Estimating welfare Impacts of de-facto and de-jure state transfers towards financial inclusion across Indian households

Topic: E3-India initiative- Regional solutions for economy and environment
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Kakali Mukhopadhyay, Professor, Gokhale Institute of Politics and Economics, Pune, India and Adjunct Professor/ Senior Fellow, Department of Agricultural Economics, McGill University, Montreal, Canada

Title of the Abstract

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Abstract

India is one among several countries that have adopted the Sustainable Development Goals (SDG) in their march towards decent living and economic prosperity. These include targets to reduce poverty and hunger in the country. The Tendulkar Report on poverty estimates in India show that the national head-count ratio has declined from 45.3 in 1993-94 to 21.9 in the year 2011-12. The government has set a target to further reduce the head-count ratio to about 10.9 by the year 2030. The Government of India report highlights the fact that the poverty ratio varies from almost 40 in some states to about 3 in other regions in 2011-12. National targets will therefore have to be met with adequate emphasis on reducing the regional disparities. Accordingly, economic analysis is warranted at both national and regional levels.

Financial inclusion is one of the main instruments for achieving growth and investment commensurate with these targets. The Reserve Bank of India has identified credit flow to priority sectors, financial literacy as well as credit directed to medium small and micro enterprises and strengthening of financial institutions as the basic components of its program of financial inclusion. With this background, the present study proposes to estimate the welfare impacts of financial inclusion at the national and regional levels spread across various sectors of the Indian economy using E3 India dynamic macro econometric model.

â€œE3_Indiaâ€• is an integrated Econometric Input-Output model comprising economy energy and environment components encompassing thirty two states and union territories spread over thirty eight sectors. Its strength lies in its ability to trace out regional impacts of national policies and vice versa.

It is expected that the current study will provide important insights for policy makers and various

other stake holders in the partnership to develop the Indian economy.