Review on the Recent Measures of Financial Inclusion

Krishnaveni Kandasamy
Dept. of Commerce, Madurai Kamaraj University, Madurai, Tamil Nadu, India

Abstract
Financial system can be strengthened by synchronised plans and actions of government and central bank. The study attempted to assess the recent measures that have been taken by central government since 2012 and implemented by central bank especially SBI contribution to the initiatives. All initiatives are to provide financial services at affordable price to all sector people. SBI is one of the biggest public banks and its contribution in financial inclusion is incalculable. Secondary data was used, collected from SBI and RBI reports, newspaper, Government websites etc.

Keywords
Financial Inclusion, Measures, Financial Initiatives.

I. Introduction

Development of nations depends on their economy. Aspired nation of economic development should have a strong and viable financial system. Financial system can be strengthened by synchronized plans and actions of government and central bank. Financial policies are implemented through financial institutions. They play a vital role in financial system of a country. All researchers agreed that financial inclusion (FI) is one of the major innovations to broaden the financial system.The organised financial system in India encompasses commercial banks, Regional rural banks, urban co-operative banks, Regional rural banks, Primary agricultural credit societies and post offices. Ravi Kumar(2013). Therefore, there are many developments taking place in financial institutions as measures of financial inclusion. The recent initiations that have been taken by the Central Bank and Government are steps to financial inclusion. Many measures have been taken to provide financial services to weaker sections of the country at lowest cost. Measures of FI have been taken in different phases like pre-independence, post-independence and nationalisation of private banks, second phase of nationalisation (1980) and the liberalisation phase (1990). It was seriously exposed in 1969 when 14 private banks were nationalised though the Indian government started taking moves for financial inclusion in early 1990s.

The study attempted to assess the recent measures that have been taking place from 2012. The recent steps for FI started with Banking Law (Amendments) 2012. The initiatives are to ensure access to finance services like banking (savings and Deposits), Remittance, insurance and pension services at affordable cost. RBI urged all banks to review their existing practice to align them with the objective of financial inclusion. RBI carrying out initiatives of financial inclusion with full swing by adopting policy instruments, products and process improvements and expansion of products. RBI involved also non-banking institutions like post offices, agencies, Business Correspondents (BCs) etc. to reach unreachable rural people. Government invigorated FI by mandating that all government payment and benefits like NREGS wages, pension etc. should be paid through bank accounts. The pronouncement insisted people to have a new bank account and transact their fund. Rural and lower income class did not want to maintain bank accounts due to cost and complexity of access to financial services. 26% Indian women have an account with formal financial institutions compared with 46% of men.

II. Objectives

- What are the recent measures of financial inclusion in India?
- What are the impacts of those measures?
- The roles of financial institutions in implementation of those innovations.
- SBI contributions to those innovations.

III. Literature

There is need for financial literacy, adopted technology, opening-up branches in rural areas, no-frill accounts, use of regional language, synergistic partnership, simple KYC norms, financial education, branches in unbanked villages, easy credit facilities, other rural intermediaries, branch authorisation policy, discussion paper, basic savings bank deposits, watchdog, licensing of new banks and Kissan credit card to promote financial inclusion Vipul (2014), Dr.Namita Rajput and Shelly Oberoi (2014) and Haseenashaik (2015).

The reason for low financial service penetration is less efficiency of business communications (BCs), post offices, lack of innovation in banking technology, fair price shops hesitation in using mobile banking and advised the to improve their services. Charan et al (2014). In addition to improvements of basic initiatives, appropriate financing business models should be introduced. Geographical and demographical expansion may not be viable initiatives in achieving financial services.(IFC Bulletin no38 (2015).

GomathyThyagarajan and Jyoti Nair (2016) observed in their study that Government, Reserve Bank of India (RBI) and banks have taken various steps, measures and innovative tools to improve financial inclusion. Financial literacy, lack of convenience, technological issues and viability are found as barriers in achieving the goals of inclusive growth. Harmonized actions between the government and RBI will improve inclusive growth. Policy makers formulate comprehensive action plan for FI that is the only means for financial development in the country.

Efficient and stable financial intermediaries and market would help more in financial inclusion than by democratizing credit. Micro credit and micro-insurance is also more appropriate within the area of financial inclusion. Active use of accounts is important that proves account holders have frequent access to financial services instead of just having bank account inoperative. Demand side constraints should be probed and benchmark them appropriately to gauge reformation policy. Thorsten Beck (2016).

According to SonuGard and ParulAgarwal (2014) Indian government and RBI takes various measures of financial inclusion based product, bank led approach, regulatory, Know based approach, government initiatives and performance based. If a last row people of poverty line can reach financial services, India can achieve the financial inclusion and it is possible through easy accessibility of those services made available for them.

IV. Methodology

Secondary data was used. Data was collected from past research papers, RBI websites including reports, Government announcement and official websites, SBI reports, Magazines and journals. Though there were many initiatives taken to achieve financial inclusion since independence, the recent years from 2012 to March 2016 is selected to carry out the study because there are a lot of government programs and RBI steps, liberalisation in banking rules, etc.

V. Analysis and Discussion

A. Suraksha Bima Yojana

The scheme is brought to reach the poverty class with benefited insurance scheme of Rs.12 per annum to cover Rs.2,00,000 for death and fully mutilated body for example loss of two legs, two hands etc. and Rs.1,00,000 if partly mutilated say an eye, a hand etc. The scheme can be availed by all bank account holders. Hence, zero balance account holders started transacting as the premium will automatically debited from the account. Gross enrolment of Rs.9.879 crores and 7351 claims were disbursed as on 1 February 2017 while gross enrolment of the scheme was Rs.9.33 crores and 1619 claims were disbursed as on 1 February 2016. Recently, Haryana Government has announced that age group of 18 – 70 years will be covered by PMSBY wherein the premium will be reimbursed by the state.

B. Pradhan Mantra Jan-Dhan Yojana

Swaabimaan Schemes is a central government campaign to provide banking services to villages / rural areas with a population of 2000 people. There was need for major shift in the program as it focused on households of villages only. The scheme PMJDY was announced on 26 of January 2014 and launched on 28th of August 2014 to cover all households in rural and urban areas. Mega accounts opening camps were organised by rural and urban branches on the day of launch. Poor class can also have their own bank account and insurance as accounts are opened with zero balance. Cheque book also issued if minimum balance criteria is fulfilled. Loan (overdraft) facility up to Rs.5,000 is provided to the account holders. It provides accidental cover of Rs.1,00,000 and Rs.30,000 on death.

The scheme is enormous success, opening more than 25.51 crores accounts as on 9th of November 2016 according to progress report of the mission. The achievement has been taken place in Guinness Record. Guinness world records recognised it as the most bank account opened in one week (23 Aug -29 Aug 2014) as part of financial inclusion campaign. It has been found that most of the accounts lying idlewhich is an extra burden for banks to maintain them. People are not aware that the Rupay Card should be used at least once in 45 days to qualify for insurance claims. Grievance redressal mechanism of this missionis inadequate.

Table 1: The banks' progress report as on 9 November 2016 (all figures in Crores)

Bank Name	Rural	Urban	Total
Public sector Bank	11.43	8.93	20.36
Regional Rural Bank	3.71	0.60	4.31
Private Banks	0.53	0.31	0.84
Total	**15.76**	**9.84**	**25.51**

(source: www.pmjay.gov.in/account)

As on 9 November, 25.51 crores accounts had been opened and Rs.45,636.61crores deposits were collected through these accounts. 23,75,562 account holders made use of overdraft for the amount of RS.31,581.68 lacs as on 31 October 2016. SBI is the major contributors of this initiation as it has opened the highest number of accounts (Public banks opened 7,20,90,404accounts and Regional rural banks 78,47,558accounts). 28.38 crore accounts were totally opened and Rs63,960.17 crore was balance in accounts as on 19 April 2017.

C. Bharath Mahila Bank

The bank has been launched as another initiation of FI in November 2013. The bank focused on the Indian women empowerment but no restriction on opening accounts by men. It pays more attention on economically neglected, deprived, discriminated, under banked, unbanked, rural and urban women to ensure inclusion and sustainable growth. Presently, there are over 100 branches across the country.

The bank participated in all financial literacy programmes and financial inclusion schemes like PMJDY, PMSBY, PMJJBY and APY campaigns. The bank encourages women entrepreneurship and designs the products that suit the needs of women. There is also concession in the rate for women customers. The bank has received commendable awards in spite of the critic that the bank treats woman differently and promotes gender-based stereotyping. The Asian Banker Achievement Award 2015 (for technology and implementation in the category of best outsourcing project) and the Core Banking Initiative Award 2014 by Asian Banking and Finance, Singapore awarded them.

The bank collected deposits of Rs.927.92 crores and loaned the amount of Rs.620.58 crores as on 31 March 2016. SBI has proposed to merge Mahila bank into its five major subsidies bank in August 2016.

D. Payment Bank

Payment banks accept deposits up to Rs.1 lac per customer account. These banks do not deal with loan and credit cards but current and savings account can be opened. ATM card, debit card, online and mobile banking services are offered through these banks. In August 2015, RBI licenced 11 agencies to operate payment banks as it would be uneconomical to operate traditional banks. Indian post payment bank (IPPB) offers deposits facility to unbanked society up to a balance of Rs.1 lac. The banks allow access income from government DBT program like MNREGA wages, social security pensions and scholarships. IPPB offers services through internet and mobile banking and prepaid instruments like mobile wallets, debit cards, ATMs, POS etc.

Two agencies already pulled out from set up a payment bank after RBI licensed them. The attempt to financial inclusion is expected to greatly help in cashless transactions.

E. Fund for MSME

Government realised that it is not enough to include individuals only in access of financial services but also businesses who are running businesses without bank accounts and struggle to get credit and other financial facilities for development of their businesses. The Government launched Mudra loan yojana scheme in April 2015 to facilitate micro credit up to 10 lakhs to small businesses. Loans under this scheme are provided without collateral and loan processing fee. Mudra Banks are not actually traditional banks but a scheme of government to provide business loans to businesses that need less than 10 lakhs. The scheme is implemented by all private and public banks and simply with vision of 'Funding the Unfunded' businesses.

The scheme received ADFIAP development award 2016 (Financial Inclusion category) and SKOCH award (2016). The scheme is playing a dynamic role in providing micro credits to develop and protect the fragile, family and indigenous businesses. According to the annual report of Mudra bank 2015-2016, the performance progress is shown in the table below;

Table 2:

BANKS	No.of accounts	Disbursement amt (Crore in Rs)
State Bank of India	13,00,589	16,999.82
Micro financial Inclusion	2,30,50,447	44026.06
Public Bank	53,06,988	39127.28
Private Bank	30,67,686	20025.65
Foreign Bank	447	21.34
Regional Rural Bank	14,10,787	10876.22
Non NBFC – MFI	7,43,980	1878.22
Total	**3,48,80,924**	**1,32,954.73**

State Bank of India and Associates served 13,00,589 accounts under the scheme and provided Rs.16,999.82 crore as loan to small businesses. About 13% of total lending was granted by SBI. SBI stands out amount, all the banks lending under the scheme.

F. Atal Pension Yojana

The Scheme is launched to cover those employed rural and unorganised sector under the ambit of pension schemes. People who are in the range of 18 to 40 years are eligible to join this scheme. After sixty years, subscribers will be eligible to get their pension ranging from 1000 and 5000 depending on their contribution.

G. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJPY)

As of May 2015, only 20% of population was having insurance. Therefore the scheme was launched in 2015 to bring that population within the service of insurance and finance. The amount of premium is taken directly from the bank account. 18 to 50 years old can join this scheme and has to pay premium of Rs.330 per annum including banking services. It offers insurance for one year that is renewable year to year. The scheme is operated through LIC and other insurance companies. In case of sudden death due to any reason, the nominee will be given compensation of Rs2,00,000. No need for medical certificate to join. SBI keep accounts active through offering the service by offering direct debit.

VI. Conclusion and Recommendations

Government and RBI work hand in hand to achieve more than 100 per cent financial inclusion as some household have more than one bank account. They should design initiatives that bring unbanked people into boundary of banking services and not attract existing account holders to switch into new program. Technology driven initiatives are cost effective and faster than physical transactions for e.g. e-wallet, mobile banking, online banking, etc. Many digital payments have been introduced to promote financial inclusion. Increased non-bank entities, (like ATM) banks and bank branches can be encouraged to provide financial services to remote areas. The main financial inclusion mission of government is to ensure every household will have access financing services and at least one bank account. KCC, GCC, SGH program, etc. are also operational to provide hassle free credit to low-income group. PJMDY is very beneficial to rural people where financial institutions cannot reach. Fifteen million bank accounts opened in one day of Mega campaign on PJMDY is an achievement of banking history. SBI plays a major role in implementation of all government and central bank schemes of financial inclusion as it is the largest bank in India.

Surveys can be carried out in all regions about barriers of financial inclusion and way forward to overcome the barriers using regional cooperative banks and other regional banks. No income or low-income is the foremost stumbling block in accessing financial services. Poverty eradication plans like 100 days employment to rural household also play vital role in improving financial inclusion. General perception is that corporates provide greater number of employment. The truth is 12.5 million people are employed by big corporates against 120 million people by the MSME sector. The government should plan various schemes and fund to MSME sector to uplift them that provide numerous jobs/employment to improve income of people.

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