A REVIEW ON THE ROLE OF COMMERCIAL BANKS IN THE FINANCIAL INCLUSION PROGRAMME OF INDIA

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Abstract: Commercial banks play a major role in the economic development of a country like India. The level of financial education is low in developing countries. This will result that a sizeable section of the population, particularly the vulnerable groups, deprived and weaker sections and low income groups will remain excluded from the financial system and are not availing even the most basic facilities and services provided by the financial sector. The aim of financial inclusion is delivery of banking and financial services in a fair, translucent and impartial manner at reasonable cost to the vast sections of disadvantaged and low income group. Now-a-days, however, financial inclusion is seen to be something more than opening bank branches in unbanked areas to take formal financial services across the length and breadth of the country. The fundamental objective of all these initiatives is to reach the large sections of the financially excluded Indian population. The Government of India and the Reserve Bank of India have been making continuous efforts like the recent “Jan Dhan Yojana” announced in August, 2014 to promote financial inclusion as one of the important national objectives of the country.

Keywords: Financial Inclusion, Initiatives, Jan Dhan Yojana, Commercial Banks

I. INTRODUCTION

According to the committee on financial reforms, (Chairman: Dr. Raghuram G. Rajan), “Financial inclusion broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. This includes not only banking products but also other services such as insurance and equity products”. The Economic Development of a nation is highly depends upon a sound banking system which can facilitate mobilization of financial resources and channel them towards productive purpose which will results to high degree of capital formation. The effective banking system of nation plays a vital role in executing productive planning. This planning can be optimize by involvement of unbanked and deprived people in the system and avail the credit and financial services to them. Financial inclusion is the buzz word in the current economy in general and banking industry in particular. It is the delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low income groups. The concept of financial inclusion has a special significance for a growing economy like India as bringing the large segment of the productive sectors of the economy under formal financial network could unleash their creative capacities besides augmenting domestic demand on a sustainable basis driven by income and consumption growth from such sectors. Since banks are the gateway to the various basic banking services, so they can play a vital role in enhancing the extent of financial inclusion in India and they have played that role since late 1960s. The banking reforms have accelerated this process. The process of economic growth, especially when it is on high growth trajectory, must strive to encompass participation from all sections of society.

II. REVIEW OF LITERATURE

The literature available for financial inclusion is not limited. Various studies have been conducted and the glimpses of some of them are: Various strategies have been adopted by banks to enhance the coverage of their services so as to accelerate financial inclusion. But the cost effective is to tie up with micro finance institutions and local committees, to encourage no frills account, restructuring of business
strategies to integrate the specific plans to promote financial inclusion. (V. Leeladhar, 2005) Financial services access allow low income groups to save money, prevent concentration of economic power in few hands and alleviate the risk of poor people. (Beck, Demirguckunt and Peria, 2006) A study by Ms G.S. Nalini in (2012) on Role of Banks in Financial Inclusion states the measures taken by the banks for financial inclusion. It examines the difficulties involved in the adoption and to enhance the extent of financial inclusion. Radhika dixit & Munmun ghoshthe (2013) focused on the understanding of inclusive growth phenomenon and its need, this Paper attempts to discuss financial inclusion as an instrument to attain it with reference to its extent in Indian states.

III. ROLE OF BANKS IN FINANCIAL INCLUSION
Since their nationalization, banks have contributed a lot to financial inclusion. Under banking reforms, nationalization of banks, setting up of regional rural banks, Grameen Mahila Bank, introduction of SHG- bank linkage program, etc., all this has led to enhancing the extent of financial inclusion in India. In recent years, banks have played a significant role in achieving financial inclusion to a large extent. Banks have adopted various policy measures or initiatives for making people financially included and as a result, the extent of financial inclusion has enhanced.

IV. ISSUES AND CHALLENGES
India currently faces several issues and challenges in the area of Financial Inclusion for Inclusive growth. Salient among them are stated here below:

Spatial Distribution of Banking Services: Even though after often emphasized policy intervention by the government and the concerted efforts of Reserve Bank of India and the public sector banks there has been a significant increase in the number of bank offices in the rural areas; but it is not in tune with the large population living in the rural areas. For a population of 70% only 45% of bank offices provide the financial services.

Bank Branches Bank branches are required to be increased as it has a direct impact on the progress of financial inclusion. It is clearly established that as the bank branches increase number of bank accounts also increase significantly.

Poverty levels Poverty levels are having direct relationship with the progress of financial inclusion. The authors have established in their study that as the poverty levels decrease financial inclusion also increase. As such, there should be multi fold strategic approach in such poverty dominated areas for financial inclusion.

Following are the role of commercial banks to be performed as part of financial inclusion programme: a) Financial literacy b) Credit counseling c) BC/BF model d) KYC norms e) KCC/GCC f) No-frill accounts Financial literacy g) Branch expansion, h) Mobile banking, and i) Other measures.

V. CONCLUSION
Commercial banks play a vital role in the economic development of a country like India. Indian economy in general and banking services in particular have made rapid strides in the recent past. However, a sizeable section of the population, particularly the vulnerable groups, such as weaker sections and low income groups, continue to remain excluded from even the most basic opportunities and services provided by the financial sector. To address the issue of such financial exclusion in a
holistic manner, it is essential to ensure that a range of financial services is available to every individual. Financial Inclusion should not be seen as a social responsibility of the Governments and the banking system, but it is a potentially viable business proposition today which provides the poor with opportunities to build savings make investments and get credit. Banks have played a significant role in financial inclusion but the ground reality is that the actual access to banking products is quite low. It is rightly said by the Prime Minister Narendra Modi- “Mahatma Gandhi tried to end untouchability in the society, if we want to eradicate poverty, we need to get rid of financial untouchability

REFERENCES