MORFAI JOURNAL
Multidiciplinary Output Research For Actual and International Issue

FINANCIAL INCLUSION AND ITS TRENDS IN INDIAN ECONOMY

Mudasir Ahmad Ganai
Ph.D Economics Annamalai University
drmudasir121@gmail.com

Abstract

Finance has an essential part of an economic development of the society as well as in economic nations. Through financial inclusion can achieve equitable and inclusive growth of the country. Financial inclusion is used for delivery of appropriate financial services at an affordable cost, on the basis to vulnerable groups such as low income group and weaker section of people that lacks access to even the most basic banking services. This study is based on the focuses on approach adopted various Indian banks to achieving the goal of financial inclusion for inclusive growth in India. The reverent data has been collected from various articles, journals, report of RBI, report of NABARD and Annual Economic Survey. The above context is based on the financial inclusion and economic growth and finance in Indian context. In this research paper we learn about the effect of various financial inclusions on our nation's economy.

Keywords: Financial inclusion, Economic growth, Economic development, Rural India and RB

INTRODUCTION

The need for Financial Inclusion may be considered from various perspectives – These include (i) Economic Objectives (ii) Mobilization of Saving (iii) Large market for the Financial System (iv) Social Objectives (Jansen, 2010). Financial Inclusion is one of the most important contexts of Inclusive growth and development. But the study has become the union focal point for the government of India as well as its different policy making bodies for long period of time (Levine, 1997). The importance of both the financial inclusion and budget system is widely recognized in policy circles and has become a policy priority in Indian economy (Thankom Arun,Rajalaxmi Kamath, 2015). According to committee on financial Inclusion headed by Dr. C. Rangarajan defined financial inclusion as," The process of ensuring access to financial services and timely and adequate credit where needed by vulnerable group such as poor and low income group at an affordable cost (Sonu Garg and Dr. Parul Agarwal, 2014)."

Objectives of the study:

1. To understand the financial exclusion and its trend in Indian economy.
2. To understand the financial inclusion and its importance.
3. To find out the approaches used in banks and steps taken by the regulatory bodies, various government agencies to achieve financial inclusion.

Methodology:

The paper is based on collection of secondary data. The data is collected from various articles, magazines, and research paper and government agencies like annual report of reserve bank of India and national bank of agriculture and rural development as well as different publications which are available in the public domain.

Concept and definition of financial inclusion:

Financial inclusion is one of the most important aspects in the present scenario for inclusive economic growth and economic development of country (Sharma, 2016). The financial inclusion term was first time used by British lexicon when it was found that nearly 7.5 million persons did not have a bank account. But financial inclusion concept is not a new one in Indian economy. Bank Nationalization in 1969, establishment of RRBs and introduction of SHG- bank linkage programs were initiatives taken by RBI to provide financial accessibility to the unbanked groups. Financial inclusion provides us financial services will allow the population to save money safely and also help to preventing economic power to the people. Therefore financial provide the financial services is becoming an area of concern for policy makers as it has reaching economic welfare and social implication.

In India most frequently used source medium term loans provides the household is still moneylenders. Financial inclusion also provides the facilities to the poor people those who work as agricultural and unskilled labors and low salaried workers which are excluded from the formal financial system. But in small and micro enterprises find out the difficult in access to formal source of financial system. Financial also used for providing the protection to poor people from the control of the spurious money lender (Kesavan, 2016).

Elements of financial inclusion:

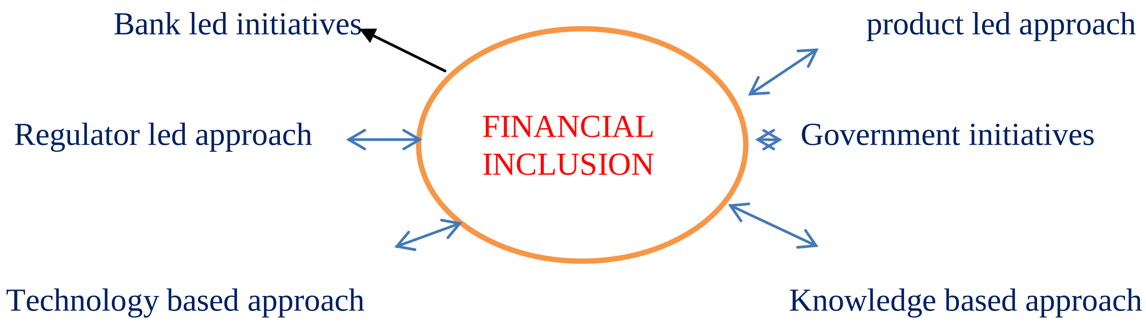
Financial inclusion is based on two sources are (i) good financial decision- making capability (that is demand side) (ii) second is suitable for goods and services (that is supply side).

Basically good financial decision making requires:

- Financial literacy
- Financial capability.

Various approaches to measure financial inclusion:

The Various approaches used to measure the financial inclusion are as follows



Source: Author compilation

- Bank led initiatives: Bank led initiatives is an important for bank linkage Programme has been the major institutional based innovation in India. This model is also based on an approach of saving first, lending later. The banks do not have taken any risk, in such lending as the borrows reputation and also peer in group would reduce the risk of bad loan considerably. The model has some issues that affect the financial inclusions are as: (i) Government promote oriented SHG and limited banker's interference. (ii) Monitoring of SHG's. (iii) Non- approved of repeat loans by banks. (iv) Impounding of saving by bank. (v) Borrowing by SHG members within and outside SGH's.
- Regulator led approach: various regulator led approach are (i) Simplified KYC Norms; As per RBI guidelines under current KYC norms, a customs has provide number of documents for opening on bank accounts. But people living in rural areas face various problems in fulfilling these norms and banks also provides the huge opportunity of rural bank in unbanked areas to meet the objectives of financial inclusion. (ii) Simplified bank account opening; this model also provides the facilities for opening bank accounts particularly weaker and poor section of people and other migratory labours of society. (iii) Bank branch authority; RBI has gave permission for opening the bank branches

without taken any authorization this would enable the government regulator and the banks to speed up the drive for financial inclusion.

- Product based approach; RBI has been proactive, liberal and supportive for making policies to enable financial institution come up with innovative production which is useful for common people to get the benefit of the financial inclusion plan.
- Knowledge Based Approach; Financial Inclusion, Financial education, financial stability are the three elements which is an integral strategy to empower people and it is also effective use of financial services network. This approach is based on three elements that is financial stability. All these elements is very important for promoting and also awareness among people regarding the needs and benefits of financial services offered by banks and institution.
- Technology Based Approach; this approach is very important which include mobile banking, ATM based banking, Andhra enabled payment services.

Conclusion

Financial inclusion is one of the most critical aspects in the context of inclusive growth and development and also balancing economic system of country (Asli Demirgüç-Kunt and Dorothe Singer, 2017). The importance of an inclusive financial system is recognized in policy circles and has become a policy priority in many nations. Several countries across the world now look at financial inclusion as the means of comprehensive growth and development, wherein each citizen of the country is able to use earnings as a financial resource that can be used to work to improve future financial status and increasing the nation's economic progress. Initiatives for financial inclusion have been used for financial regulators, governments and the banking system as well. But banking sector has taken a lead role in promoting the economic welfare of a country. Thus financial inclusion is the road that India needs to travel toward becoming a global market player. Financial access will attract global market players to our country and that will result increasing welfare and employment opportunities. Financial Inclusive growth is also a source of empowerment and aware people to participate more effectively in the economic and social process (Mudoi, 2012).

REFERENCES

Asli Demirgüç-Kunt and Dorothe Singer. (2017, April 26). Financial Inclusion and Inclusive Growth: A Review of Recent Empirical Evidence. *World Bank Policy Research Working Paper Series, 8040*(1), 1-27.

Jansen, A. H. (2010). Financial Inclusion and Financial Stability: Current Policy Issues. *Asian Development Bank Institute, 259*(1), 1-5.

Kesavan, V. (2016, May-Jun). Financial Inclusion in India – A Road Map towards Growth of. *IOSR Journal of Economics and Finance (IOSR-JEF), 6*(3), 70-81.

Levine, R. (1997, JUN). Financial Development and Economic Growth: Views and Agenda. *Journal of Economic Literature, 35*(2), 581-585.

Mudoi, D. (2012, SEPTEMBER). A STUDY AND ANALYSIS OF FINANCIAL INCLUSION IN INDIA. *INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT, 3*(9), 90-94.

Sharma, D. (2016, April 4). Nexus between financial inclusion and economic growth: Evidence from the emerging Indian economy. *Journal of Financial Economic Policy, 8*(1), 13-36.

Sonu Garg and Dr. Parul Agarwal. (2014, JUN). Financial Inclusion in India – a Review of Initiatives and Achievements. *Journal of Business and Management, 16*(6), 52-61.

Thankom Arun,Rajalaxmi Kamath. (2015, December). Financial inclusion: Policies and practices. *IIMB Management Review (IMR), 27*(4), 267-287.