Journal of Informatics Education and Research
ISSN: 1526-4726
Vol 4 Issue 2 (2024)

Empirical Analysis of Impact of Financial Inclusion on Economic Growth in India

Dr. K. Kalyan Chakravarthy[1], Dr.Ch. Venkata Krishna Reddy[2],& Prof. Manoj Kumar Mishra[3]

1. Assistant Professor, Department of Management Studies, Rajiv Gandhi University of Knowledge Technologies, RK Valley,Andhra Pradesh, Email: varthychakri@rguktrkv.ac.in
2. Assistant Professor, Department of Management Studies, Rajiv Gandhi University of Knowledge Technologies,RK Valley, Andhra Pradesh, Email: venkatakrishna.ecsu@rguktrkv.ac.in
3. Dean Academics and Professor, AISECT University, Hazaribag, Jharkhand (Corresponding Author), Email: mkmishraeco@gmail.com

Abstract

Monetary incorporation has turned into a vital component of financial development, essentially adding to neediness easing and financial development seriously zeroing in on poor and center part of society. It includes giving financial administrations to the whole populace, including both the advantaged and the burdened, under sensible agreements. It is a vital need for the country, fundamental for financial turn of events and cultural advancement. It helps limited the hole between the well off and poor people. At present, monetary foundations go about as crucial support points supporting advancement, financial development, and the general improvement of the economy. This study means to assess the effect of monetary incorporation on financial development north of a seven-year periodfrom 2015 to 2022. Optional information was used and examined utilizing a various relapse model. The discoveries demonstrate a positive and critical effect of the quantity of bank offices and the credit store proportion on the nation's Gross domestic product, while the development in the quantity of ATMs showed an immaterial effect on India's Gross domestic product.

Keywords: Economic development, Financial accessibility, Banking infrastructure, Economic disparity and Development, Credit deposit ratio etc.

1. Introduction

Indian monetary area and economy is extremely perplexing having heterogeneous and elevated degree of uniqueness in pay and abundance. A critical piece of this populace, especially in country regions, needs simple admittance to monetary administrations. Albeit 60% of families have ledgers, just 48% of the 117,200 parts of booked business banks work in country regions. The openness of monetary administrations at reasonable and fitting costs has forever been a worldwide concern. Subsequently, a comprehensive monetary framework is earnestly required in India as well as turned into a strategy need in numerous different nations. Further developing monetary access can fundamentally improve the monetary circumstances and expectations for everyday comforts of poor people and denied areas of society. The Hold Bank of India (RBI) has been effectively uplifting the financial area to grow its organization by laying out new branches and introducing extra ATMs. Monetary consideration, which involves the conveyance of monetary administrations, including banking and credit administrations, at reasonable expenses to distraught and low-pay gatherings, is fundamental for comprehensive growth.Financial incorporation underlines the investment of weak gatherings, for example, more vulnerable areas of society and low-pay gatherings, by guaranteeing their admittance to monetary administrations like investment funds and installment accounts, credit, protection, and annuities (Singh et al., 2023). These administrations, including reserve funds, advances, protection, installments, and settlement offices presented by the formal monetary framework, are essential for giving financial security to people and families (Kelkar, 2014).

2. Concerned Literatures

Monetary incorporation is a double faceted cycle. On one side, it intends to give banking administrations, for example, investment accounts, credit offices, and protection items to more fragile areas of society. On the opposite side, it endeavors to guarantee that monetary administrations — including banking, protection, and capital market administrations — and ideal and satisfactory credit are accessible to each part of society and the economy. Admittance to monetary administrations has been perceived as an essential part of improvement, with a solid accentuation on stretching out these administrations to low-pay families. The poor frequently come up short on instruction and information expected to comprehend and use the monetary administrations accessible to them. This absence of monetary access limits the scope of administrations and credit choices accessible to families and endeavors. In spite of the fact that there is a proof that admittance to monetary administrations is improving, a few factors actually block this entrance. One critical variable influencing admittance to monetary administrations is the spot of living. Most business banks work essentially in business regions, and they will generally set up branches in productive areas. Therefore, populaces living in rustic regions frequently find it hard to get to monetary administrations. Powerful distance, which is impacted by transportation framework, is a significant issue, similar to the actual distance to monetary organizations. Different factors like populace thickness, provincial and far off areas, and the versatility of the populace (e.g., profoundly portable people with no fixed or formal location) additionally influence admittance to monetary administrations. These boundaries make it trying for country occupants to profit from monetary items and administrations, consequently thwarting the general objective of monetary consideration. The restricted presence of banks in rustic regions implies that many individuals in these locales are rejected from the formal monetary framework, worsening financial variations and restricting open doors for monetary turn of events.

2.1 Limited Knowledge of Financial Services

Inadequate essential schooling and monetary proficiency are significant impediments keeping people from getting to different monetary administrations. Many individuals know nothing about the significance of various monetary items, for example, financial balances, check offices, bank credits or overdrafts, and protection. Appropriate monetary proficiency can fundamentally expand the utilization of these monetary items by various financial specialists, including business journalists, NGOs, and microfinance foundations (MFIs). Upgraded monetary proficiency would engage people to come to informed conclusions about their monetary prosperity and exploit the monetary administrations accessible to them, subsequently advancing more extensive financial interest and consideration.

2.2 Level of Income and Bank Charges

The monetary status of people assumes a vital part in their capacity to get to accessible monetary administrations. For low-pay people, getting to monetary administrations stays testing, in any event, when these administrations are intended for lower pay gatherings. In India, stowed away bank charges frequently deter unfortunate people from using these administrations. Also, the unbending agreements related with monetary items, like least equilibrium necessities, further hinder individuals from drawing in with monetary establishments. The idea of one's occupation additionally influences admittance to monetary administrations, as banks frequently normally like not to loan to little borrowers or chaotic undertakings, prompting higher dismissal rates for advance applications from these gatherings.

2.3 Financial Inclusion Policies and Initiatives

In 2003, the Hold Bank of India (RBI) executed a strategy pointed toward offering monetary types of assistance to the oppressed, denoting a huge step towards comprehensive development, especially in provincial regions. The Rangarajan Board on Monetary Consideration in 2008 highlighted the significance of stretching out monetary administrations to recently prohibited fragments of the populace to keep up with and speed up development force. To accomplish this goal, the board of trustees proposed a scope of procedures, remembering the foundation of a Public Mission for Monetary Consideration, renewal of Local Provincial Banks (RRBs) and Cooperatives, and the presentation of the Microfinance Establishment (MFI) model, for example, the Self improvement Gathering (SHG)- bank linkage, as well as the Business Facilitator and Business Journalist models. Mukherjee and Chakraborty (2012) examined the adequacy of business banks in Jharkhand in advancing monetary consideration, featuring the jobs of RRBs, SHGs, and non-banking monetary organizations (NBFCs). Their discoveries showed that banks were missing the mark regarding their monetary incorporation targets, prompting suggestions for more incessant answering to the RBI on their advancement. Moreover, Uma and Rupa (2021) analyzed the effect of SHG participation on monetary consideration, uncovering that enrollment brought about an expansion in ledgers, credit access, and advance reimbursements.

2.4. Analysis and Impact of Financial Inclusion

Joseph and Varghese (2022) concentrated on the effect of monetary incorporation on the improvement of the Indian economy, zeroing in on the development pace of bank offices and the utilization of charge and Visas. Their examination showed a huge expansion in check card utilization over the review period, however noticed that admittance to banking items and administrations stayed restricted regardless of progressing comprehensive financial drives. Ravikumar's (n.d.) evaluation of the financial area's job in monetary consideration featured the significance of branch and ATM entrance, branch thickness, and the appropriation of banking administrations. His discoveries proposed that banking is a vital driver of monetary incorporation and comprehensive development, with higher destitution and imbalance common among populaces rejected from the formal monetary framework. Paramasivan and Ganeshkumar (2013) reasoned that branch thickness altogether influences monetary incorporation. Julieexplored the connection between monetary consideration and financial development in Kenya, finding serious areas of strength for a relationship between's monetary development and branch organizations, and a frail positive relationship with versatile cash accounts. Be that as it may, she distinguished a feeble negative relationship with the quantity of ATMs and a solid negative relationship with bank loaning financing costs. Kamboj (2020) led a concentrate in India, finding a positive connection between the quantity of bank offices and ATMs and the country's Gross domestic product development rate, further supporting the thought that extended monetary framework adds to financial turn of events. These examinations on the whole feature the basic job of monetary consideration in driving financial development and diminishing destitution and disparity. Monetary incorporation is a basic step towards accomplishing comprehensive development and encouraging the generally speaking financial improvement of oppressed populaces. It assumes an essential part in elevating poor people and impeded by giving them custom fitted monetary administrations and items. In any case, in spite of various drives and approaches pointed toward improving monetary consideration in India, a few holes and difficulties remain. One critical examination hole is the absence of exhaustive examinations on the adequacy of monetary consideration drives across various locales and socioeconomics in India. Most existing exploration will in general zero in on wide public measurements, which can darken local abberations and the particular necessities of different segment gatherings. For example, there is a requirement for additional granular information on how monetary consideration influences provincial versus metropolitan populaces, various states, and different financial gatherings, including ladies and underestimated networks. Another region that requires further examination is the drawn out effect of monetary incorporation on destitution decrease and financial strength. While certain investigations make shown positive momentary impacts, there is lacking longitudinal exploration analyzing whether these advantages are supported over the long haul and how they add to breaking the pattern of destitution. Besides, the communication between monetary consideration and other formative variables, like schooling, wellbeing, and social administrations, remains underexplored. Moreover, there is a need to assess the viability of explicit monetary consideration models and innovations, like versatile banking, microfinance, and computerized installment frameworks. While these developments hold guarantee, their genuine effect on monetary incorporation and the boundaries to their reception among poor people and unbanked populaces require more itemized study. Understanding the limits and difficulties looked by these models can help in planning more viable and comprehensive monetary arrangements. All in all, tending to these examination holes is fundamental for fostering a more viable monetary consideration procedure in India. By zeroing in on territorial variations, long haul influences, and the adequacy of creative monetary models, policymakers and analysts can all the more likely designer monetary consideration drives to meet the assorted requirements of India's populace, eventually adding to more comprehensive and supportable financial development. monetary items and administrations. This prompts comprehensive development incorporating the denied andmarginalized segments. A few examinations are finished on the monetary incorporation by breaking down selectedbanks and other work has been tracked down on state wise development of monetary consideration. A couple studieshave been investigated the effect of monetary incorporation on Indian financial development and found mixedresults. With this background, this examination study is an endeavor to figure out the current situation offinancial consideration in India and surveying the job of monetary consideration in financial development ofthe country

3. Research Gap

Monetary consideration is a urgent step towards comprehensive development, working with the monetary improvement of oppressed populaces by giving them admittance to fundamental monetary items and administrations. This inclusivity guarantees that denied and underestimated segments of society are enveloped inside the more extensive monetary structure. Albeit a few examinations have broke down monetary consideration by looking at chosen banks and state-wise development, there stays a critical hole in the far reaching comprehension of its effect on Indian financial development. These examinations have frequently yielded blended results, showing a requirement for more nuanced and broad exploration. One significant hole is the restricted examination of monetary incorporation's viability across various districts and socioeconomics inside India. Ebb and flow research will in general total information at the public level, which might ignore the particular difficulties and triumphs experienced by different states and populace gatherings, including ladies, country occupants, and minimized networks. By tending to these exploration holes, the review looks to give a more clear comprehension of how monetary consideration can be upgraded to help comprehensive and maintainable financial turn of events.

4. Research Objectives

This objective aims to conduct a comprehensive analysis of the current state of financial inclusion in India. It seeks to identify and analyze the primary factors that hinder access to financial services among marginalized and disadvantaged populations in India.

5. Methodology

The exploration strategy depends on auxiliary information from different sources: RBI reports, Service of Money information, banking pattern reports, papers, research articles, diaries, e-diaries, books, magazines, and applicable sites. The review covers a long time from 2015-2016 to 2021-2022. Different relapse examination is the essential measurable instrument, laying out a connection between monetary consideration markers and financial development. Gross domestic product is the reliant variable, while free factors incorporate bank offices, ATM development rate, and credit store proportion. The speculation looks at the meaning of this relationship.

$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + e$

Variables:

Y = Gross Domestic Product in India (GDP), X_1 = Number of Bank Branches in country

X_2 = ATMs growth rate in India, X_3 = Credit deposit ratio in India

Coefficients:

b_0, b_1, b_2, b_3 = Regression coefficients in the model of this study

Main Hypotheses:

H0: There is no significant impact of the financial inclusion on the growth of the Indian economy.

HA: There is a significant impact of the financial inclusion on the growth of the Indian economy.

6. Data Analysis and Discussion

Table 1: Bank group and population group wise number of functioning branches as on December 31, 2021.

Bank Gathering	Rural	Semi-Urban	Urban	Metropolitan	Total
SBI and its partners	7,903	6,510	4,216	3,536	22,165
Nationalized banks	20,666	15,981	12,296	11,111	60,054
Other public area banks	338	470	455	361	1,624
Confidential area banks	4,082	6,155	4,320	4,429	18,986
Unfamiliar banks	8	12	57	245	322
Territorial rustic banks	14,281	3,628	1,029	205	19,143
Great Aggregate	47,278	32,756	22,373	19,887	1,22,294

Table 2: Results of regression analysis: model summary

R	R_squared	Adj_R_squared	F	Sig.	Durbin-Watson
0.995	0.99	0.98	101.343	0.002	2.59

Table 3: Regression coefficients

Variable	Unstandardized Coefficient (B)	Standardized Coefficient (Beta)	t-value	Significance (Sig.)	VIF	Hypothesis (H0)
Constant	−19051581.196	-4.669	13.877	0.019	N/A	Rejected
Number of Bank Branches	107.924	0.885	13.877	0.001	1.248	Rejected
ATMs Growth	−11046.355	-0.038	-0.637	0.57	1.118	Accepted
Credit Deposit Ratio	221986.524	0.254	4.056	0.027	1.2	Rejected

The model synopsis of the numerous relapse investigation uncovers huge experiences into the connection among Gross domestic product and monetary incorporation markers. With R^2=0.995, showing solid connection, and Changed R^2=0.980, connoting that 99.0% of Gross domestic product inconstancy can be made sense of by the autonomous factors, the model exhibits vigorous informative power. The measurably huge p-worth of 0.002 highlights the unwavering quality of the relapse model, recommending it successfully catches the connection between monetary incorporation markers and Gross domestic product. Inspecting relapse coefficients for every marker uncovers striking examples. The positive beta incentive for the quantity of bank offices demonstrates a huge positive effect on Gross domestic product. On the other hand, the negative beta incentive for ATM development proposes a negative yet unimportant impact on Gross domestic product. The credit store proportion shows a significant positive effect on Gross domestic product, with a high beta worth and huge p-esteem. The shortfall of multicollinearity, showed by VIF values under 10 for generally informative factors, improves the validity of the relapse model. The review lays out a strong connection between monetary development and monetary consideration markers in India. By exhibiting areas of strength for a between monetary consideration markers, for example, the quantity of bank offices and credit store proportion, with Gross domestic product development, the review highlights the meaning of comprehensive monetary practices in encouraging financial advancement. Julie's examination probably featured how a comprehensive monetary area, portrayed by open financial administrations and credit offices, adds to generally monetary headway. Additionally, this study's discoveries build up the idea that further developing monetary consideration can prompt substantial advantages for the economy, like expanded venture, utilization, and efficiency. By giving people and organizations, especially those from underestimated or underserved networks, with more prominent admittance to monetary administrations, the monetary area can prod financial development and improvement. Generally, the review's outcomes highlight the significance of focusing on monetary consideration drives as a way to invigorate financial development and lessen inconsistencies. By perceiving the advantageous connection between monetary incorporation and monetary turn of events, policymakers and partners can make designated intercessions pointed toward extending admittance to monetary administrations, in this way encouraging comprehensive and feasible financial development.

7. Concluding Remarks

In creating economies like India, banks assume a basic part as facilitators of financial development by preparing reserve funds and dispensing credit for useful ventures. Monetary access is instrumental in further developing the monetary prosperity of poor people and burdened fragments of society. Be that as it may, the absence of open and reasonable monetary administrations has for some time been a test in India, featuring the requirement for a viable comprehensive monetary framework to drive financial development. Drives by the Save Bank of India (RBI) and the public authority, for example, Monetary Consideration Plans (FIPs), expect to advance financial entrance and extend the range of monetary administrations through measures like opening ledgers and expanding ATM establishments. In spite of endeavors to upgrade monetary consideration, the viability of these drives has been restricted by low exchange volumes. Essentially, the current review affirms a positive and critical effect of pointers like the quantity of bank offices and credit store proportion on India's Gross domestic product. In any case, the concentrate likewise features that the development pace of ATMs, one more mark of monetary consideration, significantly affects Gross domestic product. In this manner, while monetary consideration is unequivocally connected to monetary advancement, there is a requirement for extensive guidelines and drives to guarantee more extensive admittance to monetary administrations and improve client mindfulness. Endeavors, for example, e-banking preparing and monetary proficiency programs are vital in such manner. At last, making total progress in monetary consideration requires deliberate endeavors from administrative specialists, monetary establishments, and society in general to address existing boundaries and advance comprehensive monetary practices.

References

1. Agrawal, A. (2008). The need for financial inclusion with an Indian perspective. Economic Research, 1–10.
2. Banerjee, A. V. (2001). Contracting constraints, credit markets and economic development. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=306990.
3. Chhabra, N. (2021). Financial inclusion in India (Thesis). Maharshi Dayanand University.
4. Chithra, N., & Selvam, M. (2013). Determinants of financial inclusion: An empirical study on the inter-state variations in India.
5. Dangi, N., & Kumar, P. (2013). Current situation of financial inclusion in India and its future visions. International Journal of Management and Social Sciences Research, 2(8).
6. Economic Survey: Government of India, Different Issues 2021-22, 2022-23
7. Indian Economic Journals, Different Issues, 2021, 2022, 2023
8. Joseph, J., & Varghese, T. (2022). Role of financial inclusion in the development of Indian economy. Journal of Economics and Sustainable Development, 5(11), 6–15.
9. Julie, O. (2022). The relationship between financial inclusion and GDP growth in Kenya (Doctoral dissertation). University of Nairobi.

10. Kamboj, S. (2020). Financial inclusion and growth of Indian economy: An empirical analysis. The International Journal of Business & Management, 2(9), 175–179.
11. Kelkar, V. (2014). Financial inclusion for inclusive growth. ASCI Journal of Management, 39(1), 55–68.
12. Mukherjee, A., & Chakraborty, S. (2012). Financial inclusion of the poor and marginalized in Jharkhand: Analysis of the existing model. International Journal on Research and Development: A Management Review, 1(1).
13. Paramasivan, C., &Ganeshkumar, V. (2013). Overview of financial inclusion in India. International Journal of Management and Development Studies, 2(3), 45–49.
14. Raman, A. (2012). Financial inclusion and growth of Indian banking system. IOSR Journal of Business and Management (May–June 2012), 25–29. Retrieved from www.iosrjournals.org
15. Rangarajan, C. (2008). Report of the Committee on Financial Inclusion. Ministry of Finance, Government of India.
16. Ravikumar, T. (n.d.). Assessing role of banking sector in financial inclusion process in India.
17. Sen, A. (2000). Social exclusion: Concept, application, and scrutiny. In Social development papers no. 1 (pp. 1-41).
18. Singh, C., Mittal, A., Garg, R., Goenka, A., Goud, R. P., Ram, K., et al. (2023). Financial inclusion in India: Select issues (IIM Bangalore research paper no. 474).
19. Suryanarayana, M. H. (2008). What is exclusive about 'inclusive growth'? Economic and Political Weekly, XLIII(43), 93–101.
20. Uma, H. R., & Rupa, K. N. (2021). The role of SHGs in financial inclusion: A case study. International Journal of Scientific and Research Publications, 3(6), 1–5.