

# CHAPTER-12

## **FINANCIAL INCLUSION PERSPECTIVE: EMPOWERING GROWTH AND EXPLORING ITS IMPACT ON ECONOMIC DEVELOPMENT IN INDIA**

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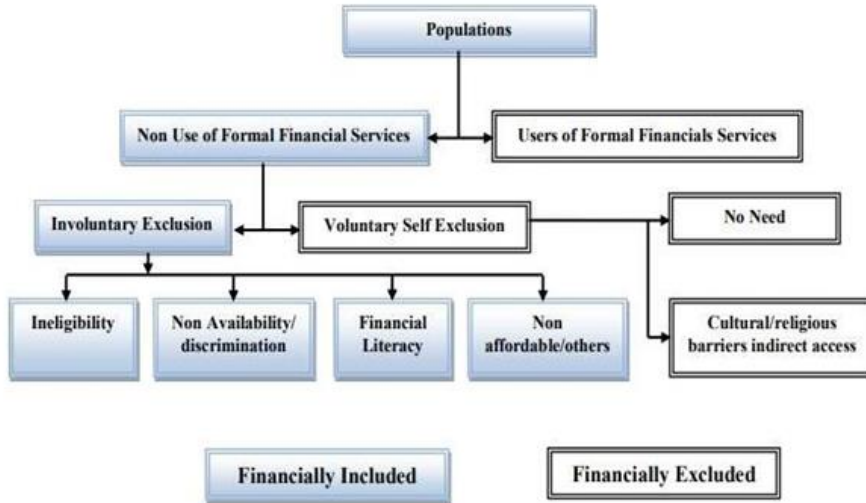
## **ABSTRACT**

*Financial inclusion, in speaking a shorter term however is hiding a lot of meaningful financial instruments awareness which does not only helps any individual/business to grow but also helps economy to boost at higher speed. The said term means the process which involves making awareness and suitability for the financial instruments being available to the population in any society, at affordable costs. These financial instruments may include any of banking products (opening accounts, loans, taking other banking facilities, etc.), or any of insurance products (including life and general insurance), or any of stock or investment related. For the developing economy like India, Financial inclusion is going to play a major role in their development and growth as the objective of whole process is easy access to financial services to everyone, and surely it will lead to bring socio-economic growth in the country. The study for this paper is focused on covering prevailing status, main issues and challenges, understanding need of financial inclusion in India along with empirical evidences from developed nations like U.S.A. and Japan.*

**Keywords:** *Finance, Financial Inclusion, Financial Instruments, Banking, Insurance, Stock, Investment, Products, Economy.*

## **1. INTRODUCTION**

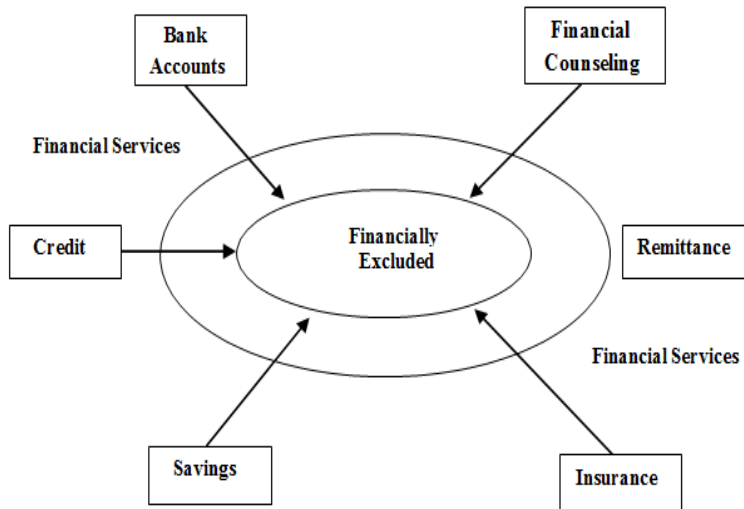
Financial inclusion has emerged as a critical poverty alleviation tool globally, particularly in the past decade. Governments and international bodies recognize the urgency in enhancing the efficiency of financial inclusion initiatives. Access to safe, affordable financial services, including credit, is essential for reducing income inequality and overcoming poverty. Financial inclusion empowers marginalized groups to participate in economic activities, mitigate financial risks, and improve their livelihoods. The Global Financial Development Report defines financial inclusion as the proportion of individuals and firms utilizing financial services, encompassing various services from payments and savings accounts to credit, insurance, pensions, and securities markets.



Source: Finance for All ? Policies and Pitfalls in Expanding Access, World Bank Report, 2008

**Figure-1: Financial Services**

Financial inclusion refers to providing financial services and products to disadvantaged and low-income segments of society at an affordable cost, in a fair and transparent manner, by regulated institutional players.



Source: Rangarajan Committee Report

**Figure-2: Financial Inclusion Framework**

## **2. OBJECTIVES OF THE STUDY**

**The objective of the study includes –**

- i. To Study the Concept of Financial Inclusion
- ii. To Study the major factors affecting access to financial services
- iii. To Study the progress of financial inclusion in India

## **3. FINANCIAL INCLUSION INITIATIVES: BY RBI & GOVT. OF INDIA**

The Reserve Bank of India (RBI) and the Government of India (GOI) have implemented various initiatives and policy measures to foster Financial Inclusion. These include:

- i. No-frill accounts
- ii. Overdraft facility in savings accounts
- iii. Financial Literacy programs
- iv. Simplification of Know Your Customer (KYC) procedures
- v. Simplification of Savings Bank Account Opening Form
- vi. Simplified branch authorization for General Credit Cards
- vii. Kisan Credit Cards (KCCs)

**Business Correspondents (BCs) and Business Facilitators (BFs) Model:**

- i. SHG Bank-Linkage Programme
- ii. Opening of branches in unbanked rural locations
- iii. Promotion of Information and Communication Technology (ICT) in Banking
- iv. Branch expansion and coverage of villages
- v. Rural Infrastructure Development
- vi. Creation of Funds for Financial Inclusion

## 4. FINANCIAL INCLUSION IN INDIA

**Table-1: Consolidated Balance Sheet of Scheduled Commercial Banks (At end March)**

(Amount in ₹ crore)

Item	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks		Payments Banks		All SCBs	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
1. Capital	59,328	71,176	30,641	31,243	91,465	1,01,933	5,375	5,800	1,300	4,287	1,88,109	2,14,439
2. Reserves and Surplus	6,49,142	7,27,852	7,07,346	8,08,446	1,24,693	1,39,569	14,800	16,543	-704	-2,533	14,95,278	16,89,877
3. Deposits	99,00,766	1,07,17,362	47,91,279	54,64,181	7,76,266	8,45,482	1,09,472	1,45,731	2,543	9,954	1,55,80,325	1,71,82,709
3.1. Demand Deposits	6,84,451	7,23,259	6,82,092	7,83,883	2,37,412	2,78,677	3,964	5,770	19	2,155	16,07,938	17,93,745
3.2. Savings Bank Deposits	34,62,923	38,20,484	14,55,976	17,47,958	87,032	92,120	22,198	43,577	2,524	7,799	50,30,653	57,11,938
3.3. Term Deposits	57,53,392	61,73,618	26,53,211	29,32,339	4,51,821	4,74,685	83,310	96,384	-	-	89,41,734	96,77,026
4. Borrowings	7,17,410	7,51,236	6,25,683	7,57,261	1,02,331	1,27,467	27,828	27,011	198	307	14,73,450	16,63,283
5. Other Liabilities and Provisions	4,02,154	4,39,034	2,66,835	3,10,584	1,65,928	1,54,070	6,081	7,991	737	5,666	8,41,734	9,17,346
<b>Total Liabilities/Assets</b>	<b>1,17,28,799</b>	<b>1,27,06,661</b>	<b>64,21,784</b>	<b>73,71,715</b>	<b>12,60,682</b>	<b>13,68,521</b>	<b>1,63,557</b>	<b>2,03,076</b>	<b>4,072</b>	<b>17,681</b>	<b>1,95,78,895</b>	<b>2,16,67,655</b>
	(59.9)	(58.6)	(32.8)	(34.0)	(6.4)	(6.3)	(0.8)	(0.9)	(0.0)	(0.1)	(100.0)	(100.0)
1. Cash and balances with RBI	5,39,149	6,22,619	2,90,509	3,93,531	1,10,723	1,43,273	6,921	8,725	196	1,484	9,47,498	11,69,632
2. Balances with banks and money at call and short-notice	5,91,125	6,42,484	2,75,256	3,33,745	1,02,108	1,17,739	12,309	10,212	790	3,273	9,81,588	11,07,452
3. Investments	34,00,895	35,95,647	15,12,480	16,26,725	4,69,712	5,05,001	30,660	41,661	2,413	9,937	54,16,159	57,78,971
3.1 In Government Securities (a+b)	28,07,934	29,75,938	12,57,135	13,68,694	4,20,141	4,47,584	27,142	36,683	2,412	9,924	45,14,765	48,38,822
a) In India	27,70,643	29,32,482	12,36,660	13,50,959	3,86,490	3,98,009	27,142	36,683	2,412	9,924	44,23,347	47,28,057
b) Outside India	37,292	43,456	20,476	17,735	33,651	49,575	-	-	-	-	91,418	1,10,765
3.2 In Other Approved Securities	12	5	-	-	-	-	-	-	-	-	12	5
3.3 In Non-Approved Securities	5,92,949	6,19,704	2,55,345	2,58,031	49,570	57,417	3,517	4,978	1	13	9,01,382	9,40,144
4. Loans and Advances	63,47,417	70,43,940	39,29,572	45,62,780	4,20,780	4,65,484	1,08,613	1,35,802	0	2	1,08,06,381	1,22,08,009
4.1 Bills purchased and discounted	1,45,894	2,33,191	1,19,295	1,50,703	60,380	64,595	124	585	-	-	3,25,694	4,49,074
4.2 Cash Credits, Overdrafts, etc.	24,90,604	26,61,563	11,46,858	13,62,842	1,79,873	2,01,228	8,929	12,582	-	-	38,26,263	42,38,214
4.3 Term Loans	37,10,919	41,49,187	26,63,419	30,49,235	1,80,527	1,99,661	99,560	1,22,636	0	2	66,54,424	75,20,720
5. Fixed Assets	1,06,826	1,09,784	39,714	44,456	4,457	4,964	1,676	2,001	222	370	1,52,895	1,61,575
6. Other Assets	7,43,389	6,92,188	3,74,253	4,10,478	1,52,903	1,32,061	3,378	4,674	452	2,615	12,74,374	12,42,015

**Notes:** 1. -: Nil/negligible.  
2. Components may not add up to their respective totals due to rounding-off number to ₹ crore.  
3. Detailed bank-wise data on annual accounts are collated and published in Statistical Tables Relating to Banking in India, available at <https://www.dbie.rbi.org.in>.

(Source: As per RBI Report)

**Table-2: Financial Inclusion Plan: A Progress Report**

Particulars 1	Mar 2010 2	Dec 2020 3	Dec 2021 <sup>§</sup> 4
Banking Outlets in Villages- Branches	33,378	55,073	53,249
Banking Outlets in Villages>2000*-BCs	8,390	8,49,955	15,18,496 <sup>^</sup>
Banking Outlets in Villages<2000*-BCs	25,784	3,44,685	3,26,236
Total Banking Outlets in Villages – BCs	34,174	11,94,640	18,44,732 <sup>^</sup>
Banking Outlets in Villages - Other Modes	142	3,464	2,542
Banking Outlets in Villages -Total	67,694	12,53,177	19,00,523
Urban Locations Covered Through BCs	447	3,24,507	14,12,529 <sup>^</sup>
BSBDA - Through Branches (No. in lakh)	600	2,712	2,712
BSBDA - Through Branches (Amt. in crore)	4,400	1,21,219	1,18,625
BSBDA - Through BCs (No. in lakh)	130	3,672	3,919
BSBDA - Through BCs (Amt. in crore)	1,100	78,284	95,021
BSBDA - Total (No. in lakh)	735	6,384	6,631
BSBDA - Total (Amt. in crore)	5,500	1,99,503	2,13,646
OD Facility Availed in BSBDAAs (No. in lakh)	2	59	64
OD Facility Availed in BSBDAAs (Amt. in crore)	10	505	556
KCC - Total (No. in lakh)	240	490	473
KCC - Total (Amt. in crore)	1,24,000	6,79,064	6,93,596
GCC - Total (No. in lakh)	10	198	87
GCC - Total (Amt. in crore)	3,500	1,75,053	1,99,145
ICT-A/Cs-BC-Total Transactions (No. in lakh) <sup>#</sup>	270	23,289	21,095
ICT-A/Cs-BC-Total Transactions (Amt. in crore) <sup>#</sup>	700	6,14,987	6,62,211

\*: Village population. #: Transactions during the year.  
<sup>§</sup>: Provisional data.  
<sup>^</sup>: There is a significant increase in data reported by few private sector banks.  
 Source: FIP returns submitted by public sector banks, private sector banks and regional rural banks.

(Source: As per RBI Report)

## 5. CONCLUSION

For a long time, the deprived and poor people of society was not included in basic financial needs. There may be various reasons behind this but as we are progressing towards positive aspect of inclusive growth, so it has emerged as a ray of hope for economy to involve all the sections of society. To achieve inclusive growth in the economy, the Government at State as well as Central, Reserve Bank of India and other financial-non-financial and implementing agencies should work hand-in-hand by taking integrated & coordinated actions to develop effective methodologies and measures to make financial inclusion a success. And, for successful orientation, implementation & inclusion of the programme, proper infrastructural facility like-technology, internet facility, ATM etc. should be made available at remote and rural areas. Also, in addition of this, efforts should be made to financially literate the population. Therefore, for attainment of inclusive growth in the economy which mainly depends on equitable distribution of growth opportunities and benefits, financial inclusion has a major role. Financial Inclusion is one of the much needed and crucial opportunity which should be equally distributed in order to achieve comprehensive

growth. The progress of financial inclusion indicates that banks had progressed like opening of more banking outlets, increased bank centers, opening BSBD accounts, credit granted by KCCs-Kisan Credit Cards and GCCs-Government Credit Cards.

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