



ROLE OF THE GOVERNMENT IN FINANCIAL INCLUSION: ISSUES AND CHALLENGES IN INDIA

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Abstract : In the era of Development, Financial Inclusion plays a vital role in economic growth. Financial Inclusion is something in which financial institution deliver fair and safe financial product and services at affordable cost or low price to vulnerable and low income segment of the society. It is also known as Inclusive Financing. On the path of financial Inclusion, under banked habit of low income group act as an obstacle. An important role played by self-help group movement and microfinance institution in raising the level of financial inclusion.

Financial Inclusion helpful in bringing the financial independence of weaker section, that indirectly gives a way to build a nation with economically and socially strong background. It is helpful in reducing the gap between rich and low income people. The main objective of this paper is to study the initiatives made by Indian Government in achieving the goal of financial inclusion and what are the issues and challenges act as a barrier in financial inclusion. This research paper is Descriptive in nature. Secondary data is used and that is collected by various sources such as newspaper, articles, research journals and magazines. Findings will show that financial inclusion act as a stepping stone in the economic development and Indian Government also done banking revolution but it cannot give much more impact on progress of financial inclusion as it is expected from it. The objectives of financial inclusion cannot be achieved at their fullest point, reason behind this is that there some challenges face by Government such as lack of awareness about the financial product and services among the people.

Keywords : Financial Inclusion, NABARD, Financial Exclusion, World bank, Self help group

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1. MEANING OF FINANACIAL INCLUSION

Today is a globalization world, where new innovation are take places, so in order to corporate these fast evolving circumstances its being essential for an economy to grow with an objective of balanced regional and sustainable development. In achieving this objective financial inclusion (FI, hereinafter) play a significant role in every developing economy. FI means financial institutions deliver financial product and services to poor and low income group of society at affordable prices. In today's environment FI is consider as an primary goal of central bank of most of countries of the world. The term FI was emerged in British lexicon when at that time it was found that approximately 7.5 million person do not hold an account in formal institution. Financial services and product includes such as saving, insurance, credit and debit card access, cheque and overdraft facilities, financial advice etc. World Bank's global financial development report 2014 indicate that nearly 50% of world's adult population did not have a 'bank account'. FI can be defined in many ways.

Annan(2003) *"The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is saving, credit or insurance."*



The committee on FI, under the chairmanship of Dr.C.Rangarajan defines FI 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”*.

2. OBJECTIVES OF STUDY

1 To study the various initiatives taken by Indian government for achieving the goal of FI.

2 To study the various challenges act as barrier in FI in India.

3. METHODOLOGY

Descriptive research approach will be adopted for the study. The study attempts to identify the various initiatives taken by Govt and several challenges in achieving the goal of FI India. Secondary data is used and that is collected from the different sources such as newspaper, journals, magazines, articles.

4. NEED OF FINANCIAL INCLUSION

FI considered as a pinpoint in each and every economy. For the growth and improvement of vulnerable and low group segment of society it was necessary to connect rural citizen with financial system.in absence of FI a country may grow but it will create a great difference between poor and rich person. Poor person will be poorer and rich person become richer. So it gives a birth to financial exclusion that can be prove harmful for every economy and leads to discrimination and hamper the process of development of economy. Another reason of its importance is that due to lack of awareness regarding financial system among person will lead to invest their savings in fraud and misappropriate investment. It also leads an economy in the way of uneducated (Rangrajan report, 2008).P.Vijaya Bhaskar, for fostering sustainable development it will enhanced level of capital formation which have an positive impact on economic development. Therefore for fulfilling the dream of Indian economy that is balanced regional growth can only be achieved when each section of society is connected with financial system.

5. GOVERNMENT INITIATIVES

After independence, Govt of India takes various initiatives for increasing the level of FI. Some of them were as follows:

5.1 NATIONALISATION OF BANKS

In 1969, Nationalization of banks has been done with the objective of socialist. For achieving this, banking policies was framed in that manner which helpful in accessibility of banking services for common people at a fair price. But rural area was not covered by this. So this is major concern of every indian govt.

5.2 NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

NABARD was set up in 1981 with the objective is to enhanced credit facility for agriculture and rural area, providing relating and institutional development.it plays key role in FI. It provide credit services to farmers at chap rate and also set up FLCCS(Financial literacy and credit counselling centers) for providing financial literacy awareness in rural area.

5.3 SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

SIDBI was established in India. This bank mainly provide financial support to small entrepreneur.it also involved in various development of small scale sector.It will helpful in reducing the unemployment level by providing them means of livelihood.

5.4SWARNJAYANTI SWAROJGAR YOJANA (SGSY)



This scheme was started in 1999. The aim of this yojana is to providing self-employment by providing income generating asset to unemployed person. It mainly consider below poverty line families. SHGs (Self-help group) is a part of this yojana.

5.5 NATIONAL RURAL EMPLOYMENT GURANTEE SCHEME

This scheme was introduced to bring social empowerment and financial independence by providing employment for at least 100 days in a financial year especially for rural and semi-skilled labor. Its main impact can be seen on southern region of India, as several saving bank account was opened by rural population.

5.6 NATIONAL RURAL LIVELIHOOD MISSION (NRLM)

This was introduced in 2010 to overcome the shortcoming of SGSY. Main objective is poverty reduction by providing self-employment opportunity and bring skilled wage employment. This program main give attention in providing skilled training so that they can be aware about financial market.

5.7 SAKSHAM YOJANA

This Yojana was launched by Haryana Govt in Haryana for unemployed youth. Under this scheme RS9000 salary will be paid for working 100 hours a month. Main objective of this is to reducing the level of unemployment.

6. CHALLENGES IN FINANCIAL INCLUSION

There was so many challenges were found in employing FI such as

1. Problem of choice between various financial product and services as a result they droop the idea of making investment in financial product and services.
2. It was also found that many people feels that financial product and services are costly (transaction cost is high) and risky, so they do not want to face a condition of failure by making an investment in it.
3. Illiteracy, lack of communication and information and technology also act as another causes of lack of access in financial market.

7. SUGGESTIONS AND CONCLUSION

In order to improve the level of accessibility of poor and low income group , it become essential that a govt should provide education regarding financial system to them by organizing workshop and camp in remote area where banks are not situated ,awareness about mobile technology should be given to people in a more effective and efficient manner. Further that a govt should open more number of bank branches in rural area with efficient staff. For the improvement in FI, banks should think in innovative ways and implement new technology in suitable way.

CONCLUSION

FI can be act as a weapon in reducing the level of poverty. Since 1991, government of India have taken up various steps to bring financial reforms. As India is a developing economy and govt of India have an agenda of achieving the heights of FI and time to time various steps have been taken by them. Even after so much efforts made by Indian government there was some leakage points which not allowed the citizen to access even basic financial facilities. So many problem can be responsible for financial exclusion that act as an issues in the path of FI success such as lack of education, lack of knowledge ,transportation, unawareness of technology etc. One of the major problem is illiteracy rate is high among Indian people that was not allowed them to access financial product and services. In order to overcome these challenges some other responsible and participative steps by banks also required .A govt should tackle these issues in active manner by not only framing the policies but also implementing and following them.



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