

FINANCIAL INCLUSION IN INCLUSIVE GROWTH OF INDIA: THE PRESENT SCENARIO IN MANIPUR

Prof. N. Jayanti

Dean, School of Business Studies, Dhanamanjuri University, Manipur

Dr. A. Debala (Corresponding Author)

Associate Professor, DM College of Commerce, Dhanamanjuri University, Manipur

Dr. O. Deepakkumar Singh

Assistant Professor, DM College of Commerce, Dhanamanjuri University, Manipur

ABSTRACT

Financial Inclusion, an important step towards inclusive growth by ensuring overall economic development emphasizing the marginalized sections of society, is one of the main priorities focused by the Government of India. For achieving the target of financial inclusion, the present paper focuses on the understanding of inclusive growth phenomenon, its need as an instrument to attain with special reference to Indian states especially Manipur. The finding of the analysis will depict the present status of financial inclusion, shortcomings and measure for improvement that can be drawn for better performance in upcoming futures also leading to the achievement of 2030 Agenda for Sustainable Development.

Key Words: Financial Inclusion, Inclusive Growth, 2030 Agenda for Sustainable Development.

INTRODUCTION

Financial inclusion, a multifaceted and dynamic system that can be described as the access and availability of the formal financial system, refers to the efforts to make financial products and services such as savings, credit, insurance, payment etc. accessible and affordable to all individuals and business, particularly the marginalized and low income groups (Rastogi & Ragabiruntha 2018). Financial inclusion is an economic necessity, enhancing the common man and business to have banking, lending, insuring and digital purchase of goods and services at a reasonable cost (Agrawal 2014). Financial inclusion is treated as an evaluative measurement of growth and prosperity of any society as it is one of the fundamental policy of many developing countries like India (Dikshit and Pandey 2021). In fact, financial inclusion is a transformational concept acknowledged by world leaders and policymaker in strong linkage with inclusive economic growth and development. The linkages has been emphasized by the 2015 UN global Sustainable Development Report encompassing financial inclusion as an essential part of the 2030 Agenda for Sustainable Development committed to “leaving no one behind”.

Growth strategies without the concept of inclusive development are seen as unsustainable and inequitable creating hindrances in economic participation like restrictions in informed decision making and inadequate infrastructure, discrimination and exclusion among certain groups such as women, minorities and low income earners etc. Accordingly, lack of financial inclusion generates barriers for individuals, families and business to share in economic development. They remained further into the poverty and with low economic mobility if they stayed outside the net of credit, savings, insuring or digital payment.

In short, financial inclusion paves the way for economic growth which can be seen from the figure 1 below;

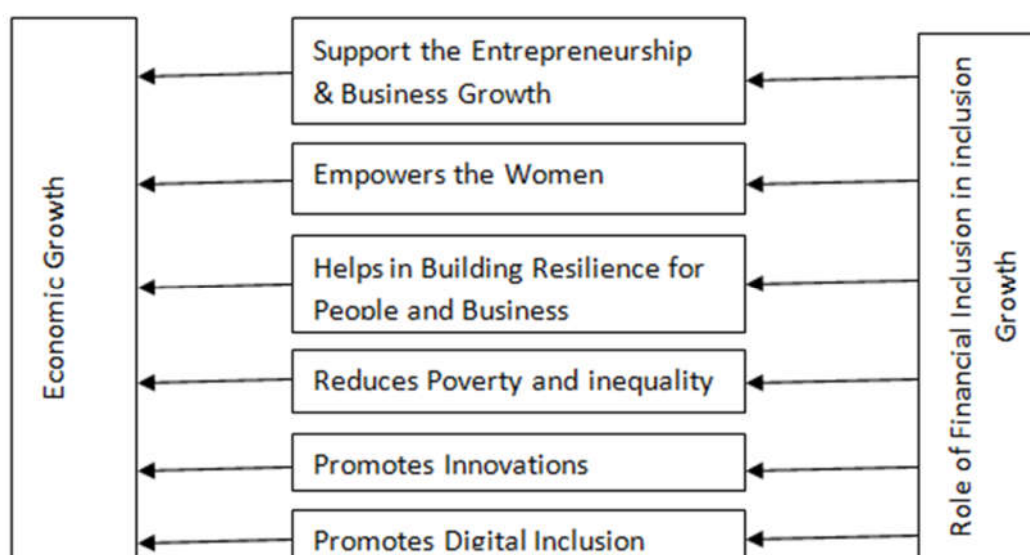


Figure 1: Showing the Role of Financial Inclusion in Economic Growth

In fact, financial inclusion is a key catalyst for achieving seven of seventeen SDGs (www.worldbank.org) by fostering employment, promoting economic empowerment of women and contributing to elimination of poverty and hunger. Finally, inclusive growth is fostered by building a more resilient and inclusive economies that are better equipped to address the challenges of the 21st century.

Recognising the need for inclusive growth in economic development, Government of India has taken up a number of schemes in the country such as; Pradhan Mantri Jan Dhan Yojana (PMJDY), Atal Pension Yojana (APY), Pradhan Mantri Vaya Vandana Yojana (PMVVY),

Stand Up India Scheme, Pradhan Mantri Mudra Yojana (PMMY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Sukanya Samridhi Yojana, Jeevan Suraksha Bandhan Yojana, Credit Enhancement Guarantee Scheme (CEGS) for Scheduled Castes (SCs), Venture Capital Fund for Scheduled Castes, Varishtha Pension Yojana (VPBY) etc.

Despite of the efforts related to financial inclusion, 27 percent of the rural household have accessed to the formal credit system and 22 percent to the informal credit system, as per NSSO survey (Col. Sunil Sharma 2025) showing that 73 percent of the rural household do not access to the formal credit system due to a number of reasons such as; majority of the rural population resides in small village having no familiarity with financial system, procedures, inadequate local transportation system, high transaction cost etc.

In Manipur (an Indian state, at the extreme North Eastern Region), financial inclusion is very crucial for achieving inclusive growth as 70.79 percent of population lives in rural areas and 29.21 percent lives in urban areas (Census 2011). Rural areas are having a number of issues related to economic development. That is the reasons why the paper analyses “Financial Inclusion in Inclusive Growth of India; The Present Scenario in Manipur”.

REVIEW OF LITERATURE

As the literature review provide an overview of the existing studies and research investigating about the topic drawing upon empirical evidence, theoretical frameworks and case studies exploring the various channels this paper analyses both at the national and international level.

Chowdhuri E.K. (2021), examined the impact of microfinance, a key component of financial inclusion, on poverty reduction in rural India and found that access to microcredit enabled poor households to engage in income generating activities, thereby enhancing their economic well being and reducing poverty levels.

M, Sarma (2008), highlighted about the notion of financial services and explored “Financial Inclusion” as a set of formal financial services to bankable individuals and the process through which such services are made available, accessible and usable at reasonable economic cost. From this concept, financial inclusion can be regarded as one of the key drivers of economic growth through an increase in general consumption, higher profitable investments and a reduction in monetary block through the availability of financial services.

Kim D.W. et al (2018) analyses about financial inclusion and economic growth and found that market imperfection insulates poor citizens causing in admitting the limitation of access to formal financial products.

Dey (2022) examines the performance of PMJDY in various states of India. He comes across that during 2015-16 the deposited amount in PMJDY have doubled. He laid down some measures to enhance PMJDY scheme emphasizing the connectivity issues in remote areas.

Abharkhane et al (2022) attempted to measure the impact of PMJDY across the states of India. They express that the scheme has been more effective in the state with higher literacy levels. They further found that illiteracy as a barrier to financial inclusion. They suggested a state wise plan for optimizing the overall impact of the scheme.

Yadav & Singh (2020) analysed about financial Inclusion Index (FII) for 27 states of India. They revealed that the level of FII measures indicates marginal improvement in the level of financial inclusion during the period of 2004-2017. They come across that PMJDY was unable to meet the target of financial inclusion due to marginal impact of the scheme. Their major findings highlighted the reasons behind the partial success of PMJDY as the increase in non operative accounts, low Human Development Index (HDI) and illiteracy across the population of the major states. Finally, they suggested for structural reforms in the policy framework for better economic outcomes.

Shettar (2016) explored the performance of commercial bank related to PMJDY. He found that PMJDY scheme has created an inspirational result in the banking sector related to eradication of financial inaccessibility in the country. Further, he highlighted that there should be continuous operation of bank account to give the real success of the scheme rather than just opening of bank accounts.

OBJECTIVES OF THE STUDY

Considering the importance of financial inclusion in inclusive growth, the paper analyses with the following objectives;

1. To study the importance of financial inclusion in inclusive growth of an economy.
2. To study the present status of financial inclusion in India and Manipur also.
3. To study the challenges of financial inclusion in inclusive growth.

4. To suggest the road ahead for improving financial inclusion in achieving sustainable development.

RESEARCH METHODOLOGY

The research has been done using secondary data sources, showing that the research methods is conducted through existing data sources from various channels. Descriptive research design is used for the study to provide a detailed and comprehensive picture of financial inclusion. Accordingly, secondary data is collected from the reports of RBI, Ministry of Finance (GOI), Newspaper, Research articles, Books, Magazines, Websites, Conference Proceedings, Government records such as World Bank records.

PROGRESS OF FINANCIAL INCLUSION IN INDIA AND MANIPUR

As financial inclusion is seen as the means for a more comprehensive inclusive growth, Several countries emphasizes to access financial services including banking services and credit at an affordable cost to the vast sections of disadvantaged and low income groups who tend to be excluded.

Financial inclusion has always been accorded high importance by the Reserve Bank of India and GOI to enhance the inclusive growth process for the economy. Accordingly, there has been a paradigm shift since 2014 with the introduction of JAM Trinity encompassing Jan Dhan Yojana (PMJDY) for universal banking access for all, aadhar for unique biometric identification and mobile services for direct transfer. Further, the Digital India campaign launched in 2015 proved significant for roping the unbanked population into the mainstream economic system with a formal financial network that was earlier at the fringes.

In spite of the fast paced digitalization in India, the financial access is still low in comparison with other countries in the world which can be seen in table 1.

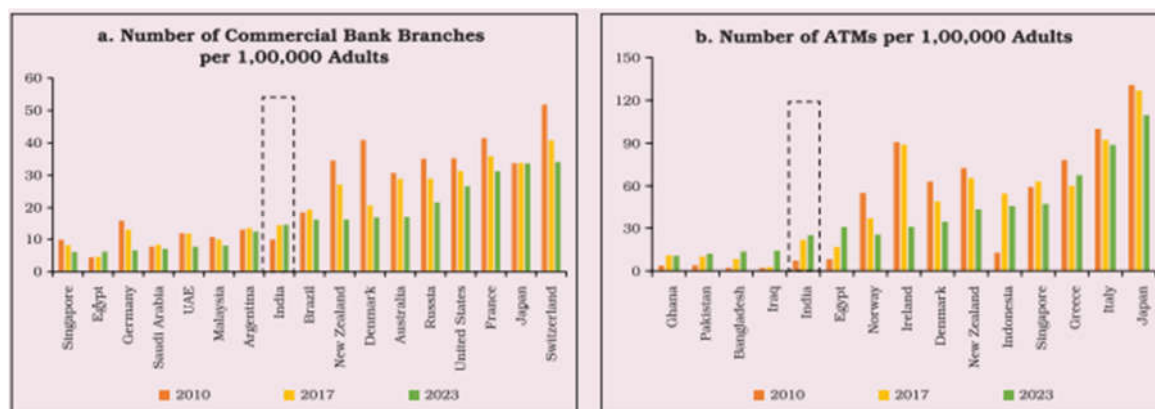
Table No.1: International Comparisons – Financial Access Survey Indicators 2021

Country	Commercial bank branches per 1,000 km ²	Commercial bank branches per 100,000 adults	ATMs per 1,000 km ²	ATMs per 100,000 adults	Deposit accounts with commercial banks per 1,000 adults	Loan accounts with commercial banks per 1,000 adults	Mobile and internet banking, Transactions, per 1,000 adults	Value of mobile and internet banking transactions (% of GDP)
India	50.72	14.58	74.58	21.44	2046.75	288.47	28091.97	214.78
Bangladesh	84.50	8.98	107.79	11.45	1034.56	96.56	319.39	4.44
Brazil	3.49	17.13	19.24	94.47	-	3532.09	553564.57	470.23
China	10.87	8.77	100.96	81.44	8742.14	-		
Indonesia	17.92	15.79	54.56	48.09	2101.55	429.59	37809.95	234.76
Mexico	5.98	11.98	31.09	62.26	1130.25	-	17526.50	629.30
Philippines	23.60	8.99	77.09	29.37	819.58	-	-	
Singapore	469.68	6.97	3660.08	54.33	-	-	-	-
Sri Lanka	46.93	17.35	-	-	-	-	-	-
Turkey	12.68	15.01	67.87	80.37	4619.85		76793.39	337.46
Malaysia	6.66	8.70	41.55	54.28	2146.18	805.16	136129.74	717.06
Kenya	2.63	4.39	4.16	6.94	1944.83	381.74	-	-
UAE	9.10	7.60	61.90	51.70	1305.57	589.88	-	-
UK	-	-	220.72	96.28	-	-	-	-
United States	8.38	28.26	-	-	-	-	-	-
Australia	0.65	24.06	3.34	123.59	-	-	-	-
Canada	0.73	20.69	7.53	212.44	-	-	-	-
France	33.84	33.27	-	-	-	-	35911.75	-
Italy	60.37	34.47	154.94	88.47	767.18	859.38	-	-
Japan	102.48	33.89	353.57	116.94	7236.31	193.41	-	-

Sources: Financial Access Survey 2021 Data

Considering the number of commercial bank branches per one lakh population showing an increase of 1.5 times in India during the period 2010 to 2023 (RBI Report 2023-24), the progress of financial inclusion of India among selected countries is not satisfactory which can be seen in figure 2.

FIGURE 2: REPORT ON TREND & PROGRESS OF BANKING IN INDIA 2023-24



Source: Financial Access Survey, 2023, IMF

Coming to financial Inclusion Index, financial index rose to 64.2 in March 2024 from 60.1 in March 2023 with growth across all sub indices (www.businessstandards, July 09, 2024) which can be seen from figure 3. The improvement in financial inclusion index in 2023-24 was largely contributed by the usage dimension reflecting the deepening of financial inclusion.

FIGURE 3: RBI – FINANCIAL INCLUSION INDEX



Source: RBI Report 2023-24

At present, the financial inclusion index measuring the access and usage of financial services in India surged to 67.0 in March 2025 up from 64.2 in March 2024 (www.ddnews.gov.in, August 07, 2025) showing an upward trend signifying a broadening reach and deepening engagement with financial services for millions of Indians.

In Manipur, financial inclusion is crucial for achieving inclusive growth. Various initiatives aiming at expanding of banking services and promoting financial literacy has been taken through Pradhan Mantri Jan Dhan Yojana, Digital Banking, Business Correspondent Model, Financial Literacy Programmes. Despite the progress of the PMJDY in Manipur several challenges persist. As of 2023 while over 13.5 Lakh accounts have been opened, many of these accounts remained inactive due to lack of financial literacy and awareness about the benefits (www.scribd.com, The Manipur Chapter).

A significant number of account holders do not regularly use banking services, limiting the scheme's impact. Further, there are other related issues to connectivity in rural and remote areas

hindering the access to banking facilities. Again issues concerned about adequacy of financial education leading to underutilization of benefits such as overdraft and insurance coverage (www.scribd.com, The Manipur Chapter) are also prevalent in the state. For an analysis related to availability of Scheduled Commercial Bank considering the state wise distribution of Schedule Commercial Bank in North East India from Table (2) for understanding the banking scenario in NE states in India.

TABLE NO. 2: State Wise Distribution of Scheduled Commercial Banks in North East India

State	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Arunachal Pradesh	96	106	128	135	143	151	153	155	164	169
Assam	1639	1749	1945	2103	2209	2306	2370	2404	2957	3020
Manipur	94	111	134	138	150	159	176	192	203	210
Meghalaya	237	256	286	294	319	338	343	346	364	367
Mizoram	111	122	141	151	167	186	190	192	203	210
Nagaland	108	124	141	145	150	157	160	164	176	180
Tripura	271	301	354	379	424	442	455	463	565	579
Total	2556	2769	3129	3345	3562	3739	3847	3916	4632	4735

Source: RBI Handbook of Statistics on Indian States 2021

The above table reveals that in the year 2012 the number of Schedule Commercial Bank in Manipur constitute on 3.68 percent and 4.43 percent in the year 2021 as compared to the North East India Average. While compared to Meghalaya a state which has equitable area of land and number of population, the data of Manipur is lagging behind. The statistics of Manipur revealed that in the year 2012 the number of Schedule Commercial Bank is 9.27 percent and 7.75 percent in the year 2021.

Further, the details of relevant Banking Statistics of Manipur are analysed in Table No. 3 in terms of the components of availability dimension and usage dimension respectively. Here, APPBB (Average Population Per Bank Branch) and AAPBB (Average Area Per Bank Branch) are used as indicators of availability dimension. On the other hand Per Capita Deposit (PCD) and Per

Capita Credit (PCC) and Credit Deposit Ratio (CDR) are also used as indicators of usage dimension.

TABLE NO. 3: BANKING STATISTICS OF MANIPUR

District	No. of B.B.	A.P.P.B.B.	A.A.P.B.B.	P.C.D.	P.C.C.	C.D.R.
Imphal West	9	21679	49.98	11199	4380	39.11
Imphal East	16	17056	41.76	15090	7602	50.33
Thoubal	4	67708	120.65	1161	887	76.40
Bishnupur	3	49964	153	631	837	132.65
Chandel	7	18190	418.59	10370	9644	93.09
Churachandpur	15	17052	284.27	21854	11461	52.44
Senapati	19	24824	169.46	8609	6409	74.45
Ukhrul	2	78405	1932.15	440	511	116.14
Tamenglong	2	60644	1892.95	1185	893	75.36
Manipur	77	26255	261.35	8852	5276	59.60

Source: Basic Statistical Returns in India , RBI 2019: Quarterly Statistics on Deposit and Credit of SCB, March, 2019: Census of India, 2011: Statistical Yearbook of Manipur, 2017.

ISSUES AND CHALLENGES OF FINANCIAL INCLUSION

Financial inclusion faces numerous interconnected issues and challenges that hinder access to affordable and appropriate financial services for millions globally. Primarily mentioning, there is lack of physical and digital infrastructure, particularly in rural and remote areas, where there is deficiency of banks, ATM, and reliable internet networking divide limits access to basic financial services (Gofred Anakpo et. al. 2023). This digital is exacerbated by the high cost of financial service including costly fees for account maintenance, transactions and loans which over affect low income individuals (World Economic Forum, 2017). In some countries such as South Africa, bank fees structures are noticeably higher than in other countries, further discouraging the usage of financial inclusion (World Economic Forum, 2017).

Low financial literacy is another serious challenges, as there is lack of knowledge for understanding and effectively use of financial products and services causing them expose to scams and predatory lending (Mitchell Grant et. al. 2024). Again, lack of understanding is ensured and compounded by cultural and social norms particularly in societies where women faces barriers related to gender inequality, traditional roles and restricted access to digital tools and financial resources (Yoro Diallo et al. 2023). Women are often less likely to own mobile phones or have internet access and their agency to make financial decision is separately limited or community members (Godfred Anakpo 2023). Correspondingly, Minorities, persons with disabilities, racial, refugees and displaced communities face peculiar challenges ending from discrimination and a lack of formal identification.

Regulatory and policy barriers also obstruct the financial inclusion progress. Strict identification requirements and complex financial regulations can prevent individuals without formal ID from accessing services, while overly stringent rules may deter financial institutional from serving low income or underserved markets (Mitchell Grant 2024). The challenge is further complicated by the need to balance regulatory compliance with the goal of expanding access as seen in Nigeria (Robert Abare 2024). In addition to the rise of digital financial services brings new risk, including data privacy and security concerns, causing to deter adoption, especially in regions with lack of data protection framework (www.bankingly.com 2023). The potential for unsustainable debt due to easy access to AI enabled loans and risks of fraud through digital platform are also significant concern (Sophia Sistaine 2023).

In nutshell, trusts in financial institutions remain major hurdle, particularly among populations that have been earlierly excluded or have experienced exploitation (Fozen Fareed et al. 2021). The lack of trust along with the informal nature of much economic activity in developing economies, create a demand side challenge in formal system (Yoro Diallo et. al. 2023).

In short, one can analyse the challenges in execution of financial inclusion from the different areas related to Man, Machine, Materials, Methods, Measurement and Milieu (Environment), which can be seen in figure 4.

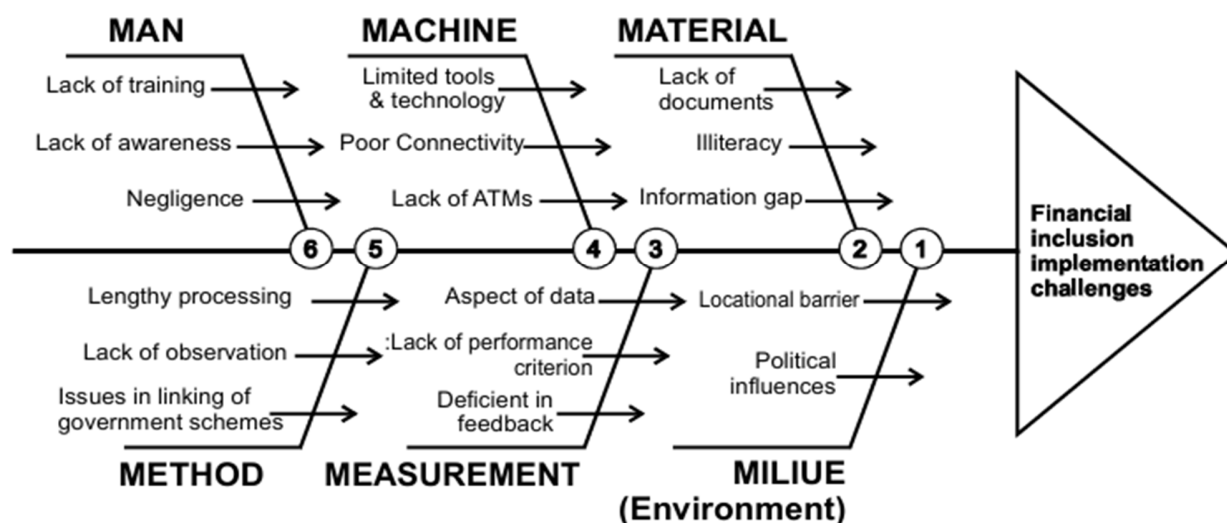


Figure 4: Fishbone Frame showing the Challenges in Execution of Financial Inclusion

ROAD AHEAD

Calling the significance of financial inclusion in fostering economic growth, reducing poverty and achieving sustainable development, there is need for making emphasise for proper policies, co ordination, context specific strategies that balance inclusion with financial stability (Martin Melecky et. al. 2016). Policy makers are increasingly focused on ensuring an enabling environment through regulatory frameworks, digital infrastructure and financial literacy programme in addressing risk related to over indebtedness and data privacy (Mitchell Grant 2024). Correspondingly, different strategies can be adopted to improve financial inclusion for initiating inclusive growth for enhancing the economic growth with the following points.

1. Government should promote equal access to financial services, particulary loans to increase financial stability to citizens, so that the underserved can benefit from formal financial system.
2. Information related to insurance products should be extended especially in rural and remote areas for increasing financial awareness and responsible use of services.
3. Proper implementation of the targeted and time bound actions to improve financial literacy and ensuring direct transfer of subsidies to bank account to activate dormant account and promote genuine inclusion must be there.

4. Financial institutions should be innovative, need based financial services tailored to diverse cultural and income levels to build for robusting financial infrastructure in both urban and rural areas.
5. Changing of Government payments to digital payment should be made for reducing corruption, supporting financial inclusion ultimately contributing to achievement of SDGs.
6. Women's financial inclusion should be advanced for economic growth and gender equality, requiring policies that go beyond simple account ownership to improve access, usage and positive outcomes of financial service.

CONCLUSION

Financial inclusion, a critical driver of inclusive growth, fostering economic development for enabling broader participation in the formal financial system, has become a politically driven socio-economic policy to prevent social exclusion. The global political dream to secure inclusion of the excluded population in the formal financial system by 2030 is the way ahead. Despite of the fact, financial inclusion in Indian scenarios and especially in Manipur scenario found a severe rural-urban divide. An investigation related to the matter and the way forward for solving the issues is the need of the hour. For accelerating inclusive growth through financial inclusion, attention should be pictured to foster Act East Policy implementation particularly in the Indian state, Manipur for fulfilling the concept of “leaving no one behind”.

References:

- Kumar M, Nithin R, & Kumar A. (2022). Financial Inclusion in India: Trends, Challenges and Emerging Issues. Perspectives in Finance, vol. 5, Aknik Publications, DOI: 10.2227/ed.book.1890.5
- Ambarkhane D., Singh A. S., Venkataramani, B., & Marak, Z. (2022). Overcoming barriers to financial inclusion: empirical evidence from India. International Journal of Social Economics, 49(9), 1302–1323. DOI: 10.1108/IJSE-04-2020-0254
- Anakpo G., Xhate Z., & Mishu S. (2023). The Policies, Practices, and Challenges of Digital Financial Inclusion for Sustainable Development: The Case of the Developing Economy. FinTech, 2(2), 327–343. June 1, 2023.

- Chowdhury E.K., (2021). Does Internal Control Influence Financial Performance of Commercial Banks? Evidence from Bangladesh. *South Asian Journal of Management*, 28(1), 59-77. <https://tinyurl.com/59nr5axm>.
- Dahiya S., & Kumar M., (2020). Linkage Between Financial Inclusion and Economic Growth: An Empirical Study of the Emerging Indian Economy. *Vision*, vol. 24, no. 2, doi: 10.1177/0972262920923891.
- Dikshit S., & Pandey D. (2021). Role of financial inclusion in realising sustainable development goals (SDGs). *International Journal of Research in Finance and Management*, 4(2), 35–39. DOI: 10.33545/26175754.2021.v4.i2a.103
- Dey Pushpita. (2022). “8 Years of PMJDY: Have the Poor Been Liberated Yet?”. *Moneycontrol*, September 1, 2022.
- Dixit R., & Ghosh, Munmun. (2013). Financial Inclusion for Inclusive Growth of India – A Study of Indian States. *International Journal of Business Management & Research (IJBMR)*, ISSN: 2249-6920, Vol. 3, Issue 1.
- Hannig, A., & Jansen, S. (2010). Financial Inclusion and Financial Stability: Current Policy Issues Finance Working Papers 23124. East Asian Bureau of Economic Research.
- Hasan, Amena and Dowla. (2024). Financial Inclusion and Economic Growth in Developing Nations: A Case Study of Bangladesh. *Munich Personal RePEc Archive*, Paper No. 120213. <https://mpira.ub.uni-muenchen.de/120213>.
- Kim D.W., Yu J.S., and Hassan, M.K. (2018), “Financial Inclusion and Economic Growth in OIC Countries. *Res. Int. Bus. Finance.*, vol. 43,
- Rastogi, Shailesh & Ragabiruntha E. (2018). Financial inclusion and socioeconomic development: gaps and solution. *International Journal of Social Economics*, 45(7).
- Sarma M. (2008). Index of Financial Inclusion. Indian Council for Research on International Economic Relations Working Paper No. 215, <https://www.econster.eu/bitstream/10419/176233/1/crier-wp-215.pdf>.
- Shettar R. M. (2016). Pradhan Mantri Jan Dhan Yojana: Need for a Strategic Action Plan. *Pacific Business Review International*, 18(2), pp. 17–24.

World Bank. (2014). Financial Inclusion. Global Financial Development Report.

Yadav, Vishal Singh, Shishir Kumar, Velan, Nirmala and Aftab, Md Asif. (2020). District Level Assessment of Financial Inclusion in India. Munich Personal RePEc Archive (MPRA Paper 106171).

Yoro, Diallo, Kaho, A., & Sever, C. (2023). Financial Inclusion in Niger: Challenges and Opportunities: Niger. International Monetary Fund. Published February 27, 2023. IMF Selected Issues Paper No. 2023/007.

Wahba, H. (2008). Does the market Value Corporate Environmental Responsibility? An Empirical Examination. Corporate Social Responsibility and Environmental Management, 15(2), 89-99. DOI:10.1002/csr.153.

World Development Indicator (WDI). (2022). World Bank. <https://databank.worldbank.org/source/world-development-indicators>.

www.scribd.com. The Manipur Chapter.

www.businessstandards.org, July 09, 2024.

World Economic Forum, 2017

www.bankingly.com