



## **FINANCIAL INCLUSION: AN INITIATIVE FOR FOSTERING GROWTH IN INDIA**

**Dr. Anu**

*Assistant Professor, Department of Management, Dr. Shakuntala Misra National Rehabilitation University, Lucknow.*

### **Abstract**

*Indian economy has witnessed promising efforts in the area of financial inclusion for targeting the weaker and low income group. The significant achievement has been noticed in this area by overcoming traditional barriers and by considering digital technologies in various forms. This is one of the important drivers for sustainable and inclusive economic growth. The steps have also been taken for promoting financial literacy among the weaker section of society so that participation in financial markets and financial services can be enhanced. This study has discussed the concept of financial inclusion. It has showcased the initiatives taken by the Government authorities for promoting financial inclusion in India.*

**Key Words:** *Financial Inclusion, Financial Inclusion Index.*

### **I Introduction**

Financial inclusion accelerates the growth of any economy if adopted with utmost care and India has witnessed significant progress in this area in recent years. It has been recognized as key driver for sustainable and inclusive socio economic growth, poverty alleviation, and job creation (Grant Thornton, 2020). India has wisely adopted cost-effective and a sustainable approach for achieving financial inclusion in remote rural areas (Grant Thornton, 2020).

India has touched splendid heights in the area of financial inclusion by overcoming the traditional barriers with the help of digital technologies and also dealt smartly with social attitudes, legal frameworks and high transaction cost and further provided access to rural and weaker section of the society to banking and financial system (Derryl D'Silva et. al., 2019). Financial inclusion in a country is only possible if the people in all section of society participate in the financial markets and the financial activities takes place in a formal financial system.

The growth of digital economy is 2.4 times as compared to overall economic growth between 2014 and 2019 and digitalization has promoted financial inclusion and strengthens the potential economic growth (Dhirendra Gajbhiye et al., 2022). In the recent past, India has adopted distinct technology based economic reforms in financial sector via digital mode and according to Economic Survey 2022-23, Indian economy has benefitted from the efficiency gains which are obtained as result of higher financial inclusion based on technology based economic reforms. It has ultimately boosted opportunities in the economy.

The National Strategy for Financial Inclusion 2019-24, which is prepared by RBI has clearly defined the vision and desired objectives of financial inclusion policies for successfully incorporating all the stakeholders in the financial sector. This strategy is aimed at expanding and implementing financial services for all the sectors in all the untouched areas in a sustainable manner. The promotion of financial literacy and consumer protection is also a significant area of concern under this platform RBI (n.d) a .



The rest of the paper has been discussed as follows: the section II explains the objectives of the study and section III elaborates the research design. Further, section IV through light on the existing literature in this area. Section V states the meaning of financial inclusion and section VI briefs the initiatives taken for promoting financial inclusion in India. Finally, section VII concludes the study.

## **II Objectives of the Study**

This study which is discussing the various aspects of financial inclusion has focused on the following objectives:

1. To discuss the concept of meaning of financial inclusion
2. To discuss the initiatives taken for promoting financial inclusion in India

## **III Research Design**

This study is descriptive in nature and based on secondary data. The key websites like RBI, Ministry of Finance, and economic survey has been utilized for gathering related information. Apart from these, other secondary sources have also been used for this study.

## **IV Literature Review**

The area of financial inclusion has been studied at the national and international level since the introduction of the concept. A number of studies are available and out of those a few studies are discussed below:

(Ozili ,2020) presented a broad review of recent evidence on financial inclusion and considered all regions from the world. The study has shown that some issues such as optimal financial inclusion, extreme financial inclusion and how formal financial sector can be affected by the transmitted systematic risk from financial inclusion. Further, it has analyzed that whether there ia relationship between financial inclusion and exclusion while considering economic cycle. The results of the study has indicated that financial inclusion affects the level of financial innovation, poverty levels, the stability of the financial sector, the state of the economy, financial literacy, and regulatory frameworks. These results vary across countries. In addition, financial inclusion is also influenced by these factors.

(Derryl D'Silva et. al., 2019) discusses the principle adopted by the India for facilitating digital financial infrastructure in form of public good. The study further stated that the case of India is an important where results arrived are relevant and can be applied to all economies irrespective of their stage of development.

(Ambica & Naga, 2018) explained the various steps taken by the RBI in form of strategies for strengthening the financial inclusion. The study has also performance of different banks towards financial inclusion. In this research, an attempt has also been made for identifying the actions initiated by a bank to support the financial inclusion.

(Iqbal & Sami, 2017) analyzed the two factors i.e. financial inclusion and growth of the economy and for this purpose study has considered a period of seven years. The main statistical tool used for the study was regression model and it has been found that there is a positive and noteworthy impact of number of bank branch and Credit deposit ratio on GDP of the country, on the other hand irrelevant impact has been noticed in case of ATMs growth on Indian GDP.



(Dr. Jatan Kanwar Jain, 2016) explained that financial inclusion is important for everyone irrespective of demography and location and at an affordable cost. In addition, the study has also discussed the problems associated with financial inclusion for its successful implementation in India.

**V Meaning of Financial Inclusion**

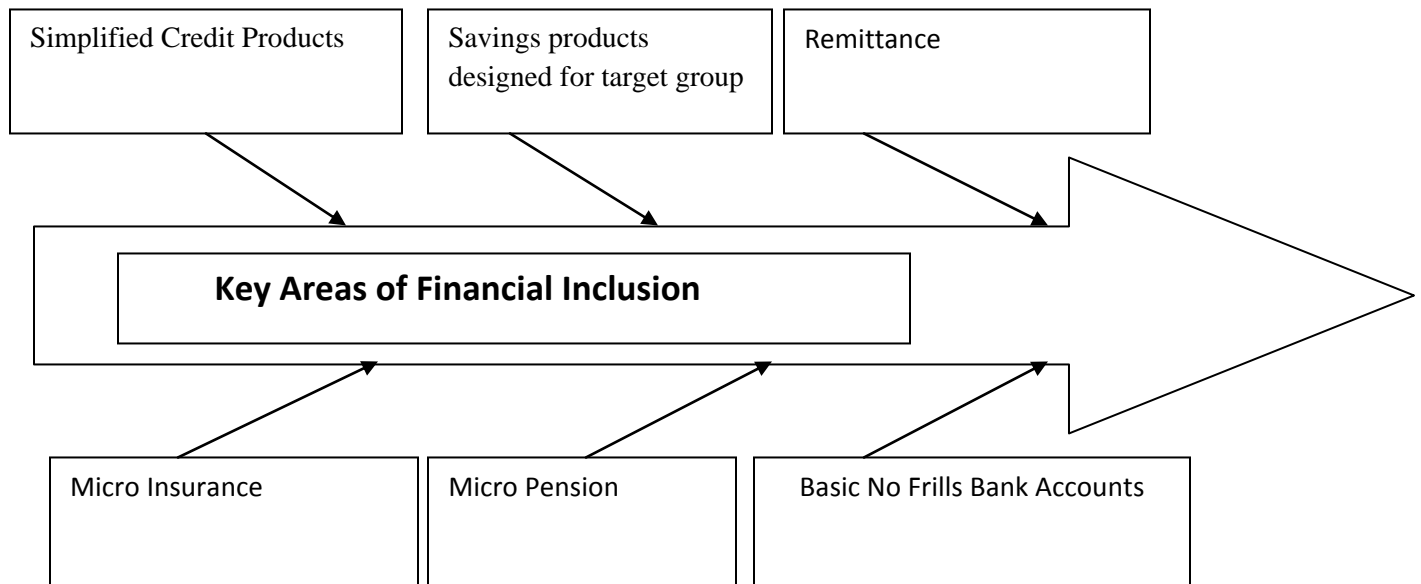
Financial inclusion is a one of the structural reforms in the economy (economic Survey, 2022-23). Financial inclusion includes the involvement of financial markets, banks and other financial institutions for providing and designing financial products and services to the target parties. Here, target group includes weaker section of society and rural areas.

RBI has defined financial inclusion as the process which targets vulnerable and weaker section of the society and makes easy availability and accessibility of financial services and products at reasonable prices within a transparent manner.

**VI Initiatives for Promoting Financial Inclusion in India**

Under financial inclusion the following financial services are focused for the target group

(Dr. Deepali Pant Joshi, 2011):



**Figure 1: Key Areas of Financial Inclusion**

**1. Financial Inclusion in Banking Sector**

Indian banking sector has played tremendous role in financial inclusion and opened number of branches on rural sector for scheduled commercial banks and regional rural banks. It has ultimately achieved a big number in bank outlets and basic bank saving deposit accounts in rural areas. The following table exhibits the progress of banking sector in the area of financial inclusion:



**Table 1: Progress under Financial Inclusion Plans (All SCBs and RRBs)**

Year	Bank Outlets in Villages	Basic Saving Bank Deposit Account through branches (No. in Lakh)
Mar-2010	67694	600
Mar-2011	116208	730
Mar-2012	181753	810
Mar-2013	268454	1010
Mar-2014	383804	1260
Mar-2015	553713	2103
Mar-2016	586307	2380
Mar-2017	598093	2540
Mar-2018	569547	2470

Source: RBI

## 2. Financial Inclusion in Micro Insurance

A landmark initiative for promoting financial inclusion has been taken by Insurance Regulatory Authority of India (IRDA) by the issuance of IRDA (Micro Insurance) Regulation, 2015. Another considerable initiative is issuance of IRDAI (Obligations of Insurers to Rural and Social Sectors) Regulations, 2015 and set forth the obligations for insurers in rural and social sector. It will open up the door for providing insurance products to the rural and urban poor people. The following Table No. 2 shows the number of new insurance policies issued in 2021-22:

**Table 2: Number of New Insurance Policies Issued in 2021-22**

Year	Type of Insurance Policy	Number of Policies
FY21 2021-22	Life-insurance Segment	10.7 lakh
2021-22	Micro insurance policies	53,046

Source: Constructed from information available from Economic Survey 2022-23

A number of schemes have also been issued by the government in this sector which are listed in the following Table No. 3 (Economic Survey, 2022-23):

**Table 3: Schemes Issued by Government**

	Name of Scheme	Explanation about Scheme	Major Result
1	Ayushman Bharat Yojana	Health coverage of ₹5 Lakh per beneficiary for poor and vulnerable families	Till January 20, 2023: Number of beneficiaries having Ayushman Card = 19.7 Crore  Empanelled Healthcare Providers = 28,667
2	Pradhan Mantri Suraksha Bima Yojana	Risk Coverage to beneficiaries:  • ₹2 Lakh for accidental death and complete	Till November 30, 2022:  Number of enrolled beneficiaries: 31.3 Crore



		Disability • ₹1 lakh for partial disability	
3	Pradhan Mantri Jeevan Jyoti Bima Yojana	Risk Coverage : ₹ 2 Lakh on death of the insured	Till November 30, 2022: Number of enrolled beneficiaries: 14.4 Crore
4	Pradhan Mantri Vaya Vandana Yojana	Old age income security for senior citizen	Till September 30, 2022: Number of subscribers : 8.6 Lakh
5	Pradhan Mantri Fasal Bima Yojana	Risk insurance for farmers against crop damage	Application received: 2763.9 Lakh between 2016 and 2022

Source: (Economic Survey, 2022-23)

### 3. Progress of Financial Inclusion Via Digital Mode

India has followed the approach of providing digital financial infrastructure in form of public good (Derryl et. Al., 2019). The access to formal financial services has been increased simultaneously with reduction in cost with introduction of digital public goods (Swallow, Haksar, and Patnam, 2021) and (Economic Survey, 2022-23). It is clearly mentioned in the economic survey 2022-23 that progress in public digital infrastructure over the last six to seven years will append 30- 50 basis points to the potential GDP growth. The innovations in the digital area which are worked as pillars for boosting financial inclusion in India are listed below:

- a) Digital Verification (e-KYC)
- b) Digital Signature
- c) Digital Repositories (Digilocker)
- d) Digi Payments (UPI)
- e) Digital Identity Aadhar
- f) Linking bank accounts with PM-Jan Dhan Yojana
- g) JAM Trinity
- h) Central Bank Digital Currency (CBDC)

### 4. Financial Inclusion Index

The Financial Inclusion Index named as FI Index has been constructed as a inclusive index which incorporates banking, insurance, investment, postal and pension industry. This index was launched by RBI in 2021. It is based on three dimensions i.e. access, usage and quality. This index will be finalized after consulting with the concerned Government and regulatory body and gathers information on different parameters on financial inclusion and finally indicated on a single value ranging between 0 and 100. Here 0 represents complete financial exclusion and 100 shows complete financial inclusion (Economic Times, 2023). This index will ensure that financial services are provided to all weaker section and low income group at affordable prices. According to RBI, FI-Index has been recorded at a value of 56.4 for the year ended March, 2022 and this index stood at 53.9 in March 2021 (Drishtias, 2022).

### VII Conclusion

The ultimate financial stability can only be achieved if there is proper financial literacy among the target population of rural areas and weaker section of society. So, the financial literacy should also be promoted in the concerned areas. Financial inclusion can boost the economic growth if implemented and monitored cautiously. It has the ability to facilitate financial services at affordable prices to low



income group and to achieve the objective of sustainable development. This financial inclusion can be a means for creating significant synergies among various segments of Indian digital economy.

## References

1. Ambica Potluri & Naga Sulochana. M (2018). A Study on Financial Inclusion in India With Reference to Banking Industry, International Journal of Management and Social Science Research Review, Vol-1, Issue-45, March-2018 Page 61, E-ISSN-2349-6746 ,ISSN-2349-6738 Retrieved on August 10, 2023 from <http://ijmsrr.com/downloads/2003201810.pdf>
2. Badar Alam Iqbal & Shaista Sami (2017) Role of banks in financial inclusion in India, Contaduria y Administracion 62 (2017) 644–656. Retrieved on August 10, 2023, from <https://www.elsevier.es/es-revista-contaduria-administracion-87-pdf-S0186104217300104>
3. Dr. Deepali Pant Joshi (2011) Financial Inclusion & Financial Literacy, BI OECD SEMINAR – Roundtable on the updates on Financial education and Inclusion programmes in India. Retrieved on July 3, 2023 from <https://www.oecd.org/finance/financial-education/48303408.pdf>
4. Dhirendra Gajbhiye et al. (2022), ‘Measuring India’s Digital Economy’, RBI Monthly Bulletin December 2022 Retrieved on July 4, 2023 from <https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/05ART201220221265B8E871824B98970F03E87228C0FE.PDF>
5. Derryl D’Silva, Zuzana Filková, Frank Packer and Siddharth Tiwari (2019) The design of digital financial infrastructure: lessons from India, BIS Paper No. 106, Monetary and Economic Department, Retrieved on July 5, 2023 from <https://www.bis.org/publ/bppdf/bispap106.pdf>
6. Dr. Jatan Kanwar Jain (2016). An Overview of Financial Inclusion in India, International Journal of Research and Analytical Reviews (IJRAR), May 2016, Volume 3, Issue 2, (E-ISSN 2348-1269, P- ISSN 2349-5138) Retrieved on August 30, 2023 from <https://www.ijrar.org/papers/IJRAR19D1097.pdf> .
7. Drishtias (2022) Financial Inclusion Index: RBI, Retrieved on August 11, from <https://www.drishtias.com/daily-updates/daily-news-analysis/financial-inclusion-index-rbi>.
8. Economic Survey (2023) Economic Survey 2022–23, Govt. of India, Ministry of Finance, New De;hi, Retrieved on July 5, 2023 from <https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf>
9. z RBI Governor launches financial inclusion dashboard Antardrishti, Retrieved on July 23, 2023 from <https://economictimes.indiatimes.com/news/economy/policy/rbi-governor-launches-financial-inclusion-dashboard-antardrishti/articleshow/100774718.cms>
10. Grant Thornton (2020) Financial Inclusion in Rural India: Banking and ATM Sector in India, Retrieved on July 5, 2023 from [https://www.vakrangee.in/pdf/reports\\_hub/financial-inclusion-in-rural-india-28-jan.pdf](https://www.vakrangee.in/pdf/reports_hub/financial-inclusion-in-rural-india-28-jan.pdf) .
11. Leora Klapper, Dorothe Singer, and Saniya Ansar (2021). The Global Findex Database 2021 India Country Brief, World Bank Group, Retrieved on July 4, 2023 from <https://thedocs.worldbank.org/en/doc/4c4fe6db0fd7a7521a70a39ac518d74b-0050062022/original/Findex2021-India-Country-Brief.pdf>.
12. Ozili, Peterson K (2020) Financial inclusion research around the world: a review, <https://mpr.ub.uni-muenchen.de/101809/>, MPRA Paper No.101809, Retrieved on August 10, 2023 from [https://mpr.ub.uni-muenchen.de/101809/1/MPRA\\_paper\\_101809.pdf](https://mpr.ub.uni-muenchen.de/101809/1/MPRA_paper_101809.pdf)
13. RBI(n.d.) Progress under Financial Inclusion Plans, All SCBs including RRBs, RTP Table No. 6, Retrieved on July 23 from <https://dbie.rbi.org.in/BOE/OpenDocument/1608101727/OpenDocument/1608101727/OpenDocument.faces?logonSuccessful=true&shareId=0>.





14. RBI (n.d) a National Strategy for Financial Inclusion , Retrieved on July 12, 2023 from <https://rbidocs.rbi.org.in/rdocs//PublicationReport/Pdfs/NSFIREPORT100119FF91DAA6B73B497A923CC11E0811776D.PDF>.
15. Sunil Kumar D (2023) Financial Inclusion Index – Indian Economy Notes, Retrieved on July 23, 2023 from <https://prepp.in/news/e-492-financial-inclusion-index-indian-economy-notes>.
16. Yan Carrière-Swallow, Vikram Haksar, and Manasa Patnam (2021) Stacking up Financial Inclusion Gains in India, REtreived on July 5, 2023 from <https://www.imf.org/external/pubs/ft/fandd/2021/07/india-stack-financial-access-and-digital-inclusion.htm>.