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Financial Literacy – Yardstick for Economic Revival

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Abstract

This paper includes the study of financial inclusion with different arena of the development of economy .As a financial intermediary banking sector possesses a tremendous potential to act as an agent of change and ensure redistribution of wealth in the society.In order to develop economy an individual,household or group should have access to appropriate financial services or products.India is undertaking major reforms with respect to financial inclusion that is ease of doing banking business .Prosperity is rising quickly,but growth could be more inclusive with the ongoing reforms and model for financial inclusion.

Keywords: Financial Inclusion.

1. Introduction

Poverty and segregation continue to rule socio-economic and political oration in India as they have completed over last six decades in the post independence period. Poverty reduction has been an important goal of development policy in India. The major objective of the financial liberalization was to improve the overall performance of the Indian financial sector, to make the financial institutions more proficient and more effective banks mobilize the idle and dormant capital of a country and making it available for productive purpose. Indian financial system continues to be bank based financial system and banking system plays an important role as a resource banking system plays an important role as a resource mobilizer. Let remains the principle source of savings for many households, small and medium

enterprises and large industries. It also provides many other financial services. Despite being one of the ten fastest growing economies of the world, India is still home to one-third of the world's poor in developing economies like ours. However, it is demoralizing to note that the number of people with access to the products and services offered by the banking system continues to be very narrow even years after introduction of inclusive banking initiatives in the country through measures such as the cooperative movement, nationalization of banks, creation of regional rural banks, etc.

2. The foremost financial needs-in demand are

- (a) For the upper-income people, it is choice, i.e., choice of types of products, often with innovative features.
- (b) For the middle-income people, it is planning, i.e., a financial plan allocate their hard earned savings in a way that they are able to beat inflation in the long-term.
- (c) For the lower-income people, it is credit, i.e., small ticket credit to raise working capital self-businesses, since wage-based job opportunities may be unevenly spread across regions of the country. Each of these three segments need to deepen financial inclusion in its own way for its economic progress and these three needs are critical to achieve. Financial inclusion or inclusive financing is making available financial services at reasonable costs to weaker sections of society. Financial inclusion means that households and businesses have ingress and can effectively use financial services. Such services must be provided responsibly and sustainably, in a well regulated environment. It's time now, India to have some strict rules and regulations to access financial services ranging from savings, payments, and transfers to credit and insurance maximum use of banks are to be made by society.

3. Objectiv of the Study

- To explore the need and significance of financial inclusion for economic and social development of society.
- To analyze the current status of financial inclusion in Indian economy.
- To study the access of rural people to bank branches.

4. Methodology

- Data is collected purely from secondary sources.
- Different journals, books are followed for this purpose.

5. Need of Financial Inclusion

The poor need financial services to transact manage day-to-day cash flow and create usefully large sums (savings I borrowing) to manage and protect against risk (savings I insurance). The poor unbanked have at least as many financial transactions as the prosperous banked they are just for smaller amounts. Because the incomes of the poor tend to vary, their need for financial services may actually be greater than the richer one development of these poor people is development of India.

The poor chunk in India is based in rural areas growth in agriculture is necessary in order to keep manufacturing prices under check. Higher growth in agricultures will lead to rise in saving level of financing, increasing level of investment. Necessary to sustain overall growth momentum. This sector has huge prospective for growth once there is sufficient investment in infrastructure confirming linkage to market and easy access to assets and skill enabling competitive environment and easy availability of finance for new project and enterprise.

- The importance of financial inclusion has been vigorously underlined in the wake of the financial crisis. The crisis had a significant negative impact on lives of individuals globally.
- One of the reasons for the crisis of financial system was poor connection to the real sector and with the society at large.
- The crisis also resulted in an insight that free market forces do not always result in greater efficiency in the financial system. Financial Inclusion has emerged as a policy authoritative for inclusive growth in several countries across the globe.

5.1. Current Status of Financial Inclusion in Indian Economy:

- RBI has emphasized the need for spreading banking services among poor people in India. Indian banks are expanding their branch network in the rural areas to capture the new business opportunity.
- According to RBI, 490,000 unbanked- villages were identified and allotted to banks for coverage. (Source: website PradhanMantri Jan Dhan Yojna).

The increasingly dynamic business scenario and financial complexity has increased the need for customized exotic financial product. Banks are developing Innovative financial products and risk management methods to capture the market share.

- 1.1 billion Unique identification numbers (Aadhaar) created to better target support to the poor
- 276 million bank accounts opened for the poor since August 2014.
- Maximum Governance, Minimum Government the Direct Benefit Transfer (DBT) scheme, started on January 1, 2013 has truly been a game changer with respect to financial inclusion.
- It has re-engineered the government delivery mechanism, facilitated simpler and faster flow of information /funds, ensured accurate targeting of beneficiaries and helped in avoiding duplication /fraud.
- DBT was initiated in 43 districts at first phase and later on 78 more districts were added in 27 schemes pertaining to scholarships, women, child, and labor welfare.
- The major enablers of DBT so far have been Jan Dhan, Aadhar and Mobile (JAM). DBT now has 84 schemes and in FY 2016-17, total direct benefit transfer amounted to more than Rs. 44,382.03 crore and total number of transaction stood at more than Rs. 91.67 crore
- In October 2016, RBI decided to further cut repo rate by 25bps to 6.25 per cent which would reduce the interest rate on home loans.
- Extension of interest subsidy to low cost home buyers
- Simplification of KYC norms, introduction of no frills accounts and Kisan Credit Cards to increase rural banking penetration.
- RBI is allowing for more licenses to private sector players to increase banking penetration
- Deposits grew at a CAGR of 11.47% and reached 1.46 trillion in FY 16 (Source RBI).

5.2. Reducing regional inequality is key to develop economy:

Comprehensive tax reform building up on the landmark GST reform would lift all boats. Financial Literacy is one of the biggest components of financial inclusion. It comprises of three elements –Financial Knowledge, Financial Attitude and Financial Behavior as on June 2015, 1226 financial literacy centers (FLCs) were set up across the country by lead banks to conduct financial literacy camps.

5.3. Major Steps taken by RBI to Foster Financial Inclusion (FI):

- RBI has implemented a bank led model for FI, but has legalized non-bank entities to partner bank in their FI initiatives.
- RBI always encouraged banks to pursue FI as a commercial activity.
- RBI always encouraged banks to leverage technology to attain greater reach and penetration while keeping the cost of providing financial services to the minimum.
- RBI has advised banks to adopt innovative business models and delivery channels to expand their FI efforts.
- There is a need for banks to develop new products and design, new delivery models that are customized to the unique needs of the financially excluded population.
- RBI has adopted an integrated approach wherein efforts towards FI and Financial Literacy would go hand in hand.
- A National Strategy for Financial Education (NSFE) has also been finalized under the aegis of the Financial Stability and Development Council (FSDC) to co-ordinate efforts of various stakeholders involved in this process.

5.4. RBI has inactively participated by altering the policy:

- Branch authorization has been relaxed to the extent that banks do not require prior permission to open branches in centers with population less than 1 lakh.
- RBI legalized banks to utilize the services of intermediaries in providing banking services through the use of business expeditors and business correspondents.
- The idea is to have a combination of physical branch network and BC's for extending financial inclusion, especially in geographically dispersed areas.

- Opening of small accounts has simplified with the help of Know Your Customers (KYC) requirements assists account opening with self-certification in the presence of bank officials.

6. Paradigm Shift

Development of poor people who are mostly situated in rural areas is development of Indian economy so government has taken major steps to improve the financial literacy among these people which will result in developing good financial habits in return improving financial inclusion which is an indicator of social and economies development of society in the year 2013-14 government has undertaken a step to increase the branches even liberty is given to private sector which has increased the proportion even these branches are approaching rural people through various scheme like Jan Dhan Yojana ,Dbt Scheme, Kisan Credit Card ,Sansad Adarsh Gram Yojana ,Atal Pension Yojana, Awas Yojana, Krishi Sinchai Yojana , Garib Kalian and many Insurance schemes

6.1. Number of New Bank Branches Opened

Strong growth in savings among rising disposable income levels are the major factors influencing deposit growth.

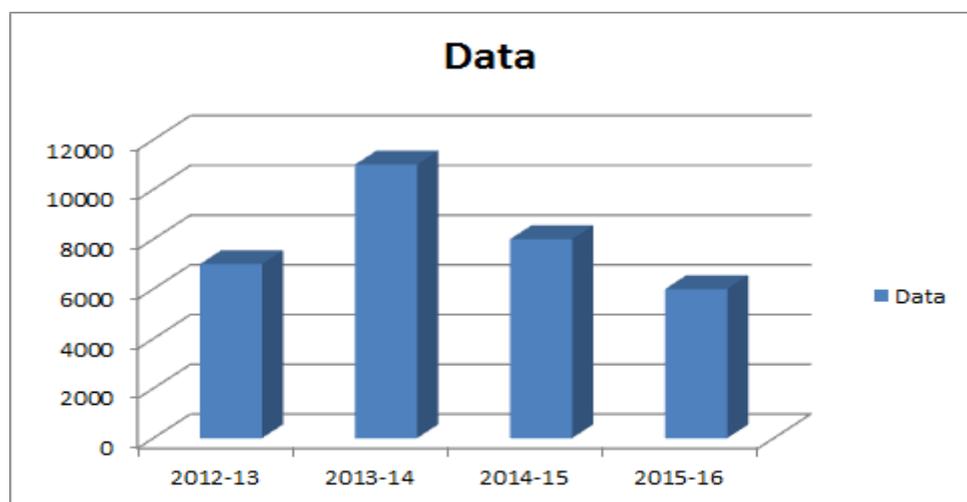


Figure.1. Number of New Bank Branches Opened

Banks were advised to draw up a roadmap for providing banking services in every village having a population of over 2000 by March 2010. Bank has achieved the target by covering 73398 unbanked villages.

In second phase, Roadmap has been prepared for covering remaining unbanked villages i.e. with population less than 2000 in a time bound manner.

The recent outline of direct benefit transfer, leveraging the Aadhar platform will help simplify delivery of social welfare benefits by direct credit to the bank account of beneficiaries.

This has resulted in increasing number of accounts thereby creating awareness among the people about the banking practices which is clarified in table below;

Table.1. PMJDY Progress Report

PMJDY Progress Report (Bank Name)				Rural	Urban	Total	No. of Rupay Cards	Aadhar Seeded	Balance in Accounts	% of Zero Balance Accounts
Public Sector Bank				8.91	7.10	16.01	13.82	7.46	24180.79	31.78
Regional Rural Bank	3.12	0.51	3.63	2.62	1.04		5286.66		26.24	
Private Bank	0.45	0.30	0.74	0.70	0.24		1170.83		39.80	
Total	12.47	7.91	20.38	17.14	8.74		30638.29		31.09	

6.2. Source: PMJDY Report

The focus of FI was on rural development which was achieved by increased number of banking outlets in various villages it means financial literacy has supported economic revival.

6.2.1. Number of banking outlets in village

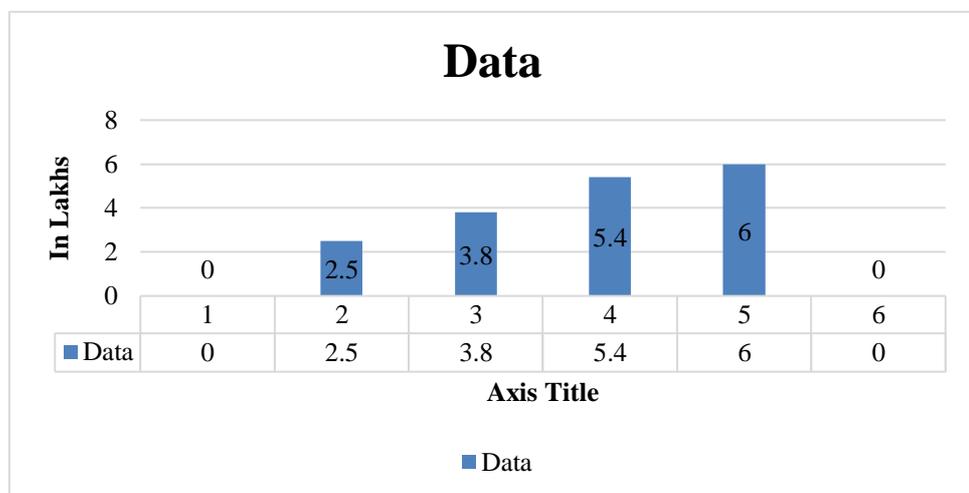


Figure.2. Number of Banking Outlets in Village

It shows the increase in number of outlets of banking in village's .With this increase the financial literacy increases which is the major yardstick for the economic revival of the country.

7. Conclusion

The Online learning has become the need of the hour for the higher educational sector since the students community are now looking for the various advanced modes of learning tools and get the maximum benefits of the education process. The colleges have to update the system so that we can use this technology for the quality improvement of the educational system as whole. This will be very useful to make the colleges update their infrastructure to provide online learning facilities for the students at the college level education. All the stakeholders of education will be benefited by such activities at college level. The proper planning and implementation of these online activities has to be carried out by the management of the Colleges and proper documentation has to be prepared. The innovation in the online learning activities is must to get maximum benefit.

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