

Q1 How have the decisions of the Central Monetary Authority of India impacted the macroeconomic indicators in recent times? Examine. (10)

Q2 'Inclusive growth is not easy to achieve until India mobilises its resources in the right manner'. Elucidate the statement. (10)

Q3 Critically assess the feasibility of giving Banking license to corporates and NBFCs. (10)

Q4 Economic Survey advocated for 'Wealth Creation' as a growth strategy for India in future. What is it? Do you think it will help in realising this objective? Can it help in attaining development also? How? (15)

Q5 What are the components of Financial Inclusion? Critically analyse India's journey in the last few years on this front? (15)

Day 16

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Ans 1)

Central Monetary Authority of India is the central bank of the country i.e. Reserve Bank of India.

The RBI's monetary Policy main objective is to ensure stable macro-economy of the country.

The disruption of the economy due to COVID-19 Pandemic; shortage of supply due to Russia-Ukraine War; increase in the demands; rise in oil prices all have contributed to the recent upheaval in the economy.

As such RBI's monetary policy has declared the changes in the quantitative tools so as to bring down the CPI (Inflation) that has consistently been above the tolerance limit of 6%.

The increase of Repo rate to 4.9%, and the increase of Marginal Standing Facility Rate to 5.15% has impacted the macro economic Indicators:-

- 1) Inflation :- despite the steps taken, inflation has been above the tolerance limit be it CPI or WPI
- 2) Poverty : Due to high inflation and repo rate, the poor are the major sufferers because of lack of money supply.
- 3) gender disparity : women - one major victim of such policies.
- 4) Exchange rate : Increase in the depreciation of rupee reaching ~ 77 ₹ mark is very high affecting the imports and exports.

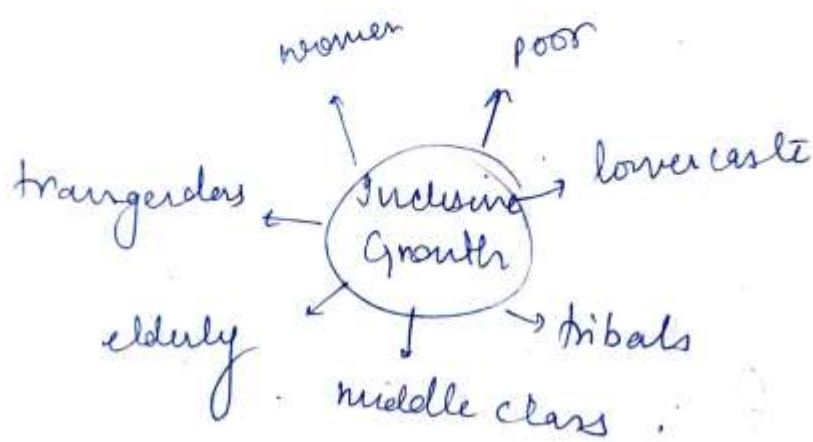
However, the Bank's policy to increase repo rate and tighten the monetary policy is to bring the relaxation to the larger socio-economic aspect of the country.

Ques 2. Inclusive Growth is a model of economic growth encompassing the wide participation and inclusion of all the sections of the country.

This concept is a recent phenomenon.

The 12th Five Year Plan focussed on:

"Towards more sustainable Inclusive Growth"

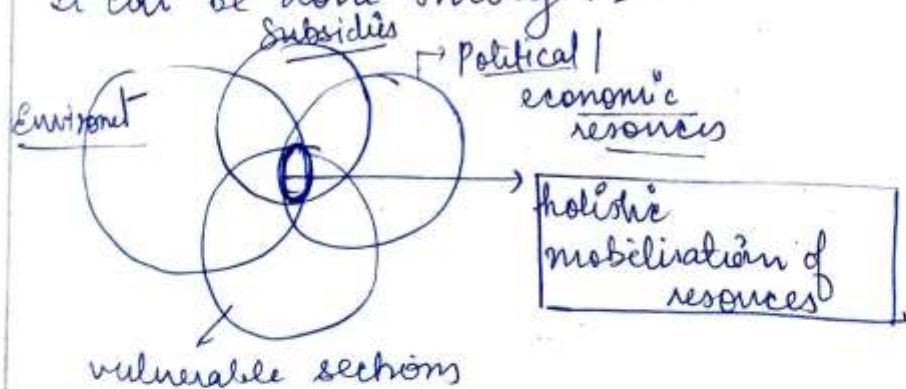


Inclusive growth is not easy to achieve until India mobilises its resources in right manner.

India's focus on welfarist schemes only for poor. despite the requisite awareness regarding the same.

- 1) The concept of providing subsidies, free ration, etc. hinders the motivation among the receivers to work. making them lethargic and unwillingness to work.
- 2) As a result, they don't work and do not contribute to the economic growth.
- 3) The exploitation of resources degrades the environment.
- 4) The resources are limited hence require comprehensive and holistic mobilisation.

It can be done through:-



Therefore, convergent and holistic approach is required to lead to an inclusive growth as was a Vision of 12th Five Year Plan.

Ans 3

NBFCs and corporates ~~are~~ the entities which does not come under the Banking criteria and these are not under Schedule 2 of RBI Act, 1934.

NBFCs are the non-banking financial corporations which help people in terms of credits during their ~~but~~ ^{requirements} ~~days~~. eg: Mukroot finance, NBFC-housings etc.

Corporates are the entities which work on private lines in terms of employments and generation of income.

There are growing debates over whether NBFCs and corporates should be given the banking license:

[Giving them license] :-

- 1) Increasing Population and growing needs for Banking.
- 2) high credit creation.
- 3) less productivity of banks in terms of giving credit.

- 4) Ineffectiveness of banks in order to manage the banking needs.
- 5) Increasing money supply in the economy.
- 6) advanced technology in corporates & NBFCs.
- 7) high expertise and resilient infrastructure of corporates.

However the feasibility of providing them banking license is in question :-

Should not be given the license :-

- 1) Profit oriented corporates
- 2) exploitation of uninformed public
- 3) charge high interests
- 4) ~~direct~~ chances of losing people's money
- 5) high burden on RBI.
- 6) decreased value of existing banks.

Hence, for giving NBFCs and corporates the banking license, there should be relevant discussion and analysis over it considering all the pros and cons. There are even small finance banks and payment banks to meet the increasing demands.

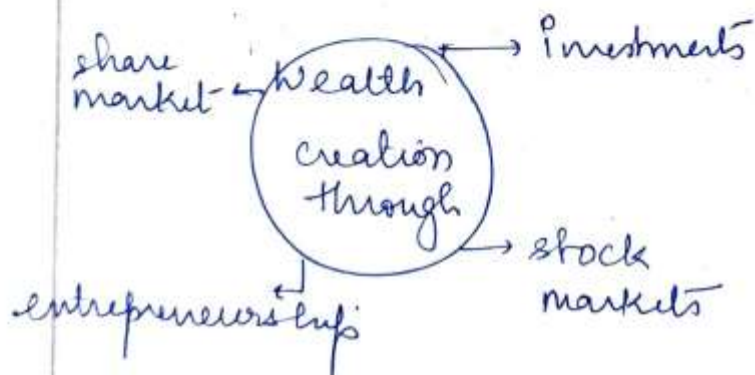
Ans. 4)

The Economic Survey 2022 advocated for 'Wealth' creation as a growth strategy for India in future. ~~Wealth~~

Wealth creation

Wealth creation is the process of generation of wealth with the help of financial instruments.

The concept is basically to generate the assets in the country using investments



The objective is to create assets, enhance infrastructure, help in overcoming ~~poor~~ poverty and employment opportunities

Wealth creation : help in realising the
objective :-

Yes, wealth creation can actually help in ensuring and fulfilling the required objectives as:-

1) Entrepreneurship : India is witnessing high entrepreneurs in the recent times .

2nd most startups in India in the worldwide

It can actually help in overcoming unemployment problems,

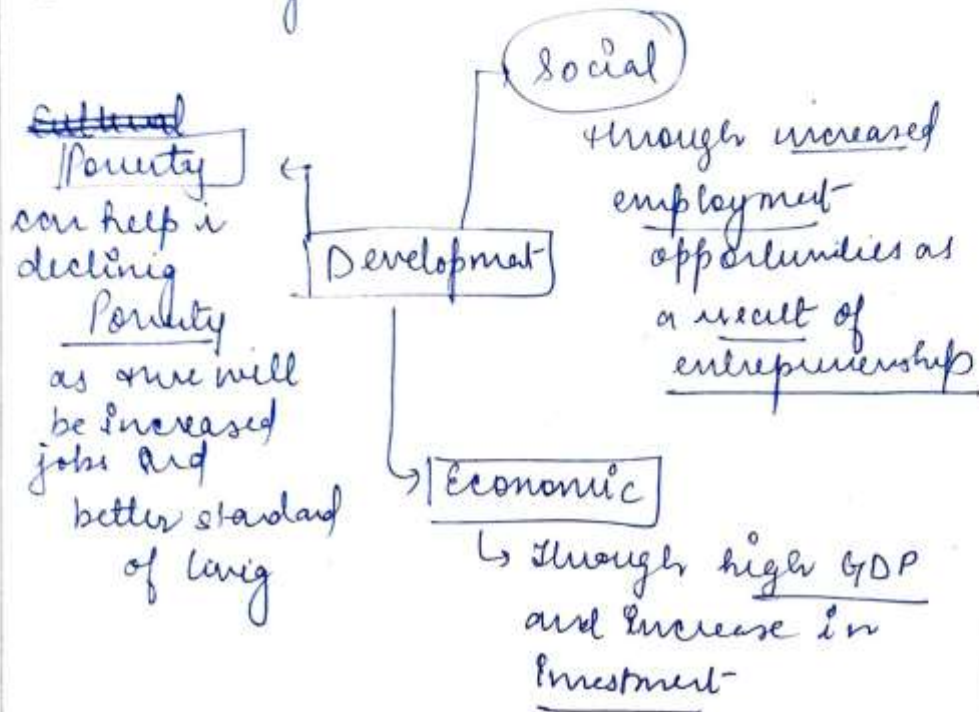
2) Stock Market can bring foreign investment in the form of FPI hence increasing the net worth of one companies .

↓
as such helpful in creating assets and increasing Indian companies reach in the international sphere

3) Investments in the form of machine, capital directly leads to increase in the economic growth hence fulfilling India's goal to achieve \$5 trillion economy

Wealth creation : Aid in development

Development is a multifaceted phenomenon, so wealth creation can actually aid in that too.



However, wealth creation is one step, development requires a multi-pronged approach

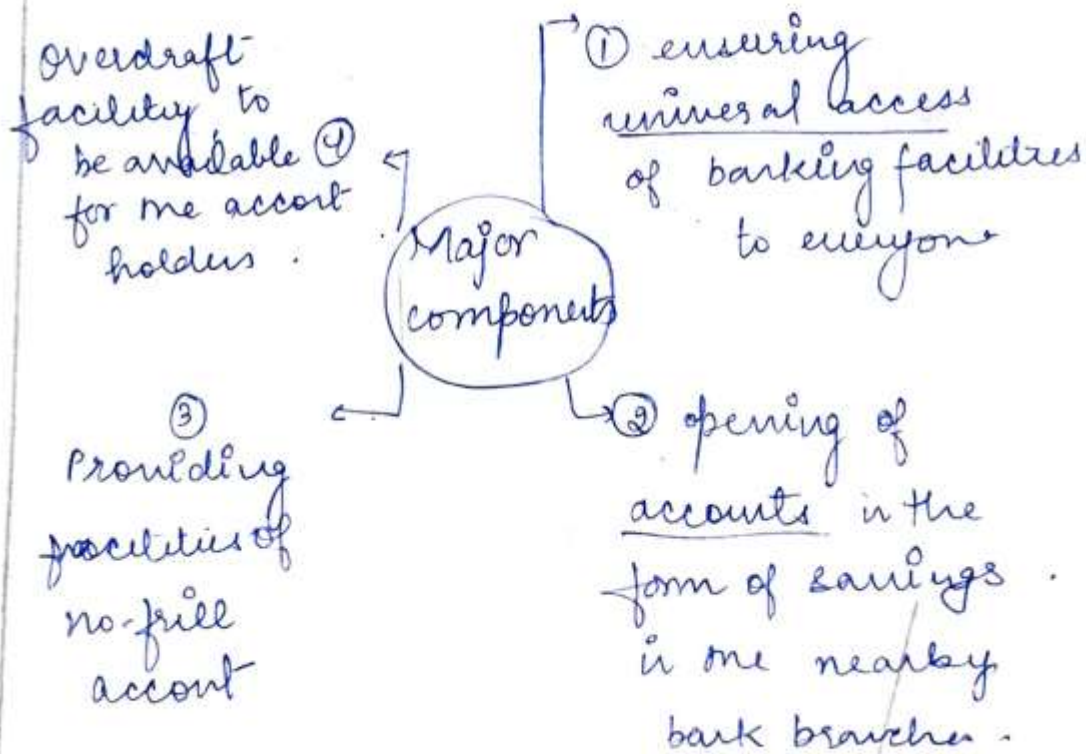
- Strong Political will
- conscious citizens
- Public Participation
- resilient infrastructure

Wealth creation, therefore can actually lead to increased growth and can help in India's vision of "Make in India" and \$5 Trillion economy.

Financial inclusion is the term to include and provide basic financial services to every section of the society. India has been moving towards digitalisation and thereby facilitating financial inclusion.

PM Jan Dhan Yojana is a landmark welfare scheme started by the Government of India to ensure financial inclusion.

Components of Financial Inclusion



India's journey has come to a great extent in achieving financial inclusion :-

1) RBI has come up with a Roadmap of financial inclusion by 2025.

2) Majority of the people have opened their accounts under the scheme of PM Jan Dhan Yojana.

3) It is more impressive to see that women have been a majority portion for opening their account.

4) Through PM-KISAN, farmers are also willing to open their bank accounts in order to avail benefits.

5) Sukanya Account in order to motivate people to focus on girl education has also witnessed huge success.

6) Direct Bank Transfer is also a success.

However despite these ~~effort~~ achievements,
there has been a lack of efforts: —

- 1) Still majority section has not
been availing banking facilities.
and in turn relying to moneylenders.
- 2) More rural-urban divide.
- 3) Lack of awareness among people
regarding existing schemes.
- 4) Gender divide
 - 1) Lack of political will
 - 2) Denial of credit by banks to
poors.

Hence, there is a need for proper imple-
-mentation of the schemes by:

- ↳ Political will.
- ↳ opening of bank branches at nearest
places.
- ↳ digitisation.
- ↳ creating awareness.

The financial inclusion is an important
step undertaken by government hence
needs to be more focussed and
strengthened.