A STUDY ON SUSTAINABLE DEVELOPMENT THROUGH FINANCIAL INCLUSION IN INDIA

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ABSTRACT

Nationalization of banks in 1969 was the first strike to formalize financial sector in India. Several steps were then initiated to connect the unbanked population with banks through establishment of regional rural banks and NABARD in 1976 and 1982 respectively. Even after then lakhs of people still don't trust formal financial institutions and are dependent on informal sector. Easy and secure access of financial services is what required by the uncatered section of the economy. This work will explore the path through which usability of the financial services can be increased by the beneficiaries (customers) in a sustainable way. The path clearly defines the importance of affordability, accessibility, awareness, attitude and usage towards the financial services in augmenting the level of financial inclusion. This work will help to comprehend the more sustained path for effective and efficient catering and consumption of financial services among seeking and vulnerable section of the economy.

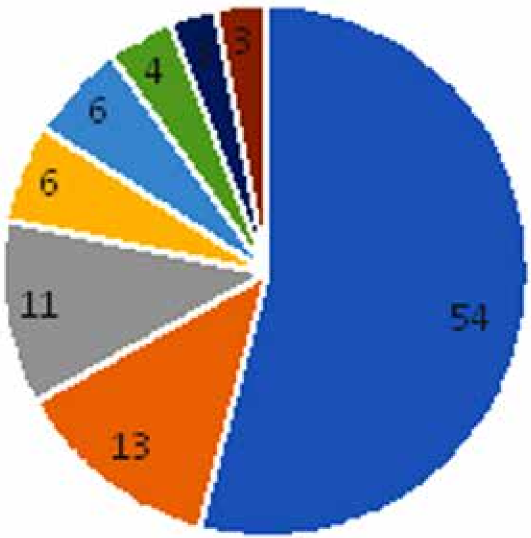
Keywords: *Sustainable development, Financial Inclusion, Service, Economy.*

INTRODUCTION

Movement of funds (money) is the most fundamental aspect of growth for any individual, business, or economy (McKinnon, 1973). To mobilize these funds in an economy, banks play a key role, for banks are the mediators between individuals and financial system. The linking of everyone irrespective of any section of the society to formal sector is what we call financial inclusion, A strong and well-organized financial structure in an economy helps to eradicating poverty and provide pace to sustainable development (Levine, 2005). Studies have researched that woman are not financially inclusive and even if they are, they are not financially active (inactive users of financial services). In developing countries research showed that women are more self-employed and require substantial need to bring them under the ambit of formal financial facilities. Financial accessibility to women entrepreneurs operating in developing countries have shown improvement in growth opportunities and increase in levels of income. (Ahmad and Arif, 2015).

The World today is focusing on meeting Sustainable Development Goals (SDGs) because meeting them will ensure overall development of the country. Although various sub goals/ targets are being introduced through SDGs which are touching every aspect of development including societal, economic, and cultural. Still, various sections of the society are kept untouched. The major reason behind it is the incapability of the Government to reach the margins or incapability of localizing the SDGs. Therefore, along with the global vision, each country requires to have regional or local goals to accomplish the shared mission of achieving SDGs globally. Financial inclusion can play a pivotal role in localized SDGs specially SDG 1(no poverty), 8(economic growth) and 10(Reduce inequalities).

Governments prioritise connecting individuals to banking services because a strong financial system underlies any economy. Financial inclusion has been difficult for the Indian government. According to Rastogi and Ragabiruntha E. (2018), conventional banks need a lot of capital and infrastructure to access untapped markets. In 1975, the RRB Act 1976 established regional rural banks to speed up FI. However, opening a bank account is ineffective without financial services like remittances, credit, financial security, Convivence transfer of funds, etc. An individual who utilizes financial services to send and receive payments and store money can be thought of as having an active account. Peachey and Roe (2004), have discussed affordable finance should be a basic right.



Financially excluded population which limit spectrum of effective implementation of policies.

Although, the success of financial inclusion does not depend solely on the Government, the beneficiaries also play a pivotal role. Without their participation no policies can be implemented smoothly. Reserve bank of India along with National Bank for Agriculture and Rural Development (NABARD) have initiated several policies to augment financial inclusion levels. Some of such measures are by opening bank branches in rural areas, catered famers by way of low interest loans, provided no frill account making it affordable, issuing Kisan Credit Cards (KCC) for easy access of finance. Additionally, increasing the number of automated teller machines (ATMs) with local language interface making it more convenient to operate and business correspondents, provided insurance covers to weaker section of the society were some added measures. To make it more effective Government have motivated private financial institution and provided financial assistance in case of NPA's gradually the institutions have realized the potential of the market and making it a viable business model.

Financial services usage included outstanding credit and deposit. Economic and political engagement in an economy reflects the true picture of impoverished citizens rather than just money. Individual assessment can fix supply side issues. (Mindra and Musa,2017). Inclusion deficits cause economic and social inequality. Allen et al. (2012) found across 123 nations that financial services were used more in countries with easy access and low intermediate costs. Simpler documentation, business correspondent marketing, and bank account-based government payment transfers let the government include the financially excluded.

The Global Findex has tracked financial exclusion in 140 countries since 2011. Findex data shows that 94% of adults in high-income nations have access to financial services Findex report (2021), compared to 63% in low-income developing economies. 1.7 billion adults are unbanked. India has 22.5 billion unbanked people. Almost half of the financially excluded population lies in developing Asian nations like Bangladesh (3%), China (13%), Indonesia (6%), Mexico (3%), Nigeria (4%), Pakistan (6%), and India (11%). 56% of women worldwide are unbanked. The labour force of countries with a large unbanked youth (about 30%) is seriously harmed.

Demirgüç-Kunt et al. (2015) examined self-reported barriers to financial exclusion and formal financial services. Lack of income, one of the family members already had an account, holding an account is expensive, do not trust the financial system, bank branches are far from their residence, cultural or religious reasons, and some voluntarily don't feel the requirement to have a bank account are the main reasons. Increase in income positively influence the financial behavior.

The distribution channel, product information, market segmentation, and service make it hard for financial institutions to serve remote areas. Impoverished and weaker sections of society don't have stable income, therefore financial institutions don't want them because they target more literate and financially stable audiences. Most of their products are inadequate for poor households, which is why they're financially excluded. The mainstream financial institution is unable to design the product as per the need (Gardeva and Rhyne, 2011). This results the dependence on informal sector for the poor household.

Inclusive growth is difficult for India. 51.9% of agricultural proprietors are indebted. NSSO Survey 70th round shows they owe Rs. 47000. 39% of rural people avail bank services. Urban 60%. Only 14% of urban adults have credit accounts. 49.5 million of 89.3 million rural households lack basic financial services (NSSO 59th round). The remaining households receive credit from conventional and informal lenders. Only 27.3 percent of rural households have used scheduled commercial bank credit, while the rest either don't know about it or don't have access.

SUSTAINABLE DEVELOPMENT AND FINANCIAL INCLUSION

A well-functioning, inclusive financial system can accelerate, egalitarian, and sustainable growth, according to several studies Levine (2005). Every nation must accomplish the Sustainable development goals (SDGs) by 2030. All nations—rich, poor, and middle—should act. These aims promote growth while safeguarding the world due to their inclusiveness. These 17 goals include all aspects of national growth. UNCDF believes financial inclusion can achieve these aims. In fact, financial inclusion is being reflected as a target in seven of the seventeen goals, including "SDG1 (eradicating poverty), SDG2 (ending hunger), SDG 3 (Health and well-being), SDG5 (Achieving gender equality), SDG 8 (promoting economic growth), SDG 9 (Supporting industry, innovation, and infrastructure), SDG 10 (Reducing inequality)".

On September 25, 2015, the 2030 agenda for sustainable development was approved by the United Nations. The new set of goals formally came to be known as "The Sustainable Development Goals" (SDGs). The goals were endorsed by 193 member countries of the General Assembly and the goals appertain to all developed and developing nations. "Ban Ki-Moon, jotted down the new agenda is a promise by leaders to all people everywhere". Although, SDGs do not directly target financial inclusion academic evidence suggest that financial inclusion spur the rate of achievement of these goals.

Financial inclusion increases savings, credit, and payment services, which boosts economic growth. Financial services are measured by how many people use and own formal financial services. This inflates economic growth. Because it lacks inclusive growth, measuring poverty reduction by GDP is inaccurate (Yadav and Sharma, 2016).

Financial inclusion can promote Inclusive growth thus, supporting Sustainable Development Goals. Inclusive growth is achieved when capital reaches every individual irrespective of geographical region, caste, gender (Park and Mercado 2015). Suggest factors like income per capita, quality of institutions, good governance and the regulatory environment influence an economy's level of financial inclusion.

METHODOLOGY

Exploratory research has also been carried out to create a basis for the sustainable path. The exploratory research made the researcher identify the important constructs and their variables that make the path for sustainable financial inclusion.
Location: Delhi/NCR

Sample Size: Stratified random sampling has been found out to be the most suited sampling technique as it is highly reliable, and the randomness reduces the chance of errors in the data Collection. 153 are being chosen with varying income, age, locality, and literacy background.

Respondents: Regular wage/ salaried employees in usual status without written job contract, not eligible for paid leave, without any social security benefit.
Technique used: T- Test.

CONSTRUCT AND THE VARIABLES OF THE STUDY

Accessibility	**Acc**	**Banking facilities such as ATM, money deposit machines, customer care services are available after office hours.**
Awareness	Awa	About Financial Terms (FD, RD), mobile banking, Cybercrime (Financial frauds)
Affordability	Affo	Interest on Deposit such as saving account, fixed deposit, Recurring deposit are optimum, time consuming process while availing banking services, Processing Fee.
Financial Attitude	Att	Feel Safe while transacting with formal financial system, Future (Financial Planning), Confident while dealing with banks.
Usage	USG	Invest Money in mutual funds, financial products, Use banking services on regular basis, Ability to Borrow Money

ANALYSIS

Independent Samples Test.

		Levene's Test for Equality of Variances					**t-test for Equality of Means**
		F	Sig.	t	df	Sig. (2-tailed)	Decision
Acc	Equal variances assumed	.033	.855	.195	153	.845	Significant
Awa	Equal variances assumed	.000	.987	.050	153	.960	Significant
Affo	Equal variances assumed	.039	.843	.082	153	.935	Significant
Att	Equal variances assumed	.000	1.000	.153	153	.879	Significant
USG	Equal variances assumed	.038	.726	.045	153	.964	Significant

H1: Accessibility have a significantly positive relation with financial inclusion

As the significance level for each of the variable is less than 0.05 hence, hence significantly positive relation has been observed between Accessibility and financial inclusion. Therefore, the hypothesis is accepted. Ghatak (2013) believes that accessibility effects the demand side factors of financial inclusion. In fact, he believes that accessibility has the highest correlation.

H2: Affordability have a significantly positive relation with financial inclusion

As the significance level for each of the variable is less than 0.05 hence, hence significantly positive relation has been observed between Affordability and financial inclusion. Therefore, the hypothesis is accepted. Financial inclusion can be explained as a provision of affordable financial services to every individual irrespective of the demographic, gender, or caste. It has been seen that if services are affordable than only, they can be accessible to the society at large. Hassan (2002) stated high rate of interest by small banks limit the scope of credit accessibility resulting in poor dissemination financial resources among poor. Sukumaran (2015) believes that income is the biggest barrier to accessibility of financial inclusion. According to him, low Income is one of the reasons for not having an account as 77 per cent of the individual stated income as one major factor.

H3: Awareness have a significantly positive relation with financial inclusion

As the significance level for each of the variable is less than 0.05 hence, hence significantly positive relation has been observed between Awareness and financial inclusion. Therefore, the hypothesis is accepted. Awareness is the demand side factors of financial inclusion (Mukherjee and Chakraborty, 2012). Authors suggest awareness to be gained through financial literacy or education. Lack of information about the formal financial sector makes people use the informal financial services perhaps Sukumaran (2015) suggest awareness must be raised so that people can be better informed of the services.

H4: Attitude have a significantly positive relation with financial inclusion

As the significance level for each of the variable is less than 0.05 hence, hence significantly positive relation has been observed between Attitude and financial inclusion. Therefore, the hypothesis is accepted. Financial literacy is an active agent to change one's attitude towards financial services . A survey by Fin Scope (2011a, b) highlighted barriers in the path of adopting financial products and services in developing economies are due to lack of awareness, negative attitude, and paucity of trust in formal financial institutions. Positive Financial attitude can be developed through improved financial awareness/ literacy. (Bhushan and Medury, 2014).

H5: Usage have a significantly positive relation with financial inclusion

As the significance level for each of the variable is less than 0.05 hence, hence significantly positive relation has been observed between Usage and financial inclusion. Therefore, the hypothesis is accepted. The financial usage can be improved if the consumer finds the financial

services purposeful, solve the exciting problem and adds some value to the life. Doll and Torkzadeh (1991) emphasized in their research that an individual's belief and attitude act as major agent when it comes to usage of goods or services. Attitude towards a system and favorable environment impulsively prompt the intent to use it, which gradually fuel up the usage. Although some studies have showcased that Individual will use a certain product or service if it is pertinent. In the theory of task -technology fit have discussed in detail that if an individual feel the existing technology appropriate and fit according to one's need, they will feel motivated to use the technology (Banerjee et al., 20120).
National strategy for financial inclusion 2019-2024 explicitly lists the following factors which negatively affects the usage of financial amenities. Sukumaran (2015) adds that people are financially excluded because they do not find a need of banks in their lives. This shows that people still have not developed an attitude of using formal financial services. Financial usage of poor in low-income countries highly affects the preparedness to borrow, save and utilization of financial products.

Lederer et.al, (1998) have stated that if the product is easy to use and suitable as per the need then it automatically results in increased usage and individual will find financial services easy to use when the one is financially literate.

CONCLUSION

The results show that Accessibility have a significantly positive relation with financial inclusion, Affordability have a significantly positive relation with financial inclusion, Awareness have a significantly positive relation with financial inclusion, Attitude have a significantly positive relation with financial inclusion and Usage have a significantly positive relation with financial inclusion and the usage of financial services.
The outcome of the study shed light on the mechanism that financial attitude has a positive effect on the usage. The results showed sustainable path of financial inclusion based on Affordability, accessibility, Awareness and Attitude and usage. The direct approach towards financial inclusion through accessibility of financial services will not be fruitful in longer run. Financial inclusion has been very successful in implementing sustainable development goals around the globe. This shows how well a financially inclusive society can reduce poverty and elevate revenue and consumption. In fact, financial inclusion reduces overall inequalities in society. Moreover financial exclusion reducing economic growth by reducing savings mobilization and increasing income gaps. A financially inclusive society is more equipped to achieve sustainable development goals.

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