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## FINANCIAL INCLUSION: THE MAJOR SOCIAL AND FINANCIAL ISSUE

Sushil Kumar

M.Com JRF, VPO Sega(Kaithal).

**Abstract:**-Even after 66 years of independence a large section of Indian population still remain unbanked, this situation has led generation of financial instability and pauperism among the lower income group who do not have access to financial products and services. So, promotion of financial inclusion has been an important social and financial need across the country. In India, the primary responsibility of ensuring financial inclusion lies with the commercial banks subject to guidelines of RBI. However, on account of huge size and diversity of population the commercial banks have been taking assistance of various social and financial entities like co-operative banks, regional rural banks, SHG's, NBFC's (Non Banking Financial Companies) and MFI's (Micro Financial Institutions) for providing the basic financial services to further economic development. The main objective of the study is to examine the problems in adoption of financial inclusion, measures taken for it and to suggest the ways to promote it among the masses to its full advantage.

**Keywords:** Development, Financial Inclusion, Financial services, pauperism.

### INTRODUCTION:

Financial inclusion is the delivery of financial services at affordable costs to vast section of disadvantaged and low income groups. In the case of credit, the proper definition of financially excluded inculcates households who are denied credit in spite of their demand. Although credit is important constituent, financial inclusion cover various other financial services such as savings, insurance, payment and remittance facilities by the formal financial system to those who are excluded.

Financial exclusion is mainly a symptom as well as the reason for the poverty. Financial exclusion is mainly found in the rural areas primarily due to poor infrastructural facilities. The mainly excluded regions or those who are deprived of these financial services are small farmers, women, rural people, and unorganized sector workers including artisans, unaware people and those who live in such harsh environment where it becomes difficult to provide these financial services.

### REVIEW OF LITERATURE

An empirical study of NALINI G.S and MARIAPPAN.K (2012) revealed that bank should encourage the people to access banking services by ways of NO FRILLS ACCOUNT, financial inclusion campaign and business correspondents. The govt. should encourage the banks to adopt financial inclusion by means of financial assistance and awareness programme etc. DEV MAHENDER.S (2006) indicated that banks should look at financial inclusion both as a business opportunity and as a social responsibility. The role of SHG's and MFI's is also important to improve financial inclusion of the people. KHAN. IMSARFRAZ (2010) concluded that financial inclusion is one of the viable routes through which banks can maintain their development and also survive in the current financial crisis. But in order to do that there should be extensive efforts both from govt.'s side as well as banks themselves. To include their next customers, banks will have to access them, and be accessible.

### OBJECTIVES

The main objectives of study were –

To examine the difficulties involved in adoption of financial inclusion

To study the measures taken for financial inclusion  
To suggest the ways to promote the financial inclusion among needy people

### **FINANCIAL EXCLUSION AND CONSEQUENCES**

Financial exclusion is the inability of some societal groups to access the formal financial system or services. This is mostly experienced by poor members of the society more. These people are constantly unable to obtain other social provisions. Financial exclusion often exacerbates other kind of exclusions. The main reasons for lacking of financial inclusion are

High cost of financial services (i.e Interest/Credit rates ) proves unaffordable to the poor people, thus it deters the poor from accessing these services.

Much documentation required for having these services also become a hurdle in financial inclusion i.e identity proofs, income proofs etc.

Rural people also lack the awareness about the financial services such as various schemes offered etc.

Complicated and lengthy procedures usually restrict the scope of financial inclusion.

All these things leads the excluded people to head towards the informal financial sector ( such as mahajans and money lenders etc. ) for these financial services such as financing/loan etc. who in turn charges very high rates in comparison to formal sector. It pressurizes the poor person to earn much more than who has access of these financial services from other financial institutions at lower rates. Due to this a healthy portion of earning goes to money lenders in the form of interest charges. Financial exclusion also results in the diminution in scope of economic activity, as the rural people are reluctant to saving or they park their savings mainly into the land, building and bullion etc. rather than investing them into the productive purposes. As a result prohibits the capital formation process in the economy.

### **MEASURES FOR FINANCIAL INCLUSION**

The RBI set up the KHAN Commission in 2004 to look into financial inclusion and the recommendations of the commission were incorporated into the mid-term review of the policy (2005-06) and urged banks to review their existing practices to align them with the objective of financial inclusion. Since then, RBI along with the commercial banks has initiated several policies aimed at promoting financial inclusion of especially poor, rural and disadvantaged people. Some of these include 'no frill accounts', E-banking, mobile banking, issue of simplified general purpose credit cards (GCC's) and kisan credit cards.

Micro finance has also gained a lot of significance and momentum in the last decade. The role of micro finance as the most suitable and feasible alternative in accomplishing the goal of financial inclusion is now well recognized. Micro finance institutions (MFI's) other than banks are engaged in the provision of financial services to the poor. Micro finance is a programme for the poor and by the poor to mobilize the saving and use them to meet their financial needs.

NABARD has also taken several initiatives that have significantly contributed to financial inclusion. The Self Help Group (SHG) - bank linkage programme of NABARD is an innovative programme. Self Help Group is a registered or unregistered voluntary association of the poor people of 15 to 20, from the same socio-economic background involving primarily in saving and credit activities. The SHG's are taking small loans out of the corpus available with the group. The group corpus consists of saving, govt. assistance and bank loan.

### **SUGGESTIONS**

The govt. should include financial literacy in the subjects of schools and colleges.

All the social security payments should be through the bank account of beneficiary.

Banks must create awareness among people about the importance of banking services by advertisements and financial inclusion campaign.

Biometric ATM's should be launched for illiterate people who cannot remember their password.

Banks should constitute grievance redressal machinery to solve the customer's problem quickly.

Banks should also adopt advanced technology to open up new avenues for service delivery.

Priority sector credit philosophy should be revisited to take out best results.

There is need to have proper regulatory authority at each level saving, depositing, lending of money, which will help in long term sustainability of the efforts and in avoiding any misuse of money.

### **CONCLUSION**

Any attempt to enhance the extent of financial inclusion is mostly a small step in long journey. Thus financial inclusion is gradational by nature. This means that enhancing financial inclusion requires, among other things, a paradigm shift that goes beyond opening bank accounts and facilitating direct cash transfer to financially excluded. So, financial inclusion of

unbanked masses is a critical step that requires political will, bureaucratic support and persistent persuasion by RBI. It is expected to unleash the hugely untapped potential of the bottom of pyramid section of the Indian economy. Financial inclusion will make these people to be a part in the economic development process. Perhaps, financial inclusion can begin the next revolution of growth and prosperity.

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258/34 Raviwar Peth Solapur-413005, Maharashtra  
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