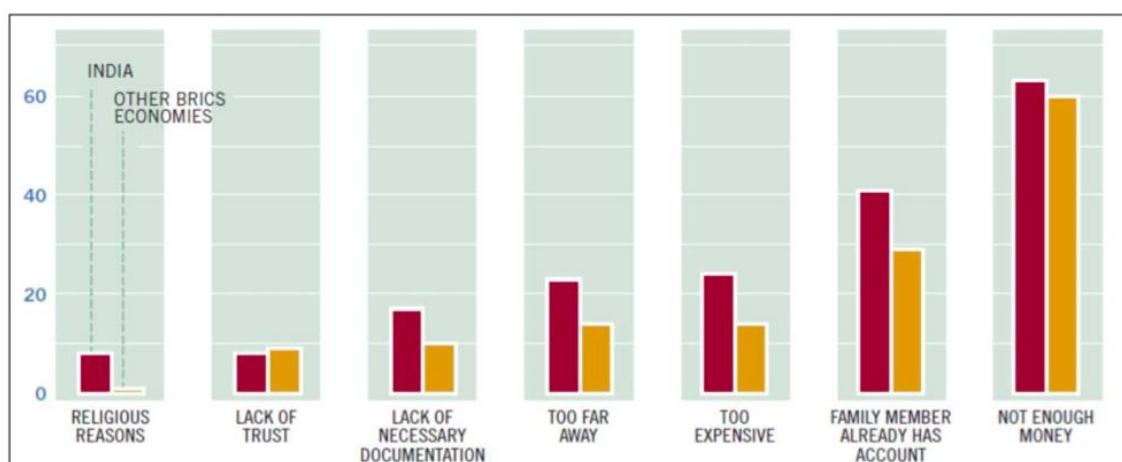


2. Financial Inclusion in India

Financial Exclusion

Before understanding the process of Financial Inclusion, there is need to understand the phenomena of 'Financial Exclusion'. According to the Census 2011, 65 % of Indian adult were excluded out of financial inclusion. There is one bank branch per 14,000 persons. Just 18 percent are debit card holders and less than 2 percent are credit cards holders. In India, the total branches of commercial banks including RRB"s and SCB"s has still stood only 48000 in a country to provide service to 6 lakh villages. (**one bank branch over the 12.5 villages.**) It was due to multiple factors: Refer to the chart given below:

Figure 1: Self - reported barriers to use of formal accounts
Non- account holder reporting barrier as a reason for not having an account (%)



The Global Index Report: Financial Inclusion in India

3. Financial Inclusion

Definition

According to Reserve Bank of India(RBI), "*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*".

According to the **Committee on Financial inclusion** headed by Dr. C. Rangarajan defined financial inclusion as "*The process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost*".

Thus, Financial inclusion does not mean delivery of financial services for all at **all cost**, but delivery of financial services and products at **affordable costs**.