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A Review On The Relationship Between Financial Development And Financial Inclusion In India

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Abstract:

The purpose of this research is to conduct a review of the existing literature on financial inclusion and to identify major issues in this area of study. These themes include the determinants of financial inclusion, the measurement and assessment of financial inclusion, and the relationship between financial development and financial inclusion in India. It provides a more comprehensive picture of the area of financial inclusion in a single location by including the significant perspectives of a large number of academics and learned individuals. A number of different indexes, such as the index of financial inclusion (IFI), the global financial inclusion index, the Maya declaration, and the 3 x 3 x 3 matrix method, have been established in order to assess the measure of financial inclusion. CRISIL inclusix is a comprehensive index that measures the progress of financial inclusion in the nation, down to the district level. Views of financial inclusion development provide the image of the current situation of financial inclusion in India using this index. The findings are a step in the right direction towards reaching one hundred percent financial inclusion. They also recommend that there should be physical connection across all of the channels and active engagement from all of the stakeholders. This is because financial institutions, post offices, and SHGs have a greater potential to foster inclusive development via financial inclusion. When it comes to receiving and providing services, financial inclusion is a win-win situation for everyone involved. Therefore, it is imperative that everyone makes use of it and contributes to the achievement of the objective of reaching one hundred percent financial inclusion. This assessment of the literature from 2005 to 2017 includes a total of seventy-five publications. For the purpose of ensuring that the evaluation covers the most recent and emerging challenges in the area, this time span has been selected.

Keywords: Financial Inclusion, Financial Determinants, Financial Measurement, Financial Development, Global Financial Inclusion Index, IFI, Maya declaration, CRISIL inclusix, SHG's

Introduction:

According to the Financial Inclusion Committee Report from 2008, the term "financial inclusion" refers to a comprehensive and holistic process that ensures vulnerable groups, such as weaker

sections and low income groups, have access to financial services and timely and adequate credit. This involves providing these services at an affordable cost and in a manner that is both fair and transparent. Providing financial services to underprivileged and low-income groups of society at prices that are affordable is what we mean when we talk about financial inclusion or inclusive finance. According to the World Bank (2014), the term "financial inclusion" refers to the provision of financial goods and services that are both useful and inexpensive, and that are tailored to fit the requirements of people and enterprises. These include transactions, payments, savings, credit, and insurance, all of which are provided in a responsible and sustainable manner. (Karmakar, 2007) has described in his book-Rural credit and self-help groups: micro finance needs and concepts in India, published in sage publications, New Delhi, that the process of financial inclusion is an attempt to bring the weaker and vulnerable sections of society with in the ambit of the organised financial system. Therefore, it is possible to describe it as the process of allowing vulnerable groups, such as the weaker segment and low-income groups, to have access to timely and enough credit as well as other financial services at a cost that is economical. According to Chitra and Selvam (2013), who published a study titled "Determinants of Financial Inclusion: An Empirical study on the inter-state variations in India," which can be accessed at https://ssrn.com/abstract = 2296096, the access to finance by the poor is a prerequisite for the relief of poverty and the sustainable economic development of a nation. via the use of appropriate policy tools, inclusive development may be achieved via financial inclusion. Dr. C. Rangarajan (2008) presented a report on financial inclusion in which he stated that the process of financial inclusion should be approached in a mission-oriented manner. He also suggested that all stakeholders and beneficiaries should be involved in the process of bringing about policy changes and undertaking promotional initiatives in order to achieve the goal of achieving one hundred percent financial inclusion in India.

Objectives of the Study:

1. To evaluate and analyse the existing literature on financial inclusion, including its origins, metrics, and the progression of the country.
2. To specify the path that should be taken for more study on financial inclusion.

Methodology of the Study:

This research, which was examined, is comprised of seventy-five publications and spans the years 2005 to 2018. To guarantee that the assessment covers the most recent and emerging concerns in the industry, the time span that was chosen was carefully considered beforehand. This research is based on

secondary data, which were gathered from a variety of sources, including websites, working papers, annual reports, debates, and journals, among other places.

Determinants of Financial Inclusion:

In their article titled "Financial Inclusion: A Path of Sustainable Growth," which was published in an international magazine of research, Bhatia and Dr. Singh (2015) provided an explanation of the demand side and supply side factors of financial inclusion. The fourth volume of Technology and Management, number one. A few examples of demand-side drivers include levels of literacy, knowledge of various financial goods and services, and faith in formal banking processes. On the other hand, several factors that determine the supply side include the financial goods and services that are offered by financial institutions.

In his study titled "Financial Inclusion: Challenges and Opportunities," Subbarao (2009) explored the relationship between financial literacy and financial education as a primary factor in determining financial inclusion. For example, Farnandes et al. (2014), Garg & Agarwal (2014), and Subbarao (2009) examined the relationship between financial literacy and financial education. One of the most important components of an integrated strategy to enable individuals to make efficient use of the financial service network is the provision of people with financial education and financial literacy. Financial education helps to feed the demand side by creating knowledge among the people about the requirements and advantages of financial services given by banks and other organisations. While financial inclusion works from the supply side, financial education feeds the demand side. Overall, the combination of these techniques results in increased financial stability.

The study work that Frenandes and colleagues (2014) conducted and published under the title Financial Literacy, Financial Education and Deco Stream Financial Behaviours was carried out by the Institute for Operations study and Management Science (INFORMS) in Maryland, United States of America. An investigation on the connection between financial literacy and financial education and financial behaviours was carried out by them in the form of a meta-analysis. According to the findings of the correlation research, financial literacy has a higher link with financial behaviours than financial education does. For the purpose of enhancing financial education, a study was proposed for the future. According to Subbarao (2009), the Reserve Bank of India (RBI) has launched a "project financial literacy" with the intention of distributing knowledge to different target groups on the central bank and basic banking principles. This is because financial literacy is a stepping stone towards financial inclusion.

Ghosh and Vinod (2016) conducted an analysis of the relationship between gender and financial inclusion in

their essay titled "How Important is Gender," which was published in Economic & Political Weekly. This work contributed to the advancement of the policy agenda for financial inclusion in India. The multivariate analysis that included numerous household and state level controls revealed that there are considerable differences in both the access to and the utilisation of financial resources. This was the conclusion reached by the researchers. To be more exact, male-headed families are 10% more likely to have access to formal financing than female-headed households. This is in comparison to homes that are led by gender. This same body of evidence also applies to the application of financial resources. According to the findings of the research, families that are headed by women are, on average, less likely to have access to formal money and more likely to have access to informal financing.

During the year 2017, Rajput carried out a study project that was captioned with -- financial Inclusion and the factors that determine it: An empirical study on the inter-state variations in India was published in the International Journal of Arts, Management, and Humanities, volume 6, issue 1. The study measured the inter-state variations in access to finance by utilising credit and deposit penetration ratios. Additionally, the study analysed the factors that determine financial inclusion by utilising panel data in relation to 29 states that span the years 2006 to 2014. The factors that determine financial inclusion may be broken down into three categories: (a) dependent variables (deposit penetration and credit penetration), (b) independent variables (population density), and (c) additional explanatory variables (average population per bank branch (APPB) and credit deposit ratio (CD)). According to the findings of the research, there is a correlation between a growth in the level of life and an increase in the demand for and utilisation of financial services.

In their research titled "Socioeconomic Status and Financial Inclusion: A Study of Pratapgarh District of Rajasthan," which was published in the Indian Journal of Accounting (IJA), volume 50 (1), Singh and Sharma (2018) used a regression model to investigate the influence that socio-economic status has on financial inclusion. According to the findings of the research, socio-economic status, which includes factors such as income, literacy, kinds of houses, and card holders, has a substantial influence on access to financial services. On the other hand, age does not have a major impact on access to financial services. Despite the fact that individuals are making use of financial services, the research came to the conclusion that there is still a gap in terms of attaining inclusive development.

Measurement and Evaluation of Financial Inclusion:

Sarma (2008) has developed the Index of Financial Inclusion (IFI) in her working paper no. 215, which was

published by the Indian Council for Research on International Economic Relations. The index of financial inclusion has three dimensions that are used to measure the extent of inclusion. These dimensions are as follows: 1. Accessibility (to measure the penetration of the banking system, which is proxied by the number of bank accounts per 1000 population) Availability (to determine the number of bank branches and the number of automated teller machines for every one thousand persons) 3. Usage (to determine the degree to which clients make use of financial services and the regularity with which they do so).

In the paper titled "Financial Inclusion and Development: A Cross Country Analysis," which was published by the Indian Council for Research on International Economic Relations on pages 1 through 28, Sarma and Pais (2008) have committed their efforts to calculating the level of human development and financial inclusion. This was accomplished with the assistance of the International Financial Institution (IFI) that was developed by Sarma (2008) and the human development index that is related to 49 countries around the world. Although there are a few exceptions, the levels of human development and financial inclusion in a nation tend to move in close proximity to one another. With an IFI rating of 0.20, India achieves the 29th position in the rankings.

In their article titled "Computation of Financial Inclusion Index for India," Gupte et al. (2012) constructed a financial Inclusion Index (FII) and presented it at the International Conference on Emerging Economics – Prospects and Challenges (ICEE – 2010). They did this by utilising the database that was made available by the World Bank Group in 2009 and 2010 in order to determine the level of financial inclusion in India. In comparison to previous research, this study is unique in that it takes into account a number of extra characteristics. The FII that was designed for India was calculated as a geometric mean of four important dimensions: outreach (penetration and accessibility), use, convenience of transactions, and cost of transactions. This was done in accordance with the technique that the United Nations Development Programme (UNDP) utilised in 2010 when it computed the Human Development Index (HDI). Both the number of sites where one may create a deposit or loan account and the simplicity with which transactions can be completed are directly related to the ease of transactions. From the flip side of the coin, the other eight variables have a relationship that is inversely proportional to the ease of transactions.

Financial Inclusion in India: The Journey thus far and the Way Ahead was the title of the paper that Mundra (2016) presented at the BRICS workshop on Financial Inclusion that took place in Mumbai. Mundra also addressed the workshop attendees. For the purpose of determining the extent of financial inclusion, he developed a three-by-three-

by-three matrix that he referred to as the "3 Ps," which stands for products, processes, and people. The first three for the three-section method contained the following: (i) micro and small industries; (ii) low pay workers in unorganised sectors; and (iii) small and marginal farmers. (i) investments in the capital market; (ii) meagre surpluses such as recurrent deposits, SIP, and other similar investments; and (iii) individuals who do not earn any substantial surpluses. These are the second three components of the three surpluses method. The third three entities that were included in the three institutions strategy were (i) banks that were already formed, (ii) financial intermediaries such as NBFCs and MFIs, and (iii) new institutions such as SFBs. When the necessary efforts are concentrated on both the supply side and the demand side of it, it is feasible to achieve a well-defined inclusion status.

An article titled "Financial Inclusion as a Tool for Sustainable Development" was written by Catalin (2017). In this article, Catalin observed that financial inclusion is a tool that can be used to promote sustainable development in least developed countries and developing countries. Additionally, Catalin examined the role of the Alliance for Financial Inclusion (AFI) in establishing financial inclusion targets by utilising the Maya Declaration. The Maya Declaration is a set of core indicators that are divided into three pillars of financial inclusion, namely access, usage, and quality. This declaration was presented at the global policy forum in 2011. A total of 59 Maya declaration pledges have been made, and as of this moment, 32 members of the AFI have already set objectives for themselves, and nine members have already accomplished those goals. By using a variety of different routes, financial inclusion helps to promote sustainable development.

Financial Inclusion and Development in India:

In the article titled "Review Paper on Financial Inclusion – The Means of Inclusive Growth," which was published in the Chanakya International Journal of Business Research, Volume 1 (1) 37-48, Shah and Dubhashi (2015) investigated and compared the progress of financial inclusion in India with that of the rest of the globe. The database included information regarding the account penetration rate for adults in India, which was measured at 35% (43.7% representing the mean and 26.5% representing women). The research emphasised CRISIL Inclusix, which is an all-encompassing index that measures the development of financial inclusion in the nation, all the way down to the district level, using a methodology that is comparable to those of other worldwide indices to measure progress. At the same time, it brought together the three most important aspects of fundamental banking services, which are branch penetration, deposit penetration, and credit penetration.

In his paper titled "Financial Inclusion in India – A Catalyst for Sustainable Economic Growth," which was published in the International Journal of Management and Applied Science, Volume 4, Issue 2, Siddiqui (2018) examined the significance of financial inclusion in the social and economic development of the society. He emphasised that it is strengthening India's positions in relation to the economies of other countries. This micro-finance scheme in India is the biggest of its kind in the world, and it is considered by policymakers to be a miracle cure for alleviating poverty and fostering development. A higher score on the CRISIL inclusix indicates a greater degree of financial development for the country. The research also emphasised the fact that financial inclusion is higher when the score is higher.

It was found that the utilisation of debit cards and credit cards has increased tremendously throughout the study period, and that banks have focused more on rural and semi-urban areas. However, the number of people who have access to banking products and services continues to be very limited. This was discovered by the Indian Economy, which conducted an analysis of five state bank groups and five private sector banks.

Using a hierarchical clustering method through a dendrogram and taking into consideration the average linkage between the groups, Dixit and Ghosh (2013) conducted an analysis that compared the various states of India based on the indicators of financial inclusion (IFI) and the role that financial inclusion plays in achieving inclusive growth. According to the paper that was published in the international journal of business management and research volume 3, (1), the title of the article was "Financial inclusive growth of India: A study of Indian states." In China, 64 percent of the population has an account at a formal institution, whereas in Germany, the percentage is 98 percent, but in India, the percentage is just 35 percent. Additionally, the extent of financial inclusion on a state-by-state basis has been described using the financial inclusion index. This index takes into consideration three parameters: banking penetration (BP), availability of banking services (BS), and usage of the banking system (BU). The results of this analysis have shown that the percentage of people who are included in the financial system varies from state to state.

Within the scope of their research article titled "Trigger and Barriers for Exclusion to Inclusion in the Financial Sector," Sood and Mukherjee (2016) have made certain observations. Using an effective multi-dimensional financial index that is based on two-stage principal component analysis and takes into consideration both the demand side and supply side of financial inclusion, a country-by-country study was conducted to determine the influence that financial inclusion has on economic growth and

development. The sample size for the demand side data collection was collected from two years, 2011 and 2014, using the survey technique. The sample size was obtained from 59 nations throughout the globe. At the same time, the supply side data consisted of 47 key indicators for 152 countries over the period of 2004 to 2015. Based on the results of the two-stage PCA, it can be seen that nations with high incomes and developed economies have achieved the highest rank in terms of financial inclusion, and vice versa.

Findings - Way Forward For Financial Inclusion:

Monetary incorporation is basic to accomplish inclisive development which itself is a sine quo non for supportable financial development and improvement (Siddiqui, 2018). Having a perspective on reinforcing monetary incorporation, RBI"s vision for 2020 is to open almost 600 million new customer"s accounts (Shah and Dubhashi, 2015). Chakrabarty (2011) has expressed in his discourse on monetary consideration and Banks: Issues and Viewpoints, noticed the significant test under monetary consideration in the last mile network issue. For estimating this issue and accomplishing the objectives set, banks need to consummate their conveyance and plan of action, sufficient foundation, for example, advanced and actual network, continuous power supply and so on are accessible. All partners should cooperate through sound and deliberate coordinated efforts to guarantee fitting environment improvement, incorporate states, controllers, monetary establishments, Industry affiliations, innovation players, corporate, NGOs, SHGs, Common society and so on. As per the neighborhood, and state well preparation and customized item ought to be planned and afterward with monetary proficiency the objective of monetary consideration can be accomplished in its actual sense (Chavan and Meshram, 2016) has expressed in their article named - An old Business Driver with changed administrations: A way towards supportability and Financial Turn of events, Cronicle of the Newille Wadia Organization of The board Studies and Exploration. Revathy and Maheswari (2015) dissected in the paper named - estimation of monetary consideration, distributed worldwide diary of Cutting edge Exploration in administration and sociology vol. 4 (4) banks, mail centers, SHG"s can possibly support the comprehensive development through monetary incorporation. It gives them an immense business opportunity that work with big business and improvement.

Conclusion:

From the above conversation it is inferred that monetary incorporation is a legitimate instrument which channelize every one of the assets start to finish, for improvement of the country. It is a key strategy concern. To pursue the vision 2024 objectives guidelines and overseer need to put sharp undertakings to advance

monetary literact and schooling and work with to admittance to monetary administrations for every single. Albeit these are taken part in this training however it is a cooperative and participative issue, with requires dynamic and critical endeavors of all. As it is a mutually beneficial open door. It is a mutually beneficial chance for poor people, for the banks and for the country. Notwithstanding, on the off chance that all partners acknowledge comprehensive banking is a decent business, money related power, administrative and strategy structures that advance openness, accessibility and dependable banking can prompt the ideal out comes further.

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