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INTRODUCTION OF FINANCIAL INCLUSION

Chandni Kaur

Abstract: Financial inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable group such as weaker sections and low Income groups at an affordable cost in a fair and transparent manner by mainstream institutional player. Financial inclusion has become one of the most critical aspects in the context of inclusive growth and development. The importance of an inclusive financial system is widely recognized in policy circles and has become a policy priority in many countries.

Keyword: Financial , services needed , financial products , RBI Policy .

1.INTRODUCTION:

What is Financial Inclusion ?

Financial inclusion is delivery of banking services at an affordable cost to vast section of disadvantaged and low income group. The key focus of financial inclusion includes four products :-

- i. A pure savings product with inbuilt overdraft facility.
- ii. A recurring deposit product.
- iii. A Remittance product and
- iv. Entrepreneurship credit in the form of KCC/GCC

What the key objectives of Financial Inclusion ?

1. Extending formal banking system among less privileged in urban & rural India.
2. Weaning them away from unorganized money markets and money lenders.
3. Equipping them with the confidence to make informed financial decisions.

What are the key industry initiatives toward financial inclusion?

Relaxation of know your customer (KYC) guideline for No- frill Accounts. Introduction of business correspondent (BC) model for service delivery in remote areas.

Adoption of Information & communication Technology based model for enhancing outreach. Integration of electronic benefit Transfer for disbursement of Govt. Grant. Reorganization of Aadhar number under KYC norms.

What are the bank's initiatives towards financial inclusion. (as on 10th Sep. 2012).

Bank has more than 1.15 lakh

“No Frill Accounts” opened under its financial Inclusion initiative. The bank has started its (ICT) based financial inclusion initiative at Mehasana & Banaskantha district of Dadra & Nagar Haveli by offering E-Passbook and smart cards along with No frill Accounts. More than 77 thousand smart cards have been issued and 82 customer service points are fully operational basic banking services

under ICT based Financial Inclusion initiative.

Bank has covered 43 villages by opening rural bank and 321 villages by engaging business correspondent.

Dadra and Nagar Haveli

Dadra and Nagar haveli, Applichinchada, Kudacha, Rakholi

RBI POLICY ON FINANCIAL INCLUSION :-

When banker don't gives the desired attention to certain areas, the regulators have to step in to remedy the situation. This is the reason why the Reserve bank of India places a lot of emphasis on Financial Inclusion with a view to enhancing the financial inclusion as a proactive measure the RBI in its Annual policy statement of the year 2005-06, while Recognizing the concerns in regard to the banking practices that tend to exclude rather than attract vast sections of population urged banks to review their existing practice to align them with the objectives of financial Inclusion. No frill Account:

In the mid term review of the policy (2005-06) RBI exhorted the banks with a view to achieving greater financial inclusion to make available a basic banking “no frill” account either with 'NIL' or very minimum balances as well as charges that would make such accounts accessible to vast section of the population. The nature and number of Transition would be restricted and made known to customers in advance in a transparent manner. All banks are urged to give wide publicity to the facility of such “no frill” account. So as to ensure greater financial inclusion.

Simplification of know your customer (KYC) norms :-

Banks are required to provide a choice of a 'no frill' account where the minimum balance is nil or very small but having restriction on number of withdrawals etc. to facilitate easy access to bank accounts.

Further, in order to ensure that persons belonging to few income group both in urban and rural areas don't face difficulty in opening the bank accounts due to the procedural hassles the KYC procedure for opening accounts for those persons who intend to keep balances not exceeding rupees (50,000/-).

Measures of achieving financial inclusion in India.

The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings credit or insurance. The great challenge before us is to address the constraints that exclude people India is said to live in its villages a valid statement considering that nearly 72% of our population lives there. However a significant proportion of our 6,50,000 odd villages doesn't have a single bank branch to boast of, leaving swathes of the rural populace in financial exclusion. To a large extent, India's development hinges on this segment's economic growth, there it is imperative to bring the unbanked population within the ambit of banking. Invariably, financially excluded people depend on money lenders even for their day to day the concept of financial inclusion is not a new one. Nationalization of banks, priority sector lending stipulations the lead bank scheme establishment of Regional Rural banks, launch of self help group bank linkage programs were all part of the Reserve bank of India's initiative to provide financial access to the unbanked and under banked masses.

The reserve Bank is navigating the path to financial inclusion by means of regulation and guidance. It has initiated several measures to help bank and unbanked.

RBI INITIATIVES :-

They can be employed as business facilitators or correspondents the difference between the two being that the former provide education regarding financial product and collect document on the bank's behalf whereas the latter provide restricted financial and banking services such as deposit collection and money lending again on behalf of the bank.

At the beginning of the last month, the reserve bank of India created a high level committee focused on getting India's financial inclusion efforts back on track. However without a radical shift in direction the committee will fail to be more than a false hope in a bureaucratic nightmare.

65% of adults across the country are excluded from the normal financial system. Over the past eight years, RBI has mandated and worked with financial institutions to open almost 100 million so called no frill accounts targeting the poor. However only 1,50,000 Aadhaar linked financial accounts have been opened. The same missed opportunity exists with the growth of the country's mobile phone network. There are around 200 million phone users in India who don't have a bank account but because of RBI's strict regulation the growth of mobile banking has been yearly slow.

ROLE OF COMMERCIAL BANKS TOWARDS FINANCIAL INCLUSION.

The whole process of financial inclusion will not be possible without the contribution of banks. Banks are the key pillars of India's financial system. Public have immense faith in banks. Share of bank deposit in the total financial assets of households has been steadily rising. Banks enjoy considerable goodwill and access in the rural regions.

Bank should encourage greater interaction between

financial sector and rural development staff to ensure that financial sector expertise is included on any rural project that has a finance component. Help improve the enabling environment Bank with policy expertise and influence with government should work to enhance the transparency and efficiency of court systems and strengthen land and property registries.

Build on existing institutional infrastructure enhance and optimally utilize existing infrastructure rather than create new and costly delivery mechanisms that may never be viable.

Financial services designed for the poor could be introduced through existing agricultural development banks that meet basic pre conditions.

Financial Inclusion plan achievements so far

Banking connectivity to more than 1,88,028 villages up to June 2012 from 67,694 villages in March 2010. All unbanked villages with population 74,000 are now connected with banks. Number of BC's increased to 120,098 from 34,532.

More than 70 million basic banking accounts have been opened to take the total number of such accounts to 147 million.

In the context of this workshop it is important to note that there has long been a statistical system of capturing both micro and macro level data on measurement of financial inclusion in India, at least in respect of deposit and credit, the database on bank branch network, led by scheduled commercial banks in India, give an idea about the reach of the formal banking system in the form of an Indicative banking penetration measure such as average population per branch or number of deposit bank accounts per 1000 population. Among the newly opened bank branches during the year the share of rural and semi urban branches has gone up between 2007 and 2012. During the same period there has been a marginal improvement in the share of deposit accounts in rural centers and loan accounts in semi-urban areas.

Details of ultra small branches as on 30-09-2012.

Sr. No.	Name of the Circle	Financial inclusion villages, villages allotted	Financial inclusion branch
1.	Madurai	112	43
2.	Chennai	54	21
3.	Coimbatore	133	68
4.	Trichy	196	130
5.	Mangalore	36	10
6.	Hubi	57	17
7.	Gulbarg	49	26
8.	Mysore	24	0
9.	Agra	201	126
10.	Lacknow	23	1
11.	Meerut	25	9
12.	Patna	154	118
13.	Hyderabad	58	29
14.	Kamal	41	20
15.	Mumbai	7	6
16.	Chandigarh	34	15
17.	Dehradun	17	6
18.	Guwahati	19	16
19.	Delhi	2	1

Source- Internet

India's Aadhar's step to ensure F-I financial action.

Currently many of India's poorest citizens do not have any ID cards, bank accounts or even addresses that they can use to obtain social services.

“The Aadhaar number is intended to allow individual identification anytime, anywhere in the country through online identity verification.

Role of financial inclusion for growth in India.

Global experience

Using technology for fathering financial inclusion

Advising banks to open basic banking no frill account

Emphasis on financial literacy

Credit counseling

Creating synergic between the formal and informal segments.

Further the real rate of financial inclusion in India is also low and about 55 % of the bank account holder use their accounts not even once a months. It is university opined that the resource poor needs financial assistance at reasonable cost.

FINANCIAL INCLUSION

Importance of financial inclusion arises from the problem of financial exclusion of nearly 3 billion people from the formal financial services across the world. The review of literature suggests that the most operational definitions are context-specific, originating from country-specific problems of financial exclusion and socio-economic conditions. Thus, the context-specific dimensions of

financial exclusion assume importance from the public policy perspective. The operational definitions of financial inclusion, have also evolved from the underlying public policy concerns that many people, particularly those living on low income, cannot access mainstream financial products such as bank accounts and low cost loans, which in turn imposes real costs on them- often the most vulnerable people (H.M. Treasury, 2007). Thus over the years several definitions of financial inclusion/exclusion have evolved. In the Indian context, Rangarajan Committee (Report of the Committee on Financial Inclusion in India (2008)) defines it as : “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 section and low income groups at an affordable cost. “ The financial services include the entire gamut- savings loans, insurance credit payments etc. By providing these services the aim is to help them come out of poverty.

REFERENCE :- IMPORTANCE

For reaching every customer of rural sector :- with the help of financial movement, RBI wants that every bank should reach to every customer at rural area.

Micro credit during emergency :-

At the time of emergency, bank should open their door for micro credit it can be only possible if bank will use financial inclusion practically. Otherwise bank will just become a middle man whose sole aim is to earn interest. But today, with financial.

Inclusion, it can become joy like NGO and can work with 3.3 millions NGO of India for progress of India.

Electronic fund transfer village level now revolution of mobile has reach up to village with financial inclusion movement bank has to start all ATM Services and e-banking services at village level. So, better understanding of financial inclusion is must.

CONCLUSION AND RECOMMENDATIONS

The global economic crisis, despite its roots in Industrial countries will likely shift the focus of future financial inclusion policies. The fundamental rethinking of the role of government in finance triggered by the crisis has built high momentum for regulatory change. Policy makers should seize the current reform drive to advance financial inclusion policies that foster economic resilience.

Post crisis opportunities to promote financial inclusion hinges on the careful analysis of the risks posted by the transactions of the poor.

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