Financial Inclusion and Its Impact on Indian Banking System

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ABSTRACT

Financial inclusion is a process of ensuring access to suitable financial products and services needed by susceptible groups such as weaker sections and low-income groups at an affordable cost in a fair and transparent manner by mainstream financial institutional players. The objective of financial inclusion is to extend financial services to the large uncatered population of the country and achieve broad based improvement in the living standards of all people. It intends to connect people to banks with consequential benefits. Ensuring that the banks play their due role in promoting inclusive growth is one of the biggest challenges facing the emerging economy. The banking industry is making rapid strides with Information technology driven initiatives and has led to expansion of financial services giving birth to the concept of Financial Inclusion. The paper is divided into three sections. The first section analyses the measures taken by the banks for financial inclusion. The second section examines the difficulties involved in the adoption of financial inclusion and the the third section gauges the extent of financial inclusion. The paper highlights the problems encountered by banks in financial inclusion such as high cost, more time consumption, heavy work load and Improper repayment and suggests that banks should enhance their reach by products like no frills account, awareness programs and similar campaigns.

Keywords: *Financial inclusion, Banks, Financial services, Inclusive growth.*

INTRODUCTION

The concept of Financial Inclusion has gained a lot of momentum recently. More than half of the world's population lives on marginal lines of poverty and it becomes imperative their interests are protected and served in the best possible manner. There has been an ever increasing realization of the fact that India still resides in rural areas and development of India is not possible if the rural areas remain isolated. The paucity of appropriate and accessible financial services at an affordable cost has always been a hurdle in the road to economic growth. A significant proportion of rural population in India is still financially excluded and RBI has reported that the financial exclusion in India leads to the loss of GDP to the extent of one per cent (RBI, Working Paper Series (DEPR): 8/2011). Most people still depend upon unorganized financial system for meeting their daily needs and remain isolated from the benefits of subsidized inclusive policies. Hence, financial inclusion is an imperative especially for a country like India which suffers from problems like poverty, social inequity and skewed income distribution.

The idea behind financial inclusion is to extend financial services to the large non catered population of the country to trigger its growth process. In addition, it strives to achieve broader and speedier inclusive growth by making finance available to the rural poor in particular. Keeping rural poor as a basic target group, the Government of India (GoI) has initiated a number of drives to ensure that the benefits can reach far and wide in every nook and corner. The concept of Financial Inclusion has always been there in the yearly plans and policies of the government of India but certainly it has gained a lot of light in recent years more particularly due to the fact a lot of policies will be better executed if the rural people are financially included. Lack of appropriate services and that too at affordable prices are major challenges in the case of India with respect to its financial inclusion.

Sound financial institutions, diversified financial services and progressive public policy provide the foundations for economic growth and development of emerging economies. But Lack of differentiated financial institutions and services providing efficient and affordable financial services have always been a major hurdle in a road to inclusive growth. The provision of financial services and access to various financial institutions can improve the level of financial access. Better access can certainly provide some sort of relief to the disadvantaged sections of the society as it is certain that that better financial option can improve the standard and quality of life. The government is constantly coming up with new policy directives along with Reserve Bank of India providing impetus to the banks for going all out with respect to their business in rural areas. The emphasis has always been to increase the coverage area of the banking business using new and innovative techniques and efforts are constantly being made to smoothen and streamline the entire banking service for the rural areas.

Report of the Committee on Financial Inclusion in India (Chairperson C.Rangarajan) (2008) defines Financial Inclusion 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." RBI defines Financial Inclusion as "a 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, at an affordable cost in a fair and transparent manner by regulated mainstream institutional players". Hence the sole aim of financial inclusion is to bring common man under one umbrella of financial services.

MEASURES TAKEN

Simplified Branch Opening - Last few years have also seen a gradual relaxation form the side of RBI with respect to the guidelines and stipulations while opening a bank branch. Banks now have the freedom to open a branch without much hassle in most cases especially in rural, semi urban and north eastern states provided they also report the same. At the same time banks can open a branch in centres having population less than 50000 with much relative ease.

Simplification of Account Opening Form - The account opening form has been made a simpler one doing away with a lot of technicalities. This has been done to ensure that it can be filled up by the common man who isn't so educated with the terminology. Furthermore a system has been made in place for a person to open an account online doing away with the need to visit a bank branch.

Opening of Small Accounts or No-frills Accounts - One of the biggest hurdles in opening of the bank account is the minimum balance requirement as stated by most of the banks. Usually this amount is very high and a failure to keep up with the requirements draws heavy penalties. Considering the hard earned money of the rural people, it makes the rural people reluctant to open up the account. This is because the minimum balance kept in the banks usually goes wasted and unused from the perspective of a rural man. Understanding this situation, RBI has asked all banks to provide a no frills account whereby an account could be opened without any minimum balance requirement. The transaction charges are reasonable and small overdrafts are also allowed. This initiative of RBI proved to be very effective as the banking system has opened 139 million no frill accounts amounting to Rs.126 billion by March, 2012 under the Financial Inclusion Plan (FIP). Also, account opening forms come in languages being English and Hindi creating it difficult for the people who are not versed in the above languages and hence efforts are being made to issue account opening forms in various local languages as well.

Financial Awareness Programs – A lot of programs have been started by most banks and government to educate the masses regarding the basics of money and bank accounts. These programs aim at inculcating basic financial knowledge with respect to newer facilities and services being provided by the banks and government of India. It is noteworthy that such programs are run not only to provide education to the prospective clientele on the demand side but also on the supply side whereby the banks carry out special classroom classes to train their employees as to how to approach differentiated banking services.

General Credit Cards (GCCs) - Banks have also started easy credit feature by introducing a General Purpose Credit Card (GCC) at their rural and semi-urban branches. The account holder can borrow up to the sanctioned limit of RS 25000/-. This sanctioned amount is the maximum withdrawal limit and is usually ascertained by considering the cash inflows and outflows of a household. The banks at the same time continue to provide the assistance to farmers by providing them with Kisan credit Cards.

Business Correspondents (BCs) and Business Facilitators (BFs) Model - Banks were asked to expand their reach via business facilitators or correspondents. Lead banks were also selected to coordinate with the state administration for ensuring the successful rollout of benefits. Also, the banks placed the opening of branches in rural areas as their priority in next set of financial inclusion plan.

More inclusive growth: Union Budget 2013-14 announced to set up India's first Women's Bank as a public sector bank with `10 billion as initial capital. As a follow up, the Reserve Bank gave license to the Bharatiya Mahila Bank Ltd. on September 25, 2013. The registered office of the proposed Bharatiya Mahila Bank Ltd. will be in New Delhi. It will open at least 25 per cent of its branches in unbanked rural centres (population up to 9,999 as per the latest census). It will also observe the priority sector lending norms as applicable to the domestic banks.

SHG Bank-Linkage Program - One of the major steps taken in the road to financial inclusion is by introducing the credit linkage of Self Help Groups (SHG) and Joint Liability Groups (JLG) . The people with meager resources come together and pool their resources and provide the same to finance individual requirements at any point of time to a member of the given group.

Use and Promotion of ICT in Banking – The banks are focusing more and more on the use of communication technologies to speed up the process of information sharing. This has also facilitated the decentralized banking system which is one of the main ingredients in financial inclusion. A careful and optimized use of the information and communication technologies will definitely keep up the pace of financial inclusion if not increase it.

Branch Expansion/Coverage of villages- The RBI has provided with a blueprint as to how to achieve the inclusive growth. The idea is to provide banking services in every village with a population above 2,000 as it was finalized by state level bankers' committees (SLBCs). A total of 74,414 villages, with population above 2,000 which were identified as unbanked, and were allocated to various banks, including RRBs for providing banking services. A significant chunk has been meted out with various banking services. Now, the focus has been shifted to villages having population less than 2000 and which are still unbanked.

Rural Infrastructure Development- Rural Infrastructure Development Fund (RIDF) was also introduced by Central Government with SCBs, both in the public and private sector for the development of rural infrastructure. These funds are usually placed with NABARD, SIDBI and NHB, but it failed to reach the much needed priority sector.

FACTORS AFFECTING ACCESS TO FINANCIAL SERVICES

Inspite of a full proof plan for financial inclusion, there always have been some factors impediment to the faster developments in inclusion process. Some of these factors are on the supply side and some stem from the supply side. These include following:

Psychological and Cultural barriers - Many people do not find a lot of use in newer financial services and hence even though the financial services may be accessible, there may be reservations on the part of the people. This is partly because that the traditions and social practices of the people deter them from using financial services. There is a resistance to change and fear of using the modern financial services because of the age old and traditional culture and practices of the people. As a result they are financially excluded. Such a mentality usually stems from their ancestral hood and they keep resorting to borrowing from the unorganized financial players. At the same time they feel inhibitant while using most of the new financial services not because those services are tedious to use but for the fact it is something that is new and doesn't fit in their cultural make up for example , people fail to use ATMs even though they are available widespread.

Legal Identity - banks usually require some sort of proof from a prospective client endorsing their address and identity but a chunk of the rural population still lack a genuine identity in the form of voter id, driving license, or a ration card.

Level of income – Generally the lower levels of income do not give a lot of room for the rural people to save and invest in varied financial services the cost of which is relatively very high. Also the lower levels limit their ability to service any type of loan if they avail it at some point of time.

Various terms and conditions - The stipulations placed by banks while opening and continuing the usage of their bank accounts are countless. It discourages people to open their accounts with banks and secondly it further discourages them to avail and use the banking services since a particular use requires following many terms and conditions. The terms and conditions are too stringent and too technical making it easily impossible for a rural man to follow it and use the service accordingly.

Limited Literacy - Limited financial literacy and education keeps them at bay with respect to availing most of the financial services. They never get to know most of the schemes launched by the government and various banks in their favor. They fail to repose confidence in most of the institutions even though they are backed by RBI. Also they fail to understand the benefits of using varied financial products and services. As a result various other channels employed by the higher machinery go unused for a reason that the rural clientele misses a lot on the part of financial literacy and financial acumen.

Place of Living - Banks usually operate in an area where the cost factor comes to marginal levels and where there is a significant customer base. It usually sets up a single branch in rural areas which implies that it will always be inaccessible for a major segment of the rural population. This makes it difficult for the people to go to other far off places for carrying on their banking transactions.

Existence of direct benefit transfer benefits - There has to be a need which could generate a demand for the particular banking product. In most rural areas, the government still needs to bring in lot more decisiveness while implementing its direct benefit transfer schemes. This would facilitate direct transfer of benefits in their bank accounts and furthermore would do away with black money.

Lack of Differentiated Banking - Banks still do not follow the practice of differentiated banking system. Most employees still deal with the rural clientele in the same manner as they dealt with the urban populace. Also, they still follow the same norms while opening the bank accounts in most places and also while appraising the loan application of people countrywide. As a result, most of these loan applications are rejected which makes the entire banking process less productive.

Attractiveness of the product - Most financial products and services offered are costly and hence they are not marketable. It is imperative that all these are remodeled to the tune of rural priorities. The availability of a product does not mean its ultimate use. Hence, a lot needs to be done to devise better ways of up selling and cross selling to keep up with the banking business.

Inadequate regulatory framework for providers - The framework for the provision of financial services under the financial inclusion plan is unclear and lacks clarity on a lot of points. The regulation is silent on the case of NPAs as well as on interest rates on varied financial products. The regulation is inadequate and loses its relevance considering the priorities and objectives of a financial inclusion plan.

Lack of credit bureaus - The entire focus has been to generate more and more customers through opening of a savings bank account. A part of it makes sense since it channelizes productive investments. But overall it doesn't serve the purpose of a rural economy since most of the underdevelopment remains due to the fact that the credit on offer is very expensive and lacks differentiation. Lack of specialization towards giving credit on the part of the banks pushes the rural people toward unorganized financial players leading to more complications.

Inadequate client protection - The framework for client and investor protection under financial inclusion plan is insufficient especially considering the fact that interests of the people in rural areas are more at stake and are more likely to be played with since they lack financial literacy and education. A proper mechanism is missing to ensure that the interests of the rural people are safeguarded and their confidence in new banks is reposed.

Poor business practices - The banks are more concerned in earning profits and hence they keep charging higher rates of interest while lending. Further, they do not comply with minimum balance stipulation in case of opening of bank accounts. As a result it creates supply side constraints. Also they fail to consider the local needs of the rural populace and they continue with same banking culture which they follow in urban cities.

Costs of building and operating branches - The costs and disadvantages of starting a new branch in rural areas are relatively higher compared to its benefits and advantages. This leads to higher operating costs and net benefit is relatively smaller as compared to opening of a branch in an urban area. Technically speaking, opening a branch in rural area takes much longer time to break even as compared to urban areas.

Inadequate regulatory framework for MFIs - Most financial institutions carry out unscrupulous practices charging exorbitant rates and they continue to get away. One of the main reasons is absence of a regulatory framework. Hence, these institutions continue to operate at their own terms and conditions ignoring the very essence of a financial inclusion vision the center of which is the interest of a common man.

Insufficient infrastructure – Adequate power supply, transport and communication facilities form a basic platform for the modern day banking business. These however remain inadequate in most rural areas and hence the banks fail to provide important services efficiently and effectively. Moreover, setting up of infrastructure requires not only money but it also requires the support of the government. However, in most areas there always has been a reluctant attitude from the administrative machinery creating an impediment to the overall process.

Limited know-how of mainstream providers - The major players in financial inclusion process lack the requisite knowledge and the necessary drive to bring all the required elements to the table for the vision of financial inclusion to take place in reality. The needs, priorities and lifestyle of the rural people are totally different from those of the urban people and banks fail to consider all this while offering a particular product or while catering to the rural mass in terms of service.

Public mistrust of financial institutions – A lot of institutions even though are backed by RBI and the governments are still looked upon as dubious by the rural people. The banks fail to instill confidence in the masses regarding their position and status in the overall banking setup and financial system.

Migrant populations - It is this section of people which fail to get their needs and requests surviced from most of the banks in urban areas. This segment has nothing to validate their identity and address but banks fail to recognize this and they continue to be strict while complying with the existing rules and regulations. They continue to focus on the higher class and business class people who play a pivotal role in sustaining most commercial banks.

EXTENT OF FINANCIAL INCLUSION

The measures taken by India in case of pursuit of financial inclusion have been drastic and they certainly have proved to be effective. The results have been satisfactory if we conduct a cross country analysis to begin with. The progress of financial inclusion comparatively has been faster and has achieved relatively a deeper penetration as compared to the other emerging economies of the world. The progress of financial inclusion in India is found to be higher as compared with many developed and some of the major emerging economies in the progress report (RBI Report, 2012). However considering the extent of rural population in the overall demographics, we still have a lot to achieve and the scope for wider and broader perspective holds the priority. Several efforts have been made to gauge the extent of financial inclusion in various countries by considering the parameters like the population per banking branch, the population served by a single ATM, the extent of deposit credit ratio, and the extent to which varied financial services are tapped by the common people. The following table shows where India stands vis a vis other countries on certain parameters. India lags behind countries such as China, Mauritius, UK and France on important parameters such as number of branches, number of ATMs, Bank Deposits or Bank Credit. It however fairs better than some other countries such as Thailand or Malaysia.

Table: 1 - Cross Country Analysis : Select Indicators of Financial Inclusion, 2011

	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	Korea	79.07	...	18.8	...	80.82	90.65
6	Mauritius	104.93	210.84	21.29	42.78	170.7	77.82
7	Mexico	6.15	18.94	14.86	45.77	22.65	18.81
8	Philippines	16.29	35.75	8.07	17.7	41.93	21.39
9	South Africa	3.08	17.26	10.71	60.01	45.86	74.45
10	Sri Lanka	41.81	35.72	16.73	14.29	45.72	42.64
11	Thailand	12.14	83.8	11.29	77.95	78.79	95.37
12	Malaysia	6.32	33.98	10.49	56.43	130.82	104.23
13	UK	52.87	260.97	24.87	122.77	406.54	445.86
14	USA	9.58	...	35.43	...	57.78	46.83
15	Switzerland	84.53	166.48	50.97	100.39	151.82	173.26
16	France	40.22	106.22	41.58	109.8	34.77	42.85

Source: World Bank, Financial Access Survey, 2010

CURRENT STATUS OF BANKING AT ALL INDIA LEVEL

The following table shows that there has been a marked growth in expansion of commercial banks and this has facilitated better reach and better service. The number of customers per banking branch has reduced and this has reduced the workload on the part of the banks. Further, the customers are given proper attention and time while getting their queries serviced. Also, the customers don't need to travel a lot for reaching their banks and this has provided more ease and comfort to the people.

Table: 2 - Geographical Outreach

KEY INDICATORS	2004	2009	2012
Commercial bank branches per 1,000 km2	22.76	27.05	33.17
Credit union and financial cooperative branches per 1,000 km2	80.08	73.19	71.50
All MFI branches per 1,000 km2	...	...	...
Commercial bank branches per 100,000 adults	8.99	9.65	11.38
Credit union and financial cooperative branches per 100,000 adults	31.64	26.10	24.54
All MFI branches per 100,000 adults	...	...	...
ATMs per 1,000 km2	...	14.90	32.67
ATMs per 100,000 adults	...	5.31	11.21

Source: World Bank, Financial Access Survey, 2010

The table below points out that the number of commercial banks has increased over a period of time and more and more offices are being set up in rural and semi urban centres. The credit and deposits placed with the bank indicating that the turnover of the commercial banks have increase. Also more and more people have been brought under the hub of financial services suggesting that there is a greater mobilization of savings.

Table: 3 – Important Indicators

IMPORTANT INDICATORS	June 1969	March 2004	March 2007	March 2012
No. of Commercial Banks	89	291	183	173
Number of Offices of Scheduled Commercial Banks in India ^	8262	67188	71839	98330
(a) Rural	1833	32121	30551	36356
(b) Semi-Urban	3342	15091	16361	25797
(c) Urban	1584	11000	12970	18781
(d) Metropolitan	1503	8976	11957	17396
Population per office (in thousands)	64.0	16.0	15.0	12.3
Deposits of Scheduled Commercial Banks in India (` Billion)	46.46	15422.84 &	26119.33	59090.82

Credit of Scheduled Commercial Banks in India (` Billion)	35.99	8655.94	19311.89	46118.52
Deposits of Scheduled Commercial Banks per office (` Million)	5.6	229.5	363.1	600.9
Per Capita Deposits of Scheduled Commercial Banks (`)	88	14550	23468	48732
Per Capita Credit of Scheduled Commercial Banks (`)	68	8166	17355	38033
Credit Deposit Ratio	77.5	56.1	73.9	78.0
Investment Deposit Ratio	29.3	43.8	30.3	29.4
Cash Deposit Ratio	8.2	5.6	7.5	6.1

Source: Report on Trend and Progress of Banking in India, 2013

As expected, the majority of the Indian banking is tilted heavily in favor of urban and metropolitan cities. The rural population still remains unbanked to a large extent. Same could be said for semi urban centers. The table presents population group-wise number of offices of all commercial banks as on March 31, 2013. Also, it highlights the number of branches opened in one last year stretching from April 1, 2012 to march 31, 2013. The table clearly depicts that the number of branches added by all banks have been almost twice or more than twice the number of branches added in urban areas. The most noticeable thing is the faster growth of the regional rural banks marking its specialty role in the financial inclusion drive very apparent.

Table: 4 - Population group-wise number of offices of all commercial banks

	As on March 31, 2013				
	Rural	**Semi-Urban**	**Urban**	**Metropo-litan**	**Total**
State Bank of India and its Associates	7095	6137	4355	3728	21315
Nationalised Banks	17052	13657	12152	11667	54528
Public Sector Banks	24147	19794	16507	15395	75843
Old Private Sector Banks	1071	2358	1615	1246	6290
New Private Sector Banks	1292	3119	2429	2878	9718
Private Sector Banks	2363	5477	4044	4124	16008
Foreign Banks	8	10	66	250	334
Regional Rural Banks	12904	3381	1087	192	17564
All Commercial Banks	39439	28691	21720	19961	109811
	Opened during April 1,2012 to March 31,2013				
BANKS	**Rural**	**Semi-Urban**	**Urban**	**Metropo-litan**	**Total**

State Bank of India and its Associates	392	318	197	159	1066
Nationalised Banks	1387	1376	580	469	3812
Public Sector Banks	1779	1694	777	628	4878
Old Private Sector Banks	173	310	88	41	612
New Private Sector Banks	587	460	171	203	1421
Private Sector Banks	760	770	259	244	2033
Foreign Banks	1	2	4	5	12
Regional Rural Banks	399	82	38	17	536
Local Area Banks	1	3	1	0	5
All Commercial Banks	2940	2551	1079	894	7464

Source: Report on Trend and Progress of Banking in India, 2013

- Population groups are defined as follows: 'Rural' includes centres with population of less than 10,000. 'Semi-Urban' includes centres with population of 10,000 and above but less than of one lakh. 'Urban' includes centres with population of one lakh and above but less than of ten lakhs, and 'Metropolitan' includes centres with population of 10 lakhs and above..

The following table shows deposit and credit of scheduled commercial banks according to the population group. It is clearly seen that much of the numbers in the total accounts have been coming from the rural and semi urban centres. This signifies that the efforts are significantly on a high on the part of the banks to bring more and more people under the banking domain. Another striking feature which can be construed from the table is that even though the numbers are relatively less from the urban and metropolitan cities, the contribution in the total turnover is faster and higher from the urban and metropolitan cities. As a result the transaction costs are higher due to the operation of a large number of less productive accounts in rural areas making the banks reluctant to operate in those areas.

Table: 5 - Deposit and Credit of Commercial Banks according to the population group

POPULATION GROUP	No. of Offices	DEPOSITS		CREDIT	
		No. of Accounts	Amount	No. of Accounts	Amount Outstanding
RURAL	35,936	283,071,790	5731858.5	41,115,982	3805176.5
SEMI-URBAN	25,818	239,951,065	8425446.9	31,047,873	4598608.1
URBAN	20,225	180,626,261	12725921.1	17,442,503	7815121.5
METROPOLITAN	18,826	199,551,141	33899206.9	41,274,939	31813763.0
ALL-INDIA	100,805	903,200,257	60782433.4	130,881,297	48032669.1

Source: Report on Trend and Progress of Banking in India, 2013

The following table shows the distribution of banking centres according to region wise as at the end of March 2011 and 2012. If the figures are considered and compared with each other, it basically pinpoints two things. The first point is that new banking centres have been added at a steady speed but these have been added only in rural and semi urban areas. Secondly most of these new banking centres have been opened in southern, central and northern India. Efforts still can be made to open up more and more centers across north eastern and eastern India which still suffers from constraints like accessibility or location and lack of government support.

TABLE: 6 - DISTRIBUTION OF BANKING CENTRES ACCORDING TO STATE AND POPULATION GROUP (AS AT THE END OF MARCH 2011 and 2012)										
POPULATION GROUP	RURAL		SEMI-URBAN		URBAN		METROPOLITAN		ALL CENTRES	
REGION/STATE/ UNION TERRITORY	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
NORTHERN REGION	4495	4760	621	630	56	56	5	5	5177	5451
NORTH-EASTERN REGION	1104	1127	148	150	12	12	0	0	1264	1289
EASTERN REGION	6861	7031	926	940	90	90	4	4	7881	8065
CENTRAL REGION	7090	7508	1029	1051	80	80	8	8	8207	8647
WESTERN REGION	3494	3655	788	793	54	54	13	13	4349	4515
SOUTHERN REGION	6075	6585	2457	2528	97	97	5	5	8634	9215
ALL INDIA	**29119**	**30666**	**5969**	**6092**	**389**	**389**	**35**	**35**	**35512**	**37182**

Source: Report on Trend and Progress of Banking in India, 2013

The following table shows the deposits of scheduled commercial banks according to region and as per the gender. This table depicts that the contribution in overall accounts individual wise is more by males as compared to females. This also suggests that more and more females can be motivated and educated regarding the offers made by the banks to open an account. This even though is not a lot talked about point but still holds a lot of promise especially considering the Indian population where still majority place a value to the account of a man as compared to a woman.

Table: 7 - Deposits of commercial banks according to Region and as per the Gender

POPULATION GROUP	INDIVIDUALS			
	MALE		FEMALE	
	No. of Accounts	Amount	No. of Accounts	Amount
RURAL	165,424	3518846.8	72,317	1029710.0
	(58.4)	(61.4)	(25.5)	(18.0)
SEMI-URBAN	154,034	4719520.8	56,432	1473255.6
	(64.2)	(56.0)	(23.5)	(17.5)
URBAN	113,138	5571830.5	42,697	2016413.2
	(62.6)	(43.8)	(23.6)s	(15.8)
METROPOLITAN	122,248	8876048.5	46,960	3576971.6
	(61.3)	(26.2)	(23.5)	(10.6)

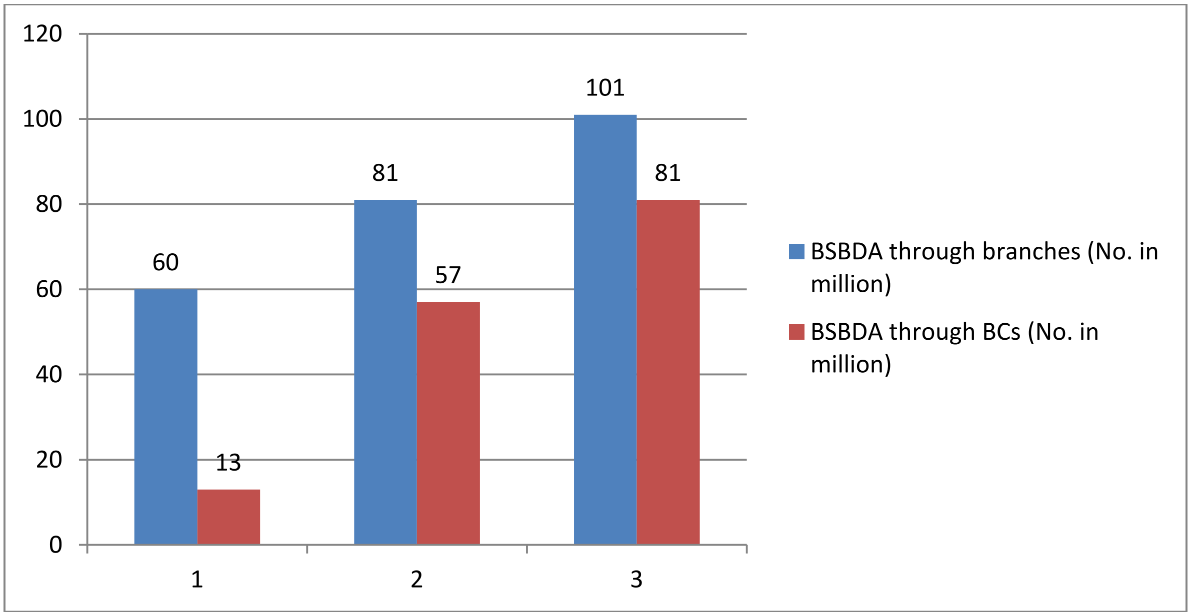
ALL-INDIA	554,845	22686246.5	218,406	8096350.4
	(61.4)	(37.3)	(24.2)	(13.3)

Source: Report on Trend and Progress of Banking in India

(No. of Accounts in Thousand, Amount in ` Million)

Chart: 1 – Basic Savings Bank Account through Bank branches and BCs

The following chart shows the basic savings bank account being opened both through banking branches and business correspondents have been on an increase over a period of three years. Much rapid growth is seen in case of BCs indicating its ever rising potential in financial inclusion.

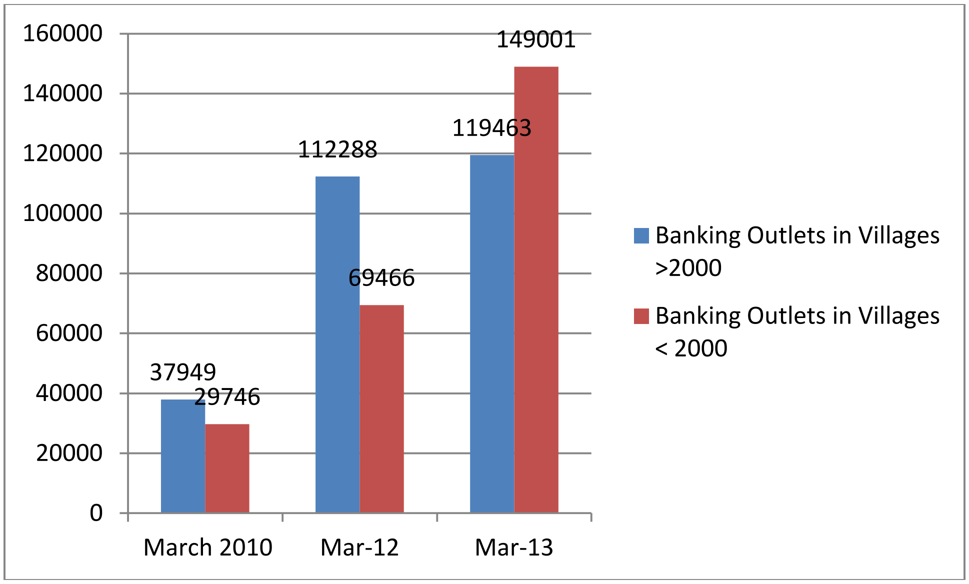


1- March 2010
2- March 2012
3- March 2013

Source: RBI Report, 2013

Chart 2: Banking Outlets in villages having population below and over 2000

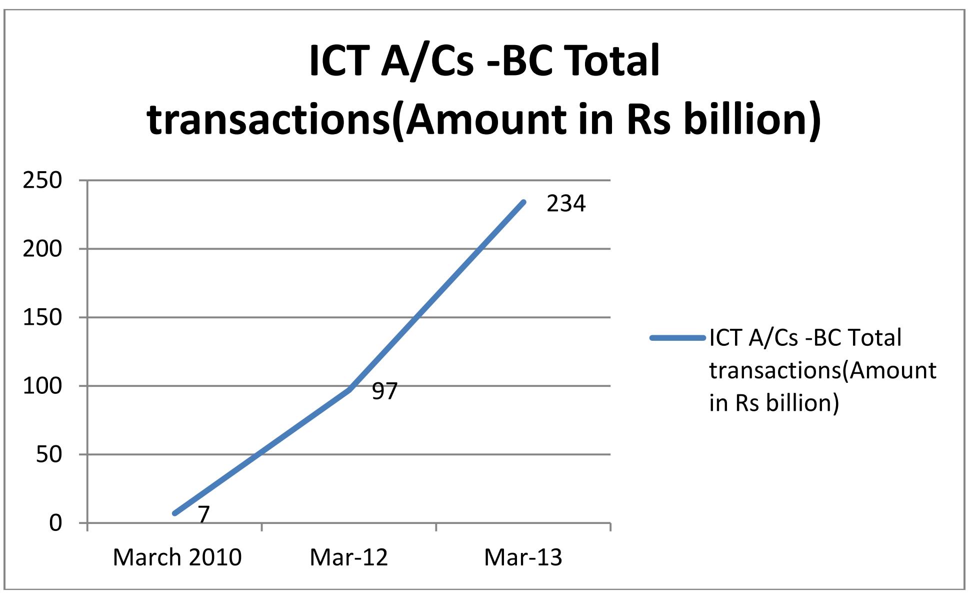
The chart below shows the number of banking outlets have been on a sharp rise in last three years both in places having population below and over 2000. This highlights that the banks are focused and very determined towards getting their branches and centres opened in less populated areas where cost concerns are usually very high.



Source: RBI Report, 2013

Chart 3: ICT A/Cs – BC Total transactions

The chart below shows the accounts (amount wise) opened by BCs using information communication technologies. It clearly indicates that information communication technologies are important tools for bringing more and more people under inclusive growth. These technologies will make more people connected and would speed up overall transactions.



Source: RBI Report, 2013

CONCLUSION

A lot can be construed from the above facts and figures suggesting that the approach from both the government and the reserve bank of India has been a measured one. Financial inclusion definitely looks a possibility keeping in mind the blueprint and framework put into place for achieving the same. Much has been achieved if the progress can be compared on a 10 year basis. But still a lot can be done with respect to prevailing financial literacy among masses. Also, due emphasis must be placed on the growing need and importance of information and communication technologies to speed up the pace of financial inclusion. Much deliberation is still needed on finding better ways to channelize the direct benefits to the genuine people since it is still facing from a lot of bureaucratic procedures. The data reveals that india has gathered speed on its road to achieve financial inclusion in last three years which is very good if studied in isolation. However, when compared to other developing and developed nations, India still needs to streamline its process and remove loads of administrative bottlenecks.

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