



A STUDY OF FINANCIAL INCLUSION THROUGH FINTECH

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ABSTRACT

Financial inclusion refers to the process of ensuring access to affordable, timely, and adequate financial products and services for all sections of society, particularly the unbanked and underbanked population. In recent years, financial technology (Fintech) has emerged as a powerful tool in advancing financial inclusion by leveraging digital platforms, mobile technology, and data analytics to deliver financial services efficiently and at lower costs. The study focuses on the role of Fintech in expanding financial inclusion in India. The study is limited to secondary data collected from reports, journals, RBI publications, and online sources.

This study examines the role of Fintech in promoting financial inclusion, with a specific focus on digital payments, mobile banking, peer-to-peer lending, and microfinance platforms. It analyses how Fintech innovations have helped overcome traditional barriers such as geographical distance, high transaction costs, and lack of formal documentation. The study also discusses challenges associated with Fintech-driven inclusion, including digital literacy gaps, cybersecurity risks, and regulatory concerns. This study highlights the potential of Fintech to bridge financial access gaps and support inclusive economic growth, particularly in developing economies like India.

KEYWORDS- Fintech, Financial Inclusion, Digital literacy, Cybersecurity, Regulations

Fintech

Fintech helps more people access financial services by using technology. It makes banking cheaper, easier, and more convenient for people who don't have access to traditional banks. By avoiding complex bank systems, Fintech helps reduce poverty, supports economic growth, and empowers underserved communities.

Fintech (Financial Technology) plays a significant role in accelerating **economic growth** by increasing financial services access, increasing efficiency, and fostering innovation across the economy. Fintech contributes to economic growth by expanding financial inclusion, improving efficiency, supporting entrepreneurship, and strengthening the formal economy.

Meaning of Financial Inclusion

Financial inclusion means making sure that everyone can use basic financial services like bank accounts, savings, loans, insurance, and digital payments. These services should be affordable, useful, and safe, especially for poor and underserved people.

The main aim of financial inclusion is to remove barriers so that all people can save, borrow, invest, and manage money, no matter where they live or how much they earn.

According to various studies and the RBI Committee (2008), financial inclusion also means providing timely and sufficient credit to weaker and low-income groups at a reasonable cost.

Objectives of the study-

- To understand the concept of financial inclusion and Fintech.
- To examine the role of Fintech in promoting financial inclusion.
- To identify challenges faced in Fintech-based financial inclusion.
- To suggest measures for strengthening inclusive digital finance.

Scope of the Study

The study focuses on the role of Fintech in expanding financial inclusion in India. It covers digital payment systems, mobile banking, digital lending, and government-supported Fintech initiatives. The study is limited to secondary data collected from reports, journals, RBI publications, and online sources.

Research Methodology

The present study is based on **secondary data**. Information has been collected from:

- Reserve Bank of India (RBI) reports
- World Bank publications
- Research journals and articles
- Government websites and policy documents
- Newspapers and financial magazines

The data has been analyzed using descriptive and analytical methods.

Importance and Need of Financial Inclusion

1. Banking for Everyone

Financial inclusion helps people in rural and remote areas open bank accounts, save money, and use digital payment systems.

2. Reduction of Poverty

When people have access to savings and loans, they can handle emergencies, invest in their future, and reduce dependence on moneylenders.

3. Direct Benefit Transfer (DBT)

Financial inclusion allows the government to directly transfer subsidies, pensions, and welfare benefits into people's bank accounts, making the process faster and transparent.

4. Empowers Small Earners

Easy access to loans and financial services helps small business owners, farmers, and daily wage workers grow their work and earn more money.

5. Boosts Economic Growth

When more people use banking services, money moves more freely in the economy. This supports businesses and helps the country develop.

6. Reduces Income Inequality

Research shows that better access to financial services is linked to lower income inequality (measured by the Gini coefficient). However, there is less clear evidence that financial access directly reduces poverty.

FinTech (Financial Technology) means using technology to provide financial services in a better and cheaper way. It aims to make financial products affordable, fast, and user-friendly, and to compete with traditional banking methods.

Examples of Fintech include biometric authentication, buy now pay later, digital wallets, mobile banking through smartphones, online investing, borrowing services, and cryptocurrencies. These technologies help make financial services more accessible to people.

Fintech is a growing industry that includes both start-ups and traditional financial institutions using technology to improve or replace old financial services. Companies that focus on insurance using technology are called InsurTech.

Fintech companies help reduce high bank charges, such as fees for opening bank accounts and processing transactions. They also support the government in reducing unnecessary charges and improving the financial system.

Vision of Fintech- Fintech's vision is to create inclusive, efficient and user-centric financial system with the help of technology to provide easy access and usage and also to provide safe, secure, fast, easy, and affordable digital payment services,

Globally, Fintech helped 1.2 billion people join the formal financial system (2011–2021)

In India, UPI crossed 14 billion transactions worth ₹20.4 lakh crore in June 2024, showing strong trust in digital payments.

In just four years, digital transactions have grown more than four times and nearly 1.7 times in value.

Financial Inclusion with the help of Fintech

Fintech helps people easily access financial services using technology. Main Ways that Fintech supports Financial Inclusion are-

1. Digital Payment System – Cashless payments through UPI, QR codes, and apps
2. Electronic Wallets – Store and use money digitally
3. Crowdfunding – Collect money online from many people
4. Peer-to-Peer (P2P) – Direct money transfer or lending between people

Areas & Uses of Fintech

1. Digital Payments- Fast, low-cost, and cashless transactions (UPI, wallets, QR codes)
2. Digital Identity- Easy bank account opening using Aadhaar, e-KYC, and biometrics, especially for people without bank access

3. Digital Lending- Small and instant loans like microcredit and Buy Now Pay Later (BNPL)
4. Branchless Banking- Banking services through Business Correspondents, Micro-ATMs, and kiosks without visiting bank branches
5. InsurTech- Affordable insurance for health, crops, and life (e.g., PMSBY)
6. Agri-Fintech- Helps farmers with digital loans, weather updates, market prices, crop insurance, and advice
7. Remittance & Transfers- Safe and quick money transfer to remote areas without travelling or using cash

Difficulty in applying Fintech

RBI constituted Fintech department in January 2022 with the objective to identify pioneering prospects in Fintech sector. The department also highlights present challenges like cybersecurity threats, personal information data security so that technological progress align with regulatory framework. Fintech sector in India is regulated by integrated structure of laws and regulatory bodies like IT Act 2000, Prevention of Money Laundering Act 2002, Foreign Exchange Management Act 2007, Banking Regulations Act 1949 and many more. So, bankers face difficulties in applying Financial Technology due to integrated regulatory framework, legacy application, human resource limitation and infrastructural limitations.

Findings of the Study

- Fintech has significantly improved access to financial services.
- UPI and mobile payments have reduced cash dependency.
- Rural and semi-urban populations benefit from digital banking.
- Financial inclusion has increased due to government–Fintech collaboration.
- Digital awareness remains a major concern.

Suggestions

1. For sustainable economic development, financial inclusion through fintech has become essential especially after Covid-19.
2. For smooth functioning of financial technology awareness and training modules should be increased.
3. For easy access and usage of financial technology, human resource availability and infrastructure facility should also be increased.
4. Preventive measures should be taken for cybersecurity and data security.

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