IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Inequalities In Access to Financial Services in India: A Comparative Analysis

PRIYA SINGH, RESEARCH SCHOLAR

DEPARTMENT OF APPLIED ECONOMICS, UNIVERSITY OF LUCKNOW

Professor ARCHANA SINGH

HOD. DEPARTMENT OF APPLIED ECONOMICS, UNIVERSITY OF LUCKNOW

ABSTRACT

Following the 1969 bank nationalization process, commercial banks, regional rural banks, and cooperative credit institutions have significantly expanded in terms of both functional reach and geography. However, a significant percentage of the Indian population continues to be outside the official financial system's jurisdiction. This research paper delves into the issue of inequality in access to financial services in India. Despite significant progress in financial inclusion initiatives, disparities persist across various demographic groups, thus hindering economic growth and social development. Through a comprehensive analysis of the factors contributing to this inequality, as well as an exploration of potential solutions, this paper aims to provide insights into addressing this pressing issue. For this secondary data was used in this study which was gathered from reports published by the RBI, the Ministry of Finance, the Government of India, reports on the development and trends in Indian banking. Study is Based on the analysis of unit record (household level) data from the National Sample Survey Organization (NSSO). It has been observed from the study that while a number of initiatives have been implemented to enhance outreach inside the banking industry the results have not been particularly noteworthy it was brought into light that inequality persisted among the states related to access to financial services. North eastern regions and western regions has consistently performed poorly in each dimension of the financial inclusion suggesting that the state still has a way to go before achieving greater financial inclusion also the disparity can be seen among rural and urban areas indicating that households with higher relative incomes have somewhat greater access than those with lower incomes. This paper further examined disparities by breaking down the households between gender and distinct social groups research indicates that the households headed by men are more likely to be able to obtain financial services than females also reveal that Scheduled tribe and scheduled cast households have far less access than other households particularly regarding access to credit. This paper argues that some of these specific groups require particular consideration from formal credit institutions; it is not enough to simply open bank accounts for these groups under the guise of financial inclusion; instead, one must support them in a way that makes their relationship with banks sustainable.

Key words: Financial inclusion, Challenges to Financial Inclusion, Financial literacy, Gender equality

INTRODUCTION

A prevalent feature of many developing countries is that the high proportion of impoverished individuals who work for themselves, either in small-scale manufacturing or service industries or in agriculture. Thus, they in order to meet their working capital demands, often need a consistent flow of financial services. These resources come from both formal and informal sources in a nation like India. Formal sector includes three types of banks which are Commercial bank, cooperative bank non-banking finance institution and regional rural banks while the informal sector includes money lenders, friends and relatives. When someone with limited resources uses the informal credit market, they may encounter unfavorable terms including high interest rates and short repayment terms, among other things. Based to our examination of the information provided in the sections below, the applicable interest rate is typically greater than 36% and occasionally even higher than 100%. Therefore, it is essential that the poor have easier access to a formal financial sector service. This is particularly important for ensuring inclusive growth and a decrease in inequality, the latter of which has gotten worse in India in the years after the country's reform. Financial inclusion is strongly associated with poverty alleviation.

73% of Indian households, according to the Committee on Financial Inclusion, which is chaired by C Rangarajan, have no debt from formal financial institutions. Once more, according to the National Sample Survey Organization's (NSSO) indebtedness survey from 2018, three out of every four rural households did not have a bank loan. This situation serves as a stark reminder of how India's formal banking system has failed to incorporate the vast majority of the unbanked population. As a result, efforts to integrate the large excluded population into the formal financial system and advance the goal of 100% financial inclusion have focused more on extending the system's reach. Financial inclusion refers to provide banking services to large populations of underprivileged and low-income people at a reasonable cost. Research has demonstrated that a one percent decline in GDP occurs from either exclusion or a lack of participation in the financial sector. Consequently, the significance of financial inclusion extends beyond its socio-political imperative and yields economic advantages.

India's formal banking system has a somewhat superior network than those of other emerging countries, like Brazil. Since a substantial portion of the population lives in rural areas, there has been a massive push to expand banking networks there since the banking system was nationalized in India in 1969. As a result, numerous bank branches across the country were opened. Additionally, it was typical to lend priority sectors—such as small companies and agriculture—40% of the entire credit amount. The formal banking industry is still unable to satisfy the needs of the expanding population, notwithstanding these efforts. In this paper, I contend that the absence of bank branches is not the only factor contributing to this; poverty-related inaccessibility issues stem from a lack of education and pertinent knowledge, making financial literacy just as crucial as access.

On the demand side, the primary causes of financial exclusion are typically ignorance, low income, poverty, and illiteracy; on the supply side, the main causes include locations away from bank branches, branch hours, complex paperwork and procedures, staff attitudes, etc

FINANCIAL INCLUSION AND THE EVOLVING SCENARIO

Financial inclusion is the process of enabling the disadvantaged and marginalized members of society to participate in the mainstream economy by giving them access to banking and financial services as well as financial literacy. It is a multifaceted strategy that includes a range of governmental and public parties. With over 1.3 billion people living in India, a sizable portion of the population is still remaining outside of the formal financial system. Roughly 50% of Indians are financially excluded, according to the World Bank (World Bank 2017a). While there has been significant progress in recent years due to significant banking and economic reforms, there is still a need and opportunity to reach out to the unbanked and include them in the financial system. Financial inclusion is a vital component of growth in a nation as diverse as India. Following independence, the nation's financial inclusion net has grown thanks to the combined efforts of private organizations, civic society, and successive governments. Providing last-mile connectivity for banks and other financial organizations has received a lot of attention

Researchers and legislators have examined the idea of financial inclusion as it has developed over time. India has improved the last-mile connectivity of financial services to its citizens by developing its financial ecosystem and implementing significant adjustments. The goal has been to give marginalized and impoverished people access to financial resources so they can better their life. Financial inclusion has been shown to have the ability to, among other things, decrease poverty and generate employment. Due to major inequalities in the social and or economic spheres, there is frequently a lack of inclusive growth, which results in disparities that are quite severe in the vital areas of health and education (Goldberg 2019). Prior to now, there was little to no interaction between private institutions and those in need as clients. This has since changed, and the private sector is actively involved because they have realized that involving those who are impoverished in the financial system benefits their own business models.

LITERATURE REVIEW

Numerous academics have conducted extensive research on financial inclusion in India. For the sake of this investigation, numerous articles and websites have been cited. Then-Chairman of Indian Bank K.C. Chakraborthy coined the phrase "financial inclusion" in 2005.

Potluri Ambica,Sulochana.Naga M(2018)- “A Study of financial inclusion in India with reference to Banking industry”: this paper says that In terms of financial inclusion, India is at a moderate level when compared to other nations for various reasons. Numerous research have looked into the connection between development and financial inclusion. However, equitable growth is not achievable because of factors like poverty, advanced technology, and financial literacy, among others. Only with appropriate mechanisms that channelize all resources from top to bottom can inclusive growth be achieved.

S S,Mundra (2016): “Financial Inclusion in India— The Journey So Far and the Way Ahead,” Reserve Bank of India at the BRICS workshop on financial inclusion in Mumbai, 19 September: Quote Only via cooperative efforts between mainstream financial institutions and peripheral players like rural co-ops, NBFCs, MFIs, credit societies, NGOs, etc. can the aim of universal financial inclusion be accomplished. Each of them needs to support the cause of financial inclusion in a complementary way. The time is right to construct a financial inclusion tapestry in which each of these institutions may be integrated to best contribute in their own unique way. Right now, the government and RBI are concentrating their efforts in this area

Shah Purvi and Dubhashi Medha (2015): attempted to research how financial inclusion contributes to inclusive growth. Only 41% of adults have a formal account, with 37% of women and 46% of men having formal accounts. The gender disparity is further exacerbated by the various levels of wealth inequality seen in emerging nations.

Neha Dangi, Pawan Kumar (2013) - Current Situation of Financial Inclusion in India and Its Future Visions, International Journal of Management and Social Sciences Research (IJMSSR) Volume-2, No. 8, August 2013: The first step towards attaining complete financial inclusion is securing credit for the most vulnerable and disadvantaged members of our society. In the financial markets, the state must have a significant influence. Both the market and the government have their limitations as institutions in developing nations, but it is important to create government policies that take those limitations into consideration.

NEED OF STUDY

Financial exclusion typically affects the poor, and unemployment and financial inclusion are mutually exclusive. In developing countries such as India, women are often denied the right to vote. Women who use banking goods and services can also help India achieve its aim of financial inclusion. The contribution of women's financial inclusion to GDP and economic growth has notably increased in recent years. The study focuses a lot of emphasis on how financial services and products might help disadvantageous group to experience more inclusive financial growth. The financial environment will become stronger and more stable as a result. Due to the differences in men and women's socioeconomic and social situations, women's access to financial services is essential.

OBJECTIVE

1 To assess India's current state of financial inclusion.

2 The present study is an attempt to analyze the extent of inequality across the various states of India.

3 To evaluate the relative significance of various financial inclusion programs and administration efforts

RESEARCH METHODOLOGY

The secondary data used in this study was gathered from reports published by the RBI, the Ministry of Finance, the Government of India, reports on the development and trends in Indian banking, newspapers, research articles, research journals, e-journals, books, and magazines. Several websites, including those of the RBI, Ministry of Finance, and Government of India (GoI), were also utilized. The several NSSO rounds reports is further being examined. As the primary statistical method, basic average, table and charts for comparative analysis has been used to examine data.

INEQUALITY IN FORMAL FINANCIAL SERVICES CROSS COUNTRY ANAYSIS

Approximately 76% of individuals globally has an account with a bank or any other deposit-taking financial institution subject to equivalent regulations, which may include a mobile money service provider. Yet, there is significant variation when looking at account ownership at the regional or economic levels. Ownership of an individual or jointly owned account at a regulated institution, such as a bank, credit union, microfinance institution, post office, or mobile money service provider, is defined by the Global Findex 2021 as account ownership. Worldwide, account ownership grew by 50 percent over the past decade. Over the last ten years, account ownership in India has increased more than twice, from 35% in 2011 to 78% in 2021. This result was partly caused by an Indian government initiative that was introduced in 2014 that utilized biometric identity cards to increase adult unbanked people' account ownership. Over longer periods, other economies experienced significantly smaller increases. For instance, Pakistan's growth over the last ten years has only been 11 percentage points, going from 10 percent in 2011 to 21 percent in 2021. Ownership rose by 18 percentage points in the Arab Republic of Egypt and 16 percentage points in Nigeria, respectively, rising from 10 to 27 percent in Egypt and 30 to 45 percent in Nigeria.

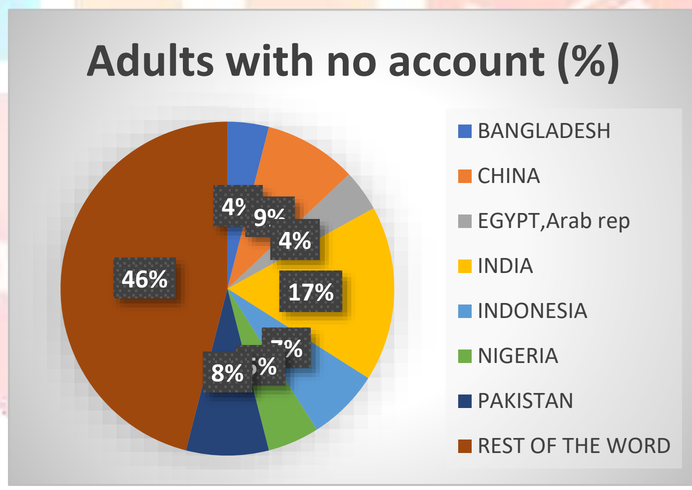
In developing economies, account ownership tends to be lower in rural areas than in urban areas. But precisely quantifying the urban-rural gap is difficult. Defining what makes an area rural is complex—should the distinction be based on population density, on the availability of certain services and infrastructure, or on the subjective judgment of the interviewer or of the respondent? These definitional issues become more challenging when applied across economies what might be considered rural in Bangladesh or India, for example, might be considered urban in less populous economies. Approximately 1.4 billion adults worldwide are unbanked that is they do not have an account with a financial institution or a mobile money provider. In high income economies, almost everyone has an account; in underdeveloped nations, almost all adults lack access to banking services. In fact, only seven economies are home to 740 million, or 54% of the unbanked population. In addition, due to their population size, China and India account for significant portions of the world's unbanked population (130 million and 230 million, respectively), despite having relatively high rates of account ownership. The next-largest numbers of unbanked adults are in Indonesia (100 million) and Pakistan (115 million). In addition to

Bangladesh, Egypt, and Nigeria, these four economies are home to almost half of the world's unbanked population see table1 and fig 1.

Table 1

COUNTRIES	Adults with no account (%)
BANGLADESH	4
CHINA	9
EGYPT, (Arab rep.)	4
INDIA	17
INDONESIA	7
NIGERIA	5
PAKISTAN	8
REST OF THE WORD	46

fig1



source: global findex report

Selected Macro Indicators for India: Region wise Inequality

The study tries to investigate the level of banking penetration in 16 major states of India which further divided into 6 regions in terms of no. of account and no. of offices population covered per branch.

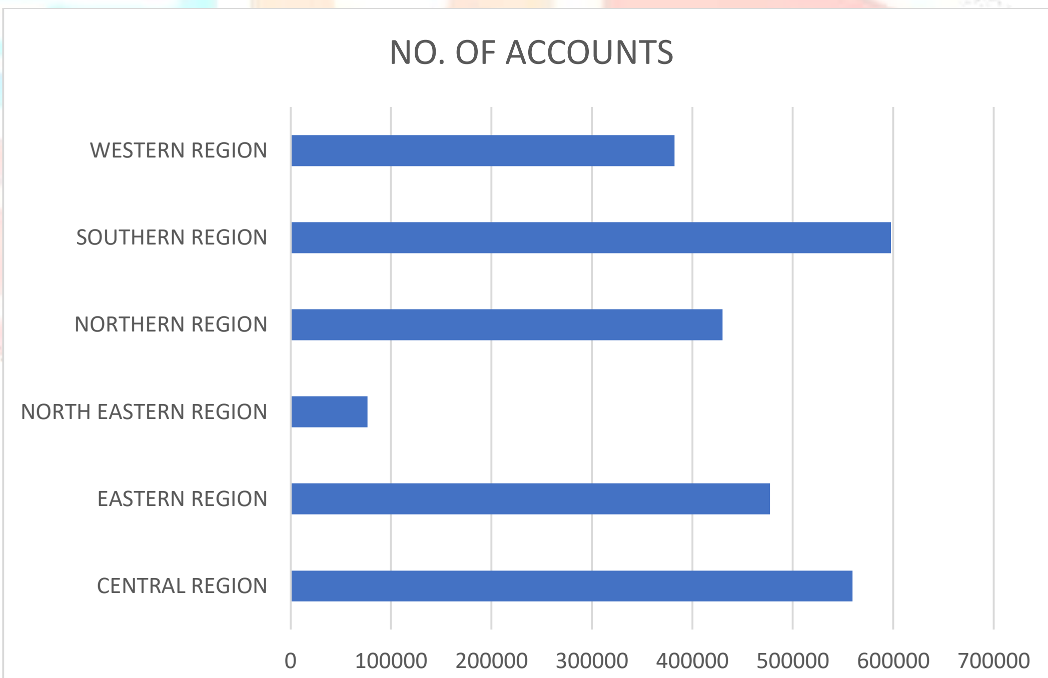
It is easy to see regional disparities from the table 2: the southern and central regions have relatively higher penetration, whereas the north eastern regions and western regions have very low penetration.

Table 2

Region-wise penetration of banking in India(2023)		
REGION	**NO. OF ACCOUNTS**	**NO. OF OFFICES**
CENTRAL REGION	559460	31137
EASTERN REGION	477358	26677
NORTH EASTERN REGION	76679	4918
NORTHERN REGION	430218	28167
SOUTHERN REGION	597773	44138
WESTERN REGION	382318	23605

source: author's analyses of RBI statistics of bank

Fig2



REASONS FOR LOW BANKING PENETRATION

There are several reasons for low banking penetration in the North Eastern region of India:

1. **Geographical Challenges**: The North Eastern region is characterized by difficult terrain, including hills, forests, and rivers, which makes it challenging to establish physical banking infrastructure such as branches and ATMs. This geographical isolation can deter banks from expanding their operations in the region.

2. **Sparse Population Density**: The population density in many parts of the North East is low compared to other regions of India. This means that setting up and maintaining banking infrastructure may not be financially viable for banks, especially in remote areas with small populations.

3. **Lack of Awareness and Education**: There may be a lack of awareness among the population about the benefits and importance of banking services. Additionally, low levels of education and literacy rates in some areas can contribute to a lack of understanding about how banking works and how it can benefit individuals and businesses.

4. **Cultural and Ethnic Diversity**: The North Eastern region is culturally and ethnically diverse, with many distinct communities and languages. This diversity can create communication barriers and make it challenging for banks to tailor their services to the specific needs and preferences of different groups within the population.

5. **Security Concerns**: The North East has experienced various security challenges over the years, including insurgency and ethnic conflicts. These security concerns can deter banks from operating in certain areas or investing in expanding their presence in the region.

6. **Lack of Infrastructure**: Inadequate infrastructure, including transportation networks and communication facilities, can further hinder the expansion of banking services in the North East. Poor road connectivity and limited access to electricity and internet connectivity can make it difficult for people to access banking services.

7. **Limited Economic Activities**: The North Eastern region has traditionally been less economically developed compared to other parts of India. Limited economic activities and employment opportunities can result in lower demand for banking services, as people may have fewer financial transactions and savings.

Addressing these challenges would require concerted efforts from both the government and banking institutions, including investments in infrastructure development, financial literacy programs, and measures to improve security and stability in the region. Additionally, innovative approaches such as mobile banking and agent banking could help extend banking services to underserved areas in the North East.

Accessibility to Credit

Credit is a vital component of contemporary life. When given and used sensibly, credit can lead to possibilities such as going to college, purchasing a home or automobile, establishing or growing a business, or any number of other endeavors that can help people widen their horizons, advance in their careers, amass riches, or achieve more freedom or peace of mind. Credit can also be a lifesaver for people who don't have a lot saved up for emergencies. Before making a loan, lenders frequently require proof of borrowers' ability and willingness to repay in an effort to prevent expensive defaults.

Indicator for measuring accessibility to credit is termed as Incidence of Indebtedness (IOI) which means percentage of the indebted households. We will first display the percentage of household with outstanding loans as of 2018 using the extensive set of NSSO data that was divided into class intervals based on Monthly Per-capita Consumption Expenditure (MPCE). Further the Table show IOI (%) by quintile class of household consumer expenditure which means that MPCE distribution can be categorized into five quintile classes based on the percentage of the population that falls within each class. The first quintile represents the MPCE level where twenty percent of the population falls below, the second quintile represents the level where 40% of the population falls below, and so on. This cycle, quintiles are computed independently for each State's MPCE distribution in its rural and urban sectors.

Table 3

Incidence of Indebtedness(IOI)		
MPCE	RURAL	URBAN
QUANTILE 1	26.5	15.3
QUANTILE 2	36.1	24.3
QUANTILE 3	41.5	26.2
QUANTILE 4	35.7	20.5
QUANTILE 5	35.4	25.7

SOURCE: Key Indicators of Debt and Investment in India

After closely examining the table 3, it can be seen that the higher income groups had higher IOI. Following this, a generally low IOI figure casts doubt on sufficient credit availability to low income groups. In a comparable way, households headed by men had higher IOI than households headed by women. Schedule tribes (ST) households have lower IOI than the general or other backward classes (OBC) category households. Also the table shows that access to credit is low for the lower quintile of MPCE But access and income appear to be moving in the same way. In rural areas, access appears to rise considerably as expenditure rises, indicating that households with higher relative incomes have somewhat greater access than those with lower incomes. This specific pattern is also observed in urban areas. However, access is consistently less in urban centres that is on average 22.4 while in rural areas access average is seems to be high at 35.04. Also it was noticed that The incidence of debt is low for the highest expenditure group, which may be associated with a decreased demand for credit Put differently, this phenomena could be linked to demand-side factors rather than supply-side ones.

Even a decade later, as evidenced by more recent consolidated figures released by NSSO, conditions have not significantly improved. Firstly, although there has been some progress, IOI has stayed low. Second, the discrepancy between urban and rural IOI data has persisted that is Percentage of Indebted Household in urban have remained lower at 22 % and that of rural is high at 35 % IOI and it is evident across a range of economic sectors as indicated by asset classes.

Table 4

AHC	RURAL			URBAN		
	IOI(%)	AOD (Rs)	AODL(Rs)	IOI(%)	AOD (Rs)	AODL(Rs)
1	21.6	15900	73454	9	9935	110393
2	24.7	16356	66320	13.2	17178	130318
3	28.4	20167	70942	18.5	29941	161811
4	30.4	26864	88257	23.6	40878	173419
5	32.4	35440	109292	26	55556	213322

6	37.7	44731	118679	24.9	78907	316605
7	39.7	53419	134408	27	106911	395929
8	40.1	74338	185520	25.4	142251	560218
9	45.4	100445	221185	27.1	243423	899850
10	49.8	209828	420959	29.5	478458	1622667
ALL	**35**	**59748**	**170533**	**22.4**	**120336**	**536861**

Source: Source: NSS 78th round, Key Indicators of Debt and Investment in India

Incidence of Indebtedness by social groups, Rural

To demonstrate disparities in accessibility in terms of pertinent indicators, the data for the 59th round where individual household statistics are available—is further examined by breaking down the households that belong to distinct social groups.
This investigation highlights a few interesting aspects.

Table 5

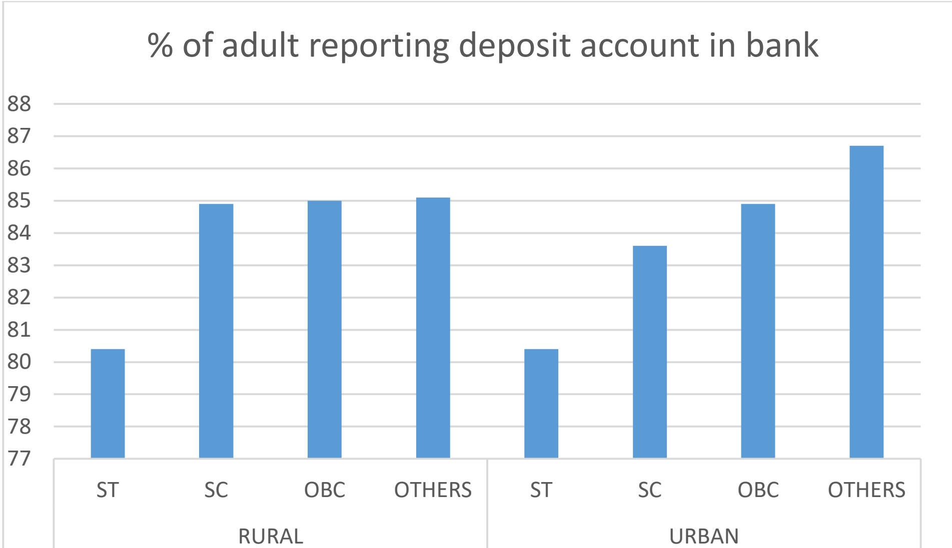
RURAL MPCE	SCHEDULED TRIBES%	SHEDULDED CASTS%	OTHER BACKWARD CLASS%	GENERAL %	ALL %
0-254	15	26	24	24	23
254 -338	17	25	28	22	25
338-425	17	27	28	26	26
425-510	20	29	29	25	27
510-600	21	25	30	23	27
600-700	22	30	30	27	29
700-950	15	23	32	28	28
950-1500	14	26	29	24	26
1500-3000	12	30	32	28	29
above 3000	17	75	30	9	16
Total	17	27	28	25	26

Source: Author's analysis of NSSO 59th round data

Table 6

% of adult reporting deposit account in bank	RURAL				URBAN			
	ST	SC	OBC	OTHERS	ST	SC	OBC	OTHERS
	80.4	84.9	85	85.1	80.4	83.6	84.9	86.7

Source: NSS Report no. 588: All India Debt & Investment Survey-2019



Source : Authors own calculation

Scheduled Castes (SC), Scheduled Tribes (ST), and Other Backward Classes (OBC) are the classifications used in India for caste-based groups. These groups have access to several government-provided privileges. It is clear by looking at these groups of people's loan availability that ST households have far less access than other households.

The various characteristics of indebtedness shown by this disaggregated analysis of a broader data set point to several issues facing the formal lending industry as well as important takeaways. Since tribal households are typically poorer and less educated, contacting formal banks is quite difficult for them. They cannot obtain credit, not even from unofficial sources. Therefore, it is imperative to give priority to and offer credit assistance to the underprivileged classes, particularly those who fall below the poverty line. Encouraging these individuals to participate in self-help groups should additionally be a different priority.

DIVISION BY GENDER

Gender division is a crucial factor in households, alongside the many social groups that exist. Table 7 looks at how the gender of the household head affects credit access. Female-headed families are viewed as relatively weaker than male-headed households in India and certain other developing countries. This data collection, which includes roughly 150,000 families, is further broken down by gender and by the percentage of debt each household has. The research indicates that the customary ideas mentioned above are followed, and as a result, households headed by men are more likely to be able to obtain financial services such as loans.

Table 7

RURAL MPCE	MALE HEADED %	FEMALE HEADED %
0-254	23	16
254 -338	26	15
338-425	27	18
425-510	28	18
510-600	28	15
600-700	30	19
700-950	30	19
950-1500	27	15
1500-3000	33	13

above 3000	27	8
Total	27	17

Source: Author's analysis of NSSO 78th round data

It has been noted from the table that access inequalities are especially severe for households headed by women. Females are not only discriminated against males, but poor females are much more discriminated compared to the comparatively richer ones. We need to pay close attention to this remark. In India, a government workfare program that reached over 100 million people showed that paying women their benefits directly into their own account (and not into the account of a male household head) increased women's financial control, influenced gender norms preventing women from working, and incentivized women to find employment, compared with those paid in cash.

POLICIES

To achieve the vision of ensuring access to an array of basic formal financial services, a set of guiding objectives have been formulated with special relevance in the Indian context. The Reserve Bank's agenda has expanded to include a wider range of diverse services, such as transactions, payments, and insurance, in response to mounting empirical evidence of the potential development benefits of financial inclusion. The Bank is still working to switch financially disadvantaged segments of society away from informal sources of funding and the coercive practices that go along with them. Throughout the year, efforts were also made to reinforce already-existing programs, such the lead bank program and business correspondent's program, in order to better utilize digital financial services for risk management and financial education.

1 Business Correspondents' Registry Portal- The increasing acceptance and recognition of business correspondents' (BCs') role in extending the reach of banking services in rural areas is demonstrated by the 28% increase in the volume of transactions that BCs process through the information and computer technology (ICT) channel. In order to allow banks to enter information about BCs they employ, the IBA created a register portal, which was introduced in February 2018 using the Reserve Bank's framework as a model. Once the portal is open to the public, it is anticipated that information about BC availability and contact information will raise public awareness.

2 Lead Bank Scheme- The primary objective of the Lead Bank Scheme (LBS) is to synchronise the endeavors of financial institutions and governmental bodies in augmenting the stream of bank funding to the targeted industry and in the comprehensive advancement of the rural domain. The committee of executive directors of the Reserve Bank, which was established to examine the effectiveness of the system, has put out a number of significant proposals in this respect. In April 2018, after considering input from multiple stakeholders, the Reserve Bank released guidelines intended to enhance the program. The State Level Bankers' Committee (SLBC) ought to concentrate on matters of policy, assigning routine matters to designated subcommittees. Lead banks were instructed to provide the infrastructure required for lead district managers (LDMs) to operate effectively.

3 Opening of No-Frills Bank Accounts: Governments may mandate banks to offer basic or no-frills bank accounts with minimal or no fees, making banking services more accessible to low-income individuals who may not meet the requirements for traditional accounts. Jan Dhan accounts are simple to open and don't require any additional procedures. These accounts are connected to the individuals' Aadhaar numbers, which are connected to the Direct Benefit Transfer (DBT) program.

4 The Broadening of Payment Options- The launch of Digital India has brought about a change in terms of payment facilities available to the stakeholders, especially from the underprivileged sections. KCC, general credit cards (GCC), and mobile banking facilities have been encouraging the poor to participate in the digital ecosystem. With the strengthening of the Unified Payment Interface (UPI) by RBI, digital payments have been

made secure, compared to the past. To this end, many payment gateways have come up to further improve digital transfers. This makes it possible for anyone with a valid bank account and smartphone to make payments more quickly and easily. Offline transaction enabling platforms such as Unstructured Supplementary Service Data (USSD) have made it feasible to use mobile banking services even on a simple mobile handset without internet, hence increasing accessibility to the payment system more in rural areas. However, with the usage of micro ATMs, the Aadhar-enabled payment system (AEPS) makes it possible for an Aadhar-enabled bank account (AEBA) to be used at any place and at any time.

CHALLENGES

There are still significant gaps in the use of financial services that exist despite the numerous steps taken by different stakeholders to increase financial inclusion in the nation. These gaps call for policymakers' attention through appropriate coordination and efficient monitoring.

1 Inadequate Infrastructure- Customers find it difficult to receive financial services in remote areas of the Himalayan and Northeast regions due to a lack of physical infrastructure, inadequate transportation options, undertrained staff, etc.

2 Poor Connectivity- There is a growing digital divide in the country as a result of some areas not having enough connectivity to get financial services, even though technology is becoming a key facilitator for access to these services. The greatest link between the financial service provider and the last-mile client may be technology. Fintech businesses may offer one of the most effective ways to deal with this problem. Improving tele and internet connectivity in the rural hinterland and attaining nationwide connectivity would be the main issues that need to be handled.

3 Convenience and Relevance- During the onboarding process, the drawn-out and complex procedures discourage potential consumers. This challenge is made much more difficult by complicated, difficult-to-understand items that don't satisfy customers' needs such as those who have unpredictable, irregular income streams from their line of work.

4 Socio-Cultural Barriers- Some people's prevalence of particular value systems and ideas causes them to have a negative attitude towards formal financial services.
Cultural restrictions still prevent women in some areas from having the freedom and choice to utilize financial services.

5 Product Usage- Although more people now have access to basic financial services like micro insurance and pensions thanks to the mission-based approach to financial inclusion, more people must use these accounts in order for customers to benefit from pertinent financial services and for service providers to grow to the required scale and sustainability. This can be achieved by boosting economic activity such as the creation of livelihoods and skill development, digitizing government transfers by fortifying the digital transaction eco-system of the 16 National Strategy for Financial Inclusion 2019–2024, improving acceptance infrastructure, raising financial literacy, and putting in place a strong framework for protecting customers

6 Payment Infrastructure- Currently, National Payments Council of India (NPCI), a Section (8) Company supported by a consortium of domestic, international, and private banks, operates the bulk of retail payment products, including CTS, AEPS, NACH, UPI, and IMPS. More market participants are required to encourage competition and innovation and reduce the risk of concentration in the retail payment system from the standpoint of financial stability.

CONCLUSION

With a large and poor population, low level of education and very little experience of financial products, financial inclusion India is a very big challenge indeed. The country has nearly 190 million unbanked individuals and many more that are underbanked who don't participate in the formal financial sector.

The aforementioned index illustrates how banking facilities have proliferated differently throughout India. While some regions take pride in having high rates of financial inclusion, others fall short. The North-Eastern region is classified as a slow-moving region, with all of its states falling into the low IFI category. The index above provides us with a clear picture of Assam's status with regard to attained financial inclusion. The N.E. region's reduced banking outreach is mostly due to issues including challenging topography, low population density, and cultural reservations. In light of this, the North-Eastern region's performance in terms of financial inclusion is quite low, necessitating the adoption of unique actions to strengthen the region's financial standing. The government of India and the RBI have started particular initiatives to expand the presence of formal financial institutions in the northeastern region, but the results have only been unsatisfactory. Therefore, it is imperative that greater effort be made in a coordinated manner to start the northeast region on the path of high financial inclusion. This study shows that in order to promote inclusive growth and better income distribution, formal financial institutions must pay particular attention to the self-employed households that fall into the poorest category. Poor individuals even have trouble obtaining credit from the informal sector, and the interest rates are relatively high, further harming their financial state and pushing them into debt.

Based on examination of households across different social groupings, Schedule Tribe groups have using a significant portion of their loans to generate income. Additionally, it has been demonstrated that this group receives loans from the official sector—possibly through various programs. Only a small portion of these households receive credit from any soured funds, thus there is an urgent need to expand the reach of such schemes to a greater number of individuals in the same or comparable conditions. The thorough study provided above also showed that a very small portion of the households led by women have been using these loans to generate money.

Self Self-help groups (SHGs) are one approach to addressing the issues related to formal credit access. These are mostly the groupings made up of women in India. Because they function on a joint responsibility basis, they lower the lender's risk of nonrepayment in situations where a loan is made without security. If these associations can be established for male farmers, they may be able to assist underprivileged agricultural laborers in gaining access to conventional lending institutions without requiring collateral. Thus, it is possible to address the issue of non-accessibility resulting from a lack of land records.

Another shortcoming in India's drive for financial inclusion is a lack of financial literacy. While it is true that many citizens of our nation live in rural areas without access to banks or other financial institutions, some residents of smaller towns choose not to use formal banking or lending services even after being presented with the opportunity and potential advantages of having financial access because they lack the necessary knowledge and awareness of these services. In a 2015 Mastercard research on financial literacy, India came in near the bottom of the Asia-Pacific region, indicating that many individuals are still unaware of the potential advantages bank accounts can provide.

REFERENCES

1. Bhattacharjee, M., Rajeev, M., & Vani, B. P. (2009). Asymmetry in Information and Varying Rates of Interest: A Study of Informal Credit Market in West Bengal. Margin, 3(40): 339-64
2. Chakrabarty, K. C. (2011). Financial Inclusion and Banks: Issues and Perspectives. RBI Bulletin, November
3. National Sample Survey Organization (NSSO) (2020). All India Debt and Investment Survey. New Delhi: NSSO
4. Dasgupta, R. (2009) Two approaches to Financial Inclusion, Economic and Political Weekly, 44(26/27) : 41-44
5. Srinivasan, N. (2007) Policy Issues and Role of Banking System in Financial Inclusion, Economic and Political Weekly
6. Sangwan, S.S. (2008) Financial Inclusion and Self Help Groups‟ [Online] Available:http://www.nabard.org/databank/IARD%20Web/csidfiles/Financial%20Inclusion % 20and%20SHGs.pdf
7. Census of India (2011). List of States with Population, Sex Ratio and Literacy Census 2011
8. World Bank (2017a): "Global Findex Report," Paris: World Bank, https://globalfindex.worldbank.org/#GF-ReportChapters
9. Ministry of Finance (2020): "Pradhan Mantri Jan Dhan Yojana: Progress Report," https://pmjdy.gov.in/account
10. Hoff, K., & Stiglitz, J. E. (1990). Introduction: Imperfect information and rural credit markets: Puzzles and policy perspectives
11. National Sample Survey Organization (NSSO) (2018). "Key Indicators of Debt and Investment in India: NSS 78th round. Ministry of Planning and Statistics Implementation. Government of India.