



Banking Habits in reference to Financial Inclusion in India: An overview

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Abstract

India has the largest rural population in the world. so it is very important to have a look towards rural people to promote banking habits. This is possible through proper mechanism so that all the available resources may be channeled from top to bottom of the rural society. The term Financial Inclusion is an innovative idea which gives alternative techniques to promote the banking habits of the rural people. Financial Inclusion consists banking and various financial services to all people in a very fair, transparent and affordable way of cost. Low income group mostly lack access to bank account and have to spend money and time for many visits to avail the banking facilities, like operating account, this group found it with more difficulties to save or invest for future. This article is an attempt to think all about overview of Banking Habits in reference to Financial Inclusion in India.

Keywords: Banking Habits, Reserve Bank of India, Financial Inclusion & Services

Introduction

Financial Inclusion and Banking Habits is the latest concept to achieve the sustainable development of the country through proper availability of financial services to the common man and their hassle-free usage by all the members of the society. Indian committee on financial inclusion has defined financial inclusion as the process of ensuring timely access to financial services and adequate credit where needed by vulnerable group such as the weaker sections and low-income groups at an affordable cost (Rangarajan Committee: 2008).

The process of Financial Inclusion consists of ensuring bank accounts to each household and offering their inclusion in the banking system (Reddy: 2007). The time is demanding of it because banking is the key of inclusive growth so it is policy compulsion today.

There are so many social, cultural, economic issues that affect the process of financial inclusion. Lack of awareness and increased illiteracy rate making distance between people and banking habits. Although financial inclusion has high cost so, many financial institutions have unwillingness to do this.

Banking Habits in India

In 2004 Reserve Bank of India (RBI) set up a commission (Khan commission) to look into financial inclusion and banking habits, recommended views were placed in the policy. In this report RBI exhorted the banks with a sight of achieving greater financial inclusion to make access a basic "No-Frills" Bank account.

Very first in 2005 financial inclusion was featured when it was introduced as a pilot project in Pondicherry, by Dr. K.C. Chakra worthy (Chairman of Indian Bank). The first village having banking facility in India was "Mangalam".

In addition to this know your customer (KYC) norms were relaxed for people intending to open accounts with annual deposits of Rs. 50000/-. The Jana Dhana Accounts (Under PM Jana Dhana Yojna) is the latest example of great effort

of financial awareness and inclusion. In 2006 RBI permitted Commercial Banks to make use of the services of NGOs, Self Help Groups (SHGs) & Micro Financial Organisation as the medium of financial & Banking Services.

These all are said Business Facilitators (BFs) or Business correspondents (BCs)

Commercial Banks: RBI's vision for 2020 is to open nearly 600 million new customer's accounts. However low-income savings and lack of bank branches in the rural areas are the cause of road block to financial inclusion.

Review of Literature

In 2008 Mandira Sharma advised that the matter of financial inclusion is a development policy priority in many countries. Physical and IT Connectivity and availability of information indicated by road network, mobile and internet usage also play major role in financial inclusion.

Michael Chiba (2009) found that financial inclusion also includes poverty reduction strategy.

Vijay Kelker (The Chairman of 13th Finance Commission of India) in 2008, expressed that enhanced financial inclusion will have a significant impact on Indian Economy, because financial inclusion will help to the poor farmers for their indebtedness which is the main reason of farmers suicides. This will promote banking habits in our Indian Society.

Recommendations

1. Information Technology in the sector of Banking System has progressed fast enough but still a huge population is unbanked in this situation Government of India should improve in a more effective manner like Jana Dhana Scheme.
2. Micro Financial Institution may be strengthening to facilitate with more speed.
3. Indian Post Office may offer more facilities to promote banking habits in the society mostly for rural areas.
4. Facilitation charges may be framed for the sake of promoting banking habits to the low income group.

Conclusion

Financial Inclusion in rural India gives a very rosy picture. But it is not so, there are large number of problems and challenges ahead like illiteracy, non availability of service etc. Discussion of all these things is around the scope of this paper. But it can be said that Indian Society is no longer traditional & illiterate. The fact is that whenever the society has got the chance, the group has made full use of it and has benefitted with it.

References

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