

FINANCIAL INCLUSION OR INCLUSIVE FINANCING FOR INDIAN INSURANCE SECTOR

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ABSTRACT

Financial inclusion presented the way to bring economic wellbeing to millions of people particularly in the uncovered areas of India. To unleash India's growth potential and to promote equity, is a contemporary theme of vital national importance. For IRDA, Financial Inclusion means Making insurance available to lower income groups at an affordable cost. In order to build a strong system, we must focus on improving persistent communication tools, improving premium policy renewal options, fostering long term distribution partner relations, optimum use of technology for providing services apart from the using brick and mortar structures, ensuring all financial needs can be addressed at one place. The insurance penetration in India is 4.1 life and 0.7 for non- life, which is very small for a country like India. We still have a long way to go.

KEYWORDS: *Financial Inclusion, Insurance, IRDA, Equity, Financial Services, Affordable Costs.*

Introduction

“Financial inclusion means making insurance available to lower income groups at an affordable cost.”(T. S. Vijayan, Chairman of IRDA). Normally the weaker sections of the society are completely ignored by the formal financial institutions in the race of making chunks of profits or the complexities involved in providing finance to the weaker section. Financial inclusion or inclusive financing is the delivery of financial services, at affordable costs, to sections of disadvantaged and low income segments of society. There have been many formidable challenges in financial inclusion area such as bringing the gap between the sections of society that are financially excluded within the ambit of the formal financial system, providing financial literacy and strengthening credit delivery mechanisms so as to improvised the financial economic growth. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. It is argued that as banking services are in the nature of public good; the availability of banking and payment services to the entire population without discrimination are the prime objective of this public policy. Thus the term Financial Inclusion can be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.

Financial Inclusion is considered to be the core objective of many developing nations since from last decade as many research findings correlate the direct link between the financial exclusion and the poverty prevailing in developing nations. According to World Bank report “Financial inclusion, or broad access to financial services, is defined as an absence of price or non price barriers in the use of financial services.” The term Financial Inclusion needs to be interpreted in a relative dimension. Depending on the stage of development, the degree of Financial Inclusion differs among countries. It's been surprising fact that India ranks second in the world in terms of financially excluded households after china .For the inclusive growth process of economy the central bank has also provided high importance to the financial inclusion.

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