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CONSUMER INCLUSION IN FINANCIAL SERVICES IN INDIA

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Abstract

The present Consumer Protection law is being amended to make it more comprehensive to protect the consumer better. The financial services are a more complex area with numerous players, with banks alone controlling 64 per cent of the total assets. There are many other formal and informal players in this sector like CAs, agents, brokers, advisers, intermediaries, etc., There should be appropriate controls and insurance mechanisms to protect consumer assets, including deposits. Financial literacy becomes important.A Consumer is the most important visitors on our premises. He is not dependent on us. We are dependent on him. The present Consumer protection law is being amended to make it more comprehensive to protect the Consumer better. The Financial Services are a more complex area with numerous players, with banks alone controlling 64 per cent of the total assets. There are many other Formal and Informal players in this sector like CAs, agents, brokers, advisers, intermediaries, etc., There should be appropriate controls and Insurance mechanisms to protect Consumer Assets, including deposits. Financial literacy becomes important. Here's the UN Guidelines for Consumer protection, already referred to, for Financial Services is worth a re-read. Financial Services show the poor ways out of poverty and of leading better lives. To the wealthy, Financial Services offer opportunities to make money growth. But in my opinion, it depends upon good management and Consumer protection with speedy redressed of grievances. Though thispaper attempt has been made to provide an overview on status of Financial Services in Consumers Inclusion. On the basis of analysis conducted it can be stated that the Consumer Inclusion is in progressive stage in India in terms of branch penetration.

Keywords: *Consumer Inclusion, Financial Inclusion, RBI Reports, Bank and Indian economy.*

Introduction

Financial inclusion may be defined as the process of adopted for promoting banking services in all the regions of the country and to develop the banking habits among the people. This is because of the present scenario prevailing in the economy. There are huge number of people residing at different corners of the country do not have a bank account. All these people are deprived of getting the benefits of banking services like deposit of money, mobilization of savings, credit facilities, financial assistance in the form of loans etc. As a result of which, they remain at their place under developed, unaware about banking services and get exploited by the private money lenders of their locality. Financial inclusion is an attempt to reach the unreached in the society. It ensures that all household and business, regardless of income level, have access to and can effectively use the appropriate financial services they need to improve their lives.

The UN Guidelines of 2015 contains for the first time a section on financial services, providing recommendations on fair treatment and proper disclosure, responsible lending, appropriate controls to fight abuses and fraud and transparency. This also recommends that measures should be adopted to reinforce and integrate consumer policies concerning Financial Inclusion, Financial Education and Protection of Consumers in accessing and using financial services. The global financial crisis and its impact on the consumer made the Organization for Economic Cooperation and Development (OECD) G20 to evolve High Level Principles on Financial Consumer Protection of 2011. As recognized by the General Assembly, "consumer confidence and trust in a well-functioning market for financial services promotes financial stability, growth, efficiency and innovation over the long term and the (recent) financial crisis places a renewed focus on consumer protection". Crisis or no crisis, it should be the Endeavour of governments and NGOs to protect the consumer. In this regard, consumer inclusion and empowerment are important. Consumers are empowered when they know their rights and obligations and "are able to defend them". Perhaps the top priority for most consumer protection authorities is to educate consumers and balance the inherent information dissymmetry between businesses and consumers in the market place.

This is easier said than done. Consumer education needs the participation of many stakeholders, such as consumer protection and authorities, businesses and consumer organizations, the academia and the media. Here, we have to reckon with the recent e-commerce and digital revolution.

The financial services sector is more complex in this regard. There are many complexities exposing the consumer. He is bombarded every day even through e-mail with numerous offers which he or she hardly understands. India has consumer protection law since 1986. The question arises whether there is need for a separate consumer law for financial services. There, of course, sectorial legislations. But how far they are effective is doubtful for an ordinary consumer.

The present Consumer Protection law is being amended to make it more comprehensive to protect the consumer better. The financial services are a more complex area with numerous players, with banks alone controlling 64 per cent of the total assets. There are many other formal and informal players in this sector like CAs, agents, brokers, advisers, intermediaries, etc., There should be appropriate controls and insurance mechanisms to protect consumer assets, including deposits. Financial literacy becomes important. Here, the UN Guidelines for Consumer Protection, already referred to, for financial services is worth a re-read.In fact, "Voice Society" has made a comparative study of 150 financial products including credit cards.

Review of Literatures

Financial Inclusion for Inclusive Growth of India-A Study of Indian States 151 Poor's is typically more vulnerable to financial exclusion this is simply because their major problems arise from the need for finances.**Consumer Protection Act 2016,** In so doing, Member States may wish to study the High-level Principles on Financial Consumer Protection of the Organization for Economic Cooperation and Development and the Group of 20, as the Principles for Innovative Financial Inclusion of the Group of 20 and the Good Practices for Financial Consumer Protection of the Bank.**The Financial Stability Report of RBI (2014**) notes that, "given the relatively limited reach of the formal financial system, such entities may be playing an important role in supporting the efforts towards financial inclusion." By extending credit to the unbanked, these entities are contributing immensely to financial inclusion. The global financial crisis and its impact on the consumer made the Organization for Economic Cooperation and Development (OECD) G20 to evolve High Level Principles on Financial Consumer Protection of **2011. Rangarajan Committee (2008)** viewed 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". ***Financial Literacy Centres (FLCs)***. Accordingly, it was advised that FLCs and all the rural branches of scheduled commercial banks should scale up financial literacy efforts through conduct of outdoor Financial Literacy Camps at least once a month, to facilitate financial inclusion through provision of two essentials.

Objectives of the Paper

The Specific Objectives of the Research Paper are as Follows

1. To study financial services crisis places a renewed focus on consumer protection
2. To study Consumers Inclusive are empowered when they know their rights, obligations and education.
3. To study the role of RBI Policy Initiatives and Guidelines for Consumer Protection 2016.
4. To know the extent of financial services in consumers Inclusion.

Scope of the Study:

The present paper focuses onto financial inclusion as an instrument for attaining Consumers inclusive growth- in context of India, for which a fair deal of effort has been taken to understand the extent of financial inclusion in India as a whole and states as its part.

Methodology of the study

Empirical studies of this nature require sound theoretical understanding in theConsumers inclusive growth- in context of India, Therefore, the data for the present study used in it is purely from Secondary data was collected from published source like annual reports, action plans, reports of RBI, newspapers, journals and government publications and Websites etc.

Need for Inclusive Growth

India needs inclusive growth in order to attain rapid and disciplined growth. Inclusive growth is necessary for sustainable development and equitable distribution of wealth and prosperity. Achieving inclusive growth is important and is one of the biggest challenges for India. The challenge is to take the levels of growth to all section of the society and to all parts of the country. The main thrust areas for need of inclusive growth can be Removal of poverty and unemployment, Removal of income inequalities,Agricultural Development, Reduction in regional disparity, for social sector development and Protecting environment.

Role of Financial Inclusion

Financial Inclusion is imperative for inclusive growth of India, with more than 25 % of its population living in abject poverty government's onus towards their growth and development is huge, and inclusive finance is one such measure which if targeted and attained in right manner will provide an apt solution to the severe problems of poverty and unemployment. Providing access to financial services has significant potential to help lift the poor out of the cycle of poverty. Financial inclusion promotes thrift and develops culture of saving and also enables efficient payment mechanism strengthening the resource base of the financial institution which benefits the economy as resources become available for efficient payment mechanism and allocation. Financial Inclusion for Inclusive Growth of India-A Study of Indian States 151 Poor'sis typically more vulnerable to financial exclusion this is simply because their major problems arise from the need for finances. The formal banking services, by exploiting economies of scale and making judicious use of targeted subsidies may reduce or remove market imperfections and facilitate financial inclusion of the poor, ultimately leading to higher incomes.

Extent of Financial Inclusion in India

Several countries across the globe now look at financial inclusion as the means for a more comprehensive growth, wherein, each citizen of the country is able to use his/her earnings as a financial resource that they can put to work to improve their future financial status and simultaneously contribute to the nation's progress. Financial inclusion has always been accorded high importance by the Reserve Bank and Government of India to aid the inclusive growth process for the economy, the history of financial inclusion in India is actually much older than the formal adoption of the objective.

Financial Inclusion – RBI Policy Initiatives

RBI has adopted a bank-led model for achieving financial inclusion and removed all regulatory bottle necks in achieving greater financial inclusion in the country. Further, for achieving the targeted goals, RBI has created conducive regulatory environment and provided institutional support for banks in accelerating their financial inclusion efforts.

Financial Inclusion Initiatives

.***Basic Saving Bank Deposit (BSBD)***Advised all banks to openaccounts with minimum common facilities such as no minimum balance, deposit and withdrawal of cash at bank branch and ATMs, receipt/ credit of money through electronic payment channels, facility of providing ATM card.

• ***Relaxed and simplified KYC norms*** to facilitate easy opening of bank accounts, especially for small accounts with balances not exceeding Rs. 50,000 and aggregate credits in the accounts not exceeding Rs. one lakh a year. Further, banks are advised not to insist on introduction for opening bank accounts of customers. In addition, banks are allowed to use Aadhar Card as a proof of both identity and address9.

• ***Simplified Branch Authorization Policy***, to address the issue of uneven spread bank branches, domestic SCBs are permitted to freely open branches in Tier 2 to Tier 6 centers with population of less than 1 lakh under general permission, subject to reporting. In North-

Eastern Sates and Sikkim domestic SCBs can open branches without having any permission from RBI. With the objective of further liberalizing, general permission to domestic scheduled commercial banks (other than RRBs) for opening branches in Tier 1 centers, subject to certain conditions.

• ***Compulsory Requirement of Opening Branches in Un-banked Villages***, banks are directed to allocate at least 25% of the total number of branches to be opened during the year in un-banked (Tier 5 and Tier 6) rural centers.

• ***Opening of intermediate brick and mortar structure***, for effective cash management, documentation, redressal of customer grievances and close supervision of BC operations, banks have been advised to open intermediate structures between the present base branch and BC locations. This branch could be in the form of a low cost simple brick and mortar structure consisting of minimum infrastructure such core banking solution terminal linked to a pass book printer and a safe for cash retention for operating larger customer transactions.

• Banks have been advised that their ***FIPs should be disaggregated and percolated down up to the branch level***. This would ensure the involvement of all stakeholders in the financial inclusion efforts.

• In June 2012, revised guidelines on ***Financial Literacy Centres (FLCs)***. Accordingly, it was advised that FLCs and all the rural branches of scheduled commercial banks should scale up financial literacy efforts through conduct of outdoor Financial Literacy Camps at least once a month, to facilitate financial inclusion through provision of two essentials i.e. 'Financial Literacy' and easy 'Financial Access'. Accordingly, 718 FLCs have been set up as at end of March 2013. A total of 2.2 million people have been educated through awareness camps / choupals, seminars and lectures during April 2012 to March 2013.

Guidelines for Consumer Protection 2016

Financial services

Member States should establish or encourage, as appropriate:

(a) Financial consumer protection regulatory and enforcement policies;

(b) Oversight bodies with the necessary authority and resources to carry out their mission;

(c) Appropriate controls and insurance mechanisms to protect consumer assets, including deposits;

(d) Improved financial education strategies that promote financial literacy;

(e) Fair treatment and proper disclosure, ensuring that financial institutions are also responsible and accountable for the actions of their authorized agents. Financial services providers should have a written policy on conflict of interest to help detect potential conflicts of interest. When the possibility of a conflict of interest arises between the provider and a third party that should be disclosed to the consumer to ensure that potential consumer detriment generated by conflict of interest be avoided;

(f) Responsible business conduct by financial services providers and authorized agents, including responsible lending and the sale of products that are suitable to the consumer's needs and means;

(g) Appropriate controls to protect consumer financial data, including from fraud and abuse;

(h) A regulatory framework that promotes cost efficiency and transparency for remittances, such that consumers are provided with clear information on the price and delivery of the funds to be transferred, exchange rates, all fees and any other costs associated with the money transfers offered, as well as remedies if transfers fail. 67. Member States should adopt measures to reinforce and integrate consumer policies concerning financial inclusion, financial education and the protection of consumers in accessing and using financial services.

Conclusion

The recent PradhanMantri Jan DhanYojana has helped 'financial inclusion' with the opening of more than 350 million beneficiaries for the first time with money in their accounts. Once they have it, they enjoy the Direct Benefit Transfer (DBT) of the many monetary benefits from the Government flowing into their accounts without middlemen. This hazzlefree transfer without middlemen gives them a sense of ‘inclusion’ in national development. Tillrecently; youngsters were going for IT as first preference; now they prefer Financial Services.

Today’s financial services industry, with its many products and services, manages money for individuals and corporations. The Financial Inclusion must be taken up in a mission mode to achieve Universal financial inclusion within a specific time frame and constitution of two dedicated funds focused on development and Technology for better credit absorption by poor Consumers. A vast area indeed with the Insurance Regulatory Authority, Securities and Exchange Board of India (SEBI), Forward Market Commission in the case of commodities, mutual funds on which many consumers depend, consumer finance companies, investment funds, etc., this is a veritable jungle in which the consumer is lost!

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