Suggestions made by the Reserve Bank of India for Financial Inclusion

Following suggestions should be adopted to frame the way forward to meet the dream of Financial Inclusion:

New Bank Licenses

Figures from 2011 census indicate that out of 1.21 billion Indians, .83 billion live in villages and .37 billion in cities. Rural area accounts for nearly 70 percent of the total population. Only 37 percent of scheduled commercial bank branches operate in rural areas with a dismal of 40 percent of the population holding bank accounts. There is a process of evaluation of new bank license applications to ensure the growth of banking system in size and sophistication so that it may fulfill the needs of a modern economy and for improving access to banking services. Banks are expected to go beyond simply beefing up infrastructure like handheld devices, smart cards, better vendors and service providers, etc necessary to scale up the activities of financial inclusion. The most important part of new license policy of Reserve Bank of India is that opening of 25 percent of new commercial banks branches in unbanked rural areas is mandatory. These new banks are expected to bring new technology innovative models and delivery models to speed up the roll out of financial services to remote areas. Credit growth in rural areas coupled with technology can only be provided by the banking sector. There are banks only to replace the private lenders who are exploiting the rural population for a longer period by way of huge interest and charges. RBI and the new banks have to create awareness in the rural public and ensure the credit is reaching the needy. With proper enforcement of rural measures for economic growth by the regulator, the new licensing of banks can pave the way for future economic growth in the country. Since 2005, due to RBI’s concerted efforts, the number of branches of scheduled commercial banks increased significantly from 68,681 in March 2006 to 1,02,343 in March 2013. In rural areas, the number of branches increased from 30,572 to 37,953 during March 2006 to March 2013.
Business and Delivery Model

Several challenges are being faced in implementation of financial inclusion policies. More and more innovative products will have to be introduced for benefiting both the banks. Business Correspondent (BC) model is more viable in this situation. Today, there are 1,88,028 villages in India (out of 6,00,000) connected with the mainstream banking system, over 147 million basic banking accounts (previously known as No Frills accounts) have been opened and more than 74,000 habitations with a population of over 2,000 are connected with formal financial system. Business Correspondents’ have played a key role in making this possible. The target market is very price sensitive as Business Correspondents largely target low-income customers with irregular cash flows. However, the pricing varies from one bank to another, so some banks charge an account opening fees for Basic Savings Bank Deposit Accounts (Basic Savings Accounts) while others do not. As a result, in a given village, a Business Correspondents from one bank may charge a Basic Savings Bank Deposit Accounts opening fee and another bank’s Business Correspondents may not. Similarly, the fee per transaction (withdrawal or deposit), differs between banks. A person, acting as Business Correspondents for multiple banks believes that accounts with no account opening charges will demonstrate higher usage and less dormancy as compared to accounts with charges. Hence, this lack of a uniform pricing strategy among banks adversely impacts uptake and contributes to dormant accounts.

Of 2,68,000 banking outlets nearly 2,21,000 are Business Correspondents i.e. nearly 82 percent. Sustainability and scalability of the Business Correspondent model is essential. To ensure increased banking penetration and control over operations of Business Correspondents, banks have been advised to establish low cost branches in the form of intermediate brick and mortar structures in rural centers between the present base branch and locations of Business Correspondents, so as to provide support to a cluster of Business Correspondents (about 8–10 BCs) at reasonable distance of about 3-4 kilometers. Business Correspondents’ should not be limited to serving just the rural poor. To make them economically viable and sustainable they should serve the rich and the poor globally. Business Correspondents should be large non-profit entities that strive to attract top quality talent. They should be well managed to provide distribution,
financial literacy, customer service and demand aggregation to multiple service. Since that watershed regulation was introduced, the Reserve Bank of India says there are 221,341 “Business Correspondents” or Customer Service Points employed by banks to help get services to people at the bottom of the income pyramid.

Allow Business Correspondents to charge their customers a fee in exchange for membership “perks” (lower cost of daily goods) model. To make a financial revolution possible we need to make more and more transactions electronic (because the cost of an electronic transaction at scale is close to zero) and reduce the cost of a cash transaction to Rs.2/- to Rs.3/-. We also need to operate in a paper less, card less and leverage existing infrastructure while raising a large deposit pool to meet the credit needs of the unbanked.

**Encourage people to access banking services**

After 1991, share of non Institutional sources has been increased – especially share of money lenders increased from 17.5 percent in 1991 to 29.6 percent in 2002.

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<tr>
<th>S. No.</th>
<th>Particulars</th>
<th>Percentage</th>
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<tr>
<td>1.</td>
<td>Bank Account (savings)</td>
<td>57</td>
</tr>
<tr>
<td>2.</td>
<td>Life Insurance</td>
<td>10</td>
</tr>
<tr>
<td>3.</td>
<td>Non-life insurance</td>
<td>0.6</td>
</tr>
<tr>
<td>4.</td>
<td>Debit Cards</td>
<td>13</td>
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<td>5.</td>
<td>Credit Cards</td>
<td>2</td>
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The above table provides a set of summary statistics relating to penetration of various categories of financial products. First, the relatively low penetration of bank branches must be highlighted – only 30,000 out of 6,00,000 habitations have a banking presence. As is well understood, the goal of having a physical banking facility in every habitation is unrealistic, which is why the inclusion strategy is largely based on the use of Information and Communication Technology (ICT) to expand banking access virtually through the mechanism of a Business Correspondent (BC), who carries a handheld device networked to the bank systems. This is enormous technological discontinuity enabled by
the spread and efficiency of the mobile telephone network and, clearly, the inclusion strategy must take full advantage of this resource.

The banks should step up to overwhelm all these problems and to disseminate its service to remote areas. The banks should encourage the people to access banking services by ways of no frills account, financial inclusion campaign and business correspondent. The government should encourage the banks to adopt financial inclusion by means of financial assistance, advertisement and awareness programme etc. to achieve the Inclusive Growth. Using the first phase of our FI initiative, 74,000 outlets are successfully opened in the rural areas. Nearly 2,68,000 banking outlets have been set up in villages as on March 2013 as against 67,694 banking outlets in villages in March 2010. About 7,400 rural branches opened during this period. Nearly 109 million Basic Savings Bank Deposit Accounts (BSBDAs) have been added, taking the total number of BSBDAs to 182 million. Share of ICT based accounts have increased substantially – Percentage of ICT accounts to total BSBDAs has increased from 25 percent in March 2010 to 45 percent in March 2013. With the addition of nearly 9.48 million farm sector households during this period, 33.8 million households have been provided with small entrepreneurial credit as at the end of March 2013 with the addition of nearly 2.25 million non-farm sector households during this period, 3.6 million households have been provided with small entrepreneurial credit as at the end of March 2013. About 4904 lakh transactions have been carried out in ICT based accounts through BCs during the three year period. Going forward the idea is to enable more transactions in these accounts by providing more credit products, which will not only help rural people to avail of credit at comparatively lower rates of interest. An ATM network is also in place. Credit growth in the rural areas coupled with technology can only be provided by the banking sector, banks can replace the private lenders who are exploiting the rural population for a longer period by way of huge interest and charges. Reserve Bank of India and new banks have to create awareness in the rural public and ensure the credit is reaching the needy.

Financial education

There is lack of awareness about financial inclusion among the people. An integrated approach is adopted for financial inclusion wherein the supply side initiatives are supported by initiatives on the demand side. In this direction banks have to support
financial literacy and awareness drives to make people understand the benefits of linking with the banking system. Financial education should be included in school curriculum to educate children about the benefits of banks and banking services. This will go a long way in inculcating responsible banking habits at the young age. The Technical Group of the FSDC has designed a National Strategy on Financial Education. It was advised that FLCs and all the rural branches of scheduled commercial banks should scale up financial literacy efforts through conduct of outdoor Financial Literacy Camps at least once a month, to facilitate financial inclusion through provision of two essentials i.e. ‘Financial Literacy’ and easy ‘Financial Access’. Accordingly, 718 FLCs have been set up as at end of March 2013. A total of 2.2 million people have been educated through awareness camps / choupals, seminars and lectures during April 2012 to March 2013.

Table 7.1
Progress of Financial Literacy Camps (FLC)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>June 2012</th>
<th>September 2012</th>
<th>December 2012</th>
<th>Progress - April 2012 to December 2012</th>
</tr>
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<tbody>
<tr>
<td>No. of FLCs</td>
<td>483</td>
<td>575</td>
<td>656</td>
<td>173</td>
</tr>
<tr>
<td>No. of camps conducted</td>
<td>5,682</td>
<td>7,290</td>
<td>15,289</td>
<td>28,261</td>
</tr>
<tr>
<td>Persons educated in camps</td>
<td>2,30,808</td>
<td>4,19,143</td>
<td>5,03,272</td>
<td>11,53,223</td>
</tr>
<tr>
<td>Persons educated - Indoor service</td>
<td>74,525</td>
<td>1,26,367</td>
<td>1,40,119</td>
<td>3,41,011</td>
</tr>
<tr>
<td>Total Persons educated by FLCs</td>
<td>3,05,333</td>
<td>5,45,510</td>
<td>6,43,391</td>
<td>14,94,234</td>
</tr>
</tbody>
</table>

Various studies reviewed the effect on literacy percentage and branch density on financial inclusion in 35 states on union territories in India. They used quintile regression to evaluate the significance of the impact of these two factors. The data on adult population (above 19 years) and literacy percentage for each state/union territory was obtained from 2001 Census report. Data on the number of bank offices and total number of deposit (saving/current/term deposit) account for each state/union territory were obtained from the Reserve Bank of India and BSR Report 2009. It was concluded that branch density in a state measured the opportunity for financial inclusion in that state. Literacy was observed as a prerequisite for creating investment awareness, and hence intuitively it seemed to be a key tool for financial inclusion. But the above observations also implied that literacy alone could not guarantee high level financial inclusion in a
state. Branch density had a significant impact on financial inclusion. It was not possible to achieve financial inclusion only by creating investment awareness, without significantly improving the investment opportunities in a state. It was observed that if a state/union territory was among the top 20 percent in terms of financial inclusion, with a given level of literacy, then increase in literacy percentage could further improve the level of financial inclusion in that region.

**Collaborative Efforts**

Financial Inclusion cannot be achieved without the active involvement of all stakeholders like Reserve Bank of India (RBI), other financial regulators, banks, government(s), NGOs, civil societies, etc. The current policy objective of inclusive growth with financial stability cannot be achieved without ensuring universal financial inclusion. Banks cannot achieve this on their own. An entire support system has to be partner with them in this mission. All the stakeholders need to join hands and make it possible. The support of policymakers, regulators, governments, IT solution providers and public at large would bring a decisive transformational change in Indian banking. To achieve faster spread of financial inclusion, it is very important that all the stakeholders, particular commercial banks, recognize the need to take the banking services with the technological support to the people rather than waiting for the people to reach out to the banks. Self help group (SHG) bank linkage programme had increased the flow of institutions credit to households and discourages non-institutional borrowing through the thrift creation. Reviewed from the study of Davangere district of Karnataka State, it was found that though the district was being served by 87 branches of commercial bank and 42 branches of regional rural banks besides a large number of credit cooperative societies, financial inclusion continued to be a major challenge there. In this study arithmetic mean values of borrowing during 1-7-2006 to 1-6-2007 from institutional and non-institutional sources were computed separately for the households ‘without SHG’ and households ‘with SHG’. Results were clear that the SHG-Bank linkage programme had increased the flow of institutional credit to landless and marginal farm households and discouraged no-institutional borrowing through the thrift creation (Rangappa et al., 2011).
**Electronic Benefits Transfer (EBT)**

To plug the leakages that are present in transfer of payments through various levels of bureaucracy, the government of India launched an ambitious Direct Benefits Transfer (DBT) programme on 1st January 2013. Reserve Bank of India issued operational guidelines on implementation of Electronic Benefit Transfer and its convergence with Financial Inclusion Plans (FIPs). The programme promises to transform service delivery in India by transferring government benefits and subsidies directly into the hands of residents through a biometric based identification system (Aadhaar), speeding up payments, removing leakages, and enhancing financial inclusion. Government has begun the procedure of transferring payment directly to accounts of the beneficiaries. Central and state government transfers and subsidies in India today stand at about Rs.4.2 trillion a year ($70 billion approximately; about 4 percent of India’s gross domestic product, or GDP). Currently, these transfers happen through multiple intermediaries. In the process, the amount gets diminished in value before it reaches the ultimate beneficiary. Rajiv Gandhi had famously said many years ago that only 15 paise of a rupee of government spending reaches the ultimate beneficiary; studies suggest that today this has increased to 50-60 paise of a rupee, still leaving a huge leakage of up to 2 percent of GDP every year. DBT aims to radically change this by transferring money electronically directly to the beneficiary, thereby eliminating the layers of intermediaries in the process. Because biometrics are unique, a DBT system removes ‘duplicates’ (a name getting benefits more than once) and ‘fakes’ (benefits being taken in the name of a non-existent or fictitious person). This alone could over time save the government up to 1.2 percent of GDP, which is currently ‘lost in transit’. DBT thus presents a unique ‘win-win’ for both residents and the government. This “human-less” transfer of payment is expected to provide better benefits and relief to the beneficiaries while reducing government’s cost of transfer and monitoring. Once the benefits start to accrue to the masses, those who remain unbanked shall start looking to enter the formal financial sector.

Through strategic and sustained advocacy, the United Nations Secretary-General’s Special Advocate for Inclusive Finance for Development (UNSGSA) encourages cooperation and commitment from political leaders, regulators, global standard setters,
civil society, the private sector, and most importantly, those currently outside the financial system, to break down barriers and build a more inclusive future.

A Reserve Bank of India (RBI) panel, headed by Mr. Nachiket Mor, a Member of RBI’s Central Board, has recommended that a special category of banks, called payments banks, be set up to widen the spread of payment services and deposit products to small businesses and low-income households in Asia’s third-largest economy, where about 40 percent of the population still do not have access to formal financial services. Such banks will have a minimum entry capital requirement of Rs.50 crore, one-tenth of what a full-service bank requires, since they will have a near-zero risk of default.

Payments banks will be required to comply with all RBI guidelines relevant for commercial banks. Existing banks should be permitted to create a payments bank as a subsidiary.

The panel has also proposed the creation of a Universal Electronic Bank Account (UEBA) for all adult Indian citizens and access to formal credit for low-income households and small businesses by January 2016 and major changes in priority sector lending norms, among other things. The country should have enough number and distribution of electronic payment access points so that “every single resident would be within a 15 minute walking distance from such a point anywhere in the country” by January 2016, the panel said.

The panel recommendations for dedicated banks for financial inclusion has come at a time when the Central Bank is in the process of giving entry to a third set of private banks in India’s Rs.81 trillion banking sector.

The panel has recommended the creation of a set of banks called wholesale banks to provide liquidity to other banks and financial institutions creating assets in the so-called priority sectors. Such banks, given that their primary role is to give loans, will only be permitted to accept deposits of more than Rs.5 crore, the panel said. They too will have a minimum entry capital requirement of Rs.50 crore.

The panel has also proposed that all loans given to landless labourers and small and marginal farmers be counted as a part of direct agriculture and not merely the wages component of a loan given to a farmer for financing her agricultural production. At the
end of November, banks have lent Rs.1.7 trillion to various sectors under priority sector lending, compared with Rs.1.4 trillion a year-ago.

To enable non-banking financial companies (NBFCs) to become more active in spreading financial inclusion, the panel has recommended a partial convergence of norms for NBFC and banks with regard to bad loan norms.

Some experts are of the view that existing institutions such as Grameen Banks can be used effectively to expand access to financial services to the poor. On UEBAs, the panel said every resident should be issued a UEBA automatically at the time of receiving their Aadhaar Card number by a “high quality, national, full-service bank”. An instruction to open the bank account should be initiated by Unique Identification Authority of India upon the issuance of an Aadhaar Card number to an individual over the age of 18 years. To open such an account the customers will not be charged an account opening fee but the banks will be free to charge for all transactions, including balance enquiry.

According to the panel, by 1 January 2016, each low-income household and small business would have “convenient” access to providers that have the ability to offer them “suitable” investment and deposit products, and pay “reasonable” charges for their services.

In order to encourage banks to actively manage their exposures to various sectors, including priority sector, the panel has proposed to make it mandatory for banks to disclose their concentration levels to each segment in their financial statements. Under the priority sector lending, banks are required to lend 40 percent of their loans to agriculture and economically weaker sections of the society. The panel has also proposed to do away with the requirement of prior approvals from RBI to create dedicated subsidiaries for financial inclusion.

Even though banks are already permitted to set up specialized subsidiaries after getting specific approvals from RBI, no approvals have been granted potentially due to concerns around circumvention of branch licensing guidelines, the panel said.

Noting that banks may choose to focus their priority sector strategies on different customer segments and asset classes, the panel has recommended that RBI should provide specific guidance on differential provisioning norms at the level of each asset class.
Indeed, Financial Inclusion is needed for rural and downtrodden masses that are the future growth engine of the economy. From the initiatives undertaken by the different world governments to foster financial inclusion, one cannot undermine the need to include the economically underprivileged in the mainstream banking sector. The role of various ICT tools and associated technologies in providing financial solutions to the unbanked is also substantial. Rural ATMs, plastic cards (like smart cards, biometric cards, etc.) and mobile payment technologies do have the ability to engage the unbanked sections.

Steps have been taken by the Government for the expansion of banking services and linking of opportunities among various segments of financial sector like capital markets, insurance, etc. to achieve its aim of Inclusive Growth. High GDP growth in India, triggered by an open economy has created job opportunities in urban and semi-urban India and it will go further into rural India, increasing the potential for growth to vast sections of disadvantaged and low income groups.

Commercial banks are making use of the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions, NBFCs, etc. as intermediaries for providing financial and banking services which could be used as business facilitators (BF) or business correspondents (BC) by them. Government initiatives to support FI needs to be backed by progressive policies. This can be achieved only through Public-Private Partnership Model powered by ubiquitous technologies.

Conclusion

The Government of India and the Reserve Bank of India have been making concerted efforts to promote financial inclusion as one of the important national objectives of the country. Some of the major efforts made in the last five decades including - nationalization of banks, building up of robust branch network of scheduled commercial banks, co-operatives and regional rural banks, introduction of mandated priority sector lending targets, lead bank scheme, formation of self-help groups, permitting BCs/BFs to be appointed by banks to provide door step delivery of banking services, zero balance BSBD accounts, etc. The fundamental objective of all these
initiatives is to provide the financial services to the large section of the hitherto financially excluded Indian population.

However, it is disheartening to note that the number of people with access to the products and services offered by the banking system continues to be very limited even years after introduction of inclusive banking initiatives in the country through measures such as the cooperative movement, nationalization of banks, creation of regional rural banks, etc. As Nobel Laureate Prof. Amartya Sen has also noted, “the thrust of developmental policy in India has undergone a paradigm shift from an exclusive focus on efficiency to one on equity; from the rate and pattern of growth, and on inequalities, distribution of income and wealth to the extent to which people are deprived of the requirements for leading a fulfilling life and suffer ‘capability deprivation’.

Over the past five years, Reserve Bank of India, as also other policy makers have resolutely pursued the agenda of financial inclusion and achieved discernible progress in improving access to financial services for the masses. The importance of financial inclusion has been emphatically underlined in the wake of the financial crisis. The crisis has had a significant negative impact on lives of individuals globally. Millions of people have lost their livelihoods, their homes and savings. One of the prominent reasons for the crisis was that the financial system was focused on furthering its own interests and lost its linkage to the real sector and with the society at large. The crisis also resulted in a realization that free market forces do not always result in greater efficiency in the financial system, particularly while protecting the interests of the vulnerable sections of society. This is due to the information asymmetry working against these sections, thereby placing them at a severe disadvantage. In wake of the Crisis, therefore, Financial Inclusion has emerged as a policy imperative for inclusive growth in several countries across the globe. However, though much lip service has been paid to Financial Inclusion, the actual progress has remained far from satisfactory. It is regrettable that the entire debate surrounding financial inclusion has generated significant heat and sound, but little light.

The Reserve Bank of India (RBI) and the Government of India have been making efforts to increase banking penetration in the country. Notwithstanding various improvements, financial inclusion found a place in the every financial policy of the RBI.
The RBI has undertaken number of measures with the objective of attracting the financially excluded population into the structured financial system. In addition to these, some of the other major initiatives taken by RBI and Government are as follows: Opening of No Frills Accounts, Easier Credit facility by introducing a General Purpose Credit Card facility up to Rs.25,000, Simpler 'Know Your Customer' (KYC) procedure, Use of Information Technology, implementation of Business Correspondent (BC) Model and Project Financial Literacy, Financial Literacy and Credit Counseling programme and establishment of Financial Inclusion Fund.

Trends and patterns of economic inequality across Indian states are analyzed. Dynamics of growth in the country are discussed which is resulting in regional imbalances and propose measures for alleviating the problem. The inter-state inequality in bank branches, credit accounts, saving accounts and credit deposit ratio show a clear picture of regional inequality in India.

The Reserve Bank has taken various steps to intensify the credit delivery mechanism and financial inclusion by changing the guidelines for priority sector lending and trying to bring excluded people from both rural and urban areas under the coverage of institutional finance. It is impossible to think about inclusive growth without access to formal finance at an affordable cost. In order to provide credit to the productive sector, which has the potential for employment generation, the Reserve Bank has taken a host of measures including revising the priority sector lending guidelines, which have been in existence since the 1970s. Apart from providing credit under this scheme, the Reserve Bank has adopted a policy of providing credit through multiple channels, viz. involving self-help groups (SHGs) and microfinance institutions (MFIs), expanding the scope of the business correspondence (BC) model, simplifying procedures and processes for micro and small enterprises (MSEs) and adopting information and communication technology (ICT) solutions for greater outreach and lower transaction costs.

**Strategies of Reserve Bank of India (RBI) for Financial Inclusion**

The strategies that need to be adopted for financial inclusion are as follows:

i) **Policy measures**

Financial regulators (RBI, SEBI and IRDA) and the Government of India have prescribed certain policies to improve the level of financial inclusion. A
prudent policy must ensure the safety of depositors’ funds, provide stability to the financial system and achieve universal access to financial services through synchronised efforts of the various stakeholders involved. Performance audit of banks should be conducted to measure the outreach of their target clientele and the financial inclusion targets achieved.

ii) **Making financial services simple, hassle-free and affordable**

Financing groups like self help groups or joint liability groups act as substitutes for collateral requirements, while providing social security and reducing transaction costs. Simplification of the lending procedures and lending at reasonable rates of interest can improve financial access further. The Government of India and the RBI have to ensure that the targets under the Differential Rate of Interest (DRI) scheme, which provides credit at 4 per cent interest to a targeted segment of the population, are achieved by the banks. Adoption of villages by banks and utilising the services of farmers’ clubs, non-governmental organisations, post offices, business facilitators and business correspondents also help to increase financial inclusion.

iii) **Creating a conducive climate for lending**

Quality and reliable credit information has to be provided to potential borrowers through the establishment of Rural Credit Information Bureaus. A dedicated legal structure on the lines of the Debt Recovery Tribunal (DRT) should be set up for the recovery of rural loans and for a transparent method to write off the dues of deserving or genuinely distressed borrowers. Risk mitigation measures like the National Agriculture Risk Fund would provide relief to small and marginal farmers in times of calamities. The cooperative credit structure with its grass-root presence and vast outreach should be wedded to the operational structure of commercial banks. Infrastructure projects pertaining to irrigation, connectivity and power should be taken up on a large scale to increase the credit-worthiness of individuals. Farmers clubs, training schools, agri-clinics and agri-business centres can effectively impart financial literacy to farmers.
iv) **Use of innovative products**

Innovative products are to be used to suit the rural for production of rice or wheat. As 90 per cent of the income of a below poverty-line (BPL) household in India is spent on food, PDS empowers the families to invest their income on other socially beneficial activities like education and health, enhancing income and savings of rural households and strengthening the rural economy.

On the basis of above discussion it may be concluded that despite significant growth of financial sector in India a vast segment of population especially low income groups or underprivileged section of society have not been covered under financial inclusion. Availability of banking services to the entire population without any discrimination is the prime objective of financial inclusion. In India there are many reasons for financial exclusion and it bring many negative effects on individual as well as on the society. The main reason for low financial inclusion are lack of adequate supportive infrastructure, absence of appropriate technology, financial illiteracy, lack of suitable financial products and its inflexibility. The Reserve Bank of India and Government of India has been making many efforts to increase financial inclusion. The emergence of Self Help Group as financial intermediaries in recent year has raised hopes that excluded people and rural India could be effectively financial linked. The Self Help Group Bank Linkage Programme is playing a very important role in the process of financial inclusion in India. Keeping in view the role of financial inclusion in the process of inclusive growth, its effective expansion is a must. When people become aware of the proper use and benefits of the financial services they start getting themselves associated with the development schemes run by the government and others. This has a positive impact on the process of inclusive growth. Financial inclusion is a necessary condition for inclusive growth and in order to achieve it, we should remove or reduce all regional imbalance of financial infrastructure. Financial inclusion should be used as a tool for inclusive growth and Banks, and Micro Finance Institutions, and Non Government Organisations can play a simultaneous major role to achieve it. Banks should redesign their business strategies to incorporate specific plans to promote financial inclusion of low income group treating it both as a business opportunity and as a corporate social
responsibility. Bank should also ensure wide publicity about their financial products and policies to enhance financial literacy.

A series of innovations are making it possible to provide low-cost and convenient financial services to all those who need them. Mobile phones and digital technology are changing how people bank and pay for things, in part by leveraging existing communications infrastructure and retail networks such as stores, airtime agents, post offices, and banks. And financial service institutions are reaching out to clients in new ways, such as through converted trucks with ATMs and tellers that take banking services to remote villages.

Financial products for agriculture, health insurance, and others are inspiring scalable solutions through careful design that meet client needs within their local contexts. Governments are encouraging these and other new models through policies that encourage innovation, partnership, and responsible finance. At the same time, new data efforts are enabling countries and service providers to know more about unbanked markets and client needs, and to measure progress against nationally determined targets.

Sustainable financial inclusion process depends on several factors. Credit counselling can play a crucial role in improving the prospects of repayment of loans. Though a beginning has been made in India to provide credit counselling, there is a need to step up efforts in this direction. The Government can help in improving the absorptive capacity of financial services by creating an enabling environment by strengthening the basic infrastructure. Investment in human development such as health, water and sanitation, and education would also improve the credit absorptive capacity of borrowers. Apart from this, efforts to promote financial literacy can go a long way in improving the use of various financial services, particularly by the weaker and poorer sections of the society.