A Study on History and Conceptual Development of Financial Inclusions in India

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***Abstract*-The paper highlights the India's historical progression toward financial inclusion from the pre to post independent period. It discusses the Reserve Bank of India's contribution to financial inclusion, financial inclusion through National Bank for Agricultural and Rural Development and the Government of India's flagship initiative, PMJDY till now.**

Key Words: **Pradhan Mantri Jan-DhanYojana, India, Financial inclusion**

INTRODUCTION

Financial inclusion policy aims to offer poor and vulnerable populations with affordable financial goods and services. This initiative aims to improve impoverished people's banking understanding, leading to development. India has a long-standing, well-established treasury system that helps with social and economic growth. The Reserve Bank of India governs the banking sector, which includes banks, co-operative banks, foreign banks, rural banks, and other financial organisations. The Reserve Bank of India (RBI) -Act, 1948 was the legislative basis for nationalising the bank on January 1, 1949, marking the start of government-owned banks. In 1955, the government strengthened its power over the Imperial Bank of India, and in 1959, it was renamed the "State Bank of India" with eight subsidiaries. In 1969, 14 state-owned banks were nationalised, and six more in 1980. The government's tactic of nationalising banks was a major move in drawing the people to universal banking and sparking the goal of giving basic financial access nationwide (Shetty, 2018).

Shri.NarendraModi launched PMJDY on August 15, 2014. Huge, nationwide project. This national mission on financial inclusion aims to provide every household banking services and an account. The PM emphasised the need of this for integrating the financially excluded. PradhanMantri Jan-DhanYojana is the cornerstone of "Sab KaSath Sab KaVikas."

AIMS AND OBJECTIVES

1. To find the progress for financial inclusion pre and post Independent India.
2. To explore the role of Reserve Bank of India in financial inclusion.
3. To understand the growth of PMJDY till now.

HISTORICAL PROGRESSION

Traditional financial services for routine transactions include poor banking access. Banks do banking activity and follow RBI guidelines. In India, financial inclusion was developed under British rule. Financial inclusion was initially pushed by the British post service in 1854. The Department of Post started with 889 stations to serve mail and parcel delivery, then added financial services including saving, remittance, post-retirement annuity, life insurance, etc.

Since the nation owns and manages all post offices, they are trustworthy and handy. As a consequence, people feel confidence investing in the Postal Service. Other government initiatives include maintaining the financial inclusion goals of the Cooperative Society Act of 1904, founding the State Bank of India in 1955, nationalising state-owned banks between 1969 and 1980, implementing the Lead Bank Scheme in 1970, establishing Regional Rural Banks in 1975, implementing the Self Help Groups-Bank Linkage Program in 1992, Swarnjayanti Gram SwarojgarYojana in 1999, and implementing Kisan Credit Cards in 2001. Before 1991, the banking climate was different. The comprehensive strategy had no profit-and-loss, set deposits or lending rates, capital sufficiency rules, or bad debt restrictions. All banks need RBI authorization to open a new branch or undertake large-value transactions, which are based on an individual's income. From 1992 to 1997, "Reforms in Banking Sector" offered the business a new pricing component.

PRIOR TO INDEPENDENCE, FINANCIAL INCLUSION

The "Bank of Hindustan" began basic banking in 1770 to service British workers. It was renamed "General Bank of India" in 1786, but it couldn't provide adequate financial services and closed in 1791. In 1806, Calcutta's "Bank of Calcutta" began a new era in banking. "Bank of Bengal" was added. The British Empire's Presidency Government created the Bank of Bengal, Bank of Madras, and Bank of Mumbai. Later, the government merged all three banks into the "Imperial Bank of India" to control coastal banking. After independence, the banking industry was nationalised in 1955 under the 1st Five Year Plan (1951-55). In 1955, the Indian Parliament abolished the "Bank of Bengal" and established the "State Bank of India" and its subsidiary bank to satisfy the country's financial requirements. The Agriculture Loans Co-operative Societies Act of 1904 regulated cooperative banks and made it simpler for rural farmers to receive credit. Later, the provinces adopted the cooperative movement, and in 1945 a committee for cooperative planning was created to investigate frozen assets caused by past-due loans (Sinha et al., 2019).

AFTER INDEPENDENCE, FINANCIAL INCLUSION

After independence, the Indian government began a comprehensive banking policy. Control over the banking industry led to nationalising the RBI in 1948. Imperial Bank of India became State Bank of India in 1955. Every bank helped the Indian economy. It comprises addressing financial needs and employing the banking industry's self-sufficient strategy to assure secure and economical implementation. The new strategy was divided into three phases: 1950 to 1960, 1961 to 1980, and 1990 forward, when banking paradigms shifted.

Phase I saw cooperative institutional banking (1950–1960). In Phase II (1961–1981), 14 banks and 6 institutions were nationalised. State Bank of India and its affiliates were created to serve India's enormous population. After 1990, private banks entered the banking business, plastic money (Credit and Debit Cards) was introduced, and ATMs supported digital banking. Since January 2006, banks can utilise non-profits as intermediaries to complete financial transactions. The government vigorously promoted "Swabhiman" in 2011 to cover 74,000 rural communities. Only 46,000 of 5,92,000 communities have real bank branches. The Indian banking sector offered electronic devices like mobile phone banking with unstructured data-based services. IT improvements have made digital banking simple, accessible, and customer-satisfying (Dangi et al., 2013).

CONTRIBUTION OF - RESERVE BANK OF INDIA

The "RBI" began operations on April 1, 1935. The main goal was to combine the nation's cash reserves and manage them in accordance with the demands of the economy. The purpose of the first act was to preserve sources of reserves for the monetary system, while the second purpose was to safeguard depositors' interests rather than credit supervision. The Rural Banking Inquiry Committee and the All India Rural Credit Survey Committee were both established in 1949 and 1951, respectively, as a result of the government's and the banks' significantly increased interest in providing credit for agriculture. It was one of the key factors that opened the way for the RBI's development and its involvement in the area of agricultural lending, as well as for significant structural reforms to the banking sector. As a result, at this time, existing banks were replaced by Public Sector Institutions (Sharma et al., 2018).

Between 1967 and 1969, the Reserve Bank of India ordered the opening of 450 branches, although banks were only allowed to establish a maximum of 550 branches annually. The nationalisation of 14 large commercial banks in July 1969 set off a rapid branch development effort, particularly in rural regions. As a result, the bank branches enhanced access to credit facilities, and credit was properly allocated to the productive sectors and underprivileged populations. Each bank created a prospective plan for the growth of bank branches over the course of three fiscal years, from 1972 to 1974, giving underserved and unbanked regions first attention. All banks were pushed by the bank to establish several branches, including numerous ones in rural, semi-urban, and other underserved regions and districts around the country (Raghuram, 2009).

CONTRIBUTION OF - NATIONAL BANK FOR AGRICULTURAL AND RURAL DEVELOPMENT (NABARD)

In order to manage the planning and administration of the loan distribution mechanism for agricultural activities, particularly in rural and remote regions, NABARD was founded. It is a top organisation that offers financial facilities and investment choices in rural regions. It is offering lending facilities to farmers as an independent company with a focus on agriculture. The primary goals were to assist short-term financing for working capital, a specific fund for the post-harvest period, household spending in the present, and associated agricultural sector operations. NABARD is pushing the Kisan Financing Card to make it easier for farmers to get credit in order to promote socioeconomic activities. Circular No. 115/Dor-37/2013, dated May 16, 2013, gave instructions to all banks for the instant interconnection of Kisan Credit Cards into ATM/Debit Cards. Since 1988–1989, NABARD has been a leader in promoting financial assistance for the agricultural sector, and it launched the Kisan Credit Card as one of the industry's first attempts at digitalization (Sarma, 2008).

CONCLUSIONS

One of the national initiatives that has been carefully executed is "PradhanMantri Jan-DhanYojana" (PMJDY). By encouraging a culture of saving among a sizable segment of the rural population, financial inclusion broadens the economy's base of resources and contributes to the process of economic growth. Financial inclusion will assist the underprivileged in entering the mainstream of growth and provide financial institutions the chance to collaborate on inclusive growth. The key to long-term economic growth and development in a country like India is financial inclusion. Without financial inclusion, inclusive growth is ultimately impossible.The nation's economic progress also depends on financial inclusion. The PMJDY is a comprehensive plan for financial inclusion.

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