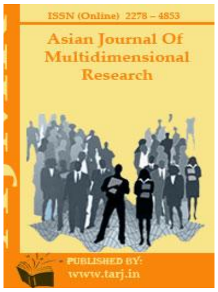

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INCLUSIVE BANKING & INCLUSIVE GROWTH

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ABSTRACT

Development is not simply a measure of aggregate of economic activity but is an assessment of the inclusiveness of economic growth with emphasis not only on the distribution of economic gains but also on the security, vulnerability, empowerment, and sense of full participation that people may enjoy in social life". The recently released World Bank's India Development policy report (DPR) 2009 advocates inclusive growth as the only sure means for correcting deeply regional imbalances and consolidating recent economic gains. The objective of this paper is two-fold

1) to highlight the nexus between inclusive growth and financial inclusion ; and

2) to address the issues related to financial inclusion.

A recent World Bank (2004) study indicates that over 60 percent have no access to credit from a formal source. The magnitude of the dependence of the rural poor on informal sources of credit can also be verified from the findings of the All India Debt and Investment Survey, 1992 which showed that the share of the non-institutional agencies (informal sector) in the outstanding cash dues of the rural households continued to be quite high at 36% even though the dependence of the rural households on such informal sources had reduced marginally from 38.8% to 36% over the previous decade (1981-1991)

If the financial sector is to contribute more to inclusive economic growth, it must reach out to more people. In this context policy approaches like microfinance are more promising as shown by international and national experiences.