

A STUDY ON THE ROLE OF THE FINANCIAL INCLUSION MEASURES IN THE ATMANIRBHAR BHARAT ABHIYAN

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Abstract

The paper studies the significance of Financial Inclusion in realising the vision of the Atmanirbhar Bharat, the Self-Reliant India. The concept of Self-Reliance has long been in the Government's view and was propagated in Multiple Five Year plans including the Fourth, Fifth and Ninth Plan. But the Concept was somewhere integrated among other many plans due to which it didn't receive the entire attention it deserved and was much confined to import restrictions. In May 2020, while the global economy was limping and crawling due to the COVID-19 Pandemic restrictions and lockdown, the Ministry of Finance, GOI, released the Atmanirbhar Bharat Package worth Rupees 20 Lakh Crores, close to 10% of the total GDP of the country. With this was launched the Atmanirbhar Bharat Abhiyan by the Hon'ble Prime Minister to cater to various sections including cottage industry, MSMEs, labourer, migrants, middle class, industries, among others. Financial Inclusion Policy has reached a vast population and integrated them into mainstream banking system which facilitated them to benefit from the package. The RBI's liquidity policy and various incentives were also backed by the Inclusive Financing Measures. To achieve the goal of becoming a \$5 tn Economy by 2025 and a Self-Reliant Economy, the country should ensure absolute financial Inclusion to promote higher economic participation and to spread the benefit from various social security schemes. This paper discusses the current scenario of the Financial Inclusion in India and how Financial Inclusion can facilitate the achievement of the dual goals.

Keywords: Financial Inclusion, Atmanirbhar Bharat (Self Reliant India).

I. INTRODUCTION

Financial Inclusion is basically defined as easy access to formal financial services and products. Financial Inclusion has been a thrust area for the Government, the Reserve Bank of India, and different Regulatory Bodies, with a multiple steps having been taken and huge headway made throughout the long term. A portion of the significant endeavour made over the past few decades incorporate nationalization of banks, developing of a wide reaching branch-network of scheduled commercial banks, regional Rural Banks and Cooperative banks, allowing BCs/BFs (business correspondents and facilitators) to be selected by banks to give doorstep conveyance of banking administrations, zero balance BSBD (Basic Savings bank Deposit) accounts, Jan Dhan accounts, Priority Sector Lending policy and so forth. Much has been done to ensure Financial Inclusion and results are evident from the Financial Inclusion Index (FI-Index) released by the RBI in March 2021. The FI-Index for the period ending March 2017 was 43.4 which rose to 53.9 in March 2021.

Financial Inclusion provides easy access of credit and other financial services to the individuals and corporate units which enhances economic participation and entrepreneurial opportunities. India has emerged from being a marketing destination to becoming a Start-up hub and has huge potential for developing newer technologies domestically. Apart from this Agriculture sector has undergone several advancements in the recent years and the net agriculture produce export of the country has substantially increased. Infrastructure and Service sectors have shown various advancements in the present trend as well. All this multidimensional growth can be attributed to the availability of adequate credit and other financial products to individuals.

Atmanirbhar Bharat Abhiyan was initiated with the aim of reviving the shattered economy due to the Pandemic but it has a wider scope and is a long term plan of making the country and its citizen self-reliant in terms of quality goods and services. The ABA is based on five pillars namely, Economy, Infrastructure, The System, Demography and Demand and would extend investment and skill development based support multiple sectors. (Rajat Sharma, June 2021). The success of ABA can be attributed to the previously adopted financial Inclusion measures by the government. It can be understood by the ease of infusion of the Rs. 20 Lakh Crore of

Atmanirbhar Bharat Package into the economy. The ABA, being an investment driven policy, requires absolute Financial Inclusion as a critical factor for its success in a long run.

II. MATERIALS AND METHODS

The research is qualitative research with facts and figures are collected from various secondary sources including many scholarly articles and research work, Journals, Newspapers, FINDEX report by the Reserve Bank Of India, Multiple reports published online by the Government of India and data collected from other trusted websites. Many analytical suggestions regarding ABA have been made after due consultation and discussion with subject faculty expert.

III. DISCUSSION

Access to finance has always been considered as one of the vital parameters of economic growth, and therefore, the promotion of an inclusive financial system is an area of policy thrust and priority. Financial Inclusiveness also ensures that all sections of society, especially the weaker and underprivileged section, are benefited equally from the various social security schemes implemented by the government. The remittances and facilities that were announced in the early lockdown period prior to the announcement of The Atmanirbhar Bharat Package were:

- i. Rs 50 lakh insurance cover to 22 lakh health workers and safai karmacharis in case of death
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- i. Rs. 50 lakh health insurance cover to the Health Workers and frontline workers in case of Death.
- ii. Rs. 2000 per farmer under PM Kisan Yojna for 8.7 Crore Farmers.
- iii. Rs. 500 each for three month to 20.4 crore women Jandhan account holders.
- iv. Cash transfer of Rs. 500 for two months to 3 crore, widowed, disabled and elderly pensioners, Rs. 20 hike in MNREGA daily wage rate benefitting 13.62 crore families.
- v. Limit of collateral free loans to SHGs increas from Rs. 10 Lacs to Rs. 20 Lacs benefitting 6.85 crore households.
- vi. Cash assistance of Rs. 6000 for construction workers for 3.5 crore workers.

All these remittances and facilities were intended to be provided by Direct Benefit Transfer (DBT) which is one of the crucial elements of the Financial Inclusion Policy. Further, of the Rs. 20 Lakh Crores of the Financial Relief Package an amount of Rs. 2.17 Lakh crores, close to 1.8% of the GDP and 10% of the entire Package, was remitted directly to the beneficiaries under various schemes and the rest 90% amount of the package was liquidity related instruments like ease of doing business, liquidity for MSMEs and RBI injected liquidity for financial sector and corporate (Ravi Duggal June 2020) . Another significant element of the Atma Nirbhar Bharat Abhiyan was the announcement of Emergency Credit Line Guarantee Scheme (ECLGS) for providing immediate liquidity support to the MSME sector and to provide top-up loans to the sectors which were identified as stressed by the expert committee, The Kamath Committee. RBI also provided one-time restructuring facility for the debts that were defaulted due to the Pandemic (Inclusive Finance India Report 2021).

The Atmanirbhar Bharat Abhiyan is a 5 Phased Mission with emphasis on every contributor of economic self-reliance and self-sufficiency:

1. **Business Including MSME:** The earlier concept of Make in India and the recent call of Vocal for Local given by the Prime Minister are in line with the ABA. The MSME sector contributes significantly in the economic growth and the emerging Start-up environment gives enormous opportunities for innovative and ambitious entrepreneurs. (Dr. Vijay Joshi, et al 2020) With the introduction of ABA the MSME sector has been redefined and several investments and further incentives and tax based relief are announced. The advances to MSME sector comes under the PSL policy of RBI which is another element of Financial Inclusion. Provisions were made for collateral free loans to MSMEs and emergency finance to highly affected MSME units.
2. **Poor Including Migrants:** Utilisation of fund Rs 11002 Crores transferred by Central Government under SDRF for providing basic facilities to migrants and poor residents, and providing three course hygienic meals. Employment generation through SHGs preparing 3 crore masks and 1.20 lakh liters of Sanitizers, 7200 new SHGs have been formed and have been financed under the SHG-Bank Linkage Programme. (GOI Portal on Atmanirbhar Bharat)
3. **Agriculture:** Disbursement of PM Kisan Fund of Rs 18700 Crore, PM Fasal Bima claim payment of Rs. 6400, Interest subvention of 2% on prompt repayment of Agriculture loans as well as on animal husbandry related loans, Financing facility of Rs. 1 lakh crore for Farm Gate Infrastructure and Agriculture Infrastructure fund, Rs. 20,000 crore direct benefit to fishermen under PM Matsya Sampada Yojna. (GOI Portal on Atmanirbhar Bharat)
4. **New Horizons of Growth:** Easing the investment policy, Upgradation of industrial Infrastructure, Policy changes in mineral and energy sector based on PPP model, Enhancing Self reliance in Defence

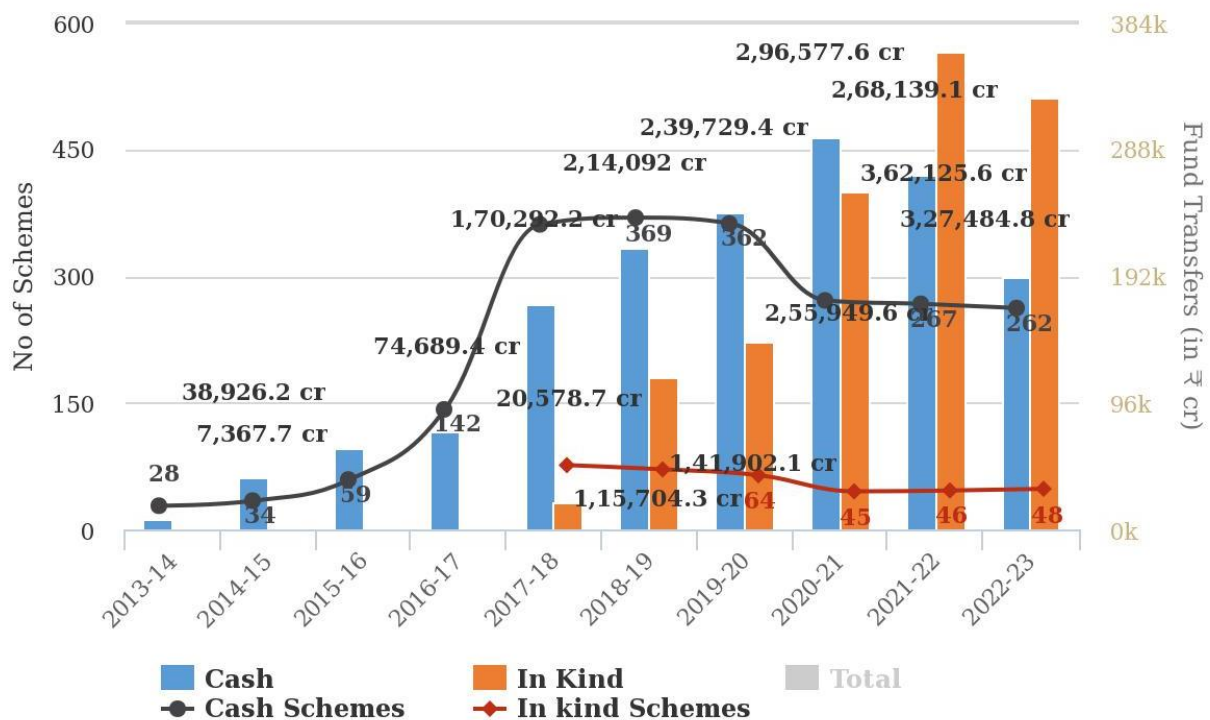
Production, PPP model in Airports and Seaports management, Reforms in tariff policy, Rs. 8100 crore outlay for Viability Gap Funding Scheme for social Infrastructure. (GOI Portal on Atmanirbhar Bharat)

5. **Government Reforms and Enablers:** 15000 Crore for strengthening Health Infrastructure including Rs. 50 lakh insurance cover for health workers, Reforming governance and corporate laws for ease of Doing business, Strengthening Online and Technology based education system, Rs. 40,000 crore additional Allotment under MNREGS, making way for the privatization of Public Sector Enterprises including Public Sector Banks, PM Garib Kalyan Package of Rs. 170000 Crore. (GOI Portal on Atmanirbhar Bharat)

The Atmanirbhar Bharat Abhiyan proved to be an instant success and aided in the quick revival of the downtrodden economy. The V-shaped economic recovery in the last quarter of 2020-21 is attributed to the ABA. The Reserve Bank of India served as an implementing platform for creating liquidity in the financial market by regulating. The Banks had been instructed to be proactive in sanctioning loans to the priority areas of agriculture, animal husbandry, MSMEs, housing and rural development. Financial Inclusion has helped in the revival of economy by ensuring timely flow of credit. Bank Branches were flooded with people during the lockdown period to withdraw whatever money they have received by DBT from government. In this way Financial Inclusion facilitated the success of the Atmanirbhar Bharat Abhiyan.

The Direct Benefit Transfer facility of the Government ensures smooth and quick delivery of financial aid under various development and welfare schemes directly into the bank accounts of the ultimate beneficiaries. This ensures no delays and no leakages in delivery of benefit with minimum number of faulty transactions. More than Rs 36,659 crore transferred by using Direct Benefit Transfer (DBT) through Public Financial Management System (PFMS) in the Bank accounts of 16.01 crore beneficiaries during COVID-19 lockdown. DBT, along with other governance reforms, has resulted in the removal of duplicate/fake beneficiaries and the plugging of leakages, among other things, allowing the government to focus on genuine and deserving beneficiaries. DBT improves government efficiency, effectiveness, transparency, and accountability while instilling citizens' trust in government.

Fig No. 1: Year Wise Fund Transfer under DBT Scheme



Source: DBT Bharat

The International Monetary Fund Deputy Director Praised the India's DBT Scheme in October 2022 in his words. "In fact, just because the sheer size of the country it is a logistical marvel how these programmes that seek to help the people who are at the low income levels reach literally hundreds of millions of people." As of March 2022 450 Central Schemes and Centrally Sponsored Schemes and over 900 million beneficiaries are included in DBT. (NIC, GOI January 2023)

Several Measures for credit easing and increasing Liquidity had been made by the government for the economic revival but many economists have opined that the government stimulus tries to resolve only supply-side issues. There is nothing to generate demand. This could only be done by putting money in the hands of people. Direct expenditure by the Government means direct benefit transfer by the government by which the money will directly reach to the people, which constituted only 10% of the entire package. The credit easing by

RBI is not a direct expenditure and banks will thus hesitate to lend the money made available with them. Secondly when the second wave of the pandemic hit the country in 2021, the lockdown were longer but the restrictions were less strict with essential services and several industries working, but the economy again stumbled. (Naresh Kataria, August 2021) This showed that the effect of the relief package was short lived as it wasn't demand oriented. The GDP contracted by 7.3% in 2020-21 and RBI had predicted growth of 9.5% during the financial year 2021-22, downgraded from more than 10% projected prior to the second wave.

IV. CONCLUSION

COVID-19 had a devastating effect in India where the fragile health infrastructure failed to save many lives and the urgent and prolonged lockdown affected the economy throwing it to as low as -21% in the first quarter of 2020-21. As a necessary step to revive the economy, the Ministry of Finance launched the Atmanirbhar Bharat Package to pump in liquidity in the economy and to ensure sufficient supply of credit to the essential sectors of the economy. This proved to be an instant success. The Economy revived at a rapid rate and the GDP in the beginning of the last quarter of 2020-21 equated with the same in 2019-21. However the AAB failed to sustain the affects of the second wave of the pandemic and the overall GDP contracted by 7.3%.

The RBI played a significant role in the success of the ABA by ensuring the liquidity in the financial system. The Banks and other formal Financial Institutions served throughout the lockdowns making peoples' money available to them in the harsh times. They ensured financing to the priority sector in the post lockdown period. In the short term the financial Inclusion has helped people in utilizing the benefits provided to them by the government under the Atmanirbhar Bharat Abhiyan. Hence it can be concluded that the Financial Inclusion in India had positively contributed in the success of the Atmanirbhar Bharat Abhiyan. With policy changes and with more inclusiveness , the Atmanirbhar Bharat Abhiyan can certainly make India a self-reliant economy in the long run.

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