



# FROM POLICY TO PRACTICE: FINANCIAL INCLUSION MEASURES OF THE RESERVE BANK OF INDIA

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## ABSTRACT

*Financial inclusion is a panacea for economic growth and well being of the excluded sections of the society. Poverty is very harsh leading to inequities in the society. One way to tackle such inequalities is bringing the downtrodden to the main fold by making them a part of the formal financial sector. The financial inclusion scheme was initiated by the Reserve Bank of India and the Government of India to include the financially excluded people into the banking sector. First step was to enable them to have access to a bank account which is a doorstep for an avenue of financial services enabling them to be financially reliant. No frills account, credit counselling, use of technology etc were some of the measures adopted by RBI. The measures and progress of the initiatives of RBI towards financial inclusion is discussed here.*

**KEY WORDS:** *Financial inclusion, RBI, BSBDA, KCC*

## 1. INTRODUCTION

In India, while one segment of the population has access to banking services and facilities, the other segment of underprivileged and lower income group is totally deprived of even basic financial services. Exclusion of large segments of the society from financial services affects the overall economic growth of a country. Census 2011 estimated that out of 24.67 crore households in the country, 14.48 crore (58.7 percent) households had access to banking services. Of the 16.78 crore rural households, 9.14 crore (54.46) were availing banking services. Of the 7.89 crore urban households, 5.34 crore (67.68 percent) households were availing banking services. Indian economy and banking services have made a rapid stride in the recent past. However, a sizeable section of the population, particularly the vulnerable groups, such as weaker sections and low income groups, continue to remain excluded from even the most basic opportunities and services provided by the financial sector. Access to a well-functioning financial system, enable economically and socially excluded people to integrate better into the economy.

Financial inclusion is a new model of economic growth which plays a major role in removing poverty. Lack of access to financial services in most of the rural areas due to demand and supply side barriers and low awareness, creates the need and scope of financial inclusion. Financial inclusion is integral to the inclusive growth process and sustainable development of the country. Achieving sustainable financial inclusion will require a systemic effort which leverages technology, viable business models and appropriate regulatory framework. The Reserve Bank of India (RBI) have taken a lead role in promoting financial inclusion through various programme initiatives, along with institutional support in a time-bound manner with fair good response at various levels and segments of the economy. In order to ensure financial inclusion various initiative have been taken by the government of India and the Reserve Bank of India (RBI) from time to time. These include nationalization of commercial bank, establishment and expansion of Urban and Rural credit co-operative Banks, micro finance and self-help groups (SHGs), and Pradhan Mantri Jan Dhan Yojana (PMJDY).

### 1.1 Significance of the study

The Reserve Bank of India, the central bank of the country has played a major role in achieving the goal of financial inclusion to include the excluded sections into the formal financial sector. It is found imperative to examine the measures and progress of financial inclusion achieved through RBI initiatives. The study provides a clear understanding of the scale and direction of financial inclusion efforts undertaken by RBI. The study serves as a valuable reference for policymakers, regulators, and banking institutions in evaluating the progress of inclusion-oriented measures and in strengthening strategies aimed at broad based access to formal financial services.

### 1.2 Statement of the problem

The present study addresses the problem of evaluating the measures undertaken by the Reserve Bank of India toward financial inclusion and examining the progress achieved through these measures over a specified period. The study seeks to analyze the extent and pattern of financial inclusion in order to understand the growth and outreach of formal financial services in the Indian economy, thereby contributing to a clearer understanding of the role of RBI led initiatives in advancing financial inclusion.



### 1.3 Objectives of the study

1. To study financial inclusion measures implemented by the RBI
2. To analyze the impact of these measures on financial inclusion indicators from 2010 to 2018

### 1.4 Research Methodology

This study adopts a descriptive and analytical research design to systematically examine the financial inclusion measures initiated by the Reserve Bank of India (RBI) and related institutions. The focus is on evaluating policies, trends, and outcomes using secondary data from authoritative government and institutional sources. Reserve Bank of India (RBI) policy documents, reports, annual reports, statistical publications, and financial inclusion bulletins, National Bank for Agriculture and Rural Development (NABARD) reports and publications on rural finance & inclusion, Government of India publications (e.g., Ministry of Finance, Economic Survey, Census data), Pradhan Mantri Jan Dhan Yojana (PMJDY) site for enrollment, account usage, and inclusion outcomes have been used for the purpose of the study.

## 2. RBI MEASURES FOR FINANCIAL INCLUSION

Given the socio-demographic complexities in India, the policy endeavor of the RBI has been to adopt a multi-institutional and multi-instrument approach to comprehensively address the issue of financial inclusion in all its dimensions, going beyond mere availability of credit to the masses. The term financial inclusion needs to be understood in a broader perspective to mean the provision of the full range of affordable financial services, viz. access to payments and remittance facilities, savings, loans, and insurance services by the formal financial system to those who tend to be excluded from these services. The RBI while recognizing the concerns in regard to the banking practices that tend to exclude rather than attract vast sections of the population, has been urging the banks to review their existing practices to align them with the objective of achieving greater financial inclusion. The RBI has taken a number of measures with the objective of attracting the financially excluded population into the formal financial system. Some of the measures taken in this direction are as follows.

**2.1 No Frills Account:** RBI vide Mid Term Review of Annual Policy Statement for the year 2005-2006, advised banks to align their policies with the objective of financial inclusion. Banks are advised to make available a basic banking No frills account either nil or very minimum balances as well as charges that would make such accounts accessible to vast sections of the population. All the public and the private sector banks as well as foreign banks, except those not having significant retail presence, have introduced the basic 'no-frills' account.

**2.2 General Credit Card(GCC):** With the objective of providing hassle-free credit to the bank's constituents in rural and semi urban areas, the banks were advised in December 2005, to consider introduction of a General Credit Card (GCC) to such constituents. The card was to have a credit limit of up to Rs. 25000/-, based on the assessment of income and cash flows of the household without insistence on security or purpose or end-use of credit. The credit facility was to be in the nature of revolving credit entitling the holder to withdraw up to the limit sanctioned. The banks are required to charge appropriate and reasonable Interest rate on the facility.

**2.3 Business Facilitator and Business Correspondent (BC) Models:** In January 2006, banks were permitted to utilize the services of non-governmental organizations (NGOs/SHGs), micro finance institutions and other civil society organizations as intermediaries in providing financial and banking services through the use of business facilitator and business correspondent (BC) models. The BC model allows banks to do cash in-cash out transactions at the location of the BC and allows branchless banking.

**2.4 Passbook Facility:** Passbooks provide the account holders a ready reckoner of the transactions in their accounts and is a convenient reference document. Since non-issuance of the passbooks to the small customers could indirectly lead to their financial exclusion, the RBI had advised the banks in October 2006 to invariably offer the passbook facility to all its savings bank account holders and not to levy any charge on the customers thereof.

**2.5 Simplified KYC Procedure:** With a view to facilitating the opening of bank accounts by the common man through a simplified KYC procedure, in the Mid-Term Review of the Annual Policy of the RBI for the year 2006-2007, it was announced that the "banks could open accounts of low balance/turnover (where the balance does not exceed Rs.50000 in all the accounts taken together and the total credit in all the accounts taken together is not expected to exceed rupees two lakh in a year) only with self certification of address by the customers and his photograph". In 2010-11, KYC norms have been further relaxed, to include job cards issued by National Rural Employment Guarantee Act (NREGA) duly signed by an officer of the State Government or the letters issued by the Unique Identification Authority of India containing details of name, address and Adhaar number can also be taken as the basis for opening small bank accounts.

**2.6 Credit Counselling and financial Education:** Promoting credit counselling and financial education of the customers of the banks is also an area that deserves due attention of the banking community. Towards this objective, the banks were also advised by the RBI to make available all printed material used by retail customers in the concerned regional language. RBI launched a multi lingual website on June 18, 2007 in 13 Indian languages on all matters concerning banking so that the language does not become a barrier to acquiring financial education by the public at large.



**2.7 Use of Technology:** Recognizing that technology has the potential to address the issues of outreach and credit delivery in rural and remote areas in a viable manner, banks have been advised to make effective use of information and communications technology (ICT), to provide doorstep banking services through the business communication (BC) model where the accounts can be operated by even illiterate customers by using biometrics, thus ensuring the security of transactions and enhancing confidence in the banking system.

**2.8 Simplified Branch Authorization:** To address the issue of uneven spread of bank branches, in December 2009, domestic scheduled commercial banks were permitted to freely open branches in tier III to tier VI centres with a population of less than 50,000 under general permission, subject to reporting.

**2.9 Banking Services in Unbanked Villages:** Banks were advised to draw up a road map to provide banking services in every unbanked village having a population of over 2000 by March 2012. RBI advised banks that such banking services need not necessarily be extended through a bricks and mortar branch, but could also be provided through any of the various forms of ICT-based models.

**2.10 Revamping the Lead Bank Scheme (LBS):**The LBS was started to ensure economic development of the district/states by establishing co-ordination between bank and government agencies. In view of changes that have taken place in the financial sectors over the years, the Reserve Bank of India constituted a Committee of Executive directors of the Bank to study the efficiency of the scheme and suggest measures for its improvement. Under the LBS, one bank in each district is assigned the leadership role and acts as a consortium leader to co-ordinate the efforts of the banks in that district, particularly in matters such as branch expansion and credit planning to meet the credit needs of the district. The assignment of Lead Bank responsibility to designated banks in every district is done by the RBI.

**2.11 Committee on Medium-term Path on Financial Inclusion.**

The Committee on Medium-Term Path on Financial Inclusion, 2015 sought to propel the economy to a medium-term sustainable inclusion path. Drawing upon the recommendations of the committee, the Reserve Bank of India focused on strengthening the mechanism for effective credit delivery to the productive sectors of the economy. Some of the major recommendations that were implemented during 2017-18 include the following: (a) BC registry portal has since been launched to enable domestic SCB, excluding RRB, to upload data pertaining to BCs deployed by them. Subsequently, on stabilization of the database, facility of using BC tracker for public shall be made available. (b) Commencement of a basic certification course for BC’s. (c) The Certified Credit Counsellor’s(CCC) scheme for MSMEs which could help bridge the information gap, and thereby help banks to make better credit decisions was launched during 2017-18.

**2.12 Financial Inclusion Plans(FIPs)**

In order to have a planned and structured approach to financial inclusion, banks have been advised to prepare Board-approved Financial Inclusion Plans(FIPs). These FIPs capture bank's achievements on parameters such as the number of outlets (branches and BCs), Basic Savings Bank Deposit Accounts (BSBDAs), overdraft facilities availed in those accounts, transactions in Kisan Credit Card (KCCs) and General Credit Card (GCC) accounts and transactions through the Business Correspondent-Information and Communication Technology (BC-ICT) channel. The progress made on these parameters as reported by banks as at end March 2018 is set out in Table 1.

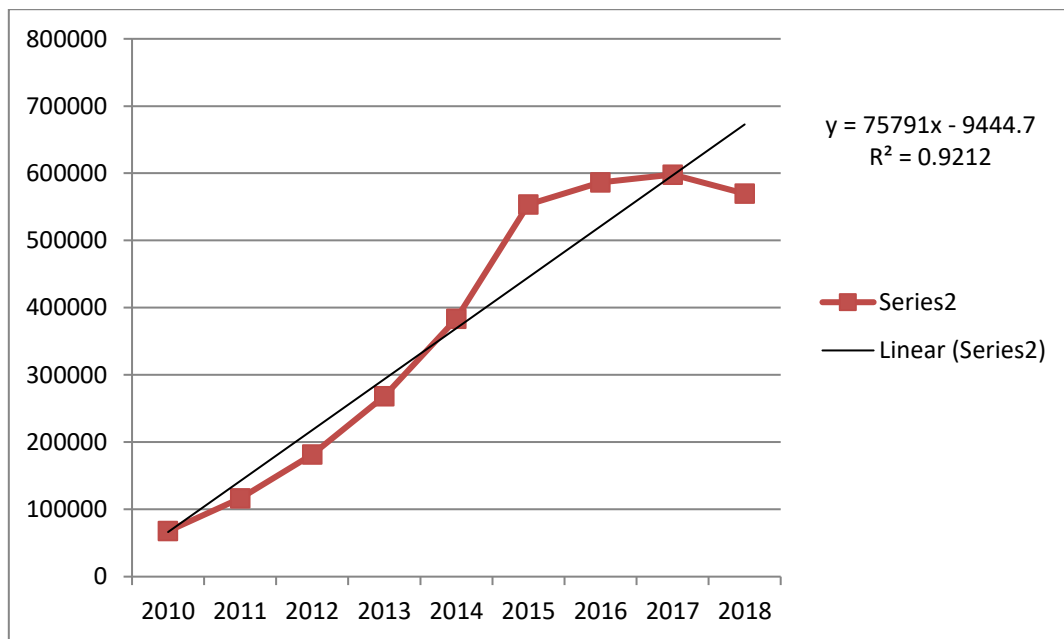
**Table 1 Financial Inclusion Plan (FIP): a Progress Report**

Particulars	End-March 2010	End-March 2011	End-March 2012	End-March 2013	End-March 2014	End-March 2015	End-March 2016	End-March 2017	End-March 2018
1	2	3	4	5	6	7	8	9	10
Banking Outlets in Villages – Branches	33,378	34,811	37,471	40,837	46,126	49,571	51,830	50,860	50,805
Banking Outlets in Villages - Branchless Mode	34,316	81,397	1,44,282	2,27,617	3,37,678	5,04,142	5,34,477	5,47,233	5,18,742
Banking Outlets in Villages –Total	67,694	1,16,208	1,81,753	2,68,454	3,83,804	5,53,713	5,86,307	5,98,093	5,69,547
Urban locations covered through BCs	447	3,771	5,891	27,143	60,730	96,847	1,02,552	1,02,865	1,42,959
BSBDA - Through branches (No. in Million)	60	73	81	101	126	210	238	254	247
BSBDA - Through branches (Amt. in ₹ Billion)	44	58	110	165	273	365	474	691	731



BSBDA - Through BCs (No. in Million)	13	32	57	81	117	188	231	280	289
BSBDA - Through BCs (Amt. in ₹ Billion)	11	18	11	18	39	75	164	285	391
BSBDA - Total (No. in Million)	73	105	139	182	243	398	469	533	536
BSBDA - Total (Amt. in ₹ Billion)	55	76	120	183	312	440	638	977	1,121
OD facility availed in BSBDA's (No. in million)	0.2	0.61	3	4	6	8	9	9	6
OD facility availed in BSBDA's (Amt. in ₹ Billion)	0.1	0.26	1	2	16	20	29	17	4
KCC - Total (No. in Million)	24	27	30	34	40	43	47	46	46
KCC - Total (Amt. in ₹ Billion)	1,240	1600	2068	2623	3685	4382	5131	5,805	6,096
GCC - Total (No. in Million)	1	2	2	4	7	9	11	13	12
GCC - Total (Amt. in ₹ Billion)	35	35	42	76	1097	1302	1493	2,117	1,498
ICT-A/Cs-BC-Total Transactions (Number in million)	27	84	156	251	329	477	827	1,159	1,489
ICT-A/Cs-BC-Total Transactions (Amt. in ₹ billion)	7	58	97	234	524	860	1687	2,652	4,292

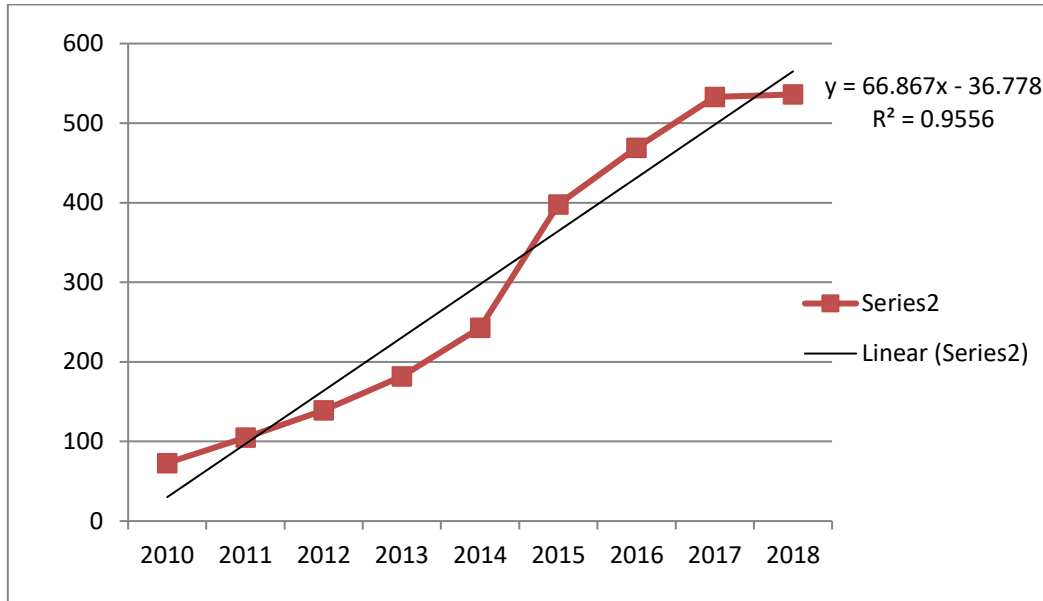
Source: /www.rbi.org.in/scripts/AnnualReportPublications



Source: www.rbi.org.in

**Chart 1 Progress of Total Banking outlets in villages**

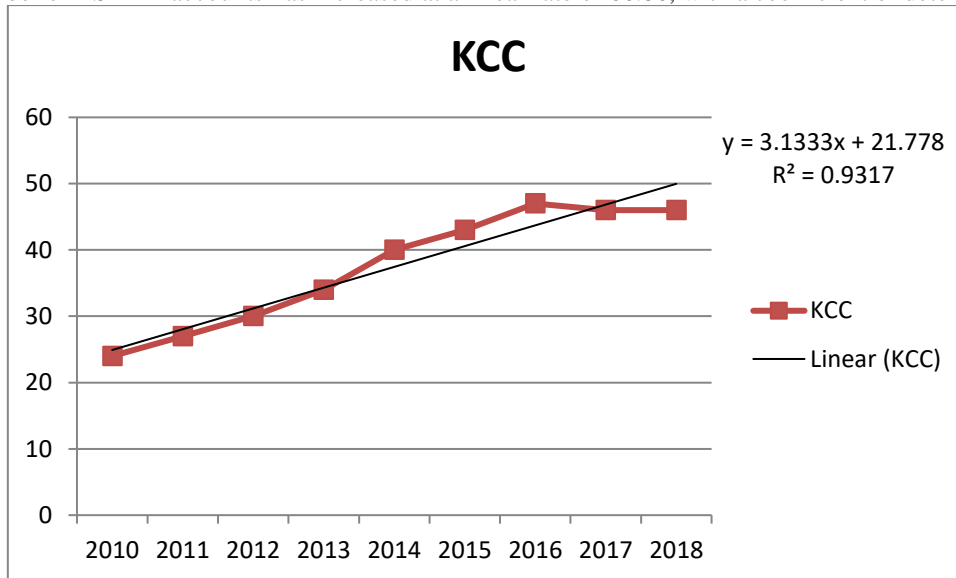
From the chart exhibited above, it is visible that the total number of banking outlets in villages has increased on a linear trend over a period from 2010 to 2018. The number of banking outlets in villages has increased at a linear rate of 75,791, with a coefficient of determination of 0.921.



Source: www.rbi.org.in

**Chart 2 Progress of Total number of BSBDA accounts in India**

From the above chart, it is visible that total no. of BSBDA accounts has increased on a linear pattern over a period from 2010 to 2018. The total number of BSBDA accounts has increased at a linear rate of 66.86, with a coefficient of determination of 0.955.



Source: www.rbi.org.in

**Chart 3 Progress of Total number of KCC in India**

From the above chart, it is visible that the total number of KCC has increased on a linear pattern over a period from 2010 to 2018. The total number of KCC has increased at a linear rate of 3.133, with a coefficient of determination of 0.931.

**2.13 Financial Literacy**

Financial literacy is crucial for imparting efficiency to financial inclusion initiatives of the Reserve Bank of India. In this direction, a number of new initiatives were under taken during 2017-18. In order to explore innovative and participatory approaches to financial literacy, a block level Centre for Financial Literacy(CFL) project was initiated in 2017 by Reserve Bank across 80 blocks in 9 states. In order to improve the effectiveness of financial literacy camps, FLS and rural branches of banks were advised to use hand held projectors to show audio visuals and posters on financial awareness messages. Reimbursement for hand held projectors and speakers is provided from the Financial Inclusion Fund (FIF) to the extent of 50 percent of the cost incurred, subject to a maximum of Rs. 5000 per rural branch/FLC.

**3.FINDINGS OF THE STUDY**

Based on the analysis of RBI led initiatives and the financial inclusion indicators during the study period, the following key findings emerge:



1. The Reserve Bank of India has played a decisive and proactive role in promoting financial inclusion through a comprehensive mix of regulatory, institutional, and technology-driven measures.
2. Financial inclusion in India has evolved from a narrow focus on credit delivery to a broader framework encompassing access to savings, payments, remittances, and credit services through the formal banking system.
3. The introduction of Basic Savings Bank Deposit Accounts (BSBDAs) and the earlier 'No-Frills Accounts' significantly lowered entry barriers for economically weaker sections by reducing minimum balance requirements and account maintenance costs.
4. The expansion of banking outlets, particularly through the Business Correspondent (BC) model, substantially improved outreach in rural, semi-urban, and unbanked areas, enabling branchless and doorstep banking services.
5. Simplification of Know Your Customer (KYC) norms facilitated faster and easier account opening, especially for low-income households, migrant workers, and informal sector participants.
6. The growth in Kisan Credit Cards (KCCs) and General Credit Cards (GCCs) indicates improved access to formal credit for farmers, small borrowers, and rural households, reducing dependence on informal moneylenders.
7. RBI's emphasis on technology adoption, including ICT-based banking and biometric authentication has enhanced transaction security, operational efficiency, and customer confidence.
8. Measures such as simplified branch authorization and targeted coverage of unbanked villages contributed to a more balanced geographical distribution of banking infrastructure.
9. Financial Inclusion Plans (FIPs) provided a structured and measurable framework for monitoring progress, enabling banks and regulators to track inclusion outcomes more systematically.
10. The total number of banking outlets in villages has increased on a linear trend over a period from 2010 to 2018. The number of banking outlets in villages has increased at a linear rate of 75,791, with a coefficient of determination of 0.921.
11. The total no. of BSBDAs accounts have increased on a linear pattern over a period from 2010 to 2018. The total number of BSBDAs accounts has increased at a linear rate of 66.86, with a coefficient of determination of 0.955.
12. The total number of KCC has increased on a linear pattern over a period from 2010 to 2018. The total number of KCC has increased at a linear rate of 3.133, with a coefficient of determination of 0.931.
13. Initiatives related to financial literacy, credit counselling, and multilingual communication helped improve awareness and understanding of banking services, supporting the effective usage of newly accessed financial facilities.
14. The progress observed during the study period reflects a steady transition from policy intent to practical implementation, demonstrating that RBI's coordinated and sustained efforts have strengthened the foundation of inclusive finance in India.

These findings collectively affirm that RBI's measures have significantly contributed to widening the scope, scale, and depth of financial inclusion in the country.

#### 4. CONCLUSION

RBI's policy initiatives have moved beyond mere access to banking services and have progressively focused on usage, affordability, and sustainability of financial services across diverse segments of the population. The findings indicate that RBI's measures such as simplified account opening norms, expansion of banking outlets, promotion of digital payment systems, strengthening of the payments and settlement infrastructure, and encouragement of technology-driven delivery channels have significantly contributed to widening the formal financial network in the country. These initiatives have facilitated greater penetration of banking services in rural and semi-urban areas, improved access to credit and deposit facilities, and enhanced the efficiency and safety of financial transactions. The transition from policy formulation to practical implementation has been largely effective due to RBI's emphasis on regulatory support, institutional coordination, and continuous monitoring. By aligning financial inclusion goals with financial stability and consumer protection, the RBI has ensured that inclusion-oriented policies remain resilient and adaptable to changing economic and technological conditions. Financial inclusion in India has been substantially strengthened through RBI led measures, reflecting a shift from fragmented efforts to a more integrated and structured approach. Sustained regulatory commitment and innovation by the central bank is essential for deepening inclusive finance and ensuring that the benefits of economic growth is accessible to all sections of society

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