

# 'ICT Supported Financial Inclusion for Inclusive Growth – For New Age Private Banks in India'

Jagdeesh Ramchandra Lanjekar

**Abstract:** "Financial Inclusion is a delivery of Banking Services at an affordable cost to the vast sections of the disadvantaged and low income groups."

In this research work, an attempt has been made to have an insight into the different activities undertaken by the Government for the Financial Inclusion in India during the last few years. The programmes launched by some selected New Generation Private Sector Banks in India are also studied to know the present status of Financial Inclusion in India. It is a descriptive type of research work based on secondary data which has been collected from the web sites of the R.B.I., Ministry of Finance and the Banks selected for the study. The data related to the Financial Inclusion in India over the last 10 years has been considered for the research work. Financial Inclusion inculcates the savings habits among the people, saves the poor people from the vicious circle of debt from the informal sector. The New Age (Generation) Private Sector Banks are those which are established after 1993 under the new rules and regulations of R.B.I. These Banks have proved themselves as the most efficient Banks providing technology enabled Banking and Financial Services. ICICI Bank, HDFC Bank, Axis Bank, Kotak Mahindra Bank, etc. are some of the examples of out of total 9 Banks of this type. The private Banks have been intentionally selected to know how much they are serious about the problem of financial exclusion and what efforts they are taking for the improvement of the deprived class of the society.

Financial Inclusion is the key factor for the inclusive growth of the society. So as per the recommendations of the Khan Committee (2005). RBI issued guidelines to the Banks to extend their services to the unbanked areas through Business Correspondents with the help of ICT support. Pradhan Mantri Jan Dhan Yojana is playing an important role in the Financial Inclusion in the country. The National Digital Mission (NDLM) is working for the digital literacy among the people for improving their communication and accessibility to financial and other services. Attempts through various schemes like Zero Balance Account, Relaxation on KYC Norms, General Purpose Credit Cards, Easy Credit and Free Money Transfers, Financial Literacy Camps, Business Correspondents, Use of Technology, Branches in Unbanked and Rural Areas, etc. will definitely improve the financial condition of the people and it will boost the economic development of the nation. However, there is need to include more number of beneficiaries for the improved status of Financial Inclusion in the country.

**Keywords :** Financial Inclusion, Financial Literacy, Inclusive Growth Jan Dhan Yojana, New Generation Private Sector Banks

## I. INTRODUCTION

Financial sector is the backbone of the economy in any country. Financial Inclusion enables the inclusive growth

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\* Correspondence Author

**Dr.J.Lanjekar\***, his/her department Vice Principal, Brihammahareshtra college of commerce, Savitribai Phule Pune university, Punet, Email:jrlanjekar@gmail.com

and it helps the poor people to bring their life-savings into the formal financial system.

Efficient financial system is the key for the development of economy in any country. Financial inclusion helps in the financial stability and growth in the underdeveloped and the developing economies. Financial inclusion is needed for the continuous development and improved financial position of the deprived people in the society.

In this research work, an attempt has been made to know the various aspects of financial inclusion in India and to have an insight into the different activities undertaken by the Government for the Financial Inclusion in India during the last few years. The status of the financial inclusion activities undertaken by some selected New Generation Private Sector Banks have been studied in this research paper.

## II. REVIEW OF LITERATURE

1. In India, the term 'Financial Inclusion' was used for the first time by Shri. Y. Venu Gopal Reddy, the former Governor of R.B.I. in his address in the year 2005. He mentioned the need of financial inclusion to provide the basic banking and financial services to the underprivileged people.
2. A Working Paper published by the World Bank in 2012 showed that only 35 per cent of the adult Indians have the access to Bank accounts.
3. Dr. Raghuram Rajan, former Governor of R.B.I., in his address at the National Association of Software and Services Companies (NASSCOM) India Leadership Forum, Mumbai on 12<sup>th</sup> Feb., 2014, described the objectives of financial inclusion in the following words:
  - (a) Financial Services must be provided to those who are not having any access to the Banking and Financial Institutions.
  - (b) Priority must be given to the Financial Literacy and Consumer Protection of the excluded segments of the population.
4. Standard & Poor Financial Services Ltd., a credit rating agency, had conducted a survey in 2016 in India. The study revealed that around 76 per cent of India's adult population did not have even the basic knowledge of financial terms.

India has the huge manpower in the form of around 17.50 per cent of the world's total population. This manpower could be utilized to transform the economy of the country. However, financial exclusion is the major hindrance in it.

## Financial Inclusion In India



Financial inclusion provides affordable and sustainable Banking and financial products and services to the poor and marginalized groups of people. The important segments in the Indian society being financially excluded are the farmers, labourers, rural artisans, people belonging to Scheduled Castes & Scheduled Tribes and urban slum-dwellers, etc. majority of them are women.

Only two states namely, Kerala and Himachal Pradesh and one Union Territory i.e. Puducherry have achieved 100 per cent financial inclusion in all their districts.

#### **Need of Financial Inclusion**

- 1) To inculcate the savings habits among the people – Each person must have his own Bank Savings Account and he should save some portion of his income. It will help to increase the level of financial resources available in the country.
- 2) To provide easy access to the credit facilities – Each person must be provided with the formal credit facilities to fulfill his financial needs. It will help to save the poor and needy people from the trap of unauthorized money lenders and the vicious circle of indebtedness from other unofficial and informal sources.
- 3) To provide the safe and secure investment avenues – Banks and financial institutions in the country must provide the easily available investment facilities to common people to protect their financial wealth and earn some good returns on it.
- 4) To provide insurance cover – The people from low income groups must get an insurance cover for the security of their families with low amount of premium
- 5) To provide pension facilities – Neglected segments in the society must have the pension facilities after they attain their superannuation age. Aged people are not physically able to work. It will help these people to live happy life even after their retirement.

- 6) Welfare of the deprived class – Financial inclusion achieves the welfare of the large segments of the rural population and low income groups in the urban areas.

#### **Importance of Financial Inclusion**

India has been facing many socio-economic problems such as poverty, unemployment, illiteracy, malnutrition, etc. Financial education, financial literacy and financial inclusion could be the key factors to eradicate and tackle with these problems.

Importance of the Financial inclusion can be summarized as follows:

- (i) Financial inclusion creates a platform to inculcate the savings habit among the people.
- (ii) Resource base of the financial system is enhanced with the help of financial inclusion.
- (iii) Formal channels of credit are made available to the deprived sections of the society, instead of depending upon the relatives, friends or moneylenders to fulfill their financial needs.
- (iv) Financial inclusion assists in bringing the financial stability in the family and the economic development in the society and in the country.

Thus, financial inclusion is the key factor for the inclusive growth of the society.

#### **New Age Private Sector Banks in India**

The New Age (Generation) Private Sector Banks are those which are established after 1993 under the new rules and regulations of R.B.I. These Banks have proved themselves as the most efficient Banks providing technology enabled Banking and Financial Services. These new age private Banks are the tough competitors of the very old and big nationalized Banks in the country on the basis of their attractive products, ICT enabled services and improved customer services.

**Table No. 1 : Details of the New Age Private Sector Banks in India (2018-19)**

SR. No.	Name of the Bank	Head Quarter	Year of establishment	No. of Branches	Profit (Rs.in Crores) (2018-19)	NPA (%) on 31.03.2019
1.	Axis Bank	Mumbai	December, 1993	4,050	4,676.61	6.77
2.	ICICI Bank	Mumbai (Reg. in Ahmedabad)	5 <sup>th</sup> January, 1994	4,864	3,363.30	9.90
3.	HDFC Bank	Mumbai	August, 1994	5,130	21,078.00	1.30
4.	Indusind Bank	Mumbai	1994	1,558	3,301.10	1.17
5.	Development Credit Bank (DCB)	Mumbai	1930 (Scheduled Bank in 1996)	334	325.37	1.79
6.	Kotak Mahindra Bank	Mumbai	February, 2003	1,500	4,865.33	2.22
7.	Yes Bank	Mumbai	2004	1,122	1,720.28	1.28
8.	Bandhan Bank	Kolkata	23 <sup>rd</sup> August, 2015	1,000	1,951.55	1.25
9.	IDFC (Industrial Development Fin. Corp.) Bank	Mumbai	December, 2015	203	(1,944.18)	3.31
10.	IDBI (Industrial Development Bank of India) Bank	Mumbai	1 <sup>st</sup> July, 1964 (Dev. Corporation), 2004 (Public Sector), 2019 (Private Sector)	1,892	(15,116.29)	27.95

(Sources – Websites of the concerned Banks)



### **III. OBJECTIVES OF THE RESEARCH WORK**

1. To have an insight into the different activities undertaken by the government and R.B.I. for the financial inclusion in India during the last few years.
2. To study the programmes launched by some of the new generation private sector Banks in India.
3. To know about the present status of financial inclusion in India.
4. To give suggestions for the improvement in the financial inclusion in India

### **IV. RESEARCH METHODOLOGY**

#### **(a) Universe and Sample**

There are different types of Banks working in India. The scheduled Banks are of two main types i.e. Commercial Banks and Co-operative Banks. The Commercial Banks comprise of Public Sector Banks and Private Sector Banks. The Private Sector Banks include Old Private Sector Banks, New Generation Private Sector Banks and Foreign Banks.

There are total 10 New Generation Private Sector Banks working in India since 1993. Out of these, the financial inclusion activities of 5 Banks have been studied for this research.

Unlike public sector Banks, the private sector Banks try to generate maximum amount of profit in their Banking business. So these private Banks have been intentionally selected for this research work to know how much serious they are about the problem of financial exclusion and what efforts they are taking for the upliftment of the deprived classes in the society.

The new generation private sector Banks selected for the study are as follow:-

1. ICICI Bank
2. HDFC Bank
3. Kotak Mahindra Bank
4. Yes Bank
5. IDFC Bank

#### **(b) Data Collection**

It is a descriptive type of research work. It is based on the secondary data which has been collected from the following sources:

- (i) Data related to the Govt. initiatives for financial inclusion has been collected from the web sources of Ministry of Finance, Govt. of India.
- (ii) Data related to the financial inclusion programmes undertaken by the selected new generation private sector Banks has been collected from the websites of the respective Banks.
- (iii) Data related to the present status of the financial inclusion in India has been collected from the Books, Journals, News articles, authorized internet sources and various Reports published by the R.B.I.

#### **(c) Research Period**

Only the secondary data related to the financial inclusion in India over the last ten years has been considered for this research work.

#### **(d) Research Tools**

Simple average and percentage methods have been used for the analysis of the collected data. The analyzed data has been interpreted and presented in the forms of Tables for easy understanding of the status and trends of financial inclusion in India.

### **I. Govt. Initiatives for the Financial Inclusion**

#### **a. Three Year Financial Inclusion Plan (FIP)**

Govt. of India has suggested all the Banks to design a Three Year Financial Inclusion Plan (FIP) to undertake the following activities:

- (i) To open new branches in rural and semi-urban areas.
- (ii) To provide the Banking facilities through the Business Correspondents (BCs) in unbanked and underbanked areas.
- (iii) To provide Kisan Credit Cards to the farmers and farm-workers, etc.

#### **b. Pradhan Mantri Jan Dhan Yojana (PMJDY)**

Pradhan Mantri Jan Dhan Yojana was introduced on 15th August, 2014 by the Central Government with the objective of the financial inclusion in the country. This scheme has been playing an important role for the growth in the financial inclusion all over the country.

Under this scheme, Banking services like Basic Savings Bank Deposit Account (BSBDA), need based credit, remittances facilities, Payment of utility bills, insurance policies and pension scheme, etc. are delivered to the disadvantaged, weaker sections and low income groups at affordable cost with the effective use of Information & Communication Technology.

The scheme aims to bring the households in the country under the coverage of Banking & financial services by providing the following facilities to the PMJDY account-holders:-

- (i) No-frills Account with Zero Balance facility
- (ii) Allowing interest on Savings Bank Deposits at the following rates:

**Table No. 2 : Rates of Interest on Savings Banks Deposits under PMJDY (2018-19)**

On Daily Balance upto	Rate of Interest (p.a.)
Upto Rs. 1 lakh	4%
Above Rs. 1 lakh to Rs.10 lakhs	5%
Above Rs.10 lakhs	6%

(Source : Website of PMJDY)

(iii) Issue of domestic RuPay Debit Card with the following facilities: -

- (a) Personal Accident Insurance cover upto Rs. 1 lakh without any premium
- (b) Life Insurance cover of Rs. 30,000 without any premium
- (c) Cash withdrawals from the ATMs of all other Banks
- (d) Shopping at the merchant establishments



- (iv) Easy Money Transfer (EBT) across the country
- (v) Debit Benefit Transfer (DBT) of subsidy funds into the accounts of beneficiaries of Govt. Schemes like NREGA, DBTL, etc.
- (vi) Overdraft facility up to Rs. 5,000 to only one account per household, preferably to the lady account-holder after the satisfactory operation of the account for 6 months.
- (vii) Access to Insurance products
- (viii) Access to Pension schemes

**c. National Digital Literacy Mission (NDLM)**

The National Digital Literacy Mission is working for the digital literacy among the people for improving their communication and accessibility to financial and other services.

**II. R.B.I. Initiatives for the Financial Inclusion**

As per the recommendations of the Khan Committee (2005), RBI issued guidelines to the Banks to extend their services in the unbanked areas through Business Correspondents with the help of ICT support. The commercial Banks were allowed to take the help of NGOs, SHGs, MFIs, and other civil society organizations as Business Facilitators or Correspondents.

Some of the initiatives taken by R.B.I. to achieve the greater financial inclusion are as follows: -

- (1) No Frills Deposit Accounts – Opening Deposit accounts with no or very less minimum balance and less charges on overdraft facility.
- (2) Relaxation on KYC Norms – Simplified procedures to take any evidence as to the identity and address of the customer started from Aug., 2005.
- (3) Business Correspondents (BCs) – Doorstep delivery of services such as deposit, withdrawals, etc. through BCs.
- (4) Use of ICT- Illiterate customers can operate the accounts using the Biometric Identification.
- (5) Electronic Benefit Transfers (EBT) – Delivery of State Welfare and Government Dept. benefits via magnetically encoded Payment Cards to the doorstep of the beneficiaries, reducing cash and cost.
- (6) General Purpose Credit Card (GCC) – Hassle-free credit up to Rs.25,000/- without insistence on security, guarantors, purpose or end use.
- (7) Simplified Branch Authorization – Banks can open branches freely in the areas with less than 50,000 population since Dec., 2009.
- (8) Branches in Unbanked Rural Areas – At least 25 per cent of the total number of branches of the Banks have to be opened in such areas.

R.B.I. has set a vision of opening nearly 600 million new customers' accounts and serving them and providing them financial services through different channels by leveraging on ICT by 2020.

**III. Initiatives By New Age Private Banks**

One innovative activity for financial inclusion, each by 5 new generation private sector Banks selected for this study, have been presented in the following paras:

**1. ICICI Bank – Financial Literacy and Credit Counselling Centre (FLCC)**

ICICI Bank has formed a Financial Literacy and Credit Counselling Centre (FLCC) under ICICI Trusteeship Services Called Disha Trust in 2012. Main objectives of the Trust are :

- (i) To increase awareness about the financial products.
  - (ii) To educate decision-making ability regarding financial products
  - (iii) To develop a sustainable financial system
- Features of the financial inclusion achievements by FLCC are :
- (a) Around 4,40,000 individuals in 25 cities, trained in Financial Literacy
  - (b) More than 1200 villages in 29 states in the country are covered under the initiative.
  - (c) Around 2,28,000 women skilled in more than 90 courses

ICICI Bank believes that Financial Literacy is the first step towards achieving financial inclusion. It provides skill courses to the women and unemployed youths. It results in enabling livelihood, financial inclusion and social empowerment.

**2. HDFC Bank – Financial Literacy Camps**

HDFC Bank organizes Financial Literacy Camps for the children and teachers in the schools and villagers in the rural areas to impart the conceptual understanding of financial products and services.

The success of the financial inclusion activities of HDFC Bank can be stated as below:-

- (i) Bank has set up 9 Financial Literacy Centres in kerala, Punjab and Haryana to conduct activities like focused group discussions and camps at the Gram Panchayats, schools and rural branches.
- (ii) Bank has organized 1,790 Financial Literacy Camps in Schools and Grampanchayats and the participants were 67,811 while 1,994 Camps in it's rural branches for 37,395 participants.
- (iii) Through Financial Literacy Camps, Bank has reached out to over 55,000 households in over 5,000 villages, each with a population of less than 2,000.
- (iv) Bank has reached out to more than 60,000 students and 2 lakh teachers across 11 states in the country
- (v) Under the 'Meljol' scheme, Bank has encouraged around 30,000 students in Bihar and Chhattisgarh to inculcate the savings habit and trained them to think rationally and study effectively.
- (vi) 'Dhanchayat' the financial literacy video covered 4,900 villages with 9.94 lakh viewers. Another film for School Going Children screened at 500 schools.
- (vii) Financial Literacy Camps were organized for the SMEs in 5 districts in Jammu and Kashmir.
- (viii) Out of total number of Branches, around 55 per cent of the HDFC Bank-branches are in semi-urban and underbanked areas.

- (ix) Till 31<sup>st</sup> March, 2016, Bank has opened 15.80 lakh PMJDY Accounts.
- (x) Till 31<sup>st</sup> March, 2018, Bank has set up nearly 800 Multi-Function Terminals (MFTs) serving about 2.5 lakh farmers in the states of Gujarat, Maharashtra, Punjab and Rajasthan. The Dairy farmers deposit the milk produce in the Dairy Societies procurement system and enable the cash withdrawal instantly through ATMs.
- (xi) Kisan Gold Cards (KGC) enable the farmers to get loans within 3 days for the purchase of agro-equipment, land development, recurring expenses or for household purposes along with Personal Accident Insurance of Rs. 2 lakh.
- (xii) The objective of the Sustainable Livelihood Initiative (SLI) Scheme is enhancing Banking acumen through Financial Literacy and Credit Counseling and providing various Financial Services (Enterprise lending, BSBDA, Micro Deposits, Micro Insurance) and Non-Financial Services (Credit Counseling, Financial Literacy, Capacity Building, Market Linkages) mainly for the women customers with the help of more than 7,000 exclusive staff appointed to reach out to the unbanked, underbanked and rural areas.

### **3. Kotak-Mahindra Bank – Financial Inclusion Plans**

Kotak Mahindra Bank reaches out to some of the disadvantaged, vulnerable and marginalized sections of the society in the rural and urban areas through it's 3 year Financial Inclusion Plans (FIPs). They are empowered with the financial solutions like BSBDA, EBT, DBT, Entrepreneurship Credit in the form of KCC or GCC, etc.

- i) Kotak Samruddhi Yojana started with the help of Amul Dairy and National Payment Corporation of India (NPCI). It was launched on NPCI's RuPay platform for the milk producing farmers in Hooghly and Bardhaman districts in West Bengal to get easy payments against the supply of milk.
- ii) Bank is successful in opening more than 7.73 lakhs BSBDAs till 31<sup>st</sup> March, 2016. It has it's own rural bank-branch network covering 130 villages. It has engaged Business Correspondents (BCs) in 523 villages.
- iii) Bank started ICT based financial inclusion initiatives in many states offering e-Pass Book and Smart Cards along with BSBDAs.

### **4. Yes Bank – Financial Literacy among School Children)**

Yes Bank believes that investing in children's financial literacy is one of the most dependable ways to bring long-term benefits to the society at large. Financial Literacy Camps are organized as a part of International Literacy Day Celebration (8th September)

Majority of the branches of Yes Bank conduct following activities in the financial literacy camps for the school students by inviting teachers and parents also.

- (i) To see first hand how a Bank works
- (ii) To experience the Banks day-to-day work
- (iii) To know the lifecycle of several banking services

- (iv) To understand the role of banking services in the business development
- (v) To know the techniques of ATM, Cheque / Cash Deposit Machine, Fake Currency Detection Machine, etc.
- (vi) To organize an elementary quiz on financial literacy.

### **5. IDFC Bank – Bharat Banking – 'Doorstep Banking'**

As a mission, IDFC is trying to improve availability and accessibility of quality financial services for the people who are financially excluded.

Bharat Banking it it's unique outreach Banking services model. It is an initiative of reaching out to the large segment of the mass market consumers in the towns and villages in each district having the presence of IDFC Bank. It has introduced innovative technological solutions to provide best banking experiences to these customers.

Features of Bharat Banking initiative are as follows:

- (i) Banking services are provided to those customers, residing in the villages and towns in far flung areas around a branch location.
- (ii) The credit and savings products and services are provided to the household villagers at their doorstep.
- (iii) Modern technology is used in the form of tabs with software system customized for the rural and semi-urban customer segments to have better accessibility of services.
- (iv) The Relationship Officers travel to the towns and villages around the branches, serving customers, to understand their needs and aspirations. They focus on building a good credit and savings culture among the households.

## **V. ANALYSIS OF THE DATA RELATED TO FINANCIAL INCLUSION IN INDIA**

**Table No. 3 : Increase in the Number of Banking Outlets in India**

Sr. No.	Type of Banking Outlets	31.03 .2010	31.03 .2016	31.03 .2017	31.03 .2018
1.	Bank Branches in Rural Areas	33,378	51,830	50,860	50,805
2.	Business Correspondents in Rural Areas	34,174	5,31,229	5,43,472	5,15,317
3.	Other Forms of Banking Touch-Points in Rural Areas		142	3,248	3,761
4.	Total Number of Banking Outlets in Rural Areas	67,694	5,86,307	5,98,093	5,69,547

(Source: Reserve Bank of India Report)

Above table provides type-wise increase in the Banking outlets for the last ten years. It is observed that there is tremendous growth in the other forms of Banking Touch-Points in the rural areas other than Bank-branches and BCs. They are ICT enabled touch-points like ATMs, Mobile Banking, ICT-BCs, etc.



**Table No. 4 : Status of PMJDY as on 9<sup>th</sup> May, 2018**

Sr. No.	Particulars	Public Sector Banks	Regional Rural Banks	Private Sector Banks	TOTAL
1.	No. of Savings Accounts opened (in Million)	255.30	50.70	9.90	316.60
2.	Deposits collected (Rs. In Million)	6,52,182.50	1,37,170.30	22,681.30	8,12,035.90
3.	Number of Debit Cards issued (in Million)	192.00	36.80	08.20	237.00

(Source – Websites of PMJDY)

It is seen that both the Public Sector Banks and Regional Rural Banks have made significant achievement in opening the Savings Bank Accounts, Deposit Collection and issuance of Debit Cards as compared to the Private Sector Banks.

**Table No. 5 : Progress of BSBDA (No. of Accounts and Deposits)**

Sr. No	Particulars	31.03.2010	31.03.2017	31.03.2018
1.	No. of accounts opened through Branches (No. in Million)	60	254	247
2.	Deposits collected through Branches (Rs. in Billion)	44	691	731
3.	No. of accounts opened through BCs (No. in Million)	13	280	289
4.	Deposits collected through BCs (Rs. in Billion)	11	285	391
5.	Total number of BSBDA (No. in Million)	73	534	536
6.	Total Deposits in BSBDA (Rs. in Billion)	55	976	1122

(Source – RBI Report)

The performance of Business Correspondents is better than that of Bank-Banches in case of opening the accounts as well as collection of deposits in Basic Saving Bank Deposit Accounts.

**Table No. 7 : Details of Kisan Credit Cards and General Credit Cards**

Sr. No.	Particulars	31.03. 2010	31.03. 2010	31.03. 2017	31.03. 2017	31.03. 2018	31.03. 2018
	KCC	GCC	KCC	GCC	KCC	GCC	
1	No. of Cards issued (in Million)	24	1	46	13	46	12
2	Amount disbursed (Rs. in Billion)	1,240	35	5,805	2,117	6,096	1,498

(Source – RBI Report)

**Table No. 6 : Overdraft Facility Through BSBDAs**

Sr. No.	Particulars	31.03.2010	31.03.2017	31.03.2018
1.	No. of accounts availing OD Facility (No. in Million)	0.20	9.00	6.00
2.	Amount of OD Facility (Rs. in Billion)	0.10	17.00	4.00

(Source – RBI Report)

There is considerable increase in the number of accounts availing OD Facility and the amounts from the year 2010 to 2017. However, there is notable decrease in the same from the year 2017 to 2018

**Table No. 8 : Details of ICT-BCs Channel**

Sr. No.	Particulars	31.03.2010	31.03.2017	31.03.2018
1.	No. of ICT-BCs Accounts Total Transactions (No. in Million)	27	1,159	1,489
2.	Amount in ICT-BCs Accounts Total Transactions (Rs. in Billion)	07	2,652	4,292

(Source – RBI Report)

The ICT-BCs channel is proved to be more fruitful in increasing the number of accounts as well as increase in the amount of deposits in these accounts.

## VI. OBSERVATIONS

### **(A) General Observations**

- 1) Around 40 per cent of the country's total population is still without any access to formal Banking Services.
- 2) It is observed that Micro-Finance Institutions (MFIs) have been playing a significant role in the financial inclusion of the deprived class.
- 3) All the private sector Banks are not actively participating in the financial inclusion activities as they don't see any potential to earn profit through the Banking business in rural areas.
- 4) Illiteracy, negligible income for saving, lack of Bank branches, inadequate legal and financial structure in

many states, etc. are the main hindrances to the financial inclusion.

- 5) Adult literacy rate is 74.04 per cent. As against it the financial literacy rate is lower than it.
- 6) Financial Literacy and Digital Skills are the two main required tools for the empowerment of a common man.

### **(B) Observations related to New Private Banks Initiatives**

- 1) ICICI Bank, through its Disha Trust, has been working in the areas of Financial Literacy and Credit Counseling for financial inclusion since 2012. Provision of Skill Courses has provided employments to thousands of women and unemployed youths.

- 2) HDFC, the leading new age Bank has undertaken variety of schemes for the financial inclusion. Financial Literacy Camps for the School going Children, Teachers, Villagers, SMEs, Women, SHGs, Joint-Liability Groups (JLGs) is the prominent activity of the Bank. It also provides credit counseling and funding for the income generating activities.
- 3) Kotak Mahindra Bank implements 3 Year Financial Inclusion Plans (FIP) as per the guidelines of R.B.I. The Bank is trying to bring the formal banking system, a step closer to the rural population through its schemes like Kotak Samrudhi Yogaja.
- 4) As a part of Financial Inclusion initiatives, Yes Bank gives more importance to the financial literacy among the school going children for long term benefits. It organizes Financial Literacy Camps in the Schools with the objective that the students should learn money skills for the better personal finance.
- 5) IDFC Banks' Bharat Banking is a 'Doorstep Banking Project' in true sense, as the last mile delivery of banking services to the customers in the numerous villages and small towns so far are remained untouched or under-served by quality formal Banking channel.

## **VII. SUGGESTIONS**

### **(A) General Suggestions**

- 1) On the lines of Financial Inclusion Policy (FIP), R.B.I. must introduce a new policy for the constant growth in the financial inclusion by the commercial Banks.
- 2) The pace of financial inclusion can be made fast with the help of use of Information and Communication Technology in the form of ATMs, IMPS, Mobile Banking, etc.
- 3) Affordable and easy-to-use devices like mobile phones, biometric identifications must be created to improve the financial and digital literacy among the excluded people.
- 4) Appropriate regulations, Consumer Education and Financial Literacy policies must be accompanied with the financial inclusion schemes; otherwise micro-credit may result in over-indebtedness.
- 5) Awareness must be created through the various campaigns among the marginalized sections in the rural as well as urban areas about the benefits of financial literacy. A confidence must be created among them to make informed financial decisions.
- 6) Financial Education and Training must be provided to the disadvantaged people with the help of NGOs about the opening and maintaining Savings Bank Accounts, Cashless and Digital Payments and Transfer facilities, Credit facilities, Govt. Schemes for the financial support, etc.
- 7) Low-income, vulnerable and isolated people should be connected digitally, along with the atmosphere of cyber safety and security.
- 8) Financial Inclusion should be looked as a tool to reduce the poverty and boost the shared prosperity.

### **(B) Specific Suggestions to the Private Banks**

- 1) Private Banks should enter into the rural Banking business and create the customer base there. There is a huge untapped potential available in the rural and semi-urban unbanked or underbanked areas in the country.
- 2) Banks must design the customized products of savings and credit to develop an affinity towards banking.

## **VIII. CONCLUSION**

Financial Education, Financial Literacy and Financial Inclusion initiatives undertaken by the New Generation Private Sector Banks will improve the financial conditions of the people residing in their areas of operations and it will boost the economic development of the nation. However, there is need to include more number of beneficiaries for the improved status of Financial Inclusion in the country.

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## **AUTHORS PROFILE**



**Prof. Dr. Jagdeesh Ramchandra Lanjekar** is presently working as the Vice Principal and Head of Department of Banking and Finance in Brihan Maharashtra College of Commerce, Pune (Maharashtra). He is the Life Member of Deccan Education Society, Pune and All India Commerce Association. He is the recipient of the Ideal Teacher Award from Pune Municipal Corporation.

His academic qualification is M. Com., M. A., SET, M. Phil., Ph.D. He is recognized Research Guide in the subject Banking and Finance for the M. Phil. and Ph. D. programmes of Savitribai Phule Pune University, Pune. Three candidates have successfully completed Ph. D. and 8 candidates have successfully completed their M. Phil. research under his guidance.

He has participated and presented Research Papers in more than 40 Seminars, Conferences at national and International level. More than 30 Research Papers written by him are published in various Journals. He has authored 15 Books including Text Books, Books on Travels & Tourism, Biographies, History, etc.

He is the Coordinator of NAAC Committee of his college. He is also working as the Chief Rector of the Hostels on the College campus.

