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Financial Inclusion: A Roadmap Towards Future Growth

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Abstract

India has since long recognized the social and economic imperatives for greater financial inclusion, and it has made a significant contribution to economic development by developing novel methods to empower the lower-income group. The Govt. & banking industry have taken the lead in promoting financial inclusion. The Reserve Bank of India (RBI) has taken numerous steps over the years to increase access to the poorer segments of society, beginning with bank nationalization, priority sector lending requirements for banks, the lead bank scheme, the establishment of Regional Rural Banks (RRBs), the service area approach, the self-help group-bank linkage programme, and so on. RBI also launched NCFE (National Centre for Financial Education) which is not for profit organization aims to promote financial education across India through trainings programs, workshops, seminars for all sections of the population. As per **National Strategy for Financial Inclusion (NSFI, 2019-2024)** report minute data is required to depict a proper image of how financial services are used and covered. Some countries have begun to implement legislative measures. This research aims to better understand the concept of financial inclusion in the Indian banking sector.

Furthermore, this paper discusses various initiatives undertaken by the Reserve Bank of India and also tries to analyse progress of schemes as well as the future prospects of financial inclusion in Indian banking.

Keywords: Financial Exclusion, Financial Services, Access To Finance.

1. Introduction

Financial inclusion is a critical component of development in a diverse country like India. Since independence, the combined efforts of successive governments, regulatory institutions, and civil society have aided in expanding the country's financial inclusion net. Financial inclusion has improved significantly over time. However, financial inclusion has not reached the poorest of the poor, and there are numerous barriers and challenges that must be addressed immediately. According to the World Bank's most recent Global Findex Data, 20% of the population is still not able to access the financial system due to a variety of factors, such as distance, high transaction and time costs, lack of funds, lack of trust, lack of proper documentation, social norms, religious beliefs, and others. Financial inclusion aims to ensure that every citizen of the nation can use their earnings as a national financial resource for redeployment in productive sectors of the economy **(Prakash, 2020)**. It is considered an effective strategy for achieving sustainable economic growth. It intends to create suitable financial institutions that can meet the needs of the underprivileged.

Financial inclusion is crucial since expanding poor people's access to financial services is often seen as an effective measure for reducing poverty and income inequality. It is also crucial to highlight that 7 out of the 17 Sustainable Development Goals (SDG) of the United Nations for the year 2030 consider financial inclusion as a key enabler for achieving sustainable development globally by raising the standard of living for the underprivileged and marginalized groups in society. According to World Bank, "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 – delivered in a responsible and sustainable way." In the report of **Rangarajan Committee (2008)** on financial inclusion in India, it is defined as the process of ensuring that vulnerable groups, such as weaker sections and low income groups, have access to financial services and timely and adequate credit where needed at a reasonable cost.

Financial services are essential in everyone's life because they enable individuals to engage in the economy, gain access to services, grasp opportunities, create resilience, and achieve their aspirations. Economic growth must make an effort to involve all facets of society. However, the lack of access to financial services for small/marginal farmers and underprivileged parts of society presents major challenges to economic advancement, particularly in emerging nations **(Garg & Agarwal, 2014)**. The problem of financial exclusion is not only faced by India but by the whole world. Statistics show that 69 percent of adults now have an account, but 31 percent of adults in emerging markets are excluded from the benefits of banking. **World Bank Group President Jim Yong Kim** said, "Having access to financial services is a critical step towards reducing both poverty and inequality". In recent years, we have seen significant progress in linking individuals to formal financial services throughout the world.

Ozili (2021) highlights the economic biases that exist in banks. In early 2007, a pilot study with a limited sample size in Bombay found that those who were unbanked were willing to open an account. This was because it was convenient and secure. Additionally, loans could be obtained in times of need at a fair price, and the monthly interest payments on deposits were seen as a supplementary source of income. However, some claimed that since they lacked the ability to save, they had no need for a bank account. According to **Ozili (2021)**, banks offer tailored products and services that exclude poor customers while favoring wealthy bank customers. So they had little interest in opening an account because they believed that banks were just for the wealthy. If these obstacles are not removed, banked adults who are unhappy with the bias may decide to leave the formal financial sector and become unbanked again **(Ozili, 2021)**.

1.1. Financial exclusion

Financial exclusion needs to be understood before we can understand financial inclusion. Financial exclusion is the term used to describe a scenario where people lack access to common financial products and services including bank accounts, credit cards, and insurance policies, especially house insurance and student loans **(Garg & Agarwal, 2014)**. Financial exclusion, in the words of the European Commission, is "a process where people encounter difficulties in accessing or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society to which they belong." Financial exclusion, then, is the scenario in which a certain group of people is denied access to mainstream financial goods and services that are suitable, affordable, and acceptable.

1.1.1. Extent of Financial exclusion in India

According to the **Rangarajan Committee's (2008)** report, NSSO data show that 45.9 million farmer households in the country (51.4%) do not have access to credit, either from institutional or non-institutional sources. Furthermore, despite the extensive network of bank branches, only 27% of total farm household debt is owed to formal sources (of which one-third also borrows from informal sources). In the North Eastern, Eastern, and Central Regions, respectively, farm households with no access to formal credit account for 95.91%, 81.26%, and 77.59% of all farm households. Apart from the fact that exclusion is widespread, it also varies greatly across regions, social groups, and asset holdings. The greater the exclusion, the poorer the group.

The extent of financial exclusion remains shocking. Only about 30,000 of the country's 600,000 villages have a commercial bank branch. More than half of India's population did not have a bank account as of 2015, and more than half of total farmer households did not seek credit from any institutional or non-institutional source. Several steps were implemented in subsequent years, including allowing banks to lend to small-scale companies, the agriculture sector, and small borrowers; establishment of bank branches in rural regions; implementation of the Lead Bank Scheme; the 20-Point Economic Programme; and the Integrated Rural Development Programme. However, none of the approaches have made a significant impact.

Banks have been permitted to shut rural branches in the name of reforms. The most recent Jan Dhan Yojana plan launched by public sector banks has largely been applauded for its performance. However, over half of the new 17 crore Jan Dhan accounts are non-operational. How is this regarded as a success?

1.2. Evolution of Financial Inclusion

The global financial crisis has highlighted the need for financial inclusion throughout the world, as it is thought that widespread financial exclusion was one of the factors leading to the financial meltdown (Chakrabarty, K. C., 2012). Financially excluded people consistently rely on money lenders for even their day-to-day requirements, borrowing at outrageous prices and eventually becoming trapped in a debt trap (Dangi & Kumar, 2013). Furthermore, many in remote areas are entirely unaware of financial items like insurance, which may protect them in an emergency. Several countries around the world are now looking at financial inclusion as a means of achieving more comprehensive growth, in which each citizen of the country can use his/her earnings as a financial resource that they can put to work to improve their future financial situation while also contributing to the nation's progress (Chakrabarty, K. C., 2012). As it relates to financial inclusion, experts and policymakers have focused on the problem of access to financial services for rural households in every nation in terms of development, poverty reduction, decent work, and economic empowerment (Williams, 2017).

1.3. Financial inclusion concept and definition

Financial inclusion is a process or concept developed with the goal of providing financial products and services to all members of our society, particularly those who are economically disadvantaged. This concept was created and implemented with mainstream banking service providers in mind. This is because it was perceived that the burden of providing financial services to the oppressed and poor had been assigned to rural banks and cooperative banks, which are not mainstream players. And if mainstream players do not participate in this initiative, it will be traditional quasi-banking establishments that profit from the situation.

According to the **Indian institute of banking and finance**, “financial inclusion is delivery of banking services at an affordable cost ('no frills' accounts,) to the vast sections of disadvantaged and low income group. Unrestricted access to public goods and services is the sine qua non of an open and efficient society. As banking services are in the nature of public goods, it is essential that the availability of banking and payment services to the entire population without discrimination is the prime objective of public policy."

Financial inclusion aims to assist people and communities in meeting basic needs such as nutritious food, clean water, housing, education, and healthcare, among others, by supporting businesses that provide these services and enabling clients to have more reliable and affordable access to them **(Chhabra & Neeru, 2015, p18)**.

Financial inclusion is defined as, "convenient access to a basket of basic formal financial products and services that should include savings, remittance, credit, government-supported insurance and pension products to small and marginal farmers and low income households at reasonable cost with adequate protection progressively supplemented by social cash transfers, besides increasing the access of small and marginal enterprises to formal finance with a greater reliance on technology to cut costs and improve service delivery, …." by the Committee on Medium-Term Path to Financial Inclusion **(Chairman: Shri Deepak Mohanty, RBI, 2015)**. According to **Barik & Sharma (2019)**, financial inclusion is no longer about opening a bank account; rather, it is about using these accounts for saving and credit purposes. The goal of financial inclusion is to give large segments of the population equal access to mainstream financial services in order to improve their quality of life, standard of living, and income **(Garg & Agarwal, 2014)**. Financial inclusion provides a way to inclusive growth.

1.4. Financial inclusion in India

Financial inclusion in India has a much longer history than the formal adoption of the goal. To achieve the goal of financial inclusion after independence, the Government of India nationalized 14 banks in 1969 and 6 more banks in 1980. Similarly, the formation of regional rural banks had a prominent role in extending banking services to unbanked rural areas. Since 2005, when the Reserve Bank of India decided to enact policies to promote financial inclusion and urged the banking system to focus on this goal, a more targeted and structured approach to financial inclusion has been taken. In 2004, the Reserve Bank of India established a commission **(Khan Commission-2004)** to investigate financial inclusion, and the commission's recommendations were incorporated into the policy's mid-term review (2005-06). The first person to advocate for financial inclusion in India was K.C. Chakraborthy, chairman of Indian Bank in 2005. Mangalam Village was the first village in India to provide banking services to all households.

The establishment of the Committee on Banking Sector Reforms **(R Narasimhan)** in 1998, the Committee on Financial Inclusion **(C. Rangarajan)** in 2007, and the Government of India's agriculture debt waiver and debt relief scheme in 2008 have all helped the cause of financial inclusion.

In 2007-08, the Finance Minister decided to include two recommendations in the budget. The first was to create a Financial Inclusion Fund with NABARD to cover the costs of developmental and promotional interventions, and the second was to create a Financial Inclusion Technology Fund to cover the costs of technology adoption. The Finance Minister included two additional recommendations in the 2008-2009 budget statement: the first was to add at least 250 rural household accounts each year at each of the commercial banks' rural and semi-urban branches (including regional rural banks), and the second was to permit the appointment of people like retired bank officers, ex-servicemen, etc. as business facilitators, business correspondents, or credit counsellors. The Finance Minister also suggested that NABARD, SIDBI, and NHB's reach be increased.

Despite the various initiatives adopted by the government, financial inclusion remains a distant goal, with the majority of Indians still unable to access banking services. Still, there are significant gaps in the use of financial services that need policymakers' attention through essential coordination and efficient monitoring. According to the 2011 Census, only 14.48 crore (58.7 percent) of India's 24.67 crore households had access to banking services.

1.5. Barriers of Financial Inclusion

K.C. Chakrabarty (2012) identified two key constraints to inclusive growth. The first barrier is a demand barrier, which is caused by low literacy, irregular income, and lack of trust in formal banking institutions. The second barrier is the supply barrier, which results from low density areas not being economically sustainable, outdated legal framework, lack of diverse financial service providers, etc. These can be further divided into three groups: infrastructure constraints, regulatory constraints, and market-driven factors.

Lack of access to reliable and secure payment and settlement systems, the availability of fixed or mobile telecommunications systems, and the availability of easy transportation to bank branches or ATMs are all infrastructure-related impediments. Capital adequacy and supervisory guidelines are regulatory factors that may reduce the attractiveness of small deposits, loans, or other financial products for financial institutions. Aspects like the relatively high maintenance costs associated with small deposits or loans, the high costs of providing financial services in small towns or rural areas, the absence of credit data or usable collateral, and the absence of convenient access points are examples of market-driven factors.

K.C. Chakrabarty recommends that, in order to adapt to the needs of the environment, financial inclusion policies must change. The micro and distributional components need to be given more attention, even though the current initiatives for assessing financial inclusion are noteworthy. Finally, we should investigate the need to shift the focus of current banking information systems from a traditional accounting model to a customer-centric business model.

2. Literature Review

According to **Kunt et al. (2017),** financial inclusion allows people to use the formal financial system to make many everyday financial transactions more efficiently and safely, as well as to expand their investment and financial risk management options. Financial inclusion is crucial because it enables individuals to take advantage of economic opportunities and provides valuable services to underserved segments of society **(Adams, 2018)**. Financial inclusion, as **Sawadogo and Semedo (2021)**, reduces income inequality in nations with adequate institutional quality. According to **Ardic et al. (2011)**, there is more work to be done in the field of financial inclusion using the World

Bank Group's and CGAP's financial access database. Across the globe, 56% of adults do not have access to regulated financial services. Financial institutions must play a larger and more significant role in promoting financial inclusion. This has been acknowledged by national and international forums, and efforts are being made on a national and international level to push financial institutions to assume additional responsibility for incorporating the financially excluded **(Massey, 2010)**. Better financial inclusion has the potential to improve food consumption, medical care, cash income, and school attendance results **(Nyarko et al., 2022)**. **Honohan (2008**) estimated the fraction of the adult population that uses formal financial intermediaries using information from banking and MFI accounts for more than countries, which was then correlated with inequality and poverty. According to **Binswanger and Khandker (1995)** and **Pande and Burgess (2003)**, the Indian rural branch expansion programme reduced rural poverty and increased non-agricultural employment.

According to **Rohilla (2017)**, India has achieved steady progress toward financial inclusion in recent years thanks to the government's provision of essential financial services like credit, savings, and insurance. Few scholars in India have tried to measure some dimensions of financial inclusion. **Sharma (2008)** created a financial inclusion index for 55 countries based on aggregate banking variables such as number of accounts, number of bank branches, and total credit and deposits as a fraction of GDP. **Mehrotra et al. (2009)** developed a Financial Inclusion Index (FII) to assess financial inclusion and then attempted to determine the relationship between financial inclusion and economic growth. They claim that it is advantageous for customers to keep their money with financial institutions when they have access to banking services. This leads to strong growth due to multiplier effects, which help to promote inclusive growth. In order to offer banking services in unbanked communities, the Reserve Bank of India (RBI) created a financial inclusion strategy, called Financial Inclusion Plan (FIP), which was adopted by commercial banks that helped in the economic development of the country **(Prakash, 2020).**

Sethy (2016) created two kinds of financial inclusion index: FII with demand-side indicators and FII with supply-side indicators. He employed demand-side measures such as banking penetration, availability of banking services, and banking system utilisation to quantify FII, as well as supply-side indicators such as access to savings, access to insurance, and bank risk. **Gupte et al. (2012)** investigate the effects of financial inclusion in India. A Financial Inclusion Index (FII) was created by highlighting the key flaws in earlier studies. As a result, **Gupte et al. (2012)** discovered that financial inclusion grew from 2008 to 2009. The key contributors to this improvement were some significant demand-side factors. According to the findings, India is classified as having high financial inclusion from 2010 to 2012 (demand-side indicators), but low financial inclusion from 1987 to 1988 and 1989 to 2009 (supply side indicators).

According to **Caamara and Tuesta's (2014**) study, utilisation, barriers, and access to financial services were used to determine the degree of financial inclusion. First, the utilisation dimension was examined using three indicators: having a formal financial institution loan, having a savings account, and possessing at least one financial product. The second component of the barrier relates to impediments that prohibit individuals from getting formal financial services. In most cases, four factors are used: distance, affordability, documentation requirements, and trust. Last but not least, a measurement of the access dimension includes four indicators, including the quantity of commercial bank branches or automated teller machines (ATMs) within a unit, such as 100,000 adults or one kilometre distance. Because banking institutions play a significant role in the intermediation of funds in the Indian financial system, **Sharma (2015)** focused her research on the Indian economy. She said, in order to achieve comprehensive economic growth of the country, financial inclusion in the sense of access to formal banking services by society is required. Banking services have contributed equally to the achievement of a high level of financial inclusion **(Beck et al., 2007).**

Financial inclusion is increased when people are more financially aware **(Kumar & Pathak, 2022)**. In a similar way, **Sharif et al. (2022)** discovered that education improves financial inclusion and eliminates the gender gap. According to **Grohmann et al. (2018)** financial inclusion is enhanced by financial literacy. In **Lumsden (2018)** report, innovations such as mobile banking systems provide an edge in ensuring financial inclusion in comparison to those who resist them. In addition to promoting financial inclusion, digital technology has also contributed to the following: Fintech credit increased credit supply in the local community **(Schreiner, 2002)**; low cost of financial services **(Sahay, 2020; Ozili, 2018)**; fast and efficient financial services **(Peric, 2015)**; convenience for users **(Ozili, 2018)**; time savings **(Yahaya and Ahmad, 2018)**; and low fixed costs of implementation. **Demirgüç-Kunt et al. (2018)** further underline that digital technology has benefits other than boosting account ownership and usage. They demonstrate that digital technology may also be used to digitize payments, which can increase payment efficiency by increasing payment speed and lowering the cost of disbursing and receiving payments. It can also improve payment security and reduce the incidence of related crime. But the use of digital technology to improve financial inclusion comes with certain drawbacks, including data privacy, unauthorised use of consumer data, cyber-security threats, high fraud rates, and high transaction costs **(Ozili, 2022)**. According to **Chatterjee (2020)**, ICT infrastructure, such as digital channels and the internet, helps extend financial services to unbanked people and families in remote areas, as well as reduce the cost of providing those services. Because of these advantages, several financial institutions have teamed with technology businesses to build financial technology that can aid in the expansion of formal financial services to customers in underserved regions **(Ozili, 2022)**.

3. Objectives of the study

- To study the major financial inclusion plans initiated by GOI and RBI.
- To evaluate the progress of financial inclusion in India.
- To study the future prospects of financial inclusion in India.

4. Financial Inclusion Schemes in India

The government began the process of financial inclusion in the 1950s by nationalising life insurance firms and banks. After that, it announced several new initiatives and programmes, including the National Strategy for Financial Inclusion (NSFI) in June 2017, which is sponsored by the Financial Inclusion Advisory Committee (FIAC). These programs aim to give social security to the least fortunate members of society. Pradhan Mantri Jan-Dhan Yojana was launched in 2014 to assist underprivileged and needy sections of our society with simple access to financial services such as remittance, credit, insurance, pension, savings, and deposit accounts. Under the Pradhan Mantri Jan Dhan Yojana (PMJDY), approximately 192.1 million accounts have been opened. These zero-balance bank accounts came with 165.1 million debit cards, a Rs. 30,000 life insurance policy, and a Rs. 1 lakh accidental insurance policy.

In addition to PMJDY, there are a number of other financial inclusion initiatives in India, including Atal Pension Yojana, Jeevan Suraksha Bandhan Yojana, Pradhan Mantri Mudra Yojana, Pradhan Mantri Suraksha Bima Yojana , Pradhan Mantri Vaya Vandana Yojana, Stand Up India scheme, Sukanya Samriddhi Yojana, Varishtha Pension Bima Yojana, Credit Enhancement Guarantee Scheme for scheduled castes and Venture Capital Fund for Scheduled Castes under the social-sector initiatives.

5. The Financial Inclusion initiatives taken by GOI and RBI

These are some important milestones in the development of financial inclusion policy initiatives in India.

- MSMEs are regarded as the Indian economy's development catalysts. A special capacity building programme called **"National Mission for Capacity Building of Bankers for Financing MSME Sector" (NAMCABS)** was established to familiarise bankers with the full range of credit-related issues of the MSME sector to bring about an attitude change in the mind-set of the bankers when dealing with entrepreneurs from the MSME sector.
- A **Certified Credit Counsellors (CCC**) programme was established to build a systematic process to help entrepreneurs create professional financial planning and project reports that would enable banks to make well-informed credit decisions.
- To offer appropriate and timely credit assistance from the banking system to farmers for their cultivation and other requirements, the **Kisan Credit Card Scheme (KCC)** was launched in August 1998 as a revolving cash credit for ease of access and delivery.
- To increase financial inclusion, the RBI has embraced a bank-led model. The banks were required to establish branches around the country, particularly in underbanked areas, which resulted in a significant rise

in bank branches and later Automated Teller Machines (ATMs) in the 1990s to early 2000s. The banks were instructed to create a plan for opening banking locations in communities with a population of more than 2000 (as of 2009) and fewer than 2000(in 2012). The banks were then instructed to establish physical locations in communities with a population greater than 5000.

- In order to increase financial inclusion, the RBI issued differentiated banking licences in 2015, namely **Small Finance Banks (SFBs)** and **Payments Banks**. The goal of establishing SFBs was to increase financial inclusion by providing a savings vehicle and credit to small business units, small and marginal farmers, micro and small industries, and other unorganised sector entities via high-tech, low-cost operations.
- In order to increase access points and rural network coverage, the RBI rationalised branch authorisation guidelines in 2017. **Direct Benefit Transfer (DBT)** began on January 1, 2013, to ensure accurate beneficiary targeting, de-duplication, and reduction of fraud and leakage.
- The RBI has issued guidelines for financial literacy through Financial Literacy Centres (FLCs) and rural bank branches in order to spread financial education throughout the country. It has also advised banks to hold an annual **"Financial Literacy Week"** across the country.
- The financial sector regulators, namely the RBI, SEBI, IRDAI, and PFRDA, established the **National Centre for Financial Education (NCFE)** as a Section (8) Company under the Companies Act, 2013, to coordinate efforts in disseminating basic financial literacy.

Some other major initiatives of RBI include the following: -

i. Promoted the SHG-Bank Linkage Model, one of the world's largest microfinance models, through which 4.79 million SHGs were credit linked, covering 97 million poor households (as of March 2012).

ii. Commercial banks, including regional rural banks, have been mandated to migrate to the Core Banking Platform.

iii. Liberalized the BC-based service delivery model gradually.

iv. Enabled domestic scheduled commercial banks to open branches freely in Tier 2 to Tier 6 cities.

v. Required banks to open at least 25% of all new branches in underprivileged rural areas.

vi. Significantly reduced the documentation requirements for opening bank accounts for small customers under Know Your Customer (KYC).

vii. Promoted the use of Electronic Benefit Transfer to route social security payments through the banking channel.

viii. Complete deregulation of bank pricing and interest rates on advances.

ix. Initiation of a separate programme for urban financial inclusion.

6. Progress of Financial Inclusion in India: The last Ten Years

According to the World Bank's Global Financial Inclusion Database or Global Findex Report 2017, 80% of Indian adults (aged 15+) have a bank account, nearly doubling the number of people with a bank account in 2011 (35%), and much higher than Findex 2014 (53%). According to the Findex 2017 survey, 77% of Indian women (aged 15 and over) hold bank accounts, up from 43% and 26% in 2014 and 2011. Since the launch of the Pradhan Mantri Jan Dhan Yojana, the number of account holders has increased dramatically. On the inauguration day (August 28, 2014), 15 million bank accounts were opened. In the next 4 years, 318 million bank accounts were opened and more than 792 billion rupees were deposited through the Pradhan Mantri Jan Dhan Yojana scheme.

According to the Government of India's Department of Financial Services, 35.5% of households used banking services in 2001, rising to 58.7% in 2011. This increase is significant in rural India, increasing from 30.1% in 2001 to 54.4% in 2011. The CRISIL- Inclusix, which includes branch penetration, deposit penetration, and credit penetration, was 35.4% in 2009, 40.1% in 2011, and 58.0% in 2016.

The IMF Financial Access Survey 2018 revealed an increase in the number of ATMs per 100,000 adults, commercial bank branches per 100,000 adults, and deposit and loan accounts with commercial banks per 1000 adults. The most attention-getting statistic with a significant increase was the number of mobile money transactions per 1000 adults!

The Reserve Bank of India's composite financial inclusion index (FI-Index), which measures the amount of financial inclusion nationwide, increased across all metrics in March 2022 and reached 56.4%. The indicator, which was at 43.4% for the time period ending in March 2017, indicates that the reach of financial services has expanded quickly during the previous five years.

The idea of financial inclusion has changed over time, and in recent years, different efforts under Digital India, banking services, the streamlining of processes pertaining to financial instruments, etc., have had the largest positive impact on financial inclusion in the nation. The total number of digital transactions in India (including various payment channels and mechanisms, such as net banking, mobile banking, debit cards, credit cards, prepaid instruments, and mobile wallets, among others) increased by a compound annual growth rate (CAGR) of 30% from 1,142 million in April 2015 to 1,928 million in April 2017, according to a World Bank report from 2018 and the RBI's Bulletin from 2020. However, mobile banking transactions increased significantly, from 19.75 million in April 2015 to 106.18 million in April 2017, a growth of more than five times.

Financial inclusion has the ability to lower poverty and create jobs by giving unprivileged groups of society access to financial resources. Prior to now, private institutions had little interaction with the underprivileged. Commercial institutions (payment banks like Paytm, Airtel money, and Jio money) are now actively involved in this transition because they have seen the value of including the poor in the financial system for their business models.

7. Future Prospects

1. The future of financial inclusion is digital

Digitalization has revolutionised the meaning of financial services where only having a mobile phone and an internet connection can bring financial services to your fingertips.

2. A wide range of financial products and services will be offered in a single platform

Likewise, in a supermarket where you find multiple products and brands under a single roof same practice is done in the field of financial inclusion where a person can access multiple banking applications on a single platform. e.g. PNB ONE app, SBI YONO app and many more.

3. **Government is now more engaging in availing fundamental financial services to the lower-income group**

Govt. is now continuously shifting its focus to the underprivileged people whom Fintech agents and financial institutions are unwilling to serve.

4. **More innovation will reduce the transaction cost**

The online platform is charging more cost for its financial services. Continuous innovation will lead to a reduction in that transaction costs. The emergence of cost-reducing financial innovation will increase the race to a lower transaction cost which is beneficial for financial inclusion.

8. Research Methodology

The nature of the current study is descriptive. The data used for the study is secondary in nature and has been collected from several reputed journals, RBI, SEBI and Ministry of Finance annual reports, the Government of India, the RBI bulletin, Newspapers and RBI websites have been used to report on the development and trend of banking in India.

9. Findings and implications

People in rural areas do not have access to financial inclusion so it’s better to target & improve the ground level into this inclusive growth. Technologies are helping but also creating unusual debt. Private players are selling their products employing financial inclusion. The total number of access points in the nation has increased over the past five years, especially since the 2014 launch of the PMJDY. However, there are some difficult-to-reach areas in the nation. To achieve this goal of providing universal access to financial services, it is critical that all financial service platforms have a solid and effective digital network infrastructure. As per **Sinha et.al (2018)** PMJDY it its current form is inadequate to assess the problems of financial exclusion. Since its inception in August 2014, the programme has brought an additional 310 million Indians into the formal banking system, many of whom may not have had the opportunity to use their new account as of March 2018.

India has the largest proportion of inactive bank accounts in the world. Globally, 13% of individuals (or 20% of account owners) reported having an inactive account, with no deposit or withdrawal – digital or otherwise — in the previous 12 months. The proportion of account owners who have an inactive account varies by the economy, although it is particularly high in many South Asian economies. According to the same survey, India has the world's second-largest unbanked population, the majority of whom are women. In India, over 190 million adults do not have a bank account, making India the world's second-largest unbanked population behind China. Despite having relatively high account ownership rates, China and India account for a sizable proportion of the worldwide unbanked population due to their sheer size.

As per the **National Strategy for Financial Inclusion (NSFI) 2019-2024** report, a scientific evaluation of the developments in financial inclusion is required. Even though there are numerous data collection initiatives in place, more information is required than just that which is obtained from financial service providers. Surveys and customer feedback are crucial, as is using Big Data sets, but it's also important to collect and analyse granular data to get a complete picture of how financial services are used and covered. Insights into the quality of financial services provided to various target groups would be extremely beneficial in determining the impact of financial inclusion policies on overall financial well-being.

10. Conclusion

After the study, we found that financial inclusion is a great way for promoting sustainable & inclusive growth. As per **Rohilla (2017),** due to the tactics adopted by the Reserve Bank of India, India has made great progress in financial inclusion as compared to other countries. It also contributes to the economy's GDP growth. Even though the Govt. initiated various financial awareness programs but still there is a lack of utmost good faith. There is a huge amount of beneficiaries who aren’t able to understand the motive of that scheme. According to **Ozili (2021, October)**, policymakers should examine the relationship between financial inclusion and poverty levels, financial innovation, financial stability, the status of the economy, financial literacy, and regulatory frameworks. Policymakers need a new strategy to achieve long-term financial inclusion as the financial service sector becomes more modular, automated, disaggregated, and global. Financial inclusion requires a legislative and regulatory framework that encourages responsible, inclusive financial systems and is adaptable to quick changes. Consumers must believe that the system is fair and stable and that it protects their interests. Businesses must be aware that there is a defined set of laws in place to balance innovation and stability while encouraging appropriate competition and cooperation. In developing countries such as India, IT, combined with the rapid expansion of the telecommunication network and service quality, has the potential to be a force multiplier for increasing financial inclusion. With the adoption of banking technology, financial inclusion efforts and innovation will boost financial penetration even further and give banks resources to expand credit distribution. Thus, financial inclusion, along with government development in our nation, and expanding banking services to all citizens would be the primary engine of inclusive growth.

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