

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 842
TO BE ANSWERED ON 7th FEBRUARY 2022

MONETARY POLICY AND FINANCIAL INCLUSION

842. SHRI KOMATI REDDY VENKAT REDDY:

Will the Minister of Finance be pleased to state:

- (a) the details of the two-way relationship between monetary policy and financial inclusion;
- (b) whether it is a fact that financial inclusion is able to dampen inflation and output volatility which can be achieved by smoothing consumption/by enabling people to draw down financial savings in difficult times for everyday needs and in the process, it makes people interest sensitive;
- (c) if so, whether it is also a fact that inflation targeting monetary policy ensures that even those at the fringe of financial inclusion are secured from adverse income shocks that hit them when prices rise unconscionably, and the financial inclusion appeared to have increased, with the level of the RBI's financial inclusion; and
- (d) if so, the details and the present status thereof, State-wise in Telangana and Andhra Pradesh?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a), (b), (c) & (d): The relationship between monetary policy and financial inclusion and its impact on inflation and various other indicators has been mentioned in published empirical research conducted on the experience of several countries.

Reserve Bank of India has constructed a composite Financial Inclusion Index to capture the extent of financial inclusion across the country covering various dimensions, using 97 indicators. The annual Financial Inclusion Index increased from 43.4 for the period ending March 2017 to 53.9 for the period ending March 2021.
