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Influence of Banking Sector on Financial Inclusion in Varanasi District

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Abstract
Financialservices and their function in promoting financial inclusion in the Varanasi Districtare the main subjects of this study.The four goals of this study are as follows:foremost, tolook into how financial servi ces have developed and theircontributiontotheVaranasi District's financial inclusion;second, to assess the degree of familiarity with financial services among Varanasi District residents. third, to assess the impact of financial services on the district’s progress toward financial inclusion fourth, to identify the challenges faced by Varanasi District’s financial services users. Examining the existing state of financial services accessible to Varanasi District bank clients is the study's main goal. This entails a careful evaluation of the variety of services provided by financial institutions, including internet and mobile banking, digital payment systems, banking, and other cutting-edge financial technologies. It will be possible to determine the degree of financial services penetration and usage throughout the district's various demographic groups by assessing the services' usability, price, and accessibility.

Keywords: Financial inclusion, Banking services, poverty

1. Introduction:

In 1993, geographers who were worried about the restricted physical access to banking services due to bank branch closures in multiple countries, first coined the phrase "financial exclusion." The term financial exclusion was first used in 1999. Financial Exclusion could have been applied more broadly to individuals with limited access to financial services that are mainstream. There are several different implicit and explicit definitions of "financial exclusion." The process by which individuals have trouble obtaining and utilizing suitable financial services and products available in the mainstream market allows them to live a typical social life within their community. When a financial product's availability, design, and price do not make it difficult for customers to use or obtain, it is deemed "appropriate." It is widely acknowledged that Certain populations experience a broader form of social exclusion, which includes financial exclusion. who do not have access to adequate vital services like housing, work, or education medical care.
Since banking services are basically public goods, the main goal of public policy must be to ensure that banking and payment services are accessible to all members of the public without restriction. (Leeladhar, 2006).
In general, financial inclusion refers to bringing people who have traditionally been left out of the financial system. The phrase “financial inclusion” has become increasingly popular among economists and administrators in equal measure. It refers to providing fundamental financial services such as attractive

savings, credit, insurance, and payment options, among other things especially to those who are poorer than others, and to everyone who has been excluded from the scope of financial services.
These days, the foundation of any strong, contemporary, and equal economy is financial inclusion. Since capitalism emerged, social inequality has frequently been worse. Financial Inclusion has completed the gaps in the path of capitalist development by redistribution of income, overall improvement of the underprivileged, and low-income demographics.
It facilitates the effective distribution and reallocation of productive resources by enabling people to use their savings and take use of readily available services like loans and insurance. This may actually result in decreased capital expenses and support overall business management. It is also beneficial in preserving microbusiness daily financial administration.
Therefore, Sustainability must be considered in financial inclusion, and in this regard, a balanced approach is crucial. Regulators and oversight bodies face difficulties because of this trade-off (Ibrahim,2010).

2. Review of Literature:
Financial exclusion, according to Sinclair (2001), is the incapacity to obtain essential financial services in a suitable format. Financial exclusion, according to Link and Associates (2004), is the inability of some customers to obtain suitable, reasonably priced, safe, and fair financial products and services from main stream suppliers. When financial exclusion affects low-income customers and/or people who are experiencing financial hardship, it becomes a community problem.
Leyshon, Signoretta, and French (2006) state that financial exclusion has multiple aspects that characterize the obstacles that keep certain individuals from utilizing financial services. These obstacles include: physical exclusion brought on by transportation issues to services; access exclusion brought on by risk assessment procedures; and condition exclusion produced by conditions connected to products that are inappropriate or unacceptable to customers; pricing exclusion (i.e., products that are too expensive); marketing exclusion, in which certain customers are kept in the dark about products by use of marketing tactics that aim at other individuals; and self-exclusion, which occurs when someone chooses to exclude himself willingly because to prior rejections or apprehension about rejection . Cnaan et al. (2012) have identified the same for exclusion.
Financial exclusion was defined in the 2010 European Social Watch Report as the incapacity of individuals, households, or groups to obtain essential financial services in a suitable format. Exclusion from finance raises the likelihood of poverty and social isolation considerably. An individual is thought of economic exclusion occurs when a person lacks access to part or all the services provided by reputable financial institutions in their home nation or don't make making use of these services.
According to Leeladhar V. (2006), banks should rethink their business strategies and include targeted programs to encourage the financial inclusion of low-income groups, considering it as a business, a business social obligation and an opportunity. Technology is a crucial instrument for granting access to financial goods in Cash dispensing ATMs in remote areas can be altered appropriately to ensure that even the most ignorant individuals can utilize them, less educated or lack proficiency in English. The connections with One affordable method to actively promote financial inclusion is through local communities and microfinance institutions.
The true problems of restricting banking technology to the urban population and preventing most rural areas of the nation from using it are explained by Visalakshi C. A. (2011). She is hopeful that the deployment of mobile ATMs, smart card technology, and post offices covered by an electronic payments

network in remote locations could all significantly contribute to the provision of financial services for those who are underbanked and without banks. The document conveys the idea that financial activities centered upon technology are a turning point in India' efforts to achieve inclusive growth.

3.Objectives:

1. **1.**To investigate the reasons of financial exclusion in Varanasi district.
2. To create plans for the banking sector's future increased attempts to accelerate the financial inclusion process in Varanasi district.
3. To evaluate the stability and depth of financial inclusion in Varanasi and to pinpoint the variables that affect it.
4. To investigate how technology contributes to financial inclusion.
5. To comprehend the variables impacting inclusive growth in Varanasi district and the effect of financial inclusion on it.

4. Significance of the Study:

Financial isolation pushes the impoverished into a subsistence lifestyle and increases the likelihood of their reliance on informal sources, such as neighbourhood unregulated lenders, particularly for non-productive consumption-oriented costs. Depending on social assistance programs, which increases the economic load. Because it excludes a sizable portion of the population, it has a negative economic impact on the country. from prospects for micro entrepreneurship as well, limiting them from achieving economic productivity and augmenting the gross domestic product.

Recognizing the significance, the Indian government and the Reserve Bank of India developed carefully considered Financial Inclusion Plans. A great deal of work went into carrying out these plans. In India, there is one branch for every 12,100 people as of March 2014. But credit to the governments and the Reserve Bank of India's efforts, 2,11,234 villages now have banking connectivity as of March 2014. Which encompass the communities that 1,52,328 field business correspondents cover, as well as more than 50,000 USBs, or Ultra Small Branches.

Still, a sizable fraction of households-particularly those in rural areas remain outside the official banking system. Generally speaking, one of the most important aspects of contracting is wages level, debt from both non-formal and official sources, including banks. Despite the fact that numerous initiatives to reduce poverty are being carried out in rural India, remained impoverished, which hindered economic expansion. When there are multiple ten years after financial inclusion was first implemented, the progress has been noted to be slow.

The Indian government is committed to helping the underprivileged client complete the final mile. However, the true test for financial inclusion and futuristic banking would be in determining what services are offered, how they are offered, and who offers and gets them services.

5. Methodology:

According to Vaus (2001), Trochim (2006), and Creswell (2014), research design is the overall approach a researcher takes to combine the many study components in a logical and cogent manner, ensuring that the research problem is appropriately handled, and it serves as the guide for the gathering, measuring, and examination of the data.

This study, "Influence of Banking sector on Financial Exclusion, Financial Inclusion in India, "combines descriptive and exploratory research methods by recognizing the financial inclusion phenomena as a novel phenomenon to be studied. The root causes of financial marginalization, as well as depth, significance, and an action study by incorporating the idea of "financial inclusion" and the intended the respondents are presently seeing inclusive growth.

Explanatory research aims to provide explanations for observed phenomena, issues, or behaviours, whereas descriptive research looks for answers regarding causal factors and effects of a specific phenomenon. Action research implements a course of action to resolve a problem and serves as an effective method for connecting research with practical application. The primary emphasis of this study has been on financial exclusion, financial inclusion, and the influence of financial inclusion on the inclusive growth of society.

The research relies on secondary or published data obtained from the websites of the RBI, NABARD, and the Ministry of Finance, as well as from various annual, monthly, and occasional reports published by different financial institutions.

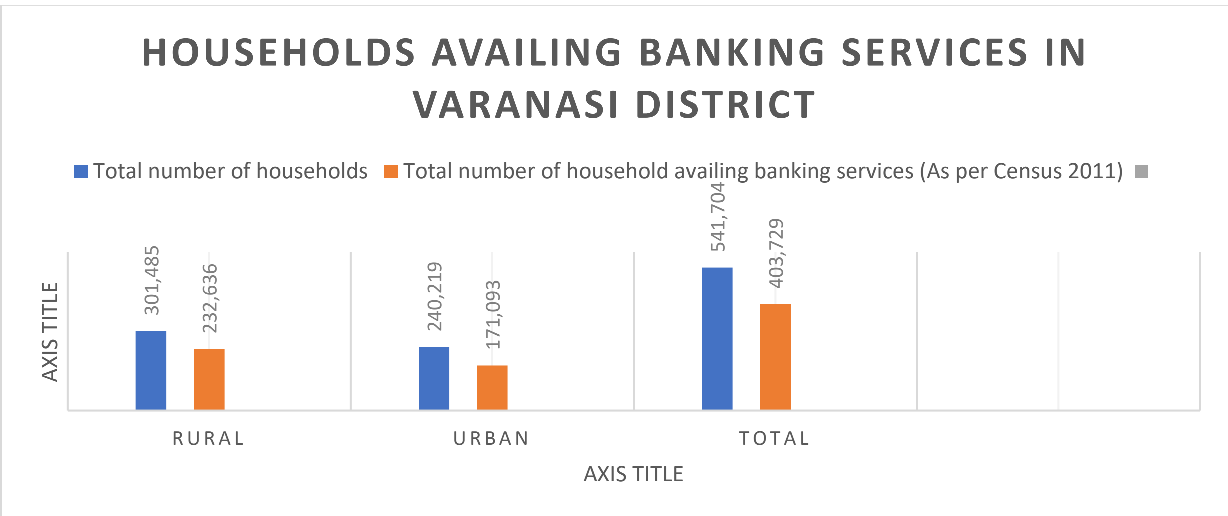
6. Data Collection and Analysis:

Households availing banking services:

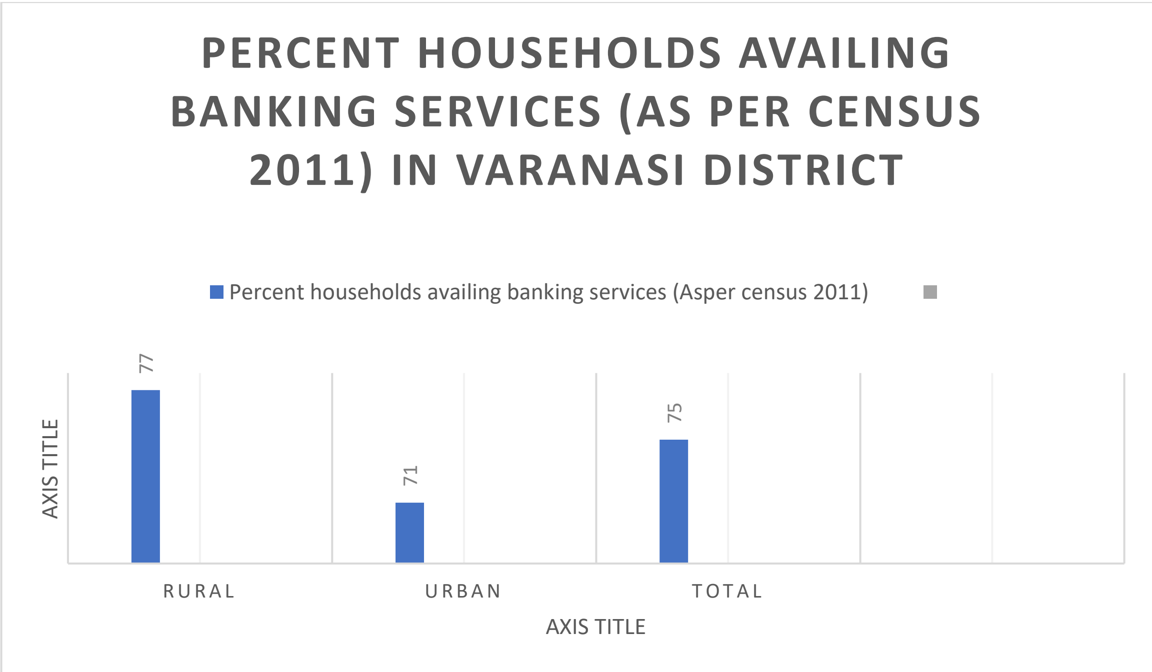
	Total number of households	Total number of household availing banking services (As per Census 2011)	Percent households availing banking services (As per Census 2011)
Rural	3,01,485	2,32,636	77.1
Urban	2,40,219	1,71,093	71.2
Total	5,41,704	4,03,729	74.5

Source: Census 2011

More than 25 % of Indians lacked access to banking services, according to the 2011 census. Both in urban and rural areas, a sizable portion of the population is economically excluded, as the graph below illustrates. It was essential for the government to launch financial inclusion programs that would lessen poverty and social injustice because slow financial growth hinders economic growth.



Source:Census 2011



Source: Census 2011

The position of households in India that use banking services is seen in the above graph. The graph above shows that, in 2011, just 77.1 percent of rural households had access to banking. Regarding urban families, the percentage decreased to 71 percent in 2011. It suggests a positive development in the direction of banking service admission. The aforementioned data shows that, in comparison to metropolitan areas, growth is higher in rural areas. From now on, it can be said that in order to promote inclusive growth, the government and RBI are both concentrating on rural penetration.

7. Conclusion and Suggestions:

One of the conclusions is that, prior to opening a bank account, the financially included did pay attention to what their village peers had to say. They also included themselves because of the government's Direct Benefit Transfer Scheme intervention. It is required to open an account with the bank functions as one of the factors that variables to add stability and depth to the finances. Therefore, the requirement for peer group pressure do hold a prominent position, and integrating them into the fold requires financial understanding.

Enhancing equitable growth in rural India via financial inclusion necessities a more comprehensive approach that includes increasing investment and providing more economic options for the improvised, as well as bettering the upkeep of important economic sectors like agriculture, industry, infrastructure etc, The goal and conclusion of account opening alone is not Bankers and financial inclusion should cultivate the trust and goodwill of the underprivileged by building solid connections with reachable financial endeavours. The primary obstacles to financial inclusion are accessibility, coverage, and a variety of financial services and products, as well as an appropriate delivery method for daily works.

In order for FBCs to confidently interact with both the well-educated and the illiterate on one side and the less educated on the other, better criteria must be set and FBC capacity building must be focused, the other side being bankers.

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