

FINANCIAL INCLUSION INITIATIVES IN RAJASTHAN: AN OVERVIEW

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Abstract

Financial Inclusion is the delivery of financial services at an affordable cost to the unbanked and under-privileged section of the economy. The financial inclusion stakeholders like central Government, state government and Reserve bank of India have taken various initiatives to provide financial services at the doorstep which includes expanding bank branches, banking correspondent model and mobile banking etc. While it is a daunting challenge in size and scope, an attempt has been made in this paper to study the various financial inclusion initiatives undertaken by the state of Rajasthan.

Keywords: PMJDY, SHGs, MFI, Financial Inclusion, Bhamashah Yojana, Stakeholders, Financial Services.

Introduction

According to Raghuram Rajan, Ex-Governor of the Reserve Bank of India (RBI), 'Financial inclusion is about (a) the broadening of financial services to those people who do not have access to financial services sector; (b) the deepening of financial services for people who have minimal financial services; and (c) greater financial literacy and consumer protection so that those who are offered the products can make appropriate choices'. Globally, financial inclusion is a major policy concern with governments across the world. The lack of access of a large percentage of working age adults to the formal financial sector is a genuine global policy concern. In most developing economies, financial services are only available to a minority of the population. It is a known fact that in India, where one segment of the population has access to assortment of banking services while the other segment of underprivileged and lower income group is totally deprived of even basic financial services. In India the earliest effort at financial inclusion can be traced back to 1969, with the nationalization of banks. Other initiatives include Expansion of Banks branch network, Establishment & expansion of RRBs, Formation of SHGs, Microfinance programs and State specific approach for Govt. sponsored schemes to be evolved by SLBC etc. Even after decades of bank nationalization, we still find usurious money lenders in rural areas and urban slums continuing to exploit the poor. After economic reforms of 1991, the country cannot afford, not to include the poor in the growth paradigm. It is estimated that 6 Crore house holds in rural and 1.5 Crore in urban area needs to be covered. Financial Inclusion of the poor, will help in bringing them to the mainstream of growth. Rajasthan is the largest state in India with 2/3rd of the population dependent on agriculture and allied activities for their livelihoods. As per MF report, the calculated rate of financial exclusion in Rajasthan is 75.3% of the households, with a poverty rate of 64.2%. Chattopadhyay (2011) classified Indian states into three categories, i.e., states having high, low and medium extent of financial exclusion, using the Index of Financial Inclusion. Rajasthan is placed in the 'low' index of financial inclusion. With this background, the major objective of this paper is to examine the strategies of financial inclusion in the State of Rajasthan. Section 2 covers literature on financial inclusion with International experience followed by the Indian scenario. Section 3 deals with financial inclusion initiatives in Rajasthan. And finally, we conclude in section 4 by offering suggestions for policymakers to enhance the agenda of financial inclusion.

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