INTRODUCTION

India is one of the largest and fastest growing economies of the world, but what has been the most disturbing fact about its growth is that its growth has not only been uneven but also discrete. It has been uneven in the sense that there has been no uniformity in its growth performance and it has been discrete and disconnected with regard to growth and distribution of growth benefits to certain sectors of economy. The Indian economy, though achieved a high growth momentum during 2003-04 to 2007-08, could not bring down unemployment and poverty to tolerable levels. Further, a vast majority of the population remained outside the ambit of basic health and education facilities during this high growth phase. In recent decades, economic and social inequalities have increased alongside high growth rates which have increased regional inequalities. Over 25% of Indians continue to live in abject poverty. As a result, Inclusive growth has become a national policy objective of the Union Government. And thus the need for inclusive growth comes in the picture of Indian economic development. In context of Indian growth planning it is a relatively new terminology which got the attention of policy makers in the Eleventh Five Year Plan.

Inclusive growth as the literal meaning of the two words refers to both the pace and the pattern of the economic growth, it basically means, broad based, shared, and pro-poor growth. As per the Planning Commission of India “The term “inclusive” should be seen as a process of including the excluded as agents whose participation is essential in the very design of the development process and
not simply as welfare targets of development programmes.” In a simpler and wider sense it means that inclusive growth as a strategy of economic development should not only aim at equitable distribution of growth benefits but also at creating economic opportunities along with equal access to them for all. In the present paper an effort has been made to understand the inclusive growth phenomenon its need and financial inclusion as an instrument to attain it with reference to its extent in Indian States.

LITERATURE REVIEW

Levine (1997) empirically tested the neo-classical view and finds that countries with larger banks and more active stock markets grow faster over subsequent decades even after controlling for many other factors underlying economic growth. Equally important is access to finance by all segments of the society (Levine 1997, Pande and Burgess 2003). Finance can also play a positive role in poverty reduction. A well-developed financial system accessible to all reduces information and transaction costs, influence saving rates, investment decisions, technological innovation, and long-run growth rates (Beck et al. 2009). Evidences from Binswanger and Khandker (1995) and Pande and Burgess (2003) suggest that Indian rural branch expansion program significantly lowered rural poverty, and increased non-agricultural employment.

A key objective in development economics is to work out ways to lift people out of poverty. Access to finance has been seen as a critical factor in enabling people to transform their production and employment activities and to exit poverty (Aghion and Bolton 1997, Banerjee 2001, Banerjee and Newman 1993, Pande and Burgess 2003, Yunus 1999).

In recent years, financial inclusion has assumed public policy relevance. Many countries like India (Government of India 2008) and the United Kingdom (UK) (2006) and International organizations like the United Nations (2006), World Bank (2008, 2009) have set up task force/committees to understand financial inclusion and to improve its scope. These studies throw light on various aspects of financial inclusion. However, the measurement aspect of financial inclusion has, so far, not extensively been covered by these reports.

For India, being a very well diversified economy and society, it is imperative to give adequate attention to measurement of financial inclusion. There are few scholars who have attempted to measure some aspects of financial inclusion. Honohan (2007) estimated the fraction of the adult population using formal financial intermediaries using the information on number of banking and MFI accounts for more than 160 countries, and then correlated with inequality (Gini Coefficient) and poverty. Sarma (2008) developed an Index for financial inclusion using aggregate banking variables like number of account, number of bank branches and total credit and deposit as proportion of GDP for 55 countries. Mehrotra et al. (2009) also built up an index for financial inclusion using similar kind of aggregate indicators like number of rural offices, number of rural deposit accounts, volume of rural deposit and credit from banking data for sixteen major states of India. Moreover, World Bank (2008) provides a composite measure of access to financial services, that is, the percentage of adult population that has an account with a financial intermediary for 51 countries. While World Bank (2009) in Banking the Poor analyzed the association between access to banking services, as measured by the number of bank accounts per thousand adults in each country, and several other factors like transactions.
offered at banks, or required by banks, and regulations adopted by country authorities that may affect banking access for 45 countries. Beck et al. (2009) discusses about the availability of copious amount of data on many aspects of the financial system, but systematic indicators of inclusiveness of financial sector are lacking.

Sadhan Kumar Chattopadhyay in a working paper for RBI on Financial Inclusion in India: A case-study of West Bengal (2011), has examined the extent of financial inclusion in West Bengal. According to the study there has been an improvement in outreach activity in the banking sector, but the achievement is not significant. An index of financial inclusion (IFI) has been developed in the study using data on three dimensions of financial inclusion.

OBJECTIVES OF THE STUDY

The major objectives are:

1. A basic no frills banking account for making / receiving payment.
2. Saving product (including investment / pension) suited to the pattern of cashflows of poor households.
3. Simple credit products, Overdrafts linked with No-frill a/c’s, KCC, GCC, ACC etc.
4. Remittance - money transfer facilities.
6. Micro Pension

Credit counseling and financial education/literacy Integral to process of building basic financial skills and is a continuous process

RESEARCH METHODOLOGY

For the completion of research paper researcher has used Described Research Method

DATA COLLECTION

This study the data has been used collected from Secondary sources.

SECONDARY DATA

The secondary data collected from the Books, Internet, Magazines, Journals and different types of research papers etc.,

LIMITATIONS OF THE STUDY

The study was conducted through secondary data sources only.

Two major Aspect of Financial Inclusion:

Financial Literacy and Financial Inclusion:

Demand Side
Financial Literacy Credit
Counseling
Credit Absorption Capacity
Knowledge of products
Need for total products & services

Supply Side
Financial Markets, Banks & Services
Appropriate Design of products & services

STRATEGIES
1. Refine existing credit delivery mechanism.
2. Strengthen credit absorption capacities.
3. New model for effective outreach.
4. Leverage ICT & Technology based solutions

FINANCIAL INCLUSION - POLICY

Initiatives
1. Regulatory dispensation on KYC norms:
   Know Your Customer (KYC) requirements for opening bank accounts relaxed with deposit transaction caps for low volume transactions.
2. Simplified branch Authorisation:
   Domestic Scheduled commercial banks permitted to freely open branches in centers with population less than 50,000. subject to reporting To step up opening of branches in rural areas for increased banking penetration and consequent financial inclusion, banks mandated by RBI's Monetary Policy Statement – April 2011 to allocate 25 % of the total number of branches in unbanked rural centre’s.
3. Business Correspondent/ Business Facilitator Model
   January 2006 - Reserve Bank introduced BC/BF model for carrying out banking activities on behalf of banks. In 2010 ‘For Profit Companies’ allowed as BCs of banks. BC is only a pass through agent of the bank.

RBI’s direction to Banks
1. All villages with population over 2000 to have access to financial services through a banking outlet by March 2012 - Harness Low Cost technology and innovate Low Cost business model.
2. Board Approved Financial Inclusion plan (FIPs) to be rolled out by banks over the next three years.
3. Include criteria regarding Financial Literacy and Inclusion in performance evaluation of the staff.

RBI’S approach towards Financial Literacy
1. The Organization for Economic Cooperation and Development defined Financial Literacy as ability to grow, monitor and effectively use financial resources to enhance wellbeing and economic security of one self, one family and one business.
2. The economic crisis has brought into sharp focus that financial literacy is an important element for promoting financial inclusion and ultimately financial stability.
3. Lack of basic financial skills contributes to personal hardship and broader economic risk.

ROLE OF FINANCIAL LITERACY

1. Deepening of financial sector is essential for developed and matured economy.
2. Financial deepening is only possible when individuals and households are financially literate to make informed choices about how they save, borrow and invest.
3. Access to entire gamut of banking services to nearly half of our left behind population would help raise household / overall domestic saving (36% of GDP in 2007-08 since increased to 39%) further and fulfill one of the necessary conditions to the aspired double digit growth.

FINANCIAL INCLUSION THROUGH FINANCIAL LITERACY

Financial Inclusion and Financial Literacy are twin pillars: -

1. Financial Literacy stimulates the demand side – making people aware of what they can demand.
2. Financial Inclusion acts from supply side providing the financial market/services what people demand.

FINANCIAL LITERACY FOR FINANCIAL INCLUSION

Demand Side Problems
Literacy level very low
Located mostly in rural / remote areas.
Disadvantaged social group
Dependent mainly on informal sources of credit from moneylenders on exploitative terms
Financial exclusion more severe with high credit gap in 256 districts identified by Dr. Rangrajan committee.

Supply Side Challenges
Distance from banks
Appropriate product
Convenient Timing,
Attitude of staff
Proof of identity
Large number
Low value
High transaction cost, etc.

Financial Literacy has three Parts: -

1. Personal financial management.
2. Information about various financial services, products to choose from.
3. Operational knowledge.
ELEMENTARY APPROACH

Financial Education included in the school curriculum in several States

Consumer Protection – Alerts

Source RBI

Financial Literacy Initiatives by banks – Illustrations
There are 218 Financial Literacy and Credit Counseling Centers set up by banks in 20 States covering around 1000 people per center. Over 3,00,000 people covered so far.
Lead banks in all districts advised to intensify credit counseling activities

**Key to Success – Collaboration**
Governments- Central and State
RBI, IRDA, SEBI, PFRDA, NHB and other regulators
Banks, Insurance Companies, MFs, other FIs and Intermediaries, Industry Associations
NGOs and Consumer Organizations
Global Co-operation

**For Financial Access and Education Imperatives to succeed**
The key is establishing an appropriate Business Delivery Model through the involvement of all stakeholders to make Financial Inclusion a reality
Access to financial services and Financial Education must happen simultaneously
It must be continuous and must target all sections of the population simultaneously 24-Jun-2011 1810

**Financial Literacy – Initiatives by RBI- excerpts**

1. **Outreach Programmes:**

76 programmes have been conducted across the country focusing on twin objectives of financial inclusion and financial literacy in which the Governor/ Deputy Governors / Executive Directors of RBI participated.

Besides this, more than 150 Outreach programmes have been conducted as on date by the Regional Offices and Offices of the Banking Ombudsman as part of the Financial Literacy initiatives.

160 remote unbanked villages selected for transformation into model villages characterized by 100% financial inclusion through ICT initiatives, leveraging on BCs and BF.

2. **Release of a book titled’ I can do Financial Planning on financial education.**

3. **Organisation of Town Hall events and release of films on financial literacy**

**FINANCIAL INCLUSION PLAN AGGREGATES**

Consolidated FIP
<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Parameter</th>
<th>As at end March 2010</th>
<th>As at end March 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total Number of villages covered</td>
<td>54,757</td>
<td>99,840</td>
</tr>
<tr>
<td>2</td>
<td>Villages covered through branches</td>
<td>21,499</td>
<td>22,684</td>
</tr>
<tr>
<td>3</td>
<td>Villages covered through Business Correspondents (BCs)</td>
<td>33,158</td>
<td>76,801</td>
</tr>
<tr>
<td>4</td>
<td>Other modes like Rural ATMs, Mobile Vans etc.</td>
<td>100</td>
<td>355</td>
</tr>
<tr>
<td>5</td>
<td>Number of villages &gt; 2000 population covered</td>
<td>27,743</td>
<td>53,397</td>
</tr>
<tr>
<td>6</td>
<td>Number of villages &lt; 2000 population covered</td>
<td>27,014</td>
<td>46,443</td>
</tr>
<tr>
<td>7</td>
<td>No. of BCs employed by banks</td>
<td>33,042</td>
<td>58,351</td>
</tr>
<tr>
<td>8</td>
<td>Number of No-Frills Accounts (NFAs) opened (in million)</td>
<td>49.55</td>
<td>74.39</td>
</tr>
<tr>
<td>9</td>
<td>Amount in NFAs (Rs. in million)</td>
<td>48952</td>
<td>65657</td>
</tr>
<tr>
<td>10</td>
<td>Number of NFAs with Overdraft(OD) facility (in million)</td>
<td>0.14</td>
<td>4.2</td>
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<tr>
<td>11</td>
<td>NFAs with OD- Amount outstanding (Rs. million)</td>
<td>91</td>
<td>1987</td>
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<tr>
<td>12</td>
<td>Number of Kisan Credit Cards (KCCs) issued (in million)</td>
<td>19.5</td>
<td>22.49</td>
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<tr>
<td>13</td>
<td>Amount outstanding in KCCs (Rs. million)</td>
<td>10,75,187</td>
<td>14,38,622</td>
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<tr>
<td>14</td>
<td>Number of General Credit Cards (GCCs) issued (in million)</td>
<td>0.67</td>
<td>0.95</td>
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<td>15</td>
<td>Amount outstanding in GCCs (Rs. million)</td>
<td>8,398</td>
<td>13,077</td>
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**ROAD AHEAD Consolidated FIP**
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<th>Parameter</th>
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<th>Mar 13 Targets</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Total Number of villages covered</td>
<td>2,23,473</td>
<td>3,48,283</td>
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<tr>
<td>2</td>
<td>Villages covered through branches</td>
<td>24,618</td>
<td>25,694</td>
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<tr>
<td>3</td>
<td>Villages covered through Business Correspondents (BCs)</td>
<td>1,97,523</td>
<td>3,20,441</td>
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<td>4</td>
<td>Other modes like Rural ATMs, Mobile Vans etc.</td>
<td>1361</td>
<td>2177</td>
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<tr>
<td>5</td>
<td>Number of villages &gt; 2000 population covered</td>
<td>89,657</td>
<td>93,630</td>
</tr>
<tr>
<td>6</td>
<td>Number of villages &lt; 2000 population covered</td>
<td>1,33,816</td>
<td>2,54,653</td>
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<td>7</td>
<td>No. of BCs employed by banks</td>
<td>1,25,988</td>
<td>1,87,972</td>
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<tr>
<td>8</td>
<td>Number of No-Frills Accounts (NFAs) opened (in million)</td>
<td>109.6</td>
<td>153.3</td>
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<td>9</td>
<td>Amount in NFAs (Rs. in million)</td>
<td>93,110</td>
<td>113,233</td>
</tr>
<tr>
<td>10</td>
<td>Number of NFAs with Overdraft (OD) facility (in million)</td>
<td>36.3</td>
<td>53.3</td>
</tr>
<tr>
<td>11</td>
<td>NFAs with OD- Amount outstanding (Rs. million)</td>
<td>14,458</td>
<td>22,282</td>
</tr>
<tr>
<td>12</td>
<td>Number of Kisan Credit Cards (KCCs) issued (in million)</td>
<td>32.3</td>
<td>40.7</td>
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<tr>
<td>13</td>
<td>Amount outstanding in KCCs (Rs. million)</td>
<td>15,21,135</td>
<td>17,92,548</td>
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<tr>
<td>14</td>
<td>Number of General Credit Cards (GCCs) issued (in million)</td>
<td>4.68</td>
<td>8.11</td>
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<tr>
<td>15</td>
<td>Amount outstanding in GCCs (Rs. million)</td>
<td>32,291</td>
<td>56,697</td>
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</table>

**CONCLUSION**

Inclusive growth attainment depends a great deal on equitable distribution of growth opportunities and benefits and financial inclusion is one of the most crucial opportunities which need to be equitably distributed in the country inorder to attain comprehensive growth. It needs to be understood by the state that in order to bring orderly growth, order needs to be developed with regard to inclusive finance.

**REFERENCES:**


