



Financial Inclusion is only a gateway in the Economic journey

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Introduction

Why are there so many difficulties and disparities in this world? This question will flash in the mind of every right thinking person often. More particularly, the economic inequalities are widening year after year between the advantageous and the not so advantageous.

There is enormous wealth in this world. But still we happen to read news of a school boy committing suicide after his class teacher reminded him of non-payment of school fees. Till very recently, we have read news of drainage workers dying due to asphyxiation while manually cleaning drainages. Often, we have to read news of a patient or a pregnant lady in labour being denied of timely medical intervention for want of money.

Since Independence, successive Governments have devised so many schemes for uplifting the economic conditions of the poor. Nationalisation of specified banks, opening of a vast number of rural branches and the concept of priority sector lending were some of the early steps in inclusive banking. All these steps helped to shift the focus from class banking to mass banking. The phrase Financial Inclusion had been used for the first time in the Annual Report of RBI for the year 2004-05. It had been stressed as a key issue for strategic action. Since then, Financial Inclusion and Financial Literacy have become the mantra for inclusive development. Actually, the pair

is mutually supportive. Financial Literacy paves the way for Financial Inclusion and the vice versa is also true. In the late 2000s, banking services were taken to the doorsteps of the unbanked masses. Awareness camps were conducted in rural areas to promote banking habits. Fintech developments came in handy to achieve those objectives. The policy of liberalisation, privatisation and globalisation promoted since 1991 threw open a floodgate of opportunities for every one.

The latest initiatives in Financial Inclusion include Pradhan Mantri Jan Dhan Yojana (under which, poor people can open bank accounts with access to financial services in an affordable manner), Pradhan Mantri Suraksha Bima Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana (providing accidental and life insurance covers respectively). Direct Benefits Transfer (DBT) is also another welcome measure, whereby the benefits of the welfare schemes are credited to the accounts of the poor directly without the involvement of intermediaries. United Payments Interface (UPI) system and BHIM App developed by National Payments Corporation of India (NPCI) enable retail payments easily through mobiles. Monthly number of transactions done through UPI crossed the 900 million mark in August, 2019. Also Payments Banks are accelerating financial inclusion in the country, particularly by offering financial services in unbanked and underbanked regions of the country, as per the guidelines of RBI.

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But looking at the conditions of the poor, it is obvious that their conditions have not improved much. The benefits trickle down from top to bottom at a pace not enough for the massive upliftment of poor. Financial Inclusion is just a threshold. Much is to be delivered beyond that. There has to be a two pronged approach for reducing inequalities. First, factors contributing for the widening gaps have to be identified and they have to be eliminated to arrest further widening. Second, the gaps already created have to be narrowed down.

Present conditions as picturised by Economists and studies

Economists have analysed the evil causes and effects of inequalities from various angles. American economist and Nobel Laureate Dr. Paul Krugman in his write up titled "The undeserving rich" picturizes how wealth is concentrated in the top 1% or more aptly in the top 0.1%. He writes that since the late 1970s, real wages for the bottom half of the workforce have stagnated or fallen, while the incomes of the top 1 percent have nearly quadrupled (and the incomes of the top 0.1 per cent have risen even more). The author identifies that the top lucky few are executives of some kind, especially, though not only, in finance.

In February 2019, while speaking at the launch his book, 'A Quantum Leap in the Wrong Direction?' in New Delhi, Nobel Laureate Dr. Amartya Sen had been quoted by the media as saying, "This idea of progress being progress for some, but not for others - there's an element of religiosity in it. This basic belief that some people's progress is like everyone's progress is something that can be rooted way back in our thinking".

Indian-origin American Economist Dr. Abhijit Banerjee, his wife Dr. Esther Duflo and Dr. Michael Kremer who shared among themselves the 2019 Nobel Prize in Economic Sciences for their "experimental approach to alleviating global poverty" have been lauded for

their "improved efforts to fight global poverty" by breaking down a complex problem into "smaller, more manageable questions". The Nobel Laureate couple in their book 'Poor Economics' have said, "...we have to abandon the habit of reducing the poor to cartoon characters and take the time to really understand their lives, in all their complexity and richness".

In March 2019, Dr. Raghuram Rajan, former Governor of Reserve Bank of India has spoken about the perils of rising social and economic inequalities. He observes that the communities that are not able to exploit the global opportunities due to lack of good education continue to remain so due to deprivation of equal opportunities. He points out that there are communities which have deteriorating schools, rising crime and rising social illnesses and are unable to prepare their members for the global economy. In short, they are caught in a vicious circle. Dr. Rajan believes that Capitalism is under serious threat because it has stopped providing for the many.

The panel headed by eminent economist and former Governor of Reserve Bank of India, Dr. Rangarajan, had estimated in 2014 that a person spending less than ₹1,407 a month (₹ 47/day) in cities or a person spending less than ₹972 a month (₹32/day) in villages would be considered poor and that nearly 363 million people had been poor in 2011-12. The above poverty line estimates are based on minimum daily requirement of 2,400 and 2,100 calories for an adult in rural and urban areas respectively and on other basic requirements such as housing, clothing, education, health, sanitation, conveyance, fuel, entertainment, etc. It may be noted, for reference, that when the first such poverty line was created by the erstwhile Planning Commission in the mid-1970s, minimum per capita daily expenditure requirements were fixed at ₹2 and ₹2.3, respectively, with reference to calories requirement alone. While these estimates are used

by the Government for arriving at the financial outlay for attacking the problem, in the real sense the cut off amounts are low and people with incomes much above these levels are also leading the miserable life of poor.

Authors Jean Dreze and Amartya Sen, while lauding India in their book, 'An Uncertain Glory: India and its Contradictions' for its high growth in 1990s (6%) and in the last decade (7%), have analysed that during this period, some people, particularly among the privileged classes have done very well, but the pace of improvement has been very slow for the bulk of the people and for some, there has been remarkably little change. They also point out that income distribution is getting more unequal in recent years and that, India's real wages are stagnant. The authors insist that had the income distribution remained unchanged instead of becoming more unequal, poor people would have achieved much more from India's rapid economic growth. They highlighted that China's economic inequality, per se, is no less than India's, but Chinese poor do not typically lack in basic amenities in the way poor Indians do. It is also reiterated in the book that economic, social, cultural, political and other inequalities must be addressed together in India so that it plays an enormously important part in reducing the force of inequalities of class, caste and gender too.

As per the new census data on slums, released on 30.09.2013, over 65 million people live in slums, up from 52 million in 2001. The census defines a slum as "residential areas where dwellings are unfit for human habitation" because they are dilapidated, cramped, poorly ventilated, unclean or "any combination of these factors which are detrimental to the safety and health" and covers all 4,041 statutory towns in India.

The United Nations Global Reports on Human

Settlements in their document titled *The Challenge of Slums: Global Report on Human Settlements 2003*, while acknowledging Indian Government's massive slum rehabilitation programmes also point out that ironically, in many cities, much of the public housing built between the 1950s and 1970s to re-house the residents of central city slums and squatter settlements, has itself now joined the stock of slums.

Suggestions to reduce the stark inequalities:

While we think about economic inequalities, thoughts about Karl Marx come automatically to mind. The philosopher and revolutionary socialist of the nineteenth century had envisaged a society based on cooperation. "*From each according to his abilities, to each according to his needs*" is a memorable quote with respect to his ideology.

Dr. Amartya Sen emphasises that, for bridging the divide, it is incumbent on development strategies to pool and mobilise skills and abilities across the whole spectrum of societies.

The Nobel Laureate Dr. Abhijit Banerjee & Dr Esther Duflo in their book, 'Poor Economics' mentions that small changes, including tweaks in existing structures, often produced lasting and big outcomes in reducing poverty.

If people also supplement Government's efforts in this regard, much can be achieved. Here, the Government may envisage a formal role for its affluent citizens. Just as Corporate Social Responsibility has been made mandatory for specified corporates in the Companies Act 2013, a concept of Individual Social Responsibility can be brought in. There is a saying in Tamil, which means that the beauty of a wealthy person lies in his nature of supporting his needy relatives. Accordingly, affluent individuals can hand-hold their less fortunate brethren, who may be their

relatives, known persons or strangers. Like the SHG concept which brought inclusion to certain extent, we may aspire for HHGs (Hand holding Groups) to bring visible leaps in the status of economically deprived people. That a needy hand has been held has to be demonstrated by the data.

Since e-Governance has stabilised in India and the trendy topics of Data Analytics and Block Chain Technology are very promising, the time is more ripe now than ever to consider new reforms in governance. For example, presently, payments of medical insurance premia and repayments of educational loans and housing loans, for self and family, entitle a tax payer for exemptions. The same exemptions may be considered for paying those of a third party with a marginal income.

Money supply alone will not reduce inequalities and the utilisation side also has to be addressed to ensure that money is spent in prudent ways. Thus, there are educational, social and moral aspects concerned with the task. Moral education classes may be included for all school children so that they understand the virtues of leading a simple life and of not being greedy so that money can be saved for productive purposes. In higher classes, all students can be acquainted with basic economic terms and ideas. They can be introduced to the life time skills of apportioning their available means to their different wants prudently. When people become confident they will pick up the courage to say 'No' to things they don't need immediately. This is what Dr. Abhijit Banerjee wishes to point out when he asks, "Why would a man in Morocco who doesn't have enough to eat buy a television?".

Print and visual media can be utilized by the Government, as already being done for some social issues, to create awareness among people about the issue of inequalities. Seminars, discussion fora, articles by eminent authors etc., as the case may be, may also help to awake the conscience of all people.

Dr. Arvind Panagariya, erstwhile Vice Chairman, NITI Aayog, while delivering a lecture at the RIS (Research and Information System for developing countries) Conference at the United Nations, on 21/09/2015, had spoken that "I firmly believe that with political will and right set of policies, it is entirely possible to end poverty within a generation ". Let us hope that the inequalities are bridged fast and poverty ends soon.

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