



Cover Page



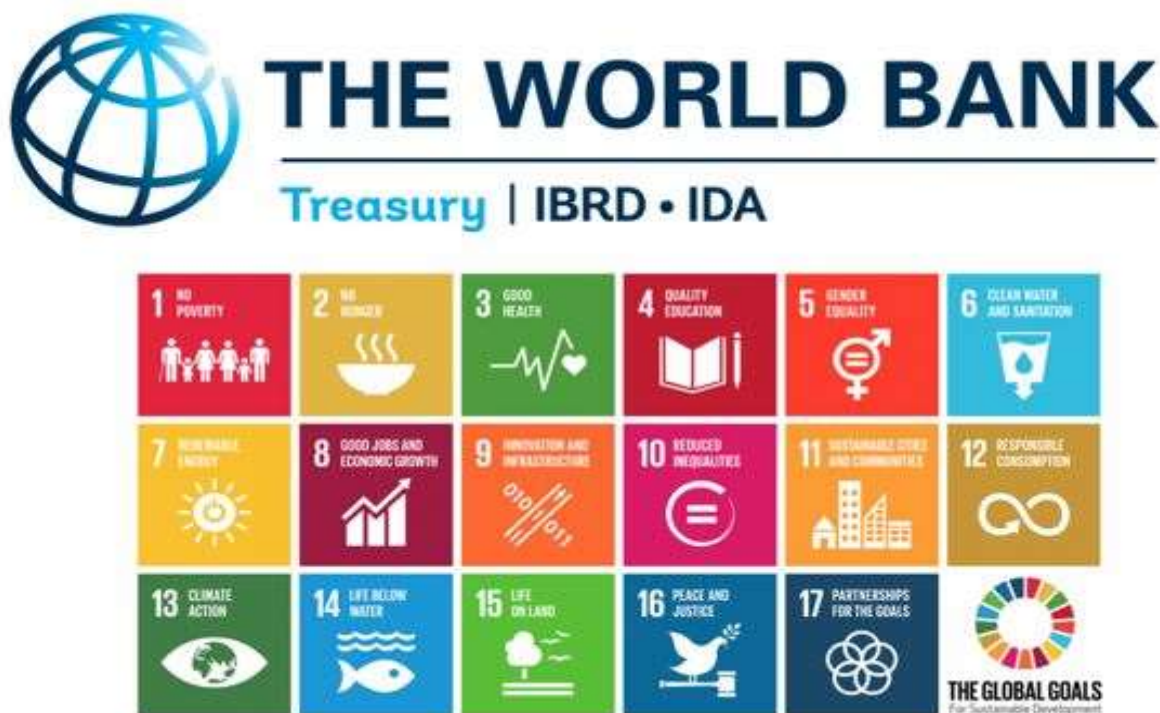
FINANCIAL INCLUSION “A STORY OF INDIA 2.0”

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Introduction

Financial inclusion is a process of development where all sections and areas of society are holistically and comprehensively developed. In this, backward and economically weaker sections and areas of the society are being brought into the mainstream of development. This is process in progress we can say that we are going through a developing phase our aim is to move towards development

There are 17 Basic aspects of inclusive development,



Literature of Review

Till now I have researched more than 20 literatures on Indian Financial inclusion and this work is still going on. I am reviewing the literature so that I can understand that the scholars who have done research on Financial inclusion before us. What have been obtained from their research on profit-loss, problem-solution and their impact and what is their opinion on this, which will help us a lot in our research so that it helps us a lot on how to take my research forward

Objective's of financial inclusion

The aim of financial inclusion is:

- Strengthening the financial system of the country
- Expanding banking branches to remote areas



Cover Page



- Strengthening more and more people with financial resources
- Providing banking services to people of low income group at affordable cost
- Spreading information about banking system.

The function of financial inclusion is to expand banking services in deprived and backward areas,

- Provide information about financial system to more and more people,
- Provide bank accounts to more and more people,
- Give priority to agriculture and MSMEs,
- Provide loan facility to deprived people at low cost.

Justification:

- Financial inclusion is considered to be the main driver of economic development and poverty alleviation,
- Making services accessible to all sections of the society especially small and marginal farmers, small working women, self-employed small workers,
- Ensures high growth of employment,
- Protects economically weaker people from exploitation,
- Reduces financial exclusion which is the main cause of poverty.

Goals:

- Poverty alleviation,
- Establishing income equality,
- Bringing gender equality,
- Sustainable inclusive sustainable development,
- Full productive employment,
- Promoting innovation.

Govt. Initiatives

Organizational and structural reforms have been done from time to time to improve the effectiveness and execution capacity of the Indian financial system.

Initial reforms:

Objectives:

- Strengthening the financial resources of the country
- Creation of financial infrastructure
- Ensuring government ownership of financial resources
- Making financial inclusion practical.

For this,

- 1949 RBI was declared the regulatory authority of the country.
- 1969 Publicization of 14 big banks
- 1980 Nationalization of 6 big banks
- 1975 Concept of Regional Rural Banks



Cover Page



1991 Reforms:

- Commercial banks were given autonomy
- RBI regulations were liberalized
- The requirement of government permission was abolished so that banks could expand their branches.
- The limit of foreign participation in bank capital was increased to 50%.
- Private and foreign banks were allowed to invest in Indian banks.
- Banks were allowed to raise capital abroad
- Foreign investment institutions and banks were allowed to invest in Indian financial markets.

Narasimha Committee recommended for reform in banks

Recommendation of 1991,

- SLR and CRR should be reduced
- The number of public sector banks should be reduced
- A liquidation reconstruction fund should be formed for NPA affected banks
- RBI should be given the status of India's top regulator
- Loan on government interest should be abolished

Recommendation of 1998,

- Merger of public banks for a strong banking system
- Narrow banking concept should be introduced, where NPA affected banks can invest their capital in short-term and risky assets.
- 3. Increase in capital adequacy ratio norms

Current structural reforms:

Objectives:

1. Quick lending facility
 2. Solution to NPA problem
 3. Stability in financial sector
 4. Solution to twin balance sheet problem
 5. Transparency and improvement in the lending system
 6. Effective financial management
 7. Customer grievance redressal
- Creation of strong competitive financial institution
8. Demonetization

Indradhanush scheme:

*With the objective of VT reform in public sector banks, a seven-point Indradhanush scheme has been introduced in the year 2015,

*Strategic objectives,

1. Transparency in selection process of banks
2. Reducing NPA problem
3. Improvement in financial condition of banks

Features of the scheme:

- Making accountability



Cover Page



- Administrative reform
- Transparency in appointment
- Formation of Bank Board Bureau for administrative decisions
- Capitalization
- Reducing pressure on public banks
- Bank Empowerment

Merger of Banks:

- This is a strong aspect to strengthen India's financial institution and resources at the global level.
- In this process, small banks are merged with big banks
- The bank which is running in ghta is also merged with other banks,

Advantages,

- 1 Capital sufficient stability
- 2 Increase in capacity of banks
- 3 Increasing the scope of banking service
- 4 Human resource available
- 5 Will give impetus to the economy.

In August 2020, big banks were merged with 4 big banks, now the total number of banks is 12

Syndicate merged with Canara

Co-operation, Andhra Banks merged with UBI

Allahabad merged with Indian Bank

UNI merged with PNB

NPA problem:

Project Shakti has been brought for this.

It has been brought to resolve the NPA and stressed services of the country's public banks. This is a five-point formula.

- NPAs up to Rs 50 crore will be resolved within 90 days under SME Resolution.
- A lead bank will be formed for accounts up to Rs 500 crore.
- AMC Asset Management Company will be formed to resolve problems above Rs 500 crore. This company will buy NPA loans, it operates in the free market, the institution raises funds from investors.
- Big NPA accounts will be transferred to NCLT.
- ATP asset traning platform will be formed for buying and selling of NPA assets.

India has prepared a national strategy for financial inclusion for the year 2019 to 2024,

PM Jan Dhan Yojana

This scheme is the accepted approach for financial inclusion i.e. bank account access to all people. This scheme is a zero cash based account. Interest is also received on the amount deposited in these accounts. Its goal is that every citizen should have a bank account.



Cover Page



This scheme provides the following financial services,

- Account availability
- Pension
- Insurance
- Withdrawal facility
- Loan

The included class is mainly economically weaker section and small and marginal farmers. Under this, the government's DBT reaches the person's account, so this national scheme provides basic facilities.

Food subsidy, LPG subsidy, fertilizer subsidy is being given to all citizens.

IPPB (India post payment bank)

The motto of this scheme is, "Your bank at your door".

IPPB is being established in rural and such areas where there is no bank facility. The bank is in the form of payment bank starting from 1 September 2018. Its benefits:

- It will realize financial inclusion by providing 1.55 lakh rural credit and 89.71% rural credit.
- Banking service is efficient, fast and competitive
- Promotion of digital economy,
- New employment opportunities
- Affordable and convenient bank.

6. Up to 1 lakh amount can be deposited in this bank. It also operates current account and savings account, 4% interest is also received on savings accounts.

7. In this way, the goal of ippb is to provide financial security to every household.

Mudra bank

Provides financial assistance to small businesses deprived of financial nutrition facilities.
 It is a subsidiary of sidbi, which has been established as a non-banking financial company.

Objective.

To provide loans to micro financial resources lending to MSME enterprises.

UPI role: Upi is a system in which many bank accounts can be operated from a mobile app. In this, business transactions, personal transactions, are done easily. It provides payment facility through peer to peer, peer to peer loan is a method of financing, it enables people to borrow capital without any middleman.

- **Features:**
- 24 hour financial service,
- Access to various bank accounts,
- Quick and seamless payment,
- All types of bill payment.



Cover Page



- **Benefits:**
- Rural population gets financial service sitting at home,
- Saving time and security of money,
- Loan to small farmers and businessmen sitting at home,
- **Easy for investors,**
- Quick payment of government's DBT,
- Insurance facility,
- Increases financial literacy,
- Increases technical knowledge.

Suggestions & Recommendations

- Govt. should remove merchant tax on upi
- Govt. should start UPI transaction without internet
- The govt. should run a large program to create awareness about this
- 1930 Strengthening the service and making it easier for the public.
- Govt. should strongly protect the confidentiality of the documents.