



# Financial Inclusion in Rural Economy: Issues and Challenges

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## 1. Introduction

Financial Inclusion is fundamental keystone of socio-economic development. It has been policy goal of high priority in India for decades. Financial Inclusion can be defined as easy access to formal financial Services or their systems and their Usage by all Members of the economy, current Development theories Suggest that greater Financial Inclusion can have a Positive Impact on Lives of the poor, On the Country, Financial Exclusion refer to the lack of access to financial services. The major issues confronting the SHGs include inadequate number of quality agencies required for capacity building and hand-holding, governance and leadership challenges, and lack of management information systems, inconsistent reporting, supervision and management capacities, and excessive dependence on promoter agencies.

The major problems consist of the agriculture, the ownership of the cottage industries, lack education social evils, death of animal, wealth bad wealth and soon. These problems are the result of traditionalism and conservatism of the rural society. On addressing the issues related to Financial Inclusion, it is extremely important to take a holistic approach addressing both supply and demand side factors is identified as a key Strategy to achieve inclusive Development the Word over. It is Necessary Condition for Financial deepening which will help address the basic issue of Growth with equity in India. The Process of leveraging financial services sector as the growth engine for transformation is closely entwined with the process on financial inclusion. The Objective of Financial Inclusion is to extend the scope of activities of organized Financial System to include within its ambit people with low incomes, Through Graduated Credit the attempt must be to lift the poor from one level to another so that they come out of poverty there is a need for co-ordinate action between the banks the government and others to Facilitate access to bank accounts amongst the financial Excluded. The Focus of the Present Study is on Issues and Challenges of Financial Inclusion in rural economy.

## 2. Issues and Challenges to Financial Inclusion

Financial inclusion helps the country to progress towards sustainable development. This means that maximum number of the population should be part of financial inclusion. But this is not as east as said because India has more rural population than urban. Actually, financial inclusion is challenge to our country. The eminent in our country has serious consequences on sustainable development. Financial Inclusion as the very phrase suggests, is inclusion of the really poor. The illiterate and the weaker sections of the society. It also means educating poor, illiterate rural women population and these marginalized sections primarily do not have financial literacy. in spite of several such measure that the Central Government and RBI have taken separately for the urban and the rural population which includes, among other things, the establishment of Business Correspondents, KYC norms, Electronic Transfer.

The Financial inclusion and financial stability are two sides of the same coin. A hundred percent inclusive growth leads to economic development of the country. The inclusive growth can be achieved by empowering the unprivileged section of society. However, malnourishment, suicide and health problems of farmers are shocking realities that skill exists in many rural areas in our country and this is

considered to be a serious threat to the economic progress of our country. Challenges of Financial Inclusion were innovative product line and processes critically analyses the policies implemented and expresses their views on policy maker's role in framing it. It has also added that the policy makers can easily diagnose the level of financial inclusion,

### 3. Riview of Literature

“FINANCIAL INCLUSION IN INDIA- A Review of Initiatives and Achievements”by Sonu Garg and Dr. Parul Agrawal.

“Financial Inclusion and banks-Issues and Perspectives” by Dr.K.C. Chaudhary,

“Measuring Financial Inclusion: Explaining Variation in use of Financial Services across and with in Countries” by Asli Demirguc-kunt and Leora Klapper

“Rural Areas-Problems and Opportunities for development” by P Surchev,2010

“Financial Inclusion: issues and challenges” by SM dev.

“Rural Finance: Issues and Challenges” by Harun R Khan.

### 4. Objective

1. To Study the issue of financial Inclusion in rural economy.
2. To Study the challenges of financial Inclusion in rural economy.
3. To study the financial availability and financial usage indices for rural economy
4. To Study the issues and challenges for financial Inclusion.

### 5. Research Methodology

This is a descriptive and an empirical study based upon historical data, the present study is based on secondary data. The data was Government agencies, research journals and periodicals, newspapers other sources etc. can be used.

### 6. Conclusion

Thus, the above collected reviews reveal that many crucial issues and challenges of financial inclusion in rural economy were not empirically addressed in the three-dimension approach of Branch Penetration, credit penetration and deposit penetration. Nevertheless, these are considered in the present research to anatomically analyze all three types of penetration with respect to both service providers and service seekers. the reviews collected by the researchers are confined not only to rural areas, it focusses on both rural and urban areas of India Financial Inclusion is not a Short-term goal, it is a Progressive initiative, which will evolve itself over a period of time. The short-term opportunities and challenges provide useful insights regarding innovative ways of economic value addition. which help the nation reach a growth trajectory that is sustainable therefore, policymakers should focus on developing policies considering a sustainable banking services delivery model and need –based products for rural and urban consumers. The present study is conducted on issues and challenges of financial inclusion with special reference to rural areas to fill the literature gap of the existing literature and to suggest new measures on financial inclusion.

### References

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3. India Government of Pradhan mantra Kan Dhan Yojana-A National Mission on Financial Inclusion