

FINANCIAL INCLUSION AND INCLUSIVE GROWTH

Dr. Santosh Kumar Lal

H.O.D. Department of Commerce, Sariya College, Suriya

Finance and Economy

In simple word Financial Inclusion means the Banks open at least one bank account for every family/households through an intensive campaign, it means, the delivery of banking services at an affordable cost to the vast sections of disadvantage low income groups. Financial inclusion is integral to the inclusive growth process and sustainable development of the country. Limited access to affordable financial services such as savings, loan, remittance and insurance services by the vast majority of the population in the rural and urban areas is believed to be the constraint to the enlargement of the livelihood opportunities and empowerment of the section. In advance economies, financial inclusion is more about the knowledge of fair and transparent financial products and a focus on financial literacy. In emerging economies, it is question of both access to financial products and knowledge about their fairness and transparency. In our country the basic concept of financial inclusion is having a saving or current account with any bank. An average Indian citizen has access to or receives banking services. So it is necessary for our country to make the concept of financial inclusion wider through reaching rural and urban masses like Jan-Dhan yojna and by inculcating banking habits among them.

Inclusive growth as the literal meaning of the two words refers to both the pace and the pattern of the economic growth. Inclusive growth allows people to contribute to and benefit from economic growth. It is a strategy of economic development. The concept "Inclusion" should be seen as a process of including the excluded as agents whose participation is essential in development process.

The main attributes to inclusive growth can be categorized in these words: Opportunity, Capability, Access, Security, Rural indebtedness, Unrest in suffering population, Money laundering, Failure of Government schemes etc.

Importance of financial inclusion arises from the problem of financial exclusion of nearly mass level of people from the formal financial services across our country. The study has critically analyzed the issue and challenges involved in financial inclusion for inclusive growth and have also successfully attempted to highlight the factors that can add in achieving financial inclusion for inclusive growth, particularly in the context of the feared global slowdown and negative impact of high inflation on Indian economy. Therefore the paper is a significant attempt to understand and emphasize the importance of the topic.

Hence, financial inclusion is concluded to be the critical factor for inclusive growth and ultimately ensuring sustainable overall growth in the country. It is important that we plan to reduce the turnaround time and increase the number of enrolments by complying with the norms laid by the banks by investing in purchasing the POS machine, which will make our processes or development faster.

Key word: Financial Inclusion and Inclusive Growth.

Definition of Financial Inclusion: Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players. "In advanced economies, Financial Inclusion is more about the knowledge of fair and transparent financial products and focus on financial literacy. In emerging economies, it is a question of both access to financial products and knowledge about their fairness and transparency."

Meaning: The Financial services include the entire gamut-Savings, Loans, Insurance, Credit, Payments etc. the financial system has to provide its function of transferring resources from surplus to deficit branches but both deficit and surplus

branches are those with low income, poor backgrounds etc. By providing these services, the aim is to help them come out of poverty. The Conference has not just looked at how finance helps economic activity but also social aspects like poverty, hunger, backwardness etc.

‘Financial Inclusion’ was aimed at enabling the households to have accessibility to the banking net and improving the living conditions of the section of farming and marginalized population. Such excluded groups include women, small and marginal farmers, artisans and small entrepreneurs, people in the unorganized sector, self-employed and pensioners of various schemes of the state and central governments. The main reasons of financial inclusion are financial exclusion, high cost, non price barriers, behavioral aspects etc. there are five A’s Availability, Affordability, Acceptability, Accessibility, and Awareness for the financial inclusion.

Methodology: The present research work is a piece of empirical research. It is descriptive in nature.

Object: The main object of this paper is an attempt to comprehend the significance of financial inclusion in the context of India where in a large population is deprived of the financial services which are very much essential for overall economic growth of a country. Financial inclusion is intended to connect people to banks with consequently benefits.

Literature Review: Literature has ample evidence for the existence of a strong link between a well-functioning financial system and inclusive growth.

Rangrajan. C. (2009) remarks that economic growth and social development are the two legs on which a nation must walk and FI is no longer an option but a compulsion. He asserts that one aspect of Inclusive Growth is FI. The process of FI is an attempt to bring within the ambit of the organized financial system, the weaker and vulnerable sections of society and Inclusive Growth cannot come without FI.

Samm Kochaar (2009) affirms that economic growth can leave many people in persistent poverty, if they do not have the necessary capacity to participate in and benefit from the growth process. FI offers incremental and complementary solutions to tackle poverty to promote inclusive development and to address the millennium development goals.

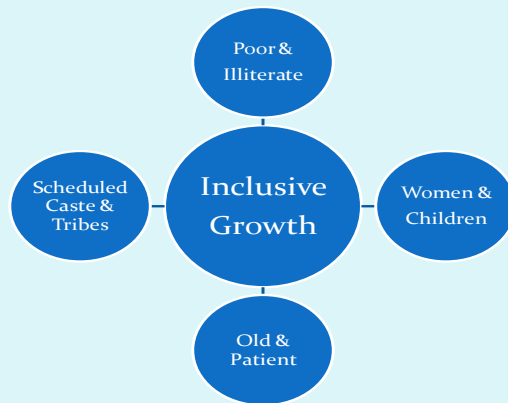
Asha Jalan (2009) opines that Inclusive Growth aims to integrate the Country’s poor in its growth trajectory, integrating the informal sector into the formal financial markets. This model of microfinance in India has the dual challenge of FI and poverty alleviation.

Nageshwara Rao (2010) observes that the objective before, present day economy is to ensure growth with distributive justice in tune with the democratic principles of the greatest happiness to the greatest number. Growth cannot be considered as an end itself until it translates into income generation and empowerment of the whole population irrespective of areas and sectors. Growth has to be an inclusive phenomenon and not confined to a few pockets of area and people which makes it exclusive.

Scope of Financial Inclusion: When bankers do not give the desired attention to certain areas, the regulators have to step in to remedy the situation. This is the reason why the Reserve Bank of India is placing a lot of emphasis on financial inclusion. In India the focus of the financial inclusion at present is confined to ensuring a bare minimum access to a savings bank account without frills, to all. Internationally, the financial exclusion has been viewed in a much wider perspective. Having a current account/savings account on its own, is not regarded as an accurate indicator of financial inclusion. There could be multiple levels of financial inclusion and exclusion. At one extreme, it is possible to identify the ‘super-included’, i.e., those customers who are actively and persistently courted by the financial services industry, and who have at their disposal a wide range of financial services and products. At the other extreme, we may have the financially excluded, who are denied access to even the most basic of financial products. In between are those who use the banking services only for deposits and withdrawals of money. But these persons may have only restricted access to the financial system, and may not enjoy the flexibility of access offered to more affluent customers.

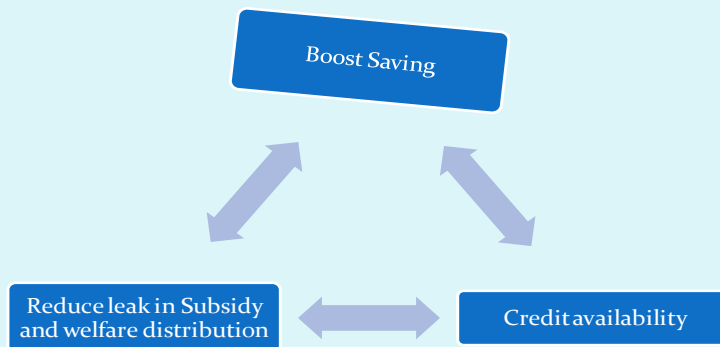
Change and reform is a natural urge in the life of both individual and nation. Growth has a natural river like flow but what has happened in India is the result of political compulsion on the convulsion of parties or personalities aided by international development. The government has reduced the interest rate on small savings. It has gone with disinvestment in big enterprises. But the basic question remains unanswered. Can Indian economy withstand onslaughts of foreign competition? What will happen if Indian economy fails to respond to the international stimuli.

FINANCIAL INCLUSION AND INCLUSIVE GROWTH



FINANCIAL INCLUSION AND INCLUSIVE GROWTH

Why Financial Inclusion in India is important ?



Pradhan Mantri Mudra Loan Yojna is one of the most important schemes of financial inclusion. The OBC, SC, ST, weaker section especially Women which comprise the biggest part of Indian population can give better contribution in the development of Indian industries as well as the development of India. Through the Shishu Loan, Kishore Loan and Tarun Loan small-scale industries, Cottage industries and startup can be developed rapidly. Cottage industry, small scale industries and startup can be developed by small capital, local raw material, cheaper labour and indigenous technology. It will solve the problem of unemployment, Poverty and will be helpful in the balance growth, employment intensive and export earnings. Mudra Loan will encourage to entrepreneurship that will lead the industrial development in India.

Conclusion

The purpose of this note is to flag the importance of financial inclusion in improving the living conditions of poor farmers, rural non-farm enterprises and other vulnerable groups and discuss a few important issues and challenges. It does not cover all the issues due to space constraints. The concept of financial inclusion covers wider financial services such as credit, savings, insurance etc.

Thus we can say that, “Financial inclusion and financial stability are mutually reinforcing. Financial inclusion is a worthy policy objective, alongside the promotion of stability and efficiency in the financial system.”

References:

1. Annan. K (2003) former U N Secretary, available at [www. Wikipedia. Com](http://www.Wikipedia.Com)
2. ChattoPadhay, S.K.(2011), ‘Financial Inclusion in India: A case-study of West Bengal, RBI working paper series (DEPR) : 8/2011, Available at: [http://www. rbidocs.rbi.org.in](http://www.rbidocs.rbi.org.in)
3. Das, S. K., Nanda B.P., & Rath J (Eds), 2008 Micro finance and rural development in India, New century publications.
4. Kelkar, V. (2008). Financial Inclusion for Inclusive Growth, N.P. Sen Memorable lecture at Administrative staff college of India-Hyderabad, January 13.
5. NABARD (2006), Microfinance in India: A State of the sector report.
6. Pandey, D.P. (2007) Financial Inclusion: Role of Micro Finance Institutions, Rajiv Gandhi Institute of professional management, Allahabad.
7. Rangrajan, C. (2009). Preface, In Sameer Kochaar (Ed.), Speeding Financial Inclusion, New Delhi, Academic Foundation P.P. 19-23.
8. Rao, S.(2010) RBI Bulletin, January.
9. Sameer Kochaar (2009), Speeding Financial Inclusion, New Delhi Academic Foundation.
10. World Bank (2009), Banking the Poor: Measuring Banking Access in Economies, World Bank, Washington D.C.