12 Pillars' Framework for Successful Financial Inclusion in India

** C. Viswanatha Reddy*

Abstract

Financial inclusion has been accorded high importance by the GoI and RBI to aid the inclusive growth process of the economy, but the impact of these have not yielded agreeable results. There have been formidable challenges in this area such as bringing sections of society that are financially excluded within the ambit of the formal financial system, providing financial literacy, and strengthening credit delivery mechanisms. As the majority of the rural population is still not included in inclusive growth, the concept of financial inclusion is a challenge for the Indian economy. The present study made an attempt to study the effectiveness of the existing resources such as network of bank branches, business correspondents (BCs), basic savings bank deposit accounts with overdraft facility, financial literacy, and credit counselling, credit guarantee fund, micro insurance, unorganised sector pension schemes, payment banks, post offices, and fair price shops network, information technology, banking technologies, PMJDY, and MUDRA Yojana, etc., towards financial inclusion. The study found that there is a still lacuna which needs to be covered, thereby making financial inclusion more efficient and user-friendly for the financially untouchable rural population.

Key words : **financial inclusion, basic savings bank accounts, business correspondents, financial literacy, credit guarantee fund, payment banks, PMJDY and MUDRA Yojana**

JEL Classification : G21, G28, R51

Paper Submission Date : July 25, 2016 ; Paper sent back for Revision : October 5, 2016 ; Paper Acceptance Date : November 11, 2016

Financial inclusion helps in the empowerment of reluctant society with the mission of making them self-sufficient and well informed to take better financial decisions. Financial inclusion takes into account the participation of vulnerable groups based on the extent of their access to financial services. The Government of India has initiated many efforts in favour of financial inclusion, such as establishment of bank branches and ATMs in rural areas, opening of 'no-frill' accounts, use of BCs, easing of KYC norms, SHG-bank linkage programme, e-DBTs, use of mobile technology, separate plan for rural and urban financial inclusion, emphasis on financial literacy, opening customer service and credit counselling centres, Kisan Credit Cards, MGNREGA, Aadhaar Scheme, etc. Though several measures have been initiated by the GoI and RBI in favour of financial inclusion, the impact of these did not yield pleasing results, and still, the majority of the population does not have access to formal credit. This is a serious issue for the economic progress of the country. Hence, the concept of financial inclusion has become a very crucial and challenging issue for the Indian economy.

Review of Literature

Financial exclusion results from certain situations that avert people to weigh in formal financial systems. In the absence of a recognized financial system, poor people are forced to approach local money lenders who charge

* *Professor,* Sree Vidyanikethan Institute of Management, A. Rangampet - 517 102, Tirupati, Andhra Pradesh.
E-mail: vsrits@gmail.com

very expensive interest rates. Financial exclusion also causes social discrimination. Hence, there is a need to fight against this evil and promote financial inclusion (Verma & Garg, 2016). Financial inclusion is an inclusive development and poverty reduction strategy that manifests itself as part of emerging FI-PR-MDG nexus. However, the need to scale-up financial inclusion is now perhaps a complementary and incremental approach to work towards meeting the MDGs than at any other time in recent history (Chibba, 2009). Financial inclusion enhances the economy and quality of life of the people of the country and also ensures an orderly growth. It will also reduce the gap between the rich and poor (Damodaran, 2012). Access to financial services allows lower income groups to save money outside the house safely and prevents concentration of economic power with a few individuals (Beck, Demirguc-Kunt, & Peria, 2006). Therefore, it is the duty of every Indian citizen to take part actively in achieving 100% financial inclusion (Pandey & Katiyar, 2013). Among the socioeconomic factors, income is positively associated with the level of financial inclusion. Further, information availability, telephone and Internet usage also play a positive role in enhancing financial inclusion (Sharma & Pais, 2008).

A healthy financial system is essential for meeting the national objectives of creating a market-driven, productive, and competitive economy (Aggarwal, 2014). Therefore, sufficient provisions should be in-built in the business model to ensure that the poor are not driven away from banking. This requires training the bank staff and managers as well as BCs on the human side of banking (Rao & Bhatnagar, 2012). For achieving complete financial inclusion, the RBI, GoI, NABARD, and the implementing agencies have to work together so that financial inclusion can be taken forward. To cope up with the challenges, there is a need for an appropriate regulatory framework to ensure financial inclusion (Dangi & Kumar, 2013 ; Raja Babu, 2015) .

The banks in India need to redesign their business strategies to incorporate specific plans to promote financial inclusion of low income group, treating it as business opportunity as well as corporate social responsibility (Chauhan, 2014 ; Leeladhar, 2005). Banking enables the poor households to perform important financial functions, that is, saving money safely outside the house, accessing credit, making loan or premium payment and transferring money within the country. Thus, although a bank account covers only one aspect of financial inclusion, it may determine access to many other financial services (Littlefield & Helms, 2006). The Indian banking sector is grappling with the issue of financial inclusion. However, it is not altogether a new exercise. Financial inclusion was envisaged and embedded in Indian credit policies in the earlier decades also, though in a disguised form and without the same nomenclature (Rao, 2009).

Statement of the Problem

Many countries in the world have recognized financial inclusion as their sustainable development agenda for empowering the disadvantaged population. The Government of India and the RBI have also initiated many intensive measures, have invested sizeable amount of resources, and have created huge infrastructure to aid the inclusive growth process of the economy. Though this large infrastructure has penetrated to even remote rural areas, but is able to serve only a small part of the society. The several initiatives of the banking sector have brought change only in urban society, and the rural population is still barred from formal financial services. Therefore, it is now realized that unless all the people are brought under the formal financial system, the benefits of high growth will not percolate down, and the majority of the population will be deprived of the benefits of this high-growth process. With a view to overcome such barriers, the banking sector has come out with a lot of innovative, technological banking products and services. However, all such innovative and technological products and services have brought changes in urban society; a majority of the rural population is still unaware of these changes and is excluded from formal banking.

The reasons for slow progress of financial inclusion in India can be looked at from both supply side and demand side. Hence, there is a need to understand the current scenario of financial inclusion, challenges of it in India, and the measures to overcome such challenges. The present paper deals with 12 pillars which are vital for making the concept of financial inclusion a viable business proposition in India.

Objectives of the Paper

(1) To highlight the role of 12 pillars for making the financial inclusion concept successful in India.

(2) To examine the challenges causing slow progress of financial inclusion in India.

(3) To suggest some viable solutions to make the financial inclusion a viable business proposition in India to reach its leftover masses.

Research Methodology

(1) Research Design : In view of the objectives of the study listed above, an exploratory research design has been adopted. Exploratory research is one which largely interprets the already available information and it lays particular emphasis on analysis and interpretation of the available secondary data.

(2) Sources of Data : The data and literature required for the study were collected from various published and unpublished secondary sources, that is, the Annual Reports of RBI, Atal Pension Yojana Brochure, Department of Posts Annual Reports (2008-09 to 2015-16), Ministry of Consumer Affairs, Food and Public Distribution (2011), etc. The data were also collected from different web sources, that is, www.cgtmse.in; www.dcmsme.gov.in; www.irdai.gov.in, etc.

(3) Hypotheses :

➯ **H_{01} :** There is no significant difference between different geographical areas with respect to number of branches during different years of the study period.

➯ **H_{02}:** There is no significant difference between different years with respect to number of branches across the geographical areas.

(4) Tools for Data Analysis : The statistical tools applied for logical and meaningful analysis of data are simple percentages, compound annual growth rate (CAGR), and linear regression analysis.

(5) Scope of the Study : The scope of the present paper is divided into 12 parts and each part deals with the significance of one pillar towards the achievement of 100% financial inclusion in India.

Analysis, Results, and Discussion

(1) Expansion of Banking Network and Geographical Coverage of Banks : The *first and basic pillar* for effective financial inclusion in India is the expansion of the banking network to reach out to the financially excluded segments of the population. Providing banking facilities across the length and breadth of the country, especially in rural areas, has always been a great challenge for governments. Nationalization of banks gave a big boost for the expansion of banking network in rural areas, and the PSBs have become important instruments for advancement of rural banking and changing lives of the rural populace. The efficient and cost effective methods to cover rural areas are mapping the entire country through Sub Service Area (SSA) approach and deploying fully enabled BC outlets. Villages with Panchayat offices can be made the nodal point. All the six lakhs villages across the entire country are to be mapped according to the service area of each bank to have at least one fixed point banking outlet catering to 1,000 to 1,500 households.

In urban India, the people residing in unrecognized colonies, colonies on the outskirts of cities, village extensions within city limits, labour colonies, etc., do not have access to formal financing channels because of various reasons. In urban areas also, the banks should engage BCs wherever required. In the urban centres of the district, the Lead District Managers (LDMs) would be responsible to coordinate with all available banks to cover all households. The data concerning the expansion of bank branches across the rural, semi-urban, urban, and metropolitan areas till March 31, 2016 is given in the Table 1.

Table 1. Financial Inclusion – Summary Progress of Bank Branches as on March 31

(Scheduled Commercial Banks including Regional Rural Banks)									
Indicators	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**CAGR (%)**
1.All SCBs	166	164	163	169	153	146	148	149	--
of which RRBs	86	83	82	82	64	57	56	56	–
2.No. of Bank Branches									
a. Rural	31,489	32,289	33,325	35,364	38,451	43,641	48,033	49,902	5.92
	(39.83)	(38.44)	(37.39)	(36.81)	(36.74)	(37.67)	(38.16)	(37.63)	
b. Semi-urban	18,764	20,358	22,419	25,076	27,822	30,926	33,523	35,704	8.37
	(23.73)	(24.23)	(25.18)	(26.10)	(26.58)	(26.70)	(26.63)	(26.92)	
c. Urban	15,325	16,653	17,706	18,541	20,127	21,783	23,522	24,794	6.2
	(19.38)	(19.82)	(19.86)	(19.30)	(19.23)	(18.80)	(18.68)	(18.70)	
d. Metropolitan	13,478	14,697	15,660	17,078	18,247	19,472	20,785	22,187	6.43
	(17.04)	(17.49)	(17.58)	(17.77)	(17.43)	(16.81)	(16.51)	(16.73)	
Total	79,056	83,997	89,110	96,059	1,04,647	1,15,822	1,25,863	1,32,587	6.67
3.No. of ATMs									
a. On-site	NA	NA	NA	47,545	55,760	83,379	89,061	1,01,950	16.48
				(49.68)	(48.90)	(52.09)	(49.09)	(51.20)	
b. Off-site	NA	NA	NA	48,141	58,254	76,676	92,337	97,150	15.07
				(50.32)	(51.10)	(47.91)	(50.91)	(48.80)	
Total				95,686	1,14,014	1,60,055	1,81,398	1,99,100	15.78

Source: Reserve Bank of India. (2009 - 2016). *Annual Reports : 2009 - 2016.*

From the data provided in the Table 1, with reference to the progress of bank branches by SCBs including RRBs, the following inferences may be drawn:

(i) The number of branches opened in rural areas increased from 31,489 in 2009 accounting for 39.83% in relation to the total number of branches to 49,902 in 2016 accounting for 37.63% in relation to the total number of branches, registering a CAGR of 5.92 % . The number of branches opened in semi-urban areas has increased from 18,764 in 2009 accounting for 23.73% in relation to the total number of branches to 35,704 in 2016 accounting for 26.92% in relation to the total number of branches, registering a CAGR of 8.37%.

(ii) The number of branches opened in urban areas increased from 15,325 in 2009 accounting for 19.38% in relation to the total number of branches to 24,794 in 2016 accounting for 18.70% in relation to the total number of branches, registering a CAGR of 6.20% . Similarly, the number of branches opened in metropolitan areas increased from 13,478 in 2009 accounting for 17.04% in relation to the total number of branches to 22,187 in 2016 accounting for 16.73% in relation to the total number of branches, registering a CAGR of 6.43 %.

In order to know whether there is any significant variation in banking network across the areas over different years of the study period, ANOVA: Two-Factor without Replication was performed (see Table 2).

Table 2. ANOVA - Two Factor Without Replication

Source of Variation	*SS*	*df*	*MS*	*F*-Ratio	*F crit*
Variation between Areas	36,12,41,029.0	2	18,06,20,514.5	65.26	3.88
Variation between Years	26,32,15,062.5	6	4,38,69,177.1	15.85	2.99
Error Variance	3,32,10,982.3	12	27,67,581.8		
Total Variance	65,76,67,073.8	20			

At 95% confidence level, the critical value of F for $\upsilon_1=2$ and $\upsilon_2=12$, $F_{0.05}$ is 3.88 and $\upsilon_1 = 6$ and $\upsilon_2= 12$, $F_{0.05}$ is 2.99. The calculated value of *'F'* for rows is 65.26 and it is much greater than the critical value and falls in the rejection region. Hence, the null hypothesis (H_{01}) is rejected. The calculated value of F for columns is 15.85. This is also greater than the critical value and falls in the rejection region. Hence, the null hypothesis (H_{02}) is rejected. The results indicate that there is a significant variation between areas with respect bank branches during different years of the study period. The results also indicate there is a significant difference between different years with respect to the number of branches across the areas.

With a view to capture the trend more precisely, the number of bank branches opened in different areas in India have been regressed on time. The results of the regression analysis are depicted in the Figures 1(a) - 1(d).

(2) Business Correspondents (BCs): The *second pillar* for promoting financial inclusion and to reach out the deprived population in India is the business correspondents (BCs') model. This model has been widely tried and tested across countries with varying degrees of success. The policy makers and regulators in India are grappling with ways to provide cost effective financial services to the financially excluded segments of the society with twin considerations, that is, striking a balance between promoting financial inclusion through profitable, low-cost delivery channels on the one hand, and protecting consumers and the integrity of the financial system on the other hand (Kolloju, 2014).

In 2006, the RBI allowed banks to use non-bank intermediaries as BCs to extend banking and other financial services to areas where the banks did not have a brick and mortar branch. A BC is a bank-in-person who is authorised to collect small ticket deposits and extend small credit on behalf of the banks. A BC also does the other activities, that is, recovering the principal and interest of small value loans, sale of micro insurance products, selling mutual fund and pension products, receipt and delivery of small value remittances/other payment instruments. The RBI has allowed an array of entities to work as BCs, that is, NGOs, MFIs, NBFCs, telecom companies, post offices, retired bank employees, ex-servicemen, and retired government employees. The RBI has permitted all BCs or representative of any one particular bank to conduct business for other banks as well. This so called "interoperability" system has been allowed at the retail outlets which is the point of customer interface. The data relating to the progress in BCs' model is presented in the Table 3.

As can be inferred from the Table 3, the number of villages covered by business correspondents increased from 34,174 in 2010 to 4,85,818 in 2015, registering a compound annual growth rate of 70.04%. The urban locations covered by Business Correspondents increased from 447 in 2010 to 96,847 in 2015, thereby registering a

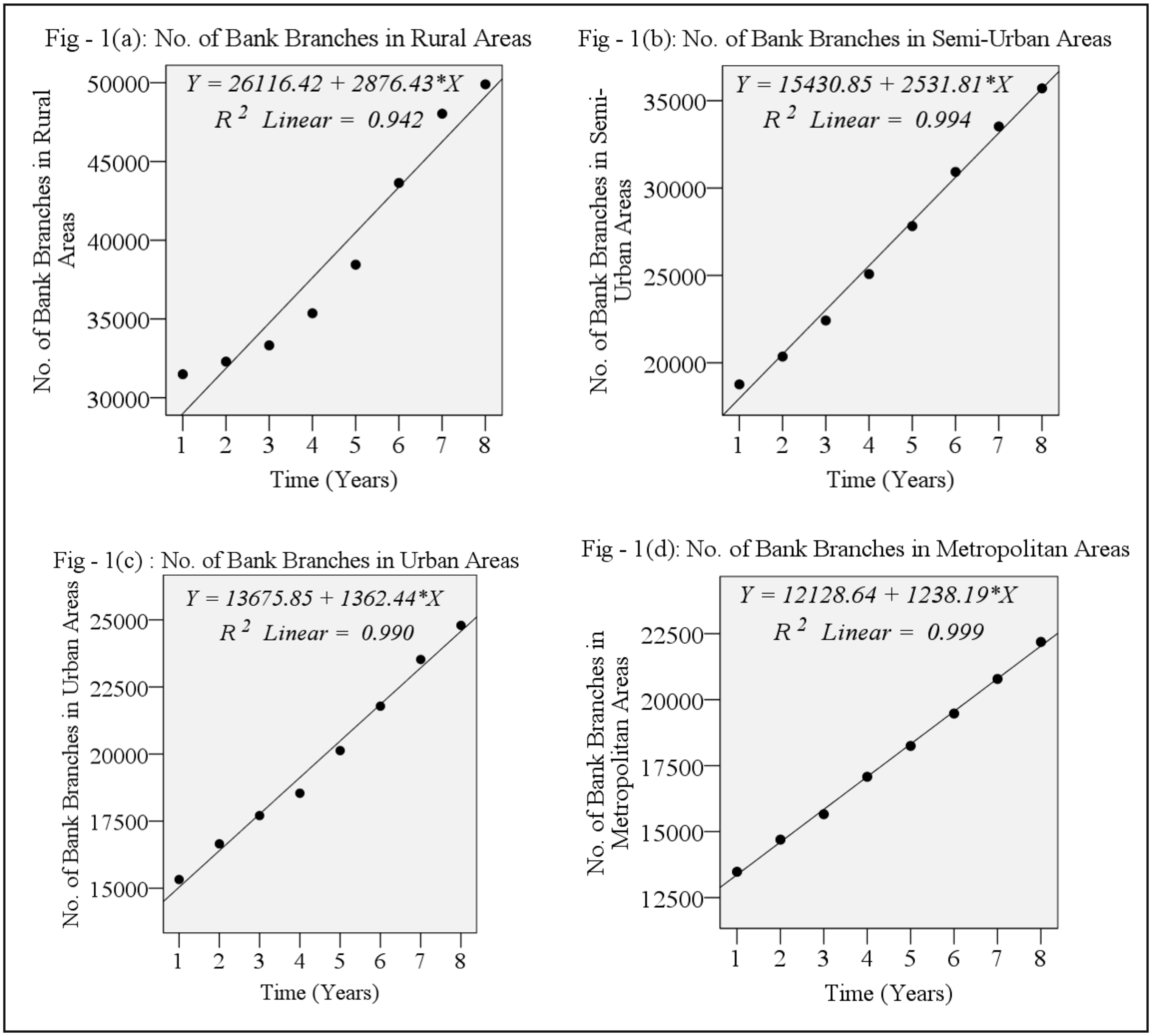


Table 3. Financial Inclusion - Summary Progress of Business Correspondents as on March 31

(Scheduled Commercial Banks including Regional Rural Banks)

Particulars (as on 31st Mar)	2010	2011	2012	2013	2014	2015	CAGR (%)
Rural and Urban Locations covered by Bcs:							
a. Villages covered by BCs	34,174	80,802	1,41,136	2,21,341	3,37,678	4,85,818	70.04
b. Urban locations through BCs	447	3,771	5,891	27,143	60,730	96,847	193.19
Basic Saving Bank Deposit A/c through BCs:							
a. No. in millions	13.27	31.63	57.30	81.27	116.90	187.80	69.89
b. Amount in billions	10.69	18.23	10.54	18.22	39.00	74.60	47.49

Source: Reserve Bank of India. (2009 - 2015). *Annual Reports : 2009 - 10 to 2014 - 2015.*

compound annual growth rate of 193.19%. The number of BSBDs through BCs increased from 13.27 million in 2010 to 187.80 million in 2015, registering a CAGR of 69.89 %. The amount of deposits collected through BCs also increased from ₹ 10.69 billion in 2010 to ₹ 74.64 billion in 2015, registering a CAGR of 47.49%. With a view to capture the trend more precisely, the developments in the BCs model towards financial inclusion in India have been regressed on time. The results of the regression analysis are depicted in the Figures 2(a) - 2(d).

Fig - 2(a): No. of Villages Covered by BCs

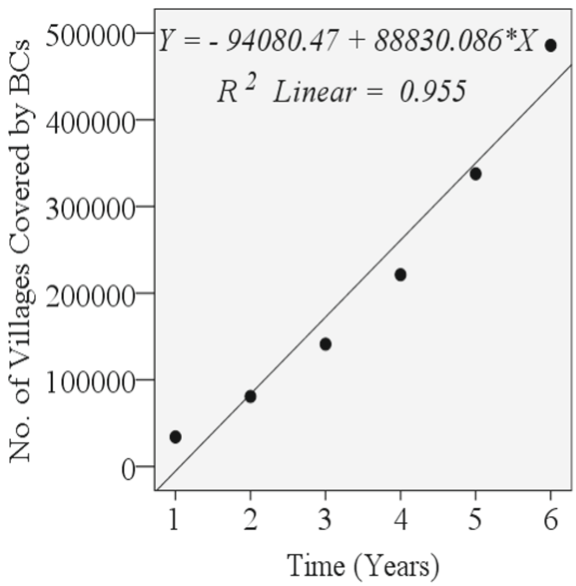


Fig - 2(b): No. of Urban Locations Covered by BCs

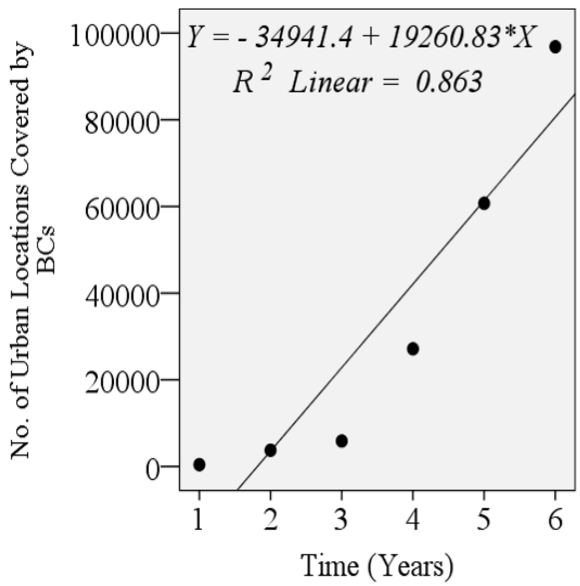


Fig - 2(c): No. of BSBD Accounts through BCs (No. in Millions)

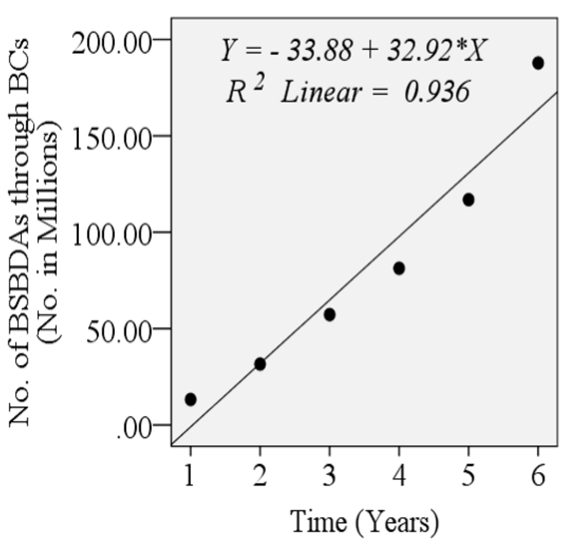
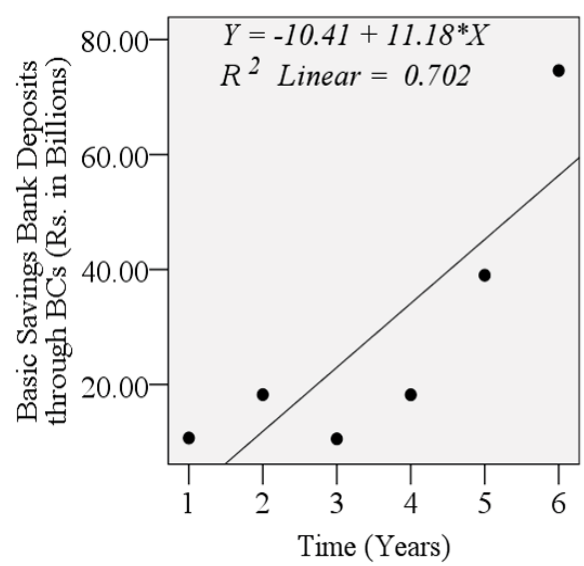


Fig - 2(d): Basic Savings Bank Deposits through BCs (Rs. in Billions)



(3) Opening of Basic Savings Bank Deposit Accounts with Overdraft Facility for Every Adult Citizen : The *third pillar* for propelling the concept of financial inclusion is the provision of basic savings bank deposit accounts (BSBDAs) with overdraft facility for every adult citizen in India. The BSBDA allows an individual to bank with a zero minimum balance required. The aim of introducing BSBDA is very much part of the efforts of RBI for furthering financial inclusion objectives (Singh et al., 2014). All the "no-frills accounts" opened earlier by the banks are now converted into BSBDAs in compliance with the guidelines issued by RBI on August 17, 2012. The BSBDAs are subject to the following conditions :

(i) Total credits in such accounts should not exceed ₹ 1 lakh in a year. The maximum balance in the account should not exceed ₹ 50,000 at any time. The total of cash withdrawals and transfers should not exceed ₹ 10,000 in a month.

(ii) The BSBDA is a normal banking service available to all customers, through branches without any restrictions like age and income of the individuals for opening such an account. Holders of BSBDAs are not eligible for opening any other savings bank account in that bank. If a customer has any other existing savings bank account in that bank, he / she will be required to close it within 30 days from the date of opening a BSBDA. But one can have term/fixed, recurring, etc., deposit accounts in the bank where he/she holds a BSBDA.

(iii) The free services available in a BSBDA are deposit and withdrawal of cash; receipt/credit of money through electronic payment channels ; deposit/collection of cheques at bank branches as well as ATMs. In BSBDA, banks are required to provide free of charge minimum four withdrawals, including through ATM and other modes. Beyond four withdrawals, it is left to the discretion of banks to either offer free/charge for additional withdrawals. However, pricing structure should be reasonable, non-discretionary, non-discriminatory, and transparent.

(iv) The BSBDA opened on the basis of simplified KYC would be treated as "BSBDA-Small Account". BSBDAs are valid for a period of 12 months initially which may be extended by another 12 months.

(v) Overdraft (OD) facility of ₹ 5,000/- would be provided to the customers. Release of the said OD facility would be in a phased manner starting with ₹ 1,000/- and after observing satisfactory performance of these OD accounts, the remaining amount will be released within the next six months. This OD facility would be covered by the Credit Guarantee Fund created by the Government. The rate of interest on these accounts is proposed at the rate of 11%.

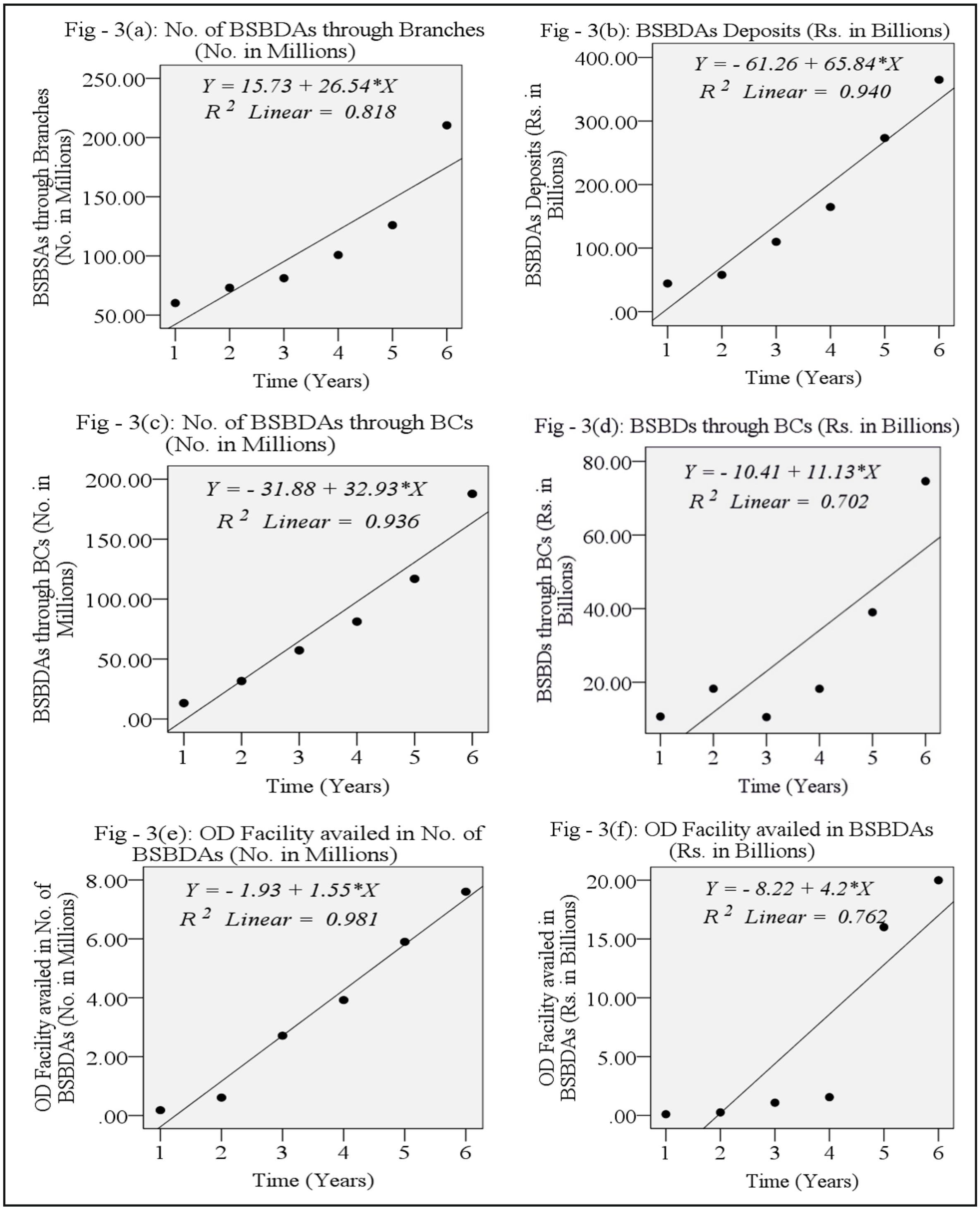
Table 4. Financial Inclusion - Summary Progress of all Basic Savings Bank Deposit Accounts

Particulars (as on 31st March)	2010	2011	2012	2013	2014	2015	CAGR (%)
Basic Saving Bank Deposits Accounts through Branches:							
a. No. in millions	60.19	73.13	81.20	100.80	126.00	210.30	28.43
b. Amount in billions	44.33	57.89	109.87	164.69	273.30	365.00	52.45
Basic Saving Bank Deposit Accounts through BCs:							
c. No. in millions	13.27	31.63	57.30	81.27	116.90	187.80	69.89
d. Amount in billions	10.69	18.23	10.54	18.22	39.00	74.60	47.49
Overdraft facility availed in BSBD Accounts:							
a. No. in millions	0.18	0.61	2.71	3.92	5.90	7.60	111.40
b. Amount in billions	0.10	0.26	1.08	1.55	16.00	19.99	188.51

Source: Reserve Bank of India. (2009 - 2015). *Annual Reports : 2009 - 10 to 2014 - 2015.*

The data relating to the summary progress of BSBDAs through branches, BCs, and overdraft facility availed is given in the Table 4.

The number of BSBDAs through branches increased from 60.19 million in 2010 to 210.30 million in 2015, registering a CAGR of 28.43%. The number of BSBDAs through BCs increased from 13.27 million in 2010 to 187.80 million in 2015, registering a CAGR of 69.89%. The amount of deposits collected through branches



increased from ₹ 44.33 billion in 2010 to ₹ 365 billion in 2015, registering a CAGR of 52.45% and the deposits mobilized through BCs also increased from ₹ 10.69 billion in 2010 to ₹ 74.64 billion in 2015, registering a CAGR of 47.49%. Overdraft facility availed in BSBDAs increased from ₹ 0.18 million in 2010 to ₹ 7.60 million in 2015, registering a CAGR of 111.40% and the amount of overdraft facility availed in such accounts also increased from ₹ 0.10 billion in 2010 to ₹ 19.99 billion, registering a CAGR of 118.51%. In order to capture the trend more precisely, various parameters concerning the BSBDAs have been regressed on time. The results of the regression analysis are depicted in the Figures 3(a) - 3(f).

(4) Financial Literacy and Credit Counselling (FLCC) : The *fourth pillar* which focuses on preparing the financially excluded people for financial planning and availing credit is to increase financial literacy through the establishment of adequate FLCs. In India, because of divergent social and economic profiles of its population, financial literacy is highly relevant for people who are resource-poor and vulnerable to persistent downward financial pressures. With no established financial awareness, the un-banked poor are pushed towards expensive alternatives. Recent experiences in the microfinance arena have shown that the farmers and poor people take loans that they have no capacity to repay and many have been driven to suicide because of debt problems (Rao, 2013). Unless financial literacy goes hand in hand with financial inclusion, instead of helping the poor, they may be put into more trouble.

NISM has set up NCFE with the collaborative support of the financial sector regulators in India, that is, RBI, SEBI, IRDA, PFRDA, and FMC to further the cause of financial literacy and inclusion in the country. Further, the National Rural Livelihood Mission (NRLM) of Ministry of Rural Development and National Urban Livelihood Mission (NULM) of the Ministry of Housing and Urban Poverty Alleviation (HUPA) are also working together to achieve the objective of financial literacy. The data concerning the activities undertaken by FLCs during the past 3 years is depicted in the Table 5.

Table 5. Activities Undertaken by Financial Literacy Centres

Particulars	2012-13	2013-14	2014-15
No. of Operational Financial Literacy Centres	718	942	1,181
No. of Activities Conducted	40,838	56,985	84,089
Total No. of Participants*	22,17,178	38,26,028	52,38,358
No. of Participants opened accounts after attending the Camps	NA	NA	14,42,546 (27.54)
No. of Participants already having accounts while attending Camps	NA	NA	28,90,204

Reserve Bank of India. (2012 - 2015). *Annual Reports : 2012 - 13 to 2014 - 2015.*

As per the data depicted in the Table 5, 1,181 FLCs were set up as on March 31, 2015. The number of activities conducted by these FLCs increased from 40,838 in 2012-13 to 84,089 in 2014-15. A total of 52,38,358 people were made aware through awareness camps by the end of 2014-15. But only 27.54% of them opened accounts after attending the camps. Most of these FLCs have been set up in urban areas and now, the RBI is aiming to expand it to the block level.

(5) Credit Guarantee Fund : The *fifth pillar* for making the financial inclusion plan successful is the creation of a Credit Guarantee Fund. This is a window to get people into the formal banking system. The idea is to bring out people from the clutches of the money lenders in both rural and urban areas. Under this scheme, every new customer will get a RuPay card with an inbuilt accident insurance coverage of ₹ 1,00,000. To avoid the duplication, all such accounts will be linked with Aadhaar. Under this scheme, a bank account holder will be eligible for ₹ 5,000 credit, which can be withdrawn through an ATM.

According to CGTMSE, a common trustee company, that is, National Credit Guarantee Trustee Company Ltd., (NCGTC) was incorporated by the department of Financial Services, Ministry of Finance, GoI under the Indian Companies Act, 1956 on March 28, 2014 to act as common trustee company and operate various credit guarantee trust funds (Development Commissioner, Ministry of Micro, Small & Medium Enterprises, n.d.). To support the first generation entrepreneurs to realize their dreams of setting up their own MSEs, GoI and SIDBI launched the CGF Scheme on August 30, 2000. Under this scheme, the entrepreneurs of MSEs will get collateral free loans up to ₹ 1 crore, cash credit for meeting working capital needs, term loan for purchase of commercial assets and for business expansion needs.

The SCBs (PSBs/private sector banks/FBs) and select RRBs are eligible under this scheme. As on May 31, 2016, there were 133 eligible lending institutions registered as MLIs of the Trust, comprising of 26 PSBs, 21 private sector banks, 73 RRBs, four FBs, and nine other institutions. As on May 31, 2016, cumulatively,

Table 6. The Extent of Credit Guarantee by CGTFMSE

The Extent of Credit Guarantee to MSEs:			
Category	**Maximum extent of Guarantee where credit facility is**		
	Up to ₹ 5 lakh	Above ₹ 5 lakh up to ₹ 50 lakhs	Above ₹ 50 lakhs up to ₹ 100 lakhs
Micro Enterprises	85% of the amount in default subject to a maximum of ₹ 4.25 lakh.	75%/ ₹ 37.50 lakhs.	₹ 37.5 lakhs plus 50% of amount in default above ₹ 50 lakhs subject to overall ceiling of ₹ 62.50 lakhs.
Women entrepreneurs / units located in North East Region.	80% of the amount in default subject to a maximum of ₹ 40 lakhs.		₹ 40 lakhs plus 50% of the amount in default above ₹ 50 lakhs subject to overall ceiling of ₹ 65 lakhs.
All other category of borrowers	75%/ ₹ 37.50 lakhs		₹ 37.50 lakhs plus 50% of amount in default above ₹ 50 lakhs subject to overall ceiling of ₹ 62.50 lakhs.

Credit Guarantee Fee Payable:		
Credit Facility	Annual Guarantee Fee % p.a.	
	Women Micro Enterprises and units in NE Region	Others
Up to ₹ 5 lakh	0.75%	1.0%
Above ₹ 5 lakh	0.85%	1.0%

Source: Table is reproduced from Credit Guarantee Fund Trust for Micro and Small Enterprises. (CGTMSE). (n.d.). *Credit Guarantee Fund Scheme for MSEs, Chapter IV*. Retrieved from https://www.cgtmse.in/schemes.aspx

Table 7. Operational Highlights of CGTMSE

Year	**No. of active MLIs**	**No. of Credit Facilities Approved**	**Amount of Guarantees Approved (₹ crores)**	**Cumulative Guarantees Approved (₹ crores)**
2000-01	9	951	6.06	6.06
2004-05	32	8,451	267.46	538.62
2009-10	85	1,51,387	6,875.11	11,559.61
2014-15	119	4,03,422	21,274.82	90,445.90
2015-16	119	5,13,978	19,949.38	1,08,990.85
2016-17*	119	1,06,634	4,037.07	1,13,500.61

*As up to 31st May, 2016.

Source: Development Commissioner, Ministry of Micro, Small & Medium Enterprises. (n.d.)

24,31,490 proposals from MSEs have been approved for guarantee cover for aggregate credit of ₹ 1,13,500.61 crores extended by 119 active MLIs. The credit guarantee offering by the trust and annual credit guarantee fee payable is illustrated in the Table 6, and the operational highlights of the scheme, since its inception, are depicted in the Table 7.

(6) Micro Insurance : The *sixth pillar* for impelling the concept of financial inclusion is the provision of micro-insurance to the disadvantaged people. The IRDA has created special category micro-insurance policies to

Table 8. Sector-Wise, Insurance Company-Wise Details of Micro-Insurance Products in India

Financial Year	Name of the Insurance Company	Name of the Micro Insurance Product	Opening Date
Public Sector Insurance Companies:			
2014-15	Life Insurance Corporation of India	LIC's Bhagya Lakshmi.	21st Oct, 2014.
2013-14		LIC's New Jeevan Mangal.	2nd Jan, 2014.
Private Sector Insurance Companies:			
2014-15	AVIVA Life Insurance Co. India Pvt. Ltd.	Aviva Nayee Grameen Suraksha.	20th Mar, 2015.
2013-14		Credit Plus.	15th May, 2013.
2013-14	Bharti AXA Life Insurance Co. Ltd.	Bharti AXA Life Jan Suraksha.	16th July, 2013.
2013-14	Birla Sun Life Insurance Co. Ltd.	BSLI Grameena Jeevan Raksha Plan.	21st May, 2013.
2007-08		BSLI Bima Dhan Sanchay.	13th Aug, 2007.
2007-08		BSLI Bima Surksha Super.	13th Aug, 2007.
2001-02		BSLI Bima Kavach Yojana.	21st Sept. 2001.
2013-14	Canara HSBC OBC Life Insurance Co.	Canara HSBC - Sampoorna Kavach Plan.	27th June, 2013.
2013-14	DHFL Pramerica Life Insu. Co. Ltd.	DHFL Prameric Sarva Suraksha.	28th June, 2013.
2013-14	Edelweiss Tokio Life Insurance Co. Ltd.	Edleweiss Tokio Life-Raksha Kavach	20th Sept, 2013.
2013-14		Dhan Nivesh Bima Yojana.	20th Sept, 2013.
2013-14	HDFC Standard Life Insurance Co. Ltd.	HDFC SL Sarvgrameen Bachat Yojana	3rd July, 2013.
2013-14	ICICI Prudential Life Insurance Co. Ltd.	ICICI Pru Sarv Jana Suraksha.	11th Sept, 2013.
2013-14		ICICI Pru Anmol Bachat.	
2014-15	IDBI Federal Life Insurance Co. Ltd.	Sampoorn Suraksha Micro Insu. Plan.	30th Oct, 2014.
2013-14		IDBI Fede. Group Microsurance Plan	29th July, 2013.
2014-15	Kotak Mahindra OM Life Insurance Ltd.	Kotak Sampoorn Bima Micro-Insurance Plan.	2nd Mar, 2015.
2013-14	PNB MetLife India Insu. Co. Ltd.	Met Grameen Ashray.	28th Jan, 2014.
2013-14	Shara India Life Insurance Co. Ltd.	Sahara Surakshit Pariwar Jeevan Bima.	14th Mar, 2014.
2013-14	SBI Life Insurance Co. Ltd.	SBI Life Grameen Shakti	29th July, 2013.
2013-14		SBI Life Grameen Super Suraksha	17th July, 2013.
2013-14		SBI Life Grameen Bima	27th Nov, 2012.
2015-16	Shriram Life Insurance Co. Ltd.	Shriram Jana Sahay	22nd Mar, 2016.
2015-16		Shriram Grameen Suraksha	22nd May, 2015.
2007-08		Shri Shay (AP)	24th Apr, 2007.
2006-07		Shri Sahay (SP)	7th Feb, 2007.
2014-15	TATA AIA Life Insurance Co. Ltd.	Navkalyan Yojana-MI Product	20th Nov, 2014.

Source : Table Reproduced from Insurance Regulatory and Development Authority of India. (2015). *Micro insurance products list.* Retrieved from https://www.irdai.gov.in/ADMINCMS/cms/frmGeneral_NoYearList.aspx?DF=RL&mid=4.2

promote insurance coverage among economically vulnerable sections of the society. According to the IRDA-Insurance Regulations, 2005, a micro-insurance policy can be a general or life insurance policy with a sum assured of ₹ 50,000 or less. A general micro-insurance product could be either health insurance contract or any contract covering belongings or any personal accident contract. A life micro-insurance product is - a term insurance contract with or without return of premium or endowment insurance contract or a health insurance contract. They can be either on individual or group basis. The micro- insurance business is done through the intermediaries, that is, NGOs, SHGs, MFIs, BCs (IRDAI, Consumer Education Website). Companies registered under Companies Act are also permitted by the IRDA for appointment as MI agents to sell micro-insurance products (Brau, Merrill, & Staking, 2011). The micro-insurance business is procured largely under the group portfolio. LIC of India has played a huge role in terms of policies sold. A variety of micro-insurance products offered by various public and private sector insurance companies in India are highlighted in the Table 8.

(7) Unorganized Sector Pension Schemes (Swavalamban Yojana) : The *seventh pillar* for promoting financial inclusion in India is unorganized pension schemes related to old age income security. To encourage workers in the unorganized sector to save voluntarily for their old age, an initiative called "Swavalamban Scheme," a co-contributory pension scheme was launched on September 26, 2010, wherein the Central Government would contribute a sum of ₹ 1,000 per annum in each NPS account opened and having a saving of ₹ 1,000 to ₹ 12,000 per annum for a period not exceeding 5 years. The target beneficiaries of the Swavalamban Scheme are co-contributory scheme beneficiaries of State Governments, Aanganwaadi workers, construction workers, occupational classes like weavers, fishermen, farmers, dairy workers, and so forth.

➯ **Announcement of Atal Pension Yojana (APY) :** The existing scheme was not attractive due to non-clarity of pension benefits at the age of 60 years. So, the Government has announced a new scheme called Atal Pension Yojana (APY) from June 1, 2015. With the introduction of the APY, all the enrolments under the Swavalamban Yojana have been closed and the eligible subscribers are being automatically migrated to the APY unless they opt out.

Table 9. Atal Pension Yojana - Contribution Period, Contribution Levels, Fixed Monthly Pension, and Return of Corpus to the Nominees of Subscribers

Age of Enrolling Atal Pension Yojana	Years of Contribution	Monthly Contribution for ₹ 1,000 pension	Monthly Contribution for ₹ 2,000 pension	Monthly Contribution for ₹ 3,000 pension	Monthly Contribution for ₹ 4,000 pension	Monthly Contribution for ₹ 5,000 pension
18	42	42	84	126	168	210
20	40	50	100	150	198	248
25	35	76	151	226	301	376
30	30	116	231	347	462	577
35	25	181	362	543	722	902
40	20	291	582	873	1164	1454
Corpus at the age of 60 years payable to the Nominee of the Subscriber		₹ 1,50,000	₹ 3,40,000	₹ 5,10,000	₹ 6,80,000	₹ 8,50,000
Internal Rate of Return (IRR)		0.66% p.m. (8% p.a.)	0.66% p.m. (8% p.a.)	0.66% p.m. (8% p.a.)	0.66% p.m. (8% p.a.)	0.66% p.m. (8% p.a.)
Post Retirement Rate of Return		0.59% p.m. (7.08% p.a.)	0.59% p.m. (7.08% p.a.)	0.59% p.m. (7.08% p.a.)	0.59% p.m. (7.08% p.a.)	0.59% p.m. (7.08% p.a.)

Source: Pension Fund Regulatory and Development Authority, Govt. of India. (n.d.). *Atal Pension Yojana - Jan Dhan to Jan Suraksha Brochure.* Retrieved from Retrieved from http://pfrda.org.in/

Under this scheme, a subscriber will receive a minimum fixed pension of ₹ 1,000 per month and a maximum pension of ₹ 5,000 per month, depending on the subscriber's contribution per month. The minimum age of joining this scheme is 18 years and maximum age is 40 years. Pension payment will start at the age of 60 years. Therefore, minimum period of contribution by the subscriber under APY would be 20 years and maximum period of contribution would be 42 years. The Central Government would also co-contribute 50% of the subscriber's contribution or ₹ 1000 per annum, whichever is lower, to each eligible subscriber account, for a period of 5 years, that is, from 2015-16 to 2019-20, who joined the NPS before December 31, 2015 and who are not income tax payers. The details of the contribution period, contribution levels, fixed monthly pensions, and returns of corpus to the nominees of subscribers under this scheme (Atal Pension Yojana - Jan Dhan to Jan Suraksha Brochure) are depicted in the Table 9.

(8) Payment Banks : The *eighth pillar* for achieving 100% financial inclusion is the establishment of payment banks (Pbs). Lack of awareness of the structured financial system and a disorganized rural banking system has prevented most rural population from depositing their savings in banks. The introduction of PBs in the rural, semi-urban, and interior areas will change the scenario. The GoI and RBI have implemented various business models to achieve TFI, that is, no-frills accounts, BCs, BFs, LABs, RRBs and setting up of rural branches of commercial banks. However, their contribution has been negligible. The strength of PBs is the use of ICT and the low operational costs.

PBs will create a revolutionary trend and will accelerate the government's mission of improving financial literacy and achieving TFI. The advantages of this model are : (a) minimization of currency circulation using technology; (b) narrow banking model, that is, mobilizing deposits and investing them in safe mode; (c) low cost of services in rural areas with the help of BCs/BFs or franchise banking system; (d) funds with PBs are completely safe because the maximum guarantee is covered by DICGC; (e) the low operational cost and the use of latest technology will increase the spread of PBs operations; (f) One Segment One Product approach enables selling the product easily; (g) ALM mismatch will be minimal in PBs as deposits mobilized will be invested in government securities; (h) DBT of government subsidies and benefits to the beneficiaries.

(9) Post Offices : The *ninth pillar* for enhancing the scope of the financial inclusion concept is the post office network. The existing network of post offices can be used as an alternative banking solution to the unbanked people. In this context, current banking facilities available for people at post offices have been explored and also their capabilities have been observed for the cause of financial inclusion at minimum cost and maximum synergies (Anson, Berthaud, Klapper, & Singer, 2013). The data regarding post offices in urban and rural areas is provided in the Table 10.

Table 10. Number of Post Offices in Urban and Rural Areas

Year	Total	Urban	% to total	Rural	% to total
2008-09	1,55,015	1,39,144	89.76	15,871	10.23
2009-10	1,54,979	1,39,182	89.80	15,797	10.19
2010-11	1,54,866	1,39,040	89.78	15,826	10.21
2011-12	1,54,822	1,39,086	89.83	15,736	10.16
2012-13	1,54,856	1,39,164	89.86	15,692	10.13
2013-14	1,54,882	1,39,182	89.86	15,700	10.13
2014-15	1,54,939	1,39,222	89.85	15,717	10.14

Source: Departments of Posts, Ministry of Communications and Information Technology, Govt. of India (2008-09 to 2015-16)

The Indian post offices are offering a plethora of financial services through their branches, that is, postal savings schemes, time deposit schemes, monthly income schemes, PPF scheme, PLI and RPLI, money remittance, and so forth. The department is contributing to the efforts of financial inclusion by DBT payments under various social security schemes, that is, MGNREGA, Indira Gandhi National Old Age Pension Scheme, Indira Gandhi National Widow Pension Scheme, Indira Gandhi National Disability Pension Scheme, and Indira Gandhi Matritva Sahyog Yojana.

(10) Fair Price Shops (FPSs) : The *tenth pillar,* that is, FPSs can play an important role in achieving full financial inclusion. There is a large network of FPSs in the country which are well above the bank branch network including kiosks and BCs. Also, many of the FPS owners are familiar with the rural people and will ensure trust in banking. Computerization of FPSs has been started by the government through the introduction of electronic point of sale (ePoS) devices (Verma & Aggarwal, 2014). In states like Andhra Pradesh and Chhattisgarh, ePoS machines are being used for different kinds of transactions and the Government is aiming to expand it to all fair price shops across the country by March 2017. The data concerning to the number of fair price shops (2011 statistics) in different states of the country is given in the Table 11.

Table 11. State-Wise Distribution of No. of Fair Price Shops in India

State	No. of Fair Price Shops	State	No. of Fair Price Shops
Andhra Pradesh (United)	43,615	Manipur	2,551
Arunachal Pradesh	1,568	Meghalaya	4,110
Assam	34,053	Mizoram	1,244
Bihar	44,480	Nagaland	241
Chhattisgarh	10,400	Orissa	28,744
Delhi	2,508	Punjab	14,348
Goa	501	Rajasthan	22,830
Gujarat	16,689	Sikkim	1,414
Haryana	9,362	Tamil Nadu	32,265
Mimachal Pradesh	4,404	Tripura	1,586
Jammu & Kashmir	5,492	Uttar Pradesh	73,004
Jharkhand	14,395	Uttarakhand	8,697
Karnataka	20,475	West Bengal	20,251
Kerala	14,245	Maharashtra	50,555
Madhya Pradesh	20,688	**Total**	**5,04,715**

Source: Adapted from Press Information Bureau, Ministry of Consumer Affairs, Food & Public Distribution (2011)

(11) Information Technology : The *eleventh pillar* for achieving the desired level of financial inclusion is information technology. The banking sector in India is using all avenues available to increase its reach and penetration. The technologies that have made the banking system much easier are computerization in banking, establishment of ATMs and e-depositing machines, introduction of debit and credit cards, innovative MIS, introduction of MICR based cheque processing, online payment systems such as RTGS, ECS, NEFT, CTS, Internet and mobile banking, inter bank remittances, retail payment systems (RPS), micro ATMs, smart cards, fingerprint authentication, use of mobile technologies, Aadhaar enabled payments, electronic delivery channels, IT enabled SHG-bank linkage programme, technology enabled BFs/BCs, liberalized KYC norms, electronic DBT system, technology enabled financial literacy programmes, creation of Financial Inclusion Technology Fund, commissioning Indian Financial Network (INFINET), introduction of National Financial Switch (NFS) to ensure inter-connectivity of shared ATMs, IT enabled banking and financial services through post offices and fair price shops, introduction of ePoS machines, electronic messages across banks using common standards, recent Digital India Campaign, etc. It is known that information technology solutions to deliver banking services have been able to reduce transaction costs. Therefore, a technological solution can make financial inclusion a reality in India.

(12) Pradhan Mantri Jan Dhan and Mudra Yojana : The *twelfth pillar* for popularization of financial inclusion is the recently launched PMJDY (A Step towards 'Sabka Saath, Sabka Vikas') and MUDRA Yojana. Financial inclusion is a subject of national priority for the Government of India and is arguably the largest financial inclusion drive in the world. PMJDY is one of the noteworthy steps taken by the present Government of India towards financial inclusion. Through this scheme, the RBI has relaxed banks' KYC norms and has also offered zero balance account with accidental insurance facility on opening the savings bank account. However, merely opening the bank account is not effective financial inclusion unless a customer becomes financially literate and starts using different financial instruments like deposits or credit facility regularly (Tripathi, Yadav, & Shastri , 2016). As of July 6, 2016, a total of 18.24 crore accounts had been opened after the announcement of the scheme. An affirmation of this by the *Guinness Book of World Records* is a feather in the cap of the Department of Financial Services, the implementing arm of Ministry of Finance (Keshavamurthy, 2014 ; Reddy & Singh, 2015 ; Tripathi et al., 2016). To service these accounts, all villages across the country are mapped to the "Service Area" of individual bank branches, and at least one fixed-point banking outlet caters to 1,000 to 1,500 households, known as a "Sub Service Area". The sub service areas are serviced through a combination of bank branches and bank mitras.

According to the Prime Minister, Shri Narendra Modi's Independence Day Speech on August 15, 2014, the mission mode objective of the PMJDY consists of six pillars. Under Phase I (August 15, 2014 to August 14, 2015), three pillars - (i) universal access to banking facilities; (ii) financial literacy programme; and (iii) providing BSBDAs with OD facility of ₹ 5,000 after six months and RuPay card with an inbuilt accident insurance cover of ₹ 1,00,000 and RuPay Kisan Card are implemented. Phase II (August 15, 2015 to August 15, 2018) will address the remaining three pillars, that is, (i) creation of Credit Guarantee Fund for coverage of defaults on OD accounts; (ii) micro insurance; and (iii) unorganized sector pension schemes (Narendra Modi, PM's Address to the Nation on 15th August, 2014, 2014). In addition, in this phase, coverage of households in hilly, tribal, and difficult areas would be carried out. Moreover, this phase would focus on covering adults in the households and students. The achievements of PMJDY as on July 6, 2016 are depicted in the Table 12.

Table 12. Pradhan Mantri Jan Dhan Yojana (all Figures in Crores)

Sl. No.Sector of Banks	No. of Accounts			No. of RuPay	Aadhaar	Balance in	% of Zero
	Rural	Urban	Total	Debit Cards	Seeded	Accounts	Balance Accounts
1. Public Sector Banks	9.82	7.74	17.56	14.68	8.84	31,409.42	25.62
2. Regional Rural Banks	3.42	0.56	3.98	2.79	1.52	7,031.15	21.14
3. Private Banks	0.51	0.32	0.83	0.77	0.34	1,498.31	36.98
Total	**13.75**	**8.62**	**22.37**	**18.24**	**10.70**	**39,938.89**	**25.25**

Source: "Pradhan Mantri Jan Dhan Yojana." (n.d.)

Pradhan Mantri Mudra Yojana is also a flagship scheme of GoI and was launched on April 8, 2015 to "fund the unfunded" by bringing such enterprises to the formal financial system and extending affordable credit to them. It enables a small borrower to borrow from PSBs such as PSU banks, RRBs, Co-op banks, private sector banks, FBs, MFIs, and NBFCs up to ₹ 10 lakhs for non-farm income generating activities. As per the Press Information Bureau, Ministry of Finance, GoI on April 7, 2015, under the aegis of PMMY, the eligible applicants in India can get loan under three schemes, that is, (a) Shishu – loans up to ₹ 50,000 ; (b) Kishor – loans above ₹ 50,000 to ₹ 5,00,000; and (c) Tarun - loans above ₹ 5,00,000 to ₹ 10,00,000.

Under this scheme, financial assistance will be offered to a wide variety of sectors/activities, that is, (a) Land Transport Sector/Activity, (b) Community, Social, & Personal Service Activities, (c) Food Products (production and preservation), (d) Textile Products Sector/Activity, and so forth.

Suggestions

(1) The RBI should take initiatives to start the bank branches in unbanked areas. In the areas where the establishment of new bank branches is impossible, the government should think of alternative channels, that is, NGOs, NPOs, MFIs, NBFCs, post offices, fair price shops, etc.

(2) To attract and retain people in the business of BCs, provision for higher commission by routing more financial services through BCs can be considered as well as providing them with respectable designation with identification cards, with structured benefits in terms of bonus or promotion or absorption in mainstream banking.

(3) While selecting BCs, a minimum qualification, that is, 10+2 exam should be stipulated. Unemployed youth in villages should be encouraged subject to fulfilling other eligibility conditions. BCs must be given proper training about basic banking, insurance, and pension products and also customer handling.

(4) The remuneration to the BCs should be at least ₹ 5,000/- p.m. comprising of fixed amount and additional transaction based variable component. While deciding upon the remuneration structure, few things like costs on rent, electricity, Internet, travelling, etc. should also be accounted for.

(5) To minimize the attrition rate of BCs, banks should consider nominating housewives and owners of fair price shops, retired people, and people with limited disabilities to become BCs to supplement their regular income.

(6) The government should expand its efforts to enhance the usage of dormant bank accounts by using them for DBTs such as social security and welfare payments from the government. All the accounts must be linked with Aadhaar number of the account holder to make a single point for receipt of all DBTs from the Central/State/Local government bodies.

(7) The most important aspect of financial inclusion is financial literacy. To increase awareness and interest in products offered under various schemes of FI, increase in advertisement in local language, on radio and television, and in print media, with local icons and artistes as brand ambassadors of the campaign could help in building public confidence.

(8) A weak project cannot be turned into a viable one with guarantee cover and is only an additional comfort to the lender, as is collateral security. Banks should evaluate credit applications by using prudent banking judgment/due diligence/business discretion in supporting only viable projects under the Credit Guarantee Scheme and conduct the account(s) of the borrowers with normal banking prudence. Further, lending should be independent from the involvement of politicians, which will not only enhance the asset quality of the banking sector, but will also improve the stability of financial inclusion.

(9) The number of member lending institutions (MLIs) should be increased from 133 by including lenders such as MFIs and NBFCs, as may be approved by the regulator, on terms and conditions that may be applicable. The sectoral coverage should also be increased by allowing guarantees for loans like retrial trade, educational institutions, etc., which cannot currently avail CGTMSE guarantee.

(10) Credit guarantee mechanism should be accorded greater importance as a policy intervention tool. CGTMSE should adopt better risk mitigation measures such as cap on payout ratio of MSME Portfolio of member lending institutions.

(11) Micro insurance schemes should follow four types of models: (a) Full - Service Model : A civil society organization provides the implementation and services of micro-insurance; (b) Partner - Agent Model : An insurance provider is a partner designing premium and a civil society is the market agent ; (c) Provider - Driven Model : The provider of the services is also the insurer ; and (d) Community Based Model : Built on the principles of solidarity and trust amongst the members of a community.

(12) Social security (pension benefit during retirement) is the most important challenge that is essential for sustainable growth and ,therefore, pension schemes must be adopted in mission mode objective. No national mission, however, can succeed without active association of all stakeholders. To achieve this goal, the government should promote the public private participation (PPP) format.

(13) The definition of financial inclusion has been changed from 'account opening and remittance service' to 'adequacy of credit facilities and other forms of financial services'. PBs are better poised to aid achieve TFI, their strength lies in the use of technology and low operational costs.

(14) India Post should look for ways to leverage its low cost platform by providing India Post branded accounts to other strategic partners, that is, MFIs, mutual fund and insurance companies, and telecom operators.

(15) India Post must work closely with a diverse array of government agencies so that their G2P payments requirements are met through POSB accounts held by citizens. The Ministry of Finance must work with India Post to build a new platform and network for direct and targeted delivery of government subsidies.

(16) In the case of banks, the key issue is the focus on reporting the volume of accounts, rather than transactions. The volume of transactions, the real measure of inclusion, can be increased with the growing ease of access and incurring financial capability of clients through financial education programmes. Further, banks should allow their customers to provide feedback about their products and services.

(17) Awareness of mobile banking is significantly low and there is reluctance, especially amongst rural people, probably because of low technological and financial literacy. In addition, there have been practically no efforts from either the bank staff or BCs in promoting mobile banking services may be because of a conflict of interest, as increased adoption of the same could reduce commission of the BCs. Mobile phones could be used for targeted advertisement campaigns devised for mass media and locally effective media. Government agencies could actively participate in these campaigns, communicating mobile banking to be user friendly and safe.

(18) Telecom service providers and the banking sector should work together and develop and implement simple and user friendly mobile banking applications at affordable prices or free of cost.

(19) India being a diverse country with unique regional occupational characteristics, cropping patterns, and income streams, it is necessary to have diverse products for its unbanked population. Thus, there is a need to have granular schemes, preferably different schemes for rural areas and urban areas. Further, distinct schemes can be made on the basis of nature of employment of people. For example, daily wage labourers can be allowed to make tiny deposits on a daily basis.

(20) The Government of India should frequently collect the micro-level data that helps in understanding the public demand for financial services and should design the financial inclusion policies. The Government should frequently check whether the financial products are actually utilized by customers effectively, and if not, it should analyze the reasons for the same.

(21) The stakeholders in financial inclusion, that is, the government, regulators, public and private entities, and the people of the country have to work together to create better business models which will not only serve the need of the current economy, but should also build a foundation for future financial inclusion plans.

(22) To achieve 100% success, there is a need to seek help from local governments, both in villages and towns. The Panchayati Raj institutions, municipalities, and city councils can help not only in identifying, but encouraging the unbanked to start operating in formal banking channels.

(23) The RBI should invite angel investors, venture capitalists, and private equity financiers with liberal terms and conditions to support individuals with creative ideas to take part in financial inclusion.

Conclusion

Though the RBI and GoI have initiated many intensive measures in support of financial inclusion, the results are not satisfactory. The major challenges causing the slow progress in financial inclusion are the large number of dormant bank accounts ; shallow penetration of insurance and social security benefits ; inefficient pension and insurance services to the poor working in the unorganized sector ; no improvement in the quality of the products and services of MFIs ; indebtedness and poor recovery from the beneficiaries ; lack of consumer protection ; no transparency in pricing and dispute resolution by MFIs ; low/no desire from the bankers' side to achieve complete financial inclusion ; high cost of servicing the rural poor in the short-run ; high information barriers and low financial awareness, especially among rural women ; inadequate regulatory and supervisory capacity ; lack of political independency ; more politicalization of lending ; entry barriers for new entrants willing to offer financial services ; no efforts for collecting customer level data regarding financial inclusion ; lack of formal commitment and action towards achieving 100% financial inclusion, and so forth. Keeping in view the limitations of financial inclusion, the suggestions provided in the previous section will be appropriate to offer some viable solutions to improve the stability of financial inclusion.

Limitations of the Study and Scope for Further Research

The information used in the present paper is primarily from recent annual statistics available to the public and the same doesn't indicate the current situation of financial inclusion in India. However, an attempt has been made to present the relevant and latest available data regarding financial inclusion in India. Now-a-days, most of the developed and developing countries in the world have regarded financial inclusion as a developmental theme and a key towards inclusive and balanced economic growth. Providing the poor with improved facilities to save and to have better access to credit and insurance helps them to manage risk, build assets, increase income, and enjoy a better life. Today, almost all the countries across the world are focusing on inclusive growth. Depending upon the stage of development (developing/developed), financial inclusion differs among countries. For the inclusive growth process of the economy, the GoI and RBI have also accorded high importance to financial inclusion.

During the last 50 years, though GoI has created a huge banking infrastructure to penetrate the financial inclusion concept to even remote rural areas, but the results are not percolating down and still, the majority of the population are deprived of the benefits of it. In this paper, I have made an attempt to highlight the significance of the 12 basic pillars for promoting the concept of financial inclusion in India. A sound financial inclusion programme will certainly help in reducing economic disparity and removing financial untouchability among the deprived sections of the population in India. So, there is a need for continuous evaluation of different financial inclusion schemes and programmes offered by the GoI and its allied agencies. Hence, there is vast scope for further research on various aspects of financial inclusion, that is, future researchers can consider the following areas for future research : Paradigm shifts in financial inclusion in India : Issues and challenges ; Financial inclusion in India : Review of existing policies and practices; Factors that matter for financial inclusion: Evidence from India ; Push-pull factors that influence financial inclusion in India : Analysis of the barriers based on micro-level survey ; Global financial inclusion : The nexus to India.

References

Aggarwal, R. (2014). Financial inclusion in India: Opportunities and challenges. *International Journal of Research (IJR) , 1* (4), 557-567.

Anson, J., Berthaud, A., Klapper, L., & Singer, D. (2013). *Financial inclusion and the role of the post office.* World Bank Policy Research Paper No.6630. Retrieved from https://openknowledge.worldbank.org/bitstream/handle/10986/16882/WPS6630.pdf?sequence=1&isAllowed=y

Beck, T., Demirguc-Kunt, A., & Peria, M. S. M. (2006). *Banking services for everyone? Barriers to bank access and use around the world.* World Bank Policy Paper , 4079. Retrieved from http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-4079

Brau, J. C, Merrill, C., & Staking, K. B. (2011). Insurance theory and challenges facing the development of micro-insurance markets. *Journal of Development Entrepreneurship (JDE), 16* (4), 411-440. DOI: 10.1142/S1084946711001926

Chauhan, R. (2014). Financial Inclusion-Present Scenario in India with Nachiket Mor Committee Vision. *International Journal of Commerce, Business and Management , 3* (4), 557-568.

Chibba, M. (2009). Financial inclusion, poverty reduction and the millennium development goals. *European Journal of Development Research, 21*(2),213-230. DOI:10.1057/ejdr.2008.17

Credit Guarantee Fund Trust for Micro and Small Enterprises. (CGTMSE). (n.d.). *Credit Guarantee Fund scheme for MSEs, Chapter IV.* Retrieved from https://www.cgtmse.in/schemes.aspx

Damodaran, A. (2012). Financial inclusion: Issues and challenges. *AKGEC International Journal of Technology, 4*(2), 54-59.

Dangi, N., & Kumar, P. (2013). Current situation of financial inclusion in India and its future visions. *International Journal of Management and Social Science Research, 2* (8), 155-166.

Departments of Posts, Ministry of Communications and Information Technology, Govt. of India (2008-09 to 2015-16). *Annual Reports.* Retrieved from https://www.indiapost.gov.in/

Development Commissioner, Ministry of Micro, Small & Medium Enterprises. (n.d.). *Credit guarantee fund scheme for micro and small enterprises : Operational highlights of CGTMSE.* Retrieved from http://www.dcmsme.gov.in/schemes/sccrguarn.htm

Insurance Regulatory and Development Authority of India. (2015). *Micro insurance products list.* Retrieved from https://www.irdai.gov.in/ADMINCMS/cms/frmGeneral_NoYearList.aspx?DF=RL&mid=4.2

Keshavamurthy, H.R. (2014, August 29). Pradhan Mantri Jan Dhan Yojana: A step towards "Sab Ka Sath Sab Ka Vikas". *International News and Views.com.* Retrieved from http://www.internationalnewsandviews.com/pradhan-mantri-jan-dhan-yojana-a-step-towards-sab-ka-sath-sab-ka-vikas/

Kolloju, N. (2014). Business correspondent model vis-a-vis financial inclusion in India: New practice of banking the poor. *International Journal of Scientific and Research Publications , 4* (1), 1-7.

Leeladhar, V. (2005). *Taking banking services to common man: Financial inclusion. Commemorative Lecture,* Fed Bank Hornis Memorial Foundation, Ernakulam, Dec, 2, 2005.

Littlefield, E., & Helms, B. (2006). *Financial inclusion 2015 : Four scenarios for the future of microfinance.* CGAP Focus Note No.39 . Retrieved from https://www.cgap.org/sites/default/files/CGAP-Focus-Note-Financial-Inclusion-2015-Four-Scenarios-for-the-Future-of-Microfinance-Oct-2006.pdf

Narendra Modi. (2014, August 15). *PM's address to the nation on 15th August.* Retrieved from http://www.narendramodi.in/pms-address-to-the-nation-on-15th-august-646

Pandey, D.P., & Katiyar (2013). Financial inclusion in India scenario. *International Journal of Management Research and Development , 3* (4), 1-7.

Pension Fund Regulatory and Development Authority, Govt. of India. (n.d.). *Atal Pension Yojana - Jan Dhan to Jan Suraksha Brochure.* Retrieved from http://pfrda.org.in/ and http://www.atalpensionscheme.com/calculator/

Pradhan Mantri Jan Dhan Yojana. (n.d.). In *Wikipedia.* Retrieved August 31, 2016 from https://en.wikipedia.org/wiki/Pradhan_Mantri_Jan_Dhan_Yojana

Press Information Bureau, Ministry of Consumer Affairs, Food & Public Distribution. (2011). *Number of ration shops in the country.* Retrieved from http://pib.nic.in/newsite/PrintRelease.aspx?relid=74180

Raja Babu, P. (2015). Global financial inclusion: Challenges and opportunities. *International Journal of Research and Development-A Management Review , 4* (2), 50-52.

Rao, D. (2009). Financial inclusion challenges and opportunities. *Speech Delivered by Duvvuri Subba Rao, Governor,* RBI at the Bankers' Club in Kolkata, December 2009 .

Rao, D. S. (2013). Financial literacy and financial inclusion are integral to each other. *Inaugural Address at the India-OECD-World Bank Conference*, New Delhi, March 4, 2013 .

Rao, N.S., & Bhatnagar, H. (2012). Financial inclusion: Issues and prospects. *Pacific Business Review International, 5*(3), 84 - 86.

Reddy, A., & Singh, V. (2015). Financial inclusion and actual use of financial services by the poor in India. *Economic Affairs , 60* (4), 679-686. DOI:10.5958/0976-4666.2015.00095.9

Reserve Bank of India. (2009 - 2016). *Annual Reports : 2009 - 2016.* Retrieved from https://www.rbi.org.in/scripts/AnnualReportPublications.aspx

Sharma, M., & Pais, J. (2008). *Financial inclusion and development: A cross country analysis.* New Delhi : Indian Council for Research on International Economic Relations.

Singh, C. et al. (2014). *Financial inclusion in India: Select issues.* IIMB Working Paper (474), 1-43. Retrieved from https://www.iimb.ernet.in/research/sites/default/files/WP%20No.%20474.pdf

Tripathi, R., Yadav, N., & Shastri, R.K. (2016). Financial inclusion in India through Pradhan Mantri Jan Dhan Yojana: An empirical analysis of statistical evidence. *Indian Journal of Finance, 10* (10), 42-55. DOI: 10.17010/ijf/2016/v10i10/103014

Verma, S., & Aggarwal, K. (2014). Financial inclusion through micro finance institutions in India. *International Journal of Innovation, Research and Development , 3* (1), 178-183.

Verma, Y., & Garg, P. (2016). Pradhan Mantri Jan Dhan Yojana (PMJDY): A step towards eradicating financial untouchability. *Indian Journal of Finance, 10* (1), 56-64. DOI: 10.17010/ijf/2016/v10i1/85845