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Progress and Prospects of Financial inclusion in India

Mrs. Pritha Gawande, Mrs. Shilpa Gawande
Assistant Professor, Centre for distance and online education, Bharati Vidyapeeth (Deemed to be university), Pune, India
Assistant Professor, Centre for distance and online education, Bharati Vidyapeeth (Deemed to be university), Pune, India
Email -Prithagawande1990@gmail.com, Shilpa.deshmukh84@gmail.com

Abstract:
The modern world is now a digital one. India is working to adopt electronic payments. A payment system using an electronic network is known as an electronic payment system. In other words, an e-payment is a way for a person to make Online Payments for his or her purchase of products and services, regardless of place or time, without physically transferring cash or checks. India is currently going through a phase of demonetization, hence in the current context it is essential to handle the e-business environment by making electronic payments whenever you want using the internet. The purpose of this study was to identify the problems and difficulties with electronic payment systems and to suggest some improvements. E-payment system offers various threats in addition to greater opportunities.

(Dr. Parmeshwar Yadav, 2022) in their study will shed insight on India's government policies, sector growth, and safety measures as well as the paradigm shift in digital payments that occurred during and after the pandemic scenario there. The causes of the growth will also be examined in the article. Even though the Indian economy exhibits mixed-economy traits, there has been a significant increase in digital payments. As a result, prospects and growth are carefully examined.

INTRODUCTION:

There must be an effort to include the most participation from all societal segments as the Indian economy develops, especially when the goal is to achieve sustainable development. However, as the bulk of the population lacks access to formal credit, the lack of financial literacy and awareness among the country's rural population is impeding economic growth. This is a significant problem for the nation's economic development. The banking industry developed certain technological advances, such as automated teller machines (ATM), credit and debit cards, internet banking, etc., to get over these obstacles. Even though the emergence of such banking technology changed urban society, the bulk of rural residents are still uninformed of these changes and are not allowed to participate in formal banking.

Improved and more sustainable economic and social growth of the nation is made possible through financial inclusion. To make people independent and well-informed to make better financial decisions, it aids in the empowerment of the society's downtrodden, poor, and women. Based on the amount of their access to financial services like savings and checking accounts, credit insurance, pensions, etc., vulnerable groups including weaker members of society and low-income groups are considered when discussing financial inclusion. The goal of financial inclusion is also to make financial services easily accessible so that rural people and businesses can invest as much as possible in business opportunities, education, retirement savings, risk insurance, etc.
In India's rural areas, financial services are still not widely available. The factors causing this state can be examined from both the supply and demand sides, and it is likely that a lack of supply is the main element contributing to the poor penetration of financial services. Low-income levels, a lack of financial awareness, family bank accounts, and other factors may all contribute to the low demand for financial services. On the other hand, supply-side factors include the absence of a bank branch nearby, a lack of items that are ideal for serving the requirements of the poor, complicated procedures, and language hurdles.

Since 2005, the Reserve Bank of India (RBI) and the Government of India (GOI) have been making efforts to grow monetary inclusion. Measures together with SHG-financial institution linkage program, use of enterprise facilitators and correspondents, easing of Know Your Customer (KYC) norms, digital advantage transfer, a separate plan for city monetary inclusion, use of cellular technology, financial institution branches, and ATMs, establishing and encouraging 'no-frill-accounts' and emphasis on monetary literacy have performed a considerable function for growing using formal sources for availing loan/ credit score. Measures initiated through the authorities include establishing customer support centers, credit score counseling centers, Kisan Credit Card, Mahatma Gandhi National Rural Employment Guarantee Scheme, and Aadhar Scheme.

These renewed efforts are more targeted than the sooner measures which had been greater popular in nature having a mile's wider scope. Though the measures had been initiated earlier, their effect on the agricultural populace desires to be analyzed and reframed to recognize the prevailing situation withinside the rural areas.

Digital Payments are defined by the Payment and Settlement Act of 2007. According to this, an "electronic funds transfer" is any transfer of money that is started by someone who instructs, authorizes, or orders a bank to debit or credit a bank account held with that bank using electronic means. This includes point-of-sale transfers, transactions at automated teller machines, direct deposits or withdrawals of money, transfers started over the phone, the internet, and card payments.
Since the development of digital payment methods like UPI, BHIM, e-wallets, mobile banking, etc., the digital payments industry in India has grown at an exponential rate. Customers have switched from using traditional payment methods to contactless payments because of the development of new mobile and digital payment technologies. The convenience of conducting transactions electronically and rewarding incentive programmes are positively influencing the Indian economy's digital landscape. In India, digital payments have grown significantly in both volume and value during the past five years.
Mobile wallet transactions were found to have the largest transaction values of any other option. Demonetization had a significant impact on India's digital payments revolution even if its basic goal was not to magnify and accelerate it. Mobile payments have become more widely used in the post-demonetization era, yet usage and retention rates have remained low. Up until 2019, when the novel coronavirus (Covid-19) massively spread from China to other areas of the world, India's digital ecosystem was expanding quickly. Immediate plans called for a 30% decline in the value of digital payment transactions following the GOI's state-wide lockout in March 2020.

To reduce the use of actual currency, government regulators promoted the use of digital payment methods including IMPS, NEFT, RTGS, UPI, etc. Government initiatives like these and the lifting of the state of emergency across the country signalled a recovery in online payment activity on various platforms (KPMG). The nation-wide lockdown and social distance norms opened the stage for a necessary uptick in digital technology. Both corporate corporations and people all around the world had to get used to the new job and daily routines. High transaction volumes using contactless payments at retail establishments, fruit and vegetable vendors, and grocery shops were brought on by the outbreak of new coronavirus derivatives. Banks were early adopters of technology; therefore, they were spared the consequences of Covid19.

LITERATURE REVIEW:

Definition of Financial Inclusion

Financial inclusion can be defined as the delivery of banking services at an affordable cost to the vast sections of disadvantaged and low-income groups. In the case of credit, the proper definition of the financially excluded would include households who are denied credit despite their demand. Although credit is the most vital component, financial inclusion covers various other financial services such as saving insurance payments and remittance facilities by the farmer financial system to those who tend to be excluded.
In the case of credit, many households are being exploited by moneylenders at extremely high rates (50 to 60%) and therefore, these households should not be seen as being financially excluded. It may be true that RBI is thinking of using money lenders as agents. But the proposal is yet to materialize. Therefore, financial

inclusion refers to households accessing institutional credit including commercial banks, cooperative banks, RRBs, NABARD SHG (Self-help group)-Linkage, and other self-help groups and credible microfinance institutions. It is possible that to fulfill targets of financial inclusion, more bank accounts may be opened in the formal system. However, opening a bank account itself is not sufficient. Financial inclusion also refers to more efforts toward covering small and marginal farmers and vulnerable social groups. A broader definition of inclusion should also focus not only on credit but also on an increase in productivity and sustainability of farmers and other vulnerable groups.

1. Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost (The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan).

2.Financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products (The Committee on Financial Sector Reforms, Chairman: Dr.Raghuram G. Rajan).

Role of Financial Inclusion

Financial Inclusion is vital for the inclusive growth of India, with greater than 25 % of its population living in abject poverty government’s onus in the direction of their growth and development is huge, and inclusive finance is one such degree that if targeted and attained withinside the proper way will offer an apt method to the extreme issues of poverty and unemployment. Providing get right of entry to economic offerings has the vast capability to assist raise the terrible out of the cycle of poverty. Financial inclusion promotes thrift and develops a subculture of saving and additionally enables an efficient price mechanism strengthening the aid base of the economic organization which advantages the financial system as assets emerge as to be had for efficient price mechanism and allocation.
Poor are usually greater vulnerable to financial exclusion which is virtually due to the fact their predominant issues arise from the want of finances. The formal banking offerings, through exploiting economies of scale and making appropriate use of focused subsidies may also lessen or eliminate marketplace imperfections and facilitate financial inclusion of the poor, eventually, main to higher incomes. The get right of entry to economic offerings through poor could cause their intake smoothing and investments in health, training, and profits producing activities, for that reason increasing boom possibilities for them. Inclusive boom if focused systematically also cause economic stability, asset construction and monetary mobility, and empowerment of the low-profit organization's people.

However, one needs to understand that inclusive finance is a longer-term phenomenon that cannot be accomplished overnight, regarding growing us of a like India in which the get right of entry to economic merchandise is restrained via way of means of numerous elements along with loss of awareness, unaffordability, excessive transaction costs, and inconvenient, rigid, and occasional nice of merchandise. In the in-addition phase of the paper, we can attempt to discover the quantity of economic inclusion in India.

This Division deals with everything related to the census, including planning, preparations, pre-testing of the questions and schedules, conducting the census, tabulating the results from the census, and disseminating them.

Basic statistics on the state of human resources, demography, culture, and economic structure at the local, regional, and national levels are provided by the population census. The future direction of the country must be guided and shaped by all this information. The two main characteristics of a census are universality and simultaneity. Keeping track of a huge population in a country the size of India is a tremendous task. The 16th in the series and the eighth since independence will be the upcoming decadal census of India.

Nearly 30 lakh enumerators and supervisors will be employed for this enormous operation, which aims to count roughly 135 crore (1.35 billion) individuals throughout the nation. The enumerators and supervisors, who will be visiting every home to canvass census schedules, are primarily selected from the local schoolteachers, Central and State/UT government officials, and officials of local bodies.

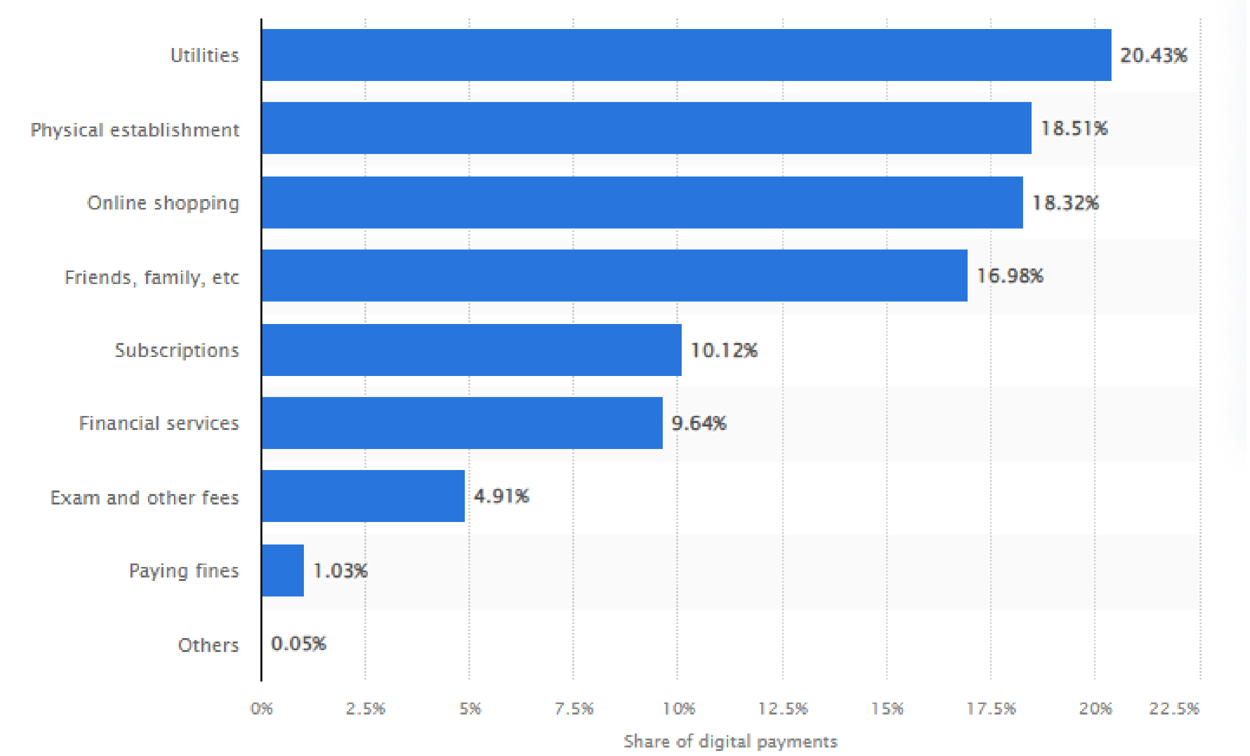
House listing and Housing Census and Population Enumeration were the two parts of the Indian census operations. All buildings, Census Houses, and Households are identified and methodically listed in the pertinent schedules during house listing and housing census. It offers thorough information on the state of human settlements, the housing shortage, and, as a result, the housing needs that must be addressed in the creation of housing policy. Additionally, a comprehensive range of data and information about the resources and amenities made available to the Households will be provided. By providing a more accurate estimate of the population size of the House listing blocks and assuring a more feasible carving of the blocks for Population Enumeration, this would also serve as the foundation for the process.

The population census follows the housing census at 6- to 8-month intervals. In the second stage of the census, each person is counted, age, marital status, religion, schedule occupation/schedule tribe, native language, education level, disability, employment, immigration, and fertility rate (for women). personal data such as) is collected.

It is customary to pre-test a census plan about two years before the census takes place.
In the Indian census history, for the first-time census data will be collected digitally i.e., on a mobile app during the next census. The mobile application for census purposes has been designed to be very simple, practical, and user-friendly to ensure maximum acceptance by all enumerators and supervisors. With the help of a mobile app, all data is immediately ready for processing without the need for additional logistics for ICR scheduling and processing. In addition, the self-statistical function will be provided for the first time in the next census. India's Census is changing to "Digital Census". Adopting a scientific approach, the CMMS portal has been developed by ORGI to effectively manage and monitor the upcoming census.

For the first time, a separate book will be provided for some of the questions posed during the second phase of the upcoming census. For questions involving descriptive/non-numerical entries, a separate codebook, containing the possible answers and codes for each of these questions, was prepared for use by interviewers. The code book will contain codes related to relationship with leader, mother tongue and other known languages, occupation, nature of industry, trade or service, place of birth/place final residence and Scheduled Caste (SC) / Scheduled Tribe (ST), and so on.

Share of digital payments in India in 2020, by purpose



Objectives of the study:

1. A Study on Financial inclusion and Digital Payment Revolution in India
2. To study the opportunities and challenges of digital payments in India.
3. To identify the future of digital payment system in India.

Research methodology:

The study used secondary data and information. To conduct a successful study, numerous journals, Circulars, articles, books, and pertinent websites have been studied. Examining India's E-payment system is the goal of the current study.

E-Payment options in India:

The Government of India's main initiative, the Digital India programme, aims to make India into a knowledge-based society and economy. One of the goals of Digital India is to be "Faceless, Paperless, and Cashless." A variety of digital payment methods are offered to encourage cashless transactions and make India a society that uses less cash.
E Wallets – Paytm, Free charge etc.
UPI – Unified payments Interface Apps
Plastic Money – Debit/Credit Cards
Net Banking – Online Fund Transfer
Aadhaar Card – Aadhaar Enabled Payment System

E Wallets:

(Brahmbhatt, , May 2018) in her study of Perception towards E-Wallets in Ahmedabad City has described about e Wallets in detail. The barter system to electronic wallets represents a significant transition in the payment business. Customers around the world, especially the older generations, are not very comfortable sending money over the internet. Their sense of security is provided by digital wallets, which serve as a barrier between the bank and the merchant. Since the amount of money that may be stored in digital wallets is limited, any loss in the event of a security breach is also constrained. A wallet also creates a financial trail for all parties involved that aids in conflict resolution. The use of wallets will grow in the next years as hacking and data theft become a real issue.

UPI:
The Unified Payments Interface (UPI) is a system that integrates various bank accounts, smooth fund routing, and merchant payments into a single mobile application (of any participating bank). Additionally, it supports "Peer to Peer" collect requests that may be planned and paid for according to need and convenience. Considering the circumstances, NPCI carried out a pilot launch with 21 member banks. Dr. Raghuram G. Rajan, Governor of the RBI, launched the pilot programme on April 11, 2016, in Mumbai. Beginning on August 25, 2016, banks have begun to submit their UPI-enabled apps to the Google Play store.

Plastic Money – Debit/Credit Cards:
(TEAM FINFIRST, 2021) defined Plastic Money – Debit/Credit Cards as More people are substituting cards for actual cash. They are referred to as plastic money. Plastic currency is represented by debit and credit cards. We now find it simpler to complete transactions in our daily lives thanks to plastic money. It has established itself as a vital form of instant money and has supplanted cash payments across the world. It has made it easier for us to purchase products that we otherwise couldn't afford with some of the greatest credit cards available.

Net Banking – Online Fund Transfer:
(cashlessindia, n.d.) states Internet banking, sometimes referred to as online banking, e-banking, or virtual banking, is a type of electronic payment system that allows customers of banks and other financial institutions to carry out a variety of financial transactions via the financial institution's website. Its done in three ways, NEFT, RTGS, ECS and IMPS.

Aadhaar Card – Aadhaar Enabled Payment System:
(NPCI, n.d.) states Aadhaar authentication is used in AePS, a bank-led platform that enables online interoperable financial inclusion transactions at PoS (MicroATM) through the Business Correspondent of any bank. Six different types of transactions are possible with AePS.
In this instance, a customer simply needs to provide the following inputs:
Bank Name, Aadhaar Number, and Fingerprint taken upon enrolment.

DISCUSSION:

How Can India Benefit from Digital Payment Revolution:
(Handa, 2020) in her research article stated that Numerous issues that India has, including tax evasion, note counterfeiting, and money laundering, can be resolved with the Digital Rupee. Government officials and regulators have access to the complete history of all transactions made using digital currency. Big data analysis and advanced machine learning would improve the detection, prevention, and limitation of frauds and other dangerous acts. The development of digital rupees will permanently halt other nation's attempts to forge Indian currency to finance drug trafficking and terrorism in India. The only entity with the power to produce and distribute the digital currency as it sees fit would be the Reserve Bank of India. Other benefits include:
Substitution for Cash: The CBDC (Central Bank Digital Currency) can be set up to carry out the different tasks currently handled by cash and bank deposits. It would appear possible to switch from cash to CBDC because it would be speedier and similarly safe and free of credit risk as cash. CBDC can take the place of cash payments from households to companies for goods and services, presents, rent, and other expenses, as well as payments from households to businesses for employee remuneration (goods and services from suppliers).

Future of Digital Payments in India:

It appears that India will need adequate time to transition to a cashless society. It will need total support from the populace as well as increased awareness and education. To increase the number of digital transactions, it is first necessary to address the issues of education and digital literacy. Additionally, cashback promotions are effective now, but to accelerate digital transactions in India and achieve transaction transparency, the eradication of black money, and long-term economic growth through a cashless society, it will be necessary for a dedicated, secure, and highly reliable payments network. We can have a bright future for digital payments in India if we accomplish this.

SUGGESTIONS:

- The public can be assured by the government that digital payment operations are free of transaction fees, enabling customers of various transactions to make purchases online. Government might offer discounts to shops, merchants, and other suppliers who sell goods and services online, which would encourage all merchants to start selling online.
- Government might offer discounts to shops, merchants, and other suppliers who sell goods and services online, which would encourage all merchants to start selling online.
- The government may organize training programmes to help everyone learn how to use digital payments.
- Government can provide ongoing media coverage of the advantages of digital payments for society and for the individual through TV news/shows, radio, social networking, newspapers/magazines, etc.
- Customers must be able to abide by the terms and conditions of digital payment methods, report any loss or theft of an electronic payment instrument (EPI) to the issuer right away, and maintain balance monitoring, particularly after each transaction.

CONCLUSION / SUMMARY:

The acceptance of digital payments will be required in the future; thus, it will also be necessary for people's behaviours to shift. In addition to being safer than a cash transaction, becoming cashless also takes less time. Additionally, it aids in keeping track of all completed transactions. As of March 2016, there were more than 22 crore smart phone users in India and more than 100 crore active mobile connections. With higher internet speeds, this number will rise even further. Digital payments are being accepted in more remote places thanks to the expansion of the mobile network, Internet, and electricity. It follows that a cashless transaction system is the way of the future.

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