

ROLE OF FINTECH IN FINANCIAL INCLUSION IN INDIA

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ABSTRACT

The market's globalization and the monetary business' development are making a rising number of individuals change from money to credit only exchanges, which is the reason the framework is developing day to day. In this day and age, the credit only framework isn't just fundamental, yet additionally vital. The most recent couple of years have seen a mishmash of results from India's endeavors to advance monetary consideration. A huge administrative and strategy push has brought about a significant extension in the accessibility of ledgers. Throughout the course of recent years, India's advanced economy has encountered a mind blowing improvement direction that has changed the conventional monetary climate and the manner in which organizations capability. A large number of Indians are profiting from the new arrangements being created by fintech, or monetary innovation, which is making monetary administrations more helpful, reasonable, and open. Shared loaning stages and portable installments are only two instances of how fintech is changing conventional financial practices. 10 years prior, these practices were incomprehensible. In this blog article, we look at a portion of the significant topics impacting the fate of the Indian computerized economy and go further into the job of fintech in it.

KEYWORD: Globalization, Financial, Technology, Fintech, Inclusion

1. INTRODUCTION

India's economy, estimated by Gross domestic product and per capita pay, is viewed as one of the world's quickest developing, positioning 6th among the significant economies. Nonetheless, the development of any economy relies upon areas of strength for a framework and a select gathering of nations that are firmly connected to the course of improvement, including America, Sweden, Norway, Australia, Germany, the Unified Realm, and Switcher Land. Then again, albeit the Indian financial framework has areas of strength for been, 20% of the populace remains unbanked in spite of the nation serving more than a billion group. Universally, there are still over 1.7 billion individuals who need admittance to banking administrations. Following the worldwide monetary emergency of 2008, the development of Fintech has been fundamental in advancing monetary consideration endeavors and filling in as a conventional money space in bringing the unbanked public into relying upon a wide scale. Moreover, the fintech area is supposed to be esteemed somewhere in the range of \$150 and 160 billion by 2025. They have made it feasible for customary banking to speed up monetary consideration by showing critical headways in all areas connected with some administration drives, for example, Computerized India, which has gotten specialized help from fintech organizations that advance monetary consideration by generally overcoming any barrier between the rich and poor people, as well as the underserved and unbanked.

1.1 Financial Inclusion

The major thought of financial improvement is monetary consideration, which tries to give every single cultural gathering — especially the oppressed, unbanked, and minimized — equivalent admittance to formal monetary administrations. Monetary incorporation drives have generally experienced numerous obstructions, including actual foundation inadequacies, local constraints, and cumbersome documentation prerequisites. By utilizing innovation to bring banking and monetary administrations right to the doorstep of the unbanked, fintech organizations have overturned this account. Fintechs have defeated these deterrents by using computerized stages, empowering individuals living in rustic regions and having a place with monetarily hindered gatherings to draw in with true monetary channels.

1.2 FINTECH

Fintech, an abbreviation for monetary innovation, is a quickly extending area that means the use of innovation in offering monetary types of assistance. Fintech has been at the cutting edge of a few monetary forward leaps over the most recent quite a while, including distributed loaning, robo-guides, blockchain, and versatile installments.

Albeit the fintech area is still in its outset, it has proactively impacted how we bank, contribute, and send cash. Besides, fintech is supposed to assume a considerably bigger part in India's computerized economy given the development of portable trade and advanced financial there.

Fintech assumes a vital part in India's computerized economy for different reasons. Fintech, in addition to other things, gives Indians admittance to monetary administrations that they probably won't have in any case. This is especially valid for underbanked and provincial individuals, who much of the time need admittance to regular financial administrations and items.

Fintech adds to bring down monetary administrations costs also. Fintech organizations are working with more noteworthy openness to monetary administrations for all individuals by bringing down the expense and improving on the most common way of sending cash, making installments, or applying for a credit. Finally, India's wonderful ascent to conspicuousness on the planet economy is generally due to fintech. India is a market that numerous unfamiliar firms find engaging because of its huge populace and creating economy.

1.3 The role of fintech in India's Digital Economy

India isn't an exemption with regards to the new trademark for financial development and improvement: the computerized economy. The country is putting forth a huge attempt to go computerized, and fintech is vital for this work. Monetary innovation, or fintech for short, is the utilization of innovation to convey monetary administrations. Fintech organizations in India are offering effective fixes that are aiding the improvement of the country's computerized economy.

One region where fintech is having a critical effect is installments. In India, cash stays the essential type of installment for a sizable piece of the unbanked populace. With the development of fintech organizations offering advanced installment choices, this is starting to change. These arrangements support monetary consideration and are protected as well as being advantageous.

Fintech is likewise having a critical effect in loaning. It's trying for a great deal of little firms in India to get traditional bank funding. Fintech firms are creating novel advance arrangements custom fitted to

these endeavors' specific necessities. These products support organization extension as well as create work.

Fintech is likewise turning out to be more perceptible in the field of venture the executives. Most of Indian financial backers actually place their cash in unmistakable resources like gold and land. Be that as it may, people can now put resources into monetary resources like stocks, shared assets, and ETFs (trade exchanged reserves) on account of fintech.

2. NEED FOR THE STUDY

In India, fintech is viewed as one of the blossoming and rapidly extending areas. By spanning the split among country and metropolitan regions, the fintech business plays had a huge impact in expanding monetary consideration in the mechanical time. The ongoing review reveals insight into the capability of fintech in advancing monetary consideration inside the Indian setting.

3. REVIEW OF LITERATURE

Badar Alam Iqbal & Shaista Sami (2017): assessed the impact of monetary consideration on India's financial development north of a seven-year time span. The consequences of the review exhibited that the bank office and credit store proportion noteworthy affected the country's Gross domestic product when optional information was broke down utilizing a different relapse model.

Dr. Reena Agrawal (2022): inspected the basic job that fintech played in advancing monetary consideration, and the outcomes showed that fintech firms utilized a lot of imagination and innovation to work on monetary incorporation.

Md. Qamruzzaman (2023): analyzed the connection between monetary advancement and monetary consideration in up to 22 Bedouin countries somewhere in the range of 2004 and 2020, utilizing ATMs and the quantity of contributors at business banks as free intermediary factors and monetary incorporation as the reliant variable. The review's determinations showed areas of strength for a between the factors and results in regards to the reception and spread of monetary development, which was believed to be a main thrust behind monetary consideration.

Ms. Divyani Datta (2023): intended to give a reasonable comprehension of how fintech helped India's monetary incorporation after the scourge. Fintech would be valuable in acquiring the economy in the groove again connection to add up to impact on individuals utilizes it, as per the graphic review that gave a creative viewpoint.

4. OBJECTIVES OF THE STUDY

1. Examine India's financial inclusion situation in comparison to other developing nations.
2. To investigate, from the standpoint of FI, the kinds of financial services provided by FinTech companies operating in India.

5. RESEARCH METHODOLOGY

The specific goal of this study is to investigate how FinTech is affecting FI in India. In order to assess the hypotheses and achieve the research objectives, this study used a descriptive design. In order to

achieve the objectives and features of the study, a combination of quantitative and qualitative methodologies is used in research. We collected secondary data from sources such World Bank publications, fintech business reports, annual reports, RBI websites, and the companies' regulatory frameworks. The collected main data is examined using the multiple regression method. This is the best method for evaluating the impact and connection between the study's variables. Furthermore, the degree to which variables have been employed to improve FI is ascertained using the descriptive statistical approach. To evaluate the impact of FinTech, many indicators of FI, including access, usage, and awareness, have been employed as independent variables, with FI serving as the dependent variable.

6. RESULTS AND DATA INTERPRETATION

India, the world's seventh-greatest nation and the second-greatest in Asia, is home to more than 1.3 billion individuals spread all through 28 states, 8 association domains, 6,60,000 towns, and 782 locale. The Pradhan Mantri Jan-Dhan Yojana (PMJDY), Pradhan Mantri Surakhya Bima Yojana (PMSBY), Atal Benefits Yojana (APY), Mudra Plan, and bracing computerized installment framework at the grassroots level under the Installments Foundation Improvement Asset (PIDF) Plan are only a couple of the procedures the Indian government is executing to advance monetary incorporation. In spite of these endeavors, a critical part of the populace is still unbanked or unserved.

TABLE NO: 6.1
ACCESS AND USE OF FINANCIAL SERVICES

Indicator	2016	2017	2018	2019	2020	2021	2022
Per 100,000 adults, there are automated teller machines (ATMs).	21.24	22	21.65	20.95	21.5	21.21	24.64
Commercial bank branches for every 100,000 adults	14.06	14.51	14.5	14.58	14.74	14.42	14.31
Commercial bank loan accounts for every 1,000 adults	168.75	175.81	197.34	228.8	264.13	285.22	303.1
Transactions using mobile money: number per 1,000 adults	627.69	1662.4	3031.52	4078.93	4111.97	3822.87	5008.21

Source: IMF 'Financial Access Survey' 2023 - India statistics

6.1 Assessing the current state of financial inclusion in India

Lessening neediness and advancing monetary advancement both rely vigorously upon monetary incorporation. To support monetary consideration in India, the Save Bank of India and the Indian government have sent off different projects. As of now, only 52.8% of individuals in India (rather than

the worldwide normal of 60.7%) own a ledger, and just 22.1% have utilized a credit or charge card. Then again, we would have about 500 million Web clients and more than 1 billion versatile clients. It is critical to make an environment that upholds the development of versatile banking and Fintech arrangements, which improve to incorporate the unbanked populaces principally, given the broad organization of cell phones and the restricted business practicality of branch banking model all through many areas of the country. Because of gains in the Use and Quality aspects, the Save Bank of India's (RBI) Monetary Consideration (FI) Record was 60.1% for the financial year that finished in Walk 2023 rather than 56.4% in Walk 2022. In Walk 2021, the rate was 53.9%.In request to evaluate the degree of monetary consideration across three fundamental aspects in the country — access (35%), use (45%) and quality (20%) — the FI List was made in 2021. Every one of them is comprised of various aspects that are determined utilizing different measurements.

TABLE NO: 6.2
CURRENT STATE OF FINANCIAL INCLUSION IN INDIA

Year	Financial Inclusion (FI) Index Value (%)
2020-21	53.9
2021-22	56.4
2022-23	60.1

Source: RBI, 2023

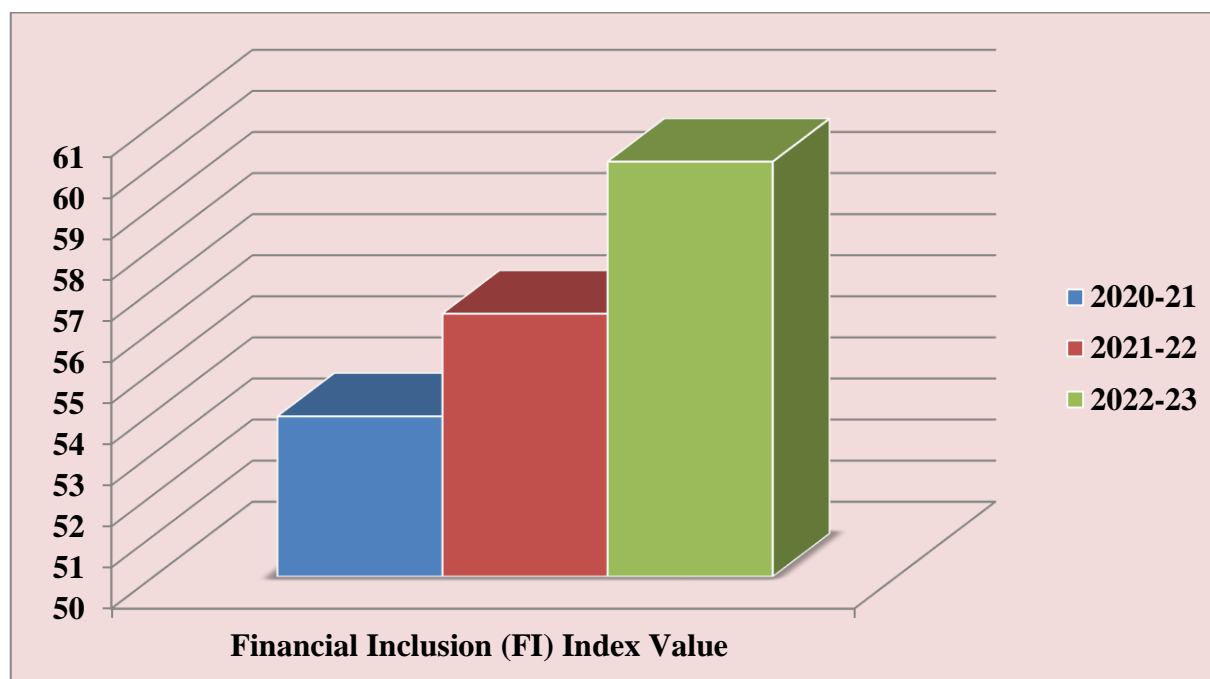


FIGURE-6.1: CURRENT STATE OF FINANCIAL INCLUSION IN INDIA

6.2 Identify fintech in enhancing financial inclusion

Through lower costs and more straightforward admittance to monetary administrations for individuals in low-pay socioeconomics, provincial regions, and other ignored areas of the Indian economy, fintech organizations support monetary consideration in India. Fintech arrangements work on monetary incorporation by offering fast and available monetary administrations to individuals who probably won't

have simple admittance to customary financial foundation. Instances of these arrangements incorporate portable banking applications, computerized arrangements, card-based installment frameworks, and the ascent in UPI exchanges. With 9500 fintech organizations (IIFL Fintech report, 2022) that have been working and offering many items and administrations, including installment, credit, speculation, exchanging, abundance the board, individual budget, protection, and FICO scores, among others, India's fintech industry has developed to turn into a worldwide superpower. Following the fourth modern insurgency, there are supposedly more open doors, dangers, and vulnerabilities. Subsequently, the fintech area should assume a basic part in advancing monetary education and growing monetary consideration in the country. Meanwhile, the Coronavirus pandemic essentially expanded the utilization of computerized gadgets, which sped up the course of monetary consideration and permitted the unbanked to get to banking administrations. Besides, it's guessed that the Indian computerized market will extend at a 22 percent build yearly development rate (CAGR) from \$ 270 billion of every 2022 to \$ 1.3 trillion by 2030. Fintech and advanced players are presently a fundamental part of the Indian monetary framework and the NPCI, giving state of the art innovations like UPI, Aadhaar-based installment strategies, APIs, and so on. Fintech associations have utilized the web to help their different advanced administrations, teaming up with neighborhood accomplices to arrive at arrangements representing things to come age. As recently demonstrated, UPI is viewed as one of the most well known installment techniques among all of the different retail installment frameworks. As per the Pattern Report on Monetary Consideration in India-2022, there have been essentially as numerous as 486878.15 lakh computerized installment exchanges adding up to Rs. 8.92 lakh crore.

TABLE: 6.3
DIGITAL PAYMENT TRANSACTIONS (VOLUME WISE)

Financial Year (FY)	Total number of digital transactions (in crore)
2017-18	2,071
2018-19	3,134
2019-20	4,572
2020-21	5,554
2021-22	8,840
2022-23	9,192

Source: RBI, NPCI data (2023)

RuPay-a native card based installment arrangement: Throughout the span of the most recent eight years, RuPay has impacted the country's retail installment frameworks. As a standard contribution, in excess of 1,240 banks — including helpful banks, local provincial banks, little money banks, public area banks, and confidential area banks — can now give RuPay Cards to their clients.

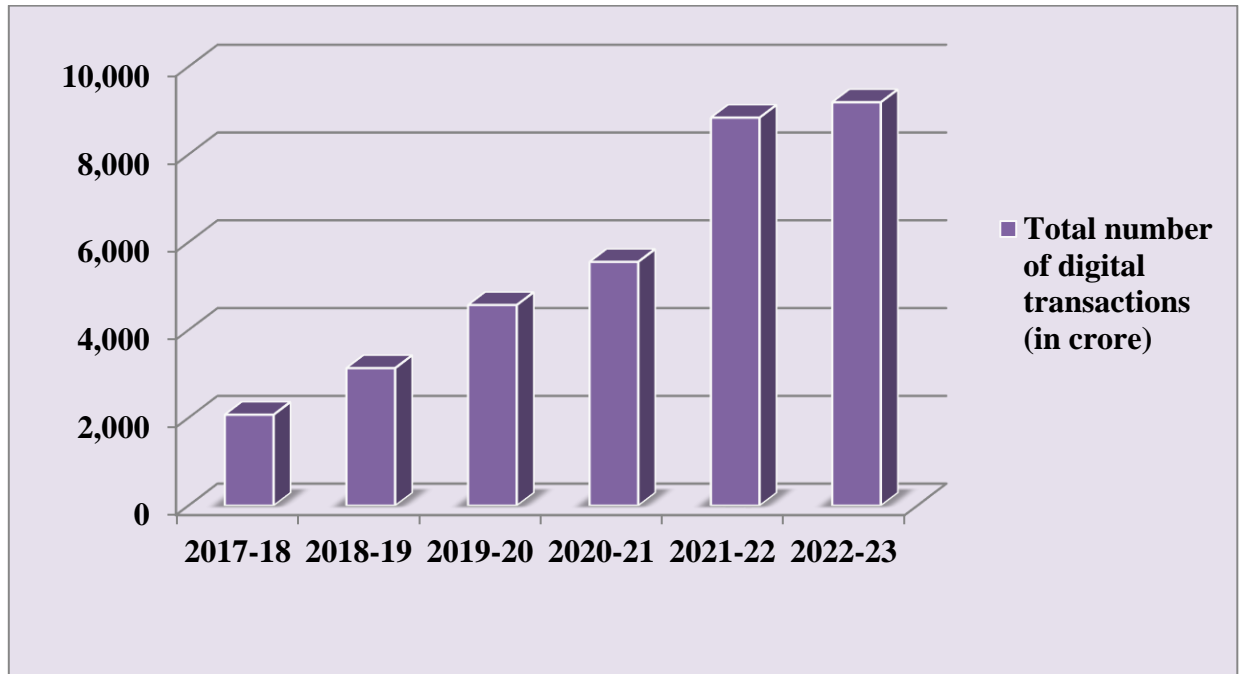


FIGURE: 6.2 DIGITAL PAYMENT TRANSACTIONS (VOLUME WISE)

**TABLE NO: 6.4
RU-PAY CARD TRANSACTIONS (VOLUME WISE)**

Financial Year	Ru-Pay Transactions Volume (in Mn)
2014-15	6
2015-16	36
2016-17	283
2017-18	668
2018-19	1127
2019-20	1481
2020-21	1382
2021-22	1516
2022-23(Till Oct'22)	791

Source: NPCI, 2023

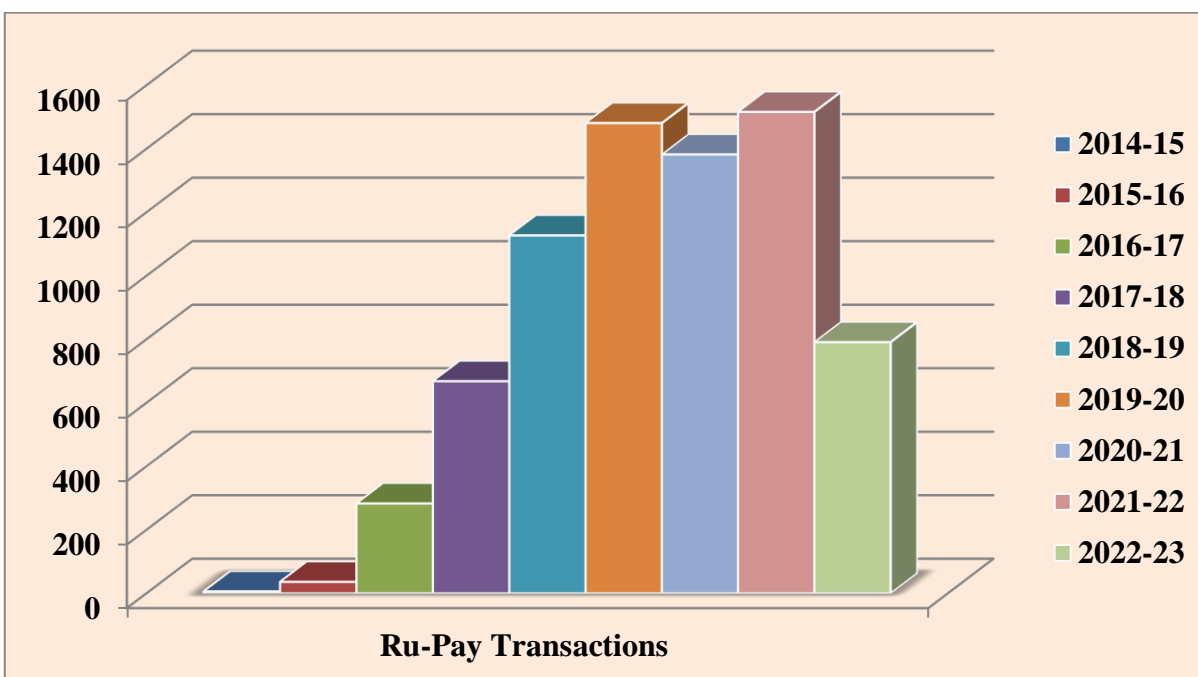


FIGURE-6.3: RU-PAY CARD TRANSACTIONS (VOLUME WISE)

Development in UPI exchanges: UPI has worked with the buying and selling of fintech application answers for web based business organizations and clients the same. The FinTech area is considering outrageous interest to be an outcome. The Coronavirus pandemic gave a significant life saver to little and miniature vendors specifically, exhibiting the full advantages of UPI. Likewise, UPI executed 21 billion exchanges from contactless traders in FY 2022-2023 (until October 22) with a complete worth of around ₹ 16.1 lakh crores.

**TABLE – 6.5
PROGRESS OF FINANCIAL INCLUSION IN INDIA**

	Mar-2010	Mar-2013	Mar-2014	Mar-2018	Mar-2019	Mar-2020	Mar-2021	Dec-2021
Village Banking Establishments (Total)	676940	2684540	383804	569547	597155	599217	1248079	1900523
Village banking locations via BCs	341740	2213410	337678	518742	541129	541175	1190425	1844732
Urban Banking Outlets via BCs	447.0	271430	60730	142959	447170	635046	426745	1412529

Opened BSBD Accounts (No. in Million)	73.45	182.06	243	536	574	600	646	663
Total KCCs (number in millions)	24.3	34.0	40.0	46.0	49.0	48.0	47.0	47.0
Growth Number of ATMs	NA	NA	NA	222247	221703	234357	238588	248307
Credit-Deposit ratio (Per cent)	75.520	77.090	76.810	75.390	77.70	76.440	72.40	71.30
The quantity of newly opened bank branches	89167.0	111649.0	123287.0	148869	152403	156522	158334	157933

Source: Data compiled from the different sources

6.3 Growth and impact of fintech on banks and financial sector

Fintech unbelievably affects the Indian monetary area, changing the scene in various ways as it has developed. In this segment, we intently analyze what expanding monetary consideration is meant for by further developed admittance to fintech and advanced stages. We inspected different points, including the development of the economy, PMJDY accounts, advanced installments, and the quantity of Fintech specialist organizations. This is a breakdown of this development:

Quick Growth in Fintech Startups: Throughout the course of recent years, India has encountered a sharp expansion in the quantity of fintech new companies offering a wide scope of monetary administrations, like installments, loaning, protection, abundance the executives, and that's just the beginning.

Digital Payment Revolution: The computerized installment upset has been perhaps of fintech's most striking impact in India. Versatile wallets and the Bound together Installments Point of interaction (UPI) are two installment strategies that are turning out to be progressively famous. With the assistance of these innovations, individuals and associations can now make installments all the more advantageously and safely while depending less on cash.

Government Initiatives and Regulatory Support: The Indian government has done whatever it takes to empower the utilization of fintech, including the monetary consideration program Pradhan Mantri Jan Dhan Yojana and the biometric personality framework Aadhaar. Administrative sandboxes are among the apparatuses that administrative associations like the Reserve Bank of India (RBI) have carried out to control and energize fintech improvement.

Financial Literacy and Inclusion: By giving educational apparatuses and content, fintech organizations much of the time support drives towards monetary proficiency. This works with more noteworthy utilization of fintech administrations and assists individuals with pursuing taught monetary choices.

7. CONCLUSION

Fintech has been instrumental in advancing monetary consideration by giving the people who have been without admittance to banking for quite a while an opportunity to get it. Individuals, particularly those living in provincial regions, have benefited significantly from the capacity of a few fintech organizations to team up with conventional banks thanks to the Computerized India project, which has permitted them to utilize monetary administrations whenever the timing is ideal. Furthermore, UPI has turned into the most famous installment technique, making a level battleground for issue free, consistent monetary exchanges. Fintech organizations will, notwithstanding, have considerably more control over banking before long on account of the utilization of man-made reasoning, block chain innovations, and the fifth era web. These headways will without a doubt reshape the financial business by reinforcing its ongoing ability to give a large number of monetary administrations and furthermore assist it with accomplishing the objective of monetary consideration.

Throughout recent years, there has been a significant improvement in the Indian monetary administrations area. Fintech organizations are turning out to be increasingly more notable in an industry that has been controlled for a really long time by enormous banks and other critical players in monetary administrations. Notwithstanding the Fintech organizations driving development, countless banks and other monetary associations are effectively exploring new advances and making huge interests in computerized channels for the arrangement of administrations. The report has focused on how the fintech upset could help the underbanked populace in India get monetary administrations. Progresses in monetary innovation have exhibited their capacity to increment openness, lower costs, and enable minimized gatherings. Notwithstanding, challenges remain, including the requirement for progressing innovative adaption and testing administrative issues. To completely understand Fintech's commitment, legislatures, banks, and monetary innovation organizations should cooperate.

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