A Study on Financial Inclusion

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Abstract
Financial inclusion is defined as the availability and equality of opportunities to access financial services. It refers to a process by which individuals and businesses can access appropriate, affordable, and timely financial products and services. These include banking, loan, equity, and insurance products. Financial Inclusion is described as the method of offering banking and financial solutions and services to every individual in the society without any form of discrimination. It primarily aims to include everybody in the society by giving them basic financial services without looking at a person's income or savings. It aims to eliminate these barriers and provide economically priced financial services to the less fortunate sections of the society so that they can be financially independent without depending on charity or other means of getting funds that are actually not sustainable. Financial inclusion also intends to spread awareness about the financial services and the financial management among the people of the society. The main objective is to study financial inclusion in India and growth of the banking system in accordance with the increase in banking services and payment banks using comparative analysis and bar graphs. The paper also explains the further opportunities, schemes, pillars and challenges for the financial inclusion. In the current study secondary data is used, which has been taken from several articles, magazines, newspapers, books and websites.

Keywords: Finance, Discrimination, Banking, Payments, Sustainability

Introduction
Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance It aims to include everybody in society by giving them basic financial services regardless of their income or savings. It focuses on providing financial solutions to the economically underprivileged. Banking industry plays an important role in the growth and development of an economy. It is very much essential in the Indian economy, which comprises rural, semi-urban and urban zones. Among these, villages dominate the nation geographically. Poverty, illiteracy, unemployment, poor health, etc., are the issues that influence our economy as well. Financial inclusion provides formal financial services with improved range, looks for availability and quality of financial services for those who are financially excluded not only in urban areas but also in rural areas. The banks or formal financial institutions provide a wide variety of financial services to their customers, like deposits, withdrawal, loans, payment services, remittance facilities and insurance products to low-income and poor households and their business entities.

The opening of bank accounts is not only essential for maintaining and improving the social and economic status of a person but also is essential for meeting all needs.

Objectives of the Study
1. To study the current scenario of financial inclusion in India.
2. To know about the growth of the banking system in accordance with the initiatives taken by the government in banking services.

History of Financial Inclusion
The concept of financial inclusion, extending financial services to those who typically lack access, has been a goal for the Government of India since the 1950s.

The nationalization of banks, which occurred from the mid-1950s to the late 1960s, culminating in 1969 with the nationalization of 14 commercial banks by Prime Minister Indira Gandhi, brought banking facilities to previously unreached areas of the country. The "branching" of banks into rural areas increased lending for agriculture and other unserved rural populations and Indira Gandhi spoke of it as a tactic to "accelerate development" and to address poverty and unemployment.

The Lead Bank Scheme followed nationalization as a way to coordinate banks and credit institutions by districts to more comprehensively ensure that rural areas had their credit needs met. In 1975, the Government of India followed this with efforts to specifically reach rural areas by establishing Regional Rural Banks (RRBs) meant to exclusively meet demand in the rural economy and the number of RRBs has significantly increased over the years.

By the early 2000's, the term 'financial inclusion' was being used in the Indian context. In 2004 the Khan Commission, created by the Reserve Bank of India (RBI), investigated the state of financial inclusion in India and laid out a series of recommendations. In response, RBI Governor Y. Venugopal Reddy, expressed concern regarding the exclusion of millions from the formal financial system and urged banks to better align their existing practices with the objective of financial inclusion in both his annual and midterm policy statements. The RBI has continued in its efforts in conjunction with the Government of India to develop banking products, craft new regulations, and advocate for financial inclusion. The concept of financial inclusion was first introduced in India in 2005 by the Reserve Bank of India.

Since financial inclusion was established as a priority for the GoI and RBI, progress has been made. Mangalam, Puducherry became the first village in India where all households were provided banking facilities.[31] States or union territories such as Puducherry, Himachal Pradesh and Kerala announced 100% financial inclusion in all their districts. The Indian Reserve Bank vision for 2020 is to open nearly 600 million new customers' accounts and service them through a variety of channels by leveraging on IT. However, illiteracy, low income savings, and lack of bank branches in rural areas remain a roadblock to financial inclusion in many states, and there is inadequate legal and financial structure.

Review of Literature

1. Maity and Sahu (2018) have examined the role of Indian banks in financial inclusion and measure their efficiency through DEA in financial inclusion respect. Results indicate that scheduled commercial banks (SCBs) are using 94.87% of resources to produce desired outputs concerning financial inclusion. The results further reveal that selected PSBs operate at 97.48% and private sector banks (PVBs) operate at 92.26% level of efficiency. Their input could be reduced by 2.52% for PSBs and 7.74% for PVBs.
2. In a study, Jain (2015) has investigated financial inclusion progress and highlights the achievement of the banking sector in this area. The study reveals that the execution of financial inclusion will require an approach in totality on part of banks in creating awareness about financial products, education and advice on money management, debt counseling, savings and affordable credit.
3. Feroze (2012) has used DEA to assess the efficiency of District Cooperative Banks (DCBs) in Kerala during 2005–2009. The empirical results revealed that the level of efficiency in DCBs was 74% and the magnitude of inefficiency was 26%. Six DCBs obtained an efficiency score equal to 1 and formed an efficiency frontier.
4. Tyagarajan (1975) and Subrahmanyam (1993) have examined various issues relating to the performance of Indian banks.
5. In a study, Bhattacharyya *et al.* (1997) have measured and endeavoured to explain the performance of commercial banks during the early phase of the government's liberalization program. They have found publicly owned banks are most efficient, in using resources to dispose of services
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9. (Aduda and Kalunda, 2012; Anarfo and Abor, 2020; El Said et al., 2020; Han and Melecky, 2013; Khan, 2011) found that financial inclusion enhances financial stability. Hence, a hypothesis can be postulated as financial inclusion is positively associated with financial stability.
10. (Dhrifi,2015). Further, financial stability is also a huge concern as various policy tools are used to avoid financial instability in developed and developing countries. In case of African countries, the implications of financial instability can have far-reaching consequences in terms of poverty and income distribution

Opportunities in Financial Inclusion:

It Leads to Decrease in Financial Literacy

Financial literacy is a combination of financial awareness, knowledge, skills, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being. RBI is also introducing various enactments, financial literacy drives, leveraging technology etc., which all will lead to decrease in financial literacy.

Country's GDP also Increases

With an increase in business opportunities, national income of our country will also increases, which in turn results in increased GDP.

1. Financial inclusion will help the poor in meeting various needs with the help of a wide range of financial services.
2. It is an opportunity for private sector banks to expand their base to the rural areas.

Challenges in Financial Inclusion

1. Poverty
2. Illiteracy
3. Lack of Infrastructure
4. Lack of availability
5. Accessibility

Pillars of Financial Inclusion

1. Access: Physical & Digital points of service

2. Usage: Using of Financial services
3. Quality: Financial literacy and capability

Research Methodology

Sources of information: Secondary data: The data is collected from Textbooks, websites, Internet, articles, Journals.

Tools and Techniques

- Comparative analysis was used.
- Bar graphs were prepared.
- This study is based on Quantitative Research.
- We have used Secondary data from Journals, articles, books, websites.

Data Analysis

The Reserve Bank of India has released the Financial Inclusion Index for 2022, underlining how well financial products and services can be accessed by the general population. The index shows an improvement to 56.4 from 53.9 in 2021 across indices like access, usage and equality.

RBI and Government Initiatives

- No Frills Account – Before 2012
- BSBDA – Basic Savings Bank Deposit Account – from 2012
- PMJDY – Pradhan Mantri Jan Dhan Yojana – 2014

Pradhan Mantri Jan Dhan Yojana (PMJDY) is National Mission for Financial Inclusion to ensure access to financial services, namely, a basic savings & deposit accounts, remittance, credit, insurance, pension in an affordable manner. a life insurance cover of Rs. 30,000 and an accidental insurance cover of Rs. 1 Lakh.

- 47.16 Crore beneficiaries banked so far
- ₹175,365.28 Crore Balance in beneficiary accounts

Benefits for Account Holders

- Access to bank accounts with zero balance
- The right to have a bank account with most minimum documents
- RuPay debit card
- Insurance coverage scheme
- Overdraft facility – after 6months of opening bank account
- Loan Benefits
- Simplified mobile banking

Table 1: Access and use of Financial Services

Indicator	2016	2017	2018	2019	2020
Automated Teller Machines (ATMs) per 100,000 adults	21.24	22	21.65	20.95	21.50
Branches of commercial banks per 100,000 adults	14.06	14.51	14.50	14.58	14.74
Deposit accounts with commercial banks per 1,000 adults	1,731.27	1,881.54	1,937.25	1,967.61	2,030.71
Loan accounts with commercial banks per 1,000 adults	170.77	177.56	199.63	231.68	267.44
Mobile money transactions: number per 1,000 adults	635.22	1,678..97	3,066.75	4,130.13	4,222.96

Source: IMF 'Financial Access Survey' 2020 - India statistics

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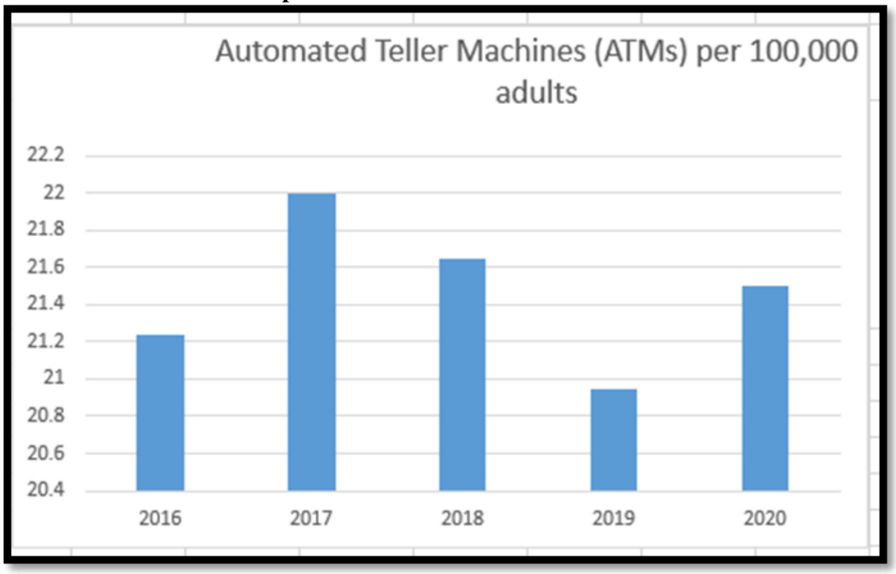
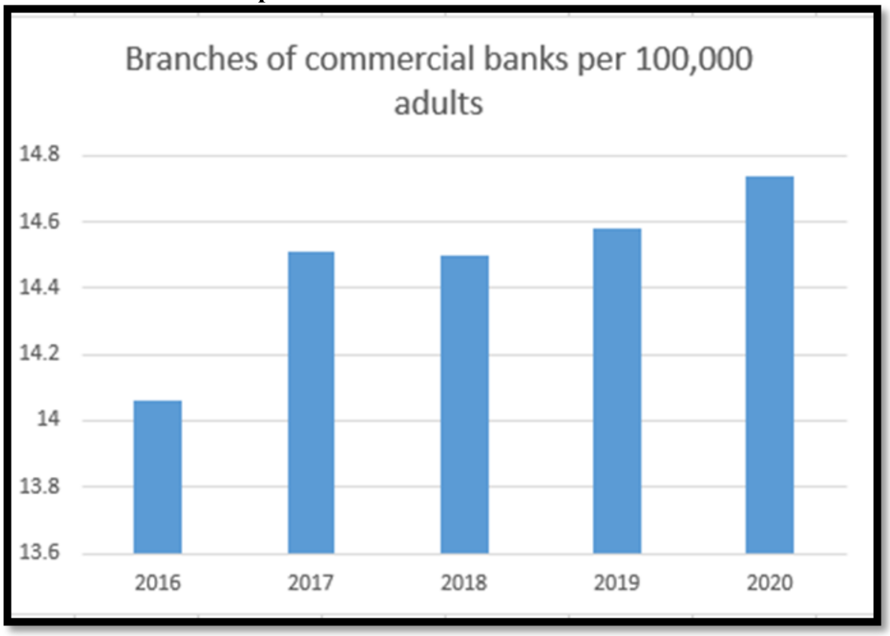
Graph 1: Automated Teller Machines



Interpretation

From the above graph it is observed that there is an increase of Implementing ATMs in 2016, 2017, 2018 and in 2020. There is a decrease in the year of 2019 because of regulatory changes, including those on hardware and software upgrades, coupled with mandates on cash management standards and the cassette swap method of loading cash.

Graph 2: Branches of Commercial Banks



Interpretation

From the above graph it is observed that there is an increase of Branches of Commercial Banks in 2016, 2017 and there is a decrease in 2018 and again it increased in 2019 & in 2020.

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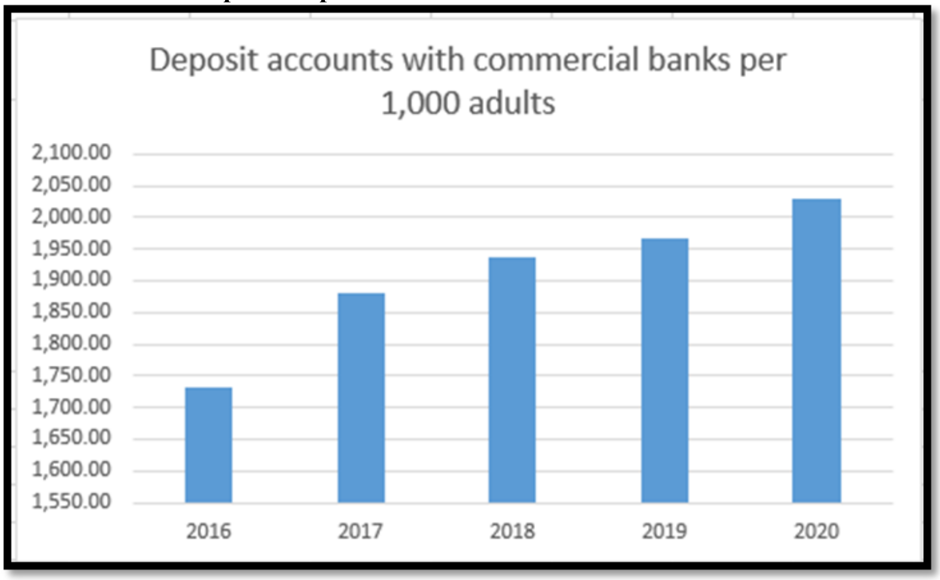
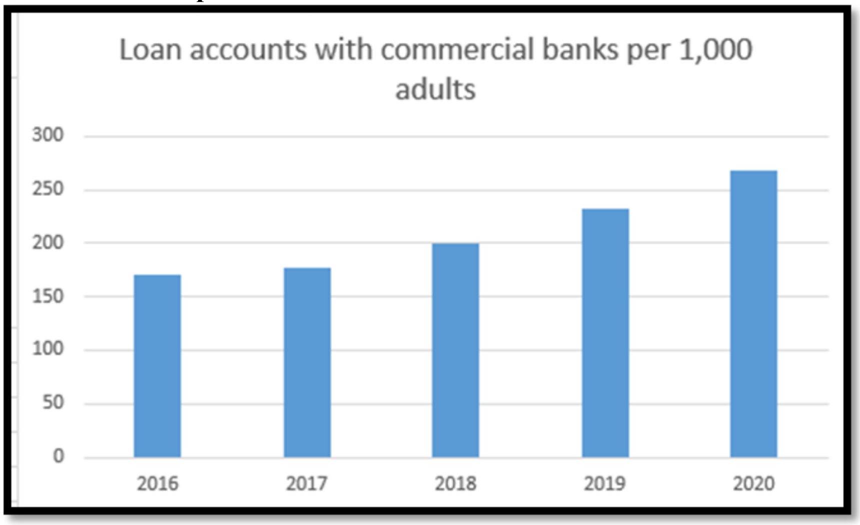
Graph 3: Deposit Accounts with Commercial Banks



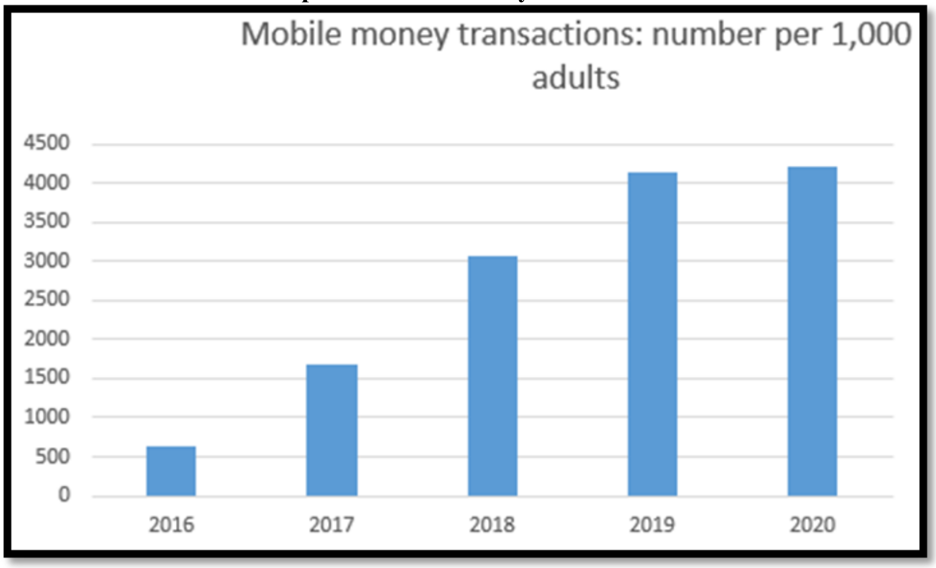
Interpretation
From the above graph it is observed that there is an increase of deposit accounts with Commercial Banks in 2016, 2017, 2018, 2019 & in 2020.

Graph 4: Loan Accounts with Commercial Banks



Interpretation
From the above graph it is observed that there is an increase of loan accounts with Commercial Banks in 2016, 2017, 2018, 2019 & in 2020.

Graph 5: Mobile Money Transactions



Interpretation

From the above graph it is observed that there is an increase of mobile money transactions in 2016, 2017, 2018, 2019 & in 2020.

Findings

1. Impact of Financial inclusion in India
2. Performance of banks are analysed.
3. Government should increase number of banks branches in remote areas.
4. Banks should focus more on services which should be simple, affordable, and should have high utility.
5. Banks should do regular surveys in villages for understanding the financial needs of the people.

Conclusion

Financial inclusion enhances the economy. It will grow faster and will be more stable. It will increase the quality of life of the people of the country and also ensure an orderly growth. It will also reduce the gap between the rich and the poor.

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