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Financial Inclusion for Marginalized

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Abstract: *The progressive nationalization of major banks has increased the role of Public Sector banking in the country. On July 19, 1969, the Government of India through an ordinance nationalized 14 major commercial banks in the country, with deposits exceeding Rs.50 crores each. Subsequently on April 15, 1980, 6 more Commercial Banks were nationalized. The commercial banking system in India has improved and progressed appreciably in all respects during post-nationalization.*

Financial inclusion is the process of ensuring access to financial services and timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. Financial literacy and financial inclusion have been important policy goals of India. Despite policy initiatives and technological innovations adopted by Reserve Bank of India and banking sector, the extent and penetration of financial products and services to marginalized sections of the society, are not encouraging. The policy makers are now formulating a comprehensive action plan for financial inclusion as it is believed that financial inclusion of the destitute is the only panacea for financial development. It has been observed that Government, Reserve Bank of India and banks have adopted various policy initiatives and innovative tools to ensure access of financial products and services to weaker and under-privileged sections of the society. Despite 70 years of Independence, poverty in India is still a rule rather than exception especially among Scheduled Castes and Scheduled Tribes who are living in interior areas of Indian forests. Financial illiteracy, lack of convenience, technological issues and viability have emerged as significant roadblocks in achieving the goal of inclusive growth.

Introduction

Inclusive growth means all-round growth of the masses. Financial inclusion is a process whereby it is ensured that viable financial services and products are made available to the vulnerable sections of the society at affordable cost. It is considered to be an important determinant for social inclusion of poor and vulnerable. It is infact, one of the essential conditions for reduction of poverty and socio-economic inequalities in the society. (Rangarajan, 2008).

Financial inclusion is the process of ensuring access to financial services and timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. Financial literacy and financial inclusion have been important policy goals of India. Despite policy initiatives and technological innovations adopted by Reserve Bank of India and banking sector, the extent and penetration of financial products and services to marginalized sections of the society, are not encouraging. The policy makers are now formulating a comprehensive action plan for financial inclusion as it is believed that financial inclusion of the destitute is the only panacea for financial development. It has been observed that Government, Reserve Bank of India and banks have adopted various policy initiatives and innovative tools to ensure access of financial products and services to weaker and under-privileged sections of the society. Despite 70 years of Independence, poverty in India is still a rule rather than exception especially among Scheduled Castes and Scheduled Tribes who are living in interior areas of Indian forests. Financial illiteracy, lack of convenience, technological issues and viability have emerged as significant roadblocks in achieving the goal of inclusive growth.

Financial literacy and financial inclusion have been important policy goals of India for quite some time. Even though the emergence of innumerable innovations in Indian Banking Sector has increased its growth in terms of volume and complexity. There are apprehensions that banks have not been able to bring the financially weaker and under privileged sections of the society, into the fold of basic banking services. The policy makers are now for a while formulating a comprehensive action plan for financial inclusion as it is believed that financial inclusion is the only hope for financial development.

Role of Commercial Banks

The progressive nationalization of major banks has increased the role of Public Sector banking in the country. On July 19, 1969, the Government of India through an ordinance nationalized 14 major commercial banks in the country, with deposits exceeding Rs.50 crores each. Subsequently on April 15, 1980, 6 more Commercial Banks were nationalized. The commercial banking system in India has improved and progressed appreciably in all respects during post-nationalization.

Among the measures taken by the Government of India for uplifting marginalized sections and for financial inclusion the following are some of them.

1. Pradhan Mantri Jan-Dhan Yojana
2. Ujjawala Yojana
3. Start-up India
4. Stand-up India
5. Mudra Yojana
6. Beti Bachao and Beti Padhao
7. Direct Cash Transfer
8. SHGs – Bank Linkage Progrramme

Poverty in India

Poverty refers to a situation when people are deprived of basic necessities of life. It is often characterized by inadequacy of food, shelter and clothes. In other words, poverty refers to a state of privation where there is a lack of essential needs for subsistence. India is one of the poorest countries in the world. Many Indian people do not have good houses to live in. Their children do not get proper schooling. As a result of the various initiatives taken by the government – Centre and State – the overall poverty ratio in the country has drastically reduced from about 80 percent before planning to around 25 percent today. The incidence of poverty is the highest among SCs and STs and Backward Classes majority of whom are living in rural parts of country. The extent of reduction of poverty since independence is more among SCs compared to STs the reason being the latter are living away from the main stream. Some of the poverty alleviation schemes of the government are

1. Drought-Prone Area Programme (DPAP), 1973.
2. Development of Women and Children in Rural Areas (DWCRA), 1982.
3. Swarna Jayanthi Gram Sahari Rozgar Yojana (SJSRY), 1997.
4. Samagra Awas Yojana (SAY), 1999.
5. Swarna Jayanthi Gram Swarozgar Yojana (SJGSY), 1999.
6. Pradhan Mantri Gramodaya Yojana (PMGY), 2000.
7. Antodaya Anna Yojana (AAY), 2000.
8. Pradhan Mantri Gram Sadak Yojana (PMGSY), 2000.
9. Sampurna Gramin Rojgar Yojana (SGRY), 2001.
10. Valmiki Ambedkar Awas Yojana (VAMBAY), 2001.
11. Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA),2005.
12. Public Distribution System (PDS).
13. Pradhan Mantri Suraksha Bima Yojana (PMSBY), 2015.
14. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), 2015.
15. Atal Pension Yojana (APY), 2015.

Women Empowerment

Women population being around 50 per cent of the total population of the world, they have every right to be treated equally with men in every sphere of life. The inclusion of "Women Empowerment" as one of the prime goals in the eight Millennium Development Goals underscores the relevance of this fact. Swami Vivekananda's quote that, "There is no chance for the welfare unless the conditions of women are improved. It is not possible for a bird to fly one wing" beautifully sums up the essence of power of women in leading not just their families but also the nation and the world.

Women are an important part of the community. Therefore it is necessary to build and enhance their capabilities to manage community projects. SHGs have been instrumental in empowering women by enabling them to work together as a collective agency. Reports indicate that Self Help Programmes often in the form of savings and credit or micro credit schemes have succeeded in changing the lives of poor women in enhancing their incomes and increasing their self esteem. Therefore, it is appropriate and necessary to promote such empowered groups in the present situation.

By the end of March, 2014 there are as many as 74.30 lakh SHGs with Rs.9,897 crores bank deposits and with Rs.41.97 lakh outstanding bank debt in India. Today this scheme with 9.44 crore families is becoming the most major micro finance programme in the world.

Despite these challenges, millions and millions of women in India are breaking old barriers and charting their own destiny. The flagship programmes like Mahatma Gandhi National Rural Employment Guarantee Scheme, National Rural Livelihoods Mission (NRLM) while providing livelihood security to thousands of rural women have also provided them with economic security, empowered them and created rural assets simultaneously. Another example of mainstreaming women in the economy is the Rashtriya Mahila Kosh (RMK), which is working exclusively for poor women, providing them with regular funds and facilitating market linkages. To promote such women entrepreneurs and Self Help Groups, Mahila E-Haat has been launched as a start up initiative by the RMK for meeting the aspirations and needs of women entrepreneurs. Financial Inclusion is one of the important priorities of the government. Pradhan Magtri Jan Dhan Yojana has given assurance to lakhs of women in opening their first bank account and a breakthrough to break the vicious cycle of poverty and debt. According to the Third Annual Survey by the Gates Foundation 47 per cent women now have a PMJDY bank account". Further, to promote skills and employability of women, the sectors which employ a large number of women have been identified under the National Skill Development Policy and Pradhan Mantri Kaushal Vikas Yojana (PMKVY) launched to help them securing a decent employment to move out of poverty. With a mission to secure the financial future of the girl child, a small savings scheme Sukanya Samriddhi Yojana has also been launched under the Beti Padhao Beti Bachao initiative. 87 lakh accounts have been opened upto June 2016 under SSY across the country.

Suggestions

At the outset it is suggested that there is imperative need to address all leakages and loopwholes involved in the proper implementation of financial inclusion schemes of the Government. Towards this end, the following are some of the suggestions.

1) The bank account penetration rate in India continues to be around 48 percent as against close to 100 percent in several developed nations. Impediments in approaching the bank due to difficulties in documentation requirements, loan sanction procedure, inflexible repayment terms, inability to communicate the requirements, reluctance to approach the bank for small loans were the major barriers in the road to achieve financial inclusion. Banks needs to create major user friendly products and advertise their microfinance products to encourage active participation of marginalized sections of society in banking system.

2) Addressing financial exclusion requires the bank's all-inclusive approach in creating more awareness about financial products, money management, debt counseling, savings and affordable credit by designing and organizing aggressive education cum promotion campaigns in unbanked parts of any region. There is also a need for harmonized action between the banks, the Government and others to make possible access to bank accounts amongst the financially excluded.

3) The banks need to simplify the registration process for customers to seed their mobile number for alerts as well as financial services considering the widespread availability of mobile phones. The deposit accounts of beneficiaries of government social payments, preferably all deposits accounts across banks can also be directly linked to Aadhaar. Region specific issues can be identified by the rural

branches and schemes can be devised for inclusion of different groups with varied income levels. A more robust set of quantitative and qualitative indicators can be developed covering the access and usage dimensions of financial inclusion.

Conclusion

According to former Prime Minister, Dr. Manmohan Singh, the key components of the inclusive growth strategy included a sharp increase in investment in rural areas, rural infrastructure and agriculture spurt in credit for farmers, increase in rural employment through a unique social safety net and a sharp increase in public spending on education and health care. Financial inclusion results in balanced growth and upliftment of weaker sections. The need of the hour is to ponder on these basic issues before building the edifice. In a country like India with low literacy levels, poverty, unemployment, heavily uneven distribution of income and wealth and opportunities, the government has the aesthetic responsibility to put systems in place for reaching the Bottom of pyramid.

In India about 34 per cent of population is engaged in formal banking. (Rangarajan, 2008). According to IISS (Invest India Incomes and Saving Survey, 2007), 55 percent of all the households do not have bank accounts, 97 percent do not have any health insurance and 61 percent do not have life insurance. Also the real rate of financial inclusion in India is very low and about 40 per cent of the bank accounts holders use their account not even once a month. Of course, with the advent of Jan Dhan Yojana programme, there has been a phenomenal growth of bank accounts to the tune of above 22 crores.

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