

Book Review

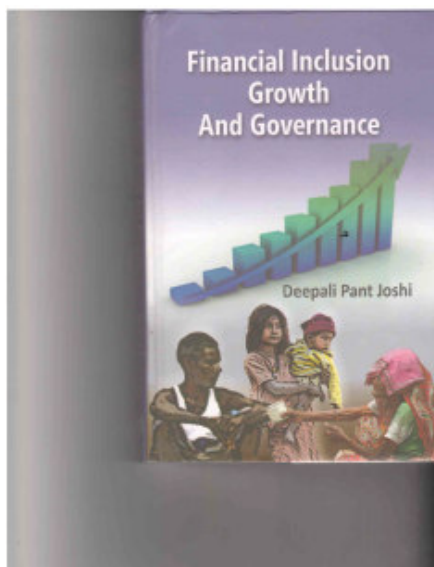
Governance of Financial Inclusion in Indian Banking Sector: Redefined

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Financial Inclusion: Growth and Governance, By Dr Deepali Pant Joshi, published by Gyan Publishing House, New Delhi, 2016. Pages: 266. Price: Rs.750.

Ever since the programmes pertaining to Financial Inclusion gained strategic importance in the functioning of commercial banks in India, the literature on financial inclusion also has been growing. Prodded by the ‘owner’ and the ‘regulator’, concerted efforts are being made specially by public sector banks to extend the levels of financial literacy among all sections of the society. Financial literacy centres have cropped up in large number in smaller towns in almost all districts due to the initiative taken by the lead banks.

The Reserve Bank of India has played a pro-active role in this process. The author of this book, Dr (Smt) Deepali Pant Joshi, one of the executive directors of Reserve Bank, has been actively associated with the propagation of financial inclusion. One of the pointed messages on financial inclusion conveyed in her writings earlier was *Step into a Bank. Step out of Poverty*. It is reproduced in this book also (page 117) and repeated once more (page 200).



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In 18 chapters, Dr. Deepali has neatly covered the whole gamut of the process of financial inclusion, its importance and the role to be played by different agencies involved in the programmes. In the first part consisting of 11 chapters, she has explained the evolution of the concept of financial inclusion and the need for its governance. In one lengthy sentence, financial inclusion has been defined very meticulously. “Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players.” (page 44).

For achieving financial inclusion, there is a framework in place, having a long list of committees and bankers, which are not generally known to the public. Financial Stability and Development Council- Technical Group on Financial Inclusion and Financial Literacy, Financial Inclusion Advisory Committee of RBI, 17 offices of RBI spread across the country, 35 State Level Bankers’ Committees, 644 Lead District Managers, 46 public and private sector banks and 56 regional rural banks (page 45). To this may be added, over a lakh of branch managers of all commercial banks, who have the task of reaching the unreached.

One of the major procedural changes permitted by the Regulator relates to the appointment of Business Correspondents, leading to the emergence of ‘branchless banking model’. This change has enabled banks to reach out to a large number of people living far away from the present banking centres. In this model, the prospective customers of the selected villages are given smart cards by banks. A local woman is appointed as Business Correspondent of the bank, with her own house is considered as the **Branchless Banking Centre (BBC)**. This has become a successful means of reaching out to the hitherto unreached. According to the latest **Report on Trend and Progress of Banking in India 2014-15** by the Reserve Bank of India, the BC model has been able to spread into rural areas: “Dominance of BCs in the rural areas can be gauged from the fact that almost 91 per cent of the banking outlets were operating in branchless mode as on March 31, 2015”.

Yet the challenges of reaching out to people all over the country are too many as listed by the author. “India’s large size, the sheer geographic

proportion and population of the country itself make it difficult for any programme at a national level to reach out to everyone. This is one of the biggest stumbling blocks in providing access to affordable financial services to each and everyone in the country.” (page 60). In spite of these formidable stumbling blocks, banks are moving in the right direction. State Level Bankers’ Committees have been advised to select at least one or two districts in each state to accomplish 100 percent financial inclusion.

In the chapter on *Technology as an Enabler of Financial Inclusion*, it is said that under the National Strategy for Financial Education, it is proposed to set up a National Centre for Financial Education, for coordinating the efforts of all financial sector regulators.(page138). This would be useful in bringing out uniformity in the approach of different agencies involved in facilitating financial inclusion.

The chapter on *Strategy adopted for Financial Inclusion*, is devoted to the discussion on the need for collaboration among various players. In conclusion, it is argued that “Financial Inclusion cannot be achieved without the active involvement of all stakeholders like RBI, other financial regulators, banks, governments, NGOs, civil society etc”. This is a very reasonable stand, since banks alone are not responsible for achieving financial inclusion. Supportive actions have to be taken by all the players listed above.

The second part of the book- *Financial Literacy* contains seven chapters. It is rightly argued, though repetitively, that ‘financial education is the key to promoting financial inclusion and customer protection’. Quoting the Global Economy Concerns and the G20 Framework for Strong, Sustainable and Balanced Growth, *financial access* is recognized as the *key accelerator* to meet the Millennium Development Goals. (page 193).

Strengthening and Revitalising Cooperative Banks and the Regional Rural Banks are the last two chapters dealing with the role of these two sets of banks in area of financial inclusion. For the cooperative sector the advice is: “Cooperatives should overcome their inertia and resistance to change and should emerge as technology-driven, well-managed institutions to inspire confidence in the public and secure their survival” (page238). For the regional rural banks, one piece of advice given is “The frontline manager needs to be sensitized to the importance of the Code of Bank’s

Commitment to Customers. He must understand and believe them. This affirmation will then translate to increased sensitivity and in empathetic behavior towards the special niche clientele of the RRBs.” It is worth mentioning here that the gramin banks did play a small role in implementing the NABARD-sponsored programme of creating ‘money-lender free villages’ by bringing into the banking fold some of the farmers indebted to money-lenders.

Though the author is a senior official of the Regulator, the tone of her writing is not authoritarian but convincingly educative and informative. The little book provides a comprehensive account of the visible and not so visible implications of the process of financial inclusion taking place in India since the genesis of the programme. Interspersed with graphs, simple diagrams and statistical tables, the book is highly readable.
