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PROGRESS OF FINANCIAL INCLUSION IN INDIA

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ABSTRACT

Economic stability is mediated by the financial sector. The expansion of the financial sector is critical to the country's development. It can be accomplished by offering financial services to every Indian citizen. RBI, the Ministry of Finance, and the Central Government putting effort over the past few years to promote equitable economic growth. The current analysis is mostly based on an overview of India's financial inclusion situation over the previous few years. The study emphasizes how the number of banking locations has increased and how popular the government of India's social security programs have become in recent years. Numerous reports from the Finance Ministry, RBI, IRDA, and NABARD have been examined in order to analyze these facts and numbers. A large portion of India's population has access to banking services thanks to financial inclusion, which is crucial for the socioeconomic growth of the lower income group. However, the government must take various actions to make them contribute to the growth of the economy in order to attain the desired level of outcomes and inclusive growth of various class of people.

Keywords: Government, financial inclusion, finance ministry, socioeconomic growth

1. Introduction:

Financial inclusion is the process by which regulated institutional entities provide financial services and products to low-income and disadvantaged segments of society at a reasonable cost in an equitable and transparent manner.

The Government of India's Financial Inclusion Committee has defined "Financial inclusion involves

ensuring that those who are vulnerable, such as those in low-income or weaker communities, can access financial services at the appropriate time and at a reasonable cost.

With the nationalization of banks in 1969, India began the process of achieving financial inclusion. Pradhan Mantri Jan Dhan Yojana is a recent initiative that is a positive step toward achieving financial inclusion. The move to link an Aadhaar account to a bank account will expedite and increase transparency. A few of India's financial inclusion milestones are:

Five Areas of Financial Inclusion:

A – Banks:

Financial inclusion in the banking industry refers to giving low-income people access to financial services. Although the general public is the target audience for banking services, it is imperative that these services be made available to everyone, without exception. Encouraging economically disadvantaged people of society to access affordable financial services is the fundamental objective of financial inclusion. In order to offer banking services to every Indian, the concept of financial inclusion was developed. In order to successfully implement financial inclusion, particularly in rural regions, both main-stream (SBI and other PSUs) and non-main-stream (Rural & Cooperative banks) institutions must collaborate for the benefit of the populace.

B- Credit provision:

Low-income groups can readily obtain low-cost loans through financial inclusion, giving them the money they need to live comfortably. The primary component of financial inclusion is credit provision. The lender's assessment of risk typically determines the cost of credit. Before granting a loan to any individual, financial inclusion typically takes into account their age, credit history, salary, and ownership of a home, among other things.

C – Insurance:

Insurance is a kind of financial protection that people can use to help them deal with life's unexpected events and losses. They can safeguard their health, lives, and other loss compensation products using insurance. Insurance assists those with lower incomes in shifting the risk they incur and making up for any losses resulting from damages.

D – Savings:

Savings support to the national economy and the financial well-being of each individual. When people don't have enough savings, they have a difficult time finding work or require money.

E – Advice:

A very informal chat about the fundamentals of finance might serve as advice.

Numerous initiatives and policy measures for financial inclusion have been made by the RBI and GOI. These programs and directives include:

No-frill accounts	Business Correspondents (BCs) and Business Facilitators (BFs) Model
Overdraft facility in savings account	SHG Bank-Linkage Programme
Financial Literacy programs	Opening of branches in unbanked rural locations
Simplification of Know Your Customer (KYC)	Use and promotion of ICT in Banking
Simplification of Savings Bank Account Opening Form	Branch Expansion/Coverage of villages
Simplified branch authorization General Credit Cards	Rural Infrastructure Development
Kisan Credit Cards (KCCs)	Creation of Funds for Financial Inclusion

2. Objectives of the Study:

This research paper aims to provide an overview of the government's efforts towards achieving financial inclusion and to determine the current state of financial inclusion in India.

3. Research Methodology:

The nature of the study is descriptive. A variety of officially recognized online sources, books were consulted and documented. Secondary data that is accessible. The study made considerable use of reports from the Ministry of Finance and Reserve Bank of India. The secondary data is described using percentage and ratio analysis, which illustrates the trend and state of financial inclusion over the previous few years.

4. Review of Literature:

In (2015), Dr.S.Hari Babu in his article "Financial Inclusion Challenges and Opportunities in India," the RBI is making a commendable attempt to connect the unbanked with the banked through financial inclusion. The financial sector has consistently improved the lives of low-income households by serving as a means of exchange for numerous government initiatives aimed at promoting sustainable development. Many previously unbanked people are now covered by banks thanks to financial inclusion. The story of financial inclusion is not exempt from difficulties, though. Advocates for policies and regulators must seize chances from these obstacles. In the study, the steps taken to promote financial inclusion are highlighted.

In 2017, Nirvikar Singh presented some fundamental ideas on financial inclusion, such as digital payments, banking accessibility, and financial literacy. markets for microfinance/microcredit, small business financing, agricultural credit, health insurance, and crop insurance.

The current study concludes that in order to achieve financial inclusion in multiple dimensions, ensure that it is done efficiently, and link financial inclusion to positive outcomes in health, education, productivity and employment, collaborations and coordination between policymakers, practitioners, and researchers can be crucial.

In 2018, Paramjit Sujlana and Chhavi Kiran proposed that while efforts to promote financial inclusion are progressing, many regions of the country are falling behind. The

The primary focus of the current study has been branch penetration as a component of financial inclusion. The use of mobile banking, Immediate Payment Service (IMPS), and ATMs has increased. To put it briefly, India is moving quickly towards achieving financial inclusion.

5 : Scope of the Study :

This research paper examines the path towards financial inclusion in India, focusing on the banking sector and placing special emphasis on Scheduled Commercial banks in relation to the number of bank branches, ATM growth rate, and credit deposit ratio as well as how these factors affect GDP development. With these arguments in favour, the current study examines the years 2014 to 2023.

Data Analysis and Interpretation:

Empirical research indicates that the formulation of effective financial inclusion programs requires the definition of certain metrics. "Key indicators of financial inclusion in a nation's economy have been established by experts from the World Bank, the International Monetary Fund, and numerous other international organizations. Some of these broad indicators are the quantity of bank branches, installed ATMs, bank deposits, and bank credit.

Table No. 1.1
Schedule Commercial Bank Branches from 2014 to 2022

Year	Rural	Semi-urban	Urban	Metropolitan	Total
2014	41480	32383	20967	22541	117371
2015	45122	34835	22511	24056	126524
2016	48256	37492	24078	25533	135359
2017	49847	38910	25122	26556	140435
2018	50852	39595	25479	26560	142486
2019	51596	41011	26425	27128	146213
2020	52368	42194	27345	28158	150065
2021	52639	42417	27474	28082	150612
2022	53195	42425	27467	28217	151304
2023	54228	43704	28006	29045	154983
Total	499583	394966	254874	265876	1415299
Min	41480	32383	20967	22541	117371
Max	54228	43704	28006	29045	154983
Average	49958.3	39496.6	25487.4	26587.6	141529.9
MEAN	49958.3	39496.6	25487.4	26587.6	141529.9
S.D.	3991.125073	3479.6821	2234.982828	1938.63587	11411.88702
CAGR % (RRI Function)	3%	3%	3%	3%	3%

(Source: Handbook of Statistics on the Indian Economy 2022-23, P.N,109)

This data provides a starting point for understanding how scheduled commercial banks are expanding their reach in India. Data suggests a steady increase in total SCB branches across categories (rural, semi-urban, urban, metropolitan) from 2014 to 2023. This indicates an expanding banking network, making banking

services more accessible. The rise in rural branches is significant, suggesting efforts towards financial inclusion. This could be driven by government policies promoting financial access in underserved areas.

ATM in India :

White-label ATMs (WLAs) accounted for the majority of the 3.5% growth in the overall number of Automated Teller Machines (ATMs) in 2022–2023, including on-site and off-site. By the end of March 2023, the percentage of PSBs and PVBs among the ATMs run by SCBs was 63% and 35%, respectively.

PSBs' ATMs were spread more evenly throughout regions by the end of March 2023 than those of other bank groupings, which had a greater concentration of their ATMs in urban and metropolitan areas. On the other hand, a greater proportion of WLAs (51%) were found in rural areas, where their number rose by 68.2%, partially as a result of improved complaint filing procedures.

Table No. 1.2

No. of ATMs in India as on 31st March, 2023

Year	2022	2022	Total	2023	2023	Total
Bank Group	On Site	Off Site		On Site	Off Site	
Public Sector	75,653 (64%)	59,804 (46%)	135547 (54%)	78,777 (64%)	59,646 (45%)	138423 (54%)
Private Sector Bank	38,254 (33%)	37,289 (29%)	75543 (31%)	41,426 (34%)	35,549 (27%)	76975 (30%)
Foreign Bank	701 (1%)	1,082 (1%)	1783 (1%)	619 (1%)	612	1231
Small Finance Banks	2,185 (2%)	22	2207 (1%)	2,797 (2%)	24	2821 (1%)
Payments Banks	1	70	71	1	62	63
White Label ATMs	0	31499 (24%)	31499 (13%)	0	35791 (27%)	35791 (14%)
Total	1,16,794	1,29,766	246650	1,23,620	1,31,684	255304

(Source: Report on Trend and Progress of Banking in India 2022-23,P.N -75)

Table No. 1.3

No. of ATMs in India as on 31st March, 2023

Bank Group	Rural	Semi-urban	Urban	Metropolita n	Total
Public Sector	29,293(21%) (81%)	40,334 (29%) (66%)	35,218 (25%) (64%)	33,578 (24%) (51%)	1,38,423 (63%)
Private Sector Bank	6,415 (8%) (18%)	19,328(26%) (32%)	18,897(25%) (34%)	30,903(41%) (47%)	75,543 (35%)
Foreign Bank	136 (8%)	373 (21%) (1%)	450 (25%) (1%)	838 (47%) (1%)	1,797 (1%)
Small Finance Banks	217 (10%) (1%)	740(33%) (1%)	722 (32%) (1%)	583 (26%) (1%)	2,262 (1%)
Payments Banks	9(13%)	14(20%)	27(38%)	21(30%)	71
Total	36,070 (17%)	60,789 (28%)	55,314 (25%)	65,923 (30%)	2,18,096
MAX	29,293	40,334	35,218	33,578	1,38,423

MIN	9	14	27	21	71
AVERAG E	7,214	12,158	11,063	13,185	43,619
MEAN	7214	12157.8	11062.8	13184.6	43619.2
S.D.	12640.1	17762.53	15701.92	17423.77	61973.48

(Source: Report on Trend and Progress of Banking in India 2022-23,P.N -76)

Pradhan Mantri Jan Dhan Yojana (PMJDY) :

The government launched the Pradhan Mantri Jan Dhan Yojana (PMJDY), the National Mission for Financial Inclusion (NMFI), in August 2014 with the goal of offering universal banking services to all unbanked households. The program is based on the tenets of banking the underbanked, securing the unsecured, funding the unfunded, and providing services to unserved and underserved areas.

Table No. 1.4

Progress of PMJDY till March 2024

(figures in Crore)

Bank	Number of Beneficiaries at rural/semi urban centre bank branches	Number of Beneficiaries at urban metro centre bank branches	No Of Rural-Urban Female Beneficiaries	Number of Total Beneficiaries	Deposit	Debit Card issued
Public Sector	25.46	15.13	22.33 (77%)	40.59	178919.79	30.65
Regional Rural Bank	8.34	1.37	5.63 (19%)	9.71	43944.96	3.48
Private Sector	0.74	0.85	0.84 (3%)	1.59	6760.59	1.29
Rural Cooperative Banks	0.19	0.00	0.10	0.19	0.01	0.00
Total	34.73	17.35	28.91	52.08	229625.35	35.42
MAX	25.46	15.13	22.33	40.59	178919.79	30.65
MIN	0.19	0	0.1	0.19	0.01	0
AVERAG E / MEAN	8.6825	4.3375	7.225	13.02	57406.3375	8.855
S.D	11.78710701	7.217124889	10.36402271	18.85307048	83281.0622 7	14.6008321 7

(Source : Department of Financial Service : Ministry of Finance, Government of India)

Advancement of Financial Inclusion Plan:

The Reserve Bank's 2010 introduction of Financial Inclusion Plans (FIPs) provides a crucial benchmark for evaluating banks' advancements in the area of financial inclusion. In order to increase financial inclusion at the local level, the BC model has proved essential. The greater percentage of basic savings bank deposit accounts (BSBDAs) that are still routed through BCs is indicative of this. Comparably, the Business Correspondents - Information and Communication Technology (BC-ICT) model had a 26% increase in transaction value in 2022–2023 compared to a 6.5% increase in 2021–2022

Table No. 1.4

Advancement of Financial Inclusion Plan

Sr.No.	Particulars	March 2010	March 2021	March 2022	March 2023	CAGR
1	Rural locations Bank Branch	33378	55112	53287	55802	17%
2	Rural locations Banking Outlets (Branchless mode)	34174	1190425	2218470	1625882	262%
3	Banking outlets (Total)	67552	1897981	1732385	1681684	192%
4	Urban locations (Through Business Correspondence)	447	426745	1295307	415218	876%
5	Total Kisan Credit Cards (No. in lakhs)	240	466	473	493	27%
6	Kisan Credit Cards -Total (Amount in crore)	124000	672625	710715	768339	84%
7	Total General Credit Cards (No. in lakhs)	10	202	96	66	88%
8	GCC-Total (Amount in crore)	3500	155826	905552	190568	279%
	TOTAL	195749	2501401	5183900	3056368	
	MAX	124000	1190425	2218470	1625882	
	MIN	10	202	96	66	
	AVERAGE / MEAN	27964.1429	357343	740557.14	436624	
	S.D.	45086.0431	444430.077	825473.11	593182.06	

(Source: : Report on Trend and Progress of Banking in India 2022-23,P.N -81)

Above table shows journey of financial inclusion plan from march 2010 to March 2023. In March 2010, the banking outlets in rural locations with branches was 33378 and an increasing trend has been marked till March 2023 (55802). In the same manner the branchless mode of banking outlets in the rural area is also increasing from March 2010 (34174) to March 2023 (1625882). It is evident from the table that the rural banking system is consisting of both branch outlets and branchless outlets with almost equal proportions. Total KCC distribution was 240 lakh in March 2010, while it has increased to 493 lakh in March 2023. In case of GCC it is also showing the same trend as KCC from March 2010 (124000 crore) to March 2023 (768339 crore). Scheduled Commercial Banks (SCBs) play a crucial role in the Indian economy by extending credit to various sectors. Here's a breakdown of key aspects related to credit for SCBs:

Table No. 1.5
Population Group Wise Credit of Scheduled Commercial Banks

(No. of Accounts in Thousand & Amount in Crore)

Year	Rural		Semi-Urban		Urban		Metropolitan	
	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding
2014	48343	566705	39094	717764	25379	1061470	25934	3936144
2015	52777	655361	39526	796609	23777	1179094	28160	4247408
2016	57297	735783	44832	936328	28014	1296576	32231	4553957
2017	58864	774024	47019	975665	28795	1287293	37706	4880887
2018	59197	837817	53245	1239397	37204	1493146	47330	5196612
2019	66579	902877	61290	1268481	43801	1669334	60632	6056903
2020	79366	958136	68832	1367166	52714	1951392	71609	6242117
2021	87531	1081743	75334	1514772	58827	2236786	76643	6244749
2022	91597	1200526	79455	1715859	60074	2473746	89720	6868618
2023	96501	1363232	85270	2013869	64436	2626094	114036	8194811
TOTAL	698052	9076204	593897	12545910	423021	17274931	584001	56422206
MAX	96501	1363232	85270	2013869	64436	2626094	114036	8194811
MIN	48343	566705	39094	717764	23777	1061470	25934	3936144
AVERAGE/MEAN	69805.2	907620.4	59389.7	1254591	42302.1	1727493	58400.1	5642221
S.D	17457.4218	249081.724	17089.94268	414606.12	15746.70851	563321.6967	29425.38	1322177
CAGR%	8%	10%	9%	12%	11%	11%	18%	8%

(Source: Reserve Bank of India: Handbook of Statistics on The Indian Economy 2022-23 P.N.104)

SCBs can offer targeted credit products to promote financial inclusion for underserved segments like small businesses or farmers. The above table indicates that, in 2014 the number of accounts in rural areas was 48343, having an outstanding credit of Rs.566705 crores. While in case of semi urban, urban and metropolitan areas, the number of accounts was 39094, 25379 and 25934 respectively and their outstanding credit was 717764, 1061470 and 3936144 crores respectively. It means though the rural area has highest number of accounts still the credit is only 1/5th of metropolitan areas. It indicates inefficient mobilization of rural resources. The same trend continues till 2017. Hence the banking sector should provide more credit

access to the rural areas otherwise even after the implementation of different policies, those areas will lag behind in different aspects.

Table No. 1.6

Population Group-wise Deposit of Scheduled Commercial Banks

(No. of Accounts in Thousand: Amount in Crore)

Year	Rural		Semi-Urban		Urban		Metropolitan	
	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding
2014	406624	787151	340522	1141077	231521	1714010	248043	4313483
2015	493970	915676	404661	1317251	266228	1964901	275033	4724283
2016	576171	1008941	270711	1477212	297715	2150576	301519	4962802
2017	604231	1121967	540511	1730689	317462	2248918	364448	5628455
2018	642225	1209786	568454	1851369	327038	2437498	373787	5935798
2019	667461	1357293	588848	2060748	338747	2697053	377664	6523914
2020	704881	1505454	616679	2268968	350190	2969473	397298	7004760
2021	725661	1665438	632368	2497921	356362	3253819	402135	8026332
2022	775026	1802048	673399	2739676	380119	3645192	426456	8821879
2023	806975	1966609	711668	2955114	443865	4029828	561297	9790760
TOTAL	6403225	13340363	5347821	20040025	3309247	27111268	3727680	65732466
MAX	806975	1966609	711668	2955114	443865	4029828	561297	9790760
MIN	406624	787151	270711	1141077	231521	1714010	248043	4313483
AVERAGE/MEAN	640322.5	1334036.3	534782.1	2004002.5	330924.7	2711127	372768	6573246.6
S.D	124526.0885	394284.515	147280.9667	610553.88	59274.3	754742.6	88298	1829588.189
CAGR%	8%	11%	9%	11%	7%	10%	9%	10%

(Source: Reserve Bank of India: Handbook of Statistics on The Indian Economy 2022-23 P.N.103)

As compare to the credit outstanding of scheduled commercial banks the deposit side is showing a very surprising result. The table above indicates that the deposit in rural areas is relatively small compared to urban and metropolitan areas, despite having a higher number of accounts. This condition is still prevailing. A solution to these problems can be attained by implementing more financial literacy programs, overall education facilities and technical knowledge as well as investing awareness programs. This clearly indicates a lack of trust in banks among the rural population.

Conclusion:

The overview of status of financial inclusion can be studied under numerous financial indicators like credit deposit ratio, technology enabled services etc. Rapidly developing technology has also played a vital role in bridging the inclusive growth of the nation. More number of people have started using ATMs, Immediate Payment Service (IMPS) and mobile banking. It can be said that India is at a fast pace towards achieving financial inclusion and this can be speeded up by collaborative efforts of Government, Reserve Bank of India and Citizens of the country.

Financial inclusion has empowered many previously excluded sections of society, allowing them to save money securely, access credit, and manage their finances better. Increased financial inclusion can contribute to economic growth by promoting entrepreneurship, facilitating investments, and reducing dependence on informal lenders.

Financial inclusion in India is a work in progress, but the journey so far has been encouraging. By addressing the existing challenges and capitalizing on the opportunities, India can create a more inclusive financial system that benefits all sections of society.

An inclusive financial system has several benefits. The economically disadvantaged segment of our population does not have easy access to banking services. The steps for providing banking outlets in the form of "Brick-Mortar Branch," Extension Counters, Satellite Branch, and Ultra-Small Branch, etc. were initiated centuries ago and are still in place today. In India, the basic concept of financial inclusion is exhibited in a saving or current account at any bank. In reality, it includes loans, insurance services, and much more, for all members of an economy.

Suggestion:

- **Mobile Banking and Digital Wallets:** Promote mobile banking and digital wallets by simplifying user interfaces, offering offline functionalities, and ensuring data security. This can increase accessibility, especially in rural areas with limited internet connectivity.
- **Financial Technology (Fintech):** Partner with fintech companies to develop innovative solutions like micro-loans, digital payments for small businesses, and USSD-based services for feature phone users.
- **Financial Literacy Camps:** Organize financial literacy camps in rural areas, targeting specific demographics like women and small business owners. Partner with NGOs and local community leaders for wider outreach.
- **School Curriculum Integration:** Integrate financial literacy modules into school curriculums to equip younger generations with essential financial knowledge.
- **Micro-savings and Micro-insurance Products:** Design micro-savings and micro-insurance products tailored to the needs of low-income households, offering flexibility and affordability.
- **Simplified Account Opening:** Simplify account opening procedures for the underbanked, minimizing documentation requirements and leveraging biometric verification.
- **Financial Products for Women:** Design financial products addressing specific needs of women entrepreneurs, like collateral-free loans and mentorship programs.

- **Government Incentives:** Provide incentives for banks to open branches in underserved areas and offer financial products catering to low-income segments.
- **Relaxed Regulatory Norms:** Consider relaxation of certain regulatory norms for Business Correspondents (BCs) operating in rural areas to enhance reach and service delivery.
- **Data Privacy and Security:** Ensure robust data privacy and security frameworks to build trust and encourage digital adoption of financial services.
- **Public-Private Partnerships:** Foster public-private partnerships between government agencies, banks, fintech companies, and NGOs to leverage each other's expertise and resources.
- **Self-Help Groups (SHGs):** Partner with Self-Help Groups (SHGs) to provide financial literacy training and facilitate access to credit for their members.

By implementing these suggestions and continuously monitoring progress, India can make significant strides towards achieving full financial inclusion, empowering all sections of society to participate in the formal financial system.

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