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Reviewing the Set-up of Financial Inclusion in India

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Abstract

The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little." - Franklin D. Roosevelt

The financial sector constitutes the foundation of every developed country. In order to ensure continued development, the priority must therefore be on the growth and stability of the financial position of all people of the country. The growth story of India for the past few decades does need any introduction. But some serious problems such as low economic growth rate, unemployment, poverty, farmer's distress, and suicide should be a matter of concern for thinkers, academicians, researchers, and policymakers. Financial inclusion thus plays an indispensable role in an economy's inclusive development. Simply put, financial inclusion tackles the problem of inadequate access to financial services for rural masses in India. The roots of financial inclusion can be traced back to the year when United Nations initiatives requiring the provision of credit, insurance, savings and other banking services for all bankable households were undertaken. India's economy has been very involved in raising the level of financial inclusion and the economy has undertaken multiple efforts for this. Though there are few people who are enjoying all kinds of services from savings to net banking, but still in our country around 40% of people lack access to even basic financial services like savings, credit and insurance facilities. This paper aims to provide an overview of the financial inclusion situation in India in the last few years. The relevant data for this study has been collected with the help of from various Research journals, Articles, reports of RBI, reports of NABARD and online resources. Based on the analyzes carried out, it can be claimed that financial inclusion in India is increasingly penetrating the branches and also there is a hitherto untapped business opportunity for formal institutions to expand their business in financially excluded market. But other efforts towards inclusive growth are still in a nascent stage and needs to be given a concrete shape with the joint effort of Government of India, Bank agrees, along with people of the country

Keywords: Financial Inclusion, Economic Development, NABARD, RBI.

Introduction

The financial sector serves as a catalyst for economic growth and as a mediator. In India, a large part of society is deprived of access to formal financial services, so they need to rely on informal sources of finance that carry enormous costs. Financial Inclusion is an activity of facilitating financial services to the unbanked and unreached segments in the society. The origin of financial inclusion can be traced back to the year when United Nations initiatives were undertaken which specified the provision of credit, insurance, savings, and other banking services to all bankable households. The Reserve Bank of India (RBI) has stated that entry of more bank branches in the rural and semi-urban areas will cultivate the saving habits of rural people, this indirectly helps to improve the status of financial inclusion in the society. The RBI has developed the Business Correspondent Model, which is the mediator between the poor people and commercial banks in order to increase the saving habits and create awareness about the banking products towards rural people in society.

The Committee on Financial Inclusion headed by Dr. C Rangarajan in 2008 defined financial inclusion as, "the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low-income groups at an affordable cost."

Financial Inclusion - Definitions

Table 1: Definitions of financial inclusion

Author	Definition
Reserve Bank of India (2008)	RBI defines Financial Inclusion as "process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low-income groups in particular."
Planning Commission (2009)	"Financial inclusion 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."
Chakraborty (2011)	"Financial inclusion 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."

Review of Literature

Sadhan Kumar (2011) worked out an Index on financial inclusion (IFI) based on three variables namely penetration (number of adults having a bank account), availability of banking services (number of bank branches per 1000 population) and usage (measured as outstanding credit and deposit). The results indicate that Kerala, Maharashtra, and Karnataka has achieved high financial inclusion (IFI >0.5), while Tamil Nadu, Punjab, A.P, H.P, Sikkim, and Haryana identified as a group of medium financial inclusion (0.3 <IFI<0.5) and the remaining states have very low financial inclusion.

Nitin Kumar (2012) in his study used six factors, namely population density; average population per bank branch; per capita net state domestic product; credit deposit ratio; the level of industrialization and individual employment status to examine their impact on the level of financial inclusion across different states of India. The author concluded that the regional economic conditions of a state greatly influence its level of financial inclusion.

Kaur & Singh (2015) found that financial inclusion in India will help government and banker to reach at untapped potential of bottom of the pyramid section of Indian economy. They have also described that The widely acknowledged & successful launch of this PMJDY scheme also strengthens the resolve that when coordination, dedication, opportunism, commitment, formalization, dependence, trust, satisfaction, cooperation and continuity is provided by all the constituents and stakeholders, a framework of construct is created which acts as a dominant force for accomplishment of the mission.

Raval (2015) in his research mentioned about the importance of inclusion of people of low income or deprived class in economic development. PMJDY is such an initiative in this direction by the government of India. He also studied that an initiative to cover the "excluded segment" can be successful if the government is backed with efforts of private sectors and involvement of people beyond just policy formation of the government.

Objectives of the Study

1. Carrying out a conceptual study on financial inclusion.
2. Examine the Financial Inclusion Agencies.
3. To study current financial inclusion status in India.

Research Methodology

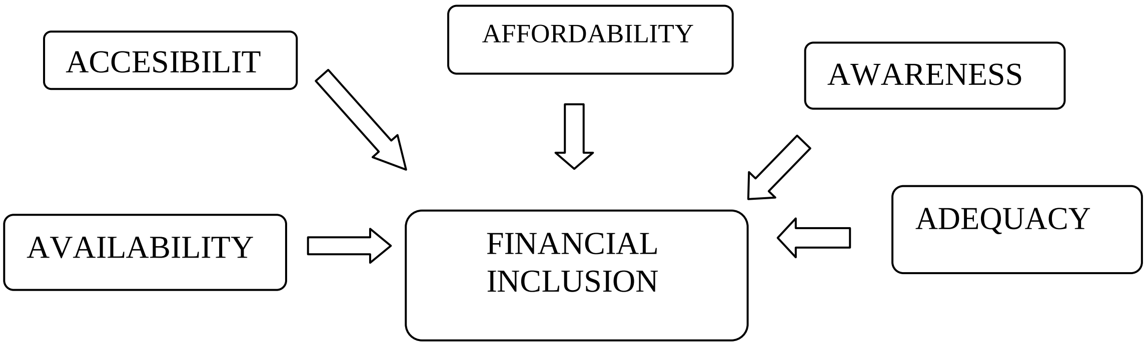
Available secondary data from different reports issued by Reserve Bank of India, Ministry of Finance, NABARD, and World Bank were extensively used for the study.

Table 2: Crucial Milestones of Financial Inclusion in India

Year	Details of the event
1955	State Bank of India was nationalized.
1968	National Credit Council was set up.
1969	A lead bank scheme was introduced.
1971	Priority sector lending norms were laid down.
1975	Regional Rural Banks (RRBs) were established.
1982	National Bank for Agriculture and Rural Development (NABARD) was established.
1992	Self Help Groups Linkage Programme was launched to support females of rural areas.
2000	SIDBI foundation was established for making provisions of microcredit.
2004	Khan Committee was set up by the Reserve Bank of India.
2005	A pilot project on financial inclusion was introduced in Mangalam village of Pondicherry by Chairman of Indian Bank Dr. K.C. Chakraborty.
2007	Bill on Microfinance Regulation was proposed in parliament.
2012	Finance Department of Government of India passed Microfinance Institutions (Development and Regulations).
2012	Revised Guidelines on Financial Literacy Centres were introduced.
2013	Bharatiya Mahila Bank (BMB)
2014	Pradhan Mantri Jan Dhan Yojana

In a recent study carried out in 2017, five A"s of financial inclusion has been shown in the form of a diagram in figure 1. The first factor is „availability" which implies that financial inclusion means making all types of financial services available to all individuals irrespective of income and size of the credit. The second factor implies the availability of such services at an affordable cost. The third factor implies that services like credit, insurance, savings, etc. should not just be made available with the banks but should also be accessible for people staying in even remotest corner of the country. Under this factor, various bank branches were set up by Public sector banks in rural areas. The fourth factor implies that merely making products and services available and accessible at a lower cost is not but rather there is a need to create awareness about it. Under this numerous campaigns were organized in villages, different advertisements were rolled out highlighting the importance of savings and insurance, pamphlets were distributed at every nook and corner of cities. The last but not the least factor implies that all the kinds of financial services need to be adequate in the sense that as focus is on people from weaker sections of society so will need loans in smaller amounts and if the loans are being offered in huge amounts it will not be acceptable for such people (Kaur et al, 2017).

Figure 1: Showing Five A's of Financial Inclusion



Need for Financial Inclusion In India

Through financial inclusion, the resource base of the Indian financial system can be enhanced as it promotes a culture of savings amongst large segments of the rural population. Further, by the provision of financial services to low-income groups helps them to protect their financial wealth and use it in any insistent circumstances. Easy access to formal credit will protect the vulnerable sections of society from usurious money**.** The main objectives of Financial Inclusion in India are enumerated below:

1. Providing formal credit channels
2. Creating a platform for inculcating the habit of saving money:
3. Providing direct benefits of subsidies and welfare program

Table: Measures Adopted by GOI, RBI and NABARD towards Financial Inclusion

Customer Service Centres	Adhaar Scheme
National Rural Financial Inclusion Plan	Project on "e-Grama"
Project Financial Literacy	SHG-Post Office Linkage
Credit Counselling Centres	Micro Pension Model
Know Your Customer	General Credit Card
Farmers" Club Program	Financial Inclusion Fund
Role of SHGs, NGOs, and MFIs	Financial Inclusion Technology Fund
Pradhan Mantri Jan Dhan Yojna	No-frill Account
Separate Plan for Urban Financial Inclusion and Electronic	Nationwide Electronic Financial
Benefit Transfer Scheme	Inclusion System
Financial Literacy through Audio-Visual medium – Doordarshan	Micro Finance Development Fund
Support to Cooperative Banks and RRBs for setting up of	The National Agricultural Insurance Scheme
Financial Literacy Centres	

Source: Dangi (2012), Paramasivan and Ganeshkumar (2013), Kumar (2013), Mehar (2014), Ambarkhane et al (2016), Gupta (2018)

Status of Financial Inclusion in India

Empirical evidence has suggested that certain indicators must be defined for formulating appropriate financial inclusion policies. Consequently, experts from the World Bank, International Monetary Fund and many other global establishments have defined some strong indicators of financial inclusion for an economy. Some of these broad indicators are the number of bank branches, the number of Automated teller machines installed, bank deposits, bank credit extended and so on. Data pertaining to such indicators of some economies have been presented in Table 4. It reveals that China despite of being the most populated country, has a strong framework for financial inclusion with 1428.98 bank branches per 1000 km of area.

Table 4: Select Indicators of Financial Inclusion 2011

		Per 1000 KM		Per 0.1 Million		as % to GDP	
Sr. no.	**Country**	**Number of bank branches**	**Number of ATMs**	**Number of bank branches**	**Number of ATMs**	**Bank deposits**	**Bank Credit**
1.	**India**	**30.43**	**25.43**	**10.64**	**8.9**	**68.43**	**51.75**
2.	China	1428.98	2975.05	23.81	49.56	433.96	287.89
3.	Brazil	7.93	20.55	46.15	119.63	53.26	40.28
4.	Indonesia	8.23	15.91	8.52	16.47	43.36	34.25
5.	France	40.22	106.22	41.58	109.8	34.77	42.85
6.	Philippines	16.29	35.75	8.07	17.7	41.93	21.39
7.	Mauritius	104.93	210.84	21.29	42.78	170.7	77.82
8.	Sri Lanka	41.81	35.72	16.73	14.29	45.72	42.64
9.	Mexico	6.15	18.94	14.86	45.77	22.65	18.81
10.	Malaysia	6.32	33.98	10.49	56.43	130.82	104.23
11.	Switzerland	84.53	166.48	50.97	100.39	151.82	173.26

Source: Financial Access Survey, IMF

To strengthen the financial inclusion drive in India, Government of India has advised all public and private sector banks to compile a three year financial inclusion plan (FIP) which will broadly contain information about the number of brick and mortar bank branches in rural areas, branches opened through business correspondents, status of Kisan Credit Cards (KCC), number of General Credit Cards (GCC) and so on. Table 5 shows a glimpse of the progress of financial inclusion plans in India.

Progressive Trends of the Banking Sector

Banks are the main source of any kind of financial access for the population of a country. The Indian banking system comprises of Scheduled banks and Non-scheduled banks broadly. The data provided in annual reports of different years of Reserve Bank of India (table 6) shows that the number of offices of scheduled commercial banks has grown over the period of the past eight years. Table 7 shows that in the northern region the percentage of the number of offices has increased from 2008 to 2014 but in 2015 though the number of offices was added, the rate of increase is less than that in 2014. Further amongst all regions, the southern region has shown the highest rate of increase in the percentage of the number of offices of scheduled banks.

Table: State-Wise Distribution of Offices of Scheduled Commercial Banks (Number of Offices as at end-March)

Regions	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Northern	12399	13325	14069	15087	16176	17905	19681	22000	23843
Eastern	12603	13152	13670	14359	15138	16345	17469	19376	20893
Central	14494	15383	16244	17280	18194	19948	21581	24096	25926
Western	11352	12003	12664	13543	14417	15751	17013	18673	19821
Southern	20348	21751	22974	24423	25814	28300	30766	33691	36654
North-Eastern	2003	2085	2181	2268	2378	2556	2769	3129	3345
ALL INDIA	73199	77699	81802	86960	92117	100805	109279	120965	130482

Diverse Approaches To Achieving Financial Inclusion

Product-Driven Approach

India's reserve bank has been actively involved, liberal, and appreciative in governance to enable financial institutions to develop innovative products to enable an average citizen to advantage from the strategy for financial inclusion. Throughout this paper a few products are formulated for the accomplishment of this entire concept were noted.

No- Frills Account

The approach was developed by RBI in November 2005 that can provide access to adequate baking services by economically vulnerable citizens. Under this strategy, banks open new accounts for the vulnerable with zero balance. Banks came up with a different version of the no-frill bank account under Terms specified in which they would open Basic Savings Bank Deposit Accounts (BSBDAs) for all individual citizens with debit card facilities, cheque book, online banking, overdraft rules at minimum fees in 2012. Even then, the number of transactions could be limited so as to prevent such accounts being misused.

Kisan Credit Cards

At all under the plan banks issue smart cards to landowners to provide accurate and timely loan facilities to their agricultural requirements from a single node banking sector. Public and private sector banks approved 1.2 million smart cards as KCCs during the time frame 2012-13.

General Purpose Credit Cards

Indian Reserve Bank issued guidelines in 2005 for banks to provide General Purpose Credit Card (GCCC) to facilitate credit up to twenty five thousand rupees without any collateral security for rural and semi-urban individuals depending on household cash flow evaluations. RBI revised guidelines in Dec. 2013 under this approach bank also fulfill Non-farm entrepreneurial credit requirement of individuals (example Artisan Credit Card, Laghu Udyami Card(LUC), Swarojgar Credit Card etc.) there'll be no loan ceiling as long as the loan is for non - agricultural commercial purposes and is otherwise qualified for categorization as a priority sector. Security standards will apply as per guidelines issued from time to time by the Reserve Bank on collateral-free loans for micro and small units.

Overdraft Facility on Saving Account

Banks were recommended to provide saving accounts with overdraft facilities as well as small overdrafts in No-frills accounts. Banks considering the transaction in the account will do the setting of the cap for the same. These will help the client get easy access to the loan at cheaper costs.

Bank Led approach

Self Help Group - Bank Led Initiative (SLBP)

The Self Help Community–Bank Linkage Program has been India's main institutional-based development to enable access and fill the gap of serving a country's economically vulnerable population. The banks are interested in this process with a group of local residents, with the intention of encouraging them to pool their savings. The bank provides the structure, accounting services, and assistance to the community to handle their deposits and lending. Therefore the model has a savings strategy first, and then loans later. Banks have little risk in such lending as the credibility of the borrower and social pressure within the community will greatly lower the risk of nonperforming debt. The model has some problems, although, that influence the scheme which are mentioned below-

1. Limits in opening SHG accounts and lending out.
2. Multiple admittances of Loans from members of SHG inside and outside SHGs.
3. Lack of coverage.
4. Confiscating banks as leverage for deposits.
5. Government promoted / subsidy-oriented SHGs and restricted interaction with bankers.
6. Tracking the SHGs.
7. negative impacts of intense competition between NGOs have motivated SHGs.
8. Non-approval by banks of continued loans although the first loan was paid back.

Although the fundamentals of the SHGs being savings driven credit product stay in effect even now, latest activities have resulted in the need for take a better look in the approach to planning of this reasonably popular model leading to SHG-two which allows the approval of a cash credit / overdraft loan scheme for SHGs for a longer term of activity.

Business Correspondents (BCs)

The BC / BF design is an Information and Communication Technology (ICT) based model. Within that framework, the banks technologically enable the intermediaries or BC to deliver the last-mile distribution of financial services and products**.** The model on the back of disruptive technology, initially developed by the banks themselves and later with improvisations and RBI policy support, bridges the communication gap around service seekers, i.e. underprivileged audiences, and service providers. Since the beginning of this model, however, a range of problems have arisen both for the partner banks and also for the authorities.

1. BC profitability
2. Banks and their BCs are at tremendous risk of handling the cash
3. The teaching and handholding of BCs to increase the degree of confidence of end-customers
4. Technology implementation
5. Reliability and alignment of the Banks and their BCs' system.

Based on the above details, the banks have begun evolving the idea of ultra-small branches to provide support and oversee the work of a number of BCs. In addition, banks could have an in-house model under which BC firms might be a subsidiary with its own structure but under closer supervision.

Regulatory Approach

Simplified KYC Regulations

Within existing KYC standards a customer must provide as per RBI guidelines the set of documents needed to open an account. Even so, in meeting these expectations people living in rural areas face a challenge. In order to allow banks to take advantage of this massive opportunity for rural banking in unbanked areas and to achieve the target of financial inclusion, RBI has eased a number of requirements for accounts opened by people who intend to hold balances of no more than Rs.50,000 and whose total balance in all accounts together is not expected to exceed Rs.100000 in a year. Small accounts will now be opened using an invitation from another account holder who has met all of the KYC requirements.

Simplified Bank Saving Account Opening

The account opening process was streamlined to encourage bank accounts by the society's weaker sections, street hawkers, and other migration labs.

Bank Branch Authorization

In tier 3 to 6 cities, towns, or villages, RBI has allowed banks to open branches without taking permission, thereby straying in its usual standards. This would encourage government, regulator and banks to accelerate the push for financial inclusion and thus make financial services accessible to the nation's financially excluded people.

Technological Method

Mobile Banking

Among the most notable technological innovations to leverage the full power of technology, the banks have joined up with mobile operators to provide financial services such as bill & utility payment, transfer of funds, movie tickets, buying, etc.

Some examples of this model include Vodafone's m-Pesa and Airtel Money.

Kiosk / ATM Based Banking

Some state government has taken initiatives to provide access to financial services through a kiosk-based model. In addition , banks have used the technology to allow their ATMs to operate virtually like branches 24x7.

Branchless Banking

Many of the major institutions have thought of an idea in which an online system with communication facility will help the individual make use of different electronic devices to deposit and withdraw cash transactions. This program, however, has a drawback in terms of the initial costs for banks and remote literacy, and is therefore primarily restricted to urban and semi-urban areas.

Aadhaar Enabled Payment Services

Every Indian citizen who has an Aadhaar number in this framework updates his account with the same. All accounts updated with an adhaar number have to be reported to RBI, which then reports it to different government departments. When making payments to citizens for work under programs such as MGNREGA / various subsidy schemes, the departments use this information for crediting the money directly to the account of the beneficiary. This payment system is quick way to make payment to the concerned person. This is also best way to include the masses in mainstream banking.

Approaches focused on Information

Financial education, financial inclusion, and financial stability are three elements of an integrated strategy to empower people to make effective use of the financial services network. While financial inclusion works from the supply side, financial education feeds the demand side by promoting awareness among the people regarding the needs and benefits of financial services offered by banks and other institutions. These two strategies together promote greater financial stability.

1. The Council for Development of Financial Stability (FSDC) has an clear mandate to concurrently concentrate on financial inclusion and financial literacy.
2. In June 2012, RBI issued guidelines for the establishment of FLCs on Financial Literacy Centres (FLC). It was advised that the rural branches of scheduled commercial banks could increase their efforts by holding Financial Literacy Camps outdoors at least once a month. As of the end of March 2013, 718 FLCs had been set up.

Governments Initiatives

The government has in a roundabout way introduced various steps through the regulators, and the government has been implementing schemes through its different ministries. Some of those initiatives are mentioned down.

Pradhan Mantri Jan Dhan Yojana

The scheme was officially unveiled at the same time across the country by the Honorable Prime Minister on 28 August 2014. PMJDY's focus is to guarantee access to a variety of financial services such as basic saving bank account availability, need-based credit access, remittance facility, pension schemes to the excluded sections i.e. vulnerable group and low-income community. This high purity at a reasonable cost is only feasible whenever the technology is used appropriately.

Second model of Self Help Groups (SHG-2)

The first self help group model introduced by NABARD has some confines. To remove the obstacles of first model, a new reviewed model has been developed to serve the concerned public in better way.

SHGs Development Fund for Women

The Government of India through Its union budget of 2011-2012 projected a ‘SHGs Development Fund’ for the women with a amount of five hundred crore. The fund was established by the Indian government to empower women and promote their SHGs. It is NABARD 's duty to administer the Fund. It controlled the same over the two of its main microfinance funds, the Financial Inclusion Fund (FIF) and the Fund for Technology for Financial Inclusion (FITF).

Swarnjayanti Gram Swarozgar Yojana (SGSY)

It is a centrally funded scheme that follows the process of establishing poor rural community SHGs, providing training capacity building, and linking groups with banks. SGSY is mainly intended to encourage self-employment-oriented income-generating activities for households in rural areas at the Below Poverty Line.

National Rural Livelihood Mission (NRLM)

NRLM was formed in June 2010 by Rural Development Ministry (MoRD), Govt. of India. NRLM 's Main Tactics are-

a. Execute the programme with greater focus on SHG federations
b. Provide versatility for States to formulate particular eradicating poverty strategic plans.
c. To promote linkages between the markets and enhance method of monitoring and assessment.
d. Initiate interest subsidies to promote loan repayments and include several doses of loans
e. Boost training and skill development initiatives through the establishment of competence training institutes in each district

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

This scheme aims to improve the rural people's wellbeing by ensuring a rural household whose adult members volunteer to do unskilled manual work for at least one hundred days of wage employment in a financial year. As the payments are made via bank or post office accounts.

Issues in Financial Inclusion

Tailor-Made Services

It is an absolute necessity to develop appropriate innovative products to meet the needs of poor peasants at reasonable prices, and banks should establish simplified credit disbursement processes and also efficiency in their work processes.

Rural Areas Low Credit Share

Though rural areas account for almost 30 per cent of the total branches of scheduled commercial banks in terms of the number of branches, the share of rural credit accounts for less than 10 per cent of total credit. Govt./Banks should take measures to increase the potential for credit uptake in remote regions by encouraging jobs and other opportunities.

Lack of participation by private banks in rural area development programmes

Village branches reported for just 17 percent of their total branches in the case of private sector banks. It is crucial that private banks boost the volume of branch network in remote area.

Insurance for Rural India

More than 70 per cent of the total population of India lives in the rural areas. Of the overall population, though, protection reaches less than 3 per cent. Because of strong competitors and relatively high penetration of the urban markets, rural areas provide insurance companies with sufficient business opportunities for life insurance and general insurance.

Language Barriers

For Financial literacy programmes and operations, mostly English and Hindi languages are used by the banks but the rural masses likes their local languages. So language is one of the hindrance in achieving full financial inclusion.

Infrastructure Issues

Adequate infrastructure such as digital and physical connectivity, power supply, etc. are necessary conditions for the upscaling of financial inclusion. Of India's six lakh villages, about 80,000 villages are reported to have no electricity and the energy restraints have a direct effect on banks' operations.

Business Correspondents Related Issues

BCs do not gain enough revenue because of catering services to low-income customers with low-volume transactions. BCs should be appropriately paid for the optimal use of BCs in serving the poor villagers, so that they are properly motivated to support financial inclusion as a sustainable business opportunity. The utility of the BC system relies on what kind of service the bank branches provide. Banks can open small brick and mortar branches at a suitable distance for effective monitoring of BC operations and for resolving cash management problems as well as customer complaints.

Absence of Proper Legal Documents

Inability to provide a legal identity such as voter id, residence proof, birth certificates, etc. often exclude women and migrants from accessing financial services.

Scope for Further Research

In financial inclusion, there are a few potentially interesting areas for future research –viz.,

1. The most appropriate delivery model (which banks are still trying to figure out) for different geographical regions given their unique characteristics,
2. The unbanked segments- in rural, urban or metropolitan areas are largely served by the un-organized sector even today. Research into the products, practices, and procedures of this unorganized sector an absolute imperative, to identify and understand the same which the bottom of the pyramid population finds so convenient and comfortable to deal with. This could throw up valuable leads for the organized sector – banks and financial institutions to follow
3. Further, in order to measure the intensity of money lenders especially in rural areas, research agencies should, inter alia, conduct a census of money lenders in rural India.

Suggestions

On the basis of the analysis conducted certain observations have been made and accordingly certain suggestions can be incorporated in the Indian Banking system to improve the progress of achieving financial inclusion in India. First of all, the number of branches increased manifold in 2011 due to the initiative of RBI advising banks to formulate Financial Inclusion Policy (FIP). So in order to maintain this growth rate, RBI must keep introducing new policies for commercial banks. Secondly, data shows that private banks are not very active participants of financial inclusion. The main reason identified in the literature is that the private sector assumes that activities towards financial inclusion will not assist them in earning profits. But as a matter of fact, private banks should see the untapped potential in the rural banking sector as it can help in increasing their customer base to a greater extent. Further last but not least RBI must form a team with some industry experts of private banks to identify the main reason for lack of banking services in rural India.

Conclusion

There is a dire need to provide quality financial services in rural areas for economic growth as it will help rural households to fund the growth of their livelihoods. The government of India has taken heartfelt efforts in bringing the citizens of India under the ambit of banking services. But still, some segment of the nation is lagging behind even though financial inclusion initiatives are in a progressive stage. Though there are few people who are enjoying all kinds of services from savings to net banking, but still in our country around 40% of people lack access to even basic financial services like savings, credit and insurance facilities. in India, only 4.16 crore rural households have access to basic banking services. In respect of urban areas, only 49.52% of urban households have access to banking services. Rapidly developing technology has also played a vital role in bridging the financial division of the nation. A number of people have started using ATMs, Immediate Payment Service (IMPS) and mobile banking. In a nutshell, it can be said that India is at a fast pace towards achieving financial inclusion and this can be speeded up by collaborative efforts of Government, Reserve Bank of India and Citizens of the country.

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