



Financial Inclusion Provided by Rbi on Economic Growth in India- Theoretical Study

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Abstract

Recently India has taken several steps for financial inclusion to achieve rapid and faster inclusive growth. Financial inclusion plays a major role in inclusive growth of the country. Financial inclusion refers to delivering appropriate financial services at affordable cost, on timely basis to the low income groups and weaker section who lack access to even the most basic banking services. The availability of quality financial services in rural areas is vital for the growth of the economy as it helps many rural households to finance the growth of their livelihoods. This paper is based on the secondary data. The Reserve Bank of India's vision for 2020 is to open accounts for 600 million new customers. This study concludes that financial inclusion plays an important role in eliminating poverty from the country.

Key Words: Financial Inclusion, Economic growth, RBI, Financial Inclusion Schemes in India.

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Introduction

India is the fastest growing economy in the world. In the present generation, running for economic power and self-reliance, it is immediate for any regime to create favorable conditions for individuals, households and private institutions which included the availability of Banking services. The availability of banking facilities and strong bank branch network are key drivers of development and expansion activities. A strong and powerful financial system is a pillar of economic growth, development and progress of an economy. The economic agents help growth and one of the important facilitator is Financial Inclusion. Financial inclusion is refers to delivery of financial services to the poor at affordable cost.

Objectives Of The Research

The main objectives of the study are:
To know the financial inclusion provided by RBI on economic growth.
To know the Government of India introduces a number of exclusive schemes for financial inclusion.
To understand the financial inclusion and its importance.

Research Methodology

This paper is based on the secondary data. The secondary data was collected from various published sources such as journals, books, articles, internet etc. 7743

Review Of Literature

Financial inclusion will increase the depth of the economy and provide resources for banks to expand credit delivery. Therefore, financial inclusion will lead to financial development in our country which will help accelerate economic growth.(Rakesh Mohan 2006).

Financial inclusion may be a social responsibility for banks in the short-run but it will become a business opportunity in the long run. Financial Inclusion is no longer an option, but it is a coercion. The whole world is watching this experiment in India and it is important for banks to face this challenge and meet it successfully. The current policy objective of comprehensive growth with financial stability cannot be achieved without ensuring universal financial inclusion.

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However, pursuing financial inclusion through the adoption of innovative products and processes poses the challenge of controlling trade between the goals of financial inclusion and financial stability.(Dr. M M Gandhi 2012).

Starting financial literacy center, pilot-based credit counseling and launching a financial literacy campaign etc. are some initiatives to increase Financial Inclusion. Our National vision for 2020 is to open nearly 600 million new customer's account and services through various channels. Although various initiatives have been launched in India over the last two decades, financial inclusion remains a distant dream. A committee called by the central government for financial inclusion has reported that to access financial services including credit will increase to 50% by 2012 and 100% by 2015. Thus, financial inclusion have sufficient scope for economic growth, increasing standard of living of the people, equality etc. (Atul Raman May- June 2012)

Financial inclusion is the criterion used to determine the degree of reached formal financial services to common people of the economy. The outreach of different banking products and services like deposit accounts, credit products, micro Insurance, transfer of money, payment of money etc, help the poor to receive the facilities like secured savings, unexploited credit, safe transfer of money, getting benefits directly from the Government. All these leading to an improvement in the living standards of the poor and backward people who have not yet arrived. This deliver the poor people who are the real builders of the economy into the mainstream economy. (Dr Uma.H.R , Rupa K .N and Madhu.G.R. September 2013).

The significant of gender dimension of impact of financial programs could be discovered from the fact that there has been strong impact in terms of the change in income of the poor especially women. (Vigneshwara swamy -2014)

The bank's concerns can be remitted by leveraging ICT, designing innovative products and service models. A structured development and proper regulatory norms addressing the bank's concern and inclusion of NBFCs, MFI and SHG in the last mile connectivity of people to financial services could resolve the people's concern. The bank also uses intensive mobile banking services to deliver banking and financial services to the people. (Sonu Garg and Dr. Parul Agarwal, June 2014).

The banks need to develop specific strategies to expand the scope of their services to promote

financial inclusion. This can be achieved in a cost-effective way by connecting with microfinance institutions, NGO's and local communities. Banks should give wide publicity to the availability of no frills account. Technology is a very valuable tool in providing access to banking products in remote areas. ATMs cash dispensing machines can be upgraded to be more user-friendly for illiterate people , less educated and non-English speaking people. (Purvi Shah and Medha Dubhashi, March 2015).

This study reveals the important role of financial inclusion in the field of financial development. Thus, it is clear that financial inclusion is not only an integral part of social banking but also an important parameter in the financial development of any economy. Furthermore, the academic implication of this study is that it deliver into focus the literature on financial inclusion as a driver of an economy. (Dipasha Sharma,February 2016).

Providing quality financial services in rural areas is essential for economic growth as it will help rural families to fund the growth of their livelihoods. The Government of India has taken efforts to bring Indian citizens under the ambit of banking services. In short, India is moving fast to achieve financial inclusion and this can be accelerated with the cooperation of the Government, RBI, and Citizens of the country. (Paramjit Sujlana, April 2018)

The recent introduction of PMJDY has facilitates the poor and marginalizing people to open a bank account with zero or minimum balance. As a result, 80% of Indian adults have owned bank account in their names. Although there is much divergence of financial inclusion between different population groups, there is no doubt that PMJDY has facilitate to fill- up the financial inclusion gaps between different groups in a large expansion. (Rajesh Barik ,April 2019).

Financial Inclusion

Financial inclusion is refers to delivery of financial services to the poor at affordable cost. The RBI's broader approach to financial inclusion aims to 'connect people to the banking system and enable them to access the payment systems without high credit distribution'. It enables better and sustainable economic and social development of the country. It helps to empower the poor and women in the society with the aim of making them self-sufficient and knowledgeable to make better financial decisions. Financial inclusion takes into account the participation of vulnerable groups in society such as

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the weaker sections and lower income groups, based on the extent of their access to financial services such as savings and payment account, credit insurance, pensions etc. The goal of the financial inclusion exercise is the easy availability of financial services, which allows maximize investment in business opportunities, education, save for retirement, insurance against risks, etc. by the rural individuals and firms.

In India, Financial Inclusion was first introduced in 2005, by Chairman of Indian Bank, Dr. K.S Chakraborty was presented in a pilot project in UT of Pondicherry. Mangalam Village became the first village in India to have banking facilities for all households. The Committee on Financial Inclusion (Chairman: C. Rangarajan) defines financial inclusion as “the process of ensuring access to financial services and the need for timely and adequate lending at affordable costs to vulnerable groups such as weaker sections and low income groups.”

Importance Of Financial Inclusion

The importance of Financial Inclusion can be revealed from the following:

It provides a platform for the poor to bring their savings into the financial intermediary system and into investment.

This will enable governments to make payments electronically through the bank accounts of beneficiaries under social security schemes such as the National Rural Employment Guarantee Program (NREGA). This will reduce transaction costs including leakages.

This is an essential condition for maintaining equal growth.

Low cost investments help banks reduce their reliance on bulk deposits and better manage liquidity risks and asset liability inconsistencies.

It protects the poor people from the clutches of moneylenders.

Financial Inclusion Schemes In India

The Government of India introduces a number of exclusive schemes for financial inclusion. they are:

Pradhan Mantri Jan Dhan Yojana (PMJDY)

The Hon’ble Prime Minister in his independence speech on 15th August 2014 declared the ‘Pradhan Mantri Jan Dhan Yojana’ as the National Mission for Financial Inclusion ensuring comprehensive financial inclusion in all the households across the country by providing universal access to banking facilities, a basic bank account for all households, financial literacy, access to credit, insurance and pension facility. Under this, a person who does not have a savings account can open an account without the requirement of any minimum balance and, they can open a small account if they self-certify that they do not have any valid official documents required to open a savings account.

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Thus, PMJDY offers easy access to banking services to non- bankers and awareness of financial products through financial literacy programmes. In addition, they will get a RuPay debit card with inbuilt accident insurance cover of Rs. 2 lakh, and access to overdraft facility through satisfactory operation of account or of six months credit history.

Performance of PMJDY

Sl. No	Item	March 2018	March 2019	March 2020	March 2021	March 2022
1	No. of PMJDY accounts (in Crore)	14.72	21.43	28.17	31.44	35.27
2	Deposit in PMJDY accounts (in Rs. Crore)	15,670	35,672	62,972	78,494	96,107
3	Average Deposit per PMJDY account (in Rs.)	1,065	1,665	2,235	2497	2,725
4	Number of RuPay debit cards issued to PMJDY account-holders (in Crore)	13.14	17.75	21.99	23.65	27.91



Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

The PMJJBY is available to people between the age of 18 to 50 years who have a bank account that allows them to join / enable auto-debit. Aadhar is the primary KYC of a bank account. The life cover of Rs. 2 lakh is for a period of one year from 1st June to 31st May and is renewable. Risk coverage under this scheme is for Rs. 2 lakh in case of death of the insured, due to any reason. The premium is Rs. 330 per annum which will be auto-debited once a year from the subscriber's bank account as per the option given by him on or before 31st May for each annual coverage period under the scheme. The Life Insurance Corporation and all other life insurers offer this scheme, which is ready to offer the product on the same terms as required approvals and tie up with banks for this purpose.

As on 1st April 2022, cumulative gross enrollment reported by banks subject to verification of eligibility, is as under:

Category	No. of Enrolments (in crore)	No of claims disbursed
PMJJBY	6.91	1,78,189

*Gross enrolment by banks, subject to verification of eligibility criteria.

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

The Scheme is available to people between the age of 18 to 70 years with a bank / Post office account who agree to join / enable auto-debit on or before 31st May with a coverage period of 1st June to 31st May on an annual renewal basis. Aadhar will be the primary KYC of the bank account. The risk coverage under the scheme is Rs. 2 lakh for accidental death and total disability and Rs. 1 lakh for partial disability. The premium of Rs. 12 per annum should be deducted from the account holder's bank / Post office account through 'auto-debit' facility in one installment. The scheme is offered by Public Sector General Insurance Companies or any other General Insurance Company which offers the product on the same terms as required approvals and tie up with Banks and Post Offices for this purpose.

As on 1st April 2020, gross cumulative enrolment by banks, subject to verification of eligibility, is as under:

Category	No. of Enrolments (in crore)	No of claims disbursed
PMSBY	18.54	39,969

*Gross enrolment by banks, subject to verification of eligibility criteria.

Atal Pension Yojana (APY)

APY was launched by the Prime Minister on 9th May, 2015. The scheme is open to all saving bank / post office saving bank account holders between the age of 18 to 40 years and the contributions vary based on the selected pension amount. Subscribers will receive a monthly pension of Rs. 1,000 or Rs. 2,000 or Rs. 3,000 or Rs. 4,000 or Rs. 5,000 at the age of 60 years. According to the APY, the monthly pension will be available to the subscriber, and his subsequent partner, and upon their death, the pension collected at the age of 60 of the subscriber will be returned to the nominee of the corpus subscriber. If the minimum pension is guaranteed by the Government, i.e., less than the estimated return on corpus deposits accumulated on the basis of contributions and insufficient to pay the minimum guaranteed pension, the Central Government will finance such inadequacy. Alternatively, the higher the returns on investment, the better the pension benefits for subscribers.

In case of ultimately death of the subscriber, Government has decided to give the subscriber's partner an option to continue contributing to the contributor's account, for the remaining vesting period until the actual subscriber reaches the age of 60 years. As on 1st April 2020, a total number of 2.23 crore people have enrolled in this scheme.

Pradhan Mantri Mudra Yojana (PMMY)

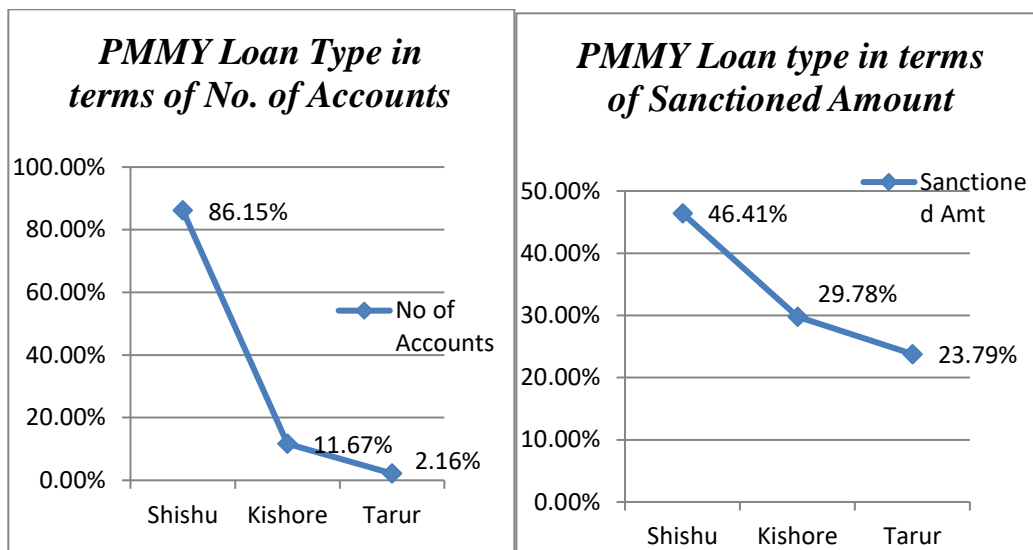
The scheme was launched on 8th April 2015. Loan up to Rs. 50,000 have been provided under this scheme under the sub-scheme 'Shishu'; between Rs. 50,000 to 5.0 Lakhs under sub-scheme 'Kishore'; and between 5.0 Lakhs to 10.0 Lakhs under sub-scheme 'Tarun'. No collateral is required for loans taken. These measures are aimed at boosting the confidence of young, educated or skilled workers who want to become first generation entrepreneurs; existing small businesses can also expand their activations.

PMMY scheme of achievements from 1st April 2019 to 27 th March 2022 as under:



Category wise Progress	
Amount Sanctioned	Rs.323573.88 crore
Total number of borrowers	583.66 Lakh
Women borrowers	361.59 Lakh (62%)
New entrepreneurs	103.89 Lakh (18%)
SC/ST/OBC borrowers	282.79 Lakh (48%)
Mudra Card issued	404077

Loan Type	No of Accounts	Sanctioned Amount (Rs.in crore)
Shishu	50286308	150195.92
Kishore	6815803	96381.96
Tarur	1263712	76996
Total	58365823	323573.88



Stand Up India Scheme

The Government of India Stand Up India scheme was launched on 5th April, 2016. This Scheme facilitates bank loans between Rs.10 lakh and Rs.1 crore to at least one Scheduled Caste/ Scheduled Tribe borrower and Woman borrower by bank branch for setting up greenfield enterprises. This enterprise may be in the manufacturing, services or the business sector. The scheme which will be implemented through all Scheduled Commercial Banks, will benefit at least 2.5 lakh borrowers. The scheme is operational and extends loans through Scheduled Commercial Banks across the country. The Stand Up India scheme to promote entrepreneurship among women, SC & ST is facing

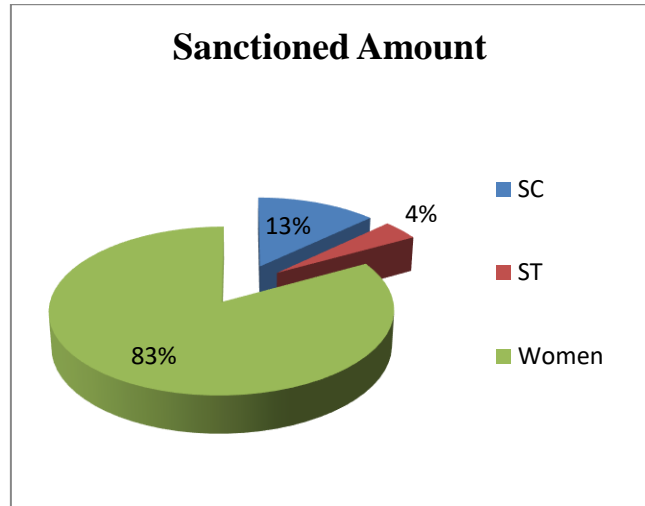
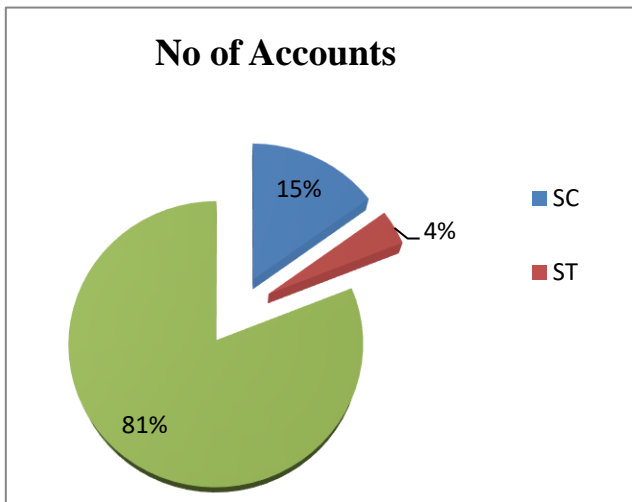
significant difficulties in the population due to lack of advice, mentorship or guidance and inadequate and delayed credit. The scheme aims to leverage the institutional credit structure to attain out to these unreserved sectors of the population in starting greenfield enterprises. It provides ready and trainee borrowers.

To extend collateral free coverage, Government of India has set up a Credit Guarantee Fund for Stand Up India (CGFSI). In addition to providing credit facility, Stand Up India Scheme also envisages hand-in-hand support for potential borrowers. It provides for confluence with Central/State Government schemes.

As on 31st March 2022 -Stand Up India Scheme



Performance under Stand Up India Scheme								
Date	SC		ST		Women		Total	
	No. of A/Cs	Sanctioned Amt.	No. of A/Cs	Sanctioned Amt.	No. of A/Cs	Sanctioned Amt.	No. of A/Cs	Sanctioned Amt.
31.03.2020	13658	2791.43	3954	834.29	76157	17396.5	93769	21022.22



Pradhan Mantri Vaya Vandana Yojana

The 'Pradhan Mantri Vaya Vandana Yojana' was launched by the Government to protect elderly persons aged 60 years and above against a future decline in their interest income due to uncertain market conditions, as also to provide social security throughout old age. The scheme is implemented through the Life Insurance Corporation of India (LIC) and guarantees 8% per annum for 10 years mode pension payment. Depending on the option used by the subscriber under the plan on a monthly, quarterly, semi-annual or annual basis.

Sukanya Samridhhi Yojana (SSY)

The Sukanya Samridhhi Yojana is a small

investment scheme for girls started as part of the 'Beti Bachao, Beti Padhao Yojana' campaign. It can be opened by the parents of a girl under 10 years of age. A Sukanya Samridhhi Account has a term of 21 years or until the girl child marries after the age of 18 years. However contributions are limited to 15 years. From April 2020, this scheme offers an integrated interest rate of 7.6% per annum. The minimum annual contribution to the Sukanya Samridhhi Account is Rs.250 and the maximum is Rs.1.50 lakh in a financial year. A girl child can operate her own account after the age of 18 years. After she turns 18 years, she is eligible to operating the SSY after submitting all the required documents to the post office or bank where the account is held.

Financial Saving of the Household Sector (Amount in Rs. lakh crore)			
Item	2019-20	2020-21	2021-22
Gross Financial Saving	20.60	21.23	21.63
Financial Liabilities	7.31	7.50	6.01
Net Financial Saving(A-B)	13.29	13.73	15.62

Conclusion

Financial inclusion plays an important role in driving away the poverty in the country. Financial inclusion refers to the delivery of financial services to

the poor at affordable cost. The outreach of various banking products and services like deposit accounts, credit products, micro Insurance, transfer of money, payment of money etc, help the poor to get the



facilities such as, secured savings, unexploited credit, safe transfer of money, getting direct benefits from the Government. Therefore, financial inclusion has ample scope for economic growth, increasing standard of living of the people and equality etc. Based on the above initiatives and plans or schemes, we can conclude that the day will come when all Indians have their bank accounts and everyone will participate in financial inclusion. This study concludes that financial inclusion plays an important role in eliminating poverty from the country.

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