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A STUDY ON FINANCIAL INCLUSION IN INDIA: A REVIEW ON INITIATIVES AND IMPACT

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ABSTRACT:
Financial Inclusion is an emerging term that has attracted global attention. Financial Inclusion plays a key role in eliminating poverty in the country. Financial inclusion aims to encourage sustainable growth, development, and employment in rural areas population. The financial inclusion aim is to provide access to financial services, and credit services to low-income groups at a reasonable cost. It also provides equal opportunities to all individuals to avail the financial services like credit facilities to improve living and income, Payments, remittance facilities savings, loans, insurance, etc., Even though all these facilities are provided in Internet banking only a certain group of people has access to them, still people in remote areas are not able to use facilities like savings, credit, insurance, etc., so financial inclusion will pave the way to avail the basic financial facilities and credit services. This paper attempts to study financial inclusion in certain areas of need for Financial Inclusion, Strategies to develop financial inclusion, the Current status of Financial Inclusion, the Future of Financial Inclusion, and Challenges for Financial Inclusion in India**.** This paper is also concerned about the inclusion of individuals- persons and institutions- with the economy, how far has this been realized?
Key Words: Financial inclusion, Poverty, Financial services, Low-income group, Insurance.

INTRODUCTION:
Financial Inclusion means providing basic financial services at reasonable prices to low-income groups. The purpose of financial inclusion is to link the proper banking system to obtain financial services available to make financial decisions.
Financial inclusion is the process of accessing financial services that are provided to weaker sections, and low-income level groups at a reasonable cost as and when needed **(C. Rangarajan Committee 2008).**
The Economic growth rate in India is considerably increasing day by day and poverty decreasing. Banking Sector innovations like financial inclusions lead the customers to use the services and hence momentum is gained. The banking sector and its services penetrated in the country everywhere. With increase in liberalization and commercialization, the banking sector gained heights in India. Thus, the Financial inclusion outcome is economic development, rise in income, lifestyle, employment, etc.,
The Country has involved the key financial inclusion strategies to achieve Millennium Development Goals (MDGs). To achieve this some transformations are taken under the National Commission for Transforming India (NITI) and the global Sustainable Development Goals (SDGs) for 2015-2030, and integrates both principle and Practical approaches. It includes providing banking services that are accessible to all without any disparities.
Financial inclusion and financial literacy both are two crucial pillars of a robust economy. While financial inclusion emphases on expanding financial services (the supply side) to all classes of people, financial literacy works to generate demand for these services (the demand side) which provides knowledge to the people regarding the financial services. Financial inclusion goes beyond just offering credit and bank accounts; it ensures that vulnerable communities have access to a broad range of financial services.

REVIEW OF RELATED LITERATURE:

Researchers and professors have conducted much research on financial inclusion in India. Some references have been taken for this study and they are as follows.

Gupta & Jain (2023) studied the effects of the Pradhan Mantri Jan Dhan Yojana (PMJDY) on financial inclusion. The initiative had significantly increased access to banking services, especially in rural and underserved regions. Yet they also noted challenges, with many beneficiaries not actively using the accounts for savings or transactions. They suggested that improving financial literacy and providing the right financial products could help bridge the gap.

Mobile banking and digital payments are important financial services that enhances financial inclusion, particularly in rural and remote places **Sharma & Kumar 2022**. The study indicated a positive correlation between digital finance and increased economic participation. Some issues of trust and security are addressed. Srinivasan & Rao (2021) analysed the implementation of the Digital India initiative and its impact on financial inclusion. This review articulated the initiative that led to the expansion of digital infrastructure, internet connectivity, and mobile phone usage. This expansion enabled better access to banking services and government subsidies. Yet , they also noted that digital issues, low literacy rates and limited internet which significantly effects financial inclusion.

To promote financial inclusion Amoah, Korle, and Asiama (2020) explored the role of mobile money in their study to identify key factors influencing the use of mobile money in their selected region, including the tech-savvy nature of younger age groups, available services such as phone credit recharge, education, and income levels. Inoue (2019) examined how financial development and poverty reduction in India are related. The researcher focused on how commercial banks, both public and private, have an impact on financial inclusion and poverty reduction, comparing the effects of each sector.

Financial inclusion and its future prospects are studied by Ashish Baghla (2018) in India. He extended his research to investigate the importance of financial inclusion and proposed key steps for the government to address the challenges. Singh and Nirvikar (2017) studied various concepts, issues, and policies related to financial inclusion in India. The study also provided an overview of empirical and institutional research on the topic, particularly in the context of developing countries.

Greater financial accessibility, narrowing income disparities, and promoting economic growth by addressing inequality are studied by John-Hee Kim (2015). Purvi Shah and Medha Dubhashi (2015) focused on the growth of financial inclusion and its significance. Their research results show that 41% of adults had access to formal financial accounts, and only 37% of women compared to 46% of men were included, highlighting the widening gender gap and the effects of income inequality in developing nations.

RESEARCH METHODOLOGY

This paper relies on secondary data which are gathered from online and offline sources like websites, reputed journals, magazines, textbooks, magazines, and newspapers.

OBJECTIVES OF THE STUDY:

- To Understand the Need for Financial Inclusion in India.
- To Study some impact on Financial Inclusion.
- To understand the Challenges of Financial Inclusion in India.
- To give suggestions, if any.

NEED FOR FINANCIAL INCLUSION IN INDIA:

The core emphasis of Financial Inclusion in India is on Rural areas and weaker sections.

Increasing the habit of Saving: Financial inclusion will create a platform to increase the practice of savings. The lower income category will not show interest in saving their income, if they save their income, they will have an advantage in an income crisis in the future.

Credit Availability: Financial Inclusion will act as a formal financial institution. Lower-income category People, the Unbanked population have depended on many financial informal channels like friends, money lenders, etc., for their credit needs. The availability of credit facilities through transparent formal channels will encourage credit usage in the countryside. It will also boost the entrepreneurial spirit.

Reduces the leaks in subsidies and welfare programs: The subsidies and welfare programs that are provided by the government sometimes may not reach the target people. So, therefore, direct cash transfers can be done through bank accounts.

Reduces financial inequalities: The disparities in income can be reduced by financial inclusion by circulating more money through loans to the people for investments.

Social Security schemes: Pensions and subsidies can be directly provided to the beneficiaries without any intermediaries.

STRATEGIES TO DEVELOP FINANCIAL INCLUSION IN INDIA:

Several initiatives are implemented by the government to promote financial inclusion in India, some are :

1. Direct Benefit Transfer (DBT) – This Scheme was initially launched with 26 welfare schemes in 43 districts. This scheme ensures funds should be directly transferred to beneficiaries without delay.
2. USSD (Unstructured Supplementary Service Data) Mobile Banking: Financial services like transfer of money, Payment of bills, Enquiries, Merchant transactions, etc. on Mobile phones, without any apps.
3. Ultra-Small Branches (USBs): Small Branches which are started in all rural areas Financial Inclusion.
4. Swabhimaan Campaign: This campaign targeted to provide of services using business models, technologies, and BCAs.
5. Business Correspondent Model: This model aims to increase financial inclusion by using intermediaries to deliver financial services.
6. Bank – MFI linkage Model: Micro finance institutions- link models acts as a bridge between the services and rural areas where banking services are not available.
7. MF-NBFC Model: Non-banking Financial Companies delivers microfinance services to the rural, semi-urban, and urban poor.
8. Bank - Post office Model: In partnership with commercial banks post office provides services like savings, deposits, money transfers, parcel sending, etc.
9. No-frills accounts: Basic bank accounts with minimum balance, low charges accounts are made available wide section of populations.
10. KYC norms: KYC procedures are minimized from 2005.
11. Information and Communication Technology (ICT): Use of technology is one of the important factor to deliver banking services to rural people. Customers with minimal education are also using technology through biometrics, thus it provides high security and it also enhances confidence in the customers.
12. Simplified branch authorization: As the bank branches are not uniform throughout the country this scheme has been introduced to freely open branches in different areas where general permissions and they are subjected to report accordingly.

PRADHAN MANTRI JAN DHAN YOJANA

On August 15, 2014 a new scheme was launched by government of India, Pradhan Mantri Jan Dhan Yojana (PMJDY), which aimed for financial inclusion especially focused on extending financial services to economically weaker sections of the society to provide basic banking facilities and financial education to reach inclusive growth, under the slogan "SABKA SAATH SABKA VIKAS," which emphasizes equitable and comprehensive development.

Pradhan Mantri Jan Dhan Yojana PMJDY national mission is designed to provide crucial banking services to every family, like opening bank account, providing financial literacy about credit, insurance, pensions, welfare programs, and subsidies. Also additional issuance of Rupay debit cards and insurance coverage of 1 lakh rupees.

THE BENEFITS OF THIS YOJANA ARE AS FOLLOWS:

- No minimum balance.
- Interest on Deposits.
- Easy transfer of money.
- Insurance cover of 1 lakh rupees for accident
- Overdraft facility will be provided to satisfactory operative account for 6 months.
- Government schemes will get DBT to beneficiaries' accounts.
- Access to pension, insurance, etc.,

IMPACT ON INITIATIVES:

Current Status of Financial Inclusion in India:

- More than 310 million people were covered in this formal banking system. formal banking system.
- More than 25000 new branches were opened.
- States like Andhra Pradesh, Karnataka, Tamil Nadu, and Telangana. etc., benefited more by establishing more banking branches in rural areas which were ignored earlier.
- Only 3% share was covered in north-eastern states in this financial inclusion.
- More than 45K new ATMs have been installed in needy areas to serve the needs of people.

CREDIT DELIVERY:

The following table describes Priority sector lending (PSL) by Scheduled commercial banks (SCBs) accounting for 45.1 percent of their adjusted net bank credit (ANBC).

Table 1: Priority Sector Lending Targets

(Amount in ₹ lakh crore)

Financial Year	Public Sector Banks	Private Sector Banks	Foreign Banks	SCBs
2022-2023	28.4	19.5	2.3	50.2
	(43.7)	(45.3)	(42.8)	(44.2)
2023-24*	32.2	24.7	2.3	59.1
	(43.4)	(48.1)	(41.5)	(45.1)

*: Data are provisional.

KISAN CREDIT CARD:

Table 2: Kisan Credit Card (KCC) Scheme

(Number in lakh, Amount in ₹ crore)

Financial Year	Number of Operative KCCs #	Outstanding Crop Loan	Outstanding Term Loan	Outstanding Loan for Animal Husbandry and Fisheries	Total
2022-23	282.96	4,61,391	37,551	19,694	5,18,636

2023-24*	298.14	4,93,362	46,332	35,279	5,74,973

*: Data are provisional.
#: The number of operative KCC accounts does not include non-performing asset (NPA) accounts.
Source: Public sector banks, private sector banks and small finance banks (excluding RRBs).

FUTURE OF FINANCIAL INCLUSION IN INDIA:

Commercially unfeasible in urban areas: This scheme's main target is the rural population. As urban population is commercially unviable for such initiatives.
Last Mile Inclusion: Based on the efforts made by stakeholders like government, banks, technology, regulators, and intermediaries in providing financial awareness in formal financial channels in India may cross the level of 95% inclusion in coming years. Financially excluded persons will be less.
Reactivation drives for Dormant accounts: Based on the latest reports, 60 million no-frill accounts are opened and just 2.5 million are active. The government and the regulators have to take up a new mission for reactivation drive for dormant accounts.
CBS: All banks provide core banking solutions CBS and there is a push to expand the system and to offer a broad range of services transferring CBS to better service customers.
Conversion of accounts: Over 60 million no-fill accounts are opened and just 2.5 million are active. The remaining 57.5 million are inactive. The inactive accounts are giving us a sign that accounts are opened based on social pressure, operating cost, no value addition, no change in quality of life, no faith in technology, and migration to other places.
Insurance inclusion: Based on past data life insurance touches 10 percent of people in India, and non-life insurance is only 1 percent. Regulators and the government should launch new initiatives and expand micro-insurance schemes, and insurances.
Pension Inclusion: With the rise of nuclear families, the need for pension inclusion increased. The government has made some provisions to increase the adoption of pensions

CHALLENGES FOR FINANCIAL INCLUSION IN INDIA:

Attaining full banking coverage for India’s population is a significant challenge. Both regulators and customers have to share significant responsibilities and efforts in this financial inclusion. Supply side have many obstacles which include the lack of bank branches in rural areas, restrictive regulations, and high banking fees. Demand side, challenges are such as low literacy rates, limited financial awareness, irregular income, and a lack of trust in technology persist. Despite various initiatives to improve financial literacy, a large population is still excluded from financial services. The following are some of the challenges to achieving financial inclusion in India.

- Conducting Literacy awareness programs to promote banking services.
- Reaching out to the underserved people.
- North- East area has to be covered.
- Setting clear timelines should be given to all intermediaries.
- Assigning specific responsibilities to all lead bankers.

SUGGESTIONS:

- Efforts should be made to enhance the people’s understanding of financial services in India and how to access them at affordable cost.
- The government needs to identify and understand the causes of the failure of financial awareness among some people of rural and semi-rural people.
- Government and regulators should take necessary steps to innovate the banking products for different types of people.
- Campaigns should be conducted to increase public confidence in banking and its products.

- More branches have to be launched in remote places.
- Banking employees visit the banking underserved areas and they should be guided and encouraged to open accounts to use basic financial services.

CONCLUSION:

In recent years, the government has implemented various measures for financial inclusion, more than 310 million people have been covered under this scheme in formal banking services. The launch of Pradhan Mantri Jan Dhan Yojana launched by PM Modi was one of the positive steps in this direction which is working well. Yet, there are many challenges from both ends of the customers and also government in achieving greater inclusive growth and development. One of the crucial steps toward financial inclusion was to improve access to credit facilities for disadvantaged sections of society. The government should play an important role in financial markets, while both markets and government institutions often have their limitations, it is essential to create policies that address and reduce these challenges.

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