



ROLE OF FINANCIAL INCLUSION IN THE SUSTAINABLE DEVELOPMENT OF INDIAN ECONOMY

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Abstract

Financial inclusion is a key determinant for the sustainable development of the country, as per the principal of UN sustainable development 'leaving no one behind'. India has strived for financial inclusion programmes from 1969. Financial inclusion has become a policy compulsion today. RBI and GOI have taken many initiatives to promote financial inclusion so that the benefits can move towards bottom of the pyramid. Indian banking system is playing a crucial role in the progress of financial inclusion plan.

This paper attempts to assess the role of financial inclusion in the sustainable development of the economy with the parameters of banking outlets in rural branches, number of BSBDA, number and transaction amount of GCC and KCC etc. related to the study period. It is observed from the study that the progress of financial inclusion plan the during 2010 to 2017 is appreciable but not sufficient. There is need to join all the stakeholders like RBI, banks, Governments, Indian Post Offices, NGOs, Civil societies etc. for their active involvement in achieving the aim of fully financial inclusiveness in the country. As it is a proper mechanism, which channelise all the resources from top to bottom, for sustainable development of the country.

Keywords : Financial inclusion, sustainable development, BSBDA, GCC, KCC, Post Offices, Micro Finance institutions, SHG's.

Introduction :-

The UN's Agenda for sustainable Development 2030 is based on the principle of "leaving no one behind". On account of this approach, 12th five years plan of India is envisaged with the objective of more inclusive growth and the key to inclusive growth is financial inclusion which is emerging as the new paradigm

of economic growth. The committee on financial inclusion, of government of India, has defined financial inclusion as the process of ensuring timely access to financial services and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost (Rangarajan Committee, 2008).

The aim of financial inclusion is to promote sustainable development, generate employment and reduce poverty especially in rural areas. It enables to reduce the gap between rich and poor population. Financial Institutions, Banks, Post Offices, Micro Finance Institutions, SHGs etc. are the robust pillars of financial inclusion programme. Financial inclusion is an obligatory programme to access financial services needed by under privileged section of the society. As its mentioned by Dr. K.C. Chakrabarty, Deputy Governor, RBI (2010) that financial inclusion is no longer a policy choice but it is a policy compulsion today. The Government of India and RBI has taken many initiatives to ensure that the benefits of financial inclusion reach everyone at all level of the society.

Objective of the Study :-

- i) To understand the role of financial inclusion in the development of indian economy.
- ii) To list the various initiatives of RBI & GOI to financial inclusion.
- iii) To analyze the progress made under financial inclusion programme.
- iv) To make some suggestions for impressive functioning of financial inclusion programme that may lead to sustainable development.

Research Methodology :-

This research study is based on secondary data which was mainly collected from RBI reports, Research Articles, Newspapers, Magazines, Books and Websites.

The parameters, used to analyse the role of financial inclusion in economic development of the nation are Banking outlets in rural branches, no. of BSBDA, No. of KCC & GCC and transaction amount of GCC & KCC etc.

Significance of the study :-

As the financial inclusion has become an important tool to promote sustainable development in developing countries, so RBI & GOI are taking initiatives to promote financial inclusion so that every one can get financial services at an affordable cost. In spite of these a vast section of society has not able to access to financial services. This is a matter of concern for various stakeholders involved in its execution such as policy makers and banks. This study reveals the financial inclusion progress during the study period and pave the path to tap more of the uncovered sectors.

Review of Literature :-

Dr. K.C. Chakarbarthy, Deputy Governor, RBI, at the financial inclusion conclave (2013), explained the approach of RBI towards financial inclusion.

There is a need on the part of banks to develop new products and deliver models, customized to the unique needs of financially excluded population both in rural and urban areas.

Shivangi Bhatia and Dr. Seema Singh (2013) has analysed all the strategies adopted by government and the financial institutions for the welfare of excluded households and the effective implementations of these steps and policies in the extent of help the rural deprived people. Financial inclusion promotes social inclusion and builds self-confidence and empowerment by generating employment for a vast majority of the population especially in the rural areas.

Mandira Sarma and Jesim Paise (2008), has observed that socio-economic factors like income, inequality, literacy and urbanisation are important factors that have an effect on financial inclusion. Further, physical and electronic connectivity and information availability also play positive role in enhancing financial inclusion. She suggested that the issue of financial inclusion is a development priority policy in India and has evaluated its using index of financial inclusion.

Usha Thorat, Deputy Governor of RBI (2008), has mentioned about the 'trickle down effect' of economic growth, has done significant work in Indian economy. The Indian Financial System has been dominated by the banking system but the regional and societal disparities called for new strategies to ensure that the banking system met the requirements of inclusive growth.

PMJDY Mission Document (2014) launched with sole motive of bring 100 percent financial inclusion in India. It has been divided into two phases. The first phase, 15th Aug 2014 to 14th Aug 2015, included universal access to banking facilities, providing basic banking accounts for saving and remittance, Rupay Debit Card with inbuilt accidental insurance of Rs. 1 lakh and training of financial literacy. The second phase 15th Aug. 2015 to 15th Aug. 2018 included an over draft facility of upto Rs. 5000/- after six months of satisfactory performance of saving / credit history, creation of credit guarantee fund for coverage of defaults in overdraft Accounts, micro insurance, unorganised sector pension schemes like Swavalamban etc.

Financial Inclusion and Sustainable Development Initiatives :-

Financial inclusion has now become a driver for sustainable development with the aim of percolating the benefits of economic growth and development to the bottom of the pyramid. India has strived for financial inclusion programmes from 1969 with nationalisation of banks and then coming up with a slew of schemes to accelerate the momentum of financial inclusion. The initiatives are :-

- i) Opening of no-frills accounts :- It ensures that bank account is accessible to vast sections of the society with nil or very low minimum balance.

- ii) Relaxed KYC norms :- KYC norms have been relaxed for opening small bank accounts. Now 'Aadhar' to be used as one of the eligible document for meeting the KYC requirement as per RBI declaration.
- iii) Introduced General Purpose Credit Card :- To provide hassle free credit for any purpose to the customers of rural and semi-urban areas with maximum limit of Rs. 25000/-.
- iv) Adoption of Election Banking Transactions (EBT) :- To direct transfer the social benefits provided by the government to the target electronically in their accounts.
- v) Business Correspondent / Business Facilitator Model :- To take banking to the doorsteps of customers RBI permitted banks in 2006 to use the services of intermediaries termed BCs & BFs.
- vi) Branch Expansion in unbanked rural areas :- Banks have been mandated to open at least 25 percent of their new branches in unbanked rural areas. This led to a greater momentum in financial inclusion.
- vii) Pradhan Mantri Jan-Dhan Yojana (PMJDY) :- The big push towards financial inclusion in India has launched in Aug. 2014 as a National Mission to ensure access to financial services, insurance, pension in an affordable manner.
- viii) Introducing Community Finance Learning Initiatives (CFLIs) :- To promote basic financial literacy among households.
- ix) Set up the Financial Inclusion Technology Fund :- To meet the cost of technology adoption, including evolving industry-wide standard for IT solution with around US\$ 125 million.

8. Analyses of Contribution of banks in Financial Inclusion :-

RBI directed the commercial banks to start a 100% financial inclusion campaign, on a pilot basis in covering almost all the regions of the country. As a result of this campaign, the progress of financial inclusion programme is depicting through following table :-

Table 1
Progress of Financial Inclusion Plan

Parameters of Financial Inclusion	March 2010	March 2013	March 2017
Total No. of Bank Branches in Villages	67694	268454	598093
Total No. of BSBDA (Million)	73	182	533
Total deposit amount in BSBDA (Billion)	55	183	977
Overdraft Facility availed in BSBDA's (Million)	0.2	4	9
Overdraft Facility availed in BSBDA's	0.1	2	17

(Billion)			
No. of issued KCC (Million)	24	34	46
Credit Amount through KCC (Billion)	1240	2623	5805
No. of issued GCC (Million)	1	4	13
Credit Amount through GCC (Billion)	35	76	2117
IT-A/cs-BC total No. of transactions (Million)	27	250	1159
ICT-A/cs – BC total amount of transactions (Billion)	7	234	2653

Source : RBI Annual Report

Interpretation :-

The above table depicts the progress of financial inclusion plan, included all scheduled commercial banks. The number of bank branches have tremendously increased by 122.79% during 2013 to 2017. The number of BSBD a/cs have increased by 191.80% and the amount of savings with these also increased by 433.87% which is an excellent outcome.

The amount of credit taken through KCC and GCC has increased by 121.31% and 2685.5% respectively which is working as an accelerator for financial inclusion plan. The amount of ICT a/cs through BCs has increased by 1033.3% during the year 2013 to 2017 which proves the interest of households in technology as it has great potential to move more ahead the financial inclusion plan. These all are admirable achievements of Financial Inclusion Programme.

Conclusion :

On the basis of above discussion, it is concluded that financial inclusion is playing a vital role in the sustainable development of Indian economy as it has enough scope for economic poverty alleviation, employment opportunities, raising living standards of people, economic growth etc. Banks play very crucial role in the success of financial inclusion plan. The progress has been made is not sufficient. To achieve the aim of sustainable development of economy through financial inclusion, there is need for join all stakeholders active involvement of all stakeholders like RBI, Banks, Governments, Indian Post Offices, NGO's, Civil societies etc. Alongwith there is intensive need to make strong both demand side and supply side of financial inclusion through financial awareness regarding financial services. Hence, Financial Inclusion is a proper mechanism which channelise all the resources from top to bottom, for sustainable development of the country.

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