A STUDY ON FINANCIAL INCLUSION IN INDIA

AUTHOR- Poorva Tiwari

MBA (Financial Management) student, Galgotias University (School of Finance and Commerce)

Email Id – poorvatiwariji@gmail.com

ABSTRACT

Financial inclusion refers to the process of providing access to financial services and products, such as banking, credit, insurance, and investments, to individuals and communities who are excluded from the formal financial system. This includes low-income households, rural populations, women, and other marginalized groups.

Financial inclusion is important because it allows people to manage their money, save for the future, and invest in their businesses or education. It can also promote economic growth, reduce poverty, and increase social mobility. Lack of financial inclusion, on the other hand, can lead to financial insecurity, limited access to credit, and exclusion from the benefits of the formal economy

Financial inclusion can be achieved through a variety of measures, including the expansion of banking services, the development of mobile banking and digital payment systems, and the provision of financial education and consumer protection. Governments, financial institutions, and international organizations are working together to promote financial inclusion around the world.

Financial inclusion is closely linked to economic development. Access to financial services, such as savings accounts, credit, insurance, and digital payments, can help individuals and businesses to grow their incomes and assets, invest in education and training, and create jobs and other economic opportunities. This, in turn, can stimulate economic growth, reduce poverty, and promote greater equality and social inclusion

For example, financial inclusion can help small businesses and entrepreneurs to access credit and other financial services, which can enable them to expand their operations, invest in new equipment or technologies, and create jobs. This can help to stimulate local economies and promote economic growth

Similarly, access to savings accounts and other financial services can help households to better manage their finances, build assets, and invest in education and other human capital development. This, in turn, can lead to

increased productivity, better job opportunities, and higher incomes, contributing to overall economic development.

INTRODUCTION

Blockchain technology is a decentralized and distributed ledger system that allows multiple parties to record and verify transactions in a secure and transparent manner. It was first introduced in 2008 with the launch of Bitcoin, the first cryptocurrency. However, blockchain technology has since evolved to have applications beyond cryptocurrencies.

At its core, a blockchain is a chain of blocks, where each block contains a list of transactions. These blocks are linked together using cryptographic hashes, creating an immutable and tamper-proof record of all transactions. The decentralized nature of blockchain means that no single entity or authority has control over the entire system, and transactions are verified by a network of computers (nodes) spread across the network.

Decentralization: Unlike traditional centralized systems where a central authority controls the data, blockchain operates on a peer-to-peer network, allowing for distributed control and decision-making.

Transparency: All transactions recorded on a blockchain are visible to all participants in the network. This transparency helps ensure trust among participants and reduces the potential for fraud.

Security: Blockchain uses cryptographic techniques to secure the data and transactions. Once a transaction is added to the blockchain, it is extremely difficult to alter or tamper with the data, making it highly secure.

Immutability: Once a transaction is added to the blockchain, it is permanent and cannot be deleted or modified. This immutability provides a reliable and auditable history of transactions.

Smart Contracts: Blockchain platforms, such as Ethereum, support the implementation of smart contracts. Smart contracts are self-executing contracts with the terms of the agreement directly written into the code. They automatically execute when predefined conditions are met, removing the need for intermediaries.

Role of Blockchain technology in finance:

Blockchain technology has the potential to revolutionize the finance industry by offering increased transparency, efficiency, security, and cost savings. Here are some key roles and applications of blockchain technology in finance:

Payments and Remittances: Blockchain-based cryptocurrencies, such as Bitcoin, enable secure and fast peer-to-peer transactions without the need for intermediaries like banks. Blockchain technology can provide a more efficient and cost-effective alternative to traditional payment systems, especially for cross-border transactions.

Smart Contracts: Blockchain platforms like Ethereum allow the execution of self-executing smart contracts. These contracts automatically enforce the terms and conditions of an agreement, eliminating the need for intermediaries and reducing costs associated with contract management and enforcement.

Asset Tokenization: Blockchain enables the tokenization of assets, representing real-world assets such as real estate, stocks, or commodities as digital tokens. This fractional ownership of assets allows for increased liquidity, accessibility, and transparency in asset trading

Identity Verification: Blockchain can provide a secure and decentralized system for identity verification and authentication. It can help combat fraud and streamline customer onboarding processes by enabling individuals to have control over their personal data and share it securely with authorized entities.

Trade Finance: Blockchain can streamline trade finance processes by digitizing and automating processes such as letter of credit, bill of lading, and invoice financing. It improves transparency, reduces paperwork, mitigates fraud risks, and accelerates settlement times.

Clearing and Settlement: Blockchain technology can enhance the speed and efficiency of clearing and settlement processes in financial markets. By eliminating the need for intermediaries and enabling direct peer-to-peer transactions, blockchain can reduce costs, minimize counterparty risks, and expedite settlement cycles.

Regulatory Compliance: Blockchain-based systems can facilitate regulatory compliance by providing real-time transparency and auditability of transactions. Regulators can access an immutable record of transactions, reducing the need for manual reporting and audits.

Crowdfunding and Fundraising: Blockchain-based crowdfunding platforms, known as Initial Coin Offerings (ICOs) or Security Token Offerings (STOs), allow businesses to raise funds directly from investors without intermediaries. Blockchain technology provides transparency, security, and programmability to these fundraising processes.

Insurance: Blockchain can simplify and automate insurance processes, such as policy underwriting, claims management, and fraud detection. It enhances transparency and trust among stakeholders, reduces paperwork, and enables faster settlements.

Data Security and Privacy: Blockchain's decentralized and cryptographic features provide enhanced security and privacy for sensitive financial data. It reduces the risk of data breaches and unauthorized access by storing data across a network of nodes.

Financial inclusion and block chain technology:

Blockchain technology has the potential to significantly enhance financial inclusion by providing a more secure and transparent platform for financial transactions, particularly for the unbanked and underbanked populations. Here are some ways in which blockchain technology can improve financial inclusion:

1. **Decentralized Financial System**: Blockchain technology enables a decentralized financial system, which means that financial transactions can take place without the need for intermediaries such as banks or other financial institutions. This can make financial services more accessible and affordable for those who are currently underserved by traditional financial institutions.

2. **Low Transaction Costs**: Blockchain technology can significantly reduce transaction costs associated with financial services such as remittances, microlending, and peer-to-peer (P2P) lending. This can make these services more accessible to people who are currently excluded from the financial system due to high transaction costs.

3. **Increased Transparency**: Blockchain technology provides a transparent and immutable record of all financial transactions, which can help reduce fraud and increase trust in the financial system. This can be particularly important for people who are currently excluded from the financial system due to a lack of trust in traditional financial institutions.

4. **Improved Identity Management**: Blockchain technology can provide a secure and tamper-proof platform for identity management, which can help address the problem of identity verification that currently prevents many people from accessing financial services. This can be particularly important for people who do not have traditional forms of identification, such as a government-issued ID.

Overall, blockchain technology has the potential to significantly enhance financial inclusion by providing a more secure, transparent, and affordable platform for financial transactions. However, there are also challenges to be addressed, such as regulatory frameworks, infrastructure, and education and awareness among users.

Role of banks in financial inclusions:

Banks play a crucial role in promoting financial inclusion, which is the process of providing access to financial services and products to underserved and excluded populations, including low-income individuals, women, youth, rural communities, and small businesses. Here are some of the ways in which banks can contribute to financial inclusion:

1. **Offering Basic Financial Services**: Banks can provide basic financial services such as savings accounts, checking accounts, and small loans to underserved populations. This can help people build savings, access credit, and improve their financial resilience.

2. **Expanding Branch Networks**: Banks can expand their branch networks to reach underserved communities, particularly in rural and remote areas. They can also leverage technology to offer mobile banking and digital financial services to reach more customers.

3. **Developing Innovative Products**: Banks can develop innovative financial products and services tailored to the needs of underserved populations, such as microfinance loans, group lending, and mobile money. These products can help address specific challenges such as lack of collateral, limited financial literacy, and high transaction costs.

4. **Partnering with Other Institutions**: Banks can partner with other institutions such as microfinance institutions, cooperatives, and non-governmental organizations to reach underserved populations. These partnerships can help leverage each institution's strengths and expertise to promote financial inclusion.

5. **Investing in Financial Education**: Banks can invest in financial education programs to help improve financial literacy and awareness among underserved populations. This can help empower people to make informed financial decisions and improve their financial well-being.

RESEARCH OBJECTIVES

To understand the financial inclusion

To understand the importance of financial inclusion

To find out the initiatives taken by banks and governments

LITERATURE REVIEW

In recent years there has been a growing focus on financial inclusion as a key global priority.

Various measures of financial inclusion have been used , such as the number of bank accounts oer adult branch and ATM penetration deposit and credit income ratios.However, previous studies did not develop a composite index of financial inclusion.

Sarma (2007) was the first to compute financial inclusion indices for 45 countries in 2004 using indicators such as the number of bank accounts per hundred people the number of bank branches per thousand people and the ratio of savings and credit to GDP .

Chattopadhayay (2011) developed a similar index for major states in west Bengal using almost identical indicators.

Karmakar et al.(2011) constructed a financial index for rural areas in the top 20 states of India.They used indicators such as the number of rural outlets , number of accounts per outlet, per outlet deposit and credit amounts and per amount deposit to measure financial inclusion.

In 2008,the Government of India conducted a study on financial inclusion which aimed to provide affordable financial services to disadvantaged low income groups.

Kamath(2008) conducted a study to determine the impact of micro finance institutionloans on household cash flows and to compare the cash inflow and outflow patterns of mfi and non mfi households.

Access to finance is considered a crucial factor in enabling individuals to improve their production, employment activities and escape poverty. The delivery of credit which is fundamental activity of the banking sector is believed to be essential in boosting economic activity and generating capabilities(Sen,2000).

In 2013,Dangi and kumar examined the initiatives and policy measures taken by the Reserve Bank of India and the Government of India to promote financial inclusion.The study focussed on the current status and future prospects of financial inclusion in India and concluded that while there have been progressive changes.

Suryanarayana(2008) explored the definition of inclusion and exclusion with references to outcomes such as production income and consumption distribution drawing attention to the occupational social and regional profiles of those excluded from mainstream growth processes.

Agrawal(2008) studied financial inclusion from a behavioral perspective provides scope for policymakers to make informed decisions.

Mukherjee and Chakraborty(2012) examined the roles and effectiveness of commercial banks in promoting financial in Jharkhand state, India .

Uma and Rupa (2013) explored the role of SHGs in financial inclusion and found a positive relationship between SHG membership and financial inclusion

Joseph and Varghese(2014) analyzed the effect of financial inclusion on the development of the Indian economy by studying the bank growth rate in terms of the number of bank branches usage of debit cards and credir cards.

Ravikumar(n.d.) assessed the role of the banking sector in the financial inclusion process from different viewpoints,including branch penetration ,ATM penetration , population per branch.

Paramasivan and Ganeshkumar (2013) discussed the overview of financial inclusion in India and concluded that branch density has a significant impact on financial inclusion.

Julie(2013) analyzed the relationship between financial inclusion and economic growth in Kenya and found that both have a strong and positive relationship.

A study conducted in India by Kamboj (2014) found a positive relationship between financial inclusion and economic growth ,where financial inclusion was measured in terms of bank accounts penetration and credit delivery,

According to Michael Chibba's definition in 2009 ,financial inclusion is a strategy for inclusive development and poverty reduction that is part of the emerging nexus between financial inclusion ,poverty reduction.

Raghuram G. Rajan;s definition in 2009 states that financial inclusion in its broadest sense involves providing access to a diverse range of financial services at an affordable cost to everyone.

This includes not only banking products but also other financial services.

RESEARCH METHODOLOGY

Research methodology is the systematic process used to collect and analyze data for a particular research study. In finance research, the following methodology can be used:

1. **Research design**: This refers to the overall plan or strategy for the research study. The research design should be developed to address the research question or hypothesis being investigated. The type of research design used in finance research can be qualitative, quantitative, or mixed-method.

2. **Data collection**: This involves the gathering of relevant data from various sources. The data can be collected through primary sources (surveys, interviews, focus groups, observations, experiments) or secondary sources (existing databases, government reports, financial statements, academic journals, and other published sources).

3. **Sampling**: Sampling involves selecting a representative subset of the population being studied. Sampling techniques used in finance research include random sampling, stratified sampling, and cluster sampling.

In this research, I have used primary data collection by taking the interviews of people.

I visited banks as well as rural and urban areas to collect the data. To know more about the customer satuisfaction, banking services opted by the people and what types of banking services are used by the people.

I found that now a days people are much aware about the banks and banking services.They are using banking services and apart from banking services they are also using online payment methods for doing transactions.

DATA ANALYSIS AMD INTERPRETATION

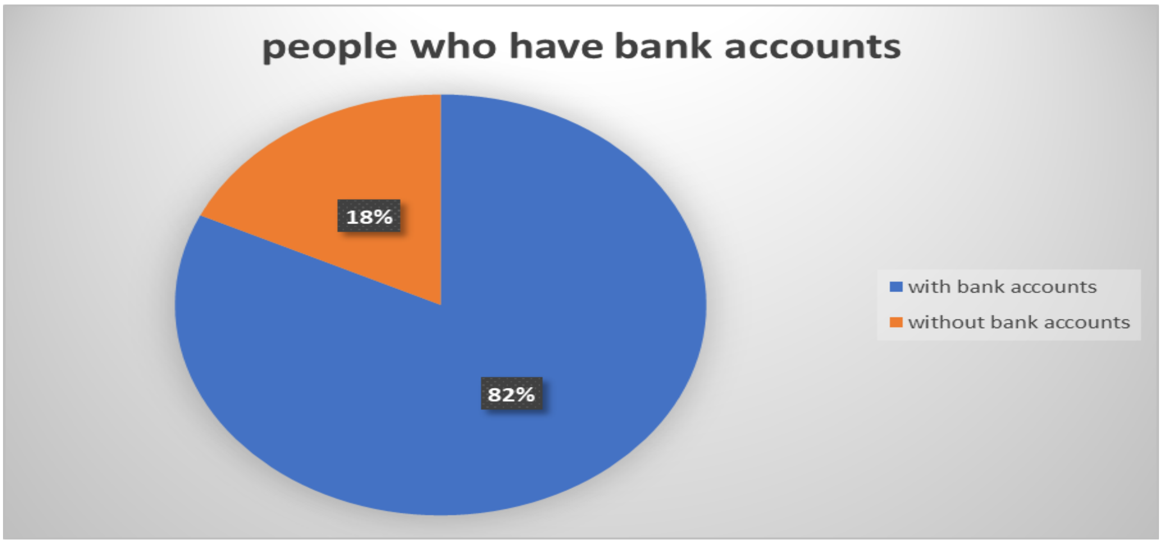
Financial inclusion data analytics refers to the use of data analysis tools and techniques to measure and improve access to financial services for underserved or financially excluded populations. Financial inclusion refers to the provision of affordable and accessible financial services to individuals and businesses, regardless of their income level or location.

Data analytics can be used to identify gaps in financial inclusion, understand the needs of underserved populations, and develop targeted interventions to improve access to financial services. For example, data analytics can be used to identify geographic areas with low levels of bank account ownership or low usage of mobile money services, and design programs to increase access to these services in those areas.

Financial inclusion data analytics can also help financial service providers to better understand their customers and tailor their services to meet their needs. This can include analyzing customer behavior, preferences, and transaction data to design more relevant and useful financial products and services.

Overall, financial inclusion data analytics can play an important role in promoting financial inclusion and improving the financial well-being of underserved populations.

variable	constructs	Frequency of respondents
gender	male	70
	female	30

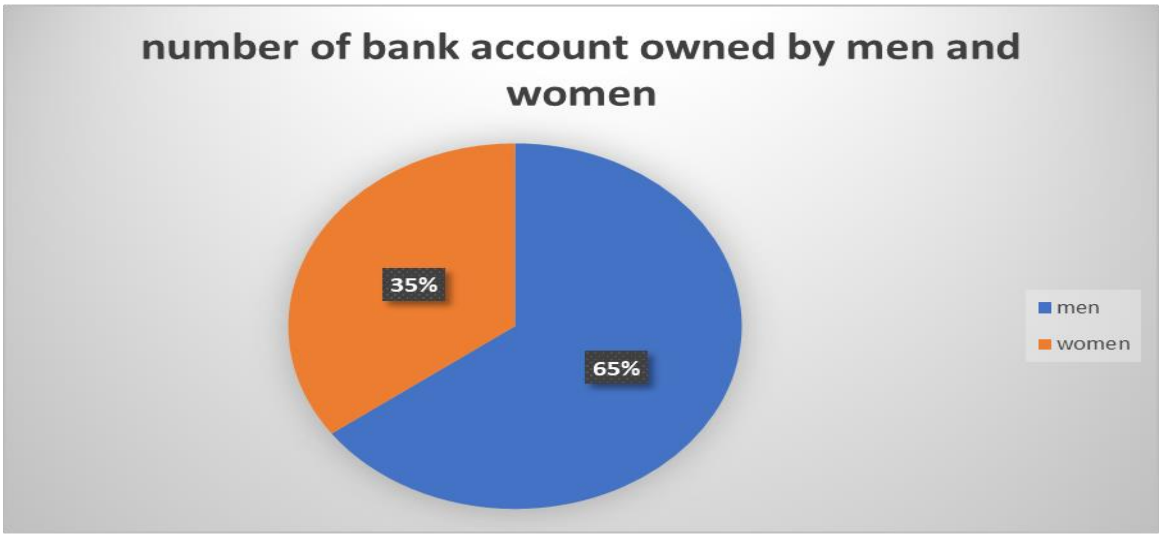


Interpretation

The pie chart classified that out of 100 responses 82% population is above the age of 30 and 18% population is below the age of 30 which includes both male and female candidates.

It reveals that majority of the respondent belongs to above the age of 30 and they are using more financial services as comparison to the respondents below the age of 30.

It shows that population below the age of 30 have less bank accounts and more bank accounts should be opened so that they can access the account services.

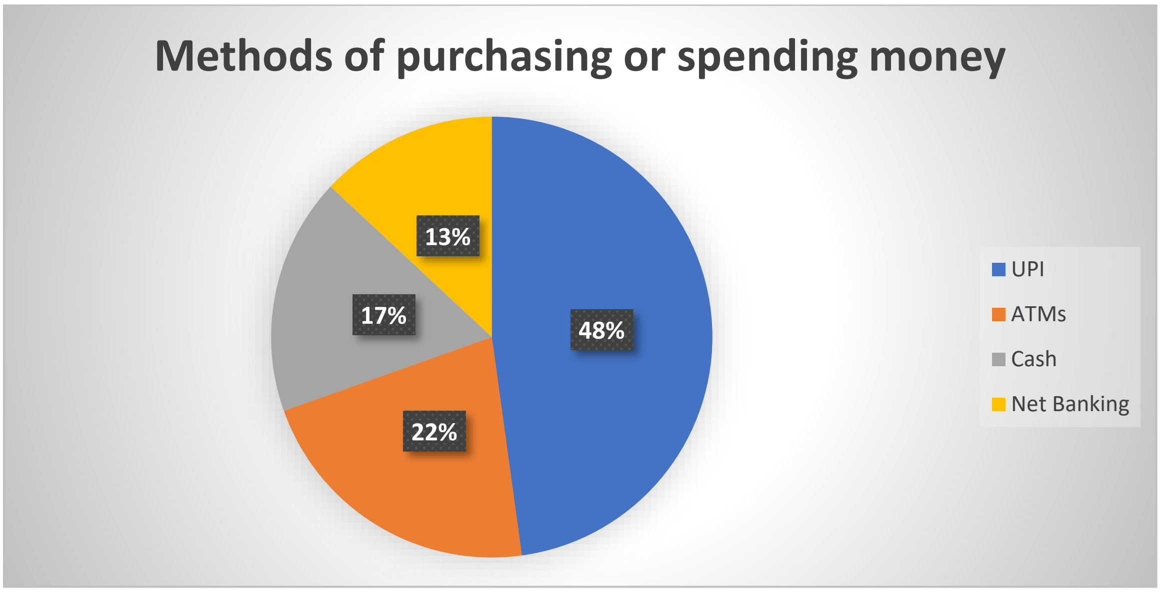


Interpretation

The pie chart classified that out of 100 responses 65% are males and 35% are females.

It reveals that males have more bank accounts in comparison to females.Males have more income in comparison to females.

Males are employed and hence have a monthly income.Females should be made more aware about the banking facilities.

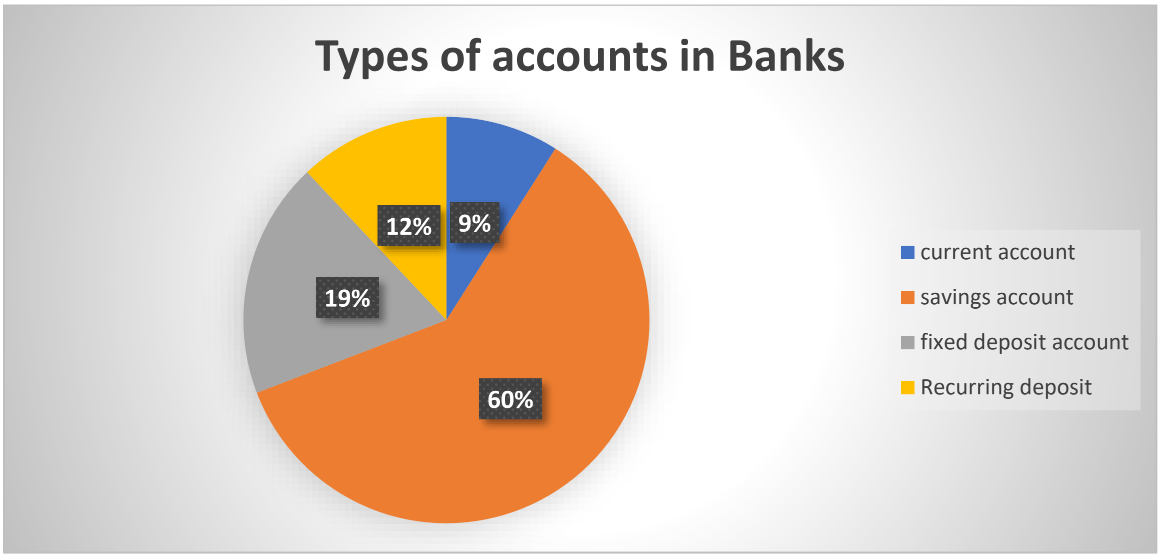


Interpretation

The pie chart classified that out of 100 responses 70% population is females and 30% population is males.

It reveals that people rely more on UPI payments method than cash and ATMs.

People find UPI more convenient and feel transaction has become very easier as within few seconds payment is done with UPI.



Interpretation

The above pie chart classified that out of 100 responses 80% population is employed and 20% population is unemployed.

It reveals that people who are employed have stable source of income and hence they are using more banking services.

Whereas people who are unemployed do not have any stable source of income and that is the reason they have less banking facilities.

CONCLUSION AND DISCUSSION

Financial inclusion refers to the provision of affordable and accessible financial services to individuals and businesses, regardless of their income level or location. Here are some key findings and conclusions related to financial inclusion:

1. **Financial inclusion is essential for economic growth and poverty reduction:** Financial inclusion helps to promote economic growth by increasing access to credit, enabling savings and investment, and facilitating transactions. It can also help to reduce poverty by providing people with the tools they need to manage their finances, cope with unexpected expenses, and build assets over time.

2. **There is still a significant gap in financial inclusion worldwide**: Despite progress in recent years, there are still significant gaps in financial inclusion, particularly in low-income countries and among women, rural populations, and other marginalized groups. According to the World Bank, around 1.7 billion adults globally remain unbanked.

3. **Mobile technology is transforming financial inclusion**: Mobile phones and other digital technologies are increasingly being used to provide financial services to underserved populations, particularly in developing countries. Mobile money services, for example, have enabled millions of people to access basic financial services without needing to visit a bank branch.

4. **Financial literacy is crucial for promoting financial inclusion**: Financial literacy is the ability to understand and manage one's finances effectively. It is a key component of financial inclusion, as it enables people to make informed decisions about their finances and take advantage of financial services. Governments and financial service providers can play a key role in promoting financial literacy through education and outreach programs

5. **Collaboration among stakeholders is essential for promoting financial inclusion**: Achieving financial inclusion requires collaboration among various stakeholders, including governments, financial service providers, NGOs, and civil society organizations. Each stakeholder can bring unique skills, resources, and perspectives to the table, and by working together, they can create more effective and sustainable solutions to promote financial inclusion.

In conclusion, financial inclusion is a critical component of economic growth and poverty reduction, but there is still much work to be done to close the gap in access to financial services. Mobile technology and digital innovations offer new opportunities to reach underserved populations, but promoting financial literacy and collaboration among stakeholders will also be essential for achieving meaningful progress in financial inclusions

FUTURE RESEARCH AND LIMITATIONS OF THE PROJECT

Limitations: -

While financial inclusion is a crucial goal for promoting economic growth and reducing poverty, there are also some limitations and challenges to achieving it. Here are some of the key limitations of financial inclusion:

1. **Infrastructure challenges**: Lack of physical infrastructure, such as roads and telecommunications networks, can make it difficult to provide financial services to remote or rural populations. In addition, many low-income countries lack the necessary financial infrastructure, such as a well-functioning banking system or credit bureaus, to support widespread financial inclusion.

2. **Financial literacy**: A lack of financial literacy can be a significant barrier to financial inclusion. Many people may not understand basic financial concepts, such as how to open a bank account or how to use a credit card.

3. **Trust and security**: In some regions, people may not trust banks or financial institutions, or they may not feel that their money is secure. This can be a significant barrier to financial inclusion.

4. **Income inequality**: Income inequality can make it difficult for low-income individuals to access financial services. They may not have the income or assets necessary to meet the minimum requirements for opening a bank account or applying for a loan.

5. **Regulatory barriers**: In some regions, there may be regulatory barriers that make it difficult for financial institutions to offer services to low-income individuals. This can include things like minimum capital requirements or restrictions on the types of services that can be offered

Overall, financial inclusion requires a concerted effort from governments, financial institutions, and other stakeholders to overcome these barriers and ensure that everyone has access to basic financial services.

Opportunities: -

First, with the help of financial inclusion. concept, by saving small amounts over time, times, poor people may be able to arrange funding in the amount of investment that is necessary to this end businesses like for purchasing equipments or buying goods at a wholesale price. 2. In order to promote the inclusion of finance, and it may also be possible to encourage the habit of saving. fund is provided for searching more productive sources of Employment through the provision of access to employment easy money and bank services to Even in the countryside.

Electronic benefit transfer (EBT): With assistance from EBT and information and communication technologies, Banks are authorised to transfer social security benefits. electronically to the bank's account the beneficiary and can deliver the government benefits from the doorstep beneficiaries, thus reducing dependence on cash and lowering transaction costs.

Financial inclusion provides opportunities in the banking sector spread across all strata of society, Region, gender, and income and encourage the public's acceptance of this banking habit. Reserve Bank of India intervened for the cause of success. financial inclusion by introducing Various legislative acts, financial literacy Drives, leveraging technology, etc.

Challenges: -

Financial services are used only by the excluded part of the population, Sections are rural, disadvantaged areas where it is difficult to provide these financial services which are mainly relied upon, The informal financial sector, which includes moneylenders etc. availing finance that is usually at exorbitant rates. The main challenge of financial inclusion shall cover the following: In the coverage are rural and poor people.

Financial illiteracy is also one of the challenges related to financial inclusion. People are prevented from having access to financial services because of their lack of basic education. In fact, poor living in urban areas is not fully exploited because they perceive the financial services as costly and uneconomical which dissuade them from doing so. 5. There may also be poor and rural sections. sometimes subscribe these financial services initially, but may not use them Because of the high distance, as active as other people Between the bank and the house, poor infrastructure etc.

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