

A Multidisciplinary Indexed International Research Journal

ISSN: 23203714

Volume: IX



ADHYAYAN
INTERNATIONAL
RESEARCH
ORGANISATION

Financial Inclusion in India – An Assessment

G. Swapna

Academic Consultant,
Dept. of Management Studies,
Mahatma Gandhi University, Nalgonda.

Abstract

The concept of financial inclusion becomes a challenge for the Indian economy. The Government of India and the Reserve Bank of India have been making concerted efforts to promote financial inclusion as one of the important national objectives of the country. It is for this reason that financial inclusion has been one of the Govt. priorities over the years, through various initiatives like nationalization of banks, building up of robust branch network of scheduled commercial banks, co-operatives and regional rural banks, introduction of mandated priority sector lending targets, lead bank scheme, formation of self-help groups, permitting BCs/BFs to be appointed by banks to provide door step delivery of banking services, zero balance BSBD accounts, etc. The two important steps towards financial inclusion are SHG Bank Linkage Programme (SBLP) and Pradhan Mantri Jan Dhan Yojana (PMJDY). It found that the two milestones are very progressive especially PMJDY results showed that majority of the accounts opened in the rural areas and it helps to improve greater financial inclusion in India.

Introduction

Financial Inclusion is a key enabler to economic, social and transaction security of a country, thereby driving inclusive growth. It is for this reason that financial inclusion has been one of the key government priorities over the years, through various initiatives like Nationalization of Banks, Expansion of Banks branch network, Lead Bank Scheme, Business Correspondent Model, Mobile banking, Aadhaar enabled banking accounts, e-KYCs, Formation of SHGs and State specific approach for Govt. sponsored schemes to be evolved by SLBC etc. The two important steps towards financial inclusion are SHG – Bank Linkage Programme (SBLP) and Pradhan Mantri Jan Dhan Yojana (PMJDY). Despite

these various measures, poverty and exclusion continue to dominate socio-economic and political discourse in India even after six decades of post economic independence era. Though economy has shown impressive growth during post liberalization era of 1991, impact is yet to percolate to all sections of the society and therefore, India is still home of 1/3rd of world's poor.

Important features of Financial Inclusion

- a) Financial inclusion means the process of availing a minimum set of financial and banking services to the people residing in the lowest ladder of social paradigm.
- b) Financial inclusion presses upon including the mainstream banking and financial initiatives in this initiative.

c) Opening a bank account is the most popular and simple tool of attaining objectives of financial inclusion.

d) Financial inclusion is being promoted as an important tool to the achieve the target of “sustainable growth”.

e) Mangalam village of puducherry became the first village to achieve 100 percent financial inclusion in India.

MAJOR MILESTONES IN FINANCIAL INCLUSION IN INDIA

1956 Nationalization of Imperial Bank of India.

1967 Policy of social control over banks.

1968 Setting up of National Credit Council.

1969 Introduction of Lead bank scheme.

1971 Establishment of priority sector lending norms.

1975 Establishment of Regional Rural Banks.

1982 Establishment of NABARD.

1992 Launching of Self Help Groups Linkage Programme.

1998 NABARD sets a goal for linkage one million SHGs by 2008.

2000 Establishment of SIDBI foundation for micro credit.

2004 Setting up of Khan Commission by RBI.

2007 Proposed bill on Microfinance Regulation introduced in parliament.

2008 Rangarajan Committee report instituted by NABARD.

2009 Raghuram Rajan Committee Report set up by Planning Commission.

2011 Malegam Committee Report by Reserve Bank of India.

2012 Microfinance Institutions (Development and Regulations) Bill by Finance Department, Government of India.

2012 Revised Guidelines on Financial Literacy Centres.

2013 Unique identification number (AADHAR) and the Direct Benefit Transfer.

2014 Pradhan Mantri Jan Dhan Yojana (PMJDY), National Mission on Financial Inclusion launched by Prime Minister on 28th August 2014.

2015 Approval of RBI to set up Payment Banks, Mudra Bank.

SHG Bank Linkage Programme (SBLP) Model

A Self Help Group (SHG) is a small group of 10 to 20 persons of rural poor who come together to mutually contribute to common fund for meeting their emergency needs. SHG - Bank Linkage Programme was introduced by NABARD in 1992. This Model involves the SHGs financed directly by the banking agencies viz., Commercial Banks (Public Sector and Private Sector), Regional Rural Banks (RRBs) and Cooperative Banks.

PMJDY Scheme

Hon'ble Prime Minister, Sh. Narendra Modi launched the Pradhan Mantri Jan-DhanYojana (PMJDY) scheme as a national mission for Financial Inclusion on 28th August, 2014. The objective of PMJDY scheme is to ensure

affordable access of financial services to the vast sections of the disadvantaged and low-income groups. The financial services include credit, savings, insurance and payments and remittance facilities.

Comparison of SBLP and PMJDY towards Financial Inclusion

The following table presents Comparison of SHG –Bank Linkage Programme (SBLP) and Pradhan Mantri Jan DhanYojana (PMJDY) towards financial inclusion.

SBLP (as on 31st March 2016)		PMJDY (as on 31st March 2016)	
Total SHGs (in Lakhs)	Amount (in Crore)	Accounts Opened (in crore)	Balance in Accounts (in Crore)
79.03	13691.39	23.62	41723.30

Source: www.nabard.org, www.pmjdy.gov.in

The above table states that SHG –Bank Linkage Programme (SBLP) and Pradhan Mantri Jan DhanYojana (PMJDY) are the major milestones towards financial inclusion in India. Under the SHG –Bank Linkage Programme, Total SHGs Saving Accounts are 79.03 Lakhs and Amount is 13691.39 Crore as on 31stMarch, 2016. But under the Pradhan Mantri Jan DhanYojana (PMJDY), 23.62 Crore Accounts were opened and Balance in Accounts are 41723.30 Crore as on 10thAugust, 2016. Hence these two major milestones help to improve greater financial inclusion in India.

Conclusion

The Reserve Bank of India(RBI) and the Government of Indiahave been making efforts to increase banking penetration in the country. Notwithstanding various improvements, financial inclusion found a place in the every financial policy of the RBI. The RBI has undertaken number of measures with the objective of attracting the financially excluded population into the structured financial system. Financial Inclusion is an ongoing process. The RBI and Govt. of India have implemented two Programmes that is Self Help Group-Bank Linkage Programme and Pradhan Mantri Jan DhanYojana are the milestones in the Financial Inclusion process.

The study further suggested that RBI and commercial bank should organize proper training for clients and plan a coordinated campaign in partnership with trainers to educate customers about the various schemes of financial inclusion.

References

www.rbi.org

www.nabard.org

www.crisil.com

www.pmjdy.gov.in/accounts