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Fintech and a Picture of Financial Inclusion in India : A Review paper

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Abstract- The word "fintech," which stands for "financial technology," refers to the practice of integrating technology into financial services or processes in order to improve or automate them (*What Is Fintech? | Built In*, n.d.). This review article explores the potential benefits and challenges of fintech in improving financial inclusion in India. It highlights the benefits of expanded market reach, cost reductions, and innovative service delivery, but also addresses obstacles like digital literacy, privacy concerns, and inconsistent access. The study uses theoretical frameworks and empirical studies to provide insights on fintech's capacity to bridge the financial inclusion gap and highlights areas requiring further research and policy attention.

Index Terms- Financial inclusion, financial technology, digital literacy

I. Introduction

Expanding prompt access to a wide range of formal financial services at a reasonable cost is at the heart of financial inclusion, as it is required by low-income, excluded, and vulnerable populations. Closing financial access gaps is essential to facilitating the equitable development and shared prosperity needed to help India reach its objective of being a $5 trillion economy (*Inclusive Finance India Report 2023*, n.d.). Fintech can play a strategic role in this. The word "fintech," which stands for "financial technology," refers to the practice of integrating technology into financial services or processes in order to improve or automate them (*What Is Fintech? | Built In*, n.d.). When the phrase "fintech" first appeared in the 21st century, it was used to describe the technology used in the backend systems of reputable financial organizations, such banks. The transition to customer-focused services occurred between around 2018 and 2022. Education, retail banking, charitable fundraising, investment management, and education are just a handful of the businesses and sectors that are now included in the fintech space (*Financial Technology (Fintech)*, n.d.)

In India, the conventional banking system finds it difficult to serve the interests of underprivileged groups, particularly women. If implemented cautiously and with the appropriate safeguards, fintech solutions can close this gap and increase financial inclusion. Providing banking and financial services to individuals is known as financial inclusion. With basic financial services available to everybody, regardless of income or savings, it seeks to integrate everyone into society. The goal is to help those who are economically disadvantaged by offering financial alternatives (Standard, n.d.). Fintech companies are making financial services more easily available, reasonably priced, and user-friendly, which empowers women and other marginalized groups. As a result, they are contributing significantly to closing gender disparities and advancing financial inclusion in India. (How Fintech Can Enable Financial Inclusion and Reduce Gender Gaps in India | Asian Development Blog, n.d.). This review article explores the potential benefits and challenges of fintech in improving financial inclusion in India. It highlights the benefits of expanded market reach, cost reductions, and innovative service delivery, but also addresses obstacles like digital literacy, privacy concerns, and inconsistent access. The study uses theoretical frameworks and empirical studies to provide insights on fintech's capacity to bridge the financial inclusion gap and highlights areas requiring further research and policy attention.

II. FINTECH: A CATALYST TO FINANCIAL INCLUSION

Fintech companies can contribute significantly to increasing financial inclusion in India by lowering costs and enhancing access to financial services for the underprivileged, low-income individuals, rural communities, and other underserved sectors of the Indian economy through their innovations, new business models, and applications. Of the approximately 1.3 billion individuals living in India, less than 300 million have ever taken out a loan; thus, the remaining 300 million provide an obvious possibility. Fintech can lower expenses while raising the level of quality and accessibility of financial services (Raj & Upadhyay, 2020). The impact of technological advances in finance creates growth opportunities for all sectors of the economy. Most people agree that financial technology is crucial for reducing poverty and promoting stable and balanced economic growth. Through funding growth aspects including mobilizing savings and giving the impoverished access to services, lowering vulnerability, and enhancing social welfare, inclusive economic development and entrepreneurship can help eliminate poverty (Goswami et al., 2022).

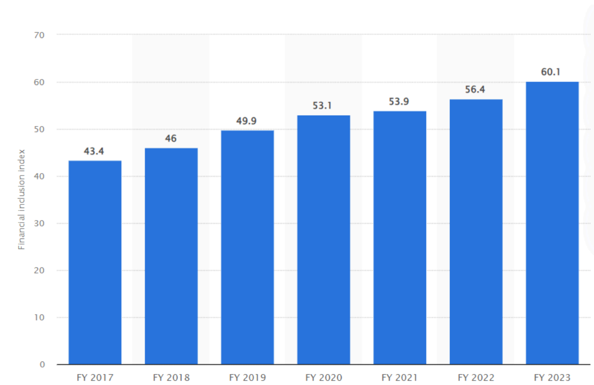

Figure 1 Financial inclusion index of India from financial year 2017 to 2023

Source: (India, *n.d.)*

As per the Reserve Bank of India, the country's financial inclusion index stood at 60.1, as of the fiscal year 2023. It increased to its current level from 43.4 in 2017, showing more financial inclusion. The degree of access to and use of formal financial services, such as banking, insurance, investments, pensions, and the postal industry, is gauged by the financial inclusion index (*India*, n.d.). It has been determined that digital financial technology has the potential to be a driver for faster economic growth in emerging nations. Digital financial technology makes it possible for people living in remote places, such cities, to obtain basic financial services, raising their standard of living. in addition to enhancing the people's present financial situation when they start using financial services. Through increased revenue production, financial inclusion also strengthens the economy (Telukdarie & Mungar, 2023).

III. OBSTACLES IN FINANCIAL INCLUSION

According to the U.S. Department of the Treasury, while fintech firms create new opportunities and capabilities for companies and consumers, they are also creating new risks to be aware of. "Data privacy and regulatory arbitrage" are the main concerns noted by the Treasury (*New Treasury Report Shows Fintech Industry Requires Additional Oversight to Close Gaps, Prevent Abuses and Protect Consumers*, 2024)

Strong online availability and a robust architecture are essential for fintech. Access to fintech services may be inconsistent or nonexistent in areas with narrow or unstable foundations, such as remote or rural areas. The accessibility and ease of fintech stages can be hindered by blackouts, network outages, and sluggish online speeds, which can negatively impact client experience and reception (Quresh et al., 2023). It is crucial to remember that because the financial services industry is evolving quickly, any conversation about the present state of innovations in finance can only be a cursory one. This makes legislation more difficult to implement globally since they must always weigh the trade-off between stability and inclusion vs efficiency. The best way to address these issues is with a flexible regulatory framework (Beck, 2020). A study given by Guild shows that The government should use a very light regulatory touch in the early stages to allow fintech startups to pioneer new services and technology to fill unmet market needs. As new services gain traction and demonstrate their value, regulators should adapt to the unique needs of these emerging markets. It finds that there is no assurance that the policy goal of increased access to financing will be realized when too strong of an intervention is made to shape the market through policy-making and regulatory intervention (Guild, 2017).

IV. CONCLUSION

Fintech is crucial for the nation's development in addition to being beneficial to each and every one of its citizens. The fintech industry's current rapid development has the potential to propel the nation to new heights. However, for this to happen, every citizen of the nation must be involved in its progress. Fintech makes this feasible, but because of how quickly the industry is growing, a number of challenges are also starting to surface. Digital literacy deficiencies are among these issues. To help people overcome their fear of new technology and integrate fintech into their daily work, the government should implement digital literacy programs through financial institutions. It is challenging to create a unified, all-encompassing solution to these issues due to the variety of fintech solutions and the many industries they affect. Generally speaking, governments have regulated fintech by utilizing already-existing laws and, occasionally, customizing them (*Financial Technology (Fintech)*, n.d.) .

Still it is vital that Fintech's development should be encouraged by the government through the creation of suitable laws and policies, which will further accelerate its growth.

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