PRESENT SCENARIO OF FINANCIAL INCLUSION IN INDIA AND ITS PROSPECTIVE TREND ANALYSIS

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Abstract

The present write-up is emphasized that the financial inclusion at present scenario and its importance at this economic juncture from reviewing previous studies, commercial banks and ATMs branches, national inflations and the real growth of GDP. The authors have revealed that commercial banks are playing the important role in the financial inclusion are obviously understood by the authors. The policies and laws against of willful defaulters of long-term credit availed from the commercial banks is not justifiable and the state and central government ruling parties are also doing wrong thing or adjoined in these regards of diplomatic robberies. The present study will implicate the authorities who involved in the policy making towards financial inclusions for the betterment of the country.

Kew Words: Financial Inclusion, GDP, Inflation

Introduction

India has been growing its economical status in the world arena. The central government has been taking various efforts to increase the (INR) rupee value against of Dollar. The authorities of ministries of various departments and the RBI ensured the steps to enhance the trade and business in domestic and abroad. Indian present Prime Minister has very much interested to attract other countries investments. The financial inclusions are done by politicians and higher officials by means of planning the projects and executing them. There is some lacuna of execution of the projects such as improper tender allocation, implied and injustice settlement of certain percentage of commissions to political and official brokers, corporate thieves, and political parties' donations. These activities are hindering the financial inclusion. These are the continuing stories of the nation for the past fifty years of Indian government. The social media and other Medias are now discussing the same as a debate who are right and wrong. Adam Smith have stated that the financial inclusions to be started from the people to business and to government that will ensure the economic development by its virtue of efforts taking by the different sectors of economy at the same direction. Now, the political parties are functioning them as a business. The national revamp is necessitating identifying a best person for political leader as like as other countries eligibility criteria. The financial inclusion is not a single task; it is a process of multi-task oriented function. It requires fund circulation and capital mobilization from the people through the ensured employment and their savings. The present paper concentrated on the financial inclusion components and its perspective trends in 2020-2021. This paper also described with

Meaning of Financial inclusion

The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan stated that the financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. The Committee on Financial Sector Reforms, Chairman: Dr.Raghuram G. Rajan expressed that the financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity product. Financial inclusion broadens the resource base of the financial system by developing a culture of savings among large segment of rural population and plays its own role in the process of economic development. Further, by bringing low income groups within the perimeter of formal banking sector; financial inclusion protects their financial wealth and other resources in exigent circumstances. Financial inclusion also mitigates the exploitation of vulnerable sections by the usurious money lenders by facilitating easy access to formal credit.

Review of Literature

Badar Alam Iqbal and Shaita Sami (2017) have wrote an article on “Role of banks in financial inclusion in India” and stated that the financial inclusion is emerging as a new paradigm of economic growth that plays major role in driving away the poverty from the country. It refers to delivery of banking services to masses including privileged and disadvantaged people at an affordable terms and conditions. Financial inclusion is important priority of the country in terms of economic growth and advancemans of society. It enables to reduce the gap between rich and poor population. They found that the positive significant impact of number of bank branches and credit deposit ratio of banks on GDP of the country. ATMs growth rate has been shown a statistically insignificant impact on Indian GDP. Hence, their study observed that financial inclusion is strongly associated with the progress and development of the economy. In spite of this there should be a need for proper financial inclusion regulation in the country to access financial services and customer awareness E-banking training and financial literacy programmes should be organized. Thus, financial inclusion is a big road which India needs to travel to make it completely successful.[1]

Dhowbika Begum E and J Felicita (2017) have published an article in the title of “Current scenario of financial inclusion in India” and pointed out that the banking industry has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services. They found that the financial inclusion becomes a major prerequisite to poverty alleviation. Reserve Bank of India’s vision for 2020 is to open nearly 600 million new customers' accounts and service them through a variety of channels by leveraging on information technology. However, the improper repayment need for additional workforce, time consumption, high cost and illiteracy are continuing to be a road block to financial inclusion in many areas. Consequently, many banks are not adopting fully fledged financial inclusion plan. The banks should step up to overwhelm all these problems and to disseminate its service to remote areas. The banks should encourage the people to access banking services by ways of no frills account, financial inclusion campaign and business correspondent. The government should encourage the banks to adopt financial inclusion by means of financial assistance, advertisement and awareness programmes to achieve the aim of 11th plan of Inclusive Growth.[2]

Rajni Chauhan (2014) in his article entitled “Financial Inclusion –Present Scenario in India with Nachiket Mor Committee Vision” stated that The need of growing Indian economy is to curb challenges like poverty, unemployment and to bring Financial Prosperity to weaker section of society. The RBI Governor has considered ‘Financial inclusion’ isone of the key pillar in Economic Development reformsand taken imitative to achieve the goal of financial inclusion in effective manner. The report suggested that to design one centrally regulated blue print so that all the players become clones of each other in their own differentiated or complementary capabilities to achieve the national goal of financial inclusion. In order to have the system stability each participant has to reveal risks and capabilities to handle those risk and financial capital to assume those risks transparently. The regulator would allow each participant to exercise significant autonomy to chart its own part to achieve goal of financial inclusion with need to protect the vulnerable customer. The current policy objective of inclusive growth with financial stability cannot be achieved without ensuring universal financial inclusion. Banks alone will not beable to achieve this unless an entire support system would be partnering with them in this mission. He also mentioned that the financial education, financial inclusion and financial stability are three elements of integral strategy, as shown in the diagram below while Financial Inclusion works supply side of providing access to various financial services; financial education feeds the demand side by promoting awareness among the people regarding needs and benefits of financial services offered. All the stakeholders need to join hands and make it possible.[3]

Sanjay M Sakariya and Neelima Ruparel (2018) in their article entitled "Evaluation of financial inclusion strategies of banks in India: Reflections from literature" expressed that the government and central bank have made several moves to provide basic banking services to the unbanked people. The introduction of no-frills account and relaxation in know-your-customer norms in 2005, closely followed by introduction of business correspondence model in 2006, liberalization of branch authorization in 2009, commencement of direct benefit transfer scheme in 2013, erection of low-cost payment network and launching the Pradhan Mantri Jan Dhan Yojna (PMJDY) in 2014, licensing payments banks in 2015, the recent efforts towards opening physical bank branches in remote areas and the aggressive use of modern technology have all contributed to better expansion of banking services across the country and playing crucial role to cover the under banked into the banking fold. They found that the five major factors of the financial inclusions such as Widening the Bank Network, Technology Solutions, Targeting the Neglected Niches, Regulatory Support and Building Trust and Awareness. They concluded that the model of Sandhu & Singh (2016) has been utilized for evaluation of financial inclusion strategies of banks in India with essential modifications. This has opened the door too often work on development/modification of standard model and framework for constant evaluation of financial inclusion strategies of banks in India. Ultimately it will work to refine existing strategies and practices of banks/strategy formulators to make a conscious effort to achieve financial inclusion in India by overcoming the challenges. The constant efforts and practices towards strategic evaluations must help in development of a holistic approach to reach the underprivileged and neglected section of the society. Financial inclusion is daunting task, however can be achieved, if we all together pursue it strategically.[4]

Therefore, all the above articles reviews are stated that commercial banks are playing the important role in the financial inclusion are obviously understood by the authors. The policies and laws against of willful defaulters of long-term credit availed from the commercial banks is not justifiable and the state and central government ruling parties are also doing wrong thing or adjoined in these regards of diplomatic robberies. The objectives of the present paper are to know the present scenario of financial inclusions in India; and to identify the future trend of the components of the financial inclusion with linier growth. From these objectives authors are identified the financial inclusions from the certain important components of various measures of financial inclusions. Such as number of branches and ATMs in India per 100,000 adults are given in the following table.

Table No.1 Number of Commercial Banks Branches and ATMs in India per 100,000 adults

Year	Automated teller machines (ATMs) (per 100,000 adults)	Commercial bank branches (per 100,000 adults)
2009-10	5.297	9.575
2010-11	7.249	10.010
2011-12	8.830	10.486
2012-13	10.969	11.160
2013-14	12.844	11.830
2014-15	17.772	12.850
2015-16	19.685	13.557
2016-17	21.230	14.264
2017-18	22.074	14.568
2018-19	21.737	14.564
Mean	14.769	12.287
STD	6.468	1.929
CoV	0.438	0.157
t value	10.103	17.146
LGR	0.163	0.052
CAGR	**17.755**	**5.354**
P value	0.000	0.000
Expected Growth in 2019-20	**25.597**	**15.344**

Source: World Bank Report 2018-19

Table 2 Regression analysis for Automated teller machines (ATMs) (per 100,000 adults)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.963[a]	.927	.918	.146930284223582

a. Predictors: (Constant), year

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.204	1	2.204	102.075	.000[b]
	Residual	.173	8	.022		
	Total	2.376	9			

a. Dependent Variable: a

b. Predictors: (Constant), year

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.687	.100		16.809	.000
	year	.163	.016	.963	10.103	.000

a. Dependent Variable: a

Source: Computed Secondary Data of Table 1

Table 3 Regression analysis for Commercial bank branches (per 100,000 adults)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.987[a]	.974	.970	.027629540573571
a. Predictors: (Constant), year				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.224	1	.224	293.987	.000[b]
	Residual	.006	8	.001		
	Total	.231	9			
a. Dependent Variable: b						
b. Predictors: (Constant), year						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.210	.019		117.103	.000
	year	.052	.003	.987	17.146	.000
a. Dependent Variable: b						

Source: Computed Secondary Data of Table 1

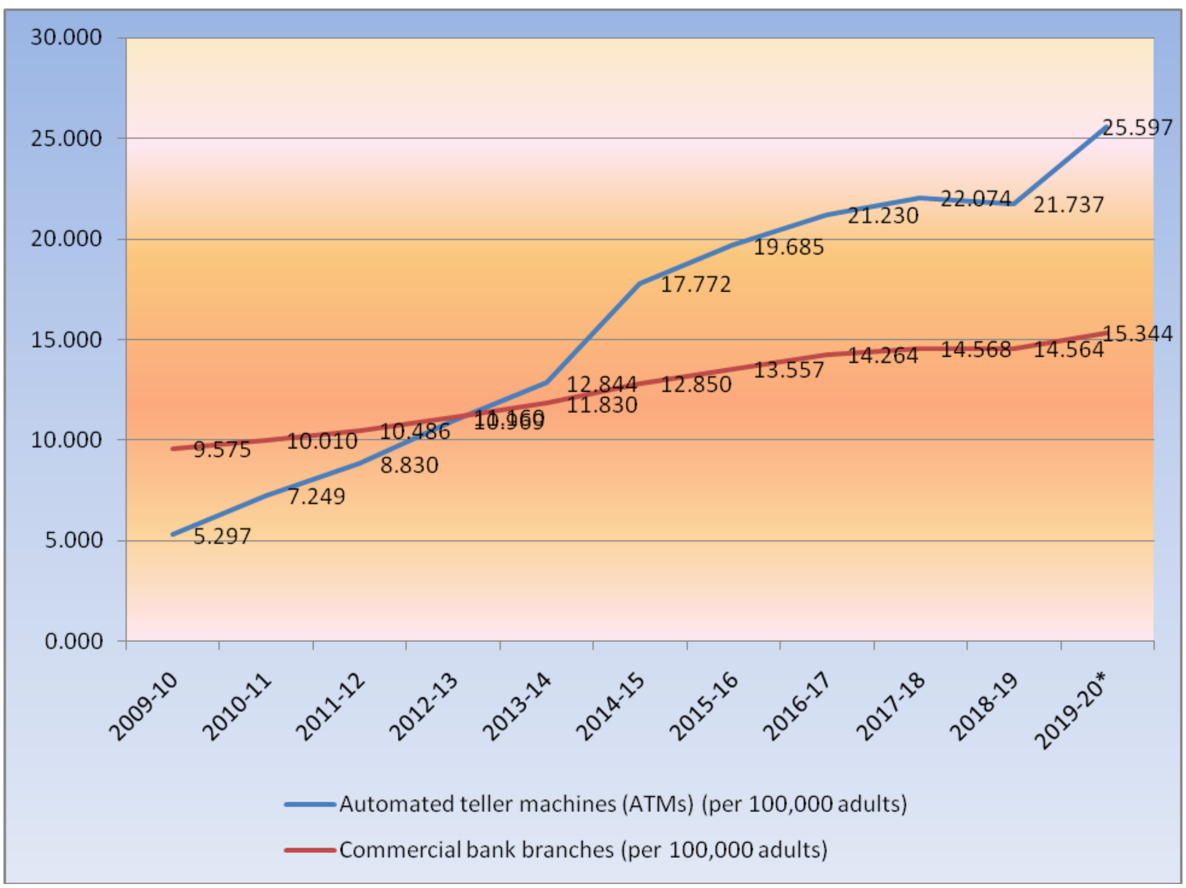
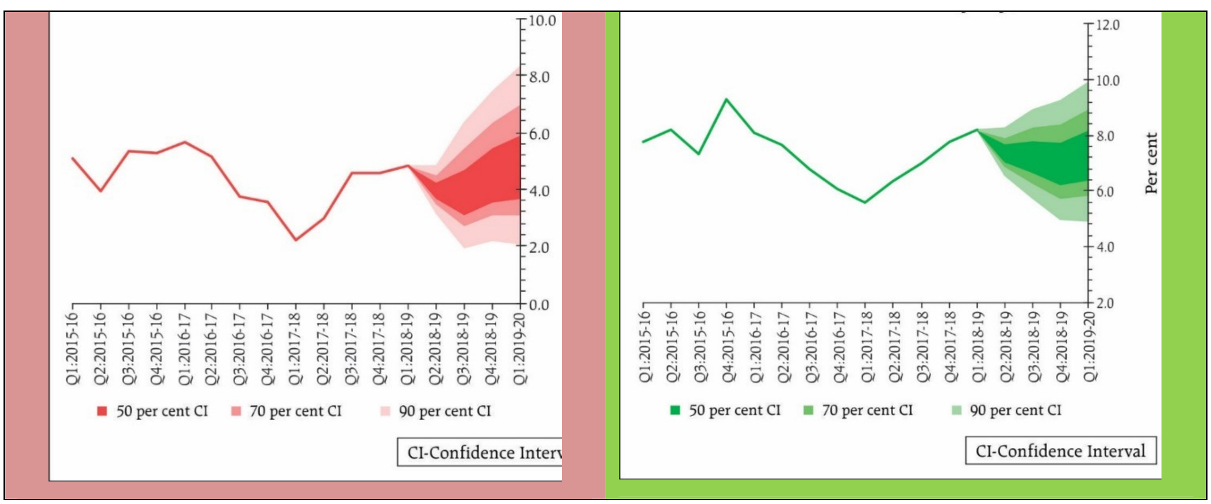


Fig. 1 Growth of commercial banks branches and ATMs during the decade (2009-10 to 2018-19)

From the above table and Figure No. 1 and on the basis of regression linier analysis, authors have understood that the number of branches and ATMs have chances to increase up to 15.354, 25.597 respectively per 1, 00,000 adults in 2019-20. As per the 2018-19 position, branches and ATMs have got the growth of**5.354**and **17.755,** respectively per 1, 00,000 adults. Both are having a steady growth during the period. Hence, the financial inclusions by means of increasing commercial banks branches and ATMs are possibly better during the study period is proved here. Therefore, the significant growths have been taking place in the commercial banks branches and ATMs during the study period.

Quarterly Projection of CPI Inflation and real GDP growth

Turning to the growth of the GDP in Q1:2018-19 was significantly higher than that projected in the August of 2018. Private consumption has remained robust and is likely to be sustained even as the recent rise in oil prices may have a bearing on disposable incomes. Improving capacity utilization, larger FDI inflows and increased financial resources to the corporate sector augur well for investment activity. However, both global and domestic financial conditions have tightened, which may dampen investment activity. Rising crude oil prices and other input costs may also drag down investment activity by denting profit margins of corporate(s). This adverse impact will be alleviated to the extent corporate(s) are able to pass on increases in their input costs. Uncertainty surrounds the outlook for exports. Tailwinds from the recent depreciation of the rupee could be muted by the slowing down of global tradeand the escalating tariff war. Based on an overall assessment, GDP growth projection for 2018-19 is retained at 7.4 per cent as in the August resolution (7.4 per cent in Q2 and 7.1-7.3 per cent in H2), with risks broadly balanced; the path in the August resolution was 7.5 per cent in Q2:2018-19 and 7.3-7.4 per cent in H2. GDP growth for Q1:2019-20 is now projected marginally lower at 7.4 per cent as against 7.5 per cent in the August resolution, mainly due to the strong base effect.[5]



Source: RBI, "Fourth Bi-monthly Monetary Policy Statement, 2018-19 Resolution of the Monetary Policy Committee (MPC)Reserve Bank of India", October 5, 2018, pp 4-5, Point 20

Conclusion

From the above discussion and charts of RBI authors have acknowledged that there is a lesser significant chances to got the growth in the future for the both of CPI Inflation and real GDP growth. Particularly, CPI Inflation having the chances of growth but the real GDP will met the down trend as per the data of RBI bulletin. Therefore, the financial inclusions steps of the RBI will create the inflationary conditions during the 2019-20. It will cause the down trends of GDP is possible. Now the RBI is decreased the Repo rate of interest to commercial banks. It will keep some extent to stable the inflations. The purchasing power of the people should be increased by taking several steps by means of: 1. relaxation of direct taxes slabs to middle incomes groups and government officials, teachers, professors and servants; 2. increasing of employment opportunities to the educationally qualified persons in the public and private organization on the basis of reservation policy of India as per the state governments regulations; 3. employment guarantee programmes of central government should be monitored very closely to assure the real benefit reached the beneficiaries; 4. rivers should be merged to undergo the agricultural activities continuously; 5. rationale and reasonable small farmers are to be promoted by the higher subsidiaries wherever backward areas of poor rainfall and poor land water resources; 6. public sector and private sector banks should give credits to people who are involved in the tiny, micro, small and medium levels of business in the rural and urban; 7. purchasing pattern of commodities and services from the OnLine shopping will cause and affect the money in circulation in the rural and urban economic conditions, it should be reduced; and political and corporate thieves are holding the higher denominated currencies that will affect the economy and financial inclusions in the country. Therefore, the government should take steps to avoid such negative circumstances to improve the financial inclusion will definitely improve the real GDP growth in the future.

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