INTERNATIONAL JOURNAL OF RESEARCH CULTURE SOCIETY ISSN: 2456-6683
Monthly Peer-Reviewed, Refereed, Indexed Journal [Impact Factor: 5.743]
Volume - 06, Issue - 08, August - 2022 Publication Date: 31/08/2022

DOIs:10.2017/IJRCS/202208006 --:-- Research Article

FINANCIAL INCLUSION AND ITS IMPACT ON FINANCIAL EFFICIENCY AND SUSTAINABILITY EMPIRICAL EVIDENCE FROM INDIA

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Abstract: *This study examines the trend of financial inclusion in India and its impact on financial efficiency and financial sustainability. India has recently taken a number of efforts toward financial inclusion in order to achieve more inclusive growth. Financial inclusion plays an important role in the process of economic progress by developing a culture of savings among a large segment of the population and broadening the resource base of financial system. The goal of this study is to look at how far Indian states have progressed in terms of financial inclusion. The study employs a sample of 28 states during the period spanning from 2017 to 2021. This study computed a comprehensive measure of financial inclusion for each state using the Rotated Principal Component Analysis methodology. Ten variables of financial inclusion were investigated for this study. The Reserve Bank of India (RBI) and the Government of India both published statistics that were utilized in this study. The rankings of the states based on the Composite score demonstrate that, while Goa is the top, most of the states in the southern area have done better in terms of financial inclusion. The levels of financial inclusion of women, on the other hand, are significantly lower. This research paper study on 5years data collections, responses, results from financial inclusion on different government schemes to provide financial facilities, and its impact The objective of research study is to set up adequate collective financial institutions to serve the poor's needs.*

Key Words: *Demonstrate, Segment, Spanning, Comprehensive.*

1. INTRODUCTION:

Financial inclusion is an important priority of the Government. The objective of financial inclusion is to extend financial service to the large hitherto un-reserved population of the country to unlock its growth potential. The Government initiated the National Mission for Financial Inclusion (NMFI), namely, Pradhan MantrijandhanYojana (PMJDY) in August, 2014 to provide universal banking services for every unbanked household, based on the guiding principles of banking the unbanked, securing the unsecured, funding the unfunded and serving in-reserved areas. With a view to further deepening the financial inclusion an intervention in the country, PMJDY has been extended beyond 14.08.2018 with the focus on opening of accounts shifting from "every household" to every unbanked adult". The moto of financial inclusion is form jandhan to jansuraksha. Financial Inclusion is defined as the process of providing banking and financial solutions and services to all members of society without regard for their socioeconomic status. Its primary goal is to integrate everyone in society by providing basic financial services to them without regard for their income or savings. Financial inclusion primarily focuses on offering dependable financial solutions to economically disadvantaged members of society without discrimination. Its goal is to offer financial solutions that are free of inequity. It is also devoted to being open and upfront while providing financial aid with no hidden fees or charges.

2. 1.1 LITERATURE REVIEW:

Many studies on financial inclusion have lately been published, with the writers emphasizing the relevance of the topic. However, the standard assessment of the worldwide index by scholars and practitioners to determine current financial inclusion rate for any community or country is a critical missing piece. Numerous methods are adopted to calculate the overall index, but professionals in this subject must come to an agreement on one. This research paper examines how our country has implemented policies aimed at reducing poverty and raising individuals' living standards. Different academics have measured financial inclusion in various ways. Branch penetration, deposit penetration, and credit penetration have all been used to assess financial inclusion.

Definitions:

- Financial inclusion may be defined as the process of ensuring access to financial services and timely an adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost (The Committee on Financial inclusion chairmen: Dr. C Rangarajan.)
- Financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products (The Committee on Financial Sector Reforms, Chairman: Dr.Raghuram G. Rajan).
- According to Chakra borty (2011), financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of society including vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players. This issue started gaining importance recently in the news media. However, as is the case with several issues in India, financial inclusion has remained a pipe dream with a majority of Indians continuing to lack access to banking services.

NAME OF THE FACTOR:

1	Gender issues
2	Age factor
3	Legal identity
4	Limited literacy
5	Place of living
6	Psychological and Cultural barriers
7	Social security payments
8	Bank charges
9	Terms and Conditions
10	Level of income
11	Type of occupation
12	Attractiveness of the product

3. RESEARCH METHODOLOGY :

This research aims to create a composite Financial Inclusion Index for India, taking into account several factors recommended by the literature. Then, using principal component analysis (PCA), it's determined which of the selected variables has the highest individual effects on the Index for India as a whole and for each of the research states. The Global Financial Development Database of the World Bank is where we get our data. Our country sample comprises of 28 states from various income categories. List of countries in the study sample (28 States).

High-income states (10)	Upper-middle income states (7)	Low and lower-middle income states (11)
Goa, Sikkim, Delhi Chandigarh, Haryana Tamilnadu, Telangana, Karnataka, Kerala, Gujarat	Maharashtra, Uttarakhand Mizoram Himachal Pradesh Andhra Pradesh Arunachal Pradesh Punjab	West Bengal, Tripura, Rajasthan, Chhattisgarh, Odisha, Madhya Pradesh, Meghalaya, Manipur, Jharkhand, Uttar Pradesh, Bihar

3.1. Dimensions of Financial Inclusion

The level of financial inclusion in India can be measured based on three tangible and critical dimensions. These dimensions can be broadly discussed under the following heads:

Branch Penetration: Penetration of a bank branch is measured as number of bank branches per one lakh population. This refers to the penetration of commercial bank branches and ATM s for the provision of maximum formal financial services to the rural population.

Credit Penetration: Credit Penetration takes the average of the three measures: number of loan accounts per one lakh population, number of small borrower loan accounts per one lakh population and number of agriculture advances per one lakh population.

Deposit Penetration: Deposit penetration can be measured as the number of saving deposit accounts per one lakh population. With the help of this measure, the extent of the usage of formal credit system can be analyzed.

4. Financial inclusion view from Banking:

The ability to acquire formal financial products and services is referred to as financial inclusion. Experts argue that households and individuals who possess such products and use such services are better able to engage in the larger economy and make decisions that increase their well-being in a variety of circumstances. However, the data supporting this association is at best flimsy and equivocal. In particular, the paths from inclusion to welfare are mainly unknown.The Reserve Bank of India (RBI), India's monetary authority, and the Government of India (GoI) are in charge of the Reserve Bank of India's (RBI) and Government of India's (GoI) financial inclusion policies, respectively. The RBI promotes bank account ownership by using inflation-targeting procedures and enacting measures to increase the density of banking and financial services across the country.

5. Impact and Evidence in Financial Inclusion:

Despite decades of evidence-gathering, the question of whether and how financial services improve the lives of low-income individuals is still hotly debated. So far, the evidence is contradictory and mixed. As a result, various sections within the global development community debate vehemently for or against prioritizing the extension of financial services for the poor. Existing evidence is cited by all of them. In this blog series, we'll look at recent efforts to synthesis evidence on the impact of financial inclusion, share our thoughts on starting to emerge narratives like financial health, investigate how measuring access and use has been necessary but not sufficient for the impact storey, debate whether we're using the right definition and metrics to capture well-being, and discuss CGAP's current efforts to update the definition and metrics.

5.1. Financial Inclusion Schemes in India:

For the objective of financial inclusion, the Indian government has introduced a number of unique initiatives. These programmers are designed to give social security to those who are less fortunate in society. The government created programmers with financial inclusion in mind after a lot of planning and research by numerous financial professionals and policymakers. These programmers have been in place for a number of years. Consider the following list of financial inclusion programmers in the country:

- Pradhan Mantri Jan Dhan Yojana (PMJDY)
- Atal Pension Yojana (APY)
- Pradhan Mantri Vaya Vandana Yojana (PMVVY)
- Stand Up India Scheme
- Pradhan Mantri Mudra Yojana (PMMY)
- Pradhan Mantri Suraksha BimaYojana (PMSBY)
- Sukanya SamriddhiYojana
- Jeevan Suraksha Bandhan Yojana
- Credit Enhancement Guarantee Scheme (CEGS) for Scheduled Castes (SCs)
- Venture Capital Fund for Scheduled Castes under the Social Sector Initiatives
- Varishtha Pension BimaYojana (VPBY)

5.2 Pradhan Mantri Jan Dhan Yojana (PMJDY):

Hon'ble Prime Minister announced Pradhan Mantri Jan Dhan Yojana as the National Mission on Financial Inclusion in his Independence Day address on 15th August 2014, to ensure comprehensive financial inclusion of all the households in the country by providing universal access to banking facilities. Under this, a person not having a savings account can open an account without the requirement of any minimum balance and, in case they self-certify that they do not have any of the officially valid documents required for opening a savings account, they may open a small account.

5.3 From Jan Dhan to Jan Suraksha:

For creating a universal social security system for all Indians, especially the poor and the under-privileged the Hon'ble Prime Minister launched three Social Security Schemes in the Insurance and Pension sectors on 9th of May, 2015.

5.4 Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY):

People between the ages of 18 and 50 who have a bank account and agree to join / allow auto-debit are eligible for the PMJJBY. The basic KYC for a bank account is Aadhar. The Rs. 2 lakh life insurance policy is renewable and covers a one-year term from June 1 to May 31. This policy provides risk coverage of Rs. 2 lakh in the event of the insured's death for any reason. The annual premium is Rs. 330, which is auto-debited in one instalment from the subscriber's bank account on or before the 31st May of each annual coverage term under the scheme, as per his option. The programme is available.

5.5 Pradhan Mantri Suraksha BimaYojana (PMSBY):

The Scheme is open to persons between the ages of 18 and 70 who have a bank account and sign up for or allow auto-debit on or before May 31st for the coverage period of 1 June to 31 May on an annual renewal basis. The primary KYC for the bank account would be Aadhar. The policy provides Rs. 2 lakh in risk coverage for accidental death and total disability, and Rs. 1 lakh in risk coverage for partial impairment. Theannual premium of Rs.12 will be deducted in one instalment from the account holder's bank account using the 'auto-debit' function. The programme is available from public sector general insurance companies as well as any other general insurance company willing to sell the product on a voluntary basis.

5.6 Atal Pension Yojana (APY):

The Prime Minister announced the APY on May 9, 2015. APY is available to all saving bank/post office account holders between the ages of 18 and 40, with contributions varying according on the amount of pension chosen. At the age of 60, subscribers would get a guaranteed minimum monthly pension of Rs. 1,000, Rs. 2,000, Rs. 3,000, Rs. 4,000, or Rs. 5,000. Under APY, the subscriber's monthly pension would be available to him, then to his spouse, and after their deaths, the subscriber's pension corpus, as accrued at age 60, would be returned to the subscriber's nominee. The government would guarantee the minimal pension, i.e., if the accumulated corpus was sufficient.

5.7. Pradhan Mantri Mudra Yojana:

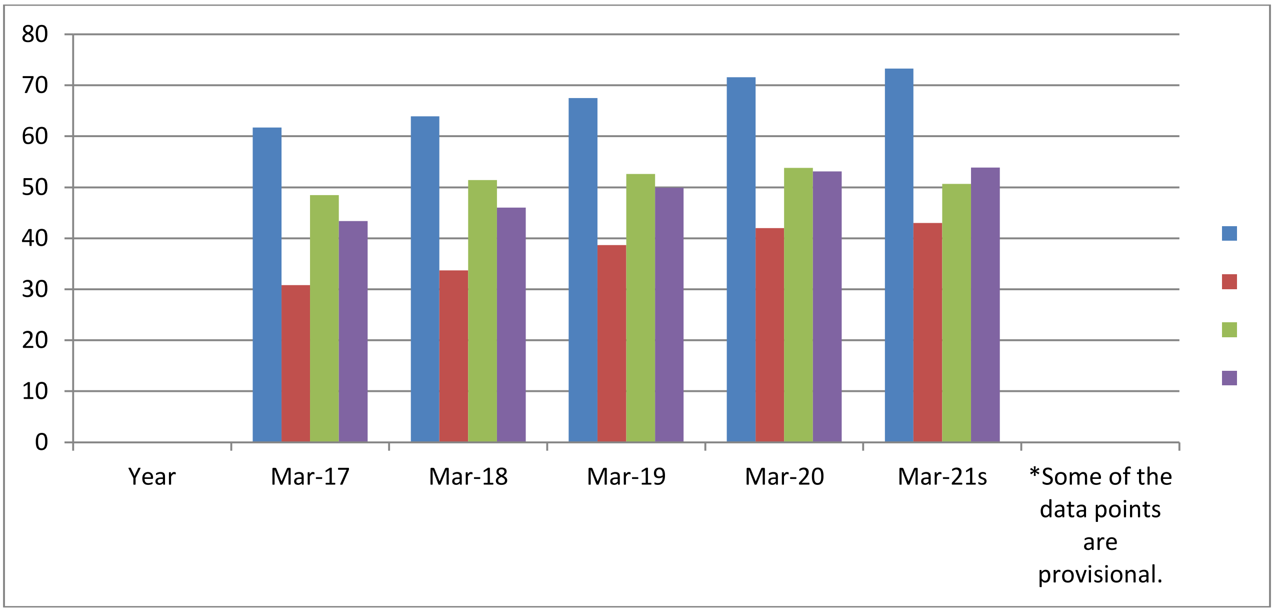
On April 8, 2015, the programme was officially started. Sub-scheme 'Shishu' provides loans up to Rs. 50,000; sub-scheme 'Kishore' provides loans between Rs. 50,000 and 5.0 lakhs; and sub-scheme 'Tarun' provides loans between 5.0 lakhs and 10.0 lakhs. Collateral is not required for loans. These measures aim to boost the confidence of young, educated, or skilled individuals who can now aspire to be first-generation entrepreneurs; existing small firms will also be allowed to extend their operations. Rs. 16,22,203 crores sanctioned in 30.7 crores accounts as of 20.08.2021.

6. **Sub-index on access:**

A large number of initiatives have been implemented to improve financial inclusion from the 1950s and more recently, as detailed above. As a result, 16 of the 26 indicators in the 'Access' sub-index had index values greater than the total index score of 53.9, resulting in a Connect sub-index value of 73.3, which is excellent progress for a country the size and variety of India. The number of financial institution sources crewed by own staff, FBCs, overall number of deposit accounts, post offices, number of subscribers in Mutual Funds (MFs), JAM ecosystem, number of offices for insurance, Prepaid Payment Instrument

(PPI) issuers, and Point of Sale (PoS) terminals, among other factors, have all increased in recent years.

Year	**Access**	**Usage**	**Quality**	**FI-Index**
Mar-17	61.7	30.8	48.5	43.4
Mar-18	63.9	33.7	51.4	46
Mar-19	67.5	38.7	52.6	49.9
Mar-20	71.6	42	53.8	53.1
Mar-21s	73.3	43	50.7	53.9
***Some of the data points are provisional.**				



7. FINDINGS:

All required data for all indicators has been obtained from the various sectoral regulators at an annual frequency for the period 2017-2021. The yearly FI-Index calculated for 2021 was 53.9, up from 43.4 in 2017, indicating a 5.5 percent compound annual growth rate (CAGR). Expectedly, FI-Access, with an index value of 73.3, is higher than both FI-Usage (43.0) and FI-Quality (50.7), indicating that the foundations for greater financial inclusion in the form of financial infrastructure put in place over time need to be strengthened by deepening the FI by focusing on promoting 'Usage' and improving 'Quality.'

8.CONCLUSION:

Given the growing gains made in India, financial remains a major concern. A billion adults lack a formal major bank or mobile money provider account. The majority of people who are financially disadvantaged live in developing countries. Finally, these data highlight the fact underlying financial inclusion is a reflection of the experience interacting of all different demographic groups, the equitable distribution of income, and the rising level of literacy among all different sections of society.

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