

An Empirical Investigation of Relationship among Financial Inclusion, Literacy Level and Economic Growth in India

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Abstract

Majority of the countries across the world are endeavoring for strengthening the cause of financial inclusion and literacy level for realizing higher level of economic growth. Literate demographic stuff may acclaim acquaintance to prolific financial services and financially inclusive economy could be a sturdy support to intensify progression. Existing set of knowledge demonstrates the complex and intertwined relationship among financial inclusion, literacy level and economic growth. Some academicians feel that there is positive relationship among the above mentioned variables while few other researchers have presented a contradictory perspective, i.e. literacy rate and financial inclusion may not be the sole driving force behind over all growth. Present study empirically unravels the intricate web of these contradictory viewpoints through screening of existing set of knowledge and portrayal of inerrrelation and causality among financial inclusion, literacy level and economic growth in India for the time period 1990 to 2021.

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Keywords : Financial Inclusion; Economic Growth; Literacy; Co-integration; Causality; India

I. Introduction

IN THE PRESENT-DAY context, financial institutions serve as a catalytic agent in promoting the cause of economic development of a country. Financially inclusive economies tend to be more resilient to economic shocks, since individuals and businesses are well aware about the financial services which aids them to weather crucial times (Farazi, 2014; Adeola and Evans, 2017).

Financial inclusion aims to ensure that all citizens may have access to requisite financial services and are equipped with the necessary knowledge to utilize them effectively (Kunt and Klapper, 2012). To sustain economic

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Notes

1. Literacy rate adult is the proportion of people ages 15 and above who can read and write with understanding a short simple statement about their everyday life.

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