Available online @ https://jjem.jnnce.ac.in
https:www.doi.org/10.37314/JJEM.SP0103
Indexed in International Scientific Indiexing (ISI)
Impact factor: 1.395 for 2021-22
Published on: 08 December 2023

An Overview Financial Inclusion

Dr. Ganeshappa. K[1*], Mohan. D[2*]

1*2 Department Of Commerce And Management , PESIAMS, shimoga

ganeshappak62@gmail.com mohan9611@gmail.com

Abstract:

The concept of financial inclusion is an innovative and important not only in National level but also in the world level for improving living and economic status of downtrodden people, rural non-form enterprise and different segment of the society. Financial inclusion means providing financial benefits at affordable costs to the weaker sections and neglected groups of the society. The aim of financial inclusion is to provide monetary assistance to the needed people who could not access financial assistance from the formal financial institutions. It can be success by giving financial literacy and credit mechanism should be strengthened, thereby, improve the financial condition of the beneficiaries and in turn they become financially independent for their growth in the area of socio-economic. The paper sketches an overview of financial inclusion and vitality for societal and improve the economic condition of the society. The paper emphasized to understand the financial inclusion concept and to study the guidelines issued by the Government and RBI to implement the programme. The ultimate aim of the Government is to promoting banking habits by the poor sections of the society by providing necessary financial services and reduces the different classes of the society in terms of economic condition of the society.

***Key words**: Financial inclusion, financial services, weaker sections,financial literacy,credit mechanism, economic development, poor sections.*

1 Introduction:

Financial inclusion means provide banking services to low income groups especially, those who are unable to get credit from the formal financial institutions at affordable cost. Financial services includes savings, insurance premium payments and remittance facilities to the people those who are really excluded from the formal institutions. The Government and banking sector framed special measures to solve the problems of last strata of the society who are unable to raised amount from the formal financial institutions and they are all free from exploitation by unorganized financial institutions, individuals, and unregistered Chit-fund.

The financial inclusion concept was introduced by K.C. Chakrabarthy in the year 20005. In India, Mangalom village was selected, wherein all households were provided financial facilities. Account opening procedures were relaxed and deposit with annual deposits of less-than Rs.50, 000. The credit cards were given to the poorer to assist them to have easy credit. In 2006, the Reserve Bank of India gave a permission to commercial banks to make use of the services of voluntary organizations, micro-finance institutes and other community organizations are act as linking services for providing monetary and banking services.

Definitions:

The sustainable growth of a country can be achieved by means of providing financial assistance to the untapped societal people by formal financial institutions. A financial service consists of different micro products such as savings, specially designed loans, insurance, credit payments etc. The strength and efficiency of financial programs depends on the ways and means of sources of funds from different units and finance shortage units. The real fact that low income people in the global are still unable to have the monetary services like savings, credit or insurance etc.

Claessens has defined financial inclusion as the "availability of a supply of reasonable quality financial services at reasonable quality and reasonable cost have to be defined relative some objective standard with costs reflecting all pecuniary and non-pecuniary costs."

The chairman of financial inclusion Committee defined that "Financial inclusion may be defined as the process of ensuring access to financial services and timely adequate credit where it is needed by vulnerable groups such as weaker sections and low income groups at an affordable cost".

In the year 2003, the United Nations Published that inclusive finances are as follows:

- ❖ The financial services which are available at lower cost for all households and enterprise. The monetary services are to be transact with bank which are consists of savings, short and long-term credit, leasing, and factoring mortgages, insurance, pensions, payments, local money transfers and international remittances.

- Institutes of financial or social are to have their own internal mechanism systems, industry pre-determined performance standards, pre-determined performance of monitoring by the market, as well as by sound potential regulations are necessary.
- Monetary and institutional servility as a means to have monetary services over a time.
- The strong private, non-profit and public monetary services at reasonable cost to the wide variety of alternatives to customers. The financial inclusion has its own obstacles of individuals are, rate of low literacy low. Income level is low, psychological and cultural barriers of the beneficiaries, way of living, and inadequate awareness. The State has been initiated to explore updated and innovative methods to overcome the constraints of an individual. The constraints faced by the beneficiaries overcome by providing identity cards, procedures are simplifying to provide available services, financial products attached stringent terms and conditions are relaxed and avail them at affordable costs.

2 Review of Literature:

(Dr. Supravat Bagli, Papita Dutta, 2012)In their study on a financial inclusion in India revealed that which located in south have excellence in terms of financial inclusion. In India, the performance of states in financial inclusive has a low mean and high disparity. The study stated that there is a high positive association between the human development and the financial inclusion of the states in India.

(Reddy, 2016) The study on financial Inclusion: Issues and Challenges in India indicated that there is a monetary exclusion in the means of inadequate of credit from registered institution, especially for small and marginal farmers and social groups of the society. The paper emphasis on fundamental feature of financial inclusion and it is essential for social and economic development of the society. The study highlighted on the role of financial inclusion, it will strengthen the India’s status in relation to other substitute and competent countries.

(Arun K.V, Sabik. K, 2015) In their study on financial inclusion in India –challenges and opportunities stated that most of the societal group does not have financial products and services. Overall growth of an economy can be achieved only where proper mechanism for channelization of all the resources from the high class of society to low class of the society. The study discloses that inclusive financial system is indeed for increasing efficiency and maintains welfare by providing sufficient, secure and safe practices of savings helps wide range of efficient monetary services.

(Kaur, 2015) The study on financial inclusion and digital India showed that financial inclusion consists of providing the banking services to the neglected and low income section of the society. The revealed that digital India helpful better connectivity of the different groups of the society.

3 Objectives of the study:

- To study the prominence of financial inclusion for economic and societal development of a country.
- To study the role of financial institutions in implementation of financial inclusion Suggestions and recommendations for the successive implementation of financial inclusion programme.

4 Research Methodology:

The paper is prepared based data collected from secondary sources and from books, magazines, newspapers, research journals, e-journals and opinions of scholars.

5 Financial inclusion and its importance:

The scheme of financial inclusion has its own prominence in the view of inclusive growth of the Country by extending monetary services to the all sections of the society irrespective of their caste, creed, class and community. They are:

- The financial inclusion contributed for the developed and developing nations by giving equitable importance and up-liftmen of all the classes of the society and thereby reduces the inequality in terms of income and savings.
- **Mobilization of savings:**
  The banking institutions are accepted the savings from the poor sections of the society, and provide facility of banking services which is helpful for raising of capital and growth of the economy.
- **Increase the market for financial system:**
  The sound and effective financial system will success only where larger market opened for the new entrants in the financial sector and helps to growth of the economy.
- **Social objectives:**
  The financial inclusion scheme sole objective is to eradication of poverty of the societal people by extending loans and advances and interconnecting vacuum between the weaker sections of the society and become the means of

livelihood by generating income by them.

- **Sustainable livelihood**:
  Financial inclusion is to be a boom for the poor sections of the society whenever they get the money in terms of loans and they can commence their own business activities and they can stable and sustain their life with the support of their education.
- **Political objectives:**
  The lower sections of the society have their own political objectives due to the financial inclusion. These sections of the society can give effective direction to the government programme.

6 The role of financial institutions:

There are three aspects of financial inclusion make people to have for their developments are:

- Access, financial markets for their products
- Avail the credit markets
- Indeed of financial education.

The financial inclusion consists of avail the financial products and services are:

- Saving opportunity
- Credit and debit card facilities
- Fund can be transfer through electronic means
- All loans provide to the needed beneficiary
- Individual allow draw more-than their credit balance
- Amount can withdraw by means of cheque
- Withdraw and deposit facilities
- Reasonable cost of financial products and services
- Health insurance
- Financial advisory service
- Old age pension schemes and portfolio investment
- Offline and online financial markets
- Emergency micro credit facilities
- Entrepreneurial credit, Credit for entrepreneur

  In ordered to full fill the needs of poor segments of the society, provide the above cited products and services to the people by the bank, it should opened their convenient branches at different areas which helps easy available to the all financial inclusive groups, and individuals of the society.

Benefits of inclusive financial growth:

The financial inclusion objective is to provide monetary assistance to the society on equity basis which will helpful for achieving economic development of a country and in turns, India becomes a super power in all respects.

- **Eradicate the poverty:**
  Provide formal financial services in the means of loans for productive purpose, education, or any other purpose which

will support for eradication of poverty and for economic development of a country.

- **Financial transactions made easy:**
  The easy and smooth ways of financial transactions are helpful for inclusive finance.
- **Safe savings along with financial services:**
  The beneficiaries are get services like payment and settlement facilities, entpreneurial loans should be insurance cover and with safe.
- **Inflating National Income:**
  The increasing of economic activities and business opportunities are contributed for increase the Gross Domestic Product (GDP), consequently, increases in our National Income growth.
- **Becoming a global players:**
  The easy and speedy access of financial assistance will have opportunity of global market and at the same time increasing the employment and business opportunities. . The effective financial inclusion is the good measuring rod economic Development. Inclusive growth means equity development that helps in savings, increase in per capita income national income, basic infrastructure development and development is possible place hand in hand.

7 Suggestions/recommendations:

- The banking institutions are to be updated technologically that would be benefited that poor is bankable, Government of India should take measures for implement or which are going to be implementations but it is essential to implement more efficient and effective manner.
- Develop the banking small-finance institutions, business advisors and business developers. The post office is the one of the means of communications to rural mass about future long term goals of agency banking system.
- There is required to achieve synergy between technology supporters and banking means. Implementation of financial inclusion is required to synergy core banking with small-financial applications.
- The fixation of banking interest rate by Non-government organisations (NGO) Micro-finance Institutions (MFI) which is within the legal formalities while entering into partnership with a bank.
- The government should make an effort to add on bank branches in localities of rural masses.
- The financial products of banking institutions are of simple, affordable, and with high utility.

- RBI should regularly check whether the financial products are accepted and utilized by customers effectively and find reasons for not implemented.
- The banking institutions understand the financial needs of rural masses regularly.
- Familiarise the scheme with the co-operation of NGOs and non-profit organizations/social organization to the remote and non-accessible areas.
- The banking institutions are accepting feedback of customers about the financial product services.
- RBI should support service providers to provide better mobile banking products at reasonable cost.
- Government agencies made a list of intermediaries with proper incentives to sale of financial products in remote rural areas.
- Opening of zero balance bank account with simplified procedures at each branch and all places.
- Liberalized policies are to be issued by RBI for opening a bank branches in rural areas.
- There is a provision required for working of commission agents/daily collectors on a commission basis for reaching the bank service at the door step of customers. Mobile banking system should be popularized for most of the transactions.
- Special privileges given to rural areas in the area of telephone calls and with the collaboration of non-government.
- Educate the rural masses with the support of government and village panchayats about means and importance of savings, the essential financial products and the benefits of bank account with efficient formal financial institutions.

8 Conclusions:

The financial institutions are creating awareness in the minds of the prospective beneficiaries about financial products, education and guidance on money management, debt counseling, savings and credit at affordable cost. The banking institutions are having their own strategies to enhance the services in ordered to promote financial inclusion. It can be achieved through micro-finance institutions, non-government organizations (NGOs) and support of local communities, the banking institutions are to be give wide publicity about no frills account and technology, technological machines are used and modified and it should be user friendly.

References:

- Aggarwal, M. R. (2014). Financial Inclusion in India: Challenges and Opportuniites. International journal of Research, 01 (04), 565-566.

- Arun K.V, Sabik. K. (2015, September). Financial Inclusion in India-Challenges and Opportunities. EPRA International Journal of Economic and Business Review, 03(09), 175,179
- C. Paramasivan, V. Ganeshmumar. (2013). Overview of Financial Inclusion in India. International journal of Management and Development studies, 02 (03), 48-49.
- Damodaran, A. Financial Inclusion: Issued and Challenges. AKGEC internatinal journal of technology, 04 (02), 58-59.
- Dr. Supravat Bagli, Papita Dutta. (2012, Aug). A STUDY OF FINANCIAL INCLUSION IN INDIA. A Journal of Radix International Educational and Research Consortium, 1-19.
- Kaur, G. (2015). Financial Inclusion and Digital India. International Journal of Business Management, 02(02), 1251, 1257.
- Ms. Lakhwinder Kaur Dhillon, Mr. Nipun Mittal. (2016). Inclusive Growth and Financial Inclusion (Issues and Challenges). American International Journal of Research in Humanities, Arts and Social Sciences , 145149-150.
- Pooja Sharma, Shikha Sachdeva. (2014). Financial Inclusion in India-Issues and Challenges. International Journal of Management and Social Sciences Research, 03 (06), 43-44.
- Reddy, D. J. (2016). Financial Inclusion: Issueds and Challenges in India . Anveshana International Journal Research in Regional Studies, Law, Social sciences, ournalism and management , 2-11.