



# INTERNATIONAL JOURNAL OF ADVANCE RESEARCH, IDEAS AND INNOVATIONS IN TECHNOLOGY

ISSN: 2454-132X

Impact factor: 6.078

(Volume 6, Issue 3)

Available online at: [www.ijariit.com](http://www.ijariit.com)

## Financial Inclusion in India – Need of the hour

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### ABSTRACT

*The article studies the existing systems of financial inclusion in India, the problem at hand and few qualitative ways those can be handled. The importance of Financial Inclusion in the current situation, when we are already riddled with a pandemic. It can improve the current economy in India while putting a liquidity back in the economy.*

**Keywords**— *Financial Inclusion, Current State of Financial Inclusion, COVID-19 impact on Financial Inclusion*

### 1. INTRODUCTION

Financial Inclusion in any country is as important as any other factor in driving its economy and make it to a global high standard. So, we try to understand the basics, What's, Why's, How's of the topic. In this article we are going to look into some of the existing systems and how that can be improved. A weak financial inclusive country can never flourish like a country who adopts the policies.

So why does it matter this much, once the economically weaker sections come to the mainstream financial systems, they can use their savings and use it for investment purpose or can use up credit system for growth. This in turn has a cascading effect, where in the person sets up a chain of events. The person on gaining bit of money in the form of savings can use that to buy insurances, which will protect the person from losses and also their family. It is quite essential for a working person to safeguard the interest of their family. Lot of weaker section of the society don't care much on the education of their offspring and put them to them work at an early age. These in turn leads to poor upbringing of the children. They are not well educated to lift themselves or the fate of their family to a higher standard. So, funds on education is essential for any such kind of family, also loan for higher education will also help these kinds of needy families. The availability of the funds and loans are essential to bring about these revolutionary changes globally, not just India. The risk taken will not always yield something productive, since we don't live in an ideal world, but it pays off in a while. Government has already taken various steps in order to promote the various products of financial institutions to common public overall but to gain the trust is tough. Still many people in the rural areas earn, and don't trust the financial institute with their money. They will rather keep it with themselves than invest. A

source of knowledge to these people is essential for growth and adding the salt of inclusivity in the society.

### 2. CURRENT STATE

In the last few years India has taken few major steps in the positive direction, but the amount and time invested might not have provided the impetus that was expected out of these policies. A major difference in trust still lies in the back of the mind when the people are stepping out to keep their hard-earned money in financial institute or taking a loan from a credit house or trying to get an insurance from a company. In 2011, it was stated by the World Bank that only 40% of the adults had bank accounts, but after almost 7 years, near about 80% adults are reported to be using the financial system in some sort of fashion.

### 3. VIABLE APPROACHES

Still the path is not a straight one and lot of inputs need to go into the same. Few important aspects of Financial Inclusion can be, firstly, the financial institute needs to understand the requirements of the people who they are lending. For example, if the person falls below the below poverty line, then the line of business he/she is involved needs to be looked into, when discussing the terms and condition of the loans. For example, if a person is having an agricultural land and he is getting a loan to get some ingredients for the same, it needs to be pondered upon that, the crops can be seasonal, and the repayment can also be similar. A financial Institute needs to understand the intrinsic behavior of the people or communities it is providing any kind of financial product or assistance. They can try to recruit people from local region and build trust among the localities, so as to build the required trust that still has a huge gap to bridge. The locals hired can in turn help the government as well the agencies with the details of the requirements. On which scenario they can be helped and how they can be helped. A good relationship between a community and the any financial institute shall help in a long-term growth. As discussed earlier for any small investment, even if it is small, if it is in right direction it will yield something better that what it is existing. With such relationships built with the locals, it is easy for them to wind up policies to safeguard their interest and also the people who comes to take their services. Not to put too much pressure on the already estranged people. For farmers, life is already unpredictable and making them go through loan repayment at the time of low yield season will not be fruitful to either parties.

The financial institute will lose business as well people will not trust the institute in helping them further. The policies are challenging but needs to be there so as to prevent any such mishaps.

Secondly a major thing that is lacking is financial illiteracy, that is there are very less knowledge around with smaller or below poverty line communities regarding the availability of credit lines, insurances, or other products that can be availed and used to their advantages. There is lot of work that needs to go around in this field in India. Lot of researches have yield to this conclusion. The Government and other organizations are trying to include the people in developing awareness about the products that can be availed with less risks and help themselves. Awareness can help in, letting them select from the ranges of products. There are lot of CSR activities going around to help them learn these facts. Mutual funds, insurances, SIP's are running campaigns in making them understand the processes and help them ease onto it. The risks involved is high but then again, the returns are also high. The rate of growth is almost double in recent times and that has been due to the blue chip and bonds as well as high risk funds doing well, until COVID-19 stroke. There had been a downfall since then, and people are afraid to invest now. They want more cash in hand and also, play safe. However, banks and other institute shall try to turn the situation arounds with proper investments and right frame of mind. Most of the gain that had happened before this pandemic was from Urban areas, but rural areas were also taking a start. Once the problem of necessities is completed, they will be looking out for risks and investments and then the financial institutes should approach them with proper awareness. It is essential to understand the risks associated with that and help them. Another very important aspect of the inclusivity is the financial institute might not always bear the losses and might want to share it with the Government. There are and has been initiatives which allows the agencies to share the risks with the government and allow themselves to sustain the market. It is obviously clear that there is a certain amount of risks involved when agencies are dealing with people who are not above poverty lines. Government is also trying to reach out many people as possible and helping them out through various schemes and policies. They have helped in providing pucca house, proper sanitary places and so on, with help from the banks and associated.

Whatever strategies are going around, financial inclusion from all the section of India should be at its core. It will help India and make it a stronger economy. It is also essential for the lawmakers to create policies safeguarding the interest of both the parties so as to create a sustainable environment for a long tenure.

#### **4. ANALYSIS OF RESULTS**

It is also important to measure the impacts from time to time, for example even if the policies are made and taken action upon, how much coverage it has on weaker section of the societies that needs to be accessed periodically. There has to be quantitative and qualitative measures and surveys on both parties. The data then gathered can be used to measure the impact for the same. There is various standard indicator used globally on analyzing the impact of the efforts. MIX is a platform where in the data is reported and used for analysis on a regular basis. Given the recent scenario of the pandemics, and the social stigma that has come into action in people, there needs to be new action items in terms of parameters. Indian Government launched CRISIL inclusix, the index to measure the state of financial inclusion in

India. The agency stated that on a score of 100, there has been a growth of 25 points on an average in as many 666 districts they have conducted surveys by 2018. Top three high performing states were, Kerala, Karnataka and Andhra Pradesh. After the scenario of the current ongoing (2020-) pandemic this might change. The government has announced various relief packages to handle the situation where in almost 20lacs crore will be disbursed in stages to all sectors to get things going to an already staggered economy. Low risk investments can still be an option, but going by the uncertainty, a high impetus is required for the well-being of the economy. One of the most talked about policy launched recently was, Pradhan Mantri Jan Dhan Yojana (PMJDY), which has increased the bank coverage among rural people to about 80%.

Due to the pandemic, we have seen many of the workers who are not typically wage-earning employment, doesn't have proper benefits of any typical employee enjoys. There has been huge job loss and bringing the economy, back to the way it was, the weaker section of societies needs to be added to the economical wheel. The process was going at a slow pace, but now it has dropped to where it was few years back. In reality, the daily wage-earners need to come in terms with the existing systems, there needs to be a smooth consumption, manage risks and sustain livelihoods. Off late, given the scenario, the weaker section might land up getting into an informal relationship between local money lenders or any other possible persons and end up being involved in an completely unplanned bad loan. At this crisis, proper management of financial helps need to be arranged in order get them back on feet. India is running on the entire 130 crores, and not divided upon sections unequally. The entire economy is interconnected into complex graphs and one cannot survive without the other. So, in order to avoid a crash, there has to be inclusivity brought forward to the weaker section and let them reap in the benefits. MSMEs and other industries have also got down, and crashed, there needs to be awareness of the products that can be used by them as well.

It was announced that almost 1 crore people got benefitted from the Ayushman Bharat Yojna, which is a massive healthcare insurance policy initiated by the Government of India recently. The current COVID-19 situation has led to joblessness coupled regular treatment costs, have led to a grave situation for the poor people. The weaker sections need to be made much more aware of the situations. India is prone to natural disasters like any other countries, and the current situations is a view of the same. With the ongoing pandemic, West Bengal has also faced a major blow to its state. One of the strongest cyclones have attacked its shores and led to a difficult phase for the people. Since, these kinds of problems will keep happening it's a high time that, the awareness in terms of insurances comes up to the people of the weaker sections as well. The loss of properties, crops, factories are too high for people below poverty lines. Financial inclusion would also help people who tend not to trust bank with their money and keep it to themselves, the money when stored in banks will be safe, in a digital form, even if this kind of natural disaster hits in. So, there can be at least some relief for them. Macroeconomics have always stated that, deeper the financial inclusion is the faster the growth of the economy and faster is in the reduction of the inequalities in the sections. Divesting economy in this section, might lead to a better development in the local economy as well. Surveys suggests that better financial inclusion can lead to better self-employability and good initiative towards better household consumptions or business investment. A good amount of economic growth needs to come out from this weaker section of the society. Now that the

pandemic has made us all realized the importance of a global platform as well as self-dependence in terms of economy. Few good initiatives in the government can lead to great initiatives or small-scale industries which otherwise wouldn't have been possible without the help. India's another big aim of Make In India, also will require good amount of impetus from financial institutes for making these kind of major changes. There has to be awareness as well as policies such that it can be misused as well.

A strong leadership is required to achieve the required goal of financial stability for any community. The policies might not reap in benefits as soon as it is launched but in turn, can help the community grow in time to come and that will help India. MSME are very important to India, they contribute to almost like 31% of India's GDP, and it almost included 12 crores of employment from various sections of the population. So, more the inclusion more such cases will come up thus enhancing the economic condition. Whole of India needs to go hand in hand on the economic crisis it has befallen recently, and financial inclusion will play a huge role in the same.

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