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Financial Inclusion towards Sustainable Development: An Assessment of Current Status

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Abstract:
Sustainable Development goals have been envisaged as the most profound tool to eliminate poverty in a wholistic manner including the social, economic and environmental aspects. As compared to Millennium Development Goals (MDGs), the SGDs are more comprehensive not solely targeting towards ending poverty but to be applied universally (Gaffney, 2014). SDGs provide bunch of global goals to be pursued by different governments in the overall interest of humanity (Rupak Das, 2019). Sustainable development rests upon the concept of inclusiveness which emphasises that fruits of economic development must percolate to the bottom most parts of society. Inclusive growth was recognised as a rational strategy for economic development when it was realized that benefits of economic growth are not shared equitably (Das, 2012). Studies have proved the relevance of affordable financial services for achieving inclusive growth. To achieve this financial inclusion has been adopted which implies providing affordable and accessible financial services to every section of society. To enhance the purview of financial services with a view to cover financially excluded, number of policy reforms and initiatives have been formulated since the adoption of SDGs in 2015 and even before that. One such revolutionary reform has been digital financial inclusion. The digital financial inclusion has proved itself remarkable by cutting down transaction and operational cost on "large frequency low volume" transactions of financially excluded. The current study tries to explore the status of financial inclusion in India. The first section of the paper will present a systematic review of literature on sustainable development and financial inclusion. The second section will explore the status of financial inclusion in the country both in terms of digital finance and physical infrastructure. The third section of the paper will present suggestions for futuristic framework to make achieve sustainable development through robust financial inclusion policies.

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INTRODUCTION

Nature has endowed us with numerous resources collectively denoted as earth's life support system. Irrational exploitation of these resources owing to human greed has however severely hampered this system leading to extreme inequalities around the world. It has been proved that for a prosperous global society the earth systems should be functioning with stability (griggs, 2013). To support this view, the world leaders in United Nations Rio +20 summit articulated a set of goals termed as "Sustainable Development Goals" which were supposed to follow their predecessors Millennium Development Goals. SGDs were adopted by 194 countries who committed to work towards the achievement of SGDs by 2030. Poverty elimination has been accorded high weightage in these SGDs. It has been observed that poverty is a major setback to the sustainable development ideology as it deprives a huge chunk of population specially in developing countries to share the fruits of development. According to the 2011 census nearly 22 percent of

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Indian population is still poor. Although poverty eradication has remained the major agenda in every government's regime so far since independence, they largely remained inadequate. Financial inclusion proved as a substantial measure which offered complementary and incremental solutions to tackle the issue of poverty and stimulate inclusive growth (Chibba, 2009).

World bank Group President Jim Yong Kim has stated that Financial inclusion provides opportunities to save for family needs, borrow to run a business or build a cushion against contingencies. Access to formal financial services, therefore, is a critical step towards reducing both poverty and inequality. Considering the severity of eradicating poverty to promote sustainable development, Financial Inclusion can be considered as an indispensable tool. According to the world bank "Financial Inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs- transactions, payments, savings, credit and insurance- delivered in a responsible and sustainable way." National governments world over have adopted policies to actively promote Financial Inclusion and to a large extent these policies have yielded results too. 69 percent adults had a bank account globally in 2017 as against 62 percent in 2014 and 51 percent in 2011 (Global Findex Database 2017). However, the increase has not remained equal across the globe and also between genders. Studies have revealed that those who still remained unbanked are mostly citizens of developing countries. Various steps have been taken by Government of India to accelerate the pace of Financial inclusion in the country. Pradhan Mantri Jan Dhan Yojna (PMJDY) was rolled out in 2014 which aimed at providing banking services to the unbanked primarily in the rural areas.

Table 1.1 Performance of PMJDY in terms of accounts opened, deposit balance and average deposit balance:

S.no.	**Item**	**Mar-15**	**Mar-16**	**Mar-17**	**Mar-18**	**Mar-19**
1	No of PMJDY accounts (in crores)	14.72	21.43	28.17	31.44	35.27
2	Deposit in PMDJY accounts (in crores)	15670	35672	62972	78494	96107
3	Average Deposit per PMJDY account (in Rs)	1065	1665	2235	2497	2725
4	Number of Rupay debit cards issued to PMJDY account holders (in crores)	13.14	17.75	21.99	23.65	27.91

Source: Department of Financial Services (Annual report 218-19)

Table 1.1 shows the performance of PMJDY over a period of five years from 2015-19. There has been improvement in all major aspects. The number of accounts increased by 139.6 percent from 14.72 crores to 35.27 crores. This indicates the efforts towards increasing the inclusivity were yielding positive returns. The average deposit in PMJDY accounts also increased significantly from 15670 crores to 96107 crores marking 513 percent increase. The Major achievements of PMJDY:

1) 53 percent of the total Jan Dhan accounts were women accounts as on 31st Mar 2019
2) Significant rise in average deposit from Rs. 1065 in March 2015 to Rs 2725 as on 31.3.2019
3) 28 crore (approx.) RuPay debit cards were issued till 31.3.2019
4) Life Insurance cover of Rs.30,000 was also provided under PMJDY.
5) Linking of accounts with Aadhar number

Another major initiative of RBI was the implementation of National Strategy for Financial Inclusion 2019-24 as a major step towards further boosting financial inclusion efforts in the country.

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Banks have been advised to articulate their structured plans more appropriately known as FIPs (Financial Inclusion Plans). These FIPs report banks achievement on parameters such as the number of outlets (branches and business correspondents), Basic Savings Bank Deposit Accounts (BSBDAs), overdraft facilities, KCCs and General Credit Card (GCC) accounts and transactions in ICT-BC accounts.

Table 1.2 Financial Inclusion Progress

Particulars	**End-March 2010**	**End-March 2018**	**End-March 2019***
1	**2**	**3**	**4**
Banking Outlets in Villages - Branches	33,378	50,805	52,489
Banking Outlets in Villages > 2000-BCs	8,390	100,802	130,687
Banking Outlets in Villages < 2000- BCs	25,784	414,515	410,442
Total Banking Outlets in Villages – BCs	34,174	515,317	541,129
Banking Outlets in Villages-Other Modes	142	3,425	3,537
Banking Outlets in Villages – Total	67,694	569,547	597,155
Urban locations covered through BCs[$]	447	142,959	447,170
BSBDA - Through branches (No. in Million)	60	247	255
BSBDA - Through branches (Amt. in ₹ Billion)	44	731	878
BSBDA - Through BCs (No. in Million)	13	289	319
BSBDA - Through BCs (Amt. in ₹ Billion)	11	391	532
BSBDA - Total (No. in Million)	73	536	574
BSBDA - Total (Amt. in ₹ Billion)	55	1,121	1,410
OD facility availed in BSBDAs (No. in million)	0.2	6	6
OD facility availed in BSBDAs (Amt. in ₹ Billion)	0.1	4	4
KCC - Total (No. in Million)	24	46	49
KCC - Total (Amt. in ₹ Billion)	1,240	6,096	6,680
GCC - Total (No. in Million)	1	12	12
GCC - Total (Amt. in ₹ Billion)	35	1,498	1,745
ICT-A/Cs-BC-Total transactions (Number in million)[#]	27	1,489	2,084
ICT-A/Cs-BC-Total Transaction (Amount in ₹ billion)[#]	7	4,292	5,884

*:Provisional
[$]: Out of 447,170 outlets, It is reported that 388,868 outlets provide limited services like only remittances or sourcing of loans, etc.
[#]:Transactions during the financial year.
Source: As reported by banks.

Source: RBI Annual Report 2019

Table 1.2 depicts the progress made towards financial inclusion from 2010 to 2019. The total number banking outlets in villages increased by 780 percent. This is particularly significant as huge chunk of financially excluded resides in rural areas.
India has made significant progress towards Financial Inclusion owing to futuristic and robust policies. In 2011, 40 percent of Indian adults had a bank account which doubled to 80 percent Indian adults having bank account in 2018 according to Global Findex Data 2018.
Recent trends have indicated that with the expansion of information technology services across the globe and usage of mobile telephony there is a huge scope for Digital Financial Inclusion. According to IMF Financial Access Survey 2019, mobile money has a significant impact on Financial Inclusion in particularly for countries where the physical banking system lacks required level of penetration. In many countries innovative financial service providers are already leveraging available digital technology base and customer networks to provide financial products and services to the low-income groups (pre

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dominantly financially excluded) at low transaction cost which is the need of the hour.

Digital Financial Inclusion can be defined as a platform which enables the financially excluded access to formal financial services in a digital manner. Any digital financial service to be effective must comprise three components:

1) Digital Transactional Platform
2) Retail agents and service providers
3) A digital device which facilitates transactions

Studies have revealed that connecting financially excluded to digital financial inclusion platforms can yield enormous welfare results.

Sustainable Development

During Rio+20 summit held in Brazil in 2012 governments from across the globe committed to endure a set of sustainable development goals which were sought to follow Millennium Development Goals after their deadline in 2015 (David Griggs, 2013). It was increasingly being felt that the current pace of development would not remain sustainable if inclusive growth is not attained. The concept of SDGs tremendously gained momentum owing to the dire need of sustainable development across the world (Sachs, 2012). Many studies focussed upon the environmental aspects however the focus upon poverty urbanisation aspects of sustainable development. Poverty and urbanisation were two key aspects which were detrimental for sustainable development (Patrick Brandful Cobbinah, 2015). Poverty is defined as a state where a person or a community as a whole lacks the access and resources to maintain a reasonable standard of living. Studies have revealed that poverty is a major obstacle towards sustainable development in particularly for developing countries. The ambition of achieving sustainable development cannot be fulfilled unless poverty reduction and environmental degradation are not taken seriously (Jalal, 1993). World over it has been emphasised that poverty reduction should be at the helm of issues to be managed by the governments and regulators. Moreover, governments should explore new avenues for poverty reduction with increased focus upon creating new alliances (Qian Qian Liu, 2015). The environmental considerations and efforts towards poverty reduction should be knitted together so that substantial progress could be marker (Ahmed, 2010). India is the fastest growing economy in the world with a unique with 17.7 percent of the total world population. 19 percent of Indian population is still unbanked (Assocham-EY report 2019). To overcome wide economic and social disparity, inclusive growth is the most effective tool but it will remain largely unattainable until agriculture growth, employment generation, poverty reduction and social sector strengthening is not focussed (Sharma, 2009).

Financial Inclusion

To achieve inclusive growth, Financial Inclusion is inevitable. It makes financial services accessible to all individuals and businesses and thereby provides platform to the excluded people to participate in financial sector (Ravi, 2019). For developing countries like India, making financial services accessible to the poverty stricken and vulnerable groups has become a priority to alleviate poverty (Joshi, 2017). It has also been proved that human development and financial inclusion are closely related to each other (Sharma M. , 2011). Therefore, it can be established that financial inclusion is an indispensable tool for attaining human development by eradicating poverty in a country. this approach towards development will support sustainable development. Amongst those who remained deprived from accessibility to financial services i.e. financially excluded were mainly small and marginal farmers, women, unorganised sector artisans, self-employed and pensioners (Dev, 2006). Therefore, there is dire need to frame policies which specifically target these vulnerable groups and bring them under the ambit of formal financial services. The loopholes in the policies should be identified and plugged so that inclusion to the desired extent can be achieved. Studies have revealed that the barriers which prevent account usage are mainly distance, high transaction cost, inadequate documents etc (Asli Demirguc Kunt, 2012). To address the issues of high transaction cost and accessibility Digital Financial Inclusion has emerged as a new avenue. With the current rate of expansion in the mobile networks and IT, digital financial inclusion can accelerate the pace of Financial Inclusion and sustainable development.

Digital Financial Inclusion

Studies have revealed that there exists a gap between finance availability, accessibility and usage. Fintech providers world over have been focussing upon digital financial inclusion, financial data inclusion and digital finance (Ozili, 2018). World over banking systems have exhibited increased enthusiasm towards adopting digital financial avenues considering their strength to supplement traditional banking channels. Owing to such directed efforts, large chunk of previously excluded population have migrated towards formal financial services either using a mobile phone or available digital platforms ((CGAP), 2014). By connecting poor and vulnerable groups to digital financial networks sizable developmental benefits could be reaped (Voorhies, 2012). In India, the Payment and settlement system act, 2007 is the pinnacle act which regulates payment systems in India and also authorises RBI to regulate digital payment systems. With the smartphone revolution outbreak in India, digital payment options from e money to UPI have witnessed a huge surge (RBI, 2019). E money and other regulatory framework together with technological improvement and extensive use of mobile technology will make mobile banking more attractive as compared to traditional banking (Purvi Shah, 2015). The proportion of electronic transactions as compared to total volume of retail payments reported significant improvement at 95.4 percent in 2018-19 higher than 92.6 percent in the previous year (RBI, Annual Report, 2019).

Overview of Indicators of Financial Inclusion for India:

	2014	2015	2016	2017	2018
Number of ATMs per 100000 adults	17.73	19.63	21.15	21.98	21.64
Number of Commercial bank branches per 100000 adults	12.82	13.52	14.21	14.51	14.50
Outstanding deposits with commercial banks (% of GDP)	63.81	64.79	62.49	62.77	60.01
Outstanding loans from commercial banks (% of GDP)	50.39	49.95	48.97	46.32	46.01
Outstanding Medium and Small enterprise (SME) loans from commercial banks (% of GDP)	6.83	6.98	6.49	6.26	6.03
Number of registered mobile money accounts per 1000 adults	13.20	73.29	221.94	443.52	541.94
Value of mobile money transactions (% of GDP)	0.02	0.06	0.13	0.31	0.57

Source: Financial Access Survey (IMF)

The data indicates that across all parameters India has been achieved significant improvement. In particularly, there has been a significant improvement in terms of number of registered mobile money accounts per. From a marginal 13.20 per 1000 adults to 541.94, there is a significant increase. Similarly, the value of mobile money transactions (as percentage of GDP) has increased from 0.02 to 0.57. This further supports the digital inclusion wave in the country.

Digital Financial Inclusion Enablers:

Number of mobile consumers	1.15 Billion (December 2016)
Number of Aadhaar cards	1.12 Billion
Numbers linked to Aadhaar (35% of those with Aadhaar card)	399 Million
Number of bank accounts under PMJDY	29.04 crore

Source: UIDAI, PMJDY and TRAI websites

Conclusion:

It has been observed that achieving financial inclusion is inevitable for sustainable development. Although India has been doing fairly well in terms of financial inclusion with a record 80 percent population having a bank account currently. Still, certain issues remained which needs to be addressed to progress ahead. As a feeble logistically connected country and huge information asymmetry achieving financial inclusion a wholistic manner is still a challenge. Digital financial inclusion has been sought as an alternate which leads to lower transaction cost and improved accessibility. The surge in magnitude of mobile users and the penetration of mobile technology in the country also supports the digital financial inclusion wave.

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