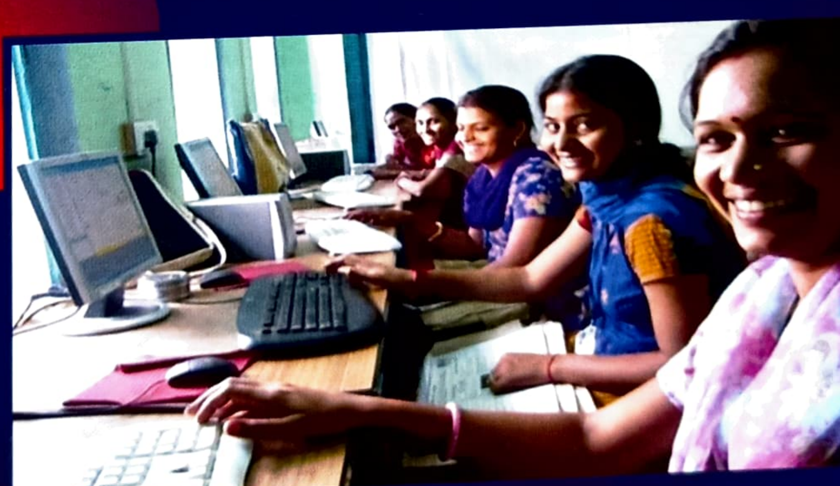

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