WOMEN EMPOWERMENT THROUGH FINANCIAL INCLUSION

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ROLE OF BANKS IN FINANCIAL INCLUSION

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Abstract

Financial inclusion is important priority of the country in terms of economic growth and advanceness of society. It enables to reduce the gap between rich and poor population. The objective of is to examine present scenario of financial inclusion in India. In the current scenario financial institutions are the robust pillars of progress, economic growth and development of the economy. It refers to delivery of banking servicesto masses including privileged and disadvantaged people at an affordable terms and conditions. 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. From this it can be concluded that the financial inclusion contribute much to the development of Indian economy and there is further scope for achieving inclusive growth. The study is only based on secondary sources of data which is one of its limitations and based on the need of the study, the researcher has also put forwarded certain recommendations for the socio economic development of our country along with its financial stability.

***Keywords**: Inclusive growth, Financial Inclusion, Reserve Bank of India, Banking sector.*

Introduction

The concept of inclusive growth combines the participation in the process of growth with the sharing of benefits from the achievements as a result of the growth. Thus inclusive growth is the outcome as well as a process. Financial inclusion is a broad term and the concept of financial inclusion is not new, which involves in the process of ensuring access to financial services to the individuals in need at an affordable cost. .As such, inclusive growth can be observed from long-term perspective as the focus on productive employment rather than on direct income redistribution, as a means of increasing income for excluded groups and also making efforts for their inclusion.

Financial inclusion takes into account the participation of vulnerable groups such as weaker sections of the society and low income groups, based on the extent of their access to financial services such as savings and payment account, credit insurance, pensions etc.

Review of Literature

Agrawal (2008) in their articles entitled that "financial inclusion from the behavioural perspective based on both factors supply and demand end" evaluation from the behavioural perspective provided the scope for the policy-makers and marketers to strategically align their approach with the behavioural aspect, without confining their thoughts to the economical evaluations.

Dr. Swamy V. and Dr. Vijayalakshmi (2010) in their article "Role of financial inclusion for inclusive growth in India-issues and challenges" claimed that importance of financial inclusion arises from the problem of financial exclusion of nearly three billion people from the formal financial services across the world. India has 135 million financially excluded households, the second highest number after India. Through graduated credit, the attempt must be to lift the poor from one level to another, so that they come out of poverty. They identified twenty one steps for twenty first century financial inclusion. There is a need for co-ordinate action between the government and others to facilitate access to bank accounts among the financial excluded.

Dangi and Kumar (2013) examined the initiatives and policy measures taken by RBI and Government of India. This study also focused on current status and future prospects of financial inclusion in India. It has been concluded that financial inclusion shows progressive and valuable changes but sufficient provisions should be incorporate in the business model to certify that the poor are not driven away from banking.

Chhabra (2015**)** carried out a research entitled that Financial inclusion means the delivery of financial services, including banking services and credit, at an affordable cost to the vast sections of disadvantaged and low-income groups who tend to be excluding.

Objectives

- To examine present scenario of financial inclusion in India.
- To study the impact of financial inclusion indicators on growth of Indian economy.
- To study the initiatives taken by Reserve Bank of India (RBI) for growth of financial inclusion in India.

Factors Affecting Access to Financial Services

Financial Inclusion, on the one hand, is a process aiming at providing banking services like saving account, creditfacility, and insurance product to weaker sections of the society.While on the other hand, it refers to the objective of ensuring financial services (banking, insurance, and capital market services) and timely and adequate credit to every section of the society as well as of the economy. Access to financial services has been recognized as an important aspect of development and more emphasis is given to extending financial services to low-income households as the poor lack the education and knowledge needed to understand financial services that are available to them. The lack of financial access limits the range of services and credits for household and enterprises. Although there is some evidence that access is improving but still there are multiple factors which have affected the access to financial services.

Financial Inclusion for Inclusive Growth

- The formal financial sector -mainly the banking system serves most of the population, in developing countries.
- Most of the population in developed countries (99 per cent in Denmark, 96 per cent in Germany, 91 per cent in the USA and 96 per cent in France) have bank accounts.
- In India Composite Index of Financial Inclusion (per cent of population with access to financial services) is only 48%.

Despite continuous growth, growth is not sufficiently inclusive specially after mid-1990s. The approach paper to Eleventh Plan indicates poor population to be 300 million in 2004-2005.

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. 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 (PMVVY)
- Stand Up India Scheme
- Pradhan Mantri Mudra Yojana (PMMY)
- Pradhan Mantri Suraksha Bima Yojana (PMSBY)

Significance of Financial Inclusion

- It mobilizes savings that promote economic growth through productive investment.
- It promotes financial literacy of the rural population and hence guides them to avoid the expensive and unreliable financial services.
- This helps the weaker sections to channelize their incomes into buying productive resources or assets.
- In the situations of economic crisis, the rural economy can be a support system to stabilize the financial system.

Financial Inclusion-International Initiatives

The origin of the current approach to financial inclusion can be traced to the United Nations initiatives, which broadly described the main goals of inclusive finance as access to a range of financial services including savings, credit, insurance, remittance and other banking and payment services to all 'bankable' households and enterprises at a reasonable cost. With continuing support from the World Bank Group, the Alliance for Financial Inclusion, and others, 38 countries have now made headline commitments to financial inclusion targets and action plans, with countries such as South Africa, India, the UK, and Brazil leading the way in prioritizing financial inclusion. The World Bank is committed to support low and middle income countries in designing reforms and other initiatives to meet the goals through a planned Financial Inclusion Support Framework.

Financial Inclusion- National Initiatives

The concept of financial inclusion is not unique in India. The message of its positive impact is wide-spread across the globe. 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. The fundamental objective of all these initiatives is to reach the large sections of the financially excluded Indian population. .RBI governor RaghuramRajan made a strong push for India's information and communications technology industry to get more involved in figuring out solutions to improve financial inclusion in the country. This can be done with technologies that automate high-volume, low-ticket-size transactions that comprise the bulk of transactions made by poor people**.**

Role of Reserve Bank of India

The Reserve Bank of India and the Government of India have been making efforts to increase the penetration of banking in the country including the remote hilly, rural and tribal areas. Some of these measures include:

- The creation of State Bank of India in 1955;
- Nationalization of commercial banks in 1969 and 1980;
- Initiating the Lead Bank Scheme in 1970;
- Establishing Regional Rural Banks (RRBs) in 1975;
- Introducing a Self-help Group (SHG)- Bank Linkage Programme in 1992 and
- Formulating the Kisan Credit Card scheme in 2001. (Mohan, 2006)

Conclusion

In this study, the past few years, the government has been very attentive for financial inclusion. In developing economies like India, the banks work as mobilizers of savings and allocators of credit for production and investment, have a very critical role. As a financial intermediary, the banks contribute to the economic growth of the country by identifying the entrepreneurs with the best chances of successfully initiating new commercial activities and allocating credit to them. Financial access can really boost the financial condition and standards of life of the poor and the disadvantaged population of the country. Lack of accessible, affordable and appropriate financial services has always been an Indian problem and effective inclusive financial system is needed for economic growth of the country.

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