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Financial Inclusion

B. S. Rupanawar and Kiran M. Rege
Konkan Gyanpeeth karjat college of Arts, science and Commerce karjat raigad
Rizvi college of A.S.C; Bandra, mumbai

Abstract: The nationalization of banks in 1969 and subsequent developments led to expansion of the geographical and functional reach by the banks. Public policy aimed at 'social 'and 'development banking 'by meeting rural credit needs and reducing the role of credit of informal sector. Despite the vast expansion, a large number of groups remain excluded from the opportunities and services provided by the financial sector. Such excluded groups include small and marginal farmers, women and unorganized sector workers.

Keyword:nationalization , Dramatically , Objectives , Financial Inclusion.

INTRODUCTION

Now a days every conference, seminar or workshop organized by financial departments of the Government makes a reference to 'Financial Inclusion '. But nothing dramatically has changed the perception of bankers with regard to the inclusion of the forms for poor in opening a saving bank account and extending credit to them. The forms for opening a savings bank account, withdrawal and pay-slips should be printed in the local language. Timely credit should be extended to the poor when they are in need of money. The staff members of the bank should be patient and understanding in dealing with the Poor. Then and then only, the Financial Inclusion can be achieved. Financial Inclusion also refers to making more efforts towards coveting small and marginal farmers and vulnerable social groups.

II. OBJECTIVES OF THE STUDY:

The objectives of the present study are:
(1) To study the background and concept of Financial Inclusion;
(2) To study the importance of Financial Inclusion in improving the Living conditions of poor farmers, rural non-farm enterprises and other Vulnerable groups;
(3) To evaluate Financial Inclusion as a business opportunity as well as
social responsibility of the banks;
(4) To appraise the role of self-help groups and Microfinance Institutions to improve Financial Inclusion of people.

III. METHODOLOGY:

Descriptive research method is followed in studying the problem. For this purpose, Secondary data are used. The data and information has been collected from books, journals and newspapers. It has been studied and analysed logically to draw the conclusions. The facts or information available through these sources were analysed to make a critical evaluation.

IV. FINANCIAL INCLUSION:

Financial Inclusion means delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. Financial Inclusion covers various other financial services such as savings, insurance, payments and remittance facilities by the formal financial system to those who tend to be excluded. In the case of credit, the proper definition of the financially excluded would include households who are denied credit in spite of their demand. Many households are exploited by money-lenders at very high interest rates and, therefore, these households should not be seen as financially excluded. Therefore, Financial Inclusion refers to households accessing institutional credit including Commercial banks, Co-operative banks, Regional Rural banks and BABARD. Financial Inclusion also covers new financial products, customer friendly initiatives and in-house training for the staff. In the light of e-commerce and Internet facilities, financial products can be easily delivered. Friendly and co-operative service, offering new and better financial products at low cost will fetch more customers.

(a) Farmers Indebtedness:

Credit to farmers is one of the important elements of Financial Inclusion. Addressing Financial Inclusion requires both supply and demand side aspects. There has been significant expansion in banking in the last few decades. There are many supply side problems for banks.

(b) Opening Bank Accounts:

RBI has initiated the concept of Financial Inclusion in order to ensure that all sections of society are covered by banking services. Under this programme, banks are expected to provide no-frills banking services to all, including those who cannot afford to maintain a minimum balance. Banks have introduced no-frills banking services without any minimum balance, viz.

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Know Your Customer (KYC) guidelines. These guidelines, which are aimed at requiring banks to open accounts only after verifying antecedents of prospective customers and obtaining evidences for permanent residence and Permanent Account Number (PAN). Indian Bank under its Financial Inclusion programme in Dharavi, a slum of central Mumbai has launched a door to door campaign. Poor migrant workers living in Asia's largest slum were hitherto unable to open bank accounts due to lack of proof of residence Indian Bank is tracing them back to their roots in far-flung Tamil Nadu. Dharavi has an estimated 3.5 lakh workers from southern districts of Tamil Nadu. Indian Bank has also launched the Pilot Project on Financial Inclusion in Pondicherry in December, 2005, Where it was to bring the entire population under banking services.

(c) Self-help Groups:

NABARD has taken several initiatives that have significantly contributed to the Financial Inclusion . The Reserve Bank of India has recognized the problems of Financial Inclusion in the annual policy statement in 2005 and initiated several policies aimed at promoting Financial Inclusion of Pensioners, Self-employed and those employed in the unorganized sector including Self-help Groups . The Self-help Group –Bank linkage programme of NABARD is an innovative programme. It started as a Pilot programme in 1992. There are 22 lakh SHGs working under this programme, comprising more than Three crore poor households who are accessing credit through Commercial banks and Co-operative banks. The SHG movement is now a national movement. Followed by the success of SHG- Bank linkage programme and the Bangla Desh Gramin Bank model, many of the NGOs have taken to financial intermediation by adopting innovative delivery approaches. Following the RBI guidelines, Commercial banks including RRBs have been providing funds to microfinance institutions for on-lending to poor clients. Thus, MFLs have been playing an important role in substituting money lenders and reducing the burden on formal financial institutions, with the objective of ensuring greater Financial Inclusion and increasing the outreach of the banking sector. Banks have been allowed to use the services of NGOs, SHGs, MFIs, and other civil society organization as intermediaries in providing financial and banking services through the use of business facilitator and correspondent models.

(d) Survival strategy for banks:

According to the RBI Governor, "Financial Inclusion is not a matter of philosophy but can lead to a win-win situation for the banks and customers. He has advised to treat Financial Inclusion as an Investment for business. It is the mass movies that make money. C.K.Prahlad, the management guru, has stated that fortune does not lie at the bottom of the pyramid. Financial Inclusion has to be seen, not patronizingly but as a survival strategy for banks. There are legitimate concerns in regard to the banking practices that tend to exclude rather than attract vast section of population, in particular, Pensioners, Self-employed and those employed in unorganized sector. Consolidation may help the cause of Financial Inclusion as smaller banks that are unable to grow organically would have to shed universal banking for a more focused approach.

CONCLUSION:

Financial Inclusion is the delivery of banking services at an affordable cost to the vast sections of disadvantaged and low-income groups. Financial Inclusion covers various other financial services such as savings, insurance, payments and remittance facilities by the formal financial system. It covers new financial products, customer-friendly initiatives and in-house training for the staff.

Only 56 percent of the indebted farmers are financially included as they are getting loans from formal sources. The share in formal and informal sources of finance vary from state to state. Therefore, the source of loan is important for examining the extent of Financial Inclusion. The Self-help Group – Bank linkage programme of NABARD is an innovative programme. There are 22 lakh SHGs under this programme, consisting of more than Three crore households who are accessing credit through banks. Financial Inclusion in terms of access to credit from formal institutions is high for small and marginal farmers and some social groups. Banks should look at Financial Inclusion both as a business opportunity and as a social responsibility. Apart from banking institutions, the role of the SHGs movement and MFIs is important to improve Financial Inclusion of people.

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