



ROLE OF BANKS IN FINANCIAL INCLUSION – AN EXPLORATORY STUDY

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Article DOI: <https://doi.org/10.36713/epra11725>

DOI No: 10.36713/epra11725

ABSTRACT

The concept of Financial Inclusion is not new to the world in fact many countries have started working on it since long back. The importance of financial inclusion is recognized as more important after the global financial crisis of 2008-09, as the major portion of the world was excluded from financial services. The situation in India is also not different than the world, even today at many people in the society are deprived from basic financial services. In this regard, financial inclusion has become major agenda of central bank of the nation, and is now a common objective for all the banks. The banking sector takes a lead role in promoting financial inclusion. So for the last decades India's banking system has several outstanding achievements to its credit. The banks have reached even to the remote corners of the country. This paper attempts to explore and explain the major reforms carried out in the banking sector under with the objective of financial inclusion.

KEY WORDS: *Financial Inclusion, Financial literacy, Banking, Financial Services, Banking System*

INTRODUCTION

The concept of Financial Inclusion is not new to the world in fact many countries have started working on it since long back. The importance of financial inclusion is recognized as more important after the global financial crisis of 2008-09, as the major portion of the world was excluded from financial services. The situation in India is also not different than the world, even today at many people in the society are deprived from basic financial services. The committee on financial inclusion formed by Government of India, has defined that financial inclusion is the process of ensuring timely access of financial services and adequate credit facilities where needed by vulnerable group of people such as the weaker sections in the society and low income groups at an reasonable cost (Rangarajan C, Report of the Committee on Financial Inclusion, Jan 2008).

Government of India took number of initiatives for financial inclusion such as Nationalization of banks, introduced Lead bank scheme, incorporation of Regional Rural Banks and so on. Lack of accessible, affordable and appropriate financial services is a great problem and a significant part of rural India is still deprived from the financial services.

Pradhana Mantri Jan-Dhan Yojana is a recent initiative taken by the Government of India to bank the unbanked people is a one of the good example of this concept.

INDICATORS OF FINANCIAL INCLUSION

CRISIL inclusive index measured the Financial inclusion in India on three key parameters (CRISIL Inclusive, June 2013 Report).

I. Banking Penetration: Banking penetration is a major key achieve the goal of financial inclusion in the country. Penetration of a bank branch is measured as number of bank branches available per one lakh population. This refers to the penetration of commercial bank branches and ATMs for the provision of maximum formal financial services especially to the rural population.



II. Credit Penetration: Credit Penetration in the country takes the average of the three important measures: Number of loan accounts per one lakh population, Number of small borrower loan accounts per one lakh population and Number of agricultural loans and advances per one lakh population.

III. Deposit Penetration: Deposit penetration can be measured based on the number of saving deposit accounts per one lakh population. With the help of deposit penetration measure the extent of the usage of formal credit system can be analyzed.

Banking Penetration - Role of Banks in Financial Inclusion

The whole process of financial inclusion will not be possible without the contribution of banks. Banks are the key players are an integral part of financial system in India. The well-developed banking system plays an important role in financial inclusion and there by economic development of the country.

Financial inclusion is now a common objective for all the banks. The banking sector takes a lead role in promoting financial inclusion. So for the last decades India's banking system has several outstanding achievements to its credit. The banks have reached even to the remote corners of the country.

Major Reforms in Indian Banking Sector

The Financial inclusion in the country is closely associated with evolution of banking sector. Indian banking sector have crossed number of milestones to reach the unreached group of vulnerable group of people. The progress of narrative of Indian Banking System can be segregated in four distinct phases.

1. Pre-Independence Phase (1720 to 1946)
2. Pre-Nationalization phase (1947 to 1968)
3. Post - Nationalization-Phase (1969 to 1990)
4. Liberalized/Reforms Phase (1991 onwards)

Pre-Independence Phase (1720 to 1946) :

Table 1 - Important Milestones

| | |
|----------------------|---|
| 1720 | The first bank of the joint stock variety was Bank of Bombay, established in Bombay. |
| 1770 | Bank of Hindustan in Calcutta by an agency house. |
| 1773 | The General Bank of Bengal and Bihar, which came into existence after a proposal by the then Governor Warren Hastings |
| 1806 | The East India Company established Bank of Bengal in Calcutta on June 2 with a capital of Rs.50 lakh. |
| 1840 | Bank of Bombay started with a capital of Rs.52 lakh. |
| 1843 | Bank of Madras started in July with a capital of Rs.30 lakh. |
| 1850 | The first formal regulation for banks was the enactment of the Companies Act (Unlimited liability for banking and insurance). |
| 1860 | The concept of limited liability was introduced in banking. |
| 1865 | Allahabad Bank was established for the first time exclusively by Indians. |
| 1894 | Punjab National Bank Ltd. was set up by Indians at Lahore. |
| 1906 | Bank of India was set up by Indians in Bombay |
| 1906 | The Swadeshi Movement provided a great momentum of joint stock banks of Indian ownership. |
| 1906 to 1913 | Indian commercial banks such as Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank and Bank of Mysore were established |
| End of December 1913 | Total number of reporting commercial banks in the country reached to 56 (3 Presidency Banks, 18 class A' banks (with capital greater than 5 lakh), 23 class B' banks (with capital of Rs.1 lakh to 5 lakh) and 12 Foreign exchange banks. |
| 1921 | The three presidency banks were amalgamated into a single bank on the recommendation of Hilton Young Commission. The Imperial Bank of India was established. |
| 1935 | Establishment of RBI |

Source: Compiled by the researcher

**Table 2 - Number of Bank Branches 1940-1945**

| End-Dec | Imperial Bank of India | Exchange banks | Other scheduled banks | Total scheduled banks | Class A2 Non-scheduled banks | Class B & C Non-scheduled banks | All banks (5+6+7) |
|---------|------------------------|----------------|-----------------------|-----------------------|------------------------------|---------------------------------|-------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1940 | 383 | 87 | 844 | 1314 | 105 | 545 | 1964 |
| 1941 | 393 | 84 | 937 | 1414 | 204 | 678 | 2296 |
| 1942 | 392 | 84 | 971 | 1447 | 263 | 869 | 2579 |
| 1943 | 399 | 84 | 1395 | 1878 | 400 | 996 | 3274 |
| 1945 | 428 | 77 | 2451 | 2956 | 811 | 1434 | 5201 |

Source: RBI Report on currency and finance (2008).

Total scheduled banks were increased from 1314 in the year 1940 to 2956 in the year 1945. Non-Scheduled banks increased from 650 in 1940 to 2245 in 1945.

Pre-Nationalization phase (1947 to 1968):

When the country became independent in 1947, India banking was entirely in the private sector. In addition to the Imperial Banks, there were five big banks, each holding public deposits aggregating Rs.100 Cr. and more, Central Bank of India Ltd., Punjab National Bank Ltd, Bank of India Ltd, Bank of Baroda Ltd. and United Commercial Bank Ltd. At the time of independence, the banking structure was domestic scheduled commercial banks. Non-scheduled banks, though large in number but constituted a small share of the banking sector.

Table 3 - Important Milestones during Pre-Nationalization phase (1947 to 1968):

| | |
|------|---|
| 1949 | Nationalization of RBI |
| 1955 | Nationalization of Imperial bank of India and Formation of State Bank of India. |
| 1959 | SBI associates act passed and associate banks were formed. |

Table 4 - Number and Deposits of Indian Banks-End-December 1947

| Category of Reporting banks | Number | Deposits (Rs. Crore) |
|-----------------------------|--------|----------------------|
| Scheduled Banks | 97 | 1090 |
| Imperial Bank | 1 | 287 |
| Other Banks (A1 Banks) | 81 | 623 |
| Exchange banks | 51 | -49.4 |

Source: Statistical tables relating to Banks in India various issues, RBI.

The banking system at the time of independence was largely urban- oriented and remained beyond the reach of the rural population. A large percentage of the rural population had to depend on the money lenders as their main source of credit banks. Rural access was grossly inadequate, as agriculture was not considered as an economic proposition by banks in these days.

Nationalization of RBI

The Government of India passed the Banking Regulation Act, 1949 which provided the wide powers to RBI to regulate, supervise and become the apex institution in the banking and financial structure of the country.

Establishment of State Bank of India

At the time of Independence, the Imperial Bank of India and all other commercial banks were urban oriented. Therefore it is the need of the hour, to provide the banking facility to the rural area. It was suggested that the Imperial Bank of India should extent its branches to Taluka or Tehsil to provide the banking services for the neglected area.

The Imperial Bank of India was given a target of opening 114 offices within a period of five years commencing from 1st July, 1951. But Imperial Bank of India could open only 63 branches till June 20, 1955 (Report on currency and finance (2008), Chapter III). Imperial Bank of India was taken over by the Government under the State Bank of India, Act, 1955, effective from July 1, 1955. Under the State Bank of India (Subsidiary Banks) Act, 1959, eight state owned/sponsored banks were taken over by State Bank of India as its subsidiaries, now called

Associate Banks. With amalgamation of two of them (State Bank of Bikaner and Jaipur), the number of these associate banks has come down to seven. At present all the associate banks merged in SBI.

Table 5 - Commercial Banks Amalgamated 1954-66 (Amount in Lakh)

| Year (Jan-Dec) | Banks compulsory amalgamated u/s 45 of BR act 1949 | | | Banks Voluntary amalgamated u/s 44A of BR act 1949 | | | Banks ceased to function/ Transfer assets & liabilities to other banks | | |
|----------------|--|-----------------|----------|--|-----------------|----------|--|-----------------|----------|
| | No of banks | Paid up capital | Deposits | No of banks | Paid up capital | Deposits | No of banks | Paid up capital | Deposits |
| 1954 | | | | | | | 17 | 25 | 88 |
| 1955 | | | | | | | 11 | 23 | 20 |
| 1956 | | | | | | | 6 | 11 | 47 |
| 1957 | | | | 1 | 5 | 115 | 10 | 19 | 23 |
| 1958 | | | | 4 | 56 | 523 | 10 | 15 | 63 |
| 1959 | | | | 4 | 4 | 33 | 20 | 26 | 110 |
| 1960 | | | | 2 | 1 | 3 | 15 | 34 | 40 |
| 1961 | 30 | 198 | 1722 | | | | 9 | 17 | 142 |
| 1962 | 1 | 1 | 6 | 3 | 20 | 122 | 22 | 55 | 134 |
| 1963 | 1 | 1 | 7 | 2 | 3 | 16 | 15 | 34 | 781 |
| 1964 | 9 | 36 | 438 | 7 | 23 | 147 | 63 | 55 | 569 |
| 1965 | 4 | 13 | 54 | 5 | 3 | 39 | 24 | 59 | 501 |
| 1966 | | | | | | | 7 | 19 | 453 |

Source: Statistical tables relating to Banks in India various issues, 1962 & 1966, RBI.

Table 6 - Branch Expansion of Commercial Banks

| End-Dec | Rural | Semi-Urban | Urban/Metropolitan | Total |
|---------|-------|------------|--------------------|-----------------------------------|
| 1952 | 540 | 1942 | 1451 | 4061 (128 Branches unclassified) |
| 1960 | 831 | 2512 | 1633 | 5026 |
| 1965 | 801 | 2836 | 2354 | 6133 (142 Branches unclassified) |
| 1967 | 1247 | 3022 | 2716 | 6985 |

Source: Statistical tables relating to Banks in India various issues, RBI.

The number of branches increased significantly between 1952 and 1960 and further between 1960 and 1967. The population per office declined from 1, 36,000 in 1951 to 92,000 in 1960 and further to 65,000 in 1967. However, the pattern of branches in rural/semi-urban and urban/metropolitan centers remained broadly unchanged (Table 8).

Table 7 - Post - Nationalization-Phase Milestones (1969 to 1990)

| | |
|------|--|
| 1969 | Nationalization of 14 Banks |
| 1970 | Focus shifted from Trade and Business to Agricultural farm credit and SSI's Social control over banks was introduced and National credit council was set up to fix lending targets to commercial banks. |
| 1972 | Lead bank system was launched to provide thrust to rural and backward areas |
| 1976 | Regional Rural Banks were started |
| 1978 | Deposit insurance and credit guarantee corporation was established |
| 1979 | Integrated rural development programme (IRDP) was launched to benefit the rural people |
| 1980 | Nationalization of 6 more Banks. |
| 1982 | Established NABARD AND EXIM Bank |
| 1983 | Scheme for self employment for educated youth was introduced |
| 1988 | Introduction of capital adequacy norms under Basle committee. Started National Housing bank |
| 1990 | Started SIDBI |



Although the banking system had made some progress in terms of deposit growth in the 1950s and the 1960s, its spread was mainly concentrated in the urban areas. It was felt that if bank funds had to be channeled for rapid economic growth with social justice, then most of the banks should be nationalized (Report on currency and finance (2008), Chapter III). Accordingly, the Government nationalized 14 banks with deposits of over Rs.50 Cr. by the Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969. These banks were the Central Bank of India, Bank of Maharashtra, Dena Bank, Punjab National Bank, Syndicate Bank, Canara Bank, Indian Overseas Bank, Indian Bank, Bank of Baroda, Union Bank, Allahabad bank, United Bank of India, UCO Bank and Bank of India.

The main objectives behind the nationalization of the banks were as follows (Parmod Kumar (2006), Banking Sector Efficiency in Globalised Economy)

- ❖ Reduction in the regional imbalance of economic activities.
- ❖ To make the banking system reaches in hand of rural and semi-urban people.
- ❖ The aim was to bring a large area of economic activity within the organized banking system

Although banks penetrated in rural areas, but amount of credit extended to the weaker section of society was not satisfactory. In 1974 the Narasimham Committee went into these problems and recommended the establishment of Regional Rural Banks (RRB's) under the Regional Rural Banks Act, 1975. Banking in collaboration with central and State Governments, set up Regional Rural Banks in selected regions where the cooperative system was weak and where commercial banks were not very active.

On April 15, 1980 six more private sector banks Andhra Bank, Corporation Bank, New Bank of India, Oriental Bank of Commerce, Punjab and Sind Bank, and Vijaya Bank with deposit liabilities of Rs.200 crore and above, were nationalized in April 1980. With the nationalization of these six banks by the Government, the number of public sector banks, including the State Bank of India and its associate banks rose to 28 in April 1980, constituting 91 per cent deposits of the banking sector.

Nationalization was recognition of the potential of the bank system to promote broader economic objectives. The banks had to reach out and expand their network so that the concept of mass banking was given importance over class banking. Development of credit in the rural area was a prime objective.

The benefits of nationalization have indeed been impressive. The branch network of these banks has spread practically all over the country especially in the rural and previously unbanked areas. The branch network which was 8262 in June 1969 expanded to over 60000 by 1992 with a major expansion (80%) in rural areas. The average number of people served by a branch came down from over 60000 to 11000. The deployment of credit is more widely spread all over the country as against only in the advanced states. In 1969 deposits amounted to 30% of G.D.P and advances to 10%. By 1990 deposits grew to 30% and advance 25% of G.D.P. Rural deposits as a percentage of deposits grew from 3% to 15% making for increased mobilization of resources from the rural areas. Deposits grew from a figure of Rs 4669 crores in July 1969 to Rs. 2,75,000 crores on 31.3.1993. 40% of the total credit was directed to the priority sector. More than 45% of the total deposits were used by the government to fund its five year plans. (Anurag Sriv, History of Banking)

Table – 8 Branch Network of Commercial Banks

| As at End | Rural Centres | Semi-urban Centres | Urban Centres | Metropolitan/Port towns | Total | Population per bank office |
|-----------|---------------|--------------------|---------------|-------------------------|-------|----------------------------|
| June 1969 | 1443 | 3337 | 1911 | 1496 | 8187 | 65000 |
| Dec 1975 | 6807 | 5598 | 3469 | 2836 | 18730 | 31660 |
| Dec 1980 | 15105 | 8122 | 5178 | 4014 | 32419 | 20481 |
| Dec 1985 | 30185 | 9816 | 6578 | 4806 | 51385 | 14381 |
| Dec 1990 | 34791 | 11234 | 8042 | 5595 | 59752 | 13756 |

(Source: Report on currency and finance (2008), RBI.)

Table 9 - Region-wise Distribution of Bank Branches in India

| As at end | Northern | North Eastern | Eastern | Central | Western | Southern | Total |
|------------|----------|---------------|---------|---------|---------|----------|-------|
| June 1975 | 3174 | 275 | 2189 | 2795 | 3873 | 6269 | 18575 |
| June 1980 | 5409 | 703 | 4778 | 5588 | 5790 | 10144 | 32412 |
| June 1985 | 8239 | 1363 | 8987 | 10935 | 8259 | 14855 | 52638 |
| March 1990 | 9312 | 1772 | 10879 | 12747 | 9417 | 16388 | 60515 |
| March 1991 | 9426 | 1870 | 11362 | 13005 | 9526 | 16535 | 61724 |

Source: Report on currency and finance (2008), RBI.

Table -10 Growth of Rural Banking in India - 1969-1990

| As at end | Number of Bank offices | | Credit Outstanding | | Deposits O/S | | Credit-Deposit ratio (Percent) | |
|-----------|------------------------|------------|--------------------|------------|-------------------|------------|--------------------------------|-----------|
| | Rural | % of total | Rural (Rs. Crore) | % of total | Rural (Rs. Crore) | % of total | Rural | All India |
| June 1969 | 1443 | 17.6 | 115 | 3.3 | 306 | 6.3 | 37.6 | 71.9 |
| Dec 1981 | 19453 | 51.2 | 3600 | 11.9 | 5939 | 13.4 | 60.6 | 68.1 |
| Mar 1990 | 34867 | 58.2 | 17352 | 14.2 | 28609 | 15.5 | 60.7 | 66.0 |

Source: Report on currency and finance (2008), RBI.

Liberalized/Reforms Phase (1991 onwards)

Table 11 - Important Milestones Liberalized/Reforms Phase (1991 onwards)

| | |
|---------|--|
| 1991 | Financial sector reforms introduced |
| 1992 | Securities scam- shocked the banking sector and capital markets. |
| 1992-93 | Narasimham committee submitted first report on financial sector reforms IRAC |
| 1993 | Rise of 10 New-gen Tech-savvy private banks |
| 1994 | Board for financial supervision introduced. |
| 1996 | New private sector & New generation banks were allowed to entry. |
| 1998 | Narasimham committee report-II, PSB's permitted to tap capital markets. |
| 1999 | Assets Liabilities Management (ALM) concepts introduced for Risk management |
| 2001 | Term lending institutions, Development banks turned into universal banks |
| 2002 | KYC norms strengthened to check money laundering Securitization and Reconstruction of Financial assets and Enforcement of security interest (SARFAESI) act was passed for easy recovery. |
| 2007 | Basle-II norms are implemented. |
| 2014 | Payment Banks conceptualized by RBI |
| 2015 | IDFC and Bandhan bank started |
| 2016 | Approved Small Finance Banks by RBI |
| 2016 | UPI and BHIM launched (Digital Banking) by NPCL |
| 2017 | SBI Merger becomes largest PSB (Merged State Bank of Patiala, Hyderabad, Mysore, Bikaner & Jaipur and Travancore) |
| 2019 | Bank of Baroda merger (Merged Vijaya bank and Dena bank becomes 3 rd largest PSB) Punjab National bank merger (Merged United bank of India and Oriental bank of commerce becomes 2 nd largest PSB) Union Bank of India merger (Merged Andhra and Corporation banks) Indian Bank merger (Merged Allahabad bank becomes 7 th largest PSB) |
| 2020 | Canara Bank merger (Merged Syndicate bank becomes 4 th largest PSB) |
| 2021 | Proposal of Full-Stack digital banks licensing |

Table – 12 Growth of Urban Co-operative Banks (UCBs)

(Amount in Rupees crore)

| Year (April-March) | Number of UCB's | Deposits | Growth (%) | Advances | Growth (%) |
|--------------------|-----------------|----------|------------|----------|------------|
| 1997-98 | 1502 | 40692 | - | 27807 | - |
| 2000-01 | 1618 | 80840 | 25.7 | 54389 | 25.1 |
| 2001-02 | 1854 | 93069 | 15.1 | 62060 | 14.1 |
| 2002-03 | 1941 | 101546 | 9.1 | 64880 | 4.5 |
| 2003-04 | 1926 | 110256 | 8.6 | 67930 | 4.7 |
| 2004-05 | 1872 | 105021 | -4.7 | 66874 | -1.6 |
| 2005-06 | 1853 | 114069 | 8.6 | 71641 | 7.1 |
| 2006-07 | 1813 | 120983 | 6.1 | 78660 | 9.8 |

Source: Report on currency and finance (2008), RBI.

**Table – 13 Computerization in Public Sector Banks**

| Category | 2005(%) | 2006(%) | 2007(%) |
|---|---------|---------|---------|
| Fully computerized branches | 71.0 | 77.5 | 85.6 |
| i) Branches under Core banking solution | 11.0 | 28.9 | 44.4 |
| ii) Branches already fully computerized | 60.0 | 48.5 | 41.2 |
| Partially computerized branches | 21.8 | 18.2 | 13.4 |

Source: Report on currency and finance (2008), RBI.

Most of the banking business of public sector banks gradually came to be captured through computerization. However, most of these efforts were on a standalone basis. It, therefore, was felt that the pace of internal computerization of branches of banks and their inter-connectivity, providing for core banking systems (CBS), needed to be expedited. All CBS branches are inter-connected with each other, which enables a customer to operate his accounts, and avail banking services from any branch of the bank on CBS networking, regardless of where he maintains his account. This improves the quality and efficiency of services. In 2002, therefore, banks were urged to bestow special attention to the computerization and networking of branches on a time-bound basis. By end-March 2007, about 86 per cent branches were fully computerized, of which a little more than half the branches were under core banking solutions.

Table – 14 Number of ATMs of Scheduled Commercial Banks

| Bank group | 2005 | | | 2006 | | | 2007 | | |
|---------------------------------|---------|----------|-------|---------|----------|-------|---------|----------|-------|
| | On-site | Off-site | Total | On-site | Off-site | Total | On-site | Off-site | Total |
| Nationalized banks | 3205 | 1567 | 4772 | 4812 | 2353 | 7165 | 6634 | 3254 | 9888 |
| State Bank Group | 1548 | 3672 | 5220 | 1775 | 3668 | 5443 | 3655 | 2786 | 6441 |
| Old Private sector banks | 800 | 441 | 1241 | 1054 | 493 | 1547 | 1104 | 503 | 1607 |
| New Private sector banks | 1883 | 3729 | 5612 | 2255 | 3857 | 6112 | 3154 | 5038 | 8192 |
| Foreign banks | 218 | 579 | 797 | 232 | 648 | 880 | 249 | 711 | 960 |
| Total | 7654 | 9988 | 17642 | 10128 | 11019 | 21147 | 14796 | 12292 | 27088 |
| ATM's as percentage of branches | 32.8 | | | 38.6 | | | 47.5 | | |

Source: Report on currency and finance (2008), RBI.

The use of ATMs also increased significantly in recent years. The number of on-site ATMs almost doubled between end-March 2005 and end-March 2007. The number of off-site ATMs also increased. The ratio of ATMs to branches also improved significantly in recent years.

Strategies adopted by GOI & RBI for Financial Inclusion:

In India, Government of India & RBI has initiated several initiatives and policy measures to achieve greater financial inclusion. They are as follows:

No-Frill accounts:

RBI asked banks to offer no-frills savings account which enables excluded people to open a savings account. No-frills account requires no or negligible balance leading to lower costs both for the bank and individual.

Usage of Regional language:

RBI asked banks to provide all the material related to opening accounts, disclosures etc in the regional language.

Simple KYC norms:

In order to ensure that persons belonging to low income group do not face difficulty in opening the bank account due to procedural hassles, the KYC procedure have been simplified.

Easy credit facilities:

RBI asked banks to consider introducing General purpose Credit Card (GCC) facility up to Rs. 25,000/- at their rural and semi urban branches. GCC is in the nature of rotating credit entitling the holder to withdraw up to the limit sanctioned. The interest rate on the facility is entirely deregulated.

**Other rural intermediaries**

Banks were permitted in January 2006, to use other rural organizations like Nongovernmental organizations, self-help groups, microfinance institutions etc for furthering the cause of financial inclusion.

Simplified branch authorization

To address the issue of uneven spread of bank branches, in December 2009, domestic scheduled commercial banks were permitted to freely open branches in tier III to tier VI centres with a population of less than 50,000 under general permission, subject to reporting.

Other Initiatives

- Overdraft facility in savings account
- Financial Literacy programs
- Simplification of Savings Bank Account Opening Form
- Kisan Credit Cards (KCCs)
- Business Correspondents (BCs) and Business Facilitators (BFs) Model
- SHG Bank-Linkage Programme
- Opening of branches in unbanked rural locations & Branch Expansion to villages
- Use and promotion of ICT in Banking
- Rural Infrastructure Development
- Creation of Funds for Financial Inclusion

Apart from this government of India has started following schemes as an initiative for Financial Inclusion

1. **Swabhimaan Yojana:** Earlier Financial Inclusion programme for opening of villagers bank account only.
2. **Pradhan Mantri Jan Dhan Yojana:** The PMJDY has been conceived as a national mission on financial inclusion with the objective of covering all households in the country with banking facilities and having a bank account for each household.

Under this plan anyone who is Indian citizen above age of 10 years and does not have a bank account, can open the account with zero balance. Account can be opened in any bank branch or Business Correspondent (Bank Mitra) outlet.

3. **Jeevan Jyoti Bima Yojana:** Indian citizens on payment of Rs 342 per year one can get Rs.2 lakh life insurance and Rs. 2 lakh accidental insurance coverage benefit.
4. **Atal pension yojana:** Pensions ranging from Rs 1,000 to Rs 5,000 per month after reaching of age limit can be enabled under this scheme by the citizens of India by paying prescribed amount every month under this plan very useful for older age.

Recent Statistics about Indian Banking sector**Table - 15 Branches and ATMs of Scheduled Commercial Banks (At end-March 2021)**

| Sl No | Name of the Bank | Branches | | | | | ATM's | | |
|-------|-----------------------|----------|------------|-------|--------------|-------|---------|----------|--------|
| | | Rural | Semi-Urban | Urban | Metropolitan | Total | On-site | Off-site | Total |
| | Public Sector Banks | 28828 | 24028 | 16654 | 16801 | 86311 | 78007 | 59106 | 137113 |
| 1 | Bank of Baroda | 2851 | 2087 | 1482 | 1794 | 8214 | 8663 | 2970 | 11633 |
| 2 | Bank of India | 1835 | 1455 | 803 | 932 | 5025 | 2388 | 3163 | 5551 |
| 3 | Bank of Maharashtra | 611 | 461 | 372 | 471 | 1915 | 1505 | 445 | 1950 |
| 4 | Canara Bank | 3072 | 3141 | 2103 | 2130 | 10446 | 9128 | 4324 | 13452 |
| 5 | Central Bank of India | 1603 | 1333 | 810 | 862 | 4608 | 2746 | 898 | 3644 |
| 6 | Indian Bank | 1940 | 1589 | 1259 | 1214 | 6002 | 4239 | 686 | 4925 |
| 7 | Indian Overseas Bank | 902 | 961 | 651 | 687 | 3201 | 2720 | 425 | 3145 |
| 8 | Punjab and Sind Bank | 570 | 279 | 356 | 326 | 1531 | 1067 | 30 | 1097 |
| 9 | Punjab national Bank | 3900 | 2680 | 2257 | 1931 | 10768 | 8610 | 5171 | 13781 |



| | | | | | | | | | |
|----|---------------------|------|------|------|------|-------|-------|-------|-------|
| 10 | State Bank of India | 7914 | 6496 | 3981 | 3830 | 22221 | 25706 | 36911 | 62617 |
| 11 | Uco Bank | 1074 | 818 | 609 | 555 | 3056 | 2146 | 215 | 2361 |
| 12 | Union Bank of India | 2556 | 2728 | 1971 | 2069 | 9324 | 9089 | 3868 | 12957 |

Source: RBI Report on Trend and Progress of Banking in India 2020-21.

Table - 16 Financial Inclusion at a Glance:

| Items | Amount Outstanding at end of March | | Percentage of Variation | |
|---|------------------------------------|----------|-------------------------|-------|
| | 2020 | 2021 | 2020 | 2021 |
| Deposits | 13975045 | 15590600 | 8.4 | 11.6 |
| Borrowings | | | | |
| Technology development | | | | |
| Total number of credit cards (in lakh) | 577 | 620 | 22.6 | 7.5 |
| Total number of debit cards (in lakh) | 8286 | 8982 | -8.5 | 8.4 |
| Number of ATM's | 210760 | 213575 | 4.2 | 1.3 |
| Financial Inclusion | | | | |
| Credit-Deposit ratio (%) | 73.7 | 69.4 | - | - |
| Number of new branches opened | 4334 | 3064 | 9.3 | -29.3 |
| Number of banking outlets in villages (Total) | 599217 | 1248079 | 0.4 | 108.3 |

Source: RBI Report on Trend and Progress of Banking in India 2020-21.

Table – 17 Operations of Foreign Banks in India

| End of | Foreign banks operating through branches | | Foreign banks having representative offices |
|--------|--|----------|---|
| | No of banks | Branches | |
| Mar-16 | 46 | 325 | 39 |
| Mar-17 | 44 | 295 | 39 |
| Mar-18 | 45 | 286 | 40 |
| Mar-19 | 45 | 299 | 37 |
| Mar-20 | 46 | 308 | 37 |
| Mar-21 | 45 | 874 | 36 |

Table – 18 Number of ATMs (At end-March)

| SL No | Bank Group | On-site ATM's | | Off-site ATM's | | Total number of ATM's | |
|-------|----------------------------|---------------|--------|----------------|-------|-----------------------|--------|
| | | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| 1 | PSB's | 80691 | 78007 | 57855 | 59106 | 138546 | 137113 |
| 2 | PVB's | 30843 | 34828 | 38886 | 37566 | 69369 | 72394 |
| 3 | FB's | 225 | 690 | 678 | 1135 | 903 | 1825 |
| 4 | SFB's (10 Scheduled SFB's) | 1870 | 2079 | 56 | 52 | 1926 | 2131 |
| 5 | PB's (Paytm PB) | 2 | 1 | 14 | 111 | 16 | 112 |
| 6 | WLA's | - | - | - | - | 23597 | 25013 |
| 7 | All SCB's (1 to 5) | 113271 | 115605 | 97489 | 97970 | 210760 | 213575 |
| 8 | Total (6+7) | - | - | - | - | 234357 | 238588 |

Source: RBI Report on Trend and Progress of Banking in India 2020-21.



Table – 19 Progress in Financial Inclusion Plan

| Sl No | Particulars | End March 2010 | End March 2015 | End March 2019 | End March 2020 | End March 2021 (Provisional) |
|-------|---|----------------|----------------|----------------|----------------|------------------------------|
| 1 | Banking outlets in Villages- Branches | 33378 | 49571 | 52489 | 54561 | 55112 |
| 2 | Banking outlets in Villages>2000BC's | 8390 | 90877 | 130687 | 149106 | 850406 |
| 3 | Banking outlets in Villages<2000BC's | 25784 | 408713 | 410442 | 392069 | 340019 |
| 4 | Total outlets in Villages- Branches | 34174 | 499590 | 541129 | 541175 | 1190425 |
| 5 | Banking outlets in Villages-Other modes | 142 | 4552 | 3537 | 3481 | 2542 |
| 6 | Banking outlets in Villages- Total | 67694 | 553713 | 597155 | 599217 | 1248079 |
| 7 | Urban locations covered through BC's | 447 | 96847 | 447170 | 635046 | 426745 |
| 8 | BSBDA- Through branches (In lakh) | 600 | 2103 | 2547 | 2616 | 2659 |
| 9 | BSBDA- Through branches (Amount in crore) | 4400 | 36498 | 87765 | 95831 | 118392 |
| 10 | BSBDA- Through BC's (In lakh) | 130 | 1878 | 3195 | 3388 | 3796 |
| 11 | BSBDA- Through (Amount in crore) | 1100 | 7457 | 53195 | 72581 | 87623 |
| 12 | BSBDA- Total (In lakh) | 735 | 3981 | 5742 | 6004 | 6455 |
| 13 | BSBDA- Total (Amount in crore) | 5500 | 43955 | 140960 | 168412 | 206015 |
| 14 | OD facility availed in BSBDA's (In lakh) | 2 | 76 | 59 | 64 | 60 |
| 15 | OD facility availed in BSBDA's(Amount in crore) | 10 | 1991 | 443 | 529 | 534 |
| 16 | KCC Total (In lakh) | 240 | 426 | 491 | 475 | 466 |
| 17 | KCC Total(Amount in crore) | 124000 | 438229 | 668044 | 639069 | 672624 |
| 18 | GCC Total (In lakh) | 10 | 92 | 120 | 202 | 202 |
| 19 | GCC Total(Amount in crore) | 3500 | 130160 | 174514 | 194048 | 155826 |
| 20 | ICT A/c's- BC-Total transactions (In lakh) | 270 | 4770 | 21019 | 32318 | 47668 |
| 21 | ICT A/c's- BC-Total transactions(Amount in crore) | 700 | 85980 | 591347 | 870643 | 1148237 |

Table – 20 Financial Inclusion Plan: A Progress Report

| Sl No | Particulars | End March 2010 | Dec 2020 | Dec 2021 (Provisional) |
|-------|---|----------------|----------|------------------------|
| 1 | Banking outlets in Villages- Branches | 33378 | 55073 | 53249 |
| 2 | Banking outlets in Villages>2000BC's | 8390 | 849955 | 1518496 |
| 3 | Banking outlets in Villages<2000BC's | 25784 | 344685 | 326236 |
| 4 | Total outlets in Villages- Branches | 34174 | 1194640 | 1844732 |
| 5 | Banking outlets in Villages-Other modes | 142 | 3464 | 2542 |
| 6 | Banking outlets in Villages- Total | 67694 | 1253177 | 1900523 |
| 7 | Urban locations covered through BC's | 447 | 324507 | 1412529 |
| 8 | BSBDA- Through branches (In lakh) | 600 | 2712 | 2712 |
| 9 | BSBDA- Through branches (Amount in crore) | 4400 | 121219 | 118625 |
| 10 | BSBDA- Through BC's (In lakh) | 130 | 3672 | 3919 |
| 11 | BSBDA- Through (Amount in crore) | 1100 | 78284 | 95021 |
| 12 | BSBDA- Total (In lakh) | 735 | 6384 | 6631 |
| 13 | BSBDA- Total (Amount in crore) | 5500 | 199503 | 213646 |
| 14 | OD facility availed in BSBDA's (In lakh) | 2 | 59 | 64 |
| 15 | OD facility availed in BSBDA's(Amount in crore) | 10 | 505 | 556 |
| 16 | KCC Total (In lakh) | 240 | 490 | 473 |
| 17 | KCC Total(Amount in crore) | 124000 | 679064 | 693596 |



| | | | | |
|----|---|------|--------|--------|
| 18 | GCC Total (In lakh) | 10 | 198 | 87 |
| 19 | GCC Total(Amount in crore) | 3500 | 175053 | 199145 |
| 20 | ICT A/c's- BC-Total transactions (In lakh) | 270 | 23289 | 21095 |
| 21 | ICT A/c's- BC-Total transactions(Amount in crore) | 700 | 614987 | 662211 |

Source: RBI Annual Report 2021-22.

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