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FINANCIAL INCLUSION INDEX IS AN IMPORTANT FOR INCLUSIVE GROWTH AND FINANCIAL INCLUSIVITY

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Abstract

One paradigm for economic growth that is growing is financial inclusion, particularly in developing nations like India. Given that India is home to the biggest population of rural people worldwide, financial inclusion is a novel idea that uses creative methods to encourage rural residents to develop banking habits. Providing banking and financial services to everyone in a fair, transparent, and equitable manner at a reasonable cost is the goal of financial inclusion. Because it offers policy solutions to remove the obstacles preventing people from accessing financial markets, financial inclusion is essential to inclusive growth. The goal of inclusion is to provide underprivileged groups, such as lower-class individuals, with timely and enough credit access as well as reasonably priced access to various financial services.

Keywords: sustainable growth, inclusive financial inclusion, financial service

1. Introduction:

Financial inclusion is a relatively new idea that works with financial institutions to reach the unreached population with financial services in order to support the nation's sustainable growth. Adults who are financially included can obtain and utilize a variety of suitable financial services. Such services must be offered in a well-regulated setting, ethically, safely, and sustainably to the provider. Having a deposit or transaction account at a bank, other financial institution, or through a mobile money service provider, which can be used to make and receive payments, is the first step toward financial inclusion to accept payments and to hold or conserve cash. The concept of financial inclusion is complex.

2 – Objectives:

1 – To understand the concept of inclusive growth and financial inclusion.

2 – To know about schemes of financial inclusion and its objectives.

3 – To study the significance of financial inclusion index.

3.1 - Inclusive Growth and Financial Inclusion

3.1.1: Inclusive Growth:

Economic expansion that reduces poverty and generates job opportunities is known as inclusive growth. It refers to the impoverished having access to basic health and educational services. It entails granting people equitable opportunities and empowering them via skill development and education. It also includes an environmentally friendly growth process, strives for good governance, and aids in the development of a society that is sensitive to gender issues.

By emphasizing the fair distribution of resources, lowering poverty, and granting access to opportunities and basic services for all citizens—especially marginalized groups like the poor, women, and underprivileged communities—inclusive growth seeks to address the nation's socioeconomic disparities.

3.1.2: Financial Inclusion:

Ensuring vulnerable populations have affordable access to financial services is known as financial inclusion. Because financial inclusion fosters a culture of saving, which starts a positive feedback loop of economic development, it is essential for inclusive growth. Financial inclusion helps to manage day-to-day resources, enhance quality of life, guard against vulnerability, make investments that increase productivity, and leverage assets. It also makes economic transactions easier.

3.2: Financial Inclusion Schemes and Their Goals:

By having access to practical, reasonably priced financial services and products that suit their needs—transactions, payments, savings, credit, and insurance—and are provided in an ethical and sustainable manner, people and businesses are said to be financially included.

3.2.1. Indian Financial Inclusion Programs

The Indian government has been implementing a number of exclusive programs with the aim of promoting financial inclusion. The goal of these programs is to give social security to the least fortunate members of society. Following extensive preparation and study by numerous financial specialists and legislators, the government introduced programs with financial inclusion in mind. These programmes were introduced in a variety of years. Here is a list of the nation's financial inclusion initiatives:

Stand Up India Scheme;

Pradhan Mantri Mudra Yojana (PMMY);

Pradhan Mantri Suraksha Bima Yojana (PMSBY);

Pradhan Mantri Jan Dhan Yojana (PMJDY);

Atal Pension Yojana (APY);

Pradhan Mantri Vaya Vandana Yojana (PMVVY);

Sukanya Samriddhi Yojana

Suraksha Bandhan Yojana Jeevan

Scheduled Credit Enhancement Guarantee Scheme (CEGS)

3.2.2. Financial Inclusion's Goals:

• The goal of financial inclusion is to assist individuals in obtaining affordable financial services and goods, such as loans, insurance, deposits, fund transfer services, and payment services.

• Its goal is to create appropriate financial institutions to meet the impoverished people's demands. These organizations ought to be subject to precise rules and uphold the same strict standards as the banking sector.

• The goal of financial inclusion is to create and preserve financial sustainability so that those who are less fortunate can count on having the money they need when they need it most.

• The goal of financial inclusion is to raise the economically disadvantaged segments of society's knowledge of the advantages of financial services.

• The goal of financial inclusion is to develop financial solutions that are affordable for those who are less.

• Financial inclusion aims to raise the nation's level of financial literacy and awareness while also working to create financial products that are appropriate for the less fortunate members of society.

• Financial inclusion seeks to bring digital financial solutions to the nation's economically disadvantaged citizens. It also plans to bring mobile banking or financial services to the poorest citizens who live in the most remote areas of the nation. Lastly, it seeks to provide the poor with • financial solutions that are specifically tailored to their needs, preferences, household needs, and income levels.

3.3. Financial Inclusion Index:

Every year in July, the RBI releases the Financial Inclusion Index, a thorough depiction of the level of financial inclusion in India, in collaboration with the government. Put simply, it refers to the degree to which financial services and products are accessible to and utilized by the general public, especially the marginalized and isolated segments of society.

The RBI publishes a comprehensive indicator called the Financial Inclusion indicator, or FI Index, to evaluate the state of financial inclusion in the country. It covers the extent to which financial services and products are accessible, affordable, and available to the Indian populace as a whole. The first edition came out in 2021. Its first report was made available in 2021, and its second report followed in 2022. Financial inclusion was measured by the 2022 index at 56.6, up from 53.9 in 2021.

3.3.1: The Financial Inclusion Index's Objective

1. Tracking financial inclusion across all financial sectors and geographies is the goal of the Financial Inclusion Index.

2.The Financial Inclusion Index evaluates the degree to which regular people can obtain financial services and products.

3. Since the FI index has no base year assigned, it represents the overall result of all the sectors of the Indian economy when examining the overall performance of the economy in terms of financial inclusion.

4.To play a major role in advancing inclusive and sustainable development objectives.

5. In 2020, the RBI published the National Strategy for Financial Inclusion (2019 to 2024), which outlines the goals the bank hopes to accomplish.

3.3.2: The Financial Inclusion Index's parameters

Three main factors—Usage, Access, and Quality—are used to produce the Financial Inclusion Index, with a certain amount of weight allocated to each. The following weights have been assigned:

1- Usage = 45%

2 - Access = 35%

3 - Quality = 20%

Under three general parameters, some of the important dimensions are as follows:

Usage	Access	Quality
Use Standard bank accounts Adults who have earned credit through official establishments Adults who are covered by insurance Frequency of account usage Remittances Transactions without cash	The physical point of service, or pos. POS (point of service) digital	Knowledge of finances Service for Redress of Grievances Since there is no base year for the financial inclusion index, it may represent the total effect of all the stakeholders' efforts made during a given year to promote financial inclusion in the nation.

3.3.3 The Financial Inclusion Index's Significance

1. The Financial Inclusion Index will assist the government in developing policy.

2. It will assist in monitoring the results of financial inclusion-related government policies and initiatives.

3. It will assist the government in making the required adjustments to its policies and initiatives.

In order to make extra efforts, the Fi index will assist in focusing on financial inclusion sectors that are behind.

4. It will assist India in meeting the G20 Financial Inclusion Indicators standards.

4 – Conclusion:

The Indian government, state governments, and local governments should persist in their efforts to eradicate poverty and attain sustainable development to enhance the quality of life for the people of India. Inclusive growth can aid in the empowerment of marginalized and vulnerable groups, enhance livelihood opportunities, and support women's skill development. Financial inclusion fosters inclusive growth by providing financial services, such as credit and other safety nets, to the lowest rungs of the economic pyramid. These efforts also reinforce financial stability. Financial inclusion is pursued in the pursuit of a sustainable future for all. In order to improve the inclusive development of the nation, the RBI has released the Financial Inclusion Index as a reform initiative. It will make the financial products and services more inclusive so that the vulnerable sections can also come into the mainstream and benefit from economic growth. An expedited universal reach of bank accounts is necessary, as is access to financial products relating to credit, investment, insurance, and pensions.

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