



Policy Brief **16**

Financial Inclusion Series

Translating Practice into Policy and Practice Change

Advancing Financial Inclusion



Executive Summary

In all developing countries where **Exclusion** is the crux of the problem impairing socio-economic development of the poor, **Inclusive Growth** becomes imperative. It is no way different in our country where still more than 60% of the households in rural and 40% in urban do not have access to formal financial institutions making Financial Inclusion (FI) a national priority. With the advent of Jan Dhan Yojana which started with opening of 75 million basic saving accounts for the economically disadvantaged households and now progressing with over 240 million accounts opened and ceding other social security schemes like Pradhan Mantri Jeevan Jyoti Bhima Yojana (PMJJBY), Pradhan Mantri Suraksha Bhima Yojana (PMSBY) and Atal Pension Yojana (APY), Financial Inclusion is in fact gaining further momentum. Not to mention, the strategies like opening differentiated banks (Payment Banks, Small Finance Banks) and liberating norms for universal banks, technology driven remittance modes etc are all directed towards giving further booster for advancing Inclusive Growth in our country.

In the process of advancing Financial Inclusion, the role played by CBOs/NGOs cannot be undermined, in the sense, they mostly work with the under privileged focussing on bringing them to the fold of mainstream Financial Institutions, primarily the Banks. Among multi various initiatives under taken by them towards fostering FI process, SHG - Bank Linkage Programme assumes greater importance as it facilitates faster and multiplier outreach with one group benefiting 10 - 20 households at one stroke. Piloted as innovative project by NABARD with a target of 500 groups in 1996, today, SHG Movement has become a top - notch player connecting over 95 million poor rural households through about 8 million groups with the Banking System. What is more, it has set the tone for advancing FI with new processes and methods. SHGs, initially breaking the myth of "**Poor can't Save**" have then matured to absorb sizable credit and their potentials getting unleashed over the time, they have now emerged as **Financial Conduit** for taking all social security products and services like micro insurance, micro pension etc., to the hitherto