Growth Opportunities for Weaker Sections

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Financial inclusion has become a top policy priority of the Central Government to ensure egalitarian society, as the substantial population of India lives with economic insecurity. Setting steps towards universal financial inclusion is both a national commitment as well as a public policy priority for India

The framers of the Indian Constitution have thought well in advance and ensured to provide adequate and mandatory provisions in the Constitution of India to provide justice in all aspects of life, equality in status, social security and economic/financial safeguards to the weaker sections of the society. The successive governments have recognised the social and economic imperatives for broader financial inclusion and have made significant policy changes from time to time by finding innovative ways to bring the poor at par with the rest of the society. The successive Governments in India have also made essential amendments to the constitution and brought legislative framework to ensure social and economic safeguards to the deprived sections of the society.

As an initial step banks have been nationalized, provisions have been made for priority sector lending requirements for banks; lead bank scheme was introduced to ensure government policy initiatives to get shape in action. Regional Rural Banks (RRBs) have been established to provide last mile connection to the people in rural areas and have banking facilities at their door steps, the concept of service area approach have been brought in. Self-Help Groups- (SHGs) bank linkage programmes were introduced to give a platform for needy people to come up with business and innovative ideas to self sustain and engage in gainful economic activities, etc. Multiple steps have been taken by the Reserve Bank of India (RBI) over the years to increase access to the poorer segments of society.

Financial inclusion is the process of ensuring access to financial services, timely and adequate credit for needy weaker sections and low income groups at an affordable rate. Financial inclusion has become one of the most critical aspects in the context of inclusive growth and development. The important role played by Government, RBI, the Nationalised Banks, Scheduled Banks, Regional Rural Banks and now Micro Finance Institutions (MFIs) in promoting inclusive growth and addressing barriers and

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challenges on the demand as well as supply aspects of financial inclusion needs appreciation.

In the global context, most of the countries now look at financial inclusion as the means to more comprehensive growth, wherein each citizen of the country is able to use earnings as a financial resource that can be put to work to improve future financial status and adding to the growth of the economy of the nation. Financial inclusion has become a top policy priority of the Central Government to ensure egalitarian society, as the substantial population of India lives with economic insecurity. Setting steps towards universal financial inclusion is both a national commitment as well as a public policy priority for India. To achieve the final outcome of reaching banking services to all the 6,49,481 villages, financial inclusion has to become a viable business proposition for the substantial population and also for sustainability of the financial institutions.

Barriers for Financial Inclusion:

Some of the research studies have revealed that despite the presence of enough number of legislations, sincere efforts by the policy makers, guidelines from RBI, Scheme of Lead Banks and appointment of ombudsmen, there are still certain barriers to achieve full financial inclusion in the country:

Bharati D.B (2016) observes that from the demand side, the reasons identified in the study for financial exclusion are low income, poverty and illiteracy and lack of awareness. From the supply side branch proximity, timings, cumbersome documentation and procedures, attitude of the bank staff and language are the reasons cited.

Ranjini and Bapat (2015) observed that impediments in approaching the bank due to difficulties in documentation requirements, loan sanction procedure, inflexible repayment terms, inability to communicate the requirements, reluctance to approach the bank for small loans were the major blockade in the road to achieve financial inclusion.

Charan Singh (2014) observes that in-spite of various measures initiated by the Reserve Bank of India and Government of India, satisfactory results are yet to be witnessed. He has classified the challenges as customer related and technical issues. Mobile number registration and pin number generation is a big deterrent for customers along with financial illiteracy. Access channels, coordination with mobile service operators are other challenges for banks. Low penetration of financial services, less efficiency of business correspondents also limits the success of financial inclusion.

Rajiv Gupta (2014), Sachindra G. R (2013) observed that marginal farmers, landless labourers, oral lessees, self-employed and unorganized sector enterprises, urban slum dwellers, migrants or ethnic minorities and socially excluded groups, senior citizens and women are out of the purview of financial inclusion. Challenges identified include (i) Agent and vendor risk. (ii) Consumption oriented expenditure patterns. (iii) Dormant accounts. (iv) Inadequate awareness levels (v) Lack of infrastructure. (vi). Low literacy rates. (vii). Poor saving habits. (viii). Recovery related issues. (ix). Small ticket transactions and high transaction costs. (x). Sustainability factor.

Ashu (2014) observed that penetration of bank branches in rural areas was unviable on account of high transaction costs. Business Correspondent (BC) model is observed to be restrictive in rural areas. Lack of financial literacy and poor marketing of financial products leads to low awareness among urban poor depending on the informal credit sources which cater according to their convenience. There is also a large degree of self exclusion due to the existence of informal credit sources meeting their convenience. The complex financial services market offers a wide range of products; however lack of awareness restricts the use of these products.

Rao S.K (2010) study suggests that achievement of inclusive growth was a result of the act of nationalisation of banks way back in 1969. For the purpose of the study, he analysed data published by RBI to substantially prove the fact that banking development after nationalisation has paved the way for penetration of banking into unbanked and rural areas. He is of the opinion that, in spite of the massive branch expansion activity carried out by the banks, the challenges of the banking sector has not been met and there is need for recognising new channels to achieve full inclusive growth in the country.

Badajena, S, N and Prof. Gundimeda, H (2010) studied the impact of self-help group linkage programme in achieving financial inclusion across sixteen states during the period 2008. The study found out that despite vast coverage of formal banking network, the basic financial services are still not accessible to larger sections of the society.

Present Scenario:

The Government of India is successfully exploring multiple facets for financial inclusion. During the last five years, we have witnessed incredible shift in the line of social and economic empowerment. The attention has moved towards participatory and citizen engagement model of development. The commitment reiterated among the masses by the Prime Minister on many occasions rapidly brought changes in the economic system.

Financial Inclusion and the Government:

The National Scheduled Castes Finance & Development Corporation (NSCFDC): NSFDC was set up by the Government of India in February, 1989 as a Government Company under Section 25 (A company not for profit) of the Companies Act., 1956. The broad objective of NSFDC is financing,

facilitating and mobilising funds for the economic empowerment of Scheduled Caste communities living below the Double the Poverty Line (DPL) limit.

The NSFDC extends loans (Term Loans, Micro Finance and Education/ Vocational Education and Training) at concessional rates to Scheduled Castes (SCs) living the below DPL as refinancing through State Channelising Agencies and Regional Rural Banks (RRBs). Under promotional activities, the NSFDC also provides assistance directly to the target groups for skill development and marketing.

Since inception till 31.03.2015, the NSFDC has disbursed total loans worth of Rs. 3019.87 crore to its state channelising agencies benefiting 9,41,034 persons belonging to Scheduled Castes living DPL.

The National Scheduled Tribes Finance & Development Corporation (NSTFDC): NSTFDC was established during 2001 and it is incorporated as a government company having licence under Section 25 of the Companies Act, 1956 i.e. a company not for profit to provide concessional financial assistance to scheduled tribes for their economic and educational development.

NSTFDC assists Self Help Groups and extends financial assistance for projects having unit cost upto Rs.25 lakh per S.H.G. and provides upto 90 per cent of the cost of the project subject to per member loan not exceeding Rs.50,000/-. It provides concessional finance to tribal artisans empanelled with TRIFED for purchase of project related assets and working capital.

NSTFDC provides term loan for viable projects costing upto Rs.25 lakh per unit. Under the scheme, financial assistance is extended upto 90 per cent of the cost of the project and the balance is met by way of subsidy/promoters contribution/ margin money. The rate of interest is 6 per cent p.a. upto Rs.5 lakh and 8 per cent p.a. up to Rs.10 lakh and 10 per cent above Rs. 10 lakh. The Adivasi Mahila Sashakikaran Yojana (AMSY) is an exclusive scheme for economic development of scheduled tribes women under which NSTFDC provides loan upto 90 per cent for the project costing upto Rs.1 lakh at an interest rate of 4 per cent p.a.

NSTFDC has disbursed Rs.1654.92 crore in its twelve years of operation up to 31.03.17. In the recent past, NSTFDC has introduced new schemes for educational skill development of scheduled tribes such as Adivasi Shiksha Rinn Yojana (ASRY), Awareness Generation, etc.

The National Safaikarmacharies Finance & Development Corporation (NSKFDC): NSKFDC, was established under Section 25 of the Companies Act, 1956, on 24th

January 1997 as a 'company not for profit'. It is fully owned by the Government of India and has an authorized share capital of Rs. 600.00 crores.

NSKFDC disburses the funds to the state channelising agencies (SCAs) nominated by the concerned State Govts./UT Administrations and to Regional Rural Banks (RRBs) and Nationalised Banks for onward disbursement of the funds to the beneficiaries'. The SCAs disburse the funds to the ultimate beneficiaries in association with the District Social Welfare Department. The financial assistance is provided upto maximum of Rs.15.00 Lacs for General Scheme and Rs.25.00 Lacs under Swachhta Udyami Yojana.

The National Backward Classes Finance & Development Corporation (NBCFDC): NBCFDC is a Govt. of India Undertaking under the aegis of Ministry of Social Justice and Empowerment. NBCFDC was incorporated under Section 25 of the Companies Act 1956 on 13th January 1992 with authorised share capital of Rs. 1500 crores. The Corporation has been paid Rs. 1124 crores as paid up capital by the Government of India till the end of 2017. The company is a not for profit with an objective to promote economic and developmental activities for the benefit of Backward Classes and to assist the poorer section of these classes in skill development and self employment ventures. The Corporation carries its activities through 46 State Channelising Agencies (SCAs) in different States. As on 31.3.2017 NBCFDC has disbursed Rs. 3575.52 crore benefiting 23,00363 persons belonging to Other Backward Classes.

The National Minorities Finance & Development Corporation (NMDFC): NMDFC was incorporated on 30th September 1994, as a company not for profit, under Section 25 of the Companies Act 1956. The prime mandate of NMDFC is to provide concessional finance to the Minorities for self employment/ income generation activities. As per the National Commission for Minorities Act, 1992, the notified Minorities are Muslims, Christians, Sikhs, Buddhists and Parsis. Subsequently, Jain community was also added into the list of notified Minority Communities in January 2014. Under NMDFC programme, preference is given to artisans and women.

Since its inception in 1994 till 30.06.2018, NMDFC has disbursed loans amounting to Rs.4680.16 crores to 14,26,308 beneficiaries. During 2017-18, an amount of Rs.570.83 crores was disbursed to 1,29,489 beneficiaries. During the current financial year 2018-19 (upto 30.06.2018), NMDFC has extended loans amounting to Rs.112.00 crores to 10,800 beneficiaries.

The National Handicapped Finance & Development Corporation (NHFDC): The NHFDC had been set up by Government of India to play a catalytic role in economic empowerment of Persons with Disabilities (PwDs), as a Company u/s 25 of the Companies Act, 1956 on 24th January, 1997 with an authorised share capital of Rs. 400 crores. It has been working as an Apex Corporation for the benefit of Persons with Disabilities (PwDs) (Divyangjan) in the country.

The corporation has been extending financial assistance for the benefit of PwDs for their economic empowerment and help them rise up the economic/social ladder. The corporation provides financial assistance at concessional rate of interest for setting up/extend income generating activities of PwDs. Financial assistance is also extended for higher education of PwDs at a concessional rate of interest. NHFDC has released Rs.801.66 crore for the benefit of 1,42,349 PwDs in the country till 31.3.2017.

Rashtriya Mahila Kosh (RMK): Rashtriya Mahila Kosh (RMK) is an autonomous organisation under the Ministry of Women & Child Development (MWCD). It is a society registered under the Societies Registration Act 1860 and an apex micro-finance organisation. The main objective is to provide micro-credit to poor women for various livelihood support and income generating activities at concessional terms in a client-friendly procedure to bring about their socio-economic development. RMK extends microfinance to the poorest and asset less women entrepreneurs through Inter-mediatory Organisations (IMOs) for income generating activities @ 6 per cent simple interest who in turn extend the loan to SHGs beneficiaries' upto 14 per cent simple rate of interest.

MUDRA Yojana: The Finance Minister announced the formation of MUDRA Bank. Accordingly MUDRA was launched by the Hon'ble Prime Minister on 08 April 2015 for providing loans upto 10 lakh to the non-corporate, non-farm small/ micro enterprises. Loans are given by Commercial Banks, RRBs, Small Finance Banks, Cooperative Banks, MFIs and NBFCs.

The borrower can approach any of the lending institutions or can apply online through MUDRA portal. Under the aegis of PMMY, MUDRA has created three products namely 'Shishu', 'Kishore' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth.

Stand-Up India Scheme: Facilitates bank loans between 10 lakh and 1 crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one woman borrower per bank branch for setting up a Greenfield Enterprise. This enterprise may be in manufacturing, services or the trading sector. The rate of interest would be lowest applicable rate of the bank for that category (rating category) not to exceed (base rate (MCLR) + 3+ tenor premium). The scheme envisages 25 per cent margin money which can be provided in convergence with eligible Central/State schemes.

The number of loans given by Public Sector, Private and Regional Banks under the Stand-up India Scheme are 51,888, 2,445, and 1,009 respectively upto 07.03.2018 since inception of the scheme. Regional Rural Banks have sanctioned180 loans to borrowers of Scheduled Castes (SC) category as on 07.03.2018 since inception of the scheme.

Venture Capital Fund Scheme: A first of its kind Venture Capital Fund was launched by Ministry of Social Justice and Empowerment, Government of India to promote entrepreneurship in India among the Scheduled Castes by providing concessional finance to them.

Venture Capital Fund Scheme: Status as on 27th June 2018

Particulars	Present Status
No. of Companies to whom assistance has been sanctioned	71 Companies
Sanctioned amount	Rs. 255.37 crore
No. of Companies who have availed disbursement	56 Companies
Total Disbursement	176.76 crore

Social Group wise achievements under PMMY From 08.04.2015 to 29.06.2018

Rs. in crore

Sr No	Category	No Of A/Cs	Sanctioned Amt	Category wise Borrowers percentage
1	**General**	59233552	395056.94	45.20 per cent
2	**SC**	23357466	62982.95	17.82 per cent
3	**ST**	6620737	20035.25	5.05 per cent
4	**OBC**	41834204	137084.29	31.92 per cent
5	**Total**	131045959	615159.43	

Source: Mudra Mission

Credit Enhancement Guarantee Scheme: The Finance Minister during the Union Budget speech (2014-15) on July, 2014, had announced that a sum of Rs.200 crore shall be allocated towards credit enhancement facility for young and start-up entrepreneurships, belonging to Scheduled Castes, with an objective to encourage entrepreneurship in the lower strata of the society resulting in job creation besides creating confidence in Scheduled Castes. Department of Social Justice & Empowerment under the Ministry of Social Justice & Empowerment, Government of India sponsored the "Credit Enhancement Guarantee Scheme for Scheduled Castes" under its social sector initiatives.

The Eligible Borrowers and Risk Cover:

Upto 31.12.2017, loans aggregating to Rs.21.27 crore have been sanctioned by some of the Member Lending Institutions against which the total guarantee cover of Rs.14.40 crore has been provided by IFCI. Efforts are on to promote the scheme through wide publicity by conducting seminars, conferences and awareness programmes in co-ordination with various Chapters of Dalit Chambers of Commerce (DICCI) and attending State Level Bankers Committee (SLBC) meetings. PSU Banks, across the country are being sensitised.

Prime Minister Jan Dhan Yojana (PMJDY). Hon'ble Prime Minister announced a new scheme Pradhan Mantri Jan Dhan Yojana (PMJDY) on August 15, 2014, to ensure financial inclusion for weaker sections of the society for providing banking, pension and insurance to reduce the negative effects of earlier schemes, thus giving them financial freedom and stability. 1.5 crore bank accounts were opened under this scheme across the country.

These schemes clearly highlight that the government is committed to the cause of inclusive empowerment of weaker sections of the society. As stated, various landmark initiatives have been taken under the present regime to eliminate poverty and empower the disadvantaged sections of the society.

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