

BHARAT SCHOOL OF BANKING

Financial Inclusion

Financial Inclusion

World Bank report shows that approx. **2.5 billion** (250 crore) working-age **adults** globally - more than **half** of the total **adult population** of the world - have **no access** to the **formal financial services** delivered by regulated **financial institutions**.

Instead they depend on **informal** systems which bear high **risks**. They turn to the **moneylender** for **credit**, buy **livestock** as a form of savings, etc. It is evident that appropriate **financial services** can help **improve** household welfare and spur small **enterprise** activity.

Financial Inclusion

Financial Inclusion process is the conscious effort of the **government** or **central bank** of a country to **deliver financial services** to the **excluded** sector of the society (by including them).

The **Government of India** and the **Reserve Bank of India (RBI)** have been making **efforts** to promote **Financial Inclusion** as a major **national objective** of the country. Some of the efforts -

- **Nationalization** of banks
- Building up of robust **branch network** of **Scheduled Commercial Banks (SCBs)**, **Co-operatives** and **Regional Rural Banks (RRBs)**
- Introduction of mandated **Priority Sector Lending (PSL) targets**
- Lead **bank schemes**
- Formation of **Self Help Groups (SHGs)** and **Joint Liability Groups (JLGs)**
- Permitting **Banking Correspondents (BCs)** to be appointed by banks to provide **door step delivery** of banking services
- **Zero Balance accounts** like **Basic Savings Bank Deposit Accounts (BSBDAs)**, **Small Accounts**, **Jan-Dhan Accounts**, etc.

The primary **objective** of all above **initiatives** is to **reach** the **financially excluded** sector of India.

Financial Inclusion data sources

Financial Inclusion data is presented on **5 major sources**, as follows -

- **National Sample Survey Organization (NSSO)** survey results
- **Population Census** of government (currently **2011 census**)

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- **CRISIL-Inclusix** index
- **RBI** study on '**Financial Inclusion**' in India
- **World Bank** '**Financial Access Survey**' results

RBI Policy Initiatives

- RBI advised all **banks** to open **BSBDA accounts** with facilities like **no minimum balance**, ATM facility, etc.
- **Relaxed** and **simplified KYC norms** - to facilitate easy **opening** of **bank accounts**, especially for **Small Accounts** with balances not exceeding **Rs. 50,000**, etc.
- Simplified **Branch Authorization Policy** - Domestic **Scheduled Commercial Banks (SCBs)** are permitted to **freely open branches** in **Tier-2** to **Tier-6** center (population less than **1 lakh**) under general permission, subject to **reporting** to **RBI**, etc.
- **Mandatory Branches in Un-banked villages** - bank are directed to allocate **at least 25 %** of total number of **branches** to be opened during the year in **un-banked (Tier 5 and Tier 6) rural** centers
- Opening of intermediate **brick and mortar structure** - for effective cash management, documentation, customer grievance redressal, etc - **Micro branches** to be opened in **rural area**, and can be operated by **Business Correspondents**
- **Financial Literacy Centers (FLCs)** - to literate customers in **financial matters**, etc.
- **Licensing of New Banks** - with aim to further spread the banking services

