FINANCIAL INCLUSION: A STUDY OF BANKERS AND BENEFICIARIES IN THE STATE OF ANDHRA PRADESH

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ABSTRACT

For developing nations the era is of inclusive growth and the key for inclusive growth is financial inclusion. Financial inclusion or inclusive financing is the delivery of financial services, at affordable costs, to sections of disadvantaged and low income segments of society. There have been many formidable challenges in financial inclusion area such as bringing the gap between the sections of society that are financially excluded within the ambit of the formal financial system, providing financial literacy and strengthening credit delivery mechanisms so as to improvised the financial economic growth.A nation can grow economically and socially if it's weaker section can turn out to be financial independent. The paper highlights the basic features of financial inclusion, and its need for social and economic development of the society. The study focuses on the role of financial inclusion, in strengthening the India's position in relation to other countries economy. For analysing such facts data for the study has been gathered through secondary sources including report of RBI, NABARD, books on financial inclusion and other articles written by eminent authors. After analysing the facts and figures it can be concluded that undoubtedly financial inclusion is playing a catalytic role for the economic and social development of society but still there is a long road ahead to achieve the desired outcomes.

Keywords: Financial Independence, Rural Banks, Plastic Money.

I. INTRODUCTION

Financial inclusion broadens the resource base of the financial system by developing a culture of savings among large segment of rural population and plays its own role in the process of economic development. Further, by bringing low income groups within the perimeter of formal banking sector; financial inclusion protects their financial wealth and other resources in exigent circumstances. Financial inclusion also mitigates the exploitation of vulnerable sections by the usurious money lenders by facilitating easy access to formal credit.

Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit

where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost (The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan). Financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products (The Committee on Financial Sector Reforms, Chairman: Dr.Raghuram G. Rajan).

Financial Inclusion is considered to be the core objective of many developing nations from lastdecade as many research findings correlate the direct link between the financial exclusion and the povertyprevailing in developing nations. According to World Bank report "Financial inclusion, or broad access tofinancial services, is defined as an absence of price or non price barriers in the use of financial services." Theterm Financial Inclusion needs to be interpreted in a relative dimension. Depending on the stage ofdevelopment, the degree of Financial Inclusion differs among countries. It"s been surprising fact that India rankssecond in the world in terms of financially excluded households after china .For the inclusive growth process ofeconomy the central bank has also provided high importance to the financial inclusion.

Normally the weaker sections of the society are completely ignored by the formal financial institutionsin the race of making chunks of profits or the complexities involved in providing finance to the weaker section.Financial inclusion or inclusive financing is the delivery of financial services, at affordable costs, to sections ofdisadvantaged and low income segments of society. There have been many formidable challenges in financialinclusion area such as bringing the gap between the sections of society that are financially excluded within theambit of the formal financial system, providing financial literacy and strengthening credit deliverymechanismsso as to improvised the financial economic growth. Unrestrained access to public goods and services is the sinequa non of an open and efficient society. It is argued that as banking services are in the nature of public good;the availability of banking and payment services to the entire population without discrimination is the primeobjective of this public policy. Thus the term Financial Inclusion can be defined as the process of ensuringaccess to financial services and timely and adequate credit where needed by vulnerable groups such as weakersections and low income groups at an affordable cost.

1.1 Financial Inclusion In India

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 include - 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 reach the large sections of the hitherto financially excluded Indian population.

II. RELATED WORK

2.1 Need of Study

Even after 60 years of independence, a large section of Indian population still remains unbanked. This malaise has led generation of financial instability and pauperism among the lower income group who do not have access to financial products and services.

In order to ensure financial inclusion various initiatives were taken up by RBI/ GoIlike Nationalization of Banks, Expansion of Banks branch network, Establishment& expansion of Cooperative and RRBs, Introduction of PS lending, Lead Bank Scheme, Formation of SHGs and State specific approach for Govt. sponsored schemes to be evolved by SLBC etc. RBI vide Mid-term Review of Annual Policy Statement for the year 2005-2006, advised Banks to align their policies with the objective of financial inclusion. Banks were advised to make available a basic banking 'No frills' account either with 'nil' or very minimum balances as well as charges that would make such accounts accessible to vast sections of population.

Besides, it has been emphasized upon by the RBI for deepening and widening the reach of Financial Services so as to cover a large segment of the rural & poor sections of population. RBI in the year 2006, with the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, decided in public interest to enable the banks to use the services ofNGOs/SHGs, MFIs and other Civil Society Organizations as intermediaries in providing financial and banking services through use of "Business Facilitator and Business Correspondent Model".

Census 2011 estimated that out of 24.67 crore households in the country, 14.48 crore (58.7%) households had access to banking services. Of the 16.78 crore rural households, 9.14 crore (54.46%) were availing banking services. Of the 7.89 crore urban households, 5.34 crore (67.68%) households were availing banking services.In the year 2011, Banks covered 74,351 villages, with population more than 2,000(as per 2001 census), with banking facilities under the "Swabhimaan" campaign with Business Correspondents.

These efforts have resulted in increased bank accounts among the rural India but a large number of accounts opened remained dormant, resulting in costs incurred for banks and no benefits to the beneficiaries.

In this backdrop, the present research proposes to study the status of financial inclusion in India, challenges, and problems therein. The following are the specific objectives set for the study.

2.2 Research Methodology

Research methodology proposed for the study is partly descriptive, partly exploratory.The study proposes to carry out an extensive review of earlier research and other published information in the area of financial inclusion to understand the concept, scope, and alternative models prevailing, as well as regulatory aspects of banking, insurance and equity products in different parts of the globe.

Primary data for the study is planned to be collected from bankers and customers of banks. Primary data regarding the specific issues, challenges, problems and opinions of financial inclusion in India will be gathered from a sample of Bankers (approximately 100) involved in this business of both public and private sector commercial banks in the state of Andhra Pradesh. The study also involves collection of primary data from the customers of banks to know their attitude, preferences, and satisfaction through a sample survey of 500 of public as well as private bank customers in the state of Andhra Pradesh.

Secondary data for the study is planned to be collected with the help of Books, Magazines, Newspapers, Research Articles,Research Journals, E-Journals, RBI Report, Report of NABARD etc.

III. CONCLUSION

Many developed Nations witnessed that in their economical deveopmemt Financial Inclusion plays a vital role. In our country also Financial Inclusion have been started but Banking sector does not implement this cocept effectively. They just making people to open an account but not making them use banking services and to particpate in transacting their transactions through bank. So the Bankers has to create awareness among people how to transact the transactions through bank and what the use of it and how it helps them and to the economic development of a coutnry.

IV. FURTHER ENHANCEMENT

To study and understand the financial inclusion models followed by various countries around the globe. To critically analyse the current status of financial inclusion in India to bringout the policy and procedural lapses. To asssess the ground realities through a survey of bank personnel of public and private sector banks in Andhra Pradesh. To ascertain the attitude, benefits and problems of beneficiaries of financial inclusion drive in the state of Andhra Pradesh and To offer feasible solutions to achieve 100 per cent financial inclusion in India

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