FINANCIAL INCLUSION PROGRESS AND STRATEGIES TOWARDS FUTURE GROWTH IN INDIA

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ABSTRACT

The agenda for financial inclusion was galvanized in the early 2000s in India following the publication of a spate of findings of financial exclusion and its direct correlation to poverty. Various studies have concluded that an exclusion from banking and financial system results in a percentage loss of the country’s GDP. Financial inclusion is the expansion and delivery of banking services to the disadvantaged and low-income groups of the society at an affordable cost. The main focus of financial inclusion in India is the promotion of sustainable development and employment generation in rural areas. This study is an attempt to evaluate the progress of financial inclusion initiatives undertaken in terms of branch and credit penetration, diffusion of financial services with encouraging people to create demand, and financial literacy programs. The Govt. of India has instigated some crucial initiatives in reference to financial inclusion, which this paper attempts to identify. Finally, the study depicted that in spite of several measures taken to develop financial inclusion, a whopping 40 percent of India’s population is still devoid of even the plain financial services. Financial inclusion is, therefore, more than just an economic imperative for India. It’s also a socio-political indicator.

Keywords: Financial Inclusion, Kisan Credit Cards, Reserve Bank of India, RRBs

1. Introduction

The Indian economy switched gears in the early part of this century and has been growing at a healthy pace since then. Financial inclusion is certainly not just a recent phenomenon. The earliest effort at financial inclusion in India can be traced back to 1904, when the cooperative movement began in the country. A focal event in its evolution was the nationalization of 14 major commercial banks in 1969, and the lead bank scheme was subsequently introduced. Over the past few decades, the Indian banking industry has shown tremendous growth in volume and complexity. There are concerns that despite significant improvements in areas relating to financial viability, profitability and competitiveness, banks have not been able to include vast segment of the population, especially the underprivileged, into the fold.
of basic banking services. There are several factors that affect access to formal banking system in any country. These include culture, financial literacy, gender, income and assets, proof of identity, remoteness of residence, and so on. To increase access to affordable financial services, the Reserve Bank of India has taken several measures since independence through financial education, leveraging technology, and generating awareness. The aim of financial inclusion is to promote sustainable development and employment generation for a majority of population, especially in the rural areas. At present, the basic banking services are accessible to only 34% of India’s population. The latest National Sample Survey Organisation reports that there are over 80 million poor people in India who lack access to the most basic banking services - such as savings accounts, credit, remittances and payment services, financial advisory services, etc. These low-income groups usually do not have the required documents needed to open a bank account and so they are deprived of the formal banking services. This results in dependence on the informal sector for their savings and loan requirements. Recognising the importance of inclusive growth, efforts are being taken to make the Indian financial system more inclusive. Financial literacy levels are extremely low in the current scenario. Even though microfinance institutions have expanded vastly in the last five years, they still cover only about one-fifth of low-income households and meet only one-tenth of the credit needs of the poor. Financial inclusion, although a daunting challenge in size and scope, is a great social and business opportunity. Among the potential businesses that will benefit from inclusion are business correspondents who can bring simple banking services as well as insurance and even pension schemes to the poor.

2. Literature review

Banks, in recent years, have played an important role in meeting credit needs of people. Many studies have attempted to analyze the role of commercial banks in financial inclusion for the attainment of sustainable development. An attempt has been made through this section to review some important research studies.

Finance Minister Pranab Mukherjee (2010) pointed financial inclusion as a key determinant for sustainable growth, which
could unlock the vast hidden potential of savings consumption and investment propensities of the poorer sections of society. World Bank (2008) financial inclusion is also influenced by specific credit needs of various segment people arises for a number activities such as housing, micro enterprises, agriculture difficulties in accessing formal sources of credit, the poor individuals and small savings or internal resources to invest in housing, health and education, and opportunities.

The Report Committee on Financial Inclusion headed by Dr. C. Rangarajan (2008) recommended that concepts like this must be taken up as a mission and suggested a National Mission on Financial Inclusion (NMFI) that comprised of representations from all stakeholders regarding suggestions for the the overall policy changes required, and supporting stakeholders in the area of public, private and NGO sectors in undertaking promotional initiatives for 100% financial inclusion in India.

Ansari (2007) in her study reveals that reaching the poor whose credit requirements were small, frequent and unpredictable, was found to be difficult. Further, it emphasized on providing credit to the poor to help them meet their basic requirements rather than financial products and services including savings, insurance, etc.. There was a need felt for alternative policies, systems and procedures, savings and credit products, other complementary services and new delivery mechanisms, which would fulfill the requirements of the poor.

Transact, the national forum for financial inclusion (2007) defines financial inclusion as a state in which all people have access to appropriate, defined financial products and services to manage their money effectively. To Beck & De la Torre, (2006) financial inclusion can be used as a typical measuring tool for breadth of financial services, if it signifies the percentage of people in a given area having access to a bank account and other monetary services.

Vaidya, B.V. (2002) has made a comprehensive effort to highlight some of the aspects of rural development of the country under the policy of liberalisation and globalisation, including an economic aspect, agricultural aspect, industrial aspect, infrastructural aspect and management
aspect. From his analysis, he has drawn the conclusion that a comprehensive methodology will be necessary for rural development, which is the bed-rock of development for the whole country.

NABARD (1999) remarked that regardless of the wide network of rural bank branches in India, which implemented specific poverty alleviation programmes sought for generation of self-employment opportunities, a large proportion of the poor continued to remain outside the fold of the formal banking systems.

Shetty (1997) in his studies concluded that, the ‘social banking’ policies being adopted by the country lead to widening of the ‘geographical spread and functional reach’ of commercial banks in the rural area in the period following the nationalization of banks.

Shylendra, Verrashekharappa (1997) in his work on “Institutional Finance for Rural Development”, has highlighted the importance of institutional finance on the farm sector in a changing perceptive. Taking into account the transaction cost, utilization of loan, repayments and over dues, he has advocated for policy implications to be implemented more cautiously to reduce the gap between bank credit and farm sector and to remove the size of landholding as collateral security against farm credit.

Rangarajan, C. (1996) has identified three to four major factors which would have an impact over the future banking operation including progressive de-regulation of interest rates, a diversified, competitive market place, market determined exchange rate mechanism and technological progress. He suggested the banks to provide credit to agriculture and allied sector as provision of credit to high -tech agriculture, which is almost equal to providing credit to the industry.

Barman, K.K. (1994) has made an analytical study on the implications of financial sector reforms on rural credit delivery system. He has found that implications are of widespread; on interest rate of agricultural loans, lending rates, priority sector lending, reserve requirements and institutional restructuring.

Gundannavar, V.R. (1992) has highlighted the role of banks in implementing social
banking schemes to keep pace with changing social needs. He has strongly opposed any move to reduce resource allocation to priority sectors, which will have an adverse impact on the agricultural credit. He has suggested to increase higher rate of interest on commercial lending and to continue concessional rate of lending to priority sectors.

Farhat Husain (1986) has made a detailed analysis of the development of Commercial banks in India in the light of reorientation of banking policy, credit planning and resource mobilization for the regional development. Chubby, B.N. (1983) has evaluated that Commercial Banks have failed to fill the serious gap and deficiencies in farm credit, which the RRBs could manage to do. Chubby emphasized that the NABARD would be required to pay attention to the depoliticisation of the agricultural credit and government credit agencies. He suggested that NABARD might help the agricultural and rural sector in raising their productivity at reasonable faster rate.

3. Need for the study

Presently, the economy is in a phase of rapidly rising income, for both rural and urban, arising from the expansion of existing economic activities as well as the creation of new activities including corporate profitability, which has exhibited sustainable trends, and increasing consumer incomes thereby riding on the growth momentum.

All of these developments signify that demand for financial services, for savings as well as production purposes, will generate, which will bring new entrants in the spree of financial and banking industry. Financial inclusion as a topic has attracted global attention in the recent past. For our own country where almost 70 percent of the population lived in the rural areas, financial inclusion assumes paramount importance indeed and is an utmost necessity for a country where a large number of the world’s highest poverty-stricken population resides.

There are a number of factors from demand and supply side affecting access to financial services by weaker section of society in India. Hence, there must be a need for financial inclusion to build uniform economic development and
ushering in greater economic and social equity.

4. Objectives of study

The main objectives of the study include:
1. To study the extent of financial exclusion.
2. To examine the RBI policy initiatives and progress in financial inclusion.
3. To identify the steps taken by the banks in the area of financial inclusion.
4. To give suggestions for further improvement that leads to sustainable development.

5. Research design and methodology

The paper is based on the objective to examine the Indian experience in the field of financial inclusion. The secondary data have been collected from various sources to assess the role of Reserve Bank and Govt. of India in promoting Financial Inclusion. The descriptive and empirical studies were used to analyze the role of RBI in achieving full financial inclusion in India by 2015. References of some articles have also been used to find out the need, scope, and recent development in this direction of financial inclusion in India. The present study has been divided into three sections viz. extent of financial exclusion, financial inclusion progress and RBI policy initiatives, conclusion and way forward.

Section: 1 Extent of Financial Exclusion

This section presents the extent of financial exclusion from different perspectives / angularities has been presented based on four different data sources viz.:
(a) NSSO 59th Round Survey Results,
(b) Government of India Population Census 2011,
(c) CRISIL-Inclusion and

NSSO 59th Round Survey Results:
- 51.4% of farmer households have been financially excluded from both formal/ informal sources.
- Of the total farmer households, only 27% have access to formal sources of credit; one -third of
this group also borrows from non-formal sources.

- Overall, 73% of farmer households are deprived of access to formal sources of credit.
- Across regions, financial exclusion is acuter in Central, Eastern and North-Eastern regions, which accounts to 64% of all financially excluded farmer households in the country.

Overall indebtedness to formal sources of finance in these three regions accounted for only 19.66%.

- However, over the period of five decades, there has been an overall improvement in access to formal sources of credit by the rural households (Chart 1).

**Chart 1: Access to Formal and Informal Sources**

![Chart 1: Access to Formal and Informal Sources of Credit By Rural Households](chart1.png)
Government of India Population Census 2011

- As per census 2011, households availing banking services in the country account to only 58.7%. However, as compared to previous census 2001, percentage count of households availing banking services increased significantly on account of increase in banking services in rural areas (Chart 2).

**Chart 2: Availing of Banking Services**

<table>
<thead>
<tr>
<th></th>
<th>Census 2001</th>
<th>Census 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>30.1</td>
<td>54.4</td>
</tr>
<tr>
<td>Urban</td>
<td>49.5</td>
<td>57.8</td>
</tr>
<tr>
<td>Total</td>
<td>35.5</td>
<td>58.7</td>
</tr>
</tbody>
</table>

Source: Department of Financial Services, GoI

CRISIL Financial Inclusion Index (Inclusive):

- In June 2013, CRISIL published a comprehensive financial inclusion index (viz., Inclusion) for the first time. For constructing the index, CRISIL identified three critical parameters of banking services viz., branch penetration, deposit penetration and credit penetration.

- The CRISIL Index indicates an overall improvement in financial inclusion in India (Chart 3).

- CRISIL –Inclusix (on a scale of 100) amplified from 35.4 in March 2009 to 37.6 in March 2010 and further to 40.1 in March 2011.
World Bank’s ‘Financial Access Survey’
Results:

- Table 1, given below, clearly describes that financial exclusion in our country, measured in terms of bank branch density, ATM concentration, bank credit to GDP and bank deposits to GDP, is quite low in comparison to most of the developing countries in the world.
Section – II: RBI Policy Initiatives and Progress in Financial Inclusion

Financial inclusion has been defined as the process of ensuring access to financial services with timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost (The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan). Financial Inclusion, from a broader perspective, refers to having a universal access to a variety of financial services at a reasonable cost, which not only includes banking products but also other monetary services such as insurance and equity products (The Committee on Financial Sector Reforms, Chairman: Dr. Raghuram G. Rajan). Household access to financial services is depicted in Figure I.

Table 1: Select Indicators of Financial Inclusion, 2011

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Country</th>
<th>Number of Bank Branches Per 1000 KM</th>
<th>Number of ATMs Per 0.1 Million</th>
<th>Number of Bank Branches</th>
<th>Number of ATMs</th>
<th>Bank Deposits as % to GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>India</td>
<td>30.43</td>
<td>25.43</td>
<td>10.64</td>
<td>8.9</td>
<td>68.43</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>1428.98</td>
<td>2975.05</td>
<td>23.81</td>
<td>49.56</td>
<td>433.96</td>
</tr>
<tr>
<td>3</td>
<td>Brazil</td>
<td>7.93</td>
<td>20.55</td>
<td>46.15</td>
<td>119.63</td>
<td>53.26</td>
</tr>
<tr>
<td>4</td>
<td>Indonesia</td>
<td>8.23</td>
<td>15.91</td>
<td>8.52</td>
<td>16.47</td>
<td>43.36</td>
</tr>
<tr>
<td>5</td>
<td>Korea</td>
<td>79.07</td>
<td>...</td>
<td>18.8</td>
<td>...</td>
<td>80.82</td>
</tr>
<tr>
<td>6</td>
<td>Mauritius</td>
<td>104.93</td>
<td>210.84</td>
<td>21.29</td>
<td>42.78</td>
<td>170.7</td>
</tr>
<tr>
<td>7</td>
<td>Mexico</td>
<td>6.15</td>
<td>18.94</td>
<td>14.86</td>
<td>45.77</td>
<td>22.65</td>
</tr>
<tr>
<td>8</td>
<td>Philippines</td>
<td>16.29</td>
<td>35.75</td>
<td>8.07</td>
<td>17.7</td>
<td>41.93</td>
</tr>
<tr>
<td>9</td>
<td>South Africa</td>
<td>3.08</td>
<td>17.26</td>
<td>10.71</td>
<td>60.01</td>
<td>45.86</td>
</tr>
<tr>
<td>10</td>
<td>Sri Lanka</td>
<td>41.81</td>
<td>35.72</td>
<td>16.73</td>
<td>14.29</td>
<td>45.72</td>
</tr>
<tr>
<td>11</td>
<td>Thailand</td>
<td>12.14</td>
<td>83.8</td>
<td>11.29</td>
<td>77.95</td>
<td>78.79</td>
</tr>
<tr>
<td>12</td>
<td>Malaysia</td>
<td>6.32</td>
<td>33.98</td>
<td>10.49</td>
<td>56.43</td>
<td>130.82</td>
</tr>
<tr>
<td>13</td>
<td>UK</td>
<td>52.87</td>
<td>260.97</td>
<td>24.87</td>
<td>122.77</td>
<td>406.54</td>
</tr>
<tr>
<td>14</td>
<td>USA</td>
<td>9.58</td>
<td>...</td>
<td>35.43</td>
<td>...</td>
<td>57.78</td>
</tr>
<tr>
<td>15</td>
<td>Switzerland</td>
<td>84.53</td>
<td>166.48</td>
<td>50.97</td>
<td>100.39</td>
<td>151.82</td>
</tr>
<tr>
<td>16</td>
<td>France</td>
<td>40.22</td>
<td>106.22</td>
<td>41.58</td>
<td>109.8</td>
<td>34.77</td>
</tr>
</tbody>
</table>

Source: Financial Access Survey, IMF; Figures in respect of UK are as on 2010
The essence of financial inclusion lies with ensuring delivery of financial services that include bank accounts for savings and financial transactions, low-cost credit for productive and personal purposes, financial advisory services, insurance facilities and related services. The Government of India in constant collaboration with the Reserve Bank of India is making utmost efforts to set up financial inclusion as a national objective of the country. With this aim, various measures that have been taken including—nationalization of banks, development of robust commercial bank branches, setting up of cooperatives and rural banks, introduction of mandated priority sector lending targets, lead bank scheme, formation of self-help groups, permissions to banks for appointment of BCs/BFs in order to offer door-to-door delivery of banking facilities, creation of zero balance BSBD accounts, etc. The sole purpose of all these measures is to reach to a wider section of the financially excluded Indian population.

For the next decade or so, one of the biggest challenges in front of the
banking industry is to spread their business over 50% of country’s total population which counts to approximately 1.2 billion people. Majority of which are poor and with that the availability of financial services at low-transaction cost becomes another important consideration. Assistance should be offered in terms of financial awareness and literacy as well as in the form of access to customized financial products. Taking into account their major sources of income inflow, there are agricultural operations, migration from one place to another, seasonal work availability and income. In such a scenario, the financial system needs a redesign to be more responsive to their requirements. No doubt banks and regulators are playing a significant role in this, but there is also need to think beyond traditional ways and delivery channels to speed up their efforts.

Dr. Raghuram Rajan, the Governor of RBI has powerfully enunciated the need for broad-based diversified growth leading to rapid reduction in poverty. He has also laid down RBI's developmental measures for the near future on five pillars, where one of the most essential pillars is the financial inclusion. The objective defined therein is to expand access of finance to the poor, remote and underserved areas of the country. Sustained efforts have been made by the Reserve Bank of India to increase the penetration of formal financial services to unbanked areas, while continuing with its policy of ensuring adequate but viable flow of credit to priority sectors of the economy. A structured, planned and integrated approach is adopted by RBI that is focused on widening access to financial products and services and also encouraging demand for financial services through financial literacy initiatives. Some of the defining features of RBI approach to FI are:

**Institutional Mechanism**

Under the institutional mechanism put in place for financial inclusion, there is a Financial Stability and Development
Council (FSDC), which has an exclusive mandate for financial inclusion and financial literacy. A separate Technical Group has been set up under the aegis of FSDC, chaired by the Deputy Governor to target on financial inclusion and financial literacy. The Group has representations from all the financial sector regulators. RBI has also constituted a Financial Inclusion Advisory Committee (FIAC) to spearhead the efforts being made towards financial inclusion. The FIAC, again chaired by the Deputy Governor, is constituted of directors from the Central Board of RBI and experts drawn from NGO sector and other civil society representatives. At the State level, there are State Level Bankers Committee (SLBC) further supported by Lead District Managers (671 Districts) at the district level.

**Bank led Model**
A Bank-led model has been initiated by Reserve Bank of India, which attempts to leverage on technology. The FI initiatives would have to be ICT based and would ride on new delivery models that need to be developed by the market participants to best suit their requirements. The mainstream banking institutions better serve the objective of financial inclusion as only they have the ability to offer the suite of products required to bring in meaningful financial inclusion. Other players such as mobile companies have also been allowed to offer collaborative services in partnership with banks.

**Financial Inclusion & Financial Literacy- an Integrated Approach**
Financial Literacy is an important adjunct for promoting financial inclusion, consumer protection and ultimately financial stability. Considering this, RBI has adopted an integrated approach which would target on collective efforts towards Financial Inclusion and Financial Literacy.
Bouquet of Financial products
A large number of informal intermediaries had mushroomed in the absence of banks, mostly in the rural areas, which were acting as a proxy to the latter. Such unregulated entities extended only credit products to the illiterate section of the population that too at exorbitant rates of interest. With renewed efforts under financial inclusion, the banks have now been advised to ensure that all the financial needs of the customers are met by offering, at a minimum, four products to customers, viz.

All of these approaches are designed to ensure the availability of basic financial products to customers who are linked to the banking system. This enhances their income generation capacity thus helping them to come out of poverty.

Financial Inclusion – RBI Policy Initiatives:
- All banks are advised to open Basic Saving Bank Deposit (BSBD)
accounts with minimum facilities such as zero minimum balance, deposit and withdrawal of cash at bank branch and ATMs, receipt/credit of money through electronic channels, facility of issuing ATM card.

- **Relaxed and simplified KYC norms** to facilitate easy opening of bank accounts, especially for accounts with balances not exceeding Rs. 50,000 and aggregate credits in the accounts not exceeding Rs. one lakh a year. Further, banks are advised not to insist on the introduction for opening bank accounts of customers.

- **Simplified Branch Authorization Policy**, to address the issue of uneven spread bank branches, domestic SCBs are permitted to freely open branches in Tier 2 to Tier 6 centers with the population of less than 1 lakh under general permission, subject to reporting. In North-Eastern States and Sikkim domestic SCBs can open branches without having any permission from RBI. Towards the objective of further liberalizing, general permission was given to domestic scheduled commercial banks (SCBs) (other than RRBs) for opening branches in Tier 1 centres, subject to certain conditions.

- **Compulsory Requirement of Opening Branches in Un-banked Villages**, whereby banks are directed to allocate at least 25% of the total number of branches to be opened during the year in un-banked (Tier 5 and Tier 6) rural centers.

- **Opening of intermediate brick and mortar structure**, for effective cash management, documentation, and close supervision of BC operations. Banks have been advised to open intermediate structures between the present base branch and BC locations.

- Public and private sector banks had been advised to submit a
board approved three year Financial Inclusion Plan (FIP) starting from April 2010. These policies aim at keeping self-set targets in respect of rural brick and mortar branches opened, BCs employed, coverage of un-banked villages with a population above 2000 and as well as below 2000, BSBD accounts opened, KCCs, GCCs issued and others. RBI has been monitoring these plans on a monthly basis.

- Banks have been directed that their FIPs should be disaggregated and percolated down up to the branch level. This is to ensure the involvement of all stakeholders in the financial inclusion efforts.

- In June 2012, revised guidelines were issued on Financial Literacy Centres (FLCs). Accordingly, it was advised that FLCs and all the rural branches of scheduled commercial banks should scale up financial literacy efforts through conduct of outdoor Financial Literacy Camps at least once a month, to facilitate financial inclusion through provision of two essentials i.e. ‘Financial Literacy’ and easy ‘Financial Access’. Accordingly, 718 FLCs have been set up as at end of March 2013. A total of 2.2 million people have been educated through awareness camps / choupals, seminars and lectures during April 2012 to March 2013.

**Recent Measures:**

- Licensing of New Banks: The present round of licensing new banks is essentially aimed at giving further fillip to financial inclusion efforts in our country. Innovative business models aimed at furthering financial inclusion efforts would be looked into closely in processing applications for a banking license.
• Discussion Paper on Banking Structure in India – The Way Forward: The RBI has put out a discussion paper in August 2013 on Banking Structure for public comments. A view would be taken after factoring in the comments/suggestions received from the general public.

• Urban Co-operative Banks (UCBs), Regional Rural Banks (RRBs) and Local Area Banks (LABs) numbering 1606, 64, and 4 respectively are, in fact, Small Finance Banks operating in this country. There is a 3- Tier rural co-operative structure with State Co-operative Central Banks (SCCBs) at the apex, District Central Co-operative Banks (DCCBs) at the intermediary level and Primary Agricultural Credit Societies (PACs) at the grass root level, which total to 31, 371 and 92,432 respectively. Furthermore, there are around 12,225 NBFCs as on March 2013, which could be conceptually construed as semi-banks undertaking predominantly credit and investment activities.

Progress in Financial Inclusion

Financial inclusion plans are clearly an indicative of progress in areas like new banking outlets, deployment of BCs, opening of BSBD accounts, grant of credit through KCCs and GCCs. Detailed trends have been shown in the following charts.

Number of Branches Opened (including RRBs):

• Chart 4 shows a manifold increase in the number of Scheduled Commercial Bank branches from 68,681 in March 2006 to 1,02,343 in March 2013, spread across length and breadth of the country.

• There is also an increase in the number of rural area bank branches from 30,572 to 37,953
during March 2006 to March 2013. As compared with rural areas, number of branches in semi-urban areas increased more rapidly.

Villages Covered:

- The number of banking outlets in villages with a population more than 2000 as well as less than 2000 increased consistently since March 2010 (Chart 5).
Total Bank Outlets (including RRBs):

- An increase in number of banking outlets in villages can be seen from 67,694 in March 2010 to 2,68,454 in March 2013 (increased around 4 times during the period of three years). Of total branches, banking outlets through BCs increased from 34,174 to 2,21,341 during the same period (counting around 6.5 times).

BSBD Accounts Opened:
The Chart 6 shows that the increase in the BSBD accounts opened from 73.45 million in March 2010 to 182.06 million in March 2013.
Reserve Bank of India (RBI) advised banks to provide small overdrafts in BSBD accounts. Accordingly up to March 2013, 3.95 million BSBD accounts availed OD facility of Rs. 1.55 billion (These figures respectively, were 0.18 million and 0.10 billion in March 2010).

**Kisan Credit Cards (KCC) Issued:**
Up to March 2013, the total number of KCCs issued to farmers remained at 33.79 million with a total outstanding credit of Rs.2622.98 billion (Chart 7).
General Credit Cards (GCC) Issued:
Banks have been advised to introduce General Credit Card facility up to Rs. 25,000/- at their rural and semi-urban branches. Up to March 2013, banks offered credit aggregating to Rs. 76.34 billion in 3.63 million GCC accounts (Chart 8).

ICT Based Accounts - through BCs:
To ensure efficient and cost-effective banking services in the un-banked and remote corners of the country, commercial banks were directed to provide ICT based banking services – through BCs.

The Chart 9 indicates that the number of ICT-based transactions through BCs increased from 26.52 million in March 2010 to 250.46 million in March 2013, while amount of transactions increased steadily from Rs.6.92 billion to Rs.233.88 billion during the same period.

**Chart 9: ICT Based Accounts - BCs**

![Chart 9: ICT Based Accounts - BCs](image)

**Expansion of ATM Network:**

The total number of ATMs in rural India witnessed a CAGR of 30.6% during March 2010 to March 2013. The number of rural ATMs increased from 5,196 in March 2010 to 11,564 in March 2013 (Chart 10).
Financial Literacy Initiatives:
Financial education, financial inclusion and financial stability are three elements of an integral strategy, as shown in the diagram below. Financial inclusion helps providing access to various financial services, through promoting awareness among the people regarding the needs and benefits of financial services offered by banks and other institutions which further promotes financial stability.

**The Financial Tripod**

**Financial Education**

**Financial Inclusion**

**Financial Stability**
Financial Stability Development Council (FSDC) has explicit mandate to focus on financial inclusion and financial literacy.

**Growth in SHG-Bank Linkage:**
This model focuses on bringing in more people under sustainable development in a cost effective manner within a short span of time. As on March 2011, there were around 7.46 million saving linked SHGs with aggregate savings of Rs.70.16 billion and 1.19 million credit linked SHGs with credit of Rs. 145.57 billion (Source: NABARD, Status of Micro-finance in India).

**Growth of MFIs:**
Though RBI has adopted the bank-led model for achieving financial inclusion, certain NBFCs, which were supplementing financial inclusion efforts at the ground level, specializing in microcredit have been recognized as a separate category of NBFCs as NBFC-MFIs. At present, approximately 30 MFIs have been approved by RBI. Their asset size has progressively increased to Rs. 19,000 crores by the end Sept 2013.

**Bank Credit to MSME:**
MSME sector which has employment potential of 59.7 million persons over 26.1 million enterprises, is considered as an engine for economic growth and financial inclusion in rural areas. MSMEs primarily depend on bank credit for their operations. Bank credit to MSME sector witnessed a CAGR of 31.4% during the period March 2006 to March 2012. Chart 11 shows that of the total credit to MSME, public sector banks contributed the major share of 76%, while private sector banks accounted for 20.2% and foreign banks accounted for only 3.8% as on March 31, 2012.
Insurance Penetration in the Country:
The total insurance penetration, in terms of the ratio of insurance premium as a percentage of GDP, increased from 2.32 in 2000-01 to 5.10 in 2010-11. The life insurance penetration as a percentage of GDP stood at 4.40 in 2010-11 while the non-life insurance penetration remained at 0.71 during the same period. In other words, there is vast untapped potential about insurance penetration.

Financial Inclusion Initiatives – Private Corporates:
A few large private corporate have undertaken projects such as E-Choupal/E-Sagar (ITC), Haryali Kisan Bazaar (DCM), Project Shakti (HUL), etc. These pioneering projects have been reported to bring about improvement in the lives of the participants and set the tone for economic development in their command areas, which is must for Financial Inclusion efforts to be exercised by the banking system.

Section III: Conclusion
The study made an attempt to convey about assessment of financial inclusion
efforts in our country. The study included a brief introduction of the subject and provided two significant definitions of Financial Inclusion. Thereafter, the key policy initiatives of RBI and progress achieved / identified trends in terms of branch penetration, credit penetration and encouraging demand for financial services through financial literacy initiatives have been explained to assess where we stand at the present juncture. Lastly, the study found that, although India has adopted several measures to advance financial inclusion, an estimated 40 percent of its population is still without access even to basic financial services. Financial inclusion of the unbanked masses is a critical step that requires political will, bureaucratic support and determined effort by RBI. It is expected to utilize the untapped potential of the bottom of pyramid section of Indian economy. Financial inclusion is, therefore, not just an economic imperative for India, but also a socio-political one.

Scope for Further Research: In financial inclusion, there are a some potentially interesting areas for future research – viz., (a) the most appropriate delivery model for different geographical regions given their unique characteristics, (b) The unbanked segments- be it in rural, urban or metropolitan areas are served by the un-organized sector even today. This could throw up valuable leads for the organized sector – banks and financial institutions to follow (c) Further, in order to measure the intensity of money lenders especially in rural areas, research agencies should, inter alias, conduct a census of money lenders in rural India.

References

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