



## Chapter 5

# Financial Inclusion and Fintech Research in India: A Review

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### ABSTRACT

*This chapter presents a concise review of the existing financial inclusion research in India. The authors use a thematic literature review methodology. They show that the Reserve Bank of India (RBI) has been at the forefront of financial inclusion in India and has used collaborative efforts to deepen financial inclusion in India. The review of existing literature shows that the major determinants of financial inclusion in India are income, age, gender, education, employment, ICT, bank branch network, and nearness to a bank. The common theories used to analyse financial inclusion in India are the finance-growth theory, the diffusion of innovations theory, development economics and modernization theory, the vulnerable group theory of financial inclusion, and the dissatisfaction theory of financial inclusion. The common methodologies used in the literature are surveys, questionnaires, financial inclusion index, regression estimations, and causality tests.*

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## **1. INTRODUCTION**

The purpose of this article is to present a concise review of the existing financial inclusion research in India. Financial inclusion is the provision of basic and affordable formal financial services to all segments of the population so that everyone can have access to basic and affordable formal financial services (Markose et al, 2022; Ozili, 2018). Financial inclusion is desirable because it affects every segment of society positively; it improves access to financial services and gives banked customers an opportunity to access and use the financial services they need to meet their needs and improve their welfare (Demirgüç-Kunt and Klapper, 2012; Ozili, 2021).

To increase financial inclusion, a country must develop a strategy that will be used to meet its financial inclusion objectives, and the selected financial inclusion strategy must be designed and adapted to reflect the peculiarities of the country (Chandran, 2011; Arun and Kamath, 2015).

Recently, India has been at the centre of financial inclusion debates in the Asian region due to its unique approach to financial inclusion. Over the last decade, financial inclusion has been a top priority in India. The Indian government and the Reserve Bank of India (RBI) introduced several financial inclusion initiatives aimed at providing easy access to financial services to a large section of the Indian population who remain unbanked (Srinivasan et al, 2024).

The RBI set up the Khan Commission in 2004 to investigate financial inclusion. The recommendations of the commission were incorporated into the national financial inclusion strategy between 2005-2006, and banks were urged to review their existing banking practices to align them with the objective of financial inclusion. The Indian government also launched the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme in 2014 to further deepen financial inclusion in India by providing universal access to banking facilities to every member of the population.

The progress made in financial inclusion in India has stimulated much interest in financial inclusion among academics and researchers (e.g., Khan, 2011; Subramanian, 2013; Swamy, 2014; Sharma, 2016; Rastogi et al, 2017; Inoue, 2019; Churchill and Marisetty, 2020; Singh and Yadava, 2022; Pal et al, 2022; Lenka, 2022; Nayak et al, 2024 etc.). There has been much research interest in understanding the determinants and challenges of financial inclusion in India. But there has been very little review of the existing financial inclusion research in India. To the best of our knowledge, there is no review article that present a concise review of the existing research on financial inclusion in India. Therefore, in this study, we undertake a concise review of the state of financial inclusion in India.

Regarding the review methodology, we used a thematic literature review methodology to conduct the review. Google Scholar search engine was used to identify the relevant research articles on financial inclusion in India. We inserted

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