An Examination of Function of banking segment on Financial Inclusion Enlargement in India

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ABSTRACT

Financial Inclusion growth is achievable only through appropriate system which channelizes all the resources to all the direction of the customers. It is an inventive concept which makes substitute techniques to encourage the banking habits of the rural people. Because India is considered as largest rural populations in the world and belongs to agriculture activities, financial inclusion is expected at providing banking and financial services to all people in a reasonable, transparent and unbiased manner at affordable cost. Households with low income often not have access to bank account and have to spend time and money for numerous visits to avail the banking services, be it opening a savings bank account or availing a loan, these families find it trickier to save and to plan financially for the future. This paper contains certainaim to discuss the general idea of financial inclusion in India.

KEY WORDS: financial inclusion, Banking services, financial institutions.

Introduction:

Financial inclusion is the fresh notion which helps achieve the sustainable development of the country, through available financial services to the untapped people with the help of financial institutions. Financial inclusion can be defined as easy access to formal financial services or systems and their usage by all members of the economy. The group on financial inclusion, of government of India, has defined financial inclusion as the process of ensuring timely access to financial services and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost (Rangarajan Committee, 2008).

The procedure of financial inclusion consists of ensuring bank accounts to each household and contribution their inclusion in the banking system (Reddy, 2007). Access to financial services promotes social inclusion, and builds self-confidence and empowerment. In an address Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at the National Finance Conclave 2010, has mentioned that financial inclusion is no longer a policy choice but it is a policy compulsion today. And banking is a key driver for inclusive growth.

Financial Inclusion in India:

The Reserve Bank of India setup a commission (Khan Commission) in 2004 to look into Financial Inclusion and the recommendations of the commission were integrated into the Mid-term review of the policy (2005-06). In the report RBI exhorted the banks with a view of achieving greater Financial Inclusion to make available a basic "no-frills" banking account.In India, Financial Inclusion first featured in 2005, when it was introduced, that, too, from a pilot project in UT of Pondicherry, by Dr. K. C. Chakraborthy, the chairman of Indian Bank. Mangalam Village became the first village in India where all households were provided banking facilities.

These intermediaries could be used as business facilitators (BF) or business correspondents (BC) by commercial banks. The bank inquires the commercial banks in diverse regions to start a 100% Financial Inclusion movement on a pilot basis. As a result of the campaign states or U.T.s like Pondicherry, Himachal Pradesh and Kerala have announced 100% financial inclusion in all their districts. Reserve Bank of India's visualization for 2020 is to open nearly 600 million new customers' accounts and service them through a multiplicity of channels by leveraging on IT. However, illiteracy and the low income savings and lack of bank branches in rural areas keep on to be a barrier to financial inclusion in many states. Apart from this there are certain in Current model which is followed. There is insufficient legal and financial structure. India being a mostly agrarian economy hardly has schemes which lend for agriculture. Along with Microfinance we need to spotlight on Micro insurance

Review of Literature:

Michael Chibba (2009) noted that Financial Inclusion is an inclusive development and Poverty Reduction strategy that manifests itself as part of the emerging FI-PR-MDG nexus. However, given the current global crises, the need to scale-up Financial Inclusion is now perhaps more important as a complementary and incremental approach to work towards meeting the MDGs than at any other time in recent history.

Oya Pinar Ardic et al (2011) explained that using the financial access database by CGAP and the World Bank group, this paper counts the number of unbanked adults around the world, analyses the state of access to deposit and loan services as well as the extent of retail networks, and discusses the state of financial inclusion mandates around the world. The findings indicate that there is yet much to be done in the financial inclusion arena. Fifty-six percent of adults in the world do not have access to formal financial services.

Role of Banking Sectors on Financial Inclusion development in India:

The number of commercial Banks in a country provides an option for the people of that country to participate in the formal financial system and to make use of financial services of formal financial system. Larger the number of commercial banks, larger the scope for bringing people in to formal financial system offer if banks provide suitable financial products and services.

Table – 1: Number of Commercial Banks in India

Banks / years	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Number of commercial banks	179	176	169	168	174	166
Scheduled commercial bank	169	166	163	163	169	151
Of which RRBs	90	86	82	82	82	64
Non scheduled commercial bank	4	4	4	4	4	4

Source: Statistics relating to commercial banks at a glance RBI

The table :1 shows that the number of commercial banks in India between march 2014 and 2019, it evidentlystates that the in the year 2014 it was 179, in the year 2015 it was showing a minor decreasing trend (176) the same trend followed by the year 2016 it shows that 169 commercial banks in India, the same tendency followed by the next year(2017) also, but in the year 2018 it has been increased to 174, unluckily in the year 2019 again it has come down to 166. In case of scheduled commercial bank also showing as the decreasing trend from the year 2014- 2019, the same trend followed by the RRBs also, but the trend of the Non-scheduled bank is the stable trend since 2014 to 2019.

Table: 2 -Population per offices:

Years	2014	2015	2016	2017	2018	2019
Populations per office	15 000	15000	14000	13000	13000	12000

Source: Statistics relating to commercial banks at a glance RBI

The above table -2- shows that the populations per office is diminishing trends year after year continually since 2014 – 2019, It was 15000 population per office in the year 2014,but in the year 2019, it shows that only 12000 populations per office ,

Table -3- Total number of ATMs:

Number of ATMs / Years	2014	2015	2016	2017	2018	2019
Number of ATMs	34789	43651	60153	74505	95686	114014
Trend percentage	100.00%	124.47%	172.91%	214.16%	275.04%	327.73%
Increasing level of ATMs	Base %	24.47%	72.91%	114.16%	175.04%	227.73%

Source: Statistics relating to commercial banks at a glance RBI

The above table -3- be evidence for the total number of ATMs for the study period between 2014 and 2019, it shows that all the year the ATMs numbers are increasing in a good difference, the percentage of the increasing also very high for all the years, it evidence the growth percentage as 24.47 per cent, 72.91 per cent, 114.16 per cent, 175.04 per cent, 227.73 per cent, for the years 2015, 2016,2017,2018,2019, respectively,

Findings:

From the above analysis the following findings have been acknowledged:

- Number of commercial bank, scheduled commercial bank, RRBs and non scheduled commercial banks figures are reduced during the period between 2014 and 2019.
- Total number of the bank offices have been increased in approximately all the areas (urban, semi-urban, suburban, rural and metropolitan) the increasing trend also shows the high rate of increasing during the study period between 2014 and 2019,
- Population per office is showing all the years from 2014 and 2019 steadily the decreasing trends only,
- Aggregate deposits and credits granted are all the years rising, the granting credit by the banking sectors shows the escalating trend forever , the per cent rate also very high year to year,

Suggestions and recommendations:

Based on the above findings the followings suggestions and recommendations have been suggested for the further development of the financial inclusion services of the banking sectors in India,

- Number of commercial bank may be increased in India, though maximum population in India are using the banking services, if the banking sectors opened banks in the remote and rural areas all the people can use the services of the banking sectors at the level best for the development of the life standard of the themselves,

- The banking sectors have to liberalized the security level of the borrower to borrow money from the bank in an easiest way, they banking sectors have to publicize the new schemes offered by them to all the citizen of India for the appropriate utilization of the fund,

- Though many of the banks are providing the technical services to the customers, most of the customers are not aware of the services provided by them, hence the banking sectors have to create the awareness to the members and the customers about the services provided by them, hence the banking populations can use all the financial and non-financial services of the all the banks in India ,

Conclusion:

For standing out on ainternationalpodium, India has to look upon the inclusive growth and financial inclusion is the key for inclusive growth .There is a long way to go for the financial inclusion to reach to the core poor according to K.C.Chakrabarty RBI Deputy Governor

“Even today the fact remains that nearly half of the Indian population doesn’t have access to formal financial services and are largely dependent on money lenders”. Mere opening of no-frill bank accounts is not the purpose or the end of financial inclusion while formal financial institutions must gain the trust and goodwill of the poor through developing strong linkages with community-based financial ventures and cooperative. Financial Inclusion has not yielded the desired results and there is long road ahead but no doubt it is playing a significant role and is working on the positive side

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