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Role Of Fintech In Financial Inclusion In Telangana – A Study

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Abstract

Financial Technology (Fintech), which have been crucial in banking the unbanked, have advanced financial inclusion in India. The rise of fintech businesses in the wake of the 2008 financial crisis has had a huge impact on all areas of the Indian economy, particularly banking. In order to address the diverse demands of the general public and reach every region of the country, fintech has emerged as one of the hotspots integrating a variety of technology with traditional banking. Several government programs, such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Vaya Vandana Yojana (PMVVY), Pradhan Mantri Mudra Yojana (PMMY), etc. The nation's fintech industry has benefited from high smartphone usage and internet access. According to a Ministry of Commerce and Trade estimate, India accounts for around 40% of all digital transactions worldwide. The Indian Fin Tech sector deserves all the praise. Financial services are crucial to the nation's economic growth. Fintech made it easier for financial services to reach people from all walks of life in the nation, particularly those who were underserved. Due to the widespread adoption of digitization brought on by lockdowns caused by the epidemic, the last three years have been revolutionary for the Fin Tech sector. The Boston Consulting Group and FICCI predict that by 2025, the Indian Fin Tech market will be worth more than \$150–160 billion. The RBI is initiating a number of unique actions that are creating history in the Indian financial sector in light of the 100 billion incremental value creation potential.

Keywords: Fintech, business, financial inclusion, RBI

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Introduction

India's economy is regarded as one of the fastest growing in the world, ranking fifth in terms of GDP and per capita income. However, the growth of any economy depends on a strong financial system and a select countries, such Canada, Singapore, Sweden, Norway, Australia, Germany, the United Kingdom, and America, which are closely linked to the development process. In contrast, there are still more than 1.7 billion people who do not have access to banking on a global scale. In India, the banking system has been strong, but while serving more than one billion people, more than 20% of the population does not have access to banking. Following the global financial crisis of 2008, the emergence of Fintech has played a pivotal part in igniting the financial inclusion drive. In terms of formal finance, they have played a significant role in bringing the unbanked population into banking on a wide scale. Furthermore, the fintech sector is predicted to be worth between \$150 and \$160 billion by 2025. They have also made it possible for traditional banking to accelerate financial inclusion by making significant progress in all areas related to some of the government's initiatives, such as Digital India, which has been technically supported by fintech companies that promote financial inclusion by bridging the gap between the rich and the poor, underserved, and unbanked.

Bridging the Access Gap

Telangana's traditional banking institutions frequently lack enough physical branches, particularly in isolated and rural areas like Adilabad, Nirmal, and Mancherial. By utilizing digital channels like smartphones, USSD codes, and mobile wallets, FinTech platforms remove geographical barriers and enable consumers who were previously cut off from conventional financial services to transact, save, borrow, and invest.

Reducing Cost of Financial Services

FinTech solutions use digital procedures to reduce operating costs. Wallets, digital payments, and online financing minimize the need for physical infrastructure and human intermediaries, making financial services more inexpensive for low-income and informal sector consumers.

Fostering Financial Literacy and Awareness

FinTech assists consumers in comprehending savings, credit, insurance, and investment products through user-friendly applications and colloquial interfaces. Financial behavior is improved by awareness campaigns and in-app instruction, which promote responsible borrowing and disciplined saving.

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Enhancing Efficiency and Transparency

Paperwork, human mistake, and corruption are all decreased by digital banking. Real-time transaction recording improves confidence and transparency. In welfare programs, where direct benefit transfers (DBT) guarantee that money reaches recipients without leakage, this is essential.

Supporting MSMEs and Entrepreneurs

Because of a lack of credit history, Telangana's small and micro businesses frequently have trouble accessing funding. FinTech lenders provide customized credit using alternative credit scoring (transaction data, mobile usage, payment history), facilitating the growth of businesses and the creation of jobs.

Empowering Women and Marginalized Groups

FinTech platforms facilitate women's access to insurance, microcredit, and savings, promoting economic independence. Digital financial tools enable communal savings and investments by empowering self-help organizations in rural Telangana.

Review of Literature

Ms. Divyani Datta (2023): focused on providing a conceptual understanding as to how fintech promoted financial inclusion post pandemic in India. The study was descriptive in nature furnishing an imaginary overview and it also mentioned that fintech would be helpful getting back to the economy on a track associated with its overall impact on population who using it at large.

Md. Qamruzzaman (2023): studied the impact of financial innovation on financial inclusion in as many as 22 Arab countries from the year 2004 to 2020 considering financial inclusion as dependent variable and ATMs, number of commercial banks depositors as independent proxy variables. Findings of the study revealed that there was a significant relationship between the variables and outcomes on the adaptation and spread of financial innovation was considered as a catalyst in spurring financial inclusion.

Dr. Reena Agrawal (2022): studied how fintech played a pivotal role in advancing financial inclusion and findings also revealed that fintech companies contributed to the enhancement of financial inclusion with a lot of innovation and technology.

Badar Alam Iqbal & Shaista Sami (2017): assessed the impact of financial inclusion on growth of the economy of India taking into consideration of seven years. Secondary data was analysed by using multiple regression model and outcomes of the study shown that there was positive and remarkable impact of bank branch and credit deposit ratio on GDP of the nation.

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Objectives

1. To know the current status of Fintech and financial inclusion
2. To assess the role of Fintech in financial inclusion

Methodology

The present study is descriptive based on secondary data which comprises journal articles, government reports and websites pertaining to fintech and financial inclusion in India. Regarding data analysis, the appropriate tables and figures have been presented to fulfill objectives of the study.

FinTech-Led Financial Inclusion

Digital Payment Ecosystem

Transactions have been made easier by platforms like mobile wallets, Aadhaar-enabled payment systems, QR code payments, and Unified Payments Interface (UPI). By bringing people into the official financial system, these instruments lessen reliance on cash.

Mobile and Internet Penetration

Digital financial services are becoming more widely available in Telangana because to rising smartphone adoption and reasonably priced internet (4G/5G) access. FinTech companies employ mobile apps to provide smooth customer experiences.

Alternative Credit Scoring Models

Many people are excluded from traditional credit evaluations because they do not have a formal credit history. FinTech expands financing to underprivileged populations by evaluating creditworthiness using data analytics, machine learning, and non-traditional data (bill payments, mobile data).

Regulatory Support and Sandboxes

FinTech innovation is encouraged by policies from Telangana's state administration and the Reserve Bank of India (RBI). New financial products can be tested in regulatory sandboxes while maintaining consumer protection.

Collaborations with Banks and NBFCs

FinTech frequently collaborates with banks and non-bank financial businesses (NBFCs) to scale delivery rather than taking the place of established institutions. Co-branded services blend institutional trust with technical flexibility.

Customer Protection and Security

User confidence is increased by encryption, fraud-monitoring technologies, and secure authentication (biometrics, two-factor authentication). For households to use digital financial services, trust is crucial.

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Current Status of Fintech and Financial Inclusion

Following the start of India's financial crisis in 2008, the fintech sector has grown to be one of the major hubs that helped establish contemporary banking and financial services. As a result, it has been instrumental in the growth of financial services, which has resulted in over 80% of people over the age of 15 having an account.

In addition to that, the adoption rate of fintech is said to be having about 87 percent comparatively much higher than the world average of 64 percent which is definitely indicating that fintech will contribute to the acceleration of financial inclusion associated with the financial solutions to posterity. Currently, there are 22 fintech unicorns and 33 soonicorns, out of which three startup hubs viz., Bengaluru, DelhiNCR & Mumbai which are highly being funded with a 77.8 percent and rest of the funding being gone to Chennai, Hyderabad & Pune respectively. In this direction, many banks in collaboration with fintech companies have implemented digital banking such as MPOS, POS, mobile wallets, mobile/tablet apps and social media with a view to bringing the younger population towards the banking as well as reaching a goal of financial inclusion.

The Role of Fintech in Financial Inclusion

In addition to up to 9500 fintech businesses operating and offering a wide range of goods and services, including payment, credit, investment, trading, wealth management, personal finance, insurance, and credit ratings, India's fintech sector has become a global superpower. Many uncertainties, possibilities, and risks are reportedly increasing following the fourth industrial revolution, which has made it necessary for the fintech sector to play a critical role in promoting financial literacy and achieving financial inclusion in the nation. In the meantime, the COVID-19 epidemic significantly increased the widespread and intense use of digital devices, which accelerated the advancement of financial inclusion and allowed the unbanked to access the banking system. Additionally, the Indian digital market is expected to grow at a CAGR of 22 percent from \$ 270 billion dollars in 2022 to \$ 1.3 trillion market by 2030. When it comes to fintech & digital players, they have become the integral part of the Indian financial system & NPCI which have been on offering innovative solutions viz., UPI, Aadhaar-based payment and APIs, etc. With support of it, internet has extremely used by fintech companies in providing a varied digital services associated with local partners reaching towards solutions of the next generation. As mentioned above, UPI is considered one of the most preferred modes of instrument among all the various retail payment systems which had a record of as

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many as 486878.15 lakh digital payment transactions to the tune of Rs. 8.92 lakh crore.

In India, UPI is one of the most popular payment methods. As a result, the value of transactions in 2021–2022 was 84.1 INR trillion, with a volume of 46 INR billion, compared to 139.14 trillion INR in 2022–2023, with 83.71 transaction volumes. This suggests that UPI transactions are increasing quickly due to initiatives, i.e., the advancement of Digital India is being successfully carried out by fintech companies associated with socio-economic issues, which are thought to be playing a significant role in promoting UPI transactions among India's population. Additionally, a significant increase in UPI transactions is anticipated in the upcoming years; hence, the value and volume of UPI transactions are forecast to reach approximately 455.6 INR trillion & 379.72 INR billion by 2026–2027. By all means, the 20 percent is still unbanked out of 140 crore population who would be certainly included in the process of financial inclusion on account of the advancement in technology like 5Gen., Blockchain Technology & Artificial Intelligence, etc.

The goal of financial inclusion is to give everyone in society—especially the underprivileged—access to basic financial services like banking, credit, insurance, and payments. By utilizing digital innovation and technology-driven solutions, FinTech (Financial Technology) has significantly accelerated financial inclusion in Telangana.

FinTech adoption is facilitated by Telangana's emergence as a technology-driven state with robust digital infrastructure. People in rural and semi-urban areas can now receive banking services without going to actual bank offices thanks to digital payment systems like UPI, mobile wallets, and Aadhaar-enabled payment services. These platforms have made transactions easier, decreased reliance on cash, and increased the number of people using the official financial system.

In Telangana, fintech has also changed how small enterprises, farmers, and unorganized laborers can obtain loans. These people are frequently excluded from traditional banking because they lack collateral or credit history. FinTech companies enable faster and more inclusive lending by evaluating creditworthiness using alternative data, such as transaction records and digital payment histories. Micro, small, and medium-sized businesses (MSMEs) have benefited from this by expanding and creating jobs.

Another important contribution of FinTech is in the delivery of government welfare schemes. Direct Benefit Transfers (DBT), supported by digital banking and

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Aadhaar integration, ensure timely and transparent distribution of subsidies and pensions, minimizing leakages and improving efficiency.

Additionally, FinTech promotes financial literacy through user-friendly mobile applications and digital awareness programs in local languages. This empowers users to make informed financial decisions regarding savings, insurance, and investments.

Conclusion

Fintech has been crucial in promoting financial inclusion by giving the unbanked people access to banking services that they have not had for a long time. In the meantime, the Digital India initiative has made it possible for some fintech businesses to collaborate with traditional banks, which has greatly benefited the general public, especially in rural areas, by allowing them to use banking services in their comfort zone. Additionally, UPI has become the most popular payment method, creating an even playing field for hassle-free, seamless financial transactions. But in the future, fintech firms will have far more power than ever before in the banking industry thanks to the use of blockchain technology, artificial intelligence, and the fifth generation of the internet. These technologies will undoubtedly change the banking industry's structure by enhancing its current ability to offer a wide range of financial services and achieving the goal of financial inclusion. The traditional cash-driven economy is now moving toward cashless and paperless mode of transactions. Fintech is an expanding field aimed to help people keep track of their finances and stay protected from dangerous financial abuse and exploitation. The barriers to financial inclusion for customers are complex, interconnected and varied across regions and demographic groups. Digital financial services present challenges as well as opportunities for customers. The challenges which are seen and observed through various reports and surveys brings to conclusion that as per Banking Annual by Business standard volume 14 issue 1, March 2023 “A less cash society is more achievable than a Cashless society.

FinTech has made financial services more accessible, economical, and effective, which has greatly advanced financial inclusion in Telangana. FinTech has helped close the gap between traditional financial institutions and marginalized communities through digital payments, mobile banking, alternative credit models, and direct benefit transfers. By making banking and credit services more accessible, it has empowered women, small companies, and rural areas. FinTech is anticipated to play a significant role in bolstering inclusive and sustainable economic

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development in Telangana with ongoing technology innovation, encouraging government policies, and rising digital literacy.

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