

## Growth and Financial Inclusion: An approach towards Sustainability

**Ganesh Tannu,**

Professor MIT School of Management Kothrud, Pune, Maharashtra, India

### Abstract

Growth is impossible without excluding few sectors of the economy .It becomes possible when everybody is included for growth and to sustain in the economy. Banks plays a catalyst role to promote growth. The researcher has viewed here Financial Inclusion into three parts: Finance (Institutions), Marketing (BCs) and HR (Counseling Centers, Financial Literacy).A new concern has emerged in the process: that of financial inclusion. Moreover, the Government of India has also expressed its explicit concern on the issue of overall inclusion in the development process through its various initiatives such as the Rural Employment Guarantee Scheme, the Bharat Nirmanprogramme, the SarvaShikshaAbhiyan, and the like. A committee on financial inclusion (Chairman: Dr. C. Rangarajan) has also been constituted by the Government of India in June 2006 to recommend a strategy to achieve higher financial inclusion in the country.Growth is directly related to sustainability.

**KEYWORDS:** Growth, Sustainable development, Financial Inclusion.

### Introduction

The Indian growth story has been steadily coming of age and the performance of the Indian economy has attracted worldwide attention. The Indian growth story is now mentioned in the same breath as that of China. The economy has been averaging a growth rate of more than 8.0 per cent during the last three years. The recently released numbers from CSO have placed the first quarter growth (April to June, 2006) at 8.9 per cent, more than the overall growth rate of 8.0 per cent reiterated recently by the Reserve Bank in its Mid-Term Review.

A new concern has emerged in the process: that of financial inclusion. Moreover, the Government of India has also expressed its explicit concern on the issue of overall inclusion in the development process through its various initiatives such as the Rural Employment Guarantee Scheme, the Bharat Nirmanprogramme, the SarvaShikshaAbhiyan, and the like. A committee on financial inclusion (Chairman: Dr. C. Rangarajan) has also been constituted by the Government of India in June 2006 to recommend a strategy to achieve higher financial inclusion in the country.

Unlike several central banks, which focus solely on inflation, many developed and emerging economies, including ours, focus also on growth. There is currently a clear perception that there are a vast number of people, potential entrepreneurs, small enterprises and others, who are excluded from the financial sector, which leads to their marginalization and denial of opportunity for them to grow and prosper. The Reserve Bank has therefore introduced various new measures to encourage the expansion of

financial coverage in the country. Not only is financial inclusion essential because of its implications for the welfare of citizens but it needs to be stressed that it has to be an explicit strategy for fostering faster economic growth in a more inclusive fashion.

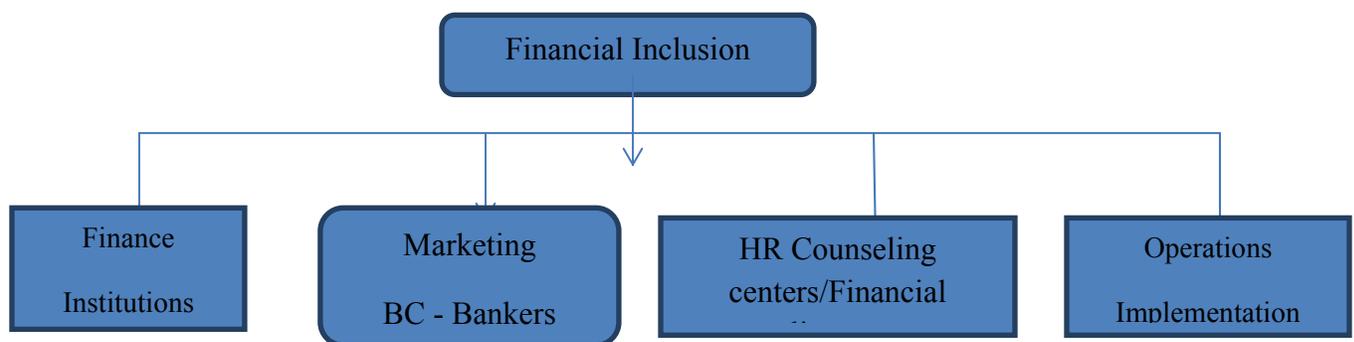
Growth is directly related to sustainability. India needs inclusive growth because without including all it can achieve its commendable heights. Inclusive growth is necessary for sustainable development and equitable distribution of wealth. To achieve this inclusive growth this is important for all the citizens of India. It is, thus, challenging as it has to take all the levels of section of the society and to all parts of the country. The influence of this growth can be seen in the rural economy, sustainable urban growth, infrastructure development, reforms in education, health, needs, a healthy public-private partnership.

The main areas for need of inclusive growth can be few listed as below:

- Agricultural and other allied areas of agriculture
  - To improve regional disparity which will severe employment as well as growth of that particular State like Gujarat, as in case of Amul.
  - Trying to bridge the gap of income inequalities
  - Protecting environment – present and future generation needs the resources and to balance the nature it is a must to take care of our Environment.

It helps in the empowerment of the underprivileged, poor and women of the society with the mission of making them self-sufficient and well informed to take better financial decisions. Financial inclusion through appropriate financial services can solve the problem of resource availability, mobilization and allocation particularly for those who do not have any access to such resources.

From this we can depict that for implementing Financial Inclusion a Bank has to take its Management aspects into consideration like Finance, Marketing, HR and Operations.



### Objective of the research paper

1. To find out how Growth and Financial Inclusion can lead towards Sustainability

## **Research Methodology**

The research was carried with the help Secondary data. The study is on the Growth and Financial Inclusion which can lead towards Sustainability .There is a close and interlink between Growth and Sustainability. For this research paper the researched have gone through RBI website, Speeches.

### **Limitations of the research paper**

This is purely based on Secondary data through RBI website and the Sustainability nowadays has become the buzzword and already the Modi Government have taken steps to make aware.

### **Further Scope of the study**

The further study now can be extended from various Banks -Private Banks and nationalized banks a comparative study can be done. Perspectives for increasing the number of customer .Strategies to be implemented by the banks to reach the maximum people.The real story or understanding lies in our basic sectors – Agriculture, Manufacturing and Technology playing a vital role in each sector.

**It will be beneficial for:** Bankers, Customers and development of in and around Pune city a contribution to boost self-sufficiency and raise the standard of living. A small effort can be made through this research to uplift the society through the Modi's government and various schemes available.

### **Review of Literature**

Lack of awareness and financial literacy among the rural population of the country is hindering the growth of the economy as majority of the population does not have access to formal credit. This is a serious issue for the economic progress of the country. In order to overcome such barriers, the banking sector emerged with some technological innovations such as automated teller machines (ATM), credit and debit cards, internet banking, etc.

**GOI (2008)** defines Financial inclusion 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 meaning of financial inclusion is delivery of financial services to the low income groups especially the excluded sections of the population with the provision of equal opportunities. The main target is the access of financial services for better standard of living and income.

### Financial inclusion plan and its performance evaluation

The Reserve Bank has used (Financial Inclusion Plans) FIPs to gauge the performance of banks under their (FI) initiatives. With the completion of the first phase, a large banking network has been created and a large number of bank accounts have also been opened ([Table 1](#)) However, it has been observed that the accounts opened and the banking infrastructure created has not seen substantial operations in terms of transactions. The focus under the new plan is now more on the volume of transactions in the large number

of accounts opened. A brief of the performance of banks under FIP up to March 31, 2014 is:

- i. The number of banking outlets in villages has increased to nearly 384,000. Out of these, 115,350 banking outlets were opened during the year – 2013-14.
- ii. Nearly 5,300 rural branches were opened during the last one year. Out of these, nearly 4,600 branches were opened in unbanked rural centres (Tier V and Tier VI centres).
- iii. Nearly 33500 BC outlets were opened in urban locations during the year taking the total number of BC outlets in urban locations to 60730 as at the end of March 2014.
- iv. More than 60 million basic savings bank deposit accounts (BSBDAs) were added during the last year taking the total number of BSBDAs to 243 million.
- v. With the addition of 6.2 million small farm sector credits during the year 2013-14, there are 40 million such accounts as on March 31, 2014.
- vi. With the addition of 3.8 million small non-farm sector credits during the year 2013-14, there are 7.4 million such accounts as on March 31, 2014.
- vii. Nearly 328 million transactions were carried out in BC-ICT accounts during the last year as compared to 250 million transactions during 2012-13.

Though, the number of BC-ICT transactions has shown a considerable increase during the last year the average transaction per account still remains low. The focus of monitoring is now more on usage of these accounts through issue of more credit products through the channel. The Reserve Bank also issued guidelines to strengthen the BC model.

Implementation and monitoring of financial inclusion targets should focus on usage of bank accounts, and expand beyond transfer payouts. As the recent inter Media survey shows, only half the bank accounts have been active over the previous three months. In order to increase transactions, there should be clear communication to customers about the mission and banks should be incentivized to provide appropriate products that increase usage.

**Table 1: Financial Inclusion Plan coverage reflecting the progress made so far**

Particulars	Year ended March 2010	Year ended March 2013	Year ended March 2014	Year ended April 2013 - March 2014
Banking Outlets in Villages – Branches	33,378	40,837	46126	5289
Banking Outlets in Villages – Branchless Mode	34,316	2,27,617	337678	110061
Banking Outlets in Villages –Total	67,694	2,68,454	383804	115350
Urban Locations covered through BCs	447	27,143	60730	33587

Basic Savings Bank Deposit A/c through branches (No. in million)	60.19	100.80	126.03	25.23
Basic Savings Bank Deposit A/c through branches (Amt. in Rs. billion)	44.33	164.69	273.29	108.60
Basic Savings Bank Deposit A/c through BCs (No. in million)	13.27	81.27	116.93	35.66
Basic Savings Bank Deposit A/c through BCs (Amt. in Rs. billion)	10.69	18.22	38.95	20.73

Source: [https://www.rbi.org.in/scripts/FS\\_Speeches.aspx?Id=912&fn=2754](https://www.rbi.org.in/scripts/FS_Speeches.aspx?Id=912&fn=2754) (RBI website)

### Conclusion:

These developments suggest that the demand for financial services, both for savings as well as production purposes, will be greater than has been the case in the past, and there will be many new entrants in need of financial services who have not hitherto been served. At present our financial depth is much lower than that of other Asian countries, though it has picked up in the recent past. But we have achieved but not up to an mark. While there is evidence of an increase in financial deepening, particularly during the present decade, the increase in the breadth and coverage of formal finance has been less than adequate. Table 1 shows the year (2010 -2014) wise growth. Reaching the remotes of remote is crucial for both accelerating growth and for equitable distribution..

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