

FINANCIAL INCLUSION: CHALLENGES & REMEDIAL MEASURES

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Introduction

- The term "financial inclusion" has gained importance since the early 2000s, a result of findings about financial exclusion and its direct correlation to poverty. After the independence of India most of Indian population has unbanked, 70% of Indian population live in rural area, out of which only 20% of populations are financially literate and try to access banking services, but they are also facing problems of accessing financial services with modern techniques due to lack of knowledge and others don't have any facilities to access banking services in their area, therefore they are still remained unbanked. But now it is clear that from the statistics most of Indian Banks like public sector as well as private sector move forward and tried to open branches in rural area for the financial empowerment of people from disadvantaged group with the help of providing basic banking facilities.

Objectives of the study:

- To interpret the concept of financial inclusion,
- To focus on objectives of financial inclusion,
- To study of basic banking services available for rural people
- To study of challenges faced by financial inclusion
- To study of remedial measures to improve financial inclusion in rural India

- **Research Methodology**
- For the purpose to make this study I have used secondary data like various references, journals, periodicals, newspapers, research papers, etc.
- **Scope of Study**
- The scope of paper is limited up to basic concept to financial inclusion, challenges faced by financial inclusion in India and remedial measures to overcome these challenges.

Importance of the Study:

- The term of “Financial Inclusion” is related rural poor people. India is the country of rural area, larger section of population living in rural area and most of them living in below poverty line, they are not assured about earned fixed income for day to day living and to maintain basic standard of living. So this paper basically focus on challenges faced by banks to provide basic banking services to these people and how overcome it to improve basic banking services in rural India to make financial empowered people of rural India or the people of vulnerable group.

Meaning

- The term “Financial Inclusion” is related to provide financial services to people of low income group or people of financially disadvantaged group for the purpose to make them financial empowered. This term came in to existence of early 2000’s to provide basic banking service to rural people, who are economically backward, financially poor, people below poverty line, illiterate people or people of low income group or people of disadvantage group to make them financially literate or to brought them into the main flow of banking business to make financial empowered to rural India.

Definition

- “Basic banking services provide to those people, who are belongs to low income group or disadvantage group at affordable cost for the purpose to financially empowered them and it is called financial inclusion”
- **Dr. C. Rangarajan committee on financial inclusion defines it as:**
- "Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost."

Banking Services available for rural people

- saving deposit,
- credit,
- payments,
- money transfer,
- insurance
- **No-frills account**
- **Banking Branch at door steps**
- **EBT – Electronic Benefits Transfer**

Challenges to Financial Inclusion

- **Illiteracy:**
- **Lack of Awareness**
- **Lack of Access**
- **Lack of knowledge**
- **Insufficient document**
- Legal & Bureaucratic constraints.
- Lack of Appropriate Infrastructure facility
- Identified the unbanked segment
- Problems of Land ownership title
- High transaction cost for small value transaction
- Unsuitable products for rural people
- Low Return on Investment from rural area.
- Weak delivery model to provide banking service to rural people
- Low quantity of business transaction
- Lack of finance availability in rural area banking business could play freely their role to credit.
- No guarantee to fulfill KYC norms,

Remedial Measures to improve Financial Inclusion

- **Financial Education**
- **Use of Regional Language**
- **Simple KYC Norms**
- **No-Frill Account**
- **Easy Credit facility**
- **Use of IT Solution**

- **(a) Increasing Reach**
- Ensuring coverage of all unbanked villages in next 3 years
- Emphasis on increasing rural branches
- Opening of bank accounts for all eligible individuals
- **(b) Increasing transactions**
- Leveraging on DBT
- Delivery of credit products through BCs
- Hassle free Emergency credit (In built OD)
- **(c) HR Structure**
- Banks to review HR policy in view of Financial Inclusion requirements
- Examining appointing of a separate cadre of staff for cost optimization
- **(d) Fine-tuning the BC Model**
- Stabilizing the BC delivery model
- Encouraging innovations in remittances model
- Review of Cash Management for BC operations
- **(e) Spreading Financial Literacy**
- Implementing National Strategy for Financial Education
- Creating Dedicated Website- Inclusion in School Curriculum
- Organizing Financial Literacy Camps

Conclusion

- Finally, 70% of Indian population live in rural area, out of which only 20% of populations are financially literate and try to access banking services, but they are also facing problems of accessing financial services with modern techniques due to lack of knowledge and others don't have any facilities to access banking services in their area, therefore they are still remained unbanked. But now it is clear that from the statistics most of Indian Banks like public sector as well as private sector move forward and tried to open branches in rural area for the financial empowerment of people from disadvantaged group with the help of providing basic banking facilities. During the year 2013 Government of India has vision to setup banks branches in India's 6.25 lakh villages and also tried with this direction. Result of this extension of bank branches is growing in rural India. But the main challenges of Government and banking sector is 3 lakh villages are still remained unbanked. However, the Government of India and Reserve Bank of India has need to pushing the concept and idea of financial inclusion in remaining part of rural India.

THANK YOU