

Financial inclusion and socio-economic development: A review

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Abstract

Financial Inclusion is one of the most imperative topics under the study of experts and government at global level. There are many researches carried out to understand the level of financial inclusion in India. Also an attempt has been initiated by government with various schemes to motivate the unbanked to gain financial literacy. Financial exclusion has an impact on the development of a country. The underlying fact lies in the study that socio-economic factors like education level, inflation, unemployment etc affect financial inclusion. The present study is an attempt to review the literature study that has been carried out at national and international level in context of financial inclusion.

Keywords: financial inclusion, banking, financial literacy, socio-economic development

Introduction

Financial institutions (Banks, Insurance companies etc.) are intermediaries in financial system and work as transporters and facilitator to move financial services from one end to other. Financial institutions provide opportunity to every component of economy to contribute in economic development. Financial institution is a mechanism which works as channel among savings and consumption through financial services, to individuals and institutions, which can pay for these services..

The key roles of the financial services in society are to promote savings for future needs and minimize the risk to savings, to provide finance to customers (either short term or long term), to invest the money to purchase or sell the commercial products and to educate society about available financial services. Thus, all these roles of financial services require creating awareness in society about the financial dealing, financial services and financial investment. Timely and appropriate financial services in rural areas are always a matter of concern worldwide.

Review of Literature

Mandira Sarma (Sharma M. Index of Financial Inclusion, Nov 2010) in her exploratory research studies how socio economic factors affect the levels of financial inclusion. (Kapoor, 2013) ^[14] Studies the banking usage and access penetration in India. (Aggarwal, 2014) ^[3]. (Bagli, 2012) ^[5] presented a comparative study about financial inclusion in India with ten different parameters under study. (Adela

Atkinson, 2013) ^[2] Reviewed their paper on the impact of financial education in promoting financial inclusion. (Gupta Anurag, 2014) further the authors helped to understand the impact of financial inclusion on human development index. The research explores the problems, and path of financial inclusion with untapped and untouched bottom level of the pyramid.

Research Gap

The above studies reveal that a lot has been studies and reviewed under Financial Inclusion yet there are loopholes of data information. Worldwide and in India technology is upgrading itself with the warehouse of information but the virtual world is still not synthesized with the data.

Objective of Study

The objective of the study is to review existing literature on financial inclusion and socio-economic development. It aims to review the studies carried out worldwide and in India and synthesize the data to identify the further research.

Significance of the Study

The findings from the research shall contribute to variant population. It shall benefit the banks to understand the studies carried out at global levels and the regulatory gap shall give a reflection of government's role to improve financial inclusion.

Review of International Studies

Table 1

Sr. No	Author	Objective	Tolls	Findings.
1.	Mandira Sarma: (Sarma, 2008) ⁱ	The author has proposed an index of financial inclusion- a multidimensional measure in line with HDI, HPI, GDI		In the paper the author has proposed an index of financial inclusion- a multidimensional measure in line with HDI, HPI, GDI etc. this index would be useful to calculate financial inclusion across countries and also understand the relationship between financial inclusion and development.
2.	Mandira Sarma; (Sharma, Financial	Tried to identify the factors that are closely associated with	Regression IFI	. Banks owned by government showed insignificant association with financial inclusion. The findings of the

	Inclusion and Development: A Cross Country Analysis, September 2008)	financial inclusion.		study confirm the notion that countries where there is poverty, per capita GDP is low, literacy is low, income inequality show a greater amount of financial exclusion.
3.	Satya Chakravarty and Rupayan; (Satya R Chakravarty, January 2010)	To measure financial inclusion. It also tried to isolate the important and non-important dimensions of financial inclusion.	Correlation	The degree of variation is relatively low among countries that belong to the same income group. All six variables are positively correlated and the correlation coefficients are all significant at 5% level. India as well as in each of its states the levels of financial inclusion have increased during 2001-2007.
4.	Mandira sarma; (Sharma, Nov 2010)	Tried to develop a multidimensional index of financial inclusion which would be easy to compute and compared across countries.		The developed index shows that Austria scored the maximum in the index whereas Madagascar scored the lowest among the 49 countries. 11 countries were in the high IFI category, 9 countries were in the medium IFI category. 30 countries belonged to the low IFI category. Still availability of data related to financial inclusion is still a big problem.
5.	Ukama N Adigun (U. Kama, 2013)	The paper reviewed the experiences of different jurisdictions in achieving financial inclusion. The paper compares the experiences faced by Nigeria with that of other countries in achieving financial inclusion.	-----	The nature, form and challenges of financial inclusion are different in different countries and as such cannot be addressed by a single product or technological innovation. The governments have to realize that there is no single readymade solution for the problem of financial inclusion. Each country has to develop a solution of their own. The most important factor is the political will of the respective governments to develop a strong institutional and legal framework required for adoption and successful implementation of financial inclusion policy.
6.	Shilpa Aggarwal and Leo Klapper; (Klapper, 2013)	The paper discusses some common reasons for not having account, reviews the policies adopted to remove physical, bureaucratic and financial barriers.	----	The paper reveals that high cost of opening accounts, lack of money to use an account, documentation requirements and lack of trust are some of the reasons. Efforts to bring banks closer like banking Correspondents model will help rural and remote people to benefit for account.
7.	Mbutor O. Mbutor and Ibrahim Uba; (A.Uba, 2013)	The paper studied the impact of financial inclusion on monetary policy of Nigeria	Unit Root Test (Augmented Dickey Fuller Test) Co-integration among variables(Johansen-Juselius Test)	The paper concluded that there is a strong but inverse relationship between the rate of inflation and the size of commercial banks' loans and advances as a ratio of GDP. Exposure to bank branches has a negative relation with inflation.
8.	Thouraya Triki and Issa Faye; (Fave, 2013)	The authors tried to define the concept of financial inclusion from the African perspective. The paper tries to define the reason why financial inclusion is important for the development of the continent	-----	The paper recommends that financial literacy should be increased, mobility of government to payment systems should be utilized. The government sector payments should benefit from the formal structure of banking.
9.	Adele Atkinson and Flore-Anne Messy; (Adela Atkinson, 2013) [2]	The paper tries to establish a relationship between financial literacy and financial inclusion.		The report concludes that financial education is must for financial inclusion. Some of the approaches developed recognize the benefit of working through existing channels of communication.
10.	Harmeet Kaur and Dr. Bhawdeep Singh Tanghi; (Harmeet kaur, 2014)	The authors tried to understand the concept of inclusive growth and its need. The paper tries to establish how financial inclusion is important for inclusive growth.	-----	The paper concluded that financial exclusion is present in developed and developing countries but the nature is different. and marginalized groups. The banks still need to work on creating awareness through various advertising and publicity medias.

Review of National Studies

Table 2

Sr. r. No	Author	Objective	Tools and Techniques	Findings
1.	Shubhashis Gangopadhyay; (Gangopadhyay, May 2009)	The Discussion Paper identified the supply side and demand side factors affecting financial inclusion	----	The paper found that even the availability has increased but still the usage of financial services is very less in both urban and rural segment of the country. The paper concluded that the delivery cost of the financial services should be brought down so that all are able to get the benefits.

2.	Chandan Kumar and Srijit Mishra; (Chandan Kumar, Feb 2011)	The paper attempted to Measure financial inclusion from the demand side as well as the supply side.		The results show a vast dissimilarity among the states. It was suggested to widen the ambit of policy initiatives under financial inclusion thus reducing the dependence on informal sector. Secondly more focus should be on states/ regions which are still lagging behind in terms of financial access.
3.	Audil Rashid Khaki and Prof. Mohi-ud-din Sangmi; (Audil Rashid Khaki, 2012)	The paper attempted to study the various initiatives of the bank and the progress of financial inclusion in the state of Jammu & Kashmir.	-----	It was found that a majority of the villages have been covered under the financial inclusion plan. Bankers need to keep reforming their plans and ensure that the poor are not left to the clutches of informal sources of finance.
4.	Dr.Mamta Jain. Ms Shyama Bohra and Dr. T. N Mathur; (Dr Mamta Jain, 2012)	The research paper tried to understand financial inclusion, the problems faced and the initiatives taken to promote financial inclusion in India. It tries to find the role of financial inclusion in reducing poverty.	-----	Banks need to devise new strategies for low income groups and see financial inclusion both as a opportunity as well as part of corporate social responsibility.
5.	Dr.Supravat Bagli; (Bagli, 2012) ^[5]	The paper tries to study the relative importance of indicators of financial inclusion, develop a composite index of financial inclusion for each state in India	Rotated Principal Component Analysis, Kaiser-Meyer-Olkin (KMO) Bartlett's Test of Sphericity	The results of the study showed that Goa has fared the best in terms of financial inclusion.The study concluded that there is a strong relationship between financial inclusion and human development index.
6.	Dr. Sunil Ram Gaikwad;) (Gaikwad, 2012)	The paper attempted to study the role played by State bank of India in promoting financial inclusion in India.	-----	The bank has reached to more than 100000 unbanked villages in the country. The paper concludes that SBI is working to make its mark.
7.	Pawan Sharma and Richa Tuli; (Pawan Sharma, 2012)	<ol style="list-style-type: none"> 1. To explore the inter-connectivity among financial inclusion plans and governance of RBI. 2. To find out the of state-wise progress financial inclusion in India. 3. To examine the performance of different banks for financial inclusion plans. 	-----	The research concluded that even though India is facing problem like illiteracy, backwardness, poverty etc still the initiatives of RBI are good and still needs to be improved.
8.	Dr. Atul Bansal; (Bansal, 2012)	The author attempted to develop and design a profitable model for financial inclusion.	-----	The author suggested that banks need to offer customers a clear proposition and a customized bouquet of product offerings. Banks can team up with retail outlets to offer financial services to rural masses, thereby, creating value both for themselves and their customers.
9.	Ranjan Kumar Nayak; (Nayak, 2012)	To find out how financialinclusion through cooperative banks can be a viable option for inclusive growth in India.	Compound growth rate and percentage change with graphical and tabular representation	From the study it was concluded that Indian growth is not an inclusive growth because the real GDP percent change per annum, growth of real GDP per head per annum are increasing whereas consumption inequality in India is increasing rapidly. Cooperative banks are a feasible option for inclusive growth through rural development by creating opportunity for employment and income generation.
10.	HemavathyRamasubbian and Ganesan Duraiswamy; (Hemavathy Ramasubbin, Ganesan Duraiswamy, 2012)	To study the issues related to implementation of financial inclusion among the down trodden districts of Tamilnadu.	SPSS	The paper concluded that the benefits of financial inclusion has only marginally improved the lives of the below poverty line people. The authors suggested developing new strategies to make financial inclusion more popular among such people.

Discussion

The study reveals that the study carried out at global level is pushes the institutions world wide to take immediate measures to gain financial literacy. It also shows that financial literacy is related with the economic development of an economy. From the studies carried out in different

Countries, the revelation show that at global level Too the institutions are intended to improve the levels of financial literacy and thus rendering a boost to financial inclusion. The financial institutions need to concentrate on improving their services and concentrate on empowering financial gain to the unbanked sections.

Conclusion

It is evident from the above research studies that financial inclusion is on the positive direction of successful implementation. Yet the regulatory bodies need to keep bringing in newer changes to serve the unbanked sections at the global level. The path towards hundred percent financial inclusion is a long way but newer scopes and studies are guiding towards knowing the issues that come forward. Financial Inclusion is still an attempt to empower the financial literacy and economic development of any country.

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