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FINANCIAL CRISIS IN INDIA: IN THE ERA OF COVID 19

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Abstract: *Financial inclusion plays the very important role in the growth of any country. In India, the role of government is always on the growth and development by the financial inclusions for this they launched various schemes. Every sector, industry, financials, and daily life has been suffered a lot due the COVID 19. However, to protect the lives government took severe action such as complete lockdown but somewhere it has also affected the financial inclusions schemes and procedures. In this study we use secondary data to analyse the role of financial inclusion in the era of COVID 19. We conclude with the statement that small businesses, financial institutions and daily earners may take many days to recover their losses and also occurs extra cost to get the adequate lifestyle.*

Keywords: *Financial inclusions, COVID 19, Small Business, Financial Institutions, Financial services*

Introduction

With the Indian economy's growth, particularly when the emphasis is on achieving sustainable development, an effort must be made to include the maximum number of participations from all sections of society. But the country's rural population's lack of knowledge and financial literacy is hampering economic growth as a majority of the population has no access to formal credit. That is a serious problem for the country's economic growth. The banking sector emerged with some technological advances to overcome these obstacles, such as automated teller machines (ATM), credit and debit cards, internet banking, etc. While the implementation of these banking technologies has brought about a shift in urban society, most rural people are still unaware of these developments and are excluded from formal banking.

The main aim of the financial inclusion is to help people to provide financial services at an affordable price. It also focuses on to establish and develop the financial institutions to cater the needs of weaker section of the society.

In the era of noval corona virus (COVID 19), as the government of India had announced nationwide lockdown since March 22, 2020 all the activities whether financial or non financial had affected. Government allowed on emergency services and essentials during the lockdown period. In this pandemic situation, many industries faced the drastic downfall in their growth chart and consumer also faced many financial problems. The explosion of financial inclusion during this situation is a major challenge for banks and government as well.

However, banks provide many digital platforms to customer for the better service providing such as: connect through websites, home delivery facility for cash withdrawal, ATM services, loan EMI relaxation services etc; these facilities would be able to confrontation this pandemic situation and to continue the flow of financial inclusion.

Literature Review

Financial inclusion has seemed like a huge global agendum in recent years. The common measure of financial inclusion at aggregate level is the number of bank accounts per person, geographic branch penetration, demographic branch penetration, geographic ATM penetration, demographic ATM penetration, demographic credit penetration, deposit income ratio, credit income ratio and cash deposit ratio (Chattopadhyay &Kumar, 2011). Those studies, however, did not develop any financial inclusion composite index.

(Sarma, 2007) First computed financial inclusion indexes for the year 2004 in 45 nations. She developed the index, taking into account the measures-the number of bank accounts per hundred people, the number of bank branches per thousand people and the country's savings and credit ratio to GDP. Considering the almost similar indicators (Chattopadhyay & Kumar, 2011) the financial inclusion index has been created for the major states of India and for all districts of WestBengal.

Karmakar, Banerjee, & Mohapatra, 2011 have interpreted the financial inclusion of the twenty major states in India for rural areas. They found the number of rural outlets, the number of accounts per outlet, the amount of outlet deposits, the amountof outlet credits and the amount of account deposits as measures of financial inclusion.

All the research adopted the same approach used for human development index computation and found the dimensions equally significant. But when assessing financial inclusion, each element may not be equally relevant. So in order to first establish a comprehensive index of financial inclusion, researchers should extract the relative importance (weight) of the indicators and then measure the weighted average of the dimensional indices. In addition, the metrics used in the studies are not adequate to gage all possible dimensions of financial inclusion. Other indicators may exist, such as participation in SHG, outstanding per capita loans etc. (Verman&Mahendra, 2005) have found that the SHGs in Tamil Nadu instilled banking habits among the rural population. Some other empirical studies (Bagli &Adhikary, 2010) demonstrated in West Bengal that SHGs provide a smooth road to financial inclusion for rural poor people.

The number of total deposit accounts for all banks increased to 734.8 million and credit account for all banks to 118.6 million in 2010, and the number of no-frill accounts in both public and private banks increased from seven million in 2006 to 33 million in 2009 (Reserve Bank of India,2010).

Objectives of Study

1. To examine financial inclusion in the COVID 19scenario.
2. To investigate the major factors affecting access to financialservices.
3. To study the impact on small businessman due to COVID19

Methodology

To analyse the financial inclusions in India due to COVID 19, we used secondary data. The data has been taken from different journals, magazines, research papers, articles etc.

Financial Crisis

According to the Planning Commission (2009), financial inclusion refers to the equal access at affordable cost to a wide variety of financial services. Not only banking products, they do provide other financial services such as insurance and equity products. Exposure to finance programs for households provides access to financial planning, credit and wealth formation.

Government of India (2008) defines financial inclusion as the process of ensuring access to financial services and timely and sufficient credit where appropriate, at an affordable rate, by disadvantaged groups such as poorer sections and low income groups. The definition of financial inclusion is the provision of financial services to low income groups, in particular to the excluded parts of the population with equal opportunities. The key aim is access to financial services for better living conditions and employment. The government of India has initiated financial inclusion by some schemes such as

Pradhan Mantri Jan DhanYojana (PMJDY) in August, 2014 which aim was to cater every unbanked individual, household and weaker society by providing the banking services at very affordable cost. (Ministry of finance, 2019).

COVID 19

COVID 19 has been detected in Wuhan city, China in December2019andlateron Health Organization has been declared this is a pandemic for the world. This pandemic has affected more than 200 countries from its inception. In India, the government of India has been announced the complete lockdown till the situation would not be in the control due to the lockdown the economical and financial growth of the country has been affected.

Financial Inclusion in addressing the impact of COVID 19

Most of the daily wage workers, micro and small businessmen, as their wages have fallen, may hardly be able to repay their loans. In addition, the processing of microfinance loans most often occurs in cash, at branches or at community meetings. Therefore, apart from the earnings of the consumers, the mechanism of repayment is often interrupted. In the meantime, it's important that not all of the money dries up. Many industries think of food processing and healthcare firms need to continue to work and serve the people. It is only feasible if Governments and the financial sector fund selected industries.

Support to small businesses

The good news is that while we are powerless to prevent harm from happening, we have the power to help others and minimize the long-term effects. To maintain a stable base for micro and small businesses to get back on their feet and drive economic recovery once the COVID-19 crisis recedes, aggressive and concerted action is needed. We know from research and experience that small and micro-enterprises are very versatile and fast to respond to new circumstances. National governmentsand central banks in many countries have taken constructive steps to help small enterprises. A good example is a three-month loan repayment moratorium in countries like India, Georgia and Peru to relieve the immediate burden. This inevitably affects their borrowers, who do have financial responsibilities to them. Therefore, promoting such a moratorium across the financial value chain, including regulators, local capital markets, central banks, international development agencies and specialist financial providers such as Triodos Investment Management, is essential.

Important role of financial institutions

Our partners concentrate in every country mainly on keeping in touch with their customers and meeting their needs. For example, some may be able to minimize interest rates by pre-payment of their loan, as they cannot purchase and sell stock. Others can be provided with extra funding to complete the harvest season. It is impressive to see how quickly others are adjusting to new circumstances. We reach their customers by phone, and use digital platforms such as smart phones. Some also provide their clients with video tutorials that not only discuss financial issues but also inform their clients by advising them to keep their social distance, stay at home, wash their hands and stay healthy. That sounds simple, but we have to remember that in densely populated communities, without access to clean water, let alone soap, many live in very cramped conditions. More than in developed countries, because of the large number of people they cover, financial institutions in emerging markets which serve the pyramid base may play an active role in society.

Conclusion

Financial inclusion is the key of growth and development of any country. It is being broadcast in a very big and rich way for the development of India. COVID 19, as affected several sectors and industries of India and stagnant the Indian economy. The financial inclusion is being affected by this pandemic situation and low income group individuals and households who face the nationwide lockdown which has collapsed the daily earning of workers and individuals. Small businesses also get affected and will take many days to overcome by this situation.

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