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Financial Inclusion: A Way to Bank the Unbanked Common Man of India.

MRS. YASMIN. A. BARODAWALA

Abstract

While the world is thriving to extinct poverty and adversity of lower economic classes of people, India has also taken building blocks of steps to inculcate financial inclusion (FI) in the nation for its citizens. As financial stability remains the base for the welfare and betterment of individuals, Indian Government has incorporated multifarious provisions, policies and numerous schemes to uplift the banking facilities and finance set-up for the greatest good of all concerned. The aim of this paper is to showcase the whole idea of financial inclusion, penning down the progress and implementation of these schemes and programs. Since its inception till today, with the help of this study, we observe the excelling growth of this concept and go further in depths to study and analyze it`s targets and achievements. The secondary data employed in the paper displays the worldwide application of financial inclusion, and also portrays the essentiality of this pillar in sustainable development goals program. FI stands at 7th out of the prominent 17 goals, set by United Nations General Assembly, promoting the high requirement of economic elevation for the unfolding future ahead. And India has been upholding this idea in a glorious way, as reflected in this paper.

Keywords: Financial Inclusion, Unbanked, FI Programs, FI Schemes
JEL Classification: G02

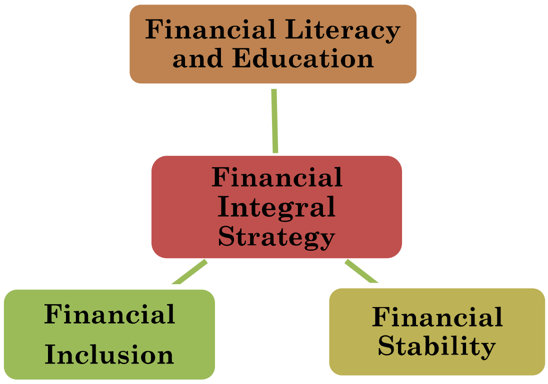
Assistant Professor, Dr. Thakorbhai Patel Girl's Commerce College, Vadodara.

Introduction

The prosperous land of India, and its populace have been laying down persistent efforts to establish a good standard of living for one and all. Following the same values, government of India for overall welfare of the nation and its people, have come up with intention of Financial Inclusion commencing in 2005. It's one of the prime motives is to provide banking facilities to every person of the country. And raise the under-privileged, weaker section and poor population of society and promote economic growth and job opportunities. According to World Bank 'Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.' As per Findex data, 1.7 billion, nearly one-third of the people all over the world are still unbanked and includes women of poor households in rural areas or belonging to the workforce. They make up to be about half of this unbanked adults. The objectives of financial Inclusion is to provide basic bank account to make and receive payments known as no-frills account, access to saving products including pension and investment, able to enjoy credit products and overdraft facilities which is linked to no-frills account, money transfer and remittance facility, insurance (Life and non-life) at micro level and pension at micro level.

Chief Aspects of an Integral Financial Strategy

In order to build it financial sector, every country has a financial integral strategy. This strategy strengthens the financial conditional of any economy. The three elements of the integral financial strategy are Financial Literacy, Financial Stability and Financial Inclusion



Financial Literacy or education is spreading of awareness and knowledge to the people about the financial services given by banks and other institutions. It takes care of the demand side by increasing the financial knowledge of the masses. Financial inclusion means the provision of proper access to the multiple financial services equally to all. Thus, it manifests the supply side as it caters to the end users. These two financial literacy and financial inclusion leads to financial stability.

Financial Inclusion Parameters

Financial inclusion index is based on the premises of three parameters ACCESS (35%), Usage or Availability (45%) and Quality (20%) as designed by RBI. The prominent aspect of financial inclusion is to give access to financial sources to the vulnerable. It can be further divided into extension of credit, creation of wealth and planning for contingency.

Figure 1: Access to financial system as first parameter of financial inclusion

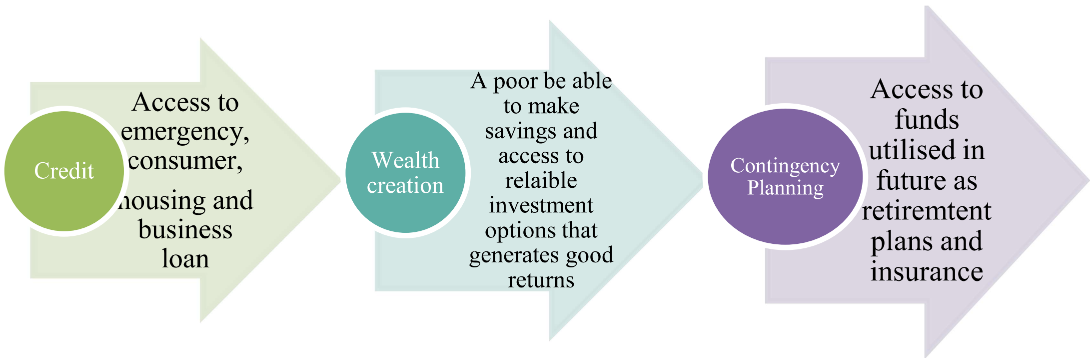


Figure 2: Usage to financial system as second parameter of financial inclusion

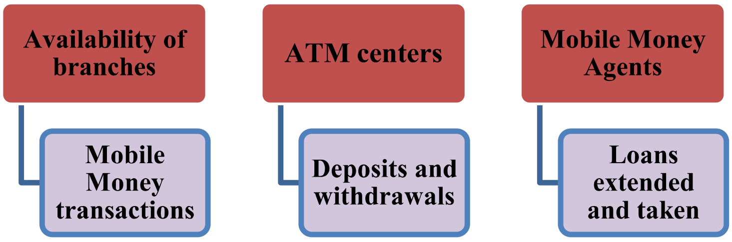
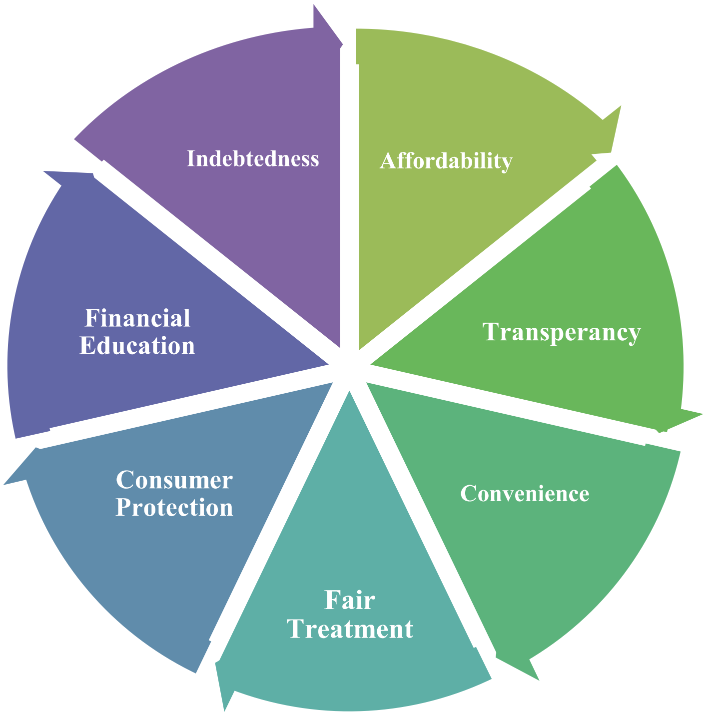


Figure 3: Quality to financial system as third parameter of financial inclusion



Literature Review

The study emphasizes the role of regional rural banks (RRB) in the development of the country. Two banks from the state of Uttar Pradesh namely, Aryavart bank and Purvanchal Bank is considered. 96 official's opinions were noted through questionnaire, using frequency and Chi Square test problems faced by these banks employees in functioning, channelizing, mobilizing and motivating the rural population was studied. It was found that there exists political interference as well as lack of initiative among the villagers to approach these banks for their financial needs. Also, Loan recovery and competition from post offices are few other challenges in extending financial assistance to the rural masses (Rehman, 2020). The study undertakes to assess the situation of financial inclusion state wise in India. It is known from the study that in spite of the reckless efforts of the Indian Government, the goals set for achieving the financial inclusion is less than satisfactory. Index of financial inclusion is calculated in the paper undertaking three dimensions. Employing Principal Component Analysis with SPSS software a comparative study within the state is done. The analyses show that there is no uniformity among the states with regards to financial inclusion and its parameters (Parijat & Barua Nissar A., 2020). The value of financial inclusion is stressed in this paper by the author. About 2 billion of adults in the entire world are unable to use the formal financial affair as on the present day. To provide the financial aid to all the persons of the society be it rich or poor is the prime need for attaining inclusive growth and development for India. Thus, the study professes every individual should be brought under the umbrella of banks and other financial institutions through the efforts of RBI's program of financial inclusion (Aanchal & Bindu, 2018).

Digital finance has a vital role in the financial inclusion as it provides numerous benefits to its users, providers of financial service and the government. Discussion on certain issues and challenges which relates to e-finance is critically done in this paper. In an emerging economy like India there exists an on-going debate about how the financial inclusion can be achieved with greater development of digital finance. The author has studied the impact of fintech on financial stability and financial inclusion. The study reveals that digital finance has a positive implication as it is available at low cost and convenient to use (Ozili, 2018).

The financial inclusion strategy adopted by Zimbabwe Government. To evaluate the factors of financial inclusion is the aim of the study. Age, education, income, financial literacy and internet connectivity are the variable that are analyzed and it implies positive relationship. Documentations involved in opening the bank accounts and the distance to access point are negatively related to financial inclusion (Abel et al., 2018).

An overview of financial inclusion achieved by different economies across the globe is included in this report. It highlights the growing trend of financial literacy. Unorganized section, Poor adults and women being the most beneficiaries of this program, the study reviews the empirical evidence that savings account, payment services loan facility and penetration of insurance is on a rise. However, it states that there exist innumerable challenges in the achievement of full financial inclusion. Future direction of research is also pin pointed in this working paper (Demirguc-Kunt et al., 2017).

Thus, the financial Inclusion has been deduced by many researchers in the past, talking about their importance, explaining their parameters in detail and its effect on the growth and development of the economy. Even efforts are made by researchers to calculate the financial Inclusion Index for various states in India to showcase the increase of financial awareness and reach. However, seldom papers have been penned down specifying on particular schemes, programs, strategy, yojanas and support systems to promote the FI policy in India. And This paper explores them in greater detail by discussing and analysing the targets achieved by each of the selected schemes for the study. It also studies its implementation, progress and success through statistical data.

Objective of the Study

i. To understand the theoretical aspect of financial inclusion;
ii. To highlight the initiatives taken by the government to make financial inclusion a success;
iii. To study the progress of financial inclusion schemes as launched by RBI since its inception in 2005.

Research Methodology

To fulfill the objective of checking Financial Inclusion in India since its inception and ponder upon the trend and status of its implementation, Secondary data is referred and employed. These data are collected from RBI Annual reports, RBI Publications, working papers, NABARD, SIDBI and GOI websites such as Press Information Bureau, NAFSCOB NFHS-4, Ministry of Rural Development as issued and published time to time. Worldwide Data is taken through the medium of World bank and IMF websites. This paper is descriptive in nature.

Results and Discussion

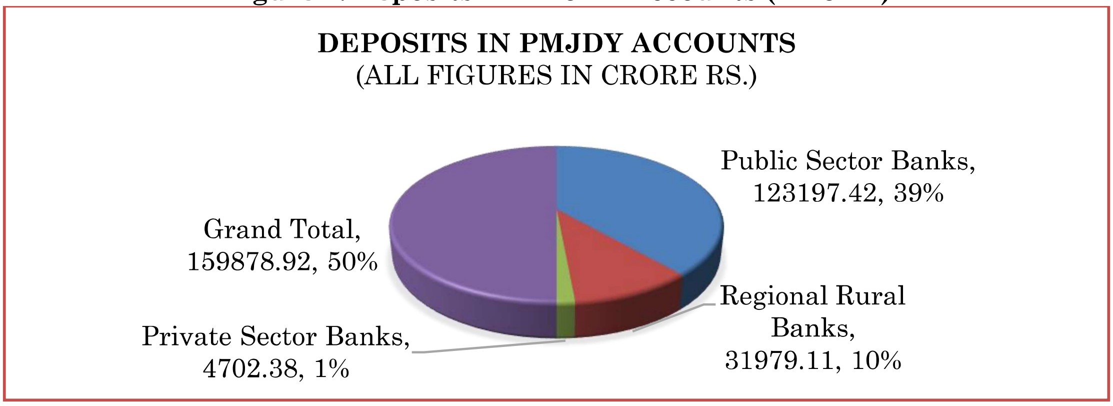
Financial Inclusion Schemes in India

Government of India has come up with several schemes for attaining financial inclusion in the past, after due research and planning done by various experts, committees and policy makers. The main aim is to provide benefit to the poor and the weaker section of the society. The list of such scheme is as follows: Pradhan Mantri Jan Dhan Yojana (PMJDY), Atal Pension Yojana (APY), Pradhan Mantri Vaya Vandana Yojana (PMVVY), Stand Up India Scheme, Pradhan Mantri Mudra Yojana (PMMY), Sukanya Samriddhi Yojana (SSY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Jeevan Suraksha Bandhan Yojana, Credit Enhancement Guarantee Scheme (CEGS) for Scheduled Castes (SCs) and Venture Capital Fund for Scheduled Castes under the Social Sector Initiatives

Pradhan Mantri Jan Dhan Yojana (PMJDY)

It was launched in 2014 in the month of August and by the end of September 2014, 4 crore PMJDY bank accounts were already opened according to the data of Ministry of Finance. Pension, Insurance and Banking is offered to the account holders under this scheme. There are a numerous facilities attached to this bank account. One of it is having zero balance account. It is one of the revolutionary schemes set up by the Government of India.

Figure 4: Deposits in PMJDY Accounts (PMJDY)



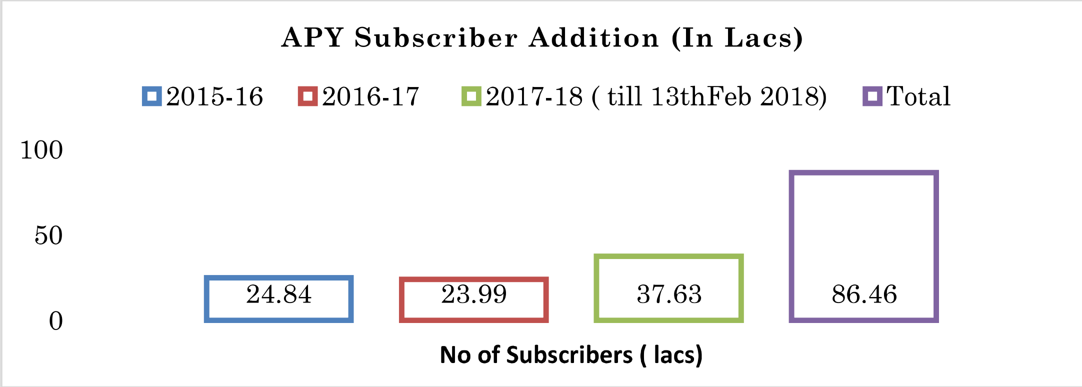
Source: pmjdy.gov.in

As directed by the Government all the schedule commercial banks have to contribute to make PMJDY scheme a success. Figure 4 surfaces that public sector banks have played a major role in moving this scheme followed by Regional Rural banks. The contribution of Private sector banks is very negligible in this counter. The success of PMJDY is accounted in amount (in crores). Out of the total of 50% of the population covered by this scheme, 39% share is of public sector banks, 10% share of RRBs and only 1% share is given by private sector banks.

Atal Pension Yojana (APY)

This scheme was announced in 2015-16 budget by the Government to help those working in the unorganized sector. Under this program pension of Rs5,000 per month, tax benefits, contribution of Indian Government is given and it is a risk-free scheme. It is a voluntary scheme and managed by the Pension Fund regulatory and Development Authority (PFRDA).

Figure 5: Yearly APY Subscriber Addition



Source: npstrust.org.in/atal-pension-yojna

The subscribers are on a rise in APY scheme since 2015 to 2018 as shown in figure 5. The pensioners, belonging to the unorganized section, have increased from 24.84 lacs in 2015-16 to 37.63 lacs in 2017-18. The total pensioners as on 13th February 2018 is recorded at 86.46 lacs as per the data source.

Pradhan Mantri Vaya Vandana Yojana (PMVVY)

A Pension scheme specially designed for the senior citizens of India, wherein the policy period will be of 10 years and minimum pension will be Rs1,000, Rs3,0000 Rs6,000 and Rs12,000 on monthly, Quarterly, half yearly and yearly basis respectively. The pensioners can avail this scheme from 4 May 2017 to 31 March 2020. It can be purchased from Life Insurance Corporation (LIC) by online or offline mode. The aim is to protect the senior citizens in the times when the interest rates decline.

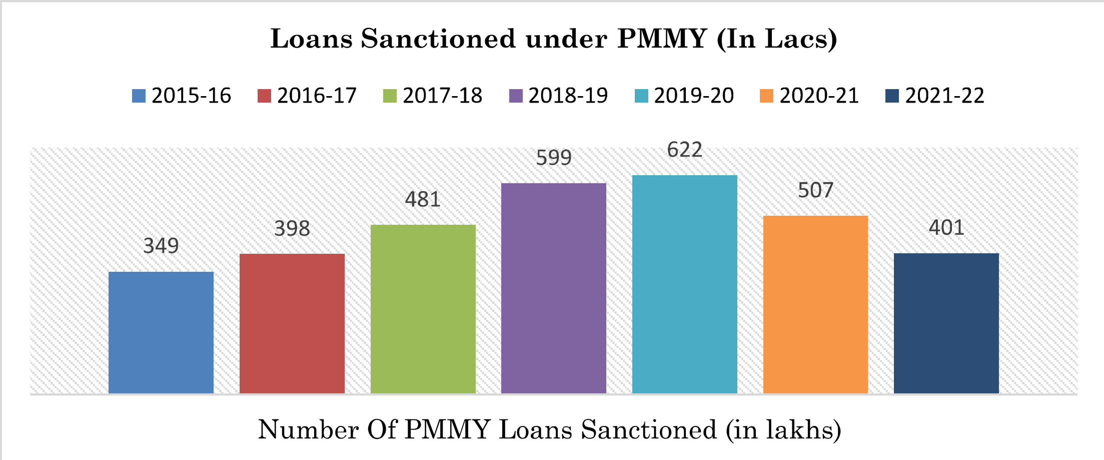
Stand Up India Scheme

Stand up loan scheme aims at providing bank loan from 10 lacks to 1 crore to at least one Schedule Caste (SC) or Schedule Tribe (ST) and one women borrower to start a green field enterprise involving trading, manufacturing or providing services. It is offered by all branches of Scheduled Commercial banks. It is a combination of loan and working capital given at lower rate of interest than the usual loans.

Pradhan Mantri Mudra Yojana (PMMY)

Launched as PMMY in 2015, MUDRA is an acronym for Micro- Units Development and Refinance Agency. Loan for business is given from Rs 50,000 to Rs.10,00,000 as categorized as Sishu, Kishore and Tarun to assist the small scale business houses to grow and expand. Both profit making and non -profit making companies can avail this loan. Almost all the activates that help in creating employment opportunity and income generation are funded under this scheme. Shopkeepers, vendors, transporters, traders, small businesses, agriculturists etc., can borrow loan under MUDRA scheme. Relief, Interest Subsidy and discounts on quick interest payments are some of the benefits embedded in this scheme.

Figure 6: Loans Sanctioned under PMMY (In Lacs)



Source: Mudra.org.in

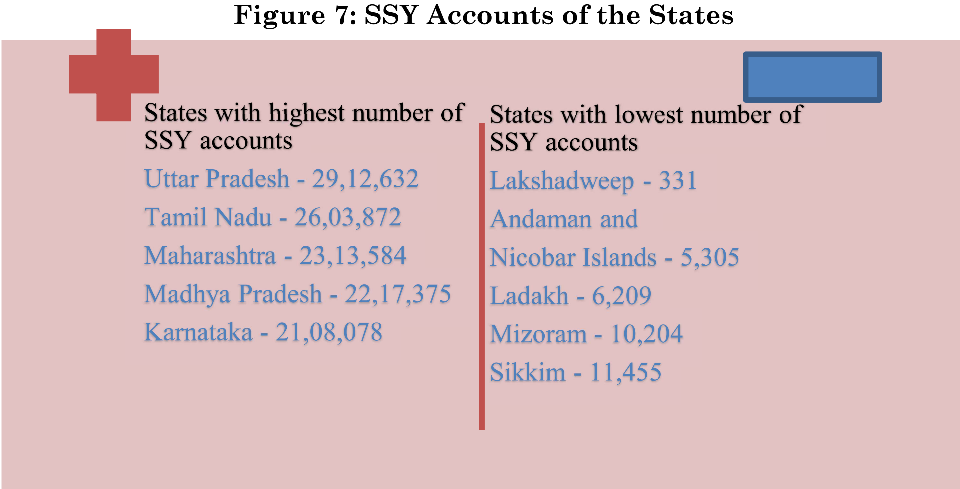
A specially designed scheme by the Indian Government to cater to the borrowing needs of all the businesses and all the sections of the society is PMMY. The number of loans sanctioned (in lakhs) from 2015-16 to 2021-22 is well portrayed in figure 6. Maximum loans that are 622 lakhs were applied and given in the year 2019-20.

Sukanya Samriddhi Yojana (SSY)

For the welfare and betterment of girl child this scheme is launched in order to encourage savings for the girl in every family. Maximum tenure of the scheme if 21 years or till she attains 18 years and gets married whichever is earlier. Interest if 7.60% p.a. is offered and investment amount can be between Rs250 to Rs1.5 lakhs p.a. maximum. Tax benefit is also attached to this scheme.

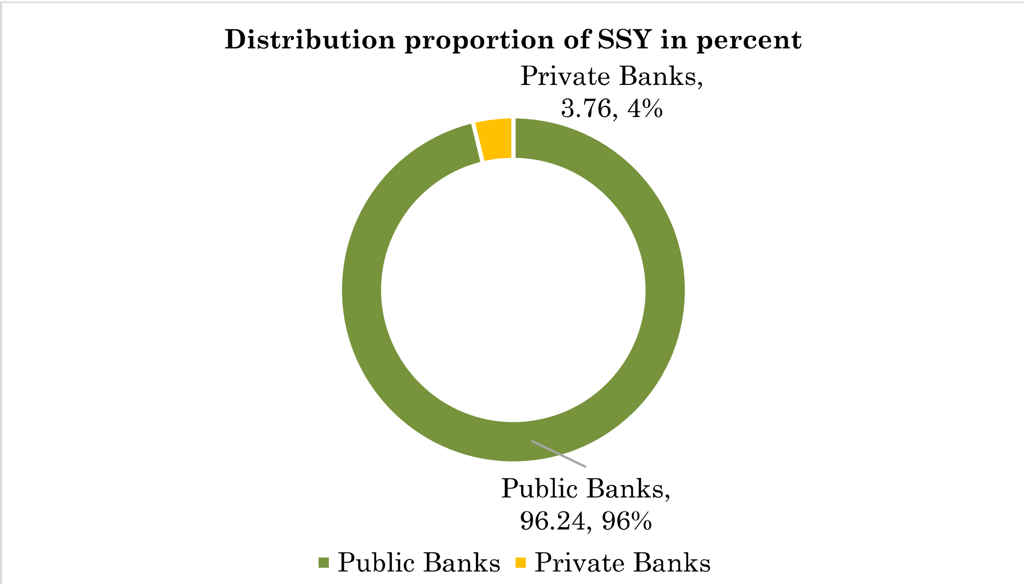
To encourage savings and build a corpus for girl child it is expected by the government that all the SCB shall contribute in implementing this SSY scheme. However, Private sector banks has only 4% distribution to its credit out of the total. Here also banks in the public sector has played phenomenal role in making this scheme a success.

Figure 7: SSY Accounts of the States



Source: pib.gov.in/Press Release Iframe Page

Figure 8: Distribution proportion of SSY



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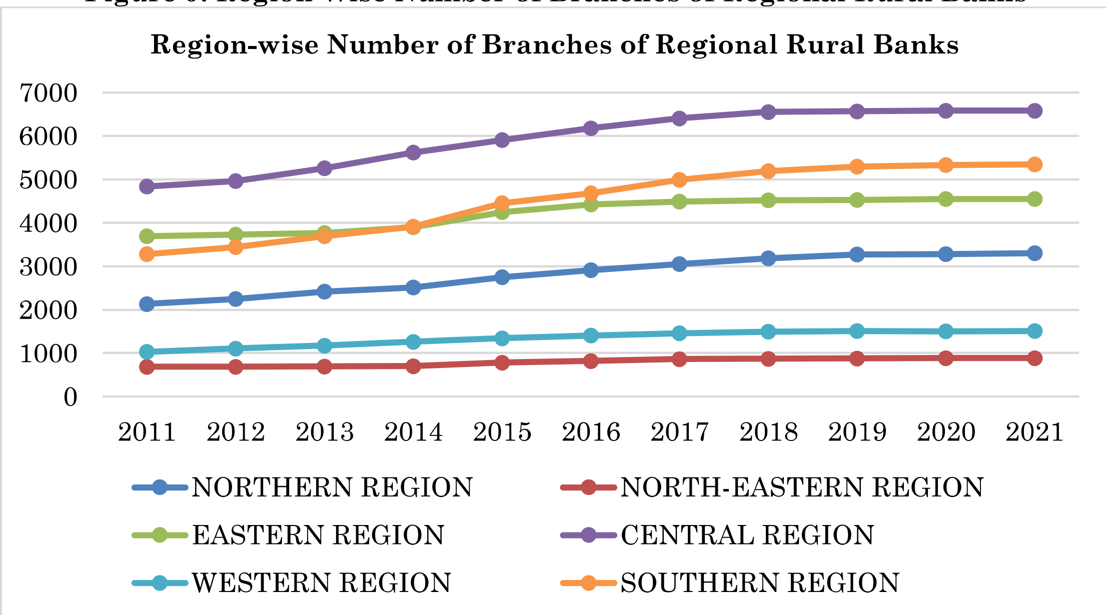
Operation of Financial Inclusion

In order to realize the goal of financial inclusion, the RBI have asked banks be it public or private sector bank, to prepare and implement FIPs- Financial Inclusion Plans, to bring maximum adults in the purview of financial system. This includes opening of branch accounts in villages and converting the unbanked into banked individuals.

Figure 9: Region-Wise Number of Branches of Regional Rural Banks



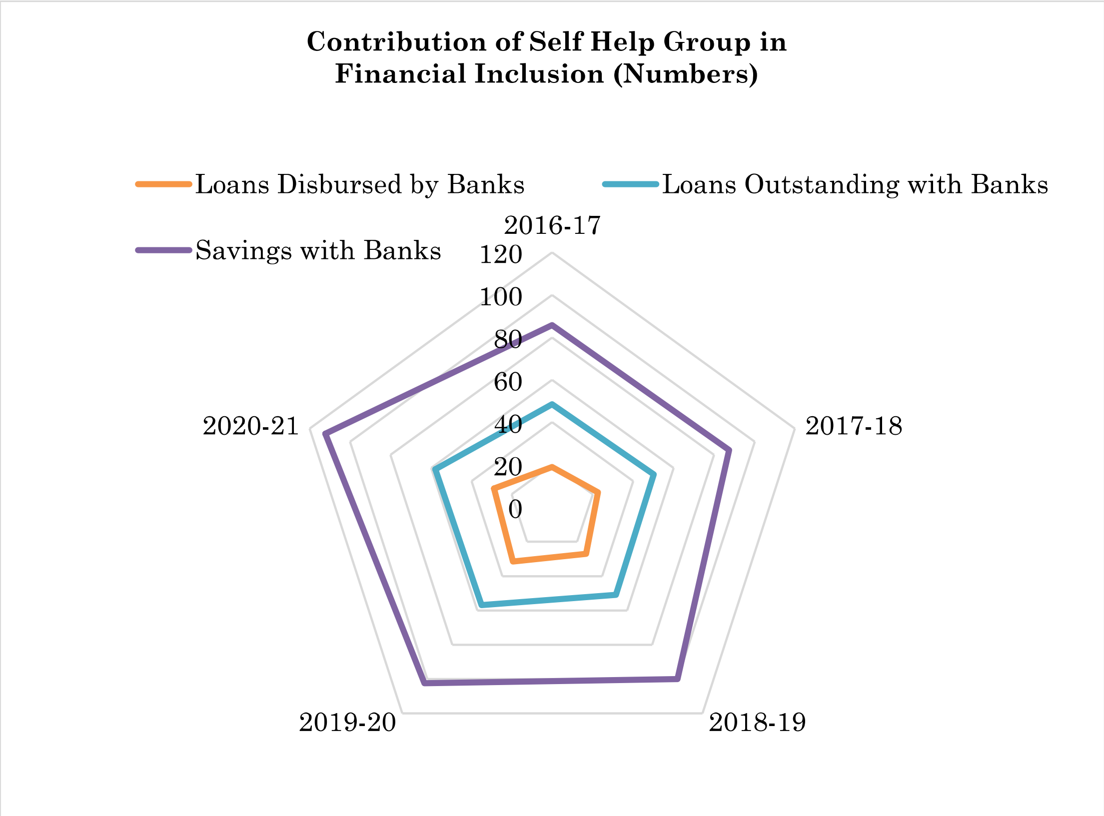
Source: RBI, Publications-Annual Handbook of Statistics on Indian Economy

Figure 9 displays the region-wise spread of RRBs all over India. Data from 2011 to 2021 mirrors the fact that the RRBs are successfully spreading their branches in all

the corners and the remotest part of the country.
With the Indian schedule commercial banks doing their portion of the job to increase financial reach, other informal groups like Self Help Groups also are playing an extremely crucial role and assisting the Government in attaining the targets of financial inclusion.

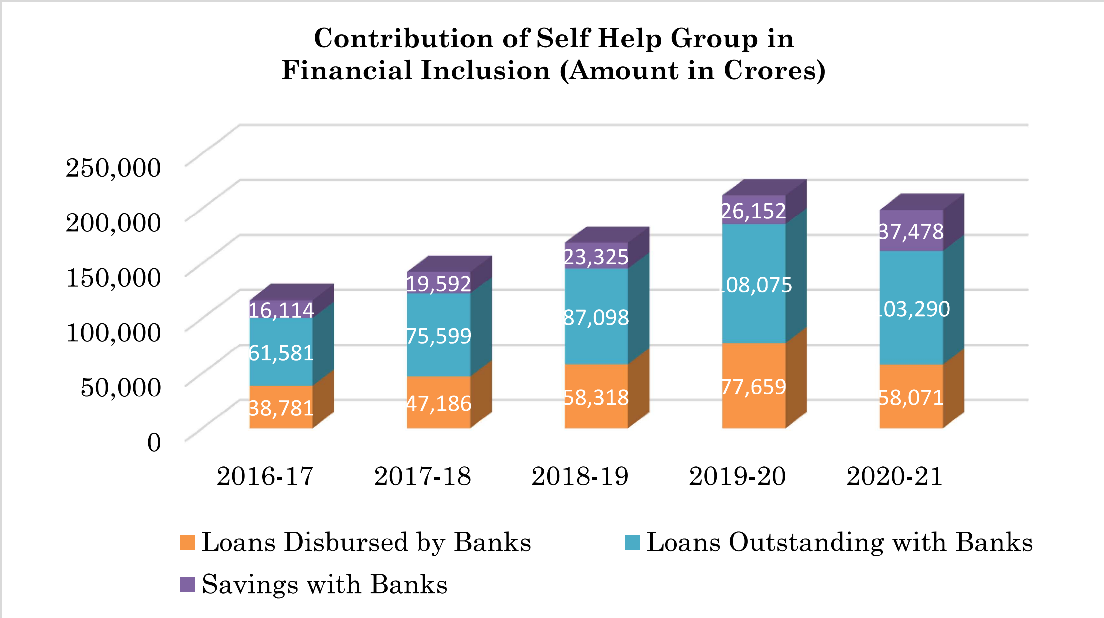
Self Help Group assisting in spreading awareness about savings, loans offered by the banks and various other scheme offered by the government for the benefit of the under privileged population is well demonstrated in figure 10. Five years Data from, 2016-17 to 2020-21 indicate that all the three facilities Loans Disbursed, Loans Outstanding and Savings with the banks in numbers has escalated in past 5 years due the efforts of the SHG in the country. The SHG's continued efforts to spread financial literacy is proclaimed in figure 11. Here all the contribution of SHG is shown in amount Rupees (crores). Concentrating on savings with banks alone, it was Rs. 38,781 (crores) in 2016-17 which peaked to Rs. 58,071(crores) in 2020-21. This is marvelous achievement as SHG has proven to be an aid in channelizing the savings from small household into the economy of the country.

Figure 10: Contribution of Self Help Group in Financial Inclusion



Source: RBI, SHG-Bank Linkage Programme

Figure 11: Contribution of Self Help Group in Financial Inclusion

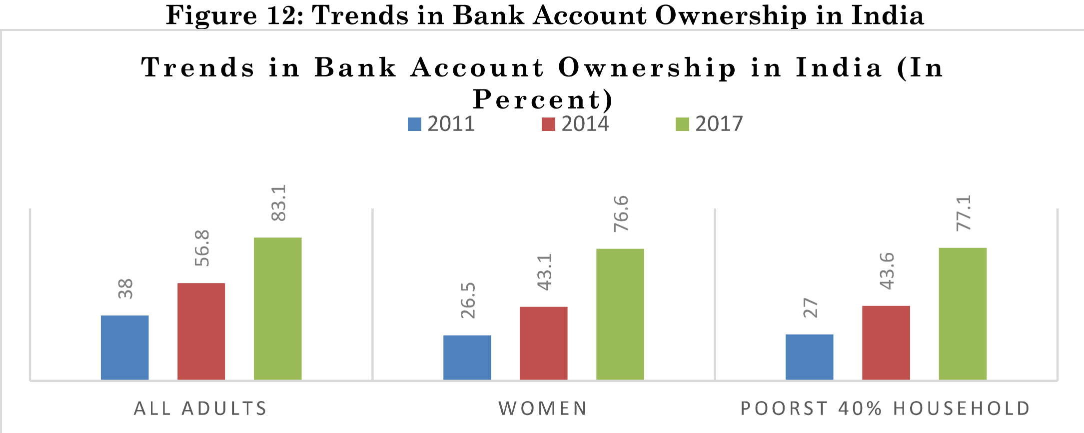


Source: RBI, SHG-Bank Linkage Programme

Women Empowerment one of the goals of Financial Inclusion

This program is very keen regarding considering and including women in it preview as it is believed that women are more capable of taking care of household. Hence, increased efforts are made to bring more and more women into financial inclusion umbrella by providing them financial literacy and involving them in financial management activities.

Figure 12: Trends in Bank Account Ownership in India



Source: Global Findex database.

Banks and other financial institutions focus on women empowerment and aim at making them financially independent by offering special rates, discounts, subsidizes, lower interest rates on loans. Even savings accounts are given with several concessions and benefits to them as compared to men.

The figure 12 reveals that bank accounts owned by women in India has grown from 26.5% in 2011 to 43.1% in 2014 and to 76.6% in 2017. There has been a drastic increase in the ownership between 2011 to 2017 according to the Global Findex survey. Also, the gap between male- female ratio of ownership has reduced and there is shrink in the rich and poor inequality.

Fintech as an Aid to Financial Inclusion

The use of advanced technology in the financial sector is known as Fintech. With the advent of fintech, financial inclusion is improving all over the world. Many companies in India are meticulously working to make the process of providing financial service simply and easy and at minimal costs. Mobile phones are helpful in opening bank accounts and applying for loans in the rural areas. There are advanced options of banking available to the rural and urban people as fintech options like crowdfunding, peer-to-peer lending, digital payment systems, electronic wallets which can cater to their borrowing needs on informal grounds.

Financial Inclusion through digital payment Systems

Many electronic wallet systems is implemented by the government by which one can make payments sitting at their residence. BHIM- Bharat Interface for Money, Aadhar Pay, Unified Payment Interface (UPI), Unstructured Supplementary Service Data (USSD), Immediate Payment system (IMPS), National Electronic Fund Transfer (NEFT). People placed anywhere in the country transact with ease and convenience using their mobile phones. They sometimes offer discounts, cash backs, rewards and attractive offers to the users. This proves beneficial to the underprivileged people and they can save money. Apart from achieving financial inclusion, digital financing helps in curbing corruption.

Financial Inclusion Programs Organized by RBI

Basic Saving Bank Deposits (BSBDA) Accounts

The RBI has directed every bank in the country to offer Basic Saving Bank Deposits (BSBDA) accounts. These are no- frill accounts given to the weaker section of the society, where they need not maintain the minimum balance as required otherwise. They enjoy ATM, can use electronic payment channels for their transactions.

Table 1: Progress of BSBDA in Financial Inclusion

Financial Inclusion Plan: A Progress Report (End-March)			
Particulars	**2010**	**2019**	**2020***
BSBDA - Through Branches (No. in Lakh)	600	2,547	2,616
BSBDA - Through Branches (Amt. in Crore)	4,400	87,765	95,831
BSBDA - Through BCs (No. in Lakh)	130	3,195	3,388
BSBDA - Through BCs (Amt. in Crore)	1,100	53,195	72,581
BSBDA - Total (No. in Lakh)	735	5,742	6,004
BSBDA - Total (Amt. in Crore)	5,500	1,40,960	1,68,412
OD Facility Availed in BSBDAs (No. in Lakh)	2	59	64
OD Facility Availed in BSBDAs (Amt. in Crore)	10	443	529

Source: RBI, Financial Inclusion: Policy and Progress (FIP) returns submitted by banks.

Table 1 showcases the progress report of the Financial Inclusion Plan of India over a decade from 2010 to 2020. Remarkable achievements are noted in all area of BSBDA- through branches as well as through BCs. Also, people taking benefit of OD facility has risen over these years.

Know Your Client (KYC)
KYC regulations are also made mandatory to be adhered by all banks as per the instruction of RBI. These requirements are made simple in case of low-income individuals (amount not above Rs50,000) who wants to open a bank account especially in the rural areas. In these cases, only presenting of Aadhar card is accepted as identity proof as well as address proof.

Village coverage: In spite of getting better, there are still many villages in India that are very remote and do not banks and have no access to nearby banks due to lack of transportation services. Hence the RBI has always encouraged the banks to open more and more branches in the villages and in the remotest part of the country. It is made compulsory by the RBI to open at least 25% of the total branches in the unbanked (Tier 5 and Tier6) rural center.

Table 2: Leveraging Digital Technology to Expand BC Services across Rural India

Particulars	March 2010	March 2019*	March 2020*	December 2020*
Banking Outlets in Villages—Branches	33,378	52,489	54,561	55,073
Banking Outlets in Villages>2000—BCs	8,390	130,687	149,106	851,272
Banking Outlets in Villages<2000—BC	25,784	410,442	392,069	385,537
Total Banking Outlets in Villages—BCs	34,174	541,129	541,175	1,236,809
Banking Outlets in Villages—Other Modes	142	3,537	3,481	3,440
Banking Outlets in Villages—Total	67,694	597,155	599,217	1,295,322

Source: RBI Annual Reports

Covering Villages by virtue of Digital Technology and tapping the services of Business Correspondence has helped achieve great targets. Looking at the data in Table 2, there were only 33,378 Banking Outlets in villages (Branches) in March 2010 which has climbed up to 55,073 Banking outlets in villages (Branches) in December 2020. Similarly, Total banking Outlets in villages (BCs) were merely 34,174 in 2010 which jumped to 1,236,809 Banking Outlets in villages (BCs) in December 2020 according to the RBI data.

Financial Literacy Centers (FLCs)

It has been directed by the RBI to all the scheduled commercial banks located in the rural areas to enhance and further the financial literacy efforts. Outdoor financial literacy camps are organized once a month and till March 2013, 718 FLCs have been set up and 2.2 million people were educated via choupals, seminars, awareness camps by the end of March 2013 as per RBI data. Financial Inclusion is the key agenda of Indian Government, and it's a fact that still large population is excluded financially, it is important to first take up financial literacy. To spread literacy to farmers, villagers, micro and small entrepreneurs, senior citizens, Self Help Groups, an initiative was taken to educate school children about financial services in the state of Madhya Pradesh by different Banks. 5100 schools were covered in this Financial Literacy campaign as shown in the table.

Table 3: Project of Financial Literacy in Schools in M.P.

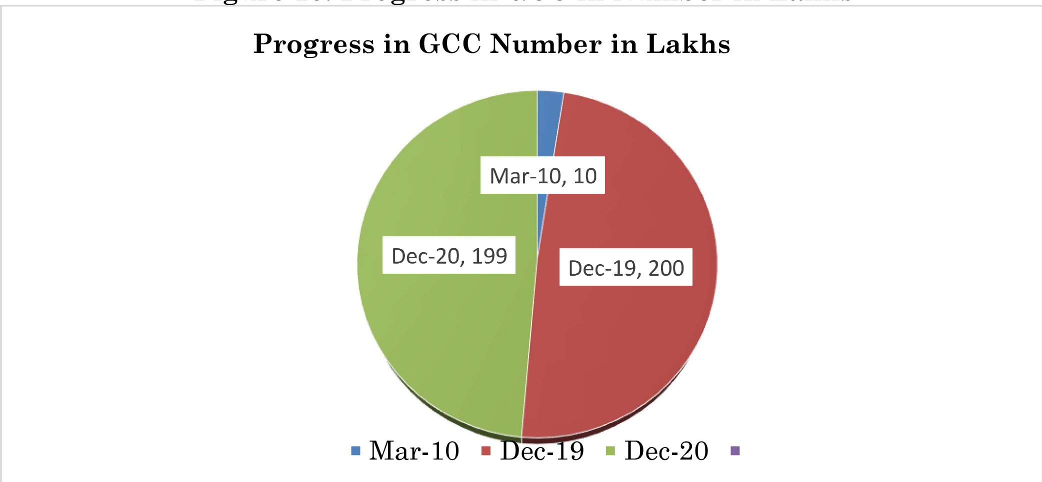
Name of the Bank	No. of Schools	Name of the Bank	No. of Schools
Allahabad Bank	172	Indian Bank	6
Andhra Bank	7	Indian Overseas Bank	24
Axis Bank	15	IndusInd Bank	1
Bank Of Baroda	120	Madhyanchal Gramin Bank	415
Bank Of India	426	NJGB	414
Bank Of Maharashtra	112	OBC	31
Bhopal Central Co-Op Bank	5	PSB	14
Canara Bank	53	Punjab National Bank	232
Central Bank of India	677	SBBJ	3
CMPGB	539	SBI	1347
Corporation Bank	12	Syndicate Bank	35
Dena Bank	27	UCO Bank	117
HDFC Bank	18	Union Bank of India	185
ICICI Bank	19	United Bank of India	31
IDBI Bank	28	Vijaya Bank	15
Grand Total	**5100**		

Source: Central Bank of India

Special Financial Products offered for Attaining Financial Inclusion

It is fact that people of low income group residing in rural as well as in urban areas are unaware of debit cards and credit cards. They only know about the basic facility of savings account, savings schemes, crop loans and personal loans. Due them having a limited access to these financial facilities, RBI has asked the banks to offer following products to the poor and the unbanked citizens.

Figure 13: Progress in GCC in Number in Lakhs



Source: Credit Delivery and Financial Inclusion, RBI Annual Report 2021

However, these populations cannot document a sound financial position in order to fetch the credit facilities. Hence, banks give them cost-efficient credit cards like:

General Credit Cards (GCC): Under the directives of RBI, banks launched the General Credit Cards (GCC) to the having a credit limit of RS. 25,000 from those branches that were located in rural and semi-urban areas.

The issuance of these General Credit cards grew from 10 Lakhs in 2010 to 200 Lakhs in 2019 and was 199 by the end of December 2020. Similarly, when stated in terms of Amount in crores it was merely Rs. 3,500 Cr in 2010, and then Rs.1,84,918 Cr. In 2019 and in 2020 it registered at Rs.1,73,968 Crores.

Kissan Credit Cards (KCC): Banks on the instructions of RBI are providing KCC to small marginal farmers with very low incomes. These cards will help them to purchase crop seeds, tools for farming, pesticides, fertilizers, storage warehouses tractors and land for farming. This facility will enable to become independent on not rely on landlords who many a times manipulate them by giving costlier loans in the time of need.

Table 4: Kisan Credit Card (KCC) Scheme

Year	2019-20	2020-21 (April- December) *
Number of Operative KCCs (Lakhs)	241.5	275.95
Outstanding Crop Loan (Amount is Crores)	4,23,587.80	4,12,749.23
Outstanding Term Loan (Amount is Crores)	46,555.80	47,644.70

Source: RBI, Kisan Credit Card (KCC) Scheme

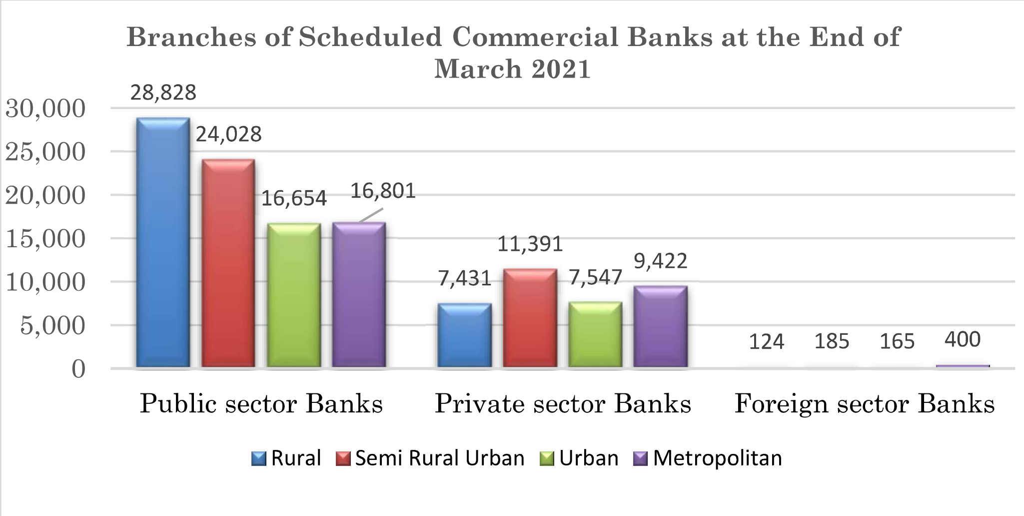
Kisan Credit Card Scheme advancement is recorded in Table 4. Number of Operative KCCs grew from 241.5 in 2019-20 to 275.95 in December 2020-21. Outstanding Crop loans and term loans given in terms of rupees is also displayed which is not rising much and is more or less stable

ICT-Based Accounts: In a way to help banks to reach out the unbanked population of the country, RBI has made a plan by offering ICT- Information and Communication Technology based bank accounts via business correspondents (BCs). These accounts offer a very inexpensive and easy way to withdraw cash, deposit cash, apply for loans and other forms of credit.

The figure 14 very clearly reveals the number of branches opened by all SCB in Rural, Semi-rural, Urban and Metropolitan. In 2021, there were 28.828 Rural branches of public sector banks whereas, only 7,431 Rural branches of Private sector banks existed in the same year. To the contrary foreign sector banks registered only 124 branches in rural area in the year 2021.

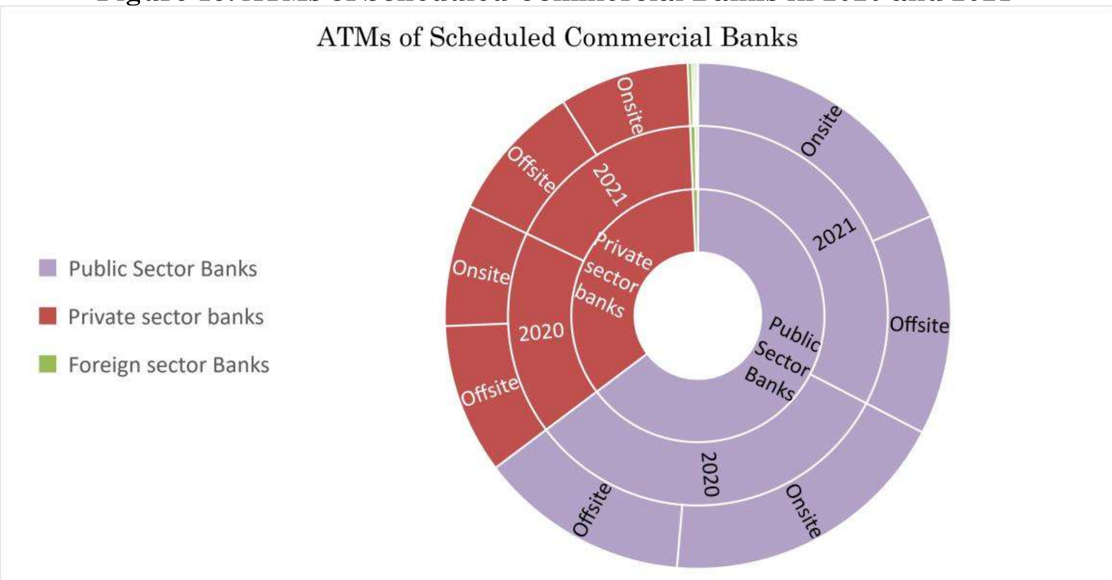
Increase in ATMs: The RBI has noted that there are many parts of India that do not have ATMs (Automated Teller Machines). ATM facilitates availability of cash and depositing the money. However, there is an increase in the number of ATMs across the nation in the past few years as oer the data available. White label ATMs are also established by private entities in India under the supervision of RBI to increase this ATM facility.

Figure 14: Branches of Scheduled Commercial Banks at the End of March 2021



Source: RBI, Publication-Annual-Handbook of Statistics in Indian Economy.

Figure 15: ATMs of Scheduled Commercial Banks in 2020 and 2021



Source: RBI, Publication-Annual-Handbook of Statistics in Indian Economy.

ATM facility is a must in today's world and chart 20 very vividly describes the reach of ATM in almost all the cities and town of the country. Offsite and Onsite ATMs are included to arrive at the culmination that public sector banks lead in this section followed by Private sector banks. ATMs of foreign sector banks also exists in the country but their share is highly insignificant as compared to other two sectors of the banking industry.

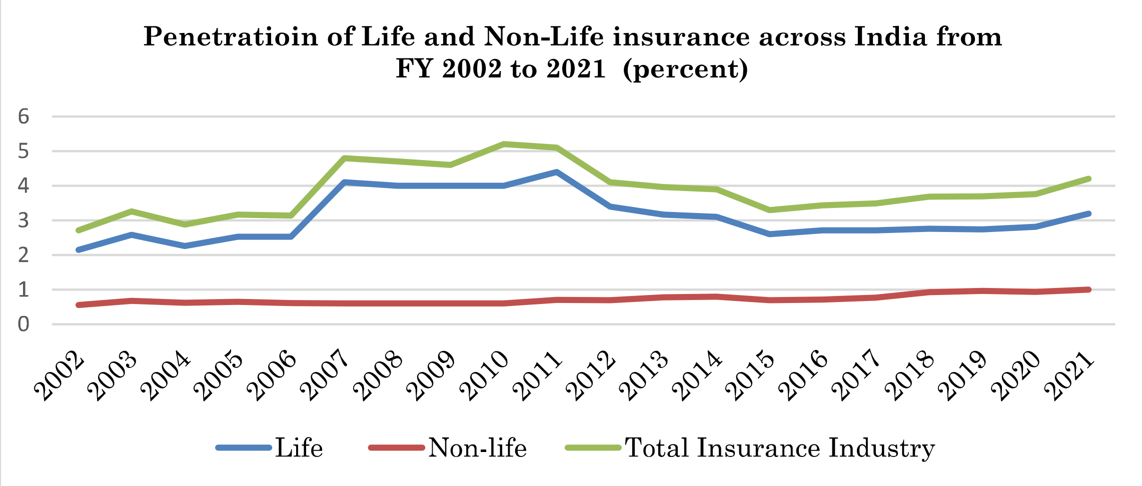
Financial Inclusion through Microfinance

Micro finance is an excellent means to provide funds to the economically challenged individuals. It refers to offering micro loans, savings instruments and other financial product and services to small scale enterprises and those who are less fortunate as they are unable to tap the traditional banking options. This facility helps the impoverished persons to come out of their hopeless financial condition by starting a small business or get a job and improve their standard of living. It is a magnificent mode of achieving financial inclusion as it is very cost-effective. The remarkable growth of Microfinance Institutions in the form of numbers and amount for loans disbursed and outstanding with banks is set forth as per NABARD report. The number of loans disbursed and outstanding in 2016-17 were 2,314 and Rs. 19,304 (crores) which rose to 28,562 and Rs. 12,739 (crores) respectively, in 2020-21. In terms of loans outstanding with banks it was Rs. 29,225 (crores) in 2016-17 to Rs.22,6602 (crores) in 2020-21. This shows that loan outstanding with banks by the micro industries is under supervision and control.

Insurance Penetration

Financial Inclusion is usually thought of as availability to financial services at a reasonably low cost only. But it includes Insurance as well, a part of other financial services as suggested by The Committee on Financial Sector Reforms led by Chairman Dr. Raghuram G. Rajan. According to the data of IRDA – Insurance Regulatory and Development Authority life insurance penetration as on January 2021 was only 3.6% of the GDP as against 7.13% of global average. In case of non-life insurance, it reported only 0.94% of GDP as opposed to the world average of 2.88%.

Figure 16: Penetration of Life and Non-Life insurance across India



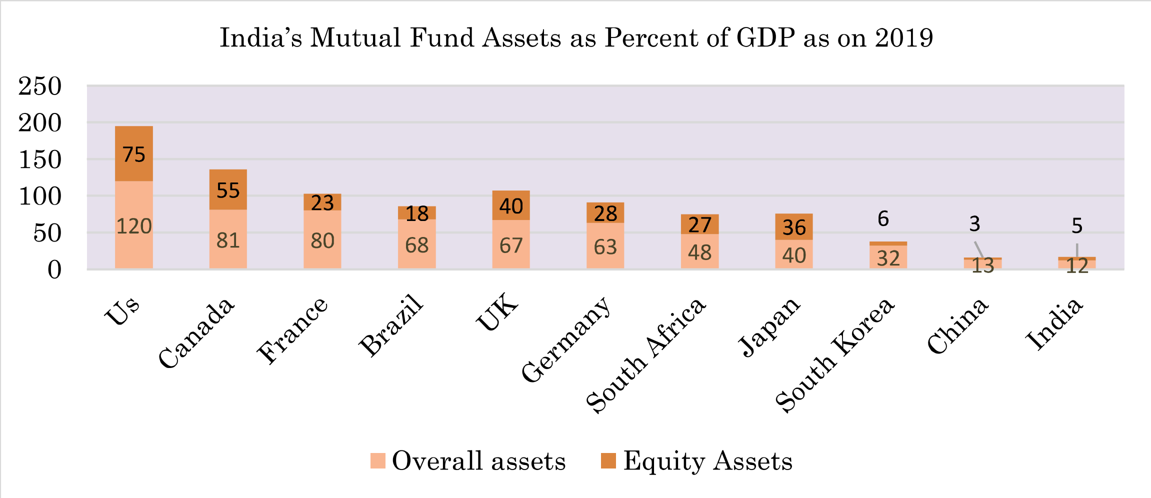
Source: irdai.gov.in

The overall insurance penetration in the country is below the average than that of the global level. The data of almost 2 decades from 2002 to 2021, in figure 16, unveils that India is very slow in catching up with the penetration of insurance in the country. Also, where the acceptance and popularity of Life insurance has gained some success, penetration of non-life insurance is very poor and is lagging behind.

Equity and MFI Penetration

Equity and Mutual fund investment is only 5% of GDP as mirrored with world average of 35%. It is the lowest as compared to other countries of the world. As clearly exhibited in the figure 17, India is lagging behind the rest of the countries in the world in respect to Equity and Mutual fund penetration. This low demand can be attributed to low level of literacy, cultural attitudes and low supply of Mutual Funds from AMC- Asset Management Companies, outside the major cities. This ratio can he increased by rising the awareness. Easing the transitioning and laying down a structure to bring more individuals in the brackets of Equity and Mutual fund.

Figure 17: India's Mutual Fund Assets as Percent of GDP as on 2019



Source: World Bank

Banks Credit to MSME

The Micro, small and Medium Enterprise need regular funding in order to grow and establish. Indian Government has taken several steps and launched many schemes to provide credit to MSMEs as they contribute in building a strong economy.

Private Corporates assisting in Financial Inclusion

Along with the Government, many private corporates are contributing in gain success in the goal of financial inclusion. Several projects are organized and implemented to cover the low income individuals in the development projects. Programs like E-Choupal or E-Sagar by ITC, Haryali Kisan Bazaar by DCM, project Shakti by Hindustan Unilever and alike.

Table 5: Bank Credit to MSMEs (No. in Lakhs and Amount in Crores)

Enterprise Type		2018-19	2019-20	2020-21
Micro Enterprises	No. of Accounts	255.6	352.9	394.48
	Amount Outstanding	6,59,102.4	7,16,962.3	7,63,109
Small Enterprises	No. of Accounts	23.03	23.26	23.26
	Amount Outstanding	6,38,030.8	6,33,624.9	6,33,624.9
Medium Enterprises	No. of Accounts	2.6	3.52	5.32
	Amount Outstanding	1,97,419.2	1,95,487.0	2,70,924
MSMEs	No. of Accounts	320.68	379.69	423
	Amount Outstanding	15,10,650.5	15,46,074.2	16,86,325

Source: RBI, Annual reports

Table 5 vividly describes the increase in credit extended by banks to micro, medium and small enterprises during 2018 to 2021 in number of accounts and Amount of loans outstanding.

Conclusion

From playing a prominent role in poverty reduction to lessening the distance between financial institutions and customers, financial inclusion strategy of India has reflected its impact thoroughly with time. Tracking down its progress and potential in this paper, FI`s high rise in achieving its determined targets in almost all schemes and sectors has been observed. The study derives that by implementing National Strategy of financial inclusion, it will be a win-win situation for one and all, as the banking sector will receive stability and customers will be able to enjoy financial products and services. In spite of achieving a remarkable progress there still is a long way to tread on to accomplish the aim of the population being banked from remaining unbanked in India.

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