International Journal For Advanced Research In Science & Technology
A peer reviewed international journal
www.ijarst.in
IJARST
ISSN: 2457-0362

# INITIATIVES OF THE INDIAN GOVERNMENT TOWARDS FINANCIAL INCLUSION

**Prof. Ajay Tyagi**

Dean, Faculty of Commerce, Dr. B. R. Ambedkar University , Agra. U.P

## ABSTRACT

This study examines the approaches used by several Indian banks over the course of the last few years with the end goal in mind of achieving financial inclusion for inclusive growth in India. A number of different publications, articles, RBI reports, NABARD reports, and online databases all contributed to the data utilized in this analysis. If more individuals can get entry to the country's resources, the country's development may be more equitable and inclusive. The phrase "financial inclusion" describes the efficient and timely delivery of financial services to persons with low incomes and other forms of social exclusion.

**KEYWORDS** Financial inclusion, Government Initiatives, India, Financial service

## INTRODUCTION

Diversity of perspective is essential in times of fast economic growth like the present. Lack of access to financial services for the poor and jobless, as well as small and marginal farmers, is seen as a major impediment to economic growth in emerging nations. ATMs, credit/debit cards, online money transactions, internet banking, etc., have all contributed to a decentralized banking system that has reduced the industry's dependence on staffed branches. Since only a small percentage of the population has access to this technology, the problem is moot. Multiple surveys and research highlight the widespread lack of access to banking and financial services in India and throughout the world.

The Indian economy, and sustainable development more generally, would benefit from the participation of as many people as feasible. Even though most individuals in the country do not have access to formal loans, the expansion of the economy is hampered by a lack of financial education and understanding among the rural population. This poses a risk to the country's economic development. Despite these limitations, the banking industry has developed cutting-edge innovations including automated teller machines, credit cards, the internet, and debit cards to ease customer transactions. While the proliferation of such financial technologies influences metropolitan society, the vast majority of rural people remain unbanked due to a lack of education and access.

The country's economic and social growth may go more easily and sustainably if more individuals have access to financial services. It helps free the oppressed by giving the poor and the disadvantaged, especially women, the tools they need to achieve economic independence and financial literacy. The financial inclusion initiative also seeks to provide access to financial services for rural inhabitants and enterprises, allowing them to better leverage their resources for things like expanding their businesses, furthering their education, saving for retirement, purchasing insurance, etc. Many people in rural India still don't have access to banking and other financial services.

**APPROACHES FOR MEASURING FINANCIAL INCLUSION**

Many governments have made "financial inclusion" a policy priority because of the universal consensus that a fair and accessible financial system is essential. Capital expenses may be reduced by using a more effective allocation of productive resources, which is made possible by a financially inclusive economy. There have been many recent launches of financial inclusion indices, including CRISIL Inclusix, NABARD FINDEX, and the RBI. Each index has its own set of criteria for inclusion. The IFI was also evaluated by a handful of researchers working independently. All the academic work that the financial institution, researchers, and academics did to prepare the IFI is presented here. Financial institution-prepared indices (CRISIL Inclusix, NABFINDEX, and RBI IFI) are first described, followed by the findings of independent researchers.

In order to gauge state levels of financial literacy and inclusion, NCFE conducts the National Financial Literacy and Inclusion Survey (NFLIS) every five years. The first survey was place in 2013–14, and the latest one will be finished in 2019. Several aspects of financial literacy and inclusion are measured in this poll, including respondents' familiarity with and comfort using a variety of banking and non-banking services. As reported by NLFIS (2019), just 15% of the Indian population has access to formal financial services. The survey found that Madhya Pradesh, out of a total of 35 States/UTs, ranked second, behind only Chandigarh, with a score of 30%.

With a population of over 8 crore people and a wealth of natural resources, Madhya Pradesh (MP) is among the biggest states in India. There are a total of 34 Scheduled Commercial Banks in the state of MP, as well as 2 Regional Rural Banks, 1 State Cooperative Bank, 8 Small Finance Banks, and 3 Payment Banks, all of which operate a total of 8,023 branches across the state, with 34% of these branches located in rural areas and 66% in semi-urban and urban areas.

The SLBC Report for 2021 and 2022 notes that PSBs account for 50% of the banking system, followed by PSEs at 17%, RRBs at 16%, cooperative banks at 11%, and SFBs at 5%. PMJDY has increased financial inclusion by bringing the unbanked into the banking sector and broadening India's financial architecture. Barriers to using and benefiting from financial services are just as crucial to financial inclusion as their availability (RBI, 2021). There are some interesting numbers on banking characteristics to consider.

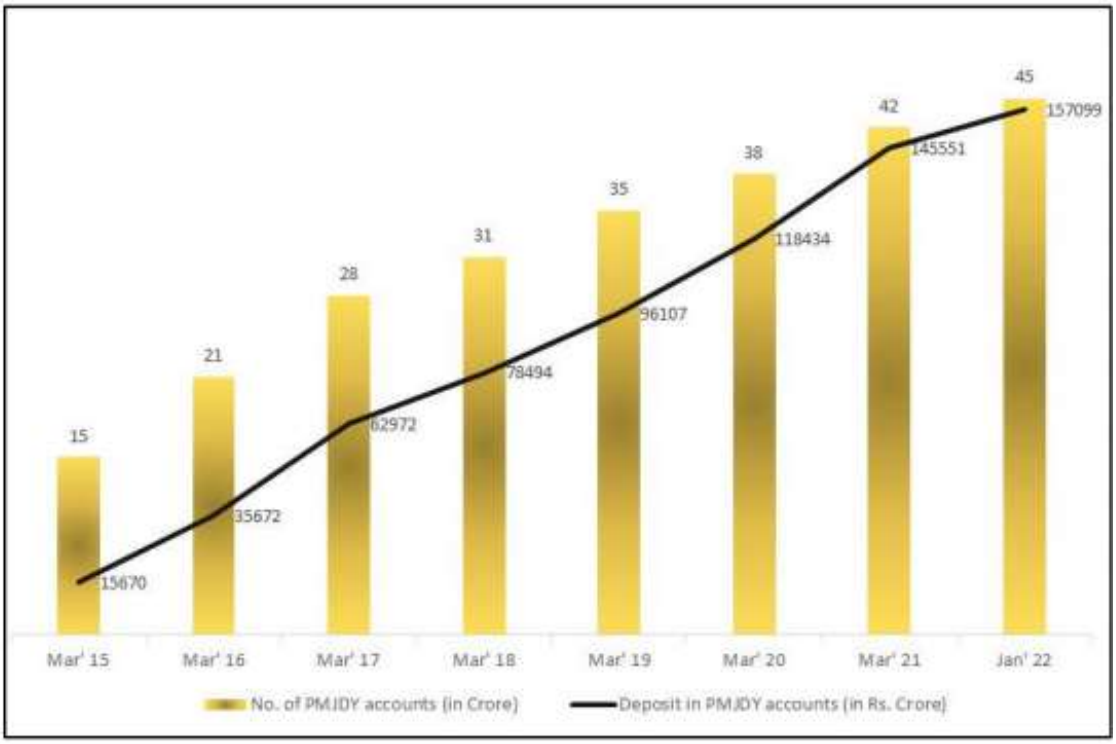
**FINANCIAL INCLUSION**

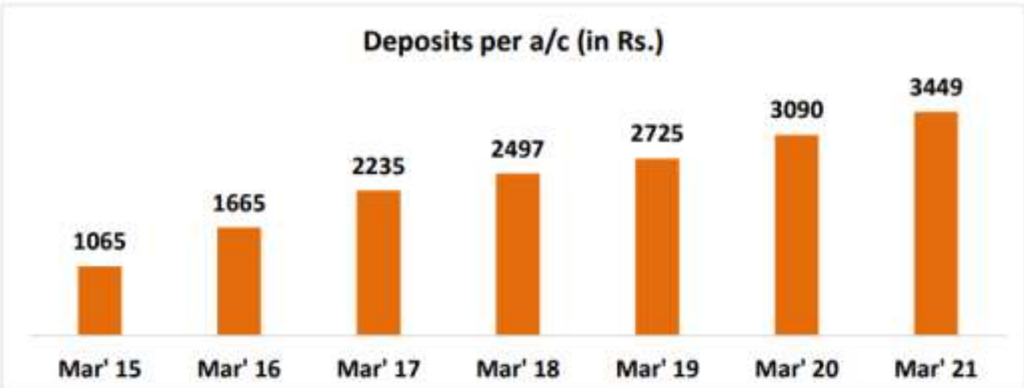
The government prioritizes increasing people's access to financial services because it promotes more equal economic growth. It's a big deal because it allows the poor to get their money out of the hands of predatory lenders charging excessive interest rates and into the hands of the mainstream financial system, where it can be sent back to their families in the countryside. The administration is committed to increasing the availability of financial opportunities for disadvantaged groups. Prime Minister

IJARST
International Journal For Advanced Research
In Science & Technology
A peer reviewed international journal
www.ijarst.in
ISSN: 2457-0362

Narendra Modi of India has made it a priority to increase citizens' use of financial services.

Introducing: Pradhan Mantri Aimed at "banking the unbanked," "securing the unsecured," "financing the underfunded," and "helping unserved and underserved regions," the Pradhan Mantri Jan Dhan Yojana (PMJDY) was introduced in August 2014 as part of the National Mission for Financial Inclusion (NMFI). 3 The scheme's goal of expanding access to banking services via account opening would have helped 44.58 billion individuals by January 26, 2022. In March 2015, the average deposit was Rs 1065 per account, whereas in March 2021, it would be Rs 3449.




As of March 2014, women accounted for 27% of all savings account holders. Nevertheless, as of 31.3.2021 owing to PMJDY, 55.40 percent of all Jan Dhan accounts are owned by women. This suggests that PMJDY has helped considerably towards the aim of women's financial inclusion.

International Journal For Advanced Research In Science & Technology
A peer reviewed international journal
www.ijarst.in
IJARST
ISSN: 2457-0362

## FINANCIAL EXCLUSION IN INDIA

With just 35% of the population having a bank account, India lags behind other emerging countries in terms of account penetration. The percentage of adults holding a bank account ranges from less than 30% in Bihar, Orissa, and Rajasthan to more than 50% in Andhra Pradesh and the National Capital Region (NCR). There are around 1.22 billion people in India, and 65% of adults do not have access to formal financial services, as estimated by the 2011 census. The World Bank showed that just 35.2% of Indians over the age of 15 have an account with a formal financial institution. While just 9 percent of adults use credit cards, 55 percent of adults have some kind of bank account. According to some calculations, there are around 14,400 customers served by each bank location. Debit card use is much lower at 18%, while credit card usage is even lower at 2%. Despite an uptick throughout the reform period, India still only has 48000 commercial bank branches (this includes RRBs and SCBs), even though the country is home to 6 lakh villages in need of banking services. Twelve and a half villages share a single bank branch. People in India and the other BRICS nations who do not have bank accounts often cite the difficulty of obtaining an account as the reason they do not do so.

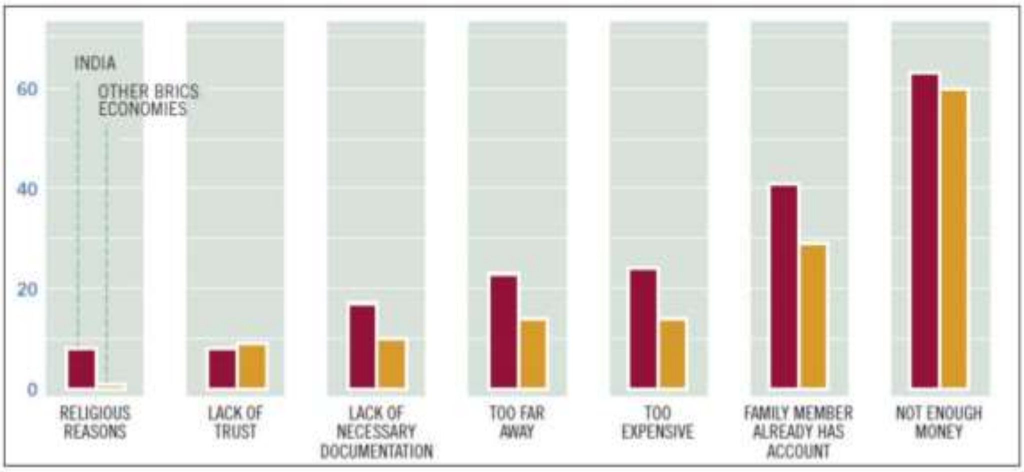



**Figure 1 Self -reported barrier to use of formal accounts**

Of those who don't use banks, 63% say it's because they don't have enough money to create an account. Having a close personal connection who already uses it ranked second (41%). Distance, cost, and a lack of necessary documents were all reported by at least 20% of unbanked respondents across all BRICS countries. Therefore, it is crucial for economies at all levels to provide citizens with easy access to banking and other financial services. Financial exclusion is an issue that can be resolved via the financial inclusion approach.

## INITIATIVES TAKEN BY RBI/GOVERNMENT OF INDIA FOR FINANCIAL INCLUSION

The Reserve Bank of India (RBI) and the government of India have dedicated countless years to expanding access to banking services. The Reserve Bank of India and the Government of India have taken many measures to increase inclusion in the country's financial system:

**1. 'No-Frills' Accounts**: With the goal of reaching more people and helping them improve their financial standing, banking institutions were urged to provide "no frills" accounts with low or no minimum balances and fees in November 2005.

**2. Simpler KYC Norms**: In order to make it easier for people to create bank accounts, the Reserve Bank of India (RBI) has relaxed the "Know Your Customer" (KYC) regulations, notably for accounts with balances of less than Rs. 50,000 and annual credit limits of Rs. 1,00,000. Moreover, financial institutions should not need clients to have introductions before establishing bank accounts. Aadhar Cards may be used as a form of identification and a proof of residence at financial institutions.

**3. Business Facilitator (BF) and Business Correspondent (BC) Models:** Microfinance institutions, NGOs, SHGs, retired bankers, government retirees, and others were all able to participate as BCs or BFs in the provision of financial and banking services after RBI relaxed regulations in 2006.

**4. Financial Literacy Program**: With the aim of educating the general people on basic banking ideas and services, the Reserve Bank of India (RBI) has initiated a number of Financial Literacy Programs. The Reserve Bank of India funds financial education and counseling organizations (FLCCs). Overall, FLCCs want to help people by imparting knowledge about money management and credit to them at no cost.

**5. General Credit Card (GCC):** In an effort to ensure that those in rural and semi-urban areas have access to credit as well, banks were urged in December 2005 to consider introducing a general-purpose credit card facility up to '25,000 at their branches. The scheme's goal is to provide clients of banks with easy access to credit based on cash flow assessment, without requiring collateral or dictating the nature of the loan's final use.

**6. Financial Inclusion Plan:** Financial Inclusion Plans (FIPs) approved by their boards were requested from public and private banks alike commencing in April 2010 for a duration of three years. The Central Bank of India monitors these forecasts on a monthly basis.

**7. Simplified branch authorization:** Universal authorisation is granted to domestic Scheduled Commercial Banks (SCBs) to open branches in Tier 2 to Tier 6 locations with a population of less than 1 lakh, with the goal of redressing the unbalanced distribution of bank branches. Domestic SCBs do not need approval from the Reserve Bank of India to operate branches in the North-Eastern States or in Sikkim. To further liberalize, domestic SCBs (other than RRBs) were given blanket authorization to build branches in Tier 1 centers under certain stipulations.

**8. Use of promotion of ICT (Information and Communication Technology) in banking:** The financial inclusion approach relies heavily on Technology in order to promote people's use of banking services. The Reserve Bank of India (RBI) and the Government of India are pushing for commercial and cooperative banks to use cutting-edge technologies like ATMs, micro-ATMs, mobile banking, electronic banking, smart cards, Aadhar Enabled Payment Systems (AEPS), etc. to expand their service offerings to the general public.

**9. Creation of funds for financial inclusion:** To support research and development, marketing, and ongoing maintenance of financial inclusion initiatives, as well as technological innovation in the financial inclusion sector, the federal government established the Financial Inclusion Fund and the Financial Inclusion Technological Development Fund. NABARD has set up a '50,000 crore fund to enhance its re-finance operations to short-term cooperative lending institutions.

## CONCLUSION

The Indian government and the Reserve Bank of India, the country's central bank, have been working together to make it easier for more people to use financial services. The great majority of rural people have not been brought within the purview of financial inclusion, despite their being a lot of progress and increased recognition for various sections of the economy, there is always potential for development. In order to ensure that the economically disadvantaged may have access to banking services, it is crucial that financial institutions, the government, and other affiliated groups collaborate to do so.

## REFERENCE

1. Shrabani Mukherjee et.al "Tracking Financial Inclusion in India: A Study of SHG Initiatives" Indian Journal of Human Development 13(1) 32–46, 2019
2. Mehta L et.al "Financial Inclusion in India: Shifting the Base towards Crowning Glory" Volume 5 • Issue 6 • 1000158
3. Ashish Baghla "Financial Inclusion in India: Its Need and Future" [Volume 5 I Issue 3 I July – Sept 2018]
4. Abheek Barua, Rajat Kathuria et.al "The Status of Financial Inclusion, Regulation, and Education in India" April 2016
5. Chetan Dudhe "Impact of Financial Inclusion On The Growth Of Indian Economy" Volume IX, Issue 17 (1/2021)
6. Thapar A. A study on the effectiveness of FI program in India. VSRDIJBMR, Vol 3, June 2013: 211-216.
7. Bhaskar PV, Executive Director, Reserve Bank of India at the MFIN and Access-Assist Summit organised in New Delhi on December 10, 2013.
8. Chibba M, Financial Inclusion, Poverty Reduction and the Millennium Development Goals. European Journal of Development Research (2009) 21, 213–230.
9. Khaki AR, Sangmi. Financial Inclusion in J&K: A study on Bankers Initiatives. Researchers World -Journal of Arts, Science & Commerce October 2012: 115- 123.
10. Euromonitor International (2010), "Emerging Focus: Emerging market economies drive global growth in mobile connectivity", November.
11. India Post (2013), "Annual Report".Joshi,Deepali P. (2014), "Strategy Adopted For Financial Inclusion", Speech, Workshop of Government of Madhya Pradesh, New Delhi, January.
12. Chakrabarty, K.C. (2012), "Financial Inclusion: Issues in Measurement and Analysis", Keynote address, BIS-BNM Workshop on Financial Inclusion Indicators, Kuala Lumpur, November. Government of India (2008), "Committee on Financial Inclusion" (Chairman: Dr. C. Rangarajan)

13. Agarwal, Parul (2014), "Financial Inclusion in India: a Review and Initiatives and Achievements", IOSR Journal of Business and Management, Volume 16, Issue 6, June.
14. Sharma Anupama, Kukreja sunita (2013), "An analytical study: relevance of financial inclusion for developing nations, research inventory: International journal of engeeniring and science, vol.2, issue 6, pp-15-20.
15. Joshi, Deepali P. (2014), "Strategy Adopted For Financial Inclusion", Speech, Workshop of Government of Madhya Pradesh, New Delhi, January.K., Divya (2014),