

A STUDY ON G20 Perspective Digital Financial Inclusion in the Indian Banking System

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ABSTRACT:-

The potential it has to empower people and promote economic progress has given the idea of digital financial inclusion a lot of traction around the globe. Digital financial inclusion has emerged as a key element of the G20's objective to promote equitable and sustainable development in the context of India, a nation with a sizable and diversified population. Through the G20's eyes, the Indian banking system's efforts to utilize digital technology and achieve financial inclusion. the key tenets of India's digital financial inclusion plan, which span a wide range of programmes including the Pradhan Mantri Jan Dhan Yojana (PMJDY), a major financial inclusion effort, and Aadhaar-enabled biometric authentication. Through these initiatives, banking services are now supplied in a whole new fashion, opening up financial goods to even the most isolated regions of the nation. The noteworthy progress India has achieved in incorporating digital financial inclusion into the world's financial system. It goes through how the G20 members have acknowledged and valued India's efforts to advance digital financial inclusion as a crucial step towards reaching the Sustainable Development Goals (SDGs) of the United Nations by 2030. India's innovative path to financial inclusion in the digital age and how it aligns with the G20's objective to encourage equitable growth. To guarantee that digital financial inclusion remains an effective tool in improving the lives of billions of people throughout the world, it reinforces the need for ongoing collaboration, innovation, and regulatory support.

Key Words :- Digital Financial Inclusion ,G20, Digital Banking Services, Sustainable Development Goals (SDGs)

1. INTRODUCTION

A substantial amount of attention has been paid to the problem of digital financial inclusion inside the Indian banking sector attention on the global stage, particularly from the G20, which represents some of the world's largest and most influential economies. In an era marked by rapid technological advancements and an increasing reliance on digital financial services, the G20 has recognized the critical importance of ensuring that financial inclusion is not left behind in this digital revolution.

India, with its vast population and growing digital infrastructure, presents a unique and pressing case study in this regard. This essay delves into the G20's perspective on digital financial inclusion within the Indian banking system, exploring the challenges, opportunities, and policy considerations that have emerged as nations strive to harness the benefits of technology while ensuring equitable access to financial services for all. India has actively engaged in the G20 GPFI and a number of its task forces and working groups. The nation makes contributions to the creation of global norms, best practices, and policy suggestions for financial inclusion. Pradhan Mantri Jan-Dhan Yojana (Prime Minister's People's Wealth Scheme, PMJDY), a flagship program that was introduced in 2014 and seeks to provide financial services to unbanked and underbanked people, is one of the main pillars of India's financial inclusion strategy. This program has been offering fundamental savings accounts, insurance, and pension services to millions of previously unbanked people. According to a World Bank report for the G20 Global Partnership for Financial Inclusion (GPFI), India's digital public infrastructure has had a significant impact on the nation that goes far beyond inclusive finance. The study, which was made public on Friday, emphasizes how the JAM (Jan Dhan, Aadhaar, and Mobile) trinity has helped to raise the rate of adult financial inclusion from 25% in 2008 to over 80% over the last six years. As part of GPFI's efforts, this report was created in cooperation with the finance ministry and the Reserve Bank of India (RBI). The Global Partnership for Financial Inclusion (GPFI) provides a venue for G20 governments, non-G20 nations, and pertinent stakeholders to advance efforts relating to financial inclusion, including the implementation of the Financial Inclusion Action Plan. The Global Findex Database, created by the World Bank, is a vital resource for understanding global financial inclusion trends. This comprehensive report provides valuable insights into the state of financial access and usage worldwide. It examines key indicators such as account ownership, mobile money adoption, and digital payments, shedding light on the progress made and the challenges that remain in bringing financial services to the unbanked and underbanked populations. Policymakers, financial institutions, and development organizations can leverage the data and analysis in this report to design more effective strategies for expanding financial inclusion, ultimately promoting economic development and reducing poverty on a global scale [1]. The G20 recognizes the transformative potential of digital financial services in expanding access to financial resources and promoting economic growth, particularly in low-income and underserved populations. By fostering financial literacy and leveraging digital technologies, member countries aim to empower individuals and small businesses to make informed financial decisions, access essential services, and participate more fully in the global economy. This collective effort underscores the G20's commitment to harnessing digital innovation for inclusive and sustainable economic development [2]. India has witnessed remarkable growth in digital banking, which has played a pivotal role in advancing financial inclusion across the country. With the widespread adoption of smartphones and the expansion of affordable internet access, millions of previously unbanked or underbanked individuals now have access to a range of financial services. Digital banking platforms have made it easier for people to open accounts, transfer money, access credit, and engage in cashless transactions. The Indian government's initiatives, such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), have further accelerated financial inclusion efforts by promoting the use of digital channels. This transformation is not only expanding economic opportunities for individuals but also driving India's journey toward becoming a digitally empowered nation[3]. The role of digital banking in India's financial inclusion has been the subject of empirical study, revealing its significant impact. Through convenient and accessible digital channels, this approach has enabled the inclusion of previously underserved populations into the formal financial system. Such studies have highlighted how digital banking has facilitated easier account opening, reduced transaction costs, and increased the availability of credit for low-income individuals and small businesses. This empirical

evidence underscores the pivotal role digital banking plays in advancing financial inclusion in India, ultimately contributing to economic empowerment and reducing disparities across the nation [4]. Digital banking units serve as a crucial gateway to achieving digital financial inclusion, particularly in today's increasingly digitalized world. These units leverage technology to provide accessible and convenient financial services to individuals who were previously underserved or excluded from the traditional banking system. Through mobile apps, online platforms, and innovative financial solutions, digital banking units empower people to manage their finances, make payments, save, and even access credit, all from the comfort of their smartphones. By breaking down geographical and financial barriers, these digital channels help bridge the gap between the unbanked and formal financial services, ultimately fostering greater economic participation and empowerment for previously marginalized populations[5]. "Digital Financial Inclusion for Sustainable Development" is a useful tool that emphasizes the crucial part that digital financial inclusion plays in attaining sustainable development objectives. The relevance of utilizing digital technology to expand financial services to disadvantaged groups is discussed in this executive summary. It highlights how the G20's goal of fair and sustainable development may be achieved by using digital financial inclusion to empower people and advance the economy. The publication highlights the necessity of continual cooperation, innovation, and regulatory support to ensure the sustained success of digital financial inclusion in improving the lives of billions throughout the world while also shedding light on the international acknowledgment of India's achievements in this area [6]. An innovative financial inclusion program called the "Pradhan Mantri Jan-Dhan Yojana," which was introduced by the Indian government in 2021, aims to make financial services available and cheap to all societal groups. Through its flagship initiative, the federal government has greatly increased access to banking services for the nation's underserved and unbanked communities. Millions of people now have access to fundamental financial services including savings accounts, debit cards, and insurance thanks to the PMJDY. In addition to facilitating financial empowerment, this effort has been crucial in advancing India's economy and minimizing economic inequalities [7]. Commercial agent banking services can be very beneficial for attempts to increase financial inclusion. These services entail using a network of agents to deliver banking and financial services on behalf of conventional financial institutions, frequently in distant or underserved locations. They are useful because they make formal financial services available to groups of people who would not have otherwise had access. Agent banking lowers entrance barriers for people who might not have the resources or supporting papers needed for typical bank accounts. Additionally, it makes it possible for people and small enterprises to easily and locally access financial goods like deposits, withdrawals, and even financing, which may be essential for enhancing their financial well-being. Consequently, the potential role that commercial agent banking services might play in ensuring that people and companies have access to a variety of financial services in their local areas, including banking, credit, and insurance. Inadequate financial inclusion results in underbanking, which can produce areas of economic disadvantage. For fair growth and to ensure that all members of society may participate in and gain from the formal financial system, it is crucial to address geographical inequities in financial access. We can promote economic development and lessen inequality by expanding banking services to disadvantaged regions and communities [9]. The article "Transaction

Costs and Financial Inclusion" demonstrates the substantial contribution that digital financial services have made to the cause of financial inclusion.. The authors place a strong emphasis on the role that lower transaction costs provided by digital platforms play in increasing marginalized groups' access to financial services. This study highlights how financial inclusion may be increased by utilizing technology, such as mobile banking and digital payment systems, by giving people options to save, invest, and obtain loans, eventually promoting economic growth and reducing poverty [10]. The revolutionary effects of fintech and digital financial services on financial inclusion in India are explored in depth by Kandpal and Mehrotra's article, "The Role of Fintech and Digital Financial Services in India". The cutting-edge methods and tactics used by fintech businesses to close the financial inclusion gap, thereby promoting economic development. The report emphasizes the relevance of this industry in India's continuing transition to a more egalitarian and digitally-driven financial ecosystem by underlining the critical role of fintech in increasing financial access [11]. Digital Financial Inclusion: A Payoff of Financial Technology and Digital Finance Uprising in India, The transformative impact of financial technology (FinTech) and the digital finance revolution in India. The possible advantages and difficulties brought on by these developments in the Indian setting. This study emphasizes the role of technology in fostering better financial access and economic empowerment for millions of people throughout India, offering insightful contributions to the continuous evolution of India's financial environment[12].

2. ADVANCEMENT OF FINANCIAL INCLUSION

The government-to-person (G2P) payment system has created one of the biggest digital infrastructures in the world by utilizing the public digital infrastructure. According to the document, this strategy has made it possible to send funds directly to recipients across 312 important programs and 53 central government departments, totaling over \$361 billion. Notably, there were around 9.41 billion transactions made in May 2023 alone, totaling almost Rs 14.89 trillion. According to the estimate, UPI transactions accounted for nearly half of India's nominal GDP during the fiscal year 2022–2023. The operationalization of the UPI-PayNow interlinking between Singapore and India in February is in line with the G20's aspirations for financial inclusion. It facilitates speedier, more affordable, and transparent cross-border payments, as mentioned in the paper. Additionally, by streamlining procedures, cutting costs, and speeding up corporate operations, India's digital public infrastructure has increased efficiency for private businesses. Non-Banking Financial Companies (NBFCs) have increased SME lending conversion rates by 8%, decreased depreciation costs by 65%, and cut fraud detection costs by 66%.

2.1 Financial Inclusion in the Indian Banking System

In India, financial inclusion has been a focal point of government policy and the Reserve Bank of India (RBI). Initiatives like Jan Dhan Yojana, Aadhaar, and the Pradhan Mantri Mudra Yojana have expanded banking services to the unbanked and under-banked populations, aligning with several SDGs

SDG 1: No Poverty

SDG 2: Zero Hunger

SDG 3: Good Health and Well-being

SDG 4: Quality Education

SDG 5: Gender Equality



Source: The UN's SDG report

2.2 Financial Inclusion

The World Bank paper praising India's DPI strategy emphasises that India has accomplished in only 6 years what would have taken around 50 years. JAM Trinity has accelerated the rate of adult financial inclusion from 25% in 2008 to over 80% in the previous six years, cutting the distance travelled by up to 47 years. "While DPIs' role in this leapfrogging is undeniable, other ecosystem variables and policies that build on the availability of DPIs were critical," the study states emphatically. These included using Aadhaar for identity verification, national strategies to increase account ownership, and measures to provide a more supportive legal and regulatory framework. Since its debut, there have been 462 million new PMJDY accounts established, up from 147.2 million in March 2015..

3. GOVERNMENT TO PERSON (G2P) PAYMENTS

India has developed one of the largest digital G2P systems in the world using DPI during the past ten years. Through 312 important programs, this strategy has enabled transfers totaling around \$361 billion to be sent directly to recipients from 53 ministries of the federal government. This led to overall savings of \$33 billion as of March 2022 or around 1.14 percent of GDP.

3.1 UPI:- In just May 2023, there were around 9.41 billion transactions totaling roughly Rs 14.89 trillion. The entire value of UPI transactions during the fiscal year 2022–2023 was nearly fifty percent of India's nominal GDP.

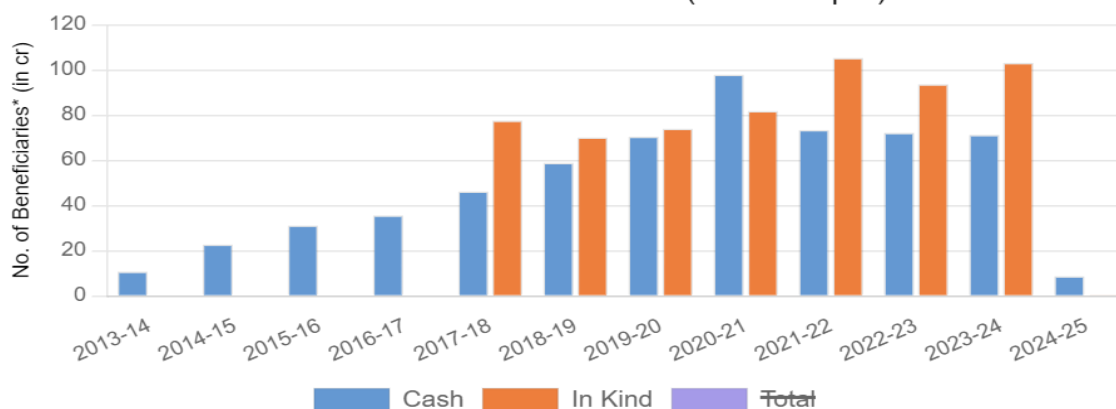
3.2 Lower Cost of Compliance for Banks for KYC:- Banks that implement e-KYC reduced their cost of compliance from \$0.12 to \$0.06 because to India Stack's digitization and simplification of KYC procedures. Lower prices increased the appeal of serving lower-income customers and produced cash for the creation of new items.

3.3 Cross-Border Payments:- The G20's financial inclusion targets are aligned with the UPI-Pay Now interlinking between India and Singapore, which went into operation in February 2023 and enables quicker, less expensive, and more transparent cross-border payments.

OBJECTIVES OF STUDY;

1. To Study the Progress of Digital Financial Inclusion in the Indian Banking System

Year Wise DBT Beneficiaries (Non-Unique)



Source: Director, D. M. (n.d.). Homepage | (DBT) Direct Benefit Transfer <https://dbtbharat.gov.in/>

4. Conclusion

The G20 perspective on digital financial inclusion in the Indian banking system underscores the critical role of technology in expanding access to financial services for all segments of the population. This perspective recognizes that digital financial inclusion is not just a national priority for India but also a global imperative to foster economic growth, reduce poverty, and promote financial stability. The following major points are acknowledged by the G20

- I. **Digital Transformation as a Catalyst:-** Digital technologies, including mobile banking, fintech innovations, and biometric authentication, have the potential to revolutionize the Indian banking system by reaching the unbanked and underbanked populations, especially in rural and remote areas.
- II. **Inclusive Growth:-** Promoting digital financial inclusion aligns with the G20's broader mission of fostering inclusive economic growth. By enabling financial access to marginalized communities, it empowers individuals and small businesses, contributing to poverty reduction and socioeconomic development.
- III. **Regulatory Framework and Consumer Protection:-** The G20 emphasizes the importance of creating an enabling regulatory environment that balances innovation with consumer protection. Regulatory authorities in India must work closely with financial institutions and fintech companies to ensure that digital financial services are secure, transparent, and accountable.
- IV. **Infrastructure and Connectivity:-** Addressing infrastructure gaps and ensuring widespread internet connectivity remain crucial for the success of digital financial inclusion efforts. Investments in digital infrastructure and expanding the reach of reliable high-speed internet are paramount.
- V. **Data Privacy and Security:-** Protecting consumers' data privacy and cybersecurity are central to building trust in digital financial services. Strengthening data protection regulations and implementing robust cybersecurity measures are essential for a resilient and secure digital banking ecosystem.
- VI. **Capacity Building and Financial Literacy:-** The G20 recognizes the need for financial education and literacy programs to empower users to make informed decisions when using digital financial services. Education initiatives should be tailored to different segments of the population, particularly those who are new to digital banking.
- VII. **International Cooperation:-** The G20 encourages international cooperation and knowledge sharing to leverage best practices in digital financial inclusion. Collaborative efforts can help nations learn from each other's experiences and implement effective strategies more rapidly.

The G20 position essentially highlights the revolutionary potential of digital technology to democratize financial access and promote equitable prosperity. India must make progress on the policy, infrastructure, regulatory, and consumer protection fronts to fully realize these advantages. By doing this, India can further its position as a world leader in the area of financial inclusion through digital technology while also advancing the larger G20 objectives of sustainable development and financial stability.

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