A THEORETICAL STUDY ON SIGNIFICANCE OF FINANCIAL INCLUSION ON SUSTAINABLE DEVELOPMENT GOALS

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ABSTRACT

A universal call was taken by the United Nations Member States to take action towards poverty eradication and earth protection, so that every citizen can experience peace and prosperity by the year 2030. It was the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs), that embodies a roadmap for progress leaving no one behind. Merely having less income does not necessarily reflect poverty completely but lacking the basic means, necessarily does. Since banks are the primary provider of basic financial services, banking inclusion or exclusion is often considered as a synonymous term for Financial Inclusion (FI) and exclusion. Many financial exclusion definitions are pure reflections of largely felt social exclusion issues of the society. This theoretical paper provides insights into various implications of the policy of FI on the achievement of SDGs, with primary focus on financial empowerment of citizens. Issues are discussed under economic concerns and suggestions are made to overcome those challenges in achieving SDGs. Publicly available datasets with information on different indicators related to financial services, economic offerings, education, community participation, etc. were reviewed. The findings suggest that to achieve SDG and end exclusion of beings from the dominant notions, evolution must be introduced, accepted and enhanced in academia. This study puts forward a message to bring innovation and transformation in financial literacy to make FI mechanism more inclusive and motivation among all academicians and researchers to take up extensive works in this regard, that will bring equality and eradicate exclusion among beings from the mainstream financial domain.

Keyword: - *Financial Inclusion, Sustainable Development Goals, Financial Literacy, and National Strategy for Financial Inclusion.*

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1. INTRODUCTION

"Financial inclusion is a key enabler for reducing poverty and boosting prosperity. When people can participate in the financial system, they are better able to start and expand businesses, invest in education, and absorb financial shocks". - Ban Ki-moon, former UN Secretary-General.

In other words, the process of individuals from underserved and marginalized communities getting access to formal financial products and services such as savings, credit, insurance and cashless payment services are referred to as financial inclusion. It simplifies the standard of living of people and helps in expanding their business, which can improve their overall quality of life. It is a stringent concept for fostering sustainable economic development and promoting inclusive growth in the country. It supervises the reduction of poverty through the inflammation of economic development within a nation [5].

The growth and development of any economy is noticeably dependent on valid financial mechanism that facilitates utilisation and channelization of financial resources with the motive of formation of capital. Restricted entry to credit facilities for economically disadvantaged strata of the societal setup has been identified to be a severe challenge in the development of economy. Chronic and extended absenteeism of a large section of citizens in formal financial system results in a decrease in funding as well as can cause social exclusion. Limited access to financial services for a particular segment of society used to deprive them of the welfare programs of the government in terms of monetary benefits and make them unable to fight against poverty, take care of basic health, quality education, drinking water and proper sanitation, which led to social exclusion. With the continuous growth and development of the Indian economy, it is needed to work on covering all the sectors of society that should be included in the different financial services that are designed by the nation and financial institutions of the country. The concept of financial inclusion was started in India in 2005 by the central banking institution of the country, Reserve Bank of India. The aim of this is to provide banking services to all the citizens of the country. The Reserve Bank of India has defined financial inclusion as “the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost in a fair and transparent manner by mainstream institutional players”. Over the years, for the interest of the citizens, the nation has undertaken different schemes and initiatives. For example, in 2014, the Pradhan Mantri Jan Dhan Yojana launched a financial inclusion program aimed at giving every household in India a bank account. It came out to be successful by opening millions of new bank accounts of unbanked people. Mobile banking has now become a crucial means for people to access basic financial services. The Reserve Bank of India granted licenses to payment banks and small finance banks, providing banking services to the unbanked and underserved and offering cost-effective bank leverage technology. The World Bank prepared a G-20 document where it mentioned India has achieved financial targets in just 6 years, which would otherwise have taken at least 47 long years [6].

In every economy, there are both rational and irrational people present. If financial services are available and affordable to the public, then all the poor people will make rational decisions [4]. Households can manage risk, combat hunger, provide quality education to their children, and spend money for good health and well-being. The World Bank considers financial inclusion as a key tool in fighting against extreme poverty and boosting the growth of the nation. Despite significant growth in recent years, many of the world’s population remain excluded from basic financial services. About one-third of adults globally, around 1.7 billion of people are unbanked and half of this unbanked population includes women, poor households in rural areas or out of the workforce [9]. Many financial exclusion definitions are pure reflections of largely felt social exclusion issues of specific sections of the society. The financially excluded people tend to rely on informal financial services offered by money lenders for their huge or pity requirement purposes. To cover the already taken borrowed amount, they tend to rely on new borrowings, which leads them to get trapped in a vicious debt cycle. Therefore, converging the financially excluded population towards mainstream formal financial institutions through proper accessibility, affordability and usage of services, called Financial Inclusion, is the need of the hour. As India too, like any other developing nation, wants to achieve inclusive growth, it has to constantly work upon removing barriers from the path of gaining complete Financial Inclusion. One such important effort brought in this context was the declaration of the National Financial Inclusion Mission, with the motive to make provision of bank accounts for all the citizens of the country.

2. NATIONAL STRATEGY FOR FINANCIAL INCLUSION

The Reserve Bank of India (RBI) has planned an ambitious National Strategy for Financial Inclusion for the period 2019–2024 to deal with the financial exclusion problem in the economy. The aim of this strategy is to strengthen the ecosystem for several modes of digital financial services in all Tier-II (population under this center is 50,000 to 99,999) to Tier-VI centers (population 10,000–19,999) to create the necessary infrastructure to move towards a less-cash society by March 2024. The vision of National Strategy for Financial Inclusion is “a financially aware and empowered India” with the objectives to create awareness and educate consumers on access to financial services, the availability of various types of products and their essential features. The outline of the National Strategy for Financial Inclusion is as follows: - a target has been set that every willing and eligible adult who is a beneficiary of the current operative major financial inclusion policy of the government, Pradhan Mantri Jan Dhan Yojana, will be enrolled under an insurance policy and a personal scheme by March 2020. Through this initiative, the government and Reserve Bank of India try to make consumers understand their rights and responsibilities as clients of financial services. This National Strategy for Financial Inclusion also envisions making the public credit registry fully operational by March 2022. So authorized financial entities could leverage it to assess citizens [7]. By the year March 2020, the initiative will be taken to reach every village within 5 km, about 500 households will have access to banking services and by 2024, all banking consumers will have access to mobile devices for their banking purposes, which promotes digital financial inclusion.

National Strategy for Financial Inclusion plan includes stakeholders like financial consumers, financial market players like, banks, Non-Banking Financial Companies (NBFCs), etc., educational institutions, Non-Governmental Organizations (NGOs), financial sector regulators, central and state governments and other multilateral international players. All the above steps are taken to emphasize the importance of financial services to the deprived society that avails them through different mediums. The government and financial regulators of the nation have implemented various schemes, including raising awareness about the usage of digital forms of transactions, increasing acceptance of infrastructure and creating a safe environment incorporating the principles of compliance and privacy. National Strategy for Financial Inclusion will review, progress and monitor all the above initiatives, develop a sector-specific action plan along with a strong regulatory and legal framework aimed at protecting the interests of customers and promoting fair practices to curb market manipulation. These policies also target small and medium businesses, agricultural farmers and a specific region or aspirational district.

3. SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) adopted by world leaders in 2015, embody a roadmap for progress that leaves no one behind. Providing the same opportunities to women and men in all kinds of activities including decision making, ensures that interests of both the genders are taken into account in allocating resources. The 17 Goals which are interdependent as action in one area will affect outcomes in others and that development must also balance social, economic and environmental sustainability [2]. As per United Nations Development Programme, through the pledge to Leave No One Behind, countries have committed to fast-track progress for those furthest behind first. That is why, the Sustainable Development Goals are designed to bring the world to several life-changing 'zeros', including zero poverty, hunger, AIDS and discrimination against women and girls. Government along with civil societies and other shareholders, has been globally endorsing gender equality through Sustainable Development Goals.

Table 1: Sustainable Development Goals

Goal Number	Goals	Description
1.	No poverty	End poverty in all its forms everywhere
2.	Zero hunger	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3.	Good health and well being	Ensure healthy lives and promote well-being for all at all ages
4.	Quality education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5.	Gender equality	Achieve gender equality and empower all girls and women
6.	Clean water and sanitation	Ensure availability and sustainable management of water and sanitation for all
7.	Affordable and clean energy	Ensure access to affordable, reliable, sustainable and modern energy for all
8.	Decent work and economic growth	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9.	Industry, innovation and infrastructure	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
10.	Reduced inequalities	Reduce inequalities within and among countries

11.	Sustainable cities and communities	Make cities and human settlement inclusive, safe, resilient and sustainable
12.	Responsible consumption and production	Ensure sustainable consumption and production patterns
13.	Climate action	Take urgent action to combat climate change and its impacts
14.	Life below water	Conserve and sustainably use oceans, seas and marine resources for development
15.	Life on land	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss
16.	Peace, justice and strong institutions	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
17.	Partnership for goals	Strengthen the means of implementation and revitalise the global partnership for sustainable development.

Source: Department of Economic and Social Affairs, United Nations [10]

4. FINANCIAL INCLUSION AND SUSTAINABLE DEVELOPMENT GOALS

Financial Inclusion has been given a lot extra significance since this facilitates to attain the sustainable development by nations, via to be had monetary benefits and facilities to the excluded population in collaboration with the banks. Financial services exposure has gained attraction in recent years. United Nations General Assembly declared 2005 as the International Year of Micro-Credit to High Light Connections between Micro Credit Access and Millennium Development Goals (MDGS) accomplishments [10]. With some efforts substantial progress can be made in taking financial inclusion to the next orbit of significance and sustainability [1]. In 2010, financial inclusion was considered as a supreme upright support for global development by the G-20 summit.

The Indian economy is now the world's fifth-largest economy by nominal Gross Domestic Product. With the growing economy, India is following direction related to Sustainable Development Goals like poverty, food and health, education, clean water and sanitation, gender equality, decent work, and economic growth to achieve the 17 Goals, which were established by the United Nations in 2015 by replacing the Millennial Development Goals. One of the primary objectives of both development goals is to alleviate poverty. Financial inclusion is the way through which poverty, gender inequality, illiteracy, etc. can be reduced. The development of inclusive financial sectors into government plans and policies aimed at achieving the Sustainable Development Goals. In the circular flow of income, when the velocity of money increases, that means the movement of funds from sender to receiver also increases the finance in that economy [4]. There are some factors, such as inflexible rules and regulations, weak contract inducement, etc., that coerce the mobilization of funds, but on the other hand, efficient legal rules and regulations, strong contract enforcement, political stability, etc. enhance the money supply in the economy through the medium of different financial institutions that help foster financial inclusion. Together, United Nations member countries established goals that would help the economy to be sustainable in the long run. It encourages small and medium enterprises or poor entrepreneurs willing to step foot into risk-associated business. In this circular flow of the economy, one sector gets the funds through inclusive financial services and grows their family income by encouraging education, clean water, and sanitation. In this process, the economy of the nation becomes sustainable, which means that the Sustainable Development Goals can be achieved. Financial inclusion qualifies for a more sustainable economy and the societal development of the nation. It indulgences in the empowerment of the unheeded, poor and women of the nation with the mission of being self-sufficient and well informed to make better financial decisions [8]. The government encourages digital transactions, which are part of Digital Financial Inclusion. Unified Payment Interface (UPI) services have played an important role in Digital Financial Inclusion, which promotes cashless transactions and indirectly helps to achieve Sustainable Development Goals.

The government of India undertook many financial inclusion policies which was intended to make the unbanked as well as the disadvantaged population free from deprivation of economic services provided by the banks, so as to increase the count of citizens who can become part of this in efficient way and their cash may be utilized for effective functions. The excessive capital formation will result in the authorities moving in the direction of inclusive progress as well as achieving sustainable development.

4. CONCLUSION

Sustainable Development Goals with Agenda 2030 is the world's first comprehensive blueprint for sustainability. The recognition of the synergies between health, education and gender equality are among the core goals of this Agenda. By paying a visit in the discussion of financial inclusion, the paper wants to revisit the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals adopted by world leaders in 2015, that embodies a roadmap for progress which leaves no one behind. The questions impacting achievement of Sustainable Development Goals through financial inclusion may not seem of utmost concern during the current situation but is equally important and needs to be discussed on a platform of its own. Economic growth and sustainable development are the goals of any country who are in developing state. Access to proper physical conditions for living are the rights of every individual and are also important for inclusive growth [3].

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BIOGRAPHIES

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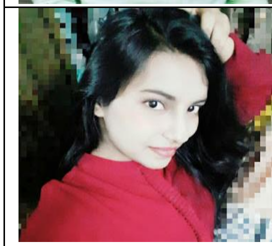	Description about the author2 Ms. Atiba Batul works as a guest faculty in Gokhale Memorial Girls' College, Kolkata, and is currently pursuing PhD in Economics from Amity University- Kolkata campus. Her research area includes Financial Inclusion, Women Empowerment and Development Economics.