

INDIA NOW AHEAD OF CHINA IN FINANCIAL INCLUSION METRICS: SBI REPORT

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

The report states that financial inclusion policies have a multiplier effect on economic growth

Boosted by Pradhan Mantri Jan-Dhan Yojana, digital infrastructure and usage of banking correspondent or BC model for furthering financial inclusion, the number of bank branches per 100,000 adults in India rose to 14.7 in 2020 from 13.6 in 2015, which is higher than Germany, China and South Africa, according to an [SBI](#) report.

The report, which has been authored by Soumya Kanti Ghosh, SBI's group chief economic adviser, states that financial inclusion policies have a multiplier effect on economic growth, reducing poverty and income inequality, while also being conducive for financial stability.

"India has stolen a march in financial inclusion with the initiation of PMJDY accounts since 2014, enabled by a robust digital infrastructure and also careful recalibration of bank branches and thereby using the BC model judiciously for furthering financial inclusion. Such financial inclusion has also been enabled by use of digital payments as between 2015 and 2020, mobile and internet banking transactions per 1,000 adults have increased to 13,615 in 2019 from 183 in 2015," the report said.

Research also shows that states with higher [Pradhan Mantri Jan-Dhan Yojana](#) accounts balances have seen a perceptible decline in crime, the report said.

We also observed that there is both statistically significant and economically meaningful drop in consumption of intoxicants such as alcohol and tobacco products in states where more PMJDY accounts are opened.

The report highlighted that the Banking Correspondent (BC) model in India is enabled to provide a defined range of banking services at low cost and hence is instrumental in promoting financial inclusion.

"The new branch authorisation policy of 2017 – which recognises BCs that provide banking services for a minimum of 4-hours per day and for at least 5-days a week as banking outlets has progressively obviated the need to set up brick and mortar branches. For example, the number of 'Banking Outlets in Villages - BCs' has risen from 34,174 in Mar'10 to 12.4 lakh in Dec'20. Such progress shows an impressive outreach of banking services through branchless banking," the report said.

More key points in the report:

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