Received: Jan '23
Revised:
Accepted: Feb '23

INVOLVEMENT IN THE FINANCIAL SYSTEM AS A FORCE FOR COMBATING POVERTY

Dr. Vinod Kumar Jangir
Associate Professor, Department of Economic Administration and Financial Management,
Govt. N.M. College, Hanumangarh, Rajasthan, India
E-mail- vjangir599@gmail.com

ABSTRACT

During the course of the past few decades, the financial industry has been subject to a great deal of evolution. The growth of the country's financial sector is closely tied to the nation's overall economic progress. At the beginning of the new century, there were 872.3 million people living below the international poverty line, 179.6 million of whom were residents of India. There are 29.5% of individuals who originate from rural areas in India. The fact that there is such a high incidence of poverty is cause for worry in light of the fact that one of the primary goals for the 21st century is to reduce the amount of people living in poverty. The objective may be accomplished more through the use of financial inclusion. The purpose of this study is to provide an explanation, and it covers the requirement for financial inclusion in India. The secondary data have been taken into consideration. According to the findings of this study, financial inclusion plays a significant part in the fight against poverty.

Keywords: Financial Education, Finance Industry, Poverty Threshold, Alleviating Poverty, and Economic Development.

INTRODUCTION

Financial inclusion and financial literacy are two of the most effective strategies for reducing poverty. It is imperative that we have a solid understanding of what the Poverty Line is before continuing our conversation. It is a minimal income level that is used as an official criterion for measuring the percentage of a population that lives in poverty and is used to determine whether or not a population is poor. To put it another way, someone who spends Rs. 32 a day in a rural region but Rs. 47 in a town or city cannot be deemed to be poor. Below Poverty Line, often known as BPL, is an economics benchmark that is used by the government of India to show the economic disadvantage and to identify the specific households that need support from the government. To reduce or eliminate poverty is to alleviate it. Imminence plays a significant part in the role of financial inclusion. Participation in the financial system has the ability to improve the socioeconomic situation of the lowest decile of the population.

LITERATURE REVIEW

Mandira Sharma According to an investigation conducted by Jesim Pais (2008) titled "Financial Inclusion & Development across countries," it was discovered that the degree of human development and that of the Financial Inclusion are significantly connected with one another. In addition to this, they discovered that income inequality, adult literacy rates, and urbanisation all play a significant role. In their study titled "Effect of Cooperatives on Financial Inclusion and Holistic Development," P. Lakshmi and S. Visalakshmi noted that the active engagement of cooperatives has contributed to the growth of Financial Inclusion in rural India. According to the research that Atul Raman (2012) conducted and presented in his article, Financial Inclusion is one of the most important factors in reducing the prevalence of poverty in India. According to Dr. Joji Chandran's research from 2008, an inclusive financial system considerably raises growth, reduces poverty, and broadens economic opportunity. According to a study by Usha Tharot (2007), Indian banks are in the process of getting into an arrangement with the Indian post in order to use Post Offices as agents for branchless banking and to promote Financial Inclusion in rural areas of India.

OBJECTIVES OF THE STUDY

- To educate oneself with the expansion and growth of the Indian economy.
- To investigate the importance of financial inclusion in the fight against poverty.
- To conduct research into the efficiency of the measures taken by the RBI to promote financial inclusion.

RESEARCH METHODOLOGY

This study relies primarily on secondary sources of data. These facts have been compiled from a wide variety of sources, including publications, magazines, e-books, and websites. The nature of this article is mostly theoretical, and its scope encompasses every facet of the impact that Financial Inclusion has on the fight against poverty in India.

CAUSES OF POVERTY IN INDIA

The following is a list of the primary factors that contribute to both individual and community levels of poverty among India's rural population:

- Inaccessibility to both productive assets and financial resources
- Poor Knowledge of Financial Matters in General
- Unsuitable levels of medical attention.
- Access to social services is severely restricted.

In a map of poverty in India, the parts of Rajasthan, Madhya Pradesh, Uttar Pradesh, Bihar, Jharkhand, Orissa, chhattisgarh, and West Bengal that are the most afflicted and poorest are located in their respective states.

ECONOMIC GROWTH & ECONOMIC DEVELOPMENT

The terms "Economic Growth" and "Economic Development" are sometimes used interchangeably, however there are important distinctions between the two The word "economic growth" refers to the increase of a certain metric over a given time period, such as real national income, GDP, or income per capita. Economists speak of "economic growth" if there is an increase in the GDP of a nation. On the other side, the term "economic development" refers to an increase in a number of positive indices, including the Literacy Rate, the Life Expectancy Rate, and the Poverty Rate.

FINANCIAL INCLUSION& ECONOMIC DEVELOPMENT

One of the most significant obstacles facing the field of economics today is the issue of financial inclusion. It is making it possible to provide financial services to large parts of underprivileged and low-income populations at prices that are more reasonable to them. The provision of banking services is critical to the general public's well-being. There are positive externalities associated with financial inclusion. It causes a rise in people's savings and investments, which in turn kickstarts the process of economic expansion. The supply of services and economic growth are both intertwined with the concept of financial inclusion. Entrepreneurs and businesses can obtain investment capital from financial institutions like banks. They want to collect deposits from the general population so that they can have more money to lend to the government. As a result of the expansion of the economy, there will be an increase in the demand for these services. This will be beneficial to the expansion of the financial system. The process of economic growth has prompted the gradual evolution of the financial system, which has occurred in reaction to this process.

FINANCIAL INCLUSION AS A DRIVER FOR POVERTY ALLEVIATIONS

Inclusion in the financial system is not something that will happen in the distant future. This is the time to get it done. The Information and Communication Technologies (ICTs) are extremely important in the process of making sure that financial services are delivered on time. The government came up with the Common Services Centers (CSC) programme in order to establish more than one hundred thousand telecenters as the front end delivery vehicles for mainstreaming rural citizens. In order to facilitate financial inclusion, the financial services sector, including companies in the insurance market such as Life Insurance Corporation (LIC), and the banking business may readily make use of the services provided by CSC. The primary goal of the Financial Inclusion movement is to increase the number of people who are able to benefit from the organised financial system's services despite having a low income. The goal of the Financial Inclusion movement is to make banking and other financial services available to everyone in a manner that is honest, open, and equitable at a price they can afford.

SERVICES FALL UNDER FINANCIAL INCLUSION

The following types of financial goods and services are made available to individuals as a result of Financial Inclusion:

- Providing a Service Facility
- Provision for Overdrafts
- Services of Payment and Money Transfer
- Services Finance Available at a Reduced Cost
- Cheque Facility
- All sorts of Commercial Loans
- Electronic Financial Transfer (EFT)
- Credit & Debit Card users

- Entrepreneurship Credit
- Financial Advice
- Micro Credit
- Insurance (Health Insurance) (Health Insurance)

NEED FOR FINANCIAL INCLUSION FOR POVERTY REDUCTION

Access to finance may claim employment creation, lower vulnerabilities to stocks, and rise in human capital, which makes financial inclusion a potential essential engine of economic growth and development as well as an important factor in the alleviation of poverty. It is estimated that almost half of the adult population of the globe does not have access to established financial institutions. Severe inequalities in access to and utilisation of formal financial services have prepared the way for increased financial inclusion in India. This progress in financial inclusion has been spurred on by the country's massive population. The transformation of the unbanked informal financial sector into the formal financial sector can be accomplished by offering relevant and cost-effective financial products to families with low incomes. The considerably weaker portion of society is one that is uninformed of financial services and is forced to rely on the informal sector as a result of a lack of Financial Literacy as well as practically no access to financial services. This is because of the combination of the two factors. The expansion of financial inclusion had its beginnings as an effort to eliminate this issue.

THE RESERVE BANK OF INDIA'S POLICY INITIATIVE AND RECENT MEASURES

- Establishment of a Basic Savings Bank Deposit, also known as BSBD, with the bare minimum of regular services, including the ability to withdraw cash at bank branches and ATMs, deposit cash with zero balance, and credit money using electronic payment channels.
- The use of streamlined Know Your Customer requirements while creating an account.
- In order to address the problem of an unequal dispersion of bank branches, the RBI has streamlined the authorization process for opening new branches. Now, schedule commercial banks are allowed to freely build branches in Tier 2 through Tier 6 locations that have a population of fewer than one million people.
- The unbanked rural sector is to get at least 25 percent of the total number of bank branches that are to be opened during the year from financial institutions.
- Remedy of complaints from customers and vigilant oversight of business practises in BC.
- In order to further enhance financial inclusion, all rural branches of scheduled commercial banks shall increase their efforts to promote financial literacy by holding a financial literacy camp at least once a month.

CONCLUSION

When it comes to reducing poverty, financial inclusion has become an essential prerequisite. The Reserve Bank of India has set a goal for the year 2020 of opening up approximately 600 million additional customer accounts and services through a range of different channels. As a result, the most significant obstacle that the global community must surmount is making certain that the unreached sections of the population have access to financial services so that an impetus can be provided for the process of inclusive economic growth. In order to achieve inclusive growth in the years to come, the Indian government ought to push the nation's banking sector to embrace the concept of financial inclusion by providing financial aid, promoting it through a variety of initiatives, and so on. A significant contribution from the banking sector is required if a substantial number of individuals are to be brought within the aegis of financial inclusion. This will also have the effect of lowering levels of poverty.

REFERENCES

1. Joseph Massey, 2010, “Role of Financial Institution in Financial Inclusion, FICCI’s Banking & Finance Journals.
2. Roy Kumar Swapan, 2012, “Financial Inclusion in India: An Overview” Trans Asian Research Journal.
3. Thorat Usha,2006, Financial Inclusion & Millennium Development Goals, RBI Bullientien Feb. 2006.
4. Dr. A. Sarkar,2013, Financial Inclusion Part- 2 Fostering Sustainable Economic Growth in India. The Indian Banker Volume- 8 No 5.