Indian Economy · GS - III

Examine the view that financial inclusion is an integral part of social and economic inclusion in a country like India. Also throw light on the usefulness of the R.B.I.'s Financial Inclusion Index.

EXAM YEAR	PAPER	SUBJECT
2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Financial inclusion, social inclusion, economic opportunity, Jan Dhan, credit, insurance, pensions, RBI FI-Index, Access, Usage, Quality

Model Answer

Financial inclusion means affordable access to useful financial services such as savings, credit, insurance, pensions and payments. In India, it is integral to inclusion because financial access converts welfare entitlements into economic capabilities.

Its significance includes:

1. Social inclusion: Bank accounts facilitate DBT, pensions and welfare payments, reducing dependence on intermediaries.
2. Economic inclusion: Credit and insurance enable entrepreneurship, investment and risk management, particularly for women, farmers and MSMEs.
3. Empowerment: Digital payments and formal savings improve financial autonomy and resilience.

The RBI’s Financial Inclusion Index (FI-Index) provides a composite measure based on Access, Usage and Quality, thereby moving beyond merely counting bank accounts. Its value increased from 64.2 in March 2024 to 67.0 in March 2025, with improvement across all three dimensions.

Hence, the FI-Index is useful for identifying gaps, monitoring policy outcomes and encouraging evidence-based interventions. However, deeper inclusion also requires financial literacy, consumer protection and affordable credit.

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