

Growth and Trends in Financial Inclusion in India

OPEN ACCESS

Volume: 9

Special Issue: 1

Month: March

Year: 2022

P-ISSN: 2321-4643

E-ISSN: 2581-9402

Impact Factor: 3.122

Received: 18.01.2022

Accepted: 16.02.2022

Published: 19.03.2022

Citation:

Ramu, R., et al. “Growth and Trends in Financial Inclusion in India.” *Shanlax International Journal of Management*, vol. 9, no. S1, 2022, pp. 128–38.

DOI:

<https://doi.org/10.34293/management.v9iS1-Mar.4902>

R. Ramu

Research Scholar, Department of Economics, Andhra University

K. Murali

Research Scholar, Department of Economics, Andhra University

Prof. G. Nagaraja

Department of Economics, Andhra University

Abstract

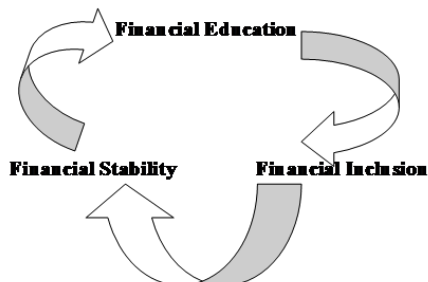
Only through the proper mechanisms that distribute all resources from top to bottom can inclusive growth be achieved. Because India has the world's largest rural population, the area of financial inclusion is novel that uses various approaches to improve rural people's banking habits. Financial inclusion aims to facilitate financial services, banking facilities to all people at an accessible cost in an indifferent, clear, and horizontal manner. Low-income families have low access to bank accounts, must spend time, money on several visits to obtain banking services, similarly the opening a savings bank account or applying for a loan. In this connection, many rural families find it challenge to save and prepare financial security for future. The present paper tried to explain how much to awareness of financial inclusion and financial literacy in India.

Keywords: Financial Inclusion, IMF, Financial Services, Reserve Bank, Inclusive Growth.

Introduction

Inclusion of finance is an essential component of long-term, balanced economic growth that decreases inequalities of income. While we have made great progress in this sector over the years, the pandemic has introduced complications and challenges to the situation. After meet up the needs and demands of our recovering economy, financial sector will be vital. The below graphical representation shows that, a primary approach to include three elements: 1. Financial Education 2. Financial inclusion 3. Financial Stability. The demand side is provided by financial education, which raises insight into the requirements and opportunities of services provided by bank institutions and further financial institutions. While financial inclusion promotes awareness of the requirements and benefits of financial services supplied by banks along with other institutions, financial education promotes knowledge of the needs and benefits of services provided by banks and other institutions. These two techniques will help to increase financial stability future time. The Financial Stability Development Council (FSDC) is charged with focusing on financial literacy as well as financial inclusion.

The Financial Tripe



Dr. C. Rangarajan is a chairman of the Financial Inclusion committee says “Financial inclusion” is defined as “the process of assuring weaker section groups, such as weaker parts and low-income groups, affordable access to financial services and timely and adequate financing when needed.” According to Dr. Raghuram G. Rajan, chairman of the committee on financial sector reforms “Broadly defined, financial inclusion refers to universal access to a wide range of financial services at a fair cost.” These include not only banking products, but also insurance and equity products.”

Scope of the Study

RBI, commercial banks, microfinance institutions, and other financial institutions all played vital roles in improving and developing the field of financial inclusion. My research focuses on how many facilitates the number of ATMs per every 1000 km and 1,00,000 adults, as well as the position of provide borrowing facilities with commercial banks and micro finance institutions may help promote financial literacy and inclusion for India’s rural and semi-urban populations. Even today, financial inclusion plays an important part in the country’s GDP growth, so how much does it contribute to the country’s GDP and what role does it play in expanding GDP with the support of banking institutions, non-banking institutions, and other financial corporation’s.

Review of Literature

According to IIMS (2007), the financially excluded consumers have certain unique characteristics which decouple them from the proper financial system in its current form like financial illiteracy, low down and repeated income, negligible collateral due to low / no savings on fixed assets, low credit history, and deficiency of formal and provable identity, credit primarily for personal consumption.

The Indian Bank’s Association (2012) The necessity for a cost-effective IT-enabled model focused on serving the underprivileged was suggested in the Approach Paper on IT-enabled Financial Inclusion, which listed the following obstacles that must be overcome with the technology intervention model of financial inclusion: Distance and reach; Environmental factors; Alternative models such as BCs and BFs; Communication last mile; Simplifying KYC norms and master data maintenance; Link failure contingencies; Equipment servicing; Branch network; Linkage with NGOs, Government agencies, and Extension Agencies; Development of customer-friendly new products and services; Population density and awareness of banking; Technology use for daily operations The Approach Paper included 23 recommendations for implementing technology to promote financial inclusion.

Financial Access Survey (FAS) of World Bank (2012) India has 33.17 commercial bank branches per 1,000 km²; 11.38 commercial bank branches every 100,000 adults; 32.67 ATMs per 1,000 km²; 11.21 ATMs every 100,000 adults; 68.64 outstanding deposits with commercial banks (% of GDP); 54.24 outstanding loans from commercial banks (% of GDP); 68.64 outstanding

deposits with commercial banks (% of GDP); 68.64 outstanding deposits with commercial banks (% of GDP); 54.24 outstanding loans from commercial banks (per For every 1,000 adults, there are 1042.48 deposit accounts with in commercial banks, 151.06 loan accounts with commercial banks, 892.49 household deposit accounts with the commercial banks, and 23.54 household loan accounts with commercial banks.

RBI Annual Report (2013), According to the Reserve Bank of India’s Annual Report 2013, India performed poorly on financial inclusion measures when compared to the worldwide average. According to the survey, India also fared low in credit cards, outstanding mortgages, health insurance, adult origination of new loans, and mobile banking, indicating that financial inclusion is still a work in progress. The BC model has failed to meet the needs of financial inclusion. The model cannot serve the goal of financial inclusion on its own. According to the report, it cannot replace the services and consumer confidence that brick and mortar bank locations give.

Objectives

1. To study the awareness of financial inclusion in India.
2. To analyse the position of India in financial inclusion.
3. To study the share of financial intensities in India’s GDP.

Methodology

It is based mainly on secondary data both qualitative and quantitative the qualitative data is based on cases study reports, observations and focused group discussions. The quantitative data is collected form IMF Reports, RBI Reports, Internet and Andhra University Library.

Growth and Trends in Financial Inclusion in India

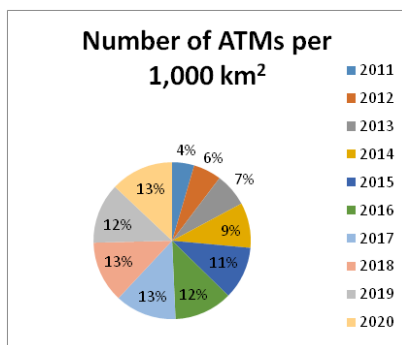
1. Number of ATMs per every 1,000 km²

The total No. of ATMs every 1,000 km² in India witnessed a CAGR of 25.81% during 2011. The total of ATMs every 1,000 km² increased from 73.67 in 2020. It indicates the financial inclusion in the area of No. of ATMs has been increased continuously. (Table-1 and Chart-1)

Table 1

Year	Percentage
2011	25.81
2012	32.67
2013	38.96
2014	52.90
2015	61.93
2016	67.96
2017	71.83
2018	71.86
2019	70.66
2020	73.67

Chart-1



Sources: IMF FAC Reports, 2021

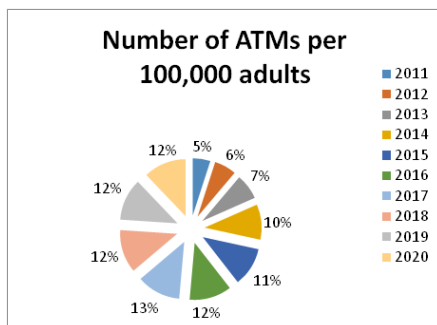
2. Number of ATMs per every 100,000 adults

The sum No. of ATMs per every 100,000 adults in India witnessed an IMF of 8.82% during 2011. The overall number of ATMs per every 100,000 adults in India increased from 21.50 in 2020. It indicates the financial inclusion in the area of No. of ATMs per every 100,000 adults has been increased continuously. (Table-2 and Chart-2)

Table 2

Year	Percentage
2011	8.82
2012	10.95
2013	12.82
2014	17.73
2015	19.64
2016	21.17
2017	22.00
2018	21.65
2019	20.95
2020	21.50

Chart-2



Sources: IMF FAC Reports, 2021

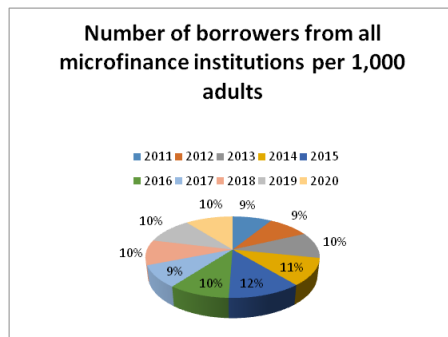
3. Number of borrowers from all microfinance institutions per every 1,000 adults

The total amount of borrowers from all microfinance institutions per every 1,000 adults in India witness to 26.16% during 2011. The No. of borrowers from all microfinance institutions per every 1,000 adults in India increased from 31.62 in 2020. It indicates the financial inclusion in the area of No. of borrowers from all microfinance institutions per 1,000 adults has been fluctuating in the years of 2016, 2017 and it was increased in the year 2020 (i.e. 31.62). (Table-3 and Chart-3)

Table 3

Year	Percentage
2011	26.16
2012	27.55
2013	31.02
2014	32.09
2015	34.64
2016	28.82
2017	26.03
2018	29.75
2019	31.63
2020	31.62

Chart-3



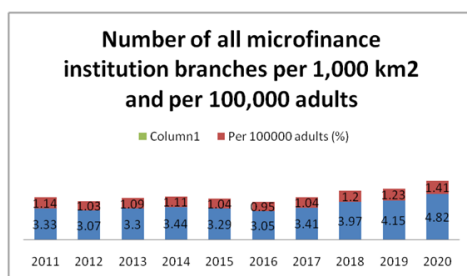
Sources: IMF FAC Reports, 2021

4. Number of all microfinance institution branches per every 1,000 km² and per every 100,000 adults

The Total No. of every microfinance institution branches per every 1,000 km² in 2011 was 3.33% and it was increased to 4.82% in 2020 in India it was witness to the No. of all micro finance institutions branches increased. Microfinance institution branches per every 100,000 adults in India were increased from 1.14% (2011) to 1.41% (2020). It shows that the financial inclusion in the area of No. of branches from all microfinance institutions per 1,000 adults was increased in the year 2020. (Table-4 and Chart-4)

Table 4

Year	Per 1,000 km2 (%)	Per 100,000 adults (%)
2011	3.33	1.14
2012	3.07	1.03
2013	3.30	1.09
2014	3.44	1.11
2015	3.29	1.04
2016	3.05	0.95
2017	3.41	1.04
2018	3.97	1.20
2019	4.15	1.23
2020	4.82	1.41

Chart- 4

Sources: IMF FAC Reports, 2021

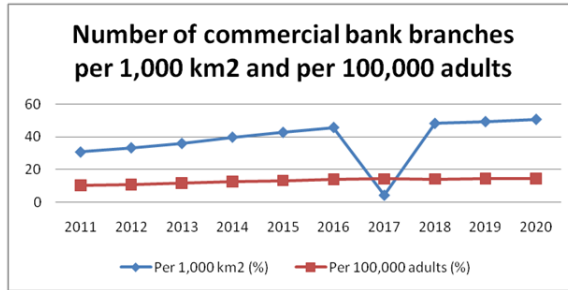
5. Number of commercial bank branches per every 1,000 km2 and per every 100,000 adults

With the efforts of RBI, branches of Scheduled Commercial Banks increased multiple from 30.65 in March 2011 to 50.53 in March 2020, spread across length and breadth of the country (Chart 5). In the area of per every 100,000 adults commercial banks branches increased 10.47% to 14.74 during March 2011 to March 2020.

Table 5

Year	Per 1,000 km2 (%)	Per 100,000 adults (%)
2011	30.65	10.47
2012	33.24	11.14
2013	35.89	11.81
2014	39.69	12.82
2015	42.62	13.52
2016	45.63	14.21
2017	48.37	14.51
2018	48.11	14.50
2019	49.17	14.58
2020	50.53	14.74

Chart-5



Sources: IMF FAC Reports, 2021

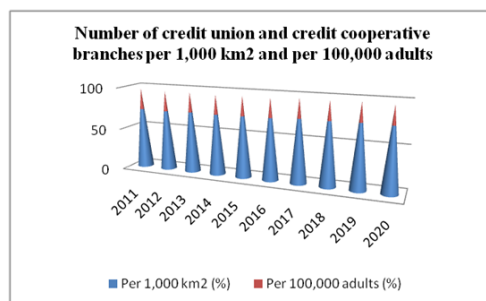
6. Number of credit union and credit cooperative branches per 1,000 km2 and per 100,000 adults

With RBI efforts, credit union and credit cooperative branches per every 1,000 km2 increased many from 72.08 in March 2011 to 74.51 in March 2020, spread across length and breadth of the country (Chart 6 and table-6). In the area of per every 100,000 adults the credit unions & credit cooperation’s branches decreased 24.63% to 21.74 during March 2011 to March 2020.

Table 6

Years	Per 1,000 km2 (%)	Per 100,000 adults (%)
2011	72.08	24.63
2012	71.50	23.97
2013	72.36	23.80
2014	71.95	23.23
2015	72.38	22.95
2016	72.71	22.65
2017	74.41	22.79
2018	74.37	22.41
2019	75.03	22.25
2020	74.51	21.74

Chart-6



Sources: IMF FAC Reports, 2021

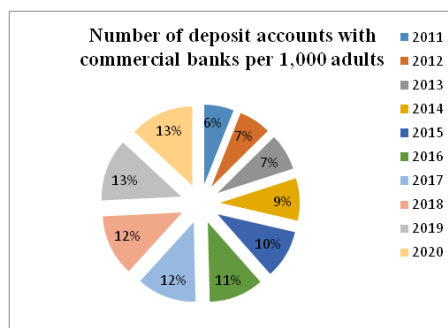
7. Number of deposit accounts with commercial banks per every 1,000 adults

With the effort RBI since 2005, the No. of deposit accounts with commercial banks per every 1,000 adults increased manifold from 930.92 in March 2011 to 2030.71 in March 2020, (Chart-7). The increasing No. of deposits with commercial banks indicates increasing financial literacy among all individuals in India.

Table 7

Year	Percentage
2011	930.92
2012	1018.32
2013	1156.19
2014	1332.16
2015	1535.84
2016	1724.50
2017	1881.54
2018	1937.25
2019	1967.61
2020	2030.71

Chart-7



Sources: IMF FAC Reports, 2021

8. Number of mobile money transactions per every 1,000 adults

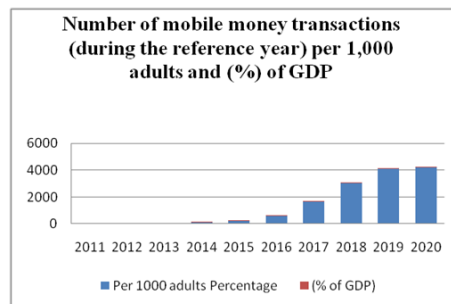
As per RBI norms to implementation of financial inclusion the quantity of mobile money transactions per every 1,000 adults increased manifold from 36.17 in March 2013 to 4222.96 in March 2020, spread across length and breadth of the country (Chart 8 and table-8). The share of number of mobiles money transactions (during the reference year) per 1,000 adults in GDP was increased 0.01% in 2013 to 0.93% of 2020. It is indicate the financial literacy was increased during the 2011 to 2020.

Table 8

Year	Per 1000 adults Percentage	(% of GDP)
2011	-	-
2012	-	-

2013	36.17	0.01
2014	116.75	0.02
2015	271.99	0.06
2016	632.74	0.13
2017	1678.97	0.13
2018	3066.75	0.58
2019	4130.13	0.90
2020	4222.96	0.93

Chart-8



Sources: IMF FAC Reports, 2021

9. The share of outstanding deposits with commercial banks, credit unions, SME and household sector in Indian GDP

The share of outstanding deposits with commercial banks (% of GDP) increased from 61.69% in March 2011 to 71.63% in March 2020, the share of outstanding deposits of household sector with commercial banks (% of GDP) increased from 32.11% in March 2011 to 45.49% in March 2020, share of outstanding deposits with credit unions and credit cooperatives (% of GDP) increased from 5.65% in March 2011 to 6.23% in March 2020.

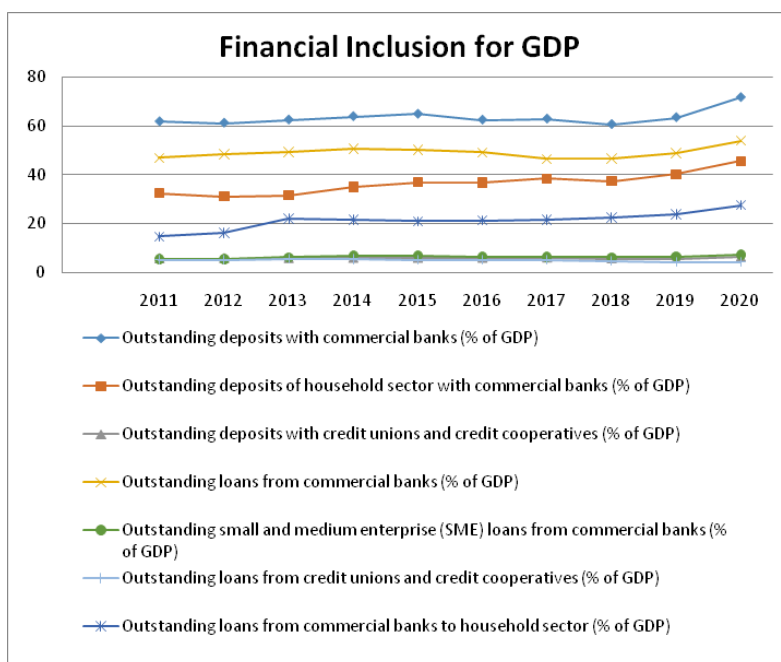
The share of outstanding loans from commercial banks (% of GDP) increased from 46.65% in March 2011 to 53.71% in March 2020, share of outstanding loans from commercial banks to household sector (% of GDP) increased from 14.74% in March 2011 to 27.36% in March 2020, share of outstanding small and medium enterprise (SME) loans from commercial banks (% of GDP) increased from 5.48% in March 2011 to 6.45% in March 2020. The share of outstanding loans from credit unions and credit cooperatives (% of GDP) decreased from 5.13% in March 2011 to 4.74% in March 2020. Spread across length and breadth of the country. (Table-9 and Chart-9)

Table 9

Year	Outstanding deposits with commercial banks (% of GDP)	Outstanding deposits of household sector with commercial banks (% of GDP)	Outstanding deposits with credit unions and credit cooperatives (% of GDP)	Outstanding loans from commercial banks (% of GDP)	Outstanding loans from commercial banks to household sector (% of GDP)	Outstanding small and medium enterprise (SME) loans from commercial banks (% of GDP)	Outstanding loans from credit unions and credit cooperatives (% of GDP)
2011	61.69	32.11	5.65	46.65	14.74	5.48	5.13
2012	61.12	30.96	5.68	48.30	16.17	5.31	5.18

2013	62.43	31.43	5.78	49.19	21.93	6.12	5.60
2014	63.81	34.78	5.83	50.39	21.48	6.83	5.39
2015	64.79	36.74	5.80	49.95	20.85	6.98	5.30
2016	62.37	36.61	5.88	48.87	21.18	6.47	5.21
2017	62.79	38.34	5.94	46.33	21.45	6.26	4.95
2018	60.54	37.20	5.57	46.42	22.43	6.09	4.74
2019	63.37	40.05	5.58	48.63	23.75	6.45	4.44
2020	71.63	45.49	6.23	53.71	27.36	7.22	4.25

Chart-9



Sources: IMF, PAC Reports, 2021

Conclusion

To sum up, Financial Inclusion supports inclusive growth by making financial services that is credit and other safety nets, available to those at the bottom of the economic pyramid. Financial inclusion plus inclusive growth enhance financial stability, according to historical lessons and experiences obtained during the COVID-19 epidemic. People at the bottom of the pyramid will be better equipped to make educated financial decisions therefore of increased financial literacy and education, plus effective consumer protection systems. This will also allow banks, NBFCs, MFIs, and other financial institutions to expand their customer base and product offerings while diversifying their balance sheets.

I am conclude that the No. of ATMs per every 1,000 km² increased from 73.67 in 2020, No. of borrowers from all microfinance institutions per 1,000 adults in India witness to 26.16% during 2011. The No. of borrowers from all microfinance institutions per every 1,000 adults in India increased from 31.62 in 2020. The share of No. of mobiles money transactions (during the reference year) per every 1,000 adults in GDP was increased 0.01% in 2013 to 0.93% of 2020. It is indicate the financial literacy was increased during the 2011 to 2020.

References

1. Government of India (2008), Report of the Rangarajan Committee on Financial Inclusion, Ministry of Finance, GoI.
2. Government of India (2011), —Census of India, Registrar General & Census Commissioner India, GoI.
3. Government of India (2015), Gyan Sangam a step towards new banking paradigm Conclave document (2015), Pune
4. Haddad L, Hoddinott J, Alderman H (eds) (1997), Intra household resource allocation in developing countries. Baltimore, MD and London: Johns Hopkins University Press
5. IIMS (2007), Invest India Incomes and Savings Survey, Invest India Market Solutions. www.iimsdataworks.com
6. IMF (2012), Financial Access Survey, International Monetary Fund, Washington
7. Indian Bank’s Association (IBA) (2012), Approach Paper on IT-enabled Financial Inclusion: How to Leverage Technology for Broad-Basing Financial Inclusion Initiatives, IBA, 2012.
8. Johnston, D. Jr. and Morduch, J. (2008), The Unbanked: Evidence from Indonesia, World Bank Economic Review, 22 (3), 517-537, 2008.
9. Joshi Deepali Pant (2011), The Financial Imperative and Sustainable Approaches, Foundation Books, Delhi
10. Indian Bank’s Association (IBA) (2012), Approach Paper on IT-enabled Financial Inclusion: How to Leverage Technology for Broad-Basing Financial Inclusion Initiatives, IBA, 2012.