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Financial Inclusion: Facilities and Challenges with Special Reference to RBI's Initiatives

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ABSTRACT

Financial inclusion is modern step taken by the Reserve Bank of India in the recent years. It refers to encouraging people to involve in banking activities. It operates its vision through commercial banks especially in rural areas. The Government of India is continuously attempting to reach out banking facilities to rural areas at affordable prices. The study is made on secondary basis. The study's main findings include India has still more than 25% of people who are unbanked. The Regulatory made it compulsory to all banks to provide zero-balance "no frills" accounts to low income groups. These accounts provide basic facilities to bank customers such as ATM card. Cash deposit/withdrawals. There is no need to keep minimum balance in these types of accounts, Unified Payments Interface (UPI) and other Digital Infrastructure: The RBI provided technology development environment and thereby provide robust infrastructure facilities such as UPI, Bharath QR and online payment with easy steps. This is possible with basic featured mobile hand phones. The paper concludes that people must change their hobbies from social media to financial education. The models applied in the countries like America, Japan and England can be applied in India also to achieve full financial inclusion by 2040.

***Keywords**: UPI, BCs, ATM, PMJDY, Reserve Bank of India, BSBDAs.*

Introduction

Financial inclusion is the process of providing banking facilities of unbanked people like individuals in rural area, laborers, and marginal income urban people. Providing fair and transparent banking facilities is one of the major aims of the Reserve Bank of India. The central government is also supporting the RBI's initiatives regarding financial education to unbanked people. In India, financial inclusion has become national priority. So, the Reserve Bank of India has taken several steps such as introduction of no frills bank accounts, the Business Correspondents, the Pradhan Mantri Jan Dhan Yojana, financial literacy programs, and mobile banking activities helps in achieving financial inclusion in India. Digital payment systems are playing a vital role in this regard. Government's Direct Money Transfer also supporting the financial inclusion and thereby solving the problem of financial exclusion. Despite these steps. The problems are also experiencing. Some of the problems include lack education, lack of income, lack of technology. The Reserve Bank of India, The Central Government and Commerce Banks are working together to reach out financial inclusion in India.

Statement of the Problem

Still more than 25 percent of Indians are unbanked in India. It is not good from the view point of national development. Some of rural people and urban poor including female are still not in the process banking activities.

Objectives of the Study

- To study the RBI's initiatives in developing financial activities in rural areas.
- To study the challenges in implementing financial inclusion activities..
- To provide suggestions to improve financial education.

Methodology

The effort is done by collecting secondary data available in previous text books, magazines, newspapers, you tube videos and Reserve Bank of India's official website.

RBI's initiatives for Financial Inclusion

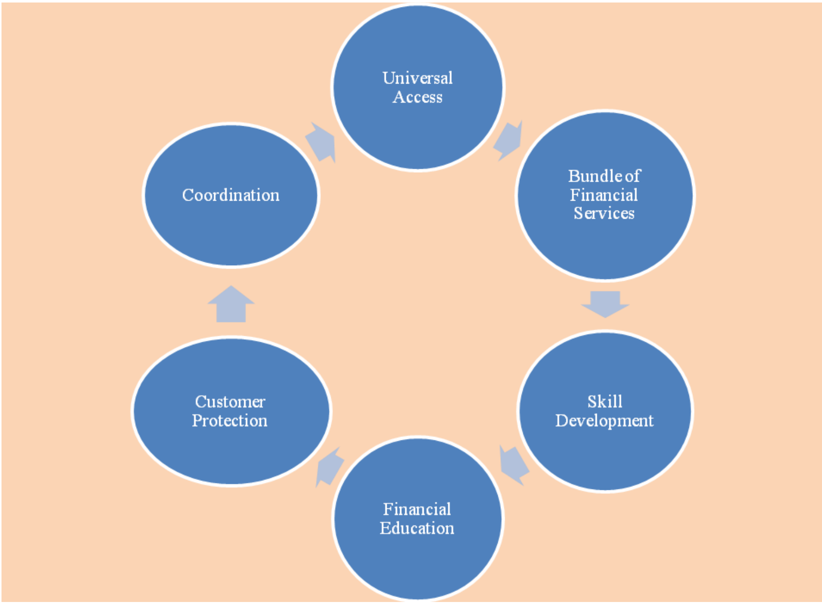
Our country's banking regulator plays a significant role in financial inclusion. Periodically it makes comprehensive strategies for achieving required financial educational activities. Some of the key initiatives are,

- National Strategy for Financial Inclusion 2019-2024: The Reserve Bank of India is giving an official action plan in association with other financial regulators. It provides the regulators plans and activities over five years to reach handsome financial inclusion.
- Basic Savings Bank Deposit Accounts (BSBDAs): The Regulatory made it compulsory to all banks to provide zero-balance "no frills" accounts to low income groups. These accounts provide basic facilities to bank customers such as ATM card. Cash deposit/withdrawals. There is no need to keep minimum balance in these types of accounts.
- Easy account opening rules: The central bank simplified the documentation for vulnerable sections of the population. Adhar card is enough to open bank account.
- Focus to rural branch expansion: The Reserve bank of India made it compulsory to all commercial banks to open at least 25% of new branches in rural areas. This enable banking facilities to rural areas which save the time and procedure of operation of bank accounts.
- Business Corresponded (BS) model: It is the ground reality that every village cannot be banked due to lack of banking transactions. So, commercial banks are asked to appoint BCs, these works between banks and rural people. They provide doorstep banking services at easy terms and conditions. They leveraged banking technology and banking procedure.
- Licensing of NBFCs: The Manappuram finance, Muthoot finance are some of the examples for the Non-banking Financial Corporations. These are accelerating gold loans to middle and low income people.
- Financial Inclusion Index: The banking regulator of India publishes annually this index to measure the success rate of its initiatives and its benefits to people. Year on year it indicates the development of financial education area.
- Kisan Credit Card and General Credit Card: The RBI suggested all banks to provide Kisan Credit Card to farmers for their immediate financial needs. This provide credit up to Rs. 25,000 at rural and sub-urban branches to ensure access to formal credit to farmers and thereby it avoids exploitation by informal money lenders.
- Priority to Agriculture & MSMEs: Since India is agriculture based country, there is lot of scope for Micro, Small and Medium enterprises. So, regularly, RBI is guiding the banks to prefer loan facilities to these sectors at subsidies.
- Unified Payments Interface (UPI) and other Digital Infrastructure: The RBI provided technology development environment and thereby provide robust infrastructure facilities such as UPI, Bharath QR and online payment with easy steps. This is possible with basic featured mobile hand phones.
- Public Awareness Campaigns: During the entire year, RBI is providing public awareness activities to people to educate them about the benefits of banking activities. It also educate people about digital frauds.
- Financial Literacy Centers: The RBI is asking the banks to set up FLCs and conducts regular camps to promote financial educational activities among farmers, women and the urban poor. The Canara bank is taking a leading role in rural areas in this regard.

- Pradhan Manthri Jan Dhan Yojana (PMJDY): It is a co-ordination between government schemes and commercial to reach out unbanked areas and people. All commercial banks are involving in this regard as a remedy for corporate Social Responsibility activity.

National Strategy for Financial Inclusion 2019 – 2024

The National Strategy for Financial Inclusion (2019–2024) outlines the vision and main objectives of India's financial inclusion policies. It aims to broaden and strengthen the financial inclusion process nationwide through coordinated efforts and collaboration among all stakeholders in the financial sector.



Financial Inclusion – Challenges

- Limited Banking Infrastructure: The success of financial inclusion is highly depending on internet and mobile access. Due to mergers and acquisitions of various mobile operating service sectors such Airtel and Jio company, they eradicated other mobile operators like Aircel, Vodaphone, Vergin, MTS and created high degree of monopoly. This leads to burden on the part of mobile companies. So, there is poor network facility of internet. This is hurdling rural banking development facilities in village areas.
- Higher costs: Banks must charge certain minimum charges on the bank customers to manage their daily working capital. But, this is felt by rural people as heavy banking costs. Since banks are economic institutions they cannot work as like Non-Government Organizations.
- Low income people: Even now also more than 25 percent of Indians are living Below Poverty Line. Their incomes are irregular depending on monsoon and agricultural activities. So, marginal income people cannot bear banking expenses like commission on demand drafts, cheque collection charges, penalty on minimum balance maintenance, annual account maintenance charges etc.
- Lack of Credit history: Banks need credit history to trust and provide loan facilities to rural people. But, many of them are borrowing loans from informal money lenders, they don't have credit history as like PAN card. This discourage banks in lending to rural people.
- Lack of financial knowledge: Many rural people have hurdle of financial education. So, they does not understand the earnings, savings and credit facilities. This definitely troubles all people involved in financial inclusion process including business correspondents.
- Lack of trust: Many unbanked people don't trust the central government's efforts and RBI's initiatives in financial inclusion process. They spread banking activities negatively among innocent individuals.

- Cyber security risks: Frauds are found in digital banking activities. In spite of bank's direct monitoring, day by day the rate frauds are increasing. This creates fear in the mind of people about banking activities.
- Limited Digital Skills: The rise of digital financial services is challenging for those with low digital literacy. Many people are unfamiliar with digital payments and mobile banking and may be wary of using new technology

Findings and Suggestions

- More than 25 percent of Indians are still unbanked in rural areas among poor and marginal income levels.
- The National Strategy for Financial Inclusion (2019–2024) outlines the vision and main objectives of India's financial inclusion policies,
- The Reserve Bank of India is attempting full financial inclusion in India by 2050. So, it is coordinating through commercial banks.
- Business Correspondents and working between banks and rural people. They provide banking facilities at the door steps of people.
- The Business Correspondents are working on working days as well as holidays to connect laborers due to working from Monday to Saturday.
- Frauds are found in digital banking activities. In spite of bank's direct monitoring, day by day the rate frauds are increasing. This creates fear in the mind of people about banking activities,
- It is suggested to people to check the banking application to avoid cybercrimes and frauds.
- Many unbanked people don't trust the central government's efforts and RBI's initiatives in financial inclusion process. They spread banking activities negatively among innocent individuals.
- It is suggested to the RBI to initiate some more financial education camps to canvas the benefits of financial inclusion.
- Still bank opening and operating procedure must be simplified to motivate people to take more banking activities. This leads to national development through economic activities.

Conclusion

Financial inclusion is not one person's job. It is the combined efforts of commercial banks, the Reserve Bank of India, the Central Government and Individuals. The involvement of individuals must be more to achieve finical education. People must change their hobbies from social media to financial education. The models applied in the countries like America, Japan and England can be applied in India also to achieve full financial inclusion by 2040.

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