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INCLUSIVE GROWTH OF FINANCIAL LITERACY AND ITS IMPACT ON DIGITAL INDIA: AN OVERVIEW

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1.1 Introduction

Finance is a means to economic empowerment. Small scale industry, agriculture or service operations all need funds for its setting up and continuous operations. Such finance is first available through a simple Bank account as the initial trigger with a bouquet of financial services and products to add on. Add on financial services may be available globally but the needs are to be located regionally, or locally. When financial service providers make tall claims of coverage of people with in short span of time we must actually ascertain the sustainability of these services in long run.

Many lack a proper financial planning or education and end up in selecting pansy schemes or investment in volatile markets. If investment decisions go wrong the entire family gets affected and they run into financial contingencies or crisis. The benefits of financial inclusion through opening of bank accounts will reach the common man only when it gets linked to the concept of development and sustainability. Financial services and products should support investment that leads to employment which in turn leads to income generation and empowerment. All financial services should end up in productive investment that creates economic growth.

1.2 Statement of the Problem

Considering the uniqueness of India, in terms of our population, our current development status and infrastructure, we need to ensure access to credit and finance, in such a way that it gets linked to the development needs of our masses. Our financial access should strike at the roots of Poverty, Illiteracy and Unemployment and underemployment.

It should generate productive investment for industry, trade and commerce. Such a model that is inclusive and linked to growth must evolve and is to be sustained. We need to address a basic question on all initiatives. In long run, effective financial market and system will reduce risk and

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improve return and households will start preferring financial assets to physical assets but the transparency and the performance of these assets should be dependable for house-holds.

1.3 Objectives

1. To financial inclusive ascertain the role of literacy for sustained growth and usage of financial services.
2. To ascertain the possibility for sustainability of financial services as a road to success for development and growth of the nation.
3. To findings and suitable measures to Financial Literacy

1.4 Methodology

The present study is based on secondary sources. It is a desk review paper,. The sources were collected from secondary information, concerned websites, journals and government reports

1.5 Scope of the Study

The study examines the trends in growth of accounts as called for under financial inclusion. The current and future scenario of financial services and its sustainability for development are taken up as critical factors. It also covers the favorable elements which may lead to inclusive growth and development.

1.6 Result Discussion

Accessibility of bank accounts and insurance to all is one of the major achievements of financial inclusion schemes. Financial inclusion provides a house hold transaction security with the aid of digital money through Rupay card and mobile transactions, economic security through banks accounts, credit plus subsidies and increased economic activities, social security through micro insurance life insurance, general insurance accident insurance old age pension etc.

Growth in terms of opening accounts and relate the same to potential for economic empowerment, is analyzed through the table below

Table 1: Financial Inclusion – Banking Outlets From 2011-2015

Particulars	2011	2012	2013	2014	2015
Banking outlets in villages – Branches	33378	34811	37471	40837	46126
Banking outlets in villages branchless mode	34174	80802	141136	221341	337678
Other modes	142	595	3146	6276	6725
Total	**67674**	**116208**	**181753**	**268454**	**390529**

Source: JDY Brochure, Ministry of Financial Services

In the above Table-1 reveals that there is steady increase in financial inclusion figures as far as banking outlets are concerned, from 67,674 in 2011 to 390529 outlets in 2015. This change is a fivefold increase (523%).

Table 2: Financial Inclusion – Savings Bank Deposit Accounts Branches From 2011-2015

Particulars	2011	2012	2013	2014	2015
No. in millions	61.25	74.13	83.20	110.80	128.00
Amount in billion	46.33	59.89	111.87	174.69	283.30

Source: JDY Brochure, Ministry of Financial Services

In the above Table-2 shows that the savings bank account, increased from 61.25 million in 2011 to 128 million in 2015,a more change. The than 100 per cent increase in amount mobilized by branches under BSBDA 'amounts to Rs. 283.30 billion, which is a fivefold increase.

Table 3: Basic Savings Bank and Deposit Account – Business Correspondents 11-15

Particulars	2011	2012	2013	2014	2015
No. in millions	14.27	34.68	59.30	84.27	117.90
Amount in billion	11.69	19.23	12.54	19.22	42.00

Source: JDY Brochure, Ministry of Financial Services

In the above Table-3 reveals increased account penetration through business correspondents effort from 2011 to 2015, where the number of accounts in million was 14.27 it reached 117.90 in 2015 and the change in number of accounts was 104 million, showing an eight fold increase and the amount mobilized increased by 255 per cent.

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Table 4: Over draft facility availed in Basic Savings Bank and Deposits Account

Particulars	2011	2012	2013	2014	2015
No. in millions	0.18	0.61	2.71	3.92	5.90
Amount in billion	0.10	0.26	1.08	1.55	16.00

Source: JDY Brochure, Ministry of Financial Services

In the above Table-4 shows increased usage of overdraft facility by people the number of users increased from 0.18 million in 2011 to 5.90 million in 2015 and the increased number of OD is 5.72, showing a more than 30 times increase.

On one hand financial inclusion efforts are gaining momentum and on the other hand repeated ponzi schemes and money chains take away .all the hard earned money by people. The nation witnessed the arrest of West Bengal Transport minister in the Ministry of Mamata Banarjee for cheating and misappropriation of funds for multicrore Saradha scam and was found that he received undue financial benefits from the Saradha group.

These schemes, chit funds, money lenders etc conspire usually against common man and later on fail to repay the lifelong investment of millions of poor who were lured by higher return for meeting their contingencies or financial needs. The Government of India, IBA, SLBC, IRDA, SEBI, NGOs can play a major role in enabling the people to identify and distinguish formal institution from informal ones. The investment priorities of people should not only be affected by return alone but also safety, security and liquidity of these funds.

These scams are not limited to poor and basic financial services and product users alone the Sahara Company was involved in raising funds by illegal means among capital market investors. Sahara companies issued optionally fully convertible debentures in order to raise capital from about 3 crore investors. The accounting information and financial statements were quite misleading and the investors were kept uninformed regarding the fraudulent moves and were also encouraged to make investment in new schemes as well. When the fraud came to limelight the company was ordered to pay more than INR 24,000 crores.

Amway was involved in luring investors into a plan where easy money was promised. The investors were to get as many people as possible thereby leading to circulation of money. The company was violating prize chits and money circulation schemes Act. The company was charging tenfold the actual prize of the products.

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Major factors of risk according to India Risk Survey 2015 Financial services are due to information asymmetry, cyber security threats, corruption, bribery, corporate frauds, business espionage, crimes and political instability.

Unfavorable elements:

- ❖ Endless scams, corruptions, money chain and financial frauds in spies of surveillance from different regulators.
- ❖ Low Internet penetration which is a basic requirement for cash less economy, In developed economies 89-90% of transactions are cash less where as in India more than 80 % transactions are cash transactions. Social and physical infrastructure limitations do affect us.
- ❖ On one hand people are invited to use multiple financial services and on the other hand they are taxed for usage of products and services e.g. ATM restriction for withdrawal by SBI more than 5 times in metros.
- ❖ Lack of transparency and clarity at the time of taking a financial service or product, e.g. recently legal heirs of woman claimed her insurance policy amount under JDY came to know that it will be sanctioned only up to the age of 60 and not after that.
- ❖ Many schemes of insurance including those run by LIC do not consider time value of money but presents in the form of returns available.
- ❖ In spite of the fact that physical assets are illiquid and financial assets like bank deposits, post office deposits offer low returns post tax calculation, very poor in meeting long term goals people spent more on these and disbelieve financial markets.
- ❖ Basic account is accessible but further transaction are allowed by financial institutions only if sufficient documents for supporting KYC, address proof, identity proof etc are provided, this blocks scaling up of financial transaction world by poor.

Favorable Elements:

Factors which are positive for inclusion rates and opening up access are:

- ❖ Jhan Dhan Yojana, Rupay credit cards, Insurance through bank accounts, overdraft facility, and connectivity through Aadhar etc increases accessibility.
- ❖ Favorable inflation rates, Repo rates, crude oil prices which reduces burden of common man and thereby more real income available for savings and investment.
- ❖ Household in India believe in saving money more than its global counterparts but lack a direction on proper savings and investment.
- ❖ Opportunities of employment emerging locally and globally enable one to generate income and employment and thereby accelerate savings.

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- Financial transaction if supported by technology will be speedy, accurate, any time any where accessible to all.
- Rural urban divide if reduced there will be lesser migration of people to urban areas or metropolitans in search of better life or opportunities.
- Fewer brain drain or brain export of nation's skilled one and better use of human resource with in the nation for development.

These are the penetration triggers, but their efficacy in transformation that leads to empowerment are often hindered by other factors.

Conclusion

Financial literacy can be utilized for educating people regarding measures taken by various agencies like IBA, SLBC, RBI, SEBI, IRDA, Ministry of financial services etc. Financial literacy must be promoted as an essential element for wise investment. People should be taught on disciplined savings and investment and not remaining money management. The school and college curriculum too can include wise financial literacy based financial investment models. These efforts will be helpful for poverty reduction, debt management and money management. Government must take efforts to see that the transactions made by financial institutions with public are transparent, visible, and affordable. These transactions must also be in tune with time and demand. All policies on financial inclusion should be linked to the larger goal of nation building through macro economic factors. Resources should reach the needy and fruits of development should be accessible to the masses.

References

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- Various business dailies like Business line, economic times etc.
- India risk survey report 2015 prepared by PINKERTON and FICCI
  Source:, Ministry of Financial Services.

