

# Financial Inclusion during Covid -19 Pandemic in India

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**Abstract:** *The Novel Coronavirus or Covid-19 Pandemic has clattered the global socio-economic system from late 2019s. The Covid-19 pandemic had led to standstill situation in worldwide. The lockdowns has introduced globally as a result of uncontrollable outbreak of this pandemic. The government of various countries has enforced to shutdown the socio economic life due to the unruly spread out of Covid-19. With the global disruption in economic activities, the government of each country has to consider an alternative measure to cope up with the difficult situation. Even the developed countries found it difficult to move forward during the time of this pandemic. So for the developing nation like India it was a challenging circumstance. The major transition during the pandemic is with the adoption of digitalization. This paper aims to study the financial inclusion in India during the Covid-19 pandemic and also considers various new financial policies implemented by government to support various categories of people in the country during the pandemic.*

**Key Words:** *Covid-19 pandemic, coronavirus, Financial Inclusion, Government of India, digitalization.*

## 1. INTRODUCTION:

Covid-19 is a massive shock, both at an economical and societal level. The world standstill in all aspect due to the outbreak of a small virus, Corona virus. Even the well developed nations has adversely affected with the Covid-19 pandemic. The major issue with this pandemic is that the medicine has not yet introduced, though many experiments are carrying out globally. This pandemic has its transmission through social contacting, thus the important part is social distancing. The lockdowns has drawn the people to a new system of life, generally without social contacting, adoption of digitalization, economic outbreak etc. Finance being a most vital aspect of any economy or nation, the new approach on financial stability has to be introduced by the governments during such a serious spread out of a pandemic. Even inclusive banking has its beginning as a result of nationalization of banks in 1969 and 1980, the exact importance has highlighted only in 2005, by RBI through its annual policy statement. Financial inclusion is the accessibility of financial services and products to all genre of people. The aims of financial inclusion is to help the people to access to various financial services and products at an affordable cost and on time. The government of India has introduced various programmes as a part of financial inclusion like Stand up India, Mudra loans, Atal pension Yojana, Ujala Yojana, Jan Dhan yojana etc. The covid-19 pandemic has increased the importance of financial inclusion programmes to support the people economically during pandemic period.

## 2. CONCEPTUAL OVERVIEW :

### Financial Inclusion

The committee on Financial inclusion established by RBI and headed by Dr.C.Rangarajan defined financial inclusion as the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players.

In simple terms Financial inclusion means inclusion of all categories of people in a country to the available financial products and services in affordable cost and on time. Generally people with low income and no income are unaware of various financial products and services available to support them. Financial inclusion helps to access to those facilities by every single person in a country.

As India in its journey towards a developed nation, digitalization has become a core element to be considered. The global environment has adopted the trend of digitalization, India has no time for a second thought, but to adopt digitalization for enhancing its growth and also to harmonize its collaborations with other countries. Digitalization has considered as a prime factor that helps in financial inclusion.

### Need of financial Inclusion:

- It helps is overall economic development of the country
- It helps in the development of underprivileged population

- It ensures upliftment of poor category people
- It enables active participation of low income people in economic growth
- It helps in attaining financial empowerment of unprivileged community.
- It develops saving habit, thereby investment and further helps in capital formation
- It enables rural and semi urban area development
- It provides a venue for formal and structured credit facility
- It protects poor category of people from financial exploitation
- It helps in creating financial literacy among the people

### Challenges faced during Covid-19

Covid-19 pandemic was an appalling outbreak globally. Covid19 was an extreme challenge for a Nation like India with huge rural population. India being in its developmental and stabilization stage has to give more efforts to recoup from the adverse scenario of Covid-19. The social as well as financial life of people became standstill. The complete lockdown has resulted in unemployment, production loss, complete immobility of factors of production, no income, no savings, reduced investments, less transactions, no luxuries spending habit, limited consumption etc. The crisis changed the consumer behaviour in all sectors, especially in the financial sector. As a result of lockdown in the country, the entire economy became stringent. There was no production hence the daily wage employees are the most affected during Covid-19. The day to day survival itself became a huge challenge for the people in the country like India.

### Various Programmes Introduced During Covid-19 Pandemic as a Step towards Financial Inclusion

The major challenge faced by Government of India during Covid-19 is to satisfy the day to day needs of the citizens of the country. The Government of India had a huge population specifically rural population. Majority of the people are daily wages employees and self-employed. The lockdowns has made resulted in a hectic unemployment and thereby a situation of difficulty in survival. The prime importance given by Government is to avoid the spread of the disease and to provide support for the people to manage their day to day needs like food, medicine, etc.

In order to support the citizens of the country in the time of the pandemic, the government has introduced many relief packages and financial inclusion programmes.

- As part of Covid-19 stimulus package, Government of India has announced that it would transfer Rs.500 a month for 3 months to all women with Jan Dhan accounts to help them manage household expenses during the lockdown. It is one of the major financial inclusion programme announced by Government of India during the lockdown to support the people.
- Atmanirbhar Bharat is another programme introduced to build technology driven systems and processes. Financial Technology (Fintech) would be used to enhance transaction based lending using data generated by e-market place being instituted in place of trade fairs as part of relief package. The online payments were encouraged during the pandemic, this further enables the access of facilities to all category of people.
- One of the most economically suffered people during the pandemic are street vendors. In order ensure support to street vendors, that digital payments have incentivized through monetary rewards.
- In January RBI has amended the prevention of Money Laundering Act to allow video Know Your Customer (KYC) processes, which has enabled the lenders to introduce digital onboarding processes for their new customers. Though it is introduced prior to Covid-19 pandemic, the widespread adoption of the facility was during the lockdown. It is a regulatory facilitation for digitization of financial inclusion.
- Grameen Mitra Model has developed by Grameen foundation and its subsidiary to provide a lifeline for rural women and communities in Maharashtra's Bhandara district. It is an initiative of Grameen's women link project which aims in educating and creating awareness to the local communities on digital financial literacy, banking modules and goal based financial planning. It further aims to helps local villagers to access basic banking services like cash deposit, withdrawal and balance checks.
- Pradhan Mantri Garib Kalyan Yojana is a 1.7 trillion relief package by Government of India which is an accident insurance scheme to cover the loss of life due to Covid-19 and accident death on account of Covid-19 related duty. This insurance scheme is for health workers fighting against Covid-19 and the amount being transferred to the beneficiaries can be availed only by the means of cash. This financial inclusion programme ensures the access to the health workers.
- The banks are one of the institutions other than Health sector which was actively working during the pandemic. Most of the banks in association with payment providers are taking initiatives such as Mobile ATMs or cash

vans and cash@POS Services and UPI QR based withdrawals on ATMs to provide easy access to cash in these areas during the ongoing crisis of Covid-19.

- JAM Trinity is another financial inclusion strategy. It is the collaboration of Jan Dhan account to Aadhaar and Mobile. Jan Dhan- Aadhar- Mobile trinity refers to initiative of Government of India to link Jan Dhan accounts, mobile numbers and Aadhar cards of Indian people to access to the Government subsidies and to track that the deserved people are availed to the grants.
- National Payments Corporation of India (NPCI) has developed a real time payment system called United Payment Interface (UPI), an interoperable system that merges multiple bank accounts into a single mobile application, which allow for immediate money transfers through a mobile device. Though it is introduced even years before the crisis, the utility of the system popularized during the pandemic and it acts as an important financial inclusion strategy.
- Bank Shakhis is a financial inclusion programme introduced to help Bihars rural customers to withdraw money during covid19 lockdown scenerio. It is a door step facility run by the agents of Bihar Rural Livelihood Promotion Society named JEEVIKA which enables the people to withdraw money from their accounts. It is a model works as an alternate banking channel strengthening the reach of banking services to rural areas bringing many households in the scope of financial inclusions.

Each State Governments has introduced many schemes and packages to support the people of their state during the covid-19 crisis. Some of the schemes include Lunch Outlets, social security pensions, distribution of provision kits, maintenance allowances, compensations, financial assistance etc.

### 3. CONCLUSION:

Covid-19 is a threatening disease which made globally a standstill situation. The two tier aspects which made this disease a global shaking is that it has spread through social contacting and no exact vaccine has been introduced. The impact of the pandemic was very deep to a country like India with huge rural population. In order to move forward in the pandemic scenario was a challenge and the Government has introduced many schemes and packages to support the people. As social contacting is not advisable during the crisis, the digitalization had its importance and this further contemplated the importance of financial inclusion. The pandemic situation enforced to track that no single individual in the country to be left without proper assistance. This has highlighted the priority of financial inclusion and the Government has introduced schemes to ensure the accessibility to every category of people to the financial services and facilities.

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