

A CONCEPTUAL FRAMEWORK OF FINANCIAL INCLUSION IN INDIA

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ABSTRACT

This conceptual paper analyses the financial inclusion in India. Financial inclusion aims to achieve equitable and inclusive growth of the nation. Financial inclusion stands for delivery of appropriate financial services at an affordable cost, on timely basis to vulnerable groups such as low income groups and weaker section who lack access to even the most basic banking services. In this paper, the researcher attempts to understand importance and need of financial inclusion.

INTRODUCTION

Financial inclusion means access to finance and financial services for fair, transparent and equitable manner at an affordable cost. The term 'financial inclusion' was coined in the British lexicon. In the Indian context the concept emerged prominently in the 17 post-liberalization periods with the rising exclusion in the country.

Financial inclusion may be defined as "The process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost" (Chakrabarthy 2006).

NEED FOR FINANCIAL INCLUSION IN INDIA

- Firstly, due to absence of proper banking avenues, people in rural India are not able to channelize their savings. Through Financial Inclusion saving habit can be developed by educating people to utilize their funds in various financial Instruments rather than investing in building, lands and bullion etc.
- Secondly, absence of formal credit channels, farmers and deprived section of society are dependent mainly upon the private money lenders who charge exorbitant interest rates. This type of money lending does not result in increase in GDP in the country. By providing easy finance through formal channels like banks, micro-finance institutions and co-operative credit societies entrepreneurial spirit of the population can be developed that will bring prosperity in the society.

THE IMPORTANCE OF FINANCIAL INCLUSION

- It is a necessary condition for sustaining equitable growth.