



A STUDY ON IMPACT OF FINANCIAL INCLUSION ON POVERTY ALLEVIATION IN INDIA

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ABSTRACT

India has witnessed for development of an Economy with many plans changes over the last few decades. Financial inclusion has gained importance since early 2000s. Several reforms and initiatives aimed at poverty alleviation, and enhancing financial inclusion had been attempted by the Indian government. In 2013 that 2 billion working age adults globally have to access types of formal financial services delivered by regulated financial institution. Over the last decades India had faced major problem of poverty. Poverty curbs the development of Economy. The purpose of the study is to concentrate on effects of financial inclusion in poverty reduction, Modern effects of Micro finance: effect of enlarging banking activities like, credit facility: effect of SSI (small scale industries) and various government scheme for reduction of poverty alleviation, role of education in poverty alleviation. The Data collection helps to analyze, Actual position of financial inclusion in India in 2023. The finding of the study revealed that there is significant relationship between financial inclusion and poverty alleviation suggestion further revealed that all financial drivers positively develop relationship between financial inclusion and drivers of finance. This paper recommends that financial inclusion play major role to boost Indian Economy. The level of increasing technology also increases the way of getting finance.

KEY WORDS

Education, Technological support skill and knowledge Employment, Poverty reduction schemes. Economic development.

INTRODUCTION

Financial inclusion is one of the key elements of social inclusion. It provides opportunity for the people to opt benefit from financial services and contribute to the process of economic advancement. Financial inclusion introduced by K.C Chakraborty, chairman, Indian bank in 2005 Tamil Nadu is the first state in India where all the financial services were provided. After emerging of new economic policy, LPG in 1991 India gave importance for financial inclusion. This study mainly concentrates on poverty reduction from various financial services recommended by the government of India. Government of India adopted various schemes. From the late 19th century early 20th century, under British colonial rule, poverty in India intensified, peaking in the 1920s, famines and diseases killed millions each time. After India got freedom from British rule in 1947, mass death from famines

were prevented since 1991, rapid economic growth has led to a sharp reduction in extreme poverty in India, In 2009-2010 below poverty line 354 million (296% of the population). World data lab anticipate the effect of these methodology adjustments will respect in a level of extreme poverty in India. Today 24.8% of people which will came down to 14.9% in 2023. New economic policy gave a better turn to India by contributing foreign direct Investment, micro finance, employment, financial services, throughout the world but in India Micro Finance play a major role for elimination of poverty in India. Because everyone are not provided with all financial services, but even medium and small income group people also liable to get micro finance. In 2023 financial inclusion has been a top priority of the government for targeted benefits and poverty alleviation. As per Finance Minister Nirmala Sitharaman rate of economic growth is necessary to alleviate poverty and ensure that benefits of development reach the poor. For that availability of micro finance is the only way. Financial inclusion, poverty alleviation should be the goals of good governance. so the commercial banks, NBFCs and NGOs cooperatives also participate in this programme. Financial inclusion is broader access to Finance. Where individuals and business have accessed their useful and affordable financial products like loans, advances, financial instructions, accepting deposits safety etc. According to RBI, "It is a process of ensuring access to appropriate financial products and services need by all sections of the society in general and vulnerable group such as, weaker sections and low-income groups in particular at an affordable cost in fair transparent manner by mainstream institutional players. Poverty means state of being inefficient in finance, unavailability of common necessity that determine quality of life, (food, cloth, shelter, safe drinking). According to World Bank, "poverty is pronounced deprivation in well-being, and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity". In worldwide poverty is called a social problem. Poverty is removed only through effective availability of financial inclusion.

RESEARCH METHODOLOGY

The purpose of this paper is to analyze financial inclusion in poverty alleviation, identify relationship between financial availability in India for reduction of poverty and evaluate existing governmental policies aimed at poverty alleviation. The data are gathered from various sources (secondary data), research work done by reputed data, other relevant online application and other information from both offline and online.

OBJECTIVES OF THE STUDY

1. To study on financial inclusion in poverty alleviation through various schemes.
2. To study on impact of micro finance for poverty alleviation
3. To study on effect of increase in literacy on poverty alleviation.

1. TO STUDY ON FINANCIAL INCLUSION IN POVERTY ALLIVIATION THROUGH VARIOUS SCHEMES

The government of India placed number of schemes for reduction of poverty because poverty is main barrier for development of economy. Poverty leads to lack of individual Education, Unemployment, and no percapita income. So Central Government of India introduced many schemes. They are

1.1 Pradhan Manthri Jandhan Yojana (PMJDY)

1.2 Atal Pension Yojana (APY)

1.3 Pradhan Mantri vaya vandhana yojana (PMVY)

1.4 Stand up India Scheme

1.5 Pradhan Manthri suraksha Bima Yojana (PMSBY)

1.6 Sukanya Samriddhi Yojana

1.7 Jeevan Suraksha Bandhan Yojana

1.8 Credit Enhancement Guarantee scheme (CEGS)

1.9 Venture Capital Fund for Schedule caste

1.10 Varshitha Pension Bima Yojana. (VPBY) etc.

1.1 Pradhan Manthri Jandhan Yojana (PMJDY):

This scheme attained, eradicate poverty and curb corruption at the grassroots level, industry said today, it gives affordable financial services like, savings account, easy credit and insurance. Till now more than 2.3 crore bank accounts were opened across the country.

1.2 Atal Pension Yojana (APY):

This scheme has attained significant role in the old age income security of the working poor and the longevity risks among the workers in unorganized sector. Under this every individual who attained the age of 40 years they withdraw 1000 to 5000 per month.

1.3 Pradhan Mantri vaya vandhana yojana (PMVY):

Under this scheme pension is available for senior citizen. It offers guaranteed payout of pension at a specified rate of 10 years.

1.4 Stand up India Scheme:

It aims at providing entrepreneurship among women and scheduled castes and tribes.it provide loan up to 10 lakhs to 1 crore.

1.5 Manthri suraksha Bhīma Yojana (PMSBY):

It is launched in 2015 9 May. Nearly 13.53 crore people are enrolled under this scheme. It may cover accidental death, disability. IN 2023 34.2 crores, enrollment have done and 6.64 lakh families received claims of Rs.13, 290 crores under the scheme.

1.6 Sukanya Samriddhi Yojana:

The scheme launched by the Ministry of Women and Child development, Government of India in the year 2015.it is formed under," Beti Bachao Beti Padhao." This scheme is called as Girl child account. It encourages girl child parent To Nurture and educate the girls without discrimination.

1.7 Jeevan Suraksha Bandhan Yojana:

It was launched in 2015, 18 August; it aims at creating universal poverty alleviation and social security in the country.

1.8 Credit Enhancement Guarantee scheme (CEGS):

The objective of this scheme is to promote Entrepreneurship amongst SC by providing credit Enhancement guarantee to bank and financial institution.

1.9 Venture Capital Fund for Schedule caste:

It promotes entrepreneur who have innovative and adoption of technologies for creating employment opportunities.

1.10 Varshitha Pension Bima Yojana (VPBY):

This scheme mainly aims to provide financial assistance for senior citizen who attained the age of 60years. Through all these scheme government has attained considerable financial Inclusion for poverty alleviation.

2. IMPACT OF MICRO FINANCE FOR POVERTY ALLEVIATION

Dr. Mohammad Yunus found Micro Finance under Grameen foundation in 1983, with the vision of Self Support for poor people by providing Micro Credit. Micro finance plays a very important role in India for poverty alleviation. Micro means small finance, money assistance, and providing opportunity to individuals and business to have access of finance. It includes micro credit, small loans, and micro insurance. Various financial institutions provide small loans and other financial services. Micro financial institutions are a source of great inspiration between 1983 - 2023. Grameena bank issued loans up to 9.5 million borrowers to small entrepreneurs. Micro finance is helping for end poverty in developing countries. it helps to low-income group people to start business and save money pay back loan overtime. The main idea behind this is to empower the borrowers by starting small scale industries.

❖ EXAMPLES OF MICRO FINANCE:

- State bank of India
- Muthoot micro fin limited
- BSS microfinance limited
- Fusion microfinance private limited
- Bandhan financial services limited

❖ FEATURES OF MICRO FINANCE FOR POVERTY ALLEVIATION:

- Provide short term loan
- Small loans and savings
- Mainly granted to women
- Weekly compensation
- Group of people can use
- Frequent payment schedule

2.1 IMPORTANCE OF MICRO FINANCE FOR POVERTY REDUCTION IN INDIA:

- 2.1.1 Micro finance can be provided under three levels namely, Individual level, Household level, Enterprise level.
- 2.2.2 Micro finance work as a fuel to the developing economy.
- 2.2.3 The poor become able to earn for their basic needs and they work as self-employed.
- 2.2.4 It empowers the women and increases the household income.
- 2.2.5 It has increased the level of Education, health, and nutrition.

While acknowledging the fundamental role of micro finance there is varying perception over the years. Micro finance might be a very good weapon in fighting against poverty.

3. TO STUDY ON EFFECT OF INCREASE IN LITERACY ON POVERTY ALLEVIATION.

Education is the most effective tool for poverty alleviation in India .Literacy aid for employment generation and economic development of the country. Education opens the door to acquire skills, improve

knowledge, critical thinking, creativity that leads to poverty alleviation. Education and poverty alleviation are directly correlated. Education enriches employment likelihood, income potential and entrepreneurial possibilities which lead to break poverty. It also puts up for societal development and stimulates innovation. Education delivers guarantee of success and earnings for future generations.

3.1 ROLE OF EDUCATION IN POVERTY ALLEVIATION

3.1.1 Education is indispensable for eradicating the poverty. There are different forms of poverty like rural poverty, urban poverty, relative poverty, situational poverty etc. these forms of poverty can be eradicated through education. Education creates awareness regarding job opportunities, distinct of savings and enriching living conditions.

3.1.2 To alleviate the situation of poverty development of communication skills are essential for rural communities. Education is the instrument for developing the communication skills of individuals.

3.1.3 Education is Evergreen for employment generation. It helps to enrich individuals with new and valuable information. Employment contributes to poverty reduction in economy.

3.1.4 Considerable investment in education has achieved constant economic development. According to the World Bank increasing the average of schooling by one year can increase the country's GDP growth by 0.37%.

3.1.5 Education is a base for individual development through the education individual acquires skill and knowledge that stimulates self-development. Proficient individual contributes for technological development of the economy. It increases the productivity in turn poverty alleviate.

FINDINGS AND SOLUTIONS

- Businessman are not utilizing available finance properly
- To get availability of finance takes long procedure.
- Poor people are not much aware of Governmental schemes.
- Because of increasing technology micro finance is not sufficient to meet business, household and individual needs.

- As of Increasing Corruption poverty is not alleviating completely.

SUGGESTIONS

- Measuring the poverty line in India.
- Avoid falsification of documents.
- Creating awareness of governmental schemes (incentives and subsidies) to support for poverty alleviation.
- Avoid long procedure for getting various schemes.

CONCLUSION

Financial inclusion play significant role on poverty alleviation. Government of India constituted a committee on financial inclusion that was headed by Dr.C. Rangarajan, chairman, economic advisor council to the Prime Minister. Government of India has introduced various schemes to overcome from poverty. The study gained insight into various schemes on micro finance, governmental policies and significance of literacy on poverty alleviation.

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