

Financial inclusion essay sample

[Finance](#), [Banking](#)



1. 1 Introduction

A well functioning financial system empowers individuals, facilitates better integration with the economy, activity contributes to development and affords protection against economic shocks. Inclusive finance through secure savings, appropriately priced credit and insurance products, and payment services helps vulnerable groups such as low income groups, weaker sections, etc. To increase incomes, acquire capital, manage risk and work their way out of poverty. Notwithstanding the efforts made so far, a sizeable majority of the population, particularly vulnerable groups, continue to remain excluded from the opportunities and services provided by the financial sector. With a view to correct this situation and extend the reach of the financial sector to such groups by minimizing the barriers to access as encountered by them, financial inclusion has been come into existence. India is the fourth largest economy in the world on a purchasing power parity (PPP) basis and twelfth on a nominal basis.

With the real GDP for ecasted to grow by 5. 7% in the year 2009-10, the Indian economy is marching ahead. This rapid expansion is expected to continue as growth in the services and high technology manufacturing sector accelerates. Agriculture, which continues to support around 60% of the population, has grown by a mere 2. 7% in the second quarter of 2008-09. In addition, the organized sector employment presently comprises less than 10% of the workforce, leaving the vast majority of the working population with irregular income streams. Notwithstanding the rapid increase in overall GDP and per capita income in recent years, a significant proportion of the population in both rural and urban areas still experiences difficulties in

accessing the formal financial system. There is currently a perception that there are a large number of people, potential entrepreneurs, small enterprises and others, who may not have adequate access to the financial sector, which could lead to their marginalization and denial of opportunity to grow and prosper.

1. 2 Financial Inclusion

Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy. The definitional emphasis of financial inclusion varies across countries and geographies, depending on the level of social, economic and financial development; the structure of stake holding in the financial sector; socio-economic characteristics of the financially excluded segments; and also the extent of the recognition of the problem by authorities or governments. The Report of the Committee on Financial Inclusion in India (Chairman: 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.”

What is Financial Inclusion? Rangarajan’s committee on financial inclusion defines it as:

“ Financial inclusion may be defined 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.”

The financial services include the entire gamut - savings, loans, insurance, credit, payments etc. The financial system has to provide its function of transferring resources from surplus to deficit units but both deficit and surplus units are those with low incomes, poor background etc. By providing these services, the aim is to help them come out of poverty.

1. 3 Rationale For Financial Inclusion

Finance has come a long way since the time when it wasn't recognized as a factor for growth and development. It is now attributed as the brain of an economic system and most economies strive to make their financial systems more efficient. It also keeps policymakers on their toes as any problem in this sector could freeze the entire economy and even lead to a contagion. It is not implied that financial inclusion alone has led to the development but is an important factor. The policymakers have set up their task force/committees to understand how can financial inclusion be achieved including advanced economies like United Kingdom. India also set up a committee under the chairmanship of Mr. C. Rangarajan to suggest measures to increase financial inclusion. The World Bank had organized a conference in March 2007 and has released a report titled “ Finance for All” in November 2007. The first question that comes to mind is why can't financial inclusion happen on its own? Why do we need to make a policy to

increase the same? Like any other product or service, why can't it find a market of its own? The reasons are:

! Financial exclusion: It has been found that financial services are used only by a section of the population. There is demand for these services but it has not been provided. The excluded regions are rural, poor regions and also those living in harsh climatic conditions where it is difficult to provide these financial services. The excluded population then has to rely on informal sector (moneylenders etc) for availing finance that is usually at exorbitant rates. These leads to a vicious cycle. First, high cost of finance implies that first poor person has to earn much more than someone who has access to lower cost finance. Second, the major portion of the earnings is paid to the moneylender and the person can never come out of the poverty.

! High cost: It has also been seen that poor living in urban areas don't utilize the financial services as they find financial services are costly and thus are unaffordable. Hence, even if financial services are available, the high costs deter the poor from accessing them. For example, to open a checking account in Cameroon, the minimum deposit requirement is over 700 dollars, an amount higher than the average GDP per capita of that country, while no minimum amounts are required in South Africa or Swaziland. Annual fees to maintain a checking account exceed 25 percent of GDP per capita in Sierra Leone, while there are no such fees in the Philippines. In Bangladesh, Pakistan, Philippines, to get a small business loan processed requires more than a month, while the wait is only a day in Denmark. The fees for

transferring 250 dollars internationally are 50 dollars in the Dominican Republic, but only 30 cents in Belgium.

! Non-price barriers: Access to formal financial services also requires documents of proof regarding a persons' identity, income etc. The poor people do not have these documents and thus are excluded from these services. They may also subscribe to the services initially but may not use them as actively as others because of high distance between the bank and residence, poor infrastructure etc.

! Behavioral aspects: Research in behavioral economics has shown that many people are not comfortable using formal financial services. The reasons are difficulty in understanding language, various documents and conditions that come with financial services etc.

The above reasons show that it is not enough to assume that financial inclusion will happen on its own. Therefore, the onus has come on to the policymakers to provide the same. Dr. Vijay Kelkar, Chairman, Finance Commission in NP Sen Memorial Lecture at Hyderabad (dated 13/1/08) said financial inclusion is a quasi public good:

Increasingly, in developing countries access to finance is positioned as a public good, which is as important and basic as access to safe water or primary education. The pertinent question to ask here is whether 'Financial Inclusion' can be construed a public good? A good is considered a 'public good' if it meets the conditions of nonrivalness in consumption and non-excludability. The degree of 'publicness' in 'financial inclusion' maybe

different from the stand point of a typical public good like say ‘ defense’, but there is little doubt that financial inclusion meets the above two criteria to a large measure and to that extent is a “ quasi public good” . There are a number of positive externalities of financial inclusion. One of the important effects is one is able to reap the advantages of network externality of financial inclusion as the value of the entire national financial system increases. Yet another reason why Financial inclusion is a quasi public good is that the consequent fuller participation by all in the financial system makes monetary policy more effective and thus enhances the prospects of noninflationary growth.

1. 4 Financial Inclusion In India : Some Key Statistics

India has around 403 million mobile users of whom, about 46%, or 187 million, don’t even have bank accounts. People can do without bank accounts but not mobile phones. Nearly 400 million Indians have bank accounts. That’s less than 40% of the country’s population. About 40% Indians have check-in accounts. 51 out of every 100 Indians had bank accounts in 1993. This has marginally gone up to 54 in 2007.

59% of adult population in India has bank accounts and that there is a large gap between the coverage of banking services in urban and rural pockets. In rural India, the coverage among the adult population is 39% against 60% in urban India. This, of course, doesn’t necessarily mean that 60 out of every 100 Indian adults in cities have bank accounts as many people operate multiple accounts.

45 million Indians invest in mutual funds. This is about 4% of India's population. The comparable figure for the US is 31%. When it comes to direct investment in equities, the number drops drastically and only 15 million Indians hold demat (electronic share) accounts that one needs to buy stocks.

Nearly 80% of the Indian population is without life, health and non-life insurance coverage. While life insurance penetration is 4%, non-life cover is even lower at 0.6%. The per capita spend on life and non-life insurance is just about Rs2,000 and Rs300, respectively, compared with a global average of at least Rs18,000 and Rs13,000.

Only 5.2% of India's 650,000 villages have bank branches even though 39.7% of the overall branch network of Indian banks, or 31,727, are in rural India. The population covered by each branch has come down from 63,000 in 1969 to 16,000 in 2007 and the total number of check-in accounts held at commercial banks, regional rural banks, primary agricultural credit societies, urban cooperative banks and post offices during this period has risen from 454.6 million to 610.3 million. Still, very few people in the low-income bracket have access to formal banking channels. Only 34% of people with annual earnings less than Rs50,000 in urban India had a bank account in 2007. The comparative figure in rural India is even lower, 26.8%.

1.5 Scope Of Financial Inclusion

The scope of financial inclusion can be expanded in two ways. a) Through state-driven intervention by way of statutory enactments (for instance the US example, the Community Reinvestment Act and making it a statutory right to have bank account in France). b) through voluntary effort by the

banking community itself for evolving various strategies to bring within the ambit of the banking sector the large strata of society. When bankers do not give the desired attention to certain areas, the regulators have to step in to remedy the situation. This is the reason why the Reserve Bank of India is placing a lot of emphasis on financial inclusion.

In India the focus of the financial inclusion at present is confined to ensuring a bare minimum access to a savings account without frills, to all.

Internationally, the financial exclusion has been viewed in a much wider perspective. Having a current account / savings account on its own. At one extreme, it is possible to identify the 'super-included', i. e., those customers who are actively courted by the financial services industry, and who have at their disposal a wide range of financial services and products. At the other extreme, we may have the financially excluded, who are denied access to even the most basic of financial products. But these persons may have only restricted access to the financial system, and may not enjoy the flexibility of access offered to more affluent customers.

1. 5 Profile of Syndicate bank

Syndicate Bank was established in 1925 in Udupi, the abode of Lord Krishna in coastal Karnataka with a capital of Rs. 8000/- by three visionaries – Sri Upendra Ananth Pai, a businessman, Sri Vaman Kudva, an engineer and Dr. T M A Pai, a physician – who shared a strong commitment to social welfare. Their objective was primarily to extend financial assistance to the local weavers who were crippled by a crisis in the handloom industry through mobilising small savings from the community. The bank collected as low as 2

annas daily at the doorsteps of the depositors through its Agents under its Pigmy Deposit Scheme started in 1928. This scheme is the Bank's brand equity today and the Bank collects around Rs.

2 crore per day under the scheme. The progress of Syndicate Bank has been synonymous with the phase of progressive banking in India. Spanning over 80 years of pioneering expertise, the Bank has created for itself a solid customer base comprising customers of two or three generations. Being firmly rooted in rural India and understanding the grassroots realities, the Bank's perception had vision of future India. It has been propagating innovations in Banking and also has been receptive to new ideas, without however getting uprooted from its distinctive socio-economic and cultural ethos. Its philosophy of growth by mutual sustenance of both the Bank and the people has paid rich dividends. The Bank has been operating as a catalyst of development across the country with particular reference to the common man at the individual level and in rural/semi urban centres at the area level

1.6 Contribution of Syndicate bank Towards Financial Inclusion • “ Small man” has been the center, around which the Syndicate Bank's activities revolved since inception. Social lending was the bank's forte even before nationalization of banks.

- Pigmy Deposit Scheme introduced by the bank in 1928 was the earliest micro finance product meant for the persons of small means.

- The bank was the first to enter into agricultural finance and rural development in 1964.
- In tune with the Govt. objectives, the bank has introduced no-frills “ SyndSamanya Savings Bank Account” for the common man and “ Syndicate General Credit Card” (SGCC) for meeting credit needs of persons of small means.
- The bank has brought out a detailed operational manual for systematic implementation of financial inclusion programme for the use of all our branches, Lead Banks and other implementing agencies.
- During 2006-07, the Bank has identified 2246 villages through 1123 rural and semi-urban branches @ 2 villages/Branch to extend all types of banking services under Financial Inclusion.
- In these villages, household surveys are taken up for providing the required services like savings, credit, insurance and other financial services. No-frill Accounts are opened @ at least 1 adult member in each family to begin with, who are presently not having SB account with any bank.
- ‘ House hold business models’ are developed for each family based on household survey data. Sum total of the household survey will be the ‘ village business model’, based on which the village development plan will be finalised.
- Under the above programme, 7. 30 lac No-frill Accounts Accounts were opened, out of 9. 65 lac identified households till 31. 03. 2007. Further, 2052

villages out of 2246 villages were declared fully compliant under Financial Inclusion.

- Bank has so far issued 3076 General Credit Cards (GCCs) with bank credit of Rs. 5. 20 crore till 30. 06. 2007.
- Out of 25 Lead Districts managed by the Bank as a whole, Bagalkot, Bijapur, Bellary, Belgaum, Dakshina Kannada, Uttara Kannada & Udupi in Karnataka, Kasargod & Kannur in Kerala, Mewat in Haryana, Baghpat in Uttara Pradesh are already declared as 100% financially included districts.
- During 2007-08, bank has identified 2 more villages per rural and semi-urban branches in each region under Financial Inclusion, thus bringing 2256 additional villages under the programme in respect of 1128 rural & semi-urban branches.
- During 2007-08, Bank has decided to take up 100% financial inclusion in the remaining 15 Lead Districts of our Bank.
- It is planned to implement the financial inclusion programme in 3 phases:
Under Phase-I :- No-frill accounts are opened and the data on all the eligible families in our operational area are collected.

Under Phase-II:-Village-wise Business models for individual families will be prepared and data base will be created.(Software is under trial run)

Under Phase-III:- Based on family/ village business models, suitable area specific schemes will be prepared and implemented.

1. 7 Objectives of Financial Inclusion

- The buzzword in banking these days is financial inclusion. That is truly ironical because it comes after 15 years of reforms in the financial sector. The liberal policies effectively neutralised the egalitarian possibilities that nationalisation of banks created in the late 1960s. In the name of rationalisation, the number of rural branches in the country fell by 14 per cent between 1991 and March 2007. The talk about making banking more inclusive appears hollow in this context.
- Spurred by the government's call for financial inclusion, banks in Karnataka claimed in 2007 that the State had achieved "full" financial inclusion. This was a significant because at that time the State was the first to achieve this landmark. In other words, they claimed that every household in the State was provided a bank account. The State Government contested this claim, and surveys in the slums in Bangalore showed that the claim of "full" coverage was way off the mark.
- After discussions with the State Government, it was decided that all households in 5, 000 villages in the State, each with a population of above 2, 000, would be provided a bank account to be made operational by March, 2011.
- In 2007, the RBI had determined that about 31 lakh households in Karnataka needed to be provided such accounts. B. Srinivas, Regional Director of the RBI, said that 16 lakh households had been provided accounts that are now operational, while accounts for the remaining 15 lakh households would become operational by 2011.
- According to him, the RBI's

objective is to ensure that payments to beneficiaries of Central and State Government schemes are made through bank accounts which would serve the objective of financial inclusion. The RBI is currently engaged in talks with the Government to ensure that the State Government's pension payments — amounting to Rs. 60 crore to Rs. 70 crore a month — are made through bank accounts.

- Why would a government committed to a liberal agenda in the financial sector want to make banks — especially Government-owned ones — deviate from a market-based approach to banking? For two reasons. First is the increasing emphasis on the Business Correspondent (BC) model. In recent statements, the leadership of banks and the RBI have suggested that banks can reach out to rural folk through individuals called BCs who will in effect act as private extensions of the bank. The problem with this kind of “outsourcing” is that it can quickly degenerate into a form of money-lending, an activity that nationalisation was meant to curb.

- The focus of the scheme appears to be on easing transfer of welfare payments for the government, rather than on making a bank account an entitlement that would empower people. The poor still find it difficult to open a bank account in a city such as Bangalore. Given this, it may be worthwhile to start the process of inclusion by making it mandatory for all banks — whether private or public — to open a “no frills” savings account for any person who wants it.

1. 8 Limitations of Financial Inclusion

The main reason for financial exclusion is the lack of a regular or substantial

income. In most of the cases people with low income do not qualify for a loan. The proximity of the financial service is another fact. The loss is not only the transportation cost but also the loss of daily wages for a low income individual. Most of the excluded consumers are not aware of the bank's products, which are beneficial for them. Getting money for their financial requirements from a local money lender is easier than getting a loan from the bank. Most of the banks need collateral for their loans. It is very difficult for a low income individual to find collateral for a bank loan. Moreover, banks give more importance to meeting their financial targets. So they focus on larger accounts.

It is not profitable for banks to provide small loans and make a profit. With the poor, however, banks face a fundamental challenge that limits the success of technology and banking innovations. The lack of clear identity documentation for the poor creates difficulties in establishing their identity to banks. This has also limited the extent to which online and mobile banking can be leveraged to reach these communities. Besides challenges of access and identity, a third limitation has been the cost of providing banking services to the poor who transact in smaller amounts, commonly referred to as micropayments. Banks consider such payments unattractive since transaction costs may be too high to bear.

1. 9 Methodology

Primary data collected from some randomly selected households have been analysed and the results interpreted in this chapter. Households have been selected both in urban as well as rural areas, and a comparison has been drawn. Survey of urban areas have been conducted both inside and outside

of bank premises. I have also collected some information through internet and from some of my friends also. I looked at various aspects of financial inclusion. One was the savings side where I tried to assess the number of households having/ not having a bank account, the type of account, reasons behind not having such an account, and the awareness among people on the recently launched initiative of no-frills accounts. On the borrowing side, I identified households which have ever availed of loans whether from institutional or non-institutional sources, their reasons of availing a one and whether they have ever been refused credit and on what grounds. We also looked at other financial products (mainly insurance) and services (mainly credit counselling) as well as financial education being provided by organisations and the financial services sector.

2. 1 History Of Financial Inclusion

2. 2 Developments of Financial Inclusion

2. 3 Present Condition

2. 1 History of financial Inclusion

Financial inclusion in the Indian context implies the provision of affordable financial services, viz., access to payments and remittance facilities, savings, loans and insurance services by the formal financial system to those who tend to be excluded. Besides access, emphasis is also placed on affordability (low cost) of financial services such as savings, loan, and remittance to the underprivileged segments of the population. Although the term ‘ financial inclusion’ was not in vogue in India then, since the late 1960s both the Government and the Reserve Bank have been concerned about the non

availability of banking facilities to the under-privileged and weaker sections of the society. Accordingly, several initiatives have been taken over time.

The initiatives undertaken for the purpose of promoting financial inclusion in India can be broadly categorized into the following four phases. In the first phase during the early years of independent India from 1947 – 1967, the focus was on channeling of credit to the neglected sectors of the economy, especially agriculture and the spread of banking in the unbanked and rural areas. Special emphasis was also laid on weaker sections of the society. In the second phase beginning 1967 till the early 1990s, the focus was mainly on nationalization of private sector banks, the spread of banking, institution of directed credit through introduction of priority sector lending norms and setting up of Regional Rural Banks. The third phase from 1991-92 onwards till 2005 focused on improving the credit delivery system to the rural sector and SMEs.

2.2 Developments

Developments during 1947-1967

The banking scenario that prevailed in the early independence phase had two distinct disquieting features. Firstly, there was large concentration of resources from deposits mobilization in a few hands of business families or groups. Banks raised funds and on-lent them largely to their controlling entities. Secondly, agriculture was neglected insofar as bank credit was concerned. However, with the advent of planning for economic development and the growing social awareness of the role of bank credit in the economy, it was felt that the then commercial bank lending system had little social

content and that it aided concentration of economic power. It was felt that the system was unresponsive to the needs of the weaker sections of the economy, small industry and agriculture, as it concentrated on lending to large customers. This period also witnessed several controls such as the credit authorization scheme and selective credit controls to ensure that credit was not concentrated in the hands of a few and that it was well disbursed. Developments during 1967-1991

During this period, several initiatives were undertaken for enhancing the use of the banking system for sustainable and equitable growth. These included nationalization of private sector banks, introduction of priority sector lending norms, the Lead Bank Scheme, branch licensing norms with focus on rural/ semi-urban branches, interest rate ceilings for credit to the weaker sections and creation of specialized financial institutions to cater to the requirement of the agriculture and the rural sectors having bulk of the poor population. The National Credit Council was set up in February 1968 mainly to assess periodically the demand for bank credit from various sectors of the economy and to determine the priorities for grant of loans and advances.

The administrative framework for rural lending in India was provided by the Lead Bank Scheme introduced in 1969, which was an important step towards implementation of the two-fold objectives of deposit mobilization on an extensive scale and stepping up of lending to weaker sections of the economy. Realizing that the flow of credit to employment oriented sectors was inadequate, the priority sector guidelines were issued to the banks by the Reserve Bank to step up the flow of bank credit to agriculture, small-

scale industry, self-employed, small business and the weaker sections within these sectors. The target for priority sector lending was gradually increased to 40 per cent of advances for specified priority sectors. Developments during 1991-2005

With the onset of economic reforms in the beginning of the 1990s, a strong and resilient financial sector was considered necessary for accelerating the growth momentum in the country and also for expanding the coverage of financial services in a sustainable manner. Accordingly, the financial sector reform process placed more emphasis on creating a strong, vibrant and competitive banking system. A high-powered Committee on the Financial System (CFS) was constituted by the Government of India in August 1991 to examine all aspects relating to the structure, organization, functions and procedures of the financial system (Chairman: Shri M. Narasimham). The main issues faced in this phase were (i) increase the flow of credit to agriculture and SMEs; (ii) strengthen the urban cooperative banks and resolve the issue of dual control; and (iii) bring a large segment of excluded population within the fold of the banking sector.

Credit to the SME and agriculture sectors decelerated in the 1990s and early years of the current decade. Given the significance of both the sectors, concerted efforts were made by the Government and the Reserve Bank to increase the flow of credit to these sectors. The restructuring of RRBs by merging them sponsor bank wise at the state level was done to make them larger and stronger to serve as a better instrument of rural credit delivery. An important step to bring financially excluded people within the fold of

formal financial sector was the promotion of microfinance in India. The SHG-bank linkage programme was launched by NABARD in 1992, with policy support from the Reserve Bank, to facilitate collective decision making by the poor and provide 'door step' banking. Banks, as wholesalers of credit, were to provide the resources, while the NGOs were to act as agencies to organize the poor, build their capacities and facilitate the process of empowering them.

2.3 Present Condition of Financial Inclusion

The Reserve Bank of India has set up a commission (Khan Commission) in 2004 to look into financial inclusion and the recommendations of the commission were incorporated into the mid-term review of the policy (2005-06). In the report RBI exhorted the banks with a view of achieving greater financial inclusion to make available a basic "no-frills" banking account. In India, Financial Inclusion first featured in 2005, when it was introduced, that, too, from a pilot project in UT of Pondicherry, by K C Chakraborty, the chairman of Indian Bank. Mangalam Village became the first village in India where all households were provided banking facilities. In addition to this KYC (Know your Customer) norms were relaxed for people intending to open accounts with annual deposits of less than Rs. 50,000. General Credit Cards (GCC) were issued to the poor and the disadvantaged with a view to help them access easy credit. In January 2006, the Reserve Bank permitted commercial banks to make use of the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions and other civil society organizations as intermediaries for providing financial and banking services.

These intermediaries could be used as business facilitators (BF) or business correspondents (BC) by commercial banks. The bank asked the commercial banks in different regions to start a 100% financial inclusion campaign on a pilot basis. As a result of the campaign states or U. T. s like Puducherry, Himachal Pradesh and Kerala have announced 100% financial inclusion in all their districts. Reserve Bank of India's vision for 2020 is to open nearly 600 million new customers' accounts and service them through a variety of channels by leveraging on IT. However, illiteracy and the low income savings and lack of bank branches in rural areas continue to be a road block to financial inclusion in many states. Apart from this there are certain in Current model which is followed. There is inadequate legal and financial structure. India, being a mostly agrarian economy, hardly has schemes which lend for agriculture. Along with microfinance we need to focus on Microinsurance too.

In its platinum jubilee year, the Reserve Bank of India (RBI) wants to connect every Indian to the country's banking system. • RBI is currently working on a three-year financial inclusion plan and is discussing this with each bank to see how to take this forward, KC Chakrabarty, deputy governor, RBI said. • “ Nearly forty years after nationalization of banks, 60% of the country's population does not have bank accounts and nearly 90% do not get loans,” he pointed out . • Despite heightened focus on financial inclusion, Indian banks still somewhat failed to bring the under- and un-banked into the mainstream banking fold. • India has currently the second-highest number of financially excluded households in the world. Approximately, 40% of India's population have bank accounts, and only about 10% have any kind of life insurance cover, while a meager 0. 6% have non-life insurance cover.

- According to UNITED NATIONS, “ A financial sector that provides ‘ access to credit for all “ bankable ” people and firms and to savings and payments services for everyone . Inclusive finance does not require that everyone who is eligible use each of the services , but they should be able to choose use them if desired. • REPORT OF THE COMMITTEE ON FINANCIAL INCLUSION IN INDIA (Chairperson : C. Rangarajan) (2008) “ 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.” • As per ” TREASURY COMMITTEE , HOUSE OF COMMONS , UK , (2005) ” Ability of individuals to access appropriate financial products and services . ” ‘ Major Three Aspects Of Financial Inclusion’ Make people to
- Access financial markets
- Access credit markets
- Learn financial matters (financial education)

Chapter – 3

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3. 3 Achievements of SBI through Financial Inclusion

3. 1 Profile of SBI

State Bank of India is an India-based bank. In addition to banking, the Company, through its subsidiaries, provides a range of financial services, which include life insurance, merchant banking, mutual funds, credit card,

factoring, security trading, pension fund management and primary dealership in the money market. It operates in four business segments: Treasury, Corporate/Wholesale Banking, Retail Banking and Other Banking Business. The Treasury segment includes the investment portfolio and trading in foreign exchange contracts and derivative contracts. The Corporate/Wholesale Banking segment comprises the lending activities of Corporate Accounts Group, Mid Corporate Accounts Group and Stressed Assets Management Group. The Retail Banking segment consists of branches in National Banking Group, which primarily includes personal banking activities, including lending activities to corporate customers having banking relations with branches in the National Banking Group.

3. 2 Vision of SBI

To provide complete range to banking facilities to their customers backed by latest technology and high services standards, to help increase their competitive edge and reach in domestic and international markets. To provide information, leads and banking facilities to Indian investor as well as their domestic customers to facilitate profitable exchanges in bilateral trade and investments.

3. 3 Achievements of SBI through Financial Inclusion

- 95% of RUSU branches achieved the target of 250 rural household accounts per annum as stipulated by Rangarajan Committee.
- 151 lakh households covered in 84, 186 villages under 100% Financial Inclusion of SLBC project.

- About 29 lakh customers enrolled through Technology based accounts.
- Another 26 lakh No Frills accounts opened at branches.
- More than 200 RCPCs set up to enhance credit processing capabilities.

Conclusion

In conclusion, there are many issues (some which are not mentioned above) which need to be taken into account when considering the best course towards financial inclusion. A recent report on poverty suggests that there has been little change over the last five years in the number of financially excluded people. There is still a long way to go, but the need for change becomes ever more acute. One of the main characteristics of the work should be that it is collaborative and ‘joined-up’, harnessing the strengths and expertise of all those involved, whether in policy, government, regulation, education, industry or the voluntary sector.