



THE STEERING ROLE OF BANKS IN FINANCIAL INCLUSION-LATEST TRENDS

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Abstract

Banking services are indispensable for welfare of the public. Financial Inclusion is the delivery of financial services at reasonable costs to disadvantaged sections and low-income segments of society, in contrast to financial exclusion where those services are not to be had. Government has developed many financial tactics in the rural areas. For the purpose of openhanded such financial services in trouble-free and convenient way, Government keeps introducing latest policies time to time for financial back-up of low income groups through formal financial institutions. These tactics are helpful for people who want to admittance financial services. The availability of banking and payment services to the entire population without discrimination is the prime objective of this public policy. Thus the term Financial Inclusion can be defined as the process of ensuring admittance to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at a reasonable cost. The nations should conquest and remedy to reach the financial services to the weaker sections. The banks have encountered various problems while adopting financial inclusion. The Reserve Bank of India (RBI) on Sep 16 2015, Wednesday granted 10 entities in-principle licenses to open so-called small finance banks—another move towards expanding access to financial services in rural and semi-urban areas. So, this study has been analyzing the steering role of banks in financial inclusion for welfare of the society.

Keywords. Bank, Financial Services, Financial Inclusion, Indian financial system RBI, ICICI pocket bank, PMJDY scheme.

Introduction

Money is one of the basic requirements of human beings. Development of a country is depends on how money is utilized by its citizens. Savings of the citizen's has also some importance. You know people earn money to meet their day -to -day expenses on food, clothing, education of children, having etc. They also need money to meet future expenses on marriage, higher education of children housing building and social functions. These are heavy expenses, which can be met if some money is saved out of the present income. With this practice, savings were available for use whenever needed.

The banking system in India

The banking system in India is significantly different from that of other Asian nations because of the country's exceptional geographic, social, and economic characteristics. India has a large population and land size, a diverse culture, and extreme disparities in income, which are marked among its regions. There are high levels of illiteracy among a large percentage of its population but, at the same time, the country has a large reservoir of managerial and technologically advanced talents. Between about 30 and 35 percent of the population resides in metro and urban cities and the rest is spread in several semi-urban and rural centers.

Financial Inclusion- delivery of financial services

Financial Inclusion, financing is the delivery of financial services at reasonable costs to disadvantaged sections and low-income segments of society, in contrast to financial exclusion where those services are not to be had. For the purpose of giving such financial services in trouble-free and convenient way government has developed several financial plans in the rural areas. These plans are helpful for people who want to admittance financial services.

History of banking in India

There is a long history of banking services in India. The history of banking is as old as human history. There are three different phases in the history of banking in India.

- Pre-Nationalization Era.
- Nationalization Stage.
- Post Liberalization Era.

Pre-Nationalization Era

In India, the business of banking and credit was practices even in very early times. The remittance of money through hundies, an indigenous credit instrument, was very popular. The hundies were issued by bankers known as Shroffs, Sahukars, Shahus or Mahajans in different parts of the country.



Nationalization Stages

After Independence in 1951, the All India Rural Credit Survey Committee (RCSC) of direction with Shri. A. D. Gorwala as Chairman, recommended amalgamation of the Imperial Bank of India and ten others banks into a newly established bank called the State Bank of India (SBI). The Government of India accepted the recommendations of the committee and introduced the State Bank of India bill in the Lok Sabha on 16th April 1955 and it was passed by Parliament and got the president's assent on 8th May 1955. The Act came into force on 1st July 1955, and the Imperial Bank of India was nationalized in 1955 as the State Bank of India.

The then Prime Minister, Mrs. Indira Gandhi announced on 19th July 1969 the nationalization of 14 major Scheduled Commercial Banks each having deposits worth Rs. 50 crore and above. This was a turning point in the history of commercial banking in India. Later the Government Nationalized six more commercial private sector banks with deposit liability of not less than Rs. 200 crores on 15th April 1980.

3) Post-Liberalization Era---thrust on quality and profitability

By the beginning of 1990, the social banking goals set for the banking industry made most of the public sector resulted in the presumption that there was no need to look at the fundamental financial strength of this bank. Consequently, they remained undercapitalized. Revamping this structure of the banking industry was of extreme importance, as the health of the financial sector in particular and the economy as a whole would be reflected by its performance.

Proclamation of the knotty

An inclusive financial system has several merits. It facilitates efficient allocation of financial service to the vulnerable groups. The importance of an inclusive financial system is widely recognized in the policy circle and recently financial inclusion has become a policy priority in rural areas. The financial service is a dynamic concept and what is good today may not be so in future. In present days, drastic changes have been occurring in banking industry.

Now-a-days they are giving much importance to financial services. The need for each group of customer is different from that of others. It is therefore necessary to identify different groups of customers, find out their needs and satisfy them in the best possible manner. Therefore, some bank setup franchise which grants various types of loans.

Indian financial system

The Indian financial system can be broadly classified into the formal (organized) financial system and the informal (unorganized) financial system.

1) The formal financial system

(i) This system comes under the Ministry Of Finance (MOF) Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI) and other

(ii) Groups of persons operating as funds or 'associations'. These groups functions regulatory bodies.

2) The informal financial system

(i) Individual money lenders such as neighbors, relatives, land lords, traders, store owners and so on, under a system of their own rules.

(ii) Partnership firms consisting of local brokers, pawn (wager) brokers and non banking financial intermediaries such as finance, investment, chit fund companies. In India the spread of banking in rural areas has helped in enlarging the scope of the formal financial system.

In general the weaker sections of the society are completely ignored by the formal financial institutions in the competition of making chunk of profits in providing finance to the weaker section. There have been many knotty challenges in financial inclusion area such as bridging the gap between the sections of society that are financially excluded and the domain of the formal financial system. That's why government has a plan to introduce the small banks in rural areas for developing the formal financial system and also avoiding the informal financial mediators such as finance, investment, chit fund companies in rural areas.

Small banks

The Reserve Bank of India (RBI) on Sep 16 2015, Wednesday granted 10 entities in-principle licenses to open so-called small finance banks—another move towards expanding access to financial services in rural and semi-urban areas.



Diminutive finance banks will offer basic banking services, accepting deposits and lending to unnerved and underserved sections including small business units, small and marginal farmers, micro and small industries, and entities in the unorganized sector, RBI said when it released guidelines for such banks in November.

Pockets by ICICI Bank

With Pockets, you instantly get a free VISA card that can be used for shopping at online websites and at retail stores even if you are not an ICICI Bank customer. You can recharge your Prepaid Mobile, DTH, Data card and pay your post-paid mobile or utility bills. You can send money securely, either to a bank account or your contacts. Pockets also offer the convenience of booking movie tickets and purchasing gift vouchers within the app. That's not all; with Pockets you can also get a zero balance savings account.

Key features

| Name of service | Details of service |
|--|---|
| Shop Anywhere | The Pockets pre-paid wallet is a VISA card which can be used to shop online on your favorite websites such as Amazon, Snapdeal, Myntra, Jabong, Ebay etc. You can even get a physical card for payments across shops too! |
| Prepaid Mobile Recharge | Recharge your Airtel, Vodafone, Idea, Reliance, Tata Docomo, Aircel, BSNL, MTS & MTNL connections. |
| Pay Anyone | Transfer funds instantly and securely not only to bank accounts, but also to your contacts (via Mobile number or email). You can also request money from other Pockets users. |
| Postpaid Mobile & Land Line Bill Payment | Pay Postpaid bills for Airtel, Vodafone, Idea, Reliance, Aircel, MTNL and other operators |
| DTH connection recharge | Recharge your Tata Sky, Dish TV, Airtel, Videocon, Sun and other DTH connections. |
| Data Card Recharge | Recharge your Tata Photon, MTS, Reliance Net Connect and other data cards. |
| Bill Payment | Pay bills of utility providers such as Reliance Energy, BSES, NDPL, BEST, MSEB, Torent, Mahanagar Gas, Indraprastha Gas, Gujarat Gas and others |
| Book Movie tickets | Book movie tickets across all major cities in India. You can book tickets of INOX, Big Cinemas, Fun Cinemas and many more. |
| Purchase Gift Vouchers | Purchase online and physical gift vouchers of top brands such as - Flipkart, Bookmyshow, Dominos, Café Cofee Day etc |
| Zero balance savings account | You can apply for a zero balance savings account from within the app and also create Fixed & Recurring Deposits and iWish Goals, |
| Awesome Deals: | A bundle of specially chosen deals are available right inside the app |
| Help at Hand | With chat built into the app, support is just a tap away. You can also always call us or email us. |

Missed call banking –SBI

It is a new service from the Bank which involves Banking by giving a Missed Call or sending an SMS with pre-defined keywords to pre-defined mobile numbers. Available for SB/CA/Overdraft/Cash-credit accounts.

Services include





That way you will not need to remember the various keywords and destination mobile numbers. Once installed, you don't need an internet connection to use the app as the communication would happen over SMS or Missed Call

All Banks Official Missed call balance enquiry number

Missed call balance checking number of major Indian Banks give missed call and get account balance information by SMS.

| Sl. No. | Name of the bank | Mobile Number |
|---------|-----------------------|---------------------------|
| 1 | Axis Bank | 09225892258. |
| 2 | Andhra Bank | 09223011300 |
| 3 | Allahabad Bank | 09224150150 |
| 4 | Bank of Baroda | 09223011311 |
| 5 | Bharatiya Mahila Bank | 09212438888 |
| 6 | Dhanlaxmi Bank | 08067747700 |
| 7 | IDBI Bank | 09212993399 |
| 8 | Kotak Mahindra Bank | 18002740110 |
| 9 | Syndicate Bank | 09664552255 |
| 10 | Punjab National Bank | 18001802222 |
| 11 | ICICI Bank | 02230256767 |
| 12 | HDFC Bank | 18002703333 |
| 13 | Bank of India | 09015135135 |
| 14 | Canara Bank | 09289292892 |
| 15 | Central Bank of India | 09222250000 |
| 16 | Karnataka Bank | 18004251445 |
| 17 | Indian Bank | 09289592895 |
| 18 | State Bank of India | 1800112211 or 18004253800 |
| 19 | Union Bank of India | 09223009292 |
| 20 | UCO Bank | 09278792787 |
| 21 | Vijaya Bank | 18002665555 |
| 22 | Yes Bank | 09840909000 |

Pradhan Mantri Jan Dhan Yojana (PMJDY) Scheme

It has launched the PMJDY to ensure a bank account for every household, offering accidental insurance cover of Rs.1 lakh, life insurance cover of Rs.30,000 and easy transfer of money across India as sweeteners. As of 12 August, 175.7 million bank accounts had been opened under the scheme, according to the PMJDY.

- Prime Minister's People Money Scheme is a scheme for comprehensive financial inclusion launched by the Prime Minister of India, Narendra Modi on 28 August 2014. He had announced this scheme on his first Independence Day speech on 15 August 2014.
- Run by Department of Financial Services, Ministry of Finance, on the inauguration day, 1.5 Crore (15 million) bank accounts were opened under this scheme. By 28 January 2015, 12.58 crore accounts were opened, with around 10590 crore (US\$1.7 billion) were deposited under the scheme, which also has an option for opening new bank accounts with zero balance.

Purpose

- In a run up to the formal launch of this scheme, the Prime Minister personally mailed to Chairmen of all PSU banks to gear up for the gigantic task of enrolling over 7.5 crore (75 million) households and to open their accounts. In this email he categorically declared that a bank account for each household was a "national priority".
- The scheme has been started with a target to provide 'universal access to banking facilities' starting with "Basic Banking Accounts" with overdraft facility of Rs.5000 after six months and RuPay Debit card with inbuilt accident insurance cover of Rs. 1 lakh and RuPay Kisan Card. In next phase, micro insurance & pension etc. will also be added.



Under the scheme

1. Account holders will be provided zero-balance bank account with RuPay debit card, in addition to accidental insurance cover of Rs 1 lakh(to be given by 'HDFC Ergo').
2. Those who open accounts by January 26, 2015 over and above the 1 lakh accident, they will be given life insurance cover of 30,000(to be given by LIC).
3. After Six months of opening of the bank account, holders can avail 5,000 overdrafts from the bank.
4. With the introduction of new technology introduced by National Payments Corporation of India (NPCI), a person can transfer funds, check balance through a normal phone which was earlier limited only to smart phones so far.
5. Mobile banking for the poor would be available through National Unified USSD Platform (NUUP) for which all banks and mobile companies have come together

Scheme Details

- Pradhan Mantri Jan-Dhan Yojana (PMJDY) is National Mission for Financial Inclusion to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner.
- Account can be opened in any bank branch or Business Correspondent (Bank Mitra) outlet. PMJDY accounts are being opened with Zero balance. However, if the account-holder wishes to get cheque book, he/she will have to fulfil minimum balance criteria.

Pradhan Mantri Jan - Dhan Yojana (Accounts Opened As on 12.01.2015)

Disclaimer: Information is based upon the data as submitted by different banks/SLECs

| S.No | | No Of Accounts (In Lacs) | | | No Of Rupay Debit Cards (In Lacs) | Balance In Accounts (In Lacs) | No Of Accounts With Zero Balance (In Lacs) |
|------|----------------------|--------------------------|---------------|----------------|-----------------------------------|-------------------------------|--|
| | | Rural | Urban | Total | | | |
| 1 | Public Sector Banks | 479.58 | 403.18 | 884.76 | 801.9 | 687477.33 | 635.9 |
| 2 | Regional Rural Banks | 167.02 | 29.56 | 196.58 | 111.97 | 137598.95 | 147.95 |
| 3 | Private Banks | 18.56 | 16.42 | 35.08 | 26.88 | 50932.99 | 23.12 |
| | Total | 665.26 | 451.16 | 1116.42 | 940.75 | 876009.27 | 806.97 |

Documents required to open an account under PMJDY Scheme

1. If Aadhaar Card/Aadhaar Number is available then no other documents is required. If address has changed, then a self certification of current address is sufficient.
2. If Aadhaar Card is not available, then any one of the following Officially Valid Documents (OVD) is required: Voter ID Card, Driving License, PAN Card, Passport & NREGA Card. If these documents also contain your address, it can serve both as "Proof of Identity and Address".
3. If a person does not have any of the "officially valid documents" mentioned above, but it is categorized as 'low risk' by the banks, then he/she can open a bank account by submitting any one of the following documents:
 - a. Identity Card with applicant's photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks and Public Financial Institutions;
 - b. Letter issued by a gazette officer, with a duly attested photograph of the person.



Special Benefits under PMJDY Scheme

- a. Interest on deposit.
- b. Accidental insurance cover of Rs.1.00 lac
- c. No minimum balance required.
- d. Life insurance cover of Rs.30,000/-
- e. Easy Transfer of money across India
- f. Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
- g. After satisfactory operation of the account for 6 months, an overdraft facility will be permitted
- h. Access to Pension, insurance products.
- i. Accidental Insurance Cover, RuPay Debit Card must be used at least once in 45 days.
- j. Overdraft facility up to Rs.5000/- is available in only one account per household, preferably lady of the household.

Conclusions

Financial inclusion is the key to empowerment of poor, deprived and low skilled rural households. Financial inclusion can really lift the financial condition and improve the standards of lives of the poor and the disadvantaged. Access to affordable financial services, especially credit and insurance, enlarges livelihood opportunities through adoption of different economic activities. Better financial inclusion would lead to increasing financially viable activities and self/wage employment opportunities for rural households.

Thus the paper explains in detail about the significance of Financial Inclusion and reasons. Further it list the various benefits enjoyed by the bank and customers through Financial Inclusion. Thus the financial inclusion is a strategy towards inclusive growth in future provided it is supported by various influencers like Technology, Financial Education, Counseling and the Society. So once this scheme is properly implemented and executed in every village in support from the government and society, then this can really lift the standard of living of majority of the poor which can really make our nation proud.

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