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Financial Inclusion in India: A Review

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ABSTRACT:

The financial sector acts as a mediator for economic stability. The progress of the nation depends on the financial sector's growth. By providing financial services to all Indian citizens, it can be achieved. The RBI, the Ministry of Finance, and the Central Government have been promoting sustainable economic growth in recent years. By examining several reports from the Finance Ministry, RBI, IRDA, and NABARD, the following figures and statistics have been examined. A substantial portion of India's population now has access to banking services thanks to financial inclusion, which is crucial for the socioeconomic advancement of the lower income group. A summary of India's financial inclusion condition during the past few years serves as the main foundation for the current research. The study highlights the rise in banking locations and the growing popularity of the Indian government's social security schemes in recent years.

Keywords: Financial Inclusion, Finance Ministry, Government, Socioeconomic Growth, India

Introduction:

In the current period of economic expansion, the country's residents ought to be a part of the banking and financial system. Both the nation's social and economic development will be accelerated by this process. Effective financial inclusion implementation is required for this reason. Social banking is not the same as financial inclusion, and financial inclusion can help the poor more than social banking ever could. (Kamath, 2007). The long-term financial viability and stability of the social and economic order will be determined by inclusive growth and financial inclusion, which are now policy imperatives rather than merely policy options. We must guarantee that our compatriots have simple access to the financial system and can use it to enhance their social and economic well-being.

(Chakrabarty, 2013). Sending and receiving payments and storing money are the initial steps towards achieving successful financial inclusion. The next important step is to gain access to the account. The money store aids in both long-term goal planning and emergency preparedness. The effectiveness of any financial system is determined on the availability of different financial services to different societal strata and their appropriate use. Having access to financing is one of the most important things that helps people escape poverty by increasing their output. (Banerjee & Newman, 1993). Because traditional financial institutions are unable to address the unique demands of the impoverished, informal service providers have been able to fill the void (Ananth & Oncu, 2013). It is widely accepted that the three main characteristics that significantly correlate with the degree of financial inclusion are population, income, and literacy. Deposit and credit penetration were the banking variables that showed the strongest correlation with financial inclusion. Lastly, there was no discernible correlation between financial inclusion and the credit-deposit and investment ratios (Chithra & Selvam, 2013). Other elements include microfinance companies, who make an effort to connect with low-income women in the neighborhoods around their branches. The women who met the conditions of the group lending concept and were able to generate revenue contributed to financial inclusion (Shankar, 2013). Perception—whether it be of risk aversion, usefulness, or convenience of use—plays a significant effect in how widely mobile banking is adopted in rural areas (Behl & Pal, 2016). The kinds of services offered and the availability of credit are important components of financial inclusion. If bank branches do not provide services to the public, their opening alone will not be enough. (Lenka & Sharma, 2017).

Objective of the Study:

This research study's objectives are to assess India's current situation of financial inclusion and provide an overview of the government's efforts to bring about financial inclusion.

Five Major Financial Inclusion Areas:

Financial inclusion is the process by which regulated institutional entities provide low-income and disadvantaged groups in society with accessible, transparent, and equitable financial services and products. Ensuring that vulnerable individuals, such as those living in low-income or underprivileged regions, have timely and affordable access to financial services is a key component of financial inclusion.

1. **Banks:**

In the banking sector, providing low-income individuals with access to financial services is known as financial inclusion. Even if financial services are intended for the general public, it is crucial that everyone, without exception, have access to them.

Enabling economically disadvantaged people of society to access affordable financial services is the main objective of financial inclusion. In order to make banking services available to all Indians, the concept of financial inclusion was developed. To effectively implement financial inclusion, particularly in rural regions, mainstream (SBI and other PSUs) and nonmainstream (Rural & Cooperative banks) institutions must collaborate for the benefit of the general public.

2. **Savings:**

Savings for each person's financial security and the country's economy. People find it difficult to acquire employment or need money when they don't have enough saved.

3. **Insurance:**

People can utilize insurance as a form of financial protection to help them cope with unforeseen losses and occurrences in life. With insurance, they can protect their lives, health, and other loss compensation items.

Insurance helps people with lesser incomes transfer the risk they take on and compensate for any losses brought on by damages.

4. **Credit Provision:**

Through financial inclusion, low-income groups can easily access affordable loans, providing them with the funds they require for a comfortable lifestyle. Credit provision is the main element of financial inclusion.

The cost of credit is usually determined by the lender's evaluation of risk. Financial inclusion usually considers an individual's age, credit history, income, and property ownership, among other factors, before making a loan to them.

5. **Financial Advice:**

Advice could take the form of a fairly casual discussion about the basics of finance.

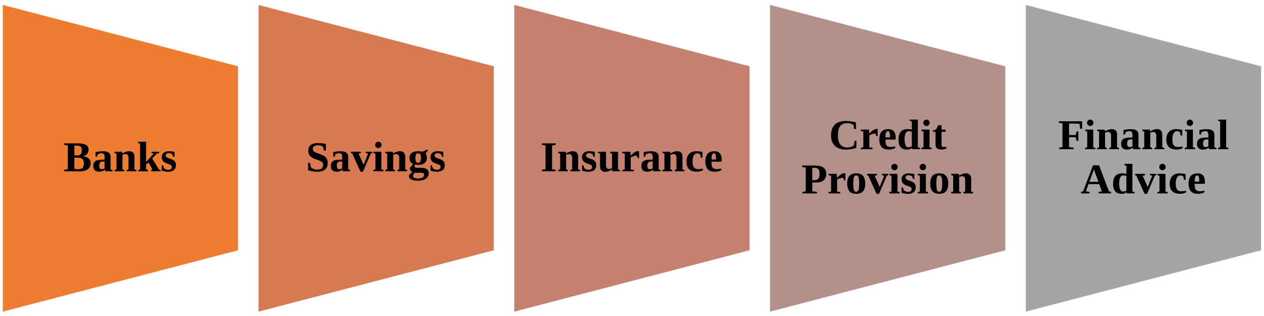

Figure No: 1

Policy Measures and Initiatives for Financial Inclusion:

Numerous policy efforts and programs for financial inclusion have been put into place by the RBI and GOI.

Policy Measures and Initiatives for Financial Inclusion by RBI & GOI
Simplification of Know Your Customer (KYC)
Simplification of Savings Bank Account Opening Form
Kisan Credit Cards
Branch Growth and Village Coverage

Programs for Financial Literacy
Establishment of Financial Inclusion Funds
Information and Communication Technology (ICT) utilization and promotion in banking
Development of Rural Infrastructure, etc.

Conclusion:

Many previously marginalized groups in society now have more power thanks to financial inclusion, which enables them to better manage their finances, obtain credit, and save money safely. By encouraging investment, lowering reliance on unofficial lenders, and encouraging entrepreneurship, greater financial inclusion can support economic growth.

Numerous financial indicators, such as the credit deposit percentage and technology-enabled services, can be used to examine the overall state of financial inclusion. Rapid technological advancement has also been essential in fostering the country's inclusive progress. A greater number of people are now utilizing ATMs, Instant Mobile banking as well as the Payment Service (IMPS). India is moving quickly toward financial inclusion, and the government, Reserve Bank of India, and Indian citizens can all work together to accelerate this progress.

An inclusive financial system has several benefits. Economically disadvantaged members of our population do not have easy access to financial services. The process of creating banking branches, including "Brick-Mortar Branch," Extension Counters, Satellite Branch, Ultra-Small Branch, etc., began centuries ago and is still ongoing now. The current or savings account offered by every bank in India embodies the core concept of financial inclusion. In reality, it includes insurance, loans, and a variety of other services for each and every person in an economy.

India has made progress in financial inclusion thus far, but it is still a work in progress. By addressing the present problems and taking advantage of the potential, India can create a more inclusive financial system that benefits all segments of society**.**

Suggestions:

- **Digital wallets and mobile banking:**

Promote mobile banking and digital wallets by simplifying user interfaces, offering offline capabilities, and ensuring data security. This can improve accessibility, particularly in remote locations with poor internet access.

- **Simplification of Savings Bank Account Opening Form:**

Reduce the amount of paperwork needed and use biometric verification to facilitate the account opening process for the underbanked.

- **Financial Literacy Camps:**

Set up financial literacy workshops in rural regions with a focus on certain groups, such as women and small business owners. For broader outreach, collaborate with local leaders and NGOs.

- **Financial Products for Women:**

Develop financial solutions that specifically cater to the needs of female entrepreneurs, such as mentorship programs and loans without collateral.

- **Government Incentives:**

Encourage banks to open branches in underprivileged areas and provide low-income consumers with financial goods.

- **Privacy and Security of Data:**

Establish strong frameworks for data privacy and security to increase confidence and promote the digitalization of financial services.

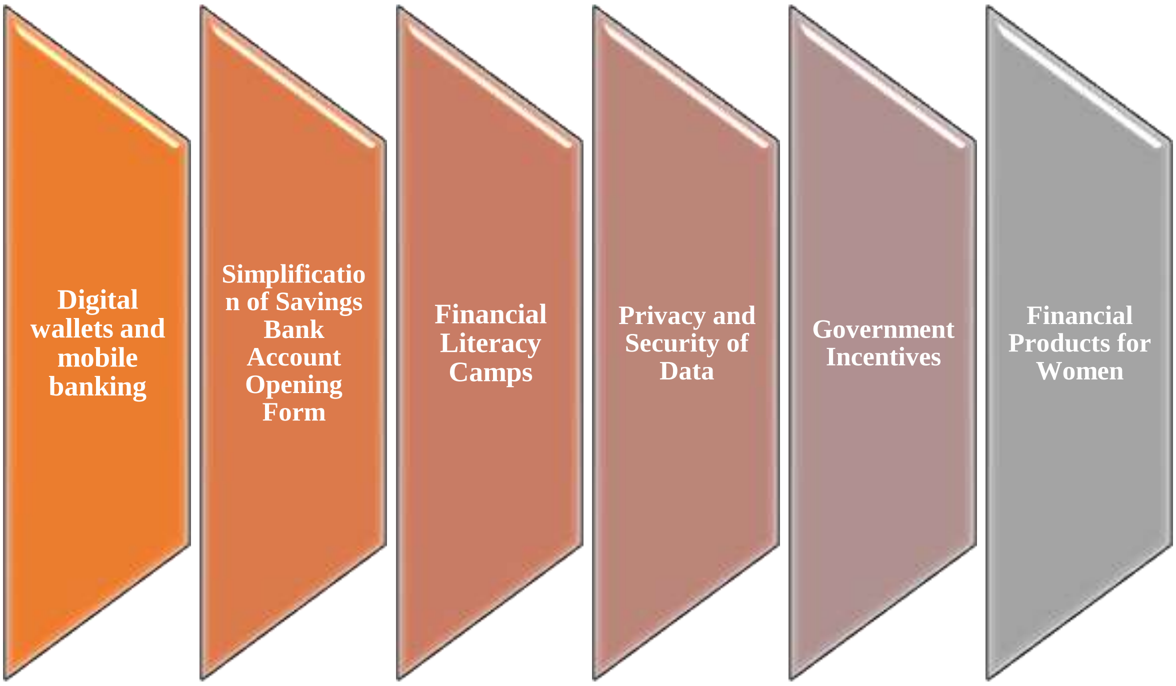

Figure No: 2

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