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Changing Scenario of Financial Inclusion and India's Economic Development

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Abstract:

Financial inclusion is the process that ensures the ease of access, availability, and usage of formal financial system for all members of an economy. Financial inclusions can be voluntary versus involuntary exclusion and it is however important to distinguish between voluntary versus involuntary exclusion. India is considered as largest rural populations in the world and belongs to agriculture activities; financial inclusion is aimed at providing banking and financial services to all people in a transparent and equitable manner at reasonable cost. Financial inclusion or inclusive financing is the delivery of financial services to sections of low income segments of society. A nation can grow economically and socially if its weaker section can turn out to be financial independent. The study focuses on the role of financial inclusion, in strengthening the India's position in relation to other countries economy. After analysing the facts and figures it can be concluded that undoubtedly financial inclusion is playing a vital role for the economic and social development of society but still there is a long road ahead to achieve the desired outcomes.

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Introduction:

Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of 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. Financial inclusion has gained growing attention among developing countries, policy makers and central bankers from around the world. The emerging economies enhanced interest towards economic growth with specific interest on the factors that lead to higher saving and investment which have been viewed as important determinants of economic growth. The regular agenda item has been fixing and achieving targets for bringing financial inclusion and financial literacy among Indian masses, through a targeted approach in a time bound manner and of course through latest modes of technology. Actually, it is one of the critical determinants of national inclusive growth and its significance increases manifold in a country like India, where despite the passage of 70 years of Independence, the unbanked population is approximately 19% of the total. Bihar is one of the poorest states of India, 33.7% of population still lives below poverty line in the state. So in India an effective financial inclusion is needed for the upliftment of the poor and disadvantaged people by providing them the modified financial products and services.

Financial inclusion is the mechanism of ensuring access to financial services along with timely & adequate credit whenever needed by the vulnerable groups at an affordable cost. India, a growing economy has special significance of financial inclusion as it brings large deprived sections of the society under financial ambit. This access to financial services generates income, decreases social-economic disparities, creates financial assets, promotes area development and provides new work opportunities across all sectors and sections of the economy. Thus, financial inclusion has multiplier effect on the economy as a whole through higher savings pooled from the vast segment of the bottom of the pyramid population. It brings un-banked people into financial mainstream and results in accelerating the economic development of the country and is integral to the inclusive growth process. In India, 60.9 million of accounts have been opened under FID through bank branches and BCs during the year 2021-22. Therefore, financial inclusion has emerged as an important global agenda for sustainable long-term economic development.

One of the main goals of financial inclusion is inclusive and sustainable economic growth by freeing the poor sections of the society from the clutches of the Money lenders, remunerated saving and an easy way to make payments and remittances, financial inclusion plays an important role in the process of inclusive growth of the poor sections of the economy by enhancing higher disposable income of the rural households. Again it is proved that the large access of financial services like credit, saving, insurance facilities and easy cash by way of ATM facility have positive impact on household consumption, Self-employment, poverty as well as overall well-being of the common people. However, mere openings of account are not financial inclusion. There should be a continuity and consistency in use of banking services at a reasonable cost to every citizen of the nation. The important concept to deliberate upon here is financial inclusion, financial literacy and role of technology in it. Globally, financial inclusion is considered as the effective tool for the development and well-being of the society. Hence, India is committed to achieve inclusive development goals (Sab ka sath, Sab ka vikas).

Financial inclusion has been a efficient tool of high priority which helps in socio economic development of a country like India which is still a developing country. It helps in reducing poverty, financial exclusion and making awareness among people to how to utilize their savings. It is a key for socio-economic development. Thereby it can be said that for enhancing inclusive growth of a country financial inclusion is in essential process that's reason why financial inclusion is important for any country for its growth. However, if a customer is well educated financially, he can make better choices regarding various financial services and products that can fulfil his individual needs. This will result in overall growth of the country as access to financial services at affordable cost will improve life of the poor.

In overcoming the conditions of poverty, financial inclusion plays a significant role in the country. It helps in the financial progress of the country by reaching the unreached. It facilitates to accomplish or achieve sustainable progress of the country, by giving admittance to the financial services to that segment of population who are still unreached, with the assistance of financial institutions. Thus, financial inclusion is the modern conception for achieving sustainable progress of the country by means of banking. The endeavor of inclusive financing is to make banking accessible by providing admittance to the financial market and credit market and also by gaining knowledge about financial matters. Thus basically its main goal is to endow banking and financial services in a reasonable, translucent and impartial way at reasonable cost. By intensifying the penetration of banking, establishment of RRBs, nationalization of banks, launching the move towards making each person a bank accountholder and also by initiating the SHG progress, RBI along with the Government of India are combinedly trying to endorse inclusive financing for economic progress of the country. Making simpler the KYC rules, interest rates improvisation and making available effortless admittance to credit facilities are some of the key steps taken to reinforce the policy of financial inclusion. India has a wide spread banking network and ample financial structure. In the past few years, the banking business has revealed incredible advancements in its operation in India. Use of Information technology has helped in widening the scope of banking in the country. In spite of all these efforts taken still some part of the country remains untouched from these benefits. Thus we see that on one hand when one part of our country is having admittance not only to the basic banking facilities but also to advanced and regularly used services like internet and mobile banking, the other part consist of a class of underprivileged and vulnerable group people who are completely deprived of the basic banking facilities which are serving as a cause of concern. Thus there is a need now that our centre of attention should be change from rank banking to complete coverage banking. Financial inclusion thus, serves as a need of the hour. Financial inclusion helps in mobilizing the savings of the people which in turn helps in economic development and growth of the country. Along with this it also provides financial literacy among the people and educates them about the costly and untrustworthy financial facilities provided by the moneylenders or unofficial sources to them. If we strength our rural economy it can become an effective helping hand at the times of economic and monetary crises. Financial Inclusion basically relies on three many points viz. admittance to financial services, consumption of these services and also the rational cost of these services. Recent trends in the international markets have revealed that financial inclusion in the rustic and financially weaker sections of the country are the need of the hour. Enlarging the financial services to all parts is important as it helps in achieving not only comprehensive growth and development.

Financial inclusion has not effectively promoted stable financial and marketing support to the economic system in developing economy in terms of poverty reduction. Strong returns on commercial bank branches in rural area can stimulate economic growth through increase in agricultural product and risk reduction. The establishment of commodity market may solve some of the uncertainty problems, transaction costs and information problems between sellers and buyers of agricultural products and thus allow for a more efficient allocation of investments that will encourage economic growth and reduce poverty. Moreover, empirical studies have shown repeatedly that financial inclusion will drive economic development through investment if properly managed and active ATMs are implemented. Also bank lending to rural dwellers has not positively causes economic growth and poverty reduction; therefore, any attempt made by banks to fully finance agriculture in developing economy should be encouraged with attention to inflation and bank lending rates.

The financial system serves as a catalyst for economic development. The formal financial channels collect savings and idle funds and distribute such funds to entrepreneurs, businesses, households and government for investment projects and other purposes with a view of a return. This forms the basis for economic development in modern economic theory. It also assists in managing the risks faced by firms and businesses, improvement of portfolio diversification, availability of a variety of financial instruments to suit the varied needs of the businesses, people and shock-absorbing capacity from external economic changes. Additionally, the system provides linkages for the different sectors of the economy and economies of scale.

The process of financial inclusion is never-ending journey. Financial Inclusion aims at linking the low income group of people with the basic banking services to enable them to get the advantages of formal banking. The prospectus for the growth of financial inclusion is quite strong in the rural areas, among the underprivileged and the vulnerable group. Reserve bank along with the NGO has taken efforts to promote financial inclusion.

To sum up, financial inclusion is considered to be critical for achieving inclusive growth, a prerequisite for economic development. Recognizing the importance of economic development in India, efforts are being taken to make the financial system more inclusive. RBI is furthering financial inclusion in a mission mode through a combination of strategies ranging from relaxation of regulatory guidelines, provision of innovative products, encouraging use of technology and other supportive measures for achieving sustainable and scalable financial inclusion. Despite the laudable achievements in the field of rural banking, issues such as slow progress in increasing the share of institutional credit, high dependence of small & marginal farmers on non-institutional sources, skewed nature of access to credit between developed regions & less developed regions appear larger than ever before. Therefore, the key issue now is to ensure that rural credit from institutional sources achieves wider coverage and expands financial inclusion drive.

Conclusion:

Present paper concluded that the financial Inclusion is considered to be the core objective of many developing nations since from last decade as many studies correlate the direct link between the financial exclusion and the poverty prevailing in developing nations. Financial inclusion or inclusive financing is the delivery of financial services, at affordable costs, to sections of disadvantaged and low income segments of society. There have been many formidable challenges in financial inclusion area such as bringing the gap between the sections of society that are financially excluded within the ambit of the formal financial system, providing financial literacy and strengthening credit delivery mechanisms so as to improvised the financial economic growth. The research will provide main key learning's that policy maker's financial institutions and technology providers can use to establish innovative economies strategies to fulfil the demand. Therefore innovative economic strategies will provide an economic framework that explains and helps support growth with collaboration of all stakeholders to deliver financial objectives.

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